

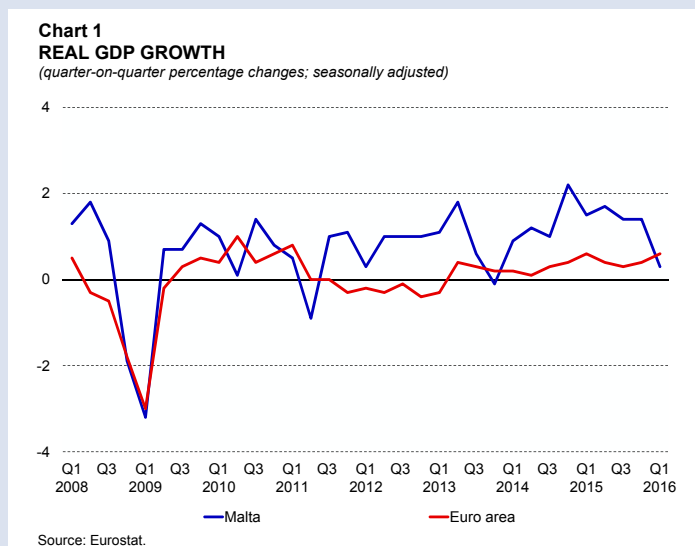
SUPPLEMENT TO THE QUARTERLY REVIEW 2016:1

Gross domestic product in the first quarter of 2016

Real GDP continues to expand strongly

According to provisional gross domestic product (GDP) figures, the Maltese economy continued to grow strongly during the first quarter of 2016.¹ Real GDP rose by 5.2% in annual terms, following an upwardly revised rate of 6.2% in the last quarter of 2015, driven entirely by domestic demand.²

In seasonally adjusted terms, real GDP in Malta expanded by 0.3% on a quarter-on-quarter basis, down from 1.4% in the previous quarter (see Chart 1). On the other hand, the euro area economy grew by 0.6% in the first quarter, up from 0.4% in the previous quarter.



Domestic demand remains the driver of GDP growth

During the first quarter of 2016, domestic demand continued to sustain economic activity. On an annual basis, domestic demand rose by 8.3% and contributed 8.2 percentage points to real GDP growth (see Table 1).

An increase in gross fixed capital formation was the primary factor supporting this expansion, followed by private consumption. Government consumption also contributed positively, though to a lesser extent. Changes in inventories had a negligible impact on economic activity.

Gross fixed capital formation continued to increase strongly during the quarter, rising by 16.2% on a year earlier. This increase mostly stemmed from investment spending on machinery and transport equipment, which was boosted by the expansion of aviation services. Spending on dwellings, as well as investment in intellectual property, also increased. On the other hand, non-residential construction declined in annual terms. Overall, gross fixed capital formation contributed 3.4 percentage points to real GDP growth.

¹ See NSO *News Release* 091/2016 published on 8 June 2016. These statistics are not commented on in the main text of the *Quarterly Review* 2016:1, as they became available after the *Review's* cut-off date.

² NSO *News Release* 041/2016 had shown that real GDP had increased at an annual rate of 5.7% in the fourth quarter of 2015, as commented in the main text of this *Review*. These figures were revised in NSO *News Release* 091/2016. Therefore, figures for the last quarter of 2015 and for preceding quarters in the main text of the *Review* do not tally with the ones referred to in this Supplement.

Table 1
GROSS DOMESTIC PRODUCT⁽¹⁾

	2015				2016
	Q1	Q2	Q3	Q4	Q1
	<i>Annual percentage changes</i>				
Private final consumption expenditure	3.7	3.9	7.1	6.9	5.7
Government final consumption expenditure	4.5	5.5	-1.9	11.1	8.4
Gross fixed capital formation	5.3	72.6	80.3	22.4	16.2
Domestic demand	4.7	16.1	20.2	7.5	8.3
Exports of goods and services	-0.9	2.7	3.2	2.1	0.5
Imports of goods and services	-1.8	8.7	11.3	2.7	2.5
Gross domestic product	6.3	6.8	6.5	6.2	5.2
	<i>Percentage point contributions</i>				
Private final consumption expenditure	2.1	2.1	3.7	3.7	3.1
Government final consumption expenditure	0.9	1.2	-0.3	2.2	1.7
Gross fixed capital formation	1.2	12.6	11.8	4.3	3.4
Changes in inventories	0.5	-0.9	1.4	-3.2	0.0
Domestic demand	4.7	15.0	16.6	7.0	8.2
Exports of goods and services	-1.7	4.1	4.7	3.0	0.7
Imports of goods and services	3.3	-12.3	-14.8	-3.8	-3.6
Net exports	1.7	-8.3	-10.1	-0.8	-3.0
Gross domestic product	6.3	6.8	6.5	6.2	5.2

⁽¹⁾ Chain-linked volumes, reference year 2010.

Sources: NSO; Central Bank of Malta calculations.

Meanwhile, private consumption increased further, rising by 5.7% on a year earlier, with a contribution of 3.1 percentage points to economic growth. Though still vigorous, private consumption expanded less rapidly than it did in the final quarter of 2015. Growth in private consumption was sustained by increases in employee compensation.

Government consumption also increased on an annual basis, going up by 8.4% in the first quarter of 2016, and contributed 1.7 percentage points to GDP growth. In nominal terms, both intermediate consumption and, to a lesser extent, compensation of employees rose on their year-ago levels.

Net exports continue to dampen growth

In line with the pattern observed in recent quarters, imports continued to outpace exports. Consequently, net exports declined, dampening real GDP growth by 3.0 percentage points.

Export growth moderated from the previous quarter. Exports rose by 0.5% on a year earlier, following a 2.1% increase in the last quarter of 2015.

Strong growth in domestic demand fuelled import growth. Still, the annual rate of growth of imports also eased slightly to 2.5% from 2.7% in the previous quarter.

Slower growth in both exports and imports was driven by trade in goods. In contrast, after having fallen in the final quarter of 2015, exports and imports of services expanded in annual terms.