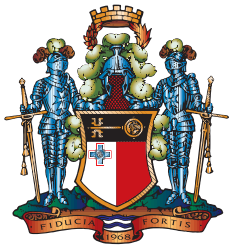

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EUROSISTEMA

CENTRAL BANK OF MALTA

QUARTERLY REVIEW

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CONTENTS

ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
ECB	European Central Bank
ecu	european currency unit
EONIA	Euro OverNight Index Average
ESA 95	European System of Accounts 1995
ESA 2010	European System of Accounts 2010
ESCB	European System of Central Banks
ETC	Employment and Training Corporation
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FTSE	Financial Times Stock Exchange
GDP	gross domestic product
HCI	harmonised competitiveness indicator
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
IC	Insurance Corporations
IF	Investment Funds
IMF	International Monetary Fund
LFS	Labour Force Survey
LTRO	longer-term refinancing operation
MFI	monetary financial institution
MFSA	Malta Financial Services Authority
MGS	Malta Government Stocks
MIGA	Multilateral Investment Guarantee Agency
MRO	main refinancing operation
MSE	Malta Stock Exchange
NACE	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
OMT	Outright Monetary Transaction
RPI	Retail Price Index
SPE	Special Purpose Entity
ULC	unit labour cost

FOREWORD[1]

The Governing Council of the European Central Bank (ECB) enhanced its accommodative monetary policy stance during the first half of 2016 to reinforce the economic recovery in the euro area and achieve a higher inflation rate according to its medium-term objective of inflation returning to levels below, but close to 2%.

A comprehensive package of measures was announced on 10 March, when the Governing Council decided to lower the interest rate on main refinancing operations (MRO) and the rate on the marginal lending facility by 5 basis points to 0.00% and 0.25%, respectively. The rate on the deposit facility was lowered by 10 basis points to -0.40%.

At the same time, the Governing Council also decided to expand the monthly purchases under its asset purchase programme by €20 billion to €80 billion and to increase the issuer and issue share limits for the purchases of securities issued by eligible international organisations and multilateral development banks. Moreover, the Eurosystem will buy investment-grade euro-denominated bonds issued by non-bank corporations established in the euro area under a new corporate sector purchase programme (CSPP). A new series of four targeted longer-term refinancing operations (TLTRO II), each with a maturity of four years, will also be launched in June. The interest rate for such operations will be fixed over the life of each operation, at the MRO rate prevailing at the time of take-up. However, for banks whose net lending exceeds a benchmark, the rate can be as low as the interest rate on the deposit facility prevailing at the time of take-up. These new operations will further strengthen the transmission of monetary policy by encouraging bank lending.

During the first quarter of 2016, the economic recovery in the euro area continued, with the gross domestic product (GDP) rising by 0.6% on a quarter-on-quarter basis. The expansion was primarily driven by domestic demand.

Inflation in the euro area extended its downward path, with the annual rate of inflation, measured by the Harmonised Index of Consumer Prices (HICP), turning negative in February, and ending March at 0.0% compared to 0.2% three months previously. The decline in the annual inflation rate between December and March reflected a more pronounced drop in energy prices, as well as a slower rate of increase in food prices. In contrast, prices of services increased at a faster pace. Inflation turned negative again in the second quarter, standing at -0.1% in May.

According to the Eurosystem staff projections published in June, the euro area recovery is expected to continue, with euro area GDP expected to grow by 1.6% in 2016 and by 1.7% in each of the following two years. Euro area HICP inflation is set to remain low in 2016, at 0.2%, on account of developments in energy prices. It is set to accelerate to 1.3% in 2017 and further to 1.6% in 2018.

The Maltese economy continued to expand strongly during the last quarter of 2015. The initial estimate showed real GDP rising at an annual rate of 5.7% in the fourth quarter, supported mainly by domestic demand.[2] During the first quarter of 2016, annual real GDP growth slowed down to 5.2%.

[1] The cut-off date for statistical information is 8 June 2016.

[2] According to NSO *Release* 091/2016, published on 8 June 2016, the annual rate of growth of real GDP in the final quarter of 2015 was revised up to 6.2%.

The domestic labour market benefited from the strong pace of economic activity, with employment continuing to expand and unemployment declining further in the final months of 2015. According to the Labour Force Survey (LFS), in the last quarter of 2015 employment increased at an annual rate of 3.0%. Data issued by the Employment and Training Corporation show even faster annual growth of 4.4% in November. The unemployment rate based on the LFS stood at 5.2% in the December quarter, marginally lower than in the previous quarter. The number of registered unemployed decreased again during the first quarter of 2016.

The annual rate of inflation in Malta eased further during the first quarter, reaching 1.0% in March from 1.3% in December. The deceleration in HICP inflation reflects lower increases in the prices of services and unprocessed food. In contrast, energy prices declined at a slower pace, while prices of non-energy industrial goods rose at a marginally faster rate. In April, the annual inflation rate moderated further to 0.8%.

During the last quarter of 2015, the unit labour cost (ULC) index, which measures the labour cost of producing a unit of output, declined by 1.2% on a year earlier, when measured on a four-quarter moving average basis. This followed a contraction of 0.6% in the previous quarter. The faster decrease reflected a slowdown in compensation per employee, as productivity growth was unchanged. The nominal and real harmonised competitiveness indicators (HCI) fell during the final quarter of 2015, signalling an improvement in price competitiveness. However, they rose between December and March, reflecting a slight appreciation of the euro against the pound sterling and the US dollar.

With regard to external developments, the current account of the balance of payments posted a substantially higher surplus in the last quarter of 2015 compared to the same period in the previous year. This resulted from an extraordinary swing to net inflows on the primary income account, higher net receipts on services as well as higher net inward flows on the secondary income account. These improvements were dampened by a widening in the merchandise trade deficit.

Monetary dynamics remained robust, with the annual rate of growth of total residents' deposits standing at 10.0% in March. This growth primarily reflects developments in overnight deposits. Credit to Maltese residents continued to expand during the first quarter, though the annual rate of growth moderated to 5.2% in March, from 5.6% three months earlier. Both credit to government and credit to other residents contributed to this deceleration. The annual growth rate of residents' deposits slowed further, to 8.7% in April, while the annual rate of credit growth edged up slightly to 5.5%.

Reflecting developments in the euro area, interest rates in the domestic money and capital markets fell between December and March. In the domestic money market, the yield on three-month Treasury Bills dropped by 4 basis points over the quarter to -0.14% as at end-March. In the primary market, the Government raised €247.6 million worth of Treasury bills during the first quarter. Government also tapped the primary capital during the quarter, issuing bonds for a total of €199.7 million, with a further €80.0 million issued in April. Meanwhile, in the secondary market, ten-year government bond yields declined further, falling by 46 basis points to 0.90% by the end of March.

Meanwhile, bank lending rates also edged down. The composite interest rate charged by monetary financial institutions on outstanding loans to resident households and non-financial corporations fell by 3 basis points during the first quarter, standing at 3.77% in March.

With regard to fiscal developments, in the last quarter of 2015 the general government balance improved on a year earlier, as revenue increased faster than expenditure. Over the year as a whole, therefore, the deficit narrowed, declining from 2.0% of GDP in 2014 to 1.5%. The general government debt-to-GDP ratio also fell, standing at 63.9% from 67.1% a year earlier. Between January and April 2016, the deficit on the Consolidated Fund, which captures most government transactions on a cash basis, narrowed compared with the same period of 2015.

In its latest projection exercise, which was concluded in May, the Central Bank of Malta expects real GDP growth of 4.9% in 2016, before moderating further to 4.2% and 3.6% in 2017 and 2018, respectively. Domestic demand is expected to be the main contributor to economic growth.

HICP inflation is set to ease to 1.1% in 2016, reflecting slower growth in prices of food and, to a lesser extent, of non-energy industrial goods. On the other hand, energy inflation is set to be less negative. Inflation is set to pick up to 1.7% and 1.8% in 2017 and 2018, respectively.

Risks to the GDP growth projections are slightly on the downside. Downside risks relate to the fragility of the external environment. In particular, a prolongation of weak activity in the euro area, a vote in the United Kingdom to leave the EU, or a more persistent slowdown in emerging economies would adversely affect exports. Additionally, policy measures that would reduce the fiscal deficit below the level entailed in the Bank's baseline projections could dampen aggregate demand. On the other hand a weaker-than-expected euro would boost exports, while imports could be lower than expected if efficiency gains in the energy sector are stronger. GDP growth could also be higher than expected if the saving ratio converges to its long-run average more rapidly than foreseen, implying faster growth in private consumption.

Risks to the inflation projections are slightly on the downside. Inflation could be lower than foreseen if the current weak inflation environment continues among Malta's main trading partners. Additionally domestic gas and fuel prices could fall further on the back of earlier declines in international oil prices. On the other hand, upside risks to inflation stem from a renewed weakening of the euro or a sharper-than-expected rebound in international commodity prices.

From a policy perspective, the recent narrowing in the fiscal deficit is a positive development. The latest Update of the Stability Programme foresees a further narrowing of the deficit in the coming years, with a close-to-balance position in 2018. The debt ratio is also set to decline, falling to below 60% that year. It is essential that additional measures are specified to ensure that these official targets are met.

The financial system remains sound, as reflected in the banks' liquidity and capital positions. However, further efforts are needed to raise provisions against non-performing loans and strengthen capital buffers.

If banks were to take advantage of the additional monetary policy measures introduced by the Eurosystem at the start of 2016, this would support credit growth further. While domestic interest rates have responded to past declines in official rates, there is still scope for the more accommodative policy stance pursued in recent years to be fully reflected in domestic interest rates. Greater transparency as regards non-interest charges would also help ease local financing conditions. The Central Credit Register launched recently should help in this regard, as it addresses information asymmetries among borrowers and lenders, and should stimulate greater competition across banks.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY[1]

Global economic activity showed some signs of stabilisation during the first quarter of 2016. In advanced countries, quarterly data for gross domestic product (GDP) were mixed, with growth in the United States and the United Kingdom moderating, whereas that in the euro area increased at a faster rate. Additionally, the Japanese economy rebounded as it expanded again after having contracted in the previous quarter. Emerging market economies generally remained fragile, particularly Brazil and Russia, whereas China and India registered steady growth.

In the March quarter, commodity prices recovered. Although oil prices declined further in January, they began to recover over the rest of the quarter. They remained considerably low compared with recent years, amid concerns on the global economy and excess supply. Prices of other commodities, such as gold, metal and food, rebounded following a number of quarterly falls. As global inflationary pressures remained low, major central banks continued with their accommodative monetary policies during the first quarter, with the Bank of Japan applying, for the first time, a negative interest rate on the current accounts held by financial institutions.

The Governing Council of the European Central Bank (ECB) enhanced its accommodative monetary policy stance during the first quarter of 2016, launching a comprehensive package of instruments in March which should help return euro area inflation towards its medium-term objective of below, but close to, 2%. Apart from reducing further key interest rates, the Council augmented its asset purchases, including through the launch of a corporate sector purchase programme (CSPP). The Council also announced a new series of four targeted longer-term refinancing operations (TLTRO II), each with a maturity of four years.

The international economy

US economic growth slows down further

The US economy continued to grow moderately in the first quarter of 2016. Real GDP increased by 0.2% on the previous quarter, following a rise of 0.3% in the previous three months (see Table 1.1).

Table 1.1
REAL GDP GROWTH IN ADVANCED ECONOMIES
Quarterly percentage changes; seasonally and working day adjusted [(1)]

	2015				2016
	Q1	Q2	Q3	Q4	Q1
United States	0.2	1.0	0.5	0.3	0.2
Euro area	0.6	0.4	0.3	0.4	0.6
United Kingdom	0.5	0.6	0.4	0.6	0.4
Japan	1.3	-0.4	0.4	-0.4	0.4

(1) Data for Japan are seasonally adjusted only.
Sources: Bureau of Economic Analysis, US; Eurostat; Office for National Statistics, UK; Cabinet Office, Japan.

[1] The cut-off date for data in this Chapter is 27 May 2016, except for euro area data, where the cut-off date is 7 June 2016.

Economic growth reflected positive contributions from personal consumption expenditure, residential fixed investment as well as state and local government spending. These were partly offset by declines in non-residential fixed investment, private inventories and exports, together with a downturn in federal government spending. Additionally, an upturn in imports contributed negatively to growth.

Labour market indicators pointed to some improvement during the period under review. Employment increased at a faster pace in March when compared to December, mirroring developments in both private services and government employment. Employment growth in the construction sector remained stable while that in the manufacturing sector turned negative. At the same time, the labour force participation rate remained relatively stable. The unemployment rate also was largely unchanged over the period at around 5.0% (see Chart 1.1).

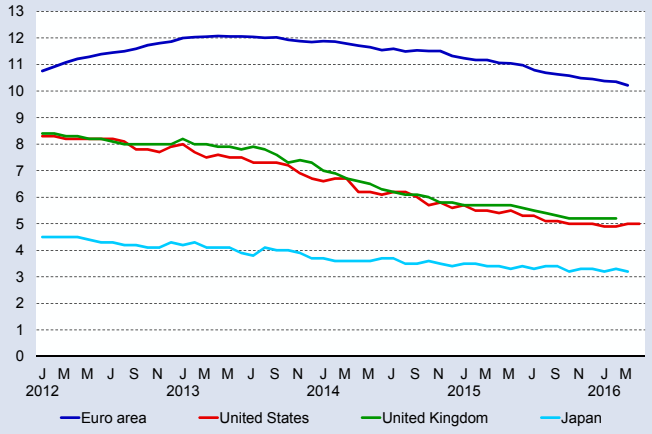
The unemployment rate remained at 5.0% in April, with strong month-on-month additions in employment across most sectors of the economy indicating the return of many job seekers to the labour market.

The annual inflation rate, as measured by the overall consumer price index (CPI), increased further, rising to 0.9% in March from 0.7% in December (see Chart 1.2). The pick-up in the CPI mainly reflected movements in prices of services, which accelerated over the period. On the other hand, energy prices continued to decline at the same annual pace, reflecting falling international oil prices, while prices of food and beverages grew at a constant annual rate over the three-month period. Excluding food and energy, inflation rose to 2.2% in March, up by 0.1 percentage point over December.

Going forward, the overall annual inflation rate edged higher to 1.1% in April.

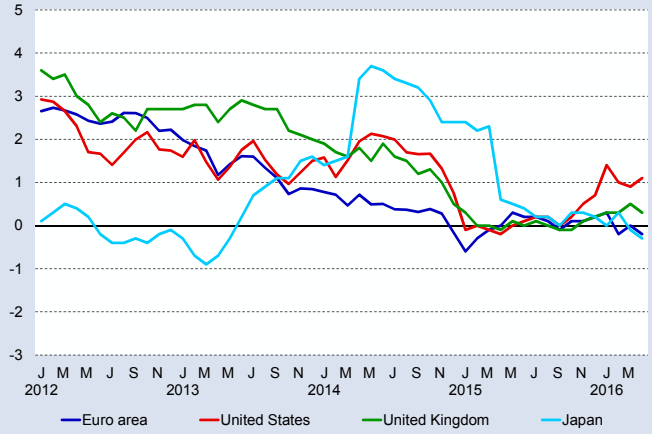
The Federal Reserve maintained its accommodative monetary policy stance in the first quarter of 2016, leaving the federal funds target range unchanged between 0.25%

Chart 1.1
UNEMPLOYMENT RATE
(percentage of the labour force; monthly data; seasonally adjusted)



Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

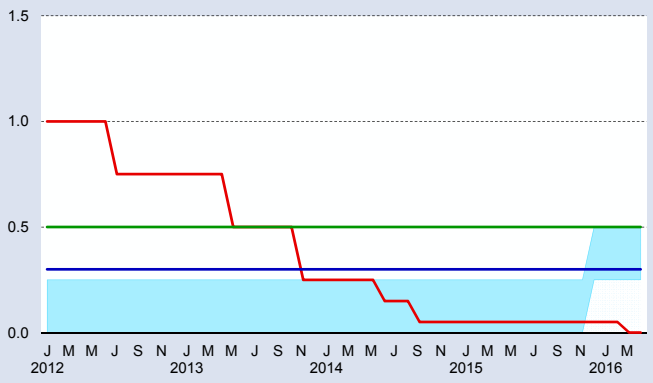
Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

and 0.50% (see Chart 1.3). Throughout the quarter under review, the Fed maintained its policy of reinvesting principal payments from its agency debt and agency mortgage-backed security holdings – purchased through its quantitative easing programmes – in agency mortgage-backed securities. It also continued rolling over maturing Treasury securities at auction.

Chart 1.3
OFFICIAL INTEREST RATES
(percentages per annum; end of month)



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

In April, the Federal Open Market Committee (FOMC) highlighted that labour market conditions improved further even as growth in economic activity slowed. The FOMC expected economic activity to continue expanding at a moderate pace, with the labour market strengthening further. Inflation was expected to remain low in the near term, partly because of earlier declines in energy prices, but to rise to 2% over the medium term.

UK economic growth moderates

UK economic growth lost some momentum in the first quarter of 2016. Real GDP increased by 0.4% on a quarterly basis, down from 0.6% in the last three months of 2015 (see Table 1.1). The slowdown in economic activity reflected developments in the services sector, especially in business services and finance. In addition, output growth in construction and the sector comprising agriculture, forestry and fishing turned negative, while the production sector recorded a decline for the second consecutive quarter.

Nevertheless, the labour market in the United Kingdom saw some improvement during the first quarter, with additional increases in employment. However, the unemployment rate remained constant at 5.2% in February over December (see Chart 1.1).

Inflationary pressures increased during the first three months of the year, as the annual rate of inflation rose to 0.5% in March from 0.2% in December (see Chart 1.2). During the quarter there were lower annual declines in prices of food, energy and non-energy industrial goods. On the other hand, services price inflation increased at a slightly slower pace. Inflation excluding energy and food rose marginally over the quarter, standing at 1.5% in March.

At the beginning of the following quarter, inflation subsided again, with the annual rate easing to 0.3% in April.

The Bank of England left its key monetary policy instruments unchanged during the first quarter of 2016, with the official bank rate standing at 0.50% and its stock of asset purchases retained at GBP 375.0 billion (see Chart 1.3). In its January meeting, the vast majority of the Bank's Monetary Policy Committee deemed the current monetary policy stance to be appropriate to generate economic growth that is sufficient to push inflation up to its target rate in around two years. In the

February and March meetings, the Committee noted that the bank rate would probably increase over the forecast period to ensure inflation returned to the target in a sustainable fashion. Additionally, the Committee expected to tighten its monetary policy more gradually and to a lesser degree than in previous cycles. Going forward, the Bank of England kept its monetary policy stance unchanged in April and May.

The Japanese economy recovers

The Japanese economy rebounded during the first quarter of the year, registering a quarterly growth rate of 0.4% following a contraction of 0.4% in the December quarter (see Table 1.1). Almost all components increased, especially household consumption and exports, which both recovered after having declined in the previous quarter. Moreover, government consumption continued to rise steadily while public investment growth turned positive. On the other hand, private residential investment declined further, while private non-residential investment growth turned negative.

The labour market in Japan saw further improvement in the first three months of the year, with the unemployment rate easing marginally to 3.2% in March when compared to December (see Chart 1.1). Additionally, the number of people in employment continued to increase on a year earlier.

Price pressures in the Japanese economy eased, with the annual inflation rate turning negative and standing at -0.1% in March from 0.2% three months earlier (see Chart 1.2). This partly reflected a faster decline in energy prices that offset an acceleration in food price inflation over the quarter. Excluding food and energy, the inflation rate decreased marginally to 0.7% in March. Going forward, the overall inflation declined further, reaching -0.3% in April.

During the first quarter, the Bank of Japan enhanced its monetary easing commitment within its quantitative and qualitative easing programme. In January the Bank started applying a negative interest rate of -0.1% on the current accounts held by financial institutions, and did not exclude further cuts if deemed necessary. It also continued with the targeted annual pace of expansion of the monetary base, confirmed at about 80 trillion yen in the January, March and April meetings.

Most emerging market economies remain fragile

The economic situation remained fragile in most major emerging economies in the first quarter of 2016. GDP growth in China moderated to 1.1% over the previous quarter, compared to 1.5% in the December quarter. Nevertheless, the annual rate stood at 6.7% in the first quarter, in line with the government's growth target of between 6.5% and 7.0% for 2016.

Other major emerging economies continued to perform poorly. The latest short-term indicators point to a continuous downturn in Brazil due to political uncertainty, deteriorating terms of trade and tightening financial conditions. Russian economic prospects remain bleak, amidst high uncertainty and low business confidence, coupled with lower oil revenues and trade sanctions. On the other hand, India is expected to remain resilient, following an increase in output of 1.7% on a quarterly basis in the last three months of 2015.

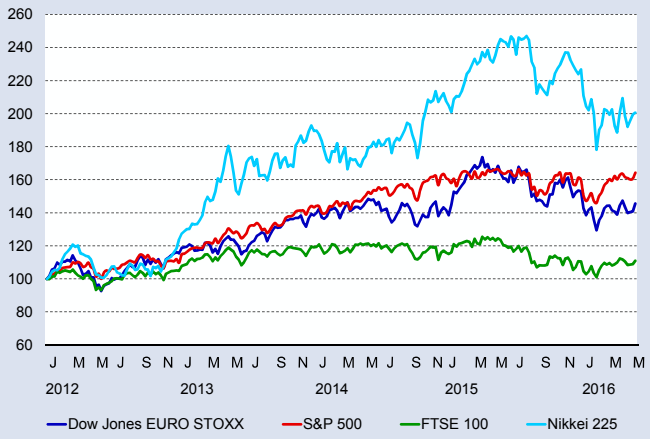
In March 2016 consumer prices in China accelerated, as the annual inflation rate rose to 2.3% from 1.6% in December. On the other hand, inflation in Brazil slowed to 9.4% from the double-digit rates registered three months previously. In Russia and India, consumer price growth also moderated over the quarter and stood at 7.3% and 5.5%, respectively.

International financial markets

Volatility in equity markets

In the first quarter of the year equity markets in a number of advanced economies reversed most of the gains registered in the final quarter of 2015 (see Chart 1.4). In the beginning of the year, equity prices declined partly due to concerns on emerging economies, particularly China, as well as falling oil prices and uncertainty about central bank policies and their effects on economic activity. Subsequently, however, share prices reversed part of the previous losses following the Bank of Japan's unexpected decision to cut the benchmark rate for current accounts below zero. Equity prices dipped again in mid-February to levels last seen in more than a year, before recovering in line with an upturn in international oil prices.

Chart 1.4
STOCK PRICE INDICES
(end of week index; Jan. 2012=100)



Source: Reuters.

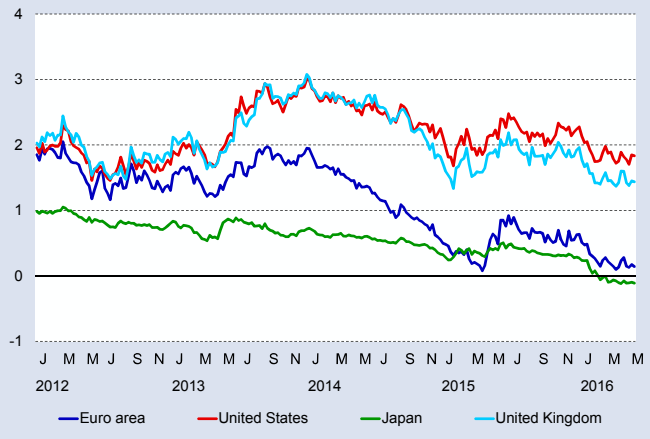
Hence, over the quarter under review, share prices in the euro area (DJ EUROSTOXX), the United Kingdom (FTSE100) and Japan (NIKKEI225) declined by 6.8%, 1.1% and 12.0%, respectively, while those in the United States (S&P500) were up by 0.8%. The small overall gain in the S&P 500 masks a spectacular rebound in the second half of the quarter that recovered the 10.5% losses registered until the low on 11 February.

Going into the following quarter, the FTSE100, the DJ EUROSTOXX, the S&P500 and the NIKKEI225 increased by 1.6%, 2.1%, 1.9% and 0.5% respectively by 27 May.

Bond yields fall across advanced economies

Ten-year sovereign bond yields in advanced economies dipped during the first quarter of the year. Between end-December and March, benchmark yields in the euro area, the United Kingdom, the United States and Japan fell by 48, 54, 49 and 31 basis points, respectively (see Chart 1.5). At the beginning of the year, US bond yields declined, partly driven by higher global uncertainty, doubts on the direction of the Fed's mon-

Chart 1.5
TEN-YEAR GOVERNMENT BOND YIELDS
(percentages per annum; end of week)



Source: Reuters.

etary policy and the unexpected announcement of negative interest rates by the Bank of Japan. Subsequently, Treasury note yields partly recovered following improved US economic data, better growth prospects and a rise in inflation. Japanese bond yields were also influenced by concerns over global growth and the Bank of Japan's monetary policy announcements during the quarter. They turned negative during February and continued to decline in the following month, reaching a low of -0.10% on 18 March.

By the end of the first quarter, the closing benchmark yields in the euro area, the United Kingdom and the United States stood at 0.16%, 1.42% and 1.78% respectively. Japanese ten-year bond yields remained slightly negative, ending the quarter at -0.04%.

Going forward, bond yields in the United Kingdom and the United States partly recovered and ended 27 May at 1.44% and 1.84%, respectively. On the other hand, those in the euro area and Japan declined and stood at 0.14% and -0.11%, respectively.

Commodities

Oil price decline bottoms out

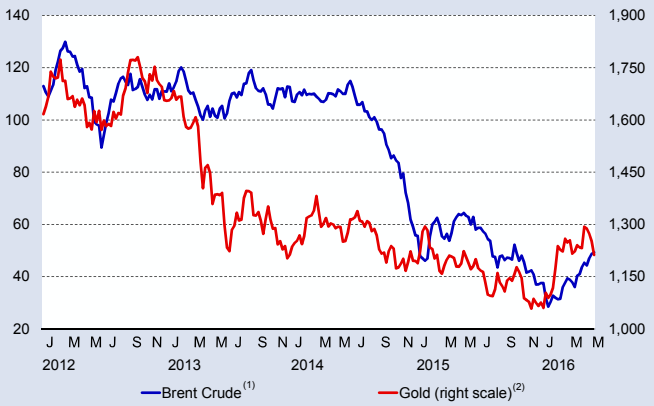
Oil prices appear to have bottomed out during the first three months of the year, dropping at a slower pace than in the previous quarters (see Chart 1.6). The price of Brent crude oil declined by more than 30% in the first few weeks of January amid lower-than-expected data on the Chinese economy and reached a low of USD 25.8 per barrel on 20 January. Oil market oversupply, concerns on the global economy and a stronger US dollar also weighed on oil prices. Nevertheless, as the quarter progressed, the price of oil recovered part of its previous losses following a proposal by major oil exporters to freeze production levels. The price of Brent crude oil stood at USD 37.31 per barrel at the end of March, which was still 0.7% lower than the value at end-December 2015.

The rebound in oil prices continued going forward, with Brent crude increasing by 32.1% to USD 49.29 per barrel on 27 May.

Gold price rises

During the first quarter of 2016, the price of gold rose for the first time after six consecutive quarterly declines. The gold price increased by 16.1% over the three-month period, ending March at USD 1,231.95 per troy ounce (see Chart 1.6). Gold acted as a safe haven in light of ongoing concerns on global economic growth and financial stability in emerging markets, in an environment of very low, or even negative, interest rates. Additionally, higher investment demand for gold boosted the

Chart 1.6
OIL AND GOLD PRICES
(end of week)

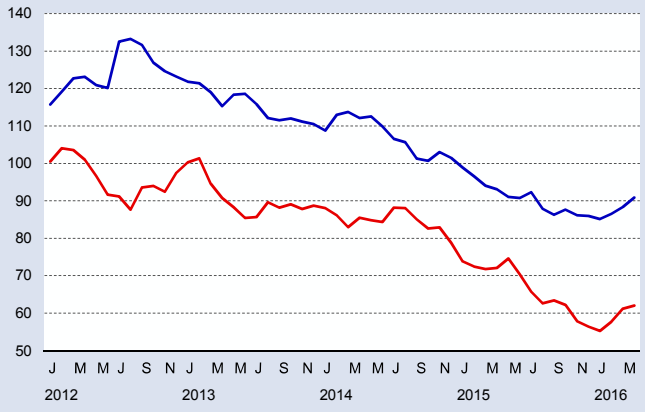


(1) US dollars per barrel; (2) US dollars per troy ounce.
Source: Reuters.

price, which reached a high of USD 1,271.06 per troy ounce on 10 March, before decreasing slightly in the remaining few weeks of the quarter.

Going into the second quarter of the year, the price of gold fell by 1.6% to USD 1,212.15 per troy ounce by 27 May.

Chart 1.7
COMMODITY PRICES
(monthly indices; 2005 = 100)



Source: World Bank.

Metal prices rebound

Prices of base metals increased during the March quarter, the first rise after five successive quarterly declines. The World Bank's Metals and Mineral index was up by 8.5% on quarterly basis, following a drop of 11.1% in the previous three-month period (see Chart 1.7). Prices increased for all metals, especially for iron ore, which was influenced by a disruption in supply and restocking following the Chinese lunar New Year. Metal prices also benefited from a falling US dollar. Prices of base metals continued to increase going into the following quarter, rising by 1.4% in April on a month-on-month basis.

Food prices on the rise

Food prices increased during the first quarter of 2016 after having fallen for four quarters in a row. The World Bank's Food Index gained 2.8% of its value on its previous quarter, after a 0.3% drop in the previous three-month period (see Chart 1.7). The price of rice increased significantly, amid concerns on dry weather. On the other hand prices of other grain products, such as maize and barley, continued to fall. Sugar prices also increased due to unfavourable weather conditions in major producing countries, such as such as Brazil, India, China, and the United States. Going into the second quarter of the year, food prices rose further, ending April 2.9% higher.

Economic and financial developments in the euro area

Economic activity in the euro area continues to recover

In the first quarter of 2016, the euro area economy extended the gradual recovery that began in 2013. The pace of expansion accelerated, with real GDP growing by 0.6%, on quarter-on-quarter basis, up from 0.4% in the previous quarter (see Table 1.2).

Domestic demand, notably private consumption and gross fixed capital formation, continued to be the main driver of economic growth in the euro area during the first quarter of 2016. In contrast, net exports contributed negatively for the third consecutive quarter.

Private consumption expanded by 0.6% in the first three months of the year, up from 0.3% growth in the previous quarter. Moreover, government consumption and investment increased further, although at a slower pace, rising by 0.4% and 0.8%, respectively. Changes in inventories also contributed positively to growth.

Table 1.2
REAL GDP GROWTH IN THE EURO AREA[1]
Seasonally and working day adjusted

	2015				2016
	Q1	Q2	Q3	Q4	Q1
	Quarterly percentage changes				
Private consumption	0.4	0.3	0.5	0.3	0.6
Government consumption	0.5	0.3	0.3	0.5	0.4
Gross fixed capital formation	1.5	0.1	0.5	1.4	0.8
Exports	1.5	1.6	0.4	0.7	0.4
Imports	2.3	0.9	1.3	1.4	0.7
GDP	**0.6**	**0.4**	**0.3**	**0.4**	**0.6**
	Percentage point contributions				
Private consumption	0.2	0.2	0.3	0.2	0.3
Government consumption	0.1	0.1	0.1	0.1	0.1
Gross fixed capital formation	0.3	0.0	0.1	0.3	0.2
Change in inventories	0.2	-0.2	0.2	0.1	0.1
Exports	0.7	0.7	0.2	0.3	0.2
Imports	-0.9	-0.4	-0.5	-0.6	-0.3
GDP	**0.6**	**0.4**	**0.3**	**0.4**	**0.6**

[1] Figures may not add up due to rounding.
Source: Eurostat.

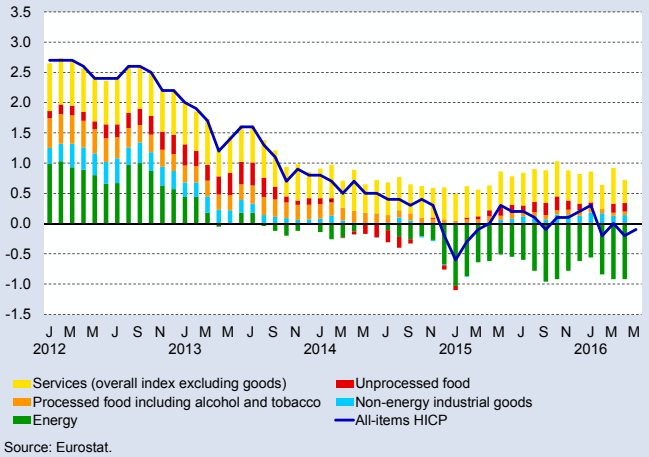
On the other hand, the external balance acted as a drag on growth, as imports expanded at a faster rate than exports. Compared with the previous quarter, export and import growth moderated.

Annual inflation declines

The annual rate of inflation in the euro area, measured on the basis of the Harmonised Index of Consumer Prices (HICP), extended its downward path during the first quarter of 2016. The inflation rate turned negative in February, after four consecutive monthly increases. It recorded zero growth in March, compared to a 0.2% increase in December.

The decline in euro area inflation during the first quarter was primarily driven by a more pronounced drop in energy prices, reflecting past declines in international oil prices. Additionally, the annual rate of change of processed and unprocessed food prices moderated over the quarter. These components offset a faster rise in the prices of services (see Chart 1.8). Meanwhile, in March, non-energy industrial goods inflation was unchanged from December at very low levels. HICP inflation declined further in the following quarter, standing at -0.2% and -0.1% in April and May, respectively.

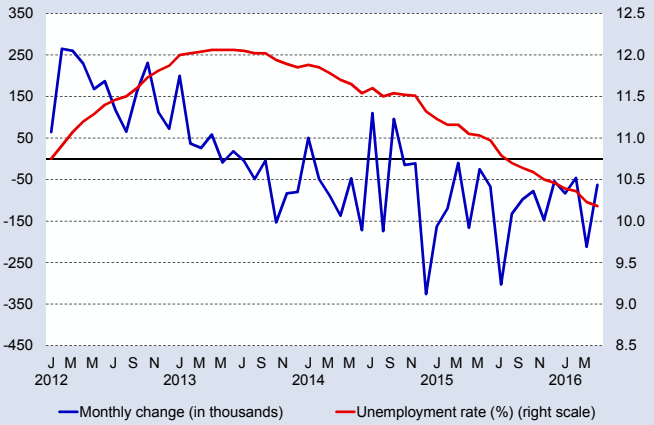
Chart 1.8
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)



Source: Eurostat.

The annual rate of change of HICP excluding food and energy rose marginally over the period under review. In March it stood at 1.0%, up by 0.1 percentage point over December, reflecting developments in prices of services. Going forward in the second quarter, this measure of inflation eased to 0.7% in April as the annual rate of change of services prices moderated, before rising marginally to 0.8% in May.

Chart 1.9
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)



Source: Eurostat.

Labour market improves further

During the first quarter of 2016 labour market conditions in the euro area continued to improve, with the unemployment rate declining to 10.2% in March, from 10.5% in December and 11.2% twelve months earlier (see Chart 1.9). Going into the following quarter, the unemployment rate remained stable at 10.2% in April. The current rate is the lowest seen since August 2011.

Eurosystem staff projections show recovery expected to continue

According to the Eurosystem staff's macroeconomic projections published in June, economic activity in the euro area is expected to continue its gradual recovery. Economic expansion should be supported by the ECB's accommodative monetary policy stance, low oil prices, improving labour market conditions and some fiscal easing in 2016. Real GDP is set to grow by 1.6% in 2016, before accelerating to 1.7% in both 2017 and 2018 (see Table 1.3).

Compared to the previous forecasts released in March, reflecting the relatively strong outcome for the beginning of the year, GDP growth is expected to be higher by 0.2 percentage points in 2016. Prospects for 2017 remain unchanged, while those for 2018 are projected to be marginally lower.

The recovery in the euro area is expected to be driven by domestic demand, especially by private consumption and investment. In fact, private consumption is projected to grow strongly in 2016

Table 1.3
MACROECONOMIC PROJECTIONS FOR THE EURO AREA[1]
Average annual percentage changes

	2015	2016	2017	2018
GDP	**1.6**	**1.6**	**1.7**	**1.7**
Private consumption	1.7	1.9	1.7	1.5
Government consumption	1.3	1.5	0.8	0.9
Gross fixed capital formation	2.7	3.2	3.4	3.3
Exports	5.2	3.2	4.2	4.4
Imports	6.0	4.7	4.7	4.8
HICP	**0.0**	**0.2**	**1.3**	**1.6**

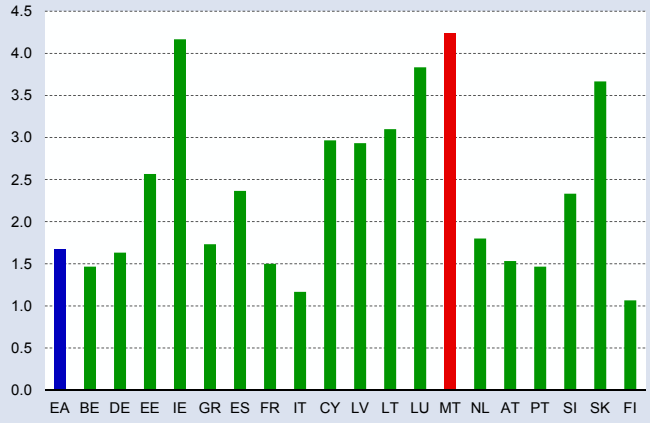
[1] Eurosystem staff macroeconomic projections (June 2016).
Source: ECB.

and then to moderate somewhat. Continued employment growth and rising wages should support disposable income and, hence, consumption. In addition, low financing costs, a moderate recovery in loan growth and rising household net worth are all expected to support private consumption.

Investment is also expected to contribute to euro area growth. A modest recovery is foreseen in housing investment. Business investment is projected to be supported by several factors, including rising demand, low financing costs and wider profit margins. The ECB's recent monetary policy measures will also support investment. On the external side, exports are projected to grow in line with the recovery in foreign demand.

The recovery in economic activity is expected to be broad-based across the euro area, with economic activity expanding across all Member States (see Chart 1.10).[2] Nevertheless, average growth rates over the projection period are expected to be fairly diverse, ranging from a low of just above 1% in Finland and Italy to more than 4% in Ireland and Malta.

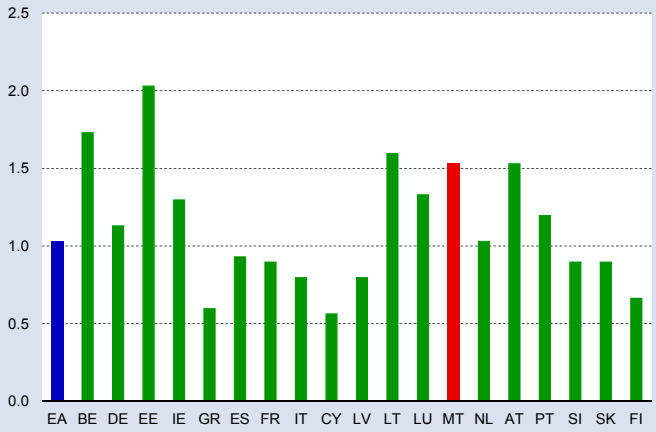
Chart 1.10
AVERAGE REAL GDP GROWTH 2016 - 2018
(annual percentage changes)



Source: Eurosystem.

On the nominal side, HICP inflation is expected to average 0.2% in 2016 and to accelerate to 1.3% and then to 1.6% in 2017 and 2018, respectively. The acceleration in inflation between 2016 and 2017 largely reflects the expected increase in international oil prices. Inflation should also increase as labour market conditions improve and the economic recovery strengthens. The inflation outlook has been revised slightly upwards for 2016 and has been left broadly unchanged for the following two years.

Chart 1.11
AVERAGE HICP INFLATION 2016 - 2018
(annual percentage changes)



Source: Eurosystem.

From a cross-country perspective, inflation is expected to accelerate in all euro area countries over the projection horizon (see Chart 1.11). It is projected to remain fairly subdued in countries such as Greece and Cyprus that are emerging from deep economic downturns,

[2] Information on euro area country projections was updated on 16 June 2016.

while being higher in more dynamic economies. Estonia is expected to record the highest average annual inflation rate, at 2.0%, though expected inflation in Malta, at 1.5%, exceeds the average in the euro area as a whole.

Robust money and credit dynamics

Annual growth in the broad monetary aggregate (M3) for the euro area remained solid over the review period, rising to 5.0% in March from 4.7% in December 2015, before easing to 4.6% in April (see Table 1.4). The acceleration in broad money growth occurred despite slower growth in narrow money (M1), as the decline in the remaining components of M3 eased.

Nevertheless, M3 growth continued to be driven by M1. M1 growth eased further over the first quarter, but remained at a high level. M1 increased at an annual rate of 10.1% in March, as against 10.8% in December, before moderating further to 9.7% in April. Developments in the most liquid components suggest that the euro area remains on a path of economic recovery.

Currency in circulation decelerated further, with its growth rate moderating to 5.9% and 4.6% in March and April respectively, compared to 6.7% in December. Meanwhile, overnight deposits, which also form part of M1, continued to grow at double-digit rates over the first three months, reflecting the low interest environment, which implies a low opportunity cost of holding the most liquid components of money. Nevertheless, the annual rate of growth of overnight deposits moderated to 11.0% in March and 10.7% in April, from 11.6% in December.

In contrast, the annual rate of change of time deposits stood at -2.4% in March, as against -3.5% in December. Marketable instruments forming part of M3 also continued to fall in March, although at a slower annual rate compared to December. Both components declined at a faster rate in April.

With respect to the counterparts of broad money, monetary growth was driven by its domestic components. In particular, credit dynamics improved further during the first quarter of year. Credit to general government increased rapidly over the quarter, partly reflecting the impact of the Eurosystem's asset purchase programme, with the annual rate of growth standing at 10.1% in March, from 7.9% in December. This rose further to 10.4% in April. However, loan growth to the private sector was still weak. The annual rate of growth of credit to the private sector stood at 1.1% in March, up from 0.8% in December and -0.2% a year earlier (see Chart 1.12). Going into the second quarter, it rose marginally to 1.2% in April.

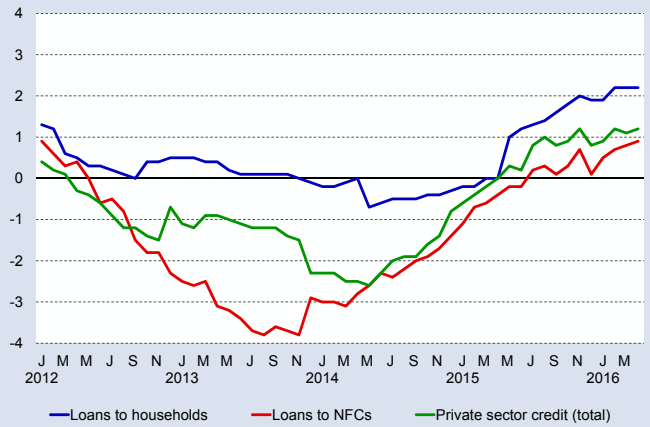
Table 1.4
EURO AREA MONETARY AGGREGATES
Seasonally adjusted; annual percentage changes

	2015				2016			
	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Currency in circulation	8.3	8.1	8.0	6.7	6.1	5.7	5.9	4.6
Overnight deposits	12.4	12.3	11.7	11.6	11.4	11.2	11.0	10.7
M1	**11.7**	**11.6**	**11.1**	**10.8**	**10.5**	**10.3**	**10.1**	**9.7**
Time deposits	-4.7	-4.3	-4.0	-3.5	-2.7	-2.6	-2.4	-2.8
M2	**5.2**	**5.3**	**5.2**	**5.3**	**5.5**	**5.4**	**5.4**	**5.0**
Marketable instruments	0.7	3.1	2.7	-3.9	-1.2	-2.4	-1.0	-1.6
M3	**4.9**	**5.2**	**5.0**	**4.7**	**5.1**	**4.9**	**5.0**	**4.6**

Source: ECB.

The acceleration in credit growth to the private sector during the first quarter reflected faster annual growth in both loans to households and loans to non-financial corporations, which reached 2.2% and 0.8% respectively by March. Going forward into April, loans to non-financial corporates increased at a marginally faster rate, while loans to households grew at the same rate as the previous month. The ECB's accommodative monetary policy measures, together with the progress in the supply and demand for bank loans have contributed in this regard. Nevertheless, loan growth is still being hindered by the ongoing consolidation of bank balance sheets and high levels of non-performing loans in some countries.

Chart 1.12
MFI CREDIT TO THE PRIVATE SECTOR IN THE EURO AREA
(annual percentage changes)



Source: ECB.

ECB expands its accommodative monetary policy stance

The ECB's Governing Council enhanced its accommodative monetary policy stance during the first quarter of 2016 with a comprehensive package of instruments launched in March. These tools have been calibrated to further ease financing conditions and to encourage new credit provisions which will reinforce the euro area's economic recovery and accelerate the return of inflation to levels below, but close to 2%.

The Council reduced key interest rates in March (see Chart 1.4). The interest rate on main refinancing operations (MRO) and the rate on the marginal lending facility were each lowered by 5 basis points to 0.00% and 0.25% respectively. The rate on the deposit facility was lowered by 10 basis points to -0.40%.

At the same time, the Governing Council also decided to expand the monthly purchases under its extended asset purchase programme (APP) by €20 billion to €80 billion. The additional purchases will begin to be implemented in April and are intended to be carried out until end-March 2017 or until a sustained adjustment in the path of inflation towards the ECB's target is achieved. Additionally, the Council also decided to increase the issuer and issue share limits for the purchases of securities issued by eligible international organisations and multilateral development banks from 33% to 50%.

In order to further strengthen the pass-through of the asset purchases to the financing conditions of the real economy, the Council decided to introduce a new corporate sector purchase programme (CSPP). In terms of this programme, the Eurosystem would purchase investment-grade euro-denominated bonds issued by non-bank corporations established in the euro area. Moreover, the Council announced a new series of four targeted longer-term refinancing operations (TLTRO II), starting in June 2016, each with a maturity of four years. Counterparties will be entitled to borrow up to 30% of the stock of eligible loans as at 31 January 2016. The interest rate under this policy will be fixed over the life of each operation, at the MRO rate prevailing at the time of take-up. For banks whose net lending exceeds a benchmark, the rate will be lower, and can

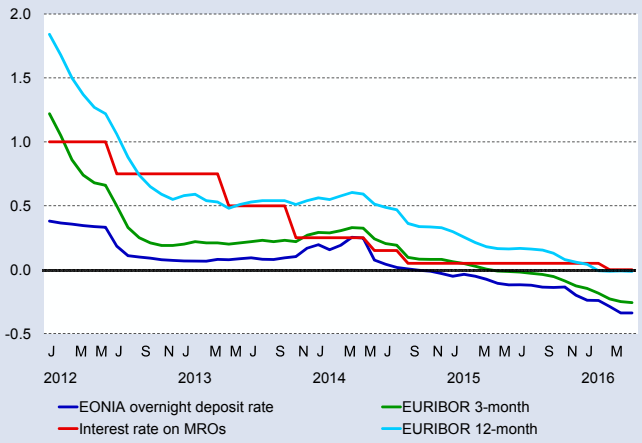
be as low as the interest rate on the deposit facility prevailing at the time of take-up. These new operations will further strengthen the transmission of monetary policy by supporting bank lending.

Going into the following quarter, the Governing Council kept the key interest rates unchanged. Moreover, in its June meeting, the Council announced that the Eurosystem will start making purchases under the CSPP on 8 June and provided further details about the programme.

Money market rates at record lows

In the light of further monetary policy easing by the ECB during the first quarter of 2016, money market rates continued their downward trend, with all benchmarks falling to new historic lows. During the March quarter, the EONIA deposit rate extended its decline into negative territory, reaching -0.29% in March (see Chart 1.13).[3] In the presence of excess liquidity, the three-month and twelve-month EURIBOR ended the quarter at -0.23% and -0.01%, with the latter turning negative for the first time in February. Going forward, money market rates fell further, with the EONIA rate and the EURIBOR three-month rate standing at -0.34% and -0.26% respectively by May, while the EURIBOR twelve-month rate remained unchanged.

Chart 1.13
KEY INTEREST RATES
(percentages per annum; monthly averages)



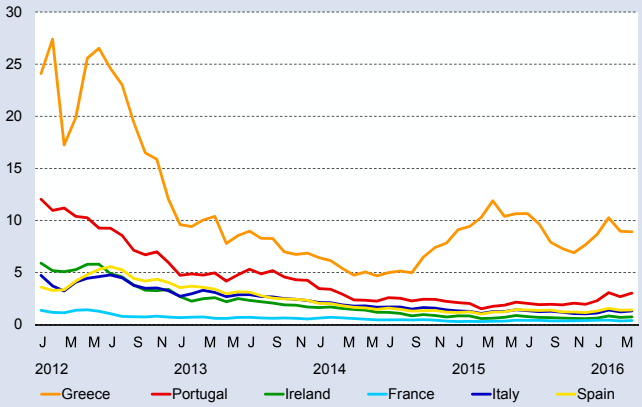
Source: ECB.

Bond yield spreads widen

Yields on ten-year benchmark government bonds in the euro area generally declined in the first quarter of 2016. The monthly average interest rate on ten-year German bonds dipped to 0.17% in March from 0.55% in December. The downward pressure on bond yields was driven by concerns on the global economy and market expectations of additional monetary policy stimulus by the ECB.

Sovereign bond yields across the euro area countries diverged during the quarter, with low-rated countries seeing an increase in their yields. Indeed, the spreads between yields on ten-year German bonds and those issued by most other euro area sovereigns widened (see Chart 1.14).

Chart 1.14
EURO AREA TEN-YEAR GOVERNMENT BOND YIELD SPREADS(1)
(vis-à-vis German ten-year government bond yields)



(1) Since there were no data for Greece for July 2015 due to market closure, the spread was left equal to that of the previous month.
Source: ECB.

[3] EURIBOR is an interest rate benchmark indicating the average rate at which principal European banks lend unsecured funds on the interbank market in euro for a given period. The EONIA (Euro OverNight Index Average) is an effective overnight interest rate, measured as the weighted average of all overnight unsecured lending transactions on the euro area interbank market.

As can be seen in the Chart, this was particularly seen for Greek and Portuguese government bond yields. In the Greek case, this reflected on-going negotiations about the bailout programme, whereas in the case of Portugal this was influenced by uncertainty on the state budget and reform agenda following the election of a new government in November. Going into the second quarter of the year, in April the spread continued to widen in most countries.

The euro appreciates further

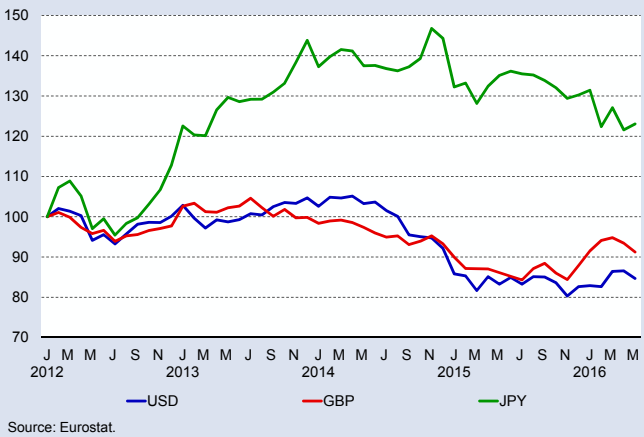
The euro exchange rate appreciated in the first quarter of the year, with the nominal effective exchange rate against the EER-19 group of countries rising by 2.5% by end-March, compared to the level recorded three months earlier (see Chart 1.15).[4] The euro appreciated partly due to higher uncertainty on the global economy, which may have triggered demand for euro as a safe-haven currency. Going into the following quarter, the euro reversed some of its gains as it weakened by 0.7% up to end-May.

On a bilateral basis, over the first three months of the year the euro gained 4.6% and 7.8% against the US dollar and pound sterling, respectively. In the latter case, the increase in the euro exchange rate reflected increased concern following the announcement of a referendum on the United Kingdom's membership of the European Union (see Chart 1.16). On the other hand, the euro lost 2.4% against the Japanese yen. Between March and May, however, the euro lost ground against other major currencies. It weakened against the pound sterling, the Japanese yen and the US dollar by 3.8%, 3.2% and 2.0%, respectively.

Chart 1.15
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

Chart 1.16
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2012=100; an increase in the index implies euro appreciation)



Source: Eurostat.

[4] This measure, the effective exchange rate (EER), is based on the weighted averages of the euro exchange rate against the currencies of Australia, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Hong Kong, Hungary, Japan, Norway, Poland, Romania, Singapore, South Korea, Sweden, Switzerland, the United Kingdom and the United States.

2. OUTPUT AND EMPLOYMENT

The Maltese economy continued to expand strongly during the last quarter of 2015. Economic activity was primarily supported by domestic demand, although net exports also supported the expansion. Sector data show that services continued to be the main driver of economic growth, with gross value added (GVA) in construction, agriculture and utilities recording smaller gains. Conversely, manufacturing output declined on the same quarter of 2014. Employment rose further, while unemployment continued to fall.

GDP and industrial production

Economic growth moderates but remains strong

The Maltese economy maintained a solid pace of expansion during the fourth quarter of 2015, with real gross domestic product (GDP) rising at an annual rate of 5.7%, following 6.5% growth in the previous quarter.[1] The main driver behind the expansion in the fourth quarter was domestic demand, though net exports, which had dampened GDP growth in the previous two quarters, also contributed (see Table 2.1).

On a quarter-on-quarter basis, real GDP went up by 1.1% in seasonally adjusted terms, slowing down from 1.4% in the third quarter. Economic growth in Malta continued to exceed that in the euro area, where the quarter-on-quarter growth rate was stable at 0.3% (see Chart 2.1).

Table 2.1
GROSS DOMESTIC PRODUCT(1)

	2014	2015			
	Q4	Q1	Q2	Q3	Q4
	Annual percentage changes				
Private final consumption expenditure	3.1	4.9	3.6	6.0	5.2
Government final consumption expenditure	9.4	3.9	5.3	-2.9	12.3
Gross fixed capital formation	11.7	4.2	33.5	44.7	9.2
Domestic demand	**9.1**	**4.4**	**8.9**	**13.0**	**4.3**
Exports of goods and services	1.7	-0.6	3.3	4.1	2.6
Imports of goods and services	3.8	-1.6	4.5	7.7	1.4
Gross domestic product	**5.7**	**6.2**	**6.9**	**6.5**	**5.7**
	Percentage point contributions				
Private final consumption expenditure	1.7	2.7	2.0	3.1	2.8
Government final consumption expenditure	1.8	0.8	1.1	-0.5	2.5
Gross fixed capital formation	2.1	0.9	5.7	6.6	1.8
Changes in inventories	2.8	-0.1	-0.4	1.6	-3.1
Domestic demand	**8.4**	**4.4**	**8.3**	**10.8**	**4.0**
Exports of goods and services	2.7	-1.2	4.9	6.0	3.7
Imports of goods and services	-5.5	3.0	-6.4	-10.2	-2.0
Net exports	**-2.8**	**1.8**	**-1.4**	**-4.2**	**1.7**
Gross domestic product	**5.7**	**6.2**	**6.9**	**6.5**	**5.7**

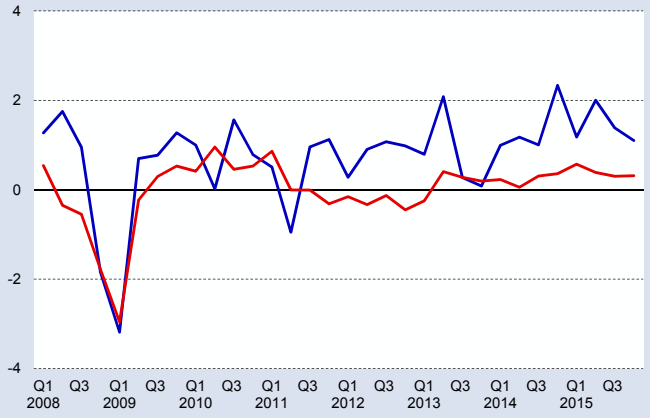
(1) Chain-linked volumes, reference year 2010.
Sources: NSO; Central Bank of Malta calculations.

[1] The analysis of GDP in this Chapter of the *Quarterly Review* is based on data in NSO *News Release* 041/2016, released on 8 March 2016, and available at http://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A1/National_Accounts/Pages/Gross-Domestic-Product.aspx.

Domestic demand continues to drive economic growth

During the last quarter of 2015, the annual growth rate of domestic demand eased to 4.3%, from 13.0% in the previous three months. Domestic demand contributed 4.0 percentage points to real GDP growth. The strongest positive impact came from private and government consumption. Gross fixed capital formation contributed to a lesser extent. On the other hand, changes in inventories contributed negatively to GDP growth.

Chart 2.1
REAL GDP GROWTH
(quarter-on-quarter percentage changes; seasonally adjusted)



Source: Eurostat.

Private consumption registered another strong increase during the period under review, contributing 2.8 percentage points to GDP growth. However, the annual rate of growth slowed to 5.2% from 6.0% in the previous quarter, partly reflecting some moderation in the rate of increase in compensation of employees. Nominal consumption data show that spending was higher across several commodity types, particularly restaurants and hotel services and transport, the latter partly on account of higher purchases of passenger cars, which were enhanced by incentives to replace old motor vehicles with new ones. Spending on household furnishings and equipment and financial services also contributed significantly. On the other hand, lower expenditure was recorded in the category that includes alcohol and tobacco as well as clothing and footwear.

Government consumption increased at an annual rate of 12.3% in the last quarter of 2015, following a contraction of 2.9% in the previous quarter. It pushed up GDP growth by 2.5 percentage points. Most of the increase in government consumption during the fourth quarter of 2015 was driven by intermediate consumption, which was partly boosted by extraordinary expenditure following the increased absorption of EU funds towards the end of the year.

Following a strong increase of 44.7% in the previous quarter, gross fixed capital formation rose by 9.2% on a year earlier, adding 1.8 percentage points to GDP growth. The rise in capital spending during the final quarter of 2015 can be mainly attributed to higher investment in machinery and equipment and in dwellings. Conversely, non-dwelling construction investment declined. In absolute terms, the increase in overall capital spending was primarily driven by the private sector, although government investment reached a very high level from a historical perspective, partly reflecting efforts to utilise funds under the 2007-13 EU Financing Programme.

Net exports increase

During the fourth quarter of 2015 exports of goods and services rose at a faster rate than imports.

Real exports increased by 2.6% on an annual basis, following a 4.1% increase in the previous quarter, with most of this moderation driven by services exports. In contrast, the annual rate of growth of goods exports edged up in the final quarter of the year.

Imports also grew at a more moderate pace, with the annual rate of change standing at 1.4% in the fourth quarter, down from 7.7% in the third quarter of the year. The rate of expansion of goods imports slightly moderated, while services imports contracted on an annual basis.

Largely mirroring the slowdown in import growth, the contribution to GDP growth stemming from net exports turned positive, standing at 1.7 percentage points during the fourth quarter of 2015.

Nominal GDP growth slows down

In nominal terms, annual GDP growth moderated to 8.6% during the last quarter of the year, from 9.2% in the previous quarter (see Table 2.2).

Looking at the distribution of GDP from the output side, the annual rate of growth of GVA slowed down to 7.7% in the quarter under review, from 10.2% in the previous quarter. GVA contributed 6.6 percentage points to nominal GDP growth, with services being the main driver behind the expansion.[2] The strongest contributions came from the sectors incorporating wholesale and retail trade,

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

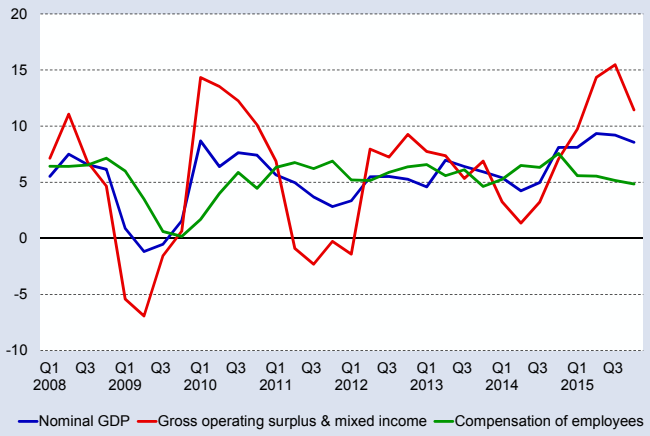
	2014	2015			
	Q4	Q1	Q2	Q3	Q4
Agriculture, forestry and fishing	0.4	0.1	0.0	0.1	0.2
Mining and quarrying; utilities	-0.4	0.2	0.5	0.9	0.5
Manufacturing	0.4	-0.2	0.2	-0.1	-0.1
Construction	0.3	0.0	0.5	0.4	0.3
Services	5.5	6.5	7.6	7.6	5.7
of which:					
Wholesale and retail trade; repair of motor vehicles; transportation; accommodation and related activities	1.2	1.4	1.9	2.2	2.0
Information and communication	0.7	0.4	0.4	0.4	0.3
Financial and insurance activities	0.1	0.7	0.6	0.8	0.4
Real estate activities	0.0	0.3	0.4	0.6	0.6
Professional, scientific, administrative and related activities	1.5	1.9	2.3	1.8	1.3
Public administration and defence; education; health and related activities	1.5	1.4	1.4	1.2	0.7
Arts, entertainment; household repair and related services	0.6	0.5	0.7	0.6	0.3
Gross value added	**6.1**	**6.6**	**8.8**	**8.8**	**6.6**
Net taxation on products	**2.0**	**1.5**	**0.5**	**0.4**	**1.9**
Annual nominal GDP growth (%)	**8.1**	**8.1**	**9.3**	**9.2**	**8.6**

Source: NSO.

[2] The difference between nominal GDP and GVA is made up of taxes on products, net of subsidies.

professional and scientific activities and public administration. Together these sectors accounted for around 60% of the year-on-year increase in overall GVA, adding 4.0 percentage points to nominal GDP growth.

Chart 2.2
NOMINAL GDP AND ITS MAIN COMPONENTS
(annual percentage changes)



Source: NSO.

The sector comprising mining, quarrying and utilities, as well as construction also supported output growth, as they generated a contribution of 0.5 and 0.3 percentage points, respectively. The agriculture, forestry and fishing sector added a further 0.2 percentage points. On the other hand, the manufacturing sector continued to have a negative effect on nominal GDP growth, as its GVA recorded the second consecutive decline in annual terms.

Looking at the distribution of GDP by factor income, gross operating surplus and mixed income went up by 11.4% in annual terms, a slower pace than the 15.5% recorded in the previous quarter (see Chart 2.2). In absolute terms, the majority of sectors recorded increases in their gross operating surplus during the fourth quarter of 2015, partly due to lower utility tariffs for commercial users that was introduced earlier during the year. The largest rise in gross operating surplus was recorded in the sector including professional, scientific and technical activities, followed by real estate, and the sector comprising energy and other utilities. The latter sector benefited from efficiency gains and lower oil prices. In the quarter under review, significant increases in operating surplus were also recorded in wholesale and retail trade as well as the sector comprising agriculture activities.

Compensation of employees also grew at a slower pace in the last quarter of 2015, with the annual rate of growth decelerating to 4.8% from 5.2% in the previous quarter. The strongest increases in absolute terms were recorded in the sectors comprising financial and insurance activities, in public administration, health and education as well as in the sector incorporating professional, scientific and technical activities.

Industrial production declines

During the first quarter of 2016, industrial production fell by 5.3% when compared with the same quarter a year earlier. This follows a 5.1% increase during the fourth quarter of 2015 (see Table 2.3).[3]

[3] Methodological differences may account for divergences between developments in GVA in the manufacturing sector and industrial production. GVA nets input costs from output to arrive at value added and is expressed in nominal terms. Industrial production is a measure of the volume of output that takes no account of input costs. The sectorial coverage between the two measures also differs, since industrial production data also capture the output of the energy, and water collection, treatment and supply sectors.

Table 2.3
INDUSTRIAL PRODUCTION[1]
Percentages; annual percentage changes

		2015				2016
	Shares	Q1	Q2	Q3	Q4	Q1
Industrial production	**100.0**	**4.4**	**7.9**	**7.2**	**5.1**	**-5.3**
Manufacturing	**83.3**	**4.6**	**8.8**	**7.3**	**5.4**	**-6.0**
of which:						
Computer, electronic and optical products	18.4	0.1	15.4	-9.8	-3.1	-9.0
Basic pharmaceutical products and pharmaceutical preparations	10.4	59.1	32.5	54.9	4.2	-20.6
Food products	8.1	2.2	11.8	18.4	6.7	-9.1
Printing and reproduction of recorded media	5.9	5.5	11.2	-10.4	-13.9	-25.6
Rubber and plastic products	4.4	1.7	5.6	1.7	8.7	4.6
Beverages	3.9	1.2	1.0	15.3	2.7	17.8
Energy	**16.3**	**4.2**	**0.0**	**6.0**	**3.7**	**-0.4**
Mining and quarrying	**0.4**	**-13.6**	**-3.1**	**7.8**	**-2.1**	**16.2**

[1] The annual growth rates of the industrial production index are based on working-day adjusted data. The annual growth rates of the components are based on unadjusted data.
Source: NSO.

The decline in industrial production during the first quarter of 2016 was mainly driven by companies operating in the pharmaceutical sector and those involved in the printing and reproduction of recorded media. Smaller contractions in production were also observed in the food sector, from manufacturers of computer, electronic and optical products and in energy production.

On the other hand, firms producing beverages as well as those producing rubber and plastics saw their output rise when compared with the same quarter of 2015. Production also increased in the mining and quarrying sector, although this sector has a small share in overall industrial production.

BOX 1: TOURISM ACTIVITY

The positive performance of the tourism industry persists

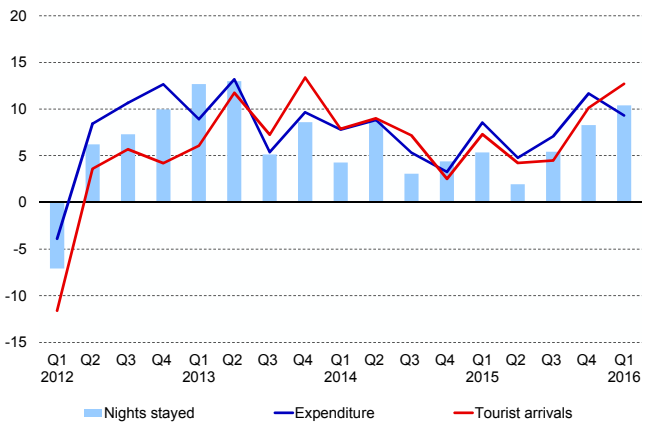
All main tourism indicators suggest that the buoyant performance of the industry persisted in the first quarter of 2016. During the first three months of the year, the number of inbound tourists, nights stayed and visitor expenditure all expanded significantly on the comparable period of 2015.

National Statistics Office (NSO) data show that the number of tourists in the first three months of 2016 was 281,341, a rise of 12.7% on the corresponding quarter of 2015 (see Chart 1). This was almost entirely driven by a rise in the number of leisure travellers, although the number of business and professional tourists also increased. In contrast, travellers visiting for educational, religious and health reasons declined markedly when compared with the same quarter of 2015.

In terms of geographical distribution, almost half of all tourist arrivals during the first quarter of the year visited from the United Kingdom and Italy, with the former remaining Malta's most

important source market accounting for 30.9% of total incoming tourists. At the same time, these two countries contributed significantly to the increase in the number of visitors. During the period under review tourist arrivals from the United Kingdom increased by 9,628, whereas visitors from Italy rose by 4,967 on the same months of 2015 (see Table 1). Substantial additions were also registered in a number of other source markets, particularly Scandinavia, Spain and Germany.

Chart 1
TOURISM INDICATORS
(quarterly averages; annual percentage changes)



Source: NSO.

On the contrary, the number of arrivals from France, Libya,[1] Switzerland and Austria declined in annual terms.

In the first quarter of the year, tourist spending in Malta reached €209.4 million, up by 9.3% in annual terms.[2] When compared with a year earlier all spending categories recorded

Table 1
INBOUND TOURISTS BY COUNTRY OF RESIDENCE
Number of visitors

	2015 Q1	2016 Q1	Annual Change
Total tourists	**249,629**	**281,341**	**31,711**
Austria	4,446	3,814	-632
France	16,958	15,713	-1,245
Germany	24,595	26,969	2,375
Ireland	5,277	5,493	216
Italy	46,013	50,980	4,967
Libya	1,836	651	-1,185
Netherlands	4,330	4,823	493
Russia	2,013	2,774	761
Scandinavia	8,943	13,460	4,518
Spain	3,504	7,006	3,503
United Kingdom	77,406	87,034	9,628
USA	3,275	3,899	623
Other	51,035	58,725	7,691

Source: NSO.

[1] The decline in visitors from Libya may reflect an under-representative sample size.
[2] Total expenditure is split into package, non-package and "other".

increases. Nonetheless nearly 90% of this surge was attributable to higher spending on accommodation and on the "other" component of tourist expenditure. At the same time, expenditure on travel fares and package holidays recorded smaller increases.[3]

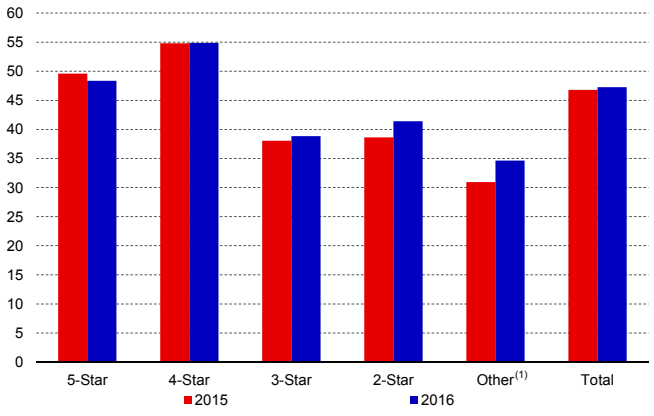
As tourism spending increased at a slightly slower pace than tourist arrivals, expenditure per capita terms, decreased to €744, €23 lower than a year earlier. Similar to a year earlier, tourists from Switzerland, the United States of America, Libya and Russia were on average the leading per capita spenders. At the same time, the average stay was slightly shorter than a year earlier, dipping marginally to 7.3 nights.

During the first quarter of 2016 tourists spent over two million nights in Malta, an increase of 10.4% on the same months of 2015. When compared with a year earlier, nights stayed in private accommodation increased by 16.2%, whereas nights spent in collective accommodation (including mainly hotels) rose by 7.8%. As a result, the share of nights spent in private accommodation rose to 32.2% of total nights, up from 30.5% in the first quarter of 2015.[4]

While during the first quarter of 2016 the number of nights stayed in collective accommodation establishments increased by over 100,000 nights, the number of bed places available also increased markedly on a year earlier, reflecting the temporary closure of a number of hotels for expansion or refurbishment in the first three months of 2015. As a result, the average occupancy rate in collective accommodation establishments edged up only marginally on a year earlier, ending the quarter at 47.3%, a half a percentage point increase on the same period of 2015 (see Chart 2).[5]

Quarterly surveys conducted by the Malta Hotels and Restaurants Association reveal that during 2015 as a whole, occupancy rates and gross operating profits per available room improved in all three main hotel categories. When compared with 2014, substantial advances were also recorded in the average achieved room

Chart 2
AVERAGE OCCUPANCY RATES IN THE FIRST QUARTER
(per cent)



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

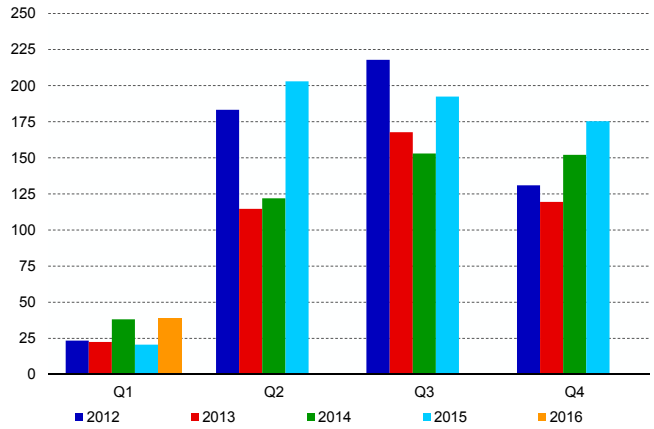
[3] Non-package holiday expenditure is subdivided into spending on accommodation and travel fares, while the "other" component captures any additional expenditure by tourists during their stay in Malta.
[4] Private accommodation includes self-catering apartments, farmhouses, and private residences. As per Eurostat recommendation, timeshare accommodation is classified as "private accommodation". Collective accommodation comprises hotels, aparthotels, guesthouses, hostels and tourist villages.
[5] Occupancy rates are reported by collective establishments and include nights spent in timeshare accommodation. As a result, developments in these rates may differ from those in nights stayed in collective accommodation, as the latter exclude timeshare accommodation.

rates. These went up by annual rates of 13.3%, 17.2% and 5.9%, in the five, four and three-star categories, respectively.[6]

Cruise liner visits increase

The number of cruise liner calls in the January-March period of 2016 increased to 17, significantly more than the 9 calls made in the comparable period of 2015. Concurrently, the total number of foreign cruise liner passengers stood at 39,303, the highest level in this period of the year since 2010, and almost double the number of passengers that visited in the first quarter of 2015 (see Chart 3).

Chart 3
CRUISE LINER PASSENGERS
(thousands)



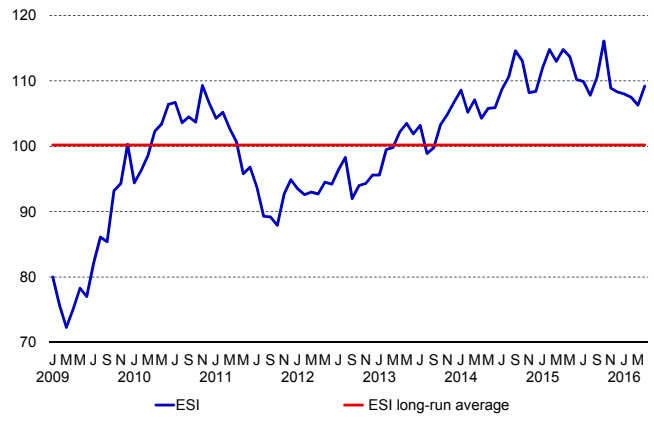
Source: NSO.

[6] See *BOV-MHRA Survey* – Q4 2015.

BOX 2: BUSINESS AND CONSUMER SURVEYS

During the first quarter of 2016, the economic sentiment indicator (ESI) fell slightly, standing at 106 in March, down from 108 in December 2015. Still, it remained above its long-term average of 100 (see Chart 1).[1,2] Lower confidence in the construction and industrial sectors outweighed increases in retail and services, leading to a fall in the overall sentiment indicator. Consumer confidence remained stable when compared with three months earlier.

Chart 1
ECONOMIC SENTIMENT INDICATOR
(seasonally adjusted; percentage points)

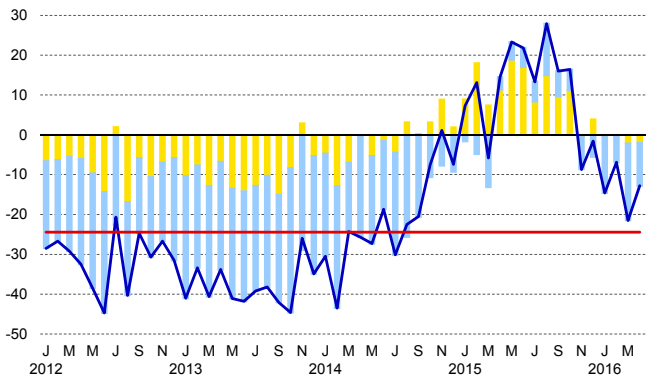


Source: European Commission.

[1] The ESI summarises developments in confidence in five surveyed sectors (industry, services, construction, retail and consumers).
[2] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicators, data became available in November 2002, while the services and construction confidence indicator data became available in May 2007 and May 2008, respectively. Since the retail confidence indicator began to be published as from May 2011, its long-term average is calculated since then. The long-term average of the ESI is computed from November 2002.

Going into the second quarter, the ESI rose again, reaching 109 in April. All components contributed to this pick-up, except for consumer confidence, which fell marginally.

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



Source: European Commission.

Confidence in the construction sector decreases further[3]

Sentiment in the construction sector fell during the first quarter of 2016, continuing the downward trend since August 2015 (see Chart 2). Confidence in this sector, which was positive, on average, during 2015, turned negative in November 2015 and remained negative thereafter. In the first three months of the year, the indicator fell further, standing at -22 in March 2016, compared with -2 three months earlier. Despite this fall, March's reading still stood marginally above the indicator's long-term average of -24. Going into the second quarter, sentiment in the construction sector increased, though the balance of replies was still negative at -13.

The reduction in confidence during the first quarter of 2016 was driven by a fall in firms' assessment of their order books and in their employment expectations for the subsequent three months, with a negative balance of replies in each case. Employment expectations fell below zero in January, remaining negative for the first four months of the year.

Additional survey data for March also indicate that, compared with December, a greater share of respondents anticipated lower selling prices for the subsequent three months, which coincides with a reported fall in building activity over the preceding three months.

Industrial confidence falls before edging up in April[4]

Confidence in the industrial sector edged down from -1 in December 2015 to -9 in March. After having turned negative in November 2015, this indicator fell below the long-run average of -5 in February 2016 (see Chart 3). More recent data show that the industrial confidence indicator increased to -4 in April, exceeding the long-term average marginally.

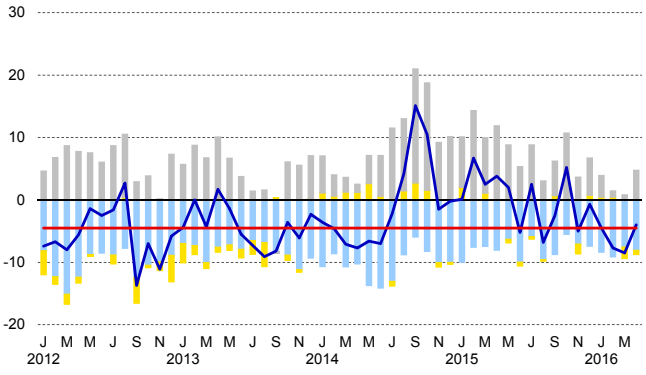
Negative sentiment levels in the first quarter of 2016 were primarily due to persistently weak order books. At the end of the quarter, on balance, firms also reported higher stocks

[3] The construction confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.
[4] The industrial confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished goods.

of finished goods, with a negative impact on the overall indicator.[5] These factors were partly offset by positive responses about production expectations throughout the quarter.

Furthermore, all sub-components of the indicator contributed to the overall fall observed during the first quarter. Between December and March, production expectations and order-book levels fell, whereas stock levels increased.

Chart 3
INDUSTRIAL CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

From a sectoral perspective, during the first quarter a significant fall in confidence was registered among firms producing intermediate goods. In turn, this was largely driven by a reduction in production expectations. Confidence also fell in firms producing investment goods, though it remained positive. In contrast, confidence rose among firms producing consumer goods, notably durables, and there was also an improvement within the food and beverages industry.

Additional survey data suggest that, on average, in March more respondents were expecting to increase their selling price in the following three months compared with December. On the other hand, although the balance of replies remained positive, fewer firms were expecting to increase their labour complement in the subsequent months.

Confidence in the retail sector increases[6]

In contrast, sentiment in the retail sector, which had fallen sharply during the previous quarter, recovered. It increased from 1 in December 2015 to 16 in March, thus exceeding the long-term average (see Chart 4). Data for April show a further increase, with the indicator edging up to 17 during this month.

The positive sentiment in March was driven by a favourable balance of replies regarding business activity, which was dampened by an above-average level of stocks of goods.

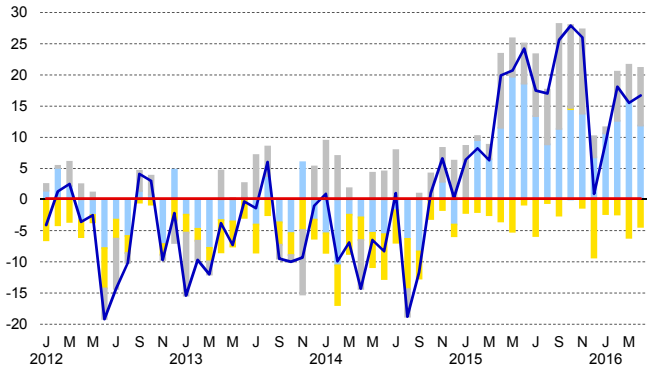
The rebound in confidence during the first quarter of 2016 was driven by all sub-components of the indicator. More specifically, it was influenced by an increase in business

[5] An increase in stock levels indicates lower turnover and affects the overall indicator in a negative way. Such increases are thus represented by negative bars in Chart 3.

[6] The retail confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to survey questions relating to the present and future business situation and on stocks.

activity over the previous three months. Projected business activity also increased, but to a lesser extent. Similarly, although still contributing negatively to the overall indicator, inventory levels decreased between December and March.

Chart 4
RETAIL CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

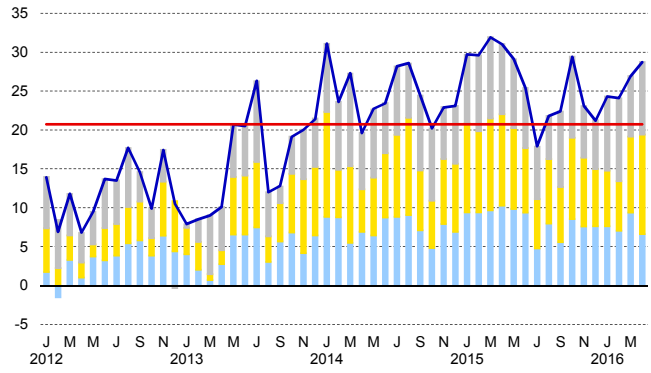
Additional survey data for March indicate that, compared with December, a greater share of respondents expected their labour component to increase in the following three months. On the other hand, while remaining positive, the balance of replies fell as regards anticipated order levels and firms' selling prices.

Confidence in the services sector increases[7]

Confidence among firms in the services sector rose to 27 in March, from 21 in December 2015. This increase follows a drop between October and December. The indicator remained above its long-term average of 21 throughout the first quarter of 2016 and edged up further in April, reaching 29 (see Chart 5).

All three sub-components of the services confidence indicator increased in March when compared with three months earlier. Respondents' assessment of demand increased by 7 points to 29, while their assessment of both the business situation over the previous three months and of demand over the subsequent three months improved by 5 points to 28 and 23, respectively.

Chart 5
SERVICES CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

[7] The services confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations in the subsequent three months.

Additional survey data indicate that, overall, in March a larger share of respondents planned to increase their labour complement in the subsequent months when compared with December. Similarly, the share of firms reporting employment growth in the preceding three months also increased. Meanwhile, a larger share of respondents expected selling prices to rise.

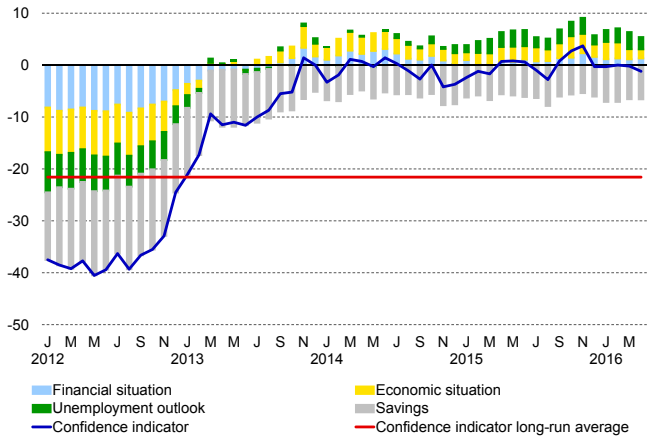
Consumer confidence remains stable[8]

Consumer sentiment was stable during the first quarter of 2016, with the indicator standing at 0 in March, unchanged from three months earlier. The indicator thus remained well above its long-term average of -22 (see Chart 6). Going into the second quarter, the indicator edged down to -1 in April.

Three sub-components of the sentiment indicator declined in March when compared with December 2015. On average, consumers assessed the general economic prospects and their own financial situation over the subsequent 12 months marginally less favourably compared with December. Consumers' savings expectations over the subsequent 12 months also fell, becoming more negative. In contrast, a larger share of respondents expected unemployment to fall in the following year.[9] All sub-components of the sentiment indicator performed better than their respective long-term averages.

In addition, in March a smaller share of consumers expressed the intention to make major purchases over the subsequent 12 months. On the other hand, consumers' price expectations increased from the level in December; on balance, respondents expected prices to increase slightly over the subsequent 12 months.

Chart 6
CONSUMER CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

[8] The consumer confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' financial situation, their ability to save, the general economic situation and unemployment expectations over the subsequent 12 months.

[9] A fall in unemployment expectations affects the overall indicator in a positive way. Such falls are thus represented by positive bars in Chart 6.

The labour market[4]

Labour market data show continued growth in employment and a further decline in unemployment in the final months of 2015. Administrative data show that unemployment decreased further going into the first quarter of 2016. The favourable developments seen in recent quarters partly reflect government efforts to increase labour market participation, but also the strong pace of expansion of the Maltese economy.

Employment rises further

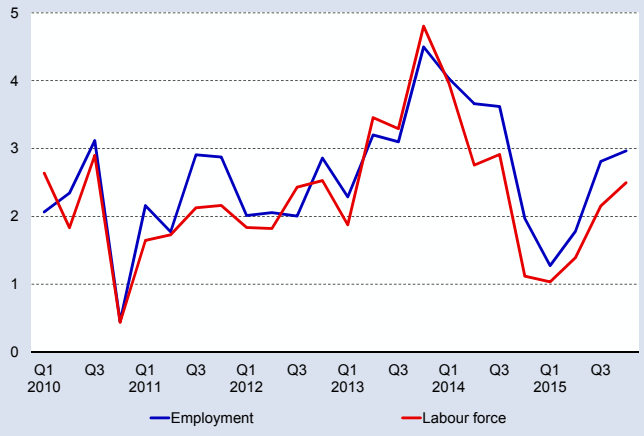
Labour Force Survey (LFS) data show that the labour force grew by 2.5% in the fourth quarter of 2015 over the same quarter a year earlier (see Chart 2.3).[5] This followed a 2.2% rise in the preceding quarter. Thus, the sharp slowdown in labour force growth seen in 2014 has been partly corrected throughout 2015.

Between September and December 2015, employment also gathered pace. Total employment increased by 3.0% on a year earlier, marginally up from 2.8% in the preceding quarter. The increase in employment during the fourth quarter reflected further growth in the number of full-time employees (see Table 2.4).

In absolute terms, the strongest increase in employment in the last quarter of 2015 was recorded among full-time workers, which increased by 5,009, or 3.3%, on the same quarter of 2014. The number of full-timers with reduced hours also increased, reaching 5,258, from 4,427 a year earlier. On the other hand, the number of part-timers fell by 457, or 1.9%, following a fall of 6.1% in the preceding quarter.

During the fourth quarter of 2015 the total employment rate stood at 63.9% and was thus 1.9 percentage points higher than a year earlier.[6] This reflected developments in both the male and female employment rates, although the largest increase was registered among the latter, which rose by 2.4 percentage points on a year earlier, to 50.7%. The male employment rate reached 76.6% at the end of 2015, up from 75.1% one year earlier. The increase in both the male and female employment rate was especially

Chart 2.3
LABOUR FORCE AND EMPLOYMENT BASED ON THE LFS
(annual percentage changes)



Source: NSO.

[4] This section draws mainly on labour market statistics from two sources: the LFS, which is a household survey conducted by the NSO on the basis of definitions set by the International Labour Organization and Eurostat, and administrative records compiled by the Employment and Training Corporation (ETC) according to definitions established by domestic legislation on employment and social security benefits.

[5] The LFS defines the labour force as all persons aged 15 and over active in the labour market. This includes those in employment, whether full-time or part-time, and the unemployed, defined as those persons without work but who are actively seeking a job and available for work. The ETC definition of the labour supply is more restricted: it consists of the sum of the full-time gainfully occupied population and the registered unemployed, aged 16 years and over.

[6] The employment rate measures the number of persons employed on a full-time or part-time basis as a proportion of the working-age population, which is defined as all those aged 15-64 years.

Table 2.4
LABOUR MARKET INDICATORS BASED ON THE LFS

Persons; annual percentage changes

	2014 Q4	2015 Q4	Annual change %	2014	2015	Annual change %
Labour force	**192,379**	**197,182**	**2.5**	**192,894**	**196,312**	**1.8**
Employed	181,514	186,897	3.0	181,698	185,718	2.2
By type of employment:						
Full-time	153,167	158,176	3.3	151,608	156,740	3.4
Full-time with reduced hours	4,427	5,258	18.8	5,317	5,093	-4.2
Part-time	23,920	23,463	-1.9	24,773	23,885	-3.6
Unemployed	10,865	10,285	-5.3	11,196	10,594	-5.4
Activity rate (%)	**65.7**	**67.5**		**66.3**	**67.5**	
Male	80.1	80.9		79.9	80.8	
Female	50.8	53.5		52.3	53.7	
Employment rate (%)	**62.0**	**63.9**		**62.4**	**63.8**	
Male	75.1	76.6		74.9	76.2	
Female	48.3	50.7		49.5	50.9	
Unemployment rate (%)	**5.7**	**5.2**		**5.9**	**5.4**	
Male	6.0	5.2		6.1	5.6	
Female	5.0	5.3		5.4	5.2	

Source: NSO.

pronounced among older workers, possibly reflecting the on-going effects of the increase in the statutory retirement age in 2013. In contrast, the employment rate among the youngest cohort, aged between 15 and 24 years, decreased.

Meanwhile the activity rate rose to 67.5% in the fourth quarter of 2015 from 65.7% in the same quarter a year earlier.[7] Similar to the employment rate, the increased activity rate reflects increases among both men and women. Indeed, the male activity rate went up by 0.8 percentage point to 80.9%, while the female participation rate rose by 2.7 percentage points to 53.5%.

During 2015 as a whole, the LFS measure of the labour force increased by 1.8%. Employment grew by 2.2%, after a rise of 3.3% in 2014. On an annual basis, the rise in employment in 2015 was driven by an increase in full-time employment which went up by 5,132 jobs, or 3.4%. This increase was partly offset by a fall in both the number of those working full-time with reduced hours and part-timers.

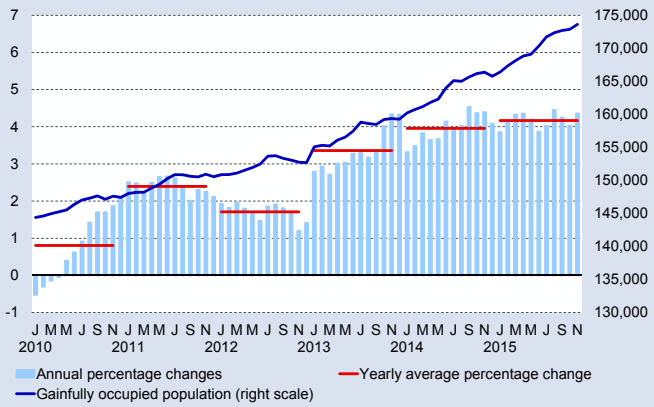
Over the course of 2015, the total employment rate extended its upward trend. At 63.8%, it was 1.4 percentage points higher than a year earlier. This strong increase goes in line with the Government's target to reach an employment rate of 70.0% by 2020.[8] Male and female employment rates rose with similar magnitudes. Indeed the male employment rate went up by 1.3 percentage points on a year earlier, to 76.2%. Similarly, the female employment rate rose by 1.4 percentage points on a year earlier, to 50.9%.

[7] The activity rate measures the number of persons in the labour force (whether employed or seeking work) as a proportion of the working age population.

[8] See "The National Employment Policy", *Ministry for Education and Employment*, May 2014, p. 13 and "Malta: National Reform Programme 2016", *Ministry for Finance*, April 2016, p. 33

In 2015 the activity rate rose to 67.5% from 66.3% a year earlier. Both male and female rates increased, with the latter registering the largest rise. These improvements in the labour market suggest that government policies aimed at encouraging labour market participation are bearing results.

Chart 2.4
GAINFULLY OCCUPIED POPULATION BASED ON ETC RECORDS
(annual percentage changes; persons)[1]



[1] Yearly average percentage changes for 2010-2014 are based on average for whole year, while for 2015 the average is based on data for the first 11 months of the year.
Source: NSO.

The administrative records of the ETC show that the gainfully occupied population, defined to include all persons in full-time employment, rose to 173,621 in November (see Chart 2.4). The annual growth rate went marginally up to 4.4% in November, compared to 4.2% in September. On average, employment in the first eleven months of 2015 was up by 4.2% on a year earlier, sustaining slightly higher growth than that registered in the same period of 2014.

Annual growth in employment was driven by the private sector, with the public sector registering only a marginal increase in employment in November (see Table 2.5). In November the number of full-timers within the private sector went up by 7,214, or 5.9% on the same month of the previous year. Public sector employment expanded by a marginal 0.1%. Although public sector employment increased in a number of sectors, it declined within the transportation and storage sector, following the transfer of public transport operations to a private firm in January 2015, and the consequent reclassification of employees.[9]

The rise in full-time private sector employment continued to be mainly driven by market services, where employment grew by 6,920 or 7.7% in November. New jobs were distributed among all major sectors within this category. Robust job creation in services mirrored the strong contribution of services activities to growth in GDP.

Similar to preceding months, the largest absolute increase within the services industry was registered in real estate, professional and administrative activities. Employment in this sector went up by 2,180 jobs, and accounted for just under one-third of the overall year-on-year rise in private market services employment. In turn, the most significant addition within this sector was in firms operating in security and investigation activities, and in office administrative and support activities. In addition, private sector employment in the transportation and storage sector increased by 19.3% or 1,252, mainly owing to the aforementioned transfer of public transport operations to a private firm in January 2015.

In November, employment in direct production within the private sector grew by 0.9% on a year earlier, up by almost 300 jobs.[10] The construction sector accounted for most of this rise, adding 191 full-time jobs. At the same time, employment in manufacturing increased by 30 jobs. Although

[9] See NSO *Release* 131/2015, Methodological Note No 8.
[10] Direct production relates to manufacturing, agriculture and fishing, mining and quarrying, construction and utilities.

Table 2.5
LABOUR MARKET INDICATORS BASED ON ETC RECORDS
Persons; annual percentage changes

	2014	2015				Annual change
	Nov.	Mar.	June	Sep.	Nov.	%
Labour supply	**172,877**	**174,030**	**175,531**	**177,613**	**178,381**	**3.2**
Gainfully occupied[(1)]	166,376	168,136	170,322	172,689	173,621	4.4
Registered unemployed	6,501	5,894	5,209	4,924	4,760	-26.8
Unemployment rate (%)	**3.8**	**3.4**	**3.0**	**2.8**	**2.7**	
Private sector	**121,874**	**124,077**	**126,055**	**128,280**	**129,088**	**5.9**
Direct production[(2)]	**32,030**	**32,334**	**32,312**	**32,320**	**32,324**	**0.9**
Market services	**89,844**	**91,743**	**93,743**	**95,960**	**96,764**	**7.7**
Wholesale and retail trade	24,058	24,192	24,348	24,593	24,755	2.9
Transportation and storage	6,475	7,360	7,522	7,684	7,727	19.3
Accommodation and food service activities	10,451	10,308	10,755	10,963	10,919	4.5
Information and communication	5,704	5,587	5,646	6,106	5,957	4.4
Financial and insurance activities	7,551	7,569	7,700	7,922	7,992	5.8
Real estate, professional and administrative activities[(3)]	19,535	19,962	20,494	21,330	21,715	11.2
Arts, entertainment and recreation	4,140	4,604	4,866	4,966	5,198	25.6
Education	4,771	4,738	4,778	4,796	4,866	2.0
Other	7,159	7,423	7,634	7,600	7,635	6.6
Public sector	**44,502**	**44,059**	**44,267**	**44,409**	**44,533**	**0.1**

[(1)] This category measures full-time employment.
[(2)] This includes employment in agriculture, fishing, mining and quarrying, manufacturing, electricity, gas and water supply, and construction.
[(3)] This includes employment in real estate activities, professional, scientific and technical activities, and administrative and support service activities.
Source: NSO.

several sub-sectors within manufacturing registered gains, these were partly offset by a decline in employment among firms involved in the printing and reproduction of recorded media.

The unemployment rate declines

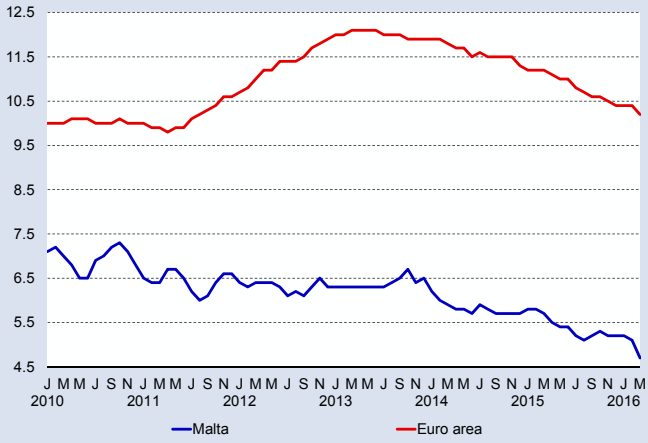
In the December quarter, the unemployment rate based on the LFS stood at 5.2%. This was 0.1 percentage point lower than in the preceding quarter, and half a percentage point less than a year earlier.[11] The jobless rate for males declined by 0.8 percentage point to 5.2%, while that of females rose by 0.3 percentage point to 5.3% compared with the fourth quarter of 2014. During 2015 as a whole, the LFS unemployment rate averaged 5.4%, down from 5.9% in 2014.

Eurostat's seasonally adjusted unemployment rate averaged 5.2% in the fourth quarter of 2015, also half a percentage point lower than a year earlier, and on average stable when compared with the preceding quarter (see Chart 2.5).[12] Available data for the first quarter of 2016 show that the seasonally adjusted unemployment rate dropped by a further 0.2 percentage point, to 5.0%. At these levels, the unemployment rate in Malta remains well below the average rate for the euro area, though the latter also continues to decline.

[11] According to the LFS the unemployed comprise persons between 15 and 74 years who are without work, available for work and who have actively sought work during the four weeks preceding the survey. In contrast, the number of unemployed on the basis of ETC data includes only those persons registering for work under Part 1 and Part 2 of the unemployment register.
[12] These statistics are based on Eurostat calculations.

The administrative records of the ETC also show a reduction in unemployment. The number of registered unemployed stood at 4,615 at the end of 2015, 309 less compared with September and 1,672 below the level recorded in December 2014 (see Chart 2.6). Based on the latest ETC data on the gainfully occupied, in November the jobless rate stood at 2.7%, 1.1 percentage points below the rate registered a year earlier, and 0.1 percentage point lower than in September.

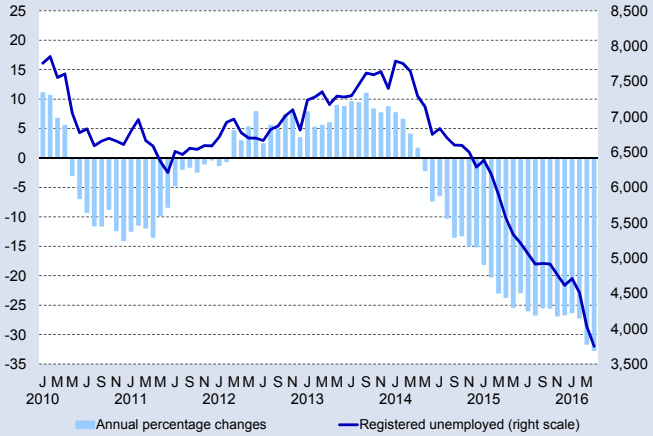
Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

Apart from a growing demand for labour, the drop in the number of registered unemployed throughout 2015 was also influenced by a range of measures aimed at reducing reliance on social benefits and taking up employment, such as the Youth Guarantee Scheme and the tapering of benefits.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

More recent data show that the decline in unemployment extended into 2016. The number of claimants for unemployment benefits fell by 864 between December and April, to reach 3,751. This was 1,817 lower than in April 2015.

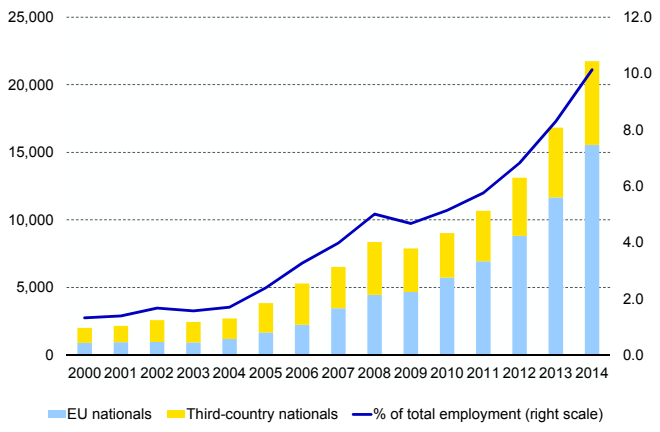
BOX 3: ASSESSING THE ECONOMIC IMPACT OF FOREIGN WORKERS IN MALTA[1]

Between the late 1940s and the beginning of the 1980s a substantial part of the Maltese population emigrated. In fact, a United Nations study prepared around the time of independence[2] had recommended mass emigration as "the only feasible solution in the long run" for the economic development of Malta.[3] The subsequent rapid expansion of the Maltese economy[4] led to a growing demand for labour which dampened the incentives for Maltese to emigrate and led many former emigrants to return. Thus the Maltese islands became recipients of net inward migration. The amount of non-Maltese inward migration remained quite low and a significant number of these were people who came to retire in Malta, with limited economic activity on the islands.

The size and characteristics of the foreign workforce in Malta

Migration of persons of working age to Malta started to become noticeable only in the 2000s. ETC administrative data indicate that in 2000 there were close to 900 EU citizens working full-time and/or part-time in Malta (see Chart 1). This was significantly smaller than the amount of third-country nationals working in Malta at that time. By the time of Malta's accession to the EU, the number of third-country nationals had risen by 35.8% and still outnumbered the number of workers from the EU. Just three years after, this had changed, with workers from EU countries beginning to outnumber those from third-countries. The number of foreign workers declined slightly in 2009 as a result of the economic downturn, just like it had done in the two years before EU accession when the Maltese economy was restructuring. After this short interlude, the size of the foreign workforce showed an ever-increasing annual rate of growth, principally fuelled by EU citizens, whose number more than trebled to over 15,500 by 2014. Even though the number of third-country nationals doubled over this period, by 2014 they amounted to 6,190 or just

Chart 1
SIZE OF FOREIGN WORKFORCE IN MALTA
(number of persons; % of total employment)



Source: Author's calculations using administrative data provided by the ETC.

[1] Prepared by Dr Aaron G. Grech. Dr Grech is the Chief Officer of the Economics and Statistics Division. He would like to thank Mr Clyde Caruana (ETC) and Mr Marvin Gaerty (Commissioner for Revenue) who provided data essential for this research. The views expressed are those of the author and do not necessarily reflect those of the Central Bank of Malta.

[2] Stolper, W.F., Helberg, R.E.R. & Callander, S.O. (1964), Economic adaptation and development in Malta, *Report prepared for the Government of Malta under the United Nations Programme of Technical Assistance of the Department of Economic and Social Affairs*.

[3] A number of economic studies of Maltese emigration can be found in Delia, E.P. (2006), Papers on Malta's Political Economy, *Midsea Books*.

[4] See Grech, A. G. (2015), The evolution of the Maltese economy since independence, Central Bank of Malta.

28% of the foreign workforce in Malta. Just before EU accession their share had peaked at 63%.

Chart 1 shows that the share of foreign full-time workforce has expanded significantly since EU accession. Until then, the increase in the foreign workforce was relatively moderate, from 1.3% in 2000 to 1.7% in 2004. By 2008, this share had more than doubled to 5%. This share then remained unchanged till 2010, as the economic downturn seems to have been more sharply felt by foreign employees. Whereas the employment of Maltese citizens continued relatively unabated during 2009, the employment of foreigners fell by 7%, mostly among third-country nationals. The economic recovery led to renewed demand for foreign workers, to the extent that by 2014 their share had doubled again to over 10% of the total workforce. Labour Force Survey data indicate that across the EU, the share of foreign workers ranges from less than 1% in Poland and Hungary to over 50% in Luxembourg. The estimate provided here[5] puts Malta above the EA average (8%), and slightly below Italy (10.3%) and Spain (10.6%). The importance of the foreign workforce in Cyprus in relative terms (over 19%) is about double that in Malta, mostly on account of a higher incidence of third-country nationals working there. Even in Italy and Spain the bulk of migrant workers are from non-EU countries. This is not the case in Malta, where most migration was from the EU.

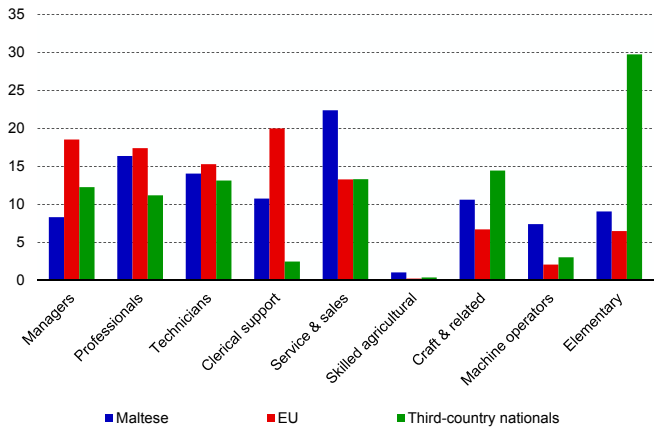
Immigration has helped accommodate the rising demand for labour in Malta. In the absence of immigration, in the last eight years Malta's working age population would have declined by 1%, instead of rising by 3%. ETC data suggest that between 2010 and 2014 the number of full-time and part-time jobs rose by over 25,500, which was nearly equally divided between Maltese and foreign workers. The growth in the foreign workforce occurred despite the fact that the rise observed in the number of employed Maltese during 2010 to 2014 was nearly double that seen between 2004 and 2008. Rising female participation has more than offset the effects of a smaller working age population of Maltese citizens, with Maltese women taking up nearly two-fifths of the increase in jobs seen between 2010 and 2014. Foreign women took up another fifth, whilst Maltese men accounted for a tenth of the rise as against the 30% share of foreign men.

As can be seen in Chart 2, the foreign workforce is quite heterogeneous in terms of its occupational composition. The probability that an EU worker is a manager or a clerical support worker is more than twice the same probability for a Maltese. At the same time, the odds that a third-country national is employed in an elementary occupation are four and a half times that for the average Maltese. This is in line with the perception that foreign workers are employed at either end of the labour market – the higher end where skills are scarce and the lower end where jobs are no longer that attractive for Maltese workers. While some occupations, such as service and sales workers and plant and machine operators, are clearly dominated by native workers, there are others where the relative importance is similar. The composition of the foreign workforce has changed significantly. Whereas nearly 50%

[5] An ad hoc module of the Labour Force Survey published by the NSO in 2015 suggests a slightly smaller share of economically active migrants (at 8.7% in 2014). However the module defines migrants as persons who did not reside in Malta for at least one year, thus differing from the administrative data used here which are based on citizenship. It also excludes those living in collective or institutional households.

of the rise in EU nationals working in Malta involved managers, professionals and technical staff, less than 30% of the rise in third-country nationals was in these categories.[6] Thus while in 2000, nearly three quarters of foreign workers were managers, professional and technical staff; by 2014 this had fallen to less than a half. Conversely, the proportion of the foreign workforce engaged in elementary occupations and in clerical & support duties rose from 7.5% in 2000 to 28.3% in 2014. These two trends, a declining share of higher-end and a rising proportion of lower-end occupations differ from those observed amongst Maltese workers. Here the proportion of managers, professional and technical staff has risen from 32.5% in 2000 to 38.7% in 2014, while those engaged in elementary occupations and in clerical & support duties have fallen from 24.6% to 19.8%. As a result, whereas in 2004, only 3.5% of managers, professional and technical staff employed in Malta were foreign, by 2014 this had risen to 12.1%. More impressively, dependence on foreign workers in elementary occupations and in clerical & support duties has risen from 0.5% to 14.1%.

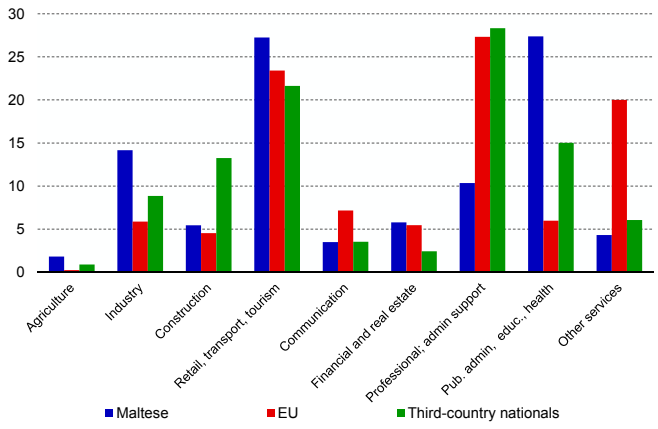
Chart 2
OCCUPATIONAL STATUS BY NATIONALITY IN 2014
(% of total employment by nationality)



Source: Author's calculations using administrative data provided by the ETC.

Industry and the public sector are dominated by the Maltese, whereas foreign workers are more likely to be employed in other services (mainly remote gaming), professional services & administrative support and in tourism (see Chart 3). Taken together, three sectors, namely other services, tourism, and professional services & administrative support accounted for nearly half of all foreign employees

Chart 3
EMPLOYMENT BY SECTOR AND BY NATIONALITY IN 2014
(% of total employment by nationality)



Source: Author's calculations using administrative data provided by the ETC.

[6] Note that during this period, the number of Maltese engaged in these occupations rose by 34.8%, and these high end jobs accounted for 85.6% of total employment growth.

in 2014. Dependence on migrant workers amounts to nearly 29% of the entire workforce in other services, 23% in professional services & administrative support, 21% in tourism, 18% in real estate, 16% in information & communication and 13% in construction. It is important to emphasise that the fact that a sector is heavily dependent on foreign workers should not be misconstrued as evidence that these have elbowed out Maltese employees. For instance, the rise in migrant workers amounted to half of the increase in the full-time workforce in entertainment & recreation during the decade to 2014. In professional services & administrative support, the growth of the Maltese workforce constituted nearly two-thirds of the total increase. In contrast, in sectors like tourism, construction and industry there is evidence that the growth in employment since the downturn of 2009 was mainly taken up by migrant workers.

About 37% of the rise in third-country nationals working in Malta observed between 2009 and 2014 was in the administrative support sector. The second-largest contributor was the health and social care sector, at 13% of the total rise, while another 11% was generated by retail trade. As regards EU nationals, the growth in employment was less concentrated, with the three top sectors amounting to just 44% of the entire growth (as against 61% for third-country nationals). Administrative support services accounted for 18% of the post-recession increase, while the other services sector constituted 15%. The professional services and the tourism sector each made up 11% of the rise in the EU workforce since 2009.

The impact of the foreign workforce on potential output, wages and public finances

Standard theory posits that immigrants increase the supply of labour and lower wage growth, and since in the short run the capital stock cannot adjust, there is a fall in labour productivity. Recent Maltese data seem to display these developments. The capital-output ratio has fallen from 1.9 in 2010 to 1.8 in 2014, whereas in the previous four years it had remained stable. Real labour productivity declined by 2.9% between 2010 and 2014, as against a 1.7% rise in the previous four years. Average wage growth slowed down to 8.8% between 2010 and 2014, as against 16.2% in the previous four years. However one has to note that during those previous four years, there was also a substantial rise in foreign workers in Malta, in relative terms as important as in the last four years. This suggests that one must interpret these trends with caution.

Moreover there are a number of ways in which foreign workers could raise productivity. These workers could enhance the human capital stock by bringing with them new skills and knowledge which could be shared with the local workforce. They also may increase the incentive for local workers to acquire new skills, in order to compete with them. The availability of skilled foreign workers enables the development of new industries, which otherwise would be bottlenecked by skills shortages. The development of these new sectors, in turn, creates incentives for native workers to acquire the required skills and leads to a more diversified and skilled economy.

For the purposes of this article, we will however assume that migrants have the same labour productivity as Maltese workers. On this basis we compute what gross value added in each sector would have been in the absence of any foreign workers from 2000 onwards

and then compute the resulting nominal and real GDP growth. Note that in the absence of sectoral deflators, we have had to assume that deflators would not have changed as a result of the reduced relative size of certain sectors. Using these estimates of GDP growth we studied the impact of the rise in economic migration on potential output, using a constant-returns-to-scale Cobb-Douglas production function.[7] The contribution of total factor productivity and capital were assumed to be unaffected by the absence of foreign workers, implying increased per capita investment and productivity.

The contribution to potential growth of foreign workers under these assumptions (see Table 1) is increasing over time, from 0.2 percentage points in the pre-accession period to 0.5 percentage points in the post-accession period till the economic downturn. In the following five years (2010 to 2014), despite the doubling of the relative share of foreign workers in total employment, their relative contribution to potential growth is estimated to have risen to just over 0.6 percentage points. This is slightly below the contribution of 0.8 percentage points which a recent study[8] has attributed to the rise in female participation during the same period. These two factors, increased female participation and the rise in the foreign workforce, between them explain nearly the whole of the contribution to potential growth attributed to the labour input during this period.

Besides the supply side impact of foreign workers, another important consideration is their effect on wages and the demand for labour. While the rise in the share of foreign workers between 2010 and 2014 coincided with a drop in wage growth, the latter is similar to that experienced between 2002 and 2006, when the rise in foreign workers was much more muted. Administrative data on emoluments declared for tax purposes suggest that growth in per capita emoluments of foreign workers declined significantly over the period 2000 to 2014. In the period prior to EU accession, on average there was a 5.7% rise in per capita emoluments of foreign workers, as against 3.6% for Maltese employees. In the following five years, the annual average growth observed amongst Maltese workers exceeded that

Table 1
IMPACT ON POTENTIAL OUTPUT GROWTH, WAGES GROWTH AND DIRECT TAX REVENUE

	2001-04	2005-09	2010-14
Potential output annual average growth			
Contribution of foreign workers	0.2 p.p.	0.5 p.p.	0.6 p.p.
Per capita emoluments annual average growth			
Maltese employees	3.6%	4.1%	3.3%
Foreign employees	5.7%	3.6%	2.1%
Direct tax revenue			
Rise in share of direct taxes paid by foreign workers	0.1 p.p.	4.1 p.p.	3.4 p.p.

Source: Author's estimates using ETC and Inland Revenue Department data.

[7] For more details, see Grech, A. G., & Micallef, B. (2014), Assessing the supply side of the Maltese economy using a production function approach, Central Bank of Malta *Quarterly Review* 2013:4.

[8] See Micallef, B. (2015), Estimating the impact on potential output of structural reforms to increase the female participation rate, *Central Bank of Malta Policy Note*.

of foreign employees. While the annual average growth in per capita emoluments declined in the period 2010-2014 for Maltese employees, the decline was much more pronounced amongst foreign workers. These trends need to be interpreted with caution. In the preceding section, we noted how despite the fact that the majority of foreigners are engaged in managerial, professional and technical occupations, since 2004 there has been a steady increase in the number engaged in elementary jobs. This implies that a significant component in the slowdown in the growth of per capita emoluments could reflect this growing share of lower-paid occupations. Similarly the slowdown in per capita emoluments of Maltese workers could reflect the increasing proportion of part-time employment, particularly amongst women.

Sectoral developments in wages are also difficult to interpret. In certain sectors, such as financial services, information & communication, real estate and professional & administrative support services a large net inflow of foreigners between 2010 and 2014 has coincided with a significant rise in wage growth. Conversely, there is evidence that in some sectors which faced less buoyant conditions and where most growth in employment was amongst foreigners (in construction and tourism), wage developments were quite muted.

A much more tractable question is the extent of the contribution of foreign workers to public finances. Inland Revenue administrative data indicate that whereas in 2000, revenue from foreign workers accounted for just 2.4% of personal income tax and national insurance contributions, by 2014 this share had risen to 10.1%. The amount of direct tax revenue collected from foreign workers increased by nine times during the period 2000 to 2014, whereas that from Maltese workers doubled. Information given in parliament on the use of the public hospitals by foreigners shows that this has risen from approximately 1,500 patients in 2008 to less than 2,300 in 2012, less than the growth in the foreign workforce during the time. Similarly data on student enrolments shows that during the same period the number of foreign students (excluding those in tertiary education) rose from around 1,650 to less than 2,000, again significantly below the growth in direct tax revenue paid by foreign workers. Migrants also do not appear to be weighing down on the social benefit budget (with just 130 on unemployment benefits, for instance). This suggests that in addition to their significant contribution towards economic growth, foreign workers have also contributed significantly to improve the state of public finances in Malta.

3. PRICES, COSTS AND COMPETITIVENESS

During the first quarter of 2016, the annual rate of inflation based on the Harmonised Index of Consumer Prices (HICP) eased further when compared with December, reaching 1.0% in March, mainly owing to lower increases in the prices of services and unprocessed food. These developments continued to be broadly mirrored in the Retail Price Index (RPI), where inflation fell further to 0.5%. Meanwhile, industrial producer prices continued to fall, indicating subdued domestic cost pressures. The appreciation of the euro led to an increase in harmonised competitiveness indicators.

HICP inflation

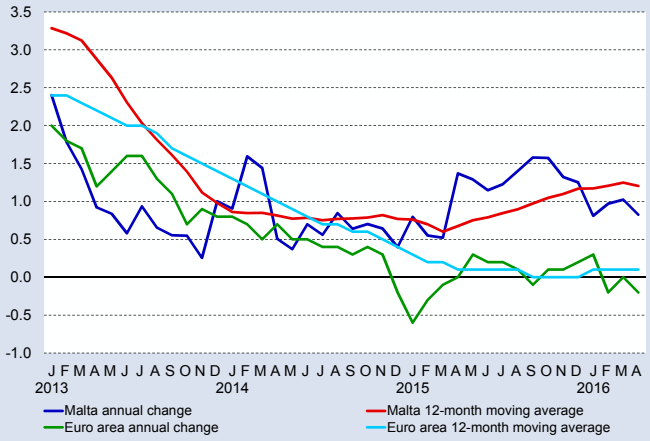
HICP inflation falls further

The annual inflation rate based on the HICP stood at 1.0% in March, down from 1.3% in December (see Chart 3.1 and Table 3.1).[1] During this period, however, the 12-month moving average rate stood at 1.3%, 0.1 percentage point higher than in December.

In the euro area, the annual rate of HICP inflation remained subdued, ending March at 0.0%, down from 0.2% three months earlier. This mainly reflected energy price movements. In fact, the annual rate of inflation in HICP excluding energy stood at 1.0% in March, remaining unchanged over December.

Compared with the euro area, Malta's inflation rate remained closer to the monetary policy

Chart 3.1
HICP INFLATION RATES IN MALTA AND IN THE EURO AREA
(annual percentage changes; annual average percentage changes)



Sources: NSO; Eurostat.

Table 3.1
HICP INFLATION
Annual percentage change

	2015					2016			
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Unprocessed food	4.2	5.3	5.2	2.9	4.2	0.9	-0.4	0.5	1.6
Processed food including alcohol and tobacco	2.2	2.4	2.4	3.4	2.6	2.3	2.5	2.5	2.2
Energy	-4.7	-4.7	-4.9	-4.9	-4.9	-5.7	-4.0	-2.4	-4.3
Non-energy industrial goods	1.2	1.2	1.2	1.1	1.2	1.3	1.5	1.3	0.9
Services (overall index excluding goods)	1.7	1.9	1.9	1.6	1.4	1.1	1.3	1.1	1.0
All Items HICP	**1.4**	**1.6**	**1.6**	**1.3**	**1.3**	**0.8**	**1.0**	**1.0**	**0.8**

Source: NSO.

[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. In January 2016 the weight allocated to energy fell by 0.2 percentage point to 7.2%, while that of non-energy industrial goods declined by 0.2 point to 28.7%. In contrast, the weight related to services rose by 0.3 percentage point to 43.7%, while the share allocated to food remained largely unchanged at 20.4%.

target, partly due to the more buoyant pace of domestic economic activity. It also reflected the euro's depreciation over 2015, and its impact on the price of imported goods and services from non-euro area countries, as well as a smaller fall in the energy component.

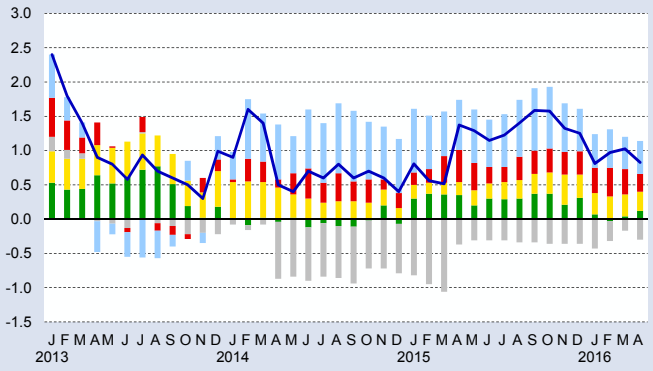
The deceleration in HICP inflation in Malta during the first quarter of 2016 reflected developments in the food and services components.

Unprocessed food prices decelerated substantially, with their annual inflation rate dropping to 0.5% in March, from 4.2% at the end of the previous quarter. A decrease in vegetable prices, and lower inflation on meat, outweighed faster growth in prices for fruit, and fish and seafood. The contribution of unprocessed food prices to headline inflation fell to zero in March, down by 0.3 percentage point from December (see Chart 3.2).

The annual rate of change of service prices went down to 1.1% in March, from 1.4% in December. Thus, the positive contribution of services to headline inflation was also slightly weaker, dropping to 0.5 percentage point in March from 0.6 percentage point in December.

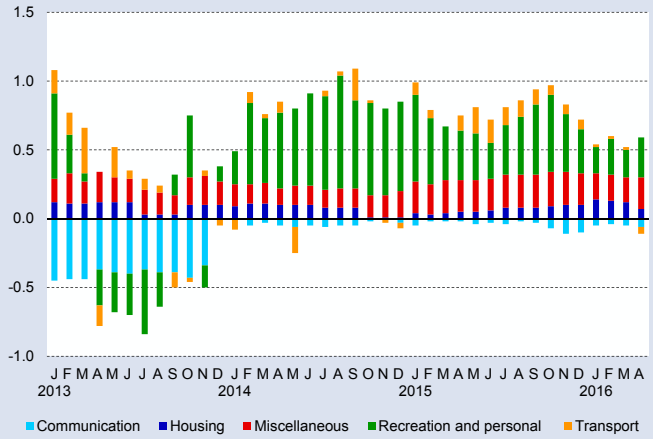
Although slightly lower, given the large weight of services in the index, the annual rate of change of services prices had a significant bearing on overall inflation. The main driver behind the deceleration in service prices was the recreation and personal service component, which includes accommodation services. This component contributed 0.2 percentage point in March to overall HICP inflation, a decrease of 0.1 percentage point. The combined contribution of the transport and the miscellaneous services components followed the same trend, contributing another 0.2 percentage point together in March, implying a decrease of 0.1 percentage point over December (see Chart 3.3).

Chart 3.2
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION
(percentage points; annual percentage change)



Source: Eurostat.

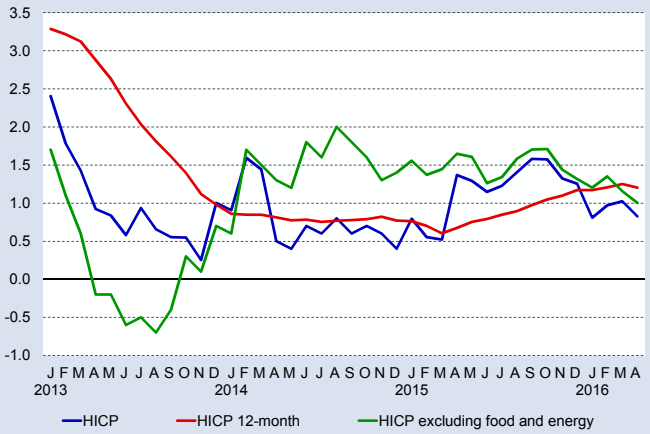
Chart 3.3
CONTRIBUTIONS FROM SERVICES TO HICP INFLATION
(percentage points)



Source: Eurostat.

Meanwhile, the contribution from processed foods, including the alcohol and tobacco components, remained unchanged at 0.3 percentage point, with annual inflation easing slightly from 2.6% in December to 2.5% in March (see Chart 3.2). Similarly, the contribution from the non-energy industrial goods (NEIG) component was broadly unchanged, with inflation ending the first quarter of 2016 at 1.3%, marginally higher than the 1.2% measured at end-2015. This apparent stability masked offsetting movements between increased prices for major household appliances, and lower prices for clothes.

Chart 3.4
HICP IN MALTA: OVERALL AND EXCLUSION MEASURE
(annual percentage changes; annual average percentage change)



Source: Eurostat.

On the other hand, energy prices fell at a slower pace than before, with the annual rate of change ending March at -2.4%, from -4.9% in December. This reflected a smaller year-on-year decrease in natural gas and fuel prices. Thus, the contribution of energy inflation to headline inflation rose by 0.2 percentage point, to -0.2 percentage point in March.

The annual rate of HICP inflation eased further to 0.8% in April. The 12-month moving average rate remained close to the 1.3% recorded in March, ending the month at 1.2%.

To assess underlying inflationary pressures, economists often resort to measurements that omit the more volatile components of the price index.[2] A common "exclusion measure" in this regard excludes energy and food from the HICP. This measure of inflation in Malta was broadly stable over 2015 and early 2016, and remained persistently above the overall HICP figure, with the difference largely stemming from movements in energy prices. The annual rate of change of HICP excluding energy and food stood at 1.2% at the end of the first quarter, down from 1.3% in December (see Chart 3.4), and close to the 12-month moving average of the overall HICP inflation rate.

RPI inflation[3]

RPI inflation falls

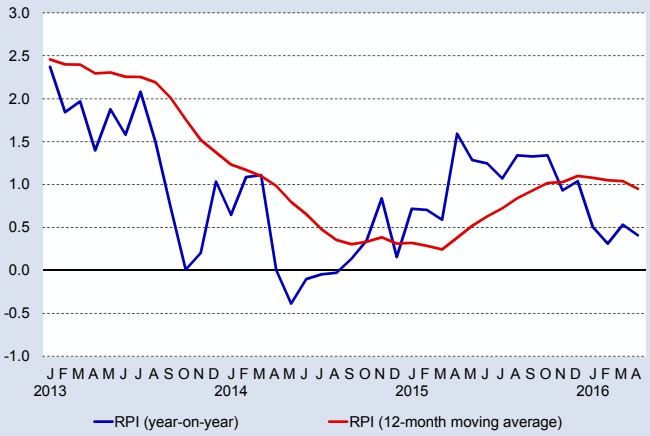
Amplifying the deceleration seen in the HICP, annual inflation based on the RPI was 0.5% in March, down from 1.0% in December (see Chart 3.5). The upward trend in the 12-month moving average inflation rate eased slightly, with the moving average rate ending the first quarter at 1.0% from 1.1% three months earlier.

[2] For an assessment of various measures of underlying inflation, refer to "An Evaluation of Core Inflation Measures for Malta", *Quarterly Review* 2014:3, Central Bank of Malta, pp. 39-45.

[3] Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the way the two indices are compiled. For instance, whereas RPI weights are based on expenditure by Maltese households, HICP weights also reflect expenditure patterns by tourists in Malta. Thus, while the RPI excludes hotel accommodation prices, the latter account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

The marked slowdown in RPI inflation between December and March mainly reflected developments in the food component (see Table 3.2). Food price inflation decelerated substantially over the quarter, falling to 0.2% at the end of the quarter, down from 2.6% three months earlier, partly reflecting lower vegetable prices. This component accounts for over a fifth of the index, and the sharp slowdown in inflation led to a decrease in its contribution, from 0.6 percentage point in December, to nil in March. Meanwhile, the annual rate of change of clothing and footwear prices changed sign, shifting from 0.8% in the last quarter of 2015 to -0.8% by March 2016. This category's contribution fell from 0.1 percentage point three months earlier, to -0.1 in March 2016.

Chart 3.5
RPI INFLATION
(annual percentage changes; annual average percentage change)



Source: NSO.

To a lesser extent, the annual inflation rate also fell for beverages and tobacco, dropping to 4.1% from 4.5% three months earlier. Rates also eased on personal care and health, down by almost half a percentage point to 1.3% in March, and on recreation and culture, falling to 2.5% in March from 2.9% in December. However, the contributions of these components to overall inflation remained broadly unchanged or edged down slightly during the quarter.

In contrast, the annual rate of change of household equipment and house maintenance prices rose by 0.6 percentage point to 2.2% in March. Similarly, housing service prices accelerated, rising at an annual rate of 1.8% in March as against 1.4% in December. In addition, lower negative inflation rates were recorded on water, electricity, gas and fuels, at -1.3% in March, and transport

Table 3.2
CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION
Percentage points

	2015					2016			
	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Food	0.6	0.7	0.7	0.4	0.6	0.0	-0.2	0.0	0.2
Beverages and tobacco	0.2	0.2	0.2	0.3	0.3	0.2	0.3	0.3	0.3
Clothing and footwear	0.1	-0.1	0.0	0.0	0.1	0.2	-0.1	-0.1	-0.2
Housing	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Water, electricity, gas and fuels	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Household equipment and house maintenance costs	0.1	0.3	0.2	0.1	0.1	0.1	0.2	0.1	0.1
Transport and communications	-0.3	-0.4	-0.5	-0.6	-0.6	-0.7	-0.5	-0.5	-0.5
Personal care and health	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Recreation and culture	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.1
Other goods and services	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
RPI (annual percentage change)	**1.3**	**1.3**	**1.4**	**0.9**	**1.0**	**0.5**	**0.3**	**0.5**	**0.4**

Sources: Central Bank of Malta; NSO.

and communication at -2.1%. Together, these two categories contributed -0.5 percentage point to RPI inflation in March, up from -0.7 three months before.

Compared with HICP inflation, the more marked deceleration in RPI inflation between December and March reflects differences in composition between the two indices: the RPI, which is based on the expenditure of Maltese residents and excludes hotel accommodation, is more heavily influenced by developments in food prices.

In April the annual rate of RPI inflation stood at 0.4%, easing further from March. The 12-month moving average rate remained unchanged, ending the month at 1.0%.

BOX 4: RESIDENTIAL PROPERTY PRICES

Residential property prices continue to increase[1]

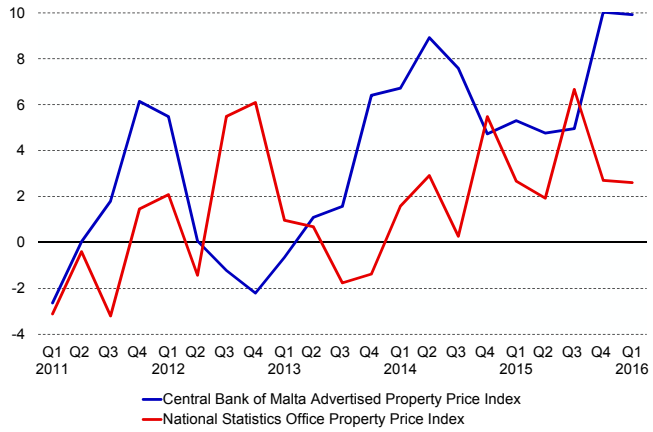
In the first quarter of 2016, the Central Bank of Malta's index of advertised prices for residential property went up by 9.9% compared with a year earlier (see Chart 1). This followed an increase of 10.0% during the final quarter of 2015, and an overall growth rate of 6.3% in 2015. Growth in advertised house prices has been strong since the end of 2013.

The National Statistics Office Property Price Index, which is based on actual transactions involving apartments, maisonettes and terraced houses, also grew during the period, though at a more moderate pace. The latest data points to an annual growth rate of 2.6% during the first quarter of 2016, roughly similar to the figure of 2.7% in the final quarter of 2015. In 2015 as a whole, contract prices rose by 3.5%.

A slower growth rate for contract prices when compared with advertised property prices could reflect methodological differences in the compilation of the two indices, lagged effects and a tendency to boost asking prices in an upswing.

Residential property prices in Malta are being boosted by a number of factors. Recent government measures, such as the Individual Investor Programme and the scheme for first-time buyers, have supported the

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES
(annual percentage changes)



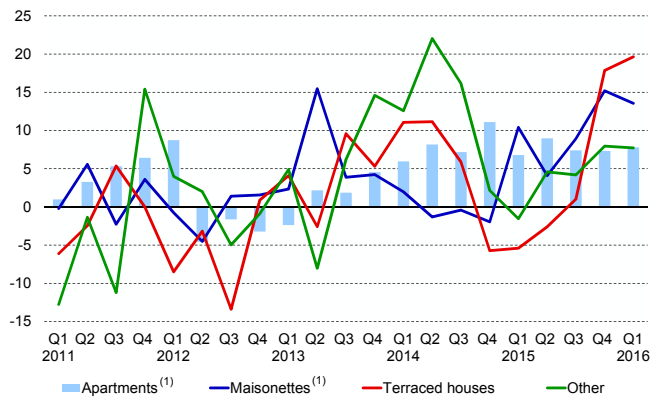
Sources: Central Bank of Malta; Eurostat.

[1] This Box takes into account information available up to 1 June 2016.

demand for property. Property demand is also being prompted by strong growth in disposable income in the context of a robust labour market, an increasing number of foreigners working in Malta, as well as the low interest environment.

The observed strong growth rates in advertised property prices at the turn of 2016 reflect rapid increases in the prices of maisonettes and terraced houses, which rose by 13.6% and 19.6%, respectively during the first quarter of 2016 (see Chart 2). Annual growth in prices for apartments, which comprise over half of the properties in the sample, remained robust at 7.8%. Similarly, prices in the "other" properties category, which consists of town houses, houses of character and villas, grew by 7.7% when compared with a year earlier.

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



(1) Includes both units in shell form and finished units.

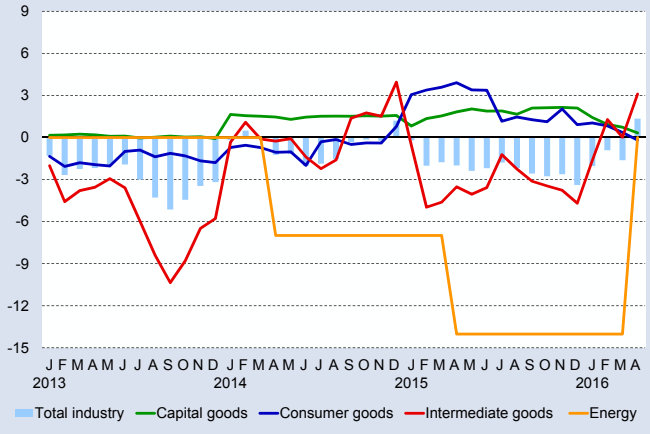
Source: Central Bank of Malta.

Costs and competitiveness

Producer prices extend their decline[4]

Producer prices continued to decline during the first quarter of 2016, recording their fifteenth consecutive monthly decline in March. Nevertheless, the decline eased, with the annual rate of change of the producer price index (PPI) standing at -1.6% in March, following -3.4% in December (see Chart 3.6).

Chart 3.6
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

This slower drop in producer prices was mainly the result of

[4] The Industrial PPI measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at production stage. It monitors the ex-works sale prices of leading products as reported by a sample of 77 enterprises, accounting for over 80% of total industrial turnover. The index covers three areas of economic activity: mining and quarrying, manufacturing and the supply of electricity, gas and water. Products are divided into five main groupings: intermediate goods, capital goods, consumer durables, non-durable consumer goods and energy. In turn, producer prices are divided between export and domestic markets for each of the groupings, with the bulk of the weight given to the export index.

developments in factory-gate prices of intermediate goods, which include semiconductors, pharmaceuticals, paper and plastic products. The annual rate of change of intermediate goods' prices rose from -4.7% in December to zero in March. As a result, the contribution of intermediate goods to PPI inflation rose from -2.2 percentage point in December, to nil in March.

This shift offset developments in the other categories of the PPI. Capital goods price inflation weakened to 0.7% in March from 2.1% in December. Their contribution to overall PPI inflation fell to 0.1 percentage points, from 0.2 percentage points. Similarly, prices of consumer goods rose at a weaker annual pace of 0.4% in March, from 1.0% in December, mostly due to developments in producer prices of non-durable consumer goods.

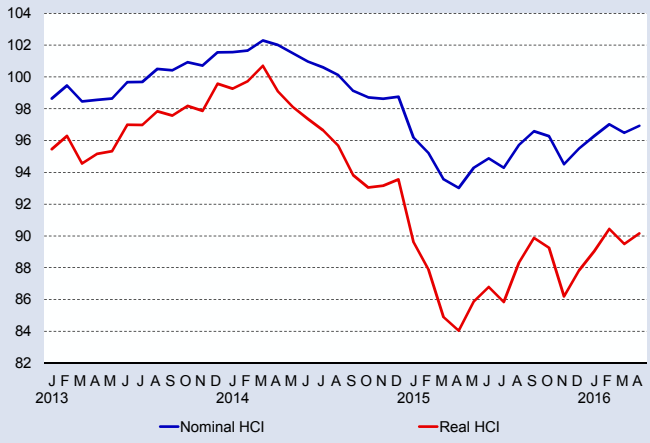
Following the administrative reduction in utility tariffs for businesses in April 2015, energy producer prices were down 14.0% on a year earlier, as in December. Thus, this component's contribution to overall producer price inflation remained constant at -1.9 percentage point in March. By April 2016, the statistical effect of this administrative measure dropped from the component, which thus reported unchanged energy prices. In fact, in April, overall industrial producer prices rose by 1.3% when compared with the corresponding month of the previous year.

Harmonised competitiveness indices rise during the first quarter

During the first quarter of 2016, both the nominal and real harmonised competitiveness indicators (HCI) rose, after having fallen in the final quarter of 2015.[5] The nominal and real HCIs went up by 1.0% and 1.9%, respectively, on their December levels (see Chart 3.7). These movements reflect a slight appreciation of the euro against the pound sterling and the US dollar in the first quarter of the year. The larger increase in the real indicator over the nominal indicator implies that the loss in competitiveness from exchange rate movements was amplified by a wider gap between Malta's inflation rate and that of its trading partners.

In annual terms, both indicators increased. In March the nominal and real HCI rose by 3.1% and 5.4%, respectively, when compared with the same month a year earlier. This increase was driven by the appreciation of the euro against a range of currencies, notably the pound sterling, though the euro remained below its year-ago levels against the yen and the US dollar. The increase in the real

Chart 3.7
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)



Source: ECB.

[5] A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes and the relative inflation of a country vis-à-vis its main trading partners. In the computation of the indicators, exchange rate and price changes are weighted according to the direction of trade in manufactured goods only. Therefore, the HCI should only be considered as a partial measure of Malta's international competitiveness. Changes in the HCI should be interpreted with caution.

HCI reflects a wider inflation differential between Malta and its main trading partners. Both indicators rose further in April.

Unit labour costs fall further

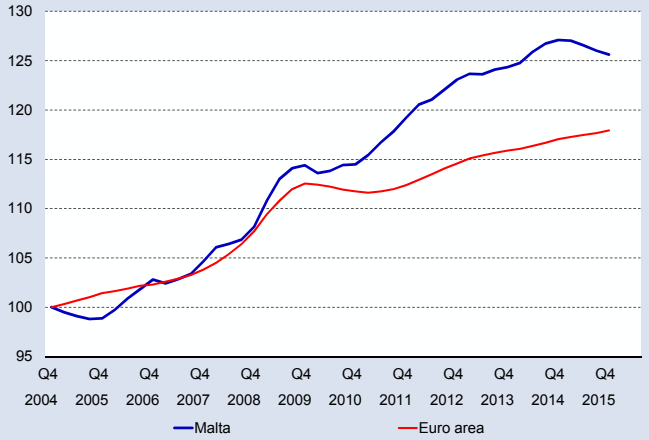
During the final quarter of 2015 Malta's unit labour cost (ULC) index, measured as a four-quarter moving average, was 1.2% lower on a year earlier (see Chart 3.8). This drop followed another 0.6% decrease in the previous quarter.

The decrease in Malta's ULC between September and December reflected a slowdown in compensation per employee. On a four-quarter moving average basis, this eased to 1.5%, following growth of 2.1% in the previous quarter. At the same time, productivity increased by 2.7%, at the same pace as three months before. Thus, the return to positive growth in labour productivity, in evidence since the second quarter of 2015, was maintained (see Charts 3.9 and 3.10).

ULC rose in the euro area, increasing by 0.8% against its year-ago level during the fourth quarter, at the same rate as in the previous quarter. This resulted from identical developments in productivity and compensation growth in the two quarters, with productivity rising at an annual rate of 0.5% and compensation per employee going up by 1.3%.

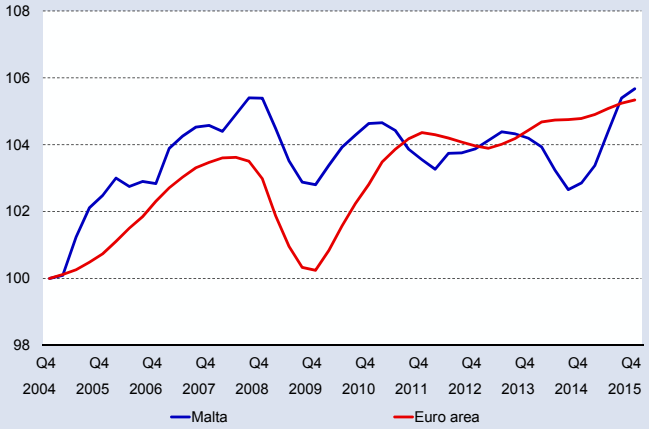
The decrease in ULC in Malta, in a period when the euro area experienced an increase,

Chart 3.8
UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



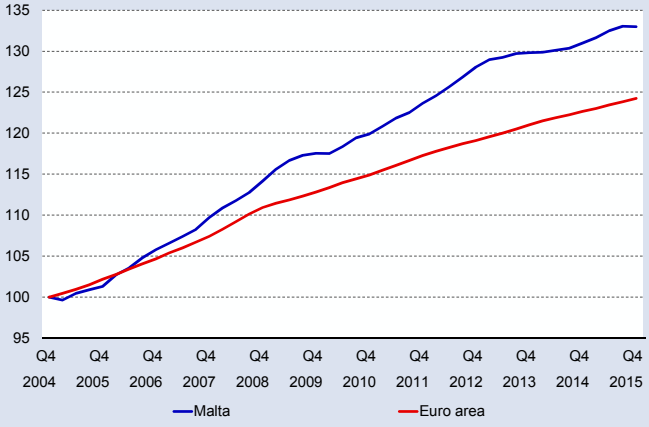
Sources: ECB; Central Bank of Malta estimates.

Chart 3.9
PRODUCTIVITY IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

Chart 3.10
COMPENSATION PER EMPLOYEE IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

implies a strengthening of Malta's competitive position within the single currency area. A degree of caution is required in the interpretation of ULC in view of contemporaneous structural shifts in the composition and factor-intensity of production.[6]

BOX 5: MEASURING INTERNATIONAL COMPETITIVENESS[1]

Introduction

The economic and financial crisis of 2008 has highlighted the divergence in external imbalances within the global economy leading to a renewed interest in the study of the determinants of international competitiveness. More recently, the euro area crisis has highlighted the need of structural reforms aimed at improving the international competiveness of deficit countries. Indeed, persistent losses in international competitiveness have been identified as a major cause of the low growth rates experienced by the periphery countries since their membership in the EMU.[2] In light of these arguments, policymakers within the euro area are striving to implement structural reforms aimed at boosting the competitiveness of deficit countries thereby helping them correct their external imbalances and return to sustainable levels of economic growth. Against this backdrop, a correct assessment and measurement of international competitiveness is crucial to help policymakers in devising policies aimed at correcting external imbalances of an economy.

While international competitiveness is consensually regarded as a key driver of sustainable economic growth, properly defining this concept has proven to be a key analytical and policy challenge. This elusive concept can be defined either from a long run or short run perspective.[3] In the long run, the competitiveness of an economy is often evaluated in terms of the performance of its key macroeconomic indicators, such as, its long term growth potential, the productivity of its factors of production, long run unemployment dynamics and balance of payment position. When analysed from this perspective, one can conclude that the competitiveness of a nation is not determined by any single measure, but is instead affected by a vast range of determinants, some of which are often regarded as being of a qualitative nature and are therefore difficult to measure in a quantifiable way. Indeed, decisions made by economic agents to spend and save, the efficiency of financial markets to transform savings into investment, the availability of skilled labour force, the uptake of technological innovation as well as the quality of the institutions and policymaking processes can affect the country's long term competitiveness.[4] Due to the difficulty usually encountered when measuring the qualitative aspect of competitiveness, most economists have

[1] Prepared by Noel Rapa, Senior Research Economist at the Research Office of the Central Bank of Malta. Any errors, as well as the views expressed here, are the author's sole responsibility.

[2] European Central Bank, "Competitiveness and external imbalances within the EA", Occasional Paper Series, No. 139, 2012.

[3] See for instance De Broeck, M., Guscina, A. and Mehrez, A. "Assessing competitiveness using industry Unit Labor Costs: an application to Slovakia". IMF Working Paper No. 12/107, 2012, and Mann, C.L., "Is the U.S. trade deficit sustainable?", Peterson Institute for International Economics, 1999.

[4] See for instance World Economic Forum, "The Global Competitiveness Report 2010-2011", 2010 and European Commission, "Surveillance of intra-euro-area competitiveness and imbalances", European Economy, 2010.

[6] ULCs measure the average cost of labour per unit of output and are calculated as the ratio of compensation to labour productivity per employee. Structural changes in the Maltese economy, notably the shift to labour-intensive services, go some way to explain the increase in ULC in recent years. See Micallef, B. "Unit labour costs, wages and productivity in Malta: a sectoral and cross-country analysis" *Policy Note*, August 2015, available at https://www.centralbankmalta.org/en/working-papers-2015 and Rapa, N. "Measuring international competitiveness" in this issue of the *Quarterly Review*.

focused on the short-term aspect of competitiveness, namely that defined in terms of misalignments in relative prices and costs of economies. The prices of an economy's exports are in part determined by the costs and strategic decisions of the economy's firms. This, together with broader macroeconomic factors that are outside the control of firms, such as exchange rate fluctuations, affect an economy's competitiveness and therefore its external trade flows. While the concept of price competitiveness is often regarded as rather narrow and incomplete, it is considered as a very important determinant of the external performance of an economy. Indeed, recent research in the area has indicated that the trade deficits experienced by southern European countries prior to the euro area crisis have been largely due to divergence in relative prices.[5]

Further to the conceptual ambiguity surrounding this concept, the study of price competitiveness has been affected by the inherent difficulties encountered in constructing indicators meant to measure changes in the competitiveness of an economy. Despite the amount of work that has been done on this topic, there is no clear consensus on how best to measure international competitiveness. In addition, a large number of indicators commonly used for this purpose, often appear to convey conflicting messages to the user. Moreover, empirical research has traditionally struggled to find an unambiguous relationship between competitiveness indicators and economic activity.[6]

In this light, this article attempts to shed some light on developments in the price competitiveness of the Maltese economy in the last decades. The next section describes aggregate cost indicators that are traditionally used to assess a country's cost competitiveness. These developments are then contrasted with macroeconomic evidence highlighting the weaknesses of aggregate cost-based indicators. The following section proposes an alternative measure of cost competitiveness based on sectoral cost indices while the last section draws some conclusions and policy recommendations.

Aggregate measures of cost competitiveness

ULCs

While international competitiveness can be measured in terms of either price or cost-based measures, empirical researchers as well as policymakers have predominantly chosen to use aggregate cost-based indicators for their analysis and policy recommendations.[7] In view of data availability challenges concerning the productivity and costs of capital, often, only one factor of production, labour, is considered in the analysis. A very popular indicator in this respect is aggregate Unit Labour Costs (ULCs), defined as the ratio of workers' compensation per employee to labour productivity. An increase (decrease) in ULCs implies

[5] European Central Bank, "Competitiveness and external imbalances within the EA", Occasional Paper Series, No 139, 2012.

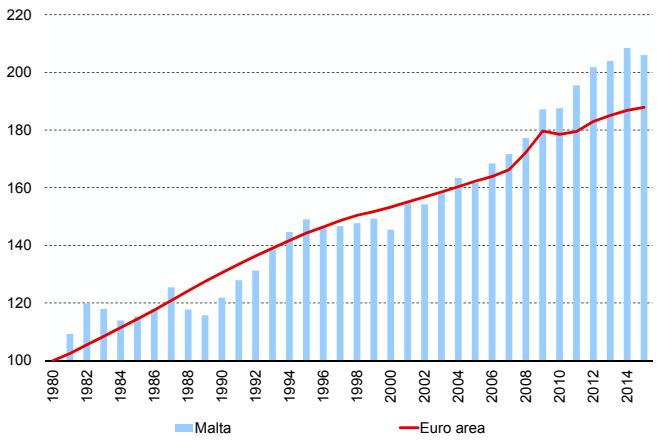
[6] Kaldor, N. "The case for regional policies", Scottish Journal of Political Economy,17(3), 1970, pp. 337-348 was one of the first to propose an inverse relationship between GDP and the ratio of money wages to productivity, used as a proxy for competitiveness. However, the same author in Kaldor, N. "The Effects of Devaluations on Trade in Manufactures", in Further Essays on Applied Economics. London: Duckworth, 1978, concludes that the empirical evidence available for the relation between these two variables is inconclusive, a result known as Kaldor's paradox.

[7] See for instance Cerra, V., Soikkeli, V.J. and Saxena, S.C. "How competitive is Irish manufacturing?", The Economic and Social Review, Vol. 34, No. 2 Summer/Autumn, 2003, pp.173-193 and Lipschitz, L. and McDonald, D. "Real exchange rates and competitiveness: a clarification of concepts and some measurement for Europe". Empirica – Austrian Economic Papers, Vol. 19, 1992, pp. 37-69 for a survey of related literature and empirical evidence of the superiority of cost-based indicators over their price-based counterparts.

a rise (fall) in the labour costs of production relative to productivity, and hence a loss (gain) of competitiveness.

Chart 1 compares the evolution of Malta's ULCs with those of the EA average between 1980 and 2015. During the period spanning 1980 to 2006, Maltese ULCs were growing in line with those of the EA average. Indeed, the average growth rate in ULCs registered in Malta between 1996 and 2006 stood at 0.86%, the fourth lowest in the EA (after Germany, Austria and Finland) and lower than the EA average. However, from 2006 onwards, Maltese ULCs started diverging from the EA average. Indeed, between 2010 and 2014, ULCs in Malta grew at an average rate of 2.2%, the highest rate registered in the EA and the second highest in the European Union, implying a deterioration in Malta's international competitiveness.

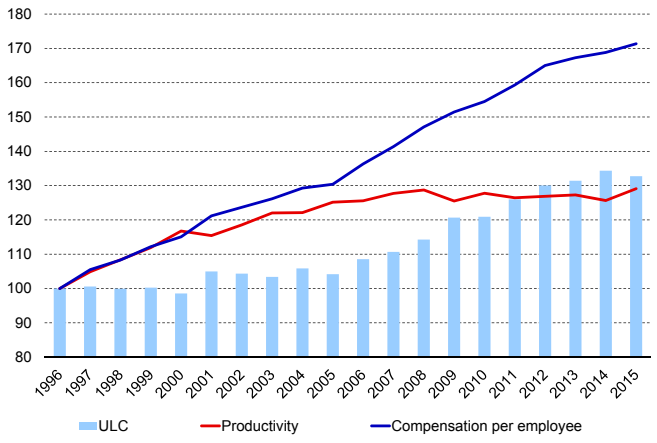
Chart 1
UNIT LABOUR COSTS
(1980 = 100)



Sources: EA - New Area Wide Model Database; Malta: pre-1995 SNA, post-1995 Eurostat ESA 2010.

Looking at the underlying developments in compensation per employee and labour productivity, it becomes evident that the main driver behind the recent deterioration in Malta's relative ULCs has been a slowdown in productivity growth (see Chart 2). Indeed, between 2010 and 2015, average productivity growth was less than 0.5%, down from an average of 2.4% registered between 1996 and 2006, and one of the lowest in the EA. During the same period, average compensation per employee growth slowed down from 3.1% (registered between 1996 and 2006) to around 2.1%, in line with the growth rates registered in Austria, France and Germany and significantly less than the Baltic States.

Chart 2
CONTRIBUTIONS TO ULC GROWTH
(1996 = 100)



Source: Eurostat ESA 2010.

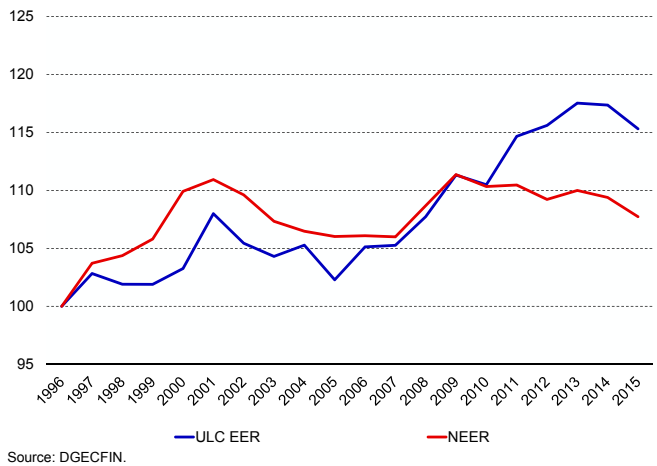
Relative ULCs and EERs

Aggregate measures of ULCs are unit-less values that can only be interpreted relative to a suitable base. Comparing ULC developments vis-à-vis the EA average is therefore somewhat simplistic, as it does not take into consideration how important each of Malta's trading partners is as both an importer and a competitor of Maltese exports. Moreover, as previously explained, the price competitiveness of an economy is given by both firm-specific factors (such as costs and mark-ups) and exchange rate movements, which cannot be controlled by individual firms. To account for these deficiencies, policymakers and researchers often resort to ULC deflated Effective Exchange Rate (EER) indices.

A nominal EER is a weighted average of bilateral exchange rate indices with weights derived either from model-based estimates or from bilateral trade flows. The real EER is derived by deflating its nominal counterpart with an index tracking the evolution of the home country's costs or prices relative to those of its competitors. To better account for the complex nature of a country's trade competitiveness, EERs are usually computed using a trade-based double weighting scheme, which takes into account each of the competitor countries' contribution to the total supply in the home country's target markets, and the relative importance of each market in the home country's international trade.[8]

Chart 3 shows the evolution of Malta's ULC-deflated real EER between 1996 and 2015. These results show that after correcting for bilateral exchange rate movements, Maltese cost competitiveness remained quite stable between 1996 and 2005. During this period, Malta's real EER first appreciated by roughly 8% until 2000, driven entirely by adverse exchange rate movements. However, this appreciation was almost entirely reversed between 2000 and 2005, helped by favourable developments in both relative ULCs and nominal EER. After 2006, the real EER shows a consistent worsening of Malta's international price competitiveness. These developments were in part due to an appreciation of Malta' nominal EER between 2007 and 2009. On the other hand, the appreciation in Malta's real EER between 2010 and 2013 was entirely due to a consistent increase in Malta's ULCs relative to those of its main competitors. Driven by a consistent depreciation of the nominal EER and by

Chart 3
NOMINAL AND ULC-DEFLATED EERS
(1996 = 100)



Source: DGECFIN.

[8] For a discussion on the merits of this weighting scheme and the methods used to compute EERS see Turner, P., and Van't dack, J. "Measuring International Price and Cost Competitiveness", BIS Economic Papers No. 39, 1993.

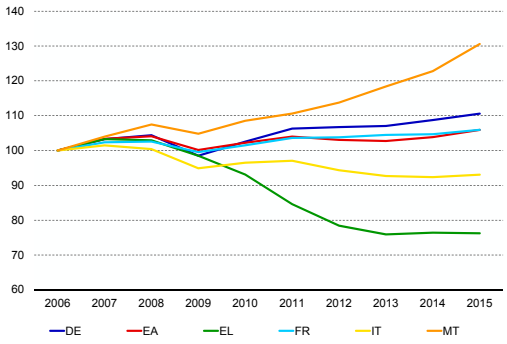
a fall in relative ULCs in 2015, Malta's ULC deflated EER shows some slight improvements in competitiveness in the last two years of the sample period.

Reconciling economic performance and ULC developments

At face value, the developments described earlier suggest a significant deterioration in Malta's international cost competitiveness from 2006 onwards. However, these findings contrast sharply with Malta's recent economic performance. In fact, the Maltese economy has weathered the international financial crisis of 2009 relatively well, with real GDP surpassing pre-crisis levels by mid-2010 (see Chart 4a). Moreover, unlike many of the other EA countries, Malta's economy did not contract during the euro area sovereign debt crisis of 2012. In addition, together with Germany, Malta is one of the two European Union countries whose potential GDP had already exceeded pre-crisis growth rates by 2014. By 2015, Malta's GDP level was around 25% higher than the level registered in 2009, with net exports featuring as the main contributor behind this rise in economic activity. Malta's external trade balance has traditionally ended in deficits close to 15% of GDP since the early 1980s. However, as shown by Chart 4b, Malta's trade performance has improved considerably since then. From 2010 onwards, Malta has consistently registered positive trade balances driven by improvements in both goods and services net exports. Similar improvements were registered in the labour market, with employment growth returning to pre-crisis levels by 2010. Also, notwithstanding an increasing participation rate, unemployment rate in Malta has fallen substantially from just below 7% in 2009 to 5.4% in 2015.

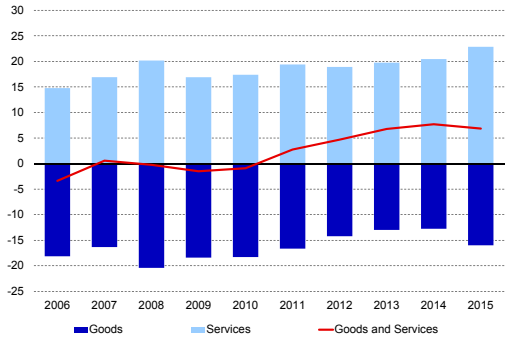
In order to reconcile the unfavourable developments in ULCs with the concurrent strengthening of Malta's external position, one needs to consider the weaknesses of cost-based indicators, in particular those based on aggregate ULCs. As previously discussed, price competitiveness at the firm level is not simply defined by the costs incurred by firms but also by exchange rate movements and more importantly by the market structure they operate in. Therefore, when using ULCs to assess the price competitiveness of a nation, one is implicitly assuming that the link between ULCs and prices (therefore the market structure of firms) is stable across countries and time.

Chart 4a
REAL GDP
(index 2006 = 100)



Source: Eurostat.

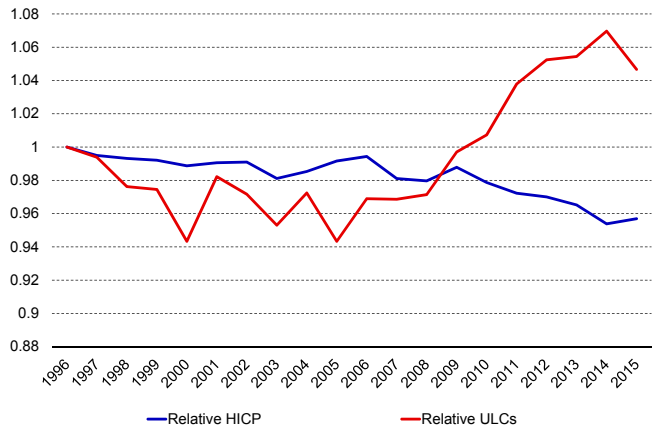
Chart 4b
EXTERNAL BALANCE
(% of GDP)



Source: Eurostat.

To assess a possible decoupling of relative cost and price measures in Malta, Chart 5 plots relative aggregate ULCs and relative overall consumer price deflators.[9] These results show that between 1996 and 2006, developments in both relative costs and prices were roughly similar, with both indicators showing an improvement in Malta's competitiveness. From 2006 onwards, the two measures diverge considerably. The relative CPI measure shows further declines in Malta's CPI prices relative to those of its trading peers, possibly reflecting the higher degree of competition in the local market as a result of Malta's accession to the European Union. On the other hand, during the same period relative ULCs show a sudden and sustained increase in local labour costs. These developments show that the assumption of a stable link between price and cost competitiveness indicators is too simplistic especially for an economy such as Malta's, that has experienced a number of structural reforms that have altered the market structure of the firms operating in it.

Chart 5
RELATIVE CONSUMER PRICES AND ULCs
(Ratio, normalised to unity in 1996)



Source: Author's calculations using BIS and Eurostat data.

Another weakness of aggregate ULC based indicators is that they are susceptible to shifts in the composition of output and sector-wide changes.[10] As argued in the literature, average ULCs can be raised by shifts in the sectoral composition of output towards more labour-intensive sectors, even if no single sector has experienced a worsening in its competitiveness.[11] Moreover, aggregate ULCs are affected by the fact that ULC indices evolve differently across sectors depending on global technological improvements.[12] Thus a country specialising in a sector where ULCs are globally falling due to technological advances, will experience a fall in its ULC-based indicators without necessarily reflecting changes in sectoral competitiveness.

Even before the recession of 2009, the Maltese economy had undergone a number of structural changes, which led to a diversification of its economic base and a shift from traditional industries towards higher-value added activities in the services sector. Chart 6a shows that between 2000 and 2015 the share of private services (defined as total services

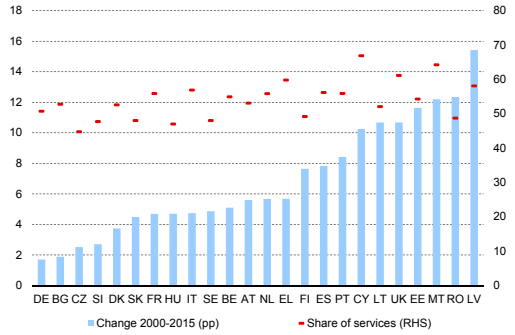
[9] Both foreign ULC and consumer prices are computed using the weights used by the BIS to compute EERs. Therefore, in line with relevant literature, the weights used follow a double-weighting scheme.

[10] De Broeck, M., Guscina, A. and Mehrez, A. "Assessing competitiveness using industry Unit Labor Costs: an application to Slovakia". IMF *Working Paper* No. 12/107, 2012.

[11] See for instance Honohan, P. & Walsh. B. "Catching up with the leaders: The Irish hare", Brookings Papers on Economic Activity, No.1, 2002, pp. 1-77.

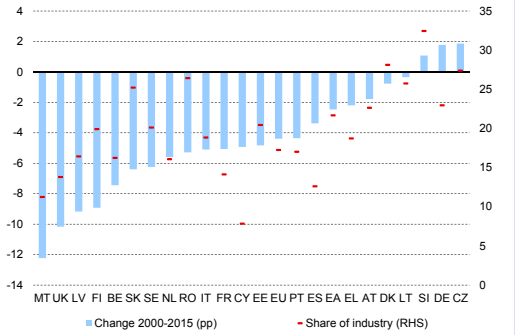
[12] De Broeck, M., Guscina, A. and Mehrez, A. "Assessing competitiveness using industry Unit Labor Costs: an application to Slovakia". IMF *Working Paper* No. 12/107, 2012.

Chart 6a
SHARE OF SERVICES (EXCLUDING PUBLIC ADMINISTRATION) IN GVA
(percentage points; %)



Source: Author's calculations using Eurostat data.

Chart 6b
SHARE OF INDUSTRY IN GVA
(percentage points; %)



Source: Author's calculations using Eurostat data.

excluding public administration) in overall gross value added has increased by slightly more than 12 percentage points, the third highest increase registered in the same period across the European Union. By 2015, the share of services has reached roughly 65%, one of the highest levels in the European Union and in line with that of the United Kingdom. As can be seen in Chart 6b, these developments have coincided with a fall in the share of the manufacturing sector of around 12 percentage points, pointing at a sharp shift in the composition of Maltese output from the manufacturing to higher-value added services sectors. The service sector, by its very nature, tends to be characterised by lower labour productivity levels than those of manufacturing. This reflects the fact that while manufacturing has become less labour intensive and has increasingly moved towards automated processes that increase labour productivity, the services sector remains dependent on a higher level of labour input. Thus, Malta's shift from the more labour productive manufacturing sector towards the less productive services sector has led to a composition effect that has increased Malta's aggregate ULC index, irrespective of the developments in cost competitiveness at a sector level.

A competitiveness measure based on sector ULCs

In an attempt to address the weaknesses of aggregate ULC-based indicators, this section follows the approaches of Cerra et al (2003) and more recently of European Commission (2014) and proposes sectoral ULC indices for Malta for the industry and services sectors.[13,14] These indices are then used to compute real EERs for each sector as the geometric mean of nominal bilateral exchange rates deflated by the relative ULCs in each sector (i.e. the ULCs of a sector in the home country relative to a weighted average of ULCs in the same sector in all other countries). Specifically:

$$REER_j^i = \prod\nolimits_k \left(\frac{ulc_j^i}{ulc_j^k} e^{i,k} \right)^{\psi_j^{i,k}}$$

[13] The industry sector is defined as all industrial production excluding construction while the services sector includes all services excluding public administration. Since no data for GVA deflators by industry are available for Malta, the industrial Purchase Price Index (PPI) and the overall GDP deflator were used for the computation of real GVA for the industry and services sectors respectively.

[14] Cerra, V., Soikkeli, V.J. and Saxena, S.C. "How competitive is Irish manufacturing?", The Economic and Social Review, Vol. 34, No. 2 Summer/Autumn, 2003, pp.173-193 and European Commission, "A competitiveness measure based on sector unit labour costs", Quarterly Report on the Euro Area, Vol. 13, No. 2. 2014.

Where $REER_j^i$ is the ULC-deflated real EER of country i in sector j, ulc_j^k is the unit labour cost in sector j in country k, and $e^{i,k}$ is the bilateral exchange rate. $\psi_j^{i,k}$ is the weight given to country k and is calculated as the share of GVA of sector j in country k relative to the global GVA in the sector excluding the home country (i).[15, 16]

$$\psi_j^{i,k} = \frac{GVA_j^k}{\left(\sum_k GVA_j^k\right) - GVA_j^i}$$

An overall EER suitable to analyse the overall competitiveness of the Maltese economy is then constructed as a weighted average of the two sectorial real EERs with weights reflecting the relative importance of each sector in total GVA.

Chart 7a presents developments in the ULC indices in the industry and services sectors in Malta between 2000 and 2015. It is immediately apparent that the developments between the two sectors have diverged considerably from 2006 onwards. Indeed, after the accession to the European Union, the ULCs of the industrial sector have dropped significantly, mainly driven by gains in labour productivity as Malta shifted from traditional to higher-value added manufacturing. After 2010, growth in industrial productivity slowed down, failing to match the growth rates registered in compensation per employee, thereby pushing up the ULCs in this sector. The services sector, on the other hand, has experienced a steady increase in its ULCs, mainly driven by increases in wages. This result may be driven by recent shifts in the composition of overall services GVA. Indeed, throughout the period under consideration, the share of non-traditional services (such as financial and technical activities including amongst others the gaming industry) in overall services GVA has increased substantially. These structural shifts together with the higher average wages earned in non-traditional services activities are likely to have contributed to the increase registered in the overall services sector ULCs.[17]

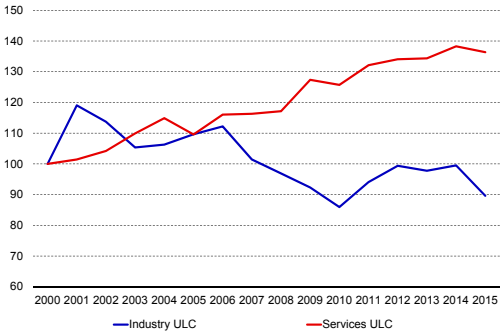
Similar to their aggregate counterparts, ULCs at the sectoral level are unit-less indices that need to be compared to some industry norm. To take in consideration developments in the sectoral ULCs of Malta's main trading partners together with movements in the exchange rate, Chart 7b plots Malta's sectoral EERs deflated by relative sectoral ULCs. Results show that over the period under consideration, Maltese industry has gained competitiveness over its direct peers. Between 2000 and 2006, industry sector competitiveness has remained constant despite favourable movements in the nominal effective exchange rate. However, helped by a number of structural reforms and the switch to higher value added manufacturing, Malta's industrial competitiveness improved considerably immediately after Malta's accession to the European Union. Indeed, positive developments in relative ULCs in this sector have significantly outweighed adverse movements in the nominal EER

[15] The above calculations are repeated for each point in time. The time subscript is therefore dropped for simplicity.

[16] Notwithstanding its superiority, a double-weighting scheme could not be used due to the lack of bilateral services trade flows. Also, due to data availability issues, the analysis is limited to the sample period spanning 2000 to 2014 and covers only European Union countries. While the dataset encompasses more than 60% of Malta's exports, the omission of non-European Union countries such as the United States and China is a limitation that could lead to an underestimation of the gains or losses in competitiveness.

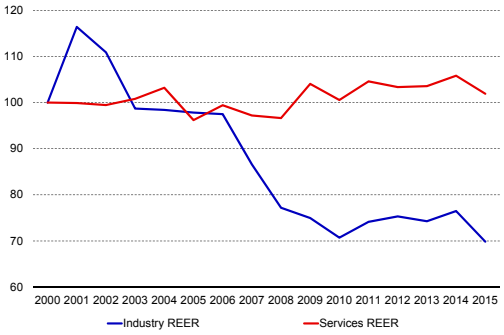
[17] While being less pronounced than those affecting aggregate ULCs, composition effects due to sector wide changes are still likely to affect the sectoral ULCs computed in this article. Unfortunately, the unavailability of GVA deflators by NACE category impedes the computation of more disaggregated ULC indices.

Chart 7a
SECTOR ULCs
(2000 = 100)



Source: Author's calculations using Eurostat data.

Chart 7b
SECTOR ULC-DEFLATED EERs
(2000 = 100)

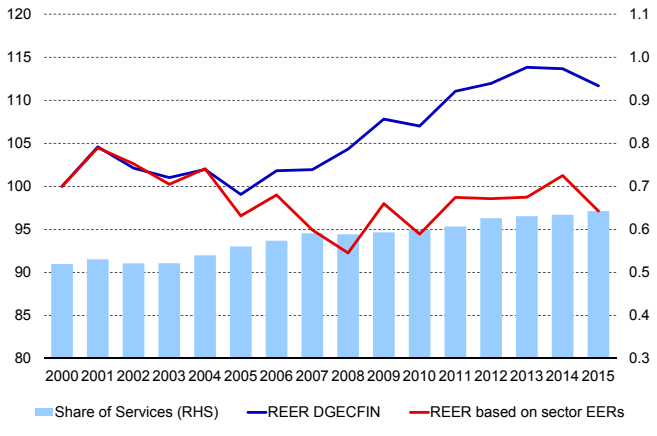


Source: Author's calculations using Eurostat data.

brought about by the appreciation of the euro against sterling. This positive trend was partially reversed between 2010 and 2014. Driven by an increase in its relative ULCs, the industry sector real EERs appreciated marginally by 7% between 2010 and 2014, before depreciating again in 2015, due to both a depreciation of the nominal EER and a fall in relative sector ULCs. The services sector in Malta has maintained its cost competitiveness relatively unchanged throughout the period under consideration. This was achieved despite the contemporaneous significant expansion of the Maltese services sector that could have brought about some upward pressures on the wages in this sector, potentially undermining its competitive edge. Similar to the industry sector, Maltese services became relatively more expensive after 2010 driven entirely by increases in their relative prices. This appreciation was reversed in 2015 due to a fall in both nominal EER and relative services prices.

Chart 8 plots the overall real EER based on sectoral ULCs compared with a traditional aggregate based ULC-deflated EER. Results from the new indicator show that before and slightly after its accession to the European Union, Malta experienced an improvement in its cost competitiveness, mainly driven by gains in the industrial sector. This trend was reversed in 2009, due to deteriorating competitiveness in both the industry and services sectors. Despite the recent appreciation of its overall EER, the overall cost competitiveness of the Maltese economy has remained relatively unchanged throughout the period under consideration, contrasting with the results derived from

Chart 8
OVERALL ECONOMY REAL EERs
(2000 = 100)



Sources: DGECFIN and author's calculations using Eurostat data.

the aggregate ULC deflated EER. Indeed, while the latter shows an 11% deterioration in Malta's cost competitiveness between 2000 and 2014, real EERs deflated by sectoral ULCs show practically a slight improvement in the overall cost competitiveness of the economy. Moreover, these two indicators have started to diverge considerably between 2004 and 2010, a period characterised by a marked increase in the share of services in overall GVA. This confirms that sectoral ULC based EERs are less prone to sectoral shifts in output, and are thus a better gauge to cost competitiveness in economies undergoing a large number of structural changes.[18]

Conclusion

Aggregate ULC measures show a considerable worsening of Malta's international price competitiveness in the last decade. Between 1980 and the mid-2000s, Malta's aggregate ULCs grew in line with those of the euro area showing no changes in Malta's relative cost competitiveness. However, from 2006 onwards, Malta's annual ULC growth picked up from 0.9% registered between 1996 and 2006 to 2.5% after 2006, one of the highest growth rates registered in the European Union. These conclusions are confirmed by ULC-deflated EERs that allow for movements in bilateral exchange rates and are able to take in consideration the importance of each of Malta's trading partners both as a competitor and as an importer of Maltese exports. These findings contrast sharply with Malta's economic performance in the last 9 years. After weathering the international recession of 2009, Malta's economy has grown at a faster pace than that of its main trading partners. Furthermore, during this period, Malta has succeeded in considerably improving its international trade performance, pushing its net external position in positive territory from 2010 onwards.

The lack of an apparent link between aggregate ULC developments and international trade performance is very clear in Maltese data and may in part be explained by some of the weaknesses of aggregate based ULCs. Indeed, these indicators are unable to account for improvements in the market structures of economies that may lead to lower price mark-ups and thus lower prices. More importantly, these indicators are very sensitive to changes in the sectoral composition of output and may show deteriorations in the international trade competitiveness of economies that shift resources towards sectors with high labour intensities. This factor seems to have significantly affected Malta's ULC developments. Indeed, the divergence in Maltese and euro area ULCs occurs simultaneously with a considerable expansion of Malta's services sector and the consequent decline in the importance of industrial production in overall GVA.

In an attempt to account for weaknesses of aggregate cost indicators, this article computes sector based ULC indices, which are then used to compute, sector-specific real EERs. When compared to aggregate ULC-based indicators, sectoral EERs are less prone to sectoral shifts in output and are thus better suited to measure international competitiveness of economies undergoing structural changes. Results show that contrary to what suggested

[18] Note that contrary to publicly available aggregate EERs, the sector-based real EER excludes public administration and construction in its computation, assuming that evolutions in the public and construction sectors are not relevant to an economy's competitiveness. It is important to note that the results discussed in this article are not affected by the inclusion or otherwise of public administration and construction, implying that the divergence between aggregate and sector-based EERs is not driven by the exclusion of these two sectors.

by traditional aggregate indicators, Malta's cost competitiveness has not deteriorated in the last 15 years, with improvements in the industry real EER offsetting an appreciation of the services sector real EER.

As stressed at the beginning of this article, relative prices and costs are only some of the many aspects that define the international competitiveness of an economy. While relative prices are surely a determinant of net exports in the short run, the definitive measure of a country's competitiveness ultimately rests on the dynamics of its key macroeconomic indicators, mainly, potential GDP growth, long run unemployment rate and balance of payment position. In this light, the long run international performance of an economy should not be exclusively assessed by any specific cost or price based indicator which fails to take into account other qualitative aspects of international competitiveness. Instead, a long-run perspective to international competitiveness should rest on an analysis of the quality of the factors of production of a nation. Therefore, a holistic approach towards improving Malta's international competitiveness should not be limited at measuring and gauging Malta's relative price developments, but should encompass structural reforms aimed at improving the productivity of both labour and capital inputs. Against this backdrop, it is essential to increase investment in education in an effort to improve the quality of labour input as well as to guarantee higher labour market flexibility. Moreover, policies aimed at ensuring a faster uptake of new technologies as well as improving the local business environment and the quality of policymaking processes should help the Maltese economy improve its long-term productivity levels, allowing it to compete favourably in the international market.

4. THE BALANCE OF PAYMENTS[1]

In the last quarter of 2015 the current account of the balance of payments posted a substantially higher surplus than in the corresponding period of 2014. This favourable development resulted from a swing to net inflows on the primary income account, higher net receipts on services, as well as higher net inward flows on the secondary income account. These improvements were partly dampened by a widening in the merchandise trade deficit. Meanwhile, net inflows on the capital account declined marginally on a year earlier.

The financial account balance showed a net lending position, as opposed to net borrowing a year earlier. The swing to net lending in the last quarter of 2015 was attributable to developments on the other investment account and to transactions in financial derivatives.[2] Net reserve assets, which also form part of the financial account, decreased while errors and omissions remained negative.[3]

The current account

The current account posts a larger surplus

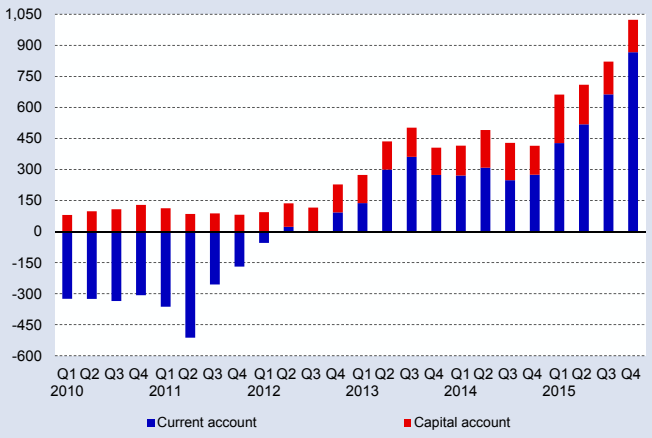
In the December quarter of 2015, the current account recorded a surplus of €205.9 million, up from €2.1 million a year earlier. For 2015 as a whole, the current account surplus reached €866.6 million, nearly €600.0 million more than in 2014 (see Chart 4.1). The higher surplus was driven by favourable movements on all main components, bar merchandise trade (see Table 4.1).

As a result, in 2015 the current account surplus stood at 9.9% of gross domestic product (GDP), 6.5 percentage points higher than a year earlier.

The merchandise trade deficit widens

In the last three months of 2015, the merchandise trade deficit widened by €33.6 million on the corresponding quarter of 2014, standing at €327.4 million. This was attributable to an expansion of €45.9 million in imports outpacing an increase of €12.3 million in exports.

Chart 4.1
CURRENT AND CAPITAL ACCOUNT BALANCES
(four-quarter moving sums in EUR millions)



Source: NSO.

[1] This analysis is based on balance of payments data issued by the National Statistics Office (NSO) in accordance with the guidelines contained in the Sixth Edition of the International Monetary Fund's Balance of Payments and International Investment Position (IIP) Manual (BPM6). The most notable difference resulting from these guidelines, compared with those of the Fifth Edition, relates to the inclusion of data pertaining to Special Purpose Entities (SPE) and to a new treatment of international banks. From a local perspective, the inclusion of SPEs in external data raises the value of both service exports and imports, and also has an impact on the primary income account. For further information on the new methodology, see NSO *Release* 176/2014.

[2] Following the adoption of the BPM6 methodology in 2014, increases in both assets and liabilities are recorded with a positive sign. Before, increases in assets were recorded with a negative sign, implying financial outflows, and increases in liabilities were recorded with a positive sign, implying financial inflows. Similarly, decreases in assets and liabilities are now both recorded with a negative sign.

[3] Positive net errors and omissions imply an underestimation of the current and capital account surplus and/or an overestimation of the increase in net assets on the financial account.

Table 4.1
BALANCE OF PAYMENTS
EUR millions

	Four-quarter moving sums						
	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2014 Q4	2015 Q4
Current account	**274.7**	**427.4**	**518.4**	**662.7**	**866.6**	**2.1**	**205.9**
Goods	-1,118.0	-1,165.2	-1,268.7	-1,451.0	-1,484.6	-293.8	-327.4
Services	1,753.3	1,825.4	1,896.5	2,009.7	2,092.2	376.5	459.0
Primary income	-556.6	-450.2	-316.4	-97.7	34.6	-124.6	7.7
Secondary income	195.9	217.5	207.0	201.8	224.4	44.0	66.7
Capital account	**140.0**	**234.2**	**190.8**	**158.5**	**156.5**	**9.9**	**7.9**
Financial account	**454.3**	**657.5**	**1,466.7**	**801.6**	**912.2**	**-24.1**	**86.4**
Direct investment	-6,818.9	-8,069.5	-8,702.8	-8,272.0	-8,382.6	-2,516.7	-2,627.3
Portfolio investment	13,002.3	10,907.4	7,567.2	5,805.8	4,766.0	3,412.9	2,373.1
Financial derivatives	-883.3	-1,509.1	-1,354.2	-1,058.6	-817.5	-165.9	75.2
Other investment	-4,857.9	-355.8	4,433.2	4,551.1	5,419.7	-585.1	283.5
Reserve assets	12.0	-315.5	-476.6	-224.7	-73.5	-169.3	-18.0
Errors and omissions	39.6	-4.2	757.5	-19.6	-110.9	-36.1	-127.4

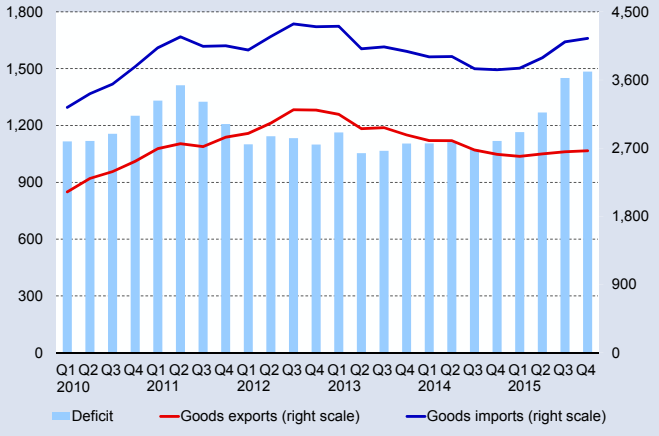
Source: NSO.

Similarly, over 2015 as a whole, the merchandise trade gap widened to €1,484.6 million, €366.6 million more than the deficit recorded in 2014, as imports increased at a faster rate than exports. The former surged by €413.9 million, while exports rose by €47.3 million (see Chart 4.2).

Customs data suggest that the rise in imports during 2015 was principally due to increased capital imports.[4] In addition, higher purchases of consumer goods and industrial supplies also contributed, though to a lesser extent. Conversely, the fuel import bill declined markedly. With regard to exports, the rise was primarily propelled mainly by higher sales of food.

More recent Customs data indicate that in the first three months of 2016, imports increased on a year earlier whereas exports contracted. Consequently, the visible trade gap widened. This widening is largely attributable to an increase in registrations of boats, which offset a drop in aircraft registrations thus boosting non-fuel imports. At the same time, net trade in fuels, which normally have only a limited impact on balance of payments data, also contributed to the wider trade gap at the start of 2016, as fuel exports fell faster

Chart 4.2
GOODS DEFICIT
(four-quarter moving sums in EUR millions)



Source: NSO.

[4] International trade data compiled on the basis of Customs returns differ from balance of payments data as a result of differences in coverage, valuation and timing. Thus, for example, trade data record the physical entry into, and exit from Maltese territory of all goods, whereas balance of payments data only capture transactions that entail a change of ownership between residents and non-residents. These differences are especially pronounced in the case of trade in fuel, as well as in imports of capital goods, mainly related to the registration of boats and aircraft.

than the corresponding imports. Excluding movements in fuels, aircraft and boats, the visible trade deficit narrowed, as imports fell slightly while exports increased.

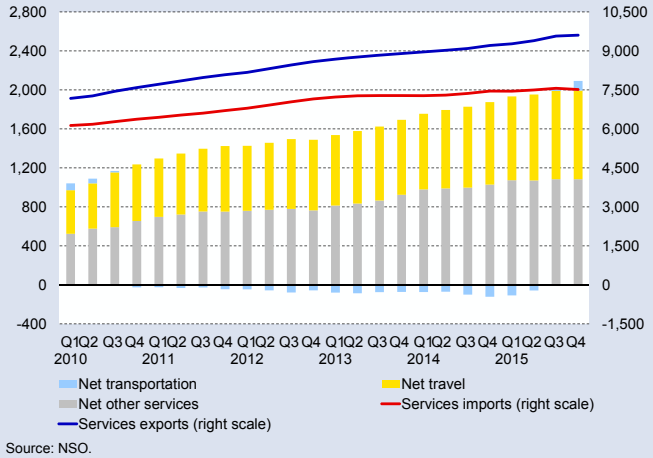
The surplus on services increases

During the last quarter of 2015 the positive balance on services stood at €459.0 million, a rise of €82.5 million on the same period of 2014. The larger surplus was spurred by both an increase in receipts and a drop in payments. Even though all main service components recorded favourable movements, the overall improvement was predominantly driven by a swing on transport services. Related net receipts stood at €40.2 million in the last quarter of 2015, in contrast to net payments of €39.0 million a year earlier. This positive performance was primarily the result of higher exports related to air transport services.

At the same time, net travel exports increased by €2.4 million, as tourism expenditure in Malta increased whilst spending by Maltese residents abroad declined marginally on the comparable quarter of 2014. Moreover, net receipts from the "other" services component edged up by €0.9 million on a year earlier, mainly reflecting a rise in receipts related to remote gaming and a decline in net payments on insurance services. These positive developments were partly counterbalanced by a decline in net receipts from financial services other than insurance and higher net payments for telecommunication services.

For 2015 as a whole, the overall surplus on services stood at €2,092.2 million, up by €338.8 million from the level registered a year earlier, as exports of services increased more strongly than imports (see Chart 4.3). This improvement was largely influenced by the positive developments on the transport component, as the shortfall of €122.0 million recorded in 2014 swung to net receipts of €98.4 million during 2015. This development mirrored the expansion of airline service companies operating from Malta. Nonetheless, as the buoyant performance of the tourism sector persisted, net travel receipts also contributed. The latter increased by €63.3 million, to €909.1 million. At the same time, over 2015 as a whole, the surplus on the "other services" component increased by €55.1 million, mainly reflecting higher receipts by remote gaming companies as well as audio-visual services. On the contrary, net inflows from financial services declined, while net payments related to other business services increased when compared with 2014. Both categories continued to be significantly influenced by the activities of SPEs.

Chart 4.3
SERVICES BALANCE
(four-quarter moving sums in EUR millions)



Source: NSO.

Primary income account records net inflows[5]

During the last three months of 2015, the primary income account posted net inflows of €7.7 million, as opposed to net outflows of €124.6 million in the corresponding period of 2014. Movements on this component of the current account continued to be strongly influenced by

[5] The primary income account shows income flows related mainly to cross-border investment and compensation of employees.

activities of internationally-oriented firms, including SPEs and banks, which transact in financial operations predominantly with non-residents.

Partly reflecting developments in the quarter under review, net inflows on this account reached €34.6 million during 2015, contrasting with net outflows of €556.6 million in 2014.

Inflows on the secondary income account increase[6]

In the last quarter of 2015, net inflows on the secondary income account increased to €66.7 million, €22.7 million more than the level recorded a year earlier.

In 2015, net inward secondary income flows amounted to €224.4 million, a rise of €28.5 million on 2014. This rise partly reflected higher net government receipts, which are in turn heavily influenced by timing differences between tax receipts from, and refunds to companies engaged in international business.

The capital account

Between October and December 2015, net inflows on the capital account amounted to €7.9 million, a dip of €2.0 million on the same period of 2014 (see Table 4.1). Nevertheless, during 2015 as a whole, capital inflows amounted to €156.5 million, an increase of €16.5 million on 2014 (see Chart 4.1). This improvement was partly propelled by an increase in funds received under EU financing programmes.

The financial account

In the last quarter of 2015, the financial account recorded a net lending position of €86.4 million, whereas net borrowing of €24.1 million was registered in the same period of 2014.

This difference was predominantly attributable to a swing of €868.6 million on the other investment account that in turn was driven by a strong decrease in liabilities. Although to a lesser extent, a move of €241.1 million on financial derivatives from a net borrowing to a net lending position, also contributed to the swing the balance on the financial account.

Movements on the "other investment" and financial derivatives sub-components contrasted with developments on the portfolio investment account and on direct investment.

When compared with the last quarter of 2014, net lending on the portfolio account contracted from €3,412.9 million, to €2,373.1 million in the last quarter of 2015. At the same time, net borrowing on the direct investment account increased by €110.6 million, to €2,627.3 million. Overall, financial flows continued to be heavily affected by the operations of internationally-oriented banks and SPEs.

Over 2015 as a whole, the financial account recorded net lending of €912.2 million, compared with €454.3 million in 2014. Higher net lending was principally attributable to developments on the "other investment" account, and to lesser extent, to financial derivatives. Developments on these accounts were partly offset by movements related to portfolio and direct investment. Over the year as a whole, reserve assets declined, whilst net errors and omissions turned negative.

[6] The secondary income account shows current transfers between residents and non-residents.

5. GOVERNMENT FINANCE

The latest general government statistics cover the period up to end-2015. During 2015 the general government deficit ratio to gross domestic product (GDP) decreased by half a percentage point to 1.5%. Meanwhile, general government debt as a percentage of GDP declined to 63.9% from 67.1% in 2014.

The latest cash statistics cover the period up to April 2016. In the first four months of 2015, the Consolidated Fund deficit decreased over the same period of 2015.[1] However, central government debt was higher than the corresponding period last year.

Developments in 2015: general government

General government balance improves in 2015Q4

In the final quarter of 2015 the general government surplus increased by €16.9 million on a year earlier, to reach €95.3 million, as the increase in revenue exceeded that in expenditure (see Table 5.1). The primary balance, which excludes interest payments from total expenditure, improved by €16.2 million, to reach a surplus of €153.4 million.

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

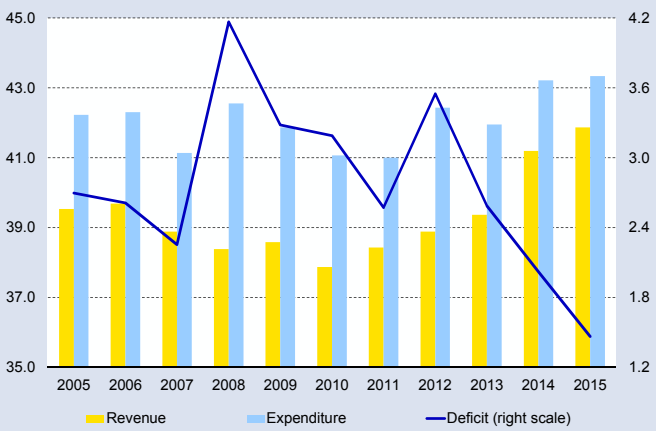
	2014 Q4	2015 Q4	Change Amount	Change %	2014 Q1-Q4	2015 Q1-Q4	Change Amount	Change %
Revenue	**1,043.6**	**1,154.7**	**111.1**	**10.6**	**3,330.3**	**3,683.1**	**352.8**	**10.6**
Taxes on production and imports	308.9	347.5	38.6	12.5	1,097.8	1,189.1	91.3	8.3
Current taxes on income and wealth	402.1	385.4	-16.7	-4.2	1,155.4	1,237.6	82.1	7.1
Social contributions	159.6	172.0	12.4	7.7	560.3	596.3	36.0	6.4
Capital and current transfers receivable	88.3	149.2	60.9	69.0	244.5	327.5	83.0	34.0
Other(1)	84.7	100.6	15.9	18.8	272.4	332.6	60.2	22.1
Expenditure	**965.2**	**1,059.4**	**94.2**	**9.8**	**3,493.8**	**3,812.1**	**318.3**	**9.1**
Compensation of employees	268.6	281.2	12.6	4.7	1,048.6	1,116.4	67.8	6.5
Intermediate consumption	157.5	209.6	52.1	33.1	524.8	596.5	71.7	13.7
Social benefits	261.6	264.2	2.6	1.0	1,004.1	1,033.2	29.1	2.9
Subsidies	27.5	26.6	-0.8	-3.0	105.0	110.6	5.6	5.3
Interest	58.8	58.1	-0.7	-1.1	230.8	227.6	-3.2	-1.4
Other current transfers payable	57.6	47.5	-10.2	-17.6	192.7	200.2	7.5	3.9
Gross fixed capital formation	103.4	130.6	27.2	26.3	297.1	402.3	105.3	35.4
Capital transfers payable	33.5	50.3	16.8	50.3	91.9	129.6	37.6	41.0
Other(2)	-3.3	-8.8	-5.5	-	-1.2	-4.4	-3.2	-
Primary balance	**137.2**	**153.4**	**16.2**	**-**	**67.4**	**98.6**	**31.3**	**-**
General government balance	**78.4**	**95.3**	**16.9**	**-**	**-163.4**	**-129.0**	**34.4**	**-**

(1) "Other" revenue includes market output as well as income derived from property and investments.
(2) "Other" expenditure principally reflects changes in the value of inventories and in the net acquisition of valuables and other assets.
Source: NSO.

[1] The Consolidated Fund covers most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA2010 regulations, cover central government, which is defined to include extra-budgetary units, as well as local councils, on an accruals basis. On the revenue side, discrepancies between the two sets of accounts mainly stem from the recorded timing of income tax and VAT revenue. On the expenditure side, significant differences often arise in the treatment of capital expenditure. Coverage of government debt also differs between the two methods.

During this period revenue went up by 10.6% mainly on the back of higher capital transfers received, which includes grants received from the European Union (EU). This reflects a higher utilisation rate of EU funds in order to complete projects co-financed by the 2007-2013 EU Financial Framework. Overall, tax receipts also contributed towards the increase in revenue, despite a decline in inflows from taxes on income and wealth. The latter were affected by a negative base effect resulting from the launch of the Investment Registration Scheme in the final quarter of 2014, which generated around €32.0 million. Other revenue also increased on an annual basis, partly supported by intakes under the Individual Investor Programme. Meanwhile, expenditure went up by 9.8%, in large part reflecting a substantial increase in capital-related and intermediate expenditure part-financed by the EU. Other spending increases relate to higher compensation of employees and, marginally, social payments.

Chart 5.1
GENERAL GOVERNMENT FINANCE DEVELOPMENTS
(four-quarter moving sums; % of GDP)



Source: NSO.

Partly reflecting developments during the last quarter of the year, over 2015 as whole, the deficit narrowed by €34.4 million, to €129.0 million. Its ratio to GDP stood at 1.5%, down from 2.0% in 2014 (see Chart 5.1). Both expenditure and revenue as a share of GDP climbed to the highest ratios observed in the last decade. The expenditure-to-GDP ratio rose marginally to 43.3% in 2015, from 43.2% in 2014. Meanwhile, the share of revenue in GDP reached 41.9% from 41.2% in 2014.

2015 developments: revenue rises

In 2015 general government revenue expanded by 10.6% over the previous year driven by increases in all components. Rapid economic growth and positive labour market developments led to a rise in tax revenue. Specifically, current taxes on income and wealth rose by 7.1% while social contributions rose by 6.4%. At the same time, taxes on production and imports surged by 8.3%, partly due to robust growth in residents' and tourists' consumption. Furthermore, the introduction of new duties on wine and pneumatic tyres, as well as the increase of existing duties such as those on cement and tobacco, as announced in the Budget 2015, boosted taxes on production and imports.

Meanwhile, receipts from capital and current transfers grew by 34.0%, owing to higher grants received from the EU, particularly in the last quarter of the year as mentioned above, as the Government stepped up efforts to increase the absorption rate of EU funds under the 2007-13 financing programme. Revenue was also boosted by higher inflows from sales, partly driven by higher receipts from the Individual Investor Programme.

2015 developments: expenditure increases

General government expenditure rose by 9.1% driven by increases in both recurrent and capital spending. The biggest increases in current expenditure were recorded in compensation of employees and intermediate consumption, which grew by 6.5% and 13.7%, respectively. Increased outlays were mainly recorded in the health, education and public administration sectors. At the same time, social benefits rose by 2.9% owing to a higher outlay on retirement pensions.

Meanwhile, subsidies went up by 5.3% on the back of higher spending relating to the obligation to provide spare capacity in the energy sector. At the same time, other current transfers payable went up by 3.9%, due to a one-time bonus given to low-income households as compensation for the low cost of living adjustment. Conversely, interest payments contracted by 1.4%, despite rising debt levels, reflecting the favourable interest rate environment.

Capital expenditure also recorded a significant increase. Spending on gross fixed capital formation surged by 35.4%, partly supported by higher outlays on infrastructural projects that are co-funded by the EU. At the same time, capital transfers grew by 41.0%, mainly because of a higher equity injection into Air Malta.

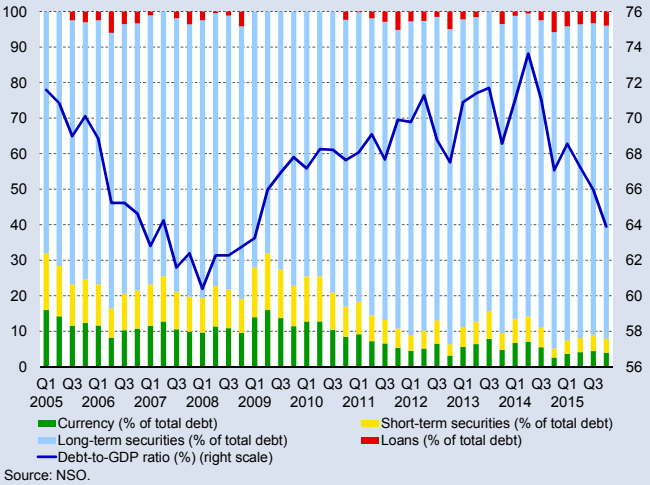
General government debt developments: debt ratio declines

As at December 2015 the stock of general government debt amounted to €5,620.7 million, down from €5,685.1 million in September 2015. During this period, the debt composition shifted in favour of long-term securities, namely outstanding Malta Government Stocks (MGS), at the expense of short-term securities (Treasury bills). The share of the latter in total debt declined to 4.0% from 4.4% in the previous quarter (see Chart 5.2), while the share of MGS rose to 88.1% from 87.9%. Meanwhile, the share of loans rose slightly from 6.5% to 6.7%, while the proportion of government liabilities in the form of euro coins remained at 1.2%.

In 2015 as a whole, general government debt went up by €198.8 million mainly to finance the deficit (see Table 5.2). The increase in debt was also affected by a positive deficit-debt adjustment, chiefly due to transactions in net trade receivables. Such transactions offset the impact of other, debt-reducing factors, such as the drawdown of government deposits and the partial repayment of a loan granted to Air Malta.

The resulting increase in the debt level was overshadowed by a larger increase in economic activity, as measured by the value of nominal GDP. Consequently, the general government debt as a share of GDP fell to 63.9% at the end of 2015 from 67.1% a year earlier (see Chart 5.2).

Chart 5.2
GENERAL GOVERNMENT DEBT



Source: NSO.

Table 5.2
GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT
EUR millions

	2010	2011	2012	2013	2014	2015
Change in Debt	**301.4**	**346.1**	**63.1**	**372.7**	**176.7**	**198.8**
Deficit	210.5	176.9	256.1	197.9	163.4	129.0
Deficit-debt adjustment	**91.0**	**169.3**	**-193.1**	**174.8**	**13.2**	**69.8**
of which: Transactions in main financial assets	**76.6**	**161.0**	**-67.2**	**43.4**	**101.1**	**-87.3**
Currency and deposits[(1)]	44.0	64.5	-227.3	-19.2	74.6	-27.2
Loans, shares and other equity	32.6	96.4	160.0	62.6	26.5	-60.2
of which: Other[(2)]	**14.4**	**8.3**	**-125.8**	**131.4**	**-87.8**	**157.2**

[(1)] Composed mainly of transactions in deposits held with the Central Bank of Malta.
[(2)] Includes adjustments for valuation and volume effects and transactions capturing the effect of trade credits or other accounts receivable or payable.
Sources: NSO; Central Bank of Malta.

Developments in 2016: Consolidated Fund

The Consolidated Fund deficit narrows in the first four months

Between January and April 2016, the Consolidated Fund deficit narrowed by €31.1 million compared with the same period a year earlier, standing at €77.5 million (see Table 5.3).[2] Concurrently, the primary balance improved by €29.7 million to reach a deficit of €0.5 million.

Revenue went up marginally by 0.5%, driven by higher tax revenue. Receipts from direct taxation went up by 13.8% on the back of buoyant labour market developments. At the same time, indirect tax revenue rose by 11.6% mainly because of higher duties on property transfers and higher receipts from customs and excise duties. On the other hand, non-tax revenue fell by 46.8% as grants received dropped from their exceptionally high level a year earlier. This reflects the

Table 5.3
CONSOLIDATED FUND BALANCE
EUR millions

	2015 Jan.-Apr.	2016 Jan.-Apr.	Change Amount	Change %
Revenue	**995.1**	**1,000.3**	**5.2**	**0.5**
Direct tax[(1)]	445.6	506.8	61.3	13.8
Indirect tax	344.2	384.2	40.0	11.6
Non-tax[(2)]	205.4	109.3	-96.1	-46.8
Expenditure	**1,103.7**	**1,077.8**	**-25.9**	**-2.3**
Recurrent[(1)]	972.9	1,010.5	37.6	3.9
Of which: Interest payments	78.4	77.0	-1.4	-1.8
Capital	130.8	67.3	-63.5	-48.5
Primary balance[(3)]	**-30.2**	**-0.5**	**29.7**	**-**
Consolidated Fund balance	**-108.6**	**-77.5**	**31.1**	**-**

[(1)] Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both direct tax revenue and recurrent expenditure.
[(2)] Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.
[(3)] Revenue less expenditure excluding interest payments.
Source: NSO.

[2] Data on the Consolidated Fund that are analysed in this section are compiled on the basis of cash transactions covering most of central government. They vary from general government data, owing to differences in institutional coverage and accounting principles followed.

completion of projects part-financed by the 2007-13 EU financing programme, and the initiallly low take-up of funds under the 2014-20 financing programme.

Between January and April 2016 total expenditure contracted by 2.3% compared with the same period a year earlier. The decline stemmed from a 48.5% drop in capital expenditure, partly due to lower EU-funded spending and in line with a drop in grants received. On the other hand, recurrent expenditure grew by 3.9% reflecting increases in contributions to government entities, personal emoluments and other operational expenditure. Conversely, interest payments went down marginally.

Government debt increases in the first four months

Between the end of 2015 and April 2016, central government debt excluding debt issued by extra-budgetary units and local councils and excluding also debt held by sinking funds, increased. At the end of April the outstanding amount stood at €5,591.4 million, €257.3 million more than at the end of 2015 (see Table 5.4). It was also higher compared with the outstanding debt as at April 2015, which stood at €5,364.0 million.

The rise in debt between December and April was in the form of higher Malta Government Stocks (MGS) and Treasury Bills, which added €205.4 million and €107.6 million respectively. Apart from financing the Consolidated Fund deficit, this increase partly reflected the repayment of a loan that matured in this period and redemptions of MGS due later on in the year.

The share of MGS in government debt as at end-April was slightly lower than as at end-2015 standing at 92.3% down from 92.9%. On the other hand, the share of Treasury bills edged up to 5.9%, from 4.2% at end-2015.

In the period under review, following the loan repayment mentioned above, the stock of domestic loans from commercial banks fell to zero. Meanwhile, the stock of euro coins in issue and foreign loans outstanding remained relatively unchanged.

Table 5.4
CENTRAL GOVERNMENT DEBT[(1)]
EUR millions

	2015 end-Dec.	2016 end-Apr.	Change Dec.15 - Apr.16
Government debt	**5,334.1**	**5,591.4**	**257.3**
Euro coins issued in name of the Treasury	67.9	68.6	0.8
Treasury bills	222.1	329.7	107.6
Malta Government Stocks	4,958.0	5,163.4	205.4
Local loans	56.4	0.0	-56.4
Foreign loans	29.8	29.7	-0.1

[(1)] Government debt excludes government debt issued by extra-budgetary units and local councils and debt held by Sinking Funds. This definition differs from the general government debt definition that is used in Chart 5.2.
Sources: NSO; Central Bank of Malta.

6. MONETARY AND FINANCIAL DEVELOPMENTS

Monetary dynamics in Malta remained robust during the first quarter of 2016.[1] Residents' deposits with monetary and financial institutions (MFIs) operating in Malta continued to grow strongly in annual terms, driven by a shift towards overnight deposits in an environment of low interest rates. Credit dynamics also continued to show signs of strength, largely reflecting growth in loans to households. On the other hand, loans to non-financial corporations (NFCs) contracted.

Interest rates on deposits and loans to residents continued to fall during the period. Meanwhile, short-term yields dropped during the first three months of 2016, as the European Central Bank (ECB) pursued its accommodative monetary policy stance. Long-term government bond yields also fell. In equity markets, share prices in Malta rose once more.

Monetary aggregates and their counterparts

Total assets pertaining to the banking system in Malta dropped during the first quarter, by €409.5 million, to reach €51.5 billion. This drop primarily stemmed from international banks operating in Malta. Assets pertaining to core domestic banks, on the other hand, rose by €245.7 million, to €20.9 billion during the period (see Chart 6.1).[2]

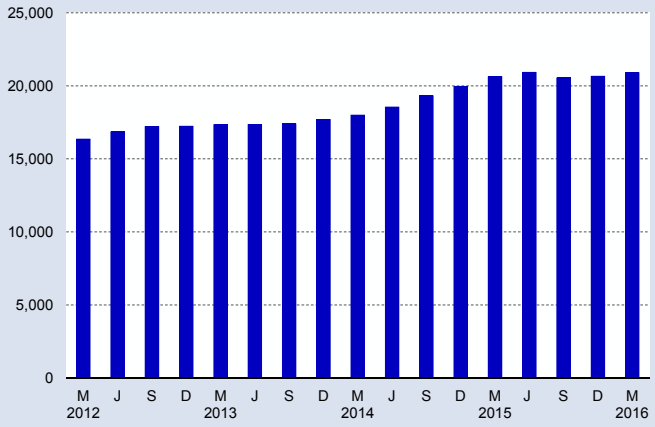
Residents' deposits continue to grow strongly

The total amount of deposits held by Maltese residents with MFIs in Malta continued to grow strongly in annual terms, going up by 10.0% in March (see Table 6.1). Both household and NFC deposits increased during the period reviewed.

Nevertheless, growth has slowed since its peak in June 2015. This slowdown is a reflection of developments in overnight deposits, the largest category of residents' deposits. In the year to March, overnight deposits grew by 17.8%, after they had increased at an annual rate of 39.3% a year earlier. The other component which contributed to growth was deposits with an agreed maturity above two years.

Conversely, deposits with an agreed maturity of up to two years continued to contract, dropping by 6.1% in the year to March. This reflected a continued drop in household deposits, as growth in NFC deposits turned positive. Meanwhile, deposits redeemable at notice

Chart 6.1
TOTAL ASSETS/LIABILITIES OF CORE DOMESTIC BANKS
(EUR millions)



Source: Central Bank of Malta.

[1] Monetary data analysed in this Chapter are compiled on the basis of statistical standards found in the General Notes of the Statistical Tables in this *Quarterly Review*. They are consistent with the relevant ECB Regulation and with ESA 2010.

[2] As from January 2016, the domestically relevant banks or "core" domestic banks are APS Bank Ltd, Banif Bank (Malta) plc, Bank of Valletta plc, HSBC Bank Malta plc, Lombard Bank Malta plc, Mediterranean Bank plc and Mediterranean Corporate Bank.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2016	2015				2016
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Overnight deposits	**10,478.5**	**30.5**	**39.3**	**33.3**	**24.9**	**17.8**
of which						
Households	5,686.5	29.8	34.9	29.5	23.9	17.8
Non-financial corporations	2,709.0	20.1	48.3	35.8	25.1	18.5
Deposits redeemable at notice of up to three months	**112.6**	**8.2**	**3.3**	**6.6**	**-2.2**	**-7.3**
of which						
Households	95.5	4.7	0.6	0.8	-7.4	-4.8
Non-financial corporations	13.6	14.7	10.6	7.9	15.0	-20.7
Deposits with an agreed maturity of up to two years	**3,512.9**	**-7.6**	**-8.4**	**-9.5**	**-10.9**	**-6.1**
of which						
Households	2,687.8	-4.9	-5.4	-5.2	-9.4	-9.3
Non-financial corporations	396.4	-26.7	-19.3	-33.8	-15.0	29.6
Deposits with an agreed maturity above two years	**1,631.3**	**2.5**	**0.7**	**-1.2**	**9.2**	**5.3**
of which						
Households	1,538.3	1.1	0.5	-0.5	10.4	7.3
Non-financial corporations	60.8	11.4	6.8	-7.2	0.2	-23.2
Total residents' deposits[(1)]	**15,735.3**	**14.6**	**19.1**	**16.0**	**12.9**	**10.0**

[(1)] Total residents' deposits exclude deposits belonging to central government.

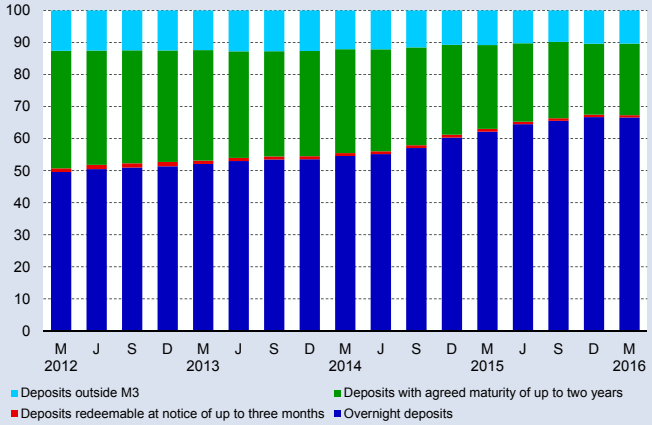
Source: Central Bank of Malta.

of up to three months, the smallest component of total residents' deposits, also fell, going down by 7.3% in annual terms.

These developments indicate that Maltese residents, in an environment of low interest rates, prefer to hold their savings in the more liquid deposits or in higher-yielding deposits.

Over the year to March 2016 the shift away from term deposits to overnight deposits continued, with the share of overnight deposits in total residents' deposits standing at 66.6% in March compared with 62.2% a year earlier (see Chart 6.2). The share of deposits with an agreed maturity of up to two years dropped to 22.3% from 26.2%, while that of deposits with an agreed maturity of over two years fell slightly, from 10.8% to 10.4%. Deposits redeemable at notice of up to three months continued to account for a very small proportion of total deposits.

Chart 6.2
DISTRIBUTION OF TOTAL RESIDENT DEPOSITS[(1)]
(percentage points)



[(1)] Deposits exclude those belonging to central government.

Source: Central Bank of Malta.

Going into the second quarter, the annual growth rate of residents' deposits slowed further, going to 8.7% in April. Growth in residents' deposits continued to be driven by overnight deposits.

Interest rates on deposits continue to decline

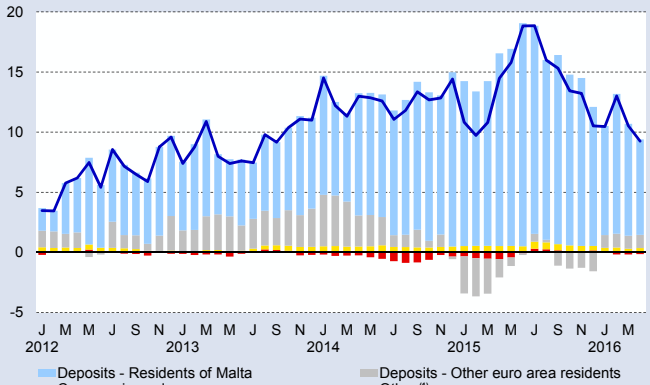
Interest rates on residents' deposits continued to decline during the first quarter of 2016, with the composite rate offered to households and NFCs going down by 5 basis points to 0.64% (see Table 6.2).[3] This mainly reflected falls in rates paid on time deposits with agreed maturities of up to two years and of over two years. Rates on overnight deposits, already very low, dropped marginally.

When compared with a year earlier, the composite deposit rate dropped by 29 basis points, mainly as a result of lower time deposit rates. This downward trend in deposit rates is in line with the ongoing accommodative monetary policy of the euro area.

Contribution to euro area M3 continues to grow

Overall, the contribution of Maltese MFIs to euro area M3 grew by 10.5% in annual terms during March, unchanged from December 2015 but down from 15.3% in September (see Chart 6.3).[4] Residents' deposits forming part of M3, which include

Chart 6.3
CONTRIBUTIONS OF RESIDENT MFIs TO EURO AREA M3
(percentage points; annual percentage change)



(1) The "other" category consists of loans granted to resident MFIs, money market fund shares/units and debt securities with a maturity of up to and including two years issued by MFIs.
Source: Central Bank of Malta.

Table 6.2
INTEREST RATES ON DEPOSITS OF MALTESE RESIDENTS(1)
Percentages per annum; weighted average rates as at end of period

	2015				2016
	Mar.	June	Sep.	Dec.	Mar.
Total deposits	0.93	0.85	0.76	0.69	0.64
Overnight deposits					
Households	0.15	0.15	0.14	0.12	0.11
Non-financial corporations	0.17	0.12	0.11	0.11	0.09
Time deposits with agreed maturity up to two years					
Households	1.53	1.40	1.26	1.11	0.98
Non-financial corporations	1.33	1.22	1.01	0.85	0.80
Time deposits with agreed maturity over two years					
Households	3.35	3.30	3.20	2.99	2.90
Non-financial corporations	2.70	2.60	2.55	2.26	2.13

(1) Annualised agreed rates on outstanding euro-denominated deposits belonging to households and non-financial corporations.
Source: Central Bank of Malta.

[3] Data on MFI interest rates on outstanding amounts shown in Table 6.2 cover euro-denominated deposits belonging to households and NFCs resident in Malta. The household sector includes non-profit institutions serving households.
[4] The contribution of Maltese MFIs to euro area monetary aggregates comprises the notional issue of euro currency attributed to the Central Bank of Malta, deposits held by Maltese and other euro area residents (except central government and interbank deposits) with resident MFIs having terms to maturity of up to two years, as well as other monetary liabilities of Maltese MFIs towards euro area residents.

overnight deposits and term deposits with maturities of up to two years, remained the largest contributor to the annual growth in Malta's M3 contribution, though their annual growth rate moderated when compared to December. This was offset by movements in deposits belonging to non-Maltese euro area residents, whose contribution turned positive. Contributions from the remaining components, such as currency issued, remained small.

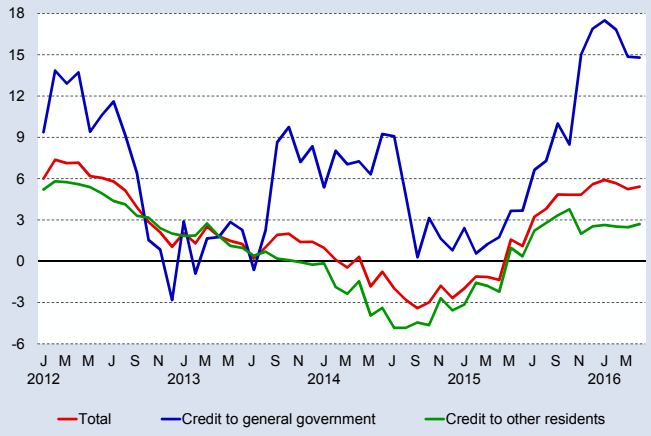
In April, the annual growth rate of Malta's contribution to euro area M3 eased to 9.3%, mirroring slower growth in residents' deposits.

Credit to residents showing signs of strength

Growth in credit to Maltese residents remained strong during the first quarter of 2016, with the annual rate of change standing at 5.2% in March (see Chart 6.4). This was lower than the 5.6% registered in December, though the recent figure indicates that growth in credit to residents continues to recover. In the euro area, credit expanded by 3.1% on a year earlier in March.

Growth in credit to Maltese residents is being driven by both credit to government and credit to other residents. The former grew at an annual rate of 14.9% in March, from 16.9% in December. The increase in credit to government was driven by banks' purchases of government securities, mainly reflecting Central Bank of Malta purchases under the ECB's Asset Purchase Programme.

Chart 6.4
CREDIT TO RESIDENTS OF MALTA
(annual percentage changes)

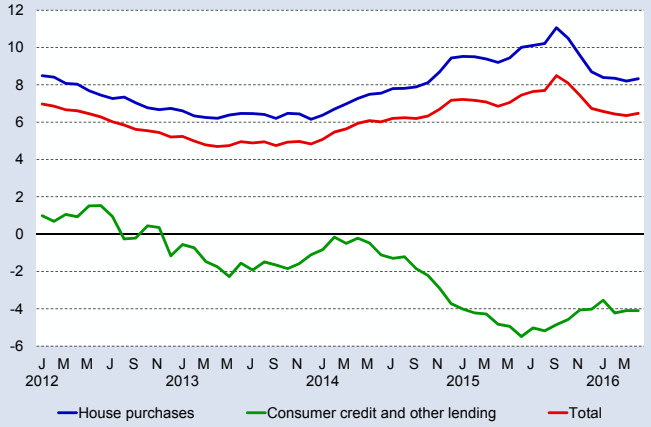


Source: Central Bank of Malta.

Meanwhile, credit to other residents grew by an annual 2.5% in March, as in December. Banks' purchases of shares and other equities grew strongly, accounting for most of this increase, though loans continued to expand. The latter, which are the major component of credit to other residents, rose by 0.7% in the year to March, down from 1.1% in December.

In more detail, growth in loans was driven by continued expansion in loans to households, which increased by 6.4% in March when compared to a year earlier (see Chart 6.5). Lending

Chart 6.5
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

to households has remained strong in recent years, though the annual growth rate has slowed slightly from its recent peak of 8.5% in September 2015. Lending for house purchase remained the main driver of increases in this component, growing by an annual 8.2% in March. Consumer credit and other lending, on the other hand, contracted once more, down by 4.1% over the year to March, broadly the same rate of decline recorded at the end of last year.

Loans to NFCs continued to contract, with the annual rate of change standing at -6.3% in March, from -5.0% in December, reflecting developments in both the public and the private sector. In part, this could reflect substantial net issuance of corporate bonds on the primary market – as well as private placements – during the year to March, which would have substituted bank borrowings. It also reflected developments in the energy sector, where loans were repaid and where some borrowings were transferred to non-bank financial intermediaries. Indeed, loans to non-bank financial intermediaries expanded once more in the year to March, maintaining the upward trend observed since mid-2015.

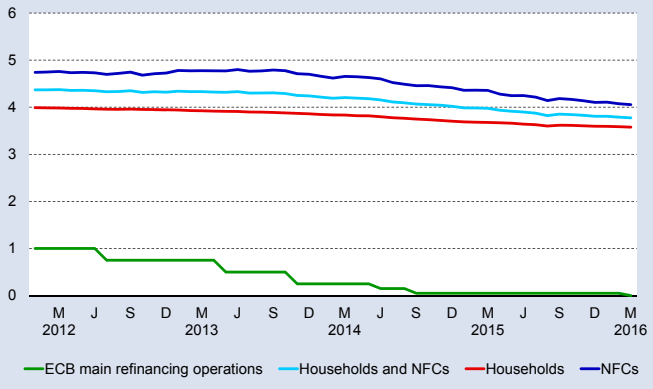
The annual growth rate of credit to Maltese residents picked up slightly to 5.5% in April. This acceleration reflected developments in both credit to government and in credit to other residents, with the latter partly driven by faster growth in loans to households and to non-bank financial intermediaries.

Interest rates on loans fall

Interest rates on loans to Maltese residents continued to decline during the quarter under review, with the composite rate paid by households and NFCs edging down by 3 basis points to 3.77% (see Chart 6.6). When compared with a year earlier, the composite rate was down by 20 basis points. During the period, rates on loans to NFCs fell at a faster pace than those on loans to households. NFCs still pay a higher rate on their loans compared with households, with a spread of almost 50 basis points in March. This spread, however, has been declining in recent months.

The downward trend in lending rates is in line with the ongoing accommodative monetary policy of the ECB. Nonetheless, the spread between the composite lending rate and its deposit counterpart increased slightly when compared with a year earlier, suggesting that the transmission of the ECB's easing measures to lending rates is weaker than that to deposit rates.

Chart 6.6
INTEREST RATES ON LOANS TO MALTESE RESIDENTS[1]
(per cent per annum; end of period)



[1] Interest rates are based on the Monetary Financial Institutions' interest rates (MIR) on outstanding amounts.

Source: Central Bank of Malta.

Bank Lending Survey indicates stable credit conditions

The Bank Lending Survey (BLS), last conducted in April 2016, surveyed a selection of domestic banks on credit conditions in Malta during the first quarter of 2016.

More specifically, credit standards for businesses remained generally unchanged during the

period, though one bank indicated a tightening. Credit terms and conditions were also unchanged, with the exception of one bank which reported an easing. Credit demand was deemed to be stable on average. With regard to expectations for the second quarter of 2016, banks generally indicated that credit standards would remain unchanged, but credit demand is expected to increase. The survey also asked banks how current credit standards compare to the first quarter of 2003 and to the second quarter of 2010. Banks generally indicated that current standards were tighter when compared to both periods.

With regard to household credit, credit standards on loans for house purchase were deemed to have tightened by one bank and loosened by another bank. The two remaining banks indicated stable credit standards. No change was reported in loan terms and conditions. On balance, the demand for house loans increased during the first quarter of 2016, and one bank indicated that it expected a further increase in the second quarter. No change is expected in credit standards. Meanwhile, the four banks surveyed did not observe any change in credit standards for consumer credit during the period under review, though demand for this form of credit was deemed to have fallen.

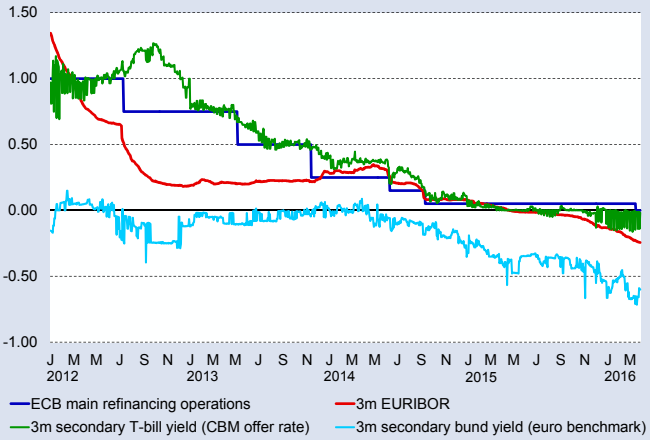
The survey also asked banks about the impact of the ECB's non-standard measures. With regard to the Asset Purchase Programme, banks indicated that this has not had any impact on their lending behaviour, and is not expected to have an impact over the next six months. With regard to the negative deposit facility rate, banks generally indicated that the impact of this measure has been on their net interest income, with two banks also reporting a narrowing of the spread of their lending rates on new loans to businesses over a relevant market reference rate.

The money market

Short-term yields fall

In March the ECB announced a further easing of its monetary policy stance, reducing its key interest rates. In particular, the MRO rate was reduced by 5 basis points to 0.00%. In line with these developments, money market interest rates in the euro area continued to drop during the first quarter of 2016. As at end-March, the three-month EURIBOR stood at -0.24%, down by 11 basis points from three months prior (see Chart 6.7).[5]

Chart 6.7
MONEY MARKET INTEREST RATES
(percentages per annum; daily rates)



Sources: Central Bank of Malta; ECB; Reuters.

The domestic primary market yield, as measured by the yield on three-month Treasury Bills, also dropped, going down by 4 basis points over the quarter to -0.14% as at end-March. The Government issued €247.6 million worth of Treasury bills during the first quarter, down from €269.8 million in the final quarter of 2015. The majority of

[5] The Euro Interbank Offer Rate (EURIBOR) is based on interest rates at which euro area banks are willing to lend funds to other banks in the euro area on an unsecured basis.

bills issued during the quarter reviewed had a maturity of either three months or six months and were purchased mainly by domestic banks.

In the secondary market, yields on three-month Treasury Bills dropped by 2 basis points to -0.02% during the first quarter, after having remained unchanged during the final three months of 2015. On the other hand, yields on three-month German government securities, which act as a benchmark for euro area yields, dropped during the final three months of 2015 before rising slightly in the first quarter of 2016, to end March at -0.60%. As a result, the spread between the short-term Maltese and the short-term benchmark euro area yield narrowed slightly to 58 basis points as at end-March.

The capital market

During the first quarter the Government continued to raise funds through the issue of Malta Government Stocks (MGS). In March, two MGS were issued for a total amount of €199.7 million, of which €3.0 million were allotted to the 1.50% MGS 2022 (IV) and €196.7 million to the 2.50% MGS 2036 (I), at issue prices of €105.0 and €101.5, respectively. The issues were oversubscribed, with a bid-to-cover ratio of 1.68.[6]

The Government issued two more MGS during April. The stocks, which were available through competitive auction, totalled €80.0 million, of which €55.0 million were allotted to the 1.50% MGS 2022 (IV) Fungibility Issue at a weighted-average price of €106.5 and €25.0 million were allotted to the 2.50% MGS 2036 (I) Fungibility Issue at a weighted-average price of €105.1. These issues were also oversubscribed, with a bid-to-cover ratio of 3.03.

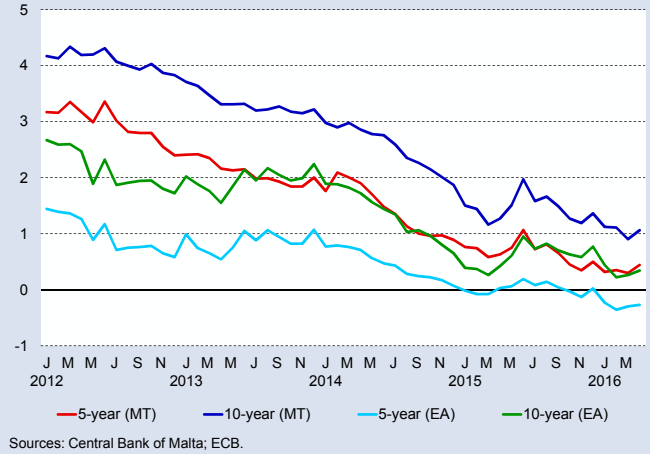
With regard to private issues, during the first quarter Bank of Valletta plc issued the second tranche of its Subordinated Debt Issuance Programme, consisting of €50.0 million in notes issued at par, offering a coupon rate of 3.50% and maturing in 2030. Corinthia Finance issued €40.0 million in 4.50% bonds at par, maturing in 2026, which were used to redeem its 6.25% Unsecured Bonds 2016-2019. Meanwhile, €30.0 million in bonds issued by Medserv plc and maturing in 2026 were listed on the Malta Stock Exchange (MSE).

In the secondary market, turnover for government bonds stood at €103.9 million during the first quarter, up from €74.2 million in the previous quarter. Meanwhile, turnover for corporate bonds was €12.1 million, up from €9.4 million in the final quarter of 2015.

Government bond yields resume downward trend

Maltese government bond yields in the secondary market declined once more during the first quarter of 2016 (see Chart 6.8). Yields on five-year

Chart 6.8
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

[6] The bid-to-cover ratio is the amount of bids received divided by the amount of bids accepted.

government bonds dropped by 20 basis points to 0.30% as at end-March, while those on ten-year bonds dropped by 46 basis points to 0.90%. These movements mirrored developments in the euro-area benchmark, with the comparable five and ten-year yields dropping by 32 and 51 basis points, respectively. Secondary market yields in Malta and in the euro area have been declining for most of the past five years. However, yields in both the euro area and in Malta rebounded slightly in April, with the five and ten-year yields on Maltese government bonds rising to 0.44% and 1.06%, respectively.

MSE share index rises

Share prices in Malta, as measured by the Malta Stock Exchange (MSE) index, rose further during the first quarter of 2016 (see Chart 6.9). The index was up by 3.0% as at end-March when compared to end-December, though it dipped marginally in April. Equity prices in Malta have been on an upward trend since the start of 2015, following weakness in 2014. Turnover in equity markets stood at €26.5 million during the first quarter of 2016, up from €22.1 million in the previous quarter.

Chart 6.9
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)

Source: MSE.

BOX 6: SURVEY ON ACCESS TO FINANCE (SAFE) IN 2015[1]

In Malta the reliance of the non-financial business economy on small and medium-sized enterprises (SME) is higher than that of any other European Union Member State. Estimates for 2014 indicate that SMEs produced 77% of value added and accounted for 82% of jobs in the non-financial business economy.[2] Malta's SME sector is also one of the very few in the European Union to have expanded throughout the crisis. Between 2008 and 2014, the performance of Maltese SMEs has been extraordinarily robust, with employment levels rising by 14% or 13,000 across most sectors of economic activity, but most significantly in tourism and IT-related services.[3]

[1] Prepared by Sandra Zerafa. Ms Zerafa is a Senior Research Economist in the Research Office of the Central Bank of Malta. The views expressed are those of the author and do not necessarily reflect the views of the Central Bank of Malta. Any errors are the author's own.

[2] Estimates for 2014 are based on 2008-12 figures from Eurostat's Structural Business Statistics Database. The term 'non-financial' business economy includes the industry, construction, trade and services sectors but excludes enterprises in agriculture, forestry, fisheries and non-market services sectors such as education and health.

[3] Source: "2015 Small Business Act Fact Sheet" published by the European Commission to report on the national progress in the implementation of the Small Business Act (the framework for the EU policy on SMEs). Data provided in this report show that between 2014 and 2016, the number of employees in SMEs is expected to rise by 6% or 5,000 persons, while value added is expected to grow by 13%.

On a European level, economic performance is also largely dependent on the growth of SMEs, which represent 99% of all businesses in the European Union. In 2014, SMEs across the European Union achieved a full recovery since the crisis, with value added being 2.4% higher than in 2008. Corroborating evidence of a jobless recovery, employment levels in 2014, however were still 1.3% below the 2008 level.[4] Being considered the backbone of Europe's economy,[5] one of the key priorities set out in the European Union's growth strategy – Europe 2020, is the need to facilitate access to finance for SMEs whilst providing a healthy financial system that supports growth.

The financing needs of SMEs differ greatly from those of large scale enterprises, which have a more direct access to capital markets. SMEs rely heavily on bank financing and consider it the most relevant source of external finance. Developments in the conditions facing SMEs throughout the European Union can be monitored through the bi-annual survey on the Access to Finance of Enterprises (SAFE)[6] which was established by the ECB and the European Commission in 2008. On the basis of reporting by participating SMEs, policymakers are able to deduce significant information about the behaviour and expectations of firms in terms of the accessibility and cost of finance, and consequently valuable information about the monetary policy transmission mechanism in the euro area.

This article provides an overview of the main developments reported in the SAFE survey by domestic SMEs in terms of their need for, access to and cost of finance. When deemed necessary, comparisons with the results of other European economies in this round and preceding waves are also carried out.

Financing sources used by SMEs

Results from this survey round are the first ones since 2009 in which the proportion of SMEs having positive perceptions about the development of the general economic outlook slightly exceed the proportion of those who reported a deterioration. SMEs were also generally more positive about changes in the availability of different types of funding, with the exception of equity financing. However, when Maltese SMEs are compared with European counterparts in respect of the relevance that various funding sources have for their specific needs, significant differences prevail.

Chart 1 illustrates the sources of finance that local SMEs have used in the past and expect to use in the future while Chart 2 shows the sources that they have actually used in 2015. In line with earlier trends, Maltese and other European SMEs consider bank-related products such as bank loans, overdrafts and credit lines as the most relevant sources of finance when compared with market-based products and other sources of finance. Domestic SMEs

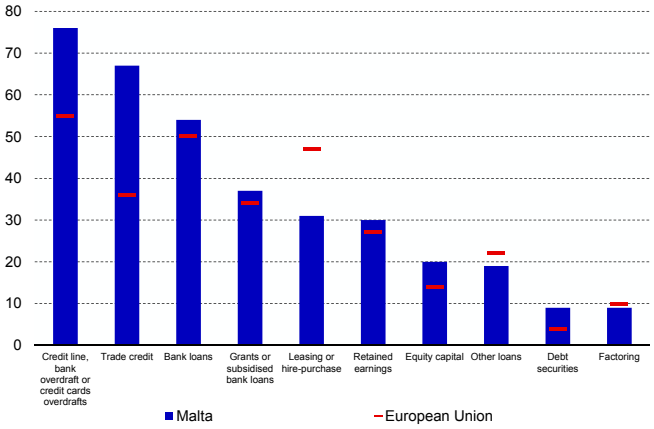
[4] Source: "Annual Report on European SMEs 2014/2015", published by the European Commission. According to this report, in 2014, SMEs accounted for 67% of total employment and generated 58% of the value added in the non-financial business sector in the EU 28.

[5] European Commission: Entrepreneurship and Small and medium-sized enterprises. http://ec.europa.eu/growth/smes.

[6] This note is based on the results of the SAFE which was conducted between 21 September and 26 October 2015 across the EU Member States and several additional countries. The EU sample considered in this survey round consisted of 15,579 enterprises, of which 44% employed less than 10 employees. In the sample for Maltese SMEs, 41% of enterprises were micro-firms employing up to 9 employees, whilst 29% and 30% of firms were medium-sized enterprises, employing between 10 to 49 employees, and between 50 to 249 employees respectively.

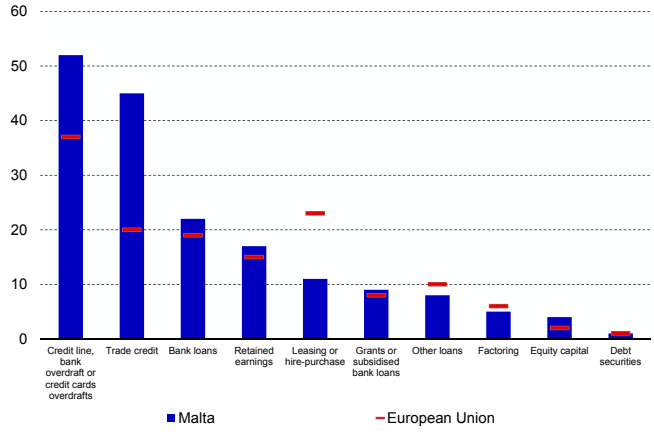
attach heavier reliance on bank financing when compared with their European counterparts. In line with developments a year earlier, around 75% of Maltese enterprises in 2015 considered this type of financing as being the most relevant in comparison with around 55% of firms across the European Union. However, around three-fourths of local SMEs and those in the EU that consider bank loans as being irrelevant for their enterprise, also believed that they did not require such financing. Only around 10% considered interest rates to be too high, whilst a considerably smaller percentage of firms believed that they had insufficient collateral or guarantees. Whilst the demand for bank loans remained unchanged for around 65% and 56% of SMEs in Malta and the European Union respectively, 20% of enterprises reported increased demand for credit lines, bank overdrafts or credit cards, despite the fact that interest charged by domestic banks to non-financial corporations, is higher and thus, sub-optimal when compared with interest rates charged on total bank loans.[7]

Chart 1
SOURCES OF FINANCE USED BY SMEs
(used in the past or consider using in the future; percentage of respondents)



Source: SAFE (2015).

Chart 2
SOURCES OF FINANCE USED BY SMEs IN 2015
(over the preceding 6 months; percentage of respondents)



Source: SAFE (2015).

Dependence on trade credit as opposed to bank loans has increased during 2015. Chart 2 shows that domestic SMEs have resorted to trade credit much more than their European counterparts. Whereas half of all SMEs obtained trade credit in Ireland, Malta and the United Kingdom, only 6% and 4% of all SMEs obtained this type of financing in Slovenia and Hungary. Trade credit is generally considered an important source of finance for firms

[7] MFI interest rate statistics show that interest rates charged by domestic bank to non-financial corporations (NFCs) on revolving loans averaged 5.0% between April and September 2015, when compared with 4.2% on total bank loans to NFCs.

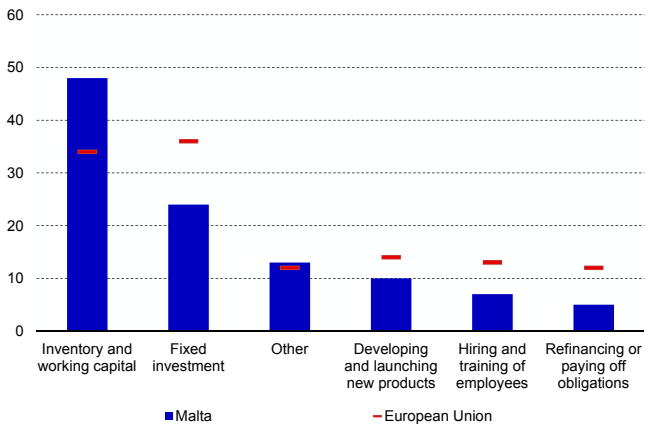
which find it difficult to obtain external funding via credit institutions and tends to serve as a buffer to pre-finance production and assist constrained customers.[8] Survey data show that 45% of Maltese SMEs have used trade credit in 2015 as opposed to 15% in 2014, mirroring to a limited extent declines in the use of bank loans and credit facilities.

The survey also suggests that trade credit tends to be most prevalent among micro and large enterprises and is mostly used by innovative SMEs that trade. While large similarities between countries prevail, at 62%, a larger proportion of domestic SMEs were considered innovative in terms of having over the past year introduced into the market significantly improved or totally new products, service, production processes, organisation of management or way of selling goods or services, as opposed to an average of 57% SMEs in the European Union.

In terms of internal financing, retained earnings have been the most widely used source of funding following bank financing and trade credit. At 17%, domestic SMEs which financed their operations and investment from retained earnings were at par with their European counterparts. Nonetheless, the percentage of enterprises that used retained earnings in 2015 dropped when compared with a year earlier across all European Union member states. Survey results also indicate that innovative, exporting SMEs which operate in the industry sector are more likely to retain earnings or use proceeds from the sale of assets than those in services. Meanwhile, substantial divergences prevailed in terms of leasing or hire purchase, with domestic SMEs being much less reliant on this type of financing than the average European SME. Debt securities and factoring remained the less sought-after types of financing.

Chart 3 shows the purpose for which external financing was used by SMEs in Malta and the European Union as a whole between April and September 2015. Inventory, working capital and fixed investment were the most important factors affecting the demand for external financing, though domestic enterprises were more reliant on external financing to fund inventory and working capital. Conversely, their European Union counterparts resorted to a greater extent to external financing to fund fixed

Chart 3
USES OF EXTERNAL FINANCE
(over the preceding 6 months, per cent of respondents)



Source: SAFE (2015).

[8] Ferrando, A. & Mulier, K., "Do firms use the trade credit channel to manage growth?", ECB Working Paper Series, No. 1502, December 2012. In this paper the authors find that trade credit of euro area non-financial firms has been procyclical and moved broadly in line with the business cycle, compensating and acting as a buffer when short-term bank loans started to decline since the mid-2009.

investment. Unlike a year earlier, Maltese SMEs were less likely than the average European Union SME to use external finance to develop or launch new products, refinance or pay off debts or utilise it for hiring and training of employees.

Most pressing problems facing SMEs

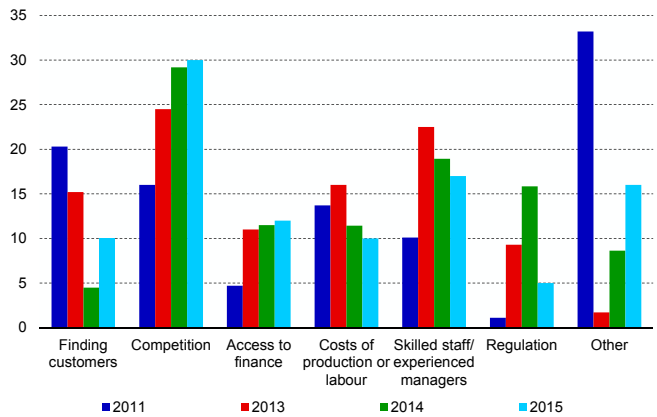
On an EU-wide level an improvement in financing conditions has been registered during 2015 with a smaller proportion of SMEs considering access to finance as the main impediment to their business. Chart 4 shows that an increasing proportion of domestic firms considered competitive pressures as their most pressing problem. Conversely, a larger percentage of enterprises considered the need to find new customers as a major concern, while a smaller share of SMEs considered the availability of finding skilled staff and costs of production as their most critical problems.

There has been a gradual increase in the percentage of domestic SMEs that consider competition as their primary concern, though at 30%, enterprises locally remain more concerned with competitive pressures than 14% of enterprises across the European Union, an almost constant share since 2009. An equivalent share of SMEs in Lithuania perceived competition as a significant problem in their current situation, compared with just 8% of SMEs in Greece. Interestingly enough, concerns over competition persisted despite reported improvements in turnover and profits. According to the SAFE Report, heightened internal competitive pressures felt by enterprises across the European Union most probably stem from increasing costs of labour and other inputs to the production process during the same period. In Malta however, the percentage of those considering competition as a major problem increased, even though a smaller proportion of SMEs viewed costs of production as a priority concern.

The challenge of finding customers has been retained as the dominant concern for 25% of SMEs in the European Union in 2015, as opposed to 20% a year earlier. Locally, it has become a most pressing problem for 10% of SMEs from 4% in 2014. The percentage of those who viewed the availability of skilled staff or experienced managers as a major concern fell from the preceding year, possibly reflecting the emergence of a skilled labour deficit that prevails in periods of economic stabilisation and growth.

Access to finance is considered as the most pressing problem for only around a tenth of enterprises in Malta and across the European Union.

Chart 4
MOST PRESSING PROBLEM FACING FIRMS
(percentage of respondents)



Source: SAFE (2015).

Though it had risen to 11.5% in 2014 from 4.7% in 2011, it remained almost stable at 12% in 2015, slightly above 10% of SMEs in the European Union. EU-wide divergences prevail. Though on average a smaller share of SMEs consider access to finance as a pressing concern, 30% of SMEs in Greece but only 7% of SMEs in Austria, Finland and Germany perceive it as their major problem.

Terms and conditions of bank loan financing

Survey results show that around 83% of domestic SMEs believe that the availability of bank loan financing remained unchanged during 2015, as opposed to around 60% of enterprises across the EU. Looking forward, a larger number of domestic SMEs perceived an improvement in the availability of such financing during the six months from the date of survey.

With regard to developments in the level of interest rates or the cost of financing other than interest rates during the period April to September 2015, Table 1 shows that 21% of domestic SMEs reported an increase in the interest rate, 16% reported a decrease, while for the remaining 63% interest rates remained unchanged. These developments contrast with those reported across the European Union. Almost half of participating firms in the European Union claimed that interest rates remained unchanged while 14% reported an increase. The percentage of firms that reported a decrease in interest rates increased slightly to 33% when compared with the preceding year.

In the context of interest rate developments, this survey round is the first one in which the percentage of domestic SMEs reporting an increase in interest rates declined, whereas those reporting a decrease increased slightly. This reflects stepped up efforts by the European Central Bank to stimulate the euro area economy through quantitative easing incentives and negative interest rates, aimed at easing the impact on banks with cheaper short-term loans and longer-term liquidity. Survey results indicate that the effects of these measures seem to have impacted SMEs across the European Union much more significantly than domestic firms, supporting evidence of incomplete pass-through in Malta. A Central Bank of Malta study shows that the pass-through was further reduced in the

Table 1
LEVEL OF INTEREST RATES AND COST OF FINANCING OTHER THAN INTEREST RATES
Over the preceding 6 months; per cent of responding firms

	Malta				EU			
	2011	2013	2014	2015	2011	2013	2014	2015
Level of interest rates								
increased	6	9	23	21	52	34	23	14
unchanged	73	85	62	63	33	41	40	47
decreased	21	0	14	16	8	20	32	33
Level of cost of financing other than interest rates (e.g. charges, fees, commissions)								
increased	16	35	44	22	48	43	39	30
unchanged	84	60	47	74	43	46	48	53
decreased	0	0	7	0	4	5	9	11

Source: SAFE.

aftermath of the financial crisis for deposit rates as well as for lending rates charged to non-financial corporations (NFCs).[9]

There have been more significant developments in the percentage of firms which reported differences in the cost of financing other than interest rates, such as charges, fees and commissions. In 2015, 22% of domestic firms reported an increase in such costs as opposed to 44% a year earlier, while 74% reported unchanged costs. No domestic firms reported fallen costs, contrasting 11% of firms in the European Union which reported such declines.

Credit demand and supply

Survey results also provide information on the supply (availability of financing) and demand (need for financing) between April and September 2015. For the second time, SMEs reported an increase in the availability of bank financing (loans and bank overdrafts), though their demand for bank loans and overdrafts had increased, but at a slower pace than in the previous round. These developments were also supported by the October 2015 euro area bank lending survey[10] which suggested that changes in credit standards and loan demand are continuing to support a recovery in loan growth.

Table 2 shows the number of firms that applied for bank loans, trade credit, overdrafts and credit lines since 2011. In 2015, the percentage of respondents which applied for trade credit remained unchanged, fell in the case of bank loans and rose only marginally in respect of bank overdraft and credit lines. This contrasts with a gradual pick-up in the demand for financing instruments used by domestic SMEs over the 2011 to 2014 period. Trade credit persisted as the financing instrument demanded by the largest proportion of domestic SMEs over the years.

During this survey round, there were no domestic firms which chose not to apply for these types of financing instruments because they feared a possible rejection. A larger proportion

Table 2
FOR EACH OF THE FOLLOWING WAYS OF FINANCING, COULD YOU PLEASE INDICATE WHETHER YOU:
Over the preceding 6 months; per cent of responding firms

	Bank overdraft, credit line or credit card overdrafts				Bank loans				Trade credit			
	2011	2013	2014	2015	2011	2013	2014	2015	2011	2013	2014	2015
Applied over the past 6 months	15	19	25	26	6	24	27	23	6	22	33	33
Did not apply because of possible rejection	6	1	1	0	6	0	5	0	1	0	3	0
Did not apply because of sufficient internal funds	32	48	45	51	32	40	38	49	37	35	39	45
Did not apply for other reasons	47	30	23	17	55	37	20	23	54	43	20	16

Source: SAFE.

[9] See Micallef, Rapa & Gauci (2016), "Interest-rate pass-through in Malta" in *Understanding the Maltese Economy* publication by the Central Bank of Malta. The authors found evidence of an incomplete pass-through in Malta, even in the long-run. Cross-country comparison also suggests that the pass-through to NFCs in Malta is one of the lowest in the euro area, though that to households is broadly in line with the median for euro area countries.

[10] According to the October 2015 bank lending survey, banks are using the additional liquidity from the Asset Purchase Programme (APP) to grant loans. This implies that the APP had a net easing impact on credit standards and particularly on credit terms and conditions. The survey also reports a low general level of interest rates that is supporting a pick-up in demand for loans in all categories.

Table 3
OUTCOME OF APPLICATION FOR FINANCING OVER THE PAST SIX MONTHS
Over the preceding 6 months; per cent of responding firms

	Bank overdraft, credit line or credit card overdrafts				Bank loans				Trade credit			
	2011	2013	2014	2015	2011	2013	2014	2015	2011	2013	2014	2015
Applied and got everything	81	53	74	69	51	56	71	72	96	43	54	56
Applied and got most of it[1]	7	19	17	6	15	11	10	15	2	20	12	14
Applied but only got a limited part of it[2]	7	16	9	7	19	28	9	0	0	20	34	20
Applied but refused because cost too high	0	0	0	0	0	0	10	0	0	7	0	0
Applied but was rejected	0	12	0	7	0	0	0	8	2	0	0	0

[1] between 75% and 99%.
[2] between 1% and 74%.
Source: SAFE.

of SMEs chose not to apply because of sufficient internal funds. Survey results also provide an indication of credit supply factors over time. Developments in the credit standards applied by banks to their customers are observed by asking participating firms that had applied for the various financing instruments whether their application had been accepted or rejected. In the case where an application was accepted, firms were asked to specify whether the full amount or a part of it was given, or else whether the offer was refused because the cost was too high.

Table 3 shows that following considerable tightening in credit conditions between 2011 and 2013, substantial improvement in credit conditions registered in 2014 has slowed down considerably during 2015. In 2015 the percentage of firms that applied for overdraft and credit lines and got everything was smaller than that observed in 2014, while the proportion of those applying for bank loans and trade credit and receiving the full amount, increased only slightly. Meanwhile, around 8% of firms that applied for bank financing had their application rejected. However, there were no firms who refused to take any of these financing items because the cost was too high.

Conclusion

SMEs across the countries of the European Union and especially in a small economy like Malta play a major role in terms of employment creation and value added generation. Access to finance however, is a main obstruction to the growth and efficiency of SMEs. In fact, they were the most adversely affected by the recent financial and sovereign debt crises, as the transmission of changes in the monetary policy stance to the real economy was limited and credit was restrained.

The purpose of the SAFE is to provide policy makers with access to timely information on the financing conditions facing SMEs. Amongst others, respondents are asked to provide their expectations for the demand and supply of credit in the six months following the survey. For instance, the SAFE which was carried out between April and September 2015 shed light on the effects of the ECB's asset purchase programme and a low interest

rate environment on credit dynamics. Lending conditions have improved and for the first time since 2009 more respondents have positive perceptions on the general economic outlook.

Survey results are particularly interesting for Malta given the economy's heavy reliance on SMEs. The performance of local SMEs has been remarkable throughout the recent economic crisis, causing an increasing proportion of firms to reduce their demand for bank financing due to sufficient internal funds. Access to favourable financing condition however, still remains a conditional pre-requisite for firms to be able to venture beyond the limited domestic market and enhance their long-term competitiveness.

7. ECONOMIC PROJECTIONS FOR 2016 - 2018

Outlook for the Maltese economy[1]

Economic growth is expected to ease

Following three years of strong expansion, the Bank's latest macroeconomic projections point to continued robust growth in real gross domestic product (GDP) between 2016 and 2018. However, growth is expected to decelerate from a record-high 6.3% in 2015 to 4.9% in 2016 and to moderate further during the following years, standing at 4.2% and 3.6% in 2017 and 2018, respectively (see Table 7.1).

Table 7.1
PROJECTIONS FOR THE MAIN MACROECONOMIC AGGREGATES FOR MALTA[(1)]

	2015	2016[(2)]	2017[(2)]	2018[(2)]
Real economic activity (% change)				
GDP	6.3	4.9	4.2	3.6
Private consumption expenditure	4.9	4.6	3.6	3.2
Government consumption expenditure	4.8	4.4	6.2	3.6
Gross fixed capital formation	21.4	2.7	6.1	0.4
Exports of goods and services	2.4	2.8	3.0	3.8
Imports of goods and services	3.0	2.2	3.3	3.0
Contribution to real GDP growth (in percentage pts)				
Final domestic demand	7.5	3.9	4.4	2.4
Net exports	-0.6	1.0	-0.1	1.2
Changes in inventories	-0.5	0.0	0.0	0.0
Real disposable household income[(3)]	4.0	3.2	3.1	3.2
Household saving ratio[(3)]	13.1	11.9	11.5	11.5
Balance of payments (% of GDP)				
Goods and services balance	6.9	7.8	7.6	8.7
Current account balance	9.9	5.8	5.6	6.7
Labour market (% change)[(4)]				
Total employment	3.5	3.4	2.9	2.9
Unemployment rate (% of labour supply)	5.4	5.3	5.3	5.5
Prices and costs (% change)				
GDP deflator	2.3	1.9	2.1	2.3
RPI	1.1	0.7	1.5	1.7
Overall HICP	1.2	1.1	1.7	1.8
HICP excluding energy	1.8	1.5	1.8	1.9
Compensation per employee	1.5	1.9	2.6	2.8
ULC	-1.2	0.5	1.3	2.1
Public finances (% of GDP)				
General government balance	-1.5	-0.9	-0.8	-0.3
General government debt	63.9	61.9	59.9	56.8
Technical assumptions				
EUR/USD exchange rate	1.11	1.13	1.14	1.14
Oil price (USD per barrel)	52.4	43.4	49.1	51.3

(1) Data on GDP were sourced from NSO *News Release* 041/2016 published on 8 March 2016. Data on the current account balance were sourced from NSO *News Release* 047/2016.
(2) Central Bank of Malta projections.
(3) Data for 2015 are Central Bank of Malta estimates.
(4) Data on the number of employed are consistent with national accounts data. The unemployment rate is based on the number of unemployed and employed persons as reported in the Labour Force Survey.

[1] The Bank's outlook for the Maltese economy is based on information available up to 18 May 2016 and is conditional on the technical assumptions shown in Table 7.1, which are sourced from the European Central Bank.

Compared with the Bank's previous projections, published in its latest Annual Report, GDP growth has been revised down by 0.4 percentage points in 2016. It has been left unchanged in 2017.[2]

The downward revision in 2016 was motivated by a number of factors. A less favourable external outlook led to a downward revision in exports. Moreover, the latest Update of the Stability Programme shows that the Government intends to step up its fiscal consolidation efforts, leading to a downward re-assessment of government investment and consumption in the Bank's projections.[3] Finally, new information suggests that part of the investment outlays related to the conversion of the existing oil-fired power plant to gas will be shifted from 2016 to 2017. This changes the growth rates of investment in both 2016 and 2017 but is mostly neutral on GDP growth, as imports were revised accordingly.

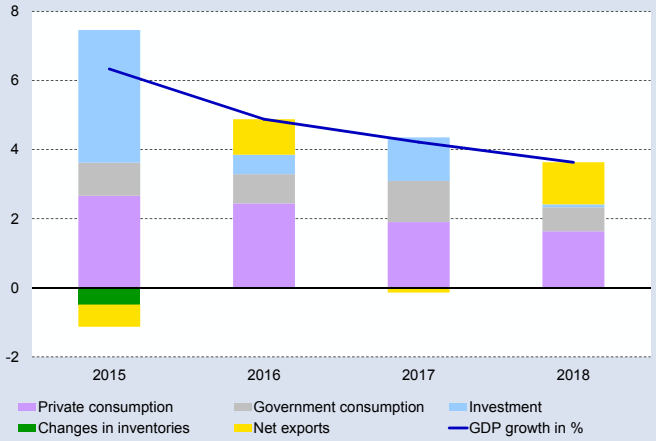
Domestic demand drives GDP growth

The Bank expects domestic demand to be the principal contributor of economic growth throughout the projection horizon, supported mainly by private consumption. Moreover, the contribution of net exports is expected to turn positive this year. It will turn marginally negative in 2017 due to the relatively high import content of a number of investment projects. In 2018, the contribution of net exports is envisaged to turn positive again, but remain smaller than that of domestic demand (see Chart 7.1).

Private consumption is expected to maintain a strong positive contribution towards economic growth during the projection horizon, supported by continued but moderating growth in real disposable income. Following an increase of 4.9% in 2015, private consumption growth is expected to moderate to 4.6% in 2016, 3.6% in 2017 and 3.2% in 2018. In turn, this mirrors developments in real disposable income, which is expected to decelerate from 4.0% in 2015 to 3.2% during the projection horizon as inflation picks up. With private consumption expected to outpace real disposable income, the saving ratio is envisaged to decline.

Following a rise of 4.8% in 2015, real government consumption is expected to slow down in 2016 and grow by 4.4%. Subsequently, government consumption is envisaged to accelerate to 6.2% in 2017, and decelerate again to 3.6% in 2018. The profile of government consumption depends heavily on the inflows related to the Individual Investor Programme (IIP). These inflows, which are netted against consumption expenditure, rose significantly in 2015. They are expected to increase at a slower pace in

Chart 7.1
GDP GROWTH OVER THE FORECAST HORIZON
(percentage point contributions; annual percentage change)



Sources: NSO; Central Bank of Malta calculations.

[2] See *Annual Report* 2015, Central Bank of Malta, pp. 72-77.
[3] See Medium-Term Fiscal Strategy for Malta: Update of Stability Programme 2016 – 2019. http://ec.europa.eu/europe2020/pdf/csr2016/sp2016_malta_en.pdf

2016. This has a positive impact on growth in government consumption, partly offsetting slower growth of intermediate consumption and compensation of employees. In 2017, inflows related to the IIP are projected to decline, pushing up growth in government consumption and outweighing the continued deceleration in the other expenditure components. In 2018, government consumption eases again, while inflows from IIP are expected to remain similar to those in 2017.

Following an increase of 21.4% in 2015, investment is expected to slow down sharply to 2.7% in 2016, before picking up to 6.1% in 2017. In 2018, a marginal increase is projected. Private investment is envisaged to slow down consistently throughout the projection horizon, whereas government investment is expected to fall in 2016, recover in 2017 and contract again in 2018.

Following double-digit growth in 2015, private investment is forecast to grow by 8.4%, 6.5%, and 0.7% in the following three years. This profile is heavily influenced by expected developments in the energy sector, notably the investment in the new gas power plant and the conversion of the existing oil-fired power plant to gas. The bulk of the spending on machinery related to the gas power plant is assessed to have taken place in 2015. As work on the gas power plant is expected to finish this year and the conversion of the existing oil-fired power plant to gas should be completed next year, investment in machinery is forecast to slow down sharply in 2016 and 2017, and drop in 2018.

After a strong rebound in 2015, growth in dwelling investment is expected to moderate in 2016 and decelerate further to around 6% in 2018. The growth foreseen over the projection period follows a protracted period of decline in dwelling investment. Investment in dwellings is set to continue to benefit from the Eurosystem's accommodative monetary policy stance, fiscal incentives targeting first-time buyers and demand from non-residents.

On the other hand, non-residential construction is set to accelerate markedly during the projection horizon, following a strong contraction in 2015. The projected strong pick-up mirrors the start of new projects related to education, health and tourism, and buoyant economic growth that is expected throughout the projection horizon. Other investment, such as investment in software, is projected to rebound this year following a contraction in 2015, and grow less rapidly in the following two years.

After two years of very strong growth, government investment is set to contract in 2016, as the take-up of funds under the EU 2014-2020 Financing Framework is projected to be moderate. It is then expected to rise by 4.1% in 2017, as projects partly financed under this Framework gather pace. Taking into account the latest information on the Government's spending plans, real government investment is envisaged to contract by 1.1% in 2018.

Net exports contribute moderately to economic expansion

Following a rise of 2.4% in 2015, export growth is set to accelerate steadily over the projection period, to 3.8% in 2018. The acceleration in 2016 is expected to be primarily driven by foreign sales of goods. In turn, this stems from a recovery foreseen in the semiconductor industry and the assumption that fuel re-exports would stabilise following the decline seen in 2015. On the other hand, growth in service exports is expected to be broadly unchanged as a result of offsetting movements across various components. In 2017 and 2018, export growth is forecast to gain momentum in line with an expected recovery in foreign demand.

Largely mirroring the deceleration in investment growth in 2016, imports are projected to grow less rapidly, rising by 2.2%, as against 3.0% in 2015. Due to the projected outlays on the conversion of the existing oil-fired power plant to gas, the bulk of which are now expected to take place in 2017, import growth in that year is expected to rise to 3.3%. Subsequently, as domestic demand is envisaged to decelerate in 2018, import growth decelerates again to 3.0%. Moreover, efficiency gains owing to new energy projects are expected to reduce imports of fuel for domestic use throughout the projection horizon.

On balance, net exports are foreseen to contribute positively to GDP growth in 2016, negatively in 2017, and positively again in 2018, reflecting primarily the impact of investment outlays on imports.

The balance of payments remains in surplus

The surplus on external trade in goods and services is expected to widen from 6.9% of GDP in 2015 to 7.8% in 2016. A slight narrowing is foreseen in 2017, largely mirroring developments in the goods balance and an expected decline in inflows under the IIP which affects services exports. The trade surplus is expected to widen again to 8.7% in 2018, as exports respond to the improvement in foreign demand. In addition, the foreseen slowdown in domestic demand is reflected in imports.[4]

In contrast to the trade balance, the current account surplus is expected to decline in 2016, as the net balance on the primary income account, which turned positive in 2015, is expected to revert to a negative position, consistent with historical patterns. Meanwhile, net inflows on the secondary income account are set to decline slightly as a share of GDP, reflecting an expected decrease in the use of EU funds. The current account surplus is expected to narrow slightly in 2017, before it widens again in 2018, mirroring expected developments in the trade balance.

The labour market continues to show resilience

Following a 3.5% increase in 2015, employment growth is set to ease slightly to 3.4% in 2016 and further to 2.9% in the following two years. The marginal slowdown in 2016 is driven by expected developments in the general government sector. In contrast, private sector employment growth is set to stabilise this year. In 2017 private sector employment is set to expand less rapidly on the back of slower growth in activity, while restraint in government employment continues. In 2018, employment growth is expected to stabilise, as real GDP growth slows down.

The unemployment rate is set to ease slightly from the low level of 5.4% recorded in 2015, standing at 5.3% this year and next. It begins to edge up again in 2018, when it is set to reach 5.5%.[5] The forecast takes into account a continued drop in the number of registered unemployed in the first three months of 2016. The pick-up in the unemployment rate in 2018 takes place against a backdrop of a slowing economy and an increase in the labour supply as a result of the rise in the retirement age.

Compensation per employee is set to pick up over the forecast horizon. This is set to accelerate from 1.5% in 2015 to 2.8% by 2018, largely mirroring the expected development of consumer

[4] Data on the trade balance in this Chapter are consistent with NSO *News Release* 41/2016 and with projections for real exports and imports reported in Table 7.1. These may differ from the balance of payments data published in NSO *News Release* 47/2016.

[5] In the Bank's projection exercise, employment growth is based on the number of employed persons in the national accounts. As from this projection exercise, the unemployment rate is based on the LFS measure of the labour force and the number of unemployed.

prices, as the growth in real compensation per employee is expected to be more moderate. Growth in the latter is set to increase from 0.4% in 2015 to around 0.7% over the forecast horizon. A continued supply of foreign workers, as well as subdued international price and cost pressures, are seen as restraining wage growth over the forecast horizon as well.

With regard to unit labour costs (ULC), these declined by 1.2% in 2015, following a sequence of increases. The decrease in 2015 arose as productivity significantly outpaced compensation per employee. Between 2016 and 2018 ULCs are set to return to an increasing path, as growth in compensation per employee accelerates while productivity growth moderates.[6]

The fiscal deficit narrows

The general government deficit-to-GDP ratio fell from 2.0% of GDP in 2014 to 1.5% in 2015 as revenue increased strongly, benefiting from favourable economic conditions, inflows under the IIP and indirect tax measures. This offset the impact of reduced income tax rates for households and rapid expenditure growth.

The deficit ratio is set to narrow further over the forecast horizon, standing at 0.9% in 2016 and 0.8% in 2017. By 2018, it is expected to have narrowed to 0.3%.

The narrowing of the deficit in 2016 largely reflects the expectation that capital transfers to the national airline cease. Inflows under the IIP, moreover, are set to increase, while Government is expected to exercise an element of restraint in relation to employee compensation and, particularly, intermediate consumption. These factors, along with additional indirect taxes announced in the Budget 2016 are expected to offset a widening of the tax-free income bracket and increases in certain categories of pensions.[7]

In 2017 the fiscal deficit is expected to narrow marginally. Although a degree of restraint in recurrent expenditure is foreseen to prevail also that year, this would be dampened by slower revenue growth, largely reflecting a decline in inflows under the IIP. The further narrowing in the fiscal deficit in 2018 reflects the Bank's expectation of continued expenditure restraint, particularly as regards the wage bill. At the same time, the increase in the retirement age is set to dampen growth in social payments.

Lower interest payments are also expected to contribute to the narrowing of the deficit ratio throughout the projection horizon.

The general government debt-to-GDP ratio is estimated to fall from 63.9% in 2015 to 56.8% by 2018, supported by the expected improvement in the fiscal balance and rising nominal GDP.

Inflation picks up

The Bank's inflation projections are influenced by the technical assumptions shown in Table 7.1. In 2016, these entail a decline in the US dollar oil price and a marginal appreciation of the euro against the US dollar. In 2017 and 2018 the US dollar oil price is set to increase. As a result, the

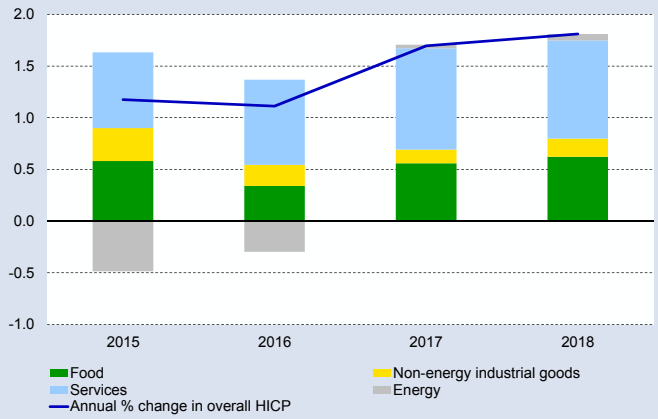
[6] The increase in Maltese ULCs seen in the past, and which resumes over the projection period, is heavily influenced by the shift to services, which are labour-intensive, in the composition of output. See Rapa, N. "Measuring International Competitiveness" in this issue of the *Quarterly Review*.

[7] The Bank's fiscal projections may differ from those of Government owing to variances in the underlying macroeconomic projections and different assessments about the impact of fiscal measures. Moreover, the Bank's projections only take into account policy measures that are well specified and have passed the legislative process. Therefore, for 2017 and 2018 no additional fiscal policy measures are assumed.

oil price in euro terms is expected to significantly fall in 2016, before it recovers in 2017 and 2018.

HICP inflation is set to ease from 1.2% in 2015 to 1.1% in 2016, before picking up to 1.7% in 2017 and 1.8% in 2018 (see Chart 7.2).

Chart 7.2
HICP INFLATION OVER THE FORECAST HORIZON
(percentage points; annual percentage change)



Sources: Eurostat; Central Bank of Malta.

The marginal fall in inflation in 2016 is driven by HICP excluding energy and is influenced by the outcomes seen in the first quarter of the year. HICP excluding energy is set to ease from 1.8% in 2015 to 1.5%, largely on account of slower growth in prices of food and, to a lesser extent, of non-energy industrial goods. In contrast, energy inflation is set to be less negative this year, as the impact of electricity tariff reductions, which had lowered the energy component in the first part of 2015, fades away. On the other hand, as announced, domestic prices for gas and fuel transport respond with a lag to earlier declines in the international oil price.

In 2017 and 2018, both energy inflation and HICP excluding energy inflation are set to accelerate. In the absence of official announcements, the Bank's projections assume that energy inflation begins to respond to the recovery in Brent oil, turning positive in 2017 and edging up further in the following year. Although to a lesser extent, HICP excluding energy also accelerates in 2017 and 2018, largely reflecting developments in international food prices and, to a lesser extent, prices of services.

Compared with the Bank's earlier projections, the latest inflation outlook entails a slight downward revision for 2016 and 2017, reflecting a downward revision in energy inflation. Although the oil price in euro is higher compared with the previous exercise, the latest inflation projections incorporate the announced reductions in the domestic prices of gas and fuel for transport use. Additionally, the pass through from past reductions in the international oil price to domestic prices is set to be more gradual in this exercise. Consequently, the transmission of the increase in international oil prices takes longer than in the previous exercise.

Risks to the projections

Risks to the projections slightly on the downside

Risks to the GDP growth projections are slightly on the downside. Downside risks relate to the fragility of the external environment. In particular, a prolongation of weak activity in the euro area, a vote in the United Kingdom to leave the EU, or a more persistent slowdown in emerging economies would adversely affect exports. The latter could also surprise on the downside if the expected recovery in semiconductor exports is delayed. At the same time, the Government could also implement additional consolidation measures, beyond those included in the Bank's baseline, to meet its fiscal targets. On the other hand a weaker than expected euro would boost exports.

Imports could also be lower than expected, if efficiency gains in the energy sector are stronger than assumed in the forecasts. The forecasts also incorporate conservative estimates for a number of projects in the health and education sector. A frontloading of the related expenditure would have a positive impact on investment, although imports would also be higher. GDP growth could also be higher than expected if the saving ratio converges to its long-run average more rapidly than foreseen, implying faster growth in private consumption.

Risks to the inflation projections are slightly on the downside. A continuation of the current weak inflation environment in Malta's main trading partners would limit growth in import prices, which should in turn translate into weaker domestic inflationary pressures. Inflation would also be lower than expected if domestic gas and fuel prices were to fall further in response to earlier declines in international oil prices. On the other hand, a renewed weakening of the euro or a sharper than expected rebound in international commodity prices, would have an upward impact on inflation in Malta.

THE EVOLUTION OF THE EUROPEAN FINANCIAL SYSTEM AFTER THE CRISIS[1]

Christian Pace[2]

Abstract

The European Union (EU) probably faced its most severe test during its financial and sovereign debt crisis, which exposed a number of weaknesses and showed that Europe still had a long way to go before its regulations and mechanisms could effectively ensure a smooth and coordinated effort towards achieving the full benefits of integration. The crisis highlighted several threats and generated an urgent need to reshape the existing architecture in the financial, fiscal, economic and political domains by strengthening economic governance through stricter budgetary and economic policy surveillance and restoring confidence in the financial system, mostly by means of enhanced regulatory and supervisory measures.

This article provides an account of the various mechanisms put in place in recent years, thus making the European financial system, and particularly the Economic and Monetary Union (EMU) more capable at facing the challenges of financial integration and more resilient to possible future financial crises. It concludes by discussing possible caveats in the existing mechanisms with observations on the possible way ahead in the evolution of economic governance.

Introduction

The EU was established with the aim of fostering prosperity and stability across Europe by promoting economic, social and territorial cohesion and solidarity among Member States. While it was recognized that countries joining the EU had significant structural differences, the launch of the common currency was expected to create the conditions for further real convergence among member countries. The benefits of the single market were to be reinforced by growing trade and financial links, making economies more similar and subject to more common shocks over time. (Frankel and Rose, 1998).[3] From the onset, however, it became clear that the EU still had a long way to go before its regulations and mechanisms could effectively ensure a smooth and coordinated effort towards achieving the full benefits of European integration.

The EU faced its most severe test during its financial and sovereign debt crisis which commenced in 2009 and which exposed a number of weaknesses in the original framework, highlighting several threats and generating an urgent need to strengthen the existing architecture in the financial, fiscal, economic and political domains. The coupling of domestic fiscal and banking risks, together with extensive financial linkages across countries, turned country-specific shocks into systemic ones, with no existing mechanisms to deal with such events. At the same time, despite these setbacks, the EU demonstrated that there was enough political will to survive such calamities. This high level of cooperation was especially evident among the Member States within the EMU. As a result the single European currency was able to withstand the crisis.

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1 The cut-off date is April 2016.

2 Mr Pace is an International Relations Economist at the EU & International Relations Department of the Central Bank of Malta. The views expressed are those of the author and do not necessarily reflect the views of the Central Bank of Malta. Any errors are the author's own. The author would like to thank Professor Josef Bonnici, Mr Alexander Demarco and Mr Alexander Borg for their review and comments.

3 Frankel J.A. and Rose A.K.: The Endogeneity of the Optimum Currency Area Criteria, NBER Working Paper, 1998.

The main challenge that the EMU faces is that national economic and financial policies cannot be decided in isolation since their effects could quickly propagate to the euro area as a whole. Therefore, such national policies must reflect the realities of being part of a monetary union by ensuring coordination and convergence, while maintaining high levels of competitiveness and sustainable growth, and reducing the prospects of instability.

Individual Member States need to act and coordinate their national policies according to common rules and regulations while ensuring that the appropriate fiscal, monetary and financial measures are triggered to prevent adverse scenarios which may impinge on their financial systems as well as those of other EMU members. Furthermore this coordination must ensure openness and transparency in order to function properly and the improvement and development of new tools with which financial stability can be safeguarded.

In light of this challenging scenario, at the June 2012 European Council, the President of the European Council was invited "*to develop, in close collaboration with the President of the Commission, the President of the Eurogroup and the President of the ECB, a specific and time-bound map for the achievements of a genuine Economic and Monetary Union, which will include concrete proposals on preserving the unity and integrity of the Single Market.*"[4]

To this end, a number of reforms aimed at strengthening financial supervision, fiscal discipline and macroeconomic surveillance have been undertaken in order to make EMU more adept to face the challenges of financial integration while making it more resilient to shocks in the future.

This paper attempts to review the various mechanisms put in place in recent years, aimed at strengthening the financial architecture within the EU, in particular the euro area. Section 2 highlights the link between the financial crisis and the growing need to further improve economic governance in Europe. Section 3 presents the mechanisms put in place as a response to the crisis, categorised in four main blocks, these being targeted at improving: Budgetary Surveillance, Economic Policy Surveillance, Financial Regulation and Supervision and Crises Resolution Mechanism. It then concludes by discussing possible caveats in the existing mechanisms with observations on the possible way ahead in the evolution of economic governance.

The financial crisis called for an improved governance framework

The financial crisis was characterised by the sizeable fiscal cost of banking sector bail-out operations together with falling revenues resulting from lower levels of real and financial activity. This had an impact on government finances with public sector debt and deficits reaching unprecedented levels in a number of Member States. The average budget deficit, in proportion of gross domestic product (GDP), for the EU and for the euro area in 2010 reached 6.4% and 6.1%[5] respectively. The corresponding data for the public debt to GDP ratio were 78.2% and 83.7%.[6] These figures were substantially higher than the 60% limit identified in the Stability and Growth Pact (SGP). The lack of properly coordinated policy at the euro area level resulted in the emergence of imbalances and showed that the currency union was not well equipped to smooth out regional economic disturbances. In particular, the euro area's inability to uniformly enforce the SGP contributed to the Greek sovereign debt crisis.[7]

[4] European Council (EUCO 76/12 – 2012, June 29), "Conclusions of the European Council meeting 28/29 June 2012", Press release can be retrieved from: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131388.pdf

[5] Eurostat Tables: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00127&plugin=1

[6] Eurostat Tables: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde410&plugin=1 – Public debt to GDP ratios have since risen further to around 87% in the EU and 92% in the euro area.

[7] Public debt as a percentage of GDP reached 172.5% in 2015.

This led to the sovereign-debt crisis in the euro area which highlighted the urgent need to tackle the unresolved challenges of putting public finances on a sufficiently sound footing across all members of the EMU to limit the possibility of spillovers from the financial and economic crisis to public finances. These developments led to calls for improved mechanisms to instil fiscal discipline at the national level, particularly in times of economic boom. In a speech delivered in March 2011 Jean-Claude Trichet, then President of the European Central Bank (ECB), remarked that "*….a broader range of enforcement tools and more ambitious policy requirements are all urgently required at euro area level. But these will not be sufficient if they are not solidly anchored at national level."*[8] This approach was deemed necessary to build up sound fiscal positions, allow for fiscal buffers and reduce debt levels, while providing room for manoeuvre during adverse economic conditions in order to contain the effects of a financial market collapse and sustain economic activity. The financial crisis also exposed important failures in financial supervision, both with regard to individual institutions, as well as in relation to the financial system as a whole. Pre-crisis supervisory arrangements proved incapable of preventing, managing and resolving the situations which evolved, with nationally-based supervisory models being overwhelmed by the integrated and interconnectedness of European financial markets. The crisis also exposed serious shortcomings in the level of cooperation, coordination, consistency and trust that existed between national supervisors.

Following the establishment of the High Level Group on Financial Supervision,[9] chaired by Jacques de Larosière, a report[10] was published in February 2009 with the main aim of identifying proposals to strengthen European supervisory arrangements to better protect its citizens and rebuild trust in the financial system. This report concluded that the European system of regulation was in great need of "repairs" as it had not sufficiently addressed certain issues such as the relationship of financial stability with micro-financial regulation and supervision. This initiated the process of strengthening the financial architecture through a higher level of surveillance and cooperation, with the main aim of restoring public confidence in the financial system.

In its Communication "Driving European Recovery" of 4 March 2009 the European Commission welcomed these recommendations and set out an action plan for reforming the way financial markets are regulated and supervised. This was to ensure a *"long-term financial stability, as soon as economic conditions allow, in line with the revised Stability and Growth Pact"*.[11] Similarly, during the 19 and 20 March 2009[12] meeting the European Council agreed on the need to improve the regulation and supervision of financial institutions within the Union and to use the de Larosière Report as a basis for action. For the purpose of this paper, measures to improve the economic governance framework are divided in four main building blocks; budgetary surveillance, economic policy surveillance, financial regulation and supervision, and crisis resolution mechanisms. However, given the strong linkages between them they should all be considered as part of a mutually reinforcing comprehensive package aimed at strengthening the economic governance framework of the EU.

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[8] Speech by Jean-Claude Trichet "Reforming EMU: time for bold decisions", speech during the conference of the Group of the Progressive Alliance of Socialists and Democrats in the European Parliament "What future for the euro?" Frankfurt, 18 March 2011. A transcript of the speech can be retrieved from: http://www.bis.org/review/r110322b.pdf

[9] This high level group was established to make recommendations to the Commission on strengthening European supervisory arrangements covering all financial sectors, with the objective of establishing a more efficient , integrated and sustainable European system of supervision and also of reinforcing cooperation between European supervisors and their international counterparts.

[10] The report published by the High Level Group on Financial Supervision in the EU can be retrieved from: http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf

[11] Commission Communication of 4 March 2009 to the Spring European Council, "Driving European Recovery" – COM(2009), http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52009DC0114&from=EN

[12] Presidency Conclusions of 19-20 March 2009 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/106809.pdf

The strengthening of the financial architecture within the EU

Budgetary Surveillance

The Stability and Growth Pact

Since the inception of the euro it was clear that the increased interdependence of its Member States meant that sound budgetary and economic policies were of particular importance in order to avoid adverse spill-over effects from one country to another, and thus weakening the advantages of a common currency. In the absence of a common framework avoiding situations of moral hazard, Member States could have an incentive to conduct unsustainable fiscal policies especially if they could shift part of the costs of having fiscal deficits and debts to other Member States and the Eurosystem. This free riding problem was becoming increasingly important as the number of countries in the euro area increased (Bertoldi, 2005).

In view of this high level of interdependence, the SGP set down the rules governing the coordination of budgetary policies and foresaw action to be taken against Member States that did not comply with the rules, thus laying down the foundation of budgetary surveillance in EMU. This was eventually reinforced by various amendments and new regulations.

The original SGP, introduced in 1997, has always been the subject to controversy and has been extensively criticised by academics and opinion makers since it was insufficiently observed by Member States and lacked robust mechanisms to ensure sustainable public finances. The main issue surrounding the SGP stemmed from its overall mechanical interpretation reducing its flexibility and disregarding cyclical conditions. In fact, through the regulations that the SGP imposed (such as 3 percent of GDP reference value for the fiscal deficit which could only be breached in exceptional circumstances and for a limited period), it failed to take into account short-run cyclical developments when assessing fiscal policies for Member States.

The Preventive Arm[13] of the SGP requires Member States to establish medium-term budgetary objectives (MTOs) and an adjustment path to reach these objectives. Compliance with the preventive arm's provisions should ensure that the Treaty's limits (3% of GDP for the general government deficit and 60% of GDP for gross debt) are not breached over a normal economic cycle. Together with the strict economic convergence criteria,[14] the SGP was to create the fiscal and economic coordination needed for a currency union. However, this arrangement provided suboptimal outcomes, with countries easily achieving an unambitious deficit of 3% of GDP during favorable economic conditions, but then compelled to unduly tighten during downturns to meet that same target.

The 2005 reform of the SGP introduced more flexibility by recognizing that what constitutes a sustainable level of deficit or debt may differ across countries, particularly in view of the level of debt, growth potential and factors which affect implicit liabilities. As a result, the revised SGP allowed for country-specific MTOs to diverge from a close-to-balance or in-surplus requirement for individual

[13] European Commission – Economic and Financial Affairs, for further details see: http://ec.europa.eu/economy_finance/economic_governance/sgp/preventive_arm/index_en.htm

[14] The convergence criteria for countries hoping to form part of the EMU includes four main points: (1) price stability (average inflation rate of no more than 2% above the three best-performing Member States), (2) low interest rates (no more than 2% above the three best-performing Member States), (3) minimal annual budgetary deficits (not exceeding 3% of GDP) and debts (not exceeding 60% of GDP), and (4) currency stability (with the narrow band of exchange rates, fluctuations of less than 2.5% around the central rate for at least two years with no competitive devaluations).

Member States. Therefore, while keeping the quantitative criteria, such as the 60% debt-to-GDP and the 3% deficit-to-GDP ratios, the revised SGP included provisos for qualitative aspects, such as a more efficient tax structure and public expenditure targeted at growth-enhancing areas, to ensure that sustainable public finances will in turn support economic growth.

Overall, the 2005 reform strengthened the SGP and reaffirmed its core role in the budgetary co-ordination process as an instrument which contributed to achieving a high degree of macroeconomic stability – an essential condition for sustained economic and employment growth. Moreover, the revised SGP helped in defining and organizing in a methodological way the transmission channels from deficit and debt to economic growth.

The Corrective Arm[15] of the SGP is a mechanism aimed at ensuring short-term fiscal sustainability as defined in terms of the Maastricht criteria on deficit and debt ratios. Governed by the Excessive Deficit Procedure (EDP), if a Member State reaches the 3% budget deficit target as described in the Treaty, the Council will issue recommendations as to how this fiscal excess should be addressed.

The revised SGP allowed a wider and more flexible interpretation of what constitutes an excessive deficit. A deficit will be considered excessive unless the ratio has declined substantially and continuously and reached a level that comes close to the reference value or alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value.

Overall, the revisions pointed towards a more softened Pact. For example, in situations of Excessive Deficit Procedure, it is very unlikely that this will lead to punishment as other relevant factors such as medium-term growth and the debt position can be invoked to postpone its start, particularly in cases where the required measures such as a minimal fiscal effort are undertaken. However, despite these escape clauses, the revised Pact included details on the adjustment measures required and the monitoring role of the Commission was strengthened considerably.

Nevertheless, the revised SGP was far from the ideal and sufficient mechanism ensuring sound fiscal policies. Lacking mechanisms that ensured a healthy and sustainable fiscal position, together with the lack of necessary rules to keep national fiscal policies and economic cycles from diverging, it reflected Member States' unwillingness to transfer the necessary degree of sovereignty over macro-fiscal objectives to the European level. Already in 2008, the Commission's EMU@10[16] report presented a range of possible changes to this setup, with the financial crisis increasing pressure to accelerate such need for change. In fact, the financial crisis and the significant deterioration in fiscal positions showed that the reformed SGP did not provide sufficient incentives for the correction of fiscal imbalances and therefore it became clear that economic policies needed better coordination as well as enhanced budgetary surveillance.

The Six-Pack Legislation

One of the main lessons learnt from the financial crisis was that despite a "healthy" fiscal policy, imbalances may still emerge in the private sector that could carry severe financial risk and impact competitiveness. Particularly, this was the case of Ireland and Spain[17] where the sovereign debt

[15] European Commission – Economic and Financial Affairs, for further details see: http://ec.europa.eu/economy_finance/economic_governance/sgp/corrective_arm/index_en.htm

[16] EMU@10 – Success and Challenges after ten years of Economic and Monetary Union. For further details see: http://ec.europa.eu/economy_finance/publications/publication12682_en.pdf

[17] Both Spain and Ireland were run by fiscally prudent governments – they never violated the SGP and had budget surpluses on average.

crisis was attributable to severe imbalances in the housing market that left their banking sector highly vulnerable, which led to state aid. This highlighted the need to take into consideration both budgetary discipline and surveillance of the macroeconomic situation.

To further strengthen the reformed SGP, in December 2011, the European Commission submitted a package of six legislative proposals[18] aimed at reinforcing budgetary discipline in the EU and introducing a form of macroeconomic surveillance.[19] This new economic governance package consisted of two new amending regulations, three new regulations and one new directive. The amending regulations revised the existing regulations of the SGP while the new regulation provided for sanctions on euro area countries that do not comply with the rules of the SGP. The other two new regulations have created a new procedure to address harmful macroeconomic imbalances, with potential sanctions for euro area countries that do not comply with the rules. The new directive focuses on the minimum requirements for the EU Member States' budgetary frameworks.

The Treaty on Stability, Coordination and Governance

In March 2012, all EU Member States, with the exception of the United Kingdom and Czech Republic,[20] signed the Treaty on Stability, Coordination and Governance (TSCG) in the EMU (known as the European Fiscal Compact), thus complementing the legislation on fiscal and macroeconomic surveillance (the Six-Pack).[21] This Treaty ensured the full implementation of the provisions of the revised SGP by requiring the incorporation of its key concepts within national legislation. This Treaty requires Member States to respect convergence toward the country-specific medium-term objectives as defined by the SGP with a lower limit of structural deficit[22] of 0.5% GDP (1% of GDP if the debt-to-GDP ratio is significantly lower than 60%). This is known as "the Golden Rule".

The Two-Pack

Budgetary surveillance was further strengthened in May 2013 with the introduction of the Two-Pack[23] which is applicable only to euro area Member States and specifically designed to complement the preventive arm of the SGP by introducing a more comprehensive system for monitoring the way in which Member States deal with excessive deficits. Building on the Six-Pack reforms to the SGP and the European Semester this package comprises two regulations.[24] The first regulation focuses on strengthening the economic and budgetary surveillance of euro area countries already experiencing serious difficulties with regard to their financial stability. The second regulation focuses on the budget discipline in the EMU and requires euro area Member States to submit their draft budgets to the European Commission. The main aim of the Two-Pack was to step up surveillance of euro area national budgets and to exercise more oversight of the economic policy plans of those that are in financial difficulties.

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18 It was the Hungarian Presidency's task to conduct the debate about the package of six legislative proposals by aligning the legislative proposals of the Commission, the Ministerial task forces and the European Parliament.

19 The European Commission monitors a series of macroeconomic indicators including debt, investments, house prices and unemployment to determine whether there are actual or potential harmful economic imbalances in the member states. In cases where Member States breach the "alert threshold", the Commission will carry out in-depth studies to analyse whether the imbalances are harmfull and if necessary it will issue recommendations.

20 The UK did not agree with the Treaty while the Czech Republic has kept the option of participating at a later stage. Croatia was not yet an EU Member State and was not a signatory to the Treaty.

21 The Maltese Parliament authorised the ratification of the TSCG in June 2013 and it became effective on 1 July 2013. By April 2014, it had been ratified and brought into force by all 25 signatories.

22 The structural deficit refers to the total government deficit excluding cyclical effects and one-off measures.

23 For further details on the Two-Pack see: http://europa.eu/rapid/press-release_MEMO-13-457_en.htm

24 These two regulations originated from two reports, prepared by MEP Jean Paul Gauzés and MEP Elisa Ferreira. The Council adopted the recommendations of both the Gauzes and Ferreira reports on 21 February 2012, making only minor amendments. On 13 June the European Parliament supported the two-pack in a plenary vote, making significant amendments to the European Commission's original proposals in response to issues raised by a number of Member States.

Economic Policy Surveillance

The European Semester

In line with the aims delivered by the SGP and the Europe 2020 strategy, as from 2011, the European Semester[25] is another instrument for preventive surveillance of economic and fiscal policies of EU Member States with the main aim of enhancing economic policy coordination through appropriate sanctions and incentives and thus making the SGP more effective. By coordinating budgetary and economic policies, the European Semester helps in implementing more harmonised policy across all Member States by bringing policy-making in line with agreed country-specific recommendations. Given the close ties between European economies this reduces the possibility of contagion.

Following an in-depth analysis of EU Member States' plans for budgetary, macroeconomic and structural reforms, the Commission provides detailed recommendations for the following 12-18 months. These recommendations identify numerous weaknesses and reforms that need to be addressed in order to enhance growth and employment.

Over the years the process has been continuously improved, to capitalise on its strengths and to address its weaknesses. In particular, the Commission has made a number of changes to the running of the 2015 European Semester, designed to focus on the top priority areas for action in each Member State, to promote greater implementation of the recommendations and to increase ownership at national level and with social partners and stakeholders. The changes included:

- more focus on the priorities in the Annual Growth Survey;
- the publication of the Commission's country-specific and euro area analysis three months earlier than in previous years in order to enable discussion of the key issues in advance of the conclusions to be drawn from the analysis;
- a more intensive outreach at political level and deeper discussion between members of the Commission, national authorities and social partners on the implementation of past recommendations and potential areas for future recommendations.

Macroeconomic Imbalance Procedure

The Macroeconomic Imbalance Procedure[26] (MIP), which was established in December 2011 and implemented for the first time in 2012, is a surveillance mechanism with the aim of detecting, preventing and correcting macroeconomic imbalances. Based on scorecards of indicators, this mechanism identifies countries and issues that need further analysis. The preventive arm of the MIP will focus on the avoidance of the build-up of imbalances by making country-specific recommendations put forward in the European Semester. On the other hand, the corrective arm operates through the Excessive Imbalance Procedure,[27] whereby sanctions can be imposed on Member States.

Financial Regulation and Supervision

Apart from highlighting the importance of having close cooperation between monetary, fiscal and supervisory authorities, the financial crisis revealed that, while certain credit institutions remained resilient and able to absorb market shocks, others, albeit with similar capital levels, were unable

[25] For further details on the European Semester see: http://europa.eu/rapid/press-release_MEMO-11-14_en.htm

[26] For further details on the Macroeconomic Imbalance Procedure see: http://ec.europa.eu/economy_finance/economic_governance/macroeconomic_imbalance_procedure/index_en.htm

[27] The Member State concerned will have to submit a corrective action plan with a clear roadmap and deadlines for implementing corrective action. Surveillance will be stepped up by the Commission on the basis of regular progress reports submitted by the Member State concerned.

to protect themselves. This was largely due to differences in the quality, structure and availability of the capital base, liquidity management practices and internal and corporate governance. In order to ensure that all financial institutions adopt uniform and resilient criteria which are able to withstand highly adverse market conditions various mechanisms were put in place with the aim of ensuring financial stability in the EMU.

The Capital Requirements Directive

On 20 July 2011, the European Commission published proposals to implement the international standards on bank capital requirements recommended by the Basel Committee on Banking Supervision, commonly known as the Basel III. The Commission's proposals divide the current Capital Requirements Directive (CRD) into two legislative instruments: the Capital Requirements Regulation (CRR) and the CRD IV Directive. The CRR contains provisions relating to the "single rule book", including the majority of the provisions relating to the Basel III prudential reforms while the CRD IV Directive introduces provisions concerning remuneration, enhanced governance and transparency and the introduction of buffers. The new CRD IV package entered into force on 17 July 2013.

This was a significant step forward in the completion of the single rulebook for financial institutions with the main aim of providing a single set of harmonised prudential rules which institutions throughout the EU must respect, thus ensuring the uniform application of Basel III requirements across all Member States.

European Supervisory Authorities and the European Systemic Risk Board

Starting in January 2011, the European System of Financial Supervision (ESFS) was created as a result of the 2009 de Larosière Report and was aimed at strengthening European supervisory arrangements in order to better protect citizens and rebuild trust in the financial system. The ESFS consists of three European Supervisory Authorities (ESAs): the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA).

The EBA[28] aims to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector by ensuring effective and consistent prudential regulation and supervision across the European banking sector. The main task of the EBA, as an independent EU authority, is to contribute through the adoption of Binding Technical Standards (BTS) and Guidelines, as well as to the creation of the European Single Rulebook in banking. The EBA is also responsible for promoting convergence of supervisory practices ensuring a harmonised application of prudential rules while assessing risk and vulnerabilities in the EU banking sector through regular risk assessment reports and pan-European stress tests.[29]

The main responsibilities of EIOPA[30] are to support the stability of the financial system, transparency of markets and financial products as well as the protection of policyholders, pension scheme members and beneficiaries. EIOPA, as an independent advisory body to the European Parliament, the Council of the European Union and the European Commission is governed by its Board of Supervisors, which integrates the relevant national authorities in the fields of insurance and occupational pensions in each Member State.

[28] For further information on the EBA see: https://www.esrb.europa.eu/shared/pdf/EBA-en.pdf?3559e43b40d256628be935349679018b

[29] As from 2014 this role is being shared with the Single Supervisory Mechanism of the ECB.

[30] For further information on the European Insurance and Occupational Pensions Authority (EIOPA) see: https://www.esrb.europa.eu/shared/pdf/EIOPA-en.pdf?bb683bdc0fdfe3f7299143ed5e682f94

ESMA[31] is another independent EU authority that contributes to safeguarding the stability of European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other ESAs competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).

The financial crisis challenged the notion that if institutions were sufficiently healthy individually the entire system would be equally healthy. The systemic shock that started in August 2007 led to the creation of a new platform in the supervisory structure aimed at identifying, mitigating and avoiding systemic risk. Thus, the European Systemic Risk Board (ESRB) was created in December 2010 with the main aim of monitoring developments that may put in danger the overall stability of the European financial system, closely liaising with national stability boards, central banks and supervisory authorities that monitor the banking, insurance and securities markets in the EU.

The Single Supervisory Mechanism

The recent financial crisis compounded itself as a result of bank bailout operations which a number of national governments were compelled to undertake. In some cases this proved unsustainable with the consequence that Ireland, Portugal, Greece and Cyprus had to be bailed out under specific IMF and EU programmes. Moreover, Cyprus enforced bail-in measures on its banks in 2013, with financial consequences on depositors. In order to avoid such situations, the European Council had agreed in June 2012,[32] to create a Banking Union, thus completing the EMU, and allowing for the centralised application of rules for banks in the euro area. One of the main pillars of the Banking Union is the Single Supervisory Mechanism (SSM).

Together with the objective of achieving a high level of quality in banking supervision, the SSM seeks to ensure a level playing field among participating Member States. This is defined in Article 1 of the SSM Framework Regulation as:

"…contributing to the safety and soundness of credit institutions and the stability of the financial system within the Union and each Member State, with full regard and duty of care for the unity and integrity of the internal market based on equal treatment of credit institutions…"

In September 2012, the ECB was entrusted with the supervisory role to monitor the soundness of banks based in EU Member States.[33] This enhances supervision of Europe's banking sector through an integrated architecture combining both a supranational authority (the ECB) and national supervisory authorities,[34] to directly oversee all "significant"[35] banks in participating Member States.[36] The ECB is also responsible for the supervision of the "less significant institutions",

[31] For further information on the European Securities and Markets Authority (ESMA) see: https://www.esrb.europa.eu/shared/pdf/ESMA-en.pdf?eac52cbc088bedfb2214fa2bf20bcae8

[32] European Council (EUCO 76/12 – 2012, June 29), "Conclusions of the European Council meeting 28/29 June 2012", Press release can be retrieved from: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131388.pdf

[33] Other EU countries that do not yet have the euro as their currency can choose to participate. To do so, their national supervisors enter into "close cooperation" with the ECB.

[34] SSM framework regulation: http://www.ecb.europa.eu/ecb/legal/pdf/en_reg_ecb_2014_17_f_sign.pdf

[35] "Significant" banks are defined as banks which have assets of more than €30 billion or which account for at least 20% of their home country's GDP. There are around 120 such banks in the euro area, representing 82% (by asset) of its total banking assets. For all other 3,500 banks the ECB will also set and monitor the supervisory standards and work closely with the national competent authorities in the supervision of these banks.

[36] Non euro area countries can also adopt the SSM on a voluntary basis.

where supervision is carried out by national supervisory authorities, but has the power to directly supervise any bank in SSM Member States to ensure high standards of supervision.

In the preparatory phase, the ECB analysed banks' soundness by undertaking a "comprehensive assessment",[37] including reviews of banks' balance-sheets, especially with regard to asset quality, and "stress tests", which were designed to test whether banks are sufficiently capitalised and able to withstand shocks. In cooperation with national supervisory authorities, the ECB also has the power to grant or withdraw bank licences and to sanction banks in cases of non-compliance.

Following 28 months[38] of preparation between the ECB and national authorities on 4 November 2014 the SSM assumed its duties as banking supervisor for 18 European countries.

Other initiatives

Over the years various other initiatives were taken to establish new rules for the European and the global financial system. In many cases, these were in response to European G20 commitments. These initiatives include the Directive on Alternative Investment Funds Managers (AIFMD), which ensures that hedge funds and private equity will no longer operate in a regulatory void outside the scope of supervisors, while introducing greater transparency and security to the way these funds are managed and operated. This Directive, which entered into force in July 2013, addresses the lack of financial regulation in an area which was deemed to have contributed to the severity of the global financial crisis.

Another important development was the introduction of the European Market Infrastructure Regulation (EMIR) which was designed to increase the stability of the over-the-counter (OTC) derivative markets throughout the EU Member States. This Regulation entered into force in August 2012.

The global financial crisis indicated that credit rating agencies needed to be more transparent and accountable when rating sovereign states. In this regard, the EU Regulation on Credit Rating Agencies (CRAs) was enacted in 2009,[39] and subsequently amended in May 2011, to attribute ESMA with supervisory powers over the credit rating agencies. As from June 2013, CRAs were obliged to follow stricter rules to improve the quality of the rating process and reduce possible conflicts of interest. The new rules are also aimed at reducing over-reliance on credit rating agencies, while at the same time increasing competition in the rating market.

Crisis resolution mechanism

While the financial regulation and supervision mechanisms focus on crisis prevention and aim at detecting and preventing serious problems from emerging in the financial sector, the crisis resolution[40] mechanisms tackle legacy problems in order to reduce the potential impact of failures, should they occur.

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[37] These reviews by the ECB were carried out in cooperation with the EBA where appropriate.

[38] The preparatory cycle that spanned 28 months was marked with several milestones: starting with the announcement by EU leaders on 29 June 2012, the adoption of the draft SSM Regulation by the EU Council (13 December 2012); the launch of the comprehensive assessment of the banks (23 October 2013); and the entry into force of the SSM Regulation (4 November 2014). During 2015, the SSM identified around 120 "options and national discretions" in Union law which can be exercised by a supervisor, for which a single approach has been agreed upon. Despite exceeding all expectations during the first year in operation, work is still underway to bring the single supervisor of the euro area to ever higher standards.

[39] Regulation on Credit Rating Agencies: http://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=uriserv:OJ.L_.2009.302.01.0001.01.ENG

[40] Resolution means the restructuring of a bank by a resolution authority, through the use of resolution tools, to ensure the continuity of its critical functions, preservation of financial stability and restoration of the viability of all or part of that institution, while the remaining parts are put into normal insolvency proceedings.

At the Pittsburgh Summit held in September 2009, the G20 committed to act together to "*…create more powerful tools to hold large global firms to account for the risks they take*" and, more specifically, to "*develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future*."

At a European level, resolution tools enable the national authorities to intervene at a sufficiently early stage with a view to minimising the externalities of a crisis while ensuring a high level of harmonisation between Member States. In the wake of the sovereign debt crisis in Greece, an urgency arose to design mechanisms aimed at crisis prevention, management and resolution. The May 2010 ECOFIN Council meeting stressed that such mechanisms should be aimed at:

- developing an enhanced EU policy coordination framework;
- enhancing the EU regulatory framework;
- improving the design of mechanisms to ensure that systemic risk is mitigated and that the financial sector bears the net costs of financial crisis.

The European Financial Stability Facility, the European Financial Stabilisation Mechanism, and the European Stability Mechanism

The Greek deficit and debt figures for 2009 were both well above the convergence criteria set by the Maastricht Treaty,[41] at 12.7% and 113% respectively. Following a failure to comply with the excessive deficit procedure,[42] at the February 2010 ECOFIN Council meeting,[43] it was decided to:

- set out plans for reducing its government deficit below 3% of GDP by 2012;
- give notice to Greece to remedy its excessive deficit by 2012;
- recommend to Greece to bring its economic policies in line with the Union's broad economic policy guidelines and remove the risk of jeopardising the proper functioning of EMU.

Heads of State or Government of EU Member States supported the Greek government efforts[44] with euro area Member States, reaffirming their willingness to take determined and coordinated action to safeguard financial stability in the euro area by making available a package involving coordinated bilateral loans[45] and IMF financing.[46]

In May 2010, during an ECOFIN Extraordinary Council meeting[47] discussing the delicate situation of Greece, it was decided to adopt a comprehensive package of measures, including two additional sources of financial assistance to complement the ad hoc loan facility agreed with Greece. These two new sources of financial aid were the European Financial Stability Facility (EFSF), which is only available to euro area Member States and the European Financial Stabilisation Mechanism (EFSM) which is also available to non-euro area Member States. These two mechanisms were set up to safeguard EU financial stability amid severe tensions in euro area sovereign debt markets.

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41 According to article 104c of the Maastricht Treaty, the annual government deficit measured as government deficit to GDP must not exceed 3% at the end of the preceding fiscal year. The Treaty also indicated that the ratio of gross government debt to GDP must not exceed 60% at the end of the preceding fiscal year.

42 See Article 1 of the Council Decision of 27 April 2009 on the existence of an excessive deficit in Greece (2009/415/EC).

43 See ECOFIN Press Release 6477/10, 16 February 2010.

44 Statement of the Heads of State or Government of the EU, 11 February 2010.

45 Each country in the euro area has limits on what it will guarantee to another country that applies for an EFSF loan. For instance Greece would only guarantee 2.82% of the loan, while Germany would guarantee 27.13 % of the loan – but the total from all the euro area countries would add up to a 100 percent guarantee.

46 Statement of the Heads of State or Government of the Euro Area, 25 March 2010.

47 Council of the European Union, Extraordinary Council Meeting, 9-10 May 2010.

The EFSF is a public limited company with the main aim to facilitate or provide financing[48] in the form of loans up to €440 billion. The maximum available assistance facility under the EFSF was also complemented by the EFSM financial assistance of up to €60 billion and IMF financial assistance of up to €250 billion, thus creating a safety net of a maximum of €750 billion.

The conditions to qualify for this aid are:

- the currency of the Member State must be the euro;
- the recipient Member State must be in financial difficulties;
- the recipient Member State must have already entered a Memorandum of Understanding (MoU) with the European Commission (EC) – acting on behalf of the other euro area Member States regarding budget discipline and policy conditionality.

Eligible Member States can only apply if they are unable to borrow money from the international debt markets. Loans are granted following the activation of an adjustment programme agreed with the Commission and in liaison with the ECB.

The EFSM is a part of a wider safety net, providing financial assistance of up to €60 billion with terms and conditions similar to those imposed for the EFSF. Financial assistance provided by EFSM is either in the form of loan or of a credit line granted to the Member State in distress, with the ECB acting as a fiscal agent with respect to the administration of the loans between the EC and the central bank of the beneficiary Member State.[49]

As from October 2012 the EFSF began to operate concurrently with a more permanent mechanism – the European Stability Mechanism (ESM), which similarly to the EFSF, provides financial assistance to euro area Member States experiencing or threatened by financing difficulties. The ESM assumes the tasks which were previously fulfilled by the EFSF and the EFSM, with the main purpose to:

"…*mobilise funding and provide stability support under strict conditionality, appropriate to the financial assistance instrument chosen, to the benefit of ESM Members which are experiencing, or are threatened by, severe financing problems, if indispensable to safeguard the financial stability of the euro area as a whole and of its Member States. For this purpose, the ESM shall be entitled to raise funds by issuing financial instruments or by entering into financial or other agreements or arrangements with ESM Members, financial institutions or other third parties."* [50]

Building on the Stability and Growth Pact and the macroeconomic imbalances framework, the ESM is seen as an extraordinary mechanism to safeguard the financial stability of the euro area as a whole. While reinforcing economic surveillance, the ESM aims to focus on prevention, and thus reducing the probability of a crisis emerging in the future.

Since July 2013, the EFSF has not entered into any new financial assistance programmes but continued with operations relating to the management and repayment of any outstanding debt. The ESM therefore remained the sole and permanent mechanism for responding to new requests

[48] The EFSF has provided financial assistance to Ireland, Portugal and Greece.
[49] See Article 2 of EU Council Regulation No. 407/2010 (OJ L 118/1).
[50] Treaty establishing the European Stability Mechanism, European Council (2012). More information could be retrieved from: http://europa.eu/rapid/press-release_DOC-12-3_en.htm

for financial assistance from euro area Member States. It has an authorised capital stock of €700 billion divided into paid-in (€80 billion) and callable shares (€620 billion).

Since its inception the ESM has been involved in financial assistance programmes for the recapitalisation of Spanish banks and for the Cypriot state to cope with budgetary financing, the redemption of medium and long-term debt, and the recapitalisation of financial institutions. The importance of the ESM gained further significance in 2015 when it had to be resorted in order to avoid a potentially catastrophic Greek default following a severe macroeconomic deterioration and the near collapse of the banking sector as a result of massive capital outflows.

By June 2015 Greece was unable to honour its IMF loan commitments and, on 8 July 2015, Greece made an official request to the ESM, for support. Following an assessment[51] by the European Commission, in liaison with the ECB and according to the ESM treaty, it was decided that *"there are substantial financial stability risks in Greece which are caused by the uncertainty on the economic and financial policies of the Greek authorities".*[52] It was concluded that support to Greece should be granted to eliminate the possibility of a default which could have serious consequences on the euro area as a whole. This support was granted conditional to a far-reaching and credible reform programme to ensure that Greece would eventually regain competitiveness and sustainable economic growth.

As a result, following approval by the ESM Board of Governors, in August, the European Commission signed a Memorandum of Understanding (MoU) with Greece, enabling the disbursement of up to €86 billion in loans over a period of three years, subject to the implementation of reforms by the Greek authorities, aimed at addressing fundamental economic and social challenges as specified in the MoU.

The Single Resolution Mechanism

As highlighted during the December 2012[53] and June 2013[54] European Council meetings, in order to eliminate the tensions that could arise between the supervisor (ECB) and the national resolution authorities when dealing with ailing banks, a *"single resolution mechanism will be required, with the necessary powers to ensure that any bank in participating Member States can be resolved with the appropriate tools"* (December 2012 European Council Meeting).

The financial crisis in Cyprus showed that bank resolution at the national level could lead to uncertainty and contagion in the euro area. In this regard, the EU Commission proposed the Single Resolution Mechanism (SRM) on 10 July 2013,[55] which introduced the concept of bail-in in bank resolution rather than taxpayers having to foot the bill through a bank bail-out. This had the aim of helping to restore confidence in the banking sector and ensure the proper functioning of EMU.

The SRM is the second pillar of the Banking Union underpinning financial stability by creating a common fund for the resolution of banks, built by the banking industry itself. Following the introduction of the SSM in November 2014, the SRM is intended to complement the supervision by providing

[51] The assessment was mainly based on establishing the level of risk to financial stability, analysing sustainability of public debt and assessing the actual or potential financing need of Greece.

[52] More information about the assessment on the Greek economy could be retrieved from: http://ec.europa.eu/economy_finance/assistance_eu_ms/documents/2015-07-10_greece_art__13_eligibility_assessment_esm_en.pdf

[53] European Council Meeting – December 2012: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/134353.pdf

[54] European Council Meeting – June 2013: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/137634.pdf

[55] European Commission Meeting – 10 July 2013. More information could be retrieved from: http://europa.eu/rapid/press-release_IP-13-674_en.htm

an efficient cross-jurisdictional process, ensuring that failing banks can be resolved sufficiently with minimal costs to taxpayers. This mechanism does not eliminate risk of future bank failures but *"with the Single Resolution Mechanism and the Resolution Fund it should be banks themselves – and not European taxpayers – who should shoulder the burden of losses in the future."*[56]

The ECB, as the banking supervisor, would indicate when a bank in the euro area or established in a Member State participating in the Banking Union is in severe financial difficulties and is failing or likely to fail, and therefore in need of resolution. Subsequently, on the basis of the Single Resolution Board's (SRB) recommendation, the EU Commission will determine the application of resolution tools and the use of the Single Resolution Fund (SRF). The role of the Commission would be limited to the decision to trigger the resolution of a bank and the decision on the resolution framework, thereby ensuring its consistency with EU rules on state aid. On the basis of the Board's recommendation, national authorities, supervised by the SRB, will then be in charge of the execution of the resolution plan.

The SRM applies to those countries and institutions which are already part of the first pillar of the Banking Union – the SSM. However, unlike the SSM, the SRM does not draw a distinction between the "significant" institutions, which are directly supervised by the ECB, and other "less significant" institutions, whose day-to-day supervision has been delegated to national supervisory authorities.

The preparatory work for the SRM, including the operation of the Board and the preparation of resolution plans and resolvability assessments, began as from 1 January 2015. By 30 November 2015, a sufficient number of Member States[57] had ratified an Intergovernmental Agreement (IGA) on the transfer and mutualisation of contributions to the SRF. The Fund[58] which will be built up over eight years (2016-23) will reach an estimated €55 billion, with a target level of at least 1% of the amount of covered bank deposits in all the participating Member States.

The SRB took over full responsibility for bank resolution on 1 January 2016.

The Bank Recovery and Resolution Directive

The Bank Recovery and Resolution Directive[59] (BRRD) is a common framework across all 28 Member States of the EU, setting guidelines on how to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures. For euro area countries, the BRRD will be implemented through the SRM. This Directive sets rules to act as guidelines as to how and when authorities should intervene, encompassing precautionary, early intervention and measures designed to prevent bank failures. Where failure is unavoidable, the BRRD aims to ensure orderly resolution, even for banks operating across national borders.

During the financial crisis, banks which were considered as "too big to fail" were bailed out with public funds. Although this practice was necessary to prevent further widespread disruption to

[56] European Commission Meeting – 10 July 2013.

[57] Participating Member States representing not less than 90% of the aggregate of the weighted votes had ratified and deposited the ratification instrument by 30 November 2015.

[58] Contributions by banks raised at national level will be transferred to the SRF. These will be gradually merged over the eight-year transitional phase. This mutualisation of paid-in funds will be front-loaded, starting with 40% in the first year and a further 20% in the second year, and continuously increasing by equal amounts over the subsequent six years until the SRF is fully mutualised.

[59] The BRRD entered into force on 2 July 2014, but started being implemented on 1 January 2015.

the financial markets, it is not deemed desirable for taxpayers' money to be used in this way, and create fiscal pressure on the sovereign.

As a result, this Directive aims shifting the cost of bank failures from the taxpayer to the shareholders and creditors of the failing banks by harmonising the approach to protecting retail depositors among EU Member States and establishing the principle that banks must shoulder the costs and be responsible for poor management before EU countries and their taxpayers are called in for financial support.

Both the BRRD and the SRM are complementary to each other in the context of the Banking Union. While the BRRD provides uniform rules for the whole EU single market and thus addressing moral hazard through increasing market discipline over banks' activities, the SRM sets out the institutional and funding architecture for applying these rules in Member States participating in the Banking Union.

Harmonised Deposit Guarantee Scheme

The third pillar of the Banking Union is the Deposit Guarantee Scheme (DGS) which guarantees, up to a certain amount, the repayment of deposits from account holders in the event of a failure of one of their members. Along with the BRRD, this Directive aims at protecting the deposits of EU citizens and therefore enhancing the trust and confidence that any banking system requires to be efficient. Moreover, this Directive should also reduce the burden on taxpayers in case of a bank failure.

The DGS was first introduced in 1994, and remained virtually unchanged for about 15 years, despite significant financial market developments during the period. Given that in the original DGS the financing of schemes was left entirely to Member States, this resulted in heterogeneity in the implementation of such a mechanism. As a result, following a decision by the Council in March 2009, the level of deposit protection was increased first, to at least €50,000, and then, to a uniform level of €100,000 by the end of 2010.

Following this increase in deposit protection, the Commission adopted a comprehensive review of the DGS Directive[60] targeted at improving further the protection of deposits,[61] maintain depositor confidence and strengthen the safety nets. Efforts are now underway to create the third pillar of a banking union with the attempt of establishing a European Deposit Insurance Scheme (EDIS), characterised by a common fund for participating Member States.

Concluding remarks and the way forward towards improved economic governance

The EU and, in particular, the EMU were established with the aim of achieving economic growth and high employment through appropriate economic and monetary policy-making framework. Such framework seeks to achieve closer integration of national policies through coordinated actions while ensuring that fiscal, monetary and financial measures would not result in adverse scenarios which may quickly propagate to other Member States.

The financial crisis revealed several weaknesses in the original framework and generated an urgent need to strengthen the existing architecture by tackling existing problems while identifying

[60] The DGS Directive, adopted in July 2010, can be retrieved from: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52010PC0368&from=EN

[61] In case of default, repayment deadlines will be gradually reduced from 20 to 7 working days by 1 January 2024.

and preventing possible future threats. New mechanisms were developed to strengthen economic governance through sustainable budgetary and economic policy surveillance and the restoration of public confidence in the financial system. Nevertheless, a number of challenges still remain. Mechanisms need to be regularly reviewed to ensure that they are in tune with current realities and that they are truly attaining the targets for which they were established, while being applied uniformly across all Member States to ensure a level playing field.

Cooperation and coordination between all Member States is vital to avoid situations of moral hazard which could hinder the process of restoring and maintaining confidence in the markets. This is an essential prerequisite to establish effective market discipline and thus protect the integrity of the EU single market. A high level of transparency and comparability of information, for example, minimises the possibility that national imprudent fiscal policies will result in widespread spillovers affecting adversely other Member States.

An issue that needs to be addressed concerns the exposure of EU banks and other financial institutions to debt issued by the domestic sovereign. Although the banking sector is an important source of funding for the sovereign, the recent crises have shown that sovereign debt is not without its risks. For this reason the ESRB has been following sovereign debt exposure in Europe very closely. Given the importance of sovereign debt in banks' balance sheets, it is essential, from a financial stability point-of-view, that any initiatives to address this situation are introduced gradually and in a manner which takes into consideration the specific circumstances of individual Member States because of their small size. Lower levels of fiscal deficits and public debt should also contribute towards a healthier sovereign debt environment by ensuring sustainability and minimising risk.

The growth in recent years of shadow banking, involving entities and activities outside the regulated banking system, presents a significant challenge for the management of financial stability in Europe. As lending from the banking sector contracted in recent years, shadow banking entities have become an increasingly important source of credit. In view of the risk of contagion spreading to other areas of the financial sector in times of stress, further initiatives are needed to monitor and assess the risks and vulnerabilities which prevail in the shadow banking sector. A sustained effort is necessary to enhance the oversight and the supervision of this area, as well as to institute the necessary structures for preventing and handling situations of crisis which may evolve.

Since various institutions engage in Securities Financing Transactions (SFTs) in order to secure funding, invest cash or borrow specific securities or, for market-making purposes, the use of SFTs poses various macro-prudential implications as these may foster contagion or propagate shocks, apart from increasing leverage in the system, thus introducing additional sources of risk. In August 2013 the Financial Stability Board (FSB) issued a report that included policy recommendations for "*enhanced transparency and regulation of securities financing.*" [62]

On its part, the European Commission in September 2013, following consultations on a Green Paper, adopted a Communication[63] setting out its roadmap to limit the emergence of risks in the

[62] Strengthening Oversight and Regulation of Shadow Banking – Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Report – FSB August 2013: http://www.financialstabilityboard.org/wp-content/uploads/r_130829b.pdf?page_moved=1

[63] Communication from the Commission to the Council and the European Parliament - Shadow banking – addressing new sources of risk in the financial sector: http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52013DC0614

unregulated or less regulated financial system, in particular risks of systemic nature, such as those which may arise through the shadow banking sector's interconnectedness with the banking system. At the same time the Commission also proposed new rules on money market funds.[64] Subsequently, in January 2014, the Commission adopted a proposal for a regulation aimed at increasing transparency of SFTs.[65]

A major challenge for the immediate future is the structural reform of the EU banking sector – in particular the isolation of the trading and deposit taking functions in banking institutions. Although, in January 2014, the European Commission adopted a legislative proposal[66] to introduce a ban on banks' proprietary trading activities, it should be kept in mind that such market-making activities are important for financial stability, the transmission of monetary policy measures and the financing of the economy. In fact, the ECB maintains that deposit-taking banks should be allowed to pursue such activities within certain parameters. In June 2015, the Council agreed its negotiating stance on structural measures to improve the resilience of EU credit institutions aimed at strengthening financial stability by protecting the deposit-taking business of the largest and most complex EU banks from potentially risky trading activities. This draft regulation is intended to reduce excessive risk taking and prevent rapid balance sheet growth as a result of trading activities.

An issue which must also be taken into consideration is the exposure to some emerging economies to financial stability risks. Banks can no longer be treated as purely national institutions and if such risks materialise, this could lead to negative repercussions for all euro area banks with sizeable exposures to those economies. Euro area banks account for almost 45% of global exposures to emerging markets[67] thus highlighting the importance for these banks to have sufficient capital buffers in place.

Finally, it is important to align micro- and macro-prudential policies in order to ensure an optimum level of financial stability. In the absence of such alignment, tensions may arise if micro-prudential supervision does not internalise any potential adverse effects that it may have from a macroeconomic perspective.

In June 2015, the President of the European Commission, together with the President of the Euro Summit, the President of the Eurogroup, the President of the ECB and the President of the European Parliament presented a report on an ambitious yet pragmatic roadmap for completing the EMU.[68] In particular it calls for work to continue to "*develop concrete mechanisms for stronger economic policy coordination, convergence and solidarity"* and *"to prepare next steps on better economic governance in the euro area".*

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[64] Proposal for a Regulation of the European Parliament and of the Council on money market funds: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013PC0615

[65] Proposal for a Regulation of the European Parliament and of the Council on reporting and transparency of securities financing transactions – European Commission January 2014: http://eur-lex.europa.eu/resource.html?uri=cellar:b2522602-8f15-11e3-b19c-01aa75ed71a1.0025.03/DOC_1&format=PDF

[66] Proposal for a Regulation of the European Parliament and of the Council on structural measures improving the resilience of EU credit institutions – European Commission January 2014: http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-43-EN-F1-1.Pdf

[67] ECB Financial Stability Review – May 2014: https://www.ecb.europa.eu/pub/fsr/shared/pdf/sfdfinancialstabilityreview201405en.pdf??bb5545e9afe88927d9401142282b581b

[68] Completing Europe's Economic and Monetary Union. (The Five President's Report): http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf

This report noted that for a full integration of the EMU, progress should be aimed at achieving:

- Economic Union that ensures that each economy has the structural features to prosper within the Monetary Union;
- Financial Union that guarantees the integrity of the currency across the Monetary Union by limiting risk to financial stability and increasing risk-sharing with the private sector;
- Fiscal Union that delivers both fiscal sustainability and fiscal stabilisation;
- Political Union that provides the foundation for all the above through genuine democratic accountability, legitimacy and institutional strengthening.

The achievement of an Economic, Financial, Fiscal and Political Union[69] would equip the EMU with the necessary framework to combat more easily any possible crisis in the future. However, this can only be achieved by sacrificing some national sovereignty. Member States would have less flexibility to adjust to local shocks – which may, in turn, result in the development of highly adverse scenarios that can later be difficult to manage. Given the heterogeneity among Member States a "one-size-fits-all" approach may therefore not necessarily be the optimal solution. Rather than focusing on implementing the same policies across all Member States, the focus should be on the results that different policies are achieving. In particular, these should be aimed at building resilience to rebound quickly from short-term shocks, exploiting comparative advantages within the Single Market and attracting investment, thereby sustaining high levels of growth and employment across the euro area.

In recent years, a lot of effort was placed on strengthening the fiscal and financial architecture of the EU and of the EMU with the aim of fostering more co-operation and integration. Restoring confidence in the financial sector and preventing new imbalances is leading to a fundamental transformation of policymaking at both the national and the euro area level.

Achieving the right balance between an Economic, Financial, Fiscal and Political Union and allowing the necessary flexibility for governments to deal with country-specific situations remains a challenge. However, finding the right balance could reduce the frequency, severity and vulnerability to systemic spillovers. It is therefore essential that the momentum for further integration is maintained in order to address current outstanding and future challenges for EMU and build higher levels of resilience to possible future financial crises.

[69] All four elements depend on each other and must develop in parallel for each Member State.

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NEWS NOTES

Monetary policy measures of the Eurosystem

On 10 March the Governing Council of the European Central Bank (ECB) lowered the interest rate on the main refinancing operations (MRO) by 5 basis points to 0.00%. The rate on the marginal lending facility was lowered by 5 basis points to 0.25%, while the rate on the deposit facility was lowered by 10 basis points to -0.40%.

The Council also announced a number of non-standard measures aimed at enhancing its accommodative monetary policy stance and encouraging further lending to the euro area private sector.

In particular, the Council decided to expand its monthly purchases under the asset purchase programme (APP) from €60 billion to €80 billion. This expansion is valid at least until the end of March 2017 or until the Governing Council sees a sustained adjustment of inflation towards 2%. The issuer and issue share limits for the purchases of securities issued by eligible international organisations and multilateral development banks under the APP were raised from 33% to 50%. The Council also decided to launch a corporate sector purchase programme (CSPP) starting in June 2016.

A new series of four targeted longer-term refinancing operations (TLTRO II), starting in June 2016, was also announced, each with a maturity of four years.

European policy and supervisory announcements

On 1 January the European Union's (EU) Single Resolution Mechanism (SRM) became fully operational, signalling the completion of the second pillar of the European Banking Union, following the Single Supervisory Mechanism (SSM) launched in 2014. The objective of the SRM is to ensure the orderly resolution of failing banks without recourse to taxpayers' money, through contributions from shareholders and creditors, and recourse to a single resolution fund.

On 29 January the European Systemic Risk Board (ESRB) published two recommendations for the national and European institutions responsible for implementing macroprudential policies. Recommendation ESRB/2015/1 aims to ensure that the counter-cyclical buffer rate for banks' exposures to third countries would typically apply across the EU. Meanwhile, Recommendation ESRB/2015/2 deals with the cross-border effects of macroprudential measures, setting out the framework for dealing with these effects and establishing a mechanism for voluntary reciprocity with regard to these measures.

Central Bank of Malta announcements

Central Bank of Malta sets up Central Credit Register

Act No. IX of 2016, dated 29 January, amended the Central Bank of Malta Act to empower the Central Bank of Malta to establish a Central Credit Register in Malta. Central Bank of Malta Directive No. 14, establishing the Register, was issued on 15 February. The purpose

of the Register is to create a credit data sharing system to support credit institutions in their analysis of existing or prospective borrowers' creditworthiness. Furthermore, the Register will support the Bank in carrying out its tasks related to financial stability. The Bank has taken the necessary measures to ensure a secure system to safeguard the collection, processing and dissemination of information available in the Register.[1] Data held in the Register shall be available for a fixed number of years, after which all personal data shall be deleted and information anonymised in compliance with the Data Protection Act. The amendments to the Act came into force on 15 February 2016, and the Register started operating on 20 April 2016.

Information on euro banknote counterfeiting

On 8 February, the Bank reported that during 2015 the total number of counterfeits withdrawn from circulation stood at 4,930 pieces, up from 1,497 pieces in 2014. Nonetheless, when compared with the number of genuine euro banknotes in circulation in Malta, the proportion of euro counterfeits remained insignificant.

Issue of numismatic coins

On 25 April the Bank issued two numismatic coins, one in gold and another in silver, celebrating the art of Antonio Sciortino. The gold coin has a face value of €50, while the silver coin has a face value of €10. Both coins were minted at the Royal Dutch Mint and struck to proof quality. The reverse of the coins carries a representation of Antonio Sciortino's 1937 sculpture 'Dangerous Sport'. The coins are part of a five-year series under the Europa Programme dedicated to different periods of European art-forms and history, with this first issue themed *"modern 20th century"*. The obverse of the coins features the new face of the Europa Programme, incorporating the coat of arms of Malta.

Fiscal and economic policy developments

On 26 February the European Commission published its *Country Report* for Malta, assessing Malta's performance in light of the *Annual Growth Survey* published in November 2015. The Commission noted that some progress has been made in addressing Malta's 2015 country-specific recommendations (CSRs), such as reducing the number of early school leavers, increasing access to finance for small businesses, and ensuring the long-term sustainability of the pensions, though more progress needs to be made. Regarding the Europe 2020 national targets, Malta has made good progress, particularly in terms of raising labour market participation and reducing greenhouse gases. However, more effort is needed on R&D expenditure and poverty.

Act No. XV of 2016, dated 15 March and entitled Budget Measures Implementation Act, amended various laws to bring into effect the measures announced in the Budget presented in October 2015. The Act also authorised the Government to borrow a sum of money not exceeding €600.0 million in 2016.

In April the Government submitted the *Update of the Stability Programme 2016-2019* to the European Commission, setting out its budgetary objectives until 2019. The Update

[1] Further information about the Central Credit Register is available on the Central Bank of Malta website: https://www.centralbankmalta.org/en/ccr.

foresees a gradual narrowing of the general government deficit-to-gross domestic product (GDP) ratio, from -1.5% in 2015 to -0.2% in 2018, before registering a surplus of 0.1% in 2019. The general government gross debt-to-GDP ratio is set to gradually decline over the forecast horizon, to 55.5% in 2019.

The Government also presented the *National Reform Programme* for 2016, outlining reforms in areas such as public finances and long-term fiscal sustainability, the labour market, education, poverty, and competitiveness that will be pursued in line with Malta's CSRs and Europe 2020 targets.

International assessments of the Maltese economy

On 20 January the Executive Board of the International Monetary Fund (IMF) concluded its 2015 Article IV Consultation with Malta. The Board concluded that Malta had remained resilient in the face of global shocks, with the economy growing strongly. In order to maintain growth and stability, the Fund recommended the building fiscal buffers to cope with adverse shocks, the maintenance of financial sector stability, providing finance for growth, and sustaining structural reforms.

The banking system remains resilient, with banks well capitalized, profitable and liquid. At the same time, the Fund warned that nonperforming loans and the cost of credit remain high, although it acknowledged that the authorities have taken measures to address these issues, including through a review of national insolvency procedures. As regards public finances, the authorities' proposed pace of fiscal consolidation for 2016-18 was considered appropriate and the pension reform measures announced in the Budget 2016 are steps in the right direction. However additional expenditure measures should be considered to ensure that official fiscal targets are met.

On 3 May the European Commission published its *Spring Forecasts*. In the case of Malta, the Commission forecast a moderation of GDP growth to 4.1% in 2016 and 3.5% in 2017. This slowdown would reflect the phasing out of major investment projects and the expiration of the 2007-13 programming period of EU funding. Consumption is expected to be the main driver of economic growth over the forecast horizon. In line with continued GDP growth, the general government deficit-to-GDP and debt-to-GDP ratios are set to maintain their downward trend. HICP inflation is expected to rise, partly reflecting the expiration of the base effect of previous electricity price cuts and an acceleration of services inflation.

Credit ratings

On 8 January Standard & Poor's affirmed its BBB+ long-term foreign and local currency sovereign credit ratings for Malta with a "Positive" outlook. This reflected the agency's assessment of Malta's economic growth prospects and gradual budgetary consolidation. However, the agency also stated that moderate contingent liabilities and a relatively low degree of economic diversification are constraining the ratings.

On 19 February Fitch Ratings affirmed Malta's long-term foreign and local currency issuer default rating at A with a "Stable" outlook. The agency expects the Maltese economy to continue to outperform euro-zone peers, with exports projected to improve and tertiary

industries to remain strong. However, government-guaranteed liabilities are high, though risks stemming from the potential crystallisation of contingent liabilities are reducing. The agency also commented on the Maltese banking sector, which is seen to be robust, though banks are highly exposed to the sovereign and to the housing market.

On 1 April DBRS Ratings confirmed Malta's long-term and foreign currency issuer ratings at A with a "Stable" outlook. This reflected Malta's euro-area membership, a solid external position, the robust financial position of households, and a favourable public debt structure. However public finances, sensitivity to external developments and the effect of ageing costs on the pensions system remain a source of vulnerability, though the agency noted an improvement in Malta's fiscal position.

Financial sector developments

Financial legislation

Act No. XVI of 2016, dated 22 March, set up the Office of the Arbiter for Financial Services. This Office has the power to mediate, investigate, and adjudicate complaints filed by a customer against a financial services provider. The provisions of this Act came into force on 18 April.

Act No. XIX of 2016, dated 22 April, amends various financial services laws and provides for matters ancillary or incidental to such amendments.

Legal Notice 70 of 2016, dated 4 March, entitled Investment Services Act (European Long-Term Investment Funds) Regulations, implements the relevant provisions of the European Long-Term Investment Funds (ELTIF) Regulation (Regulation (EU) No. 2015/760). With this Legal Notice, the Malta Financial Services Authority was appointed as the competent authority for carrying out the relevant provisions of the 2015 Regulation, which aims to increase the pool of capital available for long-term investment in the EU economy by creating a new form of fund vehicle.

Legal Notices 113-116 of 2016, dated 5 April, amend the Investment Services Act to transpose certain articles of the UCITS (Undertakings for Collective Investment in Transferable Securities) Directive, as amended by Directive 2014/91/EU, and the AIFMD (Alternative Investment Fund Managers) Directive (Directive 2011/61/EU). The UCITS Directive introduces new rules on UCITS depositaries, while the AIFM Directive is aimed at creating a comprehensive and effective regulatory and supervisory framework for AIFMs at the European level.

Tax Agreements

Legal Notice 1 of 2016, dated 5 January, refers to a double taxation agreement between the Government of Malta and the Kingdom of the Netherlands, in respect of Curaçao. It declares relief from double taxation in relation to income tax, profit tax, wage tax, and dividend tax imposed by the laws of Curaçao. The Agreement will come into effect at a later date to be agreed upon by the two parties.

Nemea Bank placed under administration

On 27 April the Malta Financial Services Authority (MFSA) placed Nemea Bank under administration, in an instruction issued under the recommendation of the ECB. This followed a joint inspection by the MFSA and members of the Directorate-General Micro-Prudential Supervision III (DGMSIII) of the ECB, which identified a number of serious regulatory shortcomings. These precautionary measures, which are meant to safeguard the interests of depositors and other creditors of Nemea Bank, will remain in place until such time as the MFSA may direct otherwise.

Capital market developments

Issue of Malta Government Stocks

On 12 February the Government, through Legal Notice 52, issued two Malta Government Stocks (MGS) for a total amount of €120.0 million, subject to an overallotment option of up to €80.0 million. The issue was oversubscribed, with the Treasury allotting €3.0 million to the 1.50% MGS 2022 (IV) at an issue price of €105.0, and €196.7 million to the 2.50% MGS 2036 (I), at an issue price of €101.5. The Stocks were respectively listed on the Malta Stock Exchange (MSE) on 9 March and 14 March.

On 15 March the Government, through Legal Notice 78, issued two fixed-rate MGS through competitive auction for a total amount of €50.0 million, subject to an overallotment option of €30.0 million. The issue was oversubscribed, with the Treasury allotting €55.0 million to the 1.50% MGS 2022 (IV) Fungibility Issue at a weighted-average price of €106.5, corresponding to a yield-to-maturity of 0.45%. Meanwhile, €25.0 million were allotted to the 2.50% MGS 2036 (I) Fungibility Issue at a weighted-average price of €105.1, corresponding to a yield-to-maturity of 2.2%. The Stocks were listed on the MSE on 5 April.

Private sector issues

On 7 March Corinthia Finance plc announced that it had submitted an application to the Listing Authority requesting the admissibility to listing of €40.0 million bonds redeemable in 2026, the net proceeds from which will be used to redeem its 6.25% Unsecured Bonds 2016-2019. The new bonds were issued at par and listed on the MSE on 21 April, offering a coupon rate of 4.25%.

On 19 February Bank of Valletta plc announced the issuance of the second tranche of its Subordinated Debt Issuance Programme, following the announcement of the first tranche in November 2015. The February issue consisted of €50 million in notes issued at par, of which €36.6 million were allotted. The notes, which offer a coupon rate of 3.50% and mature in 2030, were listed on the MSE on 6 April.

Malta Stock Exchange launches Sharia Equity Index

On 11 February the MSE launched the MSE Sharia Equity Index, using a basis of 1,000 points as at 1 January 2016. Equities will be included in the Index once they are certified to be sharia-compliant.

International economic and financial news

Economic and financial developments in Europe

On 23 March the Permanent Representatives Committee agreed, on behalf of the Council of the EU, to extend an exemption for commodity dealers under EU Regulation 575/2013 on bank capital requirements. Since a review by the Commission on the prudential supervision of commodity dealers and of investment firms is still underway, new legislation that may be required as a consequence would only be adopted after 2017. Hence, the Council agreed to extend the exemption from December 2017 until December 2020, in order to save commodity dealers from an unstable regulatory environment in the short term.

European and global institutional developments

On 26 January the International Monetary Fund (IMF) 2010 Quota and Governance Reforms entered into force, thus enabling the creation of an all-elected IMF Executive Board and an overall doubling of quotas under the 14th Review. The Reforms also marked a major shift in quota shares in favour of dynamic emerging market and developing countries. Malta's quota increased by SDR66.3 million to SDR168.3 million.

On 17-18 March the first quarterly European Council summit of EU member state leaders was held, with the main focus being the migration crisis and the Joint Action Plan with Turkey. With regard to the 2016 European Semester, the Council endorsed the policy priority areas of the *Annual Growth Survey*, namely re-launching investment, pursuing structural reforms to modernise our economies, and conducting responsible fiscal policies. Member states should reflect these priorities in their *National Reform Programmes* and *Stability* or *Convergence Programmes*.

On 15-16 April the World Bank/IMF Spring Meetings were held. The International Monetary and Financial Committee noted that global growth has been subdued for a long time, and the outlook has weakened in recent months. It called for growth-friendly fiscal policy, accommodative monetary policy, global cooperation, and further structural and financial reforms.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

(as at 27 May 2016, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates:	EUR 1 = USD 1.1168	
		EUR 1 = GBP 0.7625	
CLIMATE	Average temperature (2016):	Jan. - Mar.	14.6
	Average temperature (2015):	July - Sep.	27.3^{o}C
	Annual rainfall (2015)		554.2mm
SELECTED GENERAL	GDP growth at chain-linked volumes 2010 prices (2016 Q1)[1]		5.2%
ECONOMIC STATISTICS	GDP per capita at current market prices (2015)[1]		EUR 20,510
	GDP per capita in PPS relative to the EU-27 average (2014)		84.0%
	Ratio of gross general government debt to GDP[1] (2015)		63.8%
	Ratio of general government deficit to GDP[1] (2015)		1.5%
	RPI inflation rate (12-month moving average) (Apr. 2016)		0.9%
	HICP inflation rate (12-month moving average) (Apr. 2016)		1.2%
	Ratio of exports of goods and services to GDP (2015 Q4)[1]		130.7%
	Ratio of current account surplus to GDP (2015 Q4)[1]		9.1%
	Employment rate (2015 Q4)[2]		63.9%
	Unemployment rate (2015 Q4)[2]		5.2%
	Long term government bond yield (Apr. 2016)		1.0%
POPULATION	Total Maltese and foreigners (2014)		429,344
	Males		214,735
	Females		214,609
	Age composition in % of population (2014)		
	0 - 14		14.3%
	15 - 64		67.2%
	65 +		18.5%
	Annual growth rate (2014)		0.9%
	Density per km^1 (2014)		1,359
HEALTH	Life expectancy at birth (2014)		82.1
	Males		79.8
	Females		84.3
	Crude birth rate, per 1,000 Maltese inhabitants (2014)		9.8
	Crude mortality rate, per 1,000 Maltese inhabitants (2014)		7.7
	Doctors		1,882
EDUCATION	Gross enrolment ratio (2013/2014)		71.5%
	Teachers per 1,000 students (2014)		110
ELECTRICITY	Domestic Consumption (million kwh) (2014)		604
WATER	Average daily consumption ('000 m^3) (2014)		73
LIVING STANDARDS	Human Development Index: rank out of 188 countries (2014)		37
	Mobile phone subscriptions per 100 population (2015 Q4)		129.9
	Internet subscribers per 100 population (2015 Q4)		38.0
	Private motor vehicle licences per 100 population (2016 Q1)		60.5

[1] Provisional.

[2] Labour Force Survey.

Sources: Central Bank of Malta; Eurostat; Ministry for Finance; 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 April 2016:

Akbank T.A.S.
AgriBank p.l.c. (from February 2013)
APS Bank Ltd.
Banif Bank Malta p.l.c.
Bank of Valletta p.l.c.
Credit Europe NV (from March 2007)
Credorax Bank Ltd (from September 2015)
Commbank Europe Ltd.
Deutsche Bank Malta Ltd. (from March 2010)
ECCM Bank p.l.c.
FCM Bank Limited (from November 2011)
Ferratum Bank Limited (from February 2013)
FIMBank p.l.c. (from August 2011)
HSBC Bank Malta p.l.c.
IIG Bank (Malta) Ltd. (from October 2010)
Izola Bank Ltd.
Lombard Bank Malta p.l.c.
Mediterranean Bank p.l.c. (from January 2006)
Mediterranean Corporate Bank Limited
MFC Merchant Bank Ltd
NBG Bank Malta Ltd.
Nemea Bank Ltd (from December 2009)
Pilatus Bank Ltd (from March 2014)
Satabank p.l.c. (from October 2014)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Novum Bank Limited (from October 2010)
Yapikredi Bank (from October 2014)

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.

The statistical tables shown in the "Statistical Tables" annex, including historical data, are provided in electronic format on the website of the Central Bank of Malta at www.centralbankmalta.org.

PART 1: MONETARY, BANKING AND FINANCIAL MARKETS

PART 2: GOVERNMENT FINANCE

PART 3: EXCHANGE RATES, EXTERNAL TRANSACTIONS AND POSITIONS

PART 4: REAL ECONOMY INDICATORS

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

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents[3]	Claims on euro area residents	Claims on non-euro area residents[2,3]				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
2010	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011	10.3	1,382.9	182.3	276.7	387.0	498.2	51.0	769.8	3,558.2
2012	13.4	1,305.0	382.7	224.2	512.1	378.2	52.8	736.2	3,604.4
2013	12.5	1,451.0	607.2	137.5	418.8	200.1	52.2	730.8	3,610.1
2014									
Jan.	12.5	1,414.5	472.0	100.4	463.7	198.1	53.1	807.5	3,521.8
Feb.	12.5	1,369.8	493.0	85.0	468.2	207.1	53.4	862.9	3,551.9
Mar.	13.5	1,321.1	619.4	201.4	677.9	217.1	53.4	917.8	4,021.5
Apr.	8.2	1,349.0	726.4	164.3	644.5	220.6	53.4	1,001.2	4,167.7
May	8.2	1,319.8	646.8	93.5	824.1	214.6	53.4	1,001.2	4,161.5
June	8.4	1,316.3	700.7	91.9	849.9	220.1	53.4	1,070.2	4,310.9
July	8.4	1,271.7	676.1	75.0	493.0	208.1	53.4	1,066.5	3,852.2
Aug.	8.3	1,291.0	678.9	80.2	492.0	192.1	53.4	1,074.0	3,869.9
Sep.	8.3	1,383.5	657.0	93.5	657.4	207.1	53.4	1,102.8	4,162.8
Oct.	8.3	1,330.0	664.5	74.1	487.8	328.1	53.4	1,068.4	4,014.6
Nov.	6.0	1,346.8	691.9	113.0	523.6	323.6	53.4	1,076.7	4,135.0
Dec.	4.5	1,400.2	837.4	105.5	518.9	411.3	53.4	995.0	4,326.3
2015									
Jan.	4.5	1,397.3	788.6	74.4	521.6	295.4	55.5	1,116.3	4,253.6
Feb.	4.5	1,358.7	822.5	92.2	543.2	294.5	53.4	1,136.6	4,305.6
Mar.	5.0	1,347.3	834.8	124.2	545.0	368.5	53.4	1,132.8	4,411.0
Apr.	5.0	1,431.5	873.7	130.3	541.4	370.5	53.4	1,130.9	4,536.5
May	5.0	1,501.1	884.7	129.8	556.2	365.5	53.4	1,200.8	4,696.4
June	4.7	1,525.1	910.2	124.6	535.1	208.5	53.4	1,227.5	4,589.0
July	4.7	1,472.1	924.5	122.1	516.3	196.5	53.4	1,212.5	4,502.2
Aug.	4.7	1,457.7	910.9	122.1	524.9	187.8	53.4	1,220.1	4,481.6
Sep.	4.5	1,485.7	929.1	121.5	531.5	197.3	53.4	1,268.3	4,591.4
Oct.	4.5	1,500.3	939.0	124.8	525.3	136.3	53.4	1,189.1	4,472.9
Nov.	4.5	1,472.6	945.2	121.2	519.4	124.0	53.4	1,198.7	4,438.9
Dec.	4.5	1,478.1	945.7	157.6	527.6	115.0	53.4	1,224.4	4,506.1
2016									
Jan.	4.5	1,441.3	1,027.6	115.2	531.2	115.0	53.4	1,213.1	4,501.4
Feb.	4.5	1,436.0	1,044.1	90.9	607.1	101.1	53.4	1,224.2	4,561.2
Mar.	5.0	1,461.6	1,031.7	95.1	564.9	99.4	53.4	1,262.1	4,573.2
Apr.	5.0	1,486.2	1,028.1	95.4	565.5	95.4	53.4	1,285.8	4,614.7

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.
[2] Includes IMF reserve position and holdings of SDRs.
[3] Mainly includes cash and bank balances, placements with banks and securities.
[4] Including items in course of settlement.

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

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations		Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
		Total	(of which): Minimum Reserve Requirements	Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008	693.1	483.5	474.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	447.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010	701.2	501.2	470.4	410.9	97.0	96.5	0.0	110.4	1,329.7	116.2	280.7
2011	737.6	1,101.1	431.6	438.6	86.5	122.5	0.0	113.2	557.9	103.1	297.1
2012	757.5	1,474.0	252.6	297.0	84.8	151.6	0.0	111.2	292.0	105.6	330.7
2013	803.2	1,144.0	327.3	340.0	1.8	61.1	0.0	106.7	709.8	115.7	327.6
2014											
Jan.	792.4	1,186.6	288.7	251.4	316.4	70.1	6.9	106.7	353.7	110.7	327.0
Feb.	793.6	1,453.6	292.8	412.9	58.2	63.4	1.4	106.7	230.7	87.8	343.6
Mar.	798.4	1,174.8	266.4	374.0	31.2	77.5	0.0	106.9	1,023.2	88.4	347.2
Apr.	806.6	1,093.6	258.2	390.3	15.1	63.9	0.0	106.9	1,249.0	94.8	347.6
May	810.7	1,229.3	243.0	392.7	12.9	34.9	0.0	106.9	1,129.5	96.4	348.3
June	815.4	262.3	245.4	788.0	96.3	61.1	0.0	108.0	1,718.1	108.3	353.4
July	824.1	255.8	241.9	398.0	97.1	53.5	0.0	108.0	1,647.3	113.8	354.8
Aug.	825.5	383.7	236.5	540.2	208.3	61.5	0.0	108.0	1,265.6	121.7	355.4
Sep.	825.6	525.8	241.2	433.9	8.3	68.6	0.0	112.4	1,680.7	147.6	360.0
Oct.	828.9	459.2	263.6	474.7	8.1	34.8	0.0	112.4	1,581.7	154.3	360.5
Nov.	833.8	337.2	266.7	406.9	12.0	51.0	0.0	112.4	1,869.4	151.6	360.8
Dec.	864.1	499.1	257.3	342.0	3.4	50.3	0.0	113.8	1,932.8	163.1	357.9
2015											
Jan.	853.3	761.1	263.7	362.4	10.6	47.8	0.0	113.8	1,583.9	163.1	357.7
Feb.	855.7	477.9	261.7	746.3	6.8	41.3	0.0	113.8	1,543.5	162.7	357.6
Mar.	863.8	955.6	275.4	526.5	16.7	49.2	0.0	122.4	1,350.6	145.2	381.0
Apr.	872.4	1,140.7	278.8	472.4	329.4	48.8	0.0	122.4	1,019.8	149.2	381.5
May	877.1	1,232.5	268.9	390.7	268.0	51.0	17.9	122.4	1,205.9	148.4	382.6
June	885.6	1,084.9	403.9	518.6	298.0	67.5	13.5	119.9	1,102.7	121.4	376.8
July	898.3	1,165.3	306.1	435.2	278.3	65.0	0.0	119.9	1,036.7	125.2	378.1
Aug.	896.2	1,404.0	293.9	485.3	137.4	76.4	0.0	119.9	855.4	128.0	379.0
Sep.	894.4	1,314.7	301.0	520.7	181.8	96.4	0.0	119.5	953.7	132.4	377.9
Oct.	895.7	1,494.1	275.7	480.7	18.6	98.1	0.0	119.5	851.7	135.4	379.2
Nov.	899.9	1,322.8	283.5	566.4	0.1	127.6	0.0	119.5	891.7	131.4	379.5
Dec.	920.9	1,457.5	408.4	342.9	0.2	157.5	0.0	121.4	975.6	147.7	382.3
2016											
Jan.	903.2	1,573.4	343.8	442.1	1.0	175.8	0.0	121.4	749.5	152.7	382.2
Feb.	903.7	1,390.8	338.3	649.1	0.1	167.7	0.0	121.4	802.4	119.0	407.0
Mar.	910.3	1,726.4	365.5	538.0	2.1	108.2	0.0	118.1	645.4	111.1	413.7
Apr.	912.6	1,859.4	349.5	560.3	5.3	95.8	0.0	118.1	535.5	113.7	414.0

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.
[2] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key. This amount is purely notional and may not reflect the amount of currency in circulation in Malta; the series is not comparable with the data prior to January 2008. For 2008, remaining outstanding Maltese lira banknotes are included.
[3] Includes items in course of settlement.
[4] Includes provisions and revaluation accounts.

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

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets[3]	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[2]	Total		
2008	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
2009	0.4	5.4	214.7	220.2	1,069.8	355.4	246.9	1,672.1	1,380.8	3,273.4
2010	0.2	5.9	274.7	280.6	1,555.4	381.3	285.3	2,222.1	1,182.7	3,685.6
2011	0.1	6.2	343.9	350.1	1,910.9	434.4	301.8	2,647.1	612.9	3,610.3
2012	0.3	6.3	302.3	308.6	1,729.6	760.9	315.4	2,806.0	556.5	3,671.4
2013	0.3	6.6	331.8	338.4	1,673.8	1,146.2	291.5	3,111.5	308.4	3,758.5
2014	0.2	6.8	398.3	405.1	1,739.5	1,533.3	280.8	3,553.6	528.8	4,487.8
2015	0.1	6.6	736.4	742.9	1,690.8	1,716.5	295.0	3,702.3	248.4	4,693.8
2016										
Jan.	0.1	6.7	791.5	798.1	1,552.1	1,794.4	289.7	3,636.2	250.3	4,684.7
Feb.	0.1	6.7	798.4	805.1	1,520.8	1,866.4	377.5	3,764.7	239.7	4,809.6
Mar.	0.1	6.8	850.4	857.1	1,521.7	1,825.6	385.1	3,732.3	235.1	4,824.7
Apr.	0.1	6.6	898.9	905.5	1,535.9	1,806.5	377.6	3,720.0	236.3	4,861.9

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

EUR millions

End of period	Currency issued[4]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[3]
		Withdrawable on demand[5]	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities[2]	Total		
2008	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
2009	710.5	445.5	5.6	451.0	814.6	86.8	109.2	1,010.6	419.9	681.3
2010	742.1	489.1	8.2	497.2	1,225.2	97.1	108.0	1,430.3	438.1	577.8
2011	783.4	532.5	12.7	545.2	428.5	86.6	134.3	649.4	454.8	1,177.4
2012	807.9	335.3	17.4	352.7	201.3	84.9	93.6	379.8	490.9	1,640.1
2013	858.5	331.6	24.7	356.3	673.3	74.4	38.1	785.8	492.0	1,265.9
2014	924.5	338.5	0.0	338.5	1,930.2	79.5	21.0	2,030.7	552.0	642.1
2015	988.8	345.7	0.0	345.7	922.4	92.7	64.7	1,079.8	577.3	1,702.2
2016										
Jan.	971.6	433.2	0.0	433.2	700.4	93.7	55.9	850.0	569.9	1,859.9
Feb.	971.9	628.2	0.0	628.2	740.7	156.1	71.5	968.2	560.9	1,680.5
Mar.	978.7	517.6	0.0	517.6	565.0	156.8	83.1	804.9	561.6	1,961.9
Apr.	981.2	533.7	0.0	533.7	457.3	158.9	79.9	696.2	564.5	2,086.3

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast).

[2] If the Central Bank of Malta issues less, or more, currency than the amount attributed to it under the banknote allocation key, the shortfall, or excess, will be reflected in intra-Eurosystem claims, or liabilities, respectively.

[3] Includes resident interbank transactions.

[4] 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.

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

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

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[4]	Total assets/ liabilities
		Loans[3]	Securities other than shares	Shares & other equity[3]	Claims on other euro area residents	Claims on non-residents of the euro area[3]	Other external assets	Total		
2008	600.6	7,150.4	1,342.9	115.3	6,153.2	25,468.7	847.3	32,469.1	797.8	42,476.2
2009	674.9	7,677.1	1,690.3	132.2	6,186.2	23,631.2	631.9	30,449.3	876.8	41,500.6
2010	599.6	8,456.7	1,781.1	527.6	9,367.1	27,870.7	653.4	37,891.2	903.4	50,159.6
2011	1,179.9	8,928.9	1,946.1	543.5	10,111.8	27,056.2	665.8	37,833.8	914.9	51,347.1
2012	1,644.2	9,055.8	1,939.0	588.9	8,776.0	29,909.7	721.1	39,406.8	892.2	53,526.9
2013	1,259.9	9,027.4	2,081.2	612.6	7,230.7	28,401.1	740.2	36,372.1	982.3	50,335.5
2014										
Jan.	1,310.8	9,004.6	2,130.1	614.0	8,283.1	29,060.8	851.2	38,195.1	780.9	52,035.5
Feb.	1,571.7	9,010.7	2,187.7	508.6	7,270.9	27,216.4	813.8	35,301.2	810.4	49,390.3
Mar.	1,305.0	9,055.8	2,195.4	504.3	7,351.5	27,676.1	711.7	35,739.3	781.8	49,581.6
Apr.	1,226.1	9,086.0	2,204.6	505.0	6,852.5	28,410.8	642.2	35,905.5	778.3	49,705.6
May	1,224.0	9,113.5	2,208.5	196.3	6,857.3	27,690.7	640.7	35,188.8	805.7	48,736.9
June	361.7	9,146.4	2,296.7	201.9	7,162.1	27,534.0	680.1	35,376.2	797.5	48,180.4
July	374.0	9,001.9	2,267.0	177.2	7,218.9	27,940.0	739.8	35,898.7	804.3	48,523.1
Aug.	525.7	9,018.6	2,249.5	178.4	7,499.6	28,671.1	702.7	36,873.4	829.8	49,675.4
Sep.	654.8	9,044.4	2,214.7	179.2	7,785.9	29,555.1	671.9	38,013.0	880.7	50,986.7
Oct.	571.7	8,997.1	2,221.0	179.7	7,797.7	30,031.5	665.6	38,494.9	917.9	51,382.3
Nov.	500.6	9,180.6	2,142.3	180.4	7,729.0	31,502.4	727.5	39,959.0	922.4	52,885.2
Dec.	641.6	9,105.7	2,046.3	179.6	7,379.3	31,403.1	726.3	39,508.7	1,154.9	52,636.8
2015										
Jan.	897.0	9,109.1	2,162.7	182.7	6,946.0	34,505.5	852.5	42,304.1	1,168.0	55,823.6
Feb.	615.5	9,162.7	2,168.9	184.6	6,594.1	34,062.5	850.2	41,506.8	1,137.5	54,776.0
Mar.	1,088.6	9,175.6	2,206.9	187.7	6,794.8	34,637.4	867.9	42,300.1	1,116.8	56,075.8
Apr.	1,292.7	9,165.0	2,179.3	187.9	6,605.2	33,348.3	830.5	40,784.0	1,121.5	54,730.5
May	1,403.8	9,187.5	2,136.7	188.7	6,958.0	31,801.2	1,065.9	39,825.1	1,137.5	53,879.3
June	1,248.7	9,175.9	2,162.4	191.1	6,471.3	28,431.0	999.8	35,902.0	1,116.8	49,796.9
July	1,306.7	9,173.1	2,186.6	193.5	5,999.7	27,745.7	1,048.5	34,793.9	1,229.2	48,883.0
Aug.	1,521.5	9,148.3	2,179.1	291.5	6,226.6	25,065.5	1,103.6	32,395.7	1,182.9	46,719.0
Sep.	1,421.9	9,225.0	2,205.3	292.0	6,311.7	24,580.2	1,116.3	32,008.2	1,182.8	46,335.2
Oct.	1,596.6	9,214.1	2,155.3	294.8	6,278.4	24,050.0	1,150.1	31,478.6	1,180.1	45,919.5
Nov.	1,442.0	9,231.4	2,241.3	301.3	6,348.0	24,540.6	1,255.6	32,144.2	1,185.5	46,545.8
Dec.	1,628.8	9,208.1	2,137.0	305.3	6,254.2	25,492.7	1,182.6	32,929.5	1,183.1	47,391.8
2016										
Jan.	1,701.2	9,235.0	2,235.9	306.1	6,115.4	24,890.4	1,285.4	32,291.1	1,256.8	47,026.1
Feb.	1,647.7	9,254.0	2,230.3	329.9	6,464.1	24,803.0	1,350.6	32,617.7	1,137.3	47,216.9
Mar.	1,943.1	9,195.9	2,227.5	352.3	6,372.6	24,372.8	1,199.6	31,945.0	1,171.0	46,834.8
Apr.	2,060.3	9,196.6	2,224.0	351.4	6,387.4	24,990.3	1,194.2	32,571.9	1,131.3	47,535.4

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast). As from December 2008 figures also include assets of the MMFs.

[2] Include holdings of Maltese lira banknotes and coins up to 2008.

[3] As from June 2010, statistics are in line with ESA 2010.

[4] Resident interbank claims are included in 'Other assets'.

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

EUR millions

End of period	Deposits from residents of Malta[2]				External liabilities				Debt securites issued[4]	Capital & reserves	Other liabilities[2]
	Withdraw-able on demand[3]	Redeem-able at notice	With agreed maturity[3]	Total	Deposits from other residents of the euro area[4]	Deposits from non-residents of the euro area[3,4]	Other external liabilities[5]	Total			
2008	3,170.0	114.5	5,222.2	8,506.7	9,240.4	17,301.9	2,275.7	28,818.0	172.2	3,339.7	1,639.5
2009	3,705.3	111.6	4,789.0	8,605.9	7,772.1	16,973.4	1,205.3	25,950.9	253.4	4,120.5	2,569.9
2010	5,075.3	123.7	5,060.0	10,259.0	6,611.2	19,018.8	1,760.2	27,390.2	304.5	9,853.8	2,352.1
2011	5,219.2	122.6	5,238.2	10,580.1	6,901.8	16,214.9	5,679.9	28,796.6	354.3	9,815.5	1,800.6
2012	5,815.3	151.8	5,348.4	11,315.5	6,966.1	15,471.6	7,204.1	29,641.7	403.1	10,369.7	1,796.9
2013	6,593.2	170.1	5,544.5	12,307.7	5,623.5	13,792.5	9,583.6	28,999.6	350.1	7,139.2	1,538.9
2014											
Jan.	6,782.7	172.2	5,644.9	12,599.8	6,192.7	14,395.7	10,114.9	30,703.4	350.2	6,958.3	1,423.8
Feb.	6,611.4	170.3	5,628.0	12,409.7	5,789.6	13,462.5	10,088.4	29,340.5	350.2	5,746.7	1,543.3
Mar.	6,862.5	179.0	5,583.7	12,625.2	5,732.5	13,798.5	9,915.6	29,446.6	350.2	5,823.6	1,336.0
Apr.	6,901.2	179.6	5,596.8	12,677.6	5,731.7	14,046.4	9,773.3	29,551.4	350.5	5,771.6	1,354.4
May	7,089.1	182.5	5,570.6	12,842.2	4,827.9	13,501.8	10,208.6	28,538.3	350.7	5,649.8	1,355.8
June	7,102.0	187.6	5,618.8	12,908.3	4,925.5	12,954.9	11,496.1	29,376.6	350.8	4,185.7	1,359.0
July	7,228.1	192.8	5,603.6	13,024.5	5,053.1	13,261.6	11,202.6	29,517.3	351.0	4,253.2	1,377.2
Aug.	7,394.9	201.8	5,774.6	13,371.3	4,887.6	14,258.9	11,257.7	30,404.2	350.9	4,322.7	1,226.4
Sep.	7,668.8	195.9	5,605.9	13,470.7	5,038.2	15,391.1	11,187.5	31,616.7	351.0	4,275.3	1,273.0
Oct.	7,910.4	195.2	5,509.8	13,615.4	5,179.7	15,037.9	11,416.7	31,634.2	350.7	4,387.7	1,394.3
Nov.	7,970.6	205.1	5,537.7	13,713.4	5,423.2	15,529.4	11,940.8	32,893.5	370.0	4,454.2	1,454.1
Dec.	8,489.0	208.8	5,419.7	14,117.5	5,552.9	14,334.7	12,271.9	32,159.5	370.9	4,284.8	1,704.0
2015											
Jan.	8,815.4	207.1	5,385.6	14,408.1	6,154.2	16,453.5	12,401.5	35,009.2	371.3	4,364.8	1,670.3
Feb.	8,615.6	206.3	5,272.6	14,094.6	6,445.4	16,700.2	11,086.5	34,232.1	371.7	4,371.2	1,706.5
Mar.	8,972.2	216.7	5,284.7	14,473.6	6,542.0	17,873.1	10,729.5	35,144.6	371.7	4,385.1	1,700.8
Apr.	9,338.2	221.5	5,248.8	14,808.5	6,078.8	17,721.8	9,669.8	33,470.4	371.7	4,350.2	1,729.8
May	9,543.2	214.3	5,258.7	15,016.2	6,136.2	17,368.8	8,903.8	32,408.8	371.8	4,333.8	1,748.8
June	9,877.9	212.4	5,265.2	15,355.5	5,904.3	15,531.4	8,031.7	29,467.4	374.9	3,070.8	1,528.2
July	9,879.1	210.7	5,270.8	15,360.6	5,828.2	14,857.2	7,680.5	28,365.8	394.6	3,121.5	1,640.5
Aug.	9,975.7	210.5	5,231.1	15,417.2	5,623.9	13,657.4	7,001.2	26,282.5	394.3	3,064.6	1,560.4
Sep.	10,238.1	212.5	5,192.2	15,642.8	6,076.2	13,109.3	6,465.1	25,650.6	394.2	3,009.5	1,638.1
Oct.	10,299.8	215.6	5,155.2	15,670.6	6,056.9	12,504.4	6,532.6	25,093.8	385.4	3,190.9	1,578.5
Nov.	10,378.2	215.4	5,152.7	15,746.3	6,300.3	13,120.9	6,085.2	25,506.4	385.4	3,270.5	1,637.2
Dec.	10,616.9	216.6	5,115.8	15,949.3	5,948.2	13,189.8	6,997.4	26,135.4	460.1	3,310.5	1,536.4
2016											
Jan.	10,578.0	196.9	5,087.0	15,861.9	5,781.1	13,229.1	6,807.0	25,817.3	459.5	3,351.9	1,535.5
Feb.	10,602.9	189.5	5,071.0	15,863.4	6,124.3	13,115.3	6,844.9	26,084.5	459.8	3,309.0	1,500.2
Mar.	10,590.8	193.5	5,150.8	15,935.1	5,881.3	12,967.3	6,618.0	25,466.6	496.4	3,358.5	1,578.2
Apr.	10,774.7	185.9	5,148.1	16,108.7	6,028.2	13,223.5	6,734.0	25,985.7	496.5	3,408.6	1,536.0

[1] Based on the instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast). As from December 2008 figures also include liabilities of the MMFs.

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

[3] As from June 2010, statistics are in line with ESA 2010.

[4] Includes inter-bank deposits.

[5] Up to December 2007, debt securities held by non-residents are included under 'other external liabilities'. As from January 2008 they are included under 'debt securities issued'. For the purpose of this table, 'Other external liabilities' also include repos with non-residents.

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

EUR millions

End of period	Broad money (M3)[1]								
	Intermediate money (M2)							M3-M2[5]	Total (M3)[6]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]			
	Currency issued[2]	Overnight deposits[3]							
		From residents of Malta[4]	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta[4]	From other euro area residents		
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
2010	674.4	4,986.1	99.5	123.5	0.7	4,047.0	157.5	241.6	10,330.4
2011	710.6	5,123.5	124.1	122.5	2.6	3,833.9	228.2	204.3	10,349.7
2012	726.5	5,735.7	169.7	151.7	1.6	3,883.9	480.1	191.5	11,340.8
2013	778.7	6,522.3	176.0	113.8	0.0	3,993.4	838.4	165.4	12,588.1
2014									
Jan.	774.2	6,718.3	202.2	114.2	0.0	4,125.7	837.4	172.3	12,944.3
Feb.	774.1	6,540.7	192.6	111.8	0.0	4,118.0	853.7	153.0	12,743.9
Mar.	777.9	6,817.1	199.9	112.2	0.0	4,050.4	886.4	161.7	13,005.7
Apr.	783.0	6,839.3	276.1	112.0	0.1	4,064.4	693.0	165.4	12,933.3
May	790.7	7,014.8	218.0	113.5	0.1	4,033.9	713.7	148.3	13,033.0
June	800.5	7,033.6	182.2	113.1	0.1	4,053.2	743.7	131.9	13,058.2
July	804.2	7,166.5	208.2	113.3	0.0	4,036.3	688.0	127.9	13,144.4
Aug.	808.6	7,313.5	219.8	121.2	0.0	4,197.0	701.1	121.5	13,482.8
Sep.	810.7	7,590.0	234.5	113.5	0.0	4,060.2	723.1	121.7	13,653.7
Oct.	811.4	7,836.6	246.8	113.0	0.0	4,013.7	697.3	125.8	13,844.7
Nov.	818.6	7,885.6	259.4	122.1	0.1	4,028.3	726.3	132.4	13,972.7
Dec.	839.4	8,415.6	257.5	124.4	0.1	3,914.2	729.8	121.4	14,402.4
2015									
Jan.	842.4	8,736.4	320.0	123.7	0.1	3,874.0	320.3	129.5	14,346.3
Feb.	843.8	8,540.7	314.0	122.1	0.1	3,744.3	328.6	90.4	13,983.9
Mar.	848.4	8,897.3	353.6	121.4	0.1	3,743.0	354.1	93.0	14,411.0
Apr.	850.8	9,254.5	385.1	125.3	0.1	3,709.8	387.2	92.6	14,805.3
May	859.9	9,454.4	414.2	120.9	0.1	3,723.6	428.3	89.2	15,090.5
June	865.9	9,795.1	417.7	116.8	0.1	3,711.8	499.1	111.4	15,517.9
July	880.9	9,767.8	417.5	115.3	0.1	3,708.6	576.4	155.7	15,622.2
Aug.	887.1	9,851.4	394.0	119.1	0.1	3,675.9	557.0	154.7	15,639.2
Sep.	880.2	10,116.3	444.6	120.9	0.1	3,675.5	361.4	145.2	15,744.2
Oct.	884.8	10,178.6	400.5	120.5	0.1	3,631.0	356.7	132.9	15,705.1
Nov.	892.4	10,248.8	425.7	118.7	1.3	3,621.3	380.7	131.6	15,820.4
Dec.	892.4	10,510.9	415.5	121.7	1.3	3,487.7	345.3	125.1	15,899.8
2016									
Jan.	896.4	10,461.3	433.6	116.3	1.4	3,457.9	361.9	118.8	15,847.5
Feb.	899.9	10,486.2	422.6	108.4	1.4	3,438.6	384.8	61.2	15,803.0
Mar.	891.2	10,478.5	424.6	112.6	1.3	3,512.9	446.8	59.1	15,927.0
Apr.	903.5	10,659.1	440.3	104.9	1.4	3,502.1	504.9	59.4	16,175.7

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

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

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

[4] As from June 2010, statistics are in line with ESA 2010.

[5] M3 - M2 comprises repurchase agreements that are not conducted through central counterparties and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

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

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

EUR millions

End of period	Broad money (M3)[1,2]	Credit counterpart[3]					External counterpart			Other counterparts (net)[4]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area[2]	Liabilities to non-residents of the euro area[2]	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents[2]	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009	8,883.3	1,927.4	7,792.4	1,238.3	2,273.9	13,232.0	24,843.9	18,197.0	6,646.9	10,995.6
2010	10,330.4	2,091.0	8,955.0	1,794.9	2,392.7	15,233.6	29,140.7	20,763.0	8,377.7	13,280.9
2011	10,349.7	2,353.4	9,415.4	2,240.9	2,929.5	16,939.1	28,435.1	20,785.7	7,649.4	14,238.8
2012	11,340.8	2,287.1	9,605.1	1,261.1	3,351.0	16,504.3	31,675.8	21,583.1	10,092.6	15,256.1
2013	12,588.1	2,478.0	9,581.5	1,295.3	1,993.8	15,348.6	30,550.1	20,935.4	9,614.7	12,375.2
2014										
Jan.	12,944.3	2,552.5	9,561.9	1,402.0	2,024.9	15,541.4	31,243.1	22,294.0	8,949.1	11,546.2
Feb.	12,743.9	2,616.4	9,460.4	1,412.9	2,048.6	15,538.2	29,382.7	20,681.1	8,701.6	11,495.9
Mar.	13,005.7	2,640.7	9,502.2	1,384.4	2,079.7	15,607.0	30,125.6	20,998.9	9,126.7	11,727.9
Apr.	12,933.3	2,656.2	9,531.4	1,374.2	2,108.2	15,670.0	30,920.0	20,983.2	9,936.9	12,673.5
May	13,033.0	2,660.3	9,255.1	1,326.0	2,138.2	15,379.6	30,292.9	20,660.4	9,632.5	11,979.1
June	13,058.2	2,738.0	9,298.9	1,278.4	2,134.7	15,450.0	30,311.9	20,980.5	9,331.4	11,723.1
July	13,144.4	2,712.6	9,131.7	1,254.2	2,190.0	15,288.5	30,379.5	21,264.1	9,115.4	11,259.5
Aug.	13,482.8	2,702.6	9,149.8	1,245.3	2,183.6	15,281.2	31,104.0	22,166.4	8,937.5	10,736.0
Sep.	13,653.7	2,673.3	9,175.5	1,414.9	2,233.7	15,497.4	32,084.1	22,582.3	9,501.9	11,345.5
Oct.	13,844.7	2,685.2	9,129.3	1,414.3	2,251.7	15,480.4	32,381.8	22,169.5	10,212.3	11,848.1
Nov.	13,972.7	2,613.6	9,315.0	1,421.8	2,303.6	15,654.0	33,963.8	23,191.5	10,772.4	12,453.7
Dec.	14,402.4	2,497.7	9,239.1	1,503.8	2,527.8	15,768.4	33,869.4	22,342.5	11,526.9	12,892.9
2015										
Jan.	14,346.3	2,613.8	9,260.4	1,722.5	2,573.0	16,169.8	37,084.9	24,421.3	12,663.6	14,487.1
Feb.	13,983.9	2,631.1	9,311.3	1,698.0	2,477.7	16,118.1	36,709.4	24,030.2	12,679.2	14,813.4
Mar.	14,411.0	2,673.7	9,330.9	1,670.8	2,481.6	16,157.0	37,299.2	25,191.0	12,108.2	13,854.2
Apr.	14,805.3	2,702.5	9,319.4	1,664.2	2,364.9	16,051.0	36,025.6	24,767.3	11,258.3	12,504.0
May	15,090.5	2,757.5	9,344.6	1,691.5	2,541.3	16,334.9	34,762.4	23,857.5	10,904.9	12,149.3
June	15,517.9	2,838.3	9,331.6	1,657.5	2,395.9	16,223.3	31,328.1	21,273.2	10,054.9	10,760.3
July	15,622.2	2,892.6	9,334.6	1,684.1	1,986.0	15,897.2	30,707.6	20,341.3	10,366.3	10,641.3
Aug.	15,639.2	2,899.6	9,403.9	1,683.2	2,339.1	16,325.9	28,042.0	18,693.1	9,348.9	10,035.6
Sep.	15,744.2	2,940.9	9,481.3	1,719.3	2,304.9	16,446.4	27,608.5	18,080.9	9,527.6	10,229.8
Oct.	15,705.1	2,912.6	9,473.4	1,591.1	2,248.4	16,225.4	27,060.9	17,446.8	9,614.1	10,134.4
Nov.	15,820.4	3,005.2	9,500.5	1,688.6	2,315.1	16,509.3	27,688.2	17,698.4	9,989.8	10,678.7
Dec.	15,899.8	2,919.5	9,473.8	1,685.2	2,328.8	16,407.3	28,566.3	17,861.1	10,705.2	11,212.7
2016										
Jan.	15,847.5	3,071.4	9,503.8	1,636.1	2,360.2	16,571.4	28,146.9	17,946.3	10,200.6	10,924.5
Feb.	15,803.0	3,073.7	9,545.6	1,816.4	2,578.6	17,014.2	28,274.8	18,039.9	10,234.9	11,446.1
Mar.	15,927.0	3,070.9	9,562.0	1,882.9	2,550.7	17,066.5	27,669.3	17,659.5	10,009.8	11,149.3
Apr.	16,175.7	3,115.2	9,562.2	1,926.6	2,600.4	17,204.4	28,251.7	17,838.7	10,413.0	11,441.7

[1] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate. As from December 2008 figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

[2] As from June 2010, statistics are in line with ESA 2010.

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

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

Table 1.6 Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item: Excess / shortfall (-) on the banknote allocation key[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009	673.4	37.2	-	70.7	639.8	95.1
2010	701.2	41.0	-	67.7	674.4	104.5
2011	737.6	45.8	-	72.8	710.6	130.0
2012	757.5	50.4	-	81.4	726.5	90.7
2013	803.2	55.3	-	79.8	778.7	37.4
2014						
Jan.	792.4	54.9	-	73.1	774.2	27.8
Feb.	793.6	54.8	-	74.3	774.1	35.8
Mar.	798.4	55.0	-	75.5	777.9	40.8
Apr.	806.6	55.4	-	79.0	783.0	35.4
May	810.7	56.1	-	76.1	790.7	27.7
June	815.4	57.1	-	72.0	800.5	28.1
July	824.1	58.4	-	78.3	804.2	18.4
Aug.	825.5	59.1	-	76.0	808.6	11.1
Sep.	825.6	59.5	-	74.4	810.7	13.3
Oct.	828.9	60.0	-	77.5	811.4	6.6
Nov.	833.8	60.3	-	75.5	818.6	1.0
Dec.	864.1	60.4	-	85.1	839.4	2.6
2015						
Jan.	853.3	60.3	-	71.1	842.4	-2.0
Feb.	855.7	60.1	-	72.0	843.8	6.2
Mar.	863.8	60.3	-	75.7	848.4	21.6
Apr.	872.4	60.8	-	82.5	850.8	28.6
May	877.1	61.9	-	79.0	859.9	24.3
June	885.6	62.9	-	82.6	865.9	36.8
July	898.3	64.2	-	81.6	880.9	28.6
Aug.	896.2	65.0	-	74.2	887.1	19.8
Sep.	894.4	65.4	-	79.6	880.2	28.0
Oct.	895.7	66.7	-	77.6	884.8	27.2
Nov.	899.9	66.9	-	74.4	892.4	32.9
Dec.	920.9	67.9	-	96.3	892.4	53.2
2016						
Jan.	903.2	68.4	-	75.2	896.4	49.1
Feb.	903.7	68.2	-	72.0	899.9	61.7
Mar.	910.3	68.4	-	87.5	891.2	80.3
Apr.	912.6	68.6	-	77.7	903.5	78.2

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

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

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

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10[2]	Lm5	Lm2	Total
2008	90.5	11.3	35.4	9.5	7.5	63.8
2009	82.2	9.6	29.9	8.9	7.4	55.8
2010	49.9	8.4	25.7	8.5	7.3	49.9
2011	46.7	7.8	23.5	8.2	7.2	46.7
2012	44.6	7.3	22.1	8.1	7.2	44.6
2013	42.8	6.8	20.8	8.0	7.1	42.8
2014	41.1	6.4	19.7	7.9	7.1	41.1
2015	39.7	6.1	18.8	7.8	7.1	39.7
2016						
Mar.	39.5	6.0	18.6	7.8	7.1	39.5

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

[2] Since February 2010 a change in the basis of reporting was carried out to include the 4th series of the Lm10 notes.

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

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009	-3.8	35.1	331.4	214.3	23.2	50.4	117.9	768.5
2010	-6.3	21.7	328.9	235.2	1.2	54.7	170.3	805.7
2011	-9.4	9.6	326.8	266.1	-18.6	77.9	215.2	867.6
2012	-12.7	-4.1	309.1	294.3	-78.9	79.7	260.7	848.1
2013	-15.7	-18.4	273.5	356.2	-146.5	77.7	313.8	840.6
2014	-19.4	-32.8	240.2	436.5	-199.8	80.3	361.6	866.6
2015	-23.1	-46.7	204.9	578.7	-227.6	84.0	404.0	974.1
2016								
Mar.	-24.3	-49.0	193.1	607.4	-231.9	84.9	410.3	990.6

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB) adjusted for the excess / shortfall on the banknote allocation key. Figures represent the net issuance of currency notes, that is, the net amount of notes issued by (+), or the net amount paid into (-), the Bank.

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2008	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
2009	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.3	37.2
2010	0.0	0.6	1.2	2.0	3.4	5.4	9.2	19.1	41.0
2011	0.1	0.6	1.4	2.3	3.9	6.1	9.8	21.7	45.8
2012	0.1	0.7	1.5	2.5	4.1	6.5	10.2	24.7	50.4
2013	0.2	0.7	1.7	2.7	4.6	6.9	10.9	27.5	55.3
2014	0.2	0.8	1.9	2.9	4.9	7.3	11.2	31.0	60.4
2015	0.3	0.9	2.2	3.2	5.4	8.0	12.3	35.6	67.9
2016									
Mar.	0.3	0.9	2.2	3.3	5.4	8.0	12.2	36.1	68.4

Table 1.8 Deposits held with other monetary financial institutions by sector

EUR millions

End of period	Resident deposits						Deposits held by non-residents of Malta		Total deposits
	General government[1]	Financial corporations[2,3]	Insurance companies and pension funds[3]	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area[3]	
2008	101.5	1,024.9	249.2	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0
2009	123.4	1,697.8	263.9	1,417.1	6,678.8	10,181.0	7,839.7	17,544.2	35,564.9
2010	227.0	2,545.5	234.9	1,694.9	6,935.0	11,637.3	6,632.2	20,123.3	38,392.8
2011	239.0	1,665.4	281.8	1,912.7	7,244.8	11,343.7	8,046.4	20,074.3	39,464.4
2012	219.2	1,857.3	285.7	2,002.3	7,634.0	11,998.6	8,031.1	20,866.1	40,895.8
2013	206.2	1,718.8	334.5	2,274.4	8,220.2	12,754.1	7,841.8	20,367.0	40,962.9
2014									
Jan.	209.0	1,878.7	346.7	2,317.2	8,286.1	13,037.7	8,521.7	21,329.9	42,889.3
Feb.	210.6	1,698.3	358.6	2,320.5	8,229.9	12,818.0	8,457.0	20,027.1	41,302.1
Mar.	214.2	1,729.2	393.9	2,374.1	8,348.1	13,059.5	8,199.6	20,341.7	41,600.8
Apr.	224.9	1,710.6	379.7	2,451.2	8,361.0	13,127.4	8,284.4	20,404.5	41,816.3
May	230.3	1,770.6	373.1	2,498.9	8,394.5	13,267.4	7,523.9	20,151.9	40,943.2
June	225.2	1,922.5	414.2	2,215.0	8,492.3	13,269.1	8,133.6	20,399.2	41,802.0
July	228.7	1,848.5	420.1	2,295.3	8,546.5	13,339.1	8,108.2	20,542.9	41,990.2
Aug.	241.9	1,803.5	451.7	2,515.3	8,638.6	13,651.0	8,234.0	21,255.1	43,140.2
Sep.	240.5	1,842.5	443.6	2,492.6	8,756.6	13,775.9	8,800.1	21,882.1	44,458.1
Oct.	236.8	2,069.0	423.0	2,518.7	8,800.8	14,048.3	9,224.2	21,430.8	44,703.3
Nov.	238.9	2,023.9	461.1	2,494.5	8,906.4	14,124.8	9,440.1	22,448.7	46,013.6
Dec.	221.0	2,221.3	456.3	2,679.3	9,051.6	14,629.4	9,562.4	21,560.5	45,752.3
2015									
Jan.	235.0	2,277.8	467.7	2,677.6	9,168.2	14,826.4	10,022.8	23,708.7	48,557.9
Feb.	230.1	2,183.3	433.2	2,665.5	8,993.9	14,506.0	9,681.0	23,355.8	47,542.8
Mar.	227.6	2,270.1	470.5	2,681.0	9,320.7	14,970.0	9,486.1	24,493.0	48,949.0
Apr.	238.6	2,404.6	465.1	2,745.3	9,458.4	15,312.0	8,590.6	23,695.6	47,598.2
May	247.7	2,282.8	459.9	2,980.4	9,552.6	15,523.4	8,394.5	22,919.1	46,837.0
June	244.8	2,289.4	441.9	3,022.9	9,673.4	15,672.4	8,416.8	20,325.5	44,414.8
July	278.8	2,284.6	453.4	2,975.9	9,760.3	15,753.0	8,206.2	19,454.3	43,413.6
Aug.	287.4	2,241.8	453.0	3,025.4	9,761.6	15,769.2	7,622.1	17,916.3	41,307.5
Sep.	294.7	2,384.0	457.0	3,044.0	9,817.5	15,997.3	7,621.5	17,282.6	40,901.3
Oct.	296.2	2,239.4	458.0	3,090.3	9,848.2	15,932.0	7,546.0	16,839.8	40,317.8
Nov.	303.4	2,279.3	455.8	3,081.1	9,882.1	16,001.7	7,693.6	17,042.4	40,737.7
Dec.	276.2	2,340.7	463.2	3,181.9	9,984.5	16,246.5	8,192.0	17,290.0	41,728.6
2016									
Jan.	288.4	2,299.9	443.3	3,030.1	10,047.1	16,108.7	7,698.5	17,309.4	41,116.6
Feb.	295.2	2,323.7	468.3	3,159.1	9,819.1	16,065.5	7,895.3	17,301.1	41,261.9
Mar.	282.1	2,308.2	457.9	3,168.9	10,006.7	16,223.9	7,679.2	16,929.0	40,832.1
Apr.	286.5	2,357.9	471.6	3,173.0	10,070.2	16,359.2	8,033.4	17,110.9	41,503.5

[1] Including extra-budgetary units.

[2] Financial corporations consist of other monetary financial institutions (OMFIs), MMFs, Non-MMF Investment Funds, other financial intermediaries and financial auxiliaries and Captive Financial Institutions and Money Lenders. Loans exclude OMFIs' deposits and reverse repos placed with the Central Bank of Malta and with other OMFIs.

[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	By residents of Malta				By non-residents of Malta			Total deposits
					Other euro area residents		Non-residents of the euro area[3]	
	EUR[2,3]	GBP[3]	USD[3]	Other[3]	EUR	Other		
2008	8,325.4	317.4	629.2	113.6	7,149.6	2,127.3	17,640.5	36,303.0
2009	9,319.8	401.0	381.5	78.7	5,489.8	2,349.9	17,544.2	35,564.9
2010	10,154.9	459.5	870.6	152.3	4,764.3	1,868.0	20,123.3	38,392.8
2011	9,950.4	558.9	688.6	145.8	5,857.6	2,188.8	20,074.3	39,464.4
2012	10,466.2	537.7	816.6	178.0	5,276.0	2,755.1	20,866.1	40,895.8
2013	11,186.6	587.3	768.3	212.0	3,623.0	4,218.7	20,367.0	40,962.9
2014								
Jan.	11,354.4	602.7	836.0	244.5	3,726.2	4,795.4	21,329.9	42,889.3
Feb.	11,225.6	630.5	740.4	221.5	3,526.8	4,930.2	20,027.1	41,302.1
Mar.	11,400.6	692.8	740.6	225.6	3,335.5	4,864.1	20,341.7	41,600.8
Apr.	11,449.2	685.2	783.9	209.2	3,254.3	5,030.1	20,404.5	41,816.3
May	11,581.0	673.3	795.9	217.3	2,439.7	5,084.2	20,151.9	40,943.2
June	11,613.7	700.1	744.8	210.6	2,959.0	5,174.7	20,399.2	41,802.0
July	11,681.5	677.3	765.2	215.2	2,771.3	5,337.0	20,542.9	41,990.2
Aug.	11,985.5	674.2	771.0	220.2	2,783.1	5,450.9	21,255.1	43,140.2
Sep.	12,035.2	718.9	794.0	227.8	3,208.0	5,592.1	21,882.1	44,458.1
Oct.	12,255.0	736.8	858.4	198.0	3,168.2	6,056.0	21,430.8	44,703.3
Nov.	12,368.7	699.8	819.4	236.9	3,337.6	6,102.6	22,448.7	46,013.6
Dec.	12,786.0	731.9	859.6	252.1	2,906.4	6,656.0	21,560.5	45,752.3
2015								
Jan.	12,909.5	741.6	906.6	268.6	3,045.5	6,977.3	23,708.7	48,557.9
Feb.	12,592.9	737.7	903.8	271.7	3,372.0	6,309.0	23,355.8	47,542.8
Mar.	13,063.8	736.9	921.8	247.5	3,328.1	6,158.0	24,493.0	48,949.0
Apr.	13,242.9	839.6	977.9	251.7	3,300.2	5,290.5	23,695.6	47,598.2
May	13,466.5	701.9	1,125.1	230.0	2,998.1	5,396.4	22,919.1	46,837.0
June	13,628.3	695.4	1,111.6	237.2	3,163.4	5,253.4	20,325.5	44,414.8
July	13,656.6	722.5	1,136.9	237.1	2,654.7	5,551.5	19,454.3	43,413.6
Aug.	13,693.7	700.9	1,145.4	229.2	2,553.0	5,069.1	17,916.3	41,307.5
Sep.	13,883.4	715.7	1,072.3	325.9	2,452.2	5,169.3	17,282.6	40,901.3
Oct.	13,927.8	695.7	1,051.8	256.8	2,443.5	5,102.5	16,839.8	40,317.8
Nov.	13,969.9	719.0	1,070.1	242.7	2,474.3	5,219.3	17,042.4	40,737.6
Dec.	14,154.5	752.7	1,071.5	267.8	2,332.1	5,859.9	17,290.0	41,728.6
2016								
Jan.	14,111.3	693.8	1,015.0	288.6	2,100.9	5,597.6	17,309.4	41,116.6
Feb.	13,930.3	771.7	986.3	377.1	2,020.7	5,874.7	17,301.1	41,261.9
Mar.	14,137.6	820.1	977.1	289.1	2,117.6	5,561.7	16,929.0	40,832.1
Apr.	14,257.7	790.4	1,009.2	301.9	2,236.2	5,797.1	17,110.9	41,503.5

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

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

[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	Size classes[2]				
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	Total
2008	658.2	2,646.3	2,117.9	20,593.7	26,016.0
2009	704.9	2,896.9	2,701.2	16,096.2	22,399.3
2010	758.2	3,242.9	2,138.5	18,901.8	25,041.4
2011	760.5	3,421.3	2,151.5	16,797.3	23,130.7
2012	754.6	3,580.7	2,308.6	15,271.8	21,915.6
2013	757.4	3,694.2	1,892.7	10,688.5	17,032.8
2014					
Jan.	756.6	3,696.2	1,873.6	10,514.2	16,840.5
Feb.	757.8	3,716.3	1,870.7	9,910.9	16,255.7
Mar.	759.2	3,729.2	1,897.3	9,766.2	16,151.9
Apr.	760.5	3,769.5	1,844.0	9,878.3	16,252.3
May	763.6	3,786.9	1,831.6	9,932.0	16,314.1
June	714.3	3,803.2	1,824.6	8,937.1	15,279.3
July	710.8	3,813.1	1,805.0	8,966.1	15,295.0
Aug.	708.3	3,833.5	1,794.6	9,130.0	15,466.4
Sep.	713.7	3,845.1	1,788.5	9,363.8	15,711.0
Oct.	719.2	3,859.3	1,779.1	9,466.8	15,824.4
Nov.	714.3	3,891.9	1,779.8	9,713.4	16,099.5
Dec.	717.3	3,922.0	1,779.0	9,830.1	16,248.3
2015					
Jan.	712.9	3,933.0	1,771.7	10,001.6	16,419.2
Feb.	719.0	3,953.7	1,774.7	9,939.2	16,386.6
Mar.	725.6	3,970.6	1,762.7	9,971.1	16,429.9
Apr.	729.5	3,981.9	1,754.4	9,781.5	16,247.3
May	732.7	4,005.0	1,750.3	9,930.5	16,418.4
June	740.8	4,030.0	1,726.1	9,570.9	16,067.8
July	741.7	5,541.8	1,650.7	8,050.9	15,985.1
Aug.	742.6	5,917.6	1,631.5	7,784.5	16,076.2
Sep.	749.0	5,947.3	1,636.8	7,721.7	16,054.7
Oct.	752.6	5,966.6	1,636.4	7,696.2	16,051.9
Nov.	754.5	6,134.6	1,628.2	7,647.8	16,165.1
Dec.	750.1	6,298.1	1,632.8	7,648.7	16,329.7
2016					
Jan.	747.1	6,264.0	1,637.7	7,364.5	16,013.4
Feb.	749.8	6,381.8	1,649.4	7,283.4	16,064.4
Mar.	756.1	6,321.5	1,636.8	7,176.1	15,890.5
Apr.	753.2	6,304.5	1,661.9	7,353.4	16,073.0

[1] For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Loans exclude interbank claims.
[2] Amounts in euro are approximations.

Table 1.11 Other monetary financial institutions' loans to residents of Malta by economic activity[1]

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage, Information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals[2]				Other[3,4]	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2008	333.1	429.2	340.6	730.4	457.4	757.1	931.3	2,219.8	329.9	307.8	2,857.5	333.9	634.1	6,536.4
2009	432.1	480.0	296.4	733.0	485.8	767.2	1,033.2	2,457.8	373.8	307.2	3,138.8	316.3	733.0	6,949.8
2010	502.0	511.8	283.5	1,113.8	446.3	825.2	392.2	2,666.0	365.4	323.4	3,354.8	1,027.6	740.5	7,716.7
2011	539.8	526.5	280.8	1,092.7	459.8	847.9	396.6	2,892.9	382.9	314.0	3,589.8	1,197.0	826.1	8,104.7
2012	280.1	502.0	308.8	1,024.0	468.2	829.9	423.4	3,088.2	387.1	301.5	3,776.8	1,443.6	794.4	8,262.4
2013	293.1	478.0	297.3	894.7	462.5	782.2	455.4	3,278.4	382.4	298.6	3,959.4	1,407.1	792.0	8,237.5
2014														
July	403.8	492.2	290.5	845.6	445.5	762.5	449.6	3,442.6	378.6	292.6	4,113.9	1,198.3	938.8	8,063.1
Aug.	427.2	492.5	293.9	840.1	440.6	839.0	450.2	3,460.7	379.2	290.1	4,130.1	1,105.0	1,049.0	7,969.6
Sep.	423.1	484.3	295.1	844.1	439.8	843.6	461.7	3,478.8	378.1	290.6	4,147.5	1,105.2	1,034.7	8,009.7
Oct.	387.9	476.0	288.4	830.1	420.0	838.3	469.0	3,508.0	376.2	288.1	4,172.3	1,115.3	991.9	8,005.2
Nov.	532.8	477.3	289.5	822.0	420.1	850.9	466.7	3,545.3	375.4	286.1	4,206.7	1,114.6	1,129.3	8,051.4
Dec.	422.8	451.1	287.9	802.5	436.0	849.5	502.3	3,588.2	372.2	283.4	4,243.8	1,109.9	1,002.4	8,103.3
2015														
Jan.	451.6	423.1	291.5	794.6	432.7	835.0	507.7	3,611.1	368.6	281.9	4,261.6	1,111.2	963.6	8,145.6
Feb.	445.7	426.6	294.1	787.4	456.7	839.0	500.2	3,631.0	367.1	283.4	4,281.4	1,131.6	943.0	8,219.7
Mar.	372.4	430.6	294.0	805.4	453.6	863.2	515.8	3,655.2	366.7	281.6	4,303.5	1,138.5	855.6	8,321.3
Apr.	375.9	417.2	298.8	802.4	450.3	872.1	500.1	3,670.2	365.5	279.2	4,314.9	1,133.5	848.4	8,316.7
May	396.7	413.7	309.0	793.9	429.1	833.3	489.1	3,710.5	365.0	276.4	4,351.9	1,170.8	848.7	8,338.9
June	274.1	424.4	313.2	668.9	414.8	838.5	587.9	3,758.5	363.5	275.1	4,397.1	1,257.5	793.5	8,382.8
July	289.6	426.9	287.4	575.5	493.7	826.1	596.5	3,791.1	364.6	272.8	4,428.6	1,249.2	795.9	8,377.6
Aug.	270.1	429.6	287.2	574.6	499.8	826.7	603.7	3,813.7	363.3	271.3	4,448.3	1,209.0	788.9	8,359.9
Sep.	286.2	431.1	282.5	572.6	491.1	852.4	602.0	3,864.3	365.6	270.6	4,500.5	1,207.3	800.2	8,425.3
Oct.	296.5	431.1	281.0	566.8	509.9	844.2	599.0	3,876.8	364.3	269.5	4,510.6	1,175.7	788.3	8,426.4
Nov.	301.5	432.1	279.7	561.7	510.4	855.8	615.9	3,885.9	364.2	270.4	4,520.5	1,153.8	784.9	8,446.5
Dec.	316.4	439.7	276.6	540.8	508.8	843.9	614.2	3,901.1	361.5	267.7	4,530.2	1,134.8	791.9	8,413.5
2016														
Jan.	313.1	447.3	273.0	536.6	510.8	836.1	612.6	3,914.8	359.7	267.7	4,542.2	1,162.6	786.5	8,447.7
Feb.	268.6	380.3	274.4	597.2	399.2	814.1	658.2	3,934.5	357.2	265.8	4,557.5	1,305.4	782.2	8,472.5
Mar.	264.8	360.6	247.9	576.2	381.6	830.5	699.5	3,955.3	356.8	265.1	4,577.1	1,259.4	720.2	8,477.4

[1] As from 2010, the statistical classification of loans by economic activity is based on NACE rev 2. As from February 2016, data have been further revised to be fully in line with NACE Rev 2 classifications. The cut-off date for such data was 8 June 2016. Further revisions to back data as from December 2014 to January 2016 will also be revised and published in *Quarterly Review* 2016:2.

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

[3] Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial and insurance activities (including interbank loans), professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services activities and extra-territorial bodies & organisations.

[4] As from June 2010, statistics are in line with ESA 2010.

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta						Lending to non-residents of Malta		Total lending
	General government[1]	Financial corporations[2,3]	Insurance companies and pension funds	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area[3]	
2008	111.4	627.3	21.6	3,801.0	3,202.2	7,763.4	3,454.6	20,129.5	31,347.5
2009	111.0	659.8	22.3	4,034.6	3,498.5	8,326.1	2,900.0	16,825.4	28,051.5
2010	118.6	547.5	14.0	4,052.4	3,724.8	8,457.2	5,218.5	11,321.5	24,997.2
2011	150.5	671.7	2.6	4,153.9	3,952.2	8,930.9	4,974.9	9,224.9	23,130.7
2012	130.3	912.9	4.0	3,886.4	4,123.3	9,056.8	3,757.3	9,101.4	21,915.6
2013	142.8	884.8	2.4	3,711.0	4,288.9	9,029.8	2,138.5	5,864.5	17,032.8
2014									
Jan.	143.6	892.4	2.4	3,665.1	4,301.2	9,004.8	2,077.7	5,758.1	16,840.5
Feb.	144.8	857.5	2.1	3,686.8	4,319.8	9,010.9	2,089.9	5,154.8	16,255.7
Mar.	145.2	850.1	3.0	3,703.3	4,354.4	9,055.9	2,094.5	5,001.4	16,151.9
Apr.	146.3	850.1	2.1	3,727.6	4,359.9	9,086.1	1,697.3	5,468.9	16,252.3
May	143.0	859.5	2.0	3,721.9	4,387.3	9,113.5	1,708.7	5,491.8	16,314.1
June	141.2	892.1	3.0	3,679.9	4,430.2	9,146.4	1,665.7	4,467.2	15,279.3
July	141.7	677.8	3.0	3,733.7	4,445.7	9,001.9	1,681.2	4,611.9	15,295.0
Aug.	143.3	581.7	2.9	3,829.5	4,461.2	9,018.6	1,669.2	4,778.6	15,466.4
Sep.	146.3	586.2	3.3	3,826.5	4,482.1	9,044.4	1,734.8	4,931.9	15,711.0
Oct.	146.1	587.8	15.0	3,744.7	4,503.6	8,997.2	1,776.2	5,051.1	15,824.4
Nov.	147.0	585.4	14.6	3,895.8	4,537.8	9,180.6	1,797.9	5,120.9	16,099.5
Dec.	150.5	577.0	14.7	3,788.1	4,575.6	9,105.8	2,171.2	4,971.3	16,248.3
2015									
Jan.	146.1	581.7	14.8	3,765.4	4,601.1	9,109.1	2,269.4	5,040.7	16,419.2
Feb.	149.3	594.0	14.6	3,785.0	4,619.8	9,162.8	2,141.3	5,082.6	16,386.6
Mar.	150.7	596.9	14.9	3,772.4	4,642.0	9,176.9	2,143.4	5,109.6	16,429.9
Apr.	148.5	593.9	14.9	3,757.1	4,650.8	9,165.1	1,976.0	5,106.2	16,247.3
May	148.7	635.7	14.7	3,705.0	4,683.4	9,187.5	2,128.0	5,102.9	16,418.4
June	148.0	716.0	14.8	3,575.1	4,722.6	9,176.4	2,003.5	4,888.0	16,067.8
July	148.5	711.7	11.5	3,550.4	4,751.4	9,173.5	1,959.6	4,852.0	15,985.1
Aug.	150.3	678.6	11.4	3,542.0	4,766.4	9,148.8	2,278.4	4,649.0	16,076.2
Sep.	152.0	674.5	11.5	3,565.0	4,822.5	9,225.6	2,223.6	4,605.5	16,054.7
Oct.	153.6	643.1	11.7	3,573.3	4,833.0	9,214.7	2,222.3	4,614.9	16,051.9
Nov.	154.3	620.1	11.5	3,604.6	4,841.0	9,231.5	2,101.7	4,831.9	16,165.1
Dec.	157.7	594.7	11.6	3,596.4	4,845.1	9,205.4	2,113.8	5,010.4	16,329.7
2016									
Jan.	157.6	620.5	11.6	3,588.8	4,855.7	9,234.2	1,843.3	4,935.9	16,013.4
Feb.	159.4	677.3	11.6	3,541.3	4,865.1	9,254.7	2,039.8	4,769.9	16,064.4
Mar.	104.0	705.4	11.6	3,493.2	4,883.5	9,197.7	2,070.4	4,622.5	15,890.5
Apr.	102.5	714.1	11.6	3,473.1	4,900.9	9,202.3	2,123.0	4,747.7	16,073.0

[1] Includes the extra-budgetary units.
[2] Financial corporations consist of other monetary financial institutions (OMFIs), MMFs, Non-MMF Investment Funds, other financial intermediaries and financial auxiliaries and Captive Financial Institutions and Money Lenders. Loans exclude OMFIs' deposits and reverse repos placed with the Central Bank of Malta and with other OMFIs.
[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	Lending to residents of Malta										Total lending
	Non-financial corporations				Households & non-profit institutions				Other sectors		
	EUR[1]		Other		EUR[1]		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	EUR[1,2]	Other[2]	
2008	1,133.1	2,608.2	40.7	19.0	275.7	2,921.9	1.3	3.4	725.2	35.0	7,763.4
2009	1,152.8	2,811.7	39.4	30.6	281.6	3,207.1	1.5	8.2	765.5	27.6	8,326.1
2010	1,178.1	2,760.3	70.1	44.0	269.2	3,444.8	1.7	9.1	355.1	325.0	8,457.2
2011	1,050.2	2,966.3	87.7	49.7	277.2	3,662.6	2.5	9.9	480.2	344.6	8,930.9
2012	964.3	2,787.9	88.1	46.1	270.6	3,845.8	3.1	3.7	728.6	318.6	9,056.8
2013	947.6	2,655.4	71.1	36.8	255.4	4,027.5	2.5	3.5	721.4	308.5	9,029.8
2014											
Jan.	912.7	2,650.6	64.6	37.2	253.1	4,041.9	2.7	3.5	725.0	313.4	9,004.8
Feb.	915.7	2,667.9	65.9	37.3	254.0	4,059.8	2.6	3.5	706.3	298.1	9,010.9
Mar.	923.9	2,676.9	65.2	37.2	251.9	4,096.6	2.4	3.5	709.1	289.2	9,055.9
Apr.	927.8	2,658.2	104.9	36.8	250.8	4,103.3	2.4	3.4	709.8	288.8	9,086.1
May	939.8	2,637.7	106.9	37.3	250.6	4,130.7	2.4	3.5	710.9	293.5	9,113.5
June	925.0	2,608.0	110.8	36.1	177.9	4,245.0	2.5	4.7	745.7	290.6	9,146.4
July	963.1	2,626.5	107.9	36.2	170.0	4,267.8	2.7	5.2	652.5	169.9	9,001.9
Aug.	960.5	2,732.2	99.6	37.3	169.6	4,283.6	2.8	5.2	590.5	137.4	9,018.6
Sep.	967.9	2,721.6	100.5	36.5	173.9	4,300.1	3.0	5.1	594.9	140.9	9,044.4
Oct.	920.5	2,695.6	92.7	35.9	172.0	4,323.5	3.0	5.0	604.0	144.9	8,997.2
Nov.	1,068.5	2,696.0	96.1	35.2	176.0	4,353.8	3.0	5.0	597.7	149.3	9,180.6
Dec.	1,005.8	2,650.5	96.9	34.9	176.2	4,391.3	3.1	5.1	596.5	145.6	9,105.8
2015											
Jan.	1,008.1	2,648.5	72.3	36.5	171.6	4,420.2	4.1	5.3	586.9	155.7	9,109.1
Feb.	1,013.5	2,656.5	77.8	37.2	171.2	4,439.1	4.1	5.4	606.7	151.3	9,162.8
Mar.	1,063.4	2,587.1	107.9	14.0	166.2	4,466.0	4.4	5.5	590.1	172.4	9,176.9
Apr.	1,058.6	2,566.3	118.8	13.4	238.6	4,402.0	4.7	5.5	587.9	169.3	9,165.1
May	1,007.3	2,565.9	68.9	62.9	237.5	4,435.4	5.0	5.5	621.7	177.4	9,187.5
June	927.9	2,514.3	67.4	65.4	234.0	4,477.7	5.4	5.5	703.4	175.3	9,176.4
July	924.9	2,496.2	63.3	66.1	232.2	4,507.9	5.8	5.5	700.8	170.8	9,173.5
Aug.	780.1	2,634.4	66.7	60.9	231.1	4,524.2	5.7	5.4	696.9	143.5	9,148.8
Sep.	822.8	2,618.6	60.6	63.1	234.2	4,577.5	5.5	5.3	699.2	138.9	9,225.6
Oct.	787.2	2,650.5	71.4	64.2	233.3	4,589.0	5.4	5.3	675.8	132.7	9,214.7
Nov.	830.1	2,632.0	76.6	66.0	232.3	4,598.4	5.5	4.7	667.9	118.0	9,231.5
Dec.	819.2	2,633.2	81.1	62.9	228.0	4,607.8	4.7	4.5	671.8	92.1	9,205.4
2016											
Jan.	813.5	2,635.7	74.8	64.8	227.2	4,619.7	4.5	4.4	675.5	114.2	9,234.2
Feb.	800.3	2,612.3	65.3	63.3	225.2	4,631.5	4.2	4.3	712.2	136.1	9,254.7
Mar.	816.6	2,582.8	51.4	42.3	223.2	4,651.8	4.3	4.2	694.4	126.6	9,197.7
Apr.	802.0	2,580.5	48.2	42.5	226.4	4,665.4	3.6	5.5	707.1	121.1	9,202.3

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

[2] As from June 2010, statistics are in line with ESA 2010.

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1,7] *(assets)*

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2008	21.8	2.8	421.8	3.9	134.7	3,989.6	9.4	4,583.9
2009	37.8	16.0	403.4	4.8	149.5	5,922.5	5.6	6,539.6
2010	63.1	9.2	420.0	6.0	185.5	6,670.1	6.9	7,360.7
2011	59.8	0.0	400.5	240.8	141.5	6,477.5	8.0	7,328.2
2012	65.8	0.5	418.9	1,217.7	158.2	11,561.8	9.7	13,432.5
2013	86.9	11.3	389.3	318.8	506.0	6,557.4	4.1	7,873.8
2014	160.9	5.5	590.1	433.8	321.4	7,629.9	3.3	9,145.0
2015	168.6	5.8	618.3	454.5	336.7	7,993.1	3.5	9,580.4
2016								
Mar.	189.2	6.5	693.8	510.0	377.9	8,969.6	3.9	10,750.9

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1,7] *(liabilities)*

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2008	1.9	4,342.6	235.2	4.2	4,583.9
2009	2.1	6,219.3	312.9	5.3	6,539.6
2010	1.8	6,932.3	422.2	4.4	7,360.7
2011	0.1	6,925.9	398.7	3.5	7,328.2
2012	0.2	12,776.4	651.5	4.4	13,432.5
2013	0.2	7,479.6	392.3	1.7	7,873.7
2014	0.3	8,752.4	391.3	1.2	9,145.0
2015	0.3	9,169.1	410.0	1.2	9,580.4
2016					
Mar.	0.3	10,289.2	460.1	1.4	10,750.9

[1] The smallest IFs in terms of total assets (i.e. those IFs that contribute to 5% or less to the quarterly aggregated balance sheet of the total IFs' assets in terms of stocks) are estimated.

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

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

[4] Includes share capital and reserves.

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

[6] Includes creditors, accruals and other liabilities.

[7] Statistics are in line with ESA 2010.

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1] *(assets)*

EUR millions

End of period	Currency and Deposits[2]	Holdings of securities other than shares	Holdings of shares and other equity	External assets[3,8]	Fixed and other assets[4,8]	Total assets
2008	312.4	442.6	156.5	1,418.9	312.8	2,643.1
2009	447.6	486.6	184.6	2,660.0	365.0	4,143.8
2010	383.6	550.6	192.8	3,829.8	352.3	5,309.0
2011	408.7	514.6	181.1	8,553.4	309.5	9,967.4
2012	377.0	575.4	191.5	8,890.3	367.3	10,401.5
2013	416.1	525.0	218.8	9,563.3	386.3	11,109.5
2014	548.8	568.4	233.1	10,915.8	426.3	12,692.5
2015						
Mar.	511.3	602.8	256.9	11,756.4	434.0	13,561.3
June	518.4	571.5	264.1	12,049.1	433.6	13,836.8
Sep.	500.7	581.5	261.7	11,891.6	406.3	13,641.8
Dec.	538.2	576.9	264.9	11,871.1	442.1	13,693.1

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1] *(liabilities)*

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6,8]	Other liabilities[7,8]	Total liabilities
2008	24.9	484.6	1,743.0	296.6	94.0	2,643.1
2009	20.6	1,037.3	2,546.9	390.7	148.2	4,143.8
2010	25.1	1,962.4	2,804.2	342.3	175.0	5,309.0
2011	17.2	2,571.7	6,561.2	533.3	284.0	9,967.4
2012	19.1	2,770.5	6,720.5	541.8	349.7	10,401.5
2013	18.7	2,450.4	7,615.9	663.4	361.1	11,109.5
2014	50.4	2,473.1	9,089.4	873.1	206.6	12,692.5
2015						
Mar.	53.0	2,561.5	9,697.2	959.0	290.6	13,561.3
June	54.5	2,663.1	9,802.1	1,097.0	220.1	13,836.8
Sep.	58.5	2,661.5	9,605.5	1,056.2	260.2	13,641.8
Dec.	43.9	2,894.6	9,519.4	995.5	239.6	13,693.1

[1] Statistics are in line with ESA 2010.

[2] Includes loans.

[3] Includes deposits, securities, investment fund shares/units, financial derivatives and other assets with non-resident counterparties.

[4] Mainly includes financial derivatives with resident counterparties, non-financial assets including fixed assets, other assets and accruals.

[5] Comprising investment linked life-assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves.

[6] Includes loans, securities, financial derivatives and other accounts payable to non-resident counterparties.

[7] Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.

[8] Following a reclassification exercise, as from Q1 2009, certain instruments were shifted from "External Assets" to the "Fixed and other assets" column.

Table 1.16 Debt securities, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes[3]
	General government	Financial corporations	Non-financial corporations	Total	General government	Financial corporations	Non-financial corporations	Total	
2010[2]	3,989.2	878.9	311.3	5,179.4	290.9	-429.7	14.5	-124.2	666.5
2011	4,312.1	1,616.5	314.3	6,242.9	322.9	736.6	-3.4	1,056.1	7.4
2012	4,505.8	995.8	296.8	5,798.4	193.7	-664.7	-14.0	-485.0	40.5
2013	4,859.0	1,252.2	258.6	6,369.8	353.2	257.2	-29.8	580.6	-9.1
2014	5,040.0	2,035.9	315.5	7,391.4	181.0	780.0	31.7	992.7	28.9
2015	5,247.6	2,953.6	375.9	8,577.1	193.1	902.7	36.3	1,132.1	53.6
2015									
Q1	5,276.0	2,141.3	342.0	7,759.2	236.0	100.6	-0.7	335.9	31.9
Q2	5,318.5	2,430.8	333.2	8,082.6	42.5	322.3	0.0	364.8	-41.5
Q3	5,342.6	2,950.5	332.6	8,625.6	9.6	493.0	0.0	502.5	40.5
Q4	5,247.6	2,953.6	375.9	8,577.1	-94.9	-13.2	37.0	-71.1	22.6
2016									
Q1	5,523.1	2,959.7	365.4	8,848.2	275.5	55.1	0.0	330.5	-59.4

[1] Amounts are at nominal prices.

[2] As from June 2010 data has been revised in line with ESA 2010.

[3] Net valuation changes reflect exchange rate changes.

Sources: Central Bank of Malta; MSE.

Table 1.17 Quoted shares, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period			Net issues during period			Net valuation changes[2]
	Financial corporations	Non-financial corporations	Total	Financial corporations	Non-financial corporations	Total	
2010[3]	2,659.8	562.4	3,222.2	0.3	96.4	96.7	281.5
2011	2,182.4	462.5	2,644.8	15.2	0.0	15.2	-592.6
2012	2,483.2	508.1	2,991.3	232.3	15.3	247.6	98.9
2013	2,750.9	723.5	3,474.4	75.0	29.7	104.8	378.3
2014	2,614.8	855.8	3,470.6	218.4	0.0	218.4	-222.2
2015	3,433.7	1,371.2	4,804.9	221.8	0.0	221.8	1,112.5
2015							
Q1	2,856.2	1,026.2	3,882.4	0.0	0.0	0.0	411.8
Q2	3,265.6	1,177.9	4,443.5	259.8	0.0	259.8	301.3
Q3	3,209.7	1,321.5	4,531.2	0.0	0.0	0.0	87.7
Q4	3,433.7	1,371.2	4,804.9	-38.0	0.0	-38.0	311.6
2016							
Q1	3,311.2	1,522.3	4,833.5	0.0	0.0	0.0	28.7

[1] Amounts are at market prices.

[2] Net valuation changes reflect market price and exchange rate changes.

[3] As from June 2010 data has been revised in line with ESA 2010.

Sources: Central Bank of Malta; MSE.

Table 1.18 Monetary financial institutions' interest rates on deposits and loans to residents of Malta[1]

% per annum	2008	2009	2010	2011	2012	2013	2014	2015	2016		
									Jan.	Feb.	Mar.
NEW BUSINESS											
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**1.95**	**1.31**	**1.13**	**1.02**	**1.05**	**1.01**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.38	2.11	1.50	1.19	1.26	1.27	1.13
up to 1 year	3.06	1.95	2.03	1.99	1.91	1.84	1.17	0.77	0.84	0.60	0.72
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	2.70	2.12	1.55	1.59	1.39	1.45
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.29	2.12	2.11	2.23	1.92
Non-financial corporations											
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.72	1.60	0.68	0.79	0.38	0.16	0.50
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.22**	**3.77**	**3.33**	**3.26**	**2.99**	**2.86**	**2.96**
Households and NPISH	4.88	4.49	4.20	3.82	4.00	3.54	3.39	3.43	3.17	3.21	3.22
Lending for house purchase	3.84	3.51	3.43	3.38	3.40	3.03	2.85	2.99	2.82	2.88	2.83
Consumer credit	6.12	6.02	5.81	5.04	5.66	5.32	5.35	4.96	4.99	5.20	5.02
Other lending	6.44	5.56	5.86	5.60	5.61	5.21	5.46	5.09	5.10	5.33	4.89
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.52	3.82	3.82	3.20	3.38	3.31
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.28	3.58	3.66	3.02	3.19	3.12
Consumer credit	6.25	6.10	5.89	5.12	5.64	5.34	5.44	5.08	5.25	5.46	5.36
Non-financial corporations											
Loans	5.50	4.95	4.86	4.28	4.26	3.89	3.34	2.96	2.54	2.60	2.41
OUTSTANDING AMOUNTS											
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.41**	**1.03**	**0.69**	**0.68**	**0.67**	**0.64**
Households and NPISH	2.74	1.57	1.50	1.54	1.56	1.57	1.19	0.81	0.79	0.78	0.75
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.32	0.35	0.17	0.12	0.12	0.12	0.11
Savings deposits redeemable at notice [3,4]	2.05	1.68	1.59	1.51	1.54	1.93	1.31	1.18	1.17	1.17	0.65
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.55	1.03	0.96	0.91	0.88	0.38
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.47	2.52	2.22	1.73	1.69	1.65	1.62
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.07	1.73	1.11	1.06	1.01	0.98
over 2 years	3.19	3.06	3.16	3.21	3.42	3.55	3.44	2.99	2.95	2.92	2.90
Non-financial corporations	1.73	0.86	0.81	0.84	0.79	0.72	0.43	0.24	0.22	0.22	0.20
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.30	0.18	0.11	0.10	0.10	0.09
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.11	2.04	1.59	1.05	1.02	1.00	1.00
up to 2 years	3.39	1.89	1.97	2.00	1.99	1.91	1.45	0.85	0.83	0.82	0.80
over 2 years	3.26	3.35	3.24	3.13	3.06	3.12	2.84	2.26	2.19	2.17	2.13
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.32**	**4.24**	**4.02**	**3.81**	**3.81**	**3.79**	**3.78**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.70	3.60	3.59	3.59	3.58
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.22	3.17	3.17	3.17	3.16
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.59	5.55	5.47	5.39	5.38	5.37	5.36
Non-financial corporations [5]	5.43	4.96	4.67	4.85	4.73	4.70	4.41	4.10	4.11	4.07	4.06
Revolving loans and overdrafts											
Households and NPISH	7.16	6.44	5.75	6.12	5.84	5.78	5.72	5.74	5.73	5.73	5.79
Non-financial corporations	5.30	5.08	5.03	5.07	5.26	5.18	5.01	4.88	4.91	4.91	4.93

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits to/from households and non-financial corporations resident in Malta. 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. Weighted average rates as at end of period while headline indicators are composite rates.

[2] 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.

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.19 Monetary financial institutions' interest rates on deposits and loans to euro area residents[1]

% per annum	2008	2009	2010	2011	2012	2013	2014	2015	2016		
									Jan.	Feb.	Mar.
NEW BUSINESS											
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.13**	**2.47**	**1.22**	**1.16**	**1.09**	**1.23**	**1.34**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.38	2.10	1.52	1.20	1.28	1.35	1.41
up to 1 year	3.05	1.97	1.96	1.99	1.93	1.84	1.21	0.92	1.02	1.12	1.36
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	2.73	2.13	1.57	1.58	1.54	1.47
over 2 years	4.77	3.44	3.86	3.65	3.80	3.11	2.32	2.15	2.16	2.25	1.98
Non-financial corporations											
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.80	2.67	0.68	0.91	0.41	0.48	0.55
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**3.51**	**3.52**	**3.19**	**2.86**	**3.76**	**3.01**
Households and NPISH	4.88	4.48	4.20	3.81	4.00	3.48	3.42	3.42	3.17	3.21	3.22
Lending for house purchase	3.84	3.51	3.42	3.38	3.40	3.05	2.82	2.99	2.81	2.86	2.82
Consumer credit	6.12	6.01	5.81	5.04	5.66	4.40	5.32	4.93	4.97	5.20	4.83
Other lending	6.43	5.56	5.86	5.60	5.61	5.13	5.46	5.09	5.10	5.31	4.84
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.45	3.84	3.82	3.20	3.38	3.32
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.30	3.58	3.66	3.02	3.19	3.12
Consumer credit	6.25	6.09	5.89	5.12	5.64	4.41	5.39	5.05	5.22	5.46	5.24
Non-financial corporations											
Loans	4.93	4.42	4.52	4.20	4.18	3.53	3.54	2.97	2.47	3.90	2.69
OUTSTANDING AMOUNTS											
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.43**	**1.39**	**1.03**	**0.70**	**0.69**	**0.68**	**0.66**
Households and NPISH	2.74	1.58	1.49	1.54	1.56	1.57	1.19	0.82	0.80	0.80	0.77
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.35	0.17	0.12	0.12	0.12	0.12
Savings deposits redeemable at notice [3,4]	2.09	1.70	1.69	1.63	1.61	2.04	1.34	1.21	1.16	1.15	0.65
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.55	1.03	0.96	0.91	0.88	0.38
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.48	2.52	2.23	1.73	1.69	1.65	1.63
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.08	1.73	1.11	1.07	1.03	1.02
over 2 years	3.24	3.10	3.16	3.22	3.44	3.56	3.46	3.01	2.97	2.94	2.91
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.77	0.46	0.29	0.29	0.27	0.26
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.29	0.30	0.18	0.10	0.11	0.11	0.10
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	1.55	1.57	1.23	1.20	1.16	1.16
up to 2 years	3.57	1.93	1.71	1.93	1.96	1.45	1.44	1.10	1.08	1.03	1.02
over 2 years	3.28	3.13	3.33	2.99	2.95	2.81	2.55	2.13	2.07	2.04	2.01
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.19**	**4.19**	**3.98**	**3.80**	**3.80**	**3.81**	**3.79**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.86	3.72	3.74	3.73	3.73	3.72
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.34	3.22	3.17	3.17	3.17	3.16
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.59	5.53	5.53	5.72	5.71	5.70	5.68
Non-financial corporations [5]	5.20	4.40	4.54	4.66	4.39	4.51	4.24	3.96	3.96	3.98	3.95
Revolving loans and overdrafts											
Households and NPISH	7.16	6.45	5.76	6.12	5.84	5.79	5.72	5.74	5.73	5.73	5.79
Non-financial corporations	5.14	5.08	5.02	5.07	5.25	5.16	4.96	4.81	4.86	4.81	4.84

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits vis-à-vis households and non-financial corporations with residents of Malta and other Monetary Union Member States. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned. Weighted average rates as at end of period while headline indicators are composite rates.

[2] 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.

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.20 Key European Central Bank interest rates, money market rates and other indicators

	2010	2011	2012	2013	2014	2015				2016
						Mar.	June	Sep.	Dec.	Mar.
INTEREST RATES (%)[1]										
Key ECB interest rates[2]										
Marginal lending facility	1.75	1.75	1.50	0.75	0.30	0.30	0.30	0.30	0.30	0.25
Main refinancing operations - minimum bid rate	1.00	1.00	0.75	0.25	0.05	0.05	0.05	0.05	0.05	0.00
Deposit facility	0.25	0.25	0.00	0.00	-0.20	-0.20	-0.20	-0.20	-0.30	-0.40
Money market rates (period averages)										
Overnight deposit (EONIA)	0.44	0.87	0.23	0.09	-0.01	-0.05	-0.10	-0.13	-0.16	-0.26
Rates for fixed term deposits (EURIBOR)										
1 month	0.57	1.18	0.33	0.13	0.01	0.00	-0.05	-0.09	-0.15	-0.26
3 months	0.81	1.39	0.57	0.22	0.08	0.05	-0.01	-0.03	-0.09	-0.19
6 months	1.08	1.64	0.83	0.34	0.18	0.13	0.06	0.04	-0.01	-0.10
1 year	1.35	2.01	1.11	0.54	0.33	0.26	0.17	0.16	0.09	0.01
Government securities										
Treasury bills (primary market)										
1 month	-	1.20	-	-	0.06	-	-	-	-0.01	-
3 month	0.99	0.82	0.85	0.39	0.08	-	0.00	0.00	-0.10	-0.14
6 month	1.10	1.33	1.15	0.44	0.12	0.01	0.00	0.00	-0.10	-0.10
1 year	-	-	-	-	-	-	-	-	-0.12	-
Treasury bills (secondary market)										
1 month	0.77	0.85	0.94	0.40	0.03	-	0.01	0.00	0.00	-0.02
3 month	0.94	0.97	1.00	0.40	0.03	0.00	0.00	0.00	0.00	-0.02
6 month	1.23	0.99	1.05	0.54	0.05	0.02	0.00	0.01	0.00	-0.02
1 year	1.28	1.26	1.26	0.70	0.23	0.03	0.09	0.02	0.00	-0.01
Government long-term debt securities (period averages)										
2 year	1.88	2.41	1.90	1.00	0.39	0.25	0.23	0.15	0.04	0.03
5 year	3.05	3.48	3.01	2.13	0.97	0.77	0.78	0.80	0.48	0.37
10 year	4.19	4.49	4.13	3.36	2.08	1.50	1.48	1.65	1.32	1.15
15 year	n/a	n/a	n/a	4.35	2.83	2.26	1.95	2.25	1.98	n/a
20 year	n/a	n/a	n/a	n/a	n/a	2.80	0.67	n/a	n/a	n/a
MALTA STOCK EXCHANGE SHARE INDEX	3,781	3,095	3,212	3,686	3,331	3,776	4,091	4,334	4,431	4,563

[1] End of period rates unless otherwise indicated. As from *Quarterly Review 2013:1* , the publishing of the weighted average deposit and lending rates was discontinued. Interest rates paid and charged by MFIs in Malta reported according to harmonised definition established by the ECB are shown in Table 1.18 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Residents of Malta'.

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

Note: '-' denotes that no transactions occurred during the reference period.

'n/a' denotes that no bond qualifies for the benchmark.

Table 1.21 Non-consolidated financial accounts of the Maltese economy[1] *(financial assets)*

EUR millions

Holding sectors broken down by financial instruments	2011	2012	2013	2014	2015
Non-financial corporations	**15,971**	**17,219**	**17,262**	**19,117**	**20,796**
Currency	35	58	54	66	70
Deposits	2,234	2,461	2,818	3,322	3,863
Debt securities	74	84	72	123	107
Loans	4,565	4,905	5,137	5,783	6,530
Equity and Investment Fund Shares	4,809	5,279	4,933	5,218	5,542
Insurance, pension and standardised guarantees	48	49	56	62	77
Other accounts receivable	4,207	4,384	4,193	4,542	4,608
Financial corporations	**207,743**	**220,869**	**225,028**	**238,507**	**241,364**
Monetary gold and SDRs	118	120	113	106	116
Currency	82	99	105	120	169
Deposits	8,265	9,474	9,447	9,172	10,718
Debt securities	23,491	27,107	25,861	34,256	30,340
Loans	64,125	62,981	60,839	57,547	54,126
Equity and Investment Fund Shares	79,761	88,492	95,806	103,413	111,797
Insurance, pension and standardised guarantees	2	2	3	4	1
Other accounts receivable	31,898	32,595	32,854	33,889	34,099
General government	**2,266**	**2,615**	**2,804**	**2,809**	**2,869**
Currency	0	0	0	0	0
Deposits	670	431	409	486	425
Debt securities	12	33	51	80	80
Loans	140	261	297	309	260
Equity and Investment Fund Shares	870	1,125	1,197	1,086	1,160
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	574	766	850	848	944
Households and non-profit institutions	**17,013**	**18,597**	**19,519**	**22,181**	**23,779**
Currency	621	600	644	678	683
Deposits	7,702	8,072	8,638	9,451	10,356
Debt securities	2,444	2,778	2,866	3,248	3,289
Loans	857	914	971	1,160	1,219
Equity and Investment Fund Shares	3,531	4,257	4,279	5,228	5,588
Insurance, pension and standardised guarantees	1,628	1,770	1,910	2,171	2,394
Other accounts receivable	231	206	212	246	250
Total economy[2]	**242,993**	**259,301**	**264,613**	**282,613**	**288,808**
Monetary gold and SDRs	118	120	113	106	116
Currency	738	757	803	864	921
Deposits	18,871	20,438	21,311	22,430	25,362
Debt securities	26,021	30,002	28,850	37,708	33,815
Loans	69,687	69,061	67,243	64,800	62,135
Equity and Investment Fund Shares	88,970	99,152	106,216	114,945	124,086
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	36,910	37,950	38,109	39,524	39,901
Rest of the world	**191,954**	**202,489**	**206,720**	**218,882**	**218,936**
Currency	-	-	-	-	-
Deposits	29,520	30,253	30,105	34,499	27,844
Debt securities	935	919	847	1,161	1,406
Loans	4,372	4,016	3,428	2,701	2,159
Equity and Investment Fund Shares	112,949	120,058	121,059	124,729	129,080
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	44,177	47,243	51,281	55,791	58,447
Total[3]	**434,948**	**461,790**	**471,333**	**501,495**	**507,744**
Monetary gold and SDRs	118	120	113	106	116
Currency	738	757	803	864	921
Deposits	48,391	50,690	51,416	56,929	53,205
Debt securities	26,956	30,921	29,697	38,869	35,221
Loans	74,059	73,077	70,671	67,501	64,295
Equity and Investment Fund Shares	201,920	219,210	227,275	239,673	253,166
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	81,088	85,193	89,390	95,315	98,349

[1] Data as from 2011 are in line with ESA 2010. Data for 'Non-Financial Corporations', 'Financial Corporations' and the 'Rest of the World' sectors were revised accordingly.

[2] The total economy is defined in terms of resident units (ESA2010).

[3] The aggregate of 'Total economy' and the 'Rest of the World' sector.

Table 1.21 Non-consolidated financial accounts of the Maltese economy[1] *(liabilities)*

EUR millions

Issuing sectors broken down by financial instruments	2011	2012	2013	2014	2015
Non-financial corporations	**21,676**	**22,928**	**23,478**	**25,187**	**26,433**
Currency	-	-	-	-	-
Deposits	-	-	-	-	-
Debt securities	480	604	560	732	716
Loans	10,558	10,635	10,898	11,546	12,161
Equity and Investment Fund Shares	6,175	7,020	7,135	7,684	7,996
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	4,462	4,668	4,885	5,225	5,560
Net Financial Assets/Liabilities	-5,705	-5,709	-6,215	-6,070	-5,637
Financial corporations	**210,075**	**223,325**	**227,347**	**240,888**	**244,174**
Currency	738	757	803	864	921
Deposits	41,985	43,319	43,652	49,398	44,916
Debt securities	1,323	1,370	1,182	1,392	1,836
Loans	4,355	4,202	3,514	3,025	2,934
Equity and Investment Fund Shares	117,529	126,420	127,089	130,386	135,437
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	42,467	45,436	49,136	53,584	55,654
Net Financial Assets/Liabilities	-2,332	-2,456	-2,319	-2,382	-2,809
General government	**5,863**	**6,146**	**6,546**	**7,284**	**7,550**
Currency	-	-	-	-	-
Deposits	46	50	55	60	68
Debt securities	4,648	4,920	5,343	5,969	6,345
Loans	465	351	382	400	385
Equity and Investment Fund Shares	13	11	11	11	10
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	691	813	755	843	741
Net Financial Assets/Liabilities	-3,597	-3,531	-3,742	-4,475	-4,681
Households and non-profit institutions	**4,850**	**5,192**	**5,497**	**5,886**	**6,196**
Currency	-	-	-	-	-
Deposits	-	-	-	-	-
Debt securities	-	-	-	-	-
Loans	4,095	4,321	4,511	4,852	5,138
Equity and Investment Fund Shares	-	-	-	-	-
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	756	871	986	1,034	1,058
Net Financial Assets/Liabilities	12,163	13,405	14,022	16,295	17,583
Total economy[2]	**242,465**	**257,592**	**262,867**	**279,244**	**284,352**
Currency	738	757	803	864	921
Deposits	42,031	43,369	43,708	49,459	44,984
Debt securities	6,451	6,895	7,085	8,093	8,898
Loans	19,474	19,510	19,305	19,822	20,617
Equity and Investment Fund Shares	123,718	133,451	134,235	138,081	143,444
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	48,375	51,788	55,761	60,687	63,013
Net Financial Assets/Liabilities	529	1,709	1,746	3,369	4,456
Rest of the world	**192,470**	**204,182**	**208,454**	**222,246**	**223,387**
Monetary gold and SDRs	108	106	100	101	111
Currency	0	0	0	0	0
Deposits	6,360	7,321	7,708	7,469	8,218
Debt securities	20,505	24,027	22,612	30,776	26,323
Loans	54,583	53,564	51,365	47,679	43,677
Equity and Investment Fund Shares	78,202	85,758	93,039	101,592	109,722
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	32,713	33,405	33,629	34,628	35,336
Net Financial Assets/Liabilities	-516	-1,693	-1,733	-3,364	-4,451
Total[3]	**434,934**	**461,773**	**471,320**	**501,490**	**507,739**
Monetary gold and SDRs	108	106	100	101	111
Currency	738	757	803	864	921
Deposits	48,391	50,690	51,416	56,927	53,202
Debt securities	26,956	30,921	29,697	38,869	35,221
Loans	74,057	73,074	70,671	67,501	64,295
Equity and Investment Fund Shares	201,920	219,210	227,275	239,673	253,166
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	81,088	85,193	89,390	95,315	98,349
Net Financial Assets/Liabilities	13	17	13	5	5

[1] Data as from 2011 are in line with ESA 2010. Data for 'Non-Financial Corporations', 'Financial Corporations' and the 'Rest of the World' sectors were revised accordingly.

[2] The total economy is defined in terms of resident units (ESA2010).

[3] The aggregate of 'Total economy' and the 'Rest of the World' sector.

Government Finance

Table 2.1 General government revenue and expenditure[1]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	Current	Capital	Total	Current	Capital	Total		
2008	2,311.0	43.5	2,354.6	2,429.9	179.4	2,609.2	-254.7	-49.7
2009	2,306.9	61.7	2,368.6	2,383.2	186.8	2,570.0	-201.5	-0.7
2010	2,383.1	116.6	2,499.7	2,487.1	223.1	2,710.2	-210.5	-7.3
2011	2,527.3	116.4	2,643.8	2,587.4	233.3	2,820.6	-176.9	40.0
2012	2,659.3	147.4	2,806.7	2,758.5	304.4	3,062.8	-256.1	-41.0
2013	2,858.3	153.2	3,011.6	2,892.2	317.3	3,209.5	-197.9	21.2
2014	3,124.9	205.4	3,330.3	3,108.4	385.4	3,493.8	-163.4	67.4
2015	3,382.5	300.6	3,683.1	3,287.1	525.0	3,812.1	-129.0	98.6
2014								
Q1	660.8	36.7	697.4	747.9	82.8	830.7	-133.2	-77.3
Q2	758.0	37.8	795.8	776.7	89.7	866.4	-70.6	-12.5
Q3	748.0	45.5	793.5	750.9	80.6	831.5	-38.0	20.0
Q4	958.1	85.5	1,043.6	832.9	132.3	965.2	78.4	137.2
2015								
Q1	722.3	42.2	764.4	786.2	147.7	933.9	-169.4	-113.9
Q2	821.6	57.0	878.6	819.5	100.8	920.2	-41.6	15.2
Q3	833.0	52.4	885.4	793.7	104.9	898.6	-13.3	44.0
Q4	1,005.6	149.1	1,154.7	887.8	171.6	1,059.4	95.3	153.4

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2008	742.8	845.1	432.0	191.2	73.4	26.6	2,311.0	15.1	28.5	43.5	2,354.6	2,035.0
2009	795.4	820.1	434.9	164.2	71.4	20.9	2,306.9	14.0	47.7	61.7	2,368.6	2,064.4
2010	807.8	856.2	456.5	154.3	86.8	21.5	2,383.1	14.7	101.9	116.6	2,499.7	2,135.2
2011	849.4	921.9	486.7	162.8	81.7	24.8	2,527.3	14.8	101.6	116.4	2,643.8	2,272.8
2012	934.9	938.1	504.3	156.7	92.1	33.2	2,659.3	16.1	131.3	147.4	2,806.7	2,393.5
2013	1,043.3	981.1	524.8	179.4	99.5	30.2	2,858.3	12.7	140.5	153.2	3,011.6	2,562.0
2014	1,155.4	1,097.8	560.3	179.4	93.0	39.0	3,124.9	11.8	193.6	205.4	3,330.3	2,825.3
2015	1,237.6	1,189.1	596.3	232.8	99.8	26.9	3,382.5	15.0	285.6	300.6	3,683.1	3,038.0
2014												
Q1	207.6	241.6	131.8	36.1	36.7	7.0	660.8	2.5	34.2	36.7	697.4	583.4
Q2	303.6	252.2	136.6	41.7	15.8	8.1	758.0	3.1	34.7	37.8	795.8	695.5
Q3	242.1	295.2	132.3	42.6	14.7	21.2	748.0	3.1	42.4	45.5	793.5	672.6
Q4	402.1	308.9	159.6	59.0	25.8	2.8	958.1	3.1	82.4	85.5	1,043.6	873.7
2015												
Q1	225.1	270.5	140.7	39.7	37.2	9.1	722.3	3.2	39.0	42.2	764.4	639.4
Q2	342.2	265.9	139.6	46.9	20.1	7.0	821.6	4.0	52.9	57.0	878.6	751.8
Q3	284.8	305.2	144.1	72.5	15.7	10.7	833.0	3.9	48.5	52.4	885.4	738.0
Q4	385.4	347.5	172.0	73.7	27.0	0.0	1,005.6	3.8	145.3	149.1	1,154.7	908.7

[1] Based on ESA 2010 methodology. Data are provisional.

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

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

Sources: Eurostat; NSO.

Table 2.3 General government expenditure by main components[1]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total[2]	
2008	846.2	755.7	205.0	391.5	115.1	116.4	2,429.9	149.4	41.9	179.4	2,609.2
2009	838.3	807.3	200.8	365.0	50.0	121.8	2,383.2	148.3	53.8	186.8	2,570.0
2010	855.1	842.4	203.2	403.1	52.8	130.5	2,487.1	146.6	76.5	223.1	2,710.2
2011	882.1	878.9	216.9	430.3	51.0	128.2	2,587.4	191.0	45.8	233.3	2,820.6
2012	922.4	924.9	215.1	483.2	76.9	136.0	2,758.5	227.2	67.0	304.4	3,062.8
2013	976.1	964.2	219.1	471.8	80.3	180.9	2,892.2	218.4	95.3	317.3	3,209.5
2014	1,048.6	1,004.1	230.8	524.8	105.0	195.0	3,108.4	297.1	91.9	385.4	3,493.8
2015	1,116.4	1,033.2	227.6	596.5	110.6	202.8	3,287.1	402.3	129.6	525.0	3,812.1
2014											
Q1	255.7	247.7	55.9	112.2	26.7	49.7	747.9	62.3	20.7	82.8	830.7
Q2	260.7	258.1	58.1	136.4	26.6	36.8	776.7	61.3	23.9	89.7	866.4
Q3	263.5	236.7	58.0	118.8	24.2	49.6	750.9	70.1	13.9	80.6	831.5
Q4	268.6	261.6	58.8	157.5	27.5	59.0	832.9	103.4	33.5	132.3	965.2
2015											
Q1	274.6	249.2	55.5	118.8	28.0	60.1	786.2	85.2	53.1	147.7	933.9
Q2	280.1	263.3	56.8	143.8	26.6	48.9	819.5	97.4	8.5	100.8	920.2
Q3	280.6	256.5	57.2	124.4	29.3	45.8	793.7	89.2	17.6	104.9	898.6
Q4	281.2	264.2	58.1	209.6	26.6	48.1	887.8	130.6	50.3	171.6	1,059.4

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

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

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2008	445.4	38.1	86.0	407.9	94.3	43.4	322.7	38.2	317.4	815.7	2,609.2
2009	478.9	53.9	89.5	271.1	96.4	20.7	315.0	44.9	328.9	870.6	2,570.0
2010	451.1	50.4	92.3	290.9	128.3	21.6	346.8	51.5	371.2	906.0	2,710.2
2011	492.5	56.0	94.5	302.0	87.5	23.6	370.4	58.3	391.4	944.3	2,820.6
2012	536.3	50.6	102.0	359.8	100.9	32.0	395.0	66.3	415.4	1,004.7	3,062.8
2013	534.1	49.1	106.7	391.4	104.5	25.9	433.9	68.1	441.7	1,054.2	3,209.5
2014	573.1	62.9	111.1	437.0	127.9	27.8	485.8	88.3	470.2	1,109.8	3,493.8
2015	625.3	68.6	121.2	476.9	139.6	30.3	530.0	96.4	513.0	1,210.9	3,812.1

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

Sources: Eurostat; NSO.

Table 2.5 General government financial balance sheet[1]

EUR millions

Period	Financial assets						Financial liabilties					Net financial worth
	Currency and 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	
2008	498.0	0.0	21.5	753.0	332.3	1,604.8	31.2	3,662.9	497.0	543.8	4,734.9	-3,130.1
2009	604.8	0.0	18.2	812.4	370.8	1,806.2	37.2	3,994.2	436.7	604.8	5,072.9	-3,266.7
2010	608.5	0.0	51.7	871.9	443.3	1,975.5	41.0	4,307.5	443.0	590.5	5,381.9	-3,406.4
2011	670.2	0.0	136.6	856.5	537.3	2,200.5	45.8	4,621.3	462.3	668.2	5,797.6	-3,597.1
2012	431.3	0.0	256.8	1,113.4	706.2	2,507.7	50.4	4,887.3	347.1	753.5	6,038.4	-3,530.7
2013	408.8	0.0	292.9	1,186.1	823.2	2,711.0	55.3	5,291.7	378.0	727.8	6,452.8	-3,741.8
2014												
Mar.	403.1	0.0	293.3	1,175.7	866.1	2,738.1	55.0	5,610.4	378.2	634.2	6,678.0	-3,939.8
June	927.9	0.0	300.0	1,180.2	862.1	3,270.2	57.1	6,000.3	382.9	978.2	7,418.5	-4,148.4
Sep.	584.8	0.0	303.7	1,206.5	860.3	2,955.3	59.5	6,024.3	389.1	783.6	7,256.4	-4,301.2
Dec.	486.3	0.0	304.4	1,074.5	830.6	2,695.8	60.4	5,889.5	394.5	813.0	7,157.4	-4,461.7
2015												
Mar.	566.7	0.0	253.7	1,138.0	806.2	2,764.5	60.3	6,456.7	383.1	756.4	7,656.5	-4,892.0
June	618.5	0.0	254.6	1,121.6	882.9	2,877.6	62.9	6,209.7	371.7	911.5	7,555.7	-4,678.1
Sep.	680.5	0.0	255.2	1,143.7	821.6	2,901.0	65.4	6,315.3	372.4	916.7	7,669.8	-4,768.8
Dec.	427.4	0.0	254.2	1,146.4	921.4	2,749.5	67.9	6,265.5	378.1	712.6	7,424.1	-4,674.6

[1] Based on ESA 2010 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

Table 2.6 General government deficit-debt adjustment[1]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2008	253.4	-254.7	-16.3	5.3	0.0	-5.4	32.1	-17.0	-1.3
2009	316.4	-201.5	141.9	-3.3	0.0	-1.0	-7.5	-15.2	114.9
2010	301.4	-210.5	44.0	33.5	0.0	-0.9	15.4	-1.1	91.0
2011	346.1	-176.9	64.5	84.8	0.0	11.6	13.9	-5.6	169.3
2012	63.1	-256.1	-227.3	120.2	0.0	39.8	-202.8	77.0	-193.1
2013	372.7	-197.9	-19.2	36.2	0.0	26.4	2.5	128.9	174.8
2014	176.7	-163.4	74.6	11.4	0.0	15.1	-4.1	-83.7	13.2
2015	198.8	-129.0	-27.2	-52.1	0.0	-8.1	-4.2	161.4	69.8
2014									
Q1	256.2	-133.2	-5.8	0.3	0.0	1.3	-2.3	129.5	123.0
Q2	261.5	-70.6	524.1	6.8	0.0	10.9	-3.5	-347.3	190.9
Q3	-130.4	-38.0	-345.1	3.7	0.0	1.9	0.4	170.5	-168.5
Q4	-210.6	78.4	-98.7	0.6	0.0	1.1	1.2	-36.4	-132.2
2015									
Q1	224.5	-169.4	78.0	-52.7	0.0	-5.4	-1.2	36.4	55.1
Q2	16.2	-41.6	51.6	0.9	0.0	-3.2	-0.7	-74.1	-25.4
Q3	22.5	-13.3	62.0	0.6	0.0	3.1	2.5	-58.9	9.2
Q4	-64.4	95.3	-218.7	-1.0	0.0	-2.6	-4.8	258.0	30.9

[1] Based on ESA 2010 methodology. Data are provisional.
[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt[1]	Government guaranteed debt[2]
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2008	31.2	365.8	2,954.4	3,320.2	75.6	418.5	494.1	3,845.5	460.1
2009	37.2	474.1	3,216.4	3,690.5	42.8	391.4	434.2	4,161.9	639.6
2010	41.0	377.8	3,603.6	3,981.4	49.0	391.9	440.9	4,463.3	779.0
2011	45.8	257.1	4,046.3	4,303.5	55.7	404.4	460.1	4,809.4	870.1
2012	50.4	154.1	4,322.8	4,476.9	80.2	264.9	345.1	4,872.5	1,191.9
2013	55.3	248.1	4,565.6	4,813.7	22.4	353.8	376.2	5,245.2	1,198.7
2014									
Mar.	55.0	367.2	4,702.7	5,069.9	24.3	352.2	376.5	5,501.4	1,159.5
June	57.1	407.2	4,916.9	5,324.1	32.1	349.6	381.8	5,762.9	1,203.0
Sep.	59.5	308.6	4,876.4	5,185.0	33.8	354.3	388.1	5,632.5	1,297.8
Dec.	60.4	140.4	4,828.0	4,968.5	31.7	361.3	393.0	5,421.9	1,335.3
2015									
Mar.	60.3	208.1	4,996.3	5,204.4	33.9	347.8	381.6	5,646.4	1,245.8
June	62.9	230.6	4,998.4	5,229.0	30.7	340.0	370.7	5,662.6	1,211.7
Sep.	65.4	252.6	4,995.4	5,248.0	28.9	342.7	371.7	5,685.1	1,345.5
Dec.	67.9	222.1	4,953.9	5,176.0	32.1	344.8	376.8	5,620.7	1,404.2

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

Table 2.8 Treasury bills issued and outstanding[1]

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding[2] and held by		
		OMFIs[3]	Others[4]	Total	MFIs	Others[4]	Total
2008	1,018.9	349.2	683.4	1,032.6	126.4	239.5	365.8
2009	1,516.6	1,033.9	591.0	1,624.8	327.3	146.8	474.1
2010	1,341.6	1,091.7	153.2	1,245.2	319.9	57.9	377.8
2011	1,004.8	839.9	45.1	885.0	224.0	33.9	257.9
2012	949.0	818.2	22.0	845.2	124.0	30.1	154.1
2013	1,027.9	1,118.6	3.3	1,121.9	217.0	31.1	248.1
2014	1,017.8	904.9	5.6	910.2	118.5	21.9	140.4
2015	704.4	786.0	0.0	786.0	222.1	0.0	222.1
2014							
Jan.	69.0	106.5	0.0	106.5	259.0	26.7	285.7
Feb.	13.0	91.0	0.0	91.0	314.5	49.2	363.7
Mar.	67.7	71.2	0.0	71.2	315.0	52.2	367.2
Apr.	89.5	93.1	0.7	93.8	316.2	55.3	371.5
May	93.0	88.0	0.4	88.4	318.6	48.3	366.9
June	39.2	79.8	0.0	79.5	368.1	39.1	407.2
July	47.1	47.0	0.0	47.0	369.0	38.1	407.1
Aug.	120.0	65.0	0.0	65.0	319.5	32.6	352.1
Sep.	83.5	40.0	0.0	40.0	277.5	31.0	308.6
Oct.	147.2	100.0	0.0	100.0	231.0	30.4	261.4
Nov.	114.4	89.5	4.5	94.0	216.5	24.5	241.0
Dec.	134.4	33.8	0.0	33.8	118.5	21.9	140.4
2015							
Jan.	32.0	100.1	0.0	100.1	192.6	15.9	208.5
Feb.	49.6	51.5	0.0	51.5	198.5	11.9	210.4
Mar.	16.3	14.0	0.0	14.0	197.0	11.1	208.1
Apr.	81.0	79.1	0.0	79.1	203.1	3.1	206.2
May	28.1	26.0	0.0	26.0	204.1	0.0	204.1
June	24.0	50.5	0.0	50.5	230.6	0.0	230.6
July	80.0	98.0	0.0	98.0	248.6	0.0	248.6
Aug.	45.5	40.0	0.0	40.0	243.1	0.0	243.1
Sep.	47.5	57.1	0.0	57.1	252.6	0.0	252.6
Oct.	109.1	43.0	0.0	43.0	186.6	0.0	186.6
Nov.	59.0	100.3	0.0	100.3	227.9	0.0	227.9
Dec.	132.3	126.5	0.0	126.5	222.1	0.0	222.1
2016							
Jan.	0.0	104.0	0.0	104.0	326.1	0.0	326.1
Feb.	50.0	63.6	0.0	63.6	339.7	0.0	339.7
Mar.	52.0	80.0	0.0	80.0	367.7	0.0	367.7

[1] Amounts are at nominal prices.

[2] 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).

[3] As from December 2008, issues in the primary market taken up by money market funds were reclassified from 'Others' to 'OMFIs'.

[4] Includes the Malta Government sinking fund.

Sources: Central Bank of Malta; The Treasury.

Table 2.9 Treasury bills issued and outstanding[1] *(end-March 2016)*

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)[2]	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding[5]
				OMFIs[3]	Others[4]	MFIs	Others[4]	
31/Dec/2015	01/Apr/2016	-0.102	N/A	13.0	0.0	13.0	0.0	13.0
07/Jan/2016	07/Apr/2016	-0.130	-0.018	30.0	0.0	30.0	0.0	30.0
14/Jan/2016	14/Apr/2016	-0.143	-0.018	20.0	0.0	20.0	0.0	20.0
17/Jul/2015	14/Apr/2016	0.000	-0.018	5.0	0.0	5.0	0.0	5.0
21/Jan/2016	21/Apr/2016	-0.150	-0.019	15.0	0.0	15.0	0.0	15.0
22/Oct/2015	21/Apr/2016	0.000	-0.019	13.0	0.0	13.0	0.0	13.0
28/Jan/2016	28/Apr/2016	-0.151	-0.018	17.0	0.0	17.0	0.0	17.0
04/Feb/2016	05/May/2016	-0.142	-0.019	17.0	0.0	17.0	0.0	17.0
11/Feb/2016	12/May/2016	-0.141	-0.018	16.8	0.0	16.8	0.0	16.8
18/Feb/2016	19/May/2016	-0.130	-0.018	1.0	0.0	1.0	0.0	1.0
25/Feb/2016	26/May/2016	-0.137	-0.018	20.8	0.0	20.8	0.0	20.8
26/Nov/2015	26/May/2016	-0.051	-0.018	8.0	0.0	8.0	0.0	8.0
03/Mar/2016	02/Jun/2016	-0.153	-0.018	17.0	0.0	17.0	0.0	17.0
10/Mar/2016	09/Jun/2016	-0.163	-0.018	16.0	0.0	16.0	0.0	16.0
10/Dec/2015	09/Jun/2016	-0.100	-0.018	15.0	0.0	15.0	0.0	15.0
17/Mar/2016	16/Jun/2016	-0.147	-0.018	18.0	0.0	18.0	0.0	18.0
18/Sep/2015	16/Jun/2016	0.000	-0.018	0.1	0.0	0.1	0.0	0.1
24/Mar/2016	23/Jun/2016	-0.140	-0.018	8.5	0.0	8.5	0.0	8.5
24/Dec/2015	23/Jun/2016	-0.098	-0.018	20.0	0.0	20.0	0.0	20.0
07/Jan/2016	07/Jul/2016	-0.098	-0.018	5.0	0.0	5.0	0.0	5.0
14/Jan/2016	14/Jul/2016	-0.120	-0.018	5.0	0.0	5.0	0.0	5.0
21/Jan/2016	21/Jul/2016	-0.120	-0.017	9.0	0.0	9.0	0.0	9.0
28/Jan/2016	28/Jul/2016	-0.120	-0.017	3.0	0.0	3.0	0.0	3.0
05/Nov/2015	04/Aug/2016	-0.009	-0.017	21.0	0.0	21.0	0.0	21.0
25/Feb/2016	25/Aug/2016	-0.050	-0.016	2.0	0.0	2.0	0.0	2.0
03/Mar/2016	01/Sep/2016	-0.090	-0.016	5.0	0.0	5.0	0.0	5.0
10/Mar/2016	07/Sep/2016	-0.096	-0.016	6.0	0.0	6.0	0.0	6.0
17/Dec/2015	15/Sep/2016	-0.110	-0.016	8.0	0.0	8.0	0.0	8.0
24/Mar/2016	22/Sep/2016	-0.960	-0.015	7.0	0.0	7.0	0.0	7.0
31/Dec/2015	29/Sep/2016	-0.100	-0.015	9.0	0.0	9.0	0.0	9.0
04/Feb/2016	03/Nov/2016	-0.096	-0.014	6.0	0.0	6.0	0.0	6.0
17/Mar/2016	15/Dec/2016	-0.060	-0.012	2.5	0.0	2.5	0.0	2.5
24/Dec/2015	22/Dec/2016	-0.121	-0.011	8.0	0.0	8.0	0.0	8.0
Total				367.7	0.0	367.7	0.0	367.7

[1] Amounts are at nominal prices.

[2] 'N/T' denotes non-tradable treasury bills.

[3] OMFIs include the money market funds.

[4] Includes the Malta Government sinking fund.

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

Sources: Central Bank of Malta; The Treasury.

Table 2.10 Malta government long-term debt securities outstanding[1] *(end-March 2016)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by		Amount
						MFIs[6]	Others	
4.80	2016 (II)[4]	03/04/06	100/101/104	0.01	26/05 - 26/11	19.3	167.1	186.4
7.00	2016 (III)[3]	28/06/1905	100	0.01	30/06 - 30/12	3.4	0.0	3.4
4.30	2016 (IV)[4]	2011	100.93	N/A	16/02 - 16/08	22.8	135.3	158.1
3.75	2017 (IV)[4]	2012	102	0.02	20/02 - 20/08	1.4	70.5	72.0
7.00	2017 (I)[3]	2007	100	0.02	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	0.02	30/06 - 30/12	3.4	6.9	10.3
4.25	2017 (III)[4]	11/12	100/100.75/104.97/ 103.75/104.01	0.02	06/05 - 06/11	55.9	207.9	263.9
3.85	2018 (V)[4]	2012	105.26	0.02	18/04 - 18/10	0.0	121.4	121.4
7.80	2018 (I)	1998	100	0.03	15/01 - 15/07	11.7	151.3	163.1
7.00	2018 (II)[3]	2008	100	0.06	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	0.06	30/06 - 30/12	0.0	6.5	6.5
3.20	2019 (V)[4]	2013	105.1205	0.10	31/01 - 31/07	3.0	118.5	121.5
6.60	2019 (I)	1999	100.00	0.11	01/03 - 01/09	7.9	94.6	102.5
3.00	2019 (III)[4]	2013	100	0.12	22/03 - 22/09	12.0	110.5	122.5
7.00	2019 (II)[3]	2009	100	0.15	30/06 - 30/12	3.0	10.7	13.7
5.20	2020 (I)[4]	2007	100	0.20	10/06 - 10/12	4.8	47.6	52.4
4.60	2020 (II)[4]	2009	100	0.18	25/04 - 25/10	27.5	130.8	158.3
3.35	2020 (IV)[4]	2013	105.0564	0.22	31/01 - 31/07	0.0	64.0	64.0
2.00	2020 (V)[4]	2014	103.62	0.24	26/03 - 26/09	6.1	132.4	138.5
7.00	2020 (III)[3]	2010	100.00	0.28	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	0.35	08/02 - 08/08	75.5	383.4	458.8
7.00	2021 (II)[3]	2011	100	0.39	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[3]	2011	100	0.39	30/06 - 30/12	0.0	2.9	2.9
1.50	2022 (IV)[3]	2016	105	N/A	11/01 - 11/07	0.0	3.0	3.0
5.10	2022 (I)[4]	2004	100	0.49	16/02 - 16/08	11.2	59.8	71.0
4.30	2022 (II)[4]	2012	100.31	0.45	15/05 - 15/11	30.0	210.2	240.2
7.00	2022 (III)[3]	2012	100	0.54	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	0.63	06/01 - 06/07	10.5	68.4	78.8
7.00	2023 (II)[3]	2013	100	0.72	18/05 - 18/11	0.0	2.4	2.4
3.30	2024 (I)[4] R	2014	100.25	0.90	12/05 - 12/11	3.2	20.9	24.1
7.00	2024 (II)[3]	2014	100	0.92	18/02 - 18/08	0.0	1.1	1.1
7.00	2025 (I)[3]	2015	100	1.09	14/02 - 14/08	0.0	2.0	2.0
4.80	2028 (I)[4]	2012	101.04	1.37	11/03 - 11/09	21.1	85.9	107.0
4.50	2028 (II)[4]	2013	100	1.38	25/04 - 25/10	44.1	242.6	286.7
2.30	2029 (II)	2015	102.0835	1.47	24/01 - 24/07	21.1	122.4	143.5
5.10	2029 (I)[4]	2012	101.12/101	1.49	01/04 - 01/10	7.6	71.6	79.1
5.25	2030 (I)[4]	2010	100	1.58	23/06 - 23/12	76.0	364.2	440.2
5.20	2031 (I)[4] I	2011	102.88	1.72	16-03 - 16/09	31.4	170.0	201.3
4.65	2032 (I)[4] R	2013	103.03	1.81	22/01 - 22/07	23.8	116.7	140.5
4.45	2032 (II)[4]	2014	110.41	1.82	03/03 - 03/09	35.6	117.5	153.1
4.30	2033 (I)[4]	2014	104.55	1.92	01/02 - 01/08	30.1	120.6	150.7
4.10	2034 (I)[4] R	2014	109.12	2.04	18/04 - 18/10	36.3	163.8	200.1
2.50	2036 (I)[3]	2016	101.5	N/A	17/05 - 17/11	0.2	196.5	196.7
3.00	2040 (I)[4] R	2015	109.25	2.47	11/06 - 11/12	25.6	136.7	162.3
F.R. 6-mth Euribor7	2017 (V)[4]	2012	100.2	0.7658, 15.619	05/03 - 05/09	0.0	25.0	25.0
F.R. 6-mth Euribor7	2018 (IV)[4]	2012	99.33	0.9658, 16.379	05/03 - 05/09	0.0	31.4	31.4
F.R. 6-mth Euribor7	2018 (VI)[4]	2013	100.09	0.7678, 16.829	25/03 - 25/09	0.0	39.0	39.0
F.R. 6-mth Euribor7	2018 (VII)	2014	100.45	0.8648, 15.999	12/06 - 12/12	0.0	29.3	29.3
F.R. 6-mth Euribor7	2019 (IV)[4]	2013	100.31	0.8678, 18.269	25/03 - 25/09	3.0	37.8	40.8
F.R. 6-mth Euribor7	2019 (VI)	2015	100.58	0.3198, 20.029	27/05 - 27/11	0.0	35.0	35.0
F.R. 6-mth Euribor7	2020 (VI)[4]	2014	101.4356	0.7588, 25.259	29/04 - 29/10	0.0	47.9	47.9
Total						668.3	4,487.2	5,155.4

[1] Amounts are at nominal prices.

[2] The price for new issues prior to 2008 is denominated in Maltese lira.

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

[4] Fungible issue, that is, the Accountant General reserves the right to issue, in future, additional amounts of the present stock. In the event of such future issues, these would be amalgamated with the existing stock.

[5] ISMA yields are based on secondary market prices. Securities not available for trading by the end of the reference period are denoted as not available (N/A).

[6] Comprising of Resident of Malta MFIs.

[7] Floating Rate (F.R.) MGS linked to the six-month Euribor plus a fixed spread until maturity (quoted margin). The interest rate will be reset semi-annually in accordance with the applicable six-month Euribor rate in effect two business days prior to relative coupon period each year. Interest for each period and accrued interest will be calculated on an Actual/360 day basis. The formula for Simple Margin calculation = Spread + [(100/Clean Price) x (100-Clean Price) / Maturity in Yrs)].

[8] Consists of the reset coupon expressed as a percentage per annum.

[9] Consists of the simple margin expressed in basis points.

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2008	208.2	969.7	1,115.7	668.9	0.0	2,962.5
2009	191.1	1,552.8	774.4	705.8	0.0	3,224.2
2010	128.4	1,810.9	767.9	608.7	295.5	3,611.5
2011	439.0	1,705.8	1,194.5	149.9	565.0	4,054.2
2012	370.3	1,650.1	1,424.8	78.8	827.7	4,351.6
2013	361.3	1,500.6	1,494.3	393.7	861.1	4,610.9
2014	349.2	1,581.5	1,162.4	472.8	1,333.7	4,899.6
2015						
Mar.	419.1	1,511.6	1,216.2	472.8	1,448.1	5,067.9
June	349.2	1,564.0	1,237.7	929.1	1,008.0	5,088.0
Sep.	349.2	1,872.3	929.4	931.1	1,008.0	5,090.0
Dec.	259.6	1,818.4	883.1	1,056.5	1,008.0	5,025.6
2016						
Mar.	347.9	1,660.2	886.1	1,056.5	1,204.7	5,155.4

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

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2008	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009[3]	1.7	98.9	0.0	1.0	0.0	0.7	102.3
2010[3]	0.5	85.6	0.0	0.9	0.0	0.7	87.7
2011[3]	1.3	87.6	0.0	0.7	0.0	0.5	90.1
2012[3]	0.3	196.8	0.0	0.5	0.1	0.2	197.9
2013[3]	0.0	216.6	0.0	0.4	0.0	0.2	217.2
2014[3]	0.0	221.8	0.2	0.0	0.0	0.2	222.2
2015[3]							
Mar.	0.0	221.8	0.2	0.0	0.0	0.2	222.2
June	0.0	203.5	0.1	0.0	0.0	0.2	203.8
Sep.	0.0	203.5	0.1	0.0	0.0	0.1	203.7
Dec.	0.0	200.8	0.0	0.0	0.0	0.1	200.9
2016[3]							
Mar.	0.0	200.8	0.0	0.0	0.0	0.1	200.9

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

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

[3] Provisional.

Table 3.1a Euro exchange rates against the major currencies[1] *(end of period)*

Period	USD	GBP	JPY	CHF	AUD	CAD
2008	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
2009	1.4406	0.8881	133.16	1.4836	1.6008	1.5128
2010	1.3362	0.8608	108.65	1.2504	1.3136	1.3322
2011	1.2939	0.8353	100.20	1.2156	1.2723	1.3215
2012	1.3194	0.8161	113.61	1.2072	1.2712	1.3137
2013	1.3791	0.8337	144.72	1.2276	1.5423	1.4671
2014	1.2141	0.7789	145.23	1.2024	1.4829	1.4063
2015						
Jan.	1.1305	0.7511	133.08	1.0468	1.4535	1.4323
Feb.	1.1240	0.7278	134.05	1.0636	1.4358	1.3995
Mar.	1.0759	0.7273	128.95	1.0463	1.4154	1.3738
Apr.	1.1215	0.7267	133.26	1.0486	1.4161	1.3480
May	1.0970	0.7190	135.95	1.0341	1.4338	1.3650
June	1.1189	0.7114	137.01	1.0413	1.4550	1.3839
July	1.0967	0.7041	136.34	1.0565	1.5140	1.4310
Aug.	1.1215	0.7275	136.07	1.0825	1.5753	1.4863
Sep.	1.1203	0.7385	134.69	1.0915	1.5939	1.5034
Oct.	1.1017	0.7182	132.88	1.0900	1.5544	1.4515
Nov.	1.0579	0.7048	130.22	1.0903	1.4671	1.4143
Dec.	1.0887	0.7340	131.07	1.0835	1.4897	1.5116
2016						
Jan.	1.0920	0.7641	132.25	1.1144	1.5388	1.5363
Feb.	1.0888	0.7858	123.14	1.0914	1.5260	1.4767
Mar.	1.1385	0.7916	127.90	1.0931	1.4807	1.4738
Apr.	1.1403	0.7803	122.34	1.0984	1.4948	1.4286

[1] Denote units of currency per one euro.

Source: ECB.

Table 3.1b Euro exchange rates against the major currencies *(averages for the period)*[1]

Period	USD	GBP	JPY	CHF	AUD	CAD
2008	1.4708	0.7963	152.45	1.5874	1.7416	1.5594
2009	1.3948	0.8909	130.34	1.5100	1.7727	1.5850
2010	1.3257	0.8578	116.24	1.3803	1.4423	1.3651
2011	1.3920	0.8679	110.96	1.2326	1.3484	1.3761
2012	1.2848	0.8109	102.49	1.2053	1.2407	1.2842
2013	1.3281	0.8493	129.66	1.2311	1.3777	1.3684
2014	1.3285	0.8061	140.31	1.2146	1.4719	1.4661
2015	1.1095	0.7258	134.31	1.0679	1.4777	1.4186
2015						
Jan.	1.1621	0.7668	137.47	1.0940	1.4390	1.4039
Feb.	1.1350	0.7405	134.69	1.0618	1.4568	1.4199
Mar.	1.0838	0.7236	130.41	1.0608	1.4008	1.3661
Apr.	1.0779	0.7212	128.94	1.0379	1.3939	1.3313
May	1.1150	0.7212	134.75	1.0391	1.4123	1.3568
June	1.1213	0.7208	138.74	1.0455	1.4530	1.3854
July	1.0996	0.7069	135.68	1.0492	1.4844	1.4124
Aug.	1.1139	0.7142	137.12	1.0777	1.5269	1.4637
Sep.	1.1221	0.7313	134.85	1.0913	1.5900	1.4882
Oct.	1.1235	0.7329	134.84	1.0882	1.5586	1.4685
Nov.	1.0736	0.7066	131.60	1.0833	1.5011	1.4248
Dec.	1.0877	0.7260	132.36	1.0827	1.5009	1.4904
2016						
Jan.	1.0860	0.7546	128.32	1.0941	1.5510	1.5447
Feb.	1.1093	0.7756	127.35	1.1018	1.5556	1.5317
Mar.	1.1100	0.7802	125.39	1.0920	1.4823	1.4697
Apr.	1.1339	0.7923	124.29	1.0930	1.4802	1.4559

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

Source: ECB.

Table 3.2 Balance of payments – current, capital and financial accounts *(transactions)*

EUR millions

Period	Current account									Capital account	
	Goods		Services		Primary Account		Secondary Income		Total		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		Credit	Debit
2008[1]	2,489.3	3,735.3	6,669.6	5,382.8	10,060.2	10,214.1	896.9	848.3	-64.5	32.3	8.9
2009[1]	1,999.3	3,116.2	7,081.7	6,038.9	7,715.9	8,135.1	1,413.9	1,324.4	-403.8	80.7	6.3
2010[1]	2,526.5	3,777.7	7,588.5	6,376.6	6,710.2	7,055.0	1,269.5	1,192.7	-307.4	150.0	21.0
2011[1]	2,844.9	4,052.7	8,084.9	6,705.0	9,955.8	10,383.8	878.7	792.1	-169.2	98.8	17.3
2012[1]	3,203.9	4,303.5	8,589.2	7,156.2	10,006.6	10,356.9	925.3	815.5	93.0	140.4	5.8
2013[1]	2,874.5	3,979.2	8,904.7	7,283.3	9,990.6	10,373.1	908.5	769.4	273.4	133.5	1.7
2014[1]	2,618.3	3,736.3	9,211.5	7,458.2	10,017.1	10,573.7	950.4	754.5	274.7	142.3	2.3
2015[1]	2,665.6	4,150.2	9,609.5	7,517.3	9,746.8	9,712.2	971.4	746.9	866.6	158.9	2.3
2014[1]											
Q1	653.3	918.9	2,145.8	1,808.3	2,442.2	2,597.1	218.5	187.9	-52.4	30.1	0.5
Q2	670.8	941.4	2,304.6	1,846.7	2,488.6	2,565.4	250.1	187.5	173.1	66.7	0.4
Q3	650.3	938.3	2,486.1	1,904.7	2,576.1	2,776.3	246.1	187.4	151.9	35.2	1.0
Q4	643.9	937.7	2,274.9	1,898.4	2,510.3	2,634.9	235.7	191.7	2.1	10.3	0.4
2015[1]											
Q1	627.1	940.0	2,210.7	1,801.1	2,511.8	2,560.4	240.4	188.3	100.4	124.4	0.6
Q2	704.0	1,078.1	2,422.9	1,893.9	2,486.0	2,429.0	240.7	188.5	264.0	23.5	0.6
Q3	678.3	1,148.6	2,665.0	1,970.4	2,393.2	2,374.7	240.3	186.8	296.2	2.5	0.6
Q4	656.2	983.6	2,310.8	1,851.8	2,355.8	2,348.1	250.0	183.3	205.9	8.5	0.6

EUR millions

Period	Financial account										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2008[1]	10,978.3	10,094.9	1,278.0	-1,245.0	0.1	0.0	5,977.4	9,556.6	-108.7	-281.5	-240.4
2009[1]	-4,378.8	1,030.4	7,595.1	1,259.8	735.3	0.0	-1,257.5	416.5	2.4	-10.2	319.3
2010[1]	2,511.2	7,016.5	4,656.0	-211.6	0.0	262.6	-533.5	-353.3	23.6	-56.9	121.5
2011[1]	-3,286.2	5,640.4	11,750.4	127.4	0.0	246.7	1,693.5	4,148.1	-52.9	-57.7	30.0
2012[1]	-6,412.1	2,553.7	8,921.7	-396.5	0.0	438.5	2,238.4	1,372.7	121.4	901.1	673.5
2013[1]	-6,590.0	335.8	8,234.2	-669.0	0.0	104.4	1,576.4	3,669.2	-38.8	-258.6	-663.7
2014[1]	-6,693.5	125.3	12,915.1	-87.2	0.0	883.3	-1,746.3	3,111.5	12.0	454.3	39.7
2015[1]	-6,411.0	1,971.6	3,630.1	-1,135.9	0.0	817.5	-2,168.0	-7,587.7	-73.5	912.2	-110.9
2014[1]											
Q1	-1,639.8	-613.8	3,446.6	272.0	0.0	-33.4	-1,305.0	982.8	263.6	157.7	180.5
Q2	-1,847.3	-1,250.9	3,679.8	34.7	11.1	0.0	-2,948.1	469.3	160.2	-197.5	-436.8
Q3	-1,628.2	1,051.5	2,091.3	-678.5	0.0	761.9	2,104.2	671.8	-242.5	518.1	332.0
Q4	-1,578.2	938.5	3,697.4	284.5	0.0	165.9	402.6	987.7	-169.3	-24.1	-36.1
2015[1]											
Q1	-1,591.5	685.1	294.3	-785.3	0.0	592.4	2,556.3	342.1	-63.9	361.0	136.7
Q2	-1,524.8	-295.0	354.5	49.6	165.9	0.0	-2,908.2	-4,279.8	-0.9	611.8	324.9
Q3	-1,556.1	692.9	564.2	-444.2	0.0	466.2	-1,585.3	-3,135.7	9.4	-147.0	-445.1
Q4	-1,738.6	888.6	2,417.0	43.9	75.2	0.0	-230.9	-514.4	-18.0	86.4	-127.3

[1] Provisional.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

Source: NSO.

Table 3.3 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets[2]	
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
2012[3]	12.0	106.1	55.8	81.7	271.2	6.9	533.8
2013[3]	11.1	100.1	57.7	32.2	230.0	4.3	435.4
2014[3]	3.1	100.8	53.7	35.8	330.1	-13.5	510.0
2015[3]	3.0	111.4	39.1	22.5	356.1	-6.9	525.2
2016[3]							
Jan.	3.2	110.6	38.8	22.6	353.1	-1.8	526.6
Feb.	3.5	111.0	60.0	22.4	407.2	0.0	604.1
Mar.	3.4	108.3	58.3	20.0	382.1	16.9	589.0

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

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

[3] Provisional.

Table 3.4 International investment position (IIP) - *(end of period amounts)*

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2008[1]	64,310.0	100,295.1	45,780.3	3,973.4	1,128.3	324.8	37,359.4	43,996.4	268.3	256.7
2009[1]	62,516.7	104,250.0	53,558.2	5,184.4	1,675.9	258.3	36,054.9	43,712.0	373.7	774.8
2010[1]	70,927.6	122,697.2	58,779.8	5,072.3	2,009.8	542.4	41,468.0	44,477.9	404.9	800.2
2011[1]	77,771.2	138,426.6	69,124.6	4,874.9	1,913.7	607.8	43,247.0	47,998.1	395.9	545.0
2012[1]	76,767.2	147,015.3	79,284.2	5,423.3	1,996.1	587.1	45,557.4	49,613.1	533.8	1,499.9
2013[1]	75,591.3	151,356.2	84,681.9	4,471.7	1,777.2	468.1	45,943.7	50,611.8	435.4	1,521.8
2014[1]										
Mar.	75,251.8	151,658.4	88,524.4	4,981.4	2,379.9	610.1	44,288.4	51,669.7	694.6	2,219.5
June	74,821.4	151,890.1	93,466.9	5,107.8	2,543.0	511.2	41,202.1	52,582.1	857.8	2,800.1
Sep.	74,522.6	154,377.1	96,216.7	4,664.8	1,918.1	505.3	43,921.3	54,711.0	647.0	2,967.5
Dec.	74,289.0	156,643.5	100,508.1	4,743.6	2,195.7	557.9	44,659.2	56,667.7	510.0	3,549.4
2015[1]										
Mar.	74,146.6	158,788.7	102,274.8	4,300.7	1,602.8	709.0	48,733.5	59,251.6	524.8	4,232.5
June	73,972.3	159,723.2	101,471.9	4,286.7	1,676.9	601.3	45,463.2	53,848.5	546.7	4,671.2
Sep.	73,857.0	161,651.4	100,815.6	3,831.6	1,408.0	652.1	43,618.7	49,797.0	538.2	4,305.4
Dec.	73,528.5	164,328.5	103,940.2	3,945.3	1,512.7	560.7	43,728.1	49,913.2	525.2	4,487.1

[1] Provisional.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

Source: NSO.

Table 3.5a Gross external debt by sector, maturity and instrument[1]

EUR millions

	2011[5]	2012[5]	2013[5]	2014[5]	2015[5]			
					Mar.	June	Sep.	Dec.
General Government	420.5	592.8	652.6	588.1	607.1	571.2	582.8	585.9
Short-term	222.4	276.8	265.3	163.2	163.8	167.0	166.7	170.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	222.4	276.8	265.3	163.2	163.8	167.0	166.7	170.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	198.1	316.0	387.3	424.9	443.3	404.2	416.1	415.5
Special drawing rights (allocations)[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	106.6	116.9	162.9	202.1	231.1	199.7	211.7	213.9
Loans	90.1	197.9	223.5	222.2	211.6	203.8	203.7	201.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.4	1.1	0.9	0.6	0.6	0.6	0.6	0.6
Central Bank of Malta	562.0	326.0	814.6	2,321.2	1,590.6	1,617.9	1,346.1	1,165.5
Short-term	562.0	326.0	814.6	2,207.5	1,468.2	1,498.0	1,226.6	1,044.1
Currency and deposits	562.0	326.0	814.6	2,207.5	1,468.2	1,498.0	1,226.6	1,044.1
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	113.8	122.4	119.9	119.5	121.4
Special drawing rights (allocations)[4]	0.0	0.0	0.0	113.8	122.4	119.9	119.5	121.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit-taking corporations, except the Central Bank of Malta[2]	29,077.6	30,059.4	29,595.0	32,829.9	35,677.2	30,134.2	26,325.5	27,013.3
Short-term	22,525.7	24,315.0	24,747.2	26,371.9	28,875.1	24,550.4	22,156.8	19,957.6
Currency and deposits	15,544.7	17,499.2	17,422.4	17,947.8	21,709.0	19,614.9	18,131.6	18,116.3
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	6,865.8	6,687.6	7,027.2	7,899.3	6,655.2	4,770.7	3,899.2	1,670.2
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	115.2	128.2	297.6	524.9	510.9	164.8	126.0	171.1
Long-term	6,551.9	5,744.4	4,847.8	6,457.9	6,802.1	5,583.8	4,168.7	7,055.8
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	4.0	4.5	6.8	13.0	17.6	17.7	20.5	42.7
Loans	6,548.0	5,739.8	4,841.0	6,444.9	6,784.6	5,566.0	4,148.2	7,013.1
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Sectors[3]	18,267.1	18,973.5	19,933.6	21,616.7	22,201.6	22,372.8	22,470.0	21,962.5
Short-term	9,332.7	9,970.9	10,848.6	12,450.1	12,985.5	13,105.9	13,121.0	12,663.5
Currency and deposits	123.2	202.3	255.8	302.3	314.4	326.5	338.6	350.7
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	901.1	1,059.8	685.2	558.3	528.6	501.0	475.5	458.0
Trade credit and advances	2,154.2	2,586.5	3,171.1	3,594.6	3,746.1	3,895.0	4,088.2	4,200.7
Other debt liabilities	6,154.2	6,122.3	6,736.5	7,994.8	8,396.3	8,383.4	8,218.7	7,654.2
Long-term	8,934.4	9,002.7	9,085.0	9,166.6	9,216.1	9,266.9	9,349.0	9,299.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	218.6	217.1	214.2	300.6	329.0	355.9	411.2	435.7
Loans	2,477.1	2,063.2	1,664.7	1,179.0	1,078.7	981.9	886.0	692.6
Trade credit and advances	6,238.6	6,722.4	7,206.0	7,687.0	7,808.3	7,929.1	8,051.8	8,170.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany Lending	30,002.0	32,019.1	34,365.1	36,215.9	36,811.1	37,460.7	38,024.6	38,560.6
Debt liabilities of direct investment enterprises to direct investors	21,054.4	23,050.9	25,349.3	27,164.2	27,845.5	28,410.0	28,979.1	29,584.5
Debt liabilities of direct investors to direct investment enterprises	8,947.6	8,968.3	9,015.8	9,051.7	8,965.6	9,050.7	9,045.4	8,976.0
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross External Debt Position	**78,329.2**	**81,970.8**	**85,360.9**	**93,571.8**	**96,887.5**	**92,156.8**	**88,749.0**	**89,287.8**
of which: Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**73,791.3**	**77,329.3**	**79,636.3**	**86,496.7**	**90,367.7**	**85,524.8**	**82,225.3**	**82,733.0**
Gross External Debt excluding debt liabilities of Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**4,537.9**	**4,641.5**	**5,724.6**	**7,075.1**	**6,519.8**	**6,632.0**	**6,523.7**	**6,554.8**

[1] The gross external debt shows only a fraction of the overall International Investment Position of Malta with countries abroad. Gross external debt data do not comprise Malta's claims vis-à-vis foreign countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found on the website and the *Quarterly Review* of the Central Bank of Malta.

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

[3] Comprising financial institutions, insurance companies, non-financial corporations and NPISH.

[4] SDRs data is available from 2014.

[5] Provisional.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.
Figures may not add up due to rounding.

Table 3.5b Net external debt by sector, maturity and instrument[1]

EUR millions

	2011[2]	2012[2]	2013[2]	2014[2]	2015[2]			
					Mar.	June	Sep.	Dec.
General Government	294.8	246.4	259.3	142.9	165.3	122.3	126.8	125.1
Short-term	177.2	153.7	154.1	20.1	13.2	9.1	1.4	-2.7
Currency and deposits	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.1	-0.3
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	177.4	153.8	154.3	20.3	13.4	9.4	1.5	-2.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	117.6	92.8	105.1	122.8	152.1	113.3	125.5	127.8
Special drawing rights (allocations)[4]	-	-	-	0.0	0.0	0.0	0.0	0.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	106.6	116.9	162.9	202.1	231.1	199.7	211.7	213.9
Loans	23.9	11.3	0.3	-10.3	-10.3	-18.1	-18.2	-20.9
Trade credit and advances	-12.7	-11.0	-9.7	-8.5	-8.2	-7.9	-7.6	-7.3
Other debt liabilities	-0.3	-24.5	-48.4	-60.5	-60.5	-60.5	-60.5	-57.9
Central Bank of Malta	-1,806.8	-2,274.5	-1,858.7	-869.8	-1,709.1	-1,698.4	-1,941.4	-2,071.6
Short-term	255.4	100.7	522.1	2,065.0	1,366.7	1,368.4	1,125.3	918.4
Currency and deposits	255.4	100.7	522.1	2,065.7	1,366.7	1,368.8	1,125.5	918.4
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	-0.7	0.0	-0.4	-0.3	0.0
Long-term	-2,062.2	-2,375.2	-2,380.8	-2,934.8	-3,075.8	-3,066.8	-3,066.7	-2,990.0
Special drawing rights (allocations)[4]	-	-	-	13.0	14.0	13.7	13.6	10.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-2,045.8	-2,359.5	-2,365.2	-2,931.8	-3,073.9	-3,064.6	-3,064.4	-2,984.2
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	-16.3	-15.8	-15.6	-16.0	-15.9	-15.9	-15.9	-15.9
Deposit-taking corporations, except the Central Bank of Malta[2]	-8,388.6	-9,451.3	-6,775.4	-6,842.4	-6,535.2	-5,321.0	-4,680.0	-4,944.8
Short-term	13,046.0	14,210.7	13,037.1	16,619.0	16,916.2	15,715.9	16,131.3	13,510.6
Currency and deposits	6,523.1	7,618.7	5,214.3	7,403.1	8,416.7	9,940.5	10,579.3	10,903.4
Debt securities	-2.0	-0.1	-20.2	-79.1	-80.3	-80.2	-34.4	-94.1
Loans	6,458.6	6,555.8	7,632.8	8,846.7	8,147.0	5,768.9	5,578.0	2,668.4
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	66.4	36.3	210.1	448.4	432.8	86.8	8.5	33.0
Long-term	-21,434.6	-23,661.9	-19,812.5	-23,461.3	-23,451.4	-21,036.9	-20,811.3	-18,455.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-13,568.9	-16,079.8	-15,497.2	-21,634.2	-21,149.6	-18,361.3	-16,233.4	-17,162.2
Loans	-7,865.7	-7,582.1	-4,315.3	-1,827.1	-2,301.8	-2,675.6	-4,577.9	-1,293.2
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Sectors[3]	-3,712.2	-6,287.5	-7,493.7	-8,535.2	-9,385.1	-10,098.4	-10,372.4	-11,093.5
Short-term	1,565.8	947.3	1,472.1	2,803.4	2,749.4	2,497.2	2,239.6	1,932.9
Currency and deposits	-5,923.8	-6,887.7	-7,155.3	-7,018.9	-7,429.0	-7,669.6	-7,817.7	-7,735.6
Debt securities	-120.7	-126.4	-147.0	-124.2	-119.5	-145.7	-173.6	-235.6
Loans	850.6	997.1	622.0	488.9	467.9	435.5	406.8	391.4
Trade credit and advances	871.8	1,157.9	1,764.0	2,131.7	2,163.6	2,237.0	2,487.3	2,525.6
Other debt liabilities	5,887.8	5,806.5	6,388.5	7,325.8	7,666.4	7,640.0	7,336.7	6,987.2
Long-term	-5,278.0	-7,234.8	-8,965.8	-11,338.6	-12,134.5	-12,595.6	-12,612.0	-13,026.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	-2,631.3	-3,236.2	-2,579.9	-3,497.3	-3,744.5	-3,866.0	-3,737.9	-3,855.6
Loans	-1,660.0	-1,933.7	-3,240.8	-3,456.1	-3,631.9	-3,751.6	-3,839.7	-3,864.4
Trade credit and advances	4,931.0	5,195.3	5,457.8	5,560.3	5,523.1	5,638.8	5,918.1	5,981.7
Other debt liabilities	-5,917.7	-7,260.3	-8,602.9	-9,945.5	-10,281.1	-10,616.8	-10,952.5	-11,288.1
Direct Investment: Intercompany Lending	-20,291.3	-16,557.5	-12,334.5	-8,819.9	-7,882.0	-6,797.8	-5,881.1	-4,823.5
Debt liabilities of direct investment enterprises to direct investors	-12,717.1	-12,969.6	-12,845.3	-13,337.6	-13,312.5	-13,250.4	-12,481.6	-11,575.1
Debt liabilities of direct investors to direct investment enterprises	-7,574.2	-3,587.9	510.8	4,517.7	5,430.4	6,452.6	6,600.4	6,751.6
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net External Debt	**-33,904.1**	**-34,324.4**	**-28,203.0**	**-24,924.4**	**-25,346.2**	**-23,793.3**	**-22,748.2**	**-22,808.3**
of which: Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**-32,962.8**	**-32,974.0**	**-27,772.7**	**-25,041.6**	**-24,746.1**	**-23,201.8**	**-22,029.8**	**-22,056.0**
Net External Debt excluding debt liabilities of Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**-941.3**	**-1,350.4**	**-430.3**	**117.2**	**-600.1**	**-591.5**	**-718.4**	**-752.3**

[1] A negative figure denotes a net asset position.

[2] Provisional.

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

[4] SDRs data is available from 2014.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

Figures may not add up due to rounding.

Table 3.6 Malta's foreign trade[1]

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2008[2]	2,455.8	3,897.2	(1,441.4)
2009[2]	2,087.4	3,475.3	(1,387.9)
2010[2]	2,809.3	4,331.4	(1,522.1)
2011[2]	3,819.0	5,341.5	(1,522.5)
2012[2]	4,438.8	6,189.4	(1,750.6)
2013[2]	3,925.5	5,639.4	(1,713.9)
2014[2]	3,737.6	6,399.7	(2,662.1)
2015[2]	3,518.8	6,079.8	(2,561.0)
2015[2]			
Jan.	303.9	416.3	(112.4)
Feb.	242.8	625.3	(382.5)
Mar.	300.1	544.2	(244.0)
Apr.	351.9	464.3	(112.4)
May	248.8	672.8	(424.0)
June	319.9	599.0	(279.1)
July	355.6	590.4	(234.8)
Aug.	268.9	455.0	(186.0)
Sep.	302.6	469.7	(167.0)
Oct.	354.0	413.7	(59.7)
Nov.	241.2	432.7	(191.5)
Dec.	229.1	396.5	(167.4)
2016[2]			
Jan.	194.5	349.4	(154.8)
Feb.	197.0	774.7	(577.7)
Mar.	373.2	551.1	(178.0)

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

[2] Provisional.

Source: NSO.

Table 3.7 Direction of trade – exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
2008[2]	237.3	270.4	114.6	99.9	722.2	165.4	66.5	954.2	713.9	183.0	604.7	2,455.8
2009[2]	187.4	222.0	105.2	141.9	656.5	100.5	63.8	820.7	528.1	152.3	586.2	2,087.4
2010[2]	238.6	281.6	157.6	229.0	906.8	131.4	111.0	1,149.1	686.5	196.1	777.6	2,809.3
2011[2]	244.9	326.2	171.2	291.3	1,033.6	150.4	117.8	1,301.9	1,092.1	169.0	1,256.0	3,819.0
2012[2]	296.9	358.5	174.2	212.6	1,042.2	124.6	129.2	1,296.0	1,020.4	198.0	1,924.4	4,438.8
2013[2]	253.0	348.6	154.1	197.8	953.6	107.8	184.7	1,246.1	1,059.6	170.0	1,449.8	3,925.5
2014[2]	204.1	309.2	160.5	160.6	834.4	99.3	171.1	1,104.8	767.4	164.1	1,701.4	3,737.6
2015[2]	239.5	330.4	135.9	109.5	815.2	126.1	128.6	1,069.9	715.8	135.6	1,597.4	3,518.8
2016[2]												
Jan.	22.7	35.5	7.7	8.3	74.2	10.0	9.7	93.9	42.2	7.9	50.5	194.5
Feb.	13.0	36.7	13.3	8.0	70.9	8.7	8.8	88.5	43.4	8.7	56.6	197.0
Mar.	12.7	31.2	7.3	6.6	57.9	7.2	7.4	72.5	54.2	169.9	76.5	373.2

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

[2] Provisional.

Source: NSO.

Table 3.8 Direction of trade – imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
2008[2]	381.4	267.6	1,027.5	484.6	2,161.0	457.5	137.2	2,755.8	597.8	86.8	456.8	3,897.2
2009[2]	338.9	272.4	861.4	463.3	1,936.0	380.3	109.6	2,425.9	457.7	124.7	467.0	3,475.3
2010[2]	338.5	295.2	1,067.4	495.2	2,196.3	359.7	161.8	2,717.8	611.7	92.8	909.2	4,331.4
2011[2]	376.1	317.8	1,447.7	525.5	2,667.2	362.7	329.7	3,359.5	641.9	225.3	1,114.7	5,341.5
2012[2]	369.1	320.1	1,988.8	659.4	3,337.3	372.8	242.0	3,952.1	769.9	134.1	1,333.3	6,189.4
2013[2]	285.6	321.4	1,410.3	621.9	2,639.2	309.4	296.2	3,244.8	827.6	187.9	1,379.1	5,639.4
2014[2]	224.8	323.9	1,177.7	789.4	2,515.8	390.5	319.9	3,226.3	733.6	610.2	1,829.6	6,399.7
2015[2]	226.6	377.6	1,288.7	957.1	2,850.1	415.9	332.5	3,598.4	783.0	294.3	1,404.0	6,079.8
2016[2]												
Jan.	13.0	32.8	73.6	33.6	153.0	24.3	17.3	194.6	41.2	7.2	106.4	349.4
Feb.	22.9	44.6	74.0	43.8	185.3	26.1	9.5	220.9	81.5	13.2	459.1	774.7
Mar.	48.4	32.8	84.2	32.4	197.8	21.5	10.8	230.1	73.1	18.7	229.1	551.1

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

[2] Provisional.

Source: NSO.

Table 4.1a Gross domestic product, gross national income and expenditure components (in line with ESA 2010) *(at current market prices)*[1]

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net		
2008	3,605.5	1,209.4	1,203.1	126.0	6,143.9	9,099.7	9,114.9	-15.2	6,128.7	6,032.6
2009	3,742.3	1,213.9	1,114.8	159.9	6,230.9	9,068.9	9,161.2	-92.3	6,138.6	5,805.4
2010	3,814.9	1,286.4	1,411.6	146.6	6,659.6	10,114.1	10,174.2	-60.1	6,599.5	6,321.3
2011	4,028.5	1,344.1	1,266.7	51.2	6,690.4	10,989.8	10,800.7	189.1	6,879.5	6,655.1
2012	4,116.7	1,448.2	1,307.3	-2.7	6,869.5	11,866.1	11,518.2	347.9	7,217.4	6,918.8
2013	4,257.3	1,478.8	1,307.7	93.6	7,137.4	11,945.3	11,417.4	527.9	7,665.3	7,305.9
2014	4,362.0	1,605.6	1,452.3	15.7	7,435.7	12,001.7	11,353.1	648.6	8,084.3	7,897.5
2015	4,653.9	1,704.3	2,195.6	-25.2	8,528.6	12,415.1	12,138.0	277.1	8,805.7	8,640.7
2015										
Q1	1,087.9	406.9	418.9	24.3	1,938.0	2,856.8	2,762.7	94.1	2,032.1	2,009.2
Q2	1,140.7	436.5	615.7	-21.9	2,171.1	3,157.3	3,146.4	10.9	2,182.0	2,150.4
Q3	1,212.6	390.1	628.8	-4.4	2,227.1	3,375.8	3,281.5	94.3	2,321.5	2,278.3
Q4	1,212.7	470.7	532.2	-23.2	2,192.4	3,025.2	2,947.5	77.7	2,270.1	2,202.9
2016										
Q1	1,165.1	443.1	513.6	26.4	2,148.1	2,896.2	2,858.7	37.4	2,185.6	2,150.7

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Sources: NSO; Eurostat.

Table 4.1b Gross domestic product and expenditure components – chain-linked volumes 2010 prices (in line with ESA 2010)[1]

EUR millions

Period	Domestic demand				External balance		Gross Domestic Product[3]
	Private consumption[2]	General government consumption	Gross fixed capital formation	Total[4]	Exports of goods and services	Imports of goods and services	
2008	3,755.0	1,309.9	1,266.3	6,331.2	9,504.5	9,424.0	6,534.6
2009	3,822.7	1,266.2	1,116.4	6,205.3	9,462.8	9,452.5	6,373.7
2010	3,814.9	1,286.4	1,411.6	6,513.0	10,114.1	10,174.2	6,599.5
2011	3,942.6	1,335.0	1,215.0	6,492.5	10,326.4	10,152.1	6,721.7
2012	3,931.3	1,420.0	1,200.7	6,552.0	11,051.3	10,696.2	6,914.4
2013	4,019.2	1,422.0	1,183.7	6,624.9	11,115.4	10,624.5	7,209.5
2014	4,111.9	1,524.0	1,277.7	6,913.6	11,131.0	10,602.1	7,463.4
2015	4,336.7	1,599.4	1,821.1	7,757.2	11,331.5	11,150.6	7,944.4
2015							
Q1	1,017.8	379.5	355.6	1,753.0	2,658.2	2,661.0	1,781.6
Q2	1,059.5	412.2	512.6	1,984.3	2,755.8	2,805.5	1,921.6
Q3	1,133.3	363.6	516.2	2,013.1	3,107.3	2,956.0	2,171.4
Q4	1,126.0	444.1	436.6	2,006.7	2,810.2	2,728.0	2,069.8
2016							
Q1	1,075.7	411.2	413.3	1,900.2	2,671.4	2,728.1	1,874.8

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Chain-linking components of GDP may not add up to the aggregate series mainly because chain-linked volumes are calculated by separately extrapolating both totals and their sub-components. Moreover, results could prove to be erratic when chain-linking for variables with a potentially changing sign. Thus, variables that are regularly susceptible to this phenomenon are not compiled by the NSO.
[4] Not inclusive of changes in inventories due to the issue highlighted in footnote 3 regarding chain-linked components.
Sources: NSO; Eurostat.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2008	81.1	150.8	144.5	205.4	581.7	454.4	97.4	1,133.6	157.3	1,290.9
2009	71.9	127.4	161.7	197.8	558.8	398.5	87.0	1,044.3	138.1	1,182.5
2010	86.5	126.2	221.0	211.1	644.9	415.2	103.5	1,163.6	176.7	1,340.3
2011	103.7	134.4	201.6	213.1	652.8	438.7	116.7	1,208.2	206.8	1,415.0
2012	107.9	137.5	202.2	206.9	654.6	441.3	130.8	1,226.7	216.8	1,443.4
2013[2]	116.5	147.1	233.8	212.2	709.6	454.7	152.5	1,316.8	265.4	1,582.2
2014[2]	125.5	143.1	262.6	221.5	752.7	487.7	176.8	1,417.2	272.6	1,689.8
2015[2]	128.0	142.0	288.3	256.2	814.5	526.1	192.5	1,533.1	257.4	1,790.5
2014										
Jan.	3.6	5.6	11.3	7.9	28.3	19.7	4.7	52.7	16.8	69.5
Feb.	3.4	4.6	9.9	7.3	25.2	23.7	3.5	52.5	12.8	65.3
Mar.	6.7	12.5	16.4	10.2	45.8	29.5	5.9	81.2	16.6	97.8
Apr.	11.9	13.5	24.7	18.5	68.6	43.9	14.2	126.7	21.5	148.2
May	18.3	10.2	19.8	24.5	72.9	48.9	17.8	139.5	27.0	166.5
June	13.9	14.5	23.8	24.1	76.3	51.4	19.1	146.7	30.7	177.4
July	13.5	9.4	30.2	29.2	82.2	50.7	29.3	162.2	35.2	197.4
Aug.	20.7	18.0	47.9	32.7	119.2	60.0	24.3	203.4	31.7	235.1
Sep.	11.0	17.5	28.3	25.3	82.0	55.5	21.0	158.5	26.9	185.4
Oct.	13.4	18.2	21.8	23.0	76.4	52.4	21.9	150.7	27.2	178.0
Nov.	6.3	11.6	15.6	12.0	45.4	32.5	9.6	87.5	15.4	102.9
Dec.	3.0	7.4	13.1	6.8	30.4	19.6	5.5	55.5	10.7	66.2
2015										
Jan.	5.1	7.5	13.7	8.5	34.8	21.3	5.1	61.2	13.1	74.3
Feb.	5.0	7.1	13.3	8.7	34.1	24.2	5.9	64.2	10.0	74.2
Mar.	6.9	10.0	19.0	11.2	47.1	31.9	7.5	86.6	14.6	101.2
Apr.	11.9	14.9	23.8	23.7	74.3	44.6	15.9	134.8	17.1	151.9
May	18.6	12.2	25.8	29.0	85.6	49.7	20.0	155.3	21.9	177.2
June	13.0	12.4	28.7	28.0	82.1	56.5	19.7	158.3	25.5	183.8
July	13.6	10.2	33.0	30.8	87.5	55.8	27.4	170.7	36.0	206.6
Aug.	20.3	15.9	51.2	36.7	124.1	65.7	26.0	215.7	30.8	246.5
Sep.	10.4	14.4	29.0	26.9	80.7	60.0	21.8	162.4	30.1	192.6
Oct.	13.9	18.5	21.5	27.3	81.3	60.5	25.1	166.8	29.9	196.7
Nov.	5.6	12.2	15.6	15.9	49.3	34.6	11.9	95.8	17.2	113.0
Dec.	3.8	6.7	13.7	9.5	33.7	21.4	6.3	61.3	11.2	72.6
2016										
Jan.	3.8	7.9	17.5	10.3	39.4	23.2	8.4	71.1	13.7	84.8
Feb.	5.5	7.7	14.5	8.7	36.4	26.8	6.0	69.3	11.7	81.0
Mar.	6.4	11.3	19.0	15.5	52.3	37.0	10.4	99.7	15.8	115.5

[1] Based on the NSO's inbound tourism survey. Data refer to tourist departures by air and sea.

[2] Provisional.

Source: NSO.

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2008	104.7	47.4	152.1	99.9	46.0	145.9	4.8	4.5	1.4	2.9	6.1	4.0
2009	104.3	48.5	152.8	98.6	46.8	145.5	5.7	5.5	1.7	3.5	7.4	4.8
2010	104.1	49.7	153.8	98.7	48.2	146.9	5.4	5.2	1.5	2.9	6.9	4.5
2011	104.6	52.0	156.6	99.4	50.7	150.1	5.1	4.9	1.4	2.7	6.5	4.2
2012	105.4	54.3	159.8	100.1	52.8	152.9	5.3	5.0	1.5	2.8	6.8	4.3
2013[3]	107.3	57.5	164.8	101.7	55.8	157.5	5.6	5.2	1.8	3.1	7.4	4.5
2014[3]	109.9	60.7	170.7	104.6	59.0	163.7	5.3	4.8	1.7	2.8	7.0	4.1
2014[3]												
Jan.	108.7	59.3	168.0	102.8	57.4	160.2	5.9	5.4	1.9	3.2	7.8	4.6
Feb.	109.0	59.5	168.5	103.1	57.6	160.7	5.8	5.4	1.9	3.2	7.8	4.6
Mar.	109.1	59.7	168.8	103.3	57.8	161.2	5.8	5.3	1.9	3.1	7.6	4.5
Apr.	109.3	59.8	169.1	103.7	58.1	161.8	5.6	5.1	1.7	2.9	7.3	4.3
May	109.4	60.0	169.4	104.0	58.3	162.3	5.4	5.0	1.7	2.8	7.1	4.2
June	110.0	60.8	170.7	104.8	59.2	164.0	5.2	4.7	1.6	2.6	6.8	4.0
July	110.6	61.3	171.9	105.5	59.7	165.1	5.2	4.7	1.6	2.7	6.8	4.0
Aug.	110.4	61.3	171.7	105.4	59.6	165.0	5.1	4.6	1.6	2.7	6.7	3.9
Sep.	110.7	61.6	172.3	105.7	60.0	165.7	5.0	4.5	1.6	2.6	6.6	3.8
Oct.	110.9	61.9	172.8	105.9	60.3	166.2	5.0	4.5	1.6	2.6	6.6	3.8
Nov.	110.9	61.9	172.9	106.0	60.4	166.4	4.9	4.5	1.6	2.5	6.5	3.8
Dec.	110.3	61.7	172.1	105.5	60.2	165.8	4.8	4.4	1.5	2.4	6.3	3.7
2015[3]												
Jan.	110.7	62.1	172.8	105.9	60.5	166.4	4.8	4.4	1.5	2.5	6.4	3.7
Feb.	111.1	62.5	173.5	106.4	61.0	167.4	4.7	4.2	1.5	2.4	6.2	3.6
Mar.	111.2	62.8	174.0	106.8	61.3	168.1	4.5	4.0	1.4	2.3	5.9	3.4
Apr.	111.4	63.0	174.4	107.2	61.6	168.8	4.2	3.7	1.4	2.2	5.6	3.2
May	111.3	63.2	174.4	107.3	61.8	169.1	4.0	3.6	1.4	2.2	5.3	3.1
June	111.9	63.7	175.5	108.0	62.4	170.3	3.9	3.5	1.3	2.1	5.4	3.1
July	112.5	64.3	176.8	108.8	63.0	171.7	3.8	3.3	1.3	2.0	5.1	2.9
Aug.	112.7	64.6	177.3	109.0	63.3	172.3	3.6	3.2	1.3	2.0	4.9	2.8
Sep.	112.7	64.9	177.6	109.1	63.6	172.7	3.7	3.2	1.3	1.9	4.9	2.8
Oct.	112.7	65.1	177.8	109.0	63.9	172.9	3.7	3.3	1.2	1.9	4.9	2.8
Nov.	112.9	65.4	178.4	109.3	64.3	173.6	3.6	3.2	1.2	1.8	4.8	2.7

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: ETC.

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2008	111.9	56.8	168.7	105.6	53.0	158.6	6.2	5.6	3.8	6.8	10.1	6.0
2009	112.9	58.4	171.3	105.6	53.9	159.5	7.3	6.5	4.5	7.7	11.8	6.9
2010	114.4	60.2	174.6	106.7	55.9	162.6	7.7	6.7	4.3	7.1	12.0	6.8
2011	115.0	62.9	177.9	108.2	58.4	166.6	6.9	6.0	4.5	7.1	11.3	6.4
2012	114.9	66.9	181.8	108.3	62.0	170.3	6.6	5.7	4.9	7.3	11.5	6.3
2013	117.2	70.7	187.9	109.6	66.3	175.9	7.6	6.5	4.4	6.2	12.0	6.4
2014[3]	119.1	73.8	192.9	111.9	69.8	181.7	7.3	6.1	3.9	5.3	11.2	5.8
2015[3]	120.5	75.8	196.3	113.9	71.9	185.7	6.6	5.5	4.0	5.2	10.6	5.4
2015[3]												
Q1	119.7	72.9	192.5	112.6	68.9	181.5	7.1	5.9	4.0	5.4	11.0	5.7
Q2	118.9	76.5	195.5	112.3	72.5	184.9	6.6	5.5	4.0	5.2	10.6	5.4
Q3	121.8	78.3	200.1	115.2	74.4	189.6	6.6	5.4	3.9	4.9	10.5	5.2
Q4	121.6	75.6	197.2	115.3	71.6	186.9	6.3	5.2	4.0	5.3	10.3	5.2

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: NSO.

Table 4.5 Property prices index based on advertised prices *(base 2000 = 100)*[1]

Period	Total	Apartments	Maisonettes	Terraced houses	Others[2]
2008	174.1	172.7	181.4	201.5	173.7
2009	165.3	162.2	173.7	207.8	169.6
2010	167.1	166.4	171.8	199.4	178.5
2011	169.3	173.0	174.5	197.6	172.5
2012	170.1	172.5	173.5	185.5	172.4
2013	173.7	175.1	184.5	193.0	179.7
2014	185.7	189.3	183.6	203.2	202.6
2015	197.4	203.7	201.3	208.3	210.5
2015					
Q1	193.1	200.0	199.6	194.5	193.0
Q2	193.1	200.5	193.5	201.4	216.1
Q3	195.9	203.6	199.3	208.0	211.0
Q4	207.5	210.7	212.9	229.2	221.7
2016					
Q1	212.3	215.6	226.6	232.7	207.9

[1] As the statistical methodologies underpinning the total and the components are different, the change in the components does not necessarily reflect the change in the total.
[2] Consists of town houses, houses of character and villas.
Source: Central Bank of Malta estimates.

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

Period	Commercial and social								Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking	Total		
2008	182	29	137	6	14	8	66	442	2,475	2,917
2009	160	31	123	6	20	23	47	410	2,281	2,691
2010	293	55	231	10	46	118	79	832	1,522	2,354
2011	192	33	256	4	47	74	49	655	1,065	1,720
2012	169	33	247	17	32	87	58	643	955	1,598
2013	123	33	266	15	49	43	47	576	964	1,540
2014	124	35	347	29	42	55	78	710	921	1,631
2015	221	21	403	21	54	77	101	898	824	1,722

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

[2] Includes quarrying.

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

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

[5] Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works, infrastructure, monuments, embellishment projects, boathouses and yacht marinas, light industry, waste management facilities and others.

Source: Malta Environment & Planning Authority.

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

Period	Number of permits[2]			Number of units[3]				
	New dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2008	1,770	375	2,145	6,184	361	164	127	6,836
2009	1,241	368	1,609	4,616	400	182	100	5,298
2010	1,499	1,020	2,519	3,736	375	227	106	4,444
2011	1,159	832	1,991	3,276	401	191	87	3,955
2012	958	700	1,658	2,489	298	202	75	3,064
2013	1,004	808	1,812	2,062	350	209	84	2,705
2014	1,074	971	2,045	2,221	414	204	98	2,937
2015	1,254	1,171	2,425	3,019	471	342	115	3,947

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

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

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

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

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

Year	Index	Inflation rate (%)
1946	100.00	-
1947	104.90	4.90
1948	113.90	8.58
1949	109.70	-3.69
1950	116.90	6.56
1951	130.10	11.29
1952	140.30	7.84
1953	139.10	-0.86
1954	141.20	1.51
1955	138.80	-1.70
1956	142.00	2.31
1957	145.70	2.61
1958	148.30	1.78
1959	151.10	1.89
1960	158.80	5.10
1961	164.84	3.80
1962	165.16	0.19
1963	168.18	1.83
1964	172.00	2.27
1965	174.70	1.57
1966	175.65	0.54
1967	176.76	0.63
1968	180.42	2.07
1969	184.71	2.38
1970	191.55	3.70
1971	196.00	2.32
1972	202.52	3.33
1973	218.26	7.77
1974	234.16	7.28
1975	254.77	8.80
1976	256.20	0.56
1977	281.84	10.01
1978	295.14	4.72
1979	316.21	7.14
1980	366.06	15.76
1981	408.16	11.5
1982	431.83	5.80
1983	428.06	-0.87
1984	426.18	-0.44
1985	425.17	-0.24
1986	433.67	2.00
1987	435.47	0.42
1988	439.62	0.95
1989	443.39	0.86
1990	456.61	2.98
1991	468.21	2.54
1992	475.89	1.64
1993	495.59	4.14
1994	516.06	4.13
1995	536.61	3.98
1996	549.95	2.49
1997[2]	567.95	3.27
1998	580.61	2.23
1999	593	2.13
2000	607.07	2.37
2001	624.85	2.93
2002	638.54	2.19
2003	646.84	1.30
2004	664.88	2.79
2005	684.88	3.01
2006	703.88	2.77
2007	712.68	1.25
2008	743.05	4.26
2009	758.58	2.09
2010	770.07	1.51
2011	791.02	2.72
2012	810.16	2.42
2013	821.34	1.38
2014	823.89	0.31
2015	832.95	1.10

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

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

Table 4.9 Main categories of Retail Price Index *(base December 2009 = 100)*

Period	All Items Index	12-month moving average rates of change (%)[1]											
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2008	97.8	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
2009	99.8	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
2010	101.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
2011	104.1	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2012	106.6	2.4	4.7	4.4	-1.7	0.4	1.3	2.1	2.1	1.1	1.2	4.4
2013	108.1	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5
2014	108.4	0.3	0.5	4.4	0.9	0.5	-13.8	1.5	-0.5	1.1	2.9	0.5
2015	109.6	1.1	3.0	3.5	1.9	0.8	-6.5	1.0	-1.5	1.3	2.5	2.2
2014												
Jan.	107.3	1.2	4.4	4.5	0.0	1.0	-0.6	1.4	-2.4	2.2	2.2	0.3
Feb.	107.8	1.2	4.0	4.8	-0.1	0.9	-0.6	1.4	-2.2	2.1	2.2	0.1
Mar.	108.4	1.1	3.7	5.1	-0.1	0.8	-0.6	1.5	-2.2	2.0	2.2	-0.1
Apr.	108.1	1.0	3.2	5.3	-0.6	0.7	-2.0	1.5	-1.9	1.9	2.2	-0.2
May	108.2	0.8	2.8	5.2	-0.5	0.6	-3.5	1.6	-2.1	1.8	2.3	-0.2
June	108.4	0.7	2.2	5.2	-0.3	0.5	-4.9	1.9	-2.0	1.7	2.5	-0.2
July	108.3	0.5	1.7	5.1	-0.7	0.5	-6.4	2.0	-1.9	1.6	2.6	-0.2
Aug.	108.1	0.4	1.1	5.0	-0.5	0.6	-7.9	2.1	-1.8	1.5	2.8	-0.1
Sep.	108.4	0.3	0.7	4.9	0.1	0.6	-9.4	2.0	-1.5	1.4	2.9	0.0
Oct.	108.9	0.3	0.5	4.8	0.7	0.5	-10.9	1.8	-1.1	1.4	2.9	0.1
Nov.	109.5	0.4	0.7	4.7	0.7	0.5	-12.4	1.7	-0.7	1.3	2.9	0.2
Dec.	109.7	0.3	0.5	4.4	0.9	0.5	-13.8	1.5	-0.5	1.1	2.9	0.5
2015												
Jan.	108.0	0.3	0.8	4.1	1.2	0.5	-15.4	1.2	-0.3	1.1	2.8	0.7
Feb.	108.6	0.3	1.1	3.8	1.2	0.4	-17.0	1.0	-0.4	1.1	2.7	0.9
Mar.	109.1	0.2	1.3	3.5	1.5	0.4	-18.7	0.7	-0.4	1.0	2.7	1.0
Apr.	109.8	0.4	1.6	3.3	2.4	0.4	-17.5	0.6	-0.6	1.0	2.6	1.3
May	109.6	0.5	1.7	3.2	2.9	0.4	-16.2	0.4	-0.4	1.0	2.5	1.5
June	109.8	0.6	2.0	3.1	3.0	0.4	-14.9	0.1	-0.4	1.0	2.4	1.7
July	109.5	0.7	2.1	3.1	3.1	0.4	-13.6	0.1	-0.5	1.1	2.4	1.8
Aug.	109.5	0.8	2.3	3.1	3.2	0.5	-12.2	0.0	-0.5	1.1	2.3	1.9
Sep.	109.9	0.9	2.6	3.1	2.6	0.5	-10.8	0.4	-0.7	1.2	2.3	2.0
Oct.	110.4	1.0	2.8	3.1	2.2	0.6	-9.4	0.7	-0.9	1.2	2.4	2.1
Nov.	110.5	1.0	2.7	3.3	2.1	0.7	-8.0	0.9	-1.2	1.2	2.5	2.2
Dec.	110.8	1.1	3.0	3.5	1.9	0.8	-6.5	1.0	-1.5	1.3	2.5	2.2
2016												
Jan.	108.6	1.1	2.7	3.6	2.0	0.9	-4.9	1.3	-1.8	1.4	2.7	2.2
Feb.	108.9	1.0	2.2	3.7	1.9	1.1	-3.2	1.5	-1.9	1.4	2.8	2.1
Mar.	109.7	1.0	2.0	3.8	1.4	1.2	-1.4	1.7	-2.0	1.4	2.8	2.1
Apr.	110.3	0.9	1.7	3.9	0.5	1.3	-1.4	1.8	-2.0	1.4	2.7	2.1

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

Source: NSO.

Table 4.10 Main categories of Harmonised Index of Consumer Prices *(base 2015 = 100)*

Period	All Items Index	12-month moving average rates of change (%)												
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2008	88.3	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
2009	90.0	1.8	6.4	3.6	-0.4	7.0	1.0	4.4	-4.3	-1.3	-0.6	6.9	1.3	2.2
2010	91.8	2.0	1.1	3.3	-2.3	10.1	1.1	2.0	2.2	-6.0	-1.7	7.8	5.5	3.4
2011	94.1	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2012	97.1	3.2	5.7	4.2	-1.5	0.4	3.2	1.7	4.8	-6.6	0.6	3.6	6.1	2.1
2013	98.1	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-1.0	-8.8	2.2	4.4	-1.0	1.7
2014	98.8	0.8	0.2	7.7	0.8	-6.1	1.9	0.8	0.0	-1.0	1.3	6.4	2.4	0.8
2015	100.0	1.2	2.4	5.0	2.1	-2.0	1.1	1.5	-1.6	-1.2	1.7	6.3	1.8	2.6
2014														
Jan.	95.5	0.9	4.0	6.9	0.5	0.6	1.7	1.7	-1.2	-8.1	2.0	4.9	-1.1	1.5
Feb.	96.2	0.8	3.6	7.7	0.3	0.6	1.7	1.6	-1.2	-7.4	1.9	5.4	-0.9	1.2
Mar.	97.1	0.8	3.3	8.4	0.4	0.6	1.8	1.5	-1.3	-6.6	1.7	5.9	-0.7	1.1
Apr.	99.0	0.8	2.8	8.9	-0.1	-0.1	1.8	1.4	-1.1	-6.0	1.6	6.0	-0.4	1.0
May	100.0	0.8	2.5	8.9	-0.1	-0.9	1.8	1.3	-1.3	-5.3	1.4	6.2	0.1	0.9
June	101.1	0.8	2.0	8.9	0.0	-1.6	2.1	1.3	-1.2	-4.6	1.4	6.3	0.6	0.9
July	101.1	0.8	1.4	8.8	-0.5	-2.3	2.3	1.2	-1.1	-4.0	1.3	6.5	1.1	0.8
Aug.	101.3	0.8	0.9	8.7	-0.3	-2.9	2.4	1.2	-1.0	-3.3	1.3	6.6	1.6	0.8
Sep.	100.3	0.8	0.5	8.6	0.2	-3.6	2.2	1.1	-0.7	-2.5	1.3	6.8	1.8	0.8
Oct.	99.7	0.8	0.4	8.5	0.8	-4.4	2.2	1.0	-0.4	-1.7	1.3	6.6	1.9	0.8
Nov.	97.5	0.8	0.4	8.4	0.7	-5.3	2.1	0.9	-0.2	-0.9	1.3	6.5	2.2	0.7
Dec.	97.4	0.8	0.2	7.7	0.8	-6.1	1.9	0.8	0.0	-1.0	1.3	6.4	2.4	0.8
2015														
Jan.	96.3	0.8	0.4	7.0	1.1	-6.9	1.7	0.8	0.2	-1.1	1.4	6.3	2.5	1.1
Feb.	96.8	0.7	0.5	6.3	1.1	-7.7	1.4	0.7	0.1	-1.0	1.4	6.2	2.5	1.3
Mar.	97.6	0.6	0.7	5.7	1.4	-8.6	1.0	0.7	0.0	-1.0	1.4	6.2	2.5	1.5
Apr.	100.4	0.7	0.9	5.2	2.2	-7.9	0.8	0.6	-0.2	-1.0	1.4	6.2	2.4	1.7
May	101.3	0.8	0.9	5.0	2.7	-7.2	0.6	0.7	-0.1	-0.9	1.3	6.2	2.4	1.9
June	102.3	0.8	1.2	4.8	2.9	-6.5	0.2	0.8	-0.2	-0.9	1.3	6.3	2.3	2.1
July	102.3	0.8	1.4	4.7	3.1	-5.8	0.1	0.8	-0.4	-0.8	1.4	6.3	2.2	2.2
Aug.	102.7	0.9	1.6	4.6	3.2	-5.1	0.1	1.0	-0.6	-0.8	1.5	6.4	2.0	2.3
Sep.	101.9	1.0	1.9	4.6	2.7	-4.4	0.5	1.1	-0.9	-0.7	1.6	6.4	1.9	2.4
Oct.	101.2	1.0	2.1	4.5	2.3	-3.6	0.8	1.2	-1.1	-0.8	1.8	6.5	1.9	2.5
Nov.	98.7	1.1	2.2	4.8	2.2	-2.8	0.9	1.3	-1.4	-1.0	1.8	6.4	1.9	2.6
Dec.	98.6	1.2	2.4	5.0	2.1	-2.0	1.1	1.5	-1.6	-1.2	1.7	6.3	1.8	2.6
2016														
Jan.	97.1	1.2	2.3	5.2	2.2	-1.1	1.4	1.6	-1.8	-1.2	1.6	6.2	1.7	2.5
Feb.	97.7	1.2	2.1	5.4	2.1	-0.2	1.7	1.9	-1.9	-1.2	1.6	6.1	1.6	2.3
Mar.	98.6	1.3	2.0	5.5	1.7	0.7	2.1	2.1	-1.9	-1.3	1.5	6.0	1.5	2.2
Apr.	101.2	1.2	1.9	5.6	0.9	0.8	2.4	2.2	-1.9	-1.4	1.3	6.0	1.6	2.0

Sources: NSO; Eurostat.

GENERAL NOTES

MONETARY, BANKING, INVESTMENT FUNDS, FINANCIAL MARKETS

General monetary statistical standards

Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's Monetary and Financial Statistics Manual (2000). Since June 2014, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2013/33 of 24 September 2013 concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the European System of National and Regional Accounts (ESA 2010). As from September 2014, ESA 1995 was replaced by the European System of National and Regional Accounts (ESA 2010).

Institutional balance sheets and financial statements

The "Financial statement of the Central Bank of Malta" is based on accounting principles as established in ECB Guideline 2010/20 (as amended) of 11 November 2010 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in the "Balance sheet of the Central Bank of Malta based on statistical principles", which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2013/33. 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 Regulation ECB/2013/33 (Recast).

Determination of "residence"

Monetary data are based on the classification of transactions and positions by the residence of the transactor or holder. A transactor is an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. ESA 2010 stipulates that the units which constitute the economy of a country are those which are resident in the economy. An institutional unit is resident in a country when it has its "centre of predominant economic interest" in the economic territory of that country. Such units are known as resident units, irrespective of nationality, legal form or presence on the economic territory at the time they carry out a transaction. "Centre of predominant economic interest" indicates that a location exists within the economic territory of a country where a unit engages in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). The ownership of land and buildings within the economic territory is deemed to be sufficient for the owner to have a centre of predominant economic interest there. In the absence of any physical dimension to an enterprise, its residence is determined according to the economic territory under whose laws the enterprise is incorporated or registered.

Whereas special purposes entities (SPE) were classified as non-residents, in accordance with ESA 1995, ESA 2010 requires that these are classified as residents of Malta. Data has been revised at least as from June 2010. An SPE is usually a limited company or a limited partnership, created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific

taxation or a regulatory risk. There is no common definition of an SPE, but the following characteristics are typical: they have only few employees and do not have non-financial assets; they have little physical presence beyond a "brass plate" or sign confirming their place of registration; they are always related to another corporation, often as a subsidiary; and they are resident in a different territory from the territory of residence of the related corporations.

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

In national monetary statistics, the key distinction between residents and non-residents of Malta remains relevant for national statistical purposes. After Malta joined the euro area, the key distinction, in particular for the purposes of the table entitled, "The contribution of resident MFIs to the euro area monetary aggregates" 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 2010 and ECB Regulation 2013/33 (Recast), the main sectors of the Maltese (and euro area) economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Financial corporations
  (1) Monetary financial institutions (MFIs)
    i. Central bank
    ii. Other monetary financial institutions/Deposit-taking corporations

  (2) Other financial corporations
    i. Non-MMF Investment Funds
    ii. Other financial intermediaries and financial auxiliaries
    iii. Captive Financial Institutions and money lenders

(b) Insurance corporations and pension funds

(c) General government
    i. Central government
    ii. Other General Government

(d) Non-financial corporations
    i. Public non-financial corporations
    ii. Private non-financial corporations

(e) 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, 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 subclassified by sector according to their primary activity).

(a) Financial corporations

The financial corporations sector comprises the monetary financial institutions (MFIs) sector and the rest of the financial corporations sector, the latter known as the other financial corporations (OFIs) sector:

(1) 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 conducts financial market operations, and holds the international reserves of the country. The Central Bank of Malta is part of the Eurosystem, which comprises the ECB and the NCBs of the member countries of the euro area.

ii. Other monetary financial institutions (OMFIs) also referred to as Deposit-taking corporations 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 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/, a credit institution is an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account. OMFIs include the resident branches and subsidiaries of banks with headquarters abroad.

Money Market Funds (MMFs) fulfil the MFI definition and the agreed conditions for liquidity and are therefore included in the OMFI sector. MMFs are defined as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments.

(2) Other financial corporations consist of:

i. Non-MMF Investment Funds

The non-MMF Investment Funds subsector consists of all collective investment schemes which are principally engaged in financial intermediation. MMFs are excluded from this sub-sector. The business of the non-MMF Investment Funds sector is to issue investment fund shares or units which are not close substitutes for deposits and on their own account to make investments primarily in financial assets other than short-term financial assets and in non-financial assets (usually real estate)

ii. 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: financial vehicle corporations engaged in securitisation transactions, long-term financing, financial leasing, factoring, security and derivative dealing.

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: Payment institutions 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, companies providing stock exchange and insurance exchange services and Head Offices whose subsidiaries are all or mostly financial corporations.

iii. Captive Financial Institutions and money lenders

In accordance with ESA 2010, holding corporations are to be classified within the financial sector as captive financial institutions. The adoption of ESA 2010 in the domestic context required a reclassification resulting in a shift of financial assets and liabilities from the non-financial corporations sector to the financial corporations sector. Special Purpose Entities (SPEs) are to be classified under this subsector with the exception of captive insurance companies and professional investment funds which will be classified in the insurance sector and investment funds categories, respectively.

(b) 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 are principally engaged in such activities mainly in the form of direct insurance or reinsurance. They 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. This sector also includes services of reinsurance to other insurance corporations and captive insurance companies. The latter consists of insurers which are normally owned by a non-financial corporation and mostly insure the risks of their shareholders.

Pension funds are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability.

(c) 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 2010) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 2010), 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).

(d) 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 non-monetary 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.

(e) 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. They are separate legal entities, serving households and which are private non-market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income. They are 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 EC No 1893/2006 of the European Parliament and of the Council of 20 December 2006, entitled "Statistical classification of economic activities in the European Community", known by the acronym NACE Rev.2.

Measures of money

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 (comprising the ECB and the national central banks of the other EU Member States in the euro area) 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 Table entitled "The contribution of resident MFIs to the euro area monetary aggregates" shows 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; repurchase agreements that are not conducted through central counterparties; 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 issued, this part of the Maltese contribution to euro area M3 may be negative); and MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area. Similarly, in the Table entitled "The contribution of resident MFIs to selected counterparts to euro area M3", the "credit counterpart" to euro area M3 contributed by Maltese MFIs 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. The computation of the net claims on non-residents of the euro area consist of 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. "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. The local credit institutions must submit data to the Central Bank of Malta not later than fifteen calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions report monthly financial information to the Central Bank of Malta in line with ECB Regulation 2013/33 (Recast) and (recast) Guideline of the ECB of 4 April 2014 on monetary and financial statistics (ECB/2014/15). 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.

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. Claims include assets in the form of loans, deposits and repurchase agreements (or repos). Financial assets and liabilities that have demonstrable value – as well as non-financial assets – are considered as on-balance sheet items. Other financial instruments, whose value is conditional on the occurrence of uncertain future events, such as contingent instruments, are not recorded on the statistical balance sheet.

Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19th working day of the month following the reference month. The ECB also publishes a 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

In line with ESA 2010 the Table entitled "Aggregated statement of assets and liabilities – investment funds" comprise the statistics submitted to the Central Bank of Malta by all IF registered by the Malta Financial Services Authority (MFSA). IF submit such data to the CBM on a monthly, quarterly or annual basis depending on the size of their balance sheet. The definitions, methodology and standards of reporting are in line with Regulation (EU) No 1073/2013 of the ECB of 18 October 2013 concerning statistics on the assets and liabilities of IF (recast). Accounting rules followed by IF for reporting under this Regulation are those laid down in the relevant national law implementing Council Directive 86/635/EEC of December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions or, if the former is not applicable, in any other national or international standards that apply to IFs.

The IF sector excludes all money market funds as, according to ECB Regulation 2013/33 (Recast), these form part of the MFI sector. 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.

Insurance corporations

The table entitled "Aggregated statement of assets and liabilities – insurance corporations" shows the aggregated statement of assets and liabilities of all the IC registered in Malta by the MFSA. The IC sector comprises non-monetary financial institutions principally engaged in financial intermediation as the consequence of the pooling of risk. Therefore, the principal function of insurance corporations is the provision of life, accident, health, fire, reinsurance and/or other forms of insurance. Such statistics are based on standards specified in ESA 2010, while accounting rules are those laid down in the relevant national law implementing the European Council Directive 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings. All financial assets and liabilities are reported on a gross basis and are generally valued at market or fair value.

Financial markets

Tables 1.16 and 1.17 show, respectively, the debt securities and quoted shares issued by sectors of resident issuers. As from June 2010, statistics are in line with ESA 2010 and include all issuances of securities and shares in foreign exchanges. Debt securities 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 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.

Monetary financial institutions interest rate (MIR) statistics 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/2014/30 (as amended) of 8 July 2014 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.

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, the financial market interest rates shown 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.

All outstanding Treasury bills and government securities denominated in Maltese lira 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.

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.

FINANCIAL ACCOUNTS STATISTICS

Financial accounts statistics form part of the general statistical framework of a country's economy known as the "national accounts". Such statistics show the most relevant financial assets and liabilities of the total economy and such instruments vis-à-vis their counterpart institutional sector i.e. financial corporations, general government, non-financial corporations, households & non-profit institutions and the rest of the world (the rest of the world account shows the financial claims of residents on non-residents, or vice versa). Institutional sector classification is fundamental since, for instance, it identifies those sectors that hold or issue financial instruments. Statistics are being presented in non-consolidated matrix format and all information is being presented in the form of a balance sheet i.e. in outstanding stock positions. The two tables in this section are compiled on an annual basis and in accordance with the methodological framework established in the European System of Accounts 2010 (ESA 2010). Regulating the compilation of these statistics is also the (recast) Guideline of the European Central Bank of 25 July 2013 (ECB/2013/24) on the statistical reporting requirements in the field of quarterly financial accounts as well as Regulation (EC) No 1392/2007 of the European Parliament and of the Council of 13 November 2007 with respect to the transmission of national accounts' data.

GOVERNMENT FINANCE STATISTICS

Tables in this section show the general government fiscal position compiled on the basis of ESA 10 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 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.

The Table 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 privatization receipts or the utilization 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, 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 is generally consistent with the IMF's External debt statistics - guide for compilers and users. Debt is recognised when disbursement of funds is effected.

EXTERNAL STATISTICS

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics are generally in line with the IMF Balance of Payments Manual (BPM06) and in accordance with Guideline ECB/2011/23 and ECB/2013/25 (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.

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.

REAL ECONOMY INDICATORS (SELECTED)

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 2010 standards. Labour market statistics are also compiled on the basis of the NSO's Labour Force Survey (LFS). 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 the 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 Part 1 and Part 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 2008/9. The HICP by contrast 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 significantly for the monthly disparities between the RPI and the HICP. The sources of the data used in the compilation of the Central Bank of Malta's property prices index are the advertisements for the sale of properties in all localities in Malta and Gozo published in a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month within the 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.