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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

# ECONOMIC SURVEY

## 1. FOREWORD

With Malta's entry into the euro area as from 1 January 2008, the monetary policy decisions of the Governing Council of the ECB began to apply in Malta as well. The primary objective of the ECB's monetary policy is to achieve price stability, which is defined in terms of inflation rates of below, but close to, 2% over the medium term. In this respect, during the first half of 2008, the Governing Council, which from the beginning of the year was expanded to include the Governor of the Central Bank of Malta and the Governor of the Central Bank of Cyprus, kept its main policy rate, the minimum bid rate on the ECB's main refinancing operations, constant at 4%. At the beginning of the year, the Governing Council confirmed upside risks to price stability in the medium term, but also noted the uncertainty about the impact of the ongoing reappraisal of risks in financial markets on the real economy. The Council also stressed the importance of firmly anchoring inflation expectations over the medium and long term and preventing second-round effects on inflation. As the year progressed, the Governing Council noted that risks to price stability had increased further and that inflation was expected to remain high for a longer period than previously thought. As a result, to prevent broadly based second-round effects and to counteract the increasing upside risks to price stability, in July the ECB tightened its policy stance, raising the minimum bid rate by 25 basis points to 4.25% and reaffirming the overriding importance of sustaining price stability in the medium term.

As in the rest of the euro area, inflation in Malta has been on an upward trend in recent months, mainly reflecting the impact of higher food and energy prices. Inflation may rise further in response to the revision of water and electricity prices that came into effect at the beginning of July. Hence, it is essential that higher utility bills do not lead to second-round wage and price effects and thus reinforce inflationary pressures. While energy prices appear to have risen to permanently higher levels, temporary fiscal measures, such as higher energy subsidies, can only delay the necessary adjustment, impede the required improvement in efficient energy usage and undermine the process of fiscal consolidation.

GDP growth remained relatively strong in the first quarter of 2008, at 3.5%. However, according to the Bank's latest projections, growth in 2008 and 2009 is likely to slow down. This is because of an expected slowdown in domestic demand, particularly private consumption, as higher inflation erodes purchasing power. Against this background of slower growth, it is a matter of concern that since the second quarter of 2007 exports in real terms have been declining on an annual basis. To a large extent this may reflect declining sales by the semiconductor industry, which have not been entirely compensated for by exports by other productive sectors. This notwithstanding, there have been positive developments, with strong growth continuing to be registered by two specific niche sectors, namely pharmaceuticals and remote gaming. Tourism has also extended its recovery, with robust increases being recorded in the number of visitors, although the positive impact was dampened by the trend decline in the average length of stay as a result of the changing nature of tourism following the advent of low cost airlines.

Labour market dynamics remained positive, with robust employment growth and falling unemployment up to the first quarter of 2008. In this respect, however, as argued in this edition of the *Quarterly Review*, it is imperative that Malta's growth potential be enhanced by a more

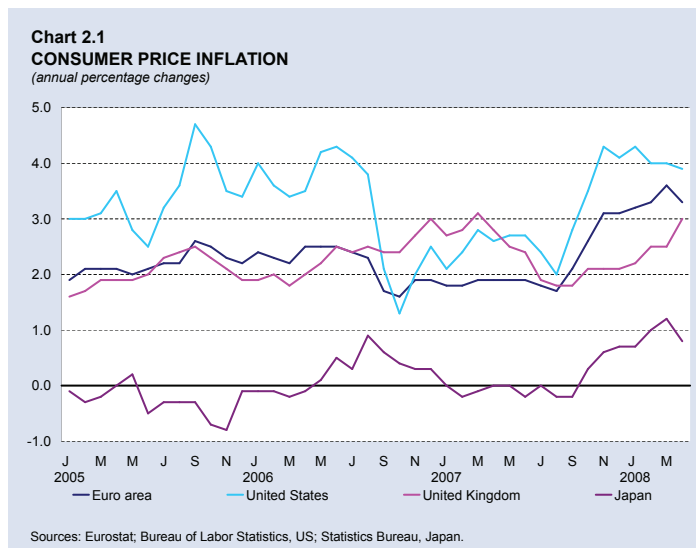
active labour force. Higher female participation in the labour market, in line with the Lisbon targets, is therefore necessary to bridge the income gap between Malta and the EU average. The introduction of appropriate incentives, such as those announced in recent Budgets, represents a step in this direction.

Apart from the labour market, other factor and product markets must be sufficiently dynamic and flexible to be able to cope effectively with a likely slowdown in Malta's main trading partners. To sustain the overall pace of growth enjoyed during recent years, growth areas in both the services and the manufacturing sectors must continue to compensate for the decline of other activities, particularly in manufacturing, which have been adversely hit by globalisation and the euro's overall strength. Moreover, to safeguard the country's competitiveness, wage growth should mirror gains in productivity, while regulatory measures should further address the distortions arising from restrictive market practices that raise costs across the economy.

## 2. THE INTERNATIONAL ENVIRONMENT

### The world economy

In the first quarter of 2008 economic activity in the major industrial countries continued to slow down against a background of continued turbulence in financial markets, though the surge in global commodity prices did not seem to have had a negative impact on these economies as yet. On the other hand, growth in emerging markets remained strong. But inflationary pressures rose worldwide, in response to higher prices of energy and food.



### US economic growth steady, inflation edges up further

The US economy grew at an annual rate of 2.5% during the quarter, maintaining the same pace seen in the December quarter (see Table 2.1). On a quarter-on-quarter basis, however, economic expansion, at 0.2%, was modest. Net exports increased on an annual basis, supported by the depreciation of the dollar. At the same time, government consumption expenditure accelerated, while the decline in private investment was less pronounced than it was over the year to December, although residential investment continued to fall. Nevertheless, labour market conditions deteriorated, with the unemployment rate rising to an average of 4.9%. Going into the second quarter, unemployment continued to increase, reaching 5.5% of the labour force in May. Meanwhile inflation averaged 4.1%, 0.1 percentage points higher than in the final quarter of 2007, before easing to 3.9% in April (see Chart 2.1). Higher energy and food prices were the main drivers behind the increase.

Against a background of deteriorating conditions, particularly in the housing market, the latter partly as a result of the ongoing turmoil in financial markets, the Federal Reserve eased its monetary policy stance significantly during the period under review. On 22 January it lowered its target for the federal funds rate by three-quarters of a percentage point and on 30 January it lowered

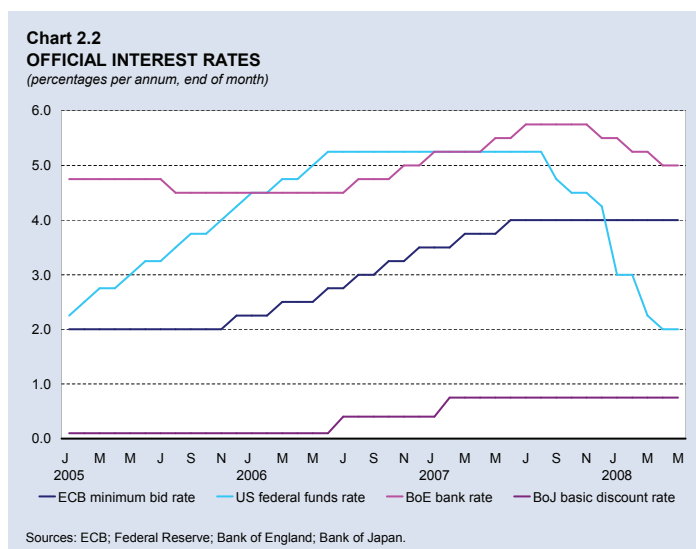
**Table 2.1**  
**REAL GDP GROWTH**

*Annual percentage changes, seasonally adjusted*

	2006		2007			2008
	Q4	Q1	Q2	Q3	Q4	Q1
United States	2.6	1.5	1.9	2.8	2.5	2.5
Euro area	3.2	3.2	2.6	2.7	2.1	2.2
United Kingdom	3.2	3.1	3.3	3.1	2.8	2.3
Japan	2.5	3.1	1.7	1.8	1.4	1.3

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

it by a further 50 basis points (see Chart 2.2). In March the Fed reduced its target rate once again, by 75 basis points to 2.25%, in an additional effort to avert a further weakening of economic activity. Moreover, the Fed cut the spread between the federal funds target rate and the discount rate and expanded its securities lending programme to provide more liquidity to the banking system. In April, it cut the federal funds target rate by an additional quarter of a percentage point to 2.0%, as economic activity remained sluggish.

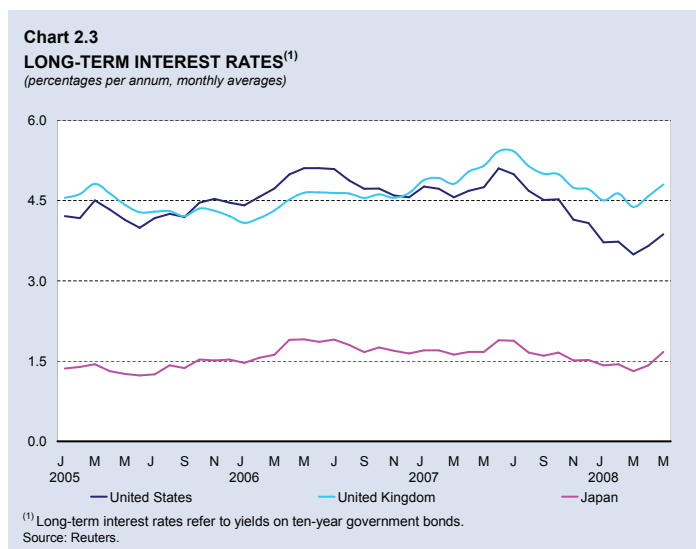


US stock prices and long-term yields generally fell during the first quarter of 2008, driven mainly by concerns regarding the state of the economy (see Chart 2.3 and 2.4). Uncertainty about the liquidity situation of major US financial institutions added further downward pressure. In April and May, however, equity prices and long-term yields rebounded among expectations that the worst of the credit market losses might be over.

### *UK economic activity slows down, inflation accelerates*

In the United Kingdom the pace of economic activity slowed down during the March quarter, with annual GDP growth falling to 2.3% from 2.8% in the final quarter of 2007. Higher net exports and a rise in household and government expenditure failed to offset a fall in investment. Nevertheless, the jobless rate remained unchanged at 5.0% in the first two months of 2008. Annual consumer price inflation averaged 2.4% during the first quarter, up by 0.3 percentage points over the December quarter, before surging to 3.0% in April, spurred by spiralling transport, electricity and food prices.

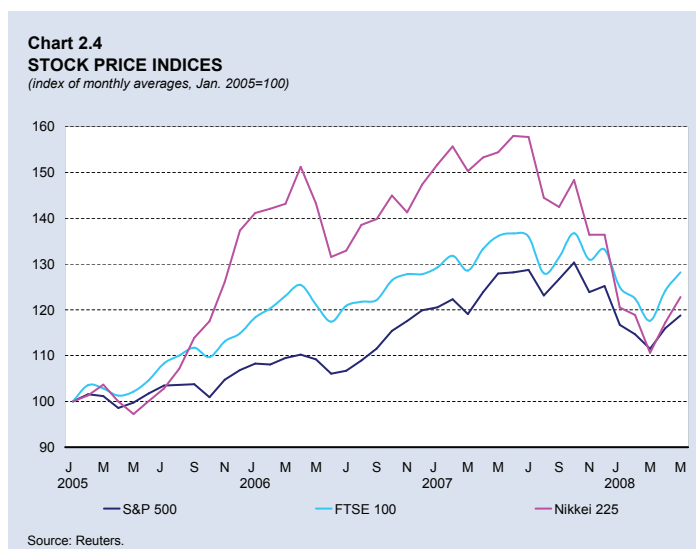
After having left its official interest rate unchanged in January, the Bank of England cut the rate by a quarter of a percentage point to 5.25% in February, as the prospects for output growth deteriorated and the turbulence in global financial markets continued. In March the rate was kept on hold, before being lowered again to 5.0% in April. Furthermore, in the same month





the Bank launched a special liquidity scheme allowing banks to swap high quality mortgage-backed and other securities for UK Treasury bills for a fixed period.

Long-term bond yields in the United Kingdom followed a similar course to those in the United States and the euro area, and generally fell during the quarter. Stock prices also decreased sharply, reflecting concerns about the US economy. In fact, during the quarter the FTSE 100 index registered its worst performance in more than five years.



### *Japan's growth falls, inflationary pressures rise*

The Japanese economy grew by 1.3% in the first three months of the year, 0.1 percentage points less than in the previous three-month period. A further decline in investment brought about a reduction in domestic demand and was the main factor behind the slowdown. Nevertheless, the unemployment rate fell marginally compared to the preceding quarter, declining to 3.8%, before edging up to 4.0% in April. In contrast to recent years, the Japanese economy continued to experience mild inflationary pressures during the quarter, with consumer price inflation averaging 1.0%, up from 0.5% in the December quarter. In April, however, inflation eased to 0.8%.

The Bank of Japan kept its overnight call rate and discount rate unchanged at 0.5% and 0.75%, respectively, during the first quarter of 2008 and into the second. Developments in long-term bond yields in Japan broadly mirrored those in the United States and the euro area, although Japanese yields remained relatively low. Meanwhile, equity prices, as measured by the Nikkei 225 index, fell sharply as a result of concerns about the global economy and the impact that weaker consumer demand worldwide could have on Japan's exports.

### *Emerging Asian economies remain resilient*

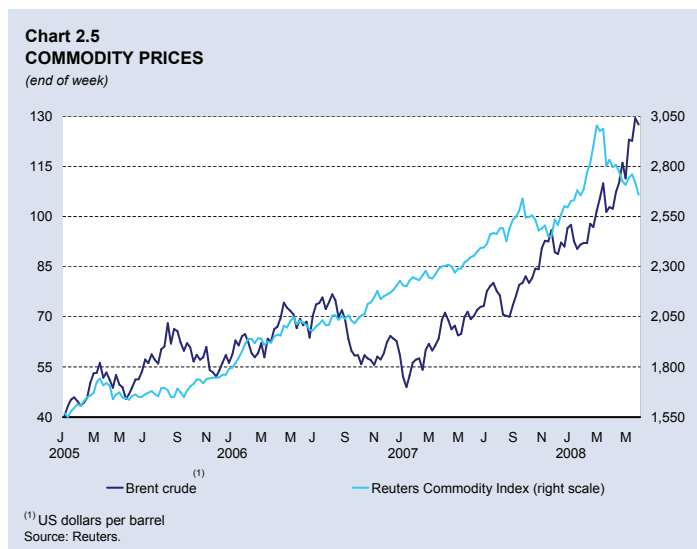
Reflecting the resilience of growth in emerging market economies, China and India continued to grow strongly during the first quarter of 2008, with their GDP expanding at annual rates of 10.6% and 8.8%, respectively. Both economies experienced strong inflationary pressures. In China, the annual rate averaged 8.0%, as bad weather conditions pushed up food prices, while in India wholesale price inflation reached 7.4% at the end of March.

## **Commodities**

### *Oil prices extend their upward trend*

The price of Brent crude oil generally receded in the early part of the year, undermined by concerns about the state of the global economy (see Chart 2.5). From mid-February onwards, however, oil prices rose sharply, responding to geopolitical tensions and uncertainties in financial markets. The

Brent crude oil price reached a historic high of USD 109.93 in mid-March, so that, over the quarter as a whole, it had risen by 8.6%. The surge in oil prices continued into the second quarter with new highs being reached. Strikes by oil refinery workers, continued geopolitical tensions and OPEC's decision not to increase supply were the main factors underpinning the oil market. By the end of May, the oil price had risen to USD 127.50.



### Continued rise in non-energy commodity prices

In January and February the Reuters Commodity Index continued to rise, buoyed by rising prices of raw materials and food (see Chart 2.5).<sup>1</sup> The increase was initially fuelled by robust demand, though the situation was exacerbated when adverse weather conditions led to a reduced supply of key cereals. In mid-March, however, the prices of non-energy commodities lost some momentum as a result of an overall sell-off as investors sought to cash in profits and cover losses racked up on other investments amid financial market uncertainty. Nonetheless, over the quarter, the Reuters Commodity Index rose by 8.1%. Going into the second quarter, non-energy commodity prices recovered some of their earlier losses before stabilising at a somewhat lower level in May.

### Safe haven attributes boost gold

Gold prices increased by 9.9% during the first quarter of 2008, as the metal's safe haven attributes amid the financial market turbulence outweighed the impact on the gold price of the broad-based sell-off of commodities in March (see Chart 2.6). In the subsequent two months, gold prices were more volatile, fluctuating within a range of USD 851.65 and USD 944.70. At the end of May the price of gold fell to USD 885.90 as a rise in the US dollar triggered a sell-off in metals.



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

### 3. THE EURO AREA

Amid heightened risks to price stability and the uncertainty surrounding the economic outlook, the Governing Council of the ECB kept the minimum bid rate on the main refinancing operations unchanged at 4.00% during the first half of 2008. On 3 July, however, the Governing Council raised official interest rates by 25 basis points, bringing the minimum bid rate up to 4.25%. This decision was taken against a background of increased concerns about second-round inflation pressures and further evidence of upside risks to price stability over the medium term.

#### Output and the labour market

##### *Economic growth in the euro area exceeds expectations*

In the first quarter of 2008 euro area GDP grew at a sustained annual rate of 2.2%, exceeding market expectations (see Table 3.1). Growth was mainly driven by domestic demand, in particular buoyant investment, though the contribution of net exports was also significant.

Investment growth accelerated to 3.6% during the quarter, adding 0.8 percentage points to the annual growth rate. Though private consumption weakened towards the end of 2007, it continued to provide support to euro area growth in the first quarter of 2008, rising by 1.2% on an annual basis and adding a further 0.7 points to GDP growth. Nevertheless, while broadly positive labour market developments remained supportive of private consumption, strong inflation in food and energy prices began to impact negatively on consumer confidence. This was reflected in the European Commission's consumer and retail trade confidence indicators, both of which deteriorated further in the first quarter of 2008. Meanwhile, government consumption expanded at a slower pace, 1.4% compared with 2.0% a quarter earlier and contributed 0.3 points to overall growth.

**Table 3.1**  
**REAL GDP GROWTH**  
*Seasonally adjusted*

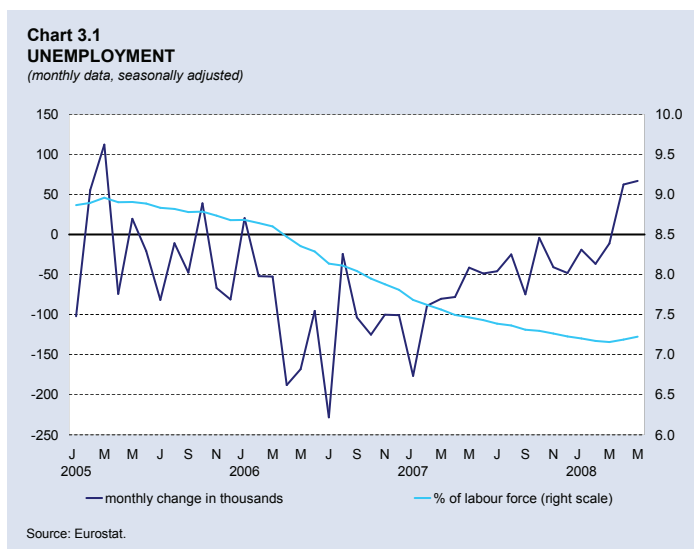
	2007				2008
	Q1	Q2	Q3	Q4	Q1
<i>Annual percentage changes</i>					
Private consumption	1.5	1.8	1.8	1.2	1.2
Government consumption	2.3	2.4	2.6	2.0	1.4
GFCF	6.8	3.8	3.9	3.2	3.6
<b>Domestic demand</b>	<b>3.0</b>	<b>2.3</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>
Exports	6.6	5.9	7.2	4.4	5.4
Imports	6.1	5.2	6.1	4.0	4.3
<b>GDP</b>	<b>3.2</b>	<b>2.6</b>	<b>2.7</b>	<b>2.1</b>	<b>2.2</b>
<i>Percentage point contributions</i>					
Private consumption	0.9	1.0	1.0	0.7	0.7
Government consumption	0.5	0.5	0.5	0.4	0.3
GFCF	1.4	0.8	0.8	0.7	0.8
Changes in inventories	0.2	-0.1	-0.2	0.1	-0.1
<b>Domestic demand</b>	<b>3.0</b>	<b>2.3</b>	<b>2.2</b>	<b>1.9</b>	<b>1.6</b>
Exports	2.6	2.3	2.9	1.8	2.2
Imports	-2.4	-2.0	-2.4	-1.6	-1.7
<b>Net exports</b>	<b>0.3</b>	<b>0.3</b>	<b>0.5</b>	<b>0.2</b>	<b>0.5</b>
<b>GDP</b>	<b>3.2</b>	<b>2.6</b>	<b>2.7</b>	<b>2.1</b>	<b>2.2</b>

Source: Eurostat.

Net exports strengthened further during the quarter, contributing a positive 0.5 percentage points to the annual growth rate. This was mainly due to strong growth in exports.

**Labour market conditions remain favourable**

Labour market conditions remained favourable during the first quarter of 2008, though employment expanded at a slightly slower pace, by 1.6% year-on-year compared with 1.8% in the December quarter.



At the end of March 2008, the area-wide unemployment rate stood at 7.2%, unchanged from the previous month but lower than the 7.6% rate recorded a year earlier (see Chart 3.1). More recent data, however, show that although the unemployment rate remained low in April, the number of unemployed persons rose for the first time since February 2006.

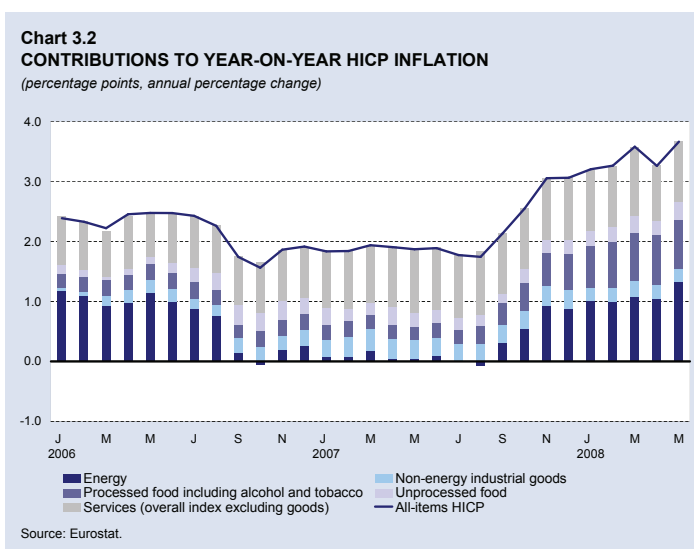
**Prices**

**Inflation accelerates to new highs**

Mounting inflationary pressures, in evidence since the autumn of 2007, persisted into 2008, with the annual HICP inflation rate rising to 3.6% in March from 3.1% in December. The main drivers of inflation continued to be oil and food commodity prices (see Chart 3.2).

Soaring oil prices, in particular, drove the annual rate of change of energy prices up from 9.2% in December to 11.2% in March. Meanwhile, the sharp increase in the prices of nearly all major agricultural commodities since mid-2007 led to an acceleration in the annual growth rate of processed food prices to 6.8% in March from 5.1% in December. By contrast, the annual growth rate of unprocessed food prices was more contained.

Excluding unprocessed food and energy, annual HICP inflation rose to 2.7% in March from 2.3% in December, mainly reflecting a moderate increase



in services price inflation.<sup>1</sup> Meanwhile, the annual increase in non-energy industrial goods prices fell slightly, to 0.9% in March, signalling the absence of significant price pressures.

After having fallen to 3.3% in April, euro area inflation rebounded to 3.7% in May, while the latest flash estimate from Eurostat indicates a further acceleration to 4.0% in June. This recent pick-up probably reflects further increases in the HICP energy component, due to the persistent acceleration in oil prices, as well as the strong dynamics exerted by food prices.

## Monetary and financial developments

### *Money growth remains vigorous*

The underlying pace of monetary expansion in the euro area remained robust in the first quarter of 2008, despite a decline in the quarterly average annual growth rate of M3 to 11.2% from 12.0% in the preceding quarter (see Table 3.2). While there is evidence of some effects related to the financial turmoil on specific components and counterparts of M3, the recent financial market turbulence does not appear to have had a substantial direct impact on the growth of broad money and credit aggregates in the euro area.

Average annual M1 growth continued to moderate, falling to 3.8% in the first quarter of 2008 from 5.9% in the December quarter. Short-term deposits other than overnight deposits continued to make the largest contribution to annual M3 growth, reflecting the vigorous expansion of time deposits with an agreed maturity of up to two years, which rose at an average annual rate of 41.4% during the quarter. The shift into short-term deposits was largely driven by a flattening of the yield curve.

Annual M3 growth accelerated further to 10.5% in May, from 10.1% in March.

### *Strong growth in credit to the private sector continues*

Robust monetary growth continued to be supported by strong expansion of MFI loans to the

**Table 3.2**

#### **MONETARY AGGREGATES**

*Annual percentage changes, seasonally adjusted, quarterly data are averages*

	2007				2008	2008				
	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.	Apr.	May
<b>M1</b>	<b>7.0</b>	<b>6.2</b>	<b>6.5</b>	<b>5.9</b>	<b>3.8</b>	<b>4.4</b>	<b>3.7</b>	<b>2.9</b>	<b>2.5</b>	<b>2.3</b>
Currency in circulation	10.4	10.0	8.9	8.0	7.8	7.8	7.7	7.7	8.0	7.5
Overnight deposits	6.4	5.5	6.1	5.5	3.1	3.7	2.9	2.0	1.4	1.3
M2-M1 (Other short-term deposits)	11.9	13.1	15.0	16.8	18.3	17.8	19.2	18.2	19.8	19.4
Deposits with an agreed maturity of up to two years	29.5	33.1	37.6	40.6	41.4	41.3	43.0	39.2	41.6	40.4
Deposits redeemable at notice of up to three months	-0.7	-2.2	-3.2	-3.9	-3.3	-3.7	-3.1	-2.5	-2.2	-2.4
<b>M2</b>	<b>9.1</b>	<b>9.2</b>	<b>10.3</b>	<b>10.7</b>	<b>10.3</b>	<b>10.4</b>	<b>10.6</b>	<b>9.8</b>	<b>10.4</b>	<b>10.1</b>
<b>M3</b>	<b>10.2</b>	<b>10.6</b>	<b>11.5</b>	<b>12.0</b>	<b>11.2</b>	<b>11.5</b>	<b>11.3</b>	<b>10.1</b>	<b>10.5</b>	<b>10.5</b>

Source: ECB.

<sup>1</sup> The HICP measure which excludes unprocessed food and energy gives an indication of underlying inflationary pressures.

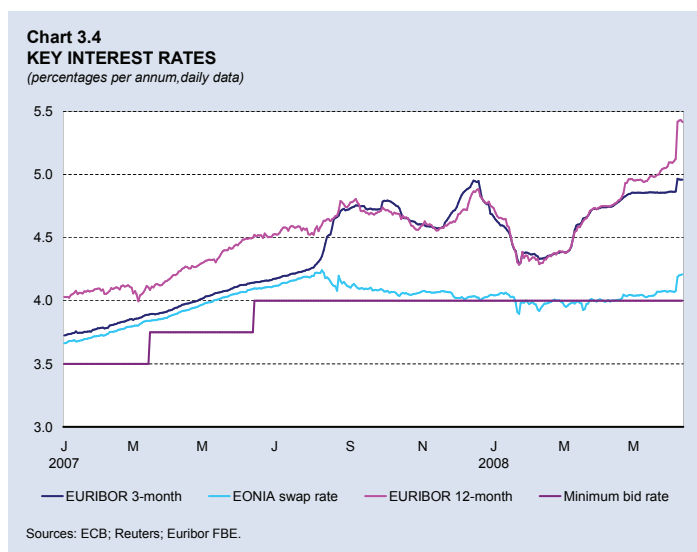
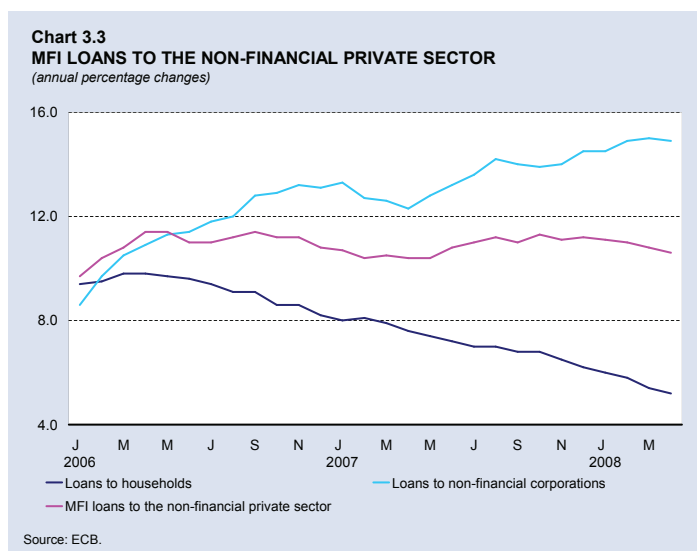
non-financial private sector. These rose at an average annual rate of 11.0% during the first quarter of 2008, down slightly from 11.2% in the December quarter. MFI loans to non-financial corporations continued to strengthen, rising at an average annual rate of 14.6% in the first three months of 2008 from 14.0% in the preceding quarter and offsetting the moderation in the growth of loans to households.

In line with the downward trend observed since early 2006, the annual growth rate of loans to households fell from 6.6% on average in the fourth quarter of 2007 to 5.9% in the following quarter, reflecting higher bank lending rates and moderating housing market dynamics (see Chart 3.3). Meanwhile, the annual growth rate of consumer credit remained unchanged, while that of loans for other purposes moderated further.

In April, the annual growth of MFI loans to non-financial corporations was strong, unchanged from the March rate of 14.9%. However it fell to 14.2% in May.

### Spreads between unsecured and secured rates widen

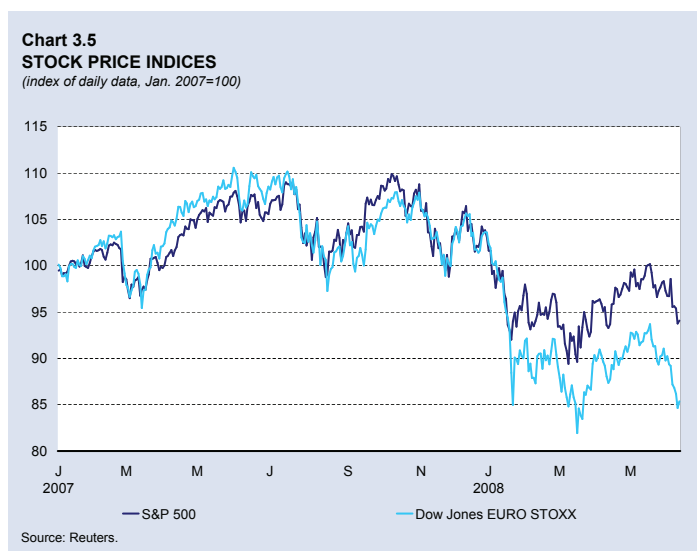
After having risen significantly in December as a result of tensions that typically emerge in the money market towards the end of the year, unsecured money market interest rates, as measured by EURIBOR rates, decreased significantly in January and early February, reflecting a downward shift in market expectations regarding the future path of key ECB interest rates.<sup>2</sup> Unsecured money market interest rates then rose in March, reflecting end-of-quarter effects. The three-month EURIBOR thus ended March at 4.73%, up slightly from its end-December level. As a result, spreads between EURIBOR and secured rates, such as those derived from the EONIA swap rate, widened during the first quarter of 2008 and remained exceptionally



<sup>2</sup> EURIBOR (euro interbank offered rate) refers to the rate at which a prime bank is willing to lend funds to another prime bank in euro.

wide by historical standards.<sup>3</sup> EURIBOR rates also remained significantly above the ECB's minimum bid rate.

Into the second quarter of 2008, unsecured money market interest rates increased substantially, causing spreads between unsecured and secured money market rates to widen further. Consequently, the money market yield curve derived on the basis of unsecured rates steepened markedly, as can be seen from the sharp rise in the 12-month EURIBOR shown in Chart 3.4.



### *Euro area equity prices fall*

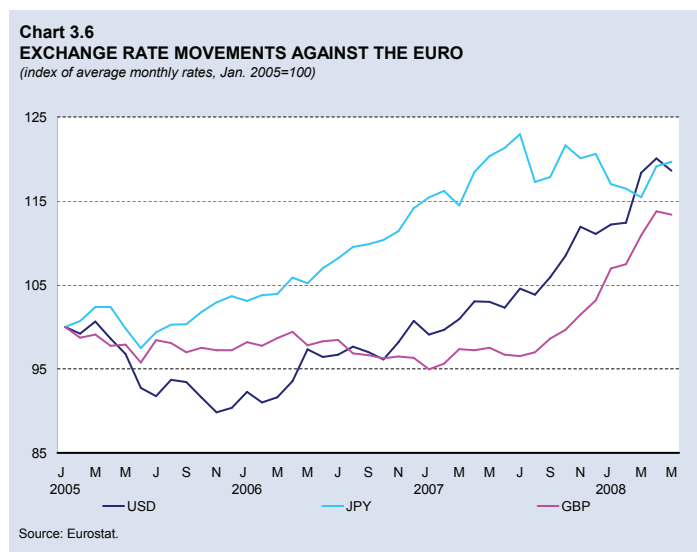
Euro area stock prices broadly followed global trends between December and March. In the first two weeks of the year they dropped sharply reflecting increased risk aversion as market concerns regarding the financial and economic implications of the US sub-prime mortgage crisis intensified. Subsequently, following the Federal Reserve's decision to loosen its monetary policy stance, stock prices rebounded. Overall, euro area equity prices, as measured by the Dow Jones EURO STOXX index, fell by around 16% between end-December 2007 and end-March 2008 (see Chart 3.5).

Between the end of March and early May, however, euro area stock prices rebounded, reflecting a renewed increase in investors' risk appetite and improved risk perceptions.

## Exchange rates

### *The euro strengthens against other major currencies*

In the foreign exchange markets, the euro continued to strengthen in the first quarter of 2008. During January it generally fluctuated within a narrow range against the US dollar before appreciating steadily throughout February and March (see Chart 3.6). The euro's firm trend in March reflected the sharp weakening of the dollar in international markets, possibly on account of indications of slowing

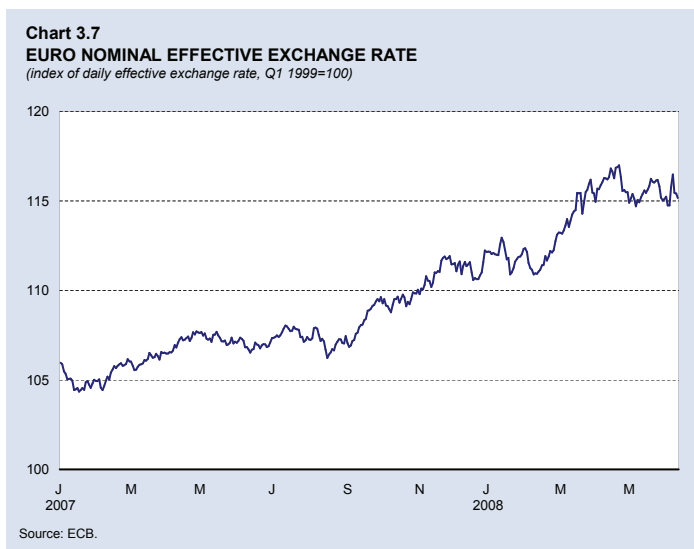


<sup>3</sup> EONIA (euro overnight index average) is a measure of the effective interest rate prevailing in the euro interbank overnight market. The EONIA swap rate is the fixed rate that banks are willing to pay in exchange for receiving the average EONIA rate over the lifetime of a swap contract.



activity in the United States and expectations of wider interest rate differentials between the United States and the euro area.

Meanwhile, the fluctuations that had characterised the exchange rate of the euro vis-à-vis the Japanese yen since the summer of 2007 diminished in the first quarter of 2008. The European currency weakened substantially against the Japanese yen in January on account of some unwinding of carry trade positions. In the following two months it traded within a narrow range amid high expectations of future volatility in the bilateral exchange rate. In terms of the pound sterling, the euro appreciated steadily over the first three months of the year, rising by around 7.5%. The trend was clearly evident in February and March 2008 as prospects for the UK economy became more negative.



Going into the second quarter of 2008, the upward trend of the euro against the US dollar persisted during April but was reversed in May, as expectations of further cuts in US policy rates in the first half of 2008 were revised. Over the same period, however, the euro continued to appreciate against both the Japanese yen and the pound sterling.

At the end of March, the nominal effective exchange rate of the euro, as measured against the currencies of 22 of the euro area's trading partners, was 3.6% above the level at the end of December 2007 (see Chart 3.7). The nominal appreciation of the euro was influenced by the gains recorded by the single currency against the US dollar.

In April, the euro appreciated further in nominal effective terms, before stabilising in May amid heightened market concerns about the inflation outlook in the United States.

## Outlook

### *Euro area economic activity expected to slow while high inflation persists*

Euro area economic activity is projected to slow down in 2008. According to the latest Eurosystem projections, average annual real GDP growth is expected to lie in a range between 1.5% and 2.1% in 2008 and between 1.0% and 2.0% in 2009. Similarly, the European Commission projects euro area real GDP growth to stand at 1.7% in 2008, before falling to 1.5% in 2009.

While downside risks to growth prevail, euro area inflation is likely to remain above 3.0% during 2008, before moderating gradually in 2009. The latest Eurosystem projections point to annual HICP inflation between 3.2% and 3.6% in 2008 and between 1.8% and 3.0% in 2009. Meanwhile, the European Commission anticipates that the annual average HICP inflation in the euro area will be 3.2% in 2008 and 2.2% in the following year.

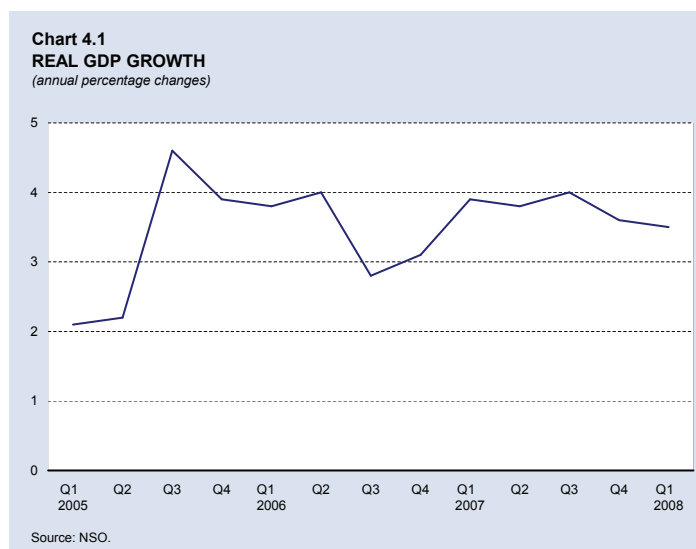


## 4. THE MALTESE ECONOMY

### Output

#### *Real GDP growth broadly stable*

The steady pace of economic growth observed since the third quarter of 2005 continued into the first quarter of 2008, when real GDP grew by 3.5% (see Chart 4.1). Growth was underpinned by buoyant domestic demand, particularly consumption and inventory accumulation. In contrast, net exports contributed negatively to growth, as exports contracted at a faster pace than imports (see Table 4.1).



After having declined in the latter half of 2007, private consumption expenditure resumed its upward trend during the quarter under review, rising by 2.1% from a year earlier and adding 1.4 percentage points to overall GDP growth. Nominal data point to higher expenditure on food & beverages and on energy-related items as the main factor boosting consumption. Meanwhile, government consumption picked up strongly, rising by just under 13% year-on-year and contributing

**Table 4.1**  
**GROSS DOMESTIC PRODUCT AT CONSTANT PRICES**

	2007				2008
	Q1	Q2	Q3	Q4	Q1
	<i>Annual percentage changes</i>				
Household final consumption expenditure	2.8	3.2	0.2	0.4	2.1
Government final consumption expenditure	-1.0	-0.9	-0.2	1.5	12.9
Gross fixed capital formation	-11.9	6.4	-0.5	23.5	-5.4
Inventories as a % of GDP	0.5	5.1	0.0	3.7	4.7
<b>Domestic demand</b>	<b>-3.6</b>	<b>-0.4</b>	<b>3.5</b>	<b>11.7</b>	<b>6.8</b>
Exports of goods & services	3.9	-2.3	-0.1	-3.3	-4.5
Imports of goods & services	-4.2	-5.8	-0.6	5.1	-0.4
<b>Gross domestic product</b>	<b>3.9</b>	<b>3.8</b>	<b>4.0</b>	<b>3.6</b>	<b>3.5</b>
	<i>Percentage point contributions</i>				
Household final consumption expenditure	1.8	2.1	0.2	0.2	1.4
Government final consumption expenditure	-0.2	-0.2	0.0	0.3	2.5
Gross fixed capital formation	-2.9	1.2	-0.1	4.5	-1.1
Changes in inventories	-2.7	-3.5	3.5	7.2	4.4
<b>Domestic demand</b>	<b>-4.0</b>	<b>-0.4</b>	<b>3.5</b>	<b>12.3</b>	<b>7.2</b>
Exports of goods & services	3.5	-2.3	-0.1	-3.3	-4.1
Imports of goods & services	4.4	6.4	0.6	-5.4	0.4
<b>Net exports</b>	<b>7.9</b>	<b>4.2</b>	<b>0.5</b>	<b>-8.7</b>	<b>-3.7</b>
<b>Gross domestic product</b>	<b>3.9</b>	<b>3.8</b>	<b>4.0</b>	<b>3.6</b>	<b>3.5</b>

Source: NSO.

**Table 4.2**  
**CONTRIBUTION OF SECTORAL GROSS VALUE ADDED TO NOMINAL GDP GROWTH**

*Percentage points*

	2007				2008
	Q1	Q2	Q3	Q4	Q1
Agriculture, hunting & forestry	-0.1	-0.2	-0.2	-0.1	0.2
Fishing	0.0	0.0	0.0	-0.5	0.0
Manufacturing	2.2	1.2	1.6	1.2	-0.3
Electricity, gas & water supply	0.2	0.0	0.1	-0.8	-0.9
Construction	-0.2	0.1	0.0	0.0	0.3
Wholesale & retail trade	0.1	-0.5	0.8	0.6	0.6
Hotels & restaurants	0.1	0.2	0.7	0.4	0.2
Transport, storage & communication	0.5	0.5	0.8	0.6	0.4
Financial intermediation	1.2	0.8	-1.4	-2.0	-0.7
Real estate, renting & business activities	1.0	1.0	1.3	1.4	1.9
Public administration	0.3	0.3	0.4	0.4	0.6
Education	0.1	0.2	0.4	0.1	0.4
Health & social work	0.2	0.5	0.3	0.1	0.8
Other community, social & personal services	0.6	1.5	1.9	2.6	3.2
<b>Gross value added</b>	<b>6.0</b>	<b>5.6</b>	<b>6.5</b>	<b>4.1</b>	<b>6.7</b>
<b>Net taxation on production and imports</b>	<b>1.0</b>	<b>0.4</b>	<b>0.3</b>	<b>1.7</b>	<b>-0.6</b>
<b>Annual nominal GDP growth (%)</b>	<b>7.0</b>	<b>6.0</b>	<b>6.7</b>	<b>5.8</b>	<b>6.2</b>

Source: NSO.

2.5 percentage points to overall growth. This increase was spurred by higher outlays on employee compensation and intermediate consumption.

Gross fixed capital formation was down from its year-ago level as lower private sector spending on machinery & transport equipment coincided with the completion of construction works at the new hospital. To a certain extent, the reduction was mitigated by increased government spending on medical equipment and by housing-related projects in the private sector.

There was a further contraction in merchandise exports, mainly reflecting a drop in sales of electronics and clothing products. Merchandise imports too declined, but at a slower pace. The resulting drop in net exports of goods and services knocked 3.7 percentage points off GDP growth. Given the correlation between changes in export volumes and in imports of intermediate goods, because of the high import content of exports, the build-up in inventory holdings during the quarter appeared to be linked to anticipated export sales. Indeed, inventories rose to 4.7% of GDP, a full percentage point higher than in the previous quarter. It should be borne in mind, however, that this item includes the statistical discrepancy resulting from unclassified expenditure in the national accounts.

Details of nominal GDP growth by sector indicate that during the quarter the other community, social & personal services sector contributed almost a half of total growth (see Table 4.2). Over the last few quarters, this sector was boosted by the activities of the on-line gaming industry.

Another important growth sector is real estate, renting & business activities, particularly the last mentioned. During the first quarter of 2008 the sector's gross value added expanded by 13%, mostly driven by the business activities and, to a lesser extent, the real estate sub-sectors. Construction also contributed positively to value added, despite indications of a slowdown in the property market.

Meanwhile the pick-up in the wholesale & retail trade in the latter part of 2007 continued into the first quarter of 2008, when the sector's gross value added rose by 5.6%.

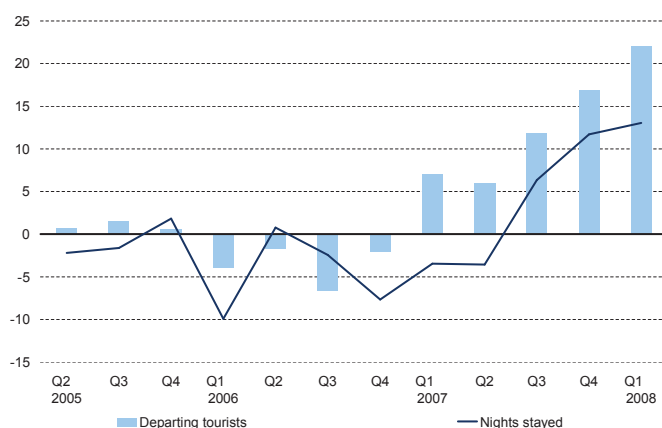
Gross value added in the hotels and restaurants sector rose by 8.3% driven by labour compensation and supported in part by the fact that hotels achieved higher room rates during the quarter. The sector's 0.2 percentage point contribution to gross value added was in line with seasonal patterns and corroborated evidence of the continuing growth in the tourist industry.

## BOX 1: STRONG PERFORMANCE IN TOURISM

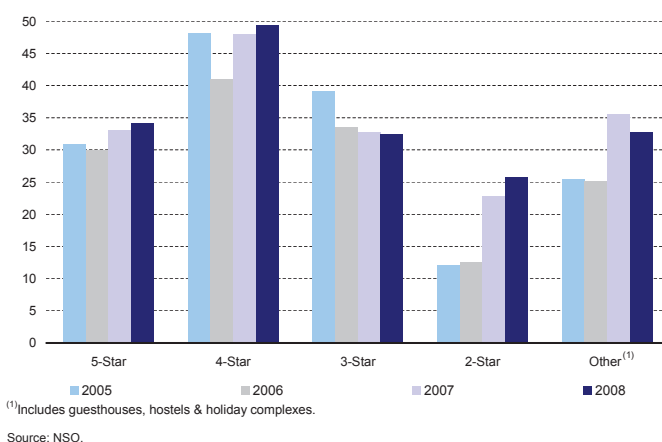
In the first quarter of 2008, tourist numbers were up by 22% compared to a year ago, aided by the early Easter holiday period (see Chart 1). Although total nights stayed increased substantially, the average length of stay continued on its downward path, falling to 8 nights from 8.7 nights a year earlier. This, in part, reflects the changing nature of the tourism industry, with the growth of low-cost airline travel encouraging further the tendency among travellers to take more frequent but shorter holidays. Occupancy rates rose marginally over a year ago at the higher end of the accommodation spectrum, and more substantially in 2-star hotels, but declined in 3-star hotels and in the "other" accommodation category (see Chart 2).

Meanwhile, the number of cruise liner passengers declined substantially during the quarter, when passenger numbers were almost 46% down from the year-ago level. Subsequent data, however, show a reversal in April and May, with passenger numbers rising at double-digit rates.

**Chart 1**  
**TOURIST ARRIVALS AND NIGHTS STAYED**  
(annual percentage changes)



**Chart 2**  
**AVERAGE OCCUPANCY RATES IN THE FIRST QUARTER**  
(percent)



**Table 4.3**  
**MANUFACTURING SALES**

*Annual changes, EUR millions*

	2007				2008
	Q1	Q2	Q3	Q4	Q1
<b>Total sales</b>	<b>23.9</b>	<b>3.6</b>	<b>-18.4</b>	<b>-56.6</b>	<b>-41.6</b>
<b>Exports</b>	<b>34.6</b>	<b>17.9</b>	<b>0.9</b>	<b>-53.9</b>	<b>-53.2</b>
Radio, TV & communication equipment	-5.8	4.8	-22.1	-52.9	-43.3
Pharmaceuticals	7.6	5.5	18.5	13.1	19.7
Electrical machinery & apparatus	13.1	2.9	10.5	3.2	-15.6
Clothing, textiles & leather	-1.6	-2.3	-6.3	-4.1	-8.4
Games & Toys	5.4	3.2	1.0	-4.7	-5.9
Printing & publishing	11.9	3.8	-3.3	0.6	4.3
Chemicals	2.3	1.6	1.9	1.9	-3.1
Other transport equipment	0.2	-1.5	0.8	-2.0	-2.2
Food & beverages	0.3	-2.1	-0.5	-5.4	-0.6
Other	1.2	2.0	0.4	-3.6	1.9
<b>Local sales</b>	<b>-10.7</b>	<b>-14.3</b>	<b>-19.3</b>	<b>-2.6</b>	<b>11.7</b>
Food, beverages & tobacco	-11.2	-15.7	-17.0	-5.7	5.4
Machinery and equipment	-0.1	1.2	-0.1	-0.5	2.4
Fabricated metal products	-0.4	1.7	0.9	2.1	2.1
Printing & publishing	1.4	1.6	0.5	1.5	1.0
Other	-0.4	-3.1	-3.6	0.0	0.8

Source: NSO.

Other contributors to GDP growth were public administration, health & social work and the education sector, partly reflecting increases awarded to government employees in these sectors which came into effect at the beginning of the year. Together, the three sectors accounted for almost 30% of the overall growth in nominal GDP.

The financial intermediation sector reported a reduction in value added as a result of higher operating expenses. Meanwhile, the ongoing increase in the price of imported oil contributed to a negative growth in value added by the electricity, gas & water supply sector.

In manufacturing, the impact of the ongoing consolidation process was evident in a 1.6% decline in the sector's gross value added and a 0.3 percentage point decline in the latter's contribution to nominal GDP growth, mainly on account of a larger contraction in turnover than in intermediate consumption. These developments were corroborated by the results of the NSO's survey of manufacturing firms, which revealed reduced export sales of semiconductors, electrical machinery and, to a lesser extent, clothing (see Table 4.3). However, this contraction was partly offset by continued strong growth in exports of pharmaceuticals. Meanwhile, for the first time in several quarters, there was an increase in local sales by domestic manufacturers, with the food, beverages & tobacco sector accounting for around a half of the gain.

## The labour market

### *Continued buoyancy in the labour market*

Labour market conditions remained buoyant during the first quarter of 2008, with estimates based on national accounts showing a 4.5% increase in the number of employed persons compared with the same period last year.<sup>1</sup> This represented the strongest rate of employment growth among

<sup>1</sup> Eurostat, *Euro Indicators News Release*, 83/2008.

**Table 4.4**  
**LABOUR MARKET INDICATORS BASED ON THE LFS**

*Persons, annual percentage changes*

	2007				2008	Change %
	Q1	Q2	Q3	Q4	Q1 2008	
<b>Labour supply</b>	<b>165,151</b>	<b>166,653</b>	<b>167,278</b>	<b>166,159</b>	<b>167,914</b>	<b>1.7</b>
Unemployed	11,995	11,073	10,348	10,291	10,137	-15.5
Employed	153,156	155,580	156,930	155,868	157,777	3.0
<i>By type of employment:</i>						
Full-time	137,421	138,391	138,304	138,520	140,488	2.2
Full-time with reduced hours	2,217	2,593	2,723	2,654	3,178	43.3
Part-time	13,518	14,596	15,903	14,694	14,111	4.4
<i>By economic sector:</i>						
Private	106,715	109,467	110,266	110,196	110,596	3.6
Public	46,441	46,113	46,664	45,672	47,181	1.6
<b>Activity rate (%)</b>	<b>58.1</b>	<b>59.6</b>	<b>59.9</b>	<b>59.4</b>	<b>58.2</b>	
Male	78.6	78.8	78.8	77.9	77.0	
Female	37.0	40.3	40.6	40.5	38.8	
<b>Employment rate (%)</b>	<b>53.9</b>	<b>55.7</b>	<b>56.1</b>	<b>55.7</b>	<b>54.7</b>	
Male	72.9	74.3	74.5	73.4	72.8	
Female	34.2	36.8	37.5	37.7	36.0	
<b>Unemployment rate (%)</b>	<b>7.3</b>	<b>6.6</b>	<b>6.2</b>	<b>6.2</b>	<b>6.0</b>	
Male	7.2	5.6	5.5	5.8	5.4	
Female	7.6	8.7	7.6	7.0	7.2	
<b>Average annual gross salary (annual growth rate, %)</b>	<b>3.4</b>	<b>2.1</b>	<b>0.6</b>	<b>3.1</b>	<b>3.0</b>	

Source: NSO.

the countries of the euro area and the second fastest in the EU.

### *Labour Force Survey<sup>2</sup>*

Meanwhile, the LFS reported an increase of 3.0% in total employment during the quarter. This was coupled with a 1.7% rise in the labour supply (see Table 4.4).

According to the LFS the rise in employment was mainly reflected in full-time jobs, which were up by a significant 3,067 from a year ago, although the number of those in part-time employment and of full-time employees on reduced hours also increased. The private sector accounted for 84.0% of total employment growth, while in terms of the sectoral distribution, the other community, social & personal services category registered the largest increase, contributing half of the total.

At 54.7%, the employment rate was 0.8 percentage points higher than a year earlier, mainly on account of increased female employment.<sup>3</sup> Meanwhile the activity rate remained stable, as an increase of 1.8 percentage points in the activity rate for women, to 38.8%, was accompanied by a 1.6 point decline in the male ratio to 77.0%. The average salary increased by 3.0% over the previous year, mainly on account of higher pay in the other community, social & personal services sector.

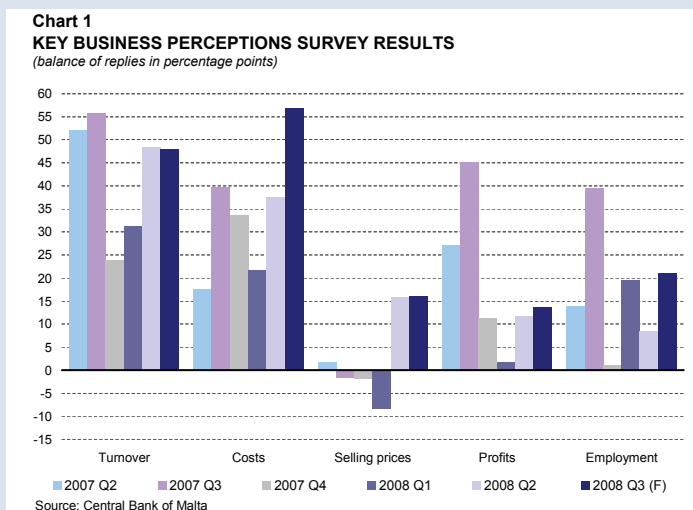
<sup>2</sup> For the purposes of this section, the cut-off date was extended to 18 July 2008.

<sup>3</sup> The employment rate and the activity rate represent the number of employed and the labour force, respectively, as a share of the population aged between 15 and 64 years.

## BOX 2: BUSINESS AND CONSUMER SURVEYS

### Second quarter improvement in services and construction<sup>1</sup>

The Bank's survey of service and construction firms revealed a pick-up in second quarter performance, with almost half of respondents quoting higher turnover than in the first quarter (see Chart 1). Cost pressures, however, became more evident during the second quarter and were reflected in higher selling prices. Still, a greater share of respondents reported higher profits than in the first quarter. Moreover, firms continued to report additions to their labour complement in line with observed trends in the labour market.

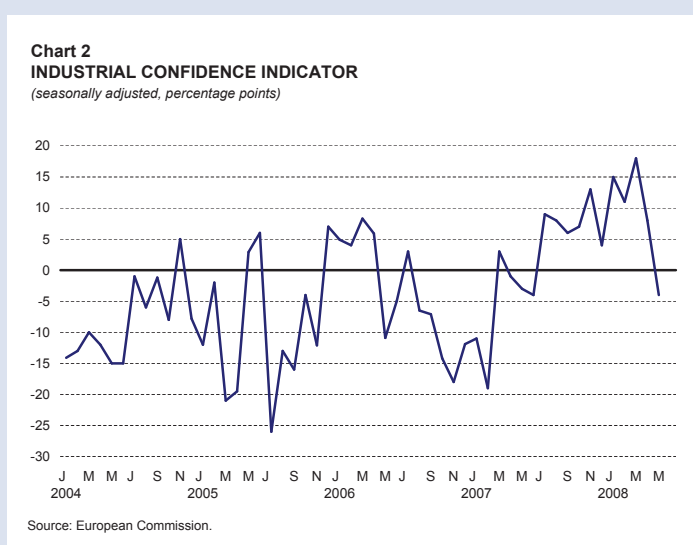


Despite escalating costs, surveyed firms remained optimistic, anticipating higher sales and profits and an expansion in their workforce during the third quarter. For the next year, moreover, participants anticipated higher investment outlays and an expansion in employment.

### EC survey: industry optimism peaks in March

According to the European Commission's survey of Maltese industry, confidence peaked in March 2008, when the seasonally-adjusted index reached 18 from 4 in December 2007 (see Chart 2). This optimism reflected a rundown in stocks of finished goods, coupled with improved production expectations for the next three months. At the same time, order books remained virtually stable.

More recent data, however, revealed a reversal in sentiment. Indeed, for the first time since June 2007, the indicator dropped into negative territory in May, having declined by a total of 22 points through April and May. (see Chart 2). This downturn mainly reflected reduced order



<sup>1</sup> Fieldwork for this survey was carried out between 13 May and 23 June, 2008.

books and less optimistic production expectations for the next three months. On the upside, most firms continued to run down their stock of finished goods.

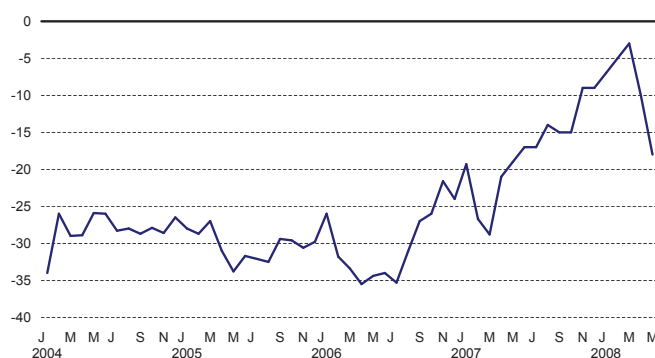
An analysis by main industrial groupings indicates that weaker sentiment among producers of consumer goods was related to lower order books and a deterioration in production expectations, particularly in May. Similar trends were observed among makers of investment goods, although these also reported lower stock levels. In the intermediate goods sector, moreover, particularly among firms producing chemicals and rubber & plastics, order books declined with respondents reporting a further accumulation of stocks of finished goods. In addition, production expectations for the following three months turned negative.

### Consumer confidence improves in the first quarter but dips in April and May

The European Commission's indicator of consumer sentiment revealed continued improvement during the first quarter, when the seasonally-adjusted index added 6 percentage points to its December 2007 level. This surge reflected renewed optimism with regard to the country's general economic performance, particularly labour market developments, which in turn boosted consumers' outlook regarding their own financial situation over the next twelve months.

Here too, however, more recent data showed that confidence had dipped sharply in April and May, halting the steady build-up of consumer optimism recorded since March 2007. Indeed, the seasonally-adjusted indicator slid to -18 in May from -3 in March 2008 (see Chart 3). This survey was carried out against the backdrop of prevailing economic uncertainty abroad and rising oil and food prices. Survey replies indicate that the loss of confidence reflected concern about the general economy, particularly the labour market. Consumers were also wary about their own financial situation and their ability to save in the following twelve months.

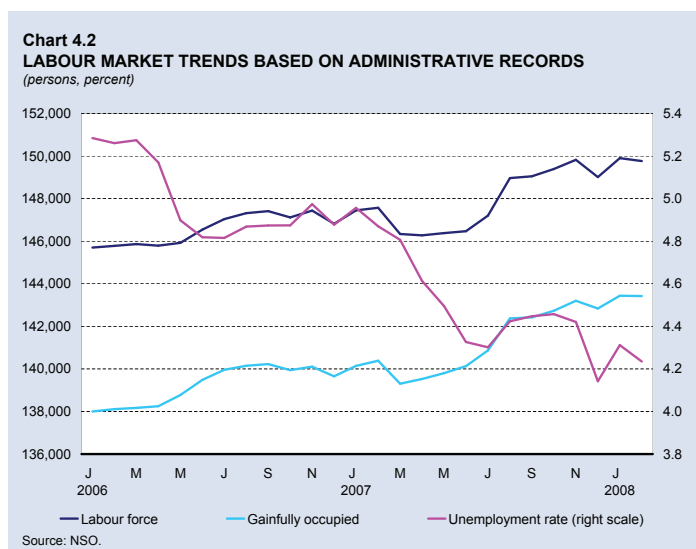
**Chart 3**  
**CONSUMER CONFIDENCE INDICATOR**  
*(seasonally adjusted, percentage points)*



Source: European Commission.

### Administrative records

Further evidence of buoyancy in the labour market during the quarter under review emerges from the administrative records maintained by the ETC, which in February showed an annual growth rate of 2.2% in the full-time gainfully occupied population (see Chart 4.2 and Table 4.5). The ETC records also indicated further gains in the number of part-time positions, which were up by 6.1% on a year earlier.



Employment in the private sector grew by 3.3% in the first quarter. The services sector - particularly the other business activities and the recreational, cultural & sporting activities sub sectors - continued to show buoyant growth, while there was further shrinkage in direct production, particularly in the wearing apparel sub-sector, and in the public sector.

### Further decline in the number of unemployed persons

The jobless rate for the March quarter based on the LFS methodology dipped to 6.0%, the lowest rate since the inception of the survey in 2000. Meanwhile, the ETC's measure of unemployment

**Table 4.5**  
**LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS <sup>(1)</sup>**

Persons, annual percentage changes

	2007				2008	Change %
	Feb.	June	Sep.	Dec.	Feb. Feb. 2008	
<b>Labour supply</b>	<b>147,571</b>	<b>146,470</b>	<b>149,050</b>	<b>149,008</b>	<b>149,765</b>	<b>1.5</b>
Gainfully occupied <sup>(2)</sup>	140,384	140,133	142,421	142,836	143,423	2.2
Registered unemployed	7,187	6,337	6,629	6,172	6,342	-11.8
<b>Unemployment rate (%)</b>	<b>4.9</b>	<b>4.3</b>	<b>4.4</b>	<b>4.1</b>	<b>4.2</b>	
<b>Private sector</b>	<b>97,298</b>	<b>97,191</b>	<b>99,996</b>	<b>100,145</b>	<b>100,544</b>	<b>3.3</b>
Direct production	33,190	32,993	32,656	32,397	32,466	-2.2
Market services	64,108	64,198	67,340	67,748	68,078	6.2
<b>Public sector</b>	<b>42,634</b>	<b>42,496</b>	<b>42,002</b>	<b>41,992</b>	<b>42,096</b>	<b>-1.3</b>
<b>Temporary employment</b>	<b>452</b>	<b>446</b>	<b>423</b>	<b>699</b>	<b>783</b>	<b>73.2</b>
<b>Part-time jobs</b>	<b>43,744</b>	<b>46,304</b>	<b>46,979</b>	<b>46,966</b>	<b>46,408</b>	<b>6.1</b>
Primary	24,199	26,188	26,346	26,070	25,916	7.1
Secondary <sup>(3)</sup>	19,545	20,116	20,633	20,896	20,492	4.8

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

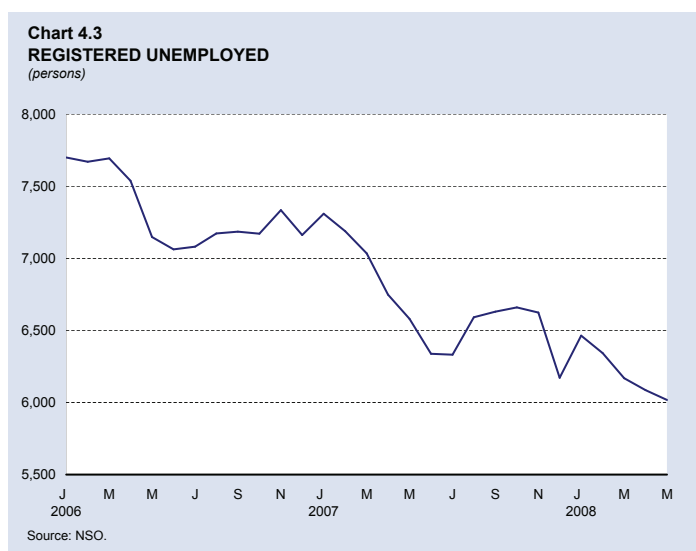
<sup>(2)</sup> This category measures full-time employment.

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

Source: NSO.



reached 4.2% in February 2008, 0.7 percentage points below the year-ago rate. In addition, recent ETC data revealed a further decline in the number of persons on the unemployment register, which in May fell to 6,018, the lowest level in over a decade (see Chart 4.3). In seasonally-adjusted terms the unemployment rate stood at 5.8% in May 2008, marginally higher than in the previous month but considerably below the 6.5% recorded in the same month of 2007.<sup>4</sup>



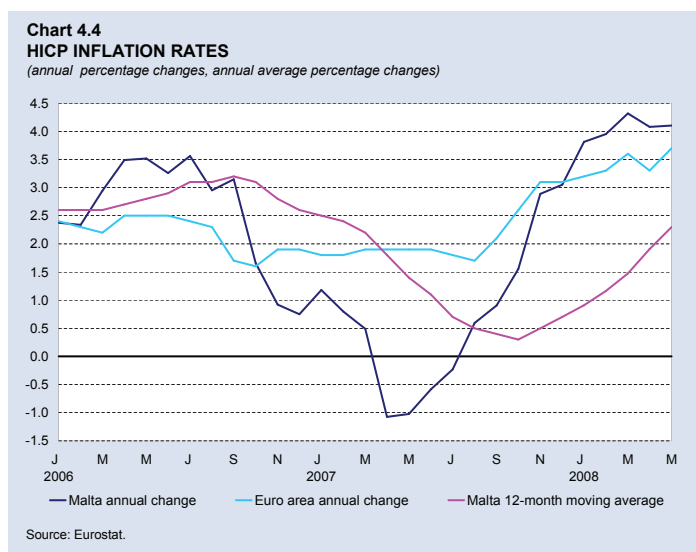
## Prices

### *HICP inflation continues to rise*

Inflation, measured in terms of the annual percentage change in the harmonised index of consumer prices (HICP), accelerated from 3.1% in December 2007 to 4.3% in March 2008. Over the same period Malta's twelve-month moving average rate rose from 0.7% to 1.5% (see Chart 4.4).

In line with the pattern in evidence through most of 2007, the main factor behind the acceleration was the persistent rise in the prices of food items, specifically those of bread & cereals, fruit and vegetables, which contributed 1.7 percentage points to the rise in the index. The services component added 1.6 points, mainly because of higher hotel and restaurant prices. Smaller contributions came from non-energy industrial goods, which include clothing & footwear, and from the energy component. These two categories contributed 0.6 and 0.5 percentage points, respectively (see Chart 4.5).

Meanwhile, in the euro area, the annual HICP inflation rate increased from 3.1% in December to 3.6% in March. The components with the largest impact on headline inflation were the energy and the services sub-indices, both contributing 1.1 percentage points. The main reason for the



<sup>4</sup> Eurostat, *Euro Indicators News Release*, 94/2008. Seasonal adjustment corrects the data for seasonal regularities and permits a wider range of inter-period comparisons.

higher rate of inflation in Malta, compared with the euro area, was the faster domestic growth in prices of unprocessed food and services.

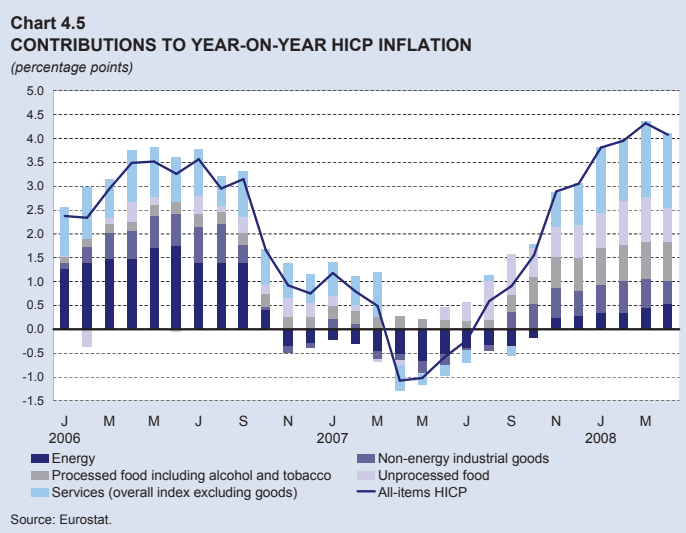
More recent data show that the gap between Malta and the euro area narrowed in May. Malta's inflation eased to 4.1%, with food and services remaining the key factors, while the equivalent inflation rate for the euro area edged up to 3.7%.

### *Retail Price Index follows a similar pattern*

Developments in the RPI during the first quarter of 2008 generally paralleled those in the HICP, though differences emerge from the exclusion of hotel accommodation from the RPI. At 3.9%, the annual RPI inflation rate in March was 0.6 percentage points higher than at the end of 2007. Moreover, the twelve-month moving average rate of inflation edged up to 1.9% in March from 1.3% in December.

The acceleration in RPI inflation was mainly driven by higher food prices, which contributed 2.2 percentage points to the rise in the index, while the clothing & footwear and the transport & communication categories were each responsible for another 0.4 percentage points. (see Table 4.6)

Meanwhile, core inflation, the Central Bank of Malta's measure of inflation persistence, also rose marginally during the quarter, edging up to 1.3% in March from 1.2% at end-2007.



**Table 4.6**  
**CONTRIBUTION TO YEAR-ON-YEAR RPI INFLATION**

Percentage points

	2008			2007		2008	
	Jan.	Feb.	Mar.	Q2	Q3	Q4	Q1
Food	1.8	2.1	2.2	0.4	1.3	1.8	2.0
Beverages & tobacco	0.2	0.2	0.2	0.1	0.1	0.2	0.2
Clothing & footwear	0.5	0.5	0.4	-0.3	0.0	0.6	0.5
Housing	0.3	0.3	0.3	0.2	0.2	0.2	0.3
Water, electricity, gas & fuels	0.0	0.0	0.1	-0.4	-0.3	-0.2	0.0
Household equipment & house maintenance costs	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Transport & communications	0.5	0.4	0.4	-0.5	-0.4	0.1	0.4
Personal care & health	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Recreation & culture	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other goods & services	0.1	0.1	0.1	0.0	0.0	0.0	0.1
<b>RPI (annual percentage change)</b>	<b>3.5</b>	<b>3.7</b>	<b>3.9</b>	<b>-0.2</b>	<b>1.3</b>	<b>3.0</b>	<b>3.7</b>

Sources: NSO; Central Bank of Malta.

## BOX 3: RESIDENTIAL PROPERTY PRICES

### Decline in residential property prices

The gradually decelerating trend in house prices observed in recent years turned negative in the first quarter of the year, even though the prices of some property categories were higher. House price movements as measured by the Bank's residential property index showed a year-on-year contraction of 0.7% in the first three months of the year (see Chart 1).

The survey period was also marked by a reduction in the number of advertised listings, coinciding with the wait-and-

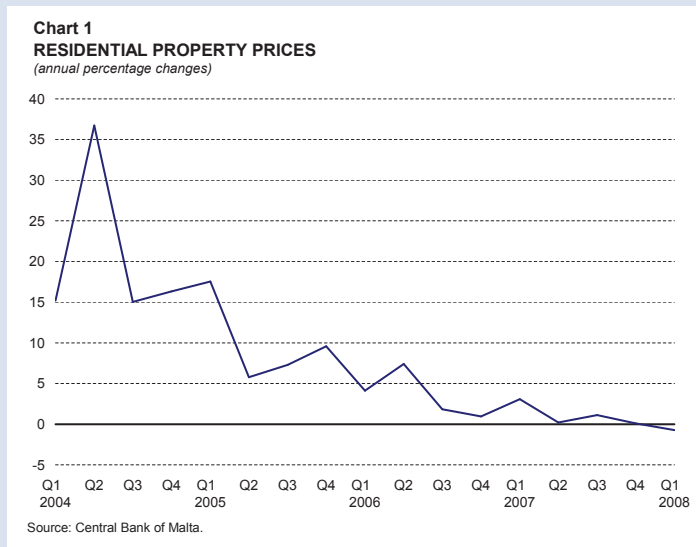
see attitude that usually prevails ahead of a general election. Indeed, the number of listings was down from a year ago, mainly in the finished flats and finished maisonettes categories, which make up approximately 60% of sampled properties. These categories registered price drops of 4.5% and 3.4%, respectively.

Nevertheless, advertised prices increased for flats in shell form, houses of character and terraced houses, albeit at a slower pace than in the same period last year. There was also an acceleration in asked prices across the remaining property types, namely maisonettes in shell form, town houses and villas. Indeed, after having exhibited declining growth rates since the fourth quarter of 2006, prices for maisonettes in shell form went up by 15.8% in the first quarter of 2008.

A different picture emerges from official house price data published by the NSO. These suggest continued growth in residential property values, although at a decelerating pace. The NSO's property price index showed a fall in the growth rate from 8.3% in the last quarter of 2007 to 6.8% in the first quarter of 2008. Unlike the Bank's index, which is based on prices advertised by sellers, the NSO's measure is calculated from transacted prices for a narrower range of housing categories.<sup>1</sup>

<sup>1</sup> The residential property price index published every year by the NSO is compiled on a monthly basis using prices indicated in contracts of sale as registered at the Inland Revenue Department. The number of observations ranges from 450 to 600 per month. The index differentiates between three types of dwellings (flats, maisonettes and terraced houses) and between six regions (southern harbour, northern harbour, south eastern, western, northern and Gozo). Indices of median prices for each house type are derived using the Laspeyres method. The overall index is derived using the mix-adjustment method. This uses expenditure weights for geographic aggregation and the number of properties transacted as weights in the aggregation of the various property types.

The Bank's property price index is derived from advertised real estate prices, using observations collected on a monthly basis, usually numbering in excess of 2,000. The index is divided into eight categories: finished and unfinished flats, finished and unfinished maisonettes, terraced houses, town houses, houses of character and villas. The index is Fischer chained, which is the geometric mean of the chained Laspeyres and chained Paasche indices.



### Producer prices decline

Prices received by domestic manufacturers for their output were 2.7% lower in March than a year earlier. This constituted the thirteenth consecutive monthly decline in producer prices, measured on an annual basis. Reflecting in part the higher costs of imported inputs, producer prices charged on output sold in the local market increased by 5.2%. On the other hand, the intensity of competition in foreign markets is reflected in a 12.7% drop in the prices of exported products.

The decline was sharpest for consumer-durable items exported to the euro area.

### Cost and competitiveness

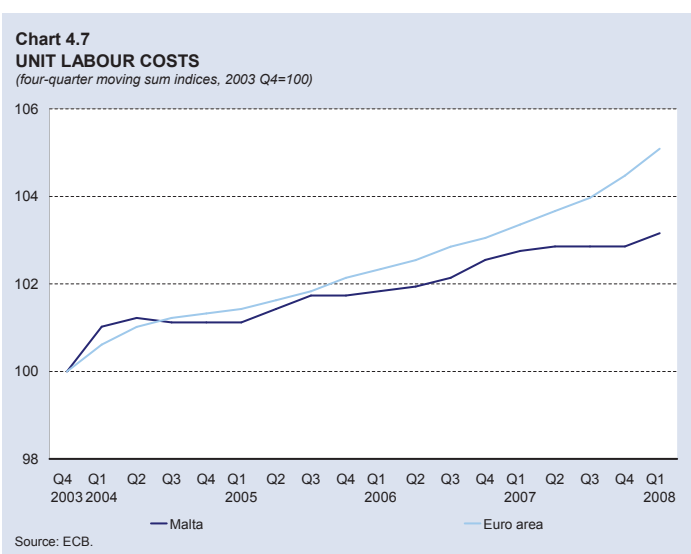
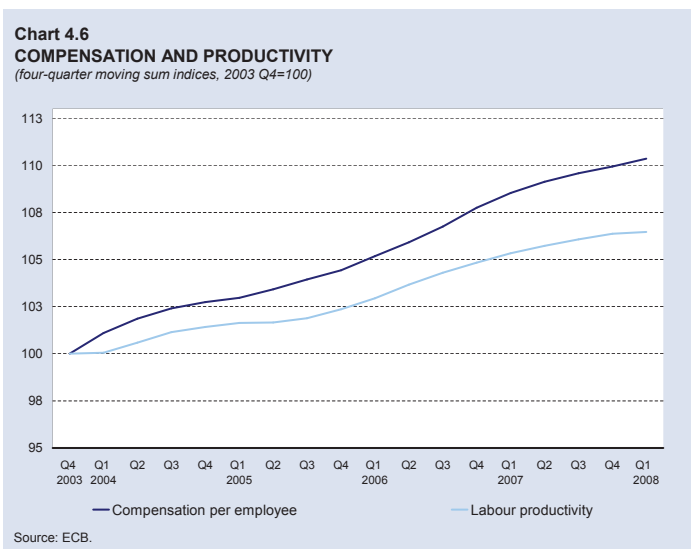
On account of its high degree of openness, the Maltese economy is particularly exposed to international competition. Key indicators for 2008 suggest some deterioration in Malta's international competitiveness, despite an improved standing vis-à-vis the rest of the euro area.

### Unit labour costs rise moderately

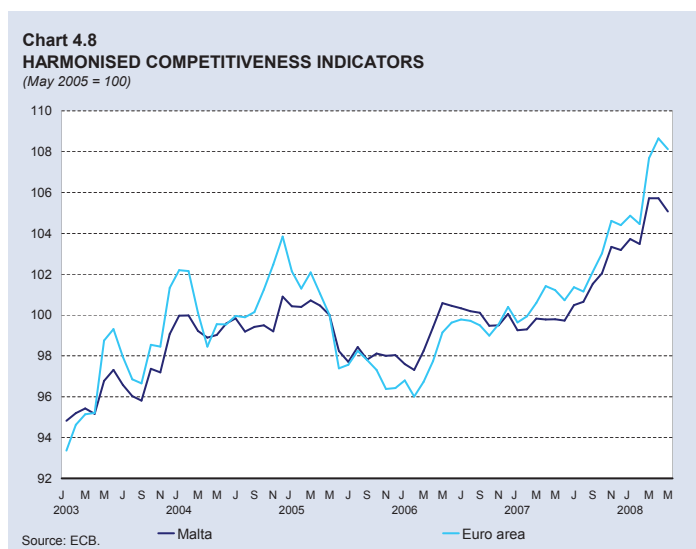
Unit labour costs (ULC) are the cost of employed labour per unit of output, or, more specifically, the ratio of total nominal compensation per employee to labour productivity, with the latter being defined as GDP at constant prices per person in employment. An increase in ULC, relative to other countries, implies a decrease in competitiveness, and vice-versa.

Measured on a four-quarter moving sum basis, labour productivity in Malta in the first quarter of 2008 was 1.1% higher than its year-ago level. Since this was a smaller increase than the reported 1.7% rise in compensation per employee over the same period, Malta's ULC increased by 0.4% (see Charts 4.6 and 4.7). By comparison, ULC in the euro area as a whole rose by 1.7%.

Labour productivity has followed a generally upward path since 2003, for a total increase of 6.5% over the period, in the wake of a more erratic but a broadly declining pattern in the previous



two years. Meanwhile, per-employee compensation grew at a faster rate than productivity. In fact, compensation has followed a steady upward path over the decade, rising by 10.3% since 2003. The excess of compensation over productivity growth raised unit labour costs by 3.2%. Over the same period, ULC in the euro area increased by 5.1%, a faster rate than in Malta, leading to an improvement in Malta's competitive standing in the euro area.



### *Harmonised Competitiveness Indicator*

Another measure of multilateral competitiveness is the harmonised competitiveness indicator (HCI), which tracks price level and exchange rate changes vis-à-vis trading partners, weighted by relative trade in manufactured goods, to derive a measure of international competitiveness. It does not attempt to measure competitiveness in the growing services sector. Bearing this caveat in mind, a higher score indicates a deterioration in a country's international competitiveness, while a lower score indicates an improvement.

Following Malta's adoption of the 100% peg of the lira against the euro in May 2005 and its subsequent entry into the euro area in January 2008, the exchange rate no longer plays a direct role in determining Malta's competitiveness relative to the other members of the euro area. However, exchange rate changes vis-à-vis trading partner countries outside the euro area have an impact on Malta's HCI. So do relative inflation rates vis-à-vis trading partners both within and outside the euro area.

As indicated by the rising HCI in Chart 4.8, Malta's competitiveness declined by 5.9% during the twelve months to March 2008. Despite a small improvement over the subsequent two months, this indicator was still 5.3% higher in May 2008 than it was a year earlier. This slippage has fallen short of the 6.8% decline in the euro area's similarly measured competitiveness during the same period.

Similarly, over the longer time span displayed in Chart 4.8, Malta's competitiveness was broadly unchanged from around mid-2006 through mid-2007, but declined thereafter. In comparison, slippage in the euro area's competitiveness has exceeded Malta's since late 2006.

### **The balance of payments**

During the first quarter of 2008 the deficit on the current account of the balance of payments narrowed compared with the same period a year earlier. Lower net investment income outflows and higher net inward transfers accounted for this development. At the same time, net outflows were recorded on the capital and financial account.<sup>5</sup>

<sup>5</sup> A note of caution in interpreting data for the first quarter of 2008 is warranted given the sizeable positive errors and omissions reported. These imply an overestimation of the current account deficit and/or an underestimation of net inflows on the capital and financial account.

**Table 4.7**  
**BALANCE OF PAYMENTS**

EUR millions

	2007	2008	four-quarter moving sum			
			Q1	Q1	2007	
			Q2	Q3	Q4	Q1
<b>Current account</b>	<b>-77.5</b>	<b>-68.6</b>	<b>-198.7</b>	<b>-172.0</b>	<b>-292.3</b>	<b>-283.4</b>
Goods	-183.1	-248.6	-801.2	-816.7	-937.1	-1002.6
Services	170.0	145.8	799.7	827.9	836.5	812.3
Income	-56.2	-6.5	-150.6	-144.2	-129.5	-79.7
Current transfers	-8.0	40.6	-46.6	-39.0	-62.1	-13.5
<b>Capital and financial account</b>	<b>166.0</b>	<b>-13.0</b>	<b>349.6</b>	<b>338.7</b>	<b>157.0</b>	<b>-22.1</b>
Capital account	3.9	3.3	100.1	95.9	49.3	48.7
<b>Financial account <sup>(1)</sup></b>	<b>162.1</b>	<b>-16.3</b>	<b>249.4</b>	<b>242.8</b>	<b>107.7</b>	<b>-70.8</b>
Direct investment	149.4	41.7	763.3	885.7	684.4	576.7
Portfolio investment	-133.0	-13.0	-537.7	-100.7	365.9	485.9
Financial derivatives	5.4	-127.2	22.4	80.1	120.2	-12.4
Other investment	-2.9	151.6	-172.0	-813.4	-736.4	-581.9
Movements in reserves	143.3	-69.4	173.5	191.2	-326.5	-539.2
<b>Errors and omissions</b>	<b>-88.6</b>	<b>81.7</b>	<b>-150.9</b>	<b>-166.7</b>	<b>135.3</b>	<b>305.6</b>

<sup>(1)</sup> Data on the components of the financial account for 2008 are not comparable with those for 2007 due to the reclassification of reserve assets on 1 January 2008.

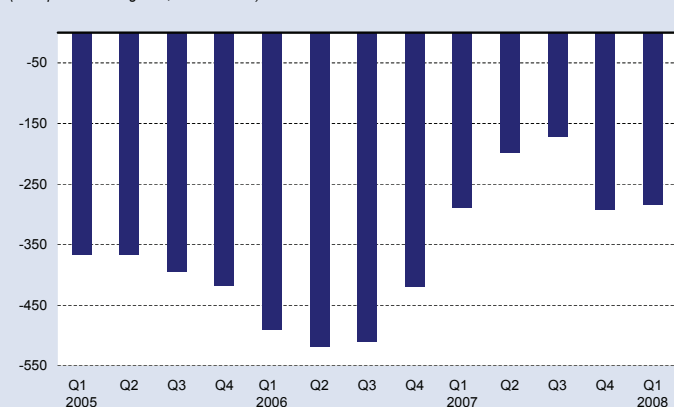
Sources: NSO; Central Bank of Malta.

Following Malta's adoption of the euro on 1 January 2008, Malta's external reserves were redefined. Assets that represent claims on other euro area residents, as well as assets denominated in euro, are no longer considered to form part of the reserves. Instead, depending on the nature of the instrument, such assets are now included with portfolio investment or other investment. In addition, 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 in all financial account sub-components with the exception of direct investment. As a result, data related to these components for the first quarter of 2008 cannot be compared with those for earlier periods.

### *The current account deficit narrows*

During the first three months of 2008, the shortfall on the current account narrowed by almost EUR 9 million to EUR 68.6 million (see Table 4.7). This mainly reflected a sharp contraction in the negative balance on the income account and a significant surplus on the transfers component that outweighed a substantial widening of the merchandise trade deficit. On a cumulative basis, the current account deficit narrowed slightly during the four quarters to March 2008 (see Chart 4.9).

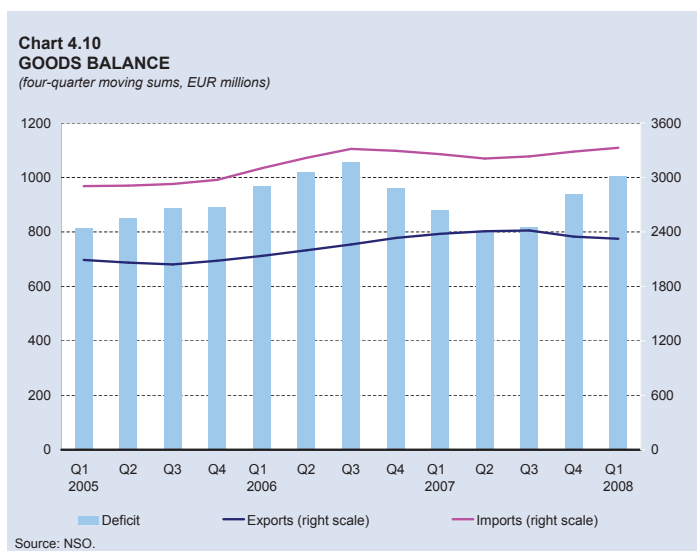
**Chart 4.9**  
**CURRENT ACCOUNT**  
(four-quarter moving sum, EUR millions)



Source: NSO

### The merchandise trade gap widens

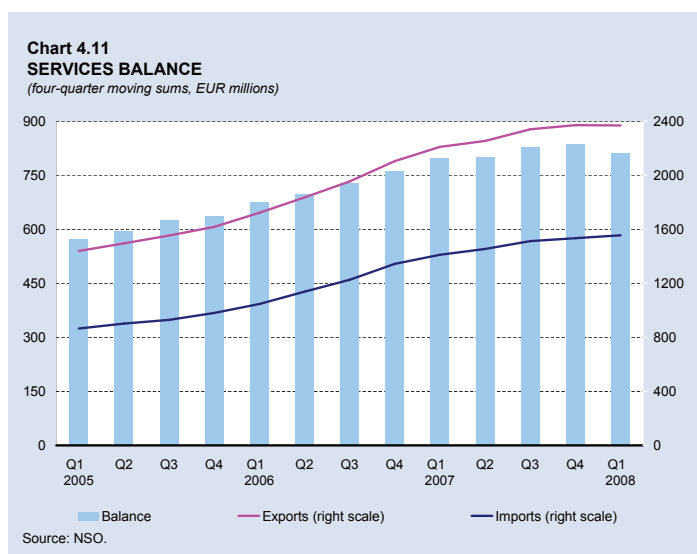
The visible trade deficit reached EUR 248.6 million in the March quarter, up by EUR 65.5 million on a year earlier, as the value of imports rose and that of exports fell. Extending the upward trend in evidence since the second quarter of 2007, the value of imports increased by 5.6% on a year-on-year basis (see Chart 4.10). Customs data indicate that fuel imports, which added EUR 34.9 million to the total, were the main factor behind the rise, reflecting higher international oil prices. But higher global food prices also appeared to have boosted the cost of imports of food, beverages and tobacco, which increased by 16.6%. In contrast, foreign purchases of industrial supplies fell, reflecting a concurrent drop in exports of semi-conductors, while imports of capital goods were also down.



Over the first quarter of 2008 merchandise exports continued to lose momentum, falling by 4.1% on the year-ago level. The drop reflected lower sales of semi-conductors and clothing. In contrast, sales of pharmaceuticals extended their upward trend, while re-exports of oil rose.

### The surplus on services declines ...

The trend improvement in the services balance appeared to have stalled during the quarter under review, when the surplus contracted by EUR 24.1 million compared to a year earlier (see Chart 4.11). This was mainly due to a fall in net receipts from 'other services' and travel. The decline in the former stemmed from significantly larger net payments by the financial sector, with receipts from the remote gaming industry remaining broadly unchanged over the comparable period a year earlier. As regards travel, lower net inflows resulted from higher spending by Maltese residents travelling abroad, which outweighed increased expenditure by inbound tourists. On the other hand, the larger surplus on the transport component reflected increased receipts from air transport operations.





### *... but the balance on income and transfers improves*

Meanwhile, net outflows on the income account were sharply lower compared with the same quarter of 2007. This reflected a fall in profits due to non-resident direct investors in Malta and a drop in interest payments on the other investment account. At the same time, lower receipts on residents' portfolio investments abroad, mainly bonds and notes, were recorded.

The transfers component swung to a positive balance of EUR 40.6 million, with the increase stemming from higher payments to government by companies engaged in international business.

### *The capital and financial account registers outflows*

As explained earlier, the redefinition of reserve assets at the beginning of the year precludes a year-on-year comparison of figures within certain items of the financial account, more specifically the portfolio investment, financial derivatives and other investment components. The capital account was not affected by the reclassification.

The capital and financial account posted net outflows of EUR 13.0 million during the first quarter of 2008 (see Table 4.7). These were driven by developments on the financial account, as small net inflows were recorded on the capital account. Overall, net outflows of EUR 16.3 million were recorded on the financial account.

The surplus on direct investment amounted to EUR 41.7 million, or EUR 107.7 million less than the amount recorded during the same period in 2007, as a result of a large outward investment by the telecommunications sector and a drop in direct investment by non-residents in Malta. It should be pointed out, however, that in the first quarter of 2007 inward direct investment was unusually high, partly on account of large equity inflows into the banking sector.

During the first quarter of 2008, net inflows of EUR 138.6 million were recorded on the combined portfolio investment and other investment accounts. These mirrored a rise in other investment liabilities, consisting mainly of new long-term loans taken out by the banking sector and a rise in deposits by non-residents. In contrast, considerable outflows were reported on financial derivatives, which mostly reflected transactions reported by the banking sector. Meanwhile, reserve assets increased by EUR 69.4 million.

## **Government finance<sup>6</sup>**

### *General government deficit widens in the first quarter<sup>7</sup>*

The general government balance registered a deficit in the March quarter of 2008, in line with the usual seasonal pattern, with expenditure exceeding revenue by EUR 162.5 million (see Table 4.8). The shortfall was EUR 54.4 million larger than that recorded during the same quarter a year earlier, as expenditure grew at a faster pace than revenue. Spending expanded across all major categories, except for interest payments. This resulted in a widening of the primary deficit, which is obtained by deducting interest payments from expenditure, by EUR 66.4 million to EUR 120.6 million.

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<sup>6</sup> The cut-off date for information on government finance is 11 July 2008.

<sup>7</sup> General government captures both central government, including extra-budgetary units, and local government. General government data are compiled on an accrual basis. In contrast, the Consolidated Fund data capture most of the transactions of central government on a cash basis.



**Table 4.8**  
**GENERAL GOVERNMENT BALANCE**

EUR millions

	2007				2008		Change Q1 2008	
	Q1	Q2	Q3	Q4	Q1	Amount	%	
<b>Revenue</b>	<b>444.8</b>	<b>515.3</b>	<b>523.3</b>	<b>708.6</b>	<b>483.3</b>	<b>38.5</b>	<b>8.7</b>	
Taxes on production and imports	182.0	191.4	197.5	222.2	179.3	-2.7	-1.5	
Current taxes on income and wealth	98.6	166.9	167.9	284.0	129.7	31.1	31.6	
Social contributions	87.3	101.0	91.7	120.5	87.7	0.3	0.4	
Capital and current transfers	10.1	16.2	29.1	37.3	6.3	-3.8	-37.9	
Other	66.8	39.8	37.0	44.6	80.4	13.6	20.3	
<b>Expenditure</b>	<b>552.7</b>	<b>557.5</b>	<b>551.3</b>	<b>626.3</b>	<b>645.8</b>	<b>93.2</b>	<b>16.9</b>	
Intermediate consumption	61.9	69.1	68.1	103.5	92.1	30.1	48.7	
Gross fixed capital formation	51.5	70.2	43.6	49.4	54.0	2.5	4.8	
Compensation of employees	172.4	176.4	178.2	176.0	190.9	18.5	10.7	
Subsidies	21.1	24.0	26.4	37.7	32.3	11.3	53.4	
Interest	53.9	33.0	43.2	52.0	41.9	-12.1	-22.4	
Social benefits	159.0	177.0	158.1	172.7	183.1	24.2	15.2	
Other	32.9	8.0	33.6	35.0	51.6	18.7	56.7	
<b>Primary balance</b>	<b>-54.2</b>	<b>-9.7</b>	<b>15.0</b>	<b>135.2</b>	<b>-120.6</b>	<b>-66.4</b>	<b>-</b>	
<b>General government balance</b>	<b>-108.2</b>	<b>-42.6</b>	<b>-28.2</b>	<b>83.2</b>	<b>-162.5</b>	<b>-54.4</b>	<b>-</b>	

Source: NSO.

During the first three months of 2008, general government revenue rose by 8.7% compared to a year earlier, fuelled mainly by tax receipts. Taxes on income and wealth, in particular, yielded 31.6% more than in the corresponding period of 2007, largely reflecting increased intakes from corporate taxes. 'Other' revenue increased by 20.3% on account of increased dividend income and higher market output generated by extra-budgetary units. In contrast, receipts from taxes on production and imports declined marginally, due to lower yields from petroleum duties, while income from capital and current transfers also contracted as a result of a lower amount of grants received from the EU.

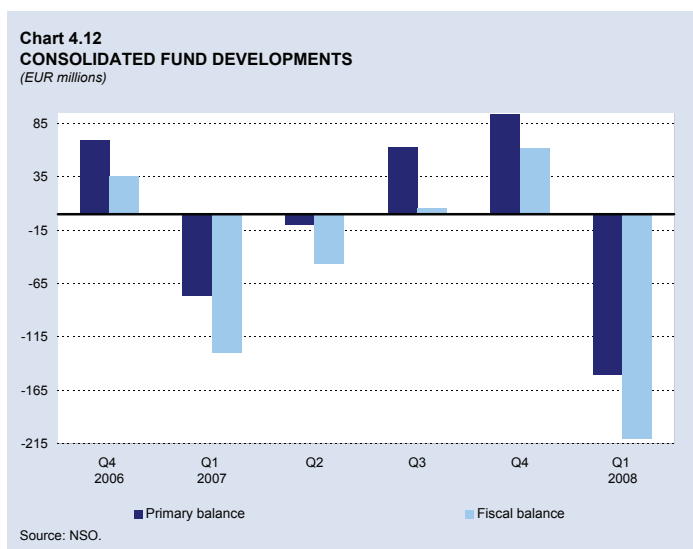
Expenditure grew rapidly, rising by 16.9% on a year earlier, with intermediate consumption increasing by almost half over the quarter and accounting for one-third of the overall rise. The latter was mainly driven by significant accrual adjustments, outlays by extra-budgetary units and operational expenditure. Meanwhile, spending on social benefits went up by 15.2%, reflecting higher outlays on retirement and widows' pensions and children's allowances, the latter following the introduction of a measure amended in the 2008 budget.<sup>8</sup> Growth in compensation of employees also picked up, partly reflecting a revision of wages under a collective agreement covering the health sector which came into force at the beginning of the year. Expenditure on subsidies rose sharply, on account of higher outlays paid to firms in the agriculture, food and energy sectors. Similarly, 'other' expenditure increased significantly, partly reflecting higher capital transfers to Malta Enterprise. In contrast, interest payments fell sharply on an accrual basis.

### *Consolidated Fund deficit widens*

Developments in general government finances mirrored those recorded in the Consolidated

<sup>8</sup> In the Budget for 2008, the Government announced that the children's allowance was to be extended to all children, while the allowance for the second child and subsequent children was to be doubled to equal that for the first child.

Fund. Thus, in the first quarter of 2008, the balance on the Consolidated Fund swung back into deficit (see Chart 4.12). At EUR 210.1 million, this was EUR 80.5 million more than that registered a year earlier, as expenditure growth outstripped the expansion in revenue. The rise in the former was mainly driven by increased spending on social security benefits and capital outlays. The primary deficit also increased, widening by EUR 74.2 million to EUR 150.6 million.



### Revenue expands further

During the first quarter of 2008 revenue expanded by EUR 29.8 million, or 7.1%, over the comparable period of the previous year (see Table 4.9). The increase was driven by higher direct tax yields and non-tax revenues.

**Table 4.9**  
**GOVERNMENT BUDGETARY OPERATIONS**

EUR millions

	2007	2008	Change	
	Q1	Q1	Amount	%
<b>Revenue</b>	<b>422.3</b>	<b>452.1</b>	<b>29.8</b>	<b>7.1</b>
<b>Direct tax</b>	<b>156.3</b>	<b>174.6</b>	<b>18.3</b>	<b>11.7</b>
Income tax	76.4	91.3	14.9	19.5
Social security contributions	79.9	83.4	3.5	4.4
<b>Indirect tax</b>	<b>194.7</b>	<b>195.2</b>	<b>0.5</b>	<b>0.3</b>
Value Added Tax	99.7	105.2	5.5	5.5
Customs and excise duties	39.6	36.0	-3.6	-9.1
Licences, taxes and fines	55.3	54.0	-1.3	-2.4
<b>Non-tax<sup>(1)</sup></b>	<b>71.2</b>	<b>82.3</b>	<b>11.1</b>	<b>15.6</b>
<b>Expenditure</b>	<b>551.9</b>	<b>662.2</b>	<b>110.3</b>	<b>20.0</b>
<b>Recurrent</b>	<b>503.0</b>	<b>580.0</b>	<b>77.0</b>	<b>15.3</b>
Personal emoluments	110.0	120.1	10.1	9.2
Programmes and other operational expenditure <sup>(2)</sup>	293.6	354.6	61.0	20.8
Contributions to entities	46.2	45.8	-0.4	-0.9
Interest payments	53.2	59.5	6.3	11.8
<b>Capital</b>	<b>48.9</b>	<b>82.2</b>	<b>33.3</b>	<b>68.1</b>
<b>Primary balance<sup>(3)</sup></b>	<b>-76.4</b>	<b>-150.6</b>	<b>-74.2</b>	<b>-</b>
<b>Consolidated Fund balance<sup>(4)</sup></b>	<b>-129.6</b>	<b>-210.1</b>	<b>-80.5</b>	<b>-</b>

<sup>(1)</sup> Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

<sup>(2)</sup> Includes programmes & initiatives and operational & maintenance expenditure.

<sup>(3)</sup> Revenue less expenditure excluding interest payments.

<sup>(4)</sup> Revenue less expenditure.

Source: NSO.

Direct taxes yielded 11.7% more than a year earlier. Despite the further reduction in average personal tax rates as from January 2008, income tax receipts increased by 19.5%. This was entirely driven by higher yields from corporate taxes. Revenue from social security contributions added 4.4%, largely in line with the increase in employee compensation.

On the other hand, when compared to 2007, indirect tax receipts remained broadly stable. VAT yielded 5.5% more, reflecting faster growth in nominal private consumption over the same period. This offset lower yields from both customs & excise duties, particularly on fuel, and from licences, taxes & fines that partly reflected weaker activity on the property market.

In contrast, non-tax revenue expanded by 15.6%, mainly due to higher dividends received, although an increase in Central Bank of Malta profits transferred to Government also contributed.

### *Expenditure rises sharply*

In the first three months of the year, expenditure grew by EUR 110.3 million, or 20.0%, over the comparable period of 2007, with both recurrent and capital outlays accelerating. The former rose by 15.3%, with programmes and other operational expenditure accounting for more than three-fourths of the increase. In turn, this mainly reflected higher outlays on social security benefits, mostly retirement pensions. Increased spending on children's allowances also contributed. In addition, spending on vouchers to low-income households to offset the impact of increased energy costs and outlays on agricultural support schemes also rose. The government's wage bill also increased, adding 9.2%, partly because of the general increase in Civil Service salaries in terms of the collective agreement, but also because of the entry into force of the additional collective agreement covering the health sector. Meanwhile, the timing of coupon payments on bonds issued last year boosted interest payments, which added 11.8%.

Capital spending rose by EUR 33.3 million, or 68.1%, partly reflecting increases in investment incentives granted by Malta Enterprise and contributions to the Malta Tourism Authority.<sup>9</sup> In addition, higher outlays on information technology infrastructure and on projects co-financed by the EU also contributed to the rise.

During April and May, expenditure continued to outpace revenue. As a result, the Consolidated Fund deficit reached EUR 235.8 million by end-May, up by EUR 80.6 million on a year earlier.

### *General government debt increases<sup>10</sup>*

During the first quarter, general government debt increased by EUR 5.8 million. Following the adoption of the euro, Maltese euro coins issued are recorded as a currency liability pertaining to the central government, thus increasing the size of government debt. The resultant increase of EUR 23.3 million was, however, partly offset by a reduction in the value of short-term debt securities in issue and by loan repayments.

As a result, general government debt at the end of March amounted to EUR 3,374.0 million, up from EUR 3,277.4 million a year earlier (see Table 4.10). New debt took the form of long-term securities issued in the second half of 2007 as the Government's debt policy continued to be aimed at reducing its reliance on short-term borrowing. As result, during the year to March long-term debt securities in issue increased by EUR 135.4 million, while the amount of short-term

<sup>9</sup> This partly reflects earlier payments compared to a year ago.

<sup>10</sup> Excludes general government debt held by extra-budgetary units, local government and the Sinking Fund.

**Table 4.10**  
**GENERAL GOVERNMENT DEBT**

EUR millions

	2007				2008
	Q1	Q2	Q3	Q4	Q1
<b>General government debt<sup>(1)</sup></b>	<b>3,277.4</b>	<b>3,411.3</b>	<b>3,324.6</b>	<b>3,368.1</b>	<b>3,374.0</b>
Currency & deposits <sup>(2)</sup>	-	-	-	-	23.3
Securities	3,017.9	3,152.3	3,063.5	3,108.3	3,093.9
Short-term	399.9	457.0	368.2	354.9	340.6
Long-term	2,618.0	2,695.3	2,695.3	2,753.3	2,753.4
Loans	259.5	259.0	261.1	259.9	256.8
Short-term	25.0	25.1	27.0	25.0	23.0
Long-term	234.5	233.9	234.1	234.9	233.8

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

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

Source: NSO.

securities (or Treasury bills) in issue decreased by EUR 59.3 million. Consequently, at the end of the first quarter of 2008 the share of short-term securities in the total debt outstanding stood at 10.1%, as against 12.2 % a year earlier. Meanwhile, long-term securities accounted for 81.6% of the debt, 1.7 percentage points more than in the previous year. During the period under review, the drop in loans outstanding from EUR 259.5 million at end-March 2007 to EUR 256.8 million a year later reflected, solely, repayments due. Loans accounted for 7.6% of general government debt at the end of first three months of 2008, with coins issued accounting for the remainder.

### Monetary and financial developments

Entry into the euro area brought about significant changes to Malta's monetary aggregates, which, as from January 2008, reflect the contribution of resident MFIs to the euro area monetary aggregates.<sup>11</sup> Consequently, a direct comparison between data referring to the first quarter of 2008 and the last three months of 2007 is only possible for selected variables.

On 1 January 2008, Malta adopted the euro as its national currency and the Central Bank of Malta ceased to be directly responsible for monetary policy. Ahead of euro adoption, on 28 December 2007, the Bank's central intervention rate was lowered to 4.0%, aligning it to the minimum bid rate on the ECB's main refinancing operations. Consequently, during the first quarter of 2008 domestic money market yields declined. In the capital market, yields on both 5-year and 10-year government securities dropped, reflecting lower bond yields in the euro area, while equity prices fell.

#### *Residents' deposits grow strongly*

The euro changeover had major implications for the compilation of data on currency in circulation, which are now no longer comparable with the earlier data. In addition, the Maltese contribution to euro area monetary aggregates includes deposit liabilities both to residents of Malta and to other euro area residents, whereas domestic monetary aggregates covering the period until the end of 2007 only included residents' deposits. Hence, the Maltese contribution to euro area broad money (M3) in the first quarter of 2008 exceeds the former Maltese broad money measure.

<sup>11</sup> For additional information on the presentation of Maltese monetary statistics following the adoption of the euro see Bull, P. (2008), "Presentation of statistics relating to Malta following adoption of the euro", *Central Bank of Malta Quarterly Review*, 2008:1, pp 49-53.

**Table 4.11**  
**RESIDENT DEPOSITS**

EUR millions, percentage changes on the previous quarter

	2008		2007				2008
	March	Q1	Q2	Q3	Q4	Q1	
Overnight deposits	3,103.7	-0.5	3.2	3.7	4.9	-0.1	
Deposits redeemable at notice up to 3 months	112.8	-3.8	18.4	9.3	18.0	7.1	
Deposits with agreed maturity up to 2 years	4,613.1	6.6	4.9	9.6	3.7	3.2	

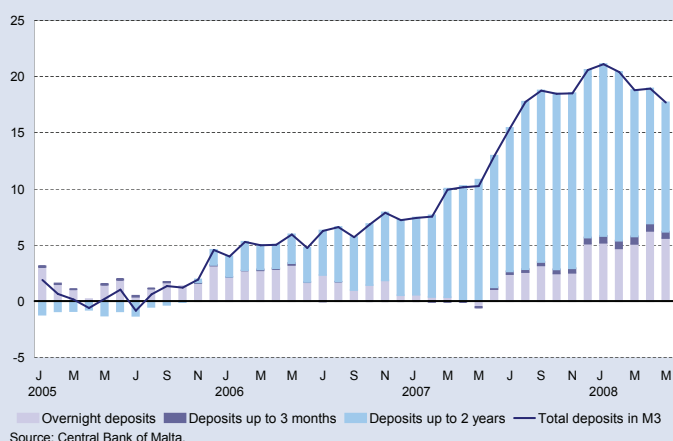
Source: Central Bank of Malta.

The Maltese contribution to euro area M3 stood at EUR 8,686.3 million in March 2008, with the narrow money component amounting to EUR 3,783.5 million. The remainder of this section will focus on developments in residents' deposits only, where the euro changeover had no impact on definitions.

Monetary expansion during the March quarter stemmed mainly from growth in deposits with an agreed maturity of up to two years. The latter rose by 3.2%, driven primarily by an increase in deposits belonging to households and private non-financial companies (see Table 4.11).<sup>12</sup> To some extent, deposit growth was augmented by the launch of a new product by a domestic bank and was also favoured by the absence of Malta Government Stock (MGS) issues on the primary market. In fact, growth in deposits with an agreed maturity of up to two years moderated when compared to the previous quarter, after having accelerated in 2007 partly because of the conversion of currency holdings ahead of euro adoption. In addition, a reduction in deposit interest rates to reflect the drop in official rates following the Central Bank of Malta's decision to align the central intervention rate with the minimum bid rate of the ECB could also have dampened deposit expansion. At the same time, despite increasing moderately in absolute terms, growth in deposits redeemable at up to three months' notice also decelerated compared with the previous three quarters, while growth in overnight deposits turned slightly negative.<sup>13</sup>

Year-on-year growth in residents' deposits, excluding those deposits with agreed terms to maturity exceeding two years, had been on an increasing trend since mid-2005. This was driven primarily by growth in short-term deposits, i.e. those with an agreed maturity of up to two years (see Chart 4.13). This acceleration now appears to have levelled off. Thus in March the annual rate of growth of residents' deposits stood at 18.8%, 1.8 percentage points below the end-December level. Deposits with an agreed maturity

**Chart 4.13**  
**CONTRIBUTIONS TO ANNUAL GROWTH IN RESIDENT DEPOSITS**  
(percentage points)

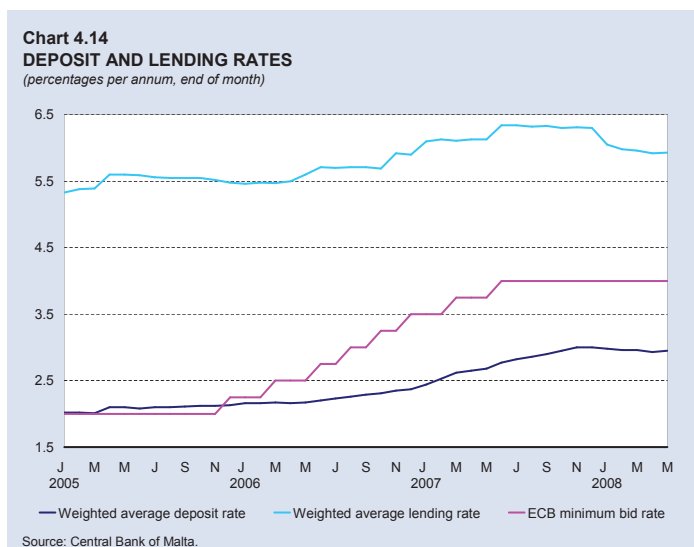


<sup>12</sup> In percentage terms, deposits redeemable at notice up to 3 months grew at a much faster pace, as the Table shows, but the increase in such deposits in absolute terms was much smaller.

<sup>13</sup> Overnight deposits are deposits withdrawable on demand.

of up to two years accounted for 69% of the overall increase in the year to March, down from 73% three months earlier. In contrast, the contribution of growth in overnight deposits to total deposit growth rose by 2 percentage points to 27% in March.

In response to the December cut in official rates, weighted average deposit and lending rates both declined during the March quarter. The weighted average rate on residents' deposits eased only marginally, by just 4 basis points to 2.96%, as lower rates were applied only to new deposits (see Chart 4.14). The average interest rate on both savings and time deposits declined, ending March at 1.67% and 3.92%, respectively. In contrast, the average interest rate on demand deposits rose to 0.83% during the quarter. At the same time, the weighted average rate on loans to residents fell by 34 basis points, ending March at 5.96%.



Going into the second quarter of 2008, the annual rate of growth of total deposits fell to 17.7% in May. At the same time, while the contribution of deposits with an agreed maturity of up to two years to total deposit growth declined to 65%, that of overnight deposits rose to 32%. Additionally, the weighted average interest rates on residents' deposits and loans both declined marginally, reaching 2.95% and 5.93%, respectively.

### Credit expands at a slower pace

Prior to euro adoption the analysis of the counterparts to monetary growth focused on developments in domestic credit and the net foreign assets of the banking system. Following the adoption of the euro the credit aggregate also includes credit extended to euro area residents. As at the end of March 2008, credit to euro area residents amounted to EUR 2,443.5 million, and accounted for 23.3% of the overall credit counterpart. Moreover, data on net foreign assets, particularly on the external reserves, have undergone significant changes since euro adoption. Therefore, this analysis focuses on developments in credit to residents of Malta, where the changeover had no impact on the statistics.

**Table 4.12**  
**CREDIT TO RESIDENTS**

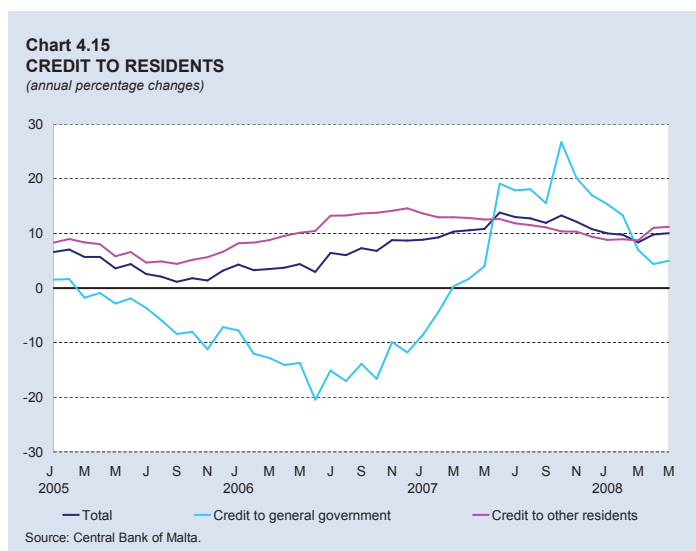
EUR millions, percentage changes on the previous quarter

	2008		2007				2008 <sup>(1)</sup>
	March	Q1	Q2	Q3	Q4	Q1	
<b>Total credit</b>	<b>8,023.1</b>	<b>3.5</b>	<b>3.0</b>	<b>1.1</b>	<b>2.8</b>	<b>1.2</b>	
Credit to general government	1,491.6	7.0	7.5	-1.6	3.3	-2.2	
Credit to other residents	6,531.6	2.7	1.9	1.7	2.7	2.1	

<sup>(1)</sup> Figures for 2008 show the contribution of Maltese MFIs to the euro area totals. Data only include credit to residents of Malta.  
Source: Central Bank of Malta.



During the first quarter of 2008, credit to residents continued to expand, albeit at a slower pace, growing by 1.2% as opposed to 2.8% in the December quarter (see Table 4.12). Growth stemmed entirely from a rise in credit to other residents, which outweighed a drop in credit to general government. The year-on-year rate of credit growth also decelerated, falling to 8.4% from 10.8% at end-December (see Chart 4.15).



After having expanded by 3.3% during the December quarter, credit to general government contracted by 2.2% during the first three months of 2008. This drop reflected a decline in the banking system's Treasury bill portfolio, which exceeded a rise in its holdings of MGS, as well as a contraction in loans to government. This contraction in gross credit to general government may be associated with a drop in government deposits with the banking system, as the government ran down its holdings to finance its operations.<sup>14</sup>

Credit to other residents expanded less rapidly during the March quarter, rising by 2.1%, as against the 2.7% increase registered in the previous quarter. The slowdown took place despite the addition of half-yearly accrued interest to borrowers' loan accounts in March. Credit to other residents mainly consists of loans taken up by the non-bank private sector (see Table 4.13). Loans to the latter grew by 2.2%, fuelled mainly by lending to households, mostly for house purchases, and to the real estate, renting & business activities sector. Lending to the construction and to the wholesale & retail trade sectors also increased significantly, outweighing decreases in borrowing by the tourism industry and the electricity, gas & water supply sector.

On a year-on-year basis, growth in credit to other residents also slowed down during the quarter reviewed, decelerating to 8.7% in March from 9.4% three months earlier, reflecting less rapid growth in lending to the private sector. Although it remains vigorous, the annual growth rate of loans to the private sector declined during the quarter, falling to 9.2% in March from 10.1% in December (see Chart 4.16). Growth in residential mortgages remains dominant, even though its contribution to overall private sector loan growth fell to 43.0% in March from 45.0% in December. At the same time, while the contribution of real estate to the annual growth in credit to the private sector rose by 3 percentage points to 21.0% in March, that of construction remained unchanged at 17.0%. As a result, the link between bank lending and the domestic property market became more pronounced. Indeed, while loans to households continue to dominate bank lending to the private sector, these, together with loans to the real estate sector and to the construction industry, make up almost two-thirds of total private sector borrowing.

The results of the Bank Lending Survey conducted in April 2008 indicate that credit standards in

<sup>14</sup> Until December 2007, this analysis was based on developments in net claims on government, which was defined as gross claims on government less government deposits with the banking system. Following the adoption of the euro, the analysis will focus on gross claims on government, as government deposits are now being identified with the other net counterparts of the Maltese contribution to euro area M3.

**Table 4.13**  
**CREDIT TO OTHER RESIDENTS<sup>(1)</sup>**

EUR millions

	2007	2008	Change	
	Dec.	Mar.	Amount	%
<b>Total credit</b>	<b>6,402.9</b>	<b>6,535.7</b>	<b>132.8</b>	<b>2.1</b>
Credit to the non-bank private sector	6,052.9	6,183.3	130.5	2.2
of which loans	5,918.6	6,048.5	129.9	2.2
Credit to the non-bank public sector	350.0	352.4	2.3	0.7
of which loans	294.9	298.1	3.2	1.1
<b>Total loans</b>	<b>6213.5</b>	<b>6,346.6</b>	<b>133.1</b>	<b>2.1</b>
Electricity, gas & water supply	196.6	184.8	-11.9	-6.0
Transport, storage & communication	322.6	335.3	12.7	3.9
Agriculture & fishing	22.4	22.0	-0.4	-1.7
Manufacturing	299.8	309.4	9.6	3.2
Construction	677.3	699.2	21.9	3.2
Hotels & restaurants	474.3	464.0	-10.3	-2.2
Wholesale & retail trade; repairs	732.3	747.4	15.0	2.1
Real estate, renting & business activities	725.1	774.5	49.4	6.8
Households & individuals	2584.1	2,637.8	53.7	2.1
Other <sup>(2)</sup>	179.0	172.4	-6.6	-3.7

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

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

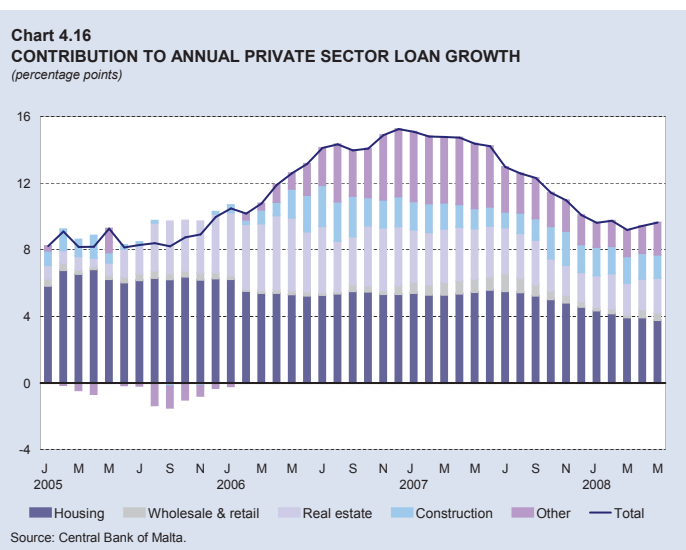
Source: Central Bank of Malta.

respect of lending to enterprises and households remained unchanged during the first quarter of 2008.<sup>15</sup> At the same time, the demand for loans showed signs of slowing down, possibly on account of the normal wait-and-see attitude adopted by investors ahead of general elections. Banks said credit standards would remain unchanged in the June quarter, while they anticipated a slight pick-up in the overall demand for credit.

In fact, going into the second quarter of 2008, credit to residents did pick up, with the annual growth rate rising to 10.0% in May. Whereas the annual growth rate of credit to general government slowed down further, to 5.0%, that of credit to other residents rose to 11.2%.

#### Money market rates decline

During the first quarter of 2008, the Governing Council of the ECB left the minimum bid rate on the main refinancing operations



<sup>15</sup> The Bank Lending Survey gauges credit demand and supply conditions. The Central Bank of Malta began to survey a sample of Maltese banks in 2004. From January 2008 the Bank Lending Survey is being carried out as part of a quarterly exercise across the euro area.



unchanged at 4.00%. At the same time, as discussed in Chapter 3, the three-month euro interbank offered rate (EURIBOR) increased slightly to end March at 4.73% (see Chart 4.17).

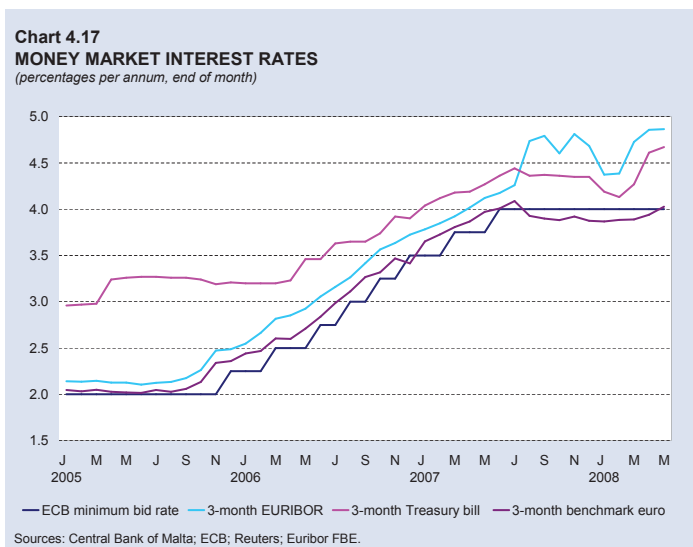
Following the cut in the Central Bank of Malta's central intervention rate from 4.25% to 4.00% at the end of December 2007, the yield on three-month Treasury bills declined, falling from 4.35% in December to 4.13% in February.<sup>16</sup> In March, however, the three-month

Treasury bill yield rose, as the amount issued increased and as the three-month EURIBOR, which represents an alternative portfolio investment opportunity for domestic banks, went up. It ended the quarter at 4.27%. Primary Treasury bill market activity eased in January 2008 but picked up later. Over the quarter as a whole, the Treasury issued EUR 164.7 million worth of bills, as opposed to EUR 243.3 million in the December quarter. One-month, three-month and six-month bills each accounted for roughly one-third of the total issued. Banks bought slightly more than one-half of the bills issued, while another 30% was taken up by insurance companies.

In the secondary Treasury bill market, turnover decreased marginally, falling from EUR 24.9 million in the last quarter of 2007 to EUR 24.6 million in the quarter under review. Almost all transactions involved the Bank, with the latter's purchases and sales equalling EUR 20.0 million and EUR 4.6 million, respectively. In line with developments in the primary market, secondary market yields also fell, with the yield on the three-month bill declining to 4.27% in March from 4.35% three months earlier.

During the first quarter of 2008, yields on three-month euro area government securities were broadly stable. Therefore, as a result of the movements in domestic yields, the differential between the latter and the corresponding euro area yields narrowed initially before widening again later. It ended March at 38 basis points, ten basis points below its level three months earlier (see Chart 4.17).<sup>17,18</sup>

Going into the second quarter of 2008, primary and secondary market three-month Treasury bill yields both increased by 40 basis points over the end-March level, reflecting a greater supply of bills on the primary market and the further rise in the three-month EURIBOR. Thus, by the end of May they had reached 4.67%. At the same time, rates on three-month euro area government securities also rose, though to a lesser extent, ending May at 4.04%. As a result, the short-term differential between local and euro area yields widened to 63 basis points.



<sup>16</sup> Since no primary market transactions took place in December, the end-year yield was that in effect at the end of November.

<sup>17</sup> The Chart shows the secondary market rate on three-month securities issued by the French government, which are often taken as benchmarks for the euro area.

<sup>18</sup> Up to March 2007 secondary market yields were calculated on the basis of remaining days to maturity divided by 365, while from April 2007 yields are being calculated on the basis of remaining days to maturity divided by 360.

### Bond yields and equity prices fall

There was no activity in the Maltese primary bond market during the first quarter of 2008.

Turnover in the secondary market for government bonds during the March quarter increased to EUR 52.9 million, from EUR 50.2 million in the preceding quarter. The Central Bank of Malta, acting as market-maker, accounted for more than two-thirds of the value traded. Trading was almost equally split between short-term and medium-term bonds.

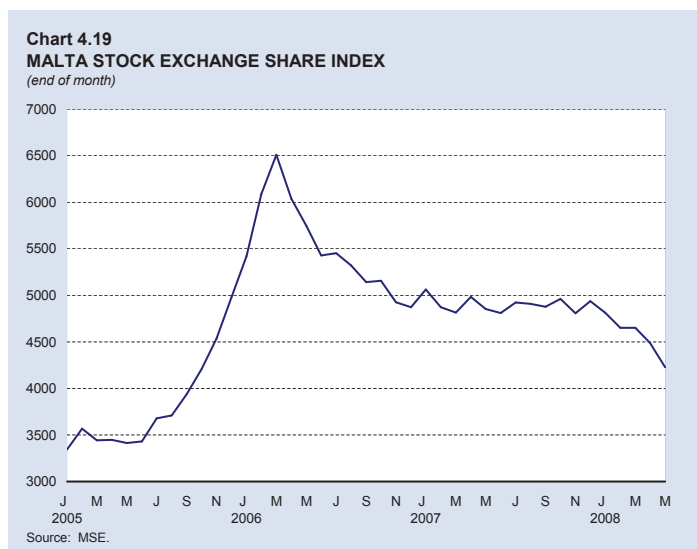
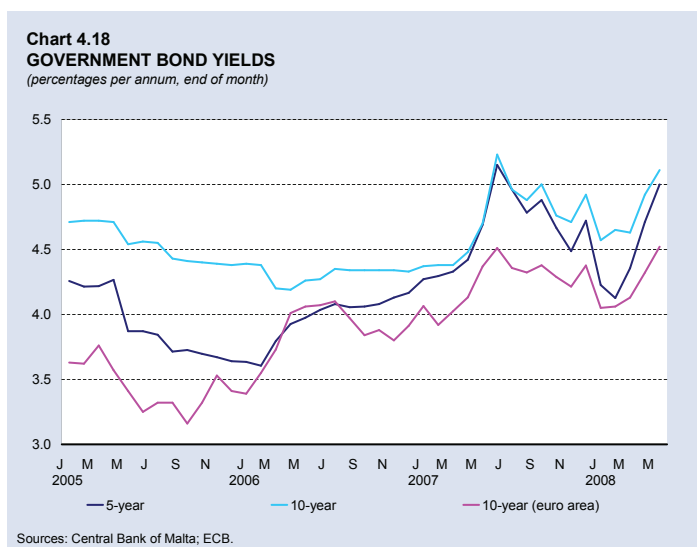
Mirroring a decline in government bond yields in the euro area, those on both 5-year and 10-year domestic government securities fell by 36 basis points and 29 basis points, respectively, ending March at 4.36% and 4.63% (see Chart 4.18).<sup>19</sup> The spread between domestic and euro area 10-year government bond yields thus narrowed slightly to 50 basis points.

Activity in the secondary market for corporate bonds more than doubled, with turnover rising to EUR 8.5 million from EUR 3.4 million in the December quarter. Trading was mostly concentrated in four securities, in particular one issued by a local bank. Mirroring the increased demand for corporate bonds, corporate bond yields, on average, declined during the quarter.

During the same period, trading in the equity market increased by EUR 2.9 million when compared to the previous quarter, reaching EUR 20.9 million. Bank shares accounted for almost three-fourths of the total turnover.

Equity prices generally declined, reflecting the impact of a bonus issue by a bank. As a result, the MSE share index dropped by 5.8%, ending the quarter at 4,650 (see Chart 4.19).

Going into the second quarter of 2008, yields on 5-year and 10-year government bonds halted their downward trend, rising to 5.00% and 5.11%, respectively, in May. At the same time the MSE share index fell by a further 9.1% from the end-March level.



<sup>19</sup> Until November 2006 ECB data on euro area bond yields were compiled on the basis of national government bond yields weighted by the nominal outstanding amounts. From December 2006 onwards euro area yields are computed on the basis of AAA-rated euro area central government bonds.

## BOX 4: ECONOMIC PROJECTIONS FOR 2008 AND 2009

### Outlook for the Maltese economy<sup>1</sup>

After peaking in 2007, GDP growth is projected to slow down markedly in 2008 on account of weaker domestic demand and a smaller build-up of inventories. GDP growth is projected at 2.5%, which is around 1.3 percentage points lower than in 2007, and is projected to recover slightly to 2.6% in 2009.

Growth during the forecast horizon is expected to be mostly underpinned by domestic demand, particularly private consumption. Growth in this component is projected to slow down from 2.8% in 2007 to 1.5% in 2008, in line with a sharp deceleration in real disposable income, which is in turn the result of higher inflation. Indeed, in nominal terms, growth in disposable income in 2008 is projected at the same rate as in 2007, as the reduction in personal income tax rates and the increase in family allowances, coupled with a pick-up in wage growth, are expected to compensate for slower growth in employment. By contrast, growth in government consumption is forecast to accelerate to 1.1%.

The projected recovery in investment from 0.3% in 2007 to 2.6% in 2008 is expected to be entirely driven by the private sector and to be underpinned by higher outlays on machinery and equipment. Meanwhile, investment in construction is expected to slow down from the exceptionally high level recorded in the previous year, in line with the anticipated slowdown in the housing market. At the same time, public sector capital outlays are projected to decline in real terms, mostly as a result of the completion of the new hospital in 2007.

The contribution of net exports to growth is anticipated to remain relatively stable, as the impact of a downturn in economic activity in Malta's trading partners is offset by generally favourable conditions for export growth in business services. Thus, the impact of weaker external demand is likely to affect mostly the manufacturing sector where turnover is expected to decline, especially in the electronics sub-sector. In contrast, the ongoing expansion of new business services is expected to contribute positively to export growth, offsetting the negative impact of global economic conditions on the more traditional export-oriented sectors. At the same time, tourism activity is also expected to expand, although growth will be more moderate than in the previous year when the industry benefited from the expansion of flight capacity by low cost airlines. Given the import content of exports and the anticipated recovery in investment in machinery and equipment, imports are forecast to grow by 0.4% in 2008 after declining in 2007. Nevertheless, on account of the anticipated increases in international commodity prices, the terms of trade are projected to deteriorate, giving rise to a higher deficit in the goods and services account of the balance of payments, to 2.7% of GDP compared with 2.0% in the previous year.

In 2009 GDP growth is expected to accelerate marginally to 2.6% as domestic demand strengthens moderately and external demand remains stable. Growth in private consumption is projected to recover slightly, to 1.7%, largely underpinned by an improvement in growth in real disposable income while government consumption is forecast to pick up further, rising by 1.9%. In contrast, growth in investment is projected to slow down to 2.2%, as activity in the

<sup>1</sup> The Bank's outlook for the Maltese economy in 2008 and 2009 is based on information available up to 14 May 2008, and is conditional on certain technical assumptions which are indicated in Table 1.

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

	2007	2008 <sup>(1)</sup>	2009 <sup>(1)</sup>
<b>Real Economic Activity (% change)</b>			
GDP	3.8	2.5	2.6
Private consumption expenditure	2.8	1.5	1.7
Government consumption expenditure	0.6	1.1	1.9
Gross fixed capital formation	0.3	2.6	2.2
Inventories (% of GDP)	2.1	2.1	2.1
Exports of goods & services	-0.6	1.1	1.9
Imports of goods & services	-1.3	0.4	1.2
<b>Contribution to Real GDP Growth (in GDP pts)</b>			
Domestic demand	2.0	1.6	1.9
Net exports	0.6	0.6	0.6
Inventories	1.2	0.2	0.1
<b>Balance of Payments (% of GDP)</b>			
Goods and services balance	-2.0	-2.7	-2.9
Current account balance	-5.6	-6.2	-6.3
<b>Labour Market (% change)</b>			
Total employment	2.7	1.1	1.3
Unemployment rate (% of labour supply)	6.6	6.8	6.7
<b>Prices and Costs (% change)</b>			
Overall HICP	0.7	4.0	2.7
HICP excluding energy	1.1	3.7	2.7
Retail price index	1.3	3.8	2.2
Compensation per employee	1.5	2.5	2.4
Unit labour cost	0.4	0.9	1.4
<b>Public Finances (% of GDP)</b>			
General government balance	-1.8	-1.6	-0.7
Government debt	62.6	61.6	59.8
<b>Technical Assumptions</b>			
EUR/US\$ exchange rate	1.370	1.536	1.545
Oil price (US\$ per barrel)	72.7	113.3	117.7
10-year euro area bond yield	4.33	4.35	4.55

<sup>(1)</sup> Central Bank of Malta projections.

construction industry is adversely affected by continued weakness in the housing market and the higher cost of borrowing. Export growth is expected to accelerate in 2009, mainly reflecting an improvement in global economic conditions. Consequently, imports should also grow at a faster pace as the terms of trade remain unfavourable in the wake of still high prices for international commodities. However, the gap in export/import prices is expected to narrow somewhat as growth in international commodity prices slows down. Thus, the deficit in the goods and services balance and on the current account is expected to be slightly higher in 2009 than in 2008.

As regards labour market developments, employment growth in 2008 is projected to slow down to 1.1%, from the exceptionally high level of 2.7% recorded in 2007. Thus, the unemployment rate is expected to rise, albeit marginally, as a consequence of slower economic growth. In 2009 employment growth is expected to pick up to 1.3%, with unemployment easing slightly to 6.7% as a result of the expected mild recovery in economic activity. Meanwhile, the rate of increase of compensation per employee in 2008 is expected to recover to 2.5%, following the moderate increase recorded in 2007. In 2009, growth in compensation per employee is projected to ease marginally to 2.4%.

Despite the slower rate of economic growth, HICP inflation in 2008 is forecast to accelerate to 4% from the exceptionally low rate of 0.7% recorded in 2007. Surging energy and food prices are the main factors contributing to the increase. Higher food prices are also expected to have a strong impact on restaurant services, which have a significant weight in the HICP. Inflation in non-energy industrial goods is also expected to accelerate in 2008, mainly on account of higher prices for clothing and footwear.

In 2009 inflation is projected to ease to 2.7% as price pressures emanating from higher international food and energy prices are assumed to ease. Nevertheless, the inflation rate of specific sub-components of the index, in particular food, energy and services, is expected to remain well above 3% during 2009. The inflation rate of the non-energy industrial goods category, however, which accounts for just over 30% of the HICP, is expected to ease to around 1%.

### **Risks to the projections**

Given the turmoil in international financial markets and its negative impact on Malta's major trading partners, the current projections are subject to an unusually high degree of uncertainty. Thus, a more severe downturn in the United States and a further weakening of the US currency against the euro may pose downside risks to growth in Malta's exports of manufactured goods, particularly electronic components. These risks, however, may be offset by positive developments in the new export-oriented services' sector, such as IT- and business-related operations, which cater for a wider range of overseas markets. These are expected to continue to expand despite weakening demand conditions in Malta's major trading partners. Furthermore, the projected slowdown in household real disposable income could have a smaller impact on private consumption if the savings rate of domestic households declines.

The risks for the inflation projections for 2008 are balanced, although an unexpected surge in energy and non-energy commodity prices would exert further upward price pressures in the second half of the year. In 2009 some upside risks to inflation could materialise as both energy and non-energy commodity prices could be susceptible to unexpected increases in the light of continuing geopolitical uncertainty. Other upside risks stem from higher-than-expected wage growth that may arise as a result of the ongoing economic transformation towards higher value-added services.

## BOX 5: LABOUR UTILISATION AND ECONOMIC CONVERGENCE<sup>1</sup>

Eurostat data indicate that in 2006 Malta's per capita GDP at purchasing power standards stood at 77% of the EU-27 average. Malta's income gap can be traced to two factors: deficiencies in labour productivity and low labour utilisation when compared to the EU average. Equation 1 presents the standard accounting framework used to assess the relative importance of each factor.<sup>2</sup> A country's GDP per capita at PPS is expressed as the product of labour productivity and labour utilisation.

$$y = LP \times LU \quad [1]$$

where  $y$  is output per capita  
LP is labour productivity  
LU is labour utilisation

Labour productivity is measured as the total output in an economy per effective hour worked.<sup>3</sup> In turn, this depends on the amount of physical and human capital per worker as well as the current state of technology.<sup>4</sup> On the other hand, the degree of labour utilisation in an economy depends on the country's employment rate, average weekly working hours and the share of the population within the working age bracket, as shown in equation 2.<sup>5</sup>

$$LU = E \times H \times S \quad [2]$$

where  $E$  is the employment rate calculated by dividing the number of persons aged 15 to 64 in employment (EMP) by the total population in the same age group (WAP)  
 $H$  is the average weekly hours worked  
 $S$  is the share of the population (POP) within the 15-64 age bracket<sup>6</sup>

Equation 3, in turn, shows how the employment rate can be decomposed into its determinants.

$$E = A \times (1 - U) \quad [3]$$

where  $A$  is the activity rate, calculated by dividing the number of persons in employment or actively looking for a job by the total population in the 15-64 age bracket  
 $U$  is the unemployment rate calculated by dividing the number of people actively seeking a job (UNEMP) by the labour force (which consists of persons in employment and those actively looking for a job)<sup>7</sup>

Equations 2 and 3 show how the volume of labour input in an economy is positively related to the activity rate, the average weekly hours of work and the share of the population within the working

<sup>1</sup> This note was prepared by Mr Malcolm Bray, Senior Economist, Economic Analysis Office. Views expressed are those of the author and not necessarily those of the Central Bank of Malta.

<sup>2</sup> See, for example, European Commission (2007), "Labour Market and Wage Developments in 2006", *European Economy*, No. 4. 2007.

<sup>3</sup> As a proxy one can use GDP divided by estimated labour hours.

<sup>4</sup> An analysis of the determinants of labour productivity would require the specification of a production function. This, however, lies beyond the scope of this article and may be the subject of future research.

<sup>5</sup> In its simplest form labour utilisation can be proxied by the ratio of labour hours worked to population (LABHRS/POP).

<sup>6</sup> Effectively this means  $LU = (LABHRS/POP) = (EMP/WAP) \times H \times (WAP/POP)$ .

<sup>7</sup> Taking  $EMP/WAP$  and adding and subtracting  $UNEMP/WAP$  yields  $[(EMP+UNEMP-UNEMP)/WAP] = [A - (UNEMP/WAP)]$ . Multiplying and dividing the second term by  $(EMP+UNEMP)$  and rearranging yields  $\{A - [(UNEMP/(EMP+UNEMP)) \times ((EMP+UNEMP)/WAP)]\}$ , which simplifies to  $[A - (U \times A)] = A(1-U)$ .

**Table 1**  
**A DECOMPOSITION OF MALTA'S INCOME GAP**

Ratio: MALTA / EU - 27<sup>(1)</sup>

1	Employment rate	0.85
2	Average weekly hours of work	1.03
3	Share of working-age population	1.01
4 = 1 * 2 * 3	<b>Relative labour utilisation</b>	<b>0.89</b>
5	<b>Relative labour productivity</b>	<b>0.87</b>
6 = 4 * 5	<b>GDP per capita at PPS</b>	<b>0.77</b>

<sup>(1)</sup> Note: A ratio higher than 1 indicates that the ratio in Malta is higher than the corresponding ratio in the EU.

Source: Eurostat

age bracket. It is negatively related to the unemployment rate. These elements are influenced by economic incentives, demographic factors and legislation. In particular, economic incentives influence people's work-versus-leisure choices, i.e. whether to join the labour market or not, and how much effort to exert in terms of hours of work. Demographic factors, in turn, influence the age composition of the economy, determining the relative balance between young, working age and old age cohorts. Finally, legislation sets certain parameters, such as the minimum retirement age, vacation and sick leave entitlements and how easy it is to hire and fire workers.

As can be seen from Table 1, the gap in the standard of living between Malta and the EU is attributable to both lower productivity and lower labour utilisation. In the first case this is the result of either a lower capital stock or an inferior level of technology or both. On the other hand, the shortfall in labour utilisation is entirely attributable to a low employment rate, as the average working week in Malta is longer than the average in the EU, while the share of the working age population in the total population is virtually identical.

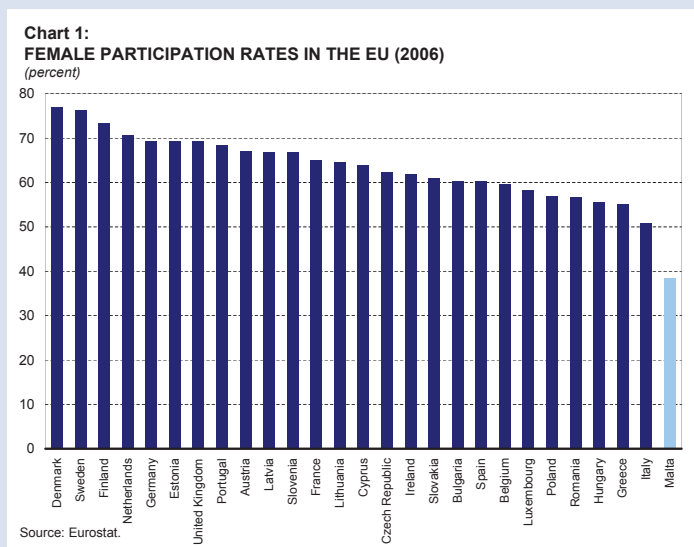
As can be seen from Table 2, the low employment rate in Malta is the result of a low female activity rate. At just over 38%, this is significantly below the average of the EU, which stands at

<b>Table 2</b> <b>LABOUR MARKET INDICATORS (2006)</b>		<b>MALTA</b>	<b>EU - 27</b>
1	Employment [15 - 64] (000s)	152	210,815
2	Unemployment [15 - 64] (000s)	12	18,997
3 = 1 + 2	Labour force [15 - 64] (000s)	163	229,812
4	Working-age population [15-64] (000s)	276	327,078
5	Total population (000s)	405	485,371
6	Average weekly hours of work in main job (hrs)	38.6	37.5
7 = 4 / 5 * 100	Share of working-age population (%)	68.2	67.4
8 = 1 / 4 * 100	Employment rate (%)	54.8	64.5
9 = 2 / 3 * 100	Unemployment rate (%)	7.3	8.2
10 = 3 / 4 * 100	Activity rate (%)	59.1	70.3
	Male	79.7	77.6
	15 - 24 age bracket	57.3	47.4
	25 - 54 age bracket	94.1	92.0
	55 - 64 age bracket	51.6	56.3
	Female	38.3	63.0
	15 - 24 age bracket	49.1	40.6
	25 - 54 age bracket	41.2	76.5
	55 - 64 age bracket	11.7	37.2

Source: Eurostat.



63%. In fact, as Chart 1 shows, Malta's female participation rate is the lowest in the EU, with the Scandinavian countries at the other extreme surpassing 70%. In particular, gaps exist in the 25-54 and the 55-64 age brackets, since for those in the 15-24 bracket activity rates are actually higher than the EU average. However, even this relatively high participation rate in this young age bracket may not be a positive development. It may indicate that early entrants into the labour market are spending fewer years in formal education and thus the country is not building adequate human capital resources. This will ultimately undermine their future productivity. As regards male activity rates, these are slightly above those in the EU, again mainly because of the relatively higher participation rate of younger workers. On the other hand, the unemployment rate in Malta is below the average of the EU, although to a certain extent this may be conditioned by the lower activity rate in the country.



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Neo-classical growth theory suggests that poorer countries' standards of living may converge to those of richer economies.<sup>8</sup> However, this process is not automatic and may also be lengthy. This justifies the active use of growth-oriented policies. As the previous analysis has shown, measures aimed at raising Malta's female participation rate are strongly desirable to bridge the income divide that still exists, as this is the area in which Malta lags furthest behind.<sup>9</sup> In this respect it is also worth noting that the Lisbon employment targets call for a 60% female employment rate in EU Member States by 2010. Should Malta reach this target, then, *ceteris paribus*, this would practically eliminate the gap in employment rates and, hence, in labour utilisation rates. This would leave differences in labour productivity as the only source of any income divide between Malta and the EU average.<sup>10</sup>

Policies aimed at boosting female labour participation rates can be sub-divided into two categories: those aimed at making it easier for women to combine family with working life, such as the provision of child care centres; and those increasing the attractiveness for women of returning or remaining in the labour market, such as tax incentives. Some measures have already been introduced in this respect. If successful, these should boost Malta's supply capabilities, enabling the country to converge at a faster pace to the higher EU average standard of living. Although simply raising the female participation rate will not guarantee permanently higher economic growth, at least it will contribute to an upward shift in Malta's potential output. This can be easier and quicker to achieve than raising the country's growth rate permanently through ongoing productivity gains.

<sup>8</sup> The law of diminishing marginal productivity suggests that additions to capital in less-capital intensive countries yields higher growth than in those countries that are already endowed with a higher capital stock, thus contributing to convergence in living standards. For a textbook treatment of the extensive growth literature refer to Aghion, P. and Howitt P., (1997) *Endogenous Growth Theory* and Barro, R. and Sala-i-Martin, X. (1998) *Economic Growth*.

<sup>9</sup> However, higher female participation may lower the birth rate in a country and thus influence the share of the working age population in the total.

<sup>10</sup> This presumes that additional labour utilisation does not have a negative effect on economy-wide productivity.



## NEWS NOTES

### LOCAL NEWS

#### **Exchange of Maltese currency at the Central Bank of Malta**

From 1 April the exchange of Maltese lira notes and coins for euros started to take place solely at the Central Bank of Malta. All such exchanges are effected at the irrevocably fixed conversion rate of EUR 1 = MTL 0.4293 and without the imposition of any charges. Maltese lira coins will continue to be exchanged until 1 February 2010 while Maltese lira banknotes can be exchanged until 31 January 2018.

#### **Open Day at the Central Bank of Malta**

On Sunday 1 June, to celebrate the 40<sup>th</sup> Anniversary of the establishment of the Central Bank of Malta and the 10<sup>th</sup> Anniversary of the European System of Central Banks and the European Central Bank, the Bank opened its premises to the public. Information on the Bank's history and the structure and workings of the Eurosystem were displayed on panels together with the Bank's collection of numismatic coins and items of equipment used by the Bank in its operations over the years. To coincide with this event the Bank also launched a publication on the history of its main building.

#### **International bank signs syndicated loan facility**

On 6 June, Credit Europe Bank NV, a Dutch bank which has a branch in Malta, signed a syndicated loan facility with a consortium of international banks. The facility is to be used to finance Credit Europe Bank's international trade-related activities through its Malta branch.

### **Capital market developments**

#### *Listing of a new company*

On 16 May, RS2 Software p.l.c., a German-owned, Malta-based IT company that services banks, financial institutions and service providers operating in the card payments industry, launched an Initial Public Offer (IPO) consisting of a combined offering of 12,500,000 ordinary shares with a nominal value of EUR 0.20 each at a share price of EUR 0.80 per share. Following the IPO, the company's share capital increased to 37,500,000 ordinary shares, with 33.3% of this being held by the general public and 66.7% being retained by the existing majority shareholder.

#### *Company issues bonds*

On 27 June, United Finance p.l.c. announced the issue of EUR 10,000,000 6.75% bonds 2014-2016, with a nominal value of EUR 100 per bond, to be issued at par. The proceeds of the bonds were to be used to re-finance maturing bonds, to finance the general corporate funding requirements of the company and new investments. The issue was oversubscribed and the company exercised an overallotment option to issue an additional EUR 2,000,000.

#### **Government plans to privatise the shipyards company**

On 18 June, the Prime Minister announced in a press conference that the Government would be privatising the shipyards company, Malta Shipyards Ltd. The facilities covered by the privatisation would include some of the shipyard's docks, part of the Marsa dock, the Manoel Island Yacht

Yard and the superyachts repair centre. The part of the shipyards known as Boiler Wharf will be retained by the Government and converted into a berthing spot for cruise liners. The privatisation process will be managed by the Privatisation Unit of the Ministry of Finance, the Economy and Investment.

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

### *Legal Notice 145 of 2008*

This legal notice, issued on 10 June under the Insurance Intermediaries Act, 2006 (Act No. XII of 2006), announced the coming into force on the same date of article 76 (b) (xvii) and paragraph (g) of sub-article (2) in article 76 (c) of the same Act. These provisions amend the definition of “risk situated in Malta” in the Insurance Business Act and provide that the objective of the Act is, in part, to implement EU Directives relating to insurance against civil liability in respect of the use of motor vehicles.

### *Legal Notice 163 of 2008*

This legal notice, issued on 27 June under the Banking Act (Cap. 371), repeals the Interest Rate on Offshore Loans Order, 1980. The repeal of this order ensures consistency in local legislation covering the deregulation of bank interest rates.

## **Issues of Malta Government Stock**

During the second quarter of 2008, the Treasury launched the following securities in the primary market:

On 4 April, EUR 326,700 7% Malta Government Stock 2018, which were allotted to the Ecclesiastical Entities at par in terms of the 1991 Agreement between the Holy See and Malta on the transfer of Church property.

On 13 May, EUR 100,000,000, consisting of 5.1% Malta Government Stock 2014 (III) (Fungibility Issue) or 5% Malta Government Stock 2021 (I) (Fungibility Issue), or of any combination of these two stocks, which in the aggregate totalled EUR 100,000,000.

On 20 June, EUR 6,542,600 7% Malta Government Stock 2018 (III), which was allotted to the Foundation for Church Schools at par in terms of the 1991 Agreement between the Holy See and Malta on the transfer of Church property.

## **Surrender of licences**

On 30 April, the MFSA announced that Sabius SICAV Ltd had surrendered the collective investment scheme licence granted to it in relation to the sub-fund “Sabius Fund”. This surrender was entirely voluntary and did not arise from any regulatory action taken by the MFSA.

On 30 June, the MFSA announced that Finacom Investment House Ltd had surrendered its Category 2 Investment Services Licence issued in terms of the Investment Services Act 1994.

## INTERNATIONAL NEWS

### The G7 Finance Ministers Meeting

The G7 Finance Ministers met in Washington DC before the IMF Spring Meetings, which were held there on 12-13 April 2008. They noted that near-term global economic prospects had deteriorated and approved a plan aimed at easing the continuing crisis in the global credit markets. The plan further calls for the strengthening of authorities' responsiveness to financial risks, and puts in place arrangements to deal with stress in the financial system.

### The IMF Spring Meetings

On 12 April, the International Monetary and Financial Committee (IMFC) of the IMF met in Washington DC. The Committee noted that the challenges facing the world economy required strong action and close cooperation among the membership, particularly in the light of the financial markets' crisis and continuing inflationary risks. The Committee agreed that policymakers should continue to respond to the challenge of dealing with the financial crisis and supporting activity, while making sure that inflation was kept under control. The IMFC also endorsed the agreement by the Executive Board on a new income model which would help place the Fund on a sustainable footing.

The Development Committee met in Washington DC on 13 April. It endorsed the overall World Bank Group objective of contributing to an inclusive and sustainable globalisation but noted that progress on the achievement of the Millennium Development Goals had been uneven across countries. The Committee asked the World Bank Group and the IMF to provide timely policy and financial support to vulnerable countries dealing with negative shocks, including those from energy and food prices. The Committee also expressed strong support for intensified and decisive efforts to agree on the Doha Round.

### The European Council Meeting

On 19-20 June, the European Council met in Brussels. Its conclusions included the following:

- That international financial markets were showing signs of stabilisation, but overall conditions remained fragile.
- That all Millennium Development Goals could still be attained. In this regard it strongly affirmed the EU's commitment to achieve a collective Official Development Assistance target of 0.56% of Gross National Income (GNI) by 2010 and of 0.7% of GNI by 2015.
- That Slovakia had fulfilled all convergence criteria and legal requirements for adopting the euro as its currency from 1 January 2009 and called on the ECOFIN Council to adopt the necessary procedure at its meeting on 8 July.

## ECOFIN Council Meetings – main topics discussed and decisions taken

### 4 April 2008

During an informal meeting the Council discussed a number of key issues with regard to financial supervision including, the full and immediate disclosure of in and off-balance sheet exposures and losses by financial institutions and ways to improve the infrastructure for clearing and settlement for securities transactions. It also confirmed its support for the IMF's proposed reforms on quotas and voice.

### **14 May 2008**

The Council discussed the EU's framework for financial market supervision, particularly the inclusion of a European dimension into the mandates of national supervisory authorities, the improved functioning of EU committees of supervisors and the supervision of EU-wide financial groups by means of "colleges of supervisors". Furthermore it discussed EU arrangements for financial stability, including preparations for an EU-wide crisis management simulation exercise in the spring of 2009 and future work relating to deposit guarantee schemes.

### **3 June 2008**

The Council closed the excessive deficit procedures with regard to the Czech Republic, Italy, Portugal and Slovakia, following the reduction of their government deficits to below 3% of GDP. With respect to Slovakia, closure of the excessive deficit procedure was a necessary precondition for it to adopt the euro as its currency on 1 January 2009.

### **Slovak koruna revalued in ERM II**

On 28 May, at the request of the Slovak authorities, the ministers of the euro area Member States of the European Community, the European Central Bank and the ministers and the central bank governors of ERM II participating countries decided, by mutual agreement, following a common procedure, to revalue the Slovak koruna by 17.6472%. As a result, the new central rate of the Slovak koruna now stands at EUR 1 = 30.1260 koruna.

### **The G-8 Finance Ministers Meeting**

On 14 June, the G-8 Finance Ministers met in Osaka Japan. Their main conclusions included the following:

- They remained positive about the long-term resilience of their countries' economies.
- Financial market conditions had improved somewhat in the previous few months as bold measures by major central banks had supported the better functioning of markets.
- They were fully committed to the implementation of recommendations made by the Financial Stability Forum.
- They expressed strong concerns about the sharp rise in oil prices and its impact on global macroeconomic stability.
- They noted that the recent steep rise in food prices had severely hit many low-income food-importing countries.

### **The EBRD Annual Meeting**

On 18-20 May, the EBRD held its Annual Meeting and Business Forum in Kiev, Ukraine. During the Annual Meeting the following decisions were taken:

- To transfer part of the Bank's profits to its reserves. This puts the Bank in a stronger position to take risks and to deliver the transition impact by investing in the region in which it operates.
- To allocate income to a shareholder fund that would be added to the funds supplied by donors and help the Bank promote initiatives in the poorest countries.
- To review an application by Turkey to become a country of operation of the EBRD.

# STATISTICAL TABLES



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

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

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Euro exchange rates <sup>1</sup> :	EUR 1 = USD 1.5812 EUR 1 = GBP 0.7958
CLIMATE	Average temperature (1990-2007):	Dec. - Feb. 13.3° C June - Aug. 26.1° C
	Average annual rainfall (1990-2007)	478.7 mm
	SELECTED GENERAL ECONOMIC STATISTICS	
	GDP growth at constant 2000 prices <sup>2</sup>	3.5%
	GDP per capita at current market prices <sup>2</sup> (2007)	EUR 13,191
	GDP per capita in PPS relative to the EU-27 average <sup>2</sup> (2007)	77.1%
	Ratio of gross general government debt to GDP <sup>2</sup> (2007)	62.4%
	Ratio of general government deficit to GDP <sup>2</sup> (2007)	1.8%
	RPI inflation rate	1.9%
	HICP inflation rate	1.5%
	Ratio of exports of goods and services to GDP <sup>2</sup>	80.5%
	Ratio of current account deficit to GDP <sup>2</sup>	5.2%
	Employment rate	54.7%
	Unemployment rate	6.0%
POPULATION	Total Maltese and foreigners (2007)	410,290
	Males	204,106
	Females	206,184
	Age composition in % of population (2007)	
	0 - 14	16%
	15 - 64	70%
	65 +	14%
	Average annual growth rate (1990-2007)	0.7%
	Density per km <sup>2</sup> (2007)	1,298
HEALTH	Life expectancy at birth (2006)	
	Males	77
	Females	81
	Crude birth rate, per 1,000 Maltese inhabitants (2007)	9.5
	Crude mortality rate, per 1,000 Maltese inhabitants (2006)	7.9
	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)	91.0
	Private motor vehicle licences per 1,000 population	536
	Internet subscribers per 100 population (end-Dec 2007)	24.5

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

<sup>2</sup> Provisional.

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

The monetary and financial statistics shown in the 'Statistical Tables' annex are compiled from information submitted to the Central Bank of Malta by the following credit institutions, as at March 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  
Turkiye Garanti Bankasi A.S.  
Volksbank Malta Ltd

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

Additional statistics are also provided in electronic format on the website of the Central Bank of Malta at [www.centralbankmalta.org](http://www.centralbankmalta.org).



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## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/liabilities
	Gold	IMF-related assets <sup>2</sup>	Other <sup>3</sup>	Total				
2003	1.2	83.1	2,095.0	2,179.2	73.2	18.1	42.5	2,313.1
2004	1.2	81.8	1,921.5	2,004.6	71.1	49.7	55.2	2,180.6
2005	1.5	87.4	2,061.2	2,150.1	74.6	21.2	62.5	2,308.4
2006	2.7	84.8	2,123.6	2,211.1	70.5	70.5	62.3	2,414.4
<b>2007</b>								
Jan.	2.8	85.6	2,051.5	2,139.9	70.5	80.4	60.8	2,351.6
Feb.	2.8	85.3	2,021.9	2,110.0	70.5	81.7	62.9	2,325.0
Mar.	2.8	84.9	1,969.0	2,056.7	70.5	79.9	63.3	2,270.4
Apr.	2.8	83.8	1,961.1	2,047.7	70.5	82.2	61.6	2,262.0
May	2.7	84.8	1,992.6	2,080.1	69.1	115.8	61.1	2,326.0
June	2.7	86.4	1,895.2	1,984.3	69.1	171.1	62.0	2,286.5
July	2.7	85.9	1,885.8	1,974.4	69.1	197.7	62.6	2,303.8
Aug.	2.7	86.7	1,907.9	1,997.3	69.1	217.5	62.9	2,346.8
Sep.	2.9	85.0	1,965.6	2,053.5	69.1	219.1	67.7	2,409.4
Oct.	3.0	84.3	1,919.1	2,006.5	69.1	214.0	67.9	2,357.5
Nov.	3.0	84.1	2,481.3	2,568.4	69.1	224.6	71.5	2,933.6
Dec.	8.8	83.9	2,434.4	2,527.2	66.3	203.6	74.4	2,871.4

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets <sup>4</sup>	Total assets/liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
<b>2008</b>									
Jan.	3.9	863.7	452.4	241.5	372.3	-	143.1	397.4	2,474.3
Feb.	3.9	918.4	498.1	205.3	397.1	-	90.3	399.8	2,512.9
Mar.	4.1	939.5	502.9	179.4	402.7	-	59.1	434.3	2,522.0

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	1,130.6	73.3	564.1	193.8	19.7	777.6	205.5	59.4	66.7
2004	1,179.6	71.2	387.4	269.4	26.0	682.8	200.4	-	46.7
2005	1,211.4	74.6	424.7	343.5	22.2	790.4	196.3	-	35.7
2006	1,173.9	70.5	660.8	248.2	41.0	950.0	181.0	-	38.9
<b>2007</b>									
Jan.	1,130.9	70.5	727.8	186.0	22.5	936.2	177.9	-	36.0
Feb.	1,112.4	70.5	753.8	162.5	20.3	936.6	182.2	-	23.3
Mar.	1,106.3	70.5	712.5	161.6	21.0	895.1	180.8	-	17.6
Apr.	1,085.9	70.5	591.2	286.7	28.9	906.8	178.5	-	20.3
May	1,054.3	69.1	679.4	295.9	27.4	1,002.7	175.1	-	24.7
June	1,032.8	69.1	606.8	352.7	24.8	984.3	171.5	-	28.7
July	990.2	69.1	692.7	322.6	24.7	1,040.1	175.9	-	28.4
Aug.	948.7	69.1	772.8	296.6	49.7	1,119.1	179.3	-	30.6
Sep.	925.6	69.1	803.5	345.2	53.8	1,202.6	179.9	-	32.2
Oct.	875.8	69.1	782.5	349.3	61.9	1,193.7	184.7	-	34.2
Nov.	818.2	69.1	1,449.1	304.4	66.9	1,820.4	188.3	-	37.5
Dec.	677.8	66.4	1,433.5	387.2	75.7	1,896.4	189.9	-	40.9

EUR millions

End of period	Banknotes in circulation <sup>2</sup>	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities <sup>3</sup>	Capital and reserves <sup>4</sup>
			Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
<b>2008</b>										
Jan.	749.8	375.0	287.9	87.1	24.9	-	12.1	644.3	59.4	233.8
Feb.	669.3	395.7	264.1	79.9	24.5	-	12.1	798.1	46.2	223.1
Mar.	638.9	402.7	282.8	80.9	34.6	-	11.7	767.3	75.4	227.6

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Holdings of euro denominated cash <sup>2</sup>	Claims on residents of Malta			External assets				Other assets <sup>4</sup>	Total assets/liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets <sup>3</sup>	Total		
<b>2008</b>										
Jan.	0.4	5.5	209.2	214.7	1,135.6	757.8	287.1	2,180.4	100.7	2,496.2
Feb.	0.1	5.4	213.9	219.3	1,120.1	825.6	255.6	2,201.3	131.2	2,551.8
Mar.	0.0	5.4	215.2	220.6	1,105.4	844.3	228.6	2,178.4	132.4	2,531.3

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

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

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

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

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

EUR millions

End of period	Currency issued <sup>2</sup>	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities <sup>5</sup>
		Withdrawable on demand <sup>3</sup>	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities <sup>4</sup>	Total		
<b>2008</b>										
Jan.	805.2	244.9	13.0	258.0	644.7	87.1	16.1	747.9	243.5	441.6
Feb.	720.6	223.2	10.0	233.3	803.3	79.9	16.4	899.7	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

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

<sup>2</sup> This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury. For 2008, remaining outstanding Maltese Lira banknotes and coins are included.

<sup>3</sup> For the purposes of this table deposits withdrawable on demand include deposits redeemable at notice.

<sup>4</sup> 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.

<sup>5</sup> Includes resident interbank liabilities.

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Balances held with Central Bank of Malta <sup>2</sup>	Claims on residents of Malta			External Assets				Other assets <sup>3</sup>	Total assets/liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2003	607.7	4,449.2	1,449.1	83.1	2,834.4	7,488.9	170.1	10,493.3	818.3	17,900.8
2004	448.6	4,734.9	1,531.2	77.9	3,631.0	8,798.9	778.2	13,208.0	837.6	20,838.2
2005	487.5	5,058.0	1,440.3	62.2	4,476.3	13,045.7	1,818.5	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,217.2	15,981.9	401.9	21,601.1	643.1	30,033.9
<b>2007</b>										
Jan.	802.3	5,811.6	1,199.0	83.7	5,391.0	16,694.5	422.6	22,508.1	638.2	31,042.8
Feb.	809.7	5,839.0	1,232.3	84.7	5,402.9	17,004.3	392.1	22,799.4	640.5	31,405.6
Mar.	776.2	5,956.9	1,283.0	83.8	5,559.0	17,804.8	390.4	23,754.1	594.7	32,448.7
Apr.	651.8	5,969.4	1,292.8	85.0	5,870.6	18,435.5	461.6	24,767.7	607.6	33,374.3
May	736.8	5,999.9	1,251.1	87.3	5,898.9	19,569.6	541.3	26,009.7	631.9	34,716.8
June	649.4	6,066.5	1,296.8	87.1	5,737.9	20,626.0	560.1	26,924.1	687.5	35,711.3
July	763.0	6,067.9	1,303.1	94.1	5,918.5	21,000.3	602.6	27,521.4	667.9	36,417.3
Aug.	835.5	6,071.1	1,245.6	94.5	5,842.3	21,208.7	534.1	27,585.1	686.1	36,517.9
Sep.	841.6	6,166.9	1,221.2	95.1	5,963.7	21,268.6	521.2	27,753.4	633.1	36,711.3
Oct.	838.8	6,175.6	1,313.2	95.5	5,623.0	20,905.4	595.4	27,123.9	571.5	36,118.5
Nov.	1,510.1	6,235.0	1,300.0	93.3	5,361.3	20,883.9	588.8	26,834.1	593.4	36,565.8
Dec.	1,518.0	6,334.8	1,287.2	93.0	5,384.9	21,966.8	595.6	27,947.3	625.9	37,806.2
<b>2008</b>										
Jan.	573.1	6,321.5	1,265.1	92.7	5,522.8	22,987.6	596.5	29,106.8	629.2	37,988.3
Feb.	527.2	6,352.2	1,281.7	93.0	5,704.5	22,977.2	544.1	29,225.7	652.1	38,131.8
Mar.	519.7	6,449.1	1,260.7	92.8	5,687.3	22,264.8	593.4	28,545.5	705.8	37,573.6

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

<sup>2</sup> Includes holdings of cash. May include some holdings of Maltese Lira banknotes and coins.

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Deposits from residents of Malta <sup>2</sup>				External Liabilities				Debt securities issued <sup>3</sup>	Capital & reserves	Other liabilities <sup>4</sup>
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities <sup>3</sup>	Total			
2003	2,441.8	67.0	3,726.2	6,235.1	2,426.4	4,862.9	1,623.5	8,912.8	108.6	1,822.4	821.8
2004	2,589.8	70.0	3,700.7	6,360.5	3,203.2	6,640.3	1,604.8	11,448.3	113.9	2,086.4	829.1
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,673.7	17,297.9	75.6	2,359.4	753.5
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,458.2	19,011.8	72.7	3,083.0	659.6
<b>2007</b>											
Jan.	2,823.1	70.5	4,365.9	7,259.5	6,727.5	11,816.8	1,373.0	19,917.3	128.0	3,063.2	674.9
Feb.	2,833.4	67.3	4,436.4	7,337.2	6,577.7	12,221.5	1,347.0	20,146.2	127.5	3,153.3	641.6
Mar.	2,815.6	69.0	4,546.8	7,431.4	6,692.8	12,679.0	1,692.1	21,063.9	126.7	3,183.8	642.9
Apr.	2,815.7	70.4	4,484.0	7,370.1	6,883.0	13,032.0	2,123.3	22,038.3	125.6	3,197.0	643.3
May	2,827.3	77.3	4,592.6	7,497.2	6,828.5	14,139.1	2,242.6	23,210.3	125.9	3,222.1	661.3
June	2,910.1	81.7	4,639.9	7,631.7	7,003.8	15,052.7	1,925.3	23,981.8	125.6	3,246.4	725.8
July	3,009.8	87.7	4,764.8	7,862.2	7,078.0	15,397.4	1,989.8	24,465.2	125.0	3,238.6	726.1
Aug.	2,988.7	89.0	4,955.2	8,032.9	6,917.2	15,128.9	2,373.9	24,420.0	125.0	3,239.8	700.2
Sep.	3,015.4	89.3	4,984.5	8,089.2	7,259.4	15,016.9	2,188.4	24,464.6	124.1	3,350.9	682.4
Oct.	2,971.1	92.0	5,039.4	8,102.4	7,691.5	13,957.5	2,145.8	23,794.8	123.7	3,431.8	665.7
Nov.	3,012.6	96.6	5,068.6	8,177.9	7,391.9	14,665.1	2,123.6	24,180.6	123.0	3,391.9	692.4
Dec.	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,137.9	25,330.1	122.9	3,360.9	644.6
<b>2008</b>											
Jan.	3,150.6	108.8	5,172.5	8,431.9	8,073.8	15,339.0	2,033.2	25,446.0	140.7	3,296.6	673.1
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

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

<sup>2</sup> Includes general government and private sector deposits.

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							Total (M3) <sup>1</sup>
				Intermediate money (M2)						Deposits redeemable at notice up to 3 months	
	Narrow money (M1)			Currency in circulation	Deposits withdrawable on demand		Total (M1)				
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)		Demand	Savings					
2003	1,130.6	321.2	1,451.8	1,072.5	637.5	1,763.0	3,473.0	67.0	3,096.9	6,636.9	6,637.0
2004	1,179.6	338.5	1,518.1	1,132.1	700.8	1,849.8	3,682.6	70.0	3,045.3	6,797.9	6,797.9
2005	1,211.4	315.7	1,527.1	1,162.2	727.0	2,001.0	3,890.2	73.3	3,121.5	7,085.0	7,085.0
2006	1,173.9	412.2	1,586.1	1,112.9	726.5	2,020.0	3,859.4	71.8	3,520.6	7,451.7	7,451.7
<b>2007</b>											
Jan.	1,130.9	430.7	1,561.6	1,079.0	739.8	2,006.4	3,825.2	70.5	3,562.4	7,458.1	7,458.1
Feb.	1,112.4	446.0	1,558.4	1,063.2	736.4	2,012.7	3,812.3	67.3	3,637.8	7,517.4	7,517.4
Mar.	1,106.3	433.4	1,539.7	1,054.7	731.2	2,001.8	3,787.6	69.0	3,753.4	7,610.1	7,610.1
Apr.	1,085.9	419.9	1,505.8	1,032.9	738.0	2,001.5	3,772.4	70.4	3,774.6	7,617.4	7,617.4
May	1,054.3	521.0	1,575.3	1,001.1	757.7	1,996.9	3,755.7	77.3	3,810.6	7,643.6	7,643.6
June	1,032.8	441.4	1,474.2	978.7	772.1	2,041.5	3,792.4	81.7	3,936.4	7,810.5	7,810.5
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	820.4	792.8	2,116.0	3,729.2	92.0	4,384.6	8,205.8	8,205.8
Nov.	818.2	1,021.6	1,839.8	763.0	785.8	2,160.0	3,708.8	96.6	4,434.0	8,239.4	8,239.4
Dec.	677.8	1,110.0	1,787.8	610.2	806.3	2,278.9	3,695.4	105.3	4,474.6	8,275.3	8,275.3

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

EUR millions

End of period	Broad money (M3)										Total (M3)
	Intermediate money (M2)							Repurchase agreements		Issues less holdings of MFI debt securities up to 2 years <sup>4</sup>	
	Narrow money (M1)			Deposits redeemable at notice up to 3 months <sup>3</sup>		Deposits with agreed maturity up to 2 years <sup>3</sup>					
	Currency issued <sup>2</sup>	Overnight deposits <sup>3</sup>		From residents of Malta		From other euro area residents		With residents of Malta	With other euro area residents		
<b>2008</b>											
Jan.	670.7	3,107.4	65.7	108.8	-	4,544.8	269.9	-	-	-118.7	8,648.6
Feb.	637.6	3,084.5	71.0	111.2	-	4,613.0	294.5	-	-	-112.7	8,699.3
Mar.	612.9	3,103.7	66.8	112.8	-	4,613.1	289.5	-	-	-112.6	8,686.3

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

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

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

<sup>4</sup> Debt securities up to 2 years' issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFI 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.

## Monetary, Banking, Investment Funds and Financial Markets

**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) <sup>2</sup>
	Net claims on central government <sup>1</sup>	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2003	1,324.1	4,423.4	5,747.5	2,279.5	136.9	10,493.3	8,912.8	3,723.1	6,637.0	2,833.6
2004	1,269.8	4,793.9	6,063.7	2,105.7	78.5	13,208.0	11,448.3	3,786.9	6,797.9	3,052.8
2005	1,031.2	5,110.6	6,141.8	2,260.2	87.8	19,340.5	17,297.9	4,215.0	7,085.0	3,271.8
2006	850.1	5,855.8	6,705.9	2,314.0	99.1	21,601.1	19,011.8	4,804.1	7,451.7	4,058.3
<b>2007</b>										
Jan.	914.6	5,875.2	6,789.8	2,240.9	84.5	22,508.1	19,917.3	4,747.2	7,458.1	4,078.9
Feb.	960.2	5,901.3	6,861.4	2,213.7	79.1	22,799.4	20,146.2	4,787.8	7,517.4	4,131.9
Mar.	1,015.4	6,014.6	7,030.0	2,161.2	77.6	23,754.1	21,063.9	4,773.8	7,610.1	4,193.7
Apr.	962.1	6,034.9	6,997.0	2,150.7	85.3	24,767.7	22,038.3	4,794.8	7,617.4	4,174.3
May	895.3	6,065.8	6,961.1	2,179.4	83.0	26,009.7	23,210.3	4,895.8	7,643.6	4,213.3
June	1,015.5	6,129.9	7,145.5	2,083.6	82.8	26,924.1	23,981.8	4,943.2	7,810.5	4,278.2
July	1,056.6	6,136.9	7,193.6	2,073.9	81.1	27,521.4	24,465.2	5,048.9	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	4,303.5

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

EUR millions

End of period	Broad money (M3)	Credit counterpart <sup>3</sup>					External counterpart			Other counterparts (net) <sup>2</sup>
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
<b>2008</b>										
Jan.	8,648.6	1,504.9	6,389.1	320.0	1,989.9	10,203.8	24,524.6	17,347.4	7,177.1	8,732.3
Feb.	8,699.3	1,521.6	6,424.5	319.7	2,008.3	10,274.1	24,550.4	16,766.2	7,784.1	9,359.0
Mar.	8,686.3	1,491.6	6,531.6	299.8	2,143.7	10,466.7	23,916.3	16,354.3	7,562.0	9,342.4

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

<sup>2</sup> Includes net interbank claims/liabilities within the MFI sector.

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



## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.6a Currency in circulation**

EUR millions

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2003	1,088.0	42.6	1,130.6	58.1	1,072.5
2004	1,134.8	44.8	1,179.6	47.5	1,132.1
2005	1,164.5	46.8	1,211.4	49.2	1,162.2
2006	1,125.4	48.6	1,173.9	61.0	1,113.0
<b>2007</b>					
Jan.	1,082.9	48.0	1,130.9	51.9	1,079.0
Feb.	1,064.7	47.8	1,112.4	49.2	1,063.2
Mar.	1,058.5	47.9	1,106.3	51.6	1,054.7
Apr.	1,037.9	47.9	1,085.9	52.9	1,032.9
May	1,006.3	48.0	1,054.3	53.2	1,001.1
June	984.5	48.3	1,032.8	54.1	978.7
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	Notional amount of banknotes issued by the Central Bank of Malta <sup>1</sup>	Coins issued by the Central Bank of Malta on behalf of the Treasury	Less euro banknotes and coins held by MFIs in Malta	Currency issued excluding holdings of MFIs	Memo item: Excess / shortfall (-) on the banknote allocation key <sup>2</sup>
<b>2008</b>					
Jan.	749.8	55.4	134.5	670.7	-102.9
Feb.	669.3	51.3	83.0	637.6	-50.2
Mar.	638.9	51.2	77.1	612.9	-11.8

<sup>1</sup> This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB). For 2008, remaining outstanding Maltese Lira banknotes and coins are included, hence will not tally with total denominations shown in Table 1.7b.

<sup>2</sup> The difference between the value of euro banknotes allocated to the Bank in accordance with the banknote allocation key (based on its share in the ECB's capital) and the value of the euro banknotes that the Bank puts into circulation gives rise to intra-Eurosystem balances. If the value of the actual euro banknotes issued is below the value based on the capital share, the difference is recorded as a shortfall (-). If the value of the actual euro banknotes issued is above the value based on the capital share, the difference is recorded as an excess.

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Total notes & coins <sup>1</sup>	Currency notes					Total
		Lm20	Lm10	Lm5	Lm2		
2003	1,130.6	255.5	744.0	71.8	16.7		1,088.0
2004	1,179.6	257.0	786.3	74.3	17.2		1,134.8
2005	1,211.4	257.5	812.1	76.8	18.1		1,164.5
2006	1,173.9	240.5	785.0	80.9	18.9		1,125.4
<b>2007</b>							
Jan.	1,130.7	234.3	754.4	75.5	18.4		1,082.6
Feb.	1,112.2	231.0	740.6	74.3	18.5		1,064.4
Mar.	1,106.1	227.8	735.5	76.0	18.9		1,058.2
Apr.	1,085.6	221.8	719.9	76.8	19.1		1,037.7
May	1,054.0	214.5	696.4	76.0	19.2		1,006.0
June	1,032.6	208.2	679.6	77.1	19.4		984.3
July	990.0	195.0	650.0	76.5	19.6		941.1
Aug.	948.4	182.6	621.9	75.2	19.4		899.1
Sep.	925.4	174.8	607.7	74.7	19.2		876.4
Oct.	875.6	163.9	573.6	71.0	18.7		827.3
Nov.	818.0	149.8	535.6	67.3	18.2		770.8
Dec.	677.6	120.2	439.7	57.5	16.7		634.1
<b>2008</b>							
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

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

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

EUR millions

End of period	Euro banknotes							Total
	€ 5	€ 10	€ 20	€ 50	€ 100	€ 200	€ 500	
<b>2008</b>								
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

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

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€ 1	€ 2	
<b>2008</b>									
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

## Monetary, Banking, Investment Funds and Financial Markets

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

End of Period	Resident deposits										Deposits held by non-residents of Malta			Total deposits
	General government <sup>2</sup>	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	Total				
2003	60.7	193.9	60.0	61.0	976.1	5,078.8	6,430.5	3,164.5	5,524.1	15,119.0				
2004	66.5	177.5	48.3	80.3	965.6	5,199.7	6,538.0	3,431.5	7,160.9	17,130.4				
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0				
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8				
<b>2007</b>														
Jan.	216.4	75.9	111.0	85.9	1,160.3	5,685.9	7,335.4	6,976.3	12,667.3	26,979.1				
Feb.	230.3	61.8	117.2	87.2	1,158.0	5,744.5	7,398.9	6,848.1	12,998.7	27,245.7				
Mar.	228.7	61.7	127.6	102.6	1,145.9	5,826.7	7,493.1	6,939.7	13,482.1	27,915.0				
Apr.	165.4	66.4	121.2	87.6	1,138.6	5,857.3	7,436.5	7,152.4	13,790.1	28,379.0				
May	214.8	80.2	115.8	96.9	1,146.3	5,923.5	7,577.5	7,099.0	14,824.1	29,500.6				
June	139.9	126.1	104.7	112.8	1,228.3	6,046.2	7,757.8	7,266.2	15,742.0	30,766.0				
July	165.5	104.5	109.8	117.4	1,322.4	6,147.2	7,966.7	7,309.7	16,065.4	31,341.8				
Aug.	168.8	97.0	130.5	109.0	1,416.6	6,208.0	8,129.8	7,355.6	16,145.2	31,630.6				
Sep.	161.3	123.7	152.9	112.6	1,409.0	6,253.3	8,212.9	7,465.8	16,111.5	31,790.2				
Oct.	153.0	103.7	179.6	125.2	1,354.4	6,290.2	8,206.1	8,009.6	14,878.3	31,094.0				
Nov.	136.2	99.6	174.3	146.4	1,348.3	6,372.7	8,277.5	7,740.3	15,521.6	31,539.4				
Dec.	126.8	106.1	198.6	137.8	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8				
<b>2008</b>														
Jan.	140.5	132.2	214.7	131.2	1,365.9	6,579.6	8,564.2	8,176.0	16,237.8	32,978.0				
Feb.	148.5	153.0	220.9	152.9	1,390.2	6,586.4	8,651.9	8,806.5	15,692.8	33,151.1				
Mar.	138.3	201.1	214.1	132.4	1,397.9	6,617.9	8,701.6	8,712.0	15,333.4	32,747.0				

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL <sup>2</sup>	EUR	GBP	USD	Other	MTL <sup>2</sup>	EUR	Other		
2003	5,576.2	244.7	303.3	246.0	60.2	22.4	1,832.6	1,309.4	5,524.1	15,119.0
2004	5,614.5	259.7	353.1	240.7	70.1	20.4	2,400.7	1,010.4	7,160.9	17,130.4
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
<b>2007</b>										
Jan.	6,075.3	448.3	448.8	266.4	96.6	47.5	3,992.8	2,936.1	12,667.3	26,979.1
Feb.	6,134.6	462.3	445.7	257.5	98.9	45.0	4,045.1	2,758.0	12,998.7	27,245.7
Mar.	6,227.0	466.5	381.8	323.6	94.2	44.2	4,132.2	2,763.3	13,482.1	27,915.0
Apr.	6,151.1	486.7	357.1	347.0	94.6	47.7	4,220.7	2,884.0	13,790.1	28,379.0
May	6,300.0	478.0	376.7	328.4	94.3	43.0	4,383.0	2,673.0	14,824.1	29,500.6
June	6,356.8	589.4	298.5	345.5	167.6	43.4	4,555.4	2,667.4	15,742.0	30,766.0
July	6,536.4	621.7	378.4	337.3	93.0	50.8	4,888.3	2,370.5	16,065.4	31,341.8
Aug.	6,637.7	686.2	376.6	342.5	86.8	50.4	5,161.4	2,143.8	16,145.2	31,630.6
Sept.	6,698.0	695.2	378.8	353.9	87.0	47.8	5,364.1	2,053.9	16,111.5	31,790.2
Oct.	6,714.7	680.2	395.4	328.1	87.7	48.9	5,556.5	2,404.3	14,878.3	31,094.0
Nov.	6,802.7	680.1	383.4	322.4	88.8	46.7	5,368.6	2,325.1	15,521.6	31,539.4
Dec.	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
<b>2008</b>										
Jan.		7,730.5	386.0	321.3	126.4		5,374.2	2,801.8	16,237.8	32,978.0
Feb.		7,753.6	386.6	379.5	132.1		5,631.3	3,175.1	15,692.8	33,151.1
Mar.		7,786.9	371.7	423.3	119.8		5,713.2	2,998.8	15,333.4	32,747.0

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

*EUR millions*

End of period	Size classes <sup>2</sup>				
	Up to € 25,000	Over € 25,000 to € 250,000	Over € 250,000 to € 1 million	Over € 1 million	Total
2003	714.7	1,553.3	876.5	2,437.6	5,582.0
2004	774.8	1,845.8	1,529.6	5,547.2	9,697.4
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
<b>2007</b>					
Jan.	1,083.3	2,536.5	2,358.7	9,318.0	15,296.5
Feb.	981.6	2,503.8	2,396.8	9,728.5	15,610.6
Mar.	1,283.8	2,343.4	1,866.4	11,312.0	16,805.7
Apr.	1,110.7	2,623.7	1,842.3	11,431.1	17,007.8
May	1,236.1	2,717.6	1,869.7	12,103.0	17,926.5
June	1,250.5	2,760.7	1,932.5	12,999.9	18,943.6
July	1,104.0	3,168.7	1,920.9	13,137.8	19,331.4
Aug.	1,088.2	3,605.9	1,968.4	13,366.8	20,029.4
Sep.	1,148.4	3,867.6	2,021.5	13,279.7	20,317.2
Oct.	872.1	3,879.2	2,090.1	13,010.8	19,852.1
Nov.	1,177.5	3,637.0	2,095.3	13,106.4	20,016.2
Dec.	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
<b>2008</b>					
Jan.	1,110.0	3,022.3	2,677.3	14,802.6	21,612.1
Feb.	1,150.5	3,056.5	3,031.8	14,942.1	22,180.9
Mar.	1,311.0	3,372.2	2,748.4	14,851.5	22,283.1

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

End of Period	EUR millions											Total lending to residents		
	Electricity, gas & water supply	Transport, storage & communication	Manufacturing	Construction	Hotels & restaurants	Wholesale & retail trade; repairs	Real estate, renting & business activities	Households & individuals <sup>1</sup>				Other <sup>2</sup>	Public sector	Private sector
								Lending for house purchase	Consumer credit	Other lending	Total			
2003	195.4	315.6	430.5	468.5	481.9	671.3	276.0	1,030.2	84.2	306.5	1,420.8	367.7	524.4	4,103.3
2004	222.1	295.7	358.1	505.5	478.8	676.2	321.4	1,255.7	188.4	229.3	1,673.5	362.0	500.3	4,393.0
2005	142.3	287.1	306.2	502.3	474.8	691.1	444.2	1,521.4	212.7	214.6	1,948.7	427.6	401.1	4,823.2
2006	188.9	340.7	266.7	586.4	492.9	715.0	612.8	1,769.9	250.4	230.7	2,251.1	380.7	421.3	5,414.0
<b>2007</b>														
Jan.	177.6	346.9	261.5	589.6	495.8	712.6	617.0	1,791.2	251.1	234.9	2,277.2	391.1	419.2	5,450.1
Feb.	176.9	347.3	259.6	591.3	497.1	705.7	627.8	1,810.6	251.9	238.7	2,301.2	389.2	419.5	5,476.5
Mar.	185.3	361.3	262.0	610.7	501.1	737.0	651.3	1,838.9	254.5	244.5	2,337.9	367.2	422.7	5,591.2
Apr.	174.7	344.1	265.6	607.8	500.3	732.7	662.4	1,857.6	257.8	246.3	2,361.7	377.3	399.1	5,627.3
May	170.5	346.2	269.1	618.8	487.8	730.8	660.2	1,880.1	263.7	249.9	2,393.8	379.8	394.9	5,662.0
June	176.3	341.6	270.8	625.6	484.0	737.0	668.6	1,908.9	268.4	251.0	2,428.2	381.6	398.0	5,715.7
July	175.5	322.1	270.0	619.5	484.1	734.7	685.4	1,928.5	271.9	257.4	2,457.8	362.2	406.8	5,704.5
Aug.	177.6	313.4	271.1	633.5	470.3	715.5	690.5	1,947.2	276.9	257.0	2,481.1	361.5	404.2	5,710.3
Sep.	178.6	313.1	276.7	644.8	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	421.7	5,943.3
<b>2008</b>														
Jan.	183.2	315.3	303.4	681.7	467.8	723.1	738.3	2,026.0	285.7	278.0	2,589.6	350.3	409.6	5,943.2
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	404.4	5,979.5
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	405.9	6,074.9

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

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

## Monetary, Banking, Investment Funds and Financial Markets

Table 1.12 Other monetary financial institutions loans by sector

End of Period	Lending to residents of Malta <sup>1</sup>							Lending to non-residents of Malta		Total lending
	General government <sup>2</sup>	Monetary financial institutions	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2003	208.4	774.6	5.7	8.1	2,579.1	1,647.9	5,223.8	1,118.2	3,904.7	10,246.7
2004	129.4	625.7	7.3	8.2	2,686.8	1,903.2	5,360.6	1,756.2	4,044.9	11,161.7
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8
<b>2007</b>										
Jan.	120.8	842.4	19.6	13.9	3,089.4	2,568.0	6,654.0	2,391.9	8,915.3	17,961.2
Feb.	124.7	848.5	19.6	14.0	3,089.2	2,591.5	6,687.5	2,298.7	9,256.0	18,242.2
Mar.	125.6	818.4	19.9	16.0	3,139.2	2,656.2	6,775.2	2,266.0	10,723.6	19,764.9
Apr.	119.2	702.7	23.0	23.7	3,125.4	2,678.1	6,672.0	2,602.6	10,711.1	19,985.7
May	120.5	795.9	24.5	22.7	3,123.5	2,708.6	6,795.7	2,730.7	11,765.8	21,292.3
June	121.3	732.8	24.0	33.9	3,137.2	2,750.2	6,799.3	2,482.8	13,131.5	22,413.6
July	121.1	815.6	23.6	20.8	3,120.9	2,781.3	6,883.4	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	24,420.9
Oct.	124.8	879.1	19.2	18.9	3,160.6	2,852.1	7,054.7	2,596.1	14,041.9	23,692.7
Nov.	124.0	1,547.8	19.0	17.9	3,200.7	2,873.5	7,782.8	2,344.0	14,167.8	24,294.6
Dec.	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0
<b>2008</b>										
Jan.	127.2	527.6	19.3	15.8	3,259.6	2,899.7	6,849.1	2,587.7	16,378.8	25,815.6
Feb.	119.9	532.2	21.8	15.3	3,267.4	2,927.7	6,884.4	2,777.1	16,677.6	26,339.0
Mar.	107.9	577.1	21.5	11.2	3,348.2	2,960.3	7,026.2	2,871.0	16,178.8	26,075.9

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

## Monetary, Banking, Investment Funds and Financial Markets

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

End of period	Lending to residents of Malta <sup>1</sup>															Total lending
	Non-financial corporations					Households & non-profit institutions					Other sectors					
	MTL <sup>2</sup>		EUR		Other	MTL <sup>2</sup>		EUR		Other	MTL <sup>2</sup>		EUR		Other	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	
2003	1,041.2	1,404.6	9.5	82.7	14.9	26.3	194.5	1,439.6	0.5	10.0	1.1	2.1	907.9	65.1	23.8	5,223.8
2004	961.0	1,546.5	25.9	92.5	21.4	39.5	213.4	1,671.6	0.8	10.6	4.1	2.8	687.1	62.3	21.1	5,360.7
2005	860.7	1,568.3	17.3	263.3	18.5	10.2	204.2	1,943.2	1.4	15.0	0.1	2.4	696.7	86.4	19.0	5,706.7
2006	905.7	1,689.6	69.9	395.1	21.1	11.3	218.5	2,289.2	2.3	29.6	0.1	3.1	713.6	156.9	22.1	6,528.2
<b>2007</b>																
Jan.	892.2	1,697.8	68.4	394.9	24.8	11.2	212.8	2,319.5	2.4	29.8	0.2	3.3	807.7	171.4	17.6	6,654.0
Feb.	876.1	1,716.2	67.9	394.7	23.2	11.1	210.8	2,343.6	3.3	29.9	0.6	3.3	815.2	175.3	16.3	6,687.5
Mar.	881.1	1,752.9	68.7	399.2	25.8	11.4	231.8	2,387.9	1.5	31.2	0.7	3.1	780.4	180.6	18.9	6,775.2
Apr.	857.1	1,737.5	73.9	421.4	24.2	11.3	233.1	2,408.5	1.5	31.2	0.7	3.0	674.9	177.9	15.8	6,672.0
May	839.3	1,757.5	69.7	418.0	27.7	11.2	234.1	2,441.9	1.6	27.5	0.5	3.1	763.2	184.4	16.0	6,795.7
June	848.9	1,755.5	72.2	413.1	36.1	11.2	234.9	2,481.3	1.6	28.8	0.5	3.0	703.8	177.4	30.7	6,799.3
July	815.5	1,773.1	75.7	412.6	33.2	10.8	236.2	2,508.9	1.5	30.9	0.8	3.0	778.7	181.5	21.0	6,883.5
Aug.	806.8	1,763.5	77.6	417.8	31.7	10.8	238.4	2,522.6	1.6	32.5	0.6	2.9	855.0	181.0	17.1	6,959.7
Sep.	835.4	1,784.2	79.5	428.2	33.1	10.6	250.4	2,543.6	2.1	30.5	4.8	2.7	881.4	174.1	26.6	7,087.2
Oct.	828.8	1,779.7	80.2	429.0	32.4	10.4	247.5	2,564.2	2.4	30.7	4.7	2.6	851.6	168.2	22.3	7,054.7
Nov.	834.6	1,801.1	90.1	430.8	33.8	10.3	243.3	2,587.5	2.0	32.2	4.9	3.5	968.2	735.7	4.7	7,782.8
Dec.	858.3	1,802.5	108.1	450.0	36.6	10.2	241.5	2,616.0	2.0	34.4	1.0	3.5	963.7	744.6	20.3	7,892.6
<b>2008</b>																
Jan.			940.2	2,268.3	39.4	11.7			239.2	2,656.4	0.6	3.5		663.5	26.3	6,849.1
Feb.			927.1	2,290.7	36.7	13.0			243.4	2,680.2	0.8	3.4		666.8	22.4	6,884.4
Mar.			969.5	2,328.6	35.3	14.8			246.9	2,709.3	0.7	3.4		647.5	70.2	7,026.2

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

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



## Monetary, Banking, Investment Funds and Financial Markets

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

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets <sup>2</sup>	Fixed and other assets <sup>3</sup>	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2003	17.4	54.4	419.5	3.4	114.1	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
<b>2007</b>								
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
<b>2008</b>								
Mar.	17.8	0.0	483.9	5.8	113.7	288.5	12.5	922.2

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

EUR millions

End of period	Loans	Shareholders' units/funds <sup>4</sup>	External liabilities <sup>5</sup>	Other liabilities <sup>6</sup>	Total liabilities
2003	0.7	843.9	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
<b>2007</b>					
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
<b>2008</b>					
Mar.	0.7	910.2	6.6	4.7	922.2

<sup>1</sup> 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.

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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

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

EUR thousands

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

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

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

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.16 Key Central Bank of Malta, European Central Bank and money market interest rates**

	2005	2006	2007				2008
			Mar.	June	Sept.	Dec.	
<b>INTEREST RATES (%)<sup>1</sup></b>							
<b>Key ECB interest rates<sup>2</sup></b>							
Marginal lending facility	3.25	4.50	4.75	5.00	5.00	5.00	5.00
Main refinancing operations - minimum bid rate	2.25	3.50	3.75	4.00	4.00	4.00	4.00
Deposit facility	1.25	2.50	2.75	3.00	3.00	3.00	3.00
<b>Money market rates (period averages)</b>							
Overnight deposit (EONIA)	2.09	2.83	3.69	3.96	4.03	3.88	4.09
Rates for fixed term deposits (EURIBOR)							
1 month	2.14	2.94	3.84	4.10	4.43	4.71	4.30
3 months	2.18	3.08	3.89	4.15	4.74	4.85	4.60
6 months	2.23	3.23	4.00	4.28	4.75	4.82	4.59
1 year	2.33	3.44	4.11	4.51	4.72	4.79	4.59
<b>Central Bank of Malta<sup>2</sup></b>							
Central intervention rate	3.25	3.75	4.00	4.25	4.25	4.00	
Money market intervention rates:							
Term deposit rate	3.20	3.70	3.95	4.20	4.20	3.95	
Reverse repo rate	3.30#	3.80#	4.05#	4.30#	4.30#	4.05#	
Rate on standby (collateralised) loans	4.25	4.75	5.00	5.25	5.25	5.00	
Rate on overnight deposits	2.25	2.75	3.00	3.25	3.25	3.00	
Remuneration on required reserves	3.00	3.50	3.75	4.00	4.00	4.00	

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

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

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

## Monetary, Banking, Investment Funds and Financial Markets

Table 1.17 Other interest rates

	2005	2006	2007				2008
			Mar.	June	Sept.	Dec.	Mar.
<b>INTEREST RATES (%)<sup>1</sup></b>							
<b>Other monetary financial institutions</b>							
Weighted average deposit rate	2.13	2.37	2.62	2.77	2.90	3.00	2.96
Current deposits	0.45	0.57	0.69	0.72	0.78	0.78	0.83
Savings deposits	1.17	1.17	1.41	1.62	1.72	1.73	1.67
Time deposits	2.97	3.27	3.51	3.69	3.80	3.96	3.92
Weighted average lending rate	5.51	5.90	6.11	6.34	6.33	6.30	5.96
Non-financial companies	5.99	6.34	6.57	6.81	6.80	6.74	6.28
Households and individuals	4.95	5.38	5.54	5.81	5.81	5.80	5.57
Consumer credit	6.70	7.42	7.13	7.82	7.84	7.84	7.65
House purchase	4.49	4.95	5.18	5.39	5.39	5.39	5.15
Other lending	6.11	6.46	6.66	6.83	6.80	6.74	6.49
<b>Government securities</b>							
Treasury bills (primary market) <sup>2</sup>							
1 month	-	3.51	-	4.30	-	4.32	4.18
3 month	3.22	3.91	4.18	4.36	4.37	4.35	4.27
6 month	3.23	4.00	4.24	4.31	4.54	4.54	4.33
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
3 month	3.22	3.90	4.18	4.36	4.37	4.35	4.27
6 month	3.27	4.00	4.24	4.47	4.54	4.54	4.33
1 year	3.32	4.20	4.26	4.70	4.61	4.58	4.51
<b>Government long-term debt securities</b>							
2 year	3.30	4.18	4.32	4.95	4.68	4.54	4.00
5 year	3.65	4.17	4.31	5.03	4.76	4.61	4.06
10 year	4.38	4.33	4.38	5.12	4.85	4.81	4.49
15 year	4.96	4.48	4.54	5.16	5.17	5.10	4.97
<b>MALTA STOCK EXCHANGE SHARE INDEX</b>	4,981	4,873	4,815	4,809	4,878	4,938	4,650

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

<sup>2</sup> '-' denotes that no transactions occurred during the reference period.

## Government Finance

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

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+) <sup>2</sup>
	Current	Capital	Total	Current	Capital	Total		
2003	1,640.2	23.6	1,663.8	1,746.3	349.8	2,096.1	-432.2	-282.7
2004	1,751.1	89.4	1,840.5	1,844.9	203.7	2,048.6	-208.0	-43.9
2005	1,830.9	173.0	2,003.9	1,909.3	235.9	2,145.1	-141.2	36.6
2006	1,924.9	169.3	2,094.2	1,991.5	231.8	2,223.4	-129.2	49.6
2007	2,124.5	67.5	2,192.0	2,085.0	202.7	2,287.7	-95.8	86.3
<b>2007</b>								
Mar.	440.7	4.1	444.8	501.0	51.7	552.7	-107.9	-53.9
June	502.8	12.4	515.2	503.4	54.1	557.5	-42.3	-9.3
Sep.	503.3	19.9	523.2	506.9	44.4	551.3	-28.0	15.2
Dec.	677.7	30.9	708.6	573.7	52.6	626.3	82.3	134.3
<b>2008</b>								
Mar.	480.1	3.2	483.3	575.0	70.8	645.8	-162.5	-120.6

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

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden <sup>3</sup>
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2003	519.6	566.1	349.6	82.1	110.0	12.8	1640.2	6.2	17.4	23.6	1,663.8	1441.6
2004	514.6	651.0	361.3	99.8	98.2	26.2	1751.1	9.4	80.1	89.4	1,840.5	1536.3
2005	571.5	696.4	386.1	93.6	69.5	13.7	1830.9	17.5	155.5	173.0	2,003.9	1671.5
2006	599.6	758.1	390.4	95.3	63.2	18.3	1924.9	14.7	154.7	169.3	2,094.2	1762.8
2007	717.4	793.2	400.5	110.3	77.9	25.3	2124.5	15.7	51.8	67.5	2,192.0	1926.7
<b>2007</b>												
Mar.	98.6	182.0	87.3	28.2	38.6	6.0	440.7	3.9	0.2	4.1	444.8	371.8
June	166.9	191.4	101.0	31.3	8.5	3.7	502.8	4.1	8.3	12.4	515.2	463.4
Sep.	167.9	197.5	91.7	23.8	13.2	9.2	503.3	3.6	16.3	19.9	523.2	460.8
Dec.	284.0	222.2	120.5	27.0	17.5	6.4	677.7	4.0	26.9	30.9	708.6	630.8
<b>2008</b>												
Mar.	129.7	179.3	87.7	34.0	46.4	3.0	480.1	2.7	0.5	3.2	483.3	399.3

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

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

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

Source: Eurostat; NSO.

## Government Finance

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

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total <sup>2</sup>	
2003	647.2	580.3	149.6	220.8	95.6	52.8	1,746.3	206.8	139.4	349.8	2,096.1
2004	658.5	599.0	164.1	249.6	86.0	87.7	1,844.9	177.6	34.8	203.7	2,048.6
2005	668.3	642.2	177.8	240.2	98.8	81.9	1,909.3	233.8	40.8	235.9	2,145.1
2006	678.4	666.0	178.8	293.3	95.9	79.1	1,991.5	211.5	38.6	231.8	2,223.4
2007	703.0	699.0	182.1	302.7	109.1	89.2	2,085.0	214.8	21.1	202.7	2,287.7
<b>2007</b>											
Mar.	172.4	169.4	53.9	61.9	21.1	22.3	501.0	51.5	3.4	51.7	552.7
June	176.4	184.3	32.9	69.1	24.0	16.7	503.4	70.2	8.1	54.1	557.5
Sep	178.2	166.1	43.2	68.1	26.4	24.8	506.9	43.6	3.4	44.4	551.3
Dec.	176.0	179.2	52.0	103.5	37.7	25.4	573.7	49.4	6.2	52.6	626.3
<b>2008</b>											
Mar.	190.9	191.4	41.9	92.1	32.3	26.4	575.0	54.0	10.6	70.8	645.8

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

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

Source: Eurostat; NSO.

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

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2003	274.1	38.2	76.8	444.5	39.0	64.9	268.9	25.1	268.4	596.2	2,096.1
2004	349.3	44.7	75.1	305.9	42.8	49.8	277.1	27.6	258.1	618.2	2,048.6
2005	324.3	45.1	76.6	307.6	70.4	39.7	312.2	30.3	272.3	666.5	2,145.1
2006	342.5	39.6	76.2	287.5	84.8	41.1	326.8	28.8	282.1	714.1	2,223.4

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

Source: Eurostat; NSO.

## Government Finance

**Table 2.5 General government deficit-debt adjustment<sup>1</sup>**

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment							
			Transactions in main financial assets				Valuation effects	Other changes in volume	Other <sup>2</sup>	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity				
2003	470.2	-432.2	155.0	-53.2	0.0	1.6	-0.2	0.0	-65.3	38.0
2004	209.5	-208.0	-1.9	-3.0	0.0	0.0	-16.1	-2.9	25.3	1.4
2005	105.2	-141.2	73.2	0.0	0.0	-58.6	-27.6	0.0	-23.0	-36.0
2006	-101.3	-129.2	37.3	-2.8	0.0	-222.1	-0.4	-0.1	-42.4	-230.4
2007	114.8	-95.8	27.2	1.2	0.0	-27.1	-6.2	0.0	24.1	19.1

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

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

Source: Eurostat.

**Table 2.6 General government debt and guaranteed debt outstanding**

EUR millions

Period	Coins issued	Debt securities			Loans			Total general government debt <sup>1</sup>	Government guaranteed debt <sup>2</sup>
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2003	-	541.1	2,112.9	2,654.0	129.0	256.9	385.9	3,039.9	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	2,613.6	3,056.7	76.8	221.1	297.8	3,354.5	631.3
2006	-	373.8	2,617.4	2,991.2	24.2	237.9	262.1	3,253.3	580.7
<b>2007</b>									
Mar.	-	399.9	2,618.0	3,017.9	25.0	234.5	259.5	3,277.3	560.0
June	-	457.0	2,695.3	3,152.3	25.0	233.9	259.0	3,411.3	603.8
Sep.	-	368.2	2,695.3	3,063.5	27.0	234.1	261.1	3,324.6	616.3
Dec.	-	354.9	2,753.3	3,108.3	24.9	234.9	259.9	3,368.1	628.4
<b>2008</b>									
Mar.	23.3	340.6	2,753.4	3,093.9	23.0	233.8	256.7	3,374.0	688.3

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

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

Source: Eurostat; NSO.

## Government Finance

**Table 2.7 Treasury bills issued and outstanding<sup>1</sup>**

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs	Others <sup>2</sup>	Total	MFIs	Others <sup>2</sup>	Total
2003	1,660.0	1,415.5	289.8	1,705.3	461.8	79.2	541.1
2004	1,387.7	1,170.0	248.1	1,418.1	466.7	104.8	571.5
2005	1,204.7	831.0	245.3	1,076.3	351.5	91.5	443.0
2006	992.0	522.5	400.2	922.7	249.7	124.2	373.9
<b>2007</b>							
Jan.	39.1	7.0	3.3	10.3	247.4	97.6	345.0
Feb.	118.0	113.0	32.7	145.6	281.2	91.5	372.7
Mar.	76.2	88.5	14.9	103.5	330.5	69.4	399.9
Apr.	12.5	38.4	25.9	64.3	364.9	86.8	451.7
May	139.1	62.9	34.2	97.1	322.4	87.2	409.7
June	134.1	136.3	45.2	181.5	363.0	94.0	457.0
July	139.7	75.7	54.6	130.3	349.3	98.3	447.6
Aug.	118.3	44.3	11.6	55.8	284.4	100.7	385.2
Sep.	95.9	60.6	18.4	79.0	261.9	106.3	368.2
Oct.	117.9	114.1	12.8	127.0	315.6	61.7	377.3
Nov.	91.6	66.7	26.7	93.3	299.8	79.2	379.0
Dec.	47.0	16.3	6.7	23.0	278.6	76.3	354.9
<b>2008</b>							
Jan.	59.9	0.0	6.1	6.1	231.3	69.8	301.1
Feb.	57.4	45.0	39.8	84.8	247.9	80.6	328.5
Mar.	61.8	41.0	32.9	73.9	232.1	108.5	340.6

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

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

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

Source: Central Bank of Malta; The Treasury.



## Government Finance

**Table 2.8 Treasury bills issued and outstanding<sup>1</sup> (as at end-March 2008)**

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding <sup>3</sup>
				OMFIs	Others <sup>2</sup>	MFIs	Others <sup>2</sup>	
07/03/2008	04/04/2008	4.18	4.23	30.0	21.0	30.0	21.0	51.0
12/10/2007	11/04/2008	4.57	4.23	39.6	3.3	40.8	2.1	42.9
18/01/2008	18/04/2008	4.19	4.24	0.0	2.0	0.0	2.0	2.0
02/11/2007	02/05/2008	4.50	4.25	18.6	1.6	18.7	1.5	20.2
11/05/2007	09/05/2008	4.26	4.25	1.9	0.0	0.1	1.8	1.9
08/02/2008	09/05/2008	4.18	4.25	0.0	4.9	0.0	4.8	4.9
15/02/2008	16/05/2008	4.11	4.25	0.0	10.2	0.0	10.2	10.2
22/02/2008	23/05/2008	4.13	4.26	10.0	15.7	10.0	15.7	25.7
31/08/2007	30/05/2008	4.58	4.26	18.6	4.0	18.7	4.0	22.7
07/12/2007	06/06/2008	4.54	4.26	16.3	6.7	16.3	6.7	23.0
14/03/2008	13/06/2008	4.17	4.27	3.0	1.4	3.0	1.4	4.4
20/09/2007	20/06/2008	4.56	4.27	7.0	8.3	7.0	8.3	15.3
28/03/2008	27/06/2008	4.27	4.27	5.0	3.5	5.0	3.5	8.5
13/07/2007	11/07/2008	4.53	4.28	0.0	2.2	0.0	2.2	2.2
12/10/2007	11/07/2008	4.57	4.28	7.0	1.2	7.0	1.2	8.2
11/01/2008	11/07/2008	4.33	4.28	0.0	0.7	0.0	0.7	0.7
01/02/2008	01/08/2008	4.27	4.30	18.0	2.6	18.1	2.5	20.6
09/11/2007	08/08/2008	4.58	4.30	37.3	1.8	37.3	1.8	39.1
29/02/2008	29/08/2008	4.31	4.31	17.0	6.4	17.0	6.4	23.4
20/03/2008	19/09/2008	4.33	4.33	3.0	6.9	3.0	6.9	9.9
11/01/2008	10/10/2008	4.37	4.34	0.0	3.4	0.0	3.4	3.4
23/11/2007	21/11/2008	4.39	4.39	0.0	0.4	0.0	0.4	0.4
Total				232.3	108.2	232.1	108.5	340.6

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

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

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

Source: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.9 Malta government long-term debt securities outstanding<sup>1</sup> (as at end-March 2008)**

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price (Lm)	ISMA Yield (%)	Interest dates	Held by		Amount
						MFIs	Others	
7.20	2008	1998	100	4.38	10/06 - 10/12	21.8	1.5	23.3
7.20	2008 (II)	1998	100	4.40	28/02 - 28/08	54.2	15.7	69.9
7.00	2009	1999	100	4.46	30/06 - 30/12	0.0	0.2	0.2
5.90	2009 (II)	1999	100	4.40	01/03 - 01/09	46.5	11.7	58.2
5.90	2009 (III)	2000/2005	100/107.8	4.57	30/03 - 30/09	142.3	7.5	149.8
5.90	2010	1999	100	4.28	19/05 - 19/11	31.9	3.0	34.9
5.75	2010 (II)	2000	100	4.19	10/06 - 10/12	39.5	3.6	43.1
7.00	2010 (III) <sup>2</sup>	2000	100	4.20	30/06 - 30/12	0.0	1.3	1.3
5.40	2010 (IV)	2003/2004	100/104.5	4.19	21/02 - 21/08	55.4	56.4	111.8
7.50	2011	1996	100	4.42	28/03 - 28/09	18.1	16.9	34.9
6.25	2011 (II)	2001	100	4.34	01/02 - 01/08	49.6	43.6	93.2
7.00	2011 (III) <sup>2</sup>	2002	100	4.45	30/06 - 30/12	0.0	0.3	0.3
7.80	2012	1997	100	4.45	24/05 - 24/11	35.7	44.6	80.4
7.00	2012 (II) <sup>2</sup>	2002	100	4.35	30/06 - 30/12	0.0	0.4	0.4
5.70	2012 (III) FI <sup>3</sup>	2005/2007	100/102.75/105.95/ 108/108.5/109.7	4.39	30/03 - 30/09	214.9	140.4	355.2
5.70	2012 (III) FI <sup>3</sup>	2007	103.85	4.39	30/03 - 30/09	62.0	11.7	73.7
7.80	2013	1997	100	4.37	18/04 - 18/10	38.1	41.7	79.8
6.35	2013 (II)	2001	100	4.32	19/05 - 19/11	4.2	56.4	60.6
7.00	2013 (III)	2003	100	4.39	30/06 - 30/12	0.0	0.2	0.2
6.60	2014	2000	100	4.42	30/03 - 30/09	2.9	21.6	24.5
6.45	2014 (II)	2001	100	4.46	24/05 - 24/11	19.3	50.6	69.9
5.10	2014 (III)	03/04/06/07	100/103.25/ 103.64/105.5	4.44	06/01 - 06/07	51.2	141.0	192.2
7.00	2014 (IV) <sup>2</sup>	2004	100	4.47	30/06 - 30/12	0.0	4.0	4.0
6.10	2015	2000	100	4.51	10/06 - 10/12	23.3	46.6	69.9
5.90	2015 (II) FI <sup>3</sup>	02/03/07	100/102/105	4.54	09/04 - 09/10	22.5	94.0	116.5
7.00	2015 (III)	2005	100	4.56	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)	2005	100	4.56	03/05 - 03/11	0.0	0.8	0.8
6.65	2016	2001	100	4.58	28/03 - 28/09	8.2	61.7	69.9
4.80	2016 (II) FI <sup>3</sup>	03/04/06	100/101/104	4.61	26/05 - 26/11	48.1	138.2	186.4
7.00	2016 (III)	2006	100	4.61	30/06 - 30/12	0.0	3.4	3.4
7.00	2017	2007	100	4.61	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)	2007	100	4.61	30/06 - 30/12	0.0	10.3	10.3
7.80	2018	1998	100	4.63	15/01 - 15/07	59.7	103.3	163.1
6.60	2019	1999	100	4.76	01/03 - 01/09	28.1	74.4	102.5
5.20	2020	2007	100	4.84	10/06 - 10/12	3.2	23.7	26.9
5.00	2021 FI/(I)FI <sup>3</sup>	2004/2005/2007	98.5/100	4.96	08/02 - 08/08	28.1	270.9	299.1
5.10	2022	2004	100	5.06	16/02 - 16/08	2.6	68.4	71.0
5.50	2023	2003	100	5.12	06/01 - 06/07	0.5	78.3	78.8
Total						1,111.8	1,649.6	2,761.4

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

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

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

Source: Central Bank of Malta; MSE.

## Government Finance

**Table 2.10 Malta government long-term debt securities outstanding by remaining term to maturity<sup>1</sup>**

EUR millions

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
2003	103.8	487.8	723.3	630.6	181.3	2,126.8
2004	128.1	567.9	797.5	627.1	243.0	2,363.6
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
<b>2007</b>						
Mar.	163.1	620.8	1,168.9	522.5	149.8	2,625.0
June	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
<b>2008</b>						
Mar.	301.3	829.2	889.6	662.5	78.8	2,761.4

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

Source: Central Bank of Malta; MSE.

**Table 2.11 General government external loans by currency<sup>1</sup> and remaining term to maturity<sup>2</sup>**

EUR millions

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

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

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

<sup>3</sup> Provisional.

## Exchange Rates, External Transactions and Positions

**Table 3.1a Selected Maltese Lira exchange rates<sup>1</sup> (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
<b>2007</b>							
Jan.	0.4293	3.0141	1.5458	366.61	3.7784	3.9136	3.5685
Feb.	0.4293	3.0788	1.5693	364.14	3.7589	3.9038	3.5954
Mar.	0.4293	3.1014	1.5850	366.71	3.7865	3.8397	3.5802
Apr.	0.4293	3.1739	1.5908	379.49	3.8331	3.8252	3.5285
May	0.4293	3.1375	1.5856	381.37	3.8386	3.7865	3.3910
June	0.4293	3.1367	1.5666	385.38	3.8522	3.7065	3.3374
Jul.	0.4293	3.1928	1.5700	381.28	3.8484	3.7115	3.3689
Aug.	0.4293	3.1898	1.5784	371.23	3.8310	3.8751	3.3678
Sep.	0.4293	3.3075	1.6243	380.90	3.8673	3.7474	3.2951
Oct.	0.4293	3.3650	1.6244	388.13	3.9065	3.6472	3.2044
Nov.	0.4293	3.4399	1.6648	381.24	3.8550	3.8739	3.4283
Dec.	0.4293	3.4291	1.7082	384.18	3.8544	3.9033	3.3657

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

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

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

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

## Exchange Rates, External Transactions and Positions

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

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
<b>2007</b>						
Jan.	1.2954	0.6633	157.27	1.6214	1.6786	1.5325
Feb.	1.3211	0.6737	156.45	1.6136	1.6761	1.5419
Mar.	1.3318	0.6798	157.32	1.6247	1.6484	1.5366
Apr.	1.3605	0.6827	162.82	1.6458	1.6427	1.5187
May	1.3453	0.6801	163.56	1.6477	1.6269	1.4388
Jun.	1.3505	0.6740	166.63	1.6553	1.5885	1.4245
Jul.	1.3707	0.6740	163.59	1.6519	1.5951	1.454
Aug.	1.3705	0.6780	159.25	1.6451	1.6692	1.4446
Sep.	1.4179	0.6968	163.55	1.6601	1.6073	1.4122
Oct.	1.4447	0.6973	166.49	1.6762	1.5658	1.3768
Nov.	1.4761	0.7146	163.43	1.6541	1.6643	1.4695
Dec.	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
<b>2008</b>						
Jan.	1.4870	0.7477	157.93	1.6051	1.6682	1.4846
Feb.	1.5167	0.7652	158.03	1.5885	1.6226	1.4895
Mar.	1.5812	0.7958	157.37	1.5738	1.7334	1.6226

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

Source: ECB.

## Exchange Rates, External Transactions and Positions

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

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
<b>2007</b>						
Jan.	1.2999	0.6634	156.56	1.6155	1.6602	1.5285
Feb.	1.3074	0.6680	157.60	1.6212	1.6708	1.5309
Mar.	1.3242	0.6802	155.24	1.6124	1.6704	1.5472
Apr.	1.3516	0.6793	160.68	1.6375	1.6336	1.5334
May	1.3511	0.6814	163.22	1.6506	1.6378	1.4796
June	1.3419	0.6756	164.55	1.6543	1.5930	1.4293
July	1.3716	0.6744	166.76	1.6567	1.5809	1.4417
Aug.	1.3622	0.6777	159.05	1.6383	1.6442	1.4420
Sep.	1.3896	0.6889	159.82	1.6475	1.6445	1.4273
Oct.	1.4227	0.6961	164.95	1.6706	1.5837	1.3891
Nov.	1.4684	0.7090	162.89	1.6485	1.6373	1.4163
Dec.	1.4570	0.7206	163.55	1.6592	1.6703	1.4620
<b>2008</b>						
Jan.	1.4718	0.7473	158.68	1.6203	1.6694	1.4862
Feb.	1.4748	0.7509	157.97	1.6080	1.6156	1.4740
Mar.	1.5527	0.7749	156.59	1.5720	1.6763	1.5519

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

Source: ECB.

## Exchange Rates, External Transactions and Positions

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

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit			
2003	2,271.2	2,836.3	1,275.1	785.4	793.9	816.3	178.2	217.0	-136.5	16.6	1.2
2004 <sup>1</sup>	2,188.2	2,888.6	1,369.0	840.0	783.1	826.6	185.1	233.8	-263.7	69.7	3.1
2005 <sup>1</sup>	2,083.2	2,974.3	1,617.2	980.6	973.9	1,173.5	277.5	241.6	-418.2	165.8	10.2
2006 <sup>1</sup>	2,333.7	3,294.3	210.4	1,343.7	1,460.8	1,673.5	421.2	426.7	-418.6	154.6	5.2
2007 <sup>1</sup>	2,347.8	3,284.9	2,370.1	1,533.6	1,951.1	2,080.6	526.6	588.8	-292.3	54.5	5.2
<b>2007<sup>1</sup></b>											
Mar.	564.9	748.0	517.4	347.5	431.1	487.3	57.0	65.0	-77.5	5.0	1.1
June	610.5	820.8	575.2	378.5	486.9	526.0	260.4	253.9	-46.2	2.1	0.9
Sep.	574.2	841.2	734.8	399.5	514.8	548.9	141.1	110.1	65.2	28.1	1.3
Dec.	598.2	874.9	542.7	408.2	518.4	518.5	68.2	159.8	-233.8	19.2	1.8
<b>2008<sup>1</sup></b>											
Mar.	541.5	790.1	514.7	368.9	478.0	484.5	132.6	92.0	-68.6	4.4	1.1

EUR millions

Period	Financial account <sup>1</sup>										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2003	-482.7	850.4	-1,378.0	-16.7	-4.2	25.2	-53.6	1,283.1	-127.5	96.0	25.1
2004 <sup>2</sup>	-6.0	318.0	-1,684.8	3.8	-13.8	-0.2	-1,024.8	2,387.1	161.1	140.3	56.8
2005 <sup>2</sup>	16.6	543.9	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	300.2	-37.5
2006 <sup>2</sup>	0.5	1,481.3	-1,965.5	-15.3	40.5	-15.6	-3,331.2	4,214.5	-83.1	326.1	-56.9
2007 <sup>2</sup>	-14.8	699.2	365.0	0.9	-134.6	254.8	-7,665.1	6,928.8	-326.5	107.7	135.3
<b>2007<sup>2</sup></b>											
Mar.	7.1	142.2	-133.1	0.0	-5.0	10.4	-2,098.6	2,095.7	143.3	162.2	-88.6
June	-5.3	196.8	-418.8	-4.8	22.3	3.8	-2,749.3	2,920.4	77.6	42.6	2.5
Sep.	-1.8	311.7	782.4	-1.9	-6.6	52.4	-2,074.9	878.4	-73.7	-134.0	42.0
Dec.	-14.8	48.5	134.4	7.5	-145.2	188.2	-742.3	1,034.4	-473.6	37.0	179.4
<b>2008<sup>2</sup></b>											
Mar.	-51.4	93.1	-10.3	-2.7	-40.0	-87.2	-1,675.0	1,826.6	-69.4	-16.3	81.7

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

<sup>2</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

EUR millions

End of period	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets <sup>2</sup>	
2003	1.4	35.4	47.8	1,587.7	524.2	3.7	2,200.3
2004	1.4	35.5	46.5	930.9	1,014.3	0.1	2,028.8
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
<b>2007</b>							
Jan.	3.2	39.4	46.7	711.1	1,373.3	-5.7	2,167.8
Feb.	3.2	39.4	45.8	705.9	1,343.3	3.3	2,141.0
Mar.	2.8	39.3	45.7	695.3	1,307.9	4.8	2,095.7
Apr.	2.8	38.7	45.0	702.7	1,283.7	4.2	2,077.1
May	2.7	39.6	45.2	751.5	1,265.7	-0.8	2,103.9
June	2.7	41.2	45.3	682.3	1,238.0	-3.7	2,005.8
July	2.7	40.9	45.0	737.6	1,172.7	0.2	1,999.0
Aug.	2.7	41.7	45.1	803.4	1,130.5	0.6	2,024.0
Sep.	2.9	40.8	44.1	899.3	1,092.1	7.3	2,086.5
Oct.	3.0	40.5	43.8	878.5	1,064.2	9.5	2,039.6
Nov.	3.0	40.8	43.4	1,481.6	1,026.8	12.5	2,608.0
Dec.	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
<b>2008<sup>3</sup></b>							
Jan.	3.7	40.8	43.5	152.4	135.1	5.5	380.9
Feb.	3.8	40.7	42.7	177.9	132.0	10.4	407.4
Mar.	3.5	39.9	41.9	203.9	120.7	22.4	432.4

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

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

<sup>3</sup> Provisional.

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

EUR millions

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

<sup>1</sup> Provisional.

Source: NSO.



## Exchange Rates, External Transactions and Positions

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

End of period	General government				Other sectors <sup>2</sup>			Direct investment vis-à-vis:			Total gross external debt (a+b+c)		Memo item: MFIs <sup>3</sup>	
	Short term	Long term	Total (a)	Total (b)	Short term	Long term	Total (c)	Affiliated enterprises	Direct investors	Total (c)	Short term	Long term	Total	
													Short term	Long term
2003 <sup>4</sup>	10.1	203.3	213.4	214.8	506.3	721.1	12.1	263.7	275.8	1,210.3	5,514.3	3,433.1	8,947.4	
2004 <sup>4</sup>	16.1	186.7	202.8	291.7	466.9	758.6	23.1	297.7	320.8	1,282.2	9,466.6	1,370.2	10,836.8	
2005 <sup>4</sup>	7.0	173.8	180.8	502.8	586.5	1,089.3	74.9	439.5	514.4	1,784.5	13,555.4	2,244.1	15,799.5	
2006 <sup>4</sup>	7.6	145.9	153.5	487.6	549.3	1,036.9	72.3	812.1	884.4	2,074.9	14,114.4	4,880.0	18,994.5	
2007 <sup>4</sup>	4.8	126.9	131.7	585.4	576.5	1,161.9	54.8	901.3	956.1	2,249.7	21,349.3	3,933.7	25,283.0	
<b>2007<sup>4</sup></b>														
Mar.	4.7	143.2	147.9	484.2	556.2	1,040.4	68.9	859.6	928.5	2,116.8	16,403.4	4,621.5	21,025.0	
June	3.3	140.8	144.1	502.3	550.5	1,052.8	70.6	863.4	934.0	2,130.9	19,050.7	4,867.7	23,918.4	
Sep.	1.8	137.7	139.5	545.8	568.8	1,114.6	74.1	877.1	951.2	2,205.4	19,766.4	4,630.8	24,397.2	
Dec.	4.8	126.9	131.7	585.4	576.5	1,161.9	54.8	901.3	956.1	2,249.7	21,349.3	3,933.7	25,283.0	
<b>2008<sup>4</sup></b>														
Mar.	3.7	133.7	137.4	650.9	578.6	1,229.5	58.0	996.7	1,054.7	2,421.6	21,121.1	4,483.3	25,604.4	

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

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

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

<sup>4</sup> Provisional.

## Exchange Rates, External Transactions and Positions

**Table 3.7 Malta's foreign trade**

*EUR millions*

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2003	2162.4	2984.4	-822.0
2004 <sup>1</sup>	2112.5	3043.1	-930.6
2005 <sup>1</sup>	1959.0	3087.1	-1128.1
2006 <sup>1</sup>	2218.0	3401.3	-1183.3
2007 <sup>1</sup>	2237.1	3458.5	-1221.4
<b>2007<sup>1</sup></b>			
Jan.	163.3	243.0	-79.7
Feb.	160.4	247.4	-87.0
Mar.	212.0	289.7	-77.7
Apr.	168.7	263.3	-94.6
May	205.5	280.4	-74.9
June	201.3	307.5	-106.2
July	199.3	340.6	-141.3
Aug.	167.8	261.0	-93.2
Sep.	182.6	267.4	-84.8
Oct.	191.4	364.6	-173.2
Nov.	194.0	295.2	-101.2
Dec.	190.8	298.4	-107.6
<b>2008<sup>1</sup></b>			
Jan.	179.2	279.1	-99.9
Feb.	165.5	265.4	-99.9
Mar.	181.9	274.3	-92.4

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.8 Direction of trade - exports**

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	280.5	221.5	72.9	113.4	688.3	253.9	15.8	958.1	576.3	312.8	315.2	2162.4
2004 <sup>1</sup>	328.0	228.3	64.8	86.7	707.7	242.0	67.8	1017.5	544.6	330.3	220.1	2112.5
2005 <sup>1</sup>	284.0	236.4	100.4	92.7	713.5	215.9	75.2	1004.7	460.8	263.7	229.9	1959.0
2006 <sup>1</sup>	326.7	282.9	81.3	125.8	816.7	213.0	82.0	1111.7	631.3	275.5	199.5	2218.0
2007 <sup>1</sup>	271.2	304.9	90.7	131.3	798.1	221.8	86.3	1106.2	669.5	246.7	214.7	2237.1
<b>2007<sup>1</sup></b>												
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	14.4	81.2	22.9	8.1	112.2	55.6	22.7	21.5	212.0
Apr.	21.4	24.6	8.1	9.9	64.0	19.3	6.4	89.7	47.4	17.1	14.5	168.7
May	24.6	26.2	8.4	12.1	71.3	20.6	9.7	101.6	60.0	22.3	21.6	205.5
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	10.7	73.1	21.1	10.7	104.9	55.2	21.1	18.1	199.3
Aug.	19.0	25.7	5.6	8.3	58.6	15.7	6.5	80.8	56.1	17.9	13.0	167.8
Sep.	21.4	25.7	8.4	8.4	63.9	17.2	8.9	90.0	60.1	20.4	12.1	182.6
Oct.	27.0	26.7	8.5	8.0	70.2	19.2	6.8	96.2	55.7	21.6	17.9	191.4
Nov.	21.6	23.7	6.6	9.6	61.5	22.3	5.7	89.5	63.2	19.3	22.0	194.0
Dec.	22.5	19.8	6.4	5.8	54.5	10.5	6.2	71.2	77.6	22.3	19.7	190.8
<b>2008<sup>1</sup></b>												
Jan.	21.3	28.0	12.4	7.8	69.5	16.8	5.0	91.3	47.7	16.6	23.6	179.2
Feb.	19.3	23.2	10.5	9.8	62.8	17.1	5.6	85.5	47.5	15.6	16.9	165.5
Mar.	19.8	24.5	7.6	7.2	59.1	14.6	5.0	78.7	54.6	26.8	21.8	181.9

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.9 Direction of trade - imports**

EUR millions

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	509.9	235.0	685.5	276.0	1,706.5	276.5	37.3	2,020.3	470.1	242.0	252.0	2,984.4
2004 <sup>1</sup>	408.1	265.5	771.0	328.0	1,772.7	367.3	71.0	2,211.0	458.2	162.8	211.0	3,043.1
2005 <sup>1</sup>	291.6	249.9	956.0	335.7	1,833.2	335.9	66.9	2,236.0	417.9	162.4	270.9	3,087.1
2006 <sup>1</sup>	321.5	262.9	964.3	372.9	1,921.7	343.6	70.0	2,335.2	634.9	179.7	251.6	3,401.3
2007 <sup>1</sup>	315.8	289.9	862.5	373.6	1,841.8	497.5	103.0	2,442.3	598.3	206.6	211.3	3,458.5
<b>2007<sup>1</sup></b>												
Jan.	14.9	23.0	59.7	23.3	120.9	32.2	4.5	157.6	48.2	9.7	27.5	243.0
Feb.	23.4	19.0	68.9	27.6	138.9	31.6	8.4	178.9	42.5	11.2	14.8	247.4
Mar.	19.7	26.1	84.2	30.7	160.7	33.8	5.7	200.2	56.3	12.3	20.9	289.7
Apr.	28.6	22.8	67.8	30.7	149.9	26.5	10.2	186.6	55.5	9.2	12.0	263.3
May	28.0	23.5	70.3	29.6	151.4	46.3	7.5	205.2	49.3	7.7	18.2	280.4
June	33.2	17.6	79.9	28.1	158.8	43.0	19.5	221.3	41.3	28.4	16.5	307.5
July	28.9	25.6	85.7	42.2	182.4	43.0	9.2	234.6	64.5	26.0	15.5	340.6
Aug.	30.3	19.5	57.9	29.7	137.4	44.2	7.6	189.2	43.8	9.3	18.7	261.0
Sep.	38.9	23.9	58.3	28.4	149.5	43.6	7.2	200.3	46.9	6.8	13.4	267.4
Oct.	21.7	28.7	68.9	42.8	162.1	56.7	9.6	228.4	48.8	65.9	21.5	364.6
Nov.	26.9	33.7	71.7	30.1	162.4	42.2	7.8	212.4	51.7	9.6	21.5	295.2
Dec.	21.3	26.5	89.2	30.4	167.4	54.4	5.8	227.6	49.5	10.5	10.8	298.4
<b>2008<sup>1</sup></b>												
Jan.	25.4	22.6	68.9	29.2	146.1	38.5	4.3	188.9	58.7	7.5	24.0	279.1
Feb.	21.3	26.9	61.0	42.9	152.1	39.0	7.1	198.2	48.8	5.5	12.9	265.4
Mar.	21.7	27.0	88.0	31.4	168.1	34.2	4.7	207.0	50.0	6.3	11.0	274.3

<sup>1</sup> Provisional.

Source: NSO.

## Real Economy Indicators

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net		
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 <sup>1</sup>	2,973.8	935.6	841.4	-90.4	4,660.4	3,557.2	3,728.6	-171.5	4,488.9	4,434.6
2005 <sup>1</sup>	3,107.2	946.5	926.1	45.3	5,025.0	3,700.3	3,954.9	-254.6	4,770.5	4,552.5
2006 <sup>1</sup>	3,205.0	1,020.9	994.4	55.2	5,275.5	4,437.7	4,638.0	-200.4	5,075.1	4,849.8
2007 <sup>1</sup>	3,307.6	1,045.1	1,046.2	117.9	5,516.9	4,736.9	4,855.2	-118.3	5,398.5	5,254.3
<b>2007<sup>1</sup></b>										
Mar.	758.6	245.8	247.7	5.3	1,257.4	1,054.7	1,076.0	-21.3	1,236.1	1,178.4
June	807.7	250.9	243.5	63.2	1,365.2	1,185.7	1,199.3	-13.6	1,351.6	1,308.4
Sep.	847.6	260.1	244.0	-0.1	1,351.5	1,309.0	1,240.7	68.3	1,419.9	1,381.4
Dec.	893.8	288.3	311.1	49.5	1,542.6	1,187.6	1,339.2	-151.7	1,390.9	1,386.1
<b>2008<sup>1</sup></b>										
Mar.	798.8	287.1	238.7	57.7	1,382.3	1,072.0	1,141.8	-69.7	1,312.7	1,305.6

<sup>1</sup> Provisional.

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

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

Source: NSO.

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

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net	
2003	2,697.5	792.8	796.2	-126.7	4,159.8	3,786.8	3,947.5	-160.7	3,999.2
2004 <sup>1</sup>	2,763.4	798.0	770.4	-81.9	4,249.9	3,868.3	4,096.8	-228.5	4,021.4
2005 <sup>1</sup>	2,815.3	794.1	834.0	41.4	4,484.8	3,835.6	4,169.9	-334.3	4,150.5
2006 <sup>1</sup>	2,833.7	841.5	865.5	49.1	4,589.8	4,219.6	4,518.0	-298.4	4,291.4
2007 <sup>1</sup>	2,878.1	840.9	898.3	103.6	4,720.9	4,192.4	4,459.1	-266.7	4,454.2
<b>2007<sup>1</sup></b>									
Mar.	671.9	198.7	215.3	4.7	1,090.7	944.5	999.2	-54.7	1,036.3
June	706.0	201.6	210.5	55.9	1,174.0	1,043.2	1,110.2	-67.1	1,107.0
Sep.	733.4	208.4	207.5	-0.1	1,149.2	1,125.7	1,119.4	6.3	1,155.6
Dec.	766.8	232.1	264.8	43.0	1,306.7	1,072.1	1,238.7	-166.6	1,155.4
<b>2008<sup>1</sup></b>									
Mar.	686.4	224.5	203.8	50.4	1,165.1	902.2	995.2	-92.9	1,072.2

<sup>1</sup> Provisional.

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

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

Source: NSO.

## Real Economy Indicators

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

Thousands

Period	EU (of which):								All others	Total
	Euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other Euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	145.0	1,170.6
2006	73.4	125.8	112.5	151.1	462.9	431.3	79.3	973.5	150.7	1,124.2
2007	75.1	130.0	113.7	177.8	496.6	482.4	103.5	1,082.5	161.0	1,243.5
<b>2007</b>										
Jan.	2.0	4.5	6.8	4.1	17.4	23.1	3.6	44.1	7.6	51.7
Feb.	2.3	6.2	3.9	4.8	17.1	24.4	2.0	43.6	7.0	50.5
Mar.	4.0	10.1	6.3	8.9	29.3	29.3	3.4	62.1	9.2	71.3
Apr.	7.0	11.9	10.5	14.9	44.4	36.6	9.5	90.5	11.3	101.8
May	8.6	10.6	8.4	16.3	43.9	41.3	9.1	94.3	14.8	109.0
June	6.2	11.9	7.3	16.2	41.6	50.0	10.2	101.8	15.6	117.4
July	11.2	10.5	16.8	22.5	61.0	50.9	14.8	126.6	21.1	147.7
Aug.	12.4	12.8	25.3	29.2	79.6	59.3	15.8	154.8	21.6	176.4
Sep.	7.9	14.4	10.9	21.9	55.0	58.1	12.6	125.6	18.1	143.7
Oct.	7.1	19.3	7.5	21.1	55.0	57.5	10.5	123.1	16.9	139.9
Nov.	4.2	11.6	5.2	10.7	31.7	32.9	6.8	71.4	11.1	82.5
Dec.	2.2	6.5	4.7	7.3	20.7	19.0	5.1	44.8	6.7	51.5
<b>2008</b>										
Jan.	4.4	7.5	8.2	7.9	28.0	22.1	5.5	55.6	8.3	63.9
Feb.	2.8	8.5	5.0	7.7	23.9	22.9	2.6	49.4	8.0	57.3
Mar.	3.9	16.3	11.3	13.3	44.8	31.1	5.1	81.1	9.4	90.5

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

Source: NSO.

## Real Economy Indicators

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

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	104.1	41.6	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 <sup>3</sup>	102.9	45.0	147.8	97.7	43.4	141.2	5.1	5.0	1.6	3.5	6.7	4.5
<b>2007<sup>3</sup></b>												
Jan.	103.1	44.4	147.4	97.4	42.7	140.1	5.6	5.5	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.	102.1	44.2	146.3	96.7	42.6	139.3	5.4	5.3	1.6	3.6	7.0	4.8
Apr.	102.0	44.2	146.3	96.8	42.8	139.6	5.3	5.2	1.5	3.4	6.8	4.6
May	102.1	44.3	146.4	96.9	42.9	139.8	5.2	5.1	1.4	3.2	6.6	4.5
June	102.0	44.5	146.5	97.0	43.1	140.1	5.0	4.9	1.4	3.1	6.3	4.3
July	102.4	44.8	147.2	97.5	43.3	140.9	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
<b>2008<sup>3</sup></b>												
Jan.	103.7	46.2	149.9	98.8	44.6	143.4	4.9	4.9	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

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

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

<sup>3</sup> Provisional.

Source: ETC.

## Real Economy Indicators

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

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	110.1	49.9	159.9	102.3	45.5	147.8	7.8	7.1	4.3	8.7	12.1	7.6
2004	110.4	48.9	159.3	103.3	44.5	147.9	7.1	6.4	4.4	9.0	11.5	7.2
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	111.4	54.9	166.3	104.7	50.7	155.4	6.7	6.0	4.2	7.7	10.9	6.6
<b>2007</b>												
Mar.	113.6	51.5	165.2	105.5	47.7	153.2	8.2	7.2	3.8	7.5	12.0	7.3
June	110.9	55.8	166.7	104.6	50.9	155.6	6.2	5.6	4.8	8.7	11.1	6.6
Sep.	111.0	56.2	167.3	105.0	51.9	156.9	6.1	5.5	4.3	7.6	10.3	6.2
Dec.	109.9	56.2	166.2	103.6	52.3	155.9	6.3	5.8	4.0	7.0	10.3	6.2
<b>2008</b>												
Mar.	112.8	55.1	167.9	106.7	51.1	157.8	6.1	5.4	4.0	7.2	10.1	6.0

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

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

Source: NSO.

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

Period	Total	Apartments	Maisonettes	Terraced houses	Others <sup>1</sup>
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
<b>2006</b>					
Mar.	174.8	174.9	189.4	194.1	177.0
June	181.5	180.7	187.2	194.1	185.6
Sep.	175.4	179.3	186.3	194.1	168.8
Dec.	176.3	178.4	185.3	202.2	168.6
<b>2007</b>					
Mar.	180.2	185.2	183.5	198.2	164.5
June	181.9	182.6	182.3	210.3	186.8
Sep.	177.3	181.7	181.6	210.3	172.7
Dec.	176.4	183.5	178.2	202.2	163.8
<b>2008</b>					
Mar.	178.8	179.8	181.2	202.1	173.0

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

Source: Central Bank of Malta estimates.



## Real Economy Indicators

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

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

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

<sup>2</sup> Includes quarrying.

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

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

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

Source: Malta Environment & Planning Authority.

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

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

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

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

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

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

Source: Malta Environment & Planning Authority.

## Real Economy Indicators

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

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

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

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

## Real Economy Indicators

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

Period	12-month moving average rates of change (%) <sup>1</sup>											
	All Items Index	All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2003	100.7	1.3	2.3	2.7	-6.4	2.2	0.0	-1.0	2.6	3.3	0.4	4.2
2004	103.6	2.8	0.2	9.2	-2.5	3.8	1.3	2.2	4.0	5.1	1.2	8.0
2005	106.7	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	109.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	111.0	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
<b>2007</b>												
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
<b>2008</b>												
Jan.	112.4	1.4	4.7	2.3	1.0	2.9	-7.0	0.6	-0.8	1.8	1.5	0.4
Feb.	112.9	1.6	5.3	2.3	1.9	2.9	-7.4	0.5	-0.6	1.8	1.4	0.4
Mar.	113.7	1.9	5.9	2.4	2.8	2.9	-6.2	0.5	-0.5	1.8	1.3	0.5

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

Source: NSO.

## Real Economy Indicators

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

Period	12-month moving average rates of change (%)												
	All Items Index	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Communications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2003	94.9	1.9	2.0	-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	-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	-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	-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	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
<b>2007</b>													
Jan.	99.5	2.5	2.3	-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	-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	-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	-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	-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	-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	-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	-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	-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	-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	-0.8	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	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
<b>2008</b>													
Jan.	103.3	0.9	4.4	1.0	-0.2	0.8	2.7	-1	0.5	0.3	4.5	-0.2	0.8
Feb.	103.7	1.2	4.9	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	2.8	0.1	0.8	2.8	-0.3	0.9	-0.4	5.2	0.7	0.9

Source: 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 OMF1 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 OMF1s’ 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. This is because statistics on currency issued for Malta now show a notional issue of euro banknotes attributed to the Central Bank of Malta according to what is called the banknote allocation key, based on the Bank's share in the capital of the ECB. This may be quite different from the amount of euro banknotes in the hands of Maltese residents because euro area aggregates include cross-border holdings of monetary instruments within the euro area (in this case, holdings by Maltese residents of deposits and other monetary instruments issued by MFIs throughout the euro area, the amount of which is not known).

In the euro area, by agreement between the members, the share of each central bank in the Eurosystem<sup>1</sup> in the total issue of banknotes in the area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column 'Banknotes in circulation' in the Financial Statements of the Bank will be a notional amount conforming to the banknote allocation key.

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

## Compilation and valuation principles

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

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

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

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

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

### **Release of monetary statistics**

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

### **Financial market interest rates**

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 1.16 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 1.17 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.

## **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.

## **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 on loans taken by, or granted by, the extra-budgetary units. The methodology underlying the compilation of data on the external loans of general government is generally consistent with the standards of the World Bank's Debtor Reporting System (DRS). The data refer to external loans with an original maturity of one year and over. Debt is recognised when disbursement of funds is effected. Data on debt denominated in other currencies are converted into euro using end-of-period exchange rates.

### **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 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.