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ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ecu	european currency unit
EEA	European Economic Area
EMU	Economic and Monetary Union
EONIA	Euro OverNight Index Average
ERM II	exchange rate mechanism II
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
ETC	Employment and Training Corporation
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FI	fungibility issue
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
LFS	Labour Force Survey
MIGA	Multilateral Investment Guarantee Agency
MFI	Monetary Financial Institution
MFSA	Malta Financial Services Authority
MSE	Malta Stock Exchange
NACE Rev. 1	Statistical classification of economic activities in the European Community
NCB	national central bank
NPISH	Non-Profit Institutions Serving Households
NSO	National Statistics Office
OECD	Organisation for Economic Co-operation and Development
OMFI	Other Monetary Financial Institution
OPEC	Organisation of Petroleum Exporting Countries
RPI	Retail Price Index

FOREWORD[1]

After having raised the minimum bid rate on its main refinancing operations by 25 basis points to 4.25% in July, the Governing Council of the ECB left official interest rates unchanged throughout the remainder of the third quarter of 2008. The intensification of the international financial crisis at the end of the summer, however, led to a rapid worsening of the economic outlook and a substantial easing of inflationary pressures. In response, the ECB cut the interest rate on the main refinancing operations on three occasions during the final quarter of the year, for a cumulative reduction of 175 basis points, bringing it down to 2.50% by the end of December. Furthermore, in January 2009, the ECB lowered the rate by another 50 basis points as inflationary pressures continued to diminish and the economic outlook deteriorated further.

In the third quarter of 2008, the negative impact of the financial crisis spilled over onto the real economy. Activity in the major industrial economies continued to slow down, with the United States, among others, registering a quarter-on-quarter contraction in output. At the same time, inflationary pressures eased worldwide in response to falling commodity prices and lower global demand.

In the euro area real GDP also contracted on a quarter-on-quarter basis in the third quarter of 2008. Domestic demand was subdued, while the contribution from net exports to growth turned negative. After peaking at 4.0% in July, the annual rate of HICP inflation in the euro area fell steadily, dropping to 2.1% in November, as food and energy prices increased at a slower annual rate. Eurosystem staff projections covering economic activity and inflation up to 2010, published in December, were revised downwards accordingly. This negative outlook was reinforced by the European Commission's interim forecasts, which were released in January 2009.

The global economic downturn began to be felt in Malta during the quarter. The Maltese economy expanded at a slower pace, with the annual growth rate of real GDP dropping to 2.2%, from 3.5% in the previous quarter. The harsher international environment showed up in a weaker performance of net exports, although domestic demand generally remained buoyant. Meanwhile, labour market developments were positive, with further growth in employment and a continued drop in unemployment. Economic data and other information available for the final quarter of the year, however, showed some additional weakening, with consumer confidence and business sentiment declining.

In contrast with the pattern seen in the euro area as a whole, HICP inflation in Malta accelerated during the September quarter. This mainly reflected increases in the prices of services, food and energy. It then peaked in October, before declining to 4.9% in the following month. The pick-up in inflation during the second half of 2008, however, is expected to be reversed in 2009, reflecting lower international commodity prices.

There is no evidence that the international financial crisis led to significant portfolio shifts into monetary assets by domestic investors during the quarter. Residents' deposits with Maltese banks increased, though their annual growth rate declined, while credit to residents continued to expand. Average bank deposit and lending rates dropped by 30 basis points and 72 basis points, respectively, between September and November, as banks passed on part of the reduc-

[1] The cut-off date for information in the Foreword is 19 January 2009.

tion in official interest rates to customers. Meanwhile, yields on Maltese government securities declined, while equity prices continued to fall.

The further deterioration in the international environment points to increased downside risks to economic growth in Malta. As external demand weakens, it will be necessary to keep domestic costs and prices in check by fostering more competitive product markets and increasing labour market flexibility. Achieving further productivity gains would allow the Maltese economy to maintain external competitiveness so as to be in a better position to take advantage of the eventual recovery.

With risks to price stability diminishing, monetary policy has been eased considerably, which should counter the adverse effects of the international financial crisis on the real economy. In the four months to the end of January 2009, official interest rates have been reduced by 2.25 percentage points. In Malta, these cuts have largely been transmitted to the banks' customers, but it is also important that the flow of credit to healthy borrowers is maintained. On the fiscal side, however, the room for manoeuvre is limited since the budget deficit and the public debt, as a proportion of GDP, are relatively high. It is also the case that in a small, highly open economy, the positive impact of a fiscal stimulus on economic activity tends to be offset by an aggravation of external imbalances as higher domestic demand leaks into imports. Nevertheless, measures that improve the economy's productive capacity and its cost competitiveness could allow for a more active role for the public sector without jeopardising the balanced-budget target over the medium term.

ECONOMIC SURVEY

1. DEVELOPMENTS IN THE INTERNATIONAL AND EURO AREA ECONOMY

In the third quarter of 2008, and going into the fourth, economic activity in the major industrialised countries continued to slow down as the financial market crisis intensified and its negative impact spilled over onto the real economy. The main emerging market economies also showed signs of being affected by the global downturn. Meanwhile, inflationary pressures eased worldwide, in response to lower commodity prices and falling global demand.

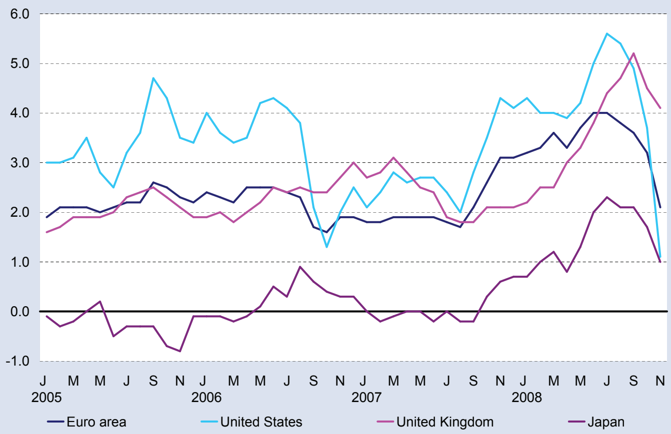
In the euro area, real GDP grew at a much slower annual rate in the third quarter and, indeed, contracted on a quarter-on-quarter basis, while inflation receded after reaching a historical peak in July. On 3 July, the ECB raised its minimum bid rate to 4.25% to counter upside risks to price stability. During the final quarter of the year, however, as the economic outlook deteriorated and inflationary pressures receded, the ECB cut the interest rate on the main refinancing operations on three occasions, for a cumulative drop of 175 basis points, bringing it down to 2.50%.

International economic developments

US economic activity deteriorates further, inflation peaks

Economic activity in the United States slowed down significantly in the third quarter, as the recession deepened. Output contracted compared with the previous quarter, while annual GDP growth decelerated to 0.7% from 2.1% in the June quarter (see Table 1.1). This mainly reflected a fall in personal consumption expenditure, although exports also grew at a slower pace. Meanwhile, the year-on-year decline

Chart 1.1
CONSUMER PRICE INFLATION
(annual percentage changes)



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

Table 1.1
REAL GDP GROWTH
Annual percentage changes, seasonally adjusted

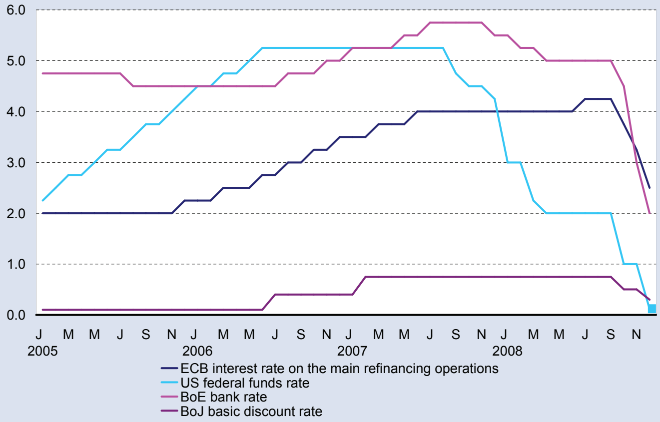
	2007			2008				2009
	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]	Q1[1]
United States	1.8	2.8	2.3	2.5	2.1	0.7	-0.4	-1.3
Euro area	2.6	2.6	2.1	2.1	1.4	0.6	-0.2	-1.2
United Kingdom	3.0	3.3	2.9	2.3	1.5	0.3	-0.9	-1.7
Japan	2.2	2.1	2.0	1.4	0.6	-0.3	-0.8	-1.9

[1] Forecasts.

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

in private investment gathered momentum, mainly as a result of the continued fall in residential investment. The deterioration in economic activity led to a rise in the unemployment rate, which averaged 6.0% in the September quarter. Going into the final quarter, labour conditions worsened, with the jobless rate reaching 6.5% in October. Inflationary pressures initially remained sustained, with the annual change in the consumer price index reaching a seventeen-year high of 5.6% in July before easing to 4.9% in September (see Chart 1.1). In October and November, however, the annual inflation rate declined further, to 3.7% and 1.1%, respectively, as energy costs fell sharply.

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

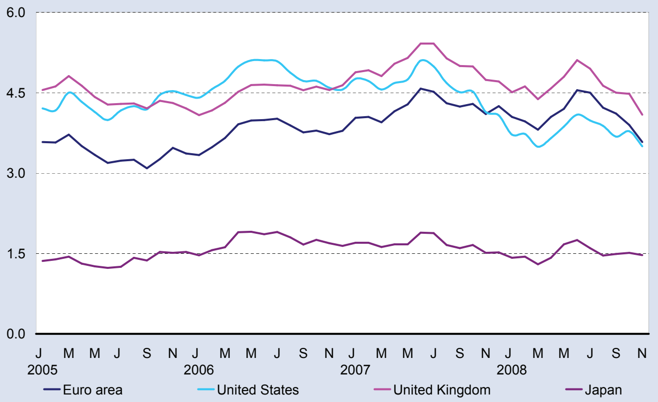


Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

During the third quarter, the Federal Reserve left the target for the federal funds rate unchanged at 2.0% (see Chart 1.2), but it announced further measures to enhance liquidity provision and provide support to financial markets. Following the collapse of Lehman Brothers in mid-September, however, the financial crisis worsened, and in response, on 8 October, in a concerted action with other major central banks, the Federal Reserve lowered its target rate by 50 basis points to 1.50%, and on 29 October it cut it by an additional 50 points to 1.00%. Furthermore, on 16 December the Federal Reserve established a target range for the federal funds rate of between zero and 0.25%. Liquidity facilities were further enhanced during the fourth quarter.

US long-term government bond yields generally fell between July and mid-September as concerns about financial markets prompted investors to favour government bonds over equities (see Chart 1.3). In mid-September, however, apprehension regarding the US Treasury's plan to buy troubled assets from the financial institutions reduced investors' willingness to hold government bonds. Hence, on balance, the yield on ten-year US government bonds declined by 16 basis points during the quarter, to end September at 3.82%. Ten-year bond yields were volatile in the two months that followed, but they fell sharply at the end of November.

Chart 1.3
LONG-TERM INTEREST RATES[1]
(percentages per annum, monthly averages)

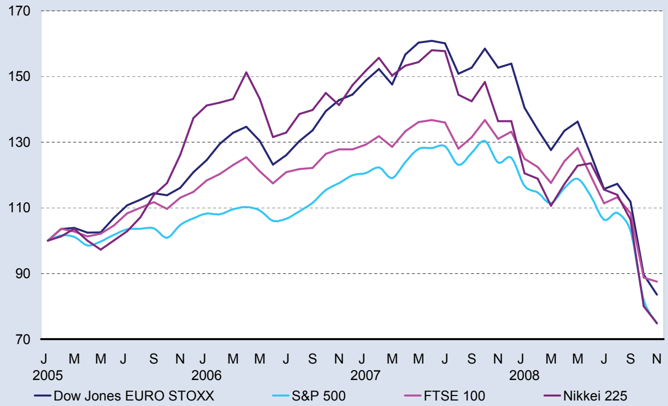


(1) Yields on ten-year government bonds.
Source: Reuters.

The US stock market was also

characterised by a high degree of uncertainty. Equity prices, as measured by the Standard & Poor's 500 index, fell by almost 9% during the third quarter on mounting concerns about the economic outlook (see Chart 1.4). Moreover, the bankruptcy of Lehman Brothers and its aftermath depressed prices further. In the first two months of the fourth quarter, stock prices generally continued to fall, so that between end-June and end-November stocks had lost around 30% of their value.

Chart 1.4
STOCK PRICE INDICES
(index of monthly averages, Jan. 2005=100)



Source: Reuters.

Economic activity in the UK slows down sharply, inflation accelerates

In the United Kingdom year-on-year economic growth slowed to 0.3% in the third quarter of 2008, from 1.5% in the June quarter. Indeed, on a quarter-on-quarter basis, real GDP fell by 0.6%. Investment contracted even on an annual basis, while household consumption and exports continued to grow, albeit at a slower pace. By contrast, government expenditure rose at a faster pace. The unemployment rate edged up, reaching 5.7% in August. Inflation accelerated further, to average 4.8% in the third quarter, from 3.4% in the preceding three-month period. Going into the final quarter, price pressures abated somewhat, with the annual inflation rate falling to 4.5% in October and 4.1% in November.

The Bank of England left the official Bank Rate paid on commercial bank reserves unchanged at 5.00% throughout the third quarter. However, the Bank slashed official interest rates in the final quarter of the year. On 8 October, in conjunction with other central banks, the Bank of England cut the Bank Rate by 50 basis points, while on 6 November it lowered it by an unprecedented one-and-a-half percentage points to 3.00%. In December, the official interest rate was lowered by a further percentage point, to end the year at 2.00%. These rate cuts were prompted by a rapid deterioration in the economic environment and a substantial downward revision of inflationary expectations.

As in the United States, long-term government bond yields in the United Kingdom generally fell during the third quarter. Going into the final quarter yields on ten-year UK government bonds fell further. In line with global developments, UK equity prices, as measured by the FTSE 100, declined sharply in the third quarter, falling by around 12.9%, and they extended their downward trend into the fourth quarter.

Japan's economy contracts; inflation peaks before easing

The Japanese economy continued to weaken in the September quarter, with GDP falling by 0.3% on a year earlier, as domestic demand, particularly investment, declined further, while export growth decelerated. Labour market indicators were mixed. The unemployment rate averaged 4.1% during the quarter, but then fell unexpectedly to 3.7% in October. Meanwhile, after reaching a peak of 2.3% in July, inflationary pressures eased, and the annual CPI inflation rate reached

1.0% in November. This reflected falling prices of crude oil and other raw materials and a slow-down in economic activity.

The Bank of Japan kept its uncollateralised overnight call rate and the discount rate unchanged at 0.50% and 0.75%, respectively, during the third quarter. On 31 October, however, it lowered the overnight call rate by 20 basis points to 0.30% and cut the discount rate to 0.50%. On 19 December the same rates were lowered to 0.10% and 0.30%, respectively, as economic prospects deteriorated further.

Japanese ten-year government bond yields remained relatively low, but broadly mirrored developments in the United States and the euro area. Equity prices generally fell in the third quarter and continued to do so going into the fourth. By end-November, equity prices, as measured by the Nikkei 225, were 36.9% below their corresponding level at end-June.

Emerging Asian economies expand at a slower pace

Economic activity in the main emerging Asian countries remained strong in the third quarter of the year, but it slowed down compared to previous quarters. In China, annual GDP growth stood at 9.0%, down from 10.1% in the second quarter, as the slowdown in the industrialised economies hit Chinese exports. Moreover, tight macroeconomic policies in the first half of the year and weakness in the construction sector had a negative effect on growth. Meanwhile, economic growth in India also eased, with annual GDP growth slowing to 7.9% from 8.8% in the preceding three-month period. Inflationary pressures eased in both countries. In China, annual CPI inflation fell to 4.6% in September from 7.1% in June, while India's wholesale price inflation rate eased to 10.7% in October after having peaked at 12.5% in July.

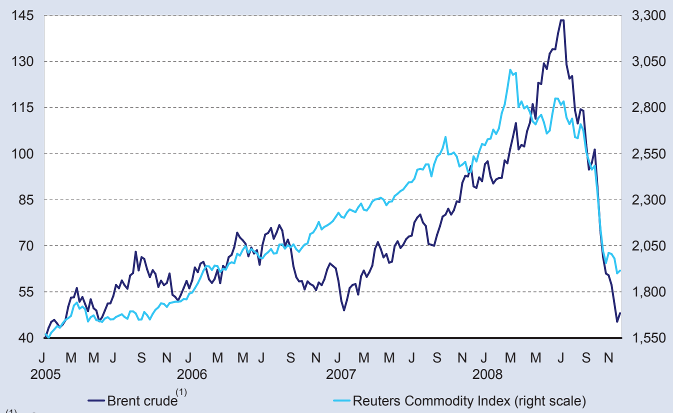
Commodities

Oil prices peak in early July before falling

After reaching a new historical high of USD 143.6 per barrel on 3 July, the price of Brent crude oil fell sharply (see Chart 1.5). The factors behind the rapid decline were the renewed financial turbulence and the global economic slowdown, which reduced demand for oil and showed up in better-than-expected data on US inventories. Furthermore, supply prospects improved. Hence, the oil price ended the third quarter at USD 93.92 per barrel, or 32.0% below the level recorded at the end of June.

The price of Brent crude continued to fall in the final quarter of 2008, as the financial market crisis raised fears of a global recession. Thus, by December, the price had reached a low for the year of USD 34.08 per barrel, before ending the year at USD 36.17.

Chart 1.5
COMMODITY PRICES
(end of week)



(1) US dollars per barrel
Source: Reuters.

Non-energy commodity prices decline

Non-energy commodities, as measured by the Reuters Commodity Index, fell by 16.1% between end-June and end-September (see Chart 1.5).[1] Food prices, in particular the prices of maize and soybeans, fell as weather conditions improved and concerns over a global economic slowdown intensified. Meanwhile, metal prices also eased. In the fourth quarter, non-energy commodity prices extended their downward momentum, driven particularly by metal prices, which were negatively affected by fears of a global recession. At the same time, favourable weather conditions and good harvests continued to depress food prices too.

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

Source: Reuters.

Gold prices fluctuate widely around a declining trend

Gold started the third quarter on a high note before falling sharply after mid-July, despite wider concerns in financial markets which would normally have boosted demand for the metal as a safe haven for investors (see Chart 1.6). The price of bullion rebounded somewhat towards the end of September, to end the quarter at USD 869.95 per ounce. Nevertheless, this was 5.9% below the end-June level. Although the price of gold continued to rise at the beginning of October, it generally fell thereafter, so that at end-December it stood at USD 878.2 per ounce.

The euro area

On 3 July the ECB raised its minimum bid rate to 4.25% to counteract rising upside risks to price stability and prevent second-round effects on prices and wages. It then left official interest rates unchanged throughout the remainder of the third quarter of 2008.

On 8 October, however, the ECB, in a coordinated action with other major central banks, reduced the interest rate on the main refinancing operations by 50 basis points to 3.75%. The interest rate on the main refinancing operations was lowered again twice during the December quarter: by 50 basis points on 6 November and by 75 basis points on 4 December, so that it ended the year at 2.50%. These moves were triggered by the intensification and broadening of the financial market turmoil, which was deemed likely to dampen global and euro area demand for a prolonged period of time. As a result, and also because of sharp falls in commodity prices, the outlook for price stability improved.

Economic growth slows down further

In the third quarter of 2008 the pace of economic activity in the euro area slowed down further. On a seasonally adjusted basis, real GDP fell by 0.2% compared to the previous quarter. Thus, the annual rate of growth declined to 0.6%, from 1.4% in the second quarter (see Table 1.2). The

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

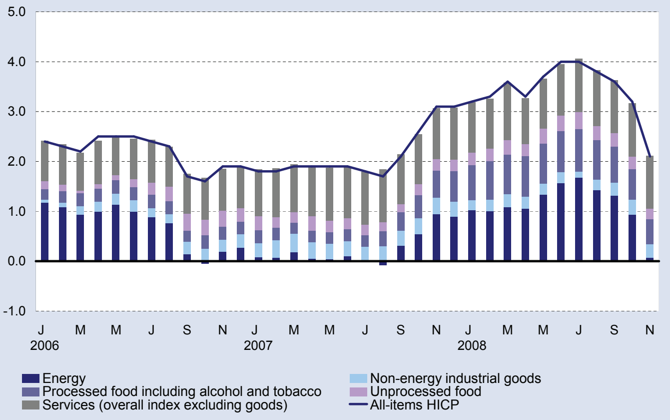
Table 1.2 **REAL GDP GROWTH** *Seasonally adjusted*					
	2007		2008		
	Q3	Q4	Q1	Q2	Q3
	Annual percentage changes				
Private consumption	1.8	1.2	1.3	0.4	0.0
Government consumption	2.4	2.1	1.4	2.0	2.2
GFCF	3.6	3.2	3.7	2.5	0.8
Domestic demand	**2.2**	**2.1**	**1.7**	**1.0**	**0.7**
Exports	7.2	3.9	5.2	3.9	2.0
Imports	6.3	3.8	4.2	3.0	2.2
GDP	**2.6**	**2.1**	**2.1**	**1.4**	**0.6**
	Percentage point contributions				
Private consumption	1.0	0.7	0.7	0.2	0.0
Government consumption	0.5	0.4	0.3	0.4	0.4
GFCF	0.8	0.7	0.8	0.5	0.2
Changes in inventories	-0.1	0.2	-0.1	-0.2	0.1
Domestic demand	**2.2**	**2.0**	**1.6**	**1.0**	**0.7**
Exports	2.9	1.6	2.1	1.6	0.8
Imports	-2.5	-1.5	-1.7	-1.2	-0.9
Net exports	**0.4**	**0.1**	**0.4**	**0.4**	**-0.1**
GDP	**2.6**	**2.1**	**2.1**	**1.4**	**0.6**

Source: Eurostat.

lower annual growth rate was spurred by a deceleration in domestic demand, while the contribution from net exports turned negative.

Once again, the slowdown in domestic demand was primarily attributable to lower private consumption, which failed to expand during the quarter under review. Consumer and retail trade confidence surveys, mirroring developments in private consumption, deteriorated in the third quarter. Investment growth also decelerated, to 0.8%, during the quarter, adding only 0.2 percentage points to the annual GDP growth rate. On the other hand, the annual rate of growth of government consumption accelerated to 2.2%, from 2.0% in the June quarter, and added 0.4 points to overall growth. Net exports failed to contribute to growth in the three months to September, with both exports and imports expanding at a slower annual rate.

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



Source: Eurostat.

Inflationary pressures ease as commodity prices fall

After reaching a peak of 4.0% in June, the annual HICP inflation rate in the euro area remained unchanged in July. Thereafter, however, inflation fell. Thus, by September, annual HICP inflation stood at 3.6% (see Chart 1.7). Most of this decline was attributable to a fall in the annual growth rate of energy prices and, to a lesser extent, of food prices.

The annual rate of change in energy prices fell to 13.5% in September from 16.1% in June, as a result of lower prices of fuel. At the same time, prices of processed food, notably those of dairy products and of bread & cereals, as well as of unprocessed food, also grew at a slower rate. However, prices of non-energy industrial goods and of services accelerated. As a result, annual HICP inflation excluding unprocessed food and energy was unchanged in September from the June level of 2.5%.

The area-wide inflation rate continued to fall going into the fourth quarter of 2008. In October, the annual HICP inflation rate fell to 3.2% before dropping further to 2.1% in November. This significant decline was mainly driven by lower transport costs, particularly fuel, although slower increases in food prices and housing costs also contributed.

Labour market conditions deteriorate as economic activity weakens

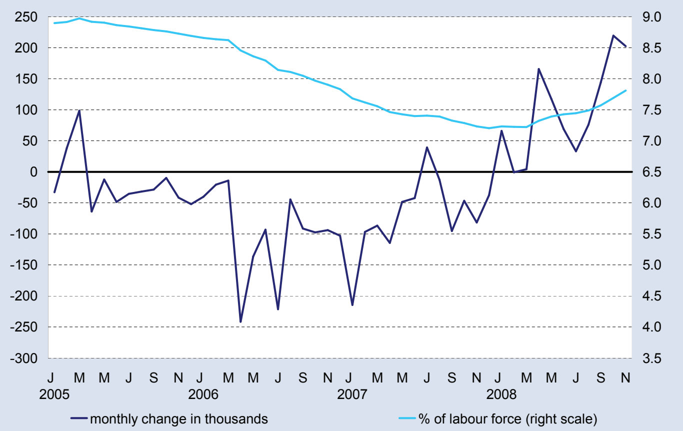
In line with weakening economic activity, labour market conditions in the euro area deteriorated during the third quarter of 2008. Employment expanded by 0.8% on the previous year, as against 1.3% in the preceding three-month period, but the number of unemployed also increased during the quarter. As a result, the area-wide unemployment rate rose to 7.6% in September, from 7.4% in June (see Chart 1.8). The jobless rate rose by a further percentage point to 7.7% in October.

The pace of monetary expansion slows down

Monetary aggregates grew at a slower pace in the third quarter of 2008, with the annual growth rate of M3 declining to an average of 8.9% from 10.0% in the preceding three-month period (see Table 1.3). This moderation mainly reflected past increases in interest rates, tighter financing conditions and slower economic growth.

Annual growth in M1, which is a narrow measure of money that is generally closely linked to consumer transactions, moderated further, reaching historical lows of 0.3% and 0.2% in July and August, respectively. In September, however, the annual growth rate of M1 rebounded to 1.2%, possibly because the financial turmoil boosted demand for more liquid monetary assets. Nevertheless, over the quarter as a whole, the annual rate of growth of M1 averaged 0.6%, down from 2.0% in the June quarter. This deceleration reflected the increased opportunity cost of holding currency and overnight deposits, which are poorly remunerated relative to time deposits. Meanwhile, short-term deposits other than

Chart 1.8
UNEMPLOYMENT
(monthly data, seasonally adjusted)



Source: Eurostat.

Table 1.3
MONETARY AGGREGATES
Annual percentage changes, seasonally adjusted. Quarterly data are averages.

	2007		2008			2008				
	Q3	Q4	Q1	Q2	Q3	July	Aug.	Sep.	Oct.	Nov.
M1	**6.6**	**5.5**	**3.6**	**2.0**	**0.6**	**0.3**	**0.2**	**1.2**	**3.7**	**2.3**
Currency in circulation	8.7	8.0	7.7	7.8	7.5	7.1	7.2	8.2	13.0	13.5
Overnight deposits	6.2	5.1	2.8	1.0	-0.7	-1.0	-1.1	-0.1	1.9	0.1
M2-M1 (Other short-term deposits)	15.2	17.2	18.5	19.4	18.7	19.4	19.0	17.7	15.5	16.0
Deposits with an agreed maturity of up to two years	38.0	41.1	41.1	40.3	36.9	38.9	37.3	34.4	29.2	29.3
Deposits redeemable at notice of up to three months	-3.3	-3.9	-3.1	-2.2	-2.0	-2.1	-1.8	-2.0	-1.3	-0.7
M2	**10.4**	**10.7**	**10.3**	**10.0**	**9.0**	**9.1**	**8.9**	**8.9**	**9.3**	**8.8**
M3	**11.5**	**12.0**	**10.9**	**10.0**	**8.9**	**9.2**	**8.8**	**8.7**	**8.7**	**7.8**

Source: ECB.

overnight deposits continued to be the largest contributor to annual M3 growth, even though growth in deposits with an agreed maturity of up to two years, while remaining relatively buoyant, fell to an average of 36.9%. The flat yield curve continued to make short-term monetary assets more attractive than non-monetary assets outside M3.

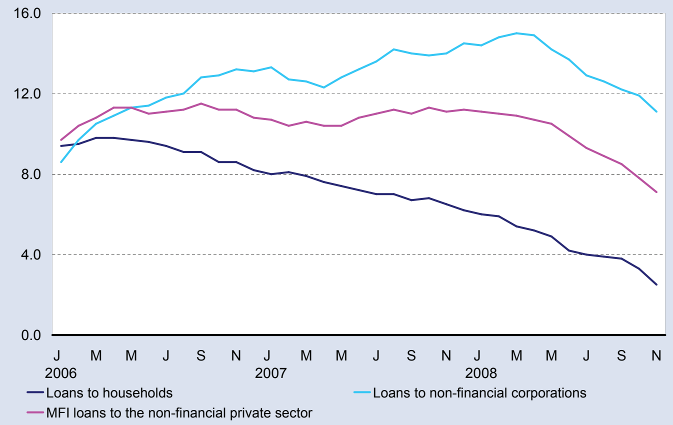
At 7.8% in November, the annual M3 growth rate slowed down compared to September.

Credit growth decelerates on weaker economic growth

Credit aggregates continued to decelerate in the third quarter of 2008, reflecting tighter financing conditions and weaker economic growth (see Chart 1.9). MFI loans to the non-financial private sector grew at an average annual rate of 8.9% during the quarter, substantially down from the 10.4% growth registered in the June quarter. The annual rate of growth of MFI loans to non-financial corporations fell to an average of 12.8%, from 14.5% in the three months to June. Meanwhile, the annual average growth rate of loans to households also declined, to 4.0%, from 5.0% in the period between April and June. A significant drop was recorded in the annual growth rate of loans for house purchases, while the corresponding growth rates for consumer credit and other lending to households also fell.

By November, MFI loans to non-financial corporations moderated further, with the annual growth rate falling to 11.1%.

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



Source: ECB.

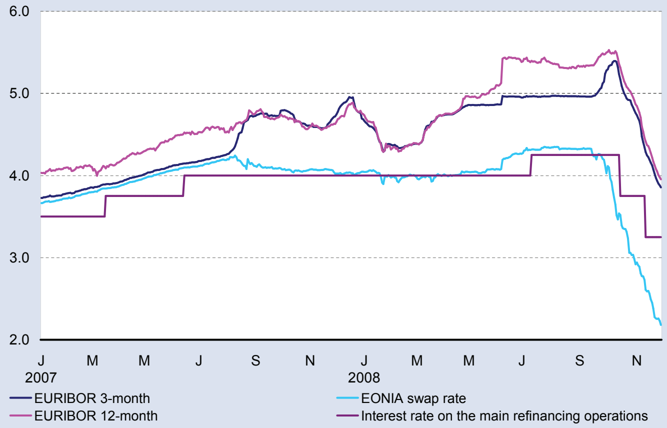
Spreads in the money market narrow before widening sharply in September

The general upward trend in unsecured money market interest rates, as measured by EURIBOR rates, persisted into the third quarter of 2008 (see Chart 1.10).[2] The rise in interest rates observed at the beginning

[2] EURIBOR refers to the rates at which a prime bank is willing to lend funds to another prime bank in euro on an unsecured basis.

of the quarter reflected expectations of higher key ECB interest rates, whereas renewed tension in financial markets following the collapse of Lehman Brothers pushed rates up even further towards the end of the quarter. The three-month EURIBOR thus ended the quarter at 5.28%, up by 33 basis points from the level prevailing at end-June. The 12-month EURIBOR rose less sharply, and thus the money market yield curve flattened.

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



Sources: ECB; Reuters; Euribor FBE.

After widening in the June quarter, the spreads between EURIBOR and secured rates, such as those derived from the three-month EONIA swap rate, narrowed somewhat in July and August, before widening substantially again in the course of September.[3] During the quarter, the spread between the ECB's interest rate on the main refinancing operations and the three-month EURIBOR rate widened by 8 basis points, to end September at 103 basis points.

Starting from mid-October, unsecured money market interest rates fell significantly, mirroring the reductions in official interest rates and expectations of further policy easing, but the fall in secured money market rates was even sharper. Consequently, spreads between unsecured and secured money market rates continued to widen.

Euro area equity prices fall sharply

Developments in euro area stock prices during the third quarter generally mirrored those in the United States. Thus, equity prices fell by 12.1% during the quarter, driven by the deteriorating environment in financial markets. In October and November, the fall in equity prices accelerated as the financial crisis deepened. Overall, euro area stock prices, as measured by the Dow Jones Euro STOXX index, fell by around 30% between end-June and end-November.

The euro generally depreciates against the other major currencies

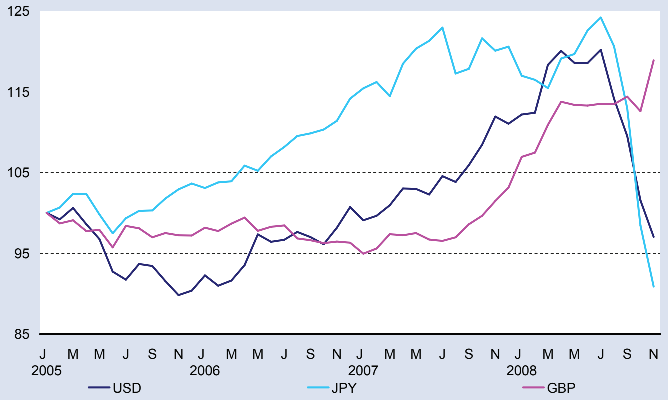
In mid-July the euro reached a historical peak against the US dollar, as market players expected widening interest rate differentials in favour of the euro area. During the rest of the third quarter, however, the euro depreciated sharply against the dollar (see Chart 1.11). This weakening was associated with a more pessimistic assessment of the economic prospects for the euro area, but the repatriation of foreign investments into the United States also contributed. Thus, between the end of June and the end of September the euro had shed 9.3% of its value versus the US dollar.

Likewise, until July the euro generally appreciated against the Japanese yen, but this trend was reversed during August and September. Hence, over the quarter as a whole, the euro declined by 9.6% against the yen. The sharp depreciation of the euro versus the yen was associated with an

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

increase in expected exchange rate volatility which supported the Japanese currency, as it reduced the attractiveness of borrowing yen to finance investments in high-yielding currencies. In terms of the pound sterling, the euro was broadly stable between July and August, but it appreciated slightly in September as market confidence in the UK economy waned.

Chart 1.11
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of average monthly rates; Jan. 2005=100; an increase in the index implies an appreciation of the euro)



Source: Eurostat.

Moving into the final quarter of the year, the euro continued to lose ground against the US dollar in October as repatriations of funds into the United States continued. In November, however, the euro broadly stabilised in dollar terms. But the euro depreciated further vis-à-vis the Japanese yen on the back of the reduced attractiveness of the yen for funding carry trade positions. Meanwhile, the euro was fairly stable against the pound sterling in October before appreciating sharply against it in November, following the Bank of England's decision to reduce its key interest rate by 150 basis points.

Throughout the third quarter of 2008, the nominal effective exchange rate of the euro, as measured against the currencies of 22 of the euro area's most important trading partners, weakened (see Chart 1.12). At the end of September it stood 3.9% below the end-June level. This mainly reflected the depreciation of the euro against the currencies of most trading partners, particularly the US dollar.

In October the euro continued to depreciate in nominal effective terms, before regaining some ground in November. Nonetheless, the nominal effective exchange rate of the euro remained low compared to the levels reached earlier in 2008.

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

Source: ECB.

Projections of euro area economic activity and inflation revised downwards

Projections of economic activity in the euro area have been revised downwards amid global economic weakness and sluggish domestic demand. The latest Eurosystem staff macroeconomic projections, published in December, suggest that euro area annual real GDP growth will lie between 0.8% and 1.2% in 2008 and -1.0% and 0.0% in

2009. In November, the European Commission also scaled down its forecasts for euro area GDP growth, to 1.2% in 2008 and 0.1% in 2009.

The projections for euro area inflation have improved, however. This follows strong downward revisions to assumed energy and food commodity prices, but it also reflects the impact of lower activity on both price and wage-setting. Thus, the latest Eurosystem staff projections indicate an average rate of increase in the overall HICP in the range of 3.2% and 3.4% in 2008 and 1.1% and 1.7% in 2009. Similarly, the European Commission lowered its inflation estimate for 2008 to 3.5% and that for 2009 to 2.2%.

2. THE MALTESE ECONOMY

Output

Slower growth rate in Q3

The Maltese economy expanded by 2.2% in the third quarter of 2008, down from 3.5% in the previous quarter (see Chart 2.1). The deceleration was primarily due to sluggish external demand, as exports continued to decline at a faster pace than imports. As in the previous three quarters, domestic demand was generally buoyant, with both household and government consumption contributing substantially. Meanwhile, investment declined for the third consecutive quarter and shaved 1.4 percentage points off growth.

Chart 2.1
REAL GDP GROWTH
(annual percentage changes)

Source: NSO.

Despite indications of a deterioration in consumers' expectations (see Box 1), household consumption continued to increase strongly during the quarter, rising by an annual rate of 6.8% and

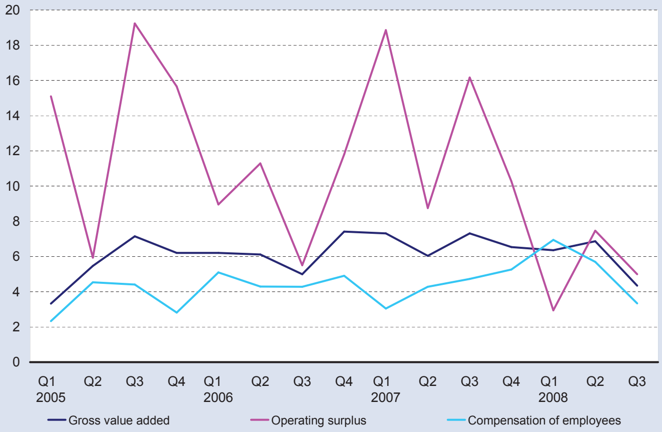
Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2007		2008		
	Q3	Q4	Q1	Q2	Q3
	Annual percentage changes				
Household final consumption expenditure	0.5	0.6	3.0	7.3	6.8
Government final consumption expenditure	-1.3	1.1	14.5	12.3	9.2
Gross fixed capital formation	-1.7	26.6	-3.3	-7.3	-7.5
Inventories as a % of GDP	0.4	2.9	5.0	8.7	2.6
Domestic demand	**2.2**	**11.0**	**6.7**	**6.4**	**6.8**
Exports of goods & services	2.6	2.8	-3.3	-10.7	-14.7
Imports of goods & services	1.2	9.5	0.8	-6.5	-10.0
Gross domestic product	**3.7**	**4.6**	**3.3**	**3.5**	**2.2**
	Percentage point contributions				
Household final consumption expenditure	0.3	0.4	1.9	4.7	4.3
Government final consumption expenditure	-0.2	0.2	2.7	2.2	1.6
Gross fixed capital formation	-0.3	5.1	-0.7	-1.4	-1.4
Changes in inventories	2.5	5.7	3.1	1.5	2.3
Domestic demand	**2.3**	**11.5**	**7.1**	**7.0**	**6.8**
Exports of goods & services	2.6	2.7	-3.0	-10.5	-14.4
Imports of goods & services	-1.2	-9.5	-0.7	6.9	9.8
Net exports	**1.4**	**-6.8**	**-3.8**	**-3.6**	**-4.7**
Gross domestic product	**3.7**	**4.6**	**3.3**	**3.5**	**2.2**

Source: NSO.

adding 4.3 percentage points to overall growth (see Table 2.1). Notable increases were reported in outlays on food & non-alcoholic beverages and on energy and transport-related services. Consumption growth was reflected in robust, though decelerating, growth in credit provided by financial institutions to households. It was also accompanied by a deceleration in the rate of growth in employee compensation, which is a major component of disposable income.

Chart 2.2
GROSS VALUE ADDED AND ITS MAIN COMPONENTS
(annual percentage changes)



Source: NSO.

Government consumption continued to rise strongly, but at a reduced pace compared with earlier quarters. The 9.2% year-on-year increase was spurred by high intermediate consumption, due mainly to higher operational expenses in the health sector coupled with a generally higher wage bill.

Investment expenditure contracted for the third consecutive quarter on a year-on-year basis, falling by 7.5% and cutting overall growth by 1.4 percentage points (see Table 2.1). Both private and public investment contributed to the decline. Construction investment, in particular, contracted significantly, mirroring the lower level of activity in the real estate market (see Box 2) and outweighing higher expenditure on transport equipment.

Despite a contraction in imports as well as exports, net external demand continued to contribute negatively to GDP, reflecting to some extent the impact of the global slowdown on various export markets. Exports fell for the third consecutive quarter, declining by almost 15% on a year earlier, whereas imports fell at a slower pace; consequently the net trade balance knocked 4.7 percentage points off overall growth.

The production and income sides of GDP show that, following three quarters of expansion of around 6.5%, growth in gross value added in nominal terms eased to an annual rate of 4.3% in the quarter under review (See Chart 2.2). The deceleration reflected a more modest rate of increase in both operating surplus and employee compensation, which rose by 5% and 3.3%, respectively.

Continuing growth in services

Out of the 4.6% growth in nominal GDP, the combined service categories accounted for 4.5 percentage points, contrasting with negative contributions of 0.9 and 0.5 points by the manufacturing sector and utilities, respectively. Notwithstanding the weaker conditions of the property market, the contribution of the construction industry remained positive and accounted for 0.5 points of GDP growth (see Table 2.2).

Within the service categories, contributions of 1.2 percentage points each came from financial intermediation and from real estate, renting & business activities. The growth in the former was

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

	2007		2008		
	Q3	Q4	Q1	Q2	Q3
Agriculture, hunting & forestry	-0.3	-0.1	0.1	0.1	0.0
Fishing	0.0	0.8	0.0	0.0	0.0
Manufacturing	1.4	1.0	0.4	0.0	-0.9
Electricity, gas & water supply	0.0	-0.7	-1.1	-0.8	-0.5
Construction	-0.3	0.0	0.1	-0.1	0.5
Wholesale & retail trade	0.8	0.6	0.1	1.5	0.3
Hotels & restaurants	0.8	0.4	0.2	0.2	0.0
Transport, storage & communication	0.8	0.6	0.9	0.4	0.4
Financial intermediation	-1.1	-1.3	-0.1	0.5	1.2
Real estate, renting & business activities	0.9	1.3	1.5	1.4	1.2
Public administration	0.4	0.4	0.5	0.1	0.2
Education	0.5	0.1	0.4	0.4	0.2
Health & social work	0.4	0.2	0.9	0.7	0.4
Other community, social & personal services	2.1	2.2	1.6	1.5	0.6
Gross value added	**6.2**	**5.6**	**5.5**	**5.9**	**3.7**
Net taxation on products	**0.7**	**2.4**	**0.5**	**0.8**	**0.9**
Annual nominal GDP growth (%)	**6.9**	**8.0**	**6.0**	**6.7**	**4.6**

Source: NSO.

almost entirely in the form of a higher operating surplus, whereas that in the business activities segment was more evenly spread between profits and labour income. Although value added in the real estate sector also rose, its operating surplus was down from the previous year's level, reflecting the slowdown in the domestic property market. Gross value added in the other com-

Table 2.3
MANUFACTURING SALES
Annual changes, EUR millions

	2007		2008		
	Q3	Q4	Q1	Q2	Q3
Total sales	**-18.9**	**-57.2**	**-33.6**	**-45.5**	**-44.1**
Exports	**0.5**	**-54.6**	**-44.2**	**-58.8**	**-52.2**
Radio, TV & communication equipment	-22.1	-52.9	-43.1	-59.1	-36.0
Pharmaceuticals	18.5	13.1	16.8	9.4	-7.6
Electrical machinery & apparatus	10.5	3.2	-11.1	-0.1	-9.5
Printing & publishing	-3.3	0.6	4.3	3.3	6.6
Games & toys	1.0	-4.7	-6.0	-3.6	3.9
Clothing, textiles & leather	-6.3	-4.1	-4.3	-6.3	-0.8
Plastic & rubber products	2.2	-0.8	0.3	-1.6	-3.8
Food, beverages & tobacco	-0.5	-5.4	-0.3	-2.0	1.5
Other	0.5	-3.6	-0.8	1.2	-6.5
Local sales	**-19.4**	**-2.6**	**10.6**	**13.3**	**8.1**
Food, beverages & tobacco	-17.0	-5.7	5.9	6.6	5.1
Other non-metallic minerals	-0.6	-0.3	1.0	2.4	2.3
Fabricated metal products	0.9	2.1	3.9	4.3	1.3
Printing & publishing	0.5	1.5	0.3	0.1	-0.3
Furniture	0.6	-0.4	-0.8	-1.1	-1.9
Other	-3.8	0.2	0.3	1.0	1.6

Source: NSO.

munity, social & personal services sector, which includes the relatively large remote gaming sub-sector, continued to grow, but at a decelerating pace. Similarly, the wholesale & retail trade made a more modest contribution to GDP growth than in the previous quarter.

As Table 2.2 shows, the energy sector registered a decline in value added and this was reflected in a negative contribution of 0.5 percentage points to growth. A surge in the cost of fuel imports resulted in intermediate inputs exceeding the value of output.

Evidence of a slowdown in manufacturing activity also emerged from the findings of the NSO's quarterly manufacturing survey. This shows a decline in sales for the fifth consecutive quarter (see Table 2.3). Turnover was down by EUR 44.1 million compared with the same period last year, equivalent to a drop of 7.3%. This was mainly the result of a drop in exports of semiconductors, electrical machinery and pharmaceuticals, the latter declining by 13.9% over the year to September. Nevertheless, there was further growth in exports of publishing & printing products, whereas various other sectors contributed to an increase in domestic sales.

The labour market

Labour market conditions remain favourable

Labour market developments during the third quarter of 2008 were generally positive, with increases in the number employed and a further reduction in the unemployment rate.

Employment growth continues

Based on the results of the LFS, employment grew at an annual rate of 3.4% during the quarter,

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

	2007		2008			Annual change
	Q3	Q4	Q1	Q2	Q3	%
Labour supply	**168,137**	**166,159**	**167,914**	**170,129**	**173,067**	**2.9**
Unemployed	10,470	10,291	10,137	10,254	10,113	-3.4
Employed	157,667	155,868	157,777	159,875	162,954	3.4
By type of employment:						
Full-time	139,373	138,520	140,488	141,122	143,662	3.1
Full-time with reduced hours	2,793	2,654	3,178	3,598	3,265	16.9
Part-time	15,501	14,694	14,111	15,155	16,027	3.4
By economic sector:						
Private	110,898	110,196	110,596	112,886	115,553	4.2
Public	46,769	45,672	47,181	46,989	47,401	1.4
Activity rate (%)	**58.6**	**59.4**	**58.2**	**58.8**	**59.6**	
Male	77.6	77.9	77.0	76.2	77.4	
Female	39.0	40.5	38.8	41.0	41.1	
Employment rate (%)	**54.9**	**55.7**	**54.7**	**55.2**	**56.1**	
Male	73.3	73.4	72.8	71.6	73.0	
Female	36.0	37.7	36.0	38.5	38.6	
Unemployment rate (%)	**6.2**	**6.2**	**6.0**	**6.0**	**5.8**	
Male	5.5	5.8	5.4	6.0	5.7	
Female	7.7	7.0	7.2	6.1	6.1	
Average annual gross salary (annual growth rate, %)	**1.2**	**3.1**	**3.0**	**3.9**	**7.3**	

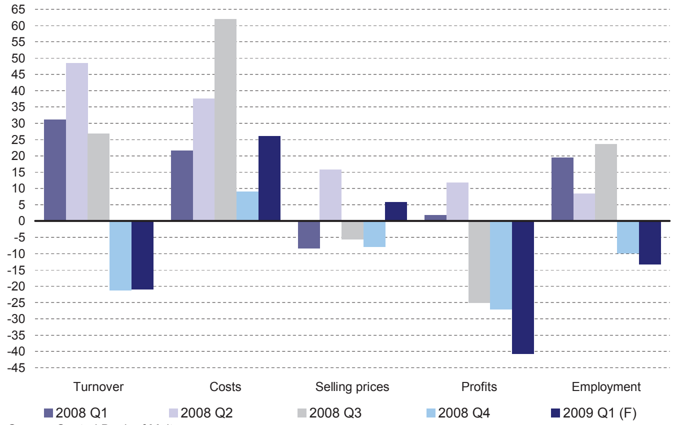
Source: NSO.

BOX 1: BUSINESS AND CONSUMER SURVEYS

Sentiment weakens in fourth quarter of 2008

The Bank's survey of service providers and construction firms showed that business sentiment worsened during the fourth quarter of 2008, possibly echoing concerns about recessionary conditions in trading partner countries.[1] In contrast with the September quarter, respondents on balance reported reduced turnover. Furthermore, a smaller proportion of them experienced an increase in costs, while the majority reported a decline in selling prices. Accordingly, a larger proportion indicated that profits were lower. With regard to employment, the overall pattern changed from the previous quarters, with more firms trimming their labour complement than adding on to it. This notwithstanding, the majority still indicated no change in the size of their workforce (see Chart 1).

Chart 1
KEY BUSINESS PERCEPTIONS SURVEY RESULTS
(balance of replies in percentage points)



Source: Central Bank of Malta.

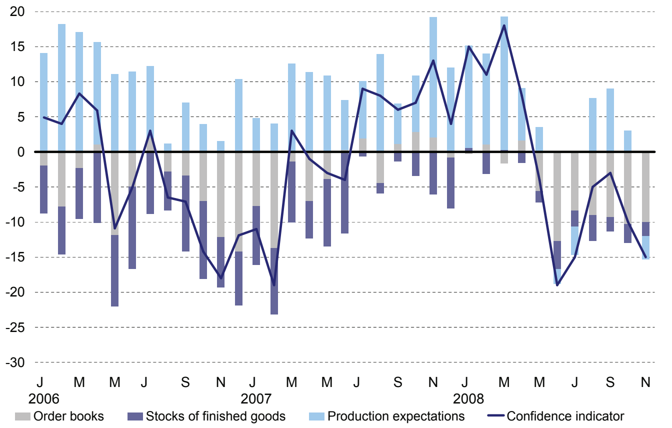
For the first quarter of 2009, participants anticipated lower turnover and a number of them expected higher costs. Furthermore, the majority expected selling prices to remain unchanged, though more firms anticipated higher selling prices than lower ones. With regard to their labour complement, the majority of respondents, particularly firms in the transport & storage and post & telecommunications sectors, expected to shed labour during the March quarter (see Chart 1).

For 2009, however, respondents planned to step up their capital expenditure and to expand their labour complement.

Industrial confidence weakens ….

The monthly survey of industrial confidence in Malta conducted by the European Commission showed that the seasonally-adjusted indicator of industrial confidence declined by 12 percentage points over the months of October and November, to stand at -15 in November. This

Chart 2A
INDUSTRIAL CONFIDENCE INDICATOR
(seasonally adjusted, percentage points)

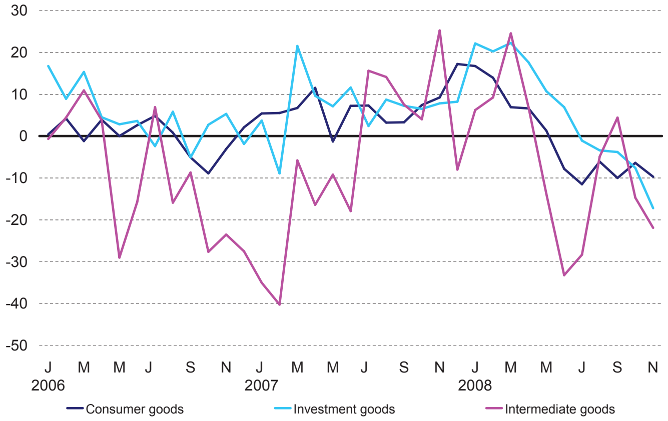


Source: European Commission.

[1] Field work was carried out between 11 November and 10 December 2008.

deterioration mainly reflected a downturn in production expectations over the short term, even though order books and stocks of finished goods remained roughly unchanged from September levels (see Chart 2A).

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



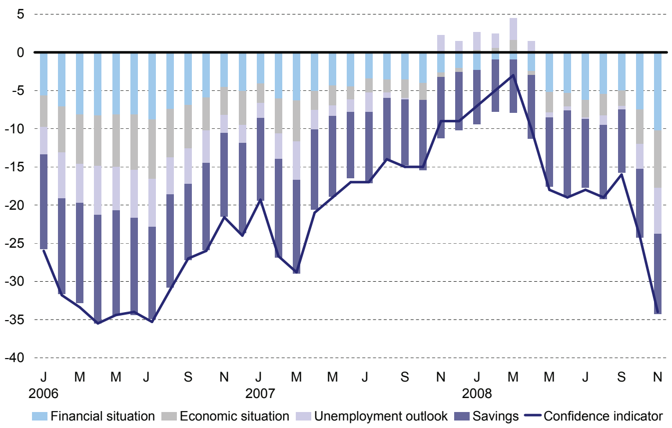
Source: European Commission.

An analysis by industrial grouping, illustrated in Chart 2B, shows broadly unchanged sentiment among producers of consumer goods between September and November, as the contemporaneous improvement in their current order books was countered by weaker production expectations for the following three months. Meanwhile, negative sentiment continued to prevail among producers of investment goods, primarily because of reduced order books, along with a slight build-up in stocks of finished goods and weaker production expectations. At the same time, sentiment among producers of intermediate goods, which had moved into positive territory in September, weakened sharply in October and November, mostly on account of deteriorating order books and negative production expectations. Meanwhile, although stocks of finished goods increased in October, they fell back to the September level in the following month.

… as does consumer confidence

Consumer confidence surveys for the months of October and November carried out by the European Commission showed a further deterioration. Thus, the seasonally-adjusted indicator slipped by an additional 18 percentage points to -34 in November 2008 (see Chart 3). This worsening in consumer expectations may reflect uncertainty about the impact of a weakening in external demand on the domestic economy, although a reaction to the rise in energy tariffs may also have contributed.

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

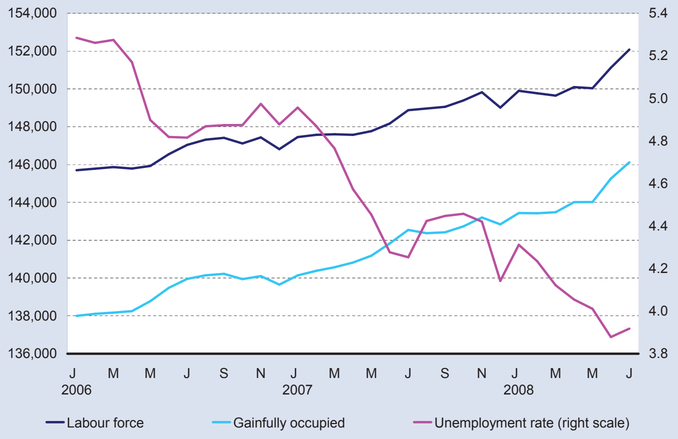


Source: European Commission.

Chart 3 shows that the deterioration in consumer confidence was spread across all the components of the indicator, with the sharpest declines being registered in perceptions about the economy and employment. In turn, these considerations affected consumers' outlook on personal matters and their ability to increase savings over the next twelve months.

while the labour supply posted a smaller rise, of 2.9% (see Table 2.4).[1]

Chart 2.3
LABOUR MARKET TRENDS BASED ON ADMINISTRATIVE RECORDS
(persons, percentage of the labour force)



Source: NSO.

Net employment creation during the twelve months to end-September was reflected mostly in an increase of 3.1% in full-time jobs, although gains were also reported in part-time employment and in the number of full-time employees on reduced hours. The private sector accounted for 88.0% of total job growth.

The employment rate reached a record high of 56.1% during the quarter, 1.2 percentage points higher than a year earlier.[2] Whereas the female employment rate was up by 2.6 percentage points, the male counterpart dropped by 0.3 points, narrowing the disparity between the genders. The activity rate, which followed a similar trend, increased by 1 percentage point to 59.6%.[3]

According to ETC data based on administrative records, full-time employment levels in July were up 2.5% on a year earlier, while part-time employment increased by 5.2% (see Chart 2.3 and Table 2.5).

Table 2.5
LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS [(1)]
Persons, annual percentage changes

	2007		2008			Annual change
	July	Dec.	Mar.	June	July	%
Labour supply	**148,875**	**149,008**	**149,644**	**151,118**	**152,075**	**2.1**
Gainfully occupied [(2)]	142,543	142,836	143,476	145,257	146,117	2.5
Registered unemployed	6,332	6,172	6,168	5,861	5,958	-5.9
Unemployment rate (%)	**4.3**	**4.1**	**4.1**	**3.9**	**3.9**	
Private sector	**99,624**	**100,145**	**100,649**	**102,603**	**103,457**	**3.8**
Direct production	32,934	32,397	32,371	32,612	32,693	-0.7
Market services	66,690	67,748	68,278	69,991	70,764	6.1
Public sector	**42,450**	**41,992**	**42,046**	**41,871**	**41,914**	**-1.3**
Temporary employment	**469**	**699**	**781**	**783**	**746**	**59.1**
Part-time jobs	**47,289**	**46,966**	**46,553**	**48,749**	**49,771**	**5.2**
Primary	26,808	26,070	26,018	27,579	28,331	5.7
Secondary [(3)]	20,481	20,896	20,535	21,170	21,440	4.7

(1) Figures for August and September 2008 were not available at time of writing.
(2) This category measures full-time employment.
(3) This category includes employees holding both a full-time job and a part-time job.
Source: NSO.

[1] An alternative employment measure, based on the national accounts, puts the third quarter's growth rate at 2.0%, slower than the 2.9% recorded in the previous quarter.
[2] The employment rate represents the number of employed as a share of the population aged between 15 and 64 years.
[3] The activity rate represents the labour force as a share of the population aged between 15 and 64 years.

The divergence between employment in the private and public sectors widened over the year to July 2008, with a rise of 3.8% in the former and a decline of 1.3% in the latter.[4] Within the private sector, growth occurred entirely in services, where a total of 4,074 additional full time recruits included 440 in hotels & restaurants, 369 in recreational, cultural & sporting activities and 274 in the wholesale trade category. There was a parallel increase of 2,482 employees, spread across various types of services, in part-time employment, of which 1,523 held a part-time job as their primary employment. In this category, the largest gains were recorded in the wholesale & retail trade, hotels & restaurants, health &social work and in the other community, social & personal service activities sector.

Chart 2.4
REGISTERED UNEMPLOYED
(persons)

Source: NSO.

Continuing the long-term decline that is also indicated in the LFS and in the NSO's survey of the sector, there was a further reduction of 521 in the number of full-time employees in manufacturing since July 2007. The decline, which was spread across various sub-sectors of manufacturing, included a drop of 226 in the radio, TV & communications category, 145 in the clothing industry, and 98 in office machinery & computers.

Unemployment rates remain low

At 5.8%, the LFS estimate of the unemployment rate in the third quarter was the lowest since the inception of the survey in 2000. Likewise, the number of unemployed persons registered with the ETC continued to fall until the early summer, with the unemployment rate reaching a low of 3.9% in July.

However, ETC data on the number of unemployed persons issued in subsequent months showed a slightly rising trend through November (see Chart 2.4). Moreover, Eurostat estimates of the seasonally-adjusted unemployment rate edged up from a low of 5.6% in September to 5.8% in November.

Prices

HICP reflects higher prices of services, food and energy

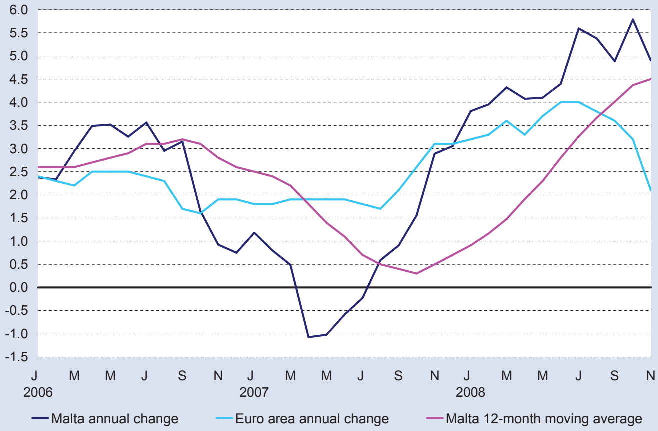
The annual rate of increase in Malta's HICP rose from 4.4% in June to 4.9% in September. Similarly, as Chart 2.5 shows, the twelve-month moving average rate of HICP inflation rose to 4.0% over the quarter. Meanwhile, over the same quarter, annual HICP inflation in the euro area as a whole eased from 4.0% to 3.6%, but the twelve-month moving average rate rose by 0.5 percentage points to 3.4%.

[4] This was in part due to the shift of a major postal service company from public to private ownership in September 2007.

The main contributions to the rise in the HICP over the third quarter came from three sources. The first was services, which contributed 2.1 percentage points, spurred by year-on-year increases of 6.0% and 10.8% in restaurant and hotel prices, respectively. The second was food, the prices of which contributed 1.2 points, mainly driven by prices of processed food, which went up by 7.3%. A further one-point contribution came from the energy component, which reflected the rise in the administratively-set surcharge on water and electricity bills from 50% in the second quarter to 95% in the third (see Chart 2.6).

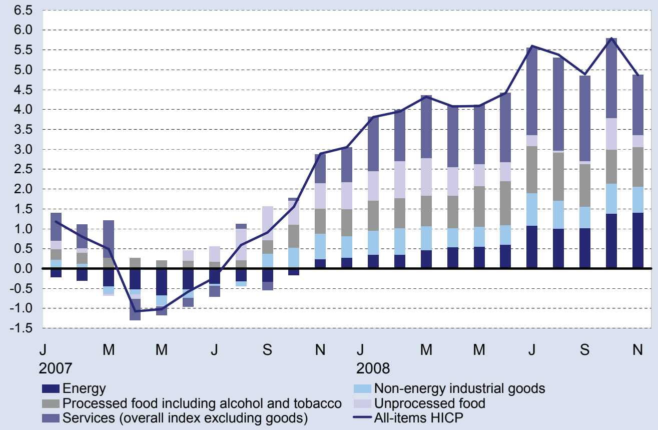
More recent data show that Malta's annual HICP inflation rate had risen markedly again in October, to 5.7%, before easing to 4.9% in November.

Chart 2.5
HICP INFLATION RATES
(annual percentage changes, annual average percentage changes)



Source: Eurostat.

Chart 2.6
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION
(percentage points)



Source: Eurostat.

RPI follows a similar pattern

As usual, developments in the RPI during the quarter paralleled those in the HICP, except for differences arising from the exclusion of a hotel accommodation sub-component from the RPI and the larger weight attached to the food component. The year-on-year rate of change in the RPI peaked at 4.8% in July, before easing to 4.1% in September. Nevertheless, at this level, it was 0.1 percentage points higher than in June, while over the same period the twelve-month moving average rate accelerated by 0.8 percentage points to 3.7%.

The third quarter increase in RPI inflation was mostly driven by higher food prices, which contributed 1.5 percentage points to the year-on-year rise in the index in September. Meanwhile, the sub-indices containing the electricity and transport components were responsible for an increase of 0.8 and 0.7 points, respectively (see Table 2.6).

Despite the acceleration in RPI inflation, the core inflation index, a Central Bank of Malta measure of price movements that takes into consideration inflation persistence, declined from 1.6% in June to 1.2% in September.

Table 2.6
CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION
Percentage points

	2008			
	June	July	Aug.	Sep.
Food	2.0	1.8	1.6	1.5
Beverages & tobacco	0.2	0.2	0.2	0.2
Clothing & footwear	0.2	0.4	0.4	0.3
Housing	0.3	0.3	0.3	0.3
Water, electricity, gas & fuels	0.1	0.9	0.8	0.8
Household equipment & house maintenance costs	0.0	0.0	-0.1	0.0
Transport & communications	0.8	0.8	0.8	0.7
Personal care & health	0.1	0.1	0.1	0.1
Recreation & culture	0.1	0.1	0.1	0.1
Other goods & services	0.2	0.2	0.2	0.2
RPI	**4.0**	**4.8**	**4.4**	**4.1**

Sources: NSO; Central Bank of Malta.

BOX 2: RESIDENTIAL PROPERTY PRICES

Decline in residential property prices continues in the third quarter

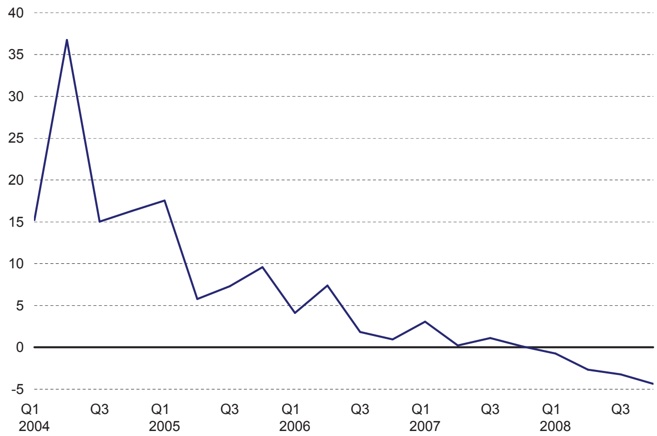
The slowdown in the domestic property market that began in the third quarter of 2004 continued into the third quarter of 2008, with the Bank's property price indicator showing an annual decline of 3.2% in advertised prices, following contractions of 0.7% and 2.7% in the previous two quarters (see Chart 1).

Lower prices were observed in six of the eight categories surveyed. Prices of finished flats, the most common type, were down by 5.5% on a year earlier, though the largest reductions, of 9.6% and 9.1%, respectively, were reported for villas and maisonettes in shell form.

Prices rose in only two categories: maisonettes in finished form and town houses. The prices of the latter, which account for 6% of the market, reported a sharp rise during the quarter, but these tend to display a high degree of volatility.

Data for the fourth quarter of 2008 reveal a further drop, of 4.4%, in house prices.

Chart 1
RESIDENTIAL PROPERTY PRICES
(annual percentage changes)



Source: Central Bank of Malta.

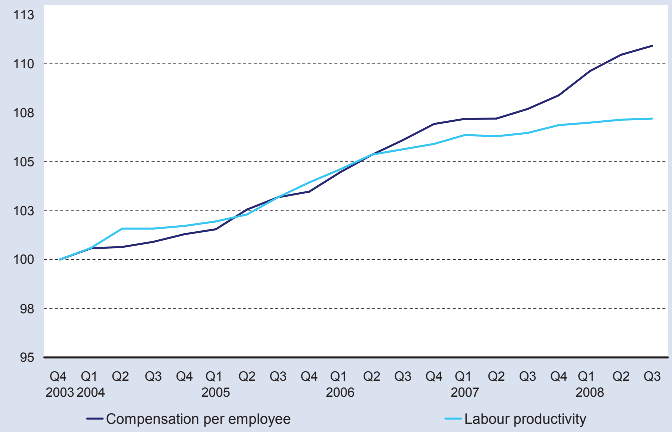
Costs and competitiveness

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

ULC signal a reduction in competitiveness …

Measured on a four-quarter moving sum basis, Malta's ULC in the third quarter of 2008 were up by 2.3% from their year-ago level. This was due to a 0.7% increase in labour productivity that fell short of the 3.0% rise in compensation per employee (see Charts 2.7).[5] Nevertheless, Malta's unit labour costs increased at a slower pace than across the euro area as a whole, where they went up by 2.9%. In fact, Malta has generally lagged behind the euro area in ULC growth in recent years, partly reversing the upward trend in such costs that occurred earlier in the decade (see Charts 2.8).

Chart 2.7
COMPENSATION AND PRODUCTIVITY IN MALTA
(four-quarter moving sum indices, 2003 Q4= 100)

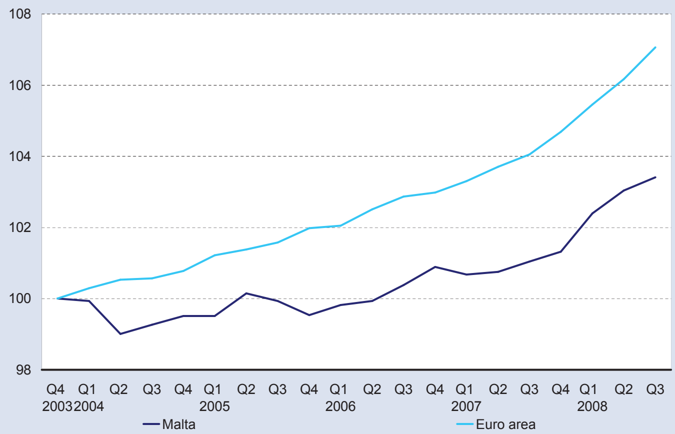


Source: ECB.

… as does the HCI in the third quarter

The HCI, which may be considered an effective exchange rate index, is a measure of multilateral competitiveness that encompasses developments in both the exchange rate and the relative inflation rate of a country.[6] Malta's HCI reflects its inflation rate relative to that in its trading partners both inside and outside the euro area. It also reflects exchange rate changes vis-à-vis countries outside the euro area. As this index, which is compiled by the ECB, weights exchange rate and price changes by the direction of trade in manufactured goods only, it is not a fully comprehensive measure of international competitiveness.

Chart 2.8
UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA
(four-quarter moving sum indices, 2003 Q4=100)



Source: ECB.

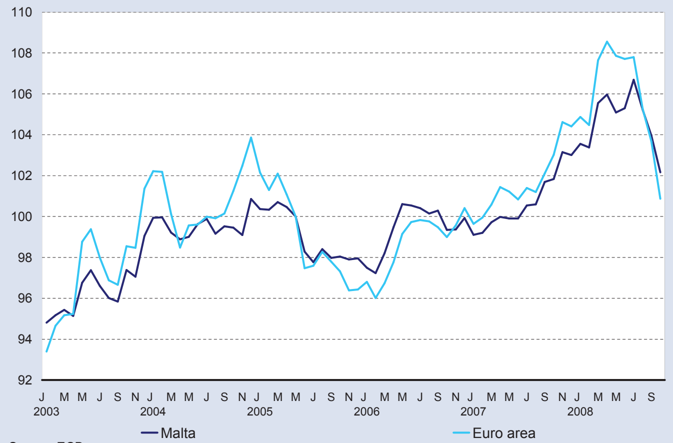
Malta's HCI for September 2008 was 2.2% above its year-ago level, indicating a deterioration in the country's competitiveness, at least as far as

[5] ULC measure the cost of employed labour per unit of output, or, more precisely, the ratio of nominal per-employee compensation to labour productivity. The latter is in turn defined as GDP at constant prices per person in employment. An increase (decrease) in ULC indicates a drop (rise) in competitiveness.

[6] The HCI is a measure of international competitiveness that tracks price level and exchange rate changes vis-à-vis a country's trading partners. Price and exchange rate changes are weighted by trade in manufactured goods. A higher (lower) score indicates a deterioration (improvement) in competitiveness.

manufacturing is concerned. The euro area's HCI also rose, but by a relatively moderate 1.5%.

Chart 2.9
HARMONISED COMPETITIVENESS INDICATORS
(May 2005 = 100)



Source: ECB.

Developments in the HCI over a longer time span, and updated through November 2008, reveal a sharp decline in both Malta's and the euro area's index from August 2008 onwards. The fall in this indicator of competitiveness was due mainly to the depreciation of the euro against the U.S. dollar during that period. Nevertheless Malta's HCI for November 2008 was 1.1% above its level in May 2005, while over the same period the euro area's indicator was virtually unchanged.

The balance of payments

In line with seasonal patterns, the current account of the balance of payments ended the third quarter of 2008 in surplus. Nonetheless, this was considerably smaller than the surplus recorded in the same quarter a year earlier. A larger merchandise trade deficit and lower net inward transfers were responsible for this deterioration, offsetting a significant increase on the services balance and lower net investment income outflows.

During the same period, net outflows were recorded on the capital and financial account.[7] This was wholly attributable to developments in the financial account, especially the portfolio investment component, and, to lesser extent, to financial derivative outflows. These outweighed substantial inflows in the form of direct investment, long-term bank borrowings and deposits. At the same time, the capital account posted a small surplus. Meanwhile, reserve assets declined, while positive net errors and omissions were reported.

The current account surplus narrows

Between July and September 2008 the surplus on the current account stood at EUR 44.5 million, down by EUR 22.1 million from that recorded in the same period a year earlier (see Table 2.7). As a result, the current account deficit for the four quarters to September 2008 continued to widen, reaching EUR 369.7 million (see Chart 2.10). Thus, as a proportion of GDP, the deficit rose to 6.5%, compared to 4.6% over the four quarters ending in September 2007.

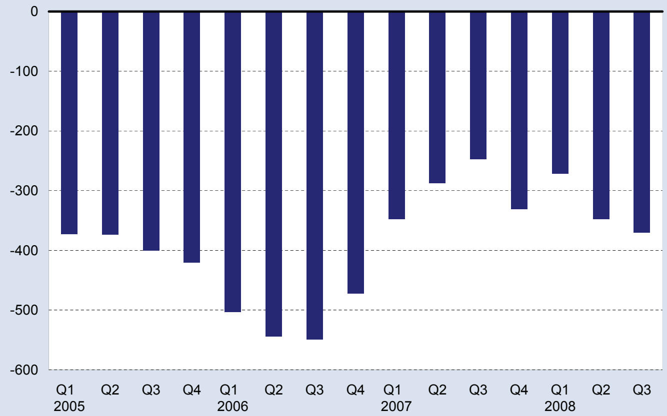
The merchandise trade gap widens significantly …

According to balance of payments data, the merchandise trade deficit widened to EUR 343.4

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

million during the third quarter, rising by EUR 78.7 million, or 29.7%, on a year earlier. This mainly reflected a contraction in exports, though an increase in imports also contributed.

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



Source: NSO.

On a year-on-year basis, the value of exports fell by EUR 71.5 million, or 12.4%. As indicated by Customs data, this mainly reflected lower sales of semi-conductors, which continued their downward trend and accounted for over half the drop. But exports of pharmaceuticals and of other miscellaneous manufactured goods also declined. By contrast, sales of food and re-exports of fuels rose. Meanwhile, imports rose by EUR 7.2 million, or 0.9%, mainly under the impact of a sharp rise in the value of fuel imports. The effect of the latter on the trade gap, however, was dampened by lower purchases of industrial supplies, which reflected the concurrent fall in exports of semi-conductors.

As a result of these developments, the visible trade gap on a four-quarter moving sum basis continued to widen (see Chart 2.11). Exports were down by 7.6% on a year earlier, extending the downward trend in evidence since the final quarter of 2007 and accounting for most of the deterioration in the goods balance. At the same time, the upward trend in imports stabilised over the last three quarters. Nonetheless, over the four quarters to September imports were up by 4.7% mainly on account of the higher costs of fuel.

Provisional Customs data for October show a substantial narrowing of the trade gap. As a result, during the first ten months of the year the trade deficit was marginally below the level recorded during the corresponding period of 2007.

Table 2.7
BALANCE OF PAYMENTS
(EUR millions)

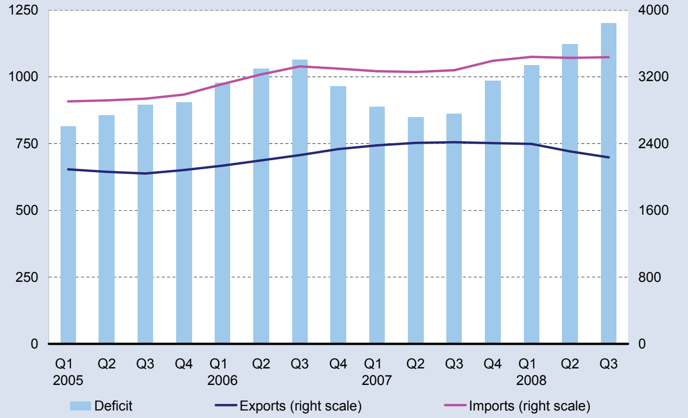
			four quarter moving sum			
	2007	2008	2007	2008		
	Q3		Q4	Q1	Q2	Q3
Current account	**66.7**	**44.5**	**-330.6**	**-271.3**	**-347.6**	**-369.7**
Goods	-264.7	-343.4	-986.0	-1,043.9	-1,121.7	-1,200.4
Services	339.5	412.6	847.6	864.5	914.7	987.9
Income	-38.0	-35.9	-129.0	-77.7	-182.2	-180.1
Current transfers	29.9	11.2	-63.2	-14.3	41.6	23.0
Capital and financial account	**-93.0**	**-126.2**	**191.7**	**49.3**	**300.6**	**267.4**
Capital account	27.4	6.1	51.4	50.4	56.8	35.5
Financial account	-120.4	-132.3	140.3	-1.1	243.9	232.0
Errors and omissions	**26.3**	**81.7**	**138.9**	**222.0**	**47.0**	**102.3**

Sources: NSO; Central Bank of Malta.

… but the surplus on services improves sharply

Meanwhile, during the quarter, the positive balance on services went up by EUR 73.1 million, or 21.5%, on the corresponding quarter last year, reaching EUR 412.6 million. Consequently, as Chart 2.12 shows, the trend improvement in the services balance on a four-quarter cumulative basis continued to gather momentum, with the surplus rising by 22.0% on a year earlier. This reflected both an increase in exports of services, which rose by 7.0%, and a 0.7% drop in imports.

Chart 2.11
GOODS
(four-quarter moving sums, EUR millions)



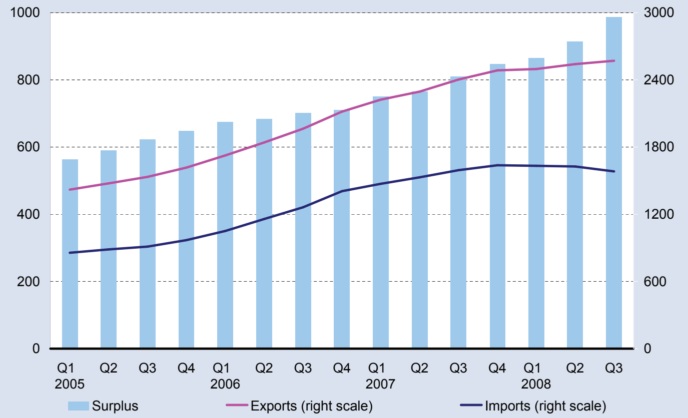
Source: NSO.

On a year-on-year basis, increased net inflows on the services balance during the September quarter were almost entirely due to higher net receipts on the 'other services' component, which increased by EUR 74.7 million to EUR 166.0 million. This was mainly attributable to net inflows from financial services, as against outflows a year earlier, as well as higher receipts from leasing of storage and other facilities. Lower payments for miscellaneous business, professional and technical services also contributed. At the same time, income from transport activities grew by EUR 7.7 million, reflecting higher receipts from both sea and air transport. Higher expenditure by residents travelling abroad and a reduction in spending by inbound tourists led to a EUR 9.2 million contraction in the surplus on travel.

Net outflows on the income account decline ….

Net outflows on the income account amounted to EUR 35.9 million in the third quarter of 2008, EUR 2.1 million less than in the corresponding 2007 quarter. This stemmed from reduced dividend payments to non-resident investors and higher interest earned on residents' portfolio investments abroad. The latter offset a considerable rise in interest payments. Banks that predominantly engage in international business accounted for most of these income flows.

Chart 2.12
SERVICES
(four-quarter moving sums, EUR millions)



Source: NSO.

… but the positive balance on transfers decreases

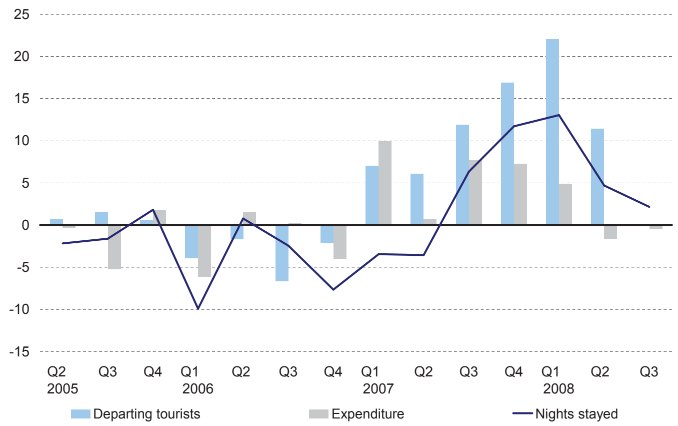
The balance on the current transfers account remained

BOX 3: TOURISM ACTIVITY

Tourism data indicates slower activity in the sector

The deceleration in tourist arrivals continued during the third quarter, with tourist numbers virtually unchanged from year-ago levels, even as the total number of nights stayed increased. An analysis by source markets shows that compared to a year earlier there was a substantial decline in the number of tourists from the United Kingdom and France, which reported reductions of 10.3% and 12.2%, respectively. By contrast, however, arrivals from Spain, Italy and Germany were up, by 13.1%, 16.5% and 22.5%, respectively.

Chart 1
TOURIST NUMBERS, EXPENDITURE AND NIGHTS STAYED
(annual percentage changes)



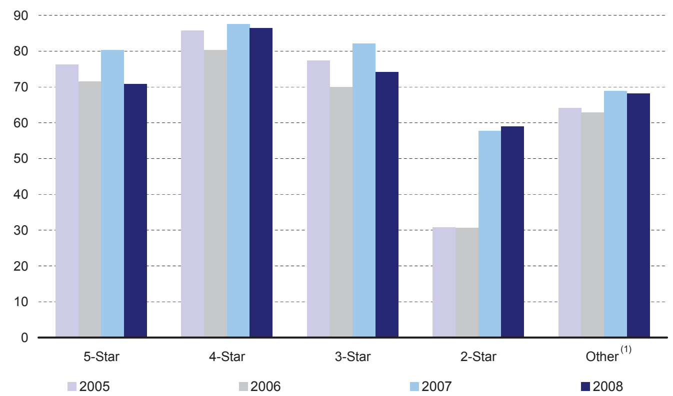
Source: NSO.

After peaking in the first quarter of 2008, the rate of growth in nights-stayed decelerated further in the third quarter, to 2.2%. As the number of tourists remained more or less unchanged, the average length of stay edged up slightly, to 10.1 nights. Meanwhile, tourist expenditure was down by 0.5% (see Chart 1). This was the net effect of a 15.3% rise in non-package spending and a 9.8% drop in expenditure on package holidays.

According to NSO figures, occupancy rates declined in all accommodation categories except 2-star hotels, where the rate rose marginally from a year earlier (see Chart 2). Substantial reductions were recorded in the 5- and 3-star hotel categories, which shed around ten and eight percentage points, respectively.

These findings were generally corroborated by an industry survey of 5-, 4- and 3-star hotels.[1] According to this survey, occupancy rates declined across all the surveyed categories, with the sharpest drop being recorded by 5-star hotels, where a decline in nights stayed was compounded by an increase in room supply.

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



(1) Includes guesthouses, hostels & holiday complexes.

Source: NSO.

[1] The BOV MHRA Hotel Survey, December 2008.

Nevertheless, the industry survey also reported that average achieved room rates, defined as accommodation revenue per room-night sold net of VAT, increased across all the three hotel categories to the highest level in the last five years. The largest increase, 18.5%, was recorded by 3-star hotels.

Meanwhile the number of cruise liner passengers visiting Malta recorded substantial though slower growth, rising by just under 9% during the quarter on a year-on-year basis.

In October there was a further fall in tourist arrivals. Departures for the month were down by 9.3%, year-on-year, while estimated expenditure was lower by 12.4%. In addition, the number of nights stayed fell. Consequently the average length of stay declined further, to 8.3 nights. By contrast, cruise passenger traffic rose strongly during the same month.

positive but was down by EUR 18.6 million from its year-ago level. This was largely due to a decline in tax receipts from companies engaged in international business registered in Malta.

The capital and financial account registers higher net outflows

Partly reflecting the surplus on the current account, the capital and financial account posted net outflows of EUR 126.1 million during the quarter under review (see Table 2.7). These were entirely driven by developments in the financial account, since the capital account recorded a surplus of EUR 6.1 million. On a four-quarter moving sum basis, net inflows on the capital and financial account amounted to 4.7% of GDP by end-September 2008, as against 6.7% of GDP in the same period of the previous year.

Net outflows on the financial account during the third quarter of 2008 totalled EUR 132.2 million. These were mainly due to additional holdings of foreign equities and bonds and notes, which accounted for most of the EUR 901.1 million outflow under the portfolio investments sub-component. These flows, which mostly reflected the activities of banks that deal predominantly with non-residents, suggest that the intensification of the international financial crisis in September did not have a significant impact on cross-border portfolio investment patterns in Malta. To a lesser extent, transactions in financial derivatives generated additional net outflows.

Conversely, the other investment component recorded a positive balance of EUR 596.6 million during the quarter. This was mainly driven by a rise in currency and deposit liabilities and, to lesser extent, long-term loans taken by the banking sector. An increase in the share capital of a particular bank boosted net direct investment inflows, which stood at EUR 146.7 million. Reinvested earnings by both the banking and the non-financial sectors also contributed to foreign direct investment inflows. At the same time, reserve assets decreased by EUR 42.3 million.

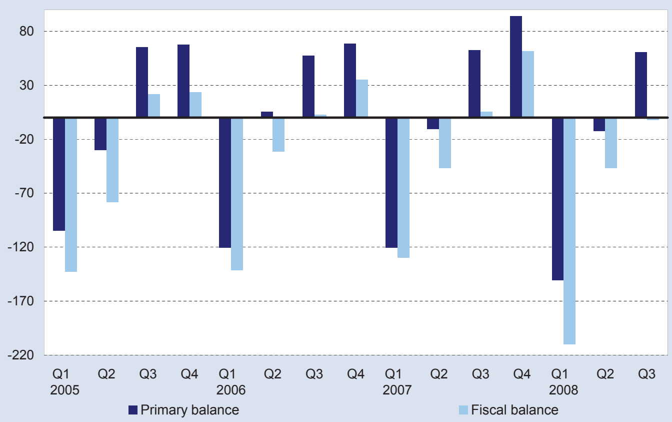
Sizable positive net errors and omissions were recorded during the quarter, indicating an underestimation of the current account surplus and/or an overestimation of net capital and financial account outflows.

Government finance[8]

Consolidated Fund deficit widens further in third quarter

In contrast with the previous three years, the Consolidated Fund registered a small deficit in the third quarter of 2008 (see Chart 2.13). The deficit for the first nine months of 2008 stood at EUR 258.2 million, an increase of EUR 87.5 million, over the same period of the previous year (see Table 2.8). Correspondingly, the primary deficit for the first three quarters rose

Chart 2.13
CONSOLIDATED FUND DEVELOPMENTS
(EUR millions)



Source: NSO.

[8] The cut-off date for information on government finance is 16 January 2009.

Table 2.8
GOVERNMENT BUDGETARY OPERATIONS
EUR millions

	2007 Q3	2008 Q3	2007 Q1 - Q3	2008 Q1 - Q3	Change Amount	Change %
Revenue	**532.5**	**553.8**	**1,405.4**	**1,481.9**	**76.6**	**5.4**
Direct tax	**260.2**	**307.9**	**629.6**	**713.1**	**83.4**	**13.3**
Income tax	186.1	227.5	411.0	478.6	67.5	16.4
Social security contributions (1)	74.1	80.4	218.6	234.5	15.9	7.3
Indirect tax	**203.4**	**216.3**	**597.2**	**620.7**	**23.5**	**3.9**
Value Added Tax	105.5	116.5	301.5	328.5	27.0	9.0
Customs and excise duties	46.4	47.1	128.2	130.1	1.9	1.5
Licences, taxes and fines	51.5	52.7	167.4	162.1	-5.4	-3.2
Non-tax(2)	**68.7**	**29.6**	**178.6**	**148.2**	**-30.4**	**-17.0**
Expenditure	**527.1**	**555.8**	**1,576.1**	**1,740.1**	**164.0**	**10.4**
Recurrent (1)	**465.4**	**511.5**	**1,405.5**	**1,576.2**	**170.8**	**12.2**
Personal emoluments	111.6	119.1	334.7	359.3	24.6	7.3
Programmes and other operational expenditure(3)	261.1	294.9	805.7	939.0	133.3	16.5
Contributions to entities	35.4	35.0	118.3	121.8	3.5	2.9
Interest payments	57.3	62.5	146.8	156.1	9.3	6.4
Capital	**61.5**	**44.3**	**170.7**	**163.9**	**-6.8**	**-4.0**
Primary balance(4)	**62.7**	**60.5**	**-24.0**	**-102.1**	**-78.1**	**-**
Consolidated Fund balance(5)	**5.4**	**-2.0**	**-170.7**	**-258.2**	**-87.5**	**-**

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

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

(3) Includes programmes & initiatives and operational & maintenance expenditure.

(4) Revenue less expenditure excluding interest payments.

(5) Revenue less expenditure.

Source: NSO.

by EUR 78.1 million to EUR 102.1 million. Data for the first eleven months of 2008 point to an additional widening of the deficit, as expenditure increased by a larger amount than revenue.

Revenue continues to expand…

Between July and September 2008 revenue increased by 4.0% on a year earlier, so that over the first nine months of the year it expanded by EUR 76.6 million, or 5.4%, compared with the same period of 2007. In both cases, this was mainly due to increases in receipts from direct taxes and, to a lesser extent, from indirect taxes. By contrast, non-tax revenue fell significantly.

Direct tax proceeds expanded strongly during the first three quarters of 2008, rising by EUR 83.4 million, or 13.3%, on a year-on-year basis. Income tax accounted for approximately four-fifths of the overall increase, driven by both higher corporate tax and personal income tax flows. Favourable labour market developments, which led to higher income growth, contributed to the increase in proceeds from income tax and more than offset the impact of the income tax relief measures introduced in the beginning of the year. They also had a positive effect on social security contributions, which went up substantially.

During the first three quarters of 2008 indirect taxes yielded EUR 23.5 million more than in the first three quarters of 2007. This was attributable to a substantial rise in VAT receipts, which was partly offset by lower revenue from licences, taxes and fines. Intakes from customs and excise duties increased slightly, while VAT revenues expanded by 9%, reflecting strong growth in private consumption. On the other hand, the 3.2% decline in revenue from licences, taxes and fines seems to have been mainly due to the reduced take from duty of documents, more specifically those related to real-estate transfers, in a less buoyant property market.

Non-tax revenue fell to EUR 148.2 million, which is 17.0% less than that recorded in the first three quarters of 2007. Grants received from the EU and Italy dropped by EUR 15.9 million, while revenue from the sale of land by the government also decreased.

…but fails to keep up with expenditure

Expenditure rose at a faster pace than revenue between July and September 2008, rising by 5.4% compared to the same period of 2007. Thus, in the first nine months of 2008 expenditure rose by EUR 164.0 million, or 10.4% on a year earlier. Lower capital expenditure slightly offset a considerable increase in recurrent expenditure. Three-fourths of the increase in recurrent spending was due to programmes and other operational expenditure. In turn, this mostly reflected higher subsidies to the energy sector to counter the effects of the surge in international oil prices; increased social security benefits, especially retirement pensions and children's allowances; and the higher running costs of the new hospital. The remainder resulted from an increase in the government wage bill, partly reflecting new collective agreements in the health sector. Interest payments on government debt also rose.

Capital spending fell by EUR 6.8 million to EUR 163.9 million, reflecting reduced expenditure on the new hospital, which had boosted capital outlays in 2007 and preceding years. In addition, EU-funded capital projects moved at a slower pace compared to the previous year. These reductions were offset to a certain extent by increased subventions to Malta Enterprise and the Malta Tourism Authority.

Parallel developments registered in the general government balance

Moving in tandem with the Consolidated Fund, the general government deficit decreased moderately in the third quarter when compared to the previous three-month period, but widened on a year earlier, to EUR 50.0 million. Consequently, the general government deficit for the first three quarters of the year widened by EUR 122.9 million on a year earlier, reaching EUR 230.9 million (see Table 2.9). Expenditure expanded more than twice as fast as revenue, resulting in a primary deficit of EUR 97.2 million, compared with a surplus of EUR 22.3 million in the same period of 2007.

During the first three quarters of 2008 revenue grew by 5.6% on a year earlier. For the most part this was owing to higher intakes from taxes on income and wealth, which were up by 12.2%. Substantial increases were also recorded in receipts from taxes on production & imports and social contributions. At the same time, however, capital transfers, which consist mainly of grants from the EU and taxes on property transactions, decreased by EUR 20.4 million, or 48.5%, restraining revenue growth.

Expenditure expanded much more rapidly, rising by 12.7% on a year earlier, with most recurrent items registering sizeable growth. In absolute terms, intermediate consumption recorded the largest increase, going up by around 37%, mainly due to the higher running cost of the new hospital. Expenditure on social security benefits continued to expand steadily, rising by 12.9%,

BOX 4: GOVERNMENT'S FISCAL POLICY OUTLOOK

Projections issued with the Financial Estimates for 2009 and the 2008-2011 update of Malta's Stability Programme show that the general government deficit-to-GDP ratio is anticipated to have risen in 2008. In 2009, however, the ratio is expected to fall back to 2007 levels, and to continue to decline thereafter, until a budget surplus is reached in 2011. Correspondingly, the deficit in the Consolidated Fund for 2008 is projected to have widened compared to 2007, as expenditure increased more rapidly than revenue, though this was mainly the result of one-off factors. Hence, while the debt-to-GDP ratio is projected to have increased slightly in 2008, it is expected to diminish in line with the budget balance in the following years.

General government[1]

Malta's Stability Programme 2008-2011, which describes the Government's medium-term policy framework, includes forecasts of macroeconomic variables and budgetary objectives for the four-year period. According to the Programme, the general government deficit is expected to have increased from 1.8% of GDP in 2007 to 3.3% in 2008 (see Table 1). Growth in expenditure as a proportion of GDP explains the increase in the deficit ratio, since the revenue ratio for 2008 is similar to that for 2007. The rise in expenditure was, however, mainly due to two one-time extraordinary items: one being the early retirement schemes for Malta Shipyard Ltd employees in connection with the planned privatisation of the enterprise; and the other the sharp increase in the subsidy to the energy sector to offset the impact on consumers of the surge in oil prices on international markets. Together these amounted to around 1.7% of GDP. Consequently, the primary balance is expected to have fallen close to zero in 2008 from a surplus of 1.6% of GDP in 2007.

The cyclically adjusted budget deficit for 2008 is projected to have risen to 3.1% of GDP. However, if one had to remove the extraordinary items of expenditure referred to above, the cyclically adjusted deficit would have remained in line with the previous year's. Over the projection horizon, moreover, the cyclically adjusted deficit is expected to decrease, falling to 1.3% of GDP in 2009 and turning to a surplus by 2011. In 2008, the government debt ratio is expected to have increased by 0.6 percentage points to 62.8% of GDP, reflecting the increase in the deficit. But as the deficit declines, the debt ratio is expected to decrease to 56.3% of GDP in 2011.

Table 1

STABILITY PROGRAMME: KEY FISCAL INDICATORS

Percentage of GDP

	2007	2008	2009	2010	2011
Total revenue	40.6	40.6	41.7	41.8	41.9
Total expenditure	42.4	43.9	43.2	42.1	40.7
Interest payments	3.4	3.3	3.4	3.3	3.2
Budget balance	-1.8	-3.3	-1.5	-0.3	1.2
Primary balance	1.6	0.0	1.9	3.0	4.3
Cyclically adjusted budget balance	-1.6	-3.1	-1.3	-0.2	0.9
Gross debt	62.2	62.8	61.9	59.8	56.3

Source: *Stability Programme 2008-2011* , Ministry of Finance, the Economy and Investment.

[1] General government captures central government, including extra-budgetary units, and local government. General government data are compiled on the basis of ESA 95. The Consolidated Fund, in contrast, captures most of the transactions of central government on a cash basis.

Compared to Malta's Stability Programme 2007-2010, the updated version indicates a deviation from the set fiscal targets in 2008 and, subsequently, a slower decline in the budget deficit and government debt trajectories. This is not only due to the extraordinary expenditures recorded in 2008, but also to downward revisions to the projected growth in GDP and, hence, in government revenue. These developments, however, are only expected to delay the achievement of the Government's Medium-Term Objective by one year. Indeed, according to the latest Programme, a balanced budget in structural terms is to be reached in 2011 instead of 2010 - the previous target.

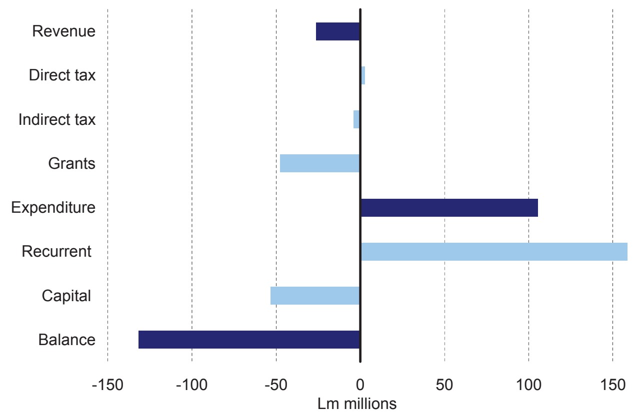
Consolidated fund performance in 2008

According to revised data published in the Financial Estimates, the deficit on the Consolidated Fund is expected to have expanded from EUR 109.1 million in 2007 to EUR 200.1 million in 2008. This is EUR 131.7 million more than the balance approved in the 2008 Budget, with the impact of the unforeseen sharp increases in expenditure referred to earlier being reinforced by lower-than-expected revenue (see Chart 1). The shortfall in revenue was mainly due to lower receipts by way of grants, as tax proceeds were broadly in line with the approved estimates for the year.

During 2008, revenue is now expected to expand by 7.1% over the previous year, with both tax and non-tax revenues anticipated to exceed the 2007 outcomes. Nearly half of this gain, or EUR 75.4 million, is expected to result from increased income tax receipts, in spite of the cuts in personal income tax that entered into force in January 2008 (see Table 2). The sustained growth in income tax proceeds probably reflects the strong expansion, over recent years, in the activities of companies trading outside the domestic economy. Social Security contributions are also expected to have risen, by around 6%, owing to the improved performance of the labour market. Similarly, the proceeds from VAT are projected to have grown by nearly 8%, while other indirect tax receipts are expected to have maintained their 2007 levels. In addition, non-tax revenue appears to have increased by almost 9% compared with the previous year, with grants contributing more than half of the rise.

In 2008 expenditure is anticipated to have increased by nearly 11% on the previous year, with recurrent expenditure growing by EUR 219.9 million, or 11.5%. Almost half of this increase was attributable to the temporary effects of the exceptional items referred to earlier. In addition, the opening of the new hospital resulted in significantly higher expenditure on personal emoluments and intermediate consumption in the health sector. Outlays on social security benefits were also up, by more than 8%, partly due to the increases in children's allowances announced in the 2008 Budget and higher spending on

Chart 1
CONSOLIDATED FUND PERFORMANCE IN 2008
(difference between actual and revised estimates)



Source: Ministry of Finance, the Economy and Investment.

Table 2
BALANCE ON THE CONSOLIDATED FUND 2007-2009
EUR millions

	2007	2008			2009		
	Actual	Revised	Change		Approved	Change	
		estimate	Amount	%	estimate	Amount	%
Revenue	**2,064.4**	**2,210.7**	**146.3**	**7.1**	**2,375.3**	**164.6**	**7.4**
Direct tax	**983.6**	**1,078.4**	**94.8**	**9.6**	**1,150.4**	**72.0**	**6.7**
Income tax	663.4	738.8	75.4	11.4	798.0	59.2	8.0
Social security contributions (1)	320.2	339.6	19.4	6.1	352.4	12.8	3.8
Indirect tax	**838.4**	**868.5**	**30.1**	**3.6**	**911.8**	**43.3**	**5.0**
Value Added Tax	421.8	454.5	32.7	7.8	477.0	22.5	5.0
Customs and excise duties	185.0	185.3	0.3	0.2	201.4	16.1	8.7
Licences, taxes and fines	231.6	228.7	-2.9	-1.3	233.4	4.7	2.1
Non-tax	**242.4**	**263.8**	**21.4**	**8.8**	**313.1**	**49.3**	**18.7**
of which Grants	56.3	68.6	12.3	21.8	125.4	56.8	82.8
Expenditure	**2,173.6**	**2,410.8**	**237.2**	**10.9**	**2,474.1**	**63.3**	**2.6**
Recurrent (1)	**1,915.7**	**2,135.6**	**219.9**	**11.5**	**2,126.1**	**-9.5**	**-0.4**
Personal emoluments	484.4	515.3	30.9	6.4	537.5	22.2	4.3
Contributions to entities	156.6	166.2	9.6	6.1	159.9	-6.3	-3.8
Social security benefits	572.3	619.0	46.7	8.2	663.3	44.3	7.2
Interest payments	179.1	186.4	7.3	4.1	196.3	9.9	5.3
Other expenditure	523.2	648.7	125.4	24.0	569.1	-79.6	-12.3
Capital	**257.9**	**275.2**	**17.3**	**6.7**	**348.0**	**72.8**	**26.5**
Consolidated Fund balance	**-109.1**	**-200.1**	**-91.0**	**15.5**	**-98.8**	**101.3**	**39.9**

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

Source: Ministry of Finance, the Economy and Investment.

pensions reflecting an ageing population. Capital expenditure, which went up by nearly 7%, also contributed to the overall increase in expenditure.

Budget Estimates for 2009

In 2009 the deficit on the Consolidated Fund is expected to fall below 2% of GDP, as revenue is expected to grow faster than expenditure. On balance, tax measures should broadly offset each other, with a slight shift away from direct taxation to indirect taxes. Recurrent spending is expected to contract slightly, due to the unwinding of the effects of the one-off items that boosted expenditure in 2008. In contrast, capital outlays are set to rise, though these will be largely financed by increased absorption of EU funds.

Despite the further, small revision in income tax brackets, income tax receipts are again projected to expand, contributing significantly to the overall rise in revenue. This appears to be based on the assumption that the expansion in tax revenue generated by companies trading outside the domestic economy will continue. Indirect tax receipts are also expected to accelerate, due to the increases in excise duty on fuel and cigarettes, higher environmental taxes and the change in the taxation of private motor vehicles announced in the Budget. These measures are expected to outweigh the impact of the removal of the departure tax in November 2007 and counter an expected slowdown in the growth of revenue from VAT. In addition, non-tax revenue is expected to rise by EUR 49.3 million, as grants are set to increase by EUR 56.8 million, or more than four-fifths, but these will be partly offset by a projected EUR 9.0 million decline in dividends on investments.

The removal of subsidies to the energy sector and to Malta Shipyards Ltd., and the deduction of the one-off compensation granted to Malta Shipyards Ltd., workers in 2008, should dampen expenditure growth in 2009. But these factors will be largely offset by increases of EUR 22.2 million in personal emoluments and EUR 44.3 million in social security benefits, with the latter being mostly driven by population ageing and the granting of the full COLA adjustment to pensioners. At the same time, capital expenditure is expected to grow by EUR 72.8 million, or 26.5% over the previous year, though, as mentioned earlier, this will largely be financed by increased EU grants.

Table 2.9
GENERAL GOVERNMENT BALANCE
EUR millions

	2007 Q3	2008 Q3	2007 Q1-Q3	2008 Q1-Q3	Change Q1 - Q3 Amount	Change Q1 - Q3 %
Revenue	**507.1**	**559.2**	**1,542.8**	**1,629.5**	**86.7**	**5.6**
Taxes on production and imports	210.8	220.7	580.0	610.4	30.4	5.2
Current taxes on income and wealth	135.7	190.8	470.4	527.8	57.4	12.2
Social contributions	94.7	98.1	294.3	312.3	18.0	6.1
Capital transfers	20.7	10.4	42.1	21.7	-20.4	-48.5
Other	45.3	39.2	156.0	157.3	1.3	0.8
Expenditure	**543.5**	**609.2**	**1,650.8**	**1,860.5**	**209.7**	**12.7**
Intermediate consumption	65.2	87.6	189.7	260.0	70.3	37.1
Gross fixed capital formation	38.4	30.9	161.4	116.0	-45.4	-28.1
Compensation of employees	178.8	188.0	528.6	569.6	41.0	7.8
Subsidies	26.4	37.3	71.4	101.8	30.4	42.6
Interest	43.3	44.9	130.3	133.8	3.5	2.7
Social benefits	166.2	194.4	519.8	586.7	66.9	12.9
Other	25.2	26.1	49.6	92.6	43.0	86.7
Primary balance	**6.9**	**-5.1**	**22.3**	**-97.2**	**-119.5**	**-**
General government balance	**-36.4**	**-50.0**	**-108.0**	**-230.9**	**-122.9**	**-**

Source: NSO.

due to the increases in children's allowances and a higher pension bill, which partly reflected an increase in the number of pensioners. Compensation of employees rose by 7.8%, partly owing to the new collective agreements mentioned above, while subsidies climbed by nearly 43% because of the subsidies to the energy corporation referred to earlier. The strong rise in 'other' expenditure largely reflects one-off items, such as the land sales in the corresponding period of 2007, which are recorded as negative expenditure in the general government accounts. On the other hand, interest payments rose moderately.

The increase in recurrent expenditure was partly offset by a EUR 45.4 million drop in gross fixed capital formation, with the major factor being the completion of the construction of the new hos-

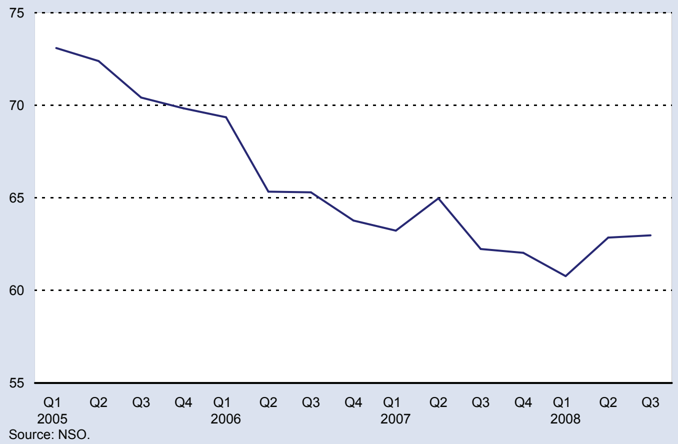
Table 2.10
GENERAL GOVERNMENT DEBT
EUR millions

	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
General government debt[1]	**3,324.7**	**3,378.8**	**3,355.6**	**3,528.1**	**3,575.9**
Currency & deposits[2]	**-**	**8.3**	**23.3**	**26.7**	**29.6**
Securities	**3,063.5**	**3,108.3**	**3,093.9**	**3,263.5**	**3,309.8**
Short-term	368.2	354.9	340.6	419.7	408.6
Long-term	2,695.3	2,753.3	2,753.4	2,843.8	2,901.2
Loans	**261.2**	**262.2**	**238.4**	**237.9**	**236.5**
Short-term	27.1	24.8	19.7	19.2	18.6
Long-term	234.1	237.4	218.7	218.7	217.9

(1) Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.
(2) As from January 2008, Maltese euro coins issued are being considered as a currency liability pertaining to the Central Government.
Source: NSO.

pital, although the termination of projects financed through a bilateral aid agreement with Italy and lower absorption of EU grants for capital projects also played a role.

Chart 2.14
GENERAL GOVERNMENT DEBT
(percentage of GDP)



Source: NSO.

As a result general government debt increases

In the September quarter, general government debt increased by EUR 47.8 million on the previous quarter, reaching EUR 3,575.9 million (see Table 2.10). This entailed an increase of EUR 197.1 million, or 5.8%, over December 2007. The increase in debt was smaller than the deficit recorded during the period, as the latter was partly financed by reductions in government deposits.

The increase in government debt, coupled with the deceleration of GDP growth, caused the general government debt to GDP ratio to increase to 63.0%, from 62.0% at the end of 2007 (see Chart 2.14).

Long-term securities in issue, which consist of Malta Government Stock, stood at EUR 2,901.2 million, an increase of 5.4% from the end-2007 level, implying that their share in the total debt remained roughly the same, at 81.1%. Treasury bills issued increased by EUR 53.6 million, implying a slight increase in their proportion of the total, to 11.4%. In contrast, loans outstanding fell by EUR 25.7 million compared to end-December 2007, with a reduction in foreign loans accounting for almost half of the drop. It should be pointed out, moreover, that as from January 2008, Maltese euro coins in issue are booked as a currency liability of the Government, and therefore part of the debt. By the end of September 2008, these amounted to EUR 29.6 million in value.

Monetary and financial developments

After having contracted during the previous quarter, the contribution of Maltese MFIs to the euro area broad money stock increased during the September quarter, as residents' deposits recovered.[9] At the same time, while credit to residents grew, net claims on non-residents of the euro area also increased.

As yet there is no evidence that increased risk aversion stemming from the current tensions in financial markets overseas has led domestic investors to shift their portfolios from non-monetary assets into less risky monetary assets, as has happened in the euro area as a whole. However, in line with developments abroad, increased demand for relatively safe Maltese government securities led to lower yields on Treasury bills and Malta Government Stocks and a further fall in equity prices.

[9] Unless otherwise specified, 'residents' in this section refers to residents of Malta only.

Table 2.11
RESIDENTS' DEPOSITS [1]

EUR millions, percentage changes on the previous quarter

	2008	2007		2008		
	Sep.	Q3	Q4	Q1	Q2	Q3
Overnight deposits	3,130.0	3.7	4.9	-0.2	-1.2	2.1
Deposits redeemable at notice up to 3 months	116.0	9.3	18.0	7.1	2.2	0.6
Deposits with agreed maturity up to 2 years	4,726.2	9.6	3.7	3.1	-0.8	3.2

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

Growth in residents' deposits accelerates

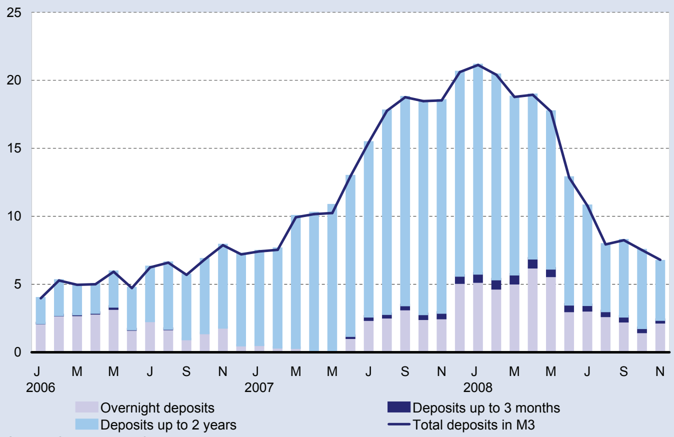
Malta's contribution to the euro area broad money stock (M3) expanded by EUR 162.3 million, or 1.9%, during the third quarter of 2008. Thus, at the end of September, the Maltese contribution to euro area M3 amounted to EUR 8,745.3 million.

During the period under review, overnight deposits reversed the downward trend observed during the preceding two quarters, growing by EUR 64.8 million, or 2.1% (see Table 2.11). This primarily reflected an increase in balances belonging to resident private non-financial companies, denominated mostly in foreign currency. Increased deposits held by insurance companies and, to a lesser extent, public non-financial companies also boosted overnight deposits. The overall pick-up in these short-term deposits may have been temporary, and may partly have been in anticipation of the issue of long-term government securities in October. Meanwhile, overnight deposits belonging to other euro area residents declined marginally.

Deposits redeemable at up to three months notice rose by a mere EUR 0.7 million, or 0.6%, during the quarter. At the same time, growth in residents' deposits with an agreed maturity of up to two years turned positive, adding EUR 148.6 million, or 3.2%. This mirrored an increase in balances belonging to private non-financial companies and to households, 40% of which were denominated in foreign currency. Growth in time deposits may be partly attributed to the launch of new deposit schemes by resident credit institutions and, possibly, higher deposit rates. The overall increase was dampened by a contraction in such deposits belonging to other euro area residents, which dropped by EUR 44.9 million, or 18.0%.

The annual growth rate of residents' deposits persisted on its downward trend, though the decline appeared to be moderating. A build-up in deposits during the final months of 2007, ahead of the currency changeover, had led to an acceleration in deposit growth rates, which are now returning to earlier levels. During the twelve months to September, growth in deposits stood at 8.2%, down from 12.9% three months earlier. Growth

Chart 2.15
CONTRIBUTIONS TO ANNUAL GROWTH IN RESIDENTS' DEPOSITS
(percentage points, annual percentage change)



Source: Central Bank of Malta.

was once again driven primarily by deposits with an agreed maturity of up to two years (see Chart 2.15). Although growth in the latter decelerated, such deposits still accounted for the bulk of the overall increase in residents' deposits in the year to September. As a proportion of total deposits, both overnight deposits and deposits with an agreed maturity of up to two years remained broadly unchanged over the quarter, at around 40% and 60%, respectively.

Going into the fourth quarter, the year-on-year growth rate of deposits belonging to residents declined further, reaching 6.8% in November, as the annual rate of growth of deposits with an agreed maturity of up to two years continued to fall.

In response to the increase in official interest rates in July, the weighted average deposit rate rose by 10 basis points during the quarter, reaching 3.05% in September. The average interest rate on savings and time deposits increased by 10 basis points, reaching 1.72% and 4.05%, respectively, while that on demand deposits increased by 7 basis points to 0.84%.

Meanwhile, MFI interest rates on new business were somewhat more responsive to the increase in the ECB's minimum bid rate, with the rate on overnight deposits rising by 11 basis points to 1.38% and that on time deposits with an agreed maturity of up to one year, which captures the bulk of outstanding time deposits, rising by 18 basis points to 4.09% (see Table 2.12).[10]

However, following the reductions in official rates in October and November, which amounted to a cumulative 100 basis points, the weighted average deposit rate declined by 30 basis points to

Table 2.12
MFI INTEREST RATES ON DEPOSITS BELONGING TO RESIDENTS OF MALTA[1]
Percentages per annum, end of month

	2007		2008		
	Q3	Q4	Q1	Q2	Q3
New business					
Households and NPISH					
Overnight deposits [2],[3]	1.00	1.10	1.36	1.27	1.38
Savings deposits redeemable at notice up to 3 months[2],[4]	3.63	3.55	3.09	3.10	3.30
Time deposits with agreed maturity					
Up to 1 year	3.79	3.88	3.83	3.91	4.09
Over 1 and up to 2 years	3.72	4.25	4.61	4.57	4.36
Over 2 years	1.31	3.49	4.27	4.46	4.64
Non-financial corporations					
Overnight deposits[2],[3]	1.44	1.46	1.40	1.37	1.31
Time deposits with agreed maturity	3.97	4.16	3.98	4.30	4.46

[1] Annualised agreed rates (AAR) on euro-denominated deposits belonging to households and non-financial corporations held with credit institutions resident in Malta (data before 2008 also include rates on business denominated in Maltese lira).

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

[3] Overnight deposits include current accounts and savings withdrawable on demand.

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

Source: Central Bank of Malta.

[10] MFI interest rates (MIR) cover all interest rates that credit institutions apply to euro-denominated deposits and loans vis-à-vis all households and non-financial corporations resident in euro area Member States. The household sector also includes non-profit institutions serving households (NPISH). Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions. Hence, MIR statistics do not cover all institutional sectors, as is the case with weighted average deposit and lending rates.

Table 2.13
CREDIT TO MALTESE RESIDENTS
EUR millions, percentage changes on the previous quarter

	2008	2007		2008		
	Sep.	Q3	Q4	Q1	Q2	Q3
Total credit	**8,531.2**	**1.0**	**2.9**	**1.3**	**3.7**	**2.4**
Credit to general government	1,512.5	-1.6	3.3	-2.2	1.4	0.0
Credit to other residents	7,018.7	1.7	2.8	2.1	4.3	3.0

Source: Central Bank of Malta.

2.75% in November. Similarly, there was a drop in MFI interest rates across most of the spectrum of new deposit business.

Credit continues to expand

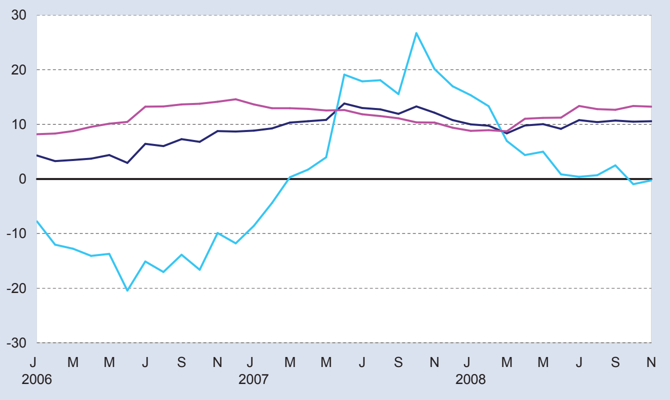
During the third quarter of 2008, credit to residents continued to expand, albeit at a slower pace, growing by 2.4% as opposed to 3.7% in the June quarter (see Table 2.13). Growth was entirely attributable to a rise in credit to other residents, as credit to general government was stable during the period. Nevertheless, the annual rate of growth of credit picked up, rising to 10.7% from 9.2% in June (see Chart 2.16).

After having expanded by 1.4% during the June quarter, credit to general government remained stable during the period under review, as a rise in credit institutions' holdings of Malta Government Stocks was offset by a contraction in their holdings of Treasury bills. Nonetheless, on a year-on-year basis, growth in credit to general government rose by 1.6 percentage points during the quarter, ending September at 2.5%.

In contrast, credit to other residents grew at a slower pace during the September quarter, rising by 3.0%, as against 4.3% in the preceding quarter (see Table 2.13). The slowdown took place despite the addition of half-yearly accrued interest to borrowers' loan accounts in September. Loans, which account for more than 97% of total credit, put on 3.0%, with demand stemming predominantly from the non-bank private sector (see Table 2.14). Loans to the latter expanded by 3.0%, fuelled mainly by credit to households – most of which was intended for house purchases – and to the transport, storage & communication sector, following a substantial loan taken up by a communications company in July. Lending to the real estate, renting & business activities sector and to the construction industry also rose significantly during the quarter.

On a year-on-year basis, credit to other residents picked up during the period reviewed, accelerating to 12.7% in Septem-

Chart 2.16
CREDIT TO RESIDENTS
(annual percentage changes)



Source: Central Bank of Malta.

Table 2.14
CREDIT TO OTHER RESIDENTS[1]
EUR millions

	2008 June	2008 Sep.	Change Amount	%
Total credit	**6,815.4**	**7,018.7**	**203.2**	**3.0**
Credit to the non-bank private sector	6,323.5	6,511.3	187.8	3.0
Credit to the non-bank public sector	491.9	507.4	15.5	3.1
Total loans	**6,622.8**	**6,818.3**	**195.5**	**3.0**
Electricity, gas & water supply	283.1	283.3	0.2	0.1
Transport, storage & communication	358.5	429.6	71.1	19.8
Agriculture & fishing	23.5	25.7	2.2	9.5
Manufacturing	324.5	333.8	9.3	2.9
Construction	701.8	725.0	23.2	3.3
Hotels & restaurants	457.6	448.4	-9.2	-2.0
Wholesale & retail trade; repairs	770.7	752.3	-18.3	-2.4
Real estate, renting & business activities	809.2	853.6	44.4	5.5
Households & individuals	2,716.8	2,792.3	75.6	2.8
Other[2]	177.1	174.2	-2.9	-1.7

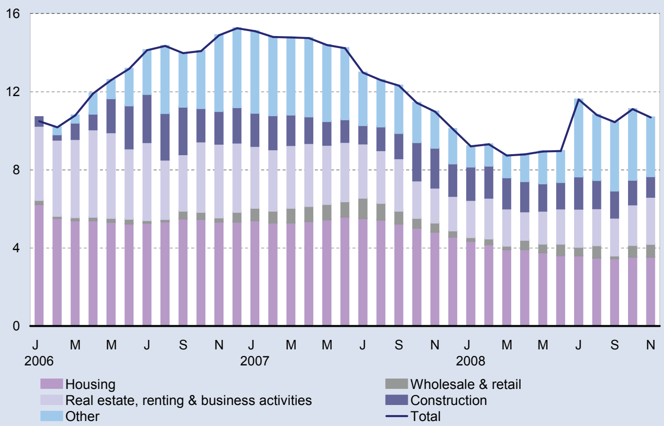
[1] Credit to other residents consists mainly of loans and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies, and financial derivatives. Interbank claims are excluded. Data only include credit to residents of Malta.

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

Source: Central Bank of Malta.

ber from 11.2% three months earlier. This mainly reflected faster growth in lending to the private sector which, during the twelve months to September, expanded by 10.4% (see Chart 2.17). This contrasts significantly with the situation observed in the euro area as a whole, where annual growth in private sector lending decelerated steadily over the period. Despite slowing down in the September quarter, growth in residential mortgages continued to account for a significant proportion of the annual expansion in private sector borrowing. At the same time, the contributions of loans to the real estate, renting & business activities sector and the construction industry both rose, reflecting an acceleration in borrowing by both sectors. In addition, relatively rapid lending to the transport, storage & communication sector following the exceptional loan mentioned earlier boosted the share of the 'other' component shown in Chart 2.17. In contrast, the contribution of loans to the wholesale & retail trade sector contracted significantly. In absolute terms, bank lending to the private sector remains dominated by loans to households, which, together with loans to the real estate, renting & business activities sector and to the construction industry, make up around two-thirds of the total.

Chart 2.17
CONTRIBUTIONS TO ANNUAL PRIVATE SECTOR LOAN GROWTH
(percentage points, annual percentage change)



Source: Central Bank of Malta.

Meanwhile, credit granted by resident banks to other residents of the euro area increased significantly during the September quarter, rising by EUR 646.3 million to EUR 3,134.6 million. This stemmed mainly from increased lending to non-bank financial intermediaries and non-financial companies, with one bank accounting for around half of the rise.

Going into the fourth quarter of 2008, credit to residents slowed down, with the year-on-year growth rate falling to 10.6% in November. While the annual growth rate of credit to general government turned negative, reaching -0.3%, that of credit to other residents rose to 13.2%.

The quarter-on-quarter slowdown in credit during the third quarter may have been influenced by changes in bank lending rates. In fact, the weighted average interest rate on residents' loans rose by 25 basis points during the quarter, reaching 6.20% in September. Similarly, substantial increases were registered in MFI interest rates on new loans to residents, particularly those charged on consumer credit (see Table 2.15). Rates charged on lending for house purchases also increased significantly, rising by 35 basis points to 5.44% at end-September. Going into the fourth quarter, however, banks adjusted to the cumulative 100 basis point cut in official rates. As a result, the weighted average lending rate dipped by 72 basis points to 5.48% in November, while MFI interest rates charged on the entire spectrum of new loans also fell significantly.

The Bank Lending Survey conducted in October 2008 indicates that credit standards in respect of lending to enterprises and households remained unchanged during the third quarter of 2008.[11]

Table 2.15
MFI INTEREST RATES ON LOANS TO RESIDENTS OF MALTA[(1)]
Percentages per annum, end of month

	2007		2008		
	Q3	Q4	Q1	Q2	Q3
New business					
Households and NPISH					
Overdrafts[(2)]	6.73	6.64	7.65	7.61	7.99
Loans					
Lending for house purchases	5.44	5.45	4.86	5.09	5.44
Consumer credit[(3)]	5.42	6.19	6.95	6.51	7.30
Other lending	6.01	6.34	6.84	6.85	7.31
Non-financial corporations					
Overdrafts[(2)]	5.03	5.27	6.43	6.22	6.68
Loans[(3)]	5.70	5.91	5.43	6.53	6.66
APRC for loans to households and NPISH [(4)]					
Lending for house purchases	5.13	5.36	5.37	5.24	5.68
Consumer credit[(3)]	0.00	6.21	7.06	6.77	7.45

[(1)] Annualised agreed rates (AAR) on euro-denominated loans taken up by households and non-financial corporations from credit institutions resident in Malta (data before 2008 also include rates on business denominated in Maltese lira).
[(2)] For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.
[(3)] Excludes bank overdrafts.
[(4)] The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges.
Source: Central Bank of Malta.

[11] The Bank Lending Survey gauges credit demand and supply conditions. The Central Bank of Malta began to survey a sample of Maltese banks in 2004. From January 2008 the Bank Lending Survey is being carried out as part of a quarterly exercise across the entire euro area.

Table 2.16
EXTERNAL COUNTERPARTS AND OTHER COUNTERPARTS[1]
EUR millions, percentage changes on the previous quarter

	2008 June	2008 Sep.	Change	%
External counterpart	**8,685.1**	**8,934.9**	**249.9**	**2.9**
Claims on non-residents of the euro area	26,819.6	29,223.9	2,404.3	9.0
Liabilities to non-residents of the euro area	18,134.6	20,289.0	2,154.4	11.9
Other counterparts (net)[2]	**11,282.2**	**12,252.1**	**969.8**	**8.6**

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

Similarly, the demand for loans remained broadly unchanged, although a slight decrease was noted by some credit institutions. Banks reported that, in general, they expected both credit conditions and the demand for credit to remain unchanged in the December quarter.

Net claims on non-residents of the euro area increase

During the third quarter of 2008, the external counterpart of broad money, which consists of net claims on non-residents of the euro area, increased by EUR 249.9 million, or 2.9% (see Table 2.16). Claims on non-residents of the euro area, which were boosted by an increase in loans and purchases of securities other than shares, outpaced a rise in liabilities to non-residents of the euro area. The latter consisted mainly of time deposits belonging to banks and private non-financial companies resident outside the euro area and additional loans raised by resident credit institutions from banks resident outside the euro area.

Other counterparts (net) expanded by EUR 969.8 million, or 8.6%, during the quarter. Increased borrowings by resident banks from credit institutions elsewhere in the euro area accounted for a large share of this rise. These inflows were partly offset by an increase in time deposits held with other euro area banks by resident credit institutions.

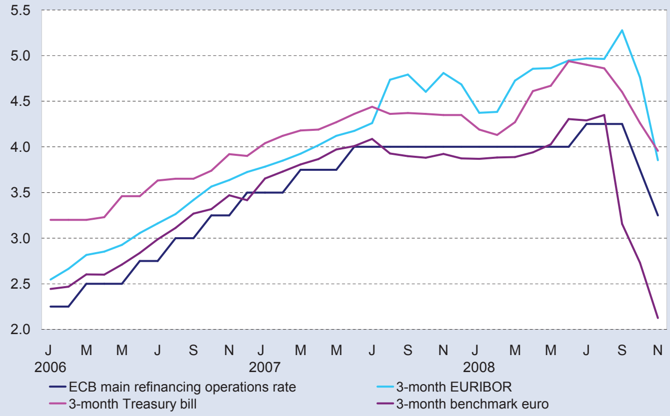
Money market rates decline

On 9 July 2008, the Governing Council of the ECB tightened its monetary policy stance, raising the minimum bid rate on the main refinancing operation by 25 basis points to 4.25%. Subsequently, on 8 October, following an intensification of the financial market crisis in the second half of September, the ECB, in co-ordination with other central banks, reduced the minimum bid rate by 50 basis points to 3.75%. This reduction was followed by further cuts, of 50 and 75 basis points, respectively, in November and December.

During the September quarter, yields on domestic primary market three-month Treasury bills fell by 19 basis points to 4.75%, as the Treasury issued fewer bills. Indeed, the value of bills issued over the quarter as a whole amounted to EUR 280.7 million, down from EUR 320.6 million during the preceding quarter. Three-month bills accounted for almost three-fourths of the total issued, with the remainder consisting entirely of six-month bills. Insurance companies acquired almost three-fifths of the bills, while almost another third was taken up by banks and households in roughly equal parts.

At the same time, activity in the secondary Treasury bill market almost doubled compared to the June quarter, with turnover rising by EUR 22.9 million to EUR 50.7 million. Almost all transactions involved the Central Bank of Malta, which bought and sold EUR 44.9 million and EUR 4.5 million worth of bills, respectively, in its role as market maker. In line with developments in the primary market, secondary market yields also fell, though more markedly than primary market rates, with the yield on the three-month bill declining to 4.60% in September from 4.94% three months earlier.

Chart 2.18
MONEY MARKET INTEREST RATES
(percentages per annum, end of month)



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

Meanwhile, yields on benchmark three-month euro area government securities plummeted by 115 basis points to 3.16% during the quarter, as intensifying financial market tensions pushed the demand for risk-free assets up dramatically. As the corresponding domestic yields fell to lesser extent, the differential between three-month domestic and euro area yields widened (see Chart 2.18).[12,13]

Going into the fourth quarter of 2008, both primary and secondary market Treasury bill yields continued on their downward trend, ending November at 3.96%. Likewise, rates on three-month euro area government securities declined to 2.13%. Consequently, by end-November, the differential between Maltese and euro area short-term yields widened further.

Government bond yields fall while equity prices tumble

The Government continued to raise funds through bond issues during the third quarter of 2008, offering two fungible stocks with a total value of EUR 127.3 million in August. The stocks had terms to maturity of six and thirteen years, and offered coupon rates of 5.1% and 5.0%, respectively. Around 90% of the amount issued was sold by auction, almost entirely to credit institutions, although resident insurance companies acquired 7% of the amount auctioned. The remainder was purchased at fixed prices, mostly by households.

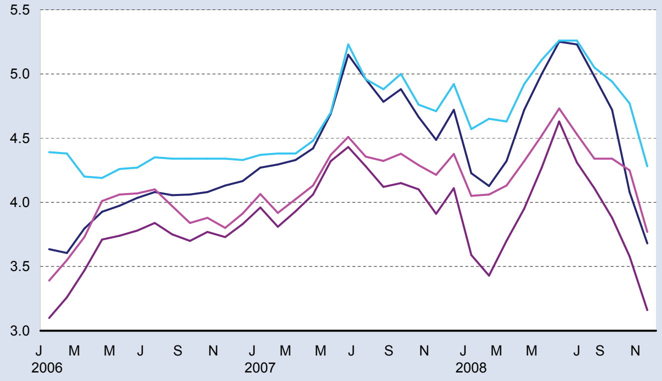
As regards corporate securities, new issues amounted to EUR 62.0 million during the quarter. In July, Mediterranean Investment Holdings plc, a property development company, issued EUR 20.0 million worth of bonds, carrying a coupon rate of 7.5% and redeemable in 2015. During the same month, an additional EUR 12.0 million worth of bonds, offering a coupon rate of 6.75% and redeemable between 2014 and 2016, were issued by United Finance plc, the financing arm of a private group of companies. Subsequently, HSBC Bank Malta plc issued EUR 30.0 million worth of securities, making full use of a EUR 5.0 million over-allotment option. These bonds carried a coupon rate of 5.9% and are redeemable in 2018.

Turnover in the secondary market for government bonds during the September quarter increased to EUR 102.7 million from EUR 44.8 million in the preceding quarter. The Central Bank of Malta,

[12] The Chart shows the secondary market rate on three-month government securities issued by the French government, which are often taken as the benchmark for the euro area.
[13] Up to March 2007 secondary market yields were calculated on the basis of remaining days to maturity divided by 365, while from April 2007 yields are being calculated on the basis of remaining days to maturity divided by 360.

acting as market-maker, accounted for more than three-fourths of the value traded. Participants traded mainly in medium-term bonds. Mirroring a decline in government bond yields in the euro area as a whole, yields on both 5-year and 10-year domestic government securities fell by 53 basis points and 32 basis points, respectively, ending September at 4.72% and 4.94% (see Chart 2.19).[14] This reflected a shift in investor behaviour, as the latter's higher risk-aversion in an environment of increasing financial market tensions raised the demand for safer government securities. The spread between domestic and euro area 10-year government bond yields widened only slightly, to 60 basis points, at end-September. Going into the fourth quarter of 2008, yields on 5-year and 10-year government bonds declined further, reaching 3.68% and 4.28%, respectively, in November.

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



Sources: Central Bank of Malta; ECB.

Activity in the secondary market for corporate bonds almost doubled during the quarter, with turnover rising to EUR 6.1 million from EUR 3.1 million in the June quarter. Trading in two securities accounted for more than a third of total turnover. Corporate bond yields increased on average during the quarter, as demand for corporate bonds fell.

Meanwhile, trading in the equity market declined by EUR 2.5 million when compared to the preceding quarter, reaching EUR 9.7 million. Bank shares accounted for almost two-thirds of the total turnover. In line with developments in equity markets worldwide, equity prices tumbled, resulting in a 12.9% drop in the MSE share index over the period. The latter stood at 3723.96 at the end of September (see Chart 2.20). The index fell further during October and November, dropping by an additional 10.9% from the end-September level.

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

Source: MSE.

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

THE FINANCIAL CRISIS AND MALTA: CONSEQUENCES AND POLICY RESPONSES[1]

Michael C. Bonello
Governor of the Central Bank of Malta

When I addressed this distinguished gathering a year ago, the world was a very different place. At the time, the ECB forecast a euro area growth rate of around 2% for 2009; now the talk is about the likely depth and duration of the incipient recession. A year ago we were concerned about the upside risks to inflation; only twelve months later the prospects are of inflation falling well below the ECB's price stability objective. What has gone so terribly wrong, so quickly?

In *The Great Crash, 1929*, J.K. Galbraith noted that "Far more important than rate of interest and the supply of credit is the mood". And as the editorial of the November issue of the Institute's journal *Financial World* goes on to explain, "It is the mood that has fundamentally changed and this change is why, though governments may pump money into banks, share prices are still weak. It is why central banks are cutting rates but Libor is staying put. It is also why, despite public money to provide liquidity to markets, to guarantee bond issues and even to take stakes in banks, stock markets continue to drop like so many stones." Perhaps this is happening because, as former ECB Executive Board member and Italian Economy Minister, Tommaso Padoa Schioppa aptly put it, this is not a crisis *in* the system, it is a crisis *of* the system.

Malta's financial system today

As tales of woe beyond our shores multiply, it is appropriate to take stock of what this systemic shock could mean for Malta. First, some background. Our financial system has changed beyond recognition in recent years, driven by a combination of domestic market reforms and international integration. The liberalisation process of the 1990s saw the gradual removal of interest rate restrictions, the easing of capital controls and the privatisation of most of the financial sector. The legal framework was entirely overhauled, bringing it in line with EU standards and laying the foundations for the growth of new areas of financial activity, such as investment services and trusts.

EU membership in 2004 opened up the Maltese financial market to service providers from other member states. Conversely, our financial institutions gained access to the single European market, a factor which encouraged additional inward foreign investment into the sector. At the same time, the last exchange controls were removed. The adoption of the euro last January was a further step in the integration process into the single market. Financial transactions across the euro area can now take place without incurring exchange rate risks.

Furthermore, Maltese banks now have access to the Eurosystem facilities available to credit institutions within the euro area. These include a variety of instruments designed to provide short-term liquidity, as well as standing deposit and lending facilities. At the same time, euro adoption entailed a reduction in the minimum reserve requirements that Maltese banks had to comply with, resulting in the release of additional funds into the banking system.

Euro adoption also led to improvements in the financial infrastructure supporting the Maltese economy. In November 2007, Malta formed part of the first group of countries that joined TAR-

[1] Speech given at the Annual Dinner of the Malta Institute of Financial Services on 5 December 2008.

GET2, the payment system used by the Eurosystem for the settlement of large value interbank transfers in euro. Maltese banks can use TARGET2 to carry out transfers with other banks in Malta and throughout the euro area rapidly, safely and effectively. The Single Euro Payments Area (SEPA), launched in January this year, is a further step towards closer financial integration and aims at making retail payments across the euro area as easy as they currently are within national boundaries.

Liberalisation and integration into the EU have underpinned the rapid growth of the Maltese financial sector. The number of banks rose from 16 in 2004 to 23 in September this year. During the same period, the total assets of the banking system more than doubled to EUR 45.1 billion. Nor was growth restricted to the banking sector. The number of local and foreign-based collective schemes climbed from around 70 in 2004 to nearly 400 today, partly reflecting legislative changes that spurred the formation of professional investor funds. Total assets under management have also increased exponentially to over EUR 8 billion. More moderate growth was recorded in the insurance sector, though the captive insurance business is growing fast.

The global financial system in crisis

These developments in Malta mirrored, to a certain extent, those abroad. Financial liberalisation, deregulation and the expansion of cross-border capital flows have driven the rapid growth of the financial sector globally. Indeed, until the start of the turmoil last year, the global financial system had benefited from a long period of economic expansion, relatively easy monetary conditions and innovation. As a result, the size of the financial industry relative to the economy increased considerably. In the United States it grew to a point where it represented nearly 25 per cent of the stock market capitalization, while financial assets in Britain in 2007 were equivalent to almost nine times the GDP.

Such a favourable combination of circumstances could not last. And when the whole edifice started to crumble, the shock waves travelled fast, a testimony to the efficiency of the transmission channels in a globalized economy. Thus, in no time at all, a crisis that had its roots in a narrow segment of the housing market in the United States moved across the Atlantic to Britain, and then to the euro area. And as demand in the advanced economies and commodity prices began to tumble, emerging economies started to decelerate rapidly. So much for the decoupling theory!

Unlike other recent crises, the current turmoil had its origin within the financial system itself. It followed a boom in asset prices, particularly house prices. Although some observers, including central banks, had warned about mispricing of risk, many investors purchased what are now known as ‘toxic’ assets in a search for yield, increasing leverage to generate higher profits. The growing use of securitisation allowed banks to originate loans and distribute them, packaging risk and selling it to other investors. It was believed that this would spread risks more evenly, enhancing the stability of the system as a whole. But the financial engineering involved in this process was so complex that neither the regulators nor the credit rating agencies could calculate the risks.

What the regulators also overlooked were the dangers that were developing as banks moved further away from their customers. On the financing side, banks were becoming increasingly dependent on wholesale investors for funding. On the lending side, the dispersion of credit risks through securitisation lowered the incentive to monitor borrowers’ behaviour and led to increased moral hazard. As information became ever more fragmented and financial instruments more opaque, confidence began to dissipate.

Now as we know, the market economy – and its ultimate objective, the creation of wealth – are predicated upon the efficient intermediation of money between savers and investors, and this in turn depends on the existence of an intangible, but fundamental commodity, trust. This vital ingredient was being steadily, but surely eroded.

The first rumblings of the approaching storm were heard in August 2007, when signs of distress began to emerge in the interbank market, a key component of the monetary policy transmission mechanism. The turmoil then ebbed and flowed in waves, each larger than the previous one. The crisis hit with full force in mid-September this year, however, with the bankruptcy of Lehman Brothers, the emergency support given to AIG and the disappearance of Merrill Lynch as an independent institution. When a large money market fund that had invested in Lehman Brothers commercial paper failed, other funds stopped buying commercial paper, forcing issuers to draw on their credit lines, bringing interbank lending to a standstill. Credit spreads rose to unprecedented levels and panic overtook the stock market. The crisis rapidly spread to Europe, resulting in the co-ordinated rescue of Fortis by a number of euro area governments, among other episodes.

As the turbulence gathered strength, banks began to record growing valuation losses. The consequent erosion of their capital, and a reassessment of risk, led to a tightening of credit standards. In turn, this gave rise to concerns about 'deleveraging' and a growing shortage of credit, which began to adversely affect the real economy.

The Eurosystem's policy response

In the euro area, the Eurosystem's response since the early stages of the crisis was to use the full range of instruments available to inject liquidity into the banking system. Here, the Eurosystem was fortunate in that it was already able to accept a wide range of assets as collateral and could deal with a large number of counterparties. Let us not forget, either, that the focus of the ECB's monetary policy – correctly – was and remained price stability. Though driven by booming commodity prices, the major risk was that high levels of inflation would feed into inflation expectations and trigger second-round effects on wages and prices. At times of heightened uncertainty, the importance of price stability as the central objective of monetary policy cannot be overemphasized.

As the financial crisis impacted the real economy, with the cost of financing rising and credit standards tightening, firms found it harder to raise money. Sovereign issuers, too, began to face higher borrowing costs. Evidence mounted of growing downside risks to economic activity and of moderating inflationary pressures.

The monetary policy response was unprecedented. On 8 October, six of the world's major central banks, including the ECB, cut official interest rates by half a percentage point in a coordinated move. Later in the month, the Eurosystem shifted the conduct of its monetary operations toward the injection of liquidity at fixed rates, with full allotment at the minimum bid rate, to ease funding concerns and to drive money market rates closer to official ones. A further half-point interest rate cut by the ECB followed in November, and yesterday we reduced rates by a further 75 basis points amid growing evidence that inflationary pressures are diminishing further.

Implications for Malta . . . .

The crisis has so far had a limited impact on the domestic financial system and on the Maltese economy. While the latest data point to continued, if slower economic expansion in the third quarter, Maltese banks continue to benefit from an approach based on traditional intermediation between retail depositors and borrowers. Their funding model, therefore, eschews reliance on wholesale markets; they have substantial liquidity, adequate capital and prudent lending policies. Exposures to asset-backed securities or failed institutions are small, while lending in foreign currency to residents is limited.

It would be naïve, indeed dangerous, however, to expect that the turmoil abroad will leave the Maltese economy and its financial system unscathed.

First, Malta has a small open economy, highly dependent on trade. As the recession grips our major markets, Maltese exporters will be increasingly affected. Indeed, firms in the automotive sector have already been hit, while the bleak outlook for the UK economy in particular is likely to have a negative impact on tourism. As the export sector comes under pressure, this will have an adverse effect on domestic demand. Accordingly, the Bank's growth projections for 2009 have been revised downwards to under 2%. This, in turn, could have repercussions for the banking system as asset quality deteriorates.

Second, partly because of the small size of the economy, bank loan portfolios are highly concentrated. More specifically, domestic banks are exposed to the construction, mortgage and property development sectors directly to the extent of over 50% of total loans, and in the form of collateral securing other lending. Recent international experience shows that strong increases in property prices fuelled by rapid growth in credit are unsustainable. House prices cannot rise faster than incomes indefinitely. Otherwise, housing simply becomes unaffordable. The Bank's property price index – which is based on advertised prices – fell moderately on a year earlier during the September quarter. While domestic banks have been more prudent than banks abroad, however, the continuing high dependence on property as a driver of credit growth, and as collateral for other lending, remains a source of risk.

At the same time, it is important to reiterate the strengths of the domestic banking system. In June 2008, the capital adequacy ratio stood at 14% on average, as against a statutory minimum of 8%, while the average liquidity ratio was 48%, well above the 30% benchmark. The loan to deposit ratio averaged a prudent 77%, while non-performing loans extended their downward trend.

. . . . and desirable policy responses

The Central Bank of Malta has been playing an active role in responding to the events I have described. First, with the support of my Bank colleagues, I have participated in the deliberations and decisions of the Governing Council of the ECB on the provision of liquidity and on monetary policy.

Allow me at this point to digress briefly. As we said in our statement after the November meeting, we expect the banking sector to make its contribution to restoring confidence. Reinforcing this message, the President pointed out that central banks and governments had taken bold decisions, and now commercial banks, too, had to live up to their responsibilities, especially at a time of deteriorating growth prospects. With bank lending rates in Malta being generally set with reference to official policy rates, I would, therefore, expect bank customers, particularly those whose borrowings promise most to support domestic economic activity, to benefit fully from the recent ECB rate cuts, which have totalled 175 basis points.

Apart from its monetary policy role, the Central Bank of Malta is also charged with preserving financial stability.

The Bank carries out this task through the regular monitoring of the financial system, as well as of the domestic payment and securities settlement systems. The Bank's findings are shared with the Malta Financial Services Authority (MFSA) and with the Ministry of Finance. The Authority is responsible for the prudential regulation and supervision of all financial institutions in Malta, while the Bank remains the lender of last resort. It is, therefore, the only domestic institution with the capacity to inject liquidity into a troubled institution against collateral. The Ministry of Finance, on the other hand, is involved with respect to the possible use of public funds.

As the international financial crisis unfolded, the Bank was in continuous contact, at the highest levels, with both the MFSA and with the Ministry of Finance. It also took steps to obtain more frequent balance sheet data from credit institutions. The Government on its part gave a commitment to protect financial institutions and depositors in Malta should the need ever arise. Meanwhile, and in the light of similar steps taken elsewhere, it decided to raise the guarantee provided on bank deposits to EUR 100,000.

Here I would like to remind this audience that the relevant EU Directive emphasises that the cost of financing such guarantee schemes must be borne by the credit institutions themselves. Furthermore, in the light of the Commission's proposals to strengthen the Directive, which have been supported by ECOFIN, it is clear that the resources available to the Maltese Depositor Compensation Scheme need to be significantly enhanced before the end of 2009.

Looking beyond the crisis, we can already anticipate further changes at the international level. Major modifications are likely, for example, in the regulatory framework, covering liquidity, leverage and risk management. The role of credit rating agencies is also being reappraised. Clearly, the models used in the past to evaluate risk have proved inadequate. Entire types of financial institution, such as stand-alone investment banks, may cease to exist while certain categories of financial instruments, such as the more exotic derivatives, may never be traded again.

As regards regulatory arrangements, the crisis has highlighted the importance of a close central bank involvement in prudential oversight. This stems from the fact that central banks need supervisory information to carry out their core functions, including the implementation of monetary policy. Information about the soundness of banks is important for them to be able to assess the health of their counterparties in the conduct of monetary operations. It is also valuable because central banks, including the Central Bank of Malta, are often responsible for the regulation and oversight of payment and settlement systems. Such information becomes essential when central banks are called upon to provide emergency liquidity in times of stress as lenders of last resort.

In Malta, it is important that we maintain our reputation, and the credibility that goes with it, as a sound and well-regulated financial services centre. To this end, the institutional links between the Bank, the MFSA and the Ministry of Finance could be strengthened further in the light of the experience provided by the global financial crisis. Malta, moreover, is one of two euro area member states where the central bank is least involved in the conduct of banking supervision. Although the means already exist for exchanging views and information, it could prove mutually beneficial for the Bank and the supervisory authority to seek to deepen the level of existing cooperation.

As for our capacity to manage any eventual financial crisis, the Domestic Standing Group was set up in 2007, chaired by the Deputy Governor and comprising senior representatives from the Bank, the MFSA and the Ministry. As in other EU countries, a crisis simulation exercise was held soon after to test communications between the parties, co-ordinate decision making and manage potential conflicts of interest. Useful lessons have been learnt.

Another important problem area highlighted by the crisis, and which is also relevant for Malta, relates to cross-border issues. Foremost among these is the co-operation between the home and host regulators. In this regard, the spirit underlying the Memorandum of Understanding on co-operation to safeguard cross-border financial stability signed last June by EU central banks, regulators and ministries of finance, now needs to be translated into clear modalities for effective cooperation. In particular, it is essential from Malta's point of view that the presence of subsidiaries of cross-border banks that are systemically important to a host country be given due weight in determining participation in the college of supervisors.

International experience has also shown that state intervention may be necessary to resolve problems in the financial sector. The state is often the only entity in a democracy that has the political legitimacy, financial strength and credibility to support ailing institutions and, hence, restore confidence in the financial system as a whole. In extreme situations, which require the injection of public funds, the cost to the public purse can be very high. This is an additional reason why maintaining fiscal discipline in the shape of balanced budgets over the economic cycle is important. This would allow a buffer to be built up that could be used in exceptional situations if required, without jeopardising the sustainability of public finances.

Finally, safeguarding the health of the financial sector in these challenging times also calls for prudent behaviour on the part of the market players themselves. Though not under any identifiable threat, Maltese banks should build on their existing strengths by reinforcing their capital base through the retention of a greater proportion of earnings; and, as domestic economic conditions are expected to weaken, loan loss provisioning levels may also need to rise.

Conclusion

The current crisis will not be over until confidence and trust are restored, and the credit channel starts to function fluidly again. This requires greater transparency and a recognition that a sound financial system is one that practices the traditional banking values of integrity and faithfulness. Some of you might recall that these values were captured in the motto of The Chartered Institute of Bankers, *'Probus et Fidelis'*. It is perhaps a sign of the times that the Institute's current logo of two overlapping arrows is, we are told, all about its core value: winning, a value which some market players have pursued with excessive zeal with the calamitous results we all know. It is just possible that we might not have been where we are today had the old, but tested values continued to prevail.

NEWS NOTES

LOCAL NEWS

Issue of Central Bank of Malta Directive No. 10 on the detection and removal of counterfeit and damaged banknotes from circulation

On 27 October 2008, the Central Bank of Malta issued Directive No. 10 to regulate the redistribution, sorting and reissue of euro banknotes. The Directive forbids banks, financial institutions and professional cash handlers from reissuing currency notes they receive from the public without first subjecting them to stringent authenticity and quality tests according to Eurosystem-wide standards. Through this Directive the Bank brought into force measures to implement the Eurosystem banknote recycling framework, which is the common Eurosystem regime for the detection and withdrawal from circulation of counterfeit and soiled or damaged euro banknotes.

The Directive entered into force on 1 January 2009, but it allows for a 12-month transitional period so that the institutions concerned can make the necessary changes to their policies and procedures and to their equipment.

Publication of Central Bank of Malta consultation report on payment services

On 31 October 2008, the Central Bank of Malta, published a report on the reactions it received to its consultation document entitled *'Consultative Document on Retail Payment Services Policy and the Payment Services Directive'*, issued earlier in the year.

In formulating the Payment Services Directive the Bank is expected to take into account proposals put forward by economic agents during the consultation process. The Directive will regulate electronic payment services, including direct debits, credit transfers, and debit and credit card payments, and is to be incorporated into national laws across the EU by November 2009.

Entry into force of Part II of the Central Bank of Malta (Amendment) Act

Legal Notice 263 of 2008, issued on 24 October under the Central Bank of Malta (Amendment) Act 2007 (Act No. 1 of 2007), established 15 October 2008 as the date when Part II of the said Act came into force. This amends the definition of "resident" in the External Transactions Act (Cap. 233 of the Laws of Malta).

The Budget Estimates for 2009

On 3 November 2008, the Minister of Finance presented the Budget for 2009 to Parliament.

The main fiscal measures included:

Wage increase

- A weekly wage increase of EUR 4.08 to public sector employees to compensate for the increase in the cost of living.

Tax relief

- A widening of all income tax brackets.
- A one-year tax break for mothers returning to work.
- Penalties for late payment of income tax and VAT reduced from 12% to 9%.
- Removal of VAT on Registration Tax on new motor vehicles.
- Non-taxable income for families hosting foreign students to rise to EUR 3,500.

Subsidies

- Part-refund of payments for solar heaters, photovoltaic panels, roof insulation and double glazing to help promote the use of environment-friendly equipment.
- Financial incentives to help first-time buyers become owners of their own home.

Launch of business schemes for small and medium sized enterprises

On 10 December 2008, the Government launched five business schemes aimed at encouraging investment and innovation in industry. The schemes, which are to be administered by Malta Enterprise, are worth EUR 20 million, and are intended to promote job creation in Malta.

Capital market developments

In October and November 2008, GO p.l.c announced that Forgendo Ltd. (Forgendo), a joint venture company between GO p.l.c and Emirates International Telecommunications (Malta) Ltd., had acquired a further two tranches of shares in Forthnet S.A. (Forthnet). The first tranche consisted of 110,987 shares, for which Forgendo paid EUR 172,749.40, and the second of 872,210 shares, for which it paid EUR 910,325.58.

On 20 October 2008, HSBC Global Asset Management (Malta) Ltd. offered two variants of its four-year capital protected Medium Term Note (MTN) in GBP and USD. These are the HSBC Asia Accelerator (GBP) Note 2013 and the HSBC Asia Accelerator (USD) Note 2013. The notes offer the possibility of an early maturity after 2 years. A payment of 4.5% per annum will be made in the case of the GBP note and one of 2% in the case of the USD note.

Fitch Ratings affirm Bank of Valletta's credit rating

On 2 December 2008 Fitch Ratings affirmed Bank of Valletta's (BOV) Long-Term Issuer Default rating at 'A -' (A minus) with a Stable Outlook. The Short-Term rating was also affirmed at 'F2', the Individual rating at 'C', and the Support rating at '2'. Fitch said that the ratings' reflected BOV's position as Malta's largest bank, its conservative management, satisfactory liquidity and acceptable capital ratios.

Moody's change Bank of Valletta's ratings and affirm its financial strength

In the fourth quarter of 2008, Moody's revised Bank of Valletta's deposit and debt ratings down from A3/Prime 1 to Baa/Prime 2. The Bank Financial Strength Rating (BFSR) was reaffirmed and left unchanged at D+.

World Economic Forum rankings on Malta

Malta ranked tenth in the World Economic Forum's annual rankings for soundness of its banking system. The World Economic Forum Global Competitiveness Report, issued in October 2008, gave Maltese banks a score of 6.6 out of a maximum of 7.

Double taxation agreements

On 4 November 2008, Legal Notice 268 of 2008 published the Double Taxation Relief (Taxes on Income) (Hellenic Republic) Order, setting out the arrangements agreed under the convention between Malta and Greece that had entered into force on 30 August 2008. The convention is intended to relieve natural and legal persons from double taxation in relation to taxes on income under the laws of Greece and of Malta.

On 4 November 2008 an agreement between Malta and Montenegro for the avoidance of double taxation with respect to taxes on income was signed in Marseilles during a meeting of EU Foreign Ministers on the Barcelona Process.

On 14 November 2008, a convention between Malta and the Republic of Ireland for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was signed in Rome. The two countries are implementing measures to ratify the convention so that it can enter into force at the beginning of 2009.

On 18 December 2008, an agreement between Malta and Switzerland for the avoidance of double taxation with respect to taxes on income was signed in Malta. The agreement will enter into force following ratification by the two countries.

On 28 December 2008 Malta and Libya signed a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. The convention will enter into force following ratification by the two countries. It will then supersede a previous convention, signed in 1972.

Privatisation of Enemalta's gas activities

On 27 November 2008, Enemalta Corporation signed a concession agreement with Gasco Energy Ltd. and Liquigas Malta Ltd., a Maltese-Italian consortium, according to which Enemalta would be transferring the management and operation of its liquefied petroleum gas (LPG) activities to the consortium. According to this agreement, Gasco Energy Ltd. will operate a new LPG bottling and storage facility, while Liquigas Malta, the other company in the Gasco Consortium, will, as from 1 February 2009, be responsible for the distribution of LPG cylinders.

Surrender of financial services' licences

The MFSA announced that it had accepted the surrender of various financial services' licences as follows:

On 27 October 2008, by Swiss Investment Funds SICAV p.l.c. in respect of the Swiss Real Estate Development Fund.

On 27 October 2008, by Broadgate Capital Funds Sicav p.l.c. in respect of the New Europe Opportunity Fund II, one of its sub-funds.

On 30 October 2008, by Velocity One Fund SICAV p.l.c. in respect of its own collective investment scheme.

On 31 October 2008, by GlobalCapital Fund Advisors Ltd. (GCFA) in connection with its recognition certificate to provide fund administration services. This followed an internal reorganisation within the GlobalCapital Group whereby fund administration services were to be provided by GlobalCapital Financial Management Ltd., which was granted a fund administration recognition certificate by the MFSA on the 16 October 2008.

On 12 November 2008, by Erste Bank (Malta) Ltd. in connection with its fund administration recognition certificate.

On 19 November 2008 the MFSA announced that UNEC Leasing Ltd. had surrendered its licence to operate as a financial institution.

In all cases the surrender by the institutions concerned was made on an entirely voluntary basis.

Legislation related to banking and finance

Legal Notice 250 of 2008 (Investment Services Act)
This legal notice, entitled Investment Services Act (Investment Advertisements and Prospectus Exemption Regulations, 2008), was issued on 7 October under the Investment Services Act (Cap. 370). It partly implements Directive 2003/71/EC on the prospectus to be published when securities are offered for sale to the public.

Legal Notice 251 of 2008 (Investment Services Act)
This legal notice, entitled European Passport Rights for Investment Firms (Amendment) Regulations 2008, was issued on 7 October under the Investment Services Act (Cap. 370). It amends similar regulations published in 2007.

Legal Notice 252 of 2008 (Prevention of Financial Markets Abuse Act)
This legal notice was issued on 7 October under the Prevention of Financial Markets Abuse Act (Cap. 476). Its full title is the Prevention of Financial Markets Abuse (Fair Presentation of Investment Recommendations and Disclosure of Conflicts of Interest) (Amendment) Regulations, 2008, and it amends similar regulations published in 2005.

Legal Notice 253 of 2008 (Insurance Business Act)
This legal notice, entitled Insurance Business (Companies Accounts) Regulations, 2008, was issued on 7 October under the Insurance Business Act (Cap. 403). It amends the regulations published in 2000.

Legal Notice 257 of 2008 (Income Tax Act)
This legal notice, entitled the Collective Investment Schemes (Investment Income) Regulations 2008, was issued on 10 October under the Income Tax Act (Cap. 123). It amends similar regulations published in 2001.

Legal Notice 351, and Legal Notices 353 to 361 of 2008
These legal notices were issued on 30 December under various Acts related to the banking and financial sector and deal with the reduction of registration and annual fees applicable to the sector.

Issue of Malta Government Stock

On 16 October 2008, the Government, through Legal Notice 259 of 2008, launched EUR 50 million worth of stocks with an over-allotment option for an additional EUR 15 million. The stocks could be taken up either as 5.1% Malta Government Stock 2014 (Third Issue) (Fungibility Issue), or as 5% Malta Government Stock 2021 (First Issue) (Fungibility Issue), or as any combination of the two.

The stocks were oversubscribed and allotted as follows: MGS 5.00% 2021(I) issued at EUR 99.50: EUR 23,307,400 and MGS 5.10% 2014 (III) issued at EUR 101.50: EUR 29,863,400.

Merger between the Federation of Industry and the Chamber of Commerce and Enterprise

In late September 2008, the Malta Federation of Industry and the Malta Chamber of Commerce and Enterprise announced a merger between the two organisations. A Memorandum of Understanding was signed towards the end of the year mapping out the procedures that had to be implemented to complete the merger, including legislative and financial aspects.

INTERNATIONAL NEWS

Meetings of international groups/ institutions

The G-4 Meeting

On 4 October Europe's four largest economies – Germany, Britain, France and Italy – and key EU institutions met in Paris to coordinate national efforts aimed at shoring up banks, protecting savers and regulating financial markets. They committed themselves to ensuring the soundness and stability of their banking and financial systems and to take all the necessary measures to achieve this objective. They also called for EU legislation on bank deposit insurance and credit rating agencies as well as the immediate establishment of cross-border colleges of supervisors to watch over multinational financial groups.

The G-7 Meeting

On 10 October the G-7 Finance Ministers and Central Bank Governors, meeting in Washington DC, agreed to:

- Take decisive action and use all available tools to support systemically important financial institutions and prevent their failure.
- Take all necessary steps to unfreeze credit and money markets and ensure that banks and other financial institutions had broad access to liquidity and funding.
- Ensure that their banks and other major financial intermediaries could raise capital as needed from public as well as private sources in sufficient amounts to re-establish confidence and permit them to continue lending to households and businesses.
- Ensure that their respective national deposit insurance and guarantee programmes were robust and consistent so that retail depositors would continue to have confidence in the safety of their deposits.
- Take action, where appropriate, to restart the secondary markets for mortgages and other securitized assets.

They also said that they would accelerate full implementation of the Financial Stability Forum recommendations and were committed to the pressing need for reform of the financial system.

The IMF-World Bank Annual Meetings

On 11 October the International Monetary and Financial Committee (IMFC) of the IMF, also meeting in Washington DC, endorsed the commitments agreed to by the G-7 Finance Ministers and Central Bank Governors during their meeting the previous day. During the IMFC meeting participants:

- Recognised the depth and systemic nature of the crisis and called for exceptional vigilance, coordination and readiness to take bold action.
- Called on the IMF to stand ready to assist members to prepare timely, effective and appropriate policy responses to alleviate the impact of negative spillovers from the financial crisis.
- Expressed concern that the progress made by low-income countries in achieving macroeconomic stability, fostering growth, and reducing poverty was being undermined by the adverse global environment and welcomed the reforms to the Exogenous Shocks Facility which allowed it to be used more quickly and adequately.
- Recommended that shifts in international food and fuel prices be passed through to domestic markets, backed by targeted measures and adequate safety nets to protect the poor and taking into account country-specific circumstances.
- Called on members to resist protectionist pressures, and reiterated strong support for an ambitious conclusion of the Doha Development Round of trade negotiations.
- Emphasised that the Fund was ready to make full use of the flexibility already embodied in its lending instruments and recommended that decisions be taken on an accelerated basis in those areas where there was strong consensus and particular urgency.
- Welcomed the development of the Santiago Principles by the International Working Group of Sovereign Wealth Funds (SWFs).
- Welcomed the approval by the Board of Governors of the Resolution on quota and voice reforms, including the amendment of the Fund's Articles of Agreement to enhance voice and participation in the Fund.

On 12 October the Development Committee met in Washington DC and noted:

- The impact of the turmoil in financial markets and the continued high prices of fuel and food.
- Member countries' commitment to take comprehensive and cooperative measures to restore financial stability and the orderly functioning of credit markets.
- That countries were facing difficult policy challenges, including dealing with the distributional effects of the commodity price shocks.
- The critical issues confronting the international community, included the challenges embodied in the Millennium Development Goals.
- That Overseas Development Assistance volumes needed to be consistent with existing commitments and called for full compliance with these commitments.
- The endorsement of a substantive Agenda for Action at the Accra High Level Forum on Aid Effectiveness by a broad partnership.
- The need for the management and the Board of the International Bank for Reconstruction and Development (IBRD) to work together and make a more efficient, flexible, decentralised and client-focused organisation.
- The need for the World Bank Group (WBG) to support climate actions in country-led development processes in a holistic manner, and to customise support to climate adaptation and mitigation efforts, as well as capacity building needs, in its member countries.
- That the package of reforms enhancing voice and participation of all developing and transition countries (DTCs) in WBG governance and work brought forward by the Bank's Board addressed many aspects of voice and participation in the light of the Monterrey Consensus.

The G-8 Meeting

In a statement dated 15 October 2008, the G-8 leaders declared their commitment to fulfil their shared responsibility to resolve the current crisis, strengthen their financial institutions, restore confidence in the financial system, and provide a sound economic footing for their citizens and businesses.

They reaffirmed that open economies and well-regulated markets were essential to economic growth, employment and prosperity and said they were determined to intensify efforts to bring about a successful conclusion of the WTO negotiations.

They also said that changes to the regulatory and institutional regimes governing the world's financial sectors were needed to remedy deficiencies exposed by the crisis.

The G-20 meeting

On 15 November 2008, the leaders of the G-20 held an initial meeting in Washington DC. They agreed:

- To take whatever actions were necessary to stabilise the financial system.
- To recognise the importance of monetary policy support, as deemed appropriate to domestic conditions.
- To use fiscal measures to stimulate domestic demand to rapid effect while maintaining a policy framework conducive to fiscal sustainability.
- To help emerging and developing economies gain access to finance in the current difficult financial conditions. They also stressed the important role of the IMF in crisis response and welcomed the Fund's new short-term liquidity facility and urged the ongoing review of its instruments and facilities to ensure flexibility.
- To encourage the World Bank and other multilateral development banks (MDBs) to use their full capacity in support of their development agenda.
- To ensure that the IMF, the World Bank and other MDBs had sufficient resources to continue playing their role in overcoming the crisis.

European Council Meetings

On the 15 and 16 October 2008 the European Council again met in Brussels. Some of the important conclusions reached included:

- A resolution to act in a concerted and global way to stabilise the European financial system and protect depositors.
- A decision to set up a mechanism to allow a rapid and coordinated reaction in the event of an emergency.
- A decision to reinforce the supervision system and prudential standards at the European level.
- Satisfaction about the decision to adopt accounting norms that would reflect the fair value of assets.

On 11 and 12 December 2008 the European Council again met in Brussels. It discussed the conclusions of the Summit held in Washington on 15 November at the initiative of the EU. An ambitious programme of work had been drawn up at the summit with a number of objectives, including coordination to initiate a recovery of the world economy, more effective regulation of financial markets, better global governance and the rejection of protectionism. It requested the Council to organise the preparation of this work together with the Commission and to report to the spring 2009 European Council on the progress made, with a view to the next Summit scheduled for 2 April in London.

The Council also agreed on a European Economic Recovery Plan which would provide a coherent framework for action to be taken at the level of the Union, as well as for measures adopted by each Member State, taking account of their individual circumstances. In line with the Commission communication of 26 November 2008, the plan is based on an effort equivalent in total to around 1.5% of European Union GDP. The European Council supports included, in particular, an increase in intervention by the European Investment Bank of EUR 30 billion in 2009/2010 and a simplification of procedures and faster implementation of programmes financed by the Cohesion Fund, the Structural Funds and the European Agriculture Fund for Rural Development.

ECOFIN Council Meetings

7 October 2008

The Council urged the Commission to amend without delay certain accounting rules applicable to banks, and the Member States agreed to move towards raising guarantees on deposits to a minimum of EUR 50,000. The Council also noted that present rules regarding state aids and the Stability and Growth Pact were flexible enough to take into account the current exceptional circumstances in Europe. The Council adopted three sets of conclusions: the first on the economic slowdown, the second on financial stability and financial supervision, and the third on executive pay.

4 November 2008

The Council approved a loan of EUR 6.5 billion to Hungary, in coordination with the financial assistance provided by the IMF and World Bank, to enable the country to deal with its financial crisis. The loan would enable Hungary to cope with the heavy pressures on its financial markets and support its balance of payments in the medium term.

2 December 2008

The Council expressed support for the European economic recovery plan and the responses to the financial crisis. In particular it supported a stimulus amounting to 1.5% of EU GDP. Member States would choose the most appropriate measures from a menu comprising both expenditure and revenue measures, giving priority to those which would have the greatest short-term impact.

With reference to the responses to the financial crisis, the Council specifically emphasised the need to establish, without delay, national schemes to support the banking sector in respect of guarantees, but also and especially recapitalisation plans.

The Council also emphasised the importance of the full implementation of the ECOFIN roadmaps on actions in response to the financial crisis. It had already determined its position on four key draft directives: solvency for insurance companies (“Solvency II” directive), banks’ capital requirements, the functioning of UCITS (undertakings for collective investment in transferable securities), and bank deposit guarantee systems.

Lastly, the Council approved the raising, from EUR 12 billion to EUR 25 billion, of the ceiling on assistance available for Member States outside the euro area that are in financial difficulty.

18 December 2008

During this informal meeting the ministers decided to take new measures to bring to an end the damaging action of non-cooperative jurisdictions, a source of instability within the financial system, and requested the Financial Stability Forum to identify the jurisdictions believed to be acting non-cooperatively in the financial sector. Moreover, the Ministers believed that it was indispensable that the IMF should have adequate resources to effectively carry out its mission and committed themselves to reviewing all the options that would enable the Fund to continue to play a stabilising role in the financial system.

STATISTICAL TABLES

THE CENTRAL BANK OF MALTA INTRODUCES HARMONISED STATISTICS ON SECURITIES ISSUES

Statistical information on issues and issuers of securities makes an important contribution to the assessment and analysis of monetary conditions. For borrowers, the issuance of securities is an alternative to bank financing while investors or buyers of securities may view such instruments as substitutes for bank deposits and other negotiable instruments. Statistics on securities issues are also important for financial market analysis, since they indicate the depth of the markets. Moreover, structural displacements in financing between the banking system and the securities markets may affect the transmission of monetary policy.

From this issue of its *Quarterly Review*, and on its website, the Central Bank of Malta will henceforth be publishing a set of statistics on securities issues in accordance with Article 15 of the ECB Guideline on monetary, financial institutions and markets statistics (recast) of 1 August 2007 (ECB/2007/9). These statistics have been compiled on a quarterly basis starting from data referring to the March quarter of 2004. They are based primarily on data provided by the MSE and credit and other financial institutions, as well as on information gathered from other sources. The statistics will show end-of-period outstanding amounts, net issues during each period and a sectoral analysis, and will cover issues by residents of Malta in any currency converted into euro using end-of-period exchange rates. The outstanding issues at the end of each reporting period will be equal to the outstanding issues at the end of the previous period plus the sum of gross issues during the period minus redemptions, adjusted for valuation changes and reclassifications. Net issues during a reporting period are the balance of all issues minus all redemptions made during the period. Issuers of securities are defined as those entities engaged in issuing securities and incurring a legal obligation to the holders of such instruments in accordance with the terms of the issue.

The statistics are presented in two Tables. The first, Table 1.20, covers debt securities (i.e. securities other than shares), while the second, Table 1.21, comprises issues of quoted shares. Debt securities comprise all financial assets that are usually negotiable and traded on recognised exchanges and that do not grant the holder any ownership rights in the institutional unit issuing them. Instruments included in this category can be characterised as providing the holder with the unconditional right to a fixed or contractually determined variable income in the form of coupon payments (interest) and/or a stated fixed sum on a specified date or dates starting from a date fixed at the time of issue. They include issues of such instruments as Malta Government Stocks, bonds – including privately placed bonds – Treasury bills and promissory notes.

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. Hence, they include capital shares issued by limited liability or public limited companies quoted on the MSE or on other exchanges, and dividend shares [i.e. shares issued instead of cash dividends]. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

The data are generally compiled in accordance with the European System of National Accounts (ESA 95) methodology, but some conceptual differences exist. For instance, while quoted shares are shown at market value, as stipulated by the ESA 95 methodology, debt securities, which should also be valued at market prices, are not reported so in all cases by the Bank. Instead, these are reported at nominal (i.e. face) value. This method of valuing debt securities, however, is consistent with the method adopted by the Bank for International Settlements (BIS) in its reporting of international debt securities. This makes possible the consistent calculation of total euro-denominated debt securities issued by non-residents of the euro area, which are also included in the ECB's statistics on securities issues.

The statistics on securities issues, MFI balance sheets and general government debt are conceptually consistent. Differences exist only with regard to valuation principles, with nominal values being applied to securities issues and general government debt statistics and market values to statistics on MFI balance sheets.

The Maltese Islands - Key information, social and economic statistics

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

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates [1]:	EUR 1 = USD 1.4303	
		EUR 1 = GBP 0.7903	
CLIMATE	Average temperature (1990-2007):	Dec. - Feb.	13.3^o C
		June - Aug.	26.1^o C
	Average annual rainfall (1990-2007)		478.7 mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at constant 2000 prices [2]		2.2%
	GDP per capita at current market prices [2] (2007)		EUR 13,300
	GDP per capita in PPS relative to the EU-27 average [2] (2007)		77.8%
	Ratio of gross general government debt to GDP [2] (2007)		62.0%
	Ratio of general government deficit to GDP [2] (2007)		1.8%
	RPI inflation rate		3.7%
	HICP inflation rate		4.0%
	Ratio of exports of goods and services to GDP [2]		86.2%
	Ratio of current account deficit to GDP [2]		3.0%
	Employment rate		56.1%
	Unemployment rate		5.8%
POPULATION	Total Maltese and foreigners (2007)		410,290
	Males		204,106
	Females		206,184
	Age composition in % of population (2007)		
	0 - 14		16%
	15 - 64		70%
	65 +		14%
	Average annual growth rate (1990-2007)		0.7%
	Density per km^2 (2007)		1,298
HEALTH	Life expectancy at birth (2007)		
	Males		77
	Females		82
	Crude birth rate, per 1,000 Maltese inhabitants (2007)		9.5
	Crude mortality rate, per 1,000 Maltese inhabitants (2007)		7.6
	Doctors (2007)		1,320
EDUCATION	Combined gross enrolment ratio (2005)		81%
	Number of educational institutions (2005/2006)		342
	Teachers per 1,000 students (2005/2006)		85
	Adult literacy rate: age 10+ (2005)		
	Males		91.7%
	Females		93.9%
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2005)		34
	Mobile phone subscriptions per 100 population (end-Dec 2007)		90.9
	Private motor vehicle licences per 1,000 population		540
	Internet subscribers per 100 population (end-Dec 2007)		26.0

[1] End of month ECB euro foreign exchange reference rates.

[2] Provisional.

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

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at September 2008:

Akbank T.A.S.
APS Bank Ltd
Banif Bank Malta plc
Bank of Valletta plc
BAWAG Malta Bank Ltd (from October 2003)
Credit Europe NV (from March 2007)
Commbank Europe Ltd (from September 2005)
Erste Bank (Malta) Ltd
FIMBank plc
Finansbank (Malta) Ltd (from July 2005)
Fortis Bank Malta Ltd
HSBC Bank Malta plc
Investkredit International Bank plc
Izola Bank Ltd
Lombard Bank Malta plc
Mediterranean Bank plc (from January 2006)
Raiffeisen Malta Bank plc
Sparkasse Bank Malta plc
The International Banking Corporation (from September 2008)
Turkiye Garanti Bankasi A.S.
Volksbank Malta Ltd

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence, users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR1=MTL0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese liri into euro' which was published in the 2007:3 issue of the *Quarterly Review*, while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*. Detailed definitions of the concepts in each table can be found in the 'General Notes' section.

Additional statistics are also provided in electronic format on the website of the Central Bank of Malta at www.centralbankmalta.org.

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

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/ liabilities
	Gold	IMF- related assets[2]	Other[3]	Total				
2003	1.2	83.1	2,095.0	2,179.2	73.2	18.1	42.5	2,313.1
2004	1.2	81.8	1,921.5	2,004.6	71.1	49.7	55.2	2,180.6
2005	1.5	87.4	2,061.2	2,150.1	74.6	21.2	62.5	2,308.4
2006	2.7	84.8	2,123.6	2,211.1	70.5	70.5	62.3	2,414.4
2007								
Jan.	2.8	85.6	2,051.5	2,139.9	70.5	80.4	60.8	2,351.6
Feb.	2.8	85.3	2,021.9	2,110.0	70.5	81.7	62.9	2,325.0
Mar.	2.8	84.9	1,969.0	2,056.7	70.5	79.9	63.3	2,270.4
Apr.	2.8	83.8	1,961.1	2,047.7	70.5	82.2	61.6	2,262.0
May	2.7	84.8	1,992.6	2,080.1	69.1	115.8	61.1	2,326.0
June	2.7	86.4	1,895.2	1,984.3	69.1	171.1	62.0	2,286.5
July	2.7	85.9	1,885.8	1,974.4	69.1	197.7	62.6	2,303.8
Aug.	2.7	86.7	1,907.9	1,997.3	69.1	217.5	62.9	2,346.8
Sep.	2.9	85.0	1,965.6	2,053.5	69.1	219.1	67.7	2,409.4
Oct.	3.0	84.3	1,919.1	2,006.5	69.1	214.0	67.9	2,357.5
Nov.	3.0	84.1	2,481.3	2,568.4	69.1	224.6	71.5	2,933.6
Dec.	8.8	83.9	2,434.4	2,527.2	66.3	203.6	74.4	2,871.5

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008									
Jan.	3.9	863.7	452.4	241.5	372.3	-	143.1	397.4	2,474.3
Feb.	3.9	918.4	498.1	205.3	397.1	-	90.3	399.8	2,512.9
Mar.	4.1	939.5	502.9	179.4	402.7	-	59.1	434.3	2,522.0
Apr.	4.1	868.4	413.1	205.7	364.1	-	47.5	465.9	2,368.7
May	4.1	861.1	457.4	264.4	488.6	38.0	47.3	475.7	2,636.7
June	4.4	837.4	540.3	323.8	370.9	184.0	47.3	528.1	2,836.2
July	4.3	903.1	507.0	315.2	375.3	145.7	47.3	612.5	2,910.6
Aug.	4.2	911.6	493.9	340.4	344.6	168.9	47.3	617.3	2,928.2
Sep.	4.2	893.5	471.4	345.5	348.5	299.0	47.3	619.8	3,029.2

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

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

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

[4] Including items in course of settlement.

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

EUR millions

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	1,130.6	73.3	564.1	193.8	19.7	777.6	205.5	59.4	66.7
2004	1,179.6	71.2	387.4	269.4	26.0	682.8	200.4	-	46.7
2005	1,211.4	74.6	424.7	343.5	22.2	790.4	196.3	-	35.7
2006	1,173.9	70.5	660.8	248.2	41.0	950.0	181.0	-	38.9
2007									
Jan.	1,130.9	70.5	727.8	186.0	22.5	936.2	177.9	-	36.0
Feb.	1,112.4	70.5	753.8	162.5	20.3	936.6	182.2	-	23.3
Mar.	1,106.3	70.5	712.5	161.6	21.0	895.1	180.8	-	17.6
Apr.	1,085.9	70.5	591.2	286.7	28.9	906.8	178.5	-	20.3
May	1,054.3	69.1	679.4	295.9	27.4	1,002.7	175.1	-	24.7
June	1,032.8	69.1	606.8	352.7	24.8	984.3	171.5	-	28.7
July	990.2	69.1	692.7	322.6	24.7	1,040.1	175.9	-	28.4
Aug.	948.7	69.1	772.8	296.6	49.7	1,119.1	179.3	-	30.6
Sep.	925.6	69.1	803.5	345.2	53.8	1,202.6	179.9	-	32.2
Oct.	875.8	69.1	782.5	349.3	61.9	1,193.7	184.7	-	34.2
Nov.	818.2	69.1	1,449.1	304.4	66.9	1,820.4	188.3	-	37.5
Dec.	677.8	66.4	1,433.5	387.2	75.7	1,896.4	189.9	-	41.0

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
			Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008										
Jan.	749.8	375.0	287.9	87.1	24.9	-	12.1	644.3	59.4	233.8
Feb.	669.3	395.7	264.1	79.9	24.5	-	12.1	798.1	46.2	223.1
Mar.	638.9	402.7	282.8	80.9	34.6	-	11.7	767.3	75.4	227.6
Apr.	627.8	396.7	364.5	79.7	35.2	0.1	11.7	569.3	54.8	228.8
May	627.7	394.2	294.6	68.6	186.8	0.1	11.7	762.3	61.0	229.6
June	631.0	405.4	401.1	72.7	87.4	0.1	11.7	873.6	128.7	224.4
July	636.1	426.1	309.7	71.7	93.9	0.1	11.7	1,028.6	106.6	226.0
Aug.	632.1	418.8	352.2	69.2	57.3	0.1	11.7	1,075.8	84.1	227.1
Sep.	631.3	568.1	363.9	76.4	58.4	0.1	12.3	987.6	102.2	229.0

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

[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 the course of settlement.

[4] Includes provisions and revaluation accounts.

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

EUR millions

End of period	Holdings of euro-denominated cash[2]	Claims on residents of Malta			External assets				Other assets[4]	Total assets/ liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets[3]	Total		
2008										
Jan.	0.4	5.5	209.2	214.7	1,135.6	757.3	287.5	2,180.4	100.7	2,496.2
Feb.	0.1	5.4	213.9	219.3	1,120.1	825.2	243.4	2,188.7	131.2	2,539.2
Mar.	0.0	5.4	215.2	220.6	1,105.4	844.0	229.0	2,178.4	132.4	2,531.3
Apr.	0.1	5.4	225.5	230.9	1,149.9	743.9	184.5	2,078.3	65.3	2,374.6
May	0.1	5.3	222.1	227.4	1,168.0	930.7	179.2	2,277.9	137.5	2,642.9
June	0.0	5.3	221.1	226.4	1,206.5	888.0	192.8	2,287.3	324.4	2,838.1
July	0.0	5.3	231.3	236.6	1,187.2	950.0	179.0	2,316.2	370.2	2,923.1
Aug.	0.1	5.2	207.3	212.5	1,243.8	902.7	188.2	2,334.8	418.9	2,966.3
Sep.	0.0	5.1	236.8	241.9	1,181.5	873.7	193.2	2,248.5	548.7	3,039.2

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001.

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

[3] If the Central Bank issues less currency than the amount attributed to it under the banknote allocation key, the shortfall will be reflected in intra-Eurosystem claims included in this item.

[4] Includes resident interbank claims.

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

EUR millions

End of period	Currency issued[2]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[5]
		Withdrawable on demand[3]	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities[4]	Total		
2008										
Jan.	805.2	244.9	13.0	258.0	644.7	87.1	16.1	747.9	243.5	441.6
Feb.	720.6	223.2	10.0	233.3	803.3	79.9	3.8	887.0	235.5	462.8
Mar.	690.1	252.6	10.0	262.7	761.5	80.9	38.0	880.4	229.2	468.9
Apr.	679.3	333.6	10.0	343.7	569.4	79.8	4.9	654.1	233.4	464.1
May	680.0	419.4	10.0	429.5	751.1	68.7	22.6	842.5	230.9	459.9
June	684.7	423.7	15.0	438.8	852.8	72.8	86.4	1,012.0	236.7	466.1
July	691.2	368.0	15.1	383.1	1,006.2	71.8	66.3	1,144.3	246.6	457.8
Aug.	690.7	388.2	15.4	403.6	1,058.7	69.3	50.9	1,178.9	256.9	436.2
Sep.	690.2	412.2	10.0	422.2	970.2	76.5	42.5	1,089.2	261.3	576.2

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001.

[2] 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, remaining outstanding Maltese lira banknotes and coins are included.

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

[4] If the Central Bank issues more currency than the amount attributed to it under the banknote allocation key, the excess will be reflected in intra-Eurosystem liabilities included in this item (refer to General Notes for more details).

[5] Includes resident interbank liabilities.

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

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2003	607.7	4,449.2	1,449.1	83.1	2,831.3	7,484.8	177.2	10,493.3	818.3	17,900.8
2004	448.6	4,734.9	1,531.2	77.9	3,626.4	8,794.1	787.5	13,208.0	837.6	20,838.2
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007										
Jan.	802.3	5,811.6	1,199.0	83.7	5,386.5	16,690.4	431.3	22,508.1	638.2	31,042.8
Feb.	809.7	5,839.0	1,232.3	84.7	5,399.3	17,000.2	400.0	22,799.4	640.5	31,405.6
Mar.	776.2	5,956.9	1,283.0	83.8	5,553.8	17,799.2	401.1	23,754.1	594.7	32,448.7
Apr.	651.8	5,969.4	1,292.8	85.0	5,866.8	18,430.7	470.1	24,767.7	607.6	33,374.3
May	736.8	5,999.9	1,251.1	87.3	5,892.6	19,563.6	553.5	26,009.7	631.9	34,716.8
June	649.4	6,066.5	1,296.8	87.1	5,732.1	20,619.8	572.1	26,924.1	687.5	35,711.3
July	763.0	6,067.9	1,303.1	94.1	5,910.7	20,994.7	616.1	27,521.4	667.9	36,417.3
Aug.	835.5	6,071.1	1,245.6	94.5	5,836.7	21,203.4	545.1	27,585.1	686.1	36,517.9
Sep.	841.6	6,166.9	1,221.2	95.1	5,957.3	21,263.4	532.7	27,753.4	633.1	36,711.3
Oct.	838.8	6,175.6	1,313.2	95.5	5,617.6	20,900.4	605.9	27,123.9	571.5	36,118.5
Nov.	1,510.1	6,235.0	1,300.0	93.3	5,346.2	20,879.2	608.6	26,834.1	593.4	36,565.8
Dec.	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
2008										
Jan.	573.1	6,321.5	1,265.1	92.7	5,522.8	22,983.8	601.1	29,107.7	634.4	37,994.5
Feb.	527.2	6,352.2	1,281.7	93.0	5,704.5	22,973.0	548.2	29,225.7	652.1	38,131.8
Mar.	519.7	6,449.1	1,260.7	92.8	5,687.3	22,261.1	597.1	28,545.5	705.8	37,573.6
Apr.	520.3	6,607.7	1,218.0	102.6	5,676.1	22,503.3	547.5	28,727.0	693.8	37,869.4
May	522.9	6,654.6	1,221.6	102.3	5,877.1	23,634.0	603.3	30,114.5	702.4	39,318.2
June	521.3	6,727.3	1,268.2	103.9	5,952.6	25,188.2	554.8	31,695.6	648.7	40,965.0
July	516.8	6,858.5	1,291.7	104.8	6,745.4	25,775.2	653.8	33,174.4	680.6	42,626.8
Aug.	509.3	6,832.6	1,281.1	105.0	7,095.5	26,695.2	674.3	34,465.0	717.2	43,910.2
Sep.	641.9	6,924.5	1,258.4	112.0	7,346.4	27,394.6	768.1	35,509.1	669.7	45,115.6

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001.

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

[3] Includes resident interbank claims.

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

EUR millions

End of period	Deposits from residents of Malta[2]				External liabilities				Debt securites issued[3]	Capital & reserves	Other liabilities[4]
	Withdraw-able on demand	Redeem-able at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities[3]	Total			
2003	2,441.8	67.0	3,727.6	6,236.5	2,426.4	4,862.9	1,597.6	8,886.9	220.9	1,822.4	734.1
2004	2,589.8	70.0	3,700.8	6,360.5	3,203.2	6,640.3	1,583.0	11,426.5	214.7	2,086.4	750.0
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007											
Jan.	2,823.1	70.5	4,365.9	7,259.5	6,727.5	11,816.8	1,360.7	19,905.0	147.4	3,063.2	667.9
Feb.	2,833.4	67.3	4,436.4	7,337.2	6,577.7	12,221.5	1,334.7	20,133.9	146.8	3,153.3	634.5
Mar.	2,815.6	69.0	4,546.8	7,431.4	6,692.8	12,679.0	1,679.8	21,051.7	146.6	3,183.8	635.3
Apr.	2,815.7	70.4	4,484.0	7,370.1	6,883.0	13,032.0	2,109.5	22,024.5	146.9	3,197.0	635.8
May	2,827.3	77.3	4,592.6	7,497.2	6,828.5	14,139.1	2,228.8	23,196.5	147.3	3,222.1	653.6
June	2,910.1	81.7	4,639.9	7,631.7	7,003.8	15,052.7	1,911.6	23,968.0	147.3	3,246.4	717.9
July	3,009.8	87.7	4,764.8	7,862.2	7,078.0	15,397.4	1,976.1	24,451.5	146.8	3,238.6	718.2
Aug.	2,988.7	89.0	4,955.2	8,032.9	6,917.2	15,128.9	2,360.1	24,406.2	146.8	3,239.8	692.2
Sep.	3,015.4	89.3	4,984.5	8,089.2	7,259.4	15,016.9	2,174.7	24,450.9	145.8	3,350.9	674.5
Oct.	2,971.1	92.0	5,039.4	8,102.4	7,691.5	13,957.5	2,132.1	23,781.1	145.3	3,431.8	657.8
Nov.	3,012.6	96.6	5,068.6	8,177.9	7,391.9	14,665.1	2,109.9	24,166.9	144.8	3,391.9	684.3
Dec.	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
2008											
Jan.	3,150.6	108.8	5,172.5	8,431.9	8,073.8	15,339.0	2,031.3	25,444.1	140.7	3,304.3	673.5
Feb.	3,152.9	111.2	5,234.7	8,498.9	8,722.9	14,868.9	1,918.1	25,510.0	140.1	3,269.3	713.5
Mar.	3,160.1	112.8	5,227.6	8,500.5	8,646.9	14,598.5	1,740.8	24,986.2	139.2	3,197.9	749.8
Apr.	3,222.8	113.8	5,146.9	8,483.5	8,591.7	15,136.9	1,586.1	25,314.6	139.6	3,252.6	679.0
May	3,206.9	114.3	5,147.6	8,468.8	8,724.8	16,003.6	1,919.4	26,647.8	139.7	3,295.9	765.9
June	3,129.3	115.3	5,137.6	8,382.1	9,861.1	16,348.0	2,110.5	28,319.7	139.2	3,195.2	928.8
July	3,208.1	116.6	5,119.4	8,444.1	10,483.0	16,916.5	2,278.5	29,677.9	139.5	3,387.0	978.3
Aug.	3,188.9	115.5	5,200.8	8,505.2	10,972.9	17,581.8	2,231.7	30,786.4	140.9	3,391.2	1,086.4
Sep.	3,189.0	116.0	5,281.9	8,586.8	11,259.0	18,191.2	2,438.3	31,888.5	171.6	3,260.2	1,208.5

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001.

[2] Includes general government and private sector deposits.

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

[4] Includes resident interbank liabilities.

Table 1.4a Monetary base and monetary aggregates

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							Total (M3)[1]
				Narrow money (M1)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)	
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)				
					Demand	Savings					
2003	1,130.6	321.2	1,451.8	1,072.5	637.5	1,763.0	3,473.0	67.0	3,096.9	6,636.9	6,637.0
2004	1,179.6	338.5	1,518.1	1,132.1	700.8	1,849.8	3,682.6	70.0	3,045.3	6,797.9	6,797.9
2005	1,211.4	315.7	1,527.1	1,162.2	727.0	2,001.0	3,890.2	73.3	3,121.5	7,085.0	7,085.0
2006	1,173.9	412.2	1,586.1	1,112.9	726.5	2,020.0	3,859.4	71.8	3,520.6	7,451.7	7,451.7
2007											
July	990.2	479.6	1,469.8	925.8	790.8	2,113.6	3,830.2	87.6	4,060.3	7,978.2	7,978.2
Aug.	948.7	488.6	1,437.3	890.4	811.8	2,090.6	3,792.8	89.0	4,292.9	8,174.7	8,174.7
Sep.	925.6	489.7	1,415.3	868.4	811.3	2,112.9	3,792.5	89.3	4,313.9	8,195.7	8,195.7
Oct.	875.8	496.0	1,371.8	820.5	792.8	2,116.0	3,729.2	92.0	4,384.6	8,205.8	8,205.8
Nov.	818.2	1,021.7	1,839.8	763.0	785.8	2,160.0	3,708.8	96.6	4,434.0	8,239.4	8,239.4
Dec.	677.8	1,110.0	1,787.8	610.2	806.3	2,278.9	3,695.4	105.3	4,474.6	8,275.3	8,275.3

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

EUR millions

End of period	Broad money (M3)										
	Intermediate money (M2)							Repurchase agreements		Issues less holdings of MFI debt securities up to 2 years[4]	Total (M3)[5]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]					
	Currency issued[2]	Overnight deposits[3]									
		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	With residents of Malta	With other euro area residents		
2008											
Jan.	670.7	3,107.3	65.7	108.8	-	4,544.8	269.9	-	-	-118.7	8,648.5
Feb.	637.6	3,084.4	71.0	111.2	-	4,613.0	294.5	-	-	-112.7	8,699.2
Mar.	612.9	3,102.1	66.8	112.8	-	4,613.1	289.5	-	-	-112.6	8,684.7
Apr.	621.4	3,175.0	79.8	113.8	-	4,569.5	254.2	-	-	-112.9	8,700.8
May	627.0	3,153.6	102.0	114.3	-	4,579.9	317.6	-	-	-145.0	8,749.5
June	629.2	3,065.2	104.3	115.3	-	4,577.7	251.7	-	-	-160.3	8,583.1
July	631.6	3,147.0	106.6	116.6	-	4,575.9	271.2	-	-	-165.5	8,683.4
Aug.	631.0	3,126.6	117.3	115.5	-	4,650.6	253.5	-	-	-169.2	8,725.4
Sep.	632.0	3,130.0	103.4	116.0	-	4,726.2	206.9	-	-	-169.1	8,745.3

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

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

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

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

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

Table 1.5a Monetary financial institutions survey

EUR millions

End of period	Domestic credit			Net foreign assets					Broad money (M3)	Other counterparts to broad money (net)[2]
	Net claims on central government[1]	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2003	1,324.1	4,423.4	5,747.5	2,279.5	136.9	10,493.3	8,912.8	3,723.1	6,637.0	2,833.6
2004	1,269.8	4,793.9	6,063.7	2,105.7	78.5	13,208.0	11,448.3	3,786.9	6,797.9	3,052.8
2005	1,031.2	5,110.6	6,141.8	2,260.2	87.8	19,340.5	17,297.9	4,215.0	7,085.0	3,271.8
2006	850.1	5,855.8	6,705.9	2,314.0	99.1	21,601.1	19,011.8	4,804.1	7,451.7	4,058.3
2007										
July	1,056.6	6,136.9	7,193.6	2,073.9	81.1	27,521.4	24,465.2	5,049.0	7,978.2	4,264.3
Aug.	1,040.9	6,139.5	7,180.3	2,099.0	75.8	27,585.1	24,420.0	5,188.3	8,174.7	4,194.0
Sep.	978.4	6,232.4	7,210.8	2,158.5	82.8	27,753.4	24,464.6	5,364.5	8,195.7	4,379.5
Oct.	1,072.4	6,246.6	7,319.0	2,112.5	86.6	27,123.9	23,794.8	5,354.9	8,205.8	4,468.1
Nov.	1,123.7	6,309.6	7,433.3	2,678.3	94.7	26,834.1	24,180.6	5,237.1	8,239.4	4,431.0
Dec.	1,023.8	6,404.9	7,428.7	2,633.0	100.1	27,947.3	25,330.1	5,150.1	8,275.3	4,303.6

Table 1.5b The contribution of resident MFIs to selected counterparts to euro area M3

EUR millions

End of period	Broad money (M3)[4]	Credit counterpart[3]					External counterpart			Other counterparts (net)[2]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008										
Jan.	8,648.5	1,504.9	6,389.1	320.0	1,989.9	10,203.8	24,525.4	17,345.6	7,179.9	8,735.2
Feb.	8,699.2	1,521.6	6,424.5	319.7	2,008.3	10,274.1	24,537.7	16,753.6	7,784.1	9,359.1
Mar.	8,684.7	1,491.6	6,531.6	299.8	2,143.7	10,466.7	23,903.1	16,341.1	7,562.0	9,344.0
Apr.	8,700.8	1,463.6	6,695.7	326.0	2,232.3	10,717.5	23,976.5	16,668.8	7,307.7	9,324.4
May	8,749.5	1,465.8	6,740.1	341.9	2,298.2	10,845.9	25,344.8	17,811.3	7,533.5	9,629.9
June	8,583.1	1,512.2	6,813.6	366.2	2,488.2	11,180.2	26,819.6	18,134.6	8,685.1	11,282.2
July	8,683.4	1,538.1	6,953.4	389.7	2,980.1	11,861.3	27,554.1	18,837.4	8,716.7	11,894.7
Aug.	8,725.4	1,505.8	6,925.5	390.0	3,118.4	11,939.6	28,455.8	19,491.3	8,964.4	12,178.7
Sep.	8,745.3	1,512.5	7,024.3	391.1	3,134.6	12,062.5	29,223.9	20,289.0	8,934.9	12,252.1

[1] Central government deposits held with MFIs are netted from this figure.
[2] Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.
[3] Credit includes, besides lending, claims in the form of debt securities and shares and other equity.
[4] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro-area aggregate.

Table 1.6a Currency in circulation

EUR millions

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2003	1,088.0	42.6	1,130.6	58.1	1,072.5
2004	1,134.8	44.8	1,179.6	47.5	1,132.1
2005	1,164.5	46.8	1,211.4	49.2	1,162.2
2006	1,125.4	48.6	1,173.9	61.0	1,113.0
2007					
July	941.3	49.0	990.2	64.4	925.8
Aug.	899.3	49.4	948.7	58.3	890.4
Sep.	876.6	49.0	925.6	57.3	868.4
Oct.	827.5	48.3	875.8	55.3	820.4
Nov.	771.0	47.2	818.2	55.2	763.0
Dec.	634.2	43.6	677.8	67.6	610.2

Table 1.6b Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item:Excess / shortfall (-) on the banknote allocation key[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2008						
Jan.	536.6	23.3	245.4	134.5	670.7	-102.9
Feb.	539.3	22.4	158.8	83.0	637.6	-50.2
Mar.	545.0	23.3	121.8	77.1	612.9	-11.8
Apr.	552.4	24.5	102.4	57.9	621.4	-0.2
May	554.3	25.3	100.4	53.1	627.0	11.1
June	559.8	26.7	98.1	55.4	629.2	20.9
July	566.4	28.3	96.5	59.6	631.6	22.4
Aug.	563.8	29.3	95.1	59.7	631.0	17.0
Sep.	564.2	29.6	93.9	58.2	632.0	17.4

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

[2] For 2008 only, currency issued includes any outstanding Maltese lira banknotes and coins.

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

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10	Lm5	Lm2	Total
2003	1,130.6	255.5	744.0	71.8	16.7	1,088.0
2004	1,179.6	257.0	786.3	74.3	17.2	1,134.8
2005	1,211.4	257.5	812.1	76.8	18.1	1,164.5
2006	1,173.9	240.5	785.0	80.9	18.9	1,125.4
2007	677.8	120.2	439.8	57.5	16.7	634.2
2008						
Jan.	245.4	49.9	134.8	18.9	9.6	213.2
Feb.	158.8	29.7	77.8	13.8	8.6	130.0
Mar.	121.8	19.4	54.5	11.8	8.2	93.9
Apr.	102.4	13.8	43.4	10.3	7.8	75.3
May	100.4	13.4	42.1	10.2	7.7	73.5
June	98.1	13.0	40.5	10.0	7.7	71.2
July	96.5	12.6	39.5	9.9	7.7	69.7
Aug.	95.1	12.4	38.5	9.8	7.6	68.3
Sep.	93.9	12.1	37.7	9.7	7.6	67.1

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

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

EUR millions

End of period	Euro banknotes							Total
	€ 5	€ 10	€ 20	€ 50	€ 100	€ 200	€ 500	
2008								
Jan.	6.2	58.5	195.3	102.8	34.6	23.0	13.3	433.6
Feb.	3.5	60.8	222.6	122.8	38.8	24.3	16.5	489.2
Mar.	1.8	63.4	244.7	137.1	38.5	28.1	19.7	533.3
Apr.	1.1	60.9	254.4	141.3	38.9	31.3	24.4	552.2
May	0.7	58.5	266.6	141.6	38.0	34.3	25.6	565.4
June	0.3	54.8	273.7	150.0	37.8	35.6	28.5	580.7
July	-0.1	51.1	277.2	155.8	36.1	37.5	31.3	588.8
Aug.	-0.5	47.9	278.0	151.0	33.7	37.9	32.8	580.8
Sep.	-1.1	45.5	279.3	150.4	32.3	38.4	36.8	581.5

[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) plus excess / shortfall on the banknote allocation key.

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€ 1	€ 2	
2008									
Jan.	0.1	0.2	0.6	1.4	2.0	3.5	6.1	9.3	23.2
Feb.	0.1	0.2	0.6	1.2	1.9	3.3	5.6	9.5	22.4
Mar.	0.1	0.3	0.6	1.2	1.9	3.4	5.9	9.9	23.3
Apr.	0.1	0.3	0.6	1.3	2.1	3.5	6.1	10.5	24.5
May	0.1	0.3	0.6	1.3	2.1	3.6	6.3	11.0	25.3
June	0.1	0.3	0.7	1.3	2.2	3.8	6.7	11.6	26.7
July	0.1	0.3	0.7	1.4	2.4	4.0	7.1	12.2	28.3
Aug.	0.1	0.4	0.8	1.5	2.5	4.2	7.3	12.6	29.3
Sep.	0.1	0.4	0.8	1.5	2.5	4.2	7.4	12.7	29.6

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

EUR millions

End of period	Resident deposits							Deposits held by non-residents of Malta		Total deposits
	General government[2]	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2003	60.7	193.9	60.0	61.0	976.1	5,078.8	6,430.5	3,164.5	5,524.1	15,119.0
2004	66.5	177.5	48.3	80.3	965.6	5,199.7	6,538.0	3,431.5	7,160.9	17,130.4
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8
2007										
Jan.	216.4	75.9	111.0	85.9	1,160.3	5,685.9	7,335.4	6,976.3	12,667.3	26,979.1
Feb.	230.3	61.8	117.2	87.2	1,158.0	5,744.5	7,398.9	6,848.1	12,998.7	27,245.7
Mar.	228.7	61.7	127.6	102.6	1,145.9	5,826.7	7,493.1	6,939.7	13,482.1	27,915.0
Apr.	165.4	66.4	121.2	87.6	1,138.6	5,857.3	7,436.5	7,152.4	13,790.1	28,379.0
May	214.8	80.2	115.8	96.9	1,146.3	5,923.5	7,577.5	7,099.0	14,824.1	29,500.6
June	139.9	126.1	104.7	112.8	1,228.3	6,046.2	7,757.8	7,266.2	15,742.0	30,766.0
July	165.5	104.5	109.8	117.4	1,322.4	6,147.2	7,966.7	7,309.7	16,065.4	31,341.8
Aug.	168.8	97.0	130.5	109.0	1,416.6	6,208.0	8,129.8	7,355.6	16,145.2	31,630.6
Sep.	161.3	123.7	152.9	112.6	1,409.0	6,253.3	8,212.9	7,465.8	16,111.5	31,790.2
Oct.	153.0	103.7	179.6	125.2	1,354.4	6,290.2	8,206.1	8,009.6	14,878.3	31,094.0
Nov.	136.2	99.6	174.3	146.4	1,348.3	6,372.7	8,277.5	7,740.3	15,521.6	31,539.4
Dec.	126.8	106.1	198.6	137.8	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8
2008										
Jan.	140.5	132.2	214.7	131.2	1,365.9	6,579.6	8,564.2	8,176.0	16,237.8	32,978.0
Feb.	148.5	153.0	220.9	152.9	1,390.2	6,586.4	8,651.9	8,806.5	15,692.8	33,151.1
Mar.	138.3	201.1	214.1	132.4	1,397.9	6,617.9	8,701.6	8,712.0	15,333.4	32,747.0
Apr.	107.0	136.6	201.4	152.8	1,393.1	6,629.1	8,620.1	8,711.0	15,779.2	33,110.3
May	101.1	197.3	227.6	150.8	1,362.2	6,627.2	8,666.2	8,889.0	16,782.9	34,338.0
June	107.0	371.9	196.4	135.8	1,301.3	6,641.8	8,754.0	10,238.9	17,024.7	36,017.6
July	105.9	402.9	194.3	152.2	1,370.2	6,621.5	8,846.9	10,895.9	17,649.1	37,391.9
Aug.	113.0	480.3	186.6	144.4	1,416.0	6,645.2	8,985.5	11,357.9	18,224.5	38,567.8
Sep.	113.3	624.0	206.3	129.4	1,459.6	6,678.3	9,210.8	11,663.0	18,778.6	39,652.4

[1] For the purposes of this table, deposits include loans and uncleared effects.

[2] Including extra-budgetary units.

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

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL[2]	EUR	GBP	USD	Other	MTL[2]	EUR	Other		
2003	5,576.2	244.7	303.3	246.0	60.2	22.4	1,832.6	1,309.4	5,524.1	15,119.0
2004	5,614.5	259.7	353.1	240.7	70.1	20.4	2,400.7	1,010.4	7,160.9	17,130.4
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007										
Jan.	6,075.3	448.3	448.8	266.4	96.6	47.5	3,992.8	2,936.1	12,667.3	26,979.1
Feb.	6,134.6	462.3	445.7	257.5	98.9	45.0	4,045.1	2,758.0	12,998.7	27,245.7
Mar.	6,227.0	466.5	381.8	323.6	94.2	44.2	4,132.2	2,763.3	13,482.1	27,915.0
Apr.	6,151.1	486.7	357.1	347.0	94.6	47.7	4,220.7	2,884.0	13,790.1	28,379.0
May	6,300.0	478.0	376.7	328.4	94.3	43.0	4,383.0	2,673.0	14,824.1	29,500.6
June	6,356.8	589.4	298.5	345.5	167.6	43.4	4,555.4	2,667.4	15,742.0	30,766.0
July	6,536.4	621.7	378.4	337.3	93.0	50.8	4,888.3	2,370.5	16,065.4	31,341.8
Aug.	6,637.7	686.2	376.6	342.5	86.8	50.4	5,161.4	2,143.8	16,145.2	31,630.6
Sep.	6,698.0	695.2	378.8	353.9	87.0	47.8	5,364.1	2,053.9	16,111.5	31,790.2
Oct.	6,714.7	680.2	395.4	328.1	87.7	48.9	5,556.5	2,404.3	14,878.3	31,094.0
Nov.	6,802.7	680.1	383.4	322.4	88.8	46.7	5,368.6	2,325.1	15,521.6	31,539.4
Dec.	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
2008										
Jan.		7,730.5	386.0	321.3	126.4		5,374.2	2,801.8	16,237.8	32,978.0
Feb.		7,753.6	386.6	379.5	132.1		5,631.3	3,175.1	15,692.8	33,151.1
Mar.		7,786.9	371.7	423.3	119.8		5,713.2	2,998.8	15,333.4	32,747.0
Apr.		7,708.4	389.4	399.5	122.7		5,800.3	2,910.7	15,779.2	33,110.3
May		7,772.0	376.8	414.4	103.0		6,105.0	2,783.9	16,782.9	34,338.0
June		7,905.3	342.4	375.8	130.6		7,092.3	3,146.6	17,024.7	36,017.6
July		8,007.3	347.6	375.3	116.7		7,717.1	3,178.7	17,649.1	37,391.9
Aug.		8,074.9	379.4	417.9	113.4		8,301.8	3,056.1	18,224.5	38,567.8
Sep.		8,219.7	406.8	465.7	118.6		8,324.0	3,339.0	18,778.6	39,652.4

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

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

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

EUR millions

End of period	Size classes [2]				
	Up to € 25,000	Over € 25,000 to € 250,000	Over € 250,000 to € 1 million	Over € 1 million	Total
2003	714.7	1,553.3	876.5	2,437.6	5,582.0
2004	774.8	1,845.8	1,529.6	5,547.2	9,697.4
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
2007					
Jan.	1,083.3	2,536.5	2,358.7	9,318.0	15,296.5
Feb.	981.6	2,503.8	2,396.8	9,728.5	15,610.6
Mar.	1,283.8	2,343.4	1,866.4	11,312.0	16,805.7
Apr.	1,110.7	2,623.7	1,842.3	11,431.1	17,007.8
May	1,236.1	2,717.6	1,869.7	12,103.0	17,926.5
June	1,250.5	2,760.7	1,932.5	12,999.9	18,943.6
July	1,104.0	3,168.7	1,920.9	13,137.8	19,331.4
Aug.	1,088.2	3,605.9	1,968.4	13,366.8	20,029.4
Sep.	1,148.4	3,867.6	2,021.5	13,279.7	20,317.2
Oct.	872.1	3,879.2	2,090.1	13,010.8	19,852.1
Nov.	1,177.5	3,637.0	2,095.3	13,106.4	20,016.2
Dec.	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
2008					
Jan.	1,110.0	3,022.3	2,677.3	14,802.6	21,612.1
Feb.	1,150.5	3,056.5	3,031.8	14,942.1	22,180.9
Mar.	1,311.0	3,372.2	2,748.4	14,851.5	22,283.1
Apr.	1,375.2	3,404.9	2,760.0	15,121.5	22,661.6
May	635.9	2,502.0	2,126.1	17,932.2	23,196.2
June	638.9	2,527.9	2,148.7	18,629.8	23,945.4
July	641.3	2,546.3	2,148.8	19,159.3	24,495.7
Aug.	644.7	2,549.6	2,094.8	20,147.3	25,436.5
Sep.	649.8	2,582.8	2,137.8	20,854.5	26,224.9

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

[2] The euro amounts are approximations.

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

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage & communication	Manufacturing	Construction	Hotels & restaurants	Wholesale & retail trade; repairs	Real estate, renting & business activities	Households & individuals[1]				Other[2]	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2003	195.4	315.6	430.5	468.5	481.9	671.3	276.0	1,030.2	84.2	306.5	1,420.8	367.8	524.4	4,103.4
2004	222.1	295.7	358.1	505.5	478.8	676.2	321.4	1,255.7	188.4	229.3	1,673.5	362.0	500.3	4,393.0
2005	142.3	287.1	306.2	502.3	474.8	691.1	444.2	1,521.4	212.7	214.6	1,948.7	427.6	401.1	4,823.2
2006	188.9	340.7	266.7	586.4	492.9	715.0	612.8	1,769.9	250.4	230.7	2,251.1	380.7	421.3	5,414.0
2007														
Jan.	177.6	346.9	261.5	589.6	495.8	712.6	617.0	1,791.2	251.1	234.9	2,277.2	391.1	419.2	5,450.1
Feb.	176.9	347.3	259.6	591.3	497.1	705.7	627.8	1,810.6	251.9	238.7	2,301.2	389.2	419.5	5,476.5
Mar.	185.3	361.3	262.0	610.7	501.1	737.0	651.3	1,838.9	254.5	244.5	2,337.9	367.2	422.7	5,591.2
Apr.	174.7	344.1	265.6	607.8	500.3	732.7	662.4	1,857.6	257.8	246.3	2,361.7	377.3	399.1	5,627.3
May	170.5	346.2	269.1	618.8	487.8	730.8	660.2	1,880.1	263.7	249.9	2,393.8	379.8	394.9	5,662.0
June	176.3	341.6	270.8	625.6	484.0	737.0	668.6	1,908.9	268.4	251.0	2,428.2	381.6	398.0	5,715.7
July	175.5	322.1	270.0	619.5	484.1	734.7	685.4	1,928.5	271.9	257.4	2,457.8	362.2	406.8	5,704.5
Aug.	177.6	313.4	271.1	633.5	470.3	715.5	690.5	1,947.2	276.9	257.0	2,481.1	361.5	404.2	5,710.3
Sep.	178.6	313.1	276.7	644.8	468.5	743.2	706.3	1,967.3	280.6	270.6	2,518.5	347.8	405.7	5,792.0
Oct.	183.4	312.3	278.6	654.7	463.3	729.3	702.1	1,981.4	282.6	269.0	2,533.0	349.3	408.7	5,797.3
Nov.	187.4	317.2	293.0	666.9	472.9	721.8	707.9	1,993.8	284.9	275.9	2,554.6	343.5	411.8	5,853.4
Dec.	196.6	322.6	301.3	677.5	474.3	732.3	725.1	2,014.9	287.6	276.1	2,578.6	356.8	438.3	5,926.7
2008														
Jan.	183.2	315.3	303.4	681.7	467.8	723.1	738.3	2,026.0	285.7	278.0	2,589.6	350.3	428.5	5,924.3
Feb.	179.3	317.0	306.3	680.4	461.5	721.9	759.4	2,036.8	290.9	283.2	2,610.9	347.2	437.6	5,946.4
Mar.	184.8	335.3	310.9	699.3	464.0	747.4	774.5	2,056.2	292.2	284.0	2,632.4	332.3	436.5	6,044.4
Apr.	289.8	340.0	311.1	694.3	472.9	759.1	781.5	2,076.6	297.3	280.3	2,654.1	344.4	547.9	6,099.3
May	283.0	349.4	322.0	697.3	464.1	755.6	793.5	2,091.6	302.4	286.9	2,681.0	343.1	547.9	6,141.1
June	283.1	358.5	326.0	702.0	457.6	770.7	809.2	2,114.0	305.7	291.7	2,711.4	360.8	550.3	6,229.0
July	270.9	463.0	327.1	713.1	453.6	760.2	829.9	2,132.8	308.2	296.0	2,737.0	362.9	540.4	6,377.3
Aug.	283.9	409.6	330.6	715.9	451.2	751.5	830.0	2,145.5	307.9	298.9	2,752.3	366.1	552.2	6,338.8
Sep.	283.3	429.6	335.4	725.2	448.4	752.3	853.6	2,166.5	315.8	304.9	2,787.2	369.8	561.1	6,423.7

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

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

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta[1]							Lending to non-residents of Malta		Total lending
	General government[2]	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2003	208.4	774.6	5.7	8.1	2,579.1	1,647.9	5,223.8	1,118.2	3,904.7	10,246.7
2004	129.4	625.7	7.3	8.2	2,686.8	1,903.2	5,360.7	1,756.2	4,044.9	11,161.7
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8
2007										
Jan.	120.8	842.4	19.6	13.9	3,089.4	2,568.0	6,654.0	2,391.9	8,915.3	17,961.2
Feb.	124.7	848.5	19.6	14.0	3,089.2	2,591.5	6,687.5	2,298.7	9,256.0	18,242.2
Mar.	125.6	818.4	19.9	16.0	3,139.2	2,656.2	6,775.2	2,266.0	10,723.6	19,764.9
Apr.	119.2	702.7	23.0	23.7	3,125.4	2,678.1	6,672.0	2,602.6	10,711.1	19,985.7
May	120.5	795.9	24.5	22.7	3,123.5	2,708.6	6,795.7	2,730.7	11,765.8	21,292.3
June	121.3	732.8	24.0	33.9	3,137.2	2,750.2	6,799.3	2,482.8	13,131.5	22,413.6
July	121.1	815.6	23.6	20.8	3,120.9	2,781.3	6,883.5	2,688.4	13,125.0	22,696.9
Aug.	123.1	888.6	23.3	17.9	3,108.1	2,798.6	6,959.7	2,783.1	13,885.4	23,628.3
Sep.	124.9	920.2	18.8	18.1	3,171.1	2,834.0	7,087.2	2,946.1	14,387.7	24,421.0
Oct.	124.8	879.1	19.2	18.9	3,160.6	2,852.1	7,054.7	2,596.1	14,041.9	23,692.7
Nov.	124.0	1,547.8	19.0	17.9	3,200.7	2,873.5	7,782.8	2,344.0	14,167.8	24,294.6
Dec.	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0
2008										
Jan.	127.2	527.6	19.3	15.8	3,259.6	2,899.7	6,849.1	2,587.7	16,378.8	25,815.6
Feb.	119.9	532.2	21.8	15.3	3,267.4	2,927.7	6,884.4	2,777.1	16,677.6	26,339.0
Mar.	107.9	577.1	21.5	11.2	3,348.2	2,960.3	7,026.2	2,871.0	16,178.8	26,075.9
Apr.	108.5	596.9	21.4	15.9	3,482.2	2,979.6	7,204.6	2,860.1	16,451.0	26,515.7
May	108.6	595.9	22.0	14.9	3,499.5	3,009.6	7,250.5	2,980.0	16,844.9	27,075.4
June	109.8	568.4	21.8	16.4	3,537.5	3,041.7	7,295.6	3,087.9	17,767.0	28,150.5
July	108.7	544.8	21.3	13.3	3,647.7	3,067.4	7,403.3	3,394.2	18,297.3	29,094.9
Aug.	110.0	559.4	20.7	14.8	3,601.3	3,085.7	7,392.0	3,720.4	18,960.3	30,072.7
Sep.	111.3	701.1	21.5	14.0	3,647.7	3,130.1	7,625.5	3,968.2	19,543.9	31,137.7

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

[2] Including extra-budgetary units.

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

EUR millions

End of period	Lending to residents of Malta[1]																	Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors			
	MTL[2]		EUR		Other		MTL[2]		EUR		Other		MTL[2]	EUR	Other	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year				
2003	1,041.2	1,404.6	9.5	82.7	14.9	26.3	194.5	1,439.6	0.5	10.0	1.1	2.1	907.9	65.1	23.8	5,223.8
2004	961.0	1,546.5	25.9	92.5	21.4	39.5	213.4	1,671.6	0.8	10.6	4.1	2.8	687.1	62.3	21.1	5,360.7
2005	860.7	1,568.3	17.3	263.3	18.5	10.2	204.2	1,943.2	1.4	15.0	0.1	2.4	696.7	86.4	19.0	5,706.7
2006	905.7	1,689.6	69.9	395.1	21.1	11.3	218.5	2,289.2	2.3	29.6	0.1	3.1	713.6	156.9	22.1	6,528.2
2007																
Jan.	892.2	1,697.8	68.4	394.9	24.8	11.2	212.8	2,319.5	2.4	29.8	0.2	3.3	807.7	171.4	17.6	6,654.0
Feb.	876.1	1,716.2	67.9	394.7	23.2	11.1	210.8	2,343.6	3.3	29.9	0.6	3.3	815.2	175.3	16.3	6,687.5
Mar.	881.1	1,752.9	68.7	399.2	25.8	11.4	231.8	2,387.9	1.5	31.2	0.7	3.1	780.4	180.6	18.9	6,775.2
Apr.	857.1	1,737.5	73.9	421.4	24.2	11.3	233.1	2,408.5	1.5	31.2	0.7	3.0	674.9	177.9	15.8	6,672.0
May	839.3	1,757.5	69.7	418.0	27.7	11.2	234.1	2,441.9	1.6	27.5	0.5	3.1	763.2	184.4	16.0	6,795.7
June	848.9	1,755.5	72.2	413.1	36.1	11.2	234.9	2,481.3	1.6	28.8	0.5	3.0	703.8	177.4	30.7	6,799.3
July	815.5	1,773.1	75.7	412.6	33.2	10.8	236.2	2,508.9	1.5	30.9	0.8	3.0	778.7	181.5	21.0	6,883.5
Aug.	806.8	1,763.5	77.6	417.8	31.7	10.8	238.4	2,522.6	1.6	32.5	0.6	2.9	855.0	181.0	17.1	6,959.7
Sep.	835.4	1,784.2	79.5	428.2	33.1	10.6	250.4	2,543.6	2.1	30.5	4.8	2.7	881.4	174.1	26.6	7,087.2
Oct.	828.8	1,779.7	80.2	429.0	32.4	10.4	247.5	2,564.2	2.4	30.7	4.7	2.6	851.6	168.2	22.3	7,054.7
Nov.	834.6	1,801.1	90.1	430.8	33.8	10.3	243.3	2,587.5	2.0	32.2	4.9	3.5	968.2	735.7	4.7	7,782.8
Dec.	858.3	1,802.5	108.1	450.0	36.6	10.2	241.5	2,616.0	2.0	34.4	1.0	3.5	963.8	744.6	20.3	7,892.6
2008																
Jan.			940.2	2,268.3	39.4	11.7			239.2	2,656.4	0.6	3.5		663.5	26.3	6,849.1
Feb.			927.1	2,290.7	36.7	13.0			243.4	2,680.2	0.8	3.4		666.8	22.4	6,884.4
Mar.			969.5	2,328.6	35.3	14.8			246.9	2,709.3	0.7	3.4		647.5	70.2	7,026.2
Apr.			978.5	2,450.1	39.2	14.3			249.8	2,725.9	0.6	3.3		686.7	56.1	7,204.6
May			979.2	2,463.4	42.0	14.9			255.4	2,750.1	0.8	3.3		688.4	52.9	7,250.5
June			983.2	2,482.3	49.7	22.3			259.9	2,777.8	0.9	3.2		686.9	29.5	7,295.6
July			953.2	2,624.5	46.4	23.7			261.8	2,801.5	0.9	3.2		677.6	10.6	7,403.3
Aug.			957.7	2,578.3	43.5	21.9			257.5	2,824.1	0.9	3.2		682.6	22.4	7,392.0
Sep.			986.9	2,592.5	45.8	22.4			269.6	2,856.1	1.0	3.4		822.6	25.1	7,625.5

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

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

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

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2003	17.4	54.4	419.5	3.4	114.1	220.9	22.9	852.7
2004	11.7	61.0	467.0	5.0	160.3	272.0	25.5	1,002.5
2005	52.1	34.5	624.0	7.9	232.4	331.0	32.7	1,314.6
2006	16.0	50.9	690.2	7.0	204.4	373.0	16.6	1,358.0
2007								
Mar.	21.0	13.0	689.0	7.0	201.0	366.0	14.0	1,311.0
June	7.3	7.3	570.6	6.3	199.3	349.0	31.1	1,170.8
Sep.	8.9	4.2	517.3	6.4	129.3	325.3	14.2	1,005.6
Dec.	21.4	3.4	498.8	6.3	126.6	317.3	11.9	985.7
2008								
Mar.	17.8	0.0	483.9	5.8	113.7	288.5	12.5	922.2
Jun.	16.0	0.0	438.8	4.9	104.7	276.0	11.3	851.6
Sep.	13.6	0.0	417.5	4.5	95.5	263.7	8.6	803.4

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

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2003	0.7	843.9	6.3	1.7	852.7
2004	0.5	994.5	3.0	4.5	1,002.5
2005	0.2	1,303.9	3.1	7.3	1,314.6
2006	0.4	1,346.1	7.9	3.6	1,358.0
2007					
Mar.	0.0	1,296.0	7.0	7.0	1,311.0
June	16.8	1,141.0	7.4	5.7	1,170.8
Sep.	1.8	992.6	7.2	4.1	1,005.6
Dec.	0.3	975.7	6.6	3.1	985.7
2008					
Mar.	0.7	910.2	6.6	4.7	922.2
Jun.	1.8	840.7	6.2	2.9	851.6
Sep.	0.5	794.0	6.2	2.7	803.4

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

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

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

[4] Includes share capital and reserves.

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

[6] Includes creditors, accruals and other liabilities.

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

EUR thousands

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

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

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

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

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

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

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

% per annum	2008								
	Jan.	Feb.	Mar.	Apr	May	Jun	Jul	Aug	Sep
NEW BUSINESS [2]									
Deposits									
Households and NPISH									
Overnight deposits [4,5]	1.35	1.35	1.36	1.28	1.27	1.27	1.31	1.41	1.38
Savings deposits redeemable at notice[4,6]									
up to 3 months	3.10	3.08	3.09	3.10	3.11	3.10	3.21	3.27	3.30
Time deposits with agreed maturity									
up to 1 year	3.86	3.93	3.83	3.86	3.87	3.91	4.09	4.15	4.09
over 1 and up to 2 years	4.45	4.46	4.61	4.44	5.14	4.57	4.44	4.33	4.36
over 2 years	4.28	4.29	4.27	4.37	4.51	4.46	4.46	4.61	4.64
Non-financial corporations									
Overnight deposits [4,5]	1.36	1.36	1.40	1.31	1.37	1.37	1.45	1.42	1.31
Time deposits with agreed maturity	4.03	3.94	3.98	4.11	3.99	4.30	4.18	4.20	4.46
Loans									
Households and NPISH									
Overdrafts[4]	7.69	7.65	7.65	7.64	7.62	7.61	7.94	7.98	7.99
Loans									
Lending for house purchase	5.14	5.11	4.86	4.99	4.94	5.09	5.31	5.36	5.44
Consumer credit[8]	7.06	6.97	6.95	6.68	6.86	6.51	7.16	7.17	7.30
Other lending	6.52	6.84	6.84	6.49	6.39	6.85	7.19	7.37	7.31
Non-financial corporations									
Overdrafts[4]	6.33	6.28	6.43	6.24	6.26	6.22	6.51	6.66	6.68
Loans[8]	6.28	6.66	5.43	6.68	6.81	6.53	6.48	6.82	6.66
APRC[7] for loans to households and NPISH									
Lending for house purchase	5.48	5.38	5.37	5.29	5.18	5.24	5.52	5.57	5.68
Consumer credit[8]	7.10	7.07	7.06	6.75	7.01	6.77	7.27	7.33	7.45
OUTSTANDING AMOUNTS [3]									
Deposits									
Households and NPISH									
Time deposits with agreed maturity									
up to 2 years	4.04	4.05	4.05	4.05	4.06	4.06	4.09	4.14	4.16
over 2 years	3.08	3.09	3.09	3.09	3.11	3.09	3.05	3.09	3.10
Non-financial corporations									
Time deposits with agreed maturity									
up to 2 years	4.01	4.02	4.02	4.09	4.12	4.17	4.16	4.25	4.32
over 2 years	3.39	3.39	3.39	3.40	3.45	3.44	3.41	3.26	3.25
Loans									
Households and NPISH									
Lending for house purchase	5.31	5.26	5.24	5.24	5.23	5.22	5.44	5.44	5.45
Consumer credit and other lending[9]	7.10	7.05	7.07	7.07	7.07	7.08	7.37	7.38	7.39
Non-financial corporations[9]	6.42	6.39	6.37	6.35	6.32	6.32	6.56	6.57	6.56

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

[2] Weighted average rates for the period.

[3] End of period rates.

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

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

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

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

[8] Excludes bank overdrafts.

[9] Includes bank overdrafts.

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

% per annum	2008								
	Jan.	Feb.	Mar.	Apr	May	Jun	Jul	Aug	Sep
NEW BUSINESS [2]									
Deposits									
Households and NPISH									
Overnight deposits [4,5]	1.35	1.35	1.36	1.28	1.27	1.26	1.30	1.40	1.38
Savings deposits redeemable at notice[4,6]									
up to 3 months	3.10	3.08	3.09	3.10	3.11	3.10	3.21	3.27	3.30
Time deposits with agreed maturity									
up to 1 year	3.85	3.92	3.83	3.85	3.87	3.91	4.09	4.14	4.09
over 1 and up to 2 years	4.45	4.46	4.61	4.44	5.12	4.57	4.44	4.33	4.36
over 2 years	4.28	4.29	4.27	4.37	4.51	4.46	4.46	4.61	4.64
Non-financial corporations									
Overnight deposits [4,5]	1.43	1.43	1.46	1.42	1.44	1.44	1.51	1.54	1.36
Time deposits with agreed maturity	4.23	4.10	4.30	4.25	4.18	4.38	4.61	4.58	4.81
Loans									
Households and NPISH									
Overdrafts[4]	7.69	7.65	7.65	7.64	7.62	7.61	7.94	7.98	7.99
Loans									
Lending for house purchase	5.15	5.11	4.86	5.00	4.95	5.09	5.31	5.36	5.44
Consumer credit[8]	7.06	6.97	6.96	6.68	6.74	6.51	7.16	7.17	7.30
Other lending	6.52	6.84	6.84	6.49	6.39	6.85	7.19	7.37	7.31
Non-financial corporations									
Overdrafts[4]	6.31	6.28	6.25	6.07	6.08	6.04	6.33	6.45	6.50
Loans[8]	5.71	6.29	5.27	6.24	6.11	6.02	6.36	6.59	6.49
APRC[7] for loans to households and NPISH									
Lending for house purchase	5.49	5.39	5.37	5.30	5.18	5.25	5.52	5.57	5.68
Consumer credit[8]	7.10	7.07	7.06	6.75	6.88	6.77	7.27	7.33	7.45
OUTSTANDING AMOUNTS [3]									
Deposits									
Households and NPISH									
Time deposits with agreed maturity									
up to 2 years	4.04	4.05	4.05	4.05	4.06	4.06	4.09	4.14	4.16
over 2 years	3.10	3.13	3.13	3.14	3.16	3.14	3.11	3.14	3.15
Non-financial corporations									
Time deposits with agreed maturity									
up to 2 years	4.19	4.17	4.20	4.26	4.29	4.34	4.33	4.44	4.48
over 2 years	3.98	3.98	3.36	3.36	3.40	3.40	3.47	3.43	3.27
Loans									
Households and NPISH									
Lending for house purchase	5.31	5.26	5.24	5.24	5.23	5.22	5.44	5.44	5.45
Consumer credit and other lending[9]	7.10	7.05	7.07	7.07	7.07	7.07	7.37	7.38	7.39
Non-financial corporations[9]	6.13	6.10	6.09	6.07	6.05	5.98	6.30	6.19	6.25

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

[2] Weighted average rates for the period.

[3] End of period rates.

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

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

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

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

[8] Excludes bank overdrafts.

[9] Includes bank overdrafts.

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

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

[1] End of month rates unless otherwise indicated.

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

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

Table 1.19 Other rates and indicators

	2005	2006	2007				2008		
			Mar.	June	Sep.	Dec.	Mar.	June	Sep.
INTEREST RATES (%)[1]									
Other monetary financial institutions [2]									
Weighted average deposit rate	2.13	2.37	2.62	2.77	2.90	3.00	2.96	2.95	3.05
Current deposits	0.45	0.57	0.69	0.72	0.78	0.78	0.83	0.77	0.84
Savings deposits	1.17	1.17	1.41	1.62	1.72	1.73	1.67	1.62	1.72
Time deposits	2.97	3.27	3.51	3.69	3.80	3.97	3.92	3.95	4.05
Weighted average lending rate	5.48	5.90	6.11	6.34	6.33	6.30	5.96	5.95	6.20
Non-financial companies	5.99	6.34	6.57	6.81	6.80	6.74	6.28	6.22	6.52
Households and individuals	4.93	5.38	5.54	5.81	5.81	5.80	5.57	5.57	5.80
Consumer credit	6.70	7.42	7.13	7.82	7.84	7.84	7.65	7.69	7.94
House purchase	4.52	4.95	5.18	5.39	5.39	5.39	5.15	5.13	5.34
Other lending	6.09	6.46	6.66	6.83	6.80	6.74	6.49	6.53	6.82
Government securities									
Treasury bills (primary market)[3]									
1 month	3.26	3.51	-	4.30	-	4.32	4.18	4.25	-
3 month	3.22	3.91	4.18	4.36	4.37	4.35	4.27	4.94	4.75
6 month	3.23	4.00	4.24	4.31	4.54	4.54	4.33	5.04	4.81
1 year	3.22	4.20	-	4.26	4.53	4.39	-	-	-
Treasury bills (secondary market)									
1 month	3.20	3.75	3.99	4.30	4.33	4.32	4.24	4.29	4.64
3 month	3.22	3.90	4.18	4.36	4.37	4.35	4.27	4.94	4.60
6 month	3.27	4.00	4.24	4.47	4.54	4.54	4.33	5.04	4.55
1 year	3.32	4.20	4.26	4.70	4.61	4.58	4.51	5.19	4.41
Government long-term debt securities (average for the quarter)									
2 year	3.41	3.73	4.26	4.61	4.84	4.58	4.06	4.80	4.93
5 year	3.95	3.94	4.27	4.66	4.93	4.65	4.17	4.85	5.04
10 year	4.55	4.32	4.37	4.72	4.99	4.82	4.57	4.98	5.15
15 year	4.96	4.54	4.51	4.85	5.23	5.11	4.98	5.40	5.38
MALTA STOCK EXCHANGE SHARE INDEX	4,981	4,873	4,815	4,809	4,878	4,938	4,650	4,275	3,724

[1] End of month rates unless otherwise indicated.

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

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

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

EUR millions

End of period	Outstanding amounts as at end of period					Net issues during period					Net valuation changes
	General government	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	General government	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	
2004	2,935.1	202.4	0.0	619.9	3,757.4	388.4	-5.0	0.0	0.0	383.4	-39.6
2005	3,064.4	160.3	0.0	649.6	3,874.4	129.3	-45.8	0.0	-17.1	66.4	50.6
2006	2,998.1	87.9	17.0	593.0	3,696.0	-66.3	-69.3	17.0	-17.5	-136.1	-42.3
2007	3,116.3	145.0	17.0	625.0	3,903.2	118.2	60.0	0.0	68.1	246.3	-39.1
2007											
Q1	3,024.9	146.6	17.0	596.6	3,785.1	26.8	59.0	0.0	7.2	92.9	-3.8
Q2	3,048.1	147.3	17.0	627.4	3,839.8	23.3	1.0	0.0	34.6	58.8	-4.2
Q3	3,070.8	145.9	17.0	609.7	3,843.3	22.6	0.0	0.0	-0.2	22.4	-18.9
Q4	3,116.3	145.0	17.0	625.0	3,903.2	45.5	0.0	0.0	26.6	72.2	-12.3
2008 [2]											
Q1	3,102.0	139.2	17.0	603.6	3,861.7	-14.4	-4.0	0.0	-0.1	-18.5	-23.0
Q2	3,271.5	139.3	17.0	604.7	4,032.6	169.6	0.0	0.0	0.0	169.6	1.3
Q3	3,317.9	171.7	17.0	659.2	4,165.7	46.3	30.0	0.0	25.2	101.6	31.5

[1] Amounts are at nominal prices. Outstanding amounts of debt securities denominated in foreign currency reflect exchange rate changes.

[2] Figures are provisional.

Sources: MSE; Central Bank of Malta.

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

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	OMFI's	Financial corporations other than OMFI's	Non-financial companies	Total	
2004	1,347.6	115.8	651.2	2,114.5	0.0	0.0	0.0	0.0	640.9
2005	2,525.5	147.9	800.8	3,474.2	2.2	0.0	20.0	22.2	1,337.5
2006	2,474.5	183.0	758.2	3,415.7	0.8	0.0	53.3	54.1	-112.7
2007	2,520.0	170.1	1,163.9	3,854.0	9.9	0.0	387.3	397.2	41.2
2007									
Q1	2,431.5	173.3	785.2	3,390.1	0.0	0.0	16.3	16.3	-41.8
Q2	2,430.5	168.1	968.0	3,566.5	2.0	0.0	185.8	187.8	-11.4
Q3	2,435.9	153.6	1,204.3	3,793.8	0.0	0.0	185.2	185.2	42.2
Q4	2,520.0	170.1	1,163.9	3,854.0	7.9	0.0	0.0	7.9	52.3
2008 [2]									
Q1	2,267.9	158.0	1,192.0	3,618.0	0.1	0.0	27.0	27.1	-263.1
Q2	2,066.2	119.6	1,214.0	3,399.8	0.8	0.0	11.2	12.0	-230.2
Q3	1,724.2	102.8	1,152.3	2,979.3	1.2	0.0	0.0	1.2	-421.7

[1] Amounts are at market prices. Outstanding amounts of quoted shares reflect market and exchange rate changes.

[2] Figures are provisional.

Source: MSE.

Government Finance

Table 2.1 General government revenue and expenditure[1]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	Current	Capital	Total	Current	Capital	Total		
2003	1,640.2	23.6	1,663.8	1,746.3	349.8	2,096.1	-432.2	-282.7
2004	1,745.1	89.4	1,834.6	1,843.3	203.8	2,047.1	-212.6	-48.5
2005	1,834.9	173.0	2,008.0	1,907.4	236.0	2,143.4	-135.4	42.4
2006	1,936.0	169.3	2,105.3	1,990.8	231.2	2,222.0	-116.6	63.1
2007	2,127.7	72.7	2,200.4	2,083.1	213.7	2,296.8	-96.4	85.7
2007								
Q1	508.0	9.2	517.1	496.2	53.8	550.0	-32.9	21.0
Q2	506.3	12.2	518.6	502.4	54.8	557.2	-38.7	-5.7
Q3	486.4	20.7	507.1	505.2	38.3	543.5	-36.4	6.8
Q4	627.0	30.6	657.6	579.2	66.9	646.1	11.6	63.5
2008								
Q1	527.2	3.0	530.2	571.8	71.3	643.1	-112.8	-71.0
Q2	531.8	8.3	540.0	571.6	36.5	608.2	-68.1	-21.1
Q3	548.9	10.4	559.2	573.2	36.0	609.2	-50.0	-5.1

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2003	519.6	566.1	349.6	82.1	110.0	12.8	1640.2	6.2	17.4	23.6	1,663.8	1441.6
2004	502.4	657.9	360.3	99.9	98.2	26.4	1745.1	9.4	80.1	89.4	1,834.6	1529.9
2005	559.5	718.2	380.2	93.7	69.5	13.9	1834.9	17.5	155.5	173.0	2,008.0	1675.3
2006	609.8	759.3	389.8	95.5	63.5	18.2	1936.0	14.7	154.7	169.3	2,105.3	1773.4
2007	726.0	800.2	398.3	107.9	73.6	21.8	2127.7	15.7	57.0	72.7	2,200.4	1940.1
2007												
Q1	153.9	179.7	106.0	27.5	37.2	3.7	508.0	3.9	5.3	9.2	517.1	443.5
Q2	180.8	189.6	93.6	29.5	8.5	4.4	506.3	4.1	8.1	12.2	518.6	468.1
Q3	135.7	210.8	94.7	24.1	12.9	8.3	486.4	3.6	17.0	20.7	507.1	444.7
Q4	255.6	220.2	104.0	26.7	15.0	5.5	627.0	4.0	26.6	30.6	657.6	583.9
2008												
Q1	146.3	190.6	109.8	31.5	45.9	3.0	527.2	2.7	0.4	3.0	530.2	449.4
Q2	190.7	199.1	104.3	23.8	8.0	6.0	531.8	3.8	4.4	8.3	540.0	497.9
Q3	190.8	220.7	98.1	22.0	7.8	9.5	548.9	3.6	6.7	10.4	559.2	513.3

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

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

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

Sources: Eurostat; NSO.

Table 2.3 General government expenditure by main components[1]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total [2]	
2003	647.2	580.3	149.6	220.8	95.6	52.8	1,746.3	206.8	139.4	349.8	2,096.1
2004	658.5	599.0	164.1	249.6	86.0	86.1	1,843.3	177.7	34.8	203.8	2,047.1
2005	668.3	642.2	177.8	240.2	98.8	80.1	1,907.4	233.9	40.8	236.0	2,143.4
2006	678.4	666.0	179.7	292.5	95.9	78.2	1,990.8	211.9	37.6	231.2	2,222.0
2007	705.0	699.0	182.1	290.6	109.1	97.2	2,083.1	217.1	29.9	213.7	2,296.8
2007											
Q1	172.9	169.4	53.9	57.3	21.1	21.6	496.2	52.3	6.1	53.8	550.0
Q2	176.9	184.3	32.9	67.3	24.0	17.0	502.4	70.7	9.7	54.8	557.2
Q3	178.8	166.2	43.2	65.2	26.4	25.5	505.2	38.4	5.0	38.3	543.5
Q4	176.4	179.2	52.0	100.9	37.7	33.1	579.2	55.7	9.2	66.9	646.1
2008											
Q1	191.6	191.4	41.9	88.1	32.3	26.4	571.8	54.5	10.6	71.3	643.1
Q2	190.0	200.9	47.1	84.2	32.1	17.3	571.6	30.6	5.2	36.5	608.2
Q3	188.0	194.4	44.8	87.6	37.3	21.0	573.2	30.9	2.7	36.0	609.2

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

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

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2003	276.4	38.3	75.6	412.3	60.7	43.9	263.7	29.0	273.2	623.0	2,096.1
2004	337.7	44.7	75.3	278.9	62.4	40.8	274.3	32.6	261.0	639.4	2,047.1
2005	323.0	44.8	76.2	301.0	70.2	40.4	308.8	31.3	271.9	675.8	2,143.4
2006	339.8	39.4	75.9	294.4	77.1	41.6	325.7	29.1	286.8	712.1	2,222.0
2007	345.0	38.4	80.2	320.9	81.8	38.6	315.4	31.4	295.9	749.2	2,296.8

[1] Data published by the NSO on 30 January 2009. Based on Classification of Functions of Government (COFOG). Data are provisional.

Sources: Eurostat; NSO.

Government Finance

Table 2.5 General government deficit-debt adjustment[1]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment							
			Transactions in main financial assets				Valuation effects	Other changes in volume	Other [2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity				
2003	469.6	-432.2	155.8	-58.3	0.0	2.6	-6.7	0.0	-56.1	37.4
2004	210.1	-212.6	-1.9	-5.5	0.0	-1.4	-12.1	-2.9	21.3	-2.4
2005	106.0	-135.4	74.9	0.0	0.0	-55.4	-29.3	0.0	-19.6	-29.4
2006	-101.9	-116.6	37.5	-2.8	0.0	-219.4	-1.2	-0.1	-32.6	-218.5
2007	125.4	-96.4	34.9	0.8	0.0	-31.4	-6.2	0.0	30.9	29.0

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

[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).

Source: Eurostat.

Table 2.6 General government debt and guaranteed debt outstanding

EUR millions

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		
2003	-	541.1	2,112.9	2,654.0	131.5	253.7	385.3	3,039.2	527.2
2004	-	571.5	2,355.8	2,927.3	84.5	237.5	322.0	3,249.3	609.3
2005	-	443.1	2,614.4	3,057.5	76.8	221.1	297.8	3,355.3	631.3
2006	-	373.8	2,617.4	2,991.2	24.3	237.9	262.2	3,253.4	580.7
2007									
Mar.	-	399.9	2,618.0	3,017.9	25.0	234.5	259.5	3,277.4	560.0
June	-	457.0	2,695.3	3,152.3	25.1	233.9	259.1	3,411.4	603.8
Sep.	-	368.2	2,695.3	3,063.5	27.1	234.1	261.2	3,324.7	616.3
Dec.	8.3	354.9	2,753.3	3,108.3	24.8	237.4	262.2	3,378.8	628.4
2008									
Mar.	23.3	340.6	2,753.4	3,093.9	19.7	218.7	238.4	3,355.6	688.3
June	26.7	419.7	2,843.8	3,263.5	19.2	218.7	237.9	3,528.1	695.0
Sep.	29.6	408.6	2,901.2	3,309.8	18.6	217.9	236.5	3,575.9	707.6

[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.

Government Finance

Table 2.7 Treasury bills issued and outstanding[1]

EUR millions

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

[1] Amounts are at nominal prices.

[2] Includes the Malta Government sinking fund.

[3] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million (€232.9m) to Lm200 million (€465.9m), and on 27 November 2002 this was raised further to Lm300 million (€698.8m).

Sources: Central Bank of Malta; The Treasury.

Table 2.8 Treasury bills issued and outstanding ***(as at end-September 2008)***[1]

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding[3]
				OMFIs	Others[2]	MFIs	Others[2]	
04/07/2008	03/10/2008	4.93	N/A[4]	8.0	14.4	8.3	14.2	22.4
11/01/2008	10/10/2008	4.37	4.73	0.0	3.4	2.9	0.4	3.4
11/04/2008	10/10/2008	4.58	4.73	23.0	20.5	24.0	19.5	43.5
18/07/2008	17/10/2008	4.90	4.73	2.0	13.5	2.1	13.5	15.5
25/07/2008	24/10/2008	4.92	4.73	7.0	14.7	9.7	12.0	21.7
01/08/2008	31/10/2008	4.90	4.74	0.0	24.0	0.7	23.3	24.0
09/05/2008	07/11/2008	4.58	4.74	0.0	3.6	0.0	3.6	3.6
08/08/2008	07/11/2008	4.91	4.74	6.0	48.8	6.0	48.8	54.8
14/08/2008	14/11/2008	4.90	4.74	3.1	8.2	3.1	8.2	11.2
23/11/2007	21/11/2008	4.39	4.74	0.0	0.4	0.0	0.4	0.4
22/08/2008	21/11/2008	4.86	4.74	0.0	3.2	0.0	3.2	3.2
30/05/2008	28/11/2008	4.96	4.74	23.5	2.4	23.5	2.4	25.9
05/09/2008	05/12/2008	4.79	4.74	0.0	53.4	0.0	53.4	53.4
12/09/2008	12/12/2008	4.75	4.75	2.0	1.4	2.1	1.4	3.4
20/06/2008	19/12/2008	5.04	4.75	18.0	4.9	17.9	4.9	22.9
11/07/2008	09/01/2009	5.08	4.76	10.7	12.2	9.6	13.3	22.9
23/05/2008	20/02/2009	4.92	4.78	22.0	6.3	22.0	6.3	28.3
29/08/2008	27/02/2009	5.02	4.79	8.0	4.7	7.8	5.0	12.7
19/09/2008	20/03/2009	4.84	4.80	0.0	11.7	0.0	11.7	11.7
26/09/2008	27/03/2009	4.81	4.80	0.0	23.7	0.0	23.7	23.7
Total				133.3	275.3	139.6	269.0	408.6

[1] Amounts are at nominal prices.

[2] Includes the Malta Government sinking fund.

[3] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million (€232.9m) to Lm200 million (€465.9m), and on 27 November 2002 this was raised further to Lm300 million (€698.8m).

[4] Rate is not available since Treasury bills are not tradable 7days prior to maturity.

Sources: Central Bank of Malta; The Treasury.

Table 2.9 Malta government long-term debt securities outstanding *(as at end-September 2008)*[1]

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[4]	ISMA Yield (%)	Interest dates	Held by		Amount
						MFIs	Others	
7.00	2009 (I)	1999	100	4.43	30/06 - 30/12	0.0	0.2	0.2
5.90	2009 (II)	1999	100	4.42	01/03 - 01/09	46.7	11.5	58.2
5.90	2009 (III)	2000/2005	100/107.8	4.92	30/03 - 30/09	143.1	6.7	149.8
5.90	2010 (I)	1999	100	4.42	19/05 - 19/11	31.9	3.0	34.9
5.75	2010 (II)	2000	100	4.40	10/06 - 10/12	39.1	4.0	43.1
7.00	2010 (III)[2]	2000	100	4.40	30/06 - 30/12	0.0	1.3	1.3
5.40	2010 (IV)	2003/2004	100/104.5	4.38	21/02 - 21/08	56.0	55.8	111.8
7.50	2011 (I)	1996	100	4.45	28/03 - 28/09	19.0	15.9	34.9
6.25	2011 (II)	2001	100	4.43	01/02 - 01/08	50.4	42.8	93.2
7.00	2011 (III)[2]	2002	100	4.49	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	4.55	24/05 - 24/11	38.4	42.0	80.4
7.00	2012 (II)[2]	2002	100	4.64	30/06 - 30/12	0.0	0.4	0.4
5.70	2012 (III) FI[3]	2005/2007	100 / 102.75 /103.85/105.9	4.63	30/03 - 30/09	283.3	145.6	428.9
7.80	2013 (I)	1997	100	4.74	18/04 - 18/10	41.4	38.4	79.8
6.35	2013 (II)	2001	100	4.69	19/05 - 19/11	5.8	54.8	60.6
7.00	2013 (III)	2003	100	4.76	30/06 - 30/12	0.0	0.2	0.2
6.60	2014 (I)	2000	100	4.77	30/03 - 30/09	5.0	19.5	24.5
6.45	2014 (II)	2001	100	4.80	24/05 - 24/11	19.3	50.6	69.9
5.10	2014 (III) FI[3]	03/04/06/07	100/103.25/ 103.64/105.5	4.78	06/01 - 06/07	106.0	147.4	253.4
5.10	2014 (III) FI[3]	2008	100	4.78	06/01 - 06/07	95.6	10.1	105.7
7.00	2014 (IV)[2]	2004	100	4.80	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)	2000	100	4.81	10/06 - 10/12	24.4	45.5	69.9
5.90	2015 (II) FI[3]	02/03/07	100/102/105	4.82	09/04 - 09/10	24.4	92.1	116.5
7.00	2015 (III)	2005	100	4.82	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)	2005	100	4.82	03/05 - 03/11	0.0	0.8	0.8
6.65	2016 (I)	2001	100	4.82	28/03 - 28/09	10.2	59.7	69.9
4.80	2016 (II) FI[3]	03/04/06	100/101/104	4.84	26/05 - 26/11	57.9	128.3	186.2
7.00	2016 (III)	2006	100	4.84	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I)	2007	100	4.89	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)	2007	100	4.89	30/06 - 30/12	0.0	10.3	10.3
7.80	2018 (I)	1998	100	4.94	15/01 - 15/07	72.6	90.5	163.1
7.00	2018 (II)[2]	2008	100	4.94	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[2]	2008	100	4.94	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	4.96	01/03 - 01/09	36.0	66.4	102.4
5.20	2020 (I)	2007	100	4.98	10/06 - 10/12	3.6	23.3	26.9
5.00	2021 FI/(I)FI[3]	04/05/07/08	98.5/100	5.01	08/02 - 08/08	72.8	271.9	344.7
5.00	2021 (I) FI[3]	2008	100	5.01	06/01 - 06/07	10.5	11.2	21.7
5.10	2022 (I)	2004	100	5.08	16/02 - 16/08	3.8	67.2	71.0
5.50	2023 (I)	2003	100	5.13	06/01 - 06/07	3.9	75.0	78.9
Total						1,301.0	1,608.3	2,909.3

[1] Amounts are at nominal prices.

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

[3] Fungible issue. That is, the 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.

[4] The price for new issues prior to 2008 is denominated in Maltese lira.

[5] ISMA yields are not available as securities were not listed on the MSE by the end of the reference period.

Sources: Central Bank of Malta; MSE.

Table 2.10 Malta government long-term debt securities outstanding by remaining term to maturity[1]

EUR millions

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
2003	103.8	487.8	723.3	630.6	181.3	2,126.8
2004	128.1	567.9	797.5	627.1	243.0	2,363.6
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
2007						
Mar.	163.1	620.8	1,168.9	522.5	149.8	2,625.0
June	81.1	677.8	1,188.0	522.5	233.2	2,702.5
Sep.	150.9	963.7	878.6	630.6	78.7	2,702.5
Dec.	93.2	1,037.5	889.6	662.5	78.7	2,761.5
2008						
Mar.	301.3	829.2	889.6	662.5	78.8	2,761.4
June	69.9	1,037.3	950.8	715.0	78.8	2,851.8
Sep.	208.2	829.1	1,219.5	652.5	0.0	2,909.3

[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 2.11 General government external loans by currency[1] and remaining term to maturity[2]

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2003	2.0	177.8	1.1	16.4	0.0	3.1	200.3
2004	1.1	168.6	0.0	12.3	0.4	1.8	184.2
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2007							
Mar.	0.0	131.8	1.0	5.4	0.0	1.2	139.4
June	0.2	130.4	1.0	4.5	0.0	1.1	137.2
Sep.	0.2	127.8	0.9	4.1	0.0	1.1	134.1
Dec.	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008 [3]							
Mar.	0.9	123.2	0.0	2.8	0.0	0.9	128.0
June	0.8	122.1	0.0	2.2	0.0	0.9	125.9
Sep.	1.5	119.6	0.8	0.8	0.0	0.8	123.5

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

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

[3] Provisional.

Exchange Rates, External Transactions and Positions

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

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

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

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

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

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

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.2630	0.7048	135.05	1.5579	1.6802	1.6234
2004	1.3621	0.7051	139.65	1.5429	1.7459	1.6416
2005	1.1797	0.6853	138.90	1.5551	1.6109	1.3725
2006	1.3170	0.6715	156.93	1.6069	1.6691	1.5281
2007	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2007						
Jan.	1.2954	0.6633	157.27	1.6214	1.6786	1.5325
Feb.	1.3211	0.6737	156.45	1.6136	1.6761	1.5419
Mar.	1.3318	0.6798	157.32	1.6247	1.6484	1.5366
Apr.	1.3605	0.6827	162.82	1.6458	1.6427	1.5187
May	1.3453	0.6801	163.56	1.6477	1.6269	1.4388
June	1.3505	0.6740	166.63	1.6553	1.5885	1.4245
Jul.	1.3707	0.6740	163.59	1.6519	1.5951	1.454
Aug.	1.3705	0.6780	159.25	1.6451	1.6692	1.4446
Sep.	1.4179	0.6968	163.55	1.6601	1.6073	1.4122
Oct.	1.4447	0.6973	166.49	1.6762	1.5658	1.3768
Nov.	1.4761	0.7146	163.43	1.6541	1.6643	1.4695
Dec.	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2008						
Jan.	1.4870	0.7477	157.93	1.6051	1.6682	1.4846
Feb.	1.5167	0.7652	158.03	1.5885	1.6226	1.4895
Mar.	1.5812	0.7958	157.37	1.5738	1.7334	1.6226
Apr.	1.5540	0.7902	162.62	1.6147	1.6614	1.5689
May	1.5508	0.7860	163.74	1.6276	1.6212	1.5382
June	1.5764	0.7923	166.44	1.6056	1.6371	1.5942
July	1.5611	0.7890	169.02	1.6354	1.6545	1.5970
Aug.	1.4735	0.8050	160.22	1.6164	1.7066	1.5510
Sep.	1.4303	0.7903	150.47	1.5774	1.7739	1.4961

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

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

Period	USD	GBP	JPY	CHF	AUD	CAD
2003	1.1312	0.6920	130.97	1.5212	1.7379	1.5817
2004	1.2439	0.6787	134.44	1.5438	1.6905	1.6167
2005	1.2441	0.6838	136.85	1.5483	1.6320	1.5087
2006	1.2556	0.6817	146.02	1.5729	1.6668	1.4237
2007	1.3705	0.6843	161.25	1.6427	1.6348	1.4678
2007						
Jan.	1.2999	0.6634	156.56	1.6155	1.6602	1.5285
Feb.	1.3074	0.6680	157.60	1.6212	1.6708	1.5309
Mar.	1.3242	0.6802	155.24	1.6124	1.6704	1.5472
Apr.	1.3516	0.6793	160.68	1.6375	1.6336	1.5334
May	1.3511	0.6814	163.22	1.6506	1.6378	1.4796
June	1.3419	0.6756	164.55	1.6543	1.5930	1.4293
July	1.3716	0.6744	166.76	1.6567	1.5809	1.4417
Aug.	1.3622	0.6777	159.05	1.6383	1.6442	1.4420
Sep.	1.3896	0.6889	159.82	1.6475	1.6445	1.4273
Oct.	1.4227	0.6961	164.95	1.6706	1.5837	1.3891
Nov.	1.4684	0.7090	162.89	1.6485	1.6373	1.4163
Dec.	1.4570	0.7206	163.55	1.6592	1.6703	1.4620
2008						
Jan.	1.4718	0.7473	158.68	1.6203	1.6694	1.4862
Feb.	1.4748	0.7509	157.97	1.6080	1.6156	1.4740
Mar.	1.5527	0.7749	156.59	1.5720	1.6763	1.5519
Apr.	1.5750	0.7949	161.56	1.5964	1.6933	1.5965
May	1.5557	0.7921	162.31	1.6247	1.6382	1.5530
June	1.5553	0.7915	166.26	1.6139	1.6343	1.5803
July	1.5770	0.7931	168.45	1.6193	1.6386	1.5974
Aug.	1.4975	0.7928	163.63	1.6212	1.6961	1.5765
Sep.	1.4369	0.7992	153.20	1.5942	1.7543	1.5201

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

Source: ECB.

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

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		Credit	Debit
2003	2,271.2	2,836.3	1,275.1	785.4	793.9	816.3	178.2	217.0	-136.5	16.6	1.2
2004[1]	2,188.2	2,881.5	1,349.9	838.3	780.6	821.9	139.4	185.0	-268.6	69.8	3.1
2005[1]	2,083.2	2,987.5	1,617.2	969.5	973.9	1,173.5	277.5	241.6	-420.4	165.9	10.2
2006[1]	2,334.5	3,298.6	2,117.0	1,405.8	1,463.1	1,675.6	420.6	427.0	-471.8	158.3	5.2
2007[1]	2,406.3	3,392.3	2,485.1	1,637.5	1,952.8	2,081.8	531.5	594.8	-330.6	55.8	4.4
2007[1]											
Q1	565.2	754.2	521.7	361.9	431.1	487.8	57.6	66.5	-94.8	5.3	0.9
Q2	610.7	863.3	606.4	406.1	487.6	529.5	260.6	255.4	-89.0	2.4	0.7
Q3	575.2	839.9	760.1	420.7	515.4	553.4	141.5	111.6	66.7	28.5	1.1
Q4	655.2	934.9	597.0	448.9	518.7	511.1	71.8	161.3	-213.4	19.6	1.7
2008[1]											
Q1	555.0	801.8	533.8	357.2	479.2	484.6	137.5	97.4	-35.6	4.5	1.1
Q2	520.8	851.2	650.1	399.6	519.2	665.6	461.0	399.9	-165.2	8.9	0.8
Q3	503.7	847.1	789.9	377.3	642.7	678.6	150.1	138.9	44.5	7.2	1.1

EUR millions

Period	Financial account [1]										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2003	-482.7	850.4	-1,378.0	-16.7	-4.2	25.2	-53.6	1,283.1	-127.5	96.0	25.1
2004[2]	-6.2	317.8	-1,686.5	3.7	-13.8	-0.2	-1,029.1	2,387.1	161.1	133.9	68.0
2005[2]	16.6	543.7	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	300.0	-35.4
2006[2]	-23.9	1,492.0	-1,965.1	-15.3	40.5	-15.6	-3,325.1	4,208.6	-83.0	313.2	5.5
2007[2]	-21.1	683.9	367.0	1.1	-134.6	254.8	-7,593.5	6,909.2	-326.5	140.3	138.9
2007[2]											
Q1	7.0	136.8	-133.0	0.1	-5.0	10.4	-2,096.4	2,101.9	143.3	165.1	-74.6
Q2	-6.0	191.1	-418.7	-4.8	22.3	3.8	-2,742.5	2,922.0	77.6	44.7	42.6
Q3	-1.9	308.0	782.5	-1.8	-6.6	52.4	-2,063.6	884.4	-73.7	-120.4	26.3
Q4	-20.3	48.0	136.2	7.6	-145.2	188.2	-690.9	1,001.0	-473.6	51.0	144.6
2008[2]											
Q1	-49.9	102.9	-10.1	-1.8	-40.0	-87.2	-1,660.2	1,839.4	-69.4	23.7	8.5
Q2	-30.9	167.8	-1,478.1	32.9	88.6	20.1	-1,749.1	3,192.3	46.1	289.6	-132.5
Q3	0.4	146.3	-966.6	65.5	-19.1	2.5	-1,753.6	2,350.2	42.3	-132.3	81.7

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

[2] Provisional.

Source: NSO.

Table 3.4 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets [2]	
2003	1.4	35.4	47.8	1,587.7	524.2	3.7	2,200.3
2004	1.4	35.5	46.5	930.9	1,014.3	0.1	2,028.8
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008 [3]							
Jan.	3.7	40.8	43.5	152.4	135.1	5.5	380.9
Feb.	3.8	40.7	42.7	177.9	132.0	10.4	407.4
Mar.	3.5	39.9	41.9	203.9	120.7	22.4	432.4
Apr.	3.3	40.1	42.1	179.6	118.4	9.0	392.5
May	3.4	40.5	42.0	318.6	123.5	1.4	529.4
June	3.5	40.2	41.7	170.5	124.4	5.4	385.6
July	3.5	40.3	41.9	188.9	121.6	-3.0	393.1
Aug.	3.4	41.8	42.8	154.2	122.0	-10.8	353.4
Sep.	3.7	42.8	43.8	153.8	111.2	-6.2	349.1

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

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

[3] Provisional.

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

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2003	736.8	2,617.5	5,600.5	329.1	4.2	25.2	5,803.4	9,589.6	2,200.3	1,783.6
2004[1]	823.2	2,981.6	7,144.4	354.5	10.7	38.2	6,745.2	11,563.0	2,029.1	1,815.0
2005[1]	840.4	3,645.7	10,053.8	413.0	42.4	44.3	9,595.6	16,839.5	2,188.9	1,778.9
2006[1]	868.9	4,930.6	11,371.5	407.9	34.5	49.4	12,328.2	19,959.2	2,240.6	1,496.6

[1] Provisional.

Source: NSO.

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

EUR millions

End of period	General government			Other sectors[2]			Direct investment vis-à-vis:			Total gross external debt (a+b+c)	Memo item: MFI's[3]		
	Short term	Long term	Total (a)	Short term	Long term	Total (b)	Affiliated enterprises	Direct investors	Total (c)		Short term	Long term	Total
2003[4]	10.1	203.3	213.4	214.8	506.3	721.1	12.1	263.7	275.8	1,210.3	5,514.3	3,433.1	8,947.4
2004[4]	16.1	186.7	202.8	291.7	466.9	758.6	23.1	297.7	320.8	1,282.2	9,466.6	1,370.2	10,836.8
2005[4]	7.0	173.8	180.8	502.8	586.5	1,089.3	74.9	439.5	514.4	1,784.5	13,555.4	2,244.1	15,799.5
2006[4]	7.6	145.9	153.5	487.6	549.3	1,036.9	72.3	812.1	884.4	2,074.9	14,114.4	4,880.0	18,994.5
2007[4]	4.8	126.9	131.7	585.4	576.5	1,161.9	54.8	901.3	956.1	2,249.7	18,226.5	6,171.1	24,397.6
2007[4]													
Mar.	4.7	143.2	147.9	484.2	556.2	1,040.4	68.9	859.6	928.5	2,116.8	16,265.9	4,228.0	20,493.9
June	3.3	140.8	144.1	502.3	550.5	1,052.8	70.6	863.4	934.0	2,130.9	18,422.6	4,655.7	23,078.3
Sep.	1.8	137.7	139.5	545.8	568.8	1,114.6	74.1	877.1	951.2	2,205.4	16,987.6	6,660.0	23,647.6
Dec.	4.8	126.9	131.7	585.4	576.5	1,161.9	54.8	901.3	956.1	2,249.7	18,226.5	6,171.1	24,397.6
2008[4]													
Mar.	3.7	133.7	137.4	667.3	620.5	1,287.8	58.0	976.7	1,034.7	2,459.9	18,725.8	6,147.6	24,873.4
June	4.8	152.5	157.4	728.4	547.2	1,275.6	58.3	1,069.6	1,127.9	2,560.9	21,528.8	6,652.6	28,181.4
Sep.	3.0	201.4	204.4	687.8	583.4	1,271.2	66.3	1,128.2	1,194.6	2,670.2	23,284.8	8,193.7	31,478.5

[1] These data may not be fully reconcilable with the international investment position (IIP) statistics primarily due to conceptual differences.
[2] Comprising the non-monetary financial institutions, insurance companies and pension funds, non-financial corporations and NPISH.
[3] The debt of the MFIs is fully backed by foreign assets.
[4] Provisional.

Table 3.7 Malta's foreign trade

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2003	2162.4	2984.4	-822.0
2004[1]	2112.3	3328.5	-1216.2
2005[1]	1959.1	3117.2	-1158.1
2006[1]	2256.8	3487.5	-1230.7
2007[1]	2287.5	3577.4	-1289.9
2007[1]			
Jan.	163.3	243.1	-79.8
Feb.	160.4	247.7	-87.3
Mar.	212.0	371.0	-159.0
Apr.	168.8	263.5	-94.7
May	204.8	280.7	-75.9
June	201.3	350.1	-148.8
July	199.3	332.3	-133.0
Aug.	166.9	261.1	-94.2
Sep.	182.6	267.7	-85.1
Oct.	191.4	365.3	-173.9
Nov.	194.2	295.5	-101.3
Dec.	242.5	299.4	-56.9
2008[1]			
Jan.	179.4	280.9	-101.5
Feb.	166.9	267.1	-100.2
Mar.	183.2	276.9	-93.7
Apr.	165.8	327.4	-161.6
May	162.0	272.1	-110.1
June	171.2	281.0	-109.8
July	172.3	322.2	-149.9
Aug.	147.4	251.8	-104.4
Sep.	179.5	309.0	-129.5

[1] Provisional.
Source: NSO.

Table 3.8 Direction of trade - exports

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	280.5	221.5	72.9	113.4	688.3	253.9	15.8	958.1	576.3	312.8	315.2	2162.4
2004[1]	327.4	228.3	65.0	86.8	707.5	242.3	67.6	1017.4	544.3	330.5	220.1	2112.3
2005[1]	283.7	236.2	100.6	93.0	713.5	216.0	75.3	1004.8	461.0	263.9	229.4	1959.1
2006[1]	326.7	282.8	81.5	164.7	855.7	213.0	81.9	1150.6	631.3	275.4	199.5	2256.8
2007[1]	271.2	305.5	90.7	131.5	798.9	221.9	86.2	1107.0	719.9	246.7	213.9	2287.5
2007[1]												
Jan.	22.2	26.0	6.7	7.7	62.6	19.6	5.8	88.0	40.0	19.7	15.6	163.3
Feb.	19.1	23.0	6.2	9.9	58.2	16.7	6.5	81.4	39.6	21.0	18.4	160.4
Mar.	25.6	32.5	8.7	14.5	81.3	22.9	8.0	112.2	55.6	22.7	21.5	212.0
Apr.	21.4	24.6	8.1	9.9	64.0	19.4	6.4	89.8	47.4	17.1	14.5	168.8
May	24.6	26.2	8.4	12.1	71.3	20.6	9.7	101.6	60.0	22.3	20.9	204.8
June	23.3	21.0	8.3	26.4	79.0	16.7	5.1	100.8	59.0	21.3	20.2	201.3
July	23.5	30.1	8.8	10.8	73.2	21.1	10.6	104.9	55.2	21.1	18.1	199.3
Aug.	19.0	26.0	5.6	8.3	58.9	15.7	6.5	81.1	54.9	17.9	13.0	166.9
Sep.	21.4	25.7	8.4	8.5	64.0	17.2	8.8	90.0	60.1	20.4	12.1	182.6
Oct.	27.0	26.7	8.5	8.0	70.2	19.2	6.9	96.3	55.7	21.6	17.8	191.4
Nov.	21.6	23.9	6.6	9.6	61.7	22.3	5.7	89.7	63.2	19.3	22.0	194.2
Dec.	22.5	19.8	6.4	5.8	54.5	10.5	6.2	71.2	129.2	22.3	19.8	242.5
2008[1]												
Jan.	21.4	28.0	12.5	7.7	69.6	16.8	5.1	91.5	47.7	16.6	23.6	179.4
Feb.	19.8	23.2	11.3	9.8	64.1	17.3	5.5	86.9	47.5	15.6	16.9	166.9
Mar.	19.8	24.5	8.6	7.4	60.3	14.8	5.0	80.1	54.6	26.8	21.7	183.2
Apr.	21.8	20.9	11.9	7.6	62.2	19.1	2.9	84.2	44.3	15.0	22.3	165.8
May	20.7	20.6	8.8	9.3	59.4	14.0	4.9	78.3	53.7	13.8	16.2	162.0
June	18.9	27.0	10.2	5.7	61.8	12.5	8.1	82.4	53.6	11.5	23.7	171.2
July	15.2	24.6	8.9	7.4	56.1	12.8	4.9	73.8	62.7	11.6	24.2	172.3
Aug.	18.2	24.4	4.1	6.3	53.0	8.4	4.8	66.2	50.3	11.7	19.2	147.4
Sep.	17.6	22.1	6.0	6.8	52.5	11.1	5.0	68.6	71.0	13.6	26.3	179.5

[1] Provisional.

Source: NSO.

Table 3.9 Direction of trade - imports

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other Euro area	Total				Asia	USA	Others	
2003	509.9	235.0	685.5	276.0	1,706.5	276.5	37.3	2,020.3	470.1	242.0	252.0	2,984.4
2004[1]	566.3	392.0	772.3	327.8	2,058.4	367.4	71.3	2,497.1	458.0	162.8	210.6	3,328.5
2005[1]	291.4	280.0	956.9	334.6	1,862.9	325.8	77.0	2,265.7	417.7	162.5	271.3	3,117.2
2006[1]	406.0	263.2	965.9	373.1	2,008.2	344.0	69.6	2,421.8	635.1	179.5	251.1	3,487.5
2007[1]	420.2	290.3	874.7	374.8	1,960.0	498.0	103.8	2,561.8	598.6	206.6	210.4	3,577.4
2007[1]												
Jan.	14.9	23.0	59.7	23.4	121.0	32.3	4.5	157.8	48.2	9.7	27.4	243.1
Feb.	23.4	19.0	68.9	27.9	139.2	31.6	8.4	179.2	42.5	11.2	14.8	247.7
Mar.	100.8	26.1	84.3	30.8	242.0	33.9	5.7	281.6	56.3	12.3	20.8	371.0
Apr.	28.6	22.8	67.8	30.9	150.1	26.5	10.2	186.8	55.5	9.2	12.0	263.5
May	28.0	23.5	70.4	29.8	151.7	46.3	7.6	205.6	49.3	7.7	18.1	280.7
June	64.6	17.7	90.9	28.2	201.4	43.0	19.6	264.0	41.3	28.4	16.4	350.1
July	20.6	25.6	85.7	42.4	174.3	43.0	9.3	226.6	64.5	26.0	15.2	332.3
Aug.	30.3	19.5	57.9	29.8	137.5	44.2	7.6	189.3	43.8	9.3	18.7	261.1
Sep.	38.9	23.9	58.5	28.4	149.7	43.6	7.4	200.7	46.9	6.8	13.3	267.7
Oct.	21.7	28.8	69.4	42.8	162.7	56.7	9.7	229.1	48.8	65.9	21.5	365.3
Nov.	27.0	33.8	71.8	30.0	162.6	42.2	8.0	212.8	51.7	9.6	21.4	295.5
Dec.	21.4	26.6	89.4	30.4	167.8	54.7	5.8	228.3	49.8	10.5	10.8	299.4
2008[1]												
Jan.	25.4	23.1	68.0	29.6	146.1	37.4	4.4	187.9	59.4	6.5	27.1	280.9
Feb.	21.3	27.1	61.6	43.2	153.2	39.5	7.1	199.8	48.9	5.6	12.8	267.1
Mar.	21.7	27.5	88.7	31.9	169.8	34.8	4.7	209.3	50.1	6.3	11.2	276.9
Apr.	20.5	20.8	88.8	46.0	176.1	39.2	14.2	229.5	52.5	7.3	38.1	327.4
May	29.8	20.4	65.4	48.2	163.8	26.0	5.6	195.4	49.4	7.5	19.8	272.1
June	18.4	23.2	83.3	30.5	155.4	42.2	6.4	204.0	52.9	3.8	20.3	281.0
July	23.6	19.1	85.0	33.4	161.1	49.9	22.2	233.2	56.1	5.2	27.7	322.2
Aug.	29.6	16.5	75.6	31.3	153.0	26.6	7.2	186.8	42.9	3.6	18.5	251.8
Sep.	22.7	19.5	63.8	26.1	132.1	38.1	13.8	184.0	50.1	6.8	68.1	309.0

[1] Provisional.

Source: NSO.

Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net		
2003	2,837.3	901.9	861.3	-136.8	4,463.7	3,546.4	3,621.7	-75.4	4,388.4	4,366.0
2004[1]	2,971.1	933.8	851.2	-67.2	4,688.8	3,538.2	3,719.8	-181.6	4,507.2	4,456.8
2005[1]	3,105.6	944.8	939.3	70.8	5,060.5	3,700.3	3,957.0	-256.7	4,803.8	4,585.9
2006[1]	3,205.0	1,018.6	1,019.2	111.3	5,354.2	4,451.5	4,704.4	-253.0	5,101.2	4,876.1
2007[1]	3,311.5	1,036.1	1,076.1	161.4	5,585.1	4,891.7	5,029.7	-137.9	5,447.2	5,301.5
2007[1]										
Q1	759.4	242.1	247.0	23.9	1,272.4	1,087.3	1,116.2	-28.8	1,243.6	1,183.4
Q2	806.9	251.1	253.2	93.0	1,404.2	1,217.1	1,269.2	-52.1	1,352.1	1,306.0
Q3	848.9	256.9	249.8	4.6	1,360.2	1,335.0	1,260.6	74.5	1,434.6	1,392.3
Q4	896.4	286.0	326.1	39.9	1,548.4	1,252.3	1,383.8	-131.5	1,416.9	1,419.8
2008[1]										
Q1	806.8	286.4	243.4	61.3	1,397.9	1,085.0	1,165.2	-80.2	1,317.7	1,303.1
Q2	888.7	291.4	238.6	114.2	1,532.9	1,193.9	1,283.5	-89.6	1,443.3	1,289.8
Q3	930.2	291.0	231.7	35.3	1,488.3	1,236.7	1,224.9	11.8	1,500.1	1,444.1

[1] Provisional.

[2] Consumption by households and NPISH.

[3] Including acquisitions less disposals of valuables.

Source: NSO.

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net	
2003	2,697.5	792.8	796.2	-126.7	4,159.9	3,786.8	3,947.5	-160.7	3,999.2
2004[1]	2,761.3	796.4	779.5	-60.9	4,276.3	3,738.3	3,969.3	-231.0	4,045.2
2005[1]	2,814.4	792.7	845.9	64.7	4,517.7	3,798.1	4,127.4	-329.3	4,188.4
2006[1]	2,834.5	839.6	887.2	98.9	4,660.1	4,161.8	4,498.5	-336.7	4,323.5
2007[1]	2,882.2	833.0	923.9	142.3	4,781.5	4,299.4	4,587.9	-288.5	4,493.0
2007[1]									
Q1	672.8	195.4	214.9	21.3	1,104.4	965.0	1,027.5	-62.5	1,042.0
Q2	705.3	201.7	219.0	82.3	1,208.3	1,077.9	1,180.0	-102.1	1,106.2
Q3	734.7	205.7	212.4	4.0	1,156.9	1,133.0	1,133.6	-0.6	1,156.3
Q4	769.3	230.2	277.6	34.7	1,311.8	1,123.5	1,246.8	-123.3	1,188.5
2008[1]									
Q1	693.0	223.7	207.9	53.6	1,178.2	933.4	1,035.2	-101.8	1,076.4
Q2	757.1	226.5	203.1	99.3	1,286.0	962.3	1,103.8	-141.5	1,144.4
Q3	784.3	224.6	196.4	30.6	1,236.0	966.3	1,020.7	-54.4	1,181.6

[1] Provisional.

[2] Consumption by households and NPISH.

[3] Including acquisitions less disposals of valuables.

Source: NSO.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								All others	Total
	Euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other Euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	145.0	1,170.6
2006	73.4	125.8	112.5	151.1	462.9	431.3	79.3	973.5	150.7	1,124.2
2007	75.1	130.0	113.7	177.8	496.6	482.4	103.5	1,082.5	161.0	1,243.5
2007										
Jan.	2.0	4.5	6.8	4.1	17.4	23.1	3.6	44.1	7.6	51.7
Feb.	2.3	6.2	3.9	4.8	17.1	24.4	2.0	43.6	7.0	50.5
Mar.	4.0	10.1	6.3	8.9	29.3	29.3	3.4	62.1	9.2	71.3
Apr.	7.0	11.9	10.5	14.9	44.4	36.6	9.5	90.5	11.3	101.8
May	8.6	10.6	8.4	16.3	43.9	41.3	9.1	94.3	14.8	109.0
June	6.2	11.9	7.3	16.3	41.6	50.0	10.2	101.8	15.6	117.4
July	11.2	10.5	16.8	22.4	60.9	50.9	14.8	126.6	21.1	147.7
Aug.	12.4	12.8	25.3	29.2	79.6	59.3	15.8	154.8	21.6	176.4
Sep.	7.9	14.4	10.9	21.9	55.0	58.1	12.6	125.6	18.1	143.7
Oct.	7.1	19.3	7.5	21.1	55.0	57.5	10.5	123.1	16.9	139.9
Nov.	4.2	11.6	5.2	10.7	31.7	32.9	6.8	71.4	11.1	82.5
Dec.	2.2	6.5	4.7	7.3	20.7	19.0	5.1	44.8	6.7	51.5
2008										
Jan.	4.4	7.5	8.2	7.9	28.0	22.1	5.5	55.6	8.3	63.9
Feb.	2.8	8.5	5.0	7.7	23.9	22.9	2.6	49.4	8.0	57.3
Mar.	3.9	16.3	11.3	13.3	44.8	31.1	5.1	81.1	9.4	90.5
Apr.	9.1	12.6	12.9	17.1	51.6	36.3	6.8	94.7	10.2	104.9
May	9.9	16.3	11.3	24.4	61.9	47.5	7.9	117.3	14.0	131.4
June	11.3	11.9	11.6	20.6	55.4	48.2	10.5	114.1	15.2	129.4
July	10.2	13.4	16.8	25.8	66.3	48.6	14.5	129.4	20.0	149.5
Aug.	11.2	17.1	32.2	30.6	91.1	49.9	14.8	155.8	22.7	178.6
Sep.	6.3	15.6	12.6	24.0	58.6	52.4	11.6	122.6	17.2	139.8

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

Source: NSO.

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2003	104.1	41.6	145.7	97.9	40.1	138.0	6.2	6.0	1.5	3.6	7.7	5.3
2004	103.8	42.0	145.8	97.2	40.4	137.6	6.5	6.3	1.6	3.9	8.2	5.6
2005	103.0	42.6	145.6	97.2	41.0	138.2	5.8	5.7	1.6	3.7	7.4	5.1
2006	102.9	43.7	146.6	97.3	42.0	139.3	5.6	5.5	1.7	3.9	7.3	5.0
2007[3]	103.0	45.0	148.0	97.9	43.5	141.4	5.1	5.0	1.6	3.5	6.7	4.5
2007[3]												
Jan.	103.1	44.4	147.4	97.4	42.7	140.1	5.6	5.5	1.7	3.8	7.3	5.0
Feb.	103.1	44.5	147.6	97.6	42.8	140.4	5.5	5.4	1.7	3.7	7.2	4.9
Mar.	103.1	44.5	147.6	97.7	42.9	140.6	5.4	5.3	1.6	3.6	7.0	4.8
Apr.	103.0	44.6	147.6	97.7	43.1	140.8	5.3	5.1	1.5	3.3	6.7	4.6
May	103.0	44.7	147.8	97.9	43.3	141.2	5.2	5.0	1.4	3.2	6.6	4.5
June	103.1	45.1	148.2	98.1	43.7	141.8	5.0	4.8	1.4	3.1	6.3	4.3
July	103.5	45.4	148.9	98.6	43.9	142.5	4.9	4.7	1.5	3.3	6.3	4.3
Aug.	103.4	45.5	149.0	98.5	43.9	142.4	5.0	4.8	1.6	3.6	6.6	4.4
Sep.	103.5	45.6	149.1	98.5	43.9	142.4	4.9	4.8	1.7	3.7	6.6	4.4
Oct.	103.6	45.8	149.4	98.6	44.1	142.7	5.0	4.8	1.6	3.6	6.7	4.5
Nov.	103.8	46.0	149.8	98.8	44.4	143.2	5.0	4.8	1.6	3.5	6.6	4.4
Dec.	103.2	45.9	149.0	98.5	44.4	142.8	4.7	4.5	1.5	3.2	6.2	4.1
2008[3]												
Jan.	103.7	46.2	149.9	98.8	44.6	143.4	4.9	4.7	1.6	3.4	6.5	4.3
Feb.	103.5	46.2	149.8	98.7	44.7	143.4	4.8	4.6	1.5	3.3	6.3	4.2
Mar.	103.4	46.2	149.6	98.7	44.8	143.5	4.7	4.6	1.4	3.1	6.2	4.1
Apr.	103.6	46.5	150.1	98.9	45.1	144.0	4.7	4.5	1.4	3.0	6.1	4.1
May	103.5	46.5	150.0	98.8	45.2	144.0	4.7	4.5	1.4	2.9	6.0	4.0
June	104.0	47.1	151.1	99.5	45.8	145.3	4.5	4.4	1.3	2.8	5.9	3.9
July	104.5	47.6	152.1	99.9	46.3	146.1	4.6	4.4	1.4	2.9	6.0	3.9

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

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

[3] Provisional.

Source: ETC.

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	%[2]	Number	%[2]	Number	%[2]
2003	110.1	49.9	159.9	102.3	45.5	147.8	7.8	7.1	4.3	8.7	12.1	7.6
2004	110.4	48.9	159.3	103.3	44.5	147.9	7.1	6.4	4.4	9.0	11.5	7.2
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	112.5	54.5	167.5	106.5	49.7	156.2	6.9	6.1	4.2	7.8	11.1	6.6
2007												
Q1	113.6	51.5	165.2	105.5	47.7	153.2	8.2	7.2	3.8	7.5	12.0	7.3
Q2	113.1	55.5	168.6	106.9	50.9	157.8	6.2	5.5	4.6	8.3	10.8	6.4
Q3	113.3	54.8	168.0	107.1	50.6	157.7	6.2	5.5	4.2	7.7	10.5	6.2
Q4	109.9	56.2	168.1	103.6	52.3	155.9	6.3	5.8	4.0	7.0	10.3	6.2
2008												
Q1	112.8	55.1	167.9	106.7	51.1	157.8	6.1	5.4	4.0	7.2	10.1	6.0
Q2	111.6	58.5	170.1	104.9	55.0	159.9	6.7	6.0	3.6	6.1	10.3	6.0
Q3	114.5	58.6	173.1	108.0	55.0	163.0	6.5	5.7	3.6	6.1	10.1	5.8

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

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

Source: NSO.

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

Period	Total	Apartments	Maisonettes	Terraced houses	Others[1]
2003	129.3	128.2	128.0	130.5	122.8
2004	155.6	157.0	155.4	151.1	153.8
2005	170.9	173.7	176.7	188.9	160.3
2006	177.0	178.3	187.0	196.2	175.0
2007	178.9	183.3	181.4	205.3	171.9
2007					
Q1	180.2	185.2	183.5	198.2	164.5
Q2	181.9	182.6	182.3	210.3	186.8
Q3	177.3	181.7	181.6	210.3	172.7
Q4	176.4	183.5	178.2	202.2	163.8
2008					
Q1	178.8	179.8	181.2	202.1	173.0
Q2	177.0	175.7	186.1	194.1	182.2
Q3	171.6	168.9	181.4	201.4	172.5

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

Source: Central Bank of Malta estimates.

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

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

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

[2] Includes quarrying.

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

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

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

Source: Malta Environment & Planning Authority.

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

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

[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
(continued)		
1977	281.84	10.01
1978	295.14	4.72
1979	316.21	7.14
1980	366.06	15.76
1981	408.16	11.50
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	593.00	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

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

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

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

Period	All Items Index	12-month moving average rates of change (%)[1]										
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2003	100.7	1.3	2.3	2.7	-6.4	2.2	0.0	-1.0	2.6	3.3	0.4	4.2
2004	103.6	2.8	0.2	9.2	-2.5	3.8	1.3	2.2	4.0	5.1	1.2	8.0
2005	106.7	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	109.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	111.0	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2007												
Jan.	108.6	2.7	2.2	2.2	-1.4	4.6	24.2	1.4	2.9	2.8	0.0	2.2
Feb.	108.9	2.6	2.5	2.2	-1.5	4.4	22.3	1.4	2.5	2.7	0.2	2.1
Mar.	109.4	2.4	2.5	2.2	-1.9	4.4	17.7	1.3	2.2	2.7	0.4	1.9
Apr.	110.2	2.0	2.3	2.1	-2.1	4.2	13.4	1.2	1.6	2.5	0.6	1.7
May	110.4	1.7	2.3	2.0	-2.6	4.0	9.6	1.0	0.9	2.4	0.7	1.4
June	110.5	1.4	2.5	1.8	-3.1	3.8	6.0	0.9	0.3	2.2	0.9	1.2
July	110.7	1.1	2.5	1.8	-3.3	3.6	2.8	0.8	-0.3	2.1	1.0	1.0
Aug.	111.0	0.9	2.8	1.8	-3.9	3.5	-0.1	0.7	-0.7	2.0	1.1	0.9
Sep.	112.2	0.8	3.2	1.8	-3.4	3.4	-3.0	0.8	-1.3	1.9	1.2	0.7
Oct.	113.2	0.8	3.6	1.9	-2.2	3.2	-5.6	0.8	-1.6	1.8	1.4	0.6
Nov.	113.5	1.0	3.9	2.0	-0.8	3.0	-6.1	0.8	-1.3	1.8	1.5	0.5
Dec.	113.5	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008												
Jan.	112.4	1.4	4.7	2.3	1.0	2.9	-7.0	0.6	-0.8	1.8	1.5	0.4
Feb.	112.9	1.6	5.3	2.3	1.9	2.9	-7.4	0.5	-0.6	1.8	1.4	0.4
Mar.	113.7	1.9	5.9	2.4	2.8	2.9	-6.2	0.5	-0.5	1.8	1.3	0.5
Apr.	114.1	2.2	6.5	2.4	3.4	3.1	-4.8	0.5	-0.2	1.9	1.2	0.7
May	114.6	2.6	7.1	2.5	4.1	3.2	-3.6	0.5	0.2	1.9	1.1	1.0
June	115.0	2.9	7.6	2.6	4.8	3.4	-2.3	0.5	0.7	1.9	1.0	1.2
July	116.0	3.3	7.9	2.7	5.5	3.5	1.0	0.4	1.1	1.9	1.0	1.4
Aug.	115.9	3.5	7.9	2.7	6.2	3.6	3.8	0.3	1.5	1.9	1.1	1.6
Sept.	116.8	3.7	7.9	2.7	6.2	3.6	6.8	0.1	2.0	1.9	1.0	1.8

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

Source: NSO.

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

Period	All Items Index	12-month moving average rates of change (%)											
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2003	94.9	1.9	2.0	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2007														
Jan.	99.5	2.5	2.3	0.6	-1.4	10.0	1.9	3.9	3.6	0.2	0.4	2.6	1.8	2.8
Feb.	99.7	2.4	2.7	0.6	-1.4	9.4	1.8	3.8	2.9	0.2	0.6	2.7	1.5	2.6
Mar.	100.5	2.2	2.6	0.6	-1.9	8.2	1.6	3.8	2.5	0.3	0.9	2.7	1.5	2.5
Apr.	103.0	1.8	2.4	0.6	-2.1	6.8	1.5	3.5	1.8	0.3	0.8	2.9	0.9	2.3
May	103.8	1.4	2.3	0.6	-2.6	5.6	1.3	3.4	0.9	0.3	0.8	3.0	0.4	2.0
June	104.0	1.1	2.4	0.5	-3.0	4.4	1.2	3.3	0.1	0.4	0.8	3.1	0.1	1.8
July	104.7	0.7	2.4	0.5	-3.3	3.4	1.0	3.1	-0.6	0.4	0.8	3.2	-0.4	1.5
Aug.	105.3	0.5	2.7	0.5	-3.9	2.4	1.0	3.0	-1.2	0.4	1.0	3.3	-0.6	1.4
Sep.	105.8	0.4	2.9	0.6	-3.4	1.4	1.0	2.9	-2.0	0.4	1.0	3.4	-0.9	1.2
Oct.	105.9	0.3	3.3	0.6	-2.2	0.5	0.9	2.8	-2.2	0.3	0.9	3.7	-0.9	1.1
Nov.	103.6	0.5	3.5	0.7	-0.8	0.2	0.9	2.8	-1.8	0.3	0.8	4.0	-0.8	1.0
Dec.	103.7	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2008														
Jan.	103.3	0.9	4.4	0.8	1.0	-0.2	0.8	2.7	-1.0	0.5	0.3	4.5	-0.2	0.8
Feb.	103.7	1.2	4.9	0.9	1.9	-0.3	0.7	2.7	-0.6	0.7	-0.1	4.8	0.3	0.9
Mar.	104.8	1.5	5.6	1.0	2.8	0.1	0.8	2.8	-0.3	0.9	-0.4	5.2	0.7	0.9
Apr.	107.2	1.9	6.3	1.0	3.4	0.6	0.8	2.8	0.1	1.1	-0.5	5.3	1.7	0.9
May	108.0	2.3	6.9	1.1	4.1	1.1	0.8	2.7	0.7	1.3	-0.6	5.4	2.5	1.0
June	108.6	2.8	7.4	1.2	4.8	1.6	0.9	2.6	1.2	1.5	-0.7	5.6	3.4	1.1
July	110.6	3.3	7.8	1.2	5.5	2.7	0.9	2.5	1.8	1.7	-0.8	5.7	4.5	1.1
Aug.	110.9	3.7	7.9	1.3	6.2	3.6	0.8	2.4	2.4	1.9	-0.8	5.8	5.5	1.2
Sept	111.0	4.0	7.8	1.3	6.2	4.5	0.7	2.4	3.0	2.2	-0.9	5.9	6.5	1.2

Sources: NSO; Eurostat.

GENERAL NOTES

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR 1 = MTL 0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese liri into euro' which was published in the 2007:3 issue of the *Quarterly Review*, while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*.

PART 1 Monetary, Banking, Investment Funds and Financial Markets

Institutional balance sheets and financial statements

The financial statement of the Central Bank of Malta published in Table 1.1 is based on accounting principles as established in ECB Guideline 2006/16 (as amended) of 10 November 2006 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in Table 1.2, which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2001/13 of 22 November 2001. Important changes to data on currency issued and reserve assets following the adoption of the euro are explained below in the 'measures of money' and in the 'external statistics' section, respectively.

General monetary statistical standards

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

Determination of 'residence'

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

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

Sector classification

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

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

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

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

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

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

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

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: long-term financing, financial leasing, factoring, security and derivative dealing, receiving deposits and/or close substitutes for deposits from MFIs only (and not from the public), and managing investment trusts, unit trusts and other collective investment schemes (collectively termed investment funds).

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

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

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

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

(d) **General government:**

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

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

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

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

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

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

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

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

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

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

Classification of economic activities

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

Measures of money

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

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

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

Compilation and valuation principles

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

MFIs report stock positions, which are outstanding balances as at the end of the reference period,

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

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

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

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

Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19th working day of the month following the reference month. The ECB publishes certain more detailed monetary data on a quarterly basis. The Maltese contribution to the monthly aggregates is then posted on the Central Bank of Malta's website. When first published, monetary statistics are considered provisional since the Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting procedures. The ECB accepts revisions to the previous month's data with each monthly submission; revisions to earlier periods are normally submitted with the next provision of quarterly data. Malta's contributions to the euro area aggregates published by the Central Bank of Malta must be consistent with the latest euro area aggregates published by the ECB. Subsequently, such provisional data are released to the press by the Central Bank of Malta on a monthly basis and in more detail in the Central Bank of Malta's *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. When major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

Investment funds

The investment funds sector consists of collective investment schemes licensed by the MFSA; the data in Table 1.14 exclude professional investor funds and money market funds. The balance sheet is aggregated, not consolidated, and therefore includes, among the assets and liabilities, holdings by investment funds of shares/units issued by other investment funds.

Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.16 and 1.17 relate to the interest rates which are applied by resident credit institutions to euro denominated deposits and loans vis-à-vis non-financial corporations and households (including non-profit organisations) resident in Malta and in the euro area. MIR statistics are compiled in accordance with Regulation ECB/2001/18 (as amended) and are therefore harmonised across the euro area. Interest rates are shown for both outstanding amounts and new business. Outstanding amounts cover the stock of all kinds of deposits and loans granted to households and non-financial corporations. New business consists of any new agreement between the household or non-financial corporation and the bank during the period under review. Two types of interest rates are quoted: (a) the Annualised Agreed Rate (AAR) and (b) the Annual Percentage Rate of Charge (APRC). The AAR is the rate which is agreed between the customer and the bank, quoted in percentage per annum. This rate covers all interest payments, excluding any other charges that may apply on deposits and loans. The APRC covers only two categories, namely lending for house purchase and consumer credit. It is the annual percentage rate that covers the total costs of the credit to the consumer such as the cost of inquiries, administration, guarantees, legal fees and other additional costs associated with the transaction. The older series of deposit and lending rates compiled by the Central Bank of Malta will be retained in Table 1.19 (see details below).

Up to 31 December 2007, the Table entitled 'Financial Markets' showed the statutory interest rates determined by the Central Bank of Malta and other indicative benchmark money market rates on instruments denominated in Maltese Liri as end-of-period rates and as a percentage per annum. The repurchase agreement/term deposit rates were the rates actually dealt in at the end of the month or the rates offered by the Central Bank of Malta. The interbank market offered rates were the rates prevailing in the last dealings between banks in the official interbank market during the last month of the period being reported on. When no deals were transacted, the Central Bank of Malta fixing rate average was shown.

As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates for its operations as the Maltese money market became part of the integrated euro area-wide interbank market. Thus, as from that date (and with some earlier data for convenience), the financial market interest rates shown in Table 1.18 are the key interest rates determined by the ECB for central bank operations throughout the euro area, and overnight (EONIA) and fixed-term (EURIBOR) rates on wholesale business in euro-denominated deposits as reported daily by a panel of active institutions in the euro area interbank market. Table 1.19 shows the weighted average rates paid on resident current, savings and time deposits by MFIs in Malta (in Maltese Liri to end-2007, in euro since), calculated by multiplying each amount by the different rates on each type of deposit and dividing by the total amount of each type of deposit. The weighted average rate on time deposits is calculated on all time deposits. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents by the interest rate applied thereto and dividing by the total amount.

Yields on Treasury bills and government securities up to end-2007 are rates on instruments denominated in Maltese Liri. All outstanding Treasury bills and government securities denominated in Maltese Liri were redenominated in euro at the beginning of 2008. The primary market rates on Treasury bills are the weighted averages of the rates attached to the bills that are taken up by bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign means that no transactions occurred during the reference period. Until end-2007, the secondary market yields represented the selling rates quoted by the Central Bank of Malta at the end of the reference period for each respective tenor.

Interest rates on Malta Government long-term debt securities represent average International

Securities Market Association (ISMA) redemption yields on applicable stocks with the periods specified referring to the remaining term to maturity. ISMA yields are quoted on the basis of an annual compounding period, irrespective of how many coupon periods per annum the stock has. The MSE share index is based on the last closing trade prices of the shares of all eligible companies weighted by their current market capitalisation. The index has a base of 1,000 on 27 December 1995.

Debt securities as presented in Table 1.20 comprise all financial assets that are usually negotiable and traded on recognised exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares included in Table 1.21 cover all shares whose prices are quoted on a recognised stock exchange or other form of regulated market. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Part 2 Government Finance

Tables in this section show the general government fiscal position compiled on the basis of ESA 95 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function (Table 2.4) is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays.

Table 2.5 on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatisation receipts or the utilisation of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government (Table 2.6), which mainly relate to the debts of non-financial public sector corporations. Government-guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government, which loans already feature in the calculation of government external debt. Government-guaranteed debt includes guarantees issued by the extra-budgetary units but excludes guarantees issued to them as they already feature in the general government debt. The methodology underlying the compilation of data on the external loans of general government sector in Table 2.11 is generally consistent with the IMF's "External debt statistics - guide for compilers and users". Debt is recognised when disbursement of funds is effected.

Part 3 Exchange Rates, External Transactions and Positions

Up to end-2007, statistics on exchange rates showed the end-of-period and average exchange rates of the Maltese Lira against other currencies. The Maltese Lira average exchange rates were calculated as the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates in the reference period.

From 2008, statistics on exchange rates (Tables 3.2a-3.2b) show the end-of-period and the average bilateral exchange rates of the euro against other selected major currencies. The euro exchange reference rates are published by the ECB on a daily basis normally at 1415hrs.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics (Tables 3.3-3.5) are generally in line with the *IMF Balance of Payments Manual* (BPM5) and in accordance with ECB Guideline 2004/15 (as amended). Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices. Wherever possible a distinction is made between transactions and positions with residents of other euro area countries and those with non-residents of the euro area. Up to the end of 2007, official reserve assets (Table 3.4) comprised gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside Malta, mainly central banks, other banks and governments, in line with the *IMF's Balance of Payments Manual* (BPM5). From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

Latest trade data are based on the respective NSO press release. Historical data are updated by the Central Bank of Malta on a monthly basis, going back thirteen months, while every calendar quarter data are revised going back three years.

The concepts used in the compilation of gross external debt generally comply with the IMF's *"External debt statistics – guide for compilers and users"*. Such data may not be fully reconcilable with the data shown in the IIP primarily due to some conceptual differences. The external debt of the MFIs is being shown separately as a memorandum item as such debt is fully backed by foreign assets of these institutions.

Part 4 Real Economy

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

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

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

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