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**Address**

Pjazza Kastilja  
Valletta VLT 1060  
Malta

**Telephone**

(+356) 2550 0000

**Fax**

(+356) 2550 2500

**Website**

<http://www.centralbankmalta.org>

**E-mail**

[info@centralbankmalta.org](mailto:info@centralbankmalta.org)

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*The cut-off date for statistical information published in the Economic Survey of this Review is 4 April 2008, except where otherwise indicated.*

*Since during the period covered by this Review the Maltese lira was the relevant currency, data presented in tables and charts refer to the Maltese lira alone. Euro equivalents, converted at the official rate of MTL/EUR 0.4293, have been inserted into the text to help the reader. Figures in tables may not add up due to rounding.*

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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
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
FI	fungibility issue
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
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
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 Prices Index
UNDP	United Nations Development Programme
WTO	World Trade Organisation

## ECONOMIC SURVEY

### 1. FOREWORD

Economic activity in Malta remained buoyant during the fourth quarter of 2007, with real GDP growing by 3.7% year-on-year, in line with the turnout for the year as a whole. While the overall growth performance was more or less stable, the sources of GDP growth changed in the course of the year. In fact, private consumption lost the upward momentum in evidence since the second half of 2006, while government consumption and investment were both down. The data show that growth was supported by a strong build-up of inventories. Conversely, as in the September quarter, the external sector contributed negatively to growth during the fourth quarter, with exports declining after having risen only modestly during the previous quarter. In nominal terms, GDP growth continued to hover in the region of 6%, propelled in part by the higher profits generated by new, yet rapidly growing, service sector activities.

The buoyancy of the economy was reflected in a further tightening of the labour market, with the private services sector continuing to fuel job creation. The unemployment rate was unchanged from the third quarter at 6.2%, the lowest rate for over six years and down by half a percentage point from a year earlier.

Meanwhile, the twelve-month moving average HICP inflation rate reached its lowest level in many years in October but edged up to 0.7% in December, with higher food prices being the main contributing factor. Moreover, the combined effect of higher food and restaurant prices and the termination of the favourable base effect in energy-related prices pushed annual inflation rates to over 3% after the end of the year.

The fourth quarter deficit on the current account of the balance of payments more than doubled from a year earlier, reflecting a wider deficit on merchandise trade and higher net outward transfers. These more than offset the gains on services and a reduction in net investment income outflows. Still, the capital and financial account recorded a large surplus, spurred by strong net portfolio and other investment inflows. As a result, reserve assets rose sharply during the quarter.

On the fiscal front, a significant surplus was recorded during the fourth quarter of 2007. This reversed the deterioration of the first nine months and brought the general government deficit for the year down to 1.8% of GDP from 2.5% a year earlier, with the correction being underpinned by expenditure restraint. However, the outcome fell short of the 1.6% target set out in the Government's Stability Programme as a result of an unfavourable Maltese Court decision relating to VAT. Meanwhile, public debt retreated to below 63% of GDP as a higher level of debt was more than offset by the growth in the GDP denominator.

In December narrow money (M1) declined by over 4% on an annual basis, reflecting the plunge in cash holdings in anticipation of the euro changeover. Growth in broad money (M3), however, continued to exceed 11%, reflecting a strong build-up in deposits with an agreed maturity of up to two years. Meanwhile, the annual rate of credit growth decelerated to 10.7%, with lending for house purchases still the predominant source of growth.

Respondents to the Bank's business perceptions survey reported positive results for the first quarter of 2008. They also shared optimistic expectations as regards the second quarter, saying they planned to raise their investment outlays and expand their labour complement further in the course of the year. Meanwhile, the consumer and business confidence surveys conducted by the European Commission showed that consumer sentiment in Malta had improved, in line with recent trends, while industrial confidence remained positive.

## 2. THE INTERNATIONAL ENVIRONMENT

### The world economy

In the fourth quarter of 2007 growth in the major industrialised economies slowed down, mainly as a result of the ongoing turmoil in financial markets. In contrast, the expansion of emerging market economies continued, with China and India growing at sustained rapid rates. Inflationary pressures increased considerably worldwide, fuelled by spiralling prices of energy and food.

### Economic and monetary developments in major economies

In the United States, real GDP growth fell to an annual rate of 2.5% in the last quarter of 2007, from 2.8% in the September quarter (see Table 2.1). The continued reduction in residential investment and slower growth in exports and government consumption contributed to the slowdown. But prices rose rapidly, with the annual inflation rate rising to 4.0% on average, from 2.4% in the previous three months, on the back of higher food and energy prices (see Table 2.2). Meanwhile, the unemployment rate edged up by 0.1 percentage points to 4.8%.

In response to developments in financial markets and to support economic growth, the Federal Reserve lowered its target for the federal funds rate by half a percentage point to 4.75% in September. The rate was cut by 25 basis points in October and again by the same amount in December, in a further effort to promote growth (see Chart 2.1). Thus, at the end of 2007 the federal funds rate stood at 4.25%. By the end of March 2008, however, the Fed had lowered its target rate even further, to 2.25%, easing its monetary policy stance considerably, as the outlook for economic activity in the United States turned even bleaker.

In the euro area, annual GDP growth decelerated to 2.2% in the December quarter, from 2.7% in the preceding three-month period. Slower growth in household and government consumption,

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

*Annual percentage changes, seasonally adjusted*

	2006		2007			
	Q3	Q4	Q1	Q2	Q3	Q4
United States	2.4	2.6	1.5	1.9	2.8	2.5
Euro area	2.9	3.2	3.2	2.5	2.7	2.2
United Kingdom	3.0	3.2	3.0	3.2	3.1	2.8
Japan	2.0	2.4	2.9	1.7	1.9	1.8

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

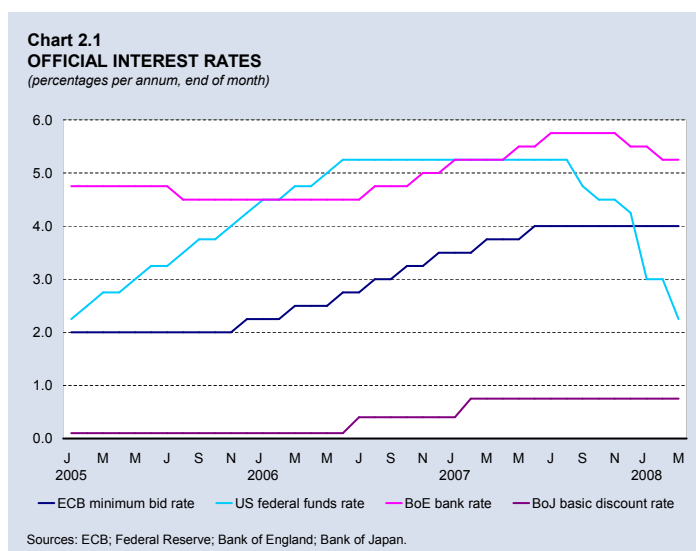
**Table 2.2**  
**CONSUMER PRICE INFLATION**

*Annual percentage changes, average over quarter*

	2006		2007			
	Q3	Q4	Q1	Q2	Q3	Q4
United States	3.3	1.9	2.4	2.7	2.4	4.0
Euro area	2.1	1.8	1.8	1.9	1.9	2.9
United Kingdom	2.4	2.7	2.9	2.6	1.8	2.1
Japan	0.6	0.3	-0.1	-0.1	-0.1	0.5

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

as well as in investment, were the principal factors behind this development. As in the other major economies, the annual inflation rate rose markedly, averaging 2.9% over the quarter, up from 1.9% in the September quarter. As in the United States, this resulted mainly from higher prices of energy and food, which, in turn, reflected developments in international commodity prices. On the other hand, conditions in the labour market continued to improve, with the average unemployment rate over the quarter falling further to 7.2%, from 7.4% in the three months to September.



The ECB kept the minimum bid rate on its main refinancing operations on hold at 4.0% in the December quarter. However, the Bank confirmed its assessment that strong upward pressure on prices existed. The Bank also saw downside risks to the outlook for economic growth amid high levels of uncertainty. The Bank stressed that it stood ready to counter upside risks to price stability, as required by its mandate.

Meanwhile, in the United Kingdom, economic growth slowed down to 2.8% from 3.1% in the September quarter. At the same time, annual consumer price inflation, at 2.1%, was markedly lower than in the United States and the euro area, but was still 0.3 percentage points higher than in the third quarter, as higher prices of food and fuel were partly offset by lower utility prices. The labour market remained tight, with the unemployment rate falling to 5.0% from 5.2% in the previous quarter.

After having kept the official bank rate paid on commercial bank reserves unchanged in October and November, the Bank of England lowered it by 25 basis points to 5.50% in December, judging that downside risks to the economy and inflation resulting from the deterioration in financial market conditions outweighed upside risks to inflation from short-term cost pressures. In February 2008, the Bank cut the rate by a further quarter of a percentage point to 5.25%.

Economic activity in Japan continued to expand at a steady pace, with the 1.8% rate of growth in the December quarter being only 0.1 percentage points below that registered in the third quarter. The Japanese economy appears to be moving out of a deflationary phase, with year-on-year increases in consumer prices averaging 0.5% during the quarter, driven primarily by higher prices of imported raw materials. Nevertheless, the jobless rate was up marginally compared with the September quarter, rising by 0.1 percentage points to 3.9%. During the fourth quarter and over the following three months, the Bank of Japan kept the uncollateralized overnight call rate unchanged at 0.5%.

In China and India, the two largest emerging market economies, rapid growth persisted during the



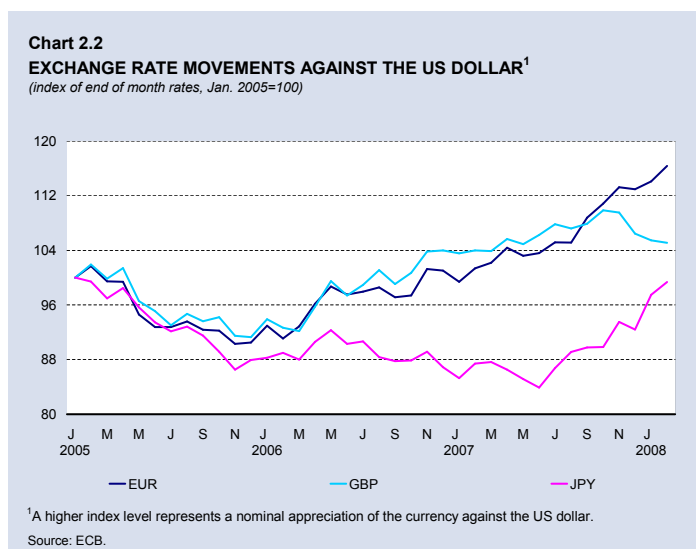
final quarter of 2007, with GDP expanding at annual rates of 11.2% and 8.4%, respectively. Meanwhile, inflation in both countries gathered pace, with the annual rate averaging 6.6% in China and 5.5% in India.

## Currency markets

The trend decline of the US dollar vis-à-vis the euro extended into October and November as a result of weak US data, especially in the housing and labour markets (see Chart 2.2 and Table 2.3). Moreover, a more negative outlook for the

US economy and the anticipation of lower interest rates put further downward pressure on the US unit. In early December, however, the US dollar regained some ground as central banks responded to liquidity strains in financial markets, but subsequently depreciated again on further weak US data. Over the quarter as a whole, the dollar declined by 3.8% versus the euro.

Carry trade activity, in which investors borrowed Japanese yen to invest the funds at higher rates elsewhere, continued to influence exchange rate movements between the US dollar, the Japanese yen and the euro during the final quarter of 2007. Heightened volatility in financial markets led to the unwinding of carry trade positions, reducing the supply of yen in the market and leading to a weakening of the US dollar against the Japanese unit. In December, however, the dollar made some gains, as concerns about the economic outlook in the United States eased. Thus, over the quarter as a whole, the dollar lost 2.9% against the yen. Against the pound sterling, meanwhile, the dollar fell throughout October, but it generally strengthened through November and December, so that it ended the year 1.4% above its end-September level.



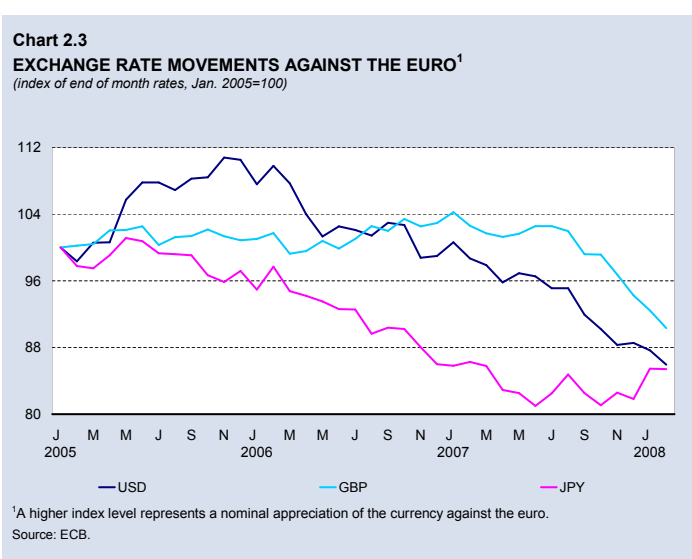
**Table 2.3**  
EXCHANGE RATES AGAINST THE US DOLLAR - FOURTH QUARTER 2007

	USD/EUR	USD/GBP	JPY/USD
Average for October	1.4227	2.0438	115.94
Average for November	1.4684	2.0712	110.93
Average for December	1.4570	2.0219	112.25
Average for the quarter	1.4494	2.0456	113.04
Closing rate on 28.09.07 <sup>(1)</sup>	1.4179	2.0349	115.35
Closing rate on 31.12.07	1.4721	2.0074	112.04
Appreciation(+)/depreciation(-) vs the US dollar (%)	3.8	-1.4	2.9
Lowest rate during the quarter	1.4037	1.9802	117.76
	(09 Oct.)	(24 Dec.)	(15 Oct.)
Highest rate during the quarter	1.4874	2.1064	107.64
	(27 Nov.)	(08 Nov.)	(27 Nov.)

<sup>(1)</sup> Closing rates are based on the regular daily concertation procedure between central banks within and outside the European System of Central Banks, which normally takes place at 2.15 p.m.

Source: ECB.

The euro continued to strengthen against other major currencies during the final quarter of 2007 (see Chart 2.3). Apart from appreciating against the US dollar, it recorded strong gains against the British pound, putting on 5.2% during the quarter, as the negative impact of the US sub-prime mortgage market on international financial markets spread to the British financial sector. Furthermore, increased expectations of further interest rate cuts in the United Kingdom weakened the pound sterling. To a lesser extent, the euro also strengthened against the Japanese yen, in terms of which it rose by 0.8% over the quarter.



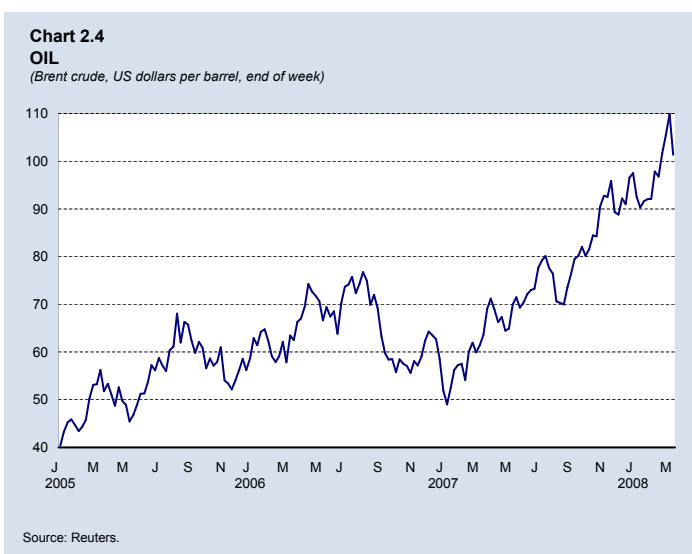
In January and February 2008 the US dollar was relatively stable vis-à-vis the other major currencies, before falling sharply at the beginning of March under the impact of further indications of a deteriorating performance by the US economy.

Over the first quarter of 2008 the euro continued to strengthen against the British pound, reaching new all-time highs in March. Against the Japanese yen, however, the euro depreciated sharply in early January, before pursuing an erratic trend over the rest of the quarter.

## Commodity markets

### Oil

In October and November the price of Brent crude oil generally rose as a result of decreasing inventories in the United States, renewed geopolitical tensions and disruptions in production as a result of the hurricane season. Towards the end of November and the beginning of December, however, crude oil prices eased, amid signs of a US economic slowdown. Oil prices surged again later in December as the market tightened and international political tensions flared up again, reaching a new all-time high of USD 96.57 per barrel at the end of the year (see Chart 2.4). Over the quarter as a whole, crude oil prices rose by 14.9%.



In the early months of 2008, oil prices receded temporarily, reflecting market concerns that a global economic slowdown would dampen demand. At the end of February, however, oil prices surged again and the price of Brent crude rose to exceed the USD 100 mark.

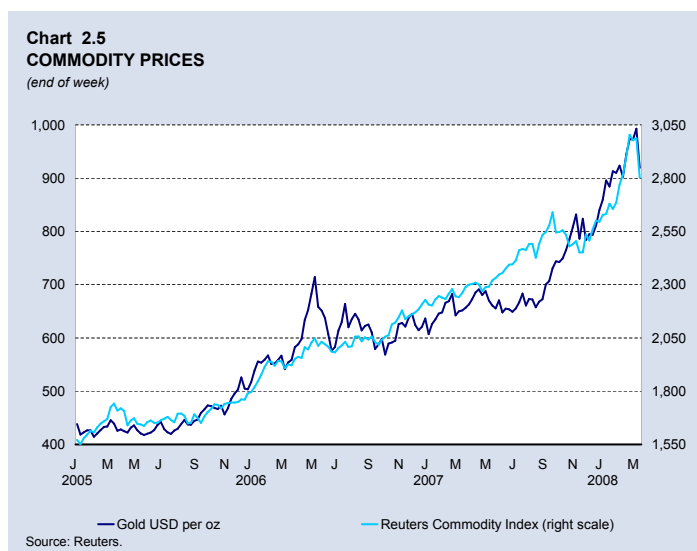
### Gold

Gold prices continued to rise during the final quarter of 2007, propelled by record high oil prices and a weak US dollar (see Chart 2.5). Moreover, given the situation in financial

markets, demand for bullion as a safe-haven investment increased. The gold price ended the year at USD 833.2 per ounce, 12.0% above its end-September level. In the first quarter of 2008, the price of the metal rose further, reaching USD 1,002.3 in mid-March.

### Other commodities

After registering strong gains in September, non-energy commodity prices were fairly volatile in October and November (see Chart 2.5). In December, however, they resumed their upward trend, as higher prices of food and agricultural raw materials offset a decline in the prices of non-ferrous metals. Over the quarter the Reuters Commodity Index, which excludes gold and oil products, rose by 2.0%.<sup>1</sup> Non-energy commodity prices continued to rise even in the first quarter of 2008, reaching a new all-time high in the first week of March.



<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. MONETARY AND FINANCIAL DEVELOPMENTS

Through most of the fourth quarter of 2007, the Central Bank of Malta left its monetary policy stance unchanged. But on 28 December, just ahead of the adoption of the euro, the Bank lowered the central intervention rate by 25 basis points to 4.00%, bringing it in line with the minimum bid rate on the main refinancing operations set by the ECB. Interest rates applied by the Bank in its open market operations were adjusted accordingly. Thus, the process of convergence of Maltese official interest rates with those in the euro area was completed and, as from the adoption of the euro on 1 January 2008, the Central Bank of Malta ceased to be directly responsible for monetary policy in Malta.

Money market rates declined slightly during the quarter, while in the capital market yields on 5- and 10-year government bonds also decreased, although euro area rates were stable. Meanwhile, equity prices edged up slightly for the second consecutive quarter.

Following a significant acceleration in the September quarter, the pace of monetary growth slowed down considerably during the final quarter of 2007. Growth was driven by a sizeable increase in domestic credit, particularly to the private sector, but this was largely offset by a contraction in the net foreign assets of the banking system.

#### The monetary base

The monetary base (M0) expanded by Lm159.9 million (EUR 372.5 million), or 26.3%, during the December quarter, after having declined throughout the previous three quarters. While currency in issue fell by Lm106.4 million (EUR 247.8 million), bank deposits with the Central Bank of Malta went up by more than twice this amount, rising by Lm266.3 million (EUR 620.3 million) (see Table

**Table 3.1**  
**THE MONETARY BASE AND ITS SOURCES**

*Lm millions*

	2007		Change	
	Sep.	Dec.	Amount	%
Currency in issue	397.4	291.0	-106.4	-26.8
Bank deposits with the Central Bank of Malta <sup>(1)</sup>	210.2	476.5	266.3	+
<b>Monetary base (M0)</b>	<b>607.6</b>	<b>767.5</b>	<b>159.9</b>	<b>26.3</b>
<b>Central Bank of Malta assets</b>				
Foreign assets	926.7	1,130.4	203.7	22.0
Claims on government	94.1	87.4	-6.6	-7.1
Fixed and other assets	17.7	21.0	3.3	18.9
<i>less:</i>				
<b>Remaining liabilities</b>				
Government deposits	148.3	166.3	18.0	12.2
Other deposits	14.4	15.0	0.6	4.1
Foreign liabilities	35.6	43.0	7.4	20.8
Other liabilities	141.1	151.5	10.3	7.3
Shares and other equity	91.4	95.5	4.1	4.5

+ indicates a value exceeding +/- 100%

<sup>(1)</sup> Excluding term deposits, which are shown with "other liabilities".

Source: Central Bank of Malta.

3.1).<sup>1</sup> This was primarily attributable to an increase in minimum reserve deposits in November, when the obligation to hold such deposits with the Bank was extended to all credit institutions established in Malta. At the same time, the contraction in currency in issue mainly reflected a shift out of currency holdings into bank deposits ahead of the euro changeover.

The fourth quarter growth in M0 was largely matched by a rise in the Bank's foreign assets that was only partly offset by an expansion of those liabilities that do not form part of the monetary base, particularly government deposits and 'other liabilities'. The sharp rise in the latter reflected the increased absorption of liquidity from the banking system by the Bank through term deposits. In addition, the relatively rapid expansion in foreign liabilities stemmed from an increase in deposits belonging to non-residents.

### Monetary aggregates

After expanding by 4.9% during the third quarter, broad money (M3) grew by 1.0% during the last three months of 2007 (see Table 3.2). This slowdown reflected less rapid growth in time deposits. Consequently, on a year-on-year basis, growth in M3 slowed down further, falling from 12.3% in September to 11.1% in December.

Narrow money (M1) contracted by 2.6% during the December quarter, after having remained relatively stable during the preceding two quarters, as an increase in deposits withdrawable on demand was outpaced by a drop in currency in circulation. The latter plunged by 29.7% during the quarter, reflecting lower demand for cash ahead of the euro changeover and the higher opportunity cost of holding currency in an environment of rising deposit rates. On the other hand, deposits withdrawable on demand grew by 5.5%, driven by higher Maltese lira balances belonging to households and an increase in corporate foreign currency deposits.<sup>2</sup> The annual rate of growth of M1 slowed down further during the quarter, falling to -4.3% in December from -1.8% three months earlier (see Chart 3.1).

Following strong growth in the previous two quarters, intermediate money (M2) grew at a much slower pace during the December quarter, expanding by only 1.0%, as higher deposits were

**Table 3.2**  
**MONETARY AGGREGATES**

*Percentage changes on the previous quarter*

	2006		2007		
	Q4	Q1	Q2	Q3	Q4
<b>Narrow money (M1)</b>	<b>-0.1</b>	<b>-1.9</b>	<b>0.1</b>	<b>0.0</b>	<b>-2.6</b>
Currency in circulation	-2.1	-5.2	-7.2	-11.3	-29.7
Deposits withdrawable on demand	0.7	-0.5	3.0	3.9	5.5
<b>Intermediate money (M2)</b>	<b>2.1</b>	<b>2.1</b>	<b>2.6</b>	<b>4.9</b>	<b>1.0</b>
Narrow money (M1)	-0.1	-1.9	0.1	0.0	-2.6
Deposits redeemable at notice up to 3 months	1.6	-3.8	18.4	9.3	18.0
Deposits with agreed maturity up to 2 years	4.6	6.6	4.9	9.6	3.7
<b>Broad money (M3)<sup>(1)</sup></b>	<b>2.1</b>	<b>2.1</b>	<b>2.6</b>	<b>4.9</b>	<b>1.0</b>

<sup>(1)</sup> Since the amount of marketable instruments issued by the MFI sector is negligible, at present M2 is equal to M3.

Source: Central Bank of Malta.

<sup>1</sup> M0 was a measure of the Central Bank of Malta's monetary liabilities and consisted of currency in issue and bank deposits with the Bank, excluding term deposits. Following the Central Bank of Malta's entry into the Eurosystem and the consequent changes to the Bank's balance sheet, the monetary base is no longer being compiled.

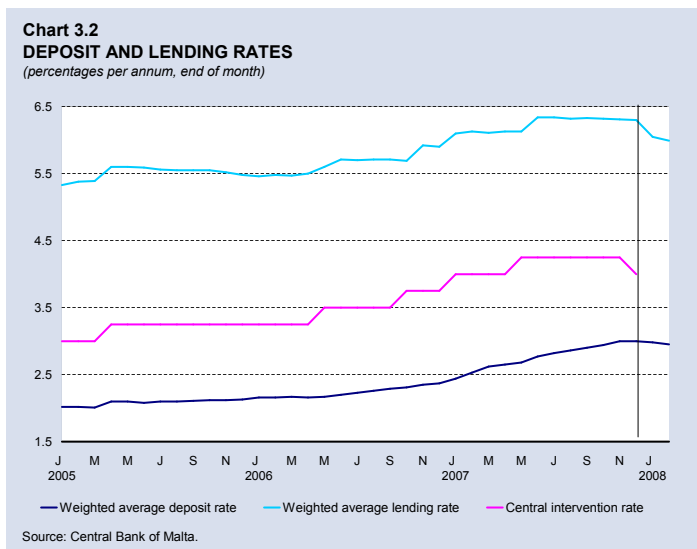
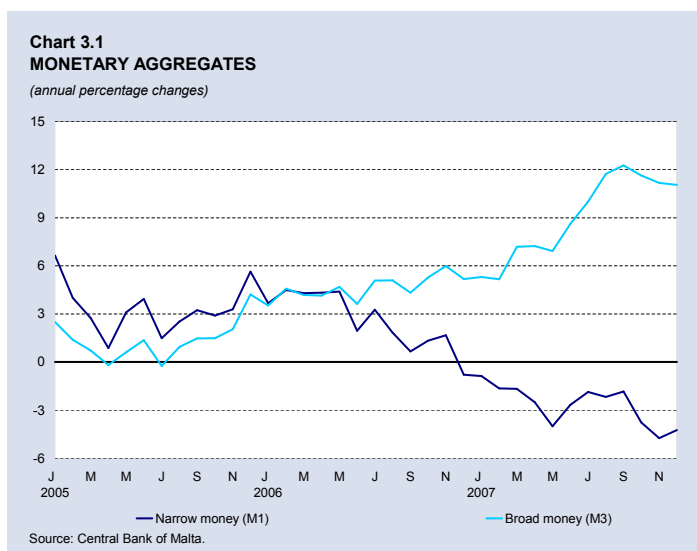
<sup>2</sup> During the period reviewed, foreign currency deposits included deposits denominated in euro.

largely offset by the contraction in currency holdings. In absolute terms, the increase in deposits mainly took the form of balances with an agreed maturity of up to two years, which rose by 3.7%, driven mostly by Maltese lira-denominated deposits belonging to households and to insurance companies. Growth in such deposits, however, moderated during the quarter, despite rising interest rates, partly because the Special Registration Scheme, which had boosted deposits in the previous quarter, closed. On a year-

on-year basis, growth in deposits with an agreed maturity of up to two years went down slightly, falling to 27.1% in December from 28.2% in September. Meanwhile, deposits redeemable at up to three months' notice increased moderately in absolute terms. Foreign currency-denominated deposits in M2 rose by 4.0%, with corporate deposits accounting for most of the increase.

During the fourth quarter of 2007, lending rates were relatively stable, with the late December cut in official rates having no significant impact by the end of the period. As a result, the average weighted lending rate declined by 3 basis points only, ending December at 6.30% (see Chart 3.2).<sup>3</sup> In contrast, deposit rates continued on their upward trend until the end of the year. Concurrently, investors showed a clear preference for one-year deposits offering higher interest rates, which increased as a share of the total. As a result, the weighted average interest rate on Maltese lira deposits rose from 2.90% at end-September to 3.00% in December. Whereas the average interest rates on demand and saving deposits were stable, those on time deposits increased by 16 basis points, ending the year at 3.96%.

Going into the first quarter of 2008, the weighted average lending rate responded to the December alignment of the central intervention rate to the minimum bid rate of the ECB, dropping by around a third of a percentage point to 5.99% by end-February. At the same time, the weighted average deposit rate also fell, though to a lesser extent, reaching 2.95%.



<sup>3</sup> As from 1 January 2008, the central intervention rate was replaced by the minimum bid rate on the main refinancing operations of the ECB, which is not shown in the Chart.

**Table 3.3**  
**COUNTERPARTS OF MONETARY GROWTH**

*Percentage changes on the previous quarter*

	2006		2007		
	Q4	Q1	Q2	Q3	Q4
<b>Broad money (M3)</b>	<b>2.1</b>	<b>2.1</b>	<b>2.6</b>	<b>4.9</b>	<b>1.0</b>
<b>Domestic credit</b>	<b>5.4</b>	<b>4.8</b>	<b>1.6</b>	<b>0.9</b>	<b>3.0</b>
Net claims on central Government	13.4	19.4	0.0	-3.7	4.6
Claims on other residents	4.4	2.7	1.9	1.7	2.7
<b>Net foreign assets</b>	<b>-0.4</b>	<b>-0.6</b>	<b>3.5</b>	<b>8.5</b>	<b>-3.1</b>
Central Bank of Malta	-3.2	-5.9	-4.0	3.7	22.0
Banks	2.1	3.9	9.4	11.8	-18.9
less:					
<b>Other counterparts of M3<sup>(1)</sup></b>	<b>4.5</b>	<b>3.3</b>	<b>2.0</b>	<b>2.4</b>	<b>-0.7</b>

<sup>(1)</sup> Other counterparts of M3 include the capital base of the MFI sector, longer-term financial liabilities, provisions, interest accrued and unpaid and other liabilities, less fixed and other assets. They are equal to the difference between M3 and the sum of domestic credit and net foreign assets.

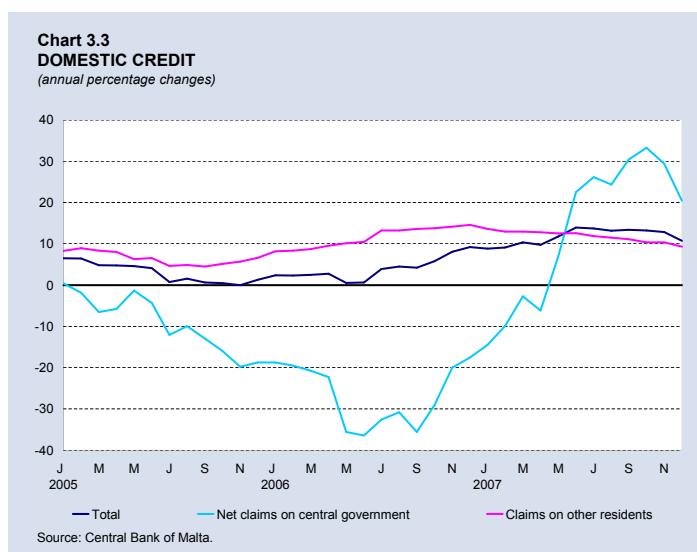
Source: Central Bank of Malta.

### Counterparts of monetary expansion

Monetary expansion during the last quarter of 2007 stemmed predominantly from an increase in domestic credit, particularly to the private sector. It was dampened by a contraction in the net foreign assets of the banking system.

Domestic credit grew at a faster pace during the fourth quarter of 2007, rising by 3.0% as against 0.9% in the September quarter (see Table 3.3). This acceleration was driven by higher claims on other residents, which grew considerably in absolute terms, though an increase in net claims on central government also contributed. Nonetheless, the annual rate of credit growth slowed down, falling to 10.7% in December from 13.4% three months earlier (see Chart 3.3).

Claims on other residents expanded by 2.7% during the quarter. Loans, which account for around 97% of such claims, also grew by 2.7%, with the demand for credit stemming primarily from the non-bank private sector (see Table 3.4). Loans to the latter increased by 2.6%, fuelled mainly by lending to households (mostly for house purchases), to the construction industry and to the manufacturing sector. Lending to the real estate, renting & business activities sector also rose substantially. At the same time, increased lending to the electricity, gas & water supply sector pushed up claims on the



**Table 3.4**  
**CLAIMS ON OTHER RESIDENTS<sup>(1)</sup>**

*Lm millions*

	2007		Amount	Change %
	Sep.	Dec.		
<b>Total claims</b>	<b>2,675.6</b>	<b>2,747.8</b>	<b>72.2</b>	<b>2.7</b>
Claims on the non-bank private sector	2,530.4	2,596.7	66.3	2.6
<i>of which loans</i>	2,475.7	2,539.0	63.3	2.6
Claims on the non-bank public sector	144.3	150.3	5.9	4.1
<i>of which loans</i>	120.5	126.6	6.1	5.0
Claims on other general government <sup>(2)</sup>	0.8	0.9	0.1	6.1
<b>Total loans</b>	<b>2,597.1</b>	<b>2,666.5</b>	<b>69.4</b>	<b>2.7</b>
Electricity, gas & water supply	76.7	84.4	7.8	10.1
Transport, storage & communication	134.4	138.3	3.9	2.9
Agriculture & fishing	10.7	9.6	-1.1	-10.3
Manufacturing	118.1	128.3	10.2	8.6
Construction	276.8	290.2	13.4	4.9
Hotels & restaurants	201.1	203.7	2.6	1.3
Wholesale & retail trade; repairs	319.1	314.4	-4.7	-1.5
Real estate, renting & business activities	303.2	311.1	7.9	2.6
Households & individuals	1,083.6	1,109.2	25.6	2.4
Other <sup>(3)</sup>	73.4	77.3	3.9	5.3

<sup>(1)</sup> Claims on other residents consist 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> This refers to the local councils.

<sup>(3)</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.

non-bank public sector. On an annual basis, however, the overall growth in claims on other residents slowed down, falling from 11.1% in September to 9.3% in December. This deceleration was spread across most major categories of borrower, which suggests that rising interest rates over most of 2007 may have dampened the demand for credit.

Net claims on central government increased by 4.6% during the last three months of 2007, after having declined during the previous quarter. This was mostly attributable to a rise in the banking sector's holdings of Malta Government Stocks, which was boosted further by the issue of bonds in October, as well as an increase in the sector's holdings of Treasury bills. On a year-on-year basis, however, growth in net claims on central government went down by 10 percentage points during the quarter, ending the year at 20.4%.

After two consecutive quarters of growth, the net foreign assets of the banking system contracted during the December quarter, falling by 3.1%. A considerable increase in the net foreign assets of the Central Bank of Malta was outpaced by an even bigger decline in those of the rest of the banking system. As a result, the annual rate of growth of the banking system's net foreign assets dipped to 8.2% in December from 11.2% in September (see Chart 3.4).

The net foreign assets of the Central Bank of Malta rose by 22.0% during the quarter under review, as against 3.7% in the September quarter. This sharp expansion was mainly attributable to a rise in reserve deposits in November, when, in preparation for compliance with the ECB's rules on reserve requirements, the obligation to hold such deposits with the Bank was extended



to all banks operating in Malta. This led to the placement of significant amounts of reserve deposits in foreign currency with the Bank. This was partly offset by payments on behalf of Government and foreign currency sales to the rest of the banking system to meet the demand for euro, which gained momentum ahead of the currency changeover.

Conversely, the net foreign holdings of the rest of the banking system declined by 18.9% during the December quarter, reversing the accelerating trend observed during the preceding three quarters. This drop was mainly attributable to the above-mentioned placement of reserve deposits in foreign currency with the Bank, which was partly dampened by a small rise in their foreign assets that reflected gains in the value of investment portfolios.

The other counterparts of M3 contracted by 0.7% during the quarter, as a moderate increase in revaluation reserves, as a result of the portfolio gains mentioned previously, was offset by a drop in the other net liabilities of the banking system.

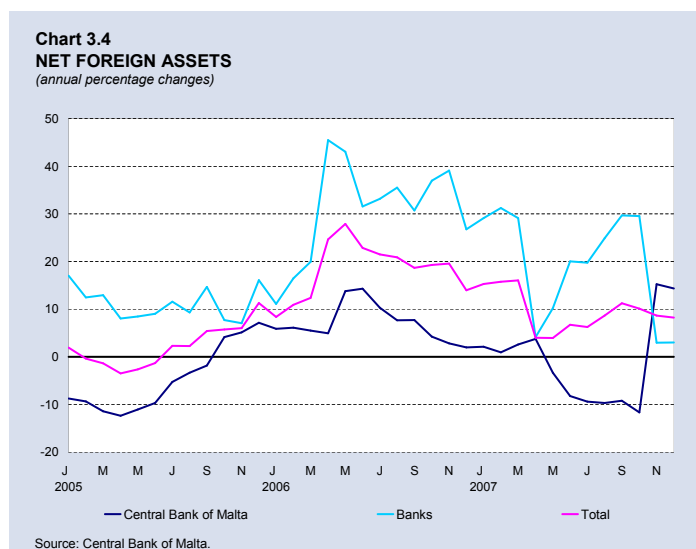
### The money market

During the fourth quarter of 2007, the Bank continued to absorb surplus funds from the rest of the banking system through weekly auctions of 7-day term deposits. The volume of funds absorbed increased, with the average weekly level rising to Lm153.6 million (EUR 357.8 million), from Lm107.4 million (EUR 250.2 million) in the previous quarter. Following the alignment of the central intervention rate with the minimum bid rate of the ECB, the interest rate floor on term deposits went down from 4.20% to 3.95% at the end of December.

Activity in the interbank market slowed down during the last three months of 2007, with the value of transactions falling to Lm20.9 million (EUR 48.7 million) from Lm50.7 million (EUR 118.1 million) in the third quarter. Liquidity within the banking sector was asymmetrically distributed, with two banks accounting for almost all interbank borrowing. The maturity of such loans ranged from one to 31 days, with loans of up to one week being the most common. Following the cut in the central intervention rate, the interest rate on 7-day loans dipped by 8 basis points, ending the quarter at 4.17% (see Chart 3.5).<sup>4</sup>

The Treasury issued Lm104.4 million (EUR 243.2 million) worth of bills in the primary market during the fourth quarter, down from Lm113.8 million (EUR 265.1 million) in the preceding quarter. Three-month and six-month bills accounted for 25.8% and 35.4%, respectively, of the total issued,

<sup>4</sup> As no interbank deals in this maturity took place in December 2007, the official fixing rate was used instead. On 1 January 2008 the Maltese interbank market became part of the integrated euro area-wide market. Hence, domestic interbank lending rates are no longer available.



with the rest being equally split between one-month and nine-month paper. Banks bought around four-fifths of the total, while insurance companies took up most of the remainder. Primary market yields were only slightly affected by the decline in official interest rates, with the yield on the three-month bill edging down to 4.35% in December from 4.37% in September.<sup>5</sup>

At the same time, in the secondary Treasury bill market turnover increased slightly, rising to Lm10.7 million (EUR 24.9 million) from Lm10.3 million (EUR 24.0 million) in the previous quarter. Transactions involving the Bank amounted to Lm10.4 million (EUR 24.2 million), more than four-fifths of which consisted of purchases from the rest of the banking system. Secondary market yields moved in tandem with those in the primary market, with those on three-month bills, for instance, falling to 4.35% in December from 4.37% three months earlier.

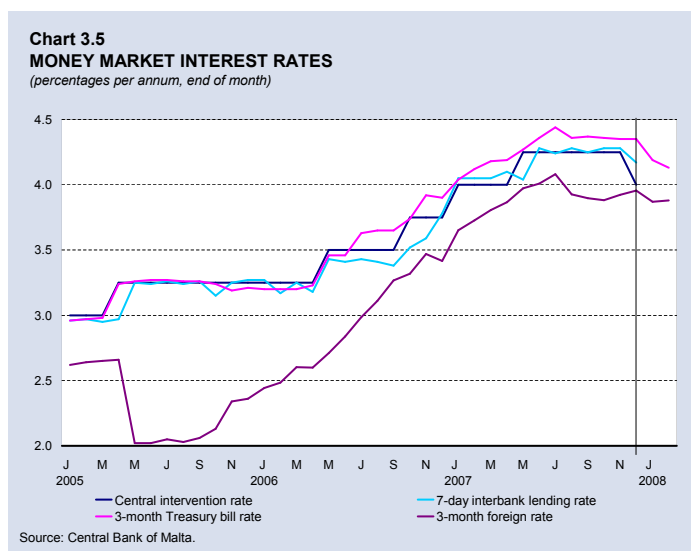
The three-month premium on the Maltese lira over the euro narrowed by 7 basis points to 40 basis points during the quarter, as a marginal drop in the three-month Treasury bill rate was coupled with a slight increase in the corresponding euro rate (see Chart 3.5).<sup>6,7</sup>

Going into the first quarter of 2008, Treasury bill yields continued to fall, with primary and secondary market three-month rates both reaching 4.13% in February. At the same time, rates on corresponding euro area instruments also declined, though to a lesser extent. As a result, the short-term interest rate premium on local Treasury bills narrowed to 25 basis points by the end of February.

### The capital market

The Government continued to raise funds through bond issues during the fourth quarter of 2007, offering two fungible stocks with a total value of Lm50.0 million (EUR 116.5 million) in October. The stocks had terms to maturity of five and fourteen years and offered coupon rates of 5.7% and 5.0%, respectively. Around three-fourths of the amount issued was auctioned, with 71% of this being taken up by banks and the rest mainly by insurance companies. The remainder was purchased at fixed prices, mostly by households. The primary market yield to maturity on the five-year stock was 4.85%, while that on the fourteen-year stock was 5.16%.

With regard to corporate securities, new issues picked up during the quarter reviewed. PAVI Shopping Complex plc issued Lm5.0 million (EUR 11.6 million) worth of bonds carrying a coupon



<sup>5</sup> Since no primary market transactions took place in December, the end-year yield is that in effect at the end of November.

<sup>6</sup> The foreign interest rate shown in Chart 3.5 is computed as a basket-weighted average of the relevant interest rates on the euro, the pound sterling and the US dollar until April 2005. The secondary market rate on three-month euro area government securities is shown thereafter.

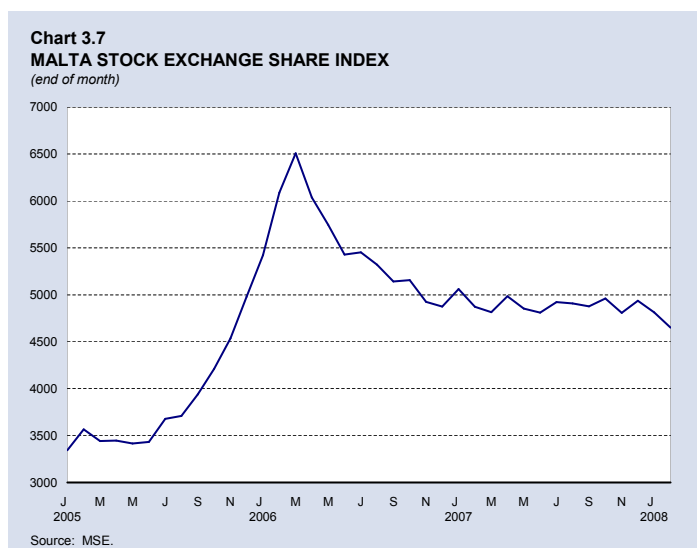
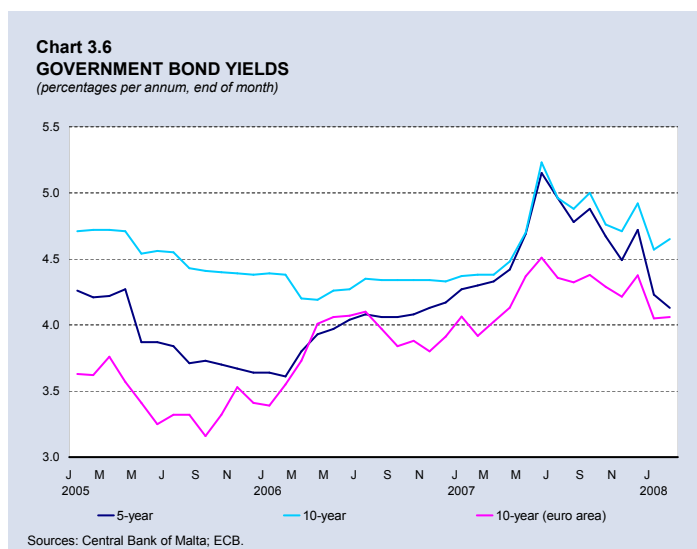
<sup>7</sup> Up to March 2007 secondary market yields were calculated on the basis of remaining days to maturity divided by 365, while from April 2007 yields are being calculated on the basis of remaining days to maturity divided by 360.

rate of 7% and redeemable between 2014 and 2017. At the same time, Mediterranean Investment Holdings Ltd, a property development company, issued an additional Lm6.4 million (EUR 15.0 million), around a quarter of which were denominated in euros. These carried a coupon rate of 7.5% and are redeemable between 2012 and 2014.

Turnover in the secondary market for government bonds amounted to Lm21.6 million (EUR 50.3 million) during the December quarter, down from Lm32.4 million (EUR 75.5 million) in the preceding quarter. The Central Bank of Malta, acting as market-maker, accounted for almost two-thirds of the value traded. Participants traded mainly in short- and medium-term securities. While euro area five and ten-year bond yields remained close to their end-September levels, those on 5-year and 10-year domestic government bonds declined by 16 and 8 basis points, respectively, ending the year at 4.72% and 4.92% (see Chart 3.6).<sup>8</sup>

Activity in the secondary market for corporate bonds increased during the quarter, with turnover rising to Lm1.5 million (EUR 3.5 million) from Lm0.9 million (EUR 2.1 million) three months earlier. Trading was mostly concentrated in four securities. On average, corporate bond yields rose over the quarter.

Turnover in the equity market recovered during the last three months of 2007, after having dropped throughout the previous six consecutive quarters, rising to Lm7.7 million (EUR 17.9 million) from Lm5.8 million (EUR 13.5 million) in the September quarter. Shares in two major banks and a financial services company accounted for 72% of total turnover. On balance, equity prices rose for the second quarter in a row in spite of the international financial turmoil, resulting in a



<sup>8</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.

1.2% rise in the MSE share index over the period. The latter ended the year at 4,937.75 (see Chart 3.7).

Going into the first quarter of 2008, yields on 5-year and 10-year government bonds declined further, reaching 4.13% and 4.65%, respectively, in February. At the same time, however, the MSE share index dropped by 5.8% from the end-December level.

## 4. OUTPUT, EMPLOYMENT AND PRICES

In the fourth quarter of 2007, economic activity remained buoyant and unemployment continued to decline. But inflation increased moderately against the backdrop of rising world commodity prices. Output growth in the manufacturing sector slowed down amid continuing consolidation and a further deterioration in the external environment, but the performance of the services sector remained robust. The recovery in the tourist industry, in particular, continued, boosted by the growing contribution of low cost airlines, with gains in tourist numbers and expenditure extending into the shoulder months.

### Gross Domestic Product

Real GDP grew by 3.7%, year-on-year, during the quarter, slightly below the 4.0% growth posted in the September quarter (see Chart 4.1). Growth was underpinned by strong domestic demand, mainly in the form of inventory accumulation (see Table 4.1). In contrast, the contribution of net exports to growth was significantly negative. For 2007 as a whole, however, real GDP growth accelerated to 3.8%, from 3.4% in 2006.

Private consumption growth moderated to 0.5% during the quarter, halting the upward momentum in evidence since the second half of 2006, and adding 0.3 points to overall GDP growth, reflecting slower expansion in labour income in real terms. Concurrently, government consumption declined by 1.0%, reducing GDP growth by 0.2 points.

Gross fixed capital formation contracted by 6.8% on a year earlier, reducing growth by 1.3 percentage points. On the basis of nominal data, the contraction in capital expenditure was

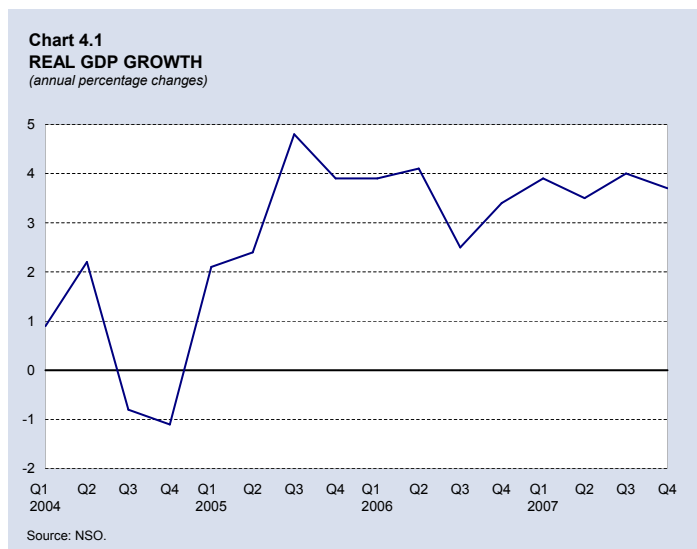
**Table 4.1**  
**GROSS DOMESTIC PRODUCT AT CONSTANT PRICES**

	2006		2007			2006	2007
	Q4	Q1	Q2	Q3	Q4		
	<i>Annual percentage changes</i>						
Household final consumption expenditure	2.5	3.2	4.8	3.0	0.5	0.7	2.8
Government final consumption expenditure	7.3	-1.8	2.8	2.7	-1.0	4.2	0.6
Gross fixed capital formation	-3.4	-8.6	10.8	8.7	-6.8	3.0	0.3
Inventories as a % of GDP	-3.2	-0.9	2.6	-2.5	9.1	1.3	2.1
<b>Domestic demand</b>	<b>-4.5</b>	<b>-3.8</b>	<b>-0.7</b>	<b>4.7</b>	<b>10.9</b>	<b>2.3</b>	<b>2.8</b>
Exports of goods & services	10.1	3.9	-0.7	1.8	-6.5	10.0	-0.6
Imports of goods & services	0.8	-4.4	-4.5	2.4	1.2	8.3	-1.3
<b>Gross domestic product</b>	<b>3.4</b>	<b>3.9</b>	<b>3.5</b>	<b>4.0</b>	<b>3.7</b>	<b>3.4</b>	<b>3.8</b>
<b>GDP deflator</b>	<b>3.1</b>	<b>2.8</b>	<b>2.1</b>	<b>2.4</b>	<b>1.9</b>	<b>2.9</b>	<b>2.3</b>
	<i>Percentage point contributions</i>						
Household final consumption expenditure	1.7	2.1	3.1	2.0	0.3	0.5	1.9
Government final consumption expenditure	1.4	-0.4	0.5	0.5	-0.2	0.8	0.1
Gross fixed capital formation	-0.7	-2.1	2.0	1.6	-1.3	0.6	0.1
Changes in inventories	-7.6	-3.9	-6.3	0.6	12.6	0.6	0.9
<b>Domestic demand</b>	<b>-5.1</b>	<b>-4.3</b>	<b>-0.8</b>	<b>4.7</b>	<b>11.4</b>	<b>2.5</b>	<b>3.0</b>
Exports of goods & services	9.5	3.6	-0.7	1.8	-6.5	9.3	-0.6
Imports of goods & services	-0.9	4.7	5.0	-2.5	-1.3	-8.4	1.3
<b>Net exports</b>	<b>8.6</b>	<b>8.2</b>	<b>4.3</b>	<b>-0.7</b>	<b>-7.7</b>	<b>0.9</b>	<b>0.8</b>
<b>Gross domestic product</b>	<b>3.4</b>	<b>3.9</b>	<b>3.5</b>	<b>4.0</b>	<b>3.7</b>	<b>3.4</b>	<b>3.8</b>

Source: NSO.

attributable to the completion of construction work on the new state hospital. The decline was, however, partially offset by higher private sector investment, both in machinery & equipment and in construction, particularly for residential properties.

Among the major components of GDP, however, the largest change was in inventories, which rose from -2.5% of GDP in the September quarter to 9.1% of GDP in the final quarter of the year, adding 12.6 percentage points to the quarter's annual growth. The available evidence points to a strong build-up in inventories in manufacturing, although measurement inaccuracy in the other components of expenditure may also have contributed to the increase.

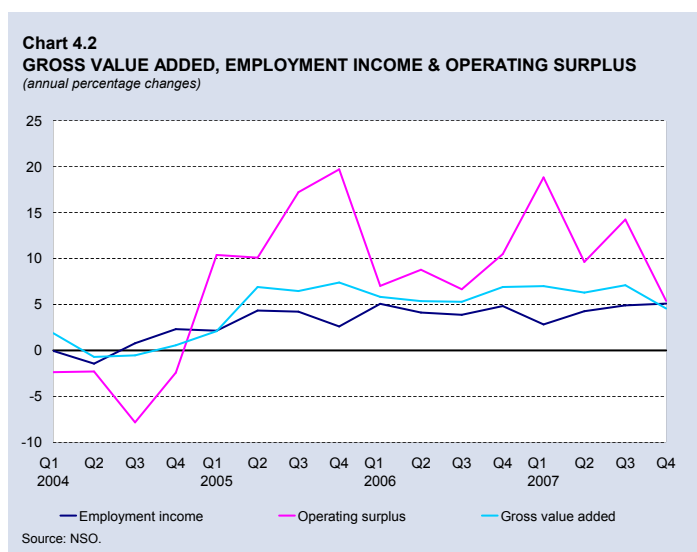


For the second consecutive quarter, net exports contributed negatively to real GDP growth. This was mainly due to a more rapid decline in exports than in imports. Trade data point to reduced exports of fish and, to a lesser extent, of semiconductors.

The GDP deflator rose by 1.9% in the December quarter, a slower pace than in the previous quarter. The terms of trade deteriorated, as the prices of exports rose at a slower pace than those of imports. Indeed, export prices went up by 3.5% on a year earlier, whereas import prices advanced by 4.8%.

Statistics on nominally-measured gross value added (GVA) provide a detailed picture of the economy from the income side (see Table 4.2). GVA decelerated during the fourth quarter of 2007, expanding at an annual rate of 4.6% as against 7.1% in the previous quarter.

The slowdown in GVA reflected a deceleration in the operating surplus of firms to a growth rate of 5.4%. Compensation of employees, a less volatile component of GVA, increased by 5.1% during the quarter, 0.2 percentage points faster than in the third quarter (see Chart 4.2).



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

*Percentage points*

	2006		2007		
	Q4	Q1	Q2	Q3	Q4
Agriculture, hunting & forestry	0.0	-0.1	-0.2	-0.2	-0.1
Fishing	0.6	0.0	0.0	0.0	0.2
Manufacturing	0.3	1.3	0.4	0.8	0.2
Electricity, gas & water supply	0.5	0.2	0.0	-0.2	-0.8
Construction	0.2	-0.4	0.5	0.1	0.2
Wholesale & retail trade	-0.1	0.0	-0.5	0.8	0.5
Hotels & restaurants	-0.3	0.1	0.2	0.7	0.4
Transport, storage & communication	0.6	0.4	0.5	0.6	0.3
Financial intermediation	-0.1	1.1	0.8	-1.2	-2.8
Real estate, renting & business activities	1.6	1.2	1.2	1.5	2.0
Public administration	0.0	0.3	0.3	0.4	0.4
Education	0.1	0.1	0.2	0.3	0.1
Health & social work	0.3	0.2	0.5	0.3	0.1
Other community, social & personal services	2.2	1.7	1.6	2.3	3.1
<b>Gross value added</b>	<b>5.9</b>	<b>6.0</b>	<b>5.4</b>	<b>6.1</b>	<b>3.9</b>
<b>Net taxation on production and imports</b>	<b>0.8</b>	<b>0.8</b>	<b>0.3</b>	<b>0.3</b>	<b>1.8</b>
<b>Annual nominal GDP growth (%)</b>	<b>6.7</b>	<b>6.8</b>	<b>5.7</b>	<b>6.4</b>	<b>5.7</b>
<b>Annual nominal GNI growth (%)</b>	<b>12.1</b>	<b>12.3</b>	<b>7.3</b>	<b>6.8</b>	<b>6.8</b>

Source: NSO.

The largest contributors to income growth were the other community, social & personal services sector, which includes new business areas such as the gaming industry, and the real estate, renting & business activities sector (see Table 4.2). The former contributed 3.1 percentage points to nominal growth, mostly in the form of higher profits (though compensation of employees also increased at a faster pace relative to other sectors), while the latter contributed 2.0 percentage points.

At 0.5 percentage points, the contribution of the wholesale & retail trade sector to nominal GDP was 0.3 percentage points lower than in the September quarter but larger than in the previous three quarters, reflecting slower growth in profits.

A similar pattern can be seen in the contribution of the hotels & restaurants sector, which, at 0.4 percentage points, was 0.3 points lower than in the third quarter but higher than in the previous three quarters on account of volatile developments in the sector's operating surplus.

The impact of these positive contributions to income growth, however, was dampened by recorded operating losses within financial intermediation.<sup>1</sup> As a result, this sector contributed negatively to nominal GDP growth. Similarly, due to higher oil prices, the electricity, gas & water supply sector had a negative effect on growth.

Gross national income, which is equivalent to the nominal GDP plus net property income from abroad, rose by 6.8%.

<sup>1</sup> This reflected a change in the reporting practices of an institution engaged in international banking, which led to an increase in operating expenses.

## Manufacturing

According to the NSO's quarterly survey of manufacturing industry, total sales of manufactured goods stood at Lm249.0 million (EUR 580.1 million) in the fourth quarter of 2007, Lm27.3 million (EUR 63.6 million) below the level registered a year earlier (see Table 4.3).

A decline in exports was almost totally due to developments in exports of radio, TV & communications equipment. These fell by 16.5% as a result of a drop in sales of semiconductors. Smaller reductions were reported by the food & beverages and the clothing, textiles & leather sub-sectors, in the amounts of Lm2.3 million (EUR 5.4 million) and Lm1.8 million (EUR 4.2 million), respectively. On the other hand, the substantial growth of pharmaceutical exports continued into the fourth quarter of 2007, for an increase of Lm5.6 million (EUR 13.0 million) over the same quarter of 2006. Similarly, both electrical machinery & apparatus and printing & publishing firms registered higher export sales.

Between October and December 2007 domestic sales contracted by Lm4.1 million (EUR 9.6 million), or 7.8%. However, this largely reflected a drop in sales by the tobacco sub-sector, following the closure of a large operator. Aggregate sales of all other sub-sectors were marginally up from the same quarter a year before.

Meanwhile, investment in manufacturing rose by Lm0.7 million (EUR 1.6 million) from a year earlier, with the largest increase, of Lm1.3 million (EUR 3.0 million), being in the pharmaceutical

**Table 4.3**  
**SELECTED MANUFACTURING INDICATORS**

*Annual changes*

	2006		2007			2006	2007
	Q4	Q1	Q2	Q3	Q4		
<b>Total sales (Lm millions)</b>	<b>35.2</b>	<b>10.3</b>	<b>1.5</b>	<b>-8.0</b>	<b>-27.3</b>	<b>109.6</b>	<b>-23.5</b>
<b>Exports (Lm millions)</b>	<b>37.3</b>	<b>14.8</b>	<b>7.7</b>	<b>0.1</b>	<b>-23.2</b>	<b>115.9</b>	<b>-0.6</b>
Radio, TV & communication equipment	32.5	-2.5	2.1	-9.5	-22.7	110.7	-32.6
Pharmaceuticals	7.1	3.3	2.3	7.9	5.6	23.6	19.2
Electrical machinery & apparatus	-3.7	5.5	1.2	4.2	1.3	-11.5	12.3
Food & beverages	1.2	0.2	-0.9	-0.2	-2.3	1.0	-3.2
Printing & publishing	-0.4	5.1	1.6	-1.4	0.2	-1.1	5.6
Clothing, textiles & leather	-3.1	-1.1	-1.3	-2.7	-1.8	-11.7	-6.9
Other	3.7	4.3	2.7	1.7	-3.6	4.8	5.1
<b>Local sales (Lm millions)</b>	<b>-2.0</b>	<b>-4.5</b>	<b>-6.1</b>	<b>-8.0</b>	<b>-4.1</b>	<b>-6.3</b>	<b>-22.8</b>
Food, beverages & tobacco	-1.9	-4.8	-6.7	-7.3	-4.7	-9.5	-23.6
Printing & publishing	0.2	0.6	0.7	0.3	0.2	0.7	1.7
Furniture	0.2	-0.6	-0.4	0.3	-0.1	1.1	-0.8
Other	-0.6	0.3	0.3	-1.3	0.6	1.5	-0.1
<b>Investment (Lm millions)</b>	<b>-2.1</b>	<b>5.9</b>	<b>-2.9</b>	<b>9.1</b>	<b>0.7</b>	<b>9.7</b>	<b>12.8</b>
Radio, TV & communication equipment	-4.3	-4.9	-7.1	-2.1	0.2	10.6	-13.9
Pharmaceuticals	0.4	1.2	-0.2	1.0	1.3	1.1	3.3
Food, beverages & tobacco	1.6	3.7	2.5	4.1	-0.2	1.0	10.0
Printing & publishing	0.7	6.3	0.1	3.8	-0.3	1.1	9.9
Other	-0.4	-0.4	1.8	2.3	-0.2	-4.1	3.5
<b>Employment</b>	<b>-684</b>	<b>-153</b>	<b>17</b>	<b>-745</b>	<b>-606</b>	<b>-684</b>	<b>-606</b>
<b>Wages per employee (%)</b>	<b>4.4</b>	<b>3.1</b>	<b>4.8</b>	<b>3.7</b>	<b>5.7</b>	<b>4.4</b>	<b>5.7</b>

Source: NSO.



sub-sector. However, capital outlays by the food, beverages & tobacco sub-sector and printing & publishing industries declined marginally during the quarter under review.

Employment in manufacturing was down by 606 from the year-ago level. Redundancies in the wearing apparel & clothes and the radio, TV & communication equipment sub-sectors were partly compensated for by recruitment in pharmaceuticals and electrical machinery & apparatus. Meanwhile, wages per employee rose at an annual rate of 5.7% during the last quarter of 2007, significantly exceeding the increases reported in the previous four quarters. This reflected the creation of new higher-paid jobs, particularly in the pharmaceutical sector, as well as layoffs among lower-paid workers.

For 2007 as a whole, total sales declined by 2.2%. Export sales were slightly below the 2006 level, while local sales were Lm22.8 million (EUR 53.1 million) lower, the latter largely reflecting the impact of the closure of a major tobacco firm. Nonetheless, investment in manufacturing during 2007 was 21.5% higher than in the previous year.

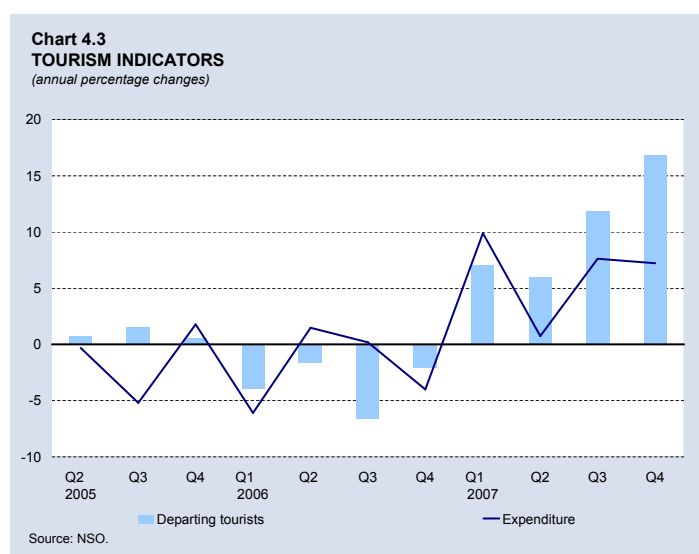
## Tourism

The strong performance of the tourism industry continued into the fourth quarter of 2007. Tourist numbers increased by 16.9% on a year earlier so that, over the year as a whole, visitors rose by 10.6% (see Chart 4.3). Large gains were recorded in various core markets, particularly the United Kingdom and Scandinavia.

At 7.2%, year-on-year growth in tourist expenditure was in line with that recorded in the September quarter. However, expenditure per tourist contracted by 8.2% to Lm319 (EUR 743.3), in part reflecting the reduced cost of air travel. Expenditure on non-package holidays continued to increase and this compensated for the decline in package expenditure. The “other” component of tourist expenditure, which excludes airfares and accommodation, continued to rise, partly reflecting the higher prices of food and beverages.

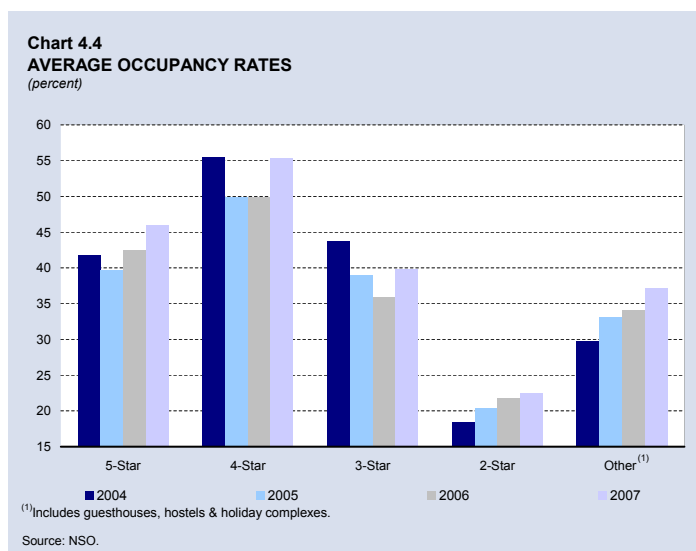
Nights stayed rose by 11.7% during the December quarter, paralleling the significant growth in the number of visitors. But the average length of stay, which had increased to 9.9 nights in the September quarter, resumed its downward path, contracting to 8.1 nights, slightly below the 8.5 nights recorded a year earlier.

Occupancy rates rose across all types of tourist accommodation, with 4-star hotels recording the largest increase. Indeed, at 55.3%, the occupancy rate in 4-star hotels returned to the level recorded in 2004. This development, however, partly reflected a 2.9% reduction in capacity. The 3-star category also registered a strong rise in occupancy rates, to 39.8% from



35.8% in the same quarter of the previous year. Meanwhile, despite the fact that bed stock increased by 15.2% over the year, the occupancy rate in 5-star hotels went up by 3.5 percentage points to 46% (see Chart 4.4).

A survey carried out by the tourism industry showed that during the fourth quarter of 2007 all hotel categories posted the highest average achieved room rates in five years.<sup>2</sup> The largest rise, 19.3%, was posted by 3-star hotels, whereas the other two hotel categories surveyed registered increases of slightly less than 2%.



For 2007 as a whole, tourist departures were up by 10.6%, total nights stayed increased by 3.3% and expenditure rose by 6.0%. This notwithstanding, the average stay continued to shorten, falling to 8.9 nights from 9.5 nights in 2006.

Meanwhile, cruise liner activity continued to expand at a brisk pace, with the number of passengers rising by 16% during the quarter. Although the last quarter of the year is usually considered a lean period, the number of cruise liner calls rose by six from a year earlier, reaching 113. The majority of passengers were from EU countries, particularly Italy, Spain and Germany, though the number of passengers from outside the EU also rose. Over the calendar year, cruise liner visitors were up by 21.4%, with the bulk originating from EU Member States.

## Labour market<sup>3</sup>

### Labour Force Survey

Based on the Labour Force Survey (LFS), the number of employed people increased by 2.2% on a year earlier in the last quarter of 2007, while the labour supply posted a smaller rise of 1.6%. The resulting decline in unemployment brought the jobless rate down to 6.2%, half a percentage point below the year-ago level (see Table 4.4). In seasonally-adjusted terms the unemployment rate stood at 5.8% in December, 1.1 percentage points below a year earlier.

Just over 86% of the overall growth in employment occurred in the private sector, with the largest gains being recorded in three areas: the real estate, renting & business activities sector, hotels & restaurants and the other community, social & personal services sector.

The activity rate rose by 0.4 points from a year earlier, boosted by higher female participation, although

<sup>2</sup> The average achieved room rate represents accommodation revenue net of VAT divided by the number of room-nights sold. This survey is carried out among 5-star, 4-star and 3-star hotels.

<sup>3</sup> The cut-off date for administrative records data was extended to 7 April 2008. At that time, the most recent unemployment statistics were for February 2008, while all other administrative labour statistics were through November 2007.

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

*Persons, annual percentage changes*

	2006		2007			
	Q4	Q1	Q2	Q3	Q4	
<b>Labour supply</b>	<b>163,484</b>	<b>164,905</b>	<b>166,653</b>	<b>167,278</b>	<b>166,159</b>	<b>1.6</b>
Unemployed	10,954	11,216	11,073	10,348	10,291	-6.1
Employed	152,530	153,689	155,580	156,930	155,868	2.2
<i>By type of employment:</i>						
Full-time	136,652	137,642	138,391	138,304	138,520	1.4
Full-time with reduced hours	1,949	2,145	2,593	2,723	2,654	36.2
Part-time	13,929	13,902	14,596	15,903	14,694	5.5
<i>By economic sector:</i>						
Private	107,309	108,049	109,467	110,266	110,196	2.7
Public	45,221	45,640	46,113	46,664	45,672	1.0
<b>Activity rate (%)</b>	<b>59.0</b>	<b>59.2</b>	<b>59.6</b>	<b>59.9</b>	<b>59.4</b>	
Male	79.5	79.8	78.8	78.8	77.9	
Female	38.4	38.4	40.3	40.6	40.5	
<b>Employment rate (%)</b>	<b>55.0</b>	<b>55.1</b>	<b>55.7</b>	<b>56.1</b>	<b>55.7</b>	
Male	74.5	74.5	74.3	74.5	73.4	
Female	35.4	35.5	36.8	37.5	37.7	
<b>Unemployment rate (%)</b>	<b>6.7</b>	<b>6.8</b>	<b>6.6</b>	<b>6.2</b>	<b>6.2</b>	
Male	6.2	6.6	5.6	5.5	5.8	
Female	7.7	7.3	8.7	7.6	7.0	
<b>Average annual gross salary</b> <b>(annual growth rate, %)</b>	<b>4.5</b>	<b>2.4</b>	<b>2.1</b>	<b>0.6</b>	<b>3.1</b>	

Source: NSO.

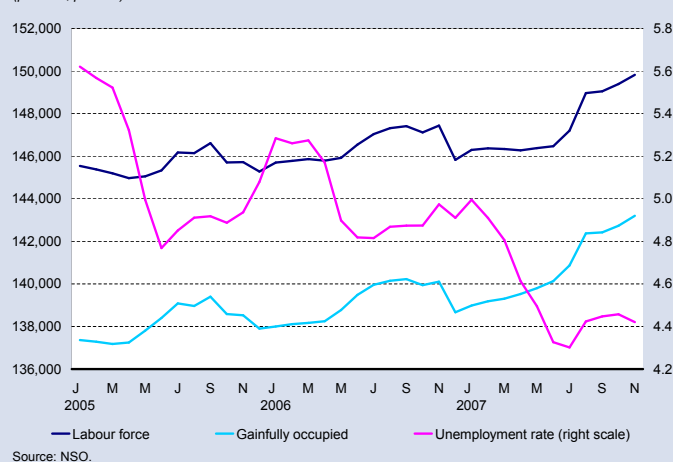
gains in the former were offset by a reduction in the male counterpart.<sup>4</sup> Similarly, the employment rate increased by 0.7 percentage points. The average salary increased by an annual rate of 3.1%, in part reflecting higher pay in the other community, social & personal services sector.

#### *Administrative records data*

The administrative records on the labour market through November 2007 pointed towards the same general developments indicated by the LFS. According to these records, the registered unemployment rate at the end of November stood at 4.4%, down by 0.6 percentage points from a year earlier (see Chart 4.5 and Table 4.5).

Employment gains were exclusively in the private sector,

**Chart 4.5**  
**LABOUR MARKET TRENDS BASED ON ADMINISTRATIVE RECORDS**  
*(persons, percent)*



Source: NSO.

<sup>4</sup> The activity rate and the employment rate represent the labour force and the employed population, respectively, as a share of the population aged between 15 and 64 years.

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

*Persons, annual percentage changes*

	2006		2007			
	Nov.	Mar.	June	Sep.	Nov.	
<b>Labour supply</b>	<b>147,436</b>	<b>146,336</b>	<b>146,470</b>	<b>149,050</b>	<b>149,822</b>	<b>1.6</b>
Gainfully occupied <sup>(2)</sup>	140,103	139,303	140,133	142,421	143,199	2.2
Registered unemployed	7,333	7,033	6,337	6,629	6,623	-9.7
<b>Unemployment rate (%)</b>	<b>5.0</b>	<b>4.8</b>	<b>4.3</b>	<b>4.4</b>	<b>4.4</b>	
<b>Private sector</b>	<b>96,743</b>	<b>96,242</b>	<b>97,191</b>	<b>99,996</b>	<b>100,422</b>	<b>3.8</b>
Direct production	33,172	32,989	32,993	32,656	32,677	-1.5
Market services	63,571	63,253	64,198	67,340	67,745	6.6
<b>Public sector</b>	<b>42,903</b>	<b>42,614</b>	<b>42,496</b>	<b>42,002</b>	<b>42,079</b>	<b>-1.9</b>
<b>Temporary employment</b>	<b>457</b>	<b>447</b>	<b>446</b>	<b>423</b>	<b>698</b>	<b>52.7</b>
<b>Part-time jobs</b>	<b>43,577</b>	<b>44,358</b>	<b>46,304</b>	<b>46,979</b>	<b>47,198</b>	<b>8.3</b>
Primary	24,183	24,704	26,188	26,346	26,194	8.3
Secondary <sup>(3)</sup>	19,394	19,654	20,116	20,633	21,004	8.3

<sup>(1)</sup> Figures for December 2007 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.

where employment growth in market services more than offset the ongoing decline in direct production. Employment rose strongly in hotels & restaurants and in other business activities. Conversely, there were significant job losses in the manufacturing sector, particularly in the wearing apparel sub-sector in the third quarter.

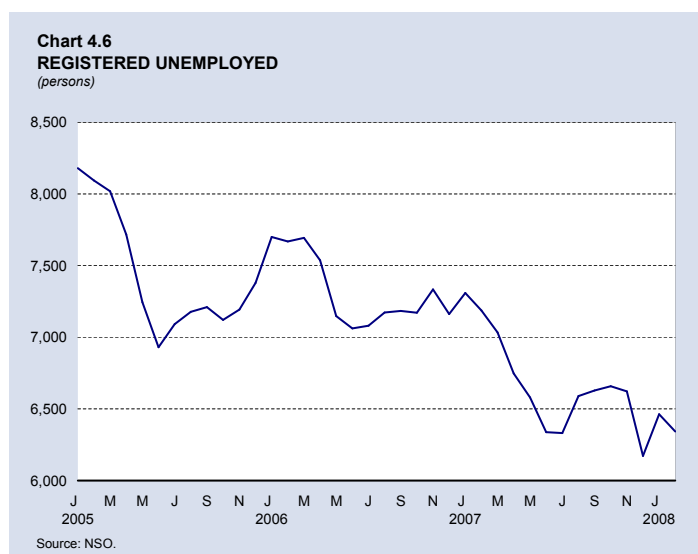
Meanwhile, public sector employment fell by 1.9% from a year earlier, mainly in response to the privatisation of postal services.

More recent statistics on the number of persons registered as unemployed show that in February 2008 their number was down by 845 from a year earlier, a contraction of almost 12% (see Chart 4.6).

## Consumer prices

### Retail Price Index

At 3.0%, the average annual inflation rate during the fourth quarter of 2007 was 1.7 percentage points above the previous quarter's level. It also exceeded, by 1.8 percentage points, the average level recorded in the same quarter of 2006. Inflation mainly reflected higher food prices. Consequently, the upward trend in the year-on-year rate



**Table 4.6**  
**INFLATION RATES OF COMMODITY CATEGORIES IN THE RPI**

*Annual percentage changes; averages*

	2007			2007			
	Oct.	Nov.	Dec.	Q1	Q2	Q3	Q4
Food	7.2	7.5	8.0	2.3	1.9	5.6	7.6
Beverages & tobacco	3.1	3.3	3.3	1.7	1.4	2.1	3.3
Clothing & footwear	7.8	8.9	7.6	-2.8	-3.9	0.1	8.1
Housing	2.8	3.0	3.3	3.3	2.2	3.0	3.0
Water, electricity, gas & fuels	-7.1	-4.5	-4.5	-1.7	-11.1	-7.8	-5.4
Household equipment & house maintenance costs	0.9	0.7	0.1	0.8	0.4	0.8	0.6
Transport & communications	-1.7	1.1	1.3	-0.6	-2.1	-1.8	0.2
Personal care & health	1.9	1.9	1.9	1.9	1.7	1.7	1.9
Recreation & culture	1.8	1.6	1.2	1.9	1.7	1.3	1.5
Other goods & services	0.3	0.6	0.7	1.1	-0.3	0.3	0.5
<b>RPI</b>	<b>2.3</b>	<b>3.3</b>	<b>3.3</b>	<b>0.9</b>	<b>-0.2</b>	<b>1.3</b>	<b>3.0</b>

Source: NSO; Central Bank of Malta

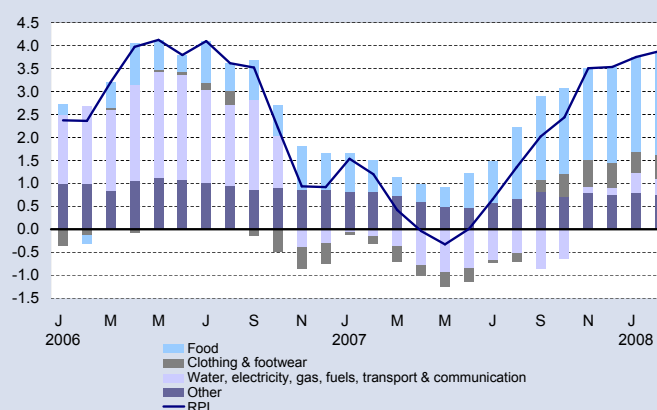
throughout the quarter pushed the twelve-month moving average rate up to 1.3% in December, half a percentage point above the September level.

Food items continued to be the main driving force behind the surge in consumer prices during the quarter, with energy-related prices only contributing modestly to the inflation rate (see Chart 4.7). Average year-on-year inflation in the food sub-index surged to 7.6% in the December quarter, two percentage points higher than in the third quarter, mainly on account of higher prices of cereals, fish and vegetables. In fact, during the quarter, food was responsible for 2.0 percentage points in the overall inflation rate of 3.0%. In addition, clothing & footwear prices, which had declined through the first eight months of the year, rose by more than 8% in the last quarter, contributing around half a percentage point to overall inflation.

On the other hand, the fourth-quarter rise in prices of water, electricity, gas & fuels was below its year-ago rate, mainly on account of a lower water and electricity surcharge. Nevertheless, price changes for transport & communication turned positive after following a declining trend for most of the year. At the same time, core inflation eased from 1.6% in September to 1.2% in December.<sup>5</sup>

Meanwhile, data for the first two months of 2008 show that consumer prices continued to rise, albeit at a slower pace, reaching an annual inflation rate

**Chart 4.7**  
**CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION**  
*(percentage points)*



Source: NSO.

<sup>5</sup> The Central Bank of Malta's core inflation measure includes only those RPI sub-components that exhibit persistence, and currently excludes food and energy-related items.

of 3.5% in January and 3.7% in February.

### Harmonised Index of Consumer Prices

Developments in the HICP broadly mirrored those in the RPI, with the annual average increase in the October-December period rising to 2.5%, from 0.4% in the third quarter (see Chart 4.8). Meanwhile, the twelve-month moving average rate bottomed at 0.3% in October before edging up to 0.7% by end-2007. As with the RPI, increases in food prices were the main source of higher inflation.

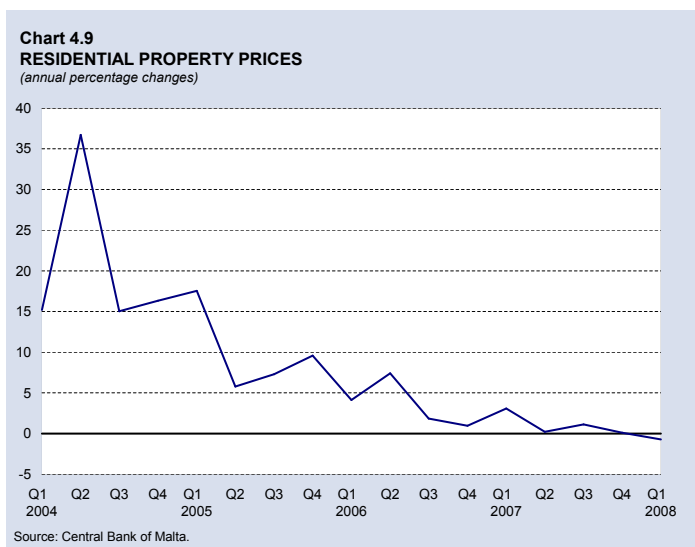
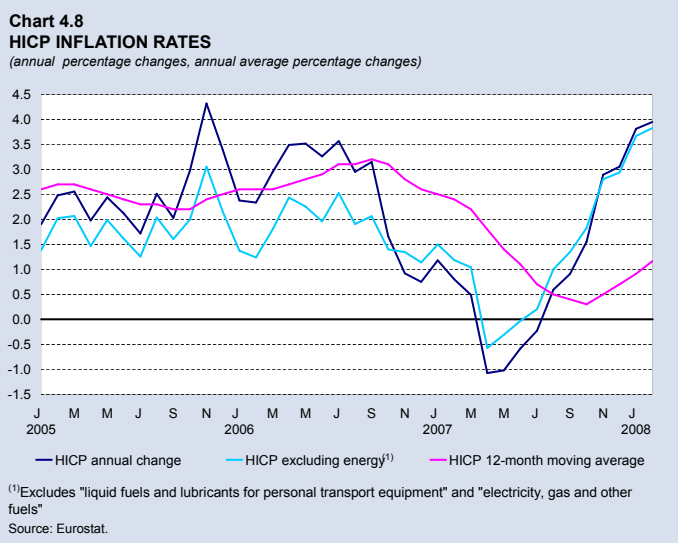
A 7.8% rise in food prices was also reflected in prices charged at restaurants, which rose by 7.6%. During the December quarter, the favourable base-effect in energy-related prices faded away, and energy-price inflation turned positive after four quarters of year-on-year declines.

More recent data show that in January and February 2008 HICP inflation rose to 3.8% and 4.0%, respectively. These were above the corresponding RPI inflation rates referred to earlier. The primary reason for the difference was the rise in hotel accommodation prices, which do not feature prominently in the RPI. Another factor was the adjustment in HICP weights for 2008, particularly an increase of almost 1% in the weight assigned to the food & non-alcoholic beverages sub-index.

### Residential property prices

Advertised property prices remained almost unchanged on average in the last quarter of 2007, as the annual rate of increase decelerated to 0.1%, following the 1.1% rise of the previous quarter (see Chart 4.9).

This deceleration was spread across a broad range of property types, but was most marked in the maisonettes in shell form, maisonettes in finished form and town house categories. Together these account for a third of the surveyed properties.



Prices in these three categories were down by 9.5%, 4.9% and 16.7%, respectively, when compared with the same period of 2006. Meanwhile, prices of terraced houses were unchanged from a year earlier, after having increased by 8.3% in the previous quarter.

Nevertheless, asked prices for finished flats, the predominant category, registered a moderate pick-up, rising by 1.7% from the year-ago level. In addition, advertised prices for flats in shell form recorded a rise of 2.2% after having declined in the previous two quarters. Furthermore, there were continuing strong gains in asked prices for villas and houses of character, which were up by 7.6% and 9.1%, respectively, from the year-ago level.

## BOX 1: BUSINESS AND CONSUMER SURVEYS

### Business perceptions survey<sup>1</sup>

The Bank's survey on the perceptions of firms in the service and construction industries pointed to further improvement in the first quarter of 2008. On balance, respondents reported a higher turnover than in the previous quarter, with a number of sectors, including transport, storage & communication, other services and construction recording substantial increases, though the findings concerning the last category may have been biased to some extent by changes in the sample composition. While

cost pressures apparently persisted, the proportion of respondents reporting higher costs was smaller than that reported in the previous survey, which was undertaken between November and December 2007. At the same time, respondents indicated that selling prices had continued to decline, even though the majority quoted unchanged prices. The surveyed firms were more or less equally split between those reporting higher and lower profits, although on balance the results showed a contraction in profits when compared to the previous three months. Nevertheless, firms reported additions to their labour force, confirming positive indications from labour market data (see Chart 1).

Looking ahead to the June quarter of 2008, the balance of surveyed firms anticipated a further improvement in their performance. They were more optimistic than in the previous quarter with regard to turnover and profits and anticipated a further expansion in their workforce. On balance, however, they also anticipated higher costs, but were nonetheless envisaging additional reductions in their selling prices.

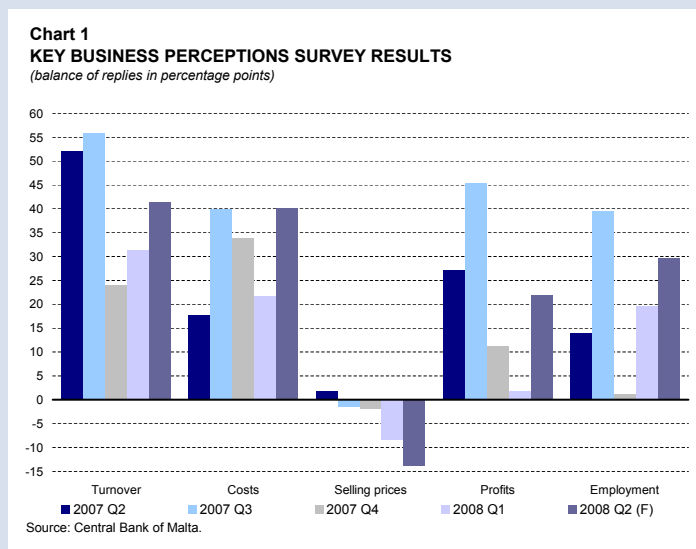
For the longer term, participants were even more optimistic, saying they intended to raise their investment outlays and further expand their labour complement in the course of the year.

### Industrial confidence

The European Commission's survey on industrial confidence in Malta detected a slight deterioration in sentiment between September and December 2007. Having risen to 13 in November, from 6 two months earlier, the seasonally-adjusted measure of industrial confidence fell back to 4 in December 2007. Recent data, however, point to a recovery in the first two months of 2008, with the seasonally-adjusted measure rising to 11 in February (see Chart 2).

The slight deterioration in sentiment in the fourth quarter of 2007 followed from an accumulation

<sup>1</sup> Fieldwork was carried out between 13 February and 13 March 2008.





of stocks of finished goods coupled, to a lesser degree, with lower order books. These developments were partly balanced out by increased production expectations for the forthcoming three months.

A closer look at sentiment by industrial groupings shows that in the fourth quarter confidence deteriorated significantly among firms in the intermediate goods category, particularly manufacturers of electronics and of electrical machinery. This was on account of lower order books and a build-up of stocks of finished goods. In contrast, sentiment picked up considerably among producers of consumer goods, reflecting an improved outlook with regard to both their production levels and their order books. Optimism also increased among manufacturers of investment goods, as lower order books were counterbalanced by an improved outlook for production and reduced stock levels.

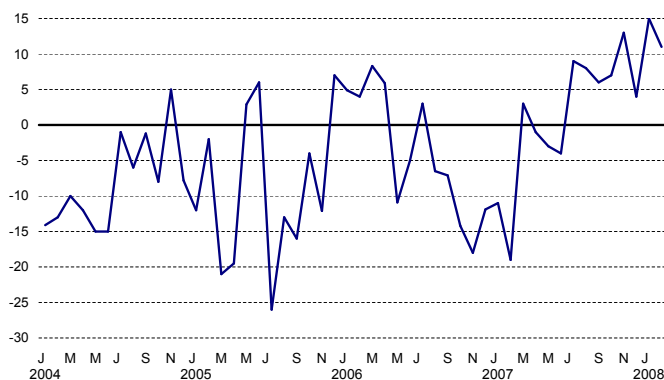
### Consumer confidence

The European Commission's consumer confidence survey indicated that consumer sentiment in Malta continued to improve in the fourth quarter of 2007. This contrasts with a slight deterioration in the euro area. The Commission's seasonally-adjusted index of consumer sentiment for Malta rose by 6 percentage points to -9 in December 2007 (see Chart 3).

Renewed consumer optimism with regard to the general economy, particularly the labour market, was accompanied by an improvement in households' outlook regarding their own financial situation and their perceived ability to save during the following twelve months.

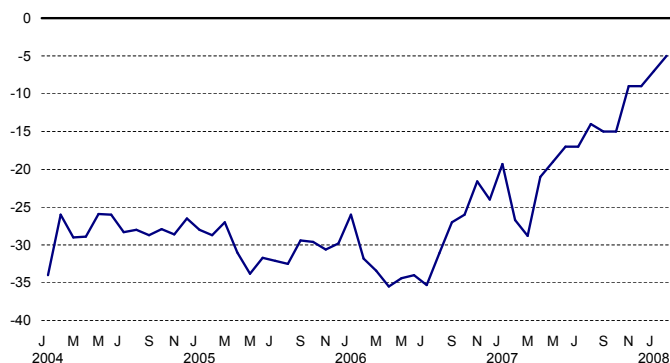
The latest releases, covering January and February 2008, indicated a further improvement in consumer confidence, with the index rising by a further two percentage points.

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



Source: European Commission.

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



Source: European Commission.

## BOX 2: THE BANK'S FORECAST FOR 2007: A COMPARISON WITH THE OUTTURN

In its *Annual Report* for 2006, the Central Bank of Malta had published a one-year forecast of GDP and other macroeconomic variables for 2007. This Box compares those projections with the initial provisional data on GDP for 2007 published by the NSO in March 2008. Actual data<sup>1</sup> for 2007 and forecasts are shown in Table 1. The Table also shows GDP statistics for 2006 published by the NSO in March 2007<sup>2</sup> and revised data for that year issued in March 2008.<sup>3</sup>

The NSO figures confirm that the strengthening of the economy continued in 2006 and even into 2007. The Central Bank of Malta in fact projected an acceleration in GDP growth during 2007, although the actual outturn was 0.4 percentage points higher than the upper bound of the Bank's forecast range of 3.4%. This underestimation was largely attributable to the fact that the Bank's forecast was based on the initial publication of GDP data for 2006, which showed a lower growth rate than the actual outturn. The first projection was revised upwards by 0.5 percentage points in the latest NSO release of GDP data. The underestimation in the Bank's forecast was also due to a slightly better outturn in net exports and, more significantly, in higher-than-anticipated inventory accumulation.

**Table 1**  
**GDP DATA AND FORECASTS FOR 2007**

*Percentage changes*

Reference period of data	2006	2006	2007	2007
	Provisional NSO	Provisional NSO (Revised)	Provisional NSO	Forecast CBM
Vintage of published data	March 2007	March 2008	March 2008	April 2007
<b>GDP growth at constant market prices</b>	<b>2.9</b>	<b>3.4</b>	<b>3.8</b>	<b>2.8 - 3.4</b>
<b>Growth in GDP components at constant market prices</b>				
Private consumption expenditure (incl.NPISH)	2.6	0.7	2.8	2.5 - 3.1
Government consumption expenditure	3.9	4.2	0.6	0.0 - 0.6
Gross fixed capital formation	(1.0)	3.0	0.3	4.5 - 5.1
Exports of goods and services	1.4	10.0	(0.6)	2.9 - 3.5
Imports of goods and services	(0.5)	8.3	(1.3)	2.4 - 3.0
Inventory changes and net acquisition of valuables (% of GDP)	0.2	1.3	2.1	0.2
Unemployment rate: LFS (%)	7.4	7.3	6.3	7.0 - 7.3
Inflation rate: RPI (%)	2.8	2.8	1.3	1.4 - 1.8
Fiscal borrowing requirement (% of GDP)	2.6	2.5	1.7	2.2 - 2.5
External goods and services deficit (% of GDP)	5.5	4.0	2.0	4.1 - 4.7

Note: Figures in brackets indicate negative values.

Sources: Central Bank of Malta estimates, NSO.

<sup>1</sup> NSO News Release No. 39/2008, 10 March 2008.

<sup>2</sup> NSO News Release No. 39/2007, 9 March 2007.

<sup>3</sup> NSO News Release No. 39/2008, 10 March 2008.

## Domestic demand

With respect to private consumption expenditure, the Bank's projection correctly anticipated faster growth for 2007, with the actual outcome lying at the mid-point of the forecast range. However, given the significant downward revision of growth in private consumption for 2006, the actual acceleration in private consumption in 2007 was somewhat sharper than anticipated, mainly reflecting stronger growth in employment than forecasted. The latter resulted in an unemployment rate that was 0.7 percentage points below the lower bound of the projection.

The forecast had also anticipated a sharp slowdown in government consumption. This was confirmed in the actual outturn, with growth in this variable standing within the forecast range.

The Bank's forecast of an acceleration in investment to 4.5%-5.1% in 2007 was partly influenced by the outcome of the previous year. Initial NSO figures in fact showed investment declining by 1% in 2006. The figures were subsequently revised into a 3% rise. In its projection the Bank anticipated higher investment by the public sector in 2007. On the basis of data published in the *Malta: Update of Convergence Programme 2006-2009*, this was expected to grow by around 15% in nominal terms. However, according to the latest government finance statistics, public sector investment increased at a modest pace of 3.5% in 2007, with the lower outturn largely reflecting a slower-than-expected rate of absorption of EU funds allocated to infrastructure projects. This factor alone contributed to around 80% of the error in the Bank's investment forecast, with the remainder being explained by lower-than-projected growth in private investment.

Meanwhile, the forecasts included a technical assumption in respect of inventories, a component of GDP that also incorporates the statistical discrepancy. Inventories were assumed to remain unchanged from the previous year, at 0.2% of GDP, so that the forecast contribution of inventories to GDP growth in 2007 would amount to zero. However, inventory levels for 2006 were subsequently revised upwards by the NSO to 1.3% of GDP. They were eventually reported at 2.1% of GDP in 2007, implying that the contribution of inventories to GDP growth in 2007 amounted to 0.9 percentage points. Consequently, movements in inventories account for a large part of the underestimation of the Bank's forecast of GDP growth for 2007.

## Net exports

As may be observed in Table 1, there was a wide divergence between the Bank's projections for growth in exports and imports of goods and services in 2007 and the actual outturn. Both these two components of GDP are highly volatile, as is evident from the large revisions to the figures for 2006. The pick-up in export growth for 2007 projected by the Bank was largely related to an expected further expansion in business services and tourism activity, which in fact materialized during the year.

The difference between the forecast and actual outturn is, however, partly explained by the fact that growth in these variables was underestimated in the initial GDP data for 2006 released by the NSO. The Bank's forecast error is also attributed to differences in the projections of import and export price deflators. The Bank had forecast an increase of 3.9% and 2.7% in export and import prices, respectively, for 2007, compared with an actual outturn of 6.3% and 4.8%. In this regard the Bank correctly anticipated an improvement in the terms of trade but underestimated the rise in both export and import prices. This was because the Bank's projections were based to a large extent on expected developments in the import and export price deflators of Malta's

trading partner countries, where the outturn was 1.4 percentage points higher than that projected by international forecasters. This led to an overestimation of both export and import growth in real terms.<sup>4</sup>

With regard to the deficit in the goods and services account, the Bank had forecast that this would decline from 5.5% of GDP in nominal terms in 2006 to 4.1%-4.7%. The actual decline was more pronounced mainly because the Bank had expected a sharper slowdown in export prices.

### Prices

As regards retail price inflation, the Bank had anticipated that this would decelerate from 2.8% in 2006 to a range of 1.4%-1.8% in 2007, as the base effect of the sharp rise in energy prices that had taken place in 2006 faded away. The outturn for 2007, at 1.3%, was slightly below the lower bound of the Bank's forecast range, with the overestimation stemming mainly from higher expectations of wage growth in 2007, particularly in the services sector.

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<sup>4</sup> Given the relatively high import content of exports the overestimation of exports in the forecast immediately gives rise to an almost parallel rise in the forecast for imports. The overestimation in the projection of imports for 2007 was even larger than that for exports due to the fact that gross fixed capital formation, which was also projected to show strong growth in 2007, is characterized by a high degree of leakage into imports.

## 5. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

During the fourth quarter of 2007 the deficit on the current account of the balance of payments more than doubled when compared with the corresponding quarter a year earlier. A larger merchandise trade deficit and increased net outflows on the transfers account outweighed gains on the services and income components. By contrast, the capital and financial account recorded a large surplus, spurred by strong net portfolio and other investment inflows.<sup>1</sup> Thus, reserve assets, which had declined in the final quarter of 2006, rose sharply during the quarter under review.

Over the year as a whole, the deficit on the current account contracted, mainly as a result of lower net outflows by way of investment income and a higher surplus on services. To a lesser extent, a narrower merchandise trade gap also contributed. With net inflows on the capital and financial account outweighing the current account deficit, reserve assets expanded considerably.

Throughout the final quarter of 2007, the exchange rate of the Maltese lira was maintained at its central parity rate in ERM II of Lm0.4293 against the euro. Consequently, in tandem with the euro, the lira extended its appreciating trend vis-à-vis the US dollar and also strengthened against the pound sterling and the Japanese yen.

### The current account

In line with the usual seasonal pattern, the current account swung back into deficit in the fourth

**Table 5.1**  
**BALANCE OF PAYMENTS SUMMARY** <sup>(1)</sup>  
*Lm millions*

	2006		2007	
	Q4		Q4	
	credit	debit	credit	debit
<b>Current account balance</b>		<b>48.7</b>		<b>100.4</b>
Goods		67.1		118.8
Services	54.1		57.8	
Transport	3.7		6.6	
Travel	14.2		18.4	
Other services	36.2		32.8	
Income		6.4		0.0
Current transfers		29.4		39.3
<b>Capital and financial account balance</b> <sup>(2)</sup>	<b>82.4</b>		<b>226.7</b>	
Capital account balance	27.5		7.5	
Financial account balance	55.0		219.2	
Direct investment	100.9		14.5	
Portfolio investment		139.4	60.9	
Financial derivatives	1.2		18.4	
Other investment	92.3		125.4	
<b>Movements in reserves</b> <sup>(3)</sup>	<b>18.9</b>			<b>203.3</b>
<b>Net errors and omissions</b>		<b>52.6</b>	<b>77.0</b>	

<sup>(1)</sup> Provisional.

<sup>(2)</sup> Excludes movements in official reserves.

<sup>(3)</sup> Excludes revaluation adjustments.

Source: NSO.

<sup>1</sup> In this Chapter, movements in external reserves are excluded from the capital and financial account.

quarter of 2007 (see Chart 5.1). On a year-on-year basis, the current account shortfall went up by Lm51.7 million (EUR 120.4 million) to Lm100.4 million (EUR 233.9 million), mostly as a result of a substantial widening of the goods deficit (see Table 5.1). Hence, the trend improvement in the current account seen over the previous five quarters was halted.

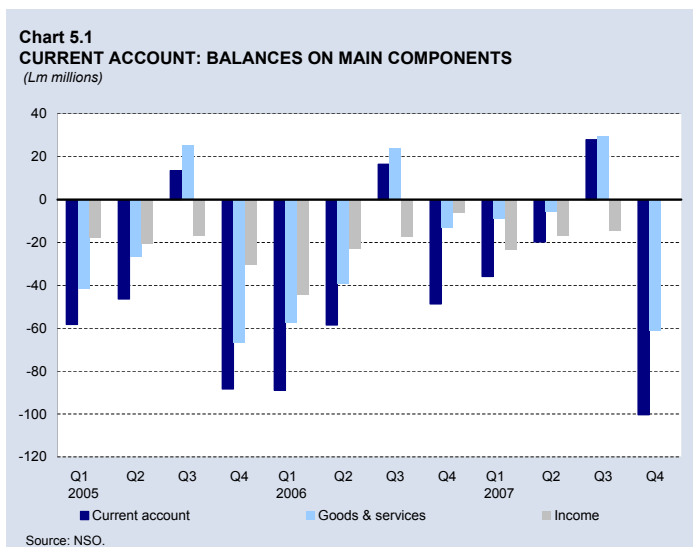
### Merchandise trade

The trade gap widened to Lm118.8 million (EUR 276.7 million) in the period between

October and December 2007 from Lm67.1 million (EUR 156.3 million) in the comparable period of 2006, as exports of goods fell sharply while imports continued to increase. In fact, exports of goods, which had been losing momentum in recent quarters, fell by 10.2% on a year earlier. In contrast, imports posted a 6.4% annual increase, extending their recent upward trend. Customs data for the same period showed a similar pattern, with the merchandise trade deficit widening by Lm49.8 million (EUR 116.0 million) or 55.4% (see Table 5.2).<sup>2</sup>

On this basis, the value of imports in the final quarter of 2007 rose by 5.7% on a year earlier. High and rising international oil prices pushed up the cost of fuel imports, which accounted for most of the overall quarterly increase. In addition, increased imports of motor vehicles and purchases of equipment by the electronics industry boosted imports of capital goods, while imports of consumer goods also rose, albeit to a lesser extent. In contrast, imports of electronic components, which are classified under industrial supplies, fell, in line with a drop in exports in the same category.

Meanwhile, exports contracted by 10.5%, mainly on account of lower foreign sales of fish and of semi-conductors. In both cases, exports were unusually high a year earlier. To a lesser extent,



**Table 5.2**  
**MERCHANDISE TRADE**

Lm millions, based on Customs data

	2006	2007 <sup>(1)</sup>	Change	
	Q4	Q4	Amount	%
<b>Imports</b>	<b>364.3</b>	<b>385.2</b>	<b>20.9</b>	<b>5.7</b>
Industrial supplies	185.9	173.6	-12.3	-6.6
Capital goods & others	47.4	57.4	10.0	21.1
Consumer goods	100.8	105.3	4.5	4.5
Fuel & lubricants	30.1	48.8	18.7	62.1
<b>Exports</b>	<b>274.4</b>	<b>245.5</b>	<b>-28.9</b>	<b>-10.5</b>
<b>Trade deficit</b>	<b>89.9</b>	<b>139.7</b>	<b>49.8</b>	<b>55.4</b>

<sup>(1)</sup> Provisional

Source: NSO.

<sup>2</sup> In the compilation of the balance of payments, Customs statistics on merchandise trade are adjusted for coverage, valuation and timing. Customs data incorporate insurance and freight costs, which are reported in the services account in the balance of payments. As a result, the figures for imports and exports of goods shown in Table 5.1 do not tally with those of Table 5.2.

exports of clothing also fell, reflecting the ongoing decline of the clothing industry. On the other hand, exports of pharmaceuticals extended their upward trend.

In January 2008, the trade gap continued to widen, going up by Lm6.8 million (EUR 15.9 million) on a year earlier. This was attributable to a rise in the value of imports, especially fuel, which exceeded export gains. The latter were driven by higher sales of pharmaceutical products.

### Services, income and transfers

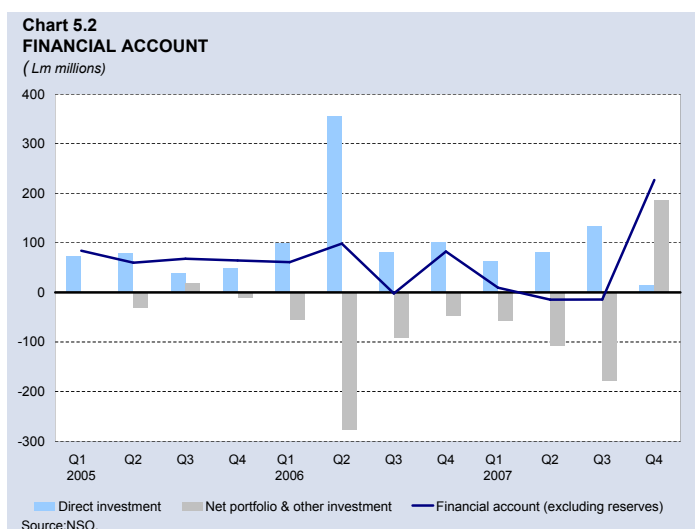
The positive balance on the services account went up by Lm3.7 million (EUR 8.6 million) during the final quarter of 2007, fuelled by higher surpluses on the travel and the transport accounts. The higher net receipts from travel reflected growth in expenditure by inbound tourists, which exceeded higher spending by residents of Malta travelling abroad. Meanwhile, on the transport account, net inflows were boosted by higher receipts from cargo handling services. However, significantly larger payments of fees and commissions by banks, which offset additional inflows from gaming, led to a lower surplus on 'other services'.

On the income account, a decline in profits due to non-residents on their direct investments in Malta together with higher portfolio investment earnings by residents outweighed higher interest payments on foreign loans. Thus, net investment income outflows were down by Lm6.3 million (EUR 14.7 million) on a year earlier resulting in a balanced income account in the fourth quarter of 2007. Meanwhile, payments to companies engaged in international business contributed to a larger negative balance on the transfers account, which rose from Lm29.4 million (EUR 68.5 million) a year earlier to Lm39.3 million (EUR 91.5 million).

### The capital and financial account

Net inflows on the capital and financial account nearly trebled during the fourth quarter of 2007, rising from Lm82.4 million (EUR 191.9 million) in the same period a year earlier to Lm226.7 million (EUR 528.1 million) (see Table 5.1). These inflows were entirely sourced from the financial account, as the surplus on capital transactions fell by Lm20.0 million (EUR 46.6 million), reflecting lower official receipts from the EU.

The sharp increase in net inflows on the financial account was heavily influenced by the expiry in November of all remaining exemptions from minimum reserve requirements applicable to credit institutions. This resulted in a number of institutions repatriating foreign assets to place reserve deposits with the Central Bank of Malta. As a result, the combined portfolio and other investment accounts posted net inflows, as opposed to the net outflows recorded in the fourth quarter of 2006 (see Chart 5.2). Thus, there was a shift to a surplus of Lm60.9 million (EUR 141.9



**Table 5.3**  
**BALANCE OF PAYMENTS SUMMARY<sup>(1)</sup>**  
*Lm millions*

	2006		2007	
	credit	debit	credit	debit
<b>Current account balance</b>		<b>179.7</b>		<b>128.1</b>
Goods		412.4		403.2
Services	326.4		356.5	
Transport	32.4		41.3	
Travel	152.0		168.5	
Other services	142.0		146.7	
Income		91.3		54.8
Current transfers		2.4		26.7
<b>Capital and financial account balance<sup>(2)</sup></b>	<b>239.8</b>		<b>207.3</b>	
Capital account balance	64.1		21.0	
Financial account balance	175.7		186.3	
Direct investment	636.1		293.0	
Portfolio investment		850.3	157.1	
Financial derivatives	10.7		51.6	
Other investment	379.2			315.4
<b>Movements in reserves<sup>(3)</sup></b>		<b>35.7</b>		<b>140.2</b>
<b>Net errors and omissions</b>		<b>24.4</b>	<b>61.0</b>	

<sup>(1)</sup> Provisional.  
<sup>(2)</sup> Excludes movements in official reserves.  
<sup>(3)</sup> Excludes revaluation adjustments.  
Source: NSO.

million) on the portfolio account from a deficit of Lm139.4 million (EUR 324.71 million) in 2006, as the banking sector reduced its holdings of foreign securities. Moreover, the other investment account showed additional inflows in the form of long-term foreign loans and of currency and deposits.

With net capital and financial account inflows exceeding the current account deficit, reserve assets increased markedly over the quarter. These grew by Lm203.3 million (EUR 473.6 million), as against a drop of Lm18.9 million (EUR 44.0 million) a year earlier. Errors and omissions turned positive in the quarter under review, standing at Lm77.0 million (EUR 179.4 million).<sup>3</sup>

### Year-to-date developments

Despite the unfavourable outcome registered during the fourth quarter, during 2007 as a whole the current account deficit narrowed by Lm51.6 million (EUR 120.2 million) to Lm128.1 million (EUR 298.4 million), mostly on account of significantly lower net investment income outflows, a larger surplus on services and a modest contraction in the merchandise trade deficit (Table 5.3). At this level, the negative balance on the current account stood at 5.6% of GDP, down from 8.3% in 2006.

Balance of payments figures show the goods deficit contracting by Lm9.2 million (EUR 21.4 million), as the value of imports declined and that of exports grew.

<sup>3</sup> Negative errors and omissions imply an underestimation of the current account deficit and/or an overestimation of net inflows on the capital and financial account. Conversely, an overestimation of the current account deficit and/or an underestimation of net capital and financial account inflows results in positive errors and omissions.



**Table 5.4**  
**MERCHANDISE TRADE**

*Lm millions, based on Customs data*

	2006	2007 <sup>(1)</sup>	Change	
			Amount	%
<b>Imports</b>	<b>1,460.0</b>	<b>1,456.5</b>	<b>-3.5</b>	<b>-0.2</b>
Industrial supplies	713.5	676.2	-37.3	-5.2
Capital goods and others	245.0	212.4	-32.6	-13.3
Consumer goods	370.6	388.6	18.0	4.9
Fuel & lubricants	130.9	179.4	48.5	37.1
<b>Exports</b>	<b>952.1</b>	<b>958.0</b>	<b>5.9</b>	<b>0.6</b>
<b>Trade deficit</b>	<b>507.9</b>	<b>498.5</b>	<b>-9.4</b>	<b>-1.9</b>

<sup>(1)</sup> Provisional

Source: NSO.

Customs data also show a narrowing of the trade gap over the year (see Table 5.4). Lower purchases of industrial supplies, mainly for the electronics industry, together with lower imports of capital goods were the major factors behind the marginal decline in imports. The former mirrored the drop in exports of machinery & transport equipment, while lower imports of capital goods reflected the fact that in the previous year imports of machinery and seacraft were exceptionally high. Conversely, the fuel bill rose significantly, influenced both by an increase in import volumes and by spiralling international oil prices. Imports of consumer goods, mostly food, also rose. Meanwhile, exports went up by 0.6%, driven by increased foreign sales of pharmaceuticals and re-exports of oil that outweighed declines in sales of fish and of semi-conductors.

The positive balance of Lm326.4 million (EUR 760.3 million) recorded on the services account in 2006 rose to Lm356.5 million (EUR 830.4 million) in 2007. Stronger surpluses were posted on all sub-components of the account. The improved performance of the tourism industry boosted net travel receipts, which added Lm16.4 million (EUR 38.2 million) on the previous year as increased expenditure by incoming tourists outweighed a rise in spending by Maltese residents travelling overseas. At the same time, passenger transport services boosted net inflows on the transport account. The surplus on 'other services' also grew, albeit to a lesser extent, as higher income from the gaming industry offset payments effected by the banking sector.

Net outflows on the income account contracted by Lm36.6 million (EUR 85.3 million), as increased portfolio investment earnings by residents outweighed higher interest payments on foreign borrowings. Meanwhile, a deterioration of Lm24.3 million (EUR 56.6 million) in the balance on transfers mainly stemmed from recorded payments relating to companies engaged in international business.

The decline in the surplus on the capital and financial account from Lm239.8 million (EUR 558.6 million) in 2006 to Lm207.3 million (EUR 482.9 million) a year later was heavily influenced by developments in the capital account. The cessation, at the beginning of the year, of temporary compensating grants relating to Malta's accession to the EU resulted in a smaller capital account surplus. On the financial account, a swing to a positive balance on the combined portfolio and other investment accounts in the final quarter of the year boosted overall inflows. Moreover, the surplus balance on derivatives increased significantly. On the other hand, direct investment inflows, which in 2006 had been buoyed by considerable privatisation proceeds and equity injections into foreign-owned banks, were significantly lower.

Against the backdrop of a smaller current account deficit that was outweighed by the surplus on

**Table 5.5**  
**EXCHANGE RATES OF THE MALTESE LIRA<sup>(1)</sup>**

	EUR	USD	GBP	JPY
Average for Q4 2007	0.4293	3.3761	1.6505	381.5
Average for Q4 2006	0.4293	3.0053	1.5679	353.8
Appreciation(+)/depreciation (-) of the MTL (%)	0.0	12.3	5.3	7.8
Closing rate for Q4 2007 <sup>(2)</sup>	0.4293	3.4291	1.7082	384.2
Closing rate for Q3 2007	0.4293	3.3075	1.6243	380.9
Appreciation(+)/depreciation (-) of the MTL (%)	0.0	3.7	5.2	0.9

<sup>(1)</sup> The exchange rate of the Maltese lira against the euro is quoted in terms of units of the lira per euro. The other currencies, i.e. the USD, the GBP and the JPY, are quoted per one Maltese lira.

<sup>(2)</sup> Closing rates announced by the Central Bank of Malta which normally takes place at 3.00 p.m.

Source: Central Bank of Malta.

the capital and financial account, reserve assets grew at a faster pace in 2007 than in 2006, rising by Lm140.2 million (EUR 326.6 million). Errors and omissions swung from a negative balance of Lm24.4 million (EUR 56.8 million) to a positive one of Lm61.0 million (EUR 142.0 million).

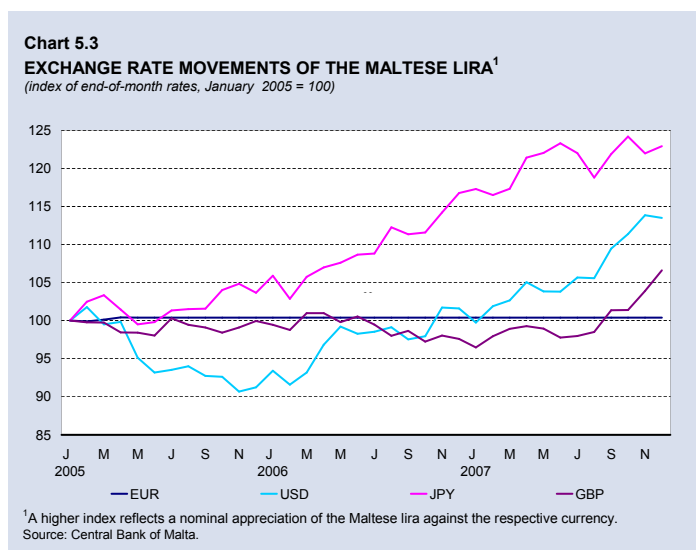
### The Maltese lira

During the fourth quarter of 2007, the Maltese lira remained at its central parity rate of MTL/EUR 0.4293 within ERM II, in line with the Maltese authorities' unilateral policy commitments. Consequently, the lira's movements followed those of the euro (see Chart 5.3). Thus, in the light of the euro's general appreciation against major international currencies, the lira strengthened against the US dollar, gaining a further 3.7% on the previous quarter. Against the British pound, the domestic unit ended December 5.2% above its level at the end of the previous quarter (see Table 5.5). In addition, the lira posted a 0.9% appreciation vis-à-vis the yen, regaining some of the losses of the previous quarter.

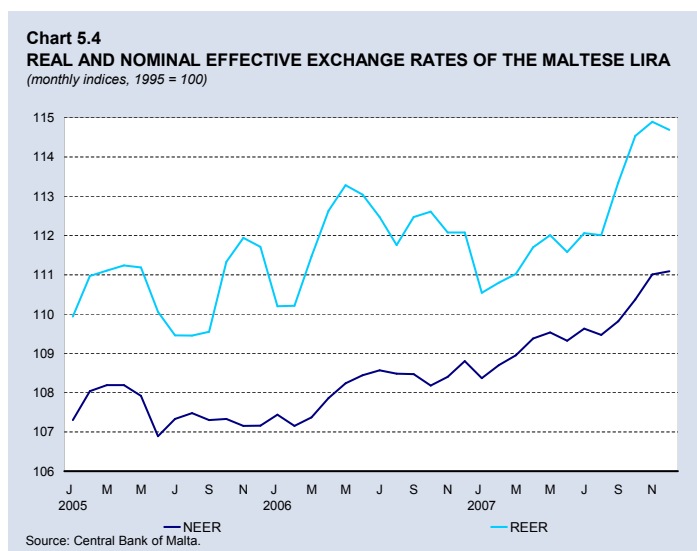
Between the fourth quarter of the previous year and the corresponding quarter of 2007, the Maltese unit, on average, moved up by 12.3% against the US dollar. On the same basis, in terms of the yen and the pound sterling, it firmed by 7.8% and 5.3%, respectively.

On 1 January 2008, Malta adopted the euro as its national currency at the irrevocable conversion rate of MTL/EUR 0.4293, the rate at which the Maltese lira had joined ERM II.

The exchange rate of the Maltese lira continued to strengthen in both nominal and



real effective terms during the final quarter of 2007. At the end of December, the Nominal Effective Exchange Rate (NEER) and the Real Effective Exchange Rate (REER) of the lira both stood 1.2% above their end-September levels. The nominal effective appreciation of the lira principally reflected movements against both the US dollar and the pound sterling. Similarly, the appreciation of the lira in real effective terms stemmed entirely from the nominal rise of the currency, since consumer price inflation in Malta was similar to that in its main trading partners and competitors (see Chart 5.4).



## 6. GOVERNMENT FINANCE<sup>1</sup>

The general government deficit narrowed further during 2007, falling from 2.5% of GDP in 2006 to 1.8%. The contraction was underpinned by expenditure restraint, as shown by the continued reduction in the expenditure-to-GDP ratio (see Table 6.1). However, as a result of an unfavourable Maltese Court decision relating to VAT, the outcome fell short of the Government's 1.6% of GDP target set out in its Stability Programme.<sup>2</sup> The deficit on the Consolidated Fund also contracted during the year, as expenditure declined marginally while revenue continued to increase. Furthermore, although general government debt increased in absolute terms, rapid GDP growth led to a further reduction in the debt ratio, to 62.6%.

### General government balance<sup>3</sup>

After registering a deficit in the previous three quarters, the general government balance swung into surplus during the final quarter of 2007, with revenue exceeding expenditure by Lm36.3 million (EUR 84.6 million) (see Table 6.2). This surplus was much larger than that registered during the same quarter a year earlier, as revenue rose at a much faster pace than expenditure. In particular, strong growth in revenue from taxes on income and wealth, which generally correspond to direct taxes, offset lower receipts from transfers. Meanwhile, an increase in recurrent expenditure was dampened by a sharp fall in gross fixed capital formation.

As a result, the deficit for the year as a whole contracted by Lm14.3 million (EUR 33.3 million) on 2006. The primary surplus, which is obtained by deducting interest payments from expenditure, expanded by Lm15.7 million (EUR 36.6 million)

During 2007 general government revenue increased by 4.7%, driven entirely by tax receipts. Taxes on income and wealth, in particular, yielded 19.7% more than in 2006, largely reflecting increased intakes from corporate taxes. At the same time, receipts from taxes on production and imports also expanded, driven by higher yields from petroleum duties. The 'other' revenue category also rose significantly on account of increased dividend income and higher market output generated by extra-budgetary units. However, income by way of capital and current transfers halved on account of lower funding received from the EU. This reflected a shift in the nature of EU funding away from automatic budgetary compensation in the years immediately following accession towards project-related funding within the financial framework for the period from 2007 to 2013.

**Table 6.1**  
**GENERAL GOVERNMENT INDICATORS**

*Percentages of GDP*

	2003	2004	2005	2006	2007
Revenue	37.9	41.1	42.1	41.3	40.7
Expenditure	47.8	45.8	45.0	43.9	42.5
Balance	-9.8	-4.6	-3.0	-2.5	-1.8
Gross debt	69.3	72.6	70.4	64.2	62.6

Source: NSO.

<sup>1</sup> The cut-off date for information contained in this Chapter is 25 April 2008.

<sup>2</sup> On 14 December 2007, the Court of Appeal upheld a decision by the VAT Appeals Board, which had ordered Government to refund Lm4.1 million (EUR 9.6 million) to a telecommunications company.

<sup>3</sup> Captures central government, including extra-budgetary units and local government. General government data are compiled on an accrual basis. In contrast, the Consolidated Fund captures most of the transactions of central government on a cash basis.

**Table 6.2**  
**GENERAL GOVERNMENT BALANCE**

*Lm millions*

	2006	2007	2006	2007	Change	
	Q4	Q4	Q1-Q4	Q1-Q4	Amount	%
<b>Revenue</b>	<b>277.0</b>	<b>303.9</b>	<b>898.7</b>	<b>940.6</b>	<b>41.9</b>	<b>4.7</b>
Taxes on production and imports	86.8	95.4	325.4	340.5	15.1	4.6
Current taxes on income and wealth	93.7	121.9	257.4	308.0	50.6	19.7
Social contributions	49.7	51.7	167.6	171.9	4.3	2.6
Capital and current transfers	31.2	16.0	80.6	39.8	-40.8	-50.6
Other	15.6	18.9	67.7	80.4	12.7	18.8
<b>Expenditure</b>	<b>262.7</b>	<b>267.6</b>	<b>954.2</b>	<b>981.8</b>	<b>27.6</b>	<b>2.9</b>
Intermediate consumption	42.3	41.4	126.4	126.0	-0.4	-0.3
Gross fixed capital formation	31.2	22.8	90.5	93.7	3.2	3.5
Compensation of employees	73.1	75.6	291.2	301.8	10.6	3.6
Subsidies	14.2	15.9	40.7	47.0	6.3	15.5
Interest	15.9	22.3	76.8	78.2	1.4	1.8
Social benefits	72.3	74.2	272.1	286.2	14.1	5.2
Other	13.7	15.4	56.5	48.9	-7.6	-13.5
<b>Primary balance</b>	<b>30.2</b>	<b>58.6</b>	<b>21.3</b>	<b>37.0</b>	<b>15.7</b>	<b>-</b>
<b>General government balance</b>	<b>14.3</b>	<b>36.3</b>	<b>-55.4</b>	<b>-41.1</b>	<b>14.3</b>	<b>-</b>

Source: NSO.

Expenditure was 2.9% higher than in the previous year, with almost all major categories increasing, although outlays on social security benefits accounted for half of the overall rise. The higher spending on benefits was mainly directed towards retirement pensions and energy support measures to households.<sup>4</sup> Growth in compensation of employees also picked up, but remained in line with the collective agreement covering the Civil Service. Expenditure on subsidies also expanded, on account of energy-related transfers to public non-financial corporations. In addition, gross fixed capital formation increased during 2007, as higher outlays by extra-budgetary units outweighed lower spending by central government, especially on the new hospital. In contrast, 'other' expenditure fell sharply as a result of the sale of land during the second quarter, which is recorded as negative spending.

### Consolidated Fund developments

In the final quarter of 2007, in line with the seasonal pattern, a surplus was registered on the Consolidated Fund. At Lm26.5 million (EUR 61.7 million), this was Lm11.4 million (EUR 26.6 million) greater than the surplus recorded in the same quarter a year earlier (see Chart 6.1). Compared to the fourth quarter of 2006, both revenue and expenditure were down, but expenditure fell much more sharply.

Consequently, over the year as a whole, the deficit on the Consolidated Fund contracted by Lm11.1 million (EUR 25.9 million) to Lm46.8 million (EUR 109.0 million). Revenue growth, driven entirely by higher tax proceeds, together with a marginal decline in primary expenditure, led to an improvement in the primary surplus of Lm10.5 million (EUR 24.5 million) (see Table 6.3). Furthermore, the deficit for the year was Lm2.0 million (EUR 4.7 million) lower than the revised target announced with the Budget in October 2007. Even though revenue shortfalls were registered

<sup>4</sup> In the 2007 Budget, the Government announced that families eligible for non-contributory benefits would be awarded vouchers redeemable on the payment of utility bills to counter the impact of higher water and electricity charges.

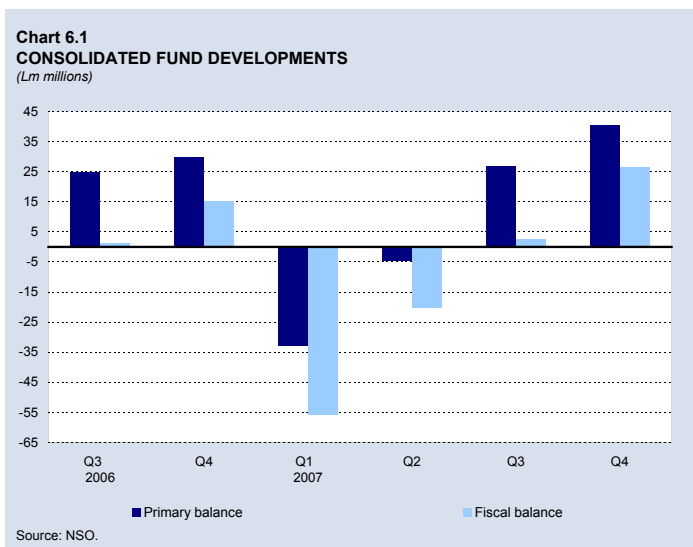
when compared to the revised estimates, lower-than-expected expenditures ensured that the target was surpassed.

### Revenue

During 2007, revenue was Lm9.0 million (EUR 21.0 million), or 1.0%, higher than in 2006 (see Table 6.3). The increase was driven entirely by higher tax yields, particularly from direct taxes, which offset a drop in non-tax revenue.

Direct taxes yielded 7.9% more than in the previous year.

Despite the reduction in average personal tax rates as from January 2007, income tax receipts increased by 11.0% and accounted for almost the entire rise in direct tax revenue. Higher yields from corporate taxes and from capital gains tax, which reflected transactions in real estate and



**Table 6.3**  
**GOVERNMENT BUDGETARY OPERATIONS**

Lm millions

	2006		2007		Change	
	Q4	Q4	Q1-Q4	Q1-Q4	Amount	%
<b>Revenue</b>	<b>287.6</b>	<b>282.9</b>	<b>877.3</b>	<b>886.3</b>	<b>9.0</b>	<b>1.0</b>
<b>Direct tax</b>	<b>144.1</b>	<b>152.0</b>	<b>391.5</b>	<b>422.3</b>	<b>30.8</b>	<b>7.9</b>
Income tax	101.3	108.4	256.5	284.8	28.3	11.0
Social security contributions <sup>(1)</sup>	42.8	43.6	135.0	137.5	2.5	1.9
<b>Indirect tax</b>	<b>88.5</b>	<b>103.5</b>	<b>338.3</b>	<b>359.9</b>	<b>21.6</b>	<b>6.4</b>
Value Added Tax	49.5	51.6	174.6	181.1	6.5	3.7
Customs and excise duties	15.2	24.4	69.2	79.4	10.2	14.7
Licences, taxes and fines	23.8	27.5	94.5	99.4	4.9	5.2
<b>Non-tax<sup>(2)</sup></b>	<b>54.9</b>	<b>27.4</b>	<b>147.5</b>	<b>104.1</b>	<b>-43.4</b>	<b>-29.4</b>
<b>Expenditure</b>	<b>272.6</b>	<b>256.5</b>	<b>935.2</b>	<b>933.1</b>	<b>-2.1</b>	<b>-0.2</b>
<b>Recurrent<sup>(1)</sup></b>	<b>215.3</b>	<b>219.0</b>	<b>798.1</b>	<b>822.4</b>	<b>24.3</b>	<b>3.0</b>
Personal emoluments	61.9	64.3	203.1	208.0	4.9	2.4
Programmes and other operational expenditure <sup>(3)</sup>	117.2	124.5	444.0	470.3	26.3	5.9
Contributions to entities	21.6	16.4	73.7	67.2	-6.5	-8.8
Interest payments	14.5	13.9	77.4	76.9	-0.5	-0.6
<b>Capital</b>	<b>57.3</b>	<b>37.5</b>	<b>137.0</b>	<b>110.7</b>	<b>-26.3</b>	<b>-19.2</b>
<b>Primary balance<sup>(4)</sup></b>	<b>29.5</b>	<b>40.3</b>	<b>19.5</b>	<b>30.0</b>	<b>10.5</b>	<b>-</b>
<b>Consolidated Fund balance<sup>(5)</sup></b>	<b>15.0</b>	<b>26.5</b>	<b>-57.9</b>	<b>-46.8</b>	<b>11.1</b>	<b>-</b>

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

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

<sup>(3)</sup> Includes programmes & initiatives and operational & maintenance expenditure.

<sup>(4)</sup> Revenue less expenditure excluding interest payments.

<sup>(5)</sup> Revenue less expenditure.

Source: NSO.

equity sales, also boosted income tax receipts. At the same time, the yield from social security contributions added only 1.9%, despite buoyancy in the labour market, reflecting the impact of lower contribution rates for part-time employees announced in the Budget for 2007 that entered into force in January.

When compared to 2006, indirect tax receipts expanded by 6.4%, with revenues from customs & excise duties contributing nearly half of the increase. In turn, these were mainly driven by higher yields from petroleum duties. Proceeds from licences, taxes & fines and from VAT were also higher, rising by 5.2% and 3.7%, respectively.

On the other hand, non-tax revenue contracted by 29.4%, mainly due to lower grants received from the EU on account of the shift in the composition of funding referred to earlier. The non-recurrence of sales of land also contributed.<sup>5</sup> These factors outweighed the increase in Central Bank of Malta profits transferred to Government and the proceeds from the Special Registration Scheme.<sup>6</sup>

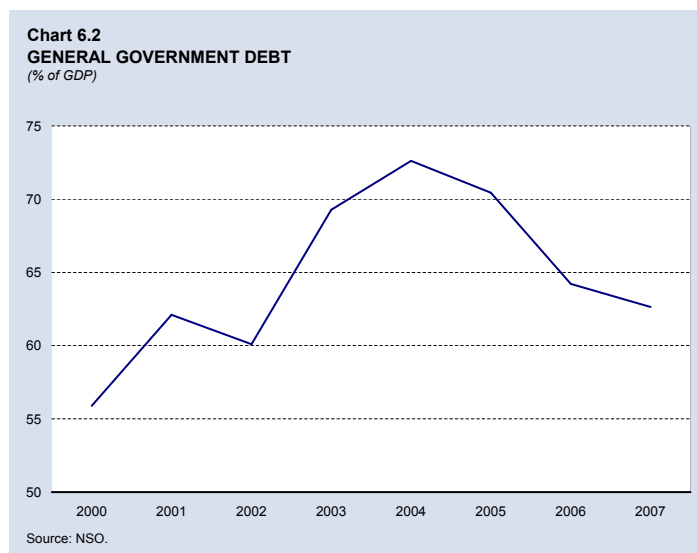
### Expenditure

When compared to a year earlier, expenditure contracted marginally as an increase in recurrent spending was more than offset by lower capital outlays. The former rose by 3.0%, almost entirely driven by programmes and other operational expenditure. In turn, this mainly reflected spending on subsidies to offset the impact of increased energy costs. In addition, higher outlays on social security benefits – mostly on retirement pensions – and increased expenditure on medical supplies also contributed. Spending on personal emoluments also rose, though a drop in employment levels partly offset the impact of wage increases laid down in the collective agreement covering the Civil Service. Interest payments remained broadly stable when compared to the same period a year earlier. In contrast, contributions to government entities declined, but this merely reflected a reclassification from this spending category to programmes and other operational expenditure.

During 2007, capital outlays contracted by 19.2%, reflecting lower spending on the new state hospital, on roads, and the non-recurrence of payments connected with the acquisition of land.

### General government debt<sup>7</sup>

In 2007 the Government issued additional long-term debt to finance the deficit. Consequently, during the year,



<sup>5</sup> The cash proceeds from the sale of land were recorded in the Consolidated Fund in 2006. However, they entered general government accounts in 2007, when the change of ownership took place.

<sup>6</sup> The Special Registration Scheme was launched in April 2007 to provide individuals residing in Malta with a one-time opportunity to regularise their position in respect of their holdings of eligible assets in those cases where the associated income had not been declared for the purposes of the Income Tax Act. The Scheme closed on 31 August 2007.

<sup>7</sup> Excludes general government debt held by extra-budgetary units, local government and the Sinking Fund.

**Table 6.4**  
**GENERAL GOVERNMENT DEBT**

*Lm millions*

	2006		2007		
	Q4	Q1	Q2	Q3	Q4
<b>General government debt<sup>(1)</sup></b>	<b>1,396.6</b>	<b>1,406.9</b>	<b>1,464.5</b>	<b>1,427.2</b>	<b>1,445.9</b>
Securities	1,284.2	1,295.6	1,353.3	1,315.2	1,334.4
Short-term	160.5	171.7	196.2	158.1	152.4
Long-term	1,123.6	1,123.9	1,157.1	1,157.1	1,182.0
Loans	112.5	111.4	111.2	112.1	111.6
Short-term	10.4	10.7	10.7	11.6	10.7
Long-term	102.1	100.7	100.4	100.5	100.8

<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.

Source: NSO.

general government debt increased by 3.5% to Lm1,445.9 million (EUR 3,368.1 million) (see Table 6.4). However, with GDP growing at a faster pace, the debt-to-GDP ratio extended its downward trend, falling to 62.6% (see Chart 6.2 and Table 6.1). As the increase in debt exceeded the deficit, government deposits with the banking sector expanded during the year.

The increase in debt during 2007 was driven by further issues of long-term securities, as the Government continued to pursue its policy of reducing its reliance on short-term borrowing. As a result, long-term debt securities in issue increased by Lm58.4 million (EUR 136.0 million), while the amount of short-term securities (or Treasury bills) in issue decreased. Consequently, at the end of the year, the share of short-term securities in the total debt outstanding stood at 10.5%, one percentage point lower than a year earlier. Meanwhile, long-term securities accounted for 81.7% of the debt, as against 80.5% at the end of 2006.

Loans outstanding also fell, reflecting repayments of long-term foreign borrowings. As a result, the external debt of the general government, excluding extra-budgetary units, dropped from Lm54.8 million (EUR 127.7 million) at the end of 2006 to Lm52.1 million (EUR 121.2 million) a year later. Loans accounted for 7.7% of general government debt at the end of 2007.



## PRESENTATION OF STATISTICS RELATING TO MALTA FOLLOWING ADOPTION OF THE EURO<sup>1</sup>

### Introduction

The adoption of the euro has consequences for the presentation of certain familiar statistics relating to Malta. Most obviously, the Maltese lira has ceased to exist. Once the Central Bank of Malta's publications begin to cover the period after the adoption of the euro, all data will be shown in euro, with past data being converted at the irrevocable conversion rate in line with the approach followed by the NSO and the Bank.

These fundamental changes to statistical concepts will be reflected in the Central Bank of Malta's Quarterly Review, its press releases, on its website and in its other publications. They will first appear in the Bank's publications that include data covering the period after 1 January 2008. The purpose of this article is to explain the main conceptual changes involved.

### Assets and liabilities of the Central Bank of Malta

With regard to the balance sheet of the Central Bank of Malta, the main changes concern currency issued on the liabilities side and external reserves on the assets side.

#### *Currency issued*

Prior to the adoption of the euro, the amount of currency issued by the Central Bank of Malta, minus amounts held by banks in Malta, was an exact measure of Maltese lira currency in circulation. In the euro area, on the other hand, the share of each central bank in the total issue of banknotes by the Eurosystem<sup>2</sup> is deemed to be equivalent to that central bank's share in the paid-up 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, in practice, the Central Bank of Malta may issue more than this amount, or less, in response to demand; the excess or shortfall appears elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the item 'Currency issued' is a notional amount conforming to the banknote allocation key. The amount of euro currency in the hands of Maltese residents may be different again, since large amounts will no doubt be brought in by tourists and other visitors, and taken out in the course of visits abroad, and there will be no direct way of measuring it. As will be further explained below, this is one reason why it is impossible to measure Maltese holdings of money after entry into the euro area.<sup>3</sup>

#### *External reserves*

Until 31 December 2007, gold, SDRs and external claims of the Central Bank of Malta which met the IMF's definition of external reserves, or reserve assets, in terms of liquidity, ready availability for use, and credit standing of the debtor, constituted Malta's external reserves. These external claims included many assets denominated in euro and assets denominated in other currencies that were claims on entities (usually banks or governments) resident in the euro area. For the euro area, however, cross-border claims within the area, and claims denominated in euro, are

<sup>1</sup> ***This note, which has already appeared on the Central Bank of Malta's website, was prepared by Mr Peter Bull, the Central Bank of Malta's consultant on statistical issues.***

<sup>2</sup> The Eurosystem comprises the ECB and the national central banks of the 15 EU Member States in the euro area.

<sup>3</sup> Maltese lira currency ceased to be legal tender at the end of January 2008. Nevertheless, until end-December 2008 any remaining Maltese lira banknotes in issue will continue to be recorded in the Central Bank of Malta's balance sheet and included in the Maltese contribution to euro area monetary aggregates. For monetary statistics purposes, issues of coins by the Bank on behalf of the Treasury will also be included.

not reserve assets. Moreover, Malta has already – as have other euro area Member States – transferred a fraction of its external reserves to the ECB in exchange for a claim on the ECB, which being an intra-Eurosystem asset is not part of external reserves. The outcome overall is a substantial reduction in Malta’s external reserves. It should be stressed that this is in no sense a paying away of Malta’s resources, but merely a reclassification of certain external assets which, in the new circumstances of monetary union, no longer meet the definition of reserve assets. In the Bank’s balance sheet as presented in Table 1.1 in the Quarterly Review, these reclassified assets will appear as ‘External assets/other external claims/on other euro area residents’ or (for euro-denominated claims on entities outside the euro area) ‘on non-residents of the euro area’.

## Monetary aggregates and counterparts to broad money (M3)

### *Monetary aggregates*

Prior to euro adoption, the money stock in Malta comprised Maltese lira currency in circulation (excluding holdings by banks), holdings by Maltese residents of certain types of deposit with monetary financial institutions (MFIs) in Malta, and – though these were of negligible importance – their holdings of certain liquid marketable claims on banks in Malta.<sup>4</sup> Maltese monetary aggregates and their counterparts could readily be measured from balance sheet data supplied by the Central Bank of Malta and other MFIs in Malta.

For the euro area as a whole, broad money consists of euro banknotes and coins in circulation outside the euro area banking system, deposits held by euro area residents (other than MFIs and central governments) with MFIs anywhere in the euro area and their holdings also of certain liquid marketable securities issued by MFIs anywhere in the euro area, including shares/units issued by MMFs.<sup>5</sup> Monetary aggregates and their counterparts for the euro area as a whole are compiled by the ECB mainly from MFI balance sheet data contributed by national central banks, including their own balance sheet data. However, it is not possible for a national central bank (or indeed for the ECB) to calculate how much of the various measures of money is held by residents of an individual Member State. There are three reasons for this: (1) the inclusion in the euro area aggregates of cross-border deposits; (2) the lack of information on holdings by residents outside the MFI sector of euro banknotes and coins; and (3) (in the case of M3) the lack of information on their holdings of marketable monetary instruments issued by resident MFIs or by MFIs in any of the other fourteen euro area Member States.

Instead of showing monetary aggregates for Malta, therefore, the Central Bank of Malta will be able to publish only the contribution of MFIs resident in Malta to the euro area’s total aggregates. This comprises:

- a) the notional issue of euro currency by the Bank according to the banknote allocation key (see the previous section), and the issue of coins (where the Bank acts as agent of the Treasury), less holdings of euro banknotes and coins reported by MFIs in Malta,<sup>6</sup>
- b) deposits held by Maltese residents and by residents of other euro area countries with MFIs

<sup>4</sup> Most MFIs (a term used throughout the EU) in Malta are credit institutions. Some Member States have numerous money market funds (MMFs), which are classified as MFIs. Central banks are also MFIs. A complete definition can be found in the General Notes at the end of this Quarterly Review.

<sup>5</sup> Like the Maltese monetary aggregates, euro area aggregates (except in respect of banknotes and coins) include monetary instruments denominated in foreign currency - in this context meaning currencies other than the euro.

<sup>6</sup> As noted earlier, remaining Maltese lira banknotes and coins will be included in euro area monetary aggregates and in the Maltese contribution to them until end-2008.

- in Malta, including repos but excluding any deposits belonging to central governments (since such deposits are excluded from the ECB's monetary aggregates) and any interbank deposits; and
- c) any marketable instruments of the kind included in euro area M3 issued by MFIs in Malta,<sup>7</sup> less holdings by Maltese MFIs of such instruments issued by MFIs resident anywhere in the euro area.

Because resident MFIs may hold more of these marketable instruments than they issue, this part of the Maltese contribution to euro area M3 may be negative.

The Bank will cease to publish data on the monetary base (M0). This aggregate is not used in the euro area, and, as explained already, the main component, currency issued, will lose its meaning. The idea that balances with the Central Bank of Malta are a unique source of Maltese lira liquidity to the Maltese banking system as a whole does not readily translate to the circumstances of participation in a monetary union, where Maltese MFIs may hold euro balances, and may readily borrow, anywhere in the integrated money market.

### *Counterparts to broad money (M3)*

Prior to euro adoption, specific items in Maltese banking balance sheets could be rearranged to 'explain' (in the statistical sense) changes in broad money in Malta in an analytically useful way (these would constitute the 'counterparts' to M3). The main counterparts were domestic credit and net foreign assets. Within the euro area framework, the 'domestic credit' counterpart to euro area M3 contributed by Maltese MFIs will comprise their 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>8</sup> 'Other' counterparts comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

These Maltese contributions to the euro area monetary aggregates and counterparts are thus fundamentally different from the monetary statistics for Malta hitherto published by the Bank, though to the extent that cross-border banking business and business in marketable monetary instruments in practice remains limited, some of the actual numbers may for a time not look so different.

### **Balance of payments, international investment position and related statistics**

The balance of payments (b.o.p.) and international investment position (i.i.p.) of the euro area comprise transactions and asset and liability positions of residents of the euro area with non-residents of the area. Cross-border transactions and positions within the euro area are not b.o.p. or i.i.p. items for the euro area as a whole. Therefore, the ECB compiles the euro area b.o.p. and i.i.p. mainly from data on extra-euro area transactions and positions contributed by the Member States.<sup>9</sup> These extra-euro area data may look strange in relation to the familiar national b.o.p. and i.i.p. statistics, and may be difficult to interpret.

<sup>7</sup> Marketable monetary instruments broadly consist of certificates of deposit, other debt securities with an initial maturity of up to two years and money market fund shares/units.

<sup>8</sup> This is Maltese MFIs' claims on non-residents of the euro area, minus their liabilities outside the euro area, in all forms and in foreign currency as well as in euro. Since the Central Bank of Malta is an MFI, the Maltese contribution to the external counterpart to euro area M3 includes not only the Maltese external reserves as newly defined following adoption of the euro, but also the Bank's claims on entities outside the euro area denominated in euro, and any other external claims, in any form, which do not count in reserve assets.

<sup>9</sup> This is not completely true: because the holders of marketable securities often cannot be identified, the ECB, for practical reasons, adopts a different approach for transactions and positions in portfolio investment (liabilities) and related income. The national contributions in this area are even harder to interpret than elsewhere in the external accounts.

Malta, like other euro area Member States, will continue to produce a national b.o.p. and i.i.p.; the ESA95 and membership of the IMF require Malta to do so, and the data contribute to the national accounts. The Central Bank of Malta will continue to reproduce these national data, for which the NSO is primarily responsible, but will not publish the contributions to the euro area b.o.p. and i.i.p. aggregates because of their limited informational value, from a national perspective, in isolation. The main differences compared to the period before the adoption of the euro in the national statistics will be that transactions and positions with other residents of the euro area will be shown separately where relevant (and this practice will also be followed in tables showing data on trade in goods and on tourism), and that many transactions and positions hitherto shown under 'Reserve assets' will be transferred to the categories 'Portfolio investment' or 'Other investment'. Whether assets are reclassified as 'Portfolio investment' or 'Other investment' rather than as 'Reserve assets' will depend on the nature of the instrument. External assets held by central government form part of 'Other investment'. Thus, for example, any Central Bank of Malta holdings of euro-denominated Treasury bills issued by the UK government, and of dollar-denominated deposits with banks in Germany, cease to be reserve assets. The first are classified as portfolio investment assets in the Maltese international investment position, and the second as 'other' investment assets. Like other Eurosystem members, the Central Bank of Malta will continue to complete, and publish on its website, the IMF/BIS template on international reserves and foreign currency liquidity using the new definition of reserve assets.<sup>10</sup>

It should be emphasised that entry into the euro area may make it more difficult to measure some cross-border transactions and positions than previously, with movements of euro banknotes being an obvious and immediate example. To a greater extent than before, approximations will be necessary.

### **Interest rates**

As noted earlier, on the adoption of the euro the Central Bank of Malta's central intervention rate was replaced by the ECB's minimum bid rate on the main refinancing operations. From 1 January 2008, the Bank began to conduct open market operations on the basis of the rates determined by the Governing Council of the ECB. These rates will be published in the Quarterly Review and the Bank's other publications. Recently the rates appeared on the Bank's website.

Rates in the interbank market throughout the euro area are generally similar for a given instrument and maturity. Each working day, reference rates for overnight funds (the EONIA rate) and for a range of fixed-term maturities (EURIBOR rates) are determined from information provided by a panel of banks active in the interbank market in euro. Hence, in its publications, the Bank will replace the previous interbank market offered rates (which were rates on Maltese lira business in the local interbank market) with EONIA and selected EURIBOR rates.

The Bank also publishes a selection of weighted average deposit rates paid, and a weighted average lending rate charged, by Maltese MFIs on Maltese lira (now euro) business with non-bank customers in Malta. The Bank will add to these a wider selection of rates (which are standard across the euro area) paid and charged by Maltese MFIs on euro-denominated business with households and non-financial corporations resident in Malta. Similar data relating to Maltese

<sup>10</sup> The IMF/BIS template includes, in addition to external reserves, any external claims which do not meet the liquidity, etc. criteria for inclusion in official reserve assets, foreign currency (meaning non-euro) claims on entities in the euro area, and any predetermined or contingent short-term net drains on the foreign currency assets of the Bank. The template also covers data on the external positions of the central government.

MFIs' business with households and non-financial corporations resident elsewhere in the euro area will be available on the Bank's website.

### **Exchange rates**

Statistical tables showing Maltese lira exchange rates against major currencies (end of period, and period averages) published in the Quarterly Review will be replaced by tables showing ECB reference rates for the euro against major currencies. Nominal and real effective exchange rates for the euro, as calculated by the ECB, and a national competitiveness indicator for Malta based on the real effective exchange rate methodology, will be included.

### **Expected future developments in statistics**

The harmonisation of statistics by the ECB in co-operation with the national central banks continues. This process will involve further revisions and fine-tuning of the existing concepts and methodologies aimed at enhancing the quality of euro area statistics. At the same time, new collaboration models that attempt to keep the reporting burden to a minimum will be explored. In the years ahead further developments in financial statistics are expected. Particular focus will also be given to develop a framework for the collection of harmonised statistics on financial corporations which are not MFIs, such as investment funds and finance vehicle corporations. The ECB has recently adopted a regulation on the statistical reporting requirements for investment funds. In addition, the Eurosystem is exploring the viability of enhancing statistics on insurance corporations and pension funds. These developments will be reflected in statistics published by the Central Bank of Malta in due course.

## NEWS NOTES

### LOCAL NEWS

#### **Malta adopts the euro**

On 1 January 2008 Malta adopted the euro as its currency, and the Central Bank of Malta became a member of the Eurosystem, with the same rights and obligations as other euro area national central banks. As a result of the integration of the Maltese monetary financial institutions into the euro area banking system, Maltese financial institutions (counterparties) were able to participate in the Eurosystem's main refinancing operations for the first time on 3 January 2008.

#### **The Central Bank of Malta pays the remainder of its subscription to the capital of the ECB and its contribution to the ECB's reserve assets**

On 2 January 2008 the Central Bank of Malta paid up the remainder of its subscription to the capital of the ECB in accordance with Article 49 of the Statute of the ESCB and of the ECB, which requires euro area central banks to pay their full share in the ECB's subscribed capital.

Originally, when Malta joined the EU in May 2004 and the Central Bank of Malta became a member of the ESCB, its share in the ECB's subscribed capital was set at 0.0647% of the ECB's capital at the time (or EUR 3,600,341.00). Of this amount the Bank was required to pay 7% (or EUR 252,024.87). Subsequently, following the entry of Romania and Bulgaria into the EU, and pursuant to the ECB's decision of 15 December 2006, the Bank's share was reduced to 0.0622% of the ECB's increased share capital of EUR 5,760,652,402.58. This amounted to EUR 3,583,125.79, of which 7% is EUR 250,818.81. Hence, the 93% balance paid on 2 January amounted to EUR 3,332,306.98.

On 3 January 2008 the Central Bank of Malta transferred its contribution to the foreign reserve assets of the ECB. The amount was equivalent to EUR 36,553,305.17, composed of EUR 31,070,309.39 in US dollars (85%) and EUR 5,482,995.78 in gold (15%). These reserve assets will be managed by the Central Bank of Malta on behalf of the ECB in conformity with the investment parameters set by the ECB.

#### **The Central Bank of Malta joins the ECB's Central Bank Gold Agreement**

On 25 January 2008 the Central Bank of Malta and the ECB issued a joint press release in which the Central Bank of Malta committed itself to abide by the ECB's Central Bank Gold Agreement dated 8 March 2004. The maximum annual sales of gold, as well as the total sales, both specified in the original agreement by the signatories thereto, are to remain unchanged over the period of the agreement. The Central Bank of Malta also agreed not to expand its gold leasing and its use of gold futures and options over this period.

#### **Launch of the Single Euro Payments Area**

On 28 January the Single Euro Payments Area (SEPA), whose objective is to make payments throughout the euro area as quick, safe and easy as national payments, was launched. As a first step in this regard the Central Bank of Malta and the Maltese banking sector introduced the SEPA Credit Transfer service in Malta. The SEPA will process payments, in euro, throughout the EU, as well as in Switzerland, Norway, Iceland and Liechtenstein.

### **Central Bank of Malta issues a consultative document on retail payment services policy**

On 30 January the Central Bank of Malta issued a consultative document on the Bank's future initiatives in relation to payment services and to inform the public about Malta's transposition of Directive (EC) 2007/64, known as the Payment Services Directive (PSD), which has to be completed by November 2009. It is expected that the transposition of the PSD and the implementation of the SEPA will considerably change the payment services landscape in Malta and will affect the business processes of all enterprises that process their own payments or the payments of others.

### **Small States Network for Economic Development**

On 29 February the Board of Trustees of the Small States Network for Economic Development (SSNED) met for the first time in Malta to discuss operational issues. On the initiative of the Maltese Government the Network has set up its operational base in Malta, which, as the originator of the Network proposal, is a founding member, along with Barbados, Mauritius, St Kitts & Nevis, Samoa and Vanuatu.

The mission of the Network is to facilitate the exchange of best practices among small states, to promote the increased integration of the concerns and interests of small states into the policies and programmes of the international community, and to undertake or support such related actions as will further these goals and the sustainable development of SSNED Members.

The objectives of the Network include the sharing of expertise and technologies specific to small states, the promotion of training opportunities, the provision of a continuous channel of communication among small states and between small states and the World Bank and other development institutions, the reinforcement of the voices of small states, and the discussion of issues of interest to small states.

### **Malta's stability programme assessed**

On 13 February the European Commission examined the stability programmes of Austria, Cyprus, Malta, Portugal and Slovenia. With regard to Malta, the Commission noted that there were risks to the achievement of the budgetary targets, in particular reliance on volatile tax revenue items in 2008; the recent decision to subsidise energy prices without compensating measures; assumptions of a favourable macroeconomic outlook after 2008; and the lack of information about underlying measures, especially as regards the envisaged continued restraint in the public sector wage bill. In terms of the long-term sustainability of public finances, the Commission considered Malta to be at medium risk. Consequently, it invited Malta to: (i) pursue further fiscal consolidation as envisaged in the programme so as to reach the Medium Term Objective by 2010 and ensure that the debt-to-GDP ratio is reduced accordingly by spelling out the measures supporting the planned consolidation, especially on the expenditure side; and (ii) enhance the efficiency and flexibility of public spending, including by accelerating the design and implementation of a comprehensive healthcare reform.

### **European Innovation scoreboard 2007 – Malta's performance**

On 14 February the European Commission published a memorandum entitled "*The European Innovation scoreboard 2007: Summary of the situation in the 27 Member States*". The memorandum placed Malta among the group of "catching-up countries", saying its innovation performance had been increasing in the last five years. It said Malta performs well above the EU average on the

indicators of exports of high-technology products, sales of new-to-market products and sales of new-to-firm products.

### **Malta's credit ratings upgraded**

On 3 January, following the adoption of the euro in Malta, Moody's Investor Service upgraded Malta's credit ratings. Both the foreign and the local currency government bond ratings were raised from A2 to A1, and the outlook on these ratings was changed from positive to stable. At the same time, the country ceilings for debt and bank deposits for Malta were withdrawn and replaced with the eurozone's regional Aaa ceilings, which have a stable outlook. Moody's viewed Malta's entry into the euro zone as a significant credit positive as it all but eliminated the risk of a currency crisis, thereby insulating its economy from external financial shocks.

On 26 March Moody's Investors Service also published a credit opinion on Malta. This highlighted the country's strengths, including the relatively high standard of living and increasingly vibrant economic activity. It noted that the country was a net external creditor and had the advantages conferred on a small, open economy by EU/EMU membership. The challenges for Malta include a high, albeit gradually declining, government debt burden, maintaining competitiveness to sustain productivity and incomes growth, and a small economy characterised by a high level of concentration.

### **Government sells shares in Maltapost**

On 14 January the Government offered a pre-placement of 45 per cent of its shares in Maltapost for sale to stockbrokers. The following day the remaining shares were offered for sale to the general public. Both offers were heavily oversubscribed. In all, a total of 11,200,000 ordinary shares, with a nominal value per share of EUR 0.25, were offered at a price of EUR 0.50 per share. At the same time, Maltapost p.l.c. submitted an application for its total share capital, amounting to 28,000,000 shares, to be admitted to the Official List of the Malta Stock Exchange.

### **Credit Institution opens subsidiary in Malta**

On 21 January, Banif SGPS, SA, a Portuguese banking group, opened a subsidiary in Malta. The new institution, Banif Bank Malta p.l.c., will be offering fully-fledged financial services and is expected to open a number of branches in Malta during the next five years.

### **Marfin Popular Bank buys stake in Lombard Bank Malta p.l.c.**

On 29 February Marfin Popular Bank Public Company Ltd of Cyprus purchased 3,698,509 shares, with a nominal value of EUR 0.5823 each, in Lombard Bank Malta p.l.c. This is equivalent to 42.86% of the issued share capital of Lombard Bank.

### **Bank of Valletta's credit ratings reaffirmed**

On 31 March Moody's reaffirmed the ratings of Bank of Valletta (BOV), all of which carry a stable outlook. Moody's noted the bank's adequate recurring earning power, reflected in stable interest rate margins, ample liquidity, solid funding profile and acceptable capitalization levels. BOV was assigned a D+ bank financial strength rating, which translates into a Baseline Credit Assessment of Baa3. It has a global local currency deposit rating of A3/Prime-1.

### **Malta Singapore double taxation agreement**

On 29 February an agreement between Malta and Singapore for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income came into effect. The



agreement had originally been signed by the two governments on 26 March 2006.

### **Treaty for the Avoidance of Double Taxation between Malta and the United States of America**

On 27 March the text of a treaty for the avoidance of double taxation between Malta and the United States of America was initialled by the Minister of Finance and a senior official from the US Treasury. This concluded the formal negotiations on the treaty, which had begun in 2005 and had involved a ratification process through the United States Senate Committee for Foreign Relations. As agreed by the two governments, the treaty text will be published on ratification.

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

#### *Legal Notice 42 of 2008*

This legal notice, issued on 1 February under the European Union Act (Cap. 460), published the Treaty of Lisbon Order, 2008, which carries into Maltese law Malta's ratification of the Lisbon Treaty. The Treaty of Lisbon (also known as the Reform Treaty) is the treaty signed on 13 December 2007 in Lisbon, Portugal. It changes the way the European Union (EU) works through a series of amendments to the Treaty on European Union (TEU, Maastricht) and the Treaty establishing the European Community (TEC, Rome),

#### *Legal Notice 57 of 2008*

This legal notice, issued on 8 February under the Banking Act (Cap. 371), amended the European Passport Rights for Credit Institutions Regulations, 2004 which were published by Legal Notice 88 of 2004. The objective of these amendments is to implement Article 42 of Council Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast).

#### *Legal Notice 76 of 2008*

This legal notice, issued on 19 February under the Banking Act (Cap. 371), published the Banking Act (Capital Adequacy) Regulations, 2008, the objective of which is to implement articles 36 and 38 of Council Directive 2006/49/EC of 14 June 2006 (the Capital Adequacy Directive) on the capital adequacy of investment firms and credit institutions.

#### *Legal Notice 77 of 2008*

This legal notice, issued on 19 February under the Central Bank of Malta Act (Cap. 204), published the Central Bank of Malta (Penalties for Offences and Infringements) (Amendment) Regulations, 2008. These amend the regulations on the same subject published by Legal Notice 75 of 2003.

#### *Legal Notice 83 of 2008*

This legal notice, issued on 22 February under the Housing (Decontrol) Ordinance (Cap. 158), published the Index of Inflation for the Year 2007. It established this index at 712.68, in continuation of the schedule to the Ordinance. This represents a change of 1.25% from 2006.

#### *Legal Notice 87 of 2008*

This legal notice, issued on 29 February under the Investment Services Act (Cap. 370), published the Investment Services Act (Capital Adequacy) Regulations, 2008, the objective of which is to implement articles 36 and 38 of Council Directive 2006/49/EC of 14 June 2006 (the Capital Adequacy Directive) on the capital adequacy of investment firms and credit institutions.

### *Legal Notice 99 of 2008*

This legal notice, issued on 7 March under the Euro Adoption Act (Cap. 485), published the Adaptation of Laws (Chapters 51-100) (Amendment) Order, 2008. This Order amends the previous Order in respect of the euro equivalent of Lm1000.

### *Legal Notice 105 of 2008*

This legal notice, issued on 28 March under the Euro Adoption Act (Cap 485), published the Adaptation of Laws (Smoothing of Monetary Amounts and other amendments) Order, 2008. The Order amends various legal instruments in order to smooth monetary amounts following the adoption of the euro as the national currency of Malta.

## **INTERNATIONAL NEWS**

### **ECOFIN Council meetings – main topics discussed and decisions taken**

#### *22 January 2008*

- The Council adopted conclusions on the Single Euro Payments Area (SEPA), an initiative launched on 28 January with the aim of creating a single integrated and competitive market for payments made in euros by 2010
- It reviewed certain issues to be submitted to the spring meeting of the European Council, in particular with regard to the Lisbon strategy for growth and jobs, for which a new three-year cycle will be launched, and adopted conclusions on a current review of the EU's single market

#### *12 February 2008*

- The Council approved changes to the rules regarding VAT on services so as to ensure that most types of service are taxed in the member state of consumption and service providers can fulfil their EU-wide VAT obligations in a single member state, thus reducing compliance costs
- It assessed updated stability and convergence programmes presented by a number of member states
- It adopted a key issues paper on economic and financial affairs, as well as conclusions on the efficiency of economic instruments in reaching energy and climate change targets.
- The Council also approved an updated accession partnership with Croatia,

#### *4 March 2008*

- The Council approved a report on financial stability issues in the light of recent volatility on financial markets and the latest update of the EU's broad economic policy guidelines and country-specific recommendations on economic and employment policies
- It assessed a second series of updated stability and convergence programmes presented by the member states

### **The European Council Meeting**

On 13-14 March the European Council met in Brussels and reached the following conclusions:

- The global economic outlook had deteriorated as a result of a slowdown of economic

activity in the United States, higher oil and commodity prices, and ongoing turbulence on the financial markets

- To ensure greater stability of financial markets, action was also required to strengthen their transparency and functioning and to further improve the supervisory and regulatory environment at the national, the EU and the global level
- Recent increases in food and energy prices had contributed to inflationary pressures
- The Council launched the new cycle of the renewed Lisbon strategy for growth and jobs (2008-2010)
- It said the EU was committed to maintaining international leadership on climate change and energy and to keeping up the momentum of negotiations on the United Nations Framework Convention on Climate Change and its Kyoto Protocol
- It endorsed the interim report by the ECOFIN Council on financial market stability
- It approved the principle of a Union for the Mediterranean, which would include the member states of the EU and the non-EU Mediterranean coastal states.

### **The G-7 Meeting**

On 9 February the Finance Ministers and Central Bank Governors of the G-7 countries met in Tokyo. They discussed the following issues and reached the following conclusions:

- In the G-7 economies, to varying degrees, growth is expected to slow somewhat in the short term, reflecting wider global economic and financial developments
- Downside risks still persist, including a further deterioration of the U.S. residential housing markets; tighter credit conditions from prolonged difficulties in the financial markets; high oil and commodity prices; and heightened inflation expectations in some countries
- The need to work together to strengthen financial stability, limit the impact of the financial turmoil and address the factors that contributed to it
- excess volatility and disorderly movements in exchange rates were undesirable for economic growth and that they would continue to monitor exchange markets closely and cooperate as appropriate
- High oil prices reflect rising world demand, although geopolitical concerns also play a role. The G-7 encouraged OPEC and other oil-producing countries to raise production
- The urgent need for a successful conclusion of the Doha Development Round
- They affirmed their support for the recent IMF surveillance decision on exchange rate, financial sector, fiscal and monetary policy
- They stressed the importance of unified action to address global climate change while supporting growth and economic development
- The need to foster private-sector led growth in developing countries, particularly in Africa, in order to achieve the Millennium Development Goals
- They encouraged the IMF and the World Bank to continue their important work in the fight against money laundering and terrorist financing.



# STATISTICAL TABLES



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

(as at end-Dec 2007, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Maltese lira exchange rates <sup>1</sup> :	MTL 1 = USD 3.4291 EUR 1 = MTL 0.4293
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>	3.8%
	GDP per inhabitant at current market prices <sup>2,3</sup>	EUR 3,400
	GDP per capita in PPS relative to the EU-27 average <sup>2</sup> (2007)	77.3%
	Ratio of gross general government debt to GDP <sup>2</sup> (2007)	62.6%
	Ratio of general government deficit to GDP <sup>2</sup> (2007)	1.8%
	RPI inflation rate	1.3%
	HICP inflation rate	0.7%
	Ratio of exports of goods and services to GDP <sup>2</sup>	87.2%
	Ratio of current account deficit to GDP <sup>2</sup>	5.5%
	Employment rate	55.7%
	Unemployment rate	6.2%
POPULATION	Total Maltese and foreigners (2006)	407,810
	Males	202,613
	Females	205,197
	Age composition in % of population (2006)	
	0 - 14	17%
	15 - 64	69%
	65 +	14%
	Average annual growth rate (1990-2006)	0.7%
	Density per km <sup>2</sup> (2006)	1,291
HEALTH	Life expectancy at birth (2006)	
	Males	77
	Females	81
	Crude birth rate, per 1,000 Maltese inhabitants (2006)	9.6
	Crude mortality rate, per 1,000 Maltese inhabitants (2006)	7.9
	Doctors (2006)	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	91.0
	Private motor vehicle licences per 1,000 population	536
	Internet subscribers per 100 population	24.5

<sup>1</sup> End of period closing middle rates.

<sup>2</sup> Provisional.

<sup>3</sup> Based on Eurostat estimate of GDP at current market prices in euro per inhabitant.

Sources: Central Bank of Malta; Eurostat; Ministry of Finance; 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 December 2007:**

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



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## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.1 Statement of Assets and Liabilities - Central Bank of Malta<sup>1</sup> (*liabilities*)**

*Lm millions*

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	485.4	31.5	242.2	83.2	8.5	333.8	88.2	25.5	28.7
2004	506.4	30.6	166.3	115.7	11.1	293.1	86.0	-	20.0
2005	520.0	32.0	182.3	147.5	9.5	339.3	84.3	-	15.3
<b>2006</b>									
Jan.	512.3	32.0	243.2	77.2	8.8	329.2	83.1	2.2	11.7
Feb.	509.8	32.0	256.7	69.8	11.2	337.7	82.4	-	9.5
Mar.	510.9	32.0	230.0	70.9	8.6	309.6	80.2	4.5	6.8
Apr.	510.7	32.0	206.1	73.6	9.5	289.2	78.1	11.9	7.7
May	509.9	31.1	226.7	138.6	9.7	375.1	79.1	7.1	8.8
June	512.0	31.1	286.2	82.5	10.1	378.8	77.4	4.3	9.4
July	512.0	31.1	280.0	106.1	8.2	394.3	78.6	-	10.5
Aug.	509.6	31.1	305.9	91.1	10.8	407.9	79.2	-	13.8
Sep.	508.7	31.1	284.7	133.0	9.3	426.9	79.9	-	13.4
Oct.	505.5	31.1	326.4	95.8	8.7	430.8	78.9	-	16.3
Nov.	499.3	31.1	308.7	93.8	9.4	412.0	79.6	-	15.2
Dec.	504.0	30.3	283.7	106.6	17.6	407.8	77.7	-	16.7
<b>2007</b>									
Jan.	485.5	30.3	312.4	79.8	9.6	401.9	76.4	-	15.4
Feb.	477.6	30.3	323.6	69.8	8.7	402.1	78.2	-	10.0
Mar.	474.9	30.3	305.9	69.4	9.0	384.3	77.6	-	7.6
Apr.	466.2	30.3	253.8	123.1	12.4	389.3	76.6	-	8.7
May	452.6	29.7	291.7	127.0	11.8	430.5	75.2	-	10.6
June	443.4	29.7	260.5	151.4	10.7	422.6	73.6	-	12.3
July	425.1	29.7	297.4	138.5	10.6	446.5	75.5	-	12.2
Aug.	407.3	29.7	331.8	127.3	21.3	480.4	77.0	-	13.1
Sep.	397.4	29.7	345.0	148.2	23.1	516.3	77.2	-	13.8
Oct.	376.0	29.7	335.9	150.0	26.6	512.5	79.3	-	14.7
Nov.	351.3	29.7	622.1	130.7	28.7	781.5	80.9	-	16.1
Dec.	291.0	28.5	615.4	166.2	32.5	814.1	81.5	-	17.6

<sup>1</sup> Figures are reported according to the prevailing accounting policies as explained each year in the 'Notes to the Accounts' in the *Annual Report* of the Central Bank of Malta.

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.1 Statement of assets and liabilities - Central Bank of Malta<sup>1</sup> (assets)**

*Lm 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	0.5	35.7	899.4	935.5	31.4	7.8	18.3	993.0
2004	0.5	35.1	824.9	860.6	30.5	21.3	23.7	936.1
2005	0.7	37.5	884.9	923.0	32.0	9.1	26.8	991.0
<b>2006</b>								
Jan.	1.1	37.1	859.9	898.1	32.0	13.0	27.4	970.5
Feb.	1.3	37.7	862.3	901.3	32.0	12.4	25.7	971.5
Mar.	1.3	37.2	825.7	864.3	32.0	20.2	27.4	944.0
Apr.	1.4	36.6	815.7	853.7	32.0	15.6	28.4	929.7
May	0.8	36.5	887.4	924.7	31.0	25.4	29.8	1,011.0
June	0.7	36.5	892.0	929.2	31.0	24.7	28.0	1,012.9
July	1.6	36.5	895.1	933.2	31.0	34.8	27.4	1,026.4
Aug.	1.6	36.7	916.1	954.3	31.0	28.9	27.3	1,041.6
Sep.	1.1	36.9	934.5	972.6	31.0	29.4	26.9	1,059.9
Oct.	1.1	36.9	936.9	974.9	31.0	29.1	27.5	1,062.6
Nov.	1.2	36.5	913.0	950.6	31.0	26.9	28.5	1,037.0
Dec.	1.2	36.4	911.6	949.2	30.3	30.3	26.8	1,036.5
<b>2007</b>								
Jan.	1.2	36.7	880.7	918.6	30.3	34.5	26.1	1,009.5
Feb.	1.2	36.6	868.0	905.8	30.3	35.1	27.0	998.1
Mar.	1.2	36.5	845.3	883.0	30.3	34.3	27.2	974.7
Apr.	1.2	36.0	841.9	879.1	30.3	35.3	26.5	971.1
May	1.2	36.4	855.4	893.0	29.7	49.7	26.2	998.5
June	1.1	37.1	813.6	851.8	29.7	73.4	26.6	981.6
July	1.2	36.9	809.6	847.6	29.7	84.9	26.9	989.0
Aug.	1.2	37.2	819.1	857.5	29.7	93.4	27.0	1,007.5
Sep.	1.2	36.5	843.8	881.6	29.7	94.1	29.1	1,034.4
Oct.	1.3	36.2	823.9	861.4	29.7	91.9	29.1	1,012.1
Nov.	1.3	36.1	1,065.2	1,102.6	29.7	96.4	30.7	1,259.4
Dec.	3.8	36.0	1,045.1	1,084.9	28.5	87.4	31.9	1,232.7

<sup>1</sup> Figures are reported according to the prevailing accounting policies as explained each year in the 'Notes to the Accounts' in the *Annual Report* of the Central Bank of Malta.

<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.

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.2 Aggregated statement of assets and liabilities - other monetary financial institutions (*liabilities*)**

*Lm millions*

End of period	Resident deposits <sup>1</sup>				External liabilities	Debt securities issued	Capital & reserves	Other liabilities <sup>3</sup>
	Withdrawable on demand <sup>2</sup>	Redeemable at notice	With agreed maturity	Total				
2003	1,048.3	28.8	1,599.7	2,676.7	3,826.3	46.6	782.4	352.8
2004	1,111.8	30.0	1,588.7	2,730.6	4,666.1	48.9	895.7	353.6
2005	1,202.1	31.5	1,646.2	2,879.8	6,794.8	32.4	1,012.9	317.1
<b>2006</b>								
Jan.	1,198.5	31.3	1,690.8	2,920.6	7,066.9	32.2	1,016.0	317.4
Feb.	1,204.7	31.7	1,711.1	2,947.5	7,273.5	32.4	1,030.1	313.9
Mar.	1,201.9	32.1	1,697.3	2,931.4	7,300.9	32.2	1,049.1	331.3
Apr.	1,208.4	32.1	1,688.8	2,929.2	7,325.9	31.7	1,264.3	276.3
May	1,227.9	34.0	1,690.1	2,952.0	7,529.2	31.4	1,218.6	286.5
June	1,223.3	31.0	1,732.3	2,986.6	8,228.7	31.6	1,196.3	287.3
July	1,219.4	31.1	1,744.9	2,995.4	7,948.6	31.5	1,239.2	278.5
Aug.	1,215.4	31.1	1,782.0	3,028.4	8,192.5	31.5	1,240.9	280.8
Sep.	1,208.9	30.3	1,790.3	3,029.5	8,234.2	31.6	1,250.6	287.3
Oct.	1,214.5	29.8	1,802.8	3,047.1	8,116.3	31.6	1,278.9	287.1
Nov.	1,230.2	30.4	1,816.7	3,077.3	8,212.1	31.2	1,283.2	304.8
Dec.	1,217.0	30.8	1,846.1	3,093.9	8,161.8	31.2	1,323.5	283.2
<b>2007</b>								
Jan.	1,211.9	30.3	1,874.3	3,116.5	8,550.5	54.9	1,315.0	289.8
Feb.	1,216.4	28.9	1,904.6	3,149.8	8,648.8	54.7	1,353.7	275.4
Mar.	1,208.7	29.6	1,951.9	3,190.3	9,042.7	54.4	1,366.8	276.0
Apr.	1,208.8	30.2	1,925.0	3,164.0	9,461.0	53.9	1,372.5	276.2
May	1,213.8	33.2	1,971.6	3,218.6	9,964.2	54.0	1,383.3	283.9
June	1,249.3	35.1	1,991.9	3,276.3	10,295.4	53.9	1,393.7	311.6
July	1,292.1	37.6	2,045.5	3,375.3	10,502.9	53.7	1,390.3	311.7
Aug.	1,283.0	38.2	2,127.3	3,448.5	10,483.5	53.6	1,390.9	300.6
Sep.	1,294.5	38.3	2,139.8	3,472.7	10,502.7	53.3	1,438.5	293.0
Oct.	1,275.5	39.5	2,163.4	3,478.4	10,215.1	53.1	1,473.3	285.8
Nov.	1,293.3	41.5	2,176.0	3,510.8	10,380.7	52.8	1,456.1	310.2
Dec.	1,347.8	45.2	2,190.6	3,583.6	10,874.2	52.8	1,444.4	293.8

<sup>1</sup> Includes general government and private sector deposits but excludes deposits belonging to non-residents (which are classified as external liabilities).

<sup>2</sup> Demand deposits are netted of uncleared effects drawn on local banks (i.e. items in the process of collection).

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.2 Aggregated statement of assets and liabilities - other monetary financial institutions (assets)**

*Lm millions*

End of period	Balances held with Central Bank of Malta <sup>1</sup>	Loans	Securities other than shares	Shares & other equity	External assets	Other assets <sup>2</sup>	Total assets/liabilities
2003	260.9	1,910.1	622.1	35.7	4,504.8	351.3	7,684.8
2004	192.6	2,032.7	657.3	33.5	5,419.2	359.6	8,694.8
2005	209.3	2,171.4	618.3	26.7	7,665.3	346.0	11,037.0
<b>2006</b>							
Jan.	264.8	2,198.1	592.1	26.7	7,928.1	343.3	11,353.1
Feb.	276.8	2,213.0	586.5	31.8	8,141.3	348.2	11,597.6
Mar.	252.5	2,258.5	570.4	31.7	8,195.1	336.7	11,645.0
Apr.	224.8	2,269.0	569.5	31.5	8,450.7	282.1	11,827.5
May	249.2	2,286.5	544.3	32.0	8,616.9	288.9	12,017.7
June	309.6	2,309.5	508.6	32.7	9,281.0	289.0	12,730.4
July	298.5	2,328.4	515.3	32.8	9,044.4	273.8	12,493.2
Aug.	325.8	2,335.8	506.9	33.8	9,280.7	291.0	12,774.0
Sep.	308.2	2,379.4	511.9	33.8	9,322.8	276.9	12,833.1
Oct.	348.5	2,399.5	493.5	34.8	9,219.6	265.0	12,761.0
Nov.	332.2	2,428.2	518.3	34.7	9,331.1	264.1	12,908.6
Dec.	303.5	2,485.1	519.8	35.7	9,273.3	276.1	12,893.6
<b>2007</b>							
Jan.	344.4	2,494.9	514.7	35.9	9,662.7	274.0	13,326.7
Feb.	347.6	2,506.7	529.0	36.4	9,787.8	275.0	13,482.4
Mar.	333.2	2,557.3	550.8	36.0	10,197.7	255.3	13,930.2
Apr.	279.8	2,562.6	555.0	36.5	10,632.8	260.9	14,327.6
May	316.3	2,575.7	537.1	37.5	11,166.0	271.3	14,903.9
June	278.8	2,604.4	556.7	37.4	11,558.5	295.1	15,330.9
July	327.5	2,604.9	559.4	40.4	11,815.0	286.7	15,634.0
Aug.	358.7	2,606.3	534.7	40.6	11,842.3	294.5	15,677.1
Sep.	361.3	2,647.5	524.3	40.8	11,914.5	271.8	15,760.2
Oct.	360.1	2,651.2	563.8	41.0	11,644.3	245.4	15,505.7
Nov.	648.3	2,676.7	558.1	40.0	11,532.9	254.7	15,710.7
Dec.	651.7	2,717.7	552.6	39.9	12,019.2	267.7	16,248.7

<sup>1</sup> Includes holdings of cash.

<sup>2</sup> Includes interbank claims.

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.3 Monetary financial institutions survey<sup>1</sup>**

*Lm millions*

End of period	Domestic credit			Net foreign assets					Broad money (M3)	Other counterparts to broad money (net)
	Net claims on central government <sup>2</sup>	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2003	568.4	1,899.0	2,467.4	978.6	58.8	4,504.8	3,826.3	1,598.3	2,849.2	1,216.5
2004	545.1	2,058.0	2,603.1	904.0	33.7	5,419.2	4,666.1	1,623.4	2,918.3	1,308.3
2005	442.7	2,194.0	2,636.7	970.3	37.7	7,665.3	6,794.8	1,803.1	3,041.6	1,398.2
<b>2006</b>										
Jan.	459.1	2,219.7	2,678.8	945.8	39.4	7,928.1	7,066.9	1,767.6	3,040.4	1,406.1
Feb.	457.4	2,243.2	2,700.6	946.7	38.9	8,141.3	7,273.5	1,775.5	3,068.9	1,407.3
Mar.	448.1	2,286.5	2,734.6	911.6	39.8	8,195.1	7,300.9	1,765.9	3,047.8	1,452.7
Apr.	440.1	2,296.5	2,736.7	901.8	47.2	8,450.7	7,325.9	1,979.4	3,049.8	1,666.3
May	359.6	2,314.1	2,673.7	973.1	41.9	8,616.9	7,529.2	2,018.8	3,068.8	1,623.7
June	355.9	2,337.1	2,693.0	976.1	39.9	9,281.0	8,228.7	1,988.7	3,087.5	1,594.3
July	359.6	2,355.5	2,715.1	979.6	35.2	9,044.4	7,948.6	2,040.1	3,113.2	1,642.1
Aug.	359.4	2,364.0	2,723.4	1,001.0	39.4	9,280.7	8,192.5	2,049.9	3,140.7	1,632.6
Sep.	322.0	2,408.5	2,730.4	1,018.4	36.5	9,322.8	8,234.2	2,070.5	3,133.9	1,667.0
Oct.	345.4	2,430.0	2,775.4	1,020.6	36.0	9,219.6	8,116.3	2,087.9	3,155.5	1,707.8
Nov.	372.8	2,455.0	2,827.9	999.0	36.4	9,331.1	8,212.1	2,081.6	3,181.6	1,727.8
Dec.	365.0	2,513.9	2,878.9	993.4	42.5	9,273.3	8,161.8	2,062.4	3,199.0	1,742.2
<b>2007</b>										
Jan.	392.6	2,522.2	2,914.9	962.0	36.3	9,662.7	8,550.5	2,038.0	3,201.8	1,751.1
Feb.	412.2	2,533.4	2,945.6	950.3	33.9	9,787.8	8,648.8	2,055.4	3,227.2	1,773.8
Mar.	435.9	2,582.1	3,018.0	927.8	33.3	10,197.7	9,042.7	2,049.4	3,267.0	1,800.4
Apr.	413.0	2,590.8	3,003.8	923.3	36.6	10,632.8	9,461.0	2,058.4	3,270.2	1,792.0
May	384.4	2,604.0	2,988.4	935.6	35.6	11,166.0	9,964.2	2,101.8	3,281.4	1,808.8
June	436.0	2,631.6	3,067.5	894.5	35.5	11,558.5	10,295.4	2,122.1	3,353.0	1,836.6
July	453.6	2,634.6	3,088.2	890.3	34.8	11,815.0	10,502.9	2,167.5	3,425.0	1,830.7
Aug.	446.8	2,635.7	3,082.5	901.1	32.6	11,842.3	10,483.5	2,227.3	3,509.4	1,800.5
Sep.	420.0	2,675.5	3,095.6	926.7	35.6	11,914.5	10,502.7	2,303.0	3,518.4	1,880.1
Oct.	460.4	2,681.7	3,142.0	906.9	37.2	11,644.3	10,215.1	2,298.9	3,522.8	1,918.1
Nov.	482.4	2,708.7	3,191.1	1,149.8	40.7	11,532.9	10,380.7	2,261.3	3,537.2	1,915.2
Dec.	439.5	2,747.8	3,187.3	1,130.4	43.0	12,019.2	10,874.2	2,232.3	3,552.6	1,867.1

<sup>1</sup> Includes Central Bank of Malta and OMFIs. All interbank claims within the MFI sector are excluded.

<sup>2</sup> Central government deposits held with MFIs are netted from this figure.

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.4 Monetary base and monetary aggregates**

*Lm millions*

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							Total (M3) <sup>1</sup>
				Narrow money (M1)			Deposits with agreed maturity up to 2 years	Total (M2)			
				Currency issued	OMFI balances with Central Bank of Malta	Total (M0)			Currency in circulation	Deposits withdrawable on demand	
Demand	Savings										
2003	485.4	137.9	623.3	460.4	273.7	756.9	1,490.9	28.8	1,329.5	2,849.2	2,849.2
2004	506.4	145.3	651.7	486.0	300.8	794.1	1,580.9	30.0	1,307.3	2,918.3	2,918.3
2005	520.0	135.5	655.6	498.9	312.1	859.0	1,670.1	31.4	1,340.1	3,041.6	3,041.6
<b>2006</b>											
Jan.	512.3	142.4	654.7	491.7	315.4	849.6	1,656.8	30.8	1,352.8	3,040.4	3,040.4
Feb.	509.8	135.7	645.5	491.2	320.9	852.0	1,664.1	31.1	1,373.7	3,068.9	3,068.9
Mar.	510.9	151.0	661.9	489.1	312.3	852.4	1,653.8	31.6	1,362.4	3,047.8	3,047.8
Apr.	510.7	136.8	647.5	490.6	320.2	850.5	1,661.4	31.6	1,356.8	3,049.8	3,049.8
May	509.9	148.6	658.5	489.5	332.7	857.5	1,679.7	34.0	1,355.0	3,068.8	3,068.8
June	512.0	139.2	651.2	489.9	330.2	853.1	1,673.1	31.0	1,383.3	3,087.5	3,087.5
July	512.0	141.0	653.0	490.0	326.4	859.1	1,675.6	31.1	1,406.5	3,113.2	3,113.2
Aug.	509.6	126.1	635.7	487.4	329.7	847.5	1,664.6	31.1	1,445.0	3,140.7	3,140.7
Sep.	508.7	133.1	641.8	487.8	311.9	859.0	1,658.7	30.3	1,444.9	3,133.9	3,133.9
Oct.	505.5	173.8	679.3	483.2	327.0	853.4	1,663.7	29.8	1,462.0	3,155.5	3,155.5
Nov.	499.3	177.0	676.3	476.6	345.1	849.9	1,671.6	30.4	1,479.7	3,181.6	3,181.6
Dec.	504.0	177.0	680.9	477.8	311.9	867.2	1,656.9	30.8	1,511.4	3,199.1	3,199.1
<b>2007</b>											
Jan.	485.5	184.9	670.4	463.2	317.6	861.3	1,642.2	30.3	1,529.3	3,201.8	3,201.8
Feb.	477.6	191.5	669.0	456.4	316.1	864.1	1,636.6	28.9	1,561.7	3,227.2	3,227.2
Mar.	474.9	186.0	661.0	452.8	313.9	859.4	1,626.0	29.6	1,611.4	3,267.0	3,267.0
Apr.	466.2	180.3	646.4	443.4	316.8	859.2	1,619.5	30.2	1,620.4	3,270.2	3,270.2
May	452.6	223.7	676.3	429.8	325.3	857.3	1,612.3	33.2	1,635.9	3,281.4	3,281.4
June	443.4	189.5	632.9	420.2	331.5	876.4	1,628.1	35.1	1,689.9	3,353.0	3,353.0
July	425.1	205.9	631.0	397.5	339.5	907.4	1,644.3	37.6	1,743.1	3,425.0	3,425.0
Aug.	407.3	209.8	617.0	382.2	348.5	897.5	1,628.3	38.2	1,842.9	3,509.4	3,509.4
Sep.	397.4	210.2	607.6	372.8	348.3	907.1	1,628.1	38.3	1,852.0	3,518.4	3,518.4
Oct.	376.0	212.9	588.9	352.2	340.3	908.4	1,601.0	39.5	1,882.3	3,522.8	3,522.8
Nov.	351.3	438.6	789.8	327.6	337.4	927.3	1,592.2	41.5	1,903.5	3,537.2	3,537.2
Dec.	291.0	476.5	767.5	262.0	346.1	978.3	1,586.4	45.2	1,920.9	3,552.6	3,552.6

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.5 Currency in circulation**

*Lm millions*

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2003	467.1	18.3	485.4	24.9	460.4
2004	487.2	19.2	506.4	20.4	486.0
2005	499.9	20.1	520.0	21.1	498.9
<b>2006</b>					
Jan.	492.4	19.9	512.3	20.6	491.7
Feb.	490.0	19.8	509.8	18.6	491.2
Mar.	491.0	19.8	510.9	21.8	489.1
Apr.	490.7	20.0	510.7	20.1	490.6
May	489.8	20.1	509.9	20.4	489.5
June	491.6	20.4	512.0	22.1	489.9
July	491.3	20.7	512.0	22.0	490.0
Aug.	488.7	20.9	509.6	22.2	487.4
Sep.	488.0	20.7	508.7	20.9	487.8
Oct.	484.7	20.8	505.5	22.3	483.2
Nov.	478.6	20.6	499.3	22.7	476.6
Dec.	483.1	20.9	504.0	26.2	477.8
<b>2007</b>					
Jan.	464.9	20.6	485.5	22.3	463.2
Feb.	457.1	20.5	477.6	21.1	456.4
Mar.	454.4	20.5	474.9	22.2	452.8
Apr.	445.6	20.6	466.2	22.7	443.4
May	432.0	20.6	452.6	22.8	429.8
June	422.7	20.7	443.4	23.2	420.2
July	404.1	21.0	425.1	27.6	397.5
Aug.	386.1	21.2	407.3	25.0	382.2
Sep.	376.3	21.0	397.4	24.6	372.8
Oct.	355.2	20.7	376.0	23.8	352.2
Nov.	331.0	20.3	351.3	23.7	327.6
Dec.	272.3	18.7	291.0	29.0	262.0



## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.6 Denominations of Maltese currency issued and outstanding**

*Lm millions*

End of period	Total notes & coins <sup>1</sup>	Currency notes				
		Lm20	Lm10	Lm5	Lm2	Total
2003	485.4	109.7	319.4	30.8	7.2	467.1
2004	506.4	110.3	337.6	31.9	7.4	487.2
2005	520.0	110.5	348.6	33.0	7.8	499.9
<b>2006</b>						
Jan.	512.3	110.0	342.9	31.8	7.7	492.4
Feb.	509.8	109.4	341.3	31.6	7.7	490.0
Mar.	510.9	109.1	342.0	32.1	7.8	491.0
Apr.	510.7	109.0	341.1	32.6	8.0	490.7
May	509.9	108.6	340.3	32.9	8.1	489.8
June	512.0	108.4	341.3	33.8	8.1	491.6
July	512.0	108.2	340.6	34.3	8.3	491.3
Aug.	509.6	107.3	339.2	34.0	8.2	488.7
Sep.	508.7	107.0	338.7	34.1	8.2	488.0
Oct.	505.5	105.5	337.5	33.6	8.2	484.7
Nov.	499.3	104.1	333.7	32.8	8.0	478.6
Dec.	504.0	103.3	337.0	34.7	8.1	483.1
<b>2007</b>						
Jan.	485.5	100.6	323.9	32.4	7.9	464.9
Feb.	477.6	99.2	318.0	31.9	7.9	457.1
Mar.	474.9	97.8	315.8	32.6	8.1	454.4
Apr.	466.2	95.3	309.1	33.0	8.2	445.6
May	452.6	92.1	299.0	32.6	8.3	432.0
June	443.4	89.4	291.8	33.1	8.3	422.7
July	425.1	83.7	279.1	32.8	8.4	404.1
Aug.	407.3	78.4	267.0	32.3	8.3	386.1
Sep.	397.4	75.1	260.9	32.1	8.2	376.3
Oct.	376.0	70.4	246.3	30.5	8.0	355.2
Nov.	351.3	64.3	230.0	28.9	7.8	331.0
Dec.	291.0	51.6	188.8	24.7	7.2	272.3

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.7 Deposits held with other monetary financial institutions by sector<sup>1</sup>**

*Lm millions*

End of Period	Resident deposits						Non-resident deposits	Total deposits
	Central government	Other general government	Financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total		
2003	19.2	6.9	51.3	419.0	2,180.3	2,676.7	850.9	3,527.7
2004	21.4	7.2	55.2	414.5	2,232.2	2,730.6	1,077.9	3,808.5
2005	42.9	7.8	79.7	447.7	2,301.6	2,879.8	1,938.6	4,818.4
<b>2006</b>								
Jan.	75.9	6.9	92.6	446.6	2,298.5	2,920.6	1,957.0	4,877.6
Feb.	75.2	5.8	99.5	460.0	2,306.9	2,947.5	1,792.4	4,739.9
Mar.	76.7	5.0	91.0	467.2	2,291.5	2,931.4	1,938.8	4,870.2
Apr.	77.3	6.4	90.7	463.2	2,291.7	2,929.2	2,007.9	4,937.2
May	77.6	5.6	91.3	477.9	2,299.6	2,952.0	1,782.6	4,734.5
June	100.9	4.7	93.9	471.4	2,315.7	2,986.6	1,603.5	4,590.1
July	91.7	6.3	97.3	466.0	2,334.2	2,995.4	1,605.8	4,601.3
Aug.	92.6	5.3	90.3	483.1	2,357.1	3,028.4	1,969.3	4,997.7
Sep.	92.8	4.7	72.7	487.2	2,372.1	3,029.5	2,049.0	5,078.4
Oct.	87.5	6.0	76.3	488.9	2,388.4	3,047.1	1,937.4	4,984.5
Nov.	88.1	5.2	84.5	501.3	2,398.2	3,077.3	1,879.5	4,956.8
Dec.	86.9	6.7	81.0	477.7	2,441.5	3,093.9	1,651.7	4,745.5
<b>2007</b>								
Jan.	86.9	5.9	84.5	498.1	2,441.0	3,116.5	1,762.5	4,879.0
Feb.	93.7	5.1	87.8	497.1	2,466.1	3,149.8	1,599.8	4,749.7
Mar.	92.4	5.8	98.8	491.9	2,501.4	3,190.3	1,742.2	4,932.5
Apr.	65.1	5.9	89.6	488.8	2,514.5	3,164.0	1,644.7	4,808.7
May	87.1	5.1	91.3	492.1	2,542.9	3,218.6	1,860.3	5,078.9
June	55.6	4.5	93.4	527.3	2,595.6	3,276.3	1,859.5	5,135.8
July	65.0	6.1	97.5	567.7	2,639.0	3,375.3	2,222.2	5,597.4
Aug.	67.1	5.4	102.8	608.1	2,665.1	3,448.5	2,253.2	5,701.7
Sep.	64.6	4.7	114.0	604.9	2,684.6	3,472.7	2,120.0	5,592.6
Oct.	59.7	6.0	130.8	581.4	2,700.4	3,478.4	2,339.0	5,817.3
Nov.	53.3	5.2	137.7	578.8	2,735.8	3,510.8	2,517.3	6,028.1
Dec.	47.8	6.7	134.6	586.2	2,808.4	3,583.6	2,424.3	6,007.9

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

## Monetary, Banking, Investment Funds and Financial Markets

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

*Lm millions*

End of period	Resident deposits					Non-resident deposits		Total deposits
	MTL	EUR	GBP	USD	Other	MTL	Other	
2003	2,319.8	103.9	130.2	98.0	25.4	48.0	809.7	3,535.0
2004	2,344.5	108.4	151.1	97.0	29.5	50.8	1,027.2	3,808.5
2005	2,439.8	122.0	181.6	102.3	34.0	51.3	1,892.0	4,823.1
<b>2006</b>								
Jan.	2,469.1	131.7	185.4	97.0	37.4	52.3	1,912.9	4,885.7
Feb.	2,481.0	144.3	186.3	97.7	38.4	52.0	1,748.6	4,748.1
Mar.	2,467.9	145.6	175.0	107.8	35.0	50.1	1,896.9	4,878.4
Apr.	2,459.8	155.8	181.1	96.4	36.1	51.7	1,964.3	4,945.2
May	2,462.5	166.7	190.3	95.8	36.8	51.4	1,739.4	4,742.7
June	2,506.7	159.7	188.5	95.6	36.0	51.6	1,560.1	4,598.3
July	2,515.8	159.5	182.1	102.3	35.7	52.0	1,562.0	4,609.4
Aug.	2,534.9	166.2	186.9	103.6	36.9	53.0	1,918.4	4,999.8
Sep.	2,525.1	159.6	190.0	119.0	35.8	52.3	1,998.9	5,080.6
Oct.	2,541.9	175.4	186.8	107.3	35.7	52.4	1,887.1	4,986.7
Nov.	2,558.8	184.1	188.9	109.3	36.5	52.3	1,829.1	4,959.0
Dec.	2,581.2	178.3	191.5	103.2	39.7	52.7	1,600.9	4,747.5
<b>2007</b>								
Jan.	2,589.4	184.9	192.5	109.0	40.7	53.1	1,711.4	4,881.0
Feb.	2,621.1	190.5	191.2	105.2	41.9	53.2	1,548.6	4,751.6
Mar.	2,660.7	192.2	163.7	133.7	39.9	53.4	1,690.7	4,934.4
Apr.	2,626.4	201.3	152.8	143.3	40.1	55.6	1,591.0	4,810.6
May	2,684.5	197.2	161.3	135.1	40.3	55.4	1,806.9	5,080.8
June	2,698.5	242.2	127.9	136.1	71.7	57.1	1,804.2	5,137.7
July	2,781.1	255.4	162.0	136.9	39.9	57.7	2,166.3	5,599.3
Aug.	2,825.4	283.5	161.3	141.1	37.2	55.9	2,199.2	5,703.6
Sep.	2,847.7	283.1	162.4	142.1	37.3	57.4	2,064.4	5,594.5
Oct.	2,859.9	279.6	169.1	132.2	37.5	58.2	2,283.3	5,819.8
Nov.	2,897.2	273.7	164.4	137.4	38.1	59.4	2,466.2	6,036.3
Dec.	2,951.6	287.0	163.3	129.3	52.5	58.8	2,373.8	6,016.1

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

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.9 Other monetary financial institutions loans by size class<sup>1</sup>**

*Lm millions*

End of period	Size classes				
	Up to Lm10,000	Over Lm10,000 to Lm100,000	Over Lm100,000 to Lm500,000	Over Lm500,000	Total
2003	306.8	666.8	376.3	1,046.4	2,396.4
2004	332.6	792.4	656.6	2,381.4	4,163.1
2005	348.5	933.0	964.9	2,961.6	5,208.1
<b>2006</b>					
Jan.	349.9	930.8	833.8	3,061.7	5,176.3
Feb.	373.1	1,045.5	986.4	3,109.4	5,514.4
Mar.	417.5	1,058.4	1,031.0	3,290.0	5,796.9
Apr.	415.1	1,042.9	1,029.3	3,354.9	5,842.1
May	401.8	1,098.1	1,046.1	3,310.6	5,856.5
June	404.2	1,113.9	1,065.8	3,432.9	6,016.8
July	385.1	958.8	952.0	3,805.3	6,101.3
Aug.	390.6	967.3	956.1	3,974.8	6,288.8
Sep.	359.0	1,005.2	977.0	3,992.3	6,333.6
Oct.	364.3	1,011.4	979.7	3,799.1	6,154.6
Nov.	394.7	1,024.8	1,002.3	3,832.2	6,253.9
Dec.	449.1	1,014.4	1,013.1	3,990.2	6,466.9
<b>2007</b>					
Jan.	465.0	1,088.9	1,012.6	4,000.2	6,566.8
Feb.	421.4	1,074.9	1,029.0	4,176.4	6,701.7
Mar.	551.1	1,006.0	801.3	4,856.3	7,214.7
Apr.	476.8	1,126.4	790.9	4,907.4	7,301.4
May	530.7	1,166.7	802.7	5,195.8	7,695.8
June	536.9	1,185.2	829.6	5,580.9	8,132.5
July	473.9	1,360.3	824.6	5,640.1	8,299.0
Aug.	467.2	1,548.0	845.0	5,738.4	8,598.6
Sep.	493.0	1,660.4	867.8	5,701.0	8,722.2
Oct.	374.4	1,665.3	897.3	5,585.5	8,522.5
Nov.	505.5	1,561.4	899.5	5,626.6	8,593.0
Dec.	488.6	1,347.8	1,230.0	6,025.7	9,092.2

<sup>1</sup> For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies, but exclude inter-MFI placements of deposits.

# Monetary, Banking, Investment Funds and Financial Markets

**Table 1.10 Other monetary financial institutions loans by economic activity<sup>1</sup>**

End of Period	Electricity, gas & water supply	Transport, storage & communication	Manufacturing	Construction	Hotels & restaurants	Wholesale & retail trade; repairs	Real estate, renting & business activities	Households & individuals <sup>1</sup>				Other <sup>2</sup>	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2003	83.9	135.5	184.8	201.1	206.9	288.2	118.5	442.2	36.1	131.6	610.0	157.9	225.1	1,761.6
2004	95.3	126.9	153.7	217.0	205.6	290.3	138.0	539.1	80.9	98.5	718.4	155.4	214.8	1,885.9
2005	61.1	123.2	131.5	215.6	203.8	296.7	190.7	653.1	91.3	92.1	836.6	183.6	172.2	2,070.6
<b>2006</b>														
Jan.	74.3	125.3	131.0	219.0	200.8	292.8	201.0	660.3	91.6	91.6	843.5	180.2	186.9	2,080.9
Feb.	75.9	126.5	133.8	218.5	203.5	290.5	203.8	670.1	90.7	92.0	852.7	176.2	186.6	2,094.9
Mar.	76.1	129.5	112.3	229.9	208.7	300.6	211.3	680.0	92.4	87.0	859.5	198.1	188.7	2,137.2
Apr.	75.0	128.8	111.7	232.4	207.8	298.3	213.9	685.7	93.7	91.6	871.1	166.2	185.0	2,120.1
May	74.1	128.4	111.9	240.0	208.1	297.3	216.0	692.4	96.0	92.0	880.4	164.3	182.9	2,137.4
June	76.0	128.8	113.0	243.9	205.8	299.5	217.7	700.4	97.0	95.6	893.1	165.7	179.2	2,164.2
July	75.8	130.1	112.7	245.6	206.4	292.8	226.7	709.4	97.8	96.9	904.0	160.7	177.5	2,177.4
Aug.	76.3	130.6	112.6	245.7	203.2	288.6	229.5	718.3	99.2	97.9	915.4	160.4	175.1	2,187.3
Sep.	76.9	133.5	112.4	248.4	204.2	304.4	235.6	729.2	103.4	95.5	928.1	164.1	177.5	2,230.2
Oct.	78.9	133.6	114.1	237.4	206.8	301.9	250.6	738.9	103.9	99.1	941.9	154.4	177.8	2,241.8
Nov.	78.6	138.6	113.4	240.3	210.7	299.2	254.5	747.4	105.6	100.2	953.2	159.6	175.7	2,272.5
Dec.	81.1	146.3	114.5	251.7	211.6	306.9	263.1	759.8	107.5	99.0	966.4	163.4	180.9	2,324.2
<b>2007</b>														
Jan.	76.2	148.9	112.3	253.1	212.9	305.9	264.9	768.9	107.8	100.8	977.6	167.9	180.0	2,339.7
Feb.	75.9	149.1	111.4	253.9	213.4	302.9	269.5	777.3	108.1	102.5	987.9	167.1	180.1	2,351.0
Mar.	79.5	155.1	112.5	262.2	215.1	316.4	279.6	789.4	109.3	105.0	1,003.6	157.6	181.5	2,400.3
Apr.	75.0	147.7	114.0	260.9	214.8	314.5	284.4	797.5	110.7	105.7	1,013.9	162.0	171.3	2,415.8
May	73.2	148.6	115.5	265.6	209.4	313.7	283.4	807.1	113.2	107.3	1,027.7	163.0	169.5	2,430.7
June	75.7	146.6	116.3	268.6	207.8	316.4	287.0	819.5	115.2	107.7	1,042.4	163.8	170.8	2,453.8
July	75.3	138.3	115.9	266.0	207.8	315.4	294.2	827.9	116.7	110.5	1,055.1	155.5	174.7	2,448.9
Aug.	76.2	134.6	116.4	272.0	201.9	307.1	296.4	835.9	118.9	110.3	1,065.1	155.2	173.5	2,451.4
Sep.	76.7	134.4	118.8	276.8	201.1	319.1	303.2	844.5	120.5	116.2	1,081.2	149.3	174.2	2,486.5
Oct.	78.7	134.1	119.6	281.1	198.9	313.1	301.4	850.6	121.3	115.5	1,087.4	149.9	175.4	2,488.8
Nov.	80.4	136.2	125.8	286.3	203.0	309.9	303.9	856.0	122.3	118.4	1,096.7	147.4	176.8	2,512.9
Dec.	84.4	138.3	128.9	290.3	203.7	314.4	311.1	865.0	123.4	118.4	1,106.8	152.7	181.1	2,549.6

<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, community and recreational and personal service activities & extra-territorial bodies and organisations.

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.11 Other monetary financial institutions loans by sector**

*Lm millions*

End of Period	Lending to residents						Lending to non-residents	Total lending
	General government <sup>1</sup>	Insurance companies	Other financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total		
2003	89.5	2.4	3.5	1,107.2	707.4	1,910.1	2,156.3	4,066.4
2004	55.6	3.1	3.5	1,153.5	817.1	2,032.7	2,490.4	4,523.1
2005	53.0	7.2	5.7	1,175.5	930.0	2,171.4	3,578.1	5,749.6
<b>2006</b>								
Jan.	52.9	7.1	5.6	1,194.8	937.8	2,198.1	3,578.9	5,777.0
Feb.	49.9	7.1	6.1	1,201.4	948.4	2,213.0	3,838.2	6,051.2
Mar.	50.7	7.1	3.0	1,234.3	963.4	2,258.5	4,049.5	6,308.0
Apr.	49.3	7.2	3.5	1,234.4	974.6	2,269.0	4,369.3	6,638.3
May	49.0	7.0	2.8	1,241.4	986.4	2,286.5	4,346.9	6,633.4
June	49.3	7.0	2.8	1,251.5	998.9	2,309.5	4,687.2	6,996.6
July	49.7	7.0	2.7	1,256.4	1,012.6	2,328.4	4,556.9	6,885.3
Aug.	50.0	6.9	2.6	1,251.3	1,025.1	2,335.8	4,786.3	7,122.1
Sep.	50.0	6.9	3.1	1,278.1	1,041.3	2,379.4	4,808.4	7,187.9
Oct.	49.4	6.9	6.0	1,278.8	1,058.5	2,399.5	4,699.9	7,099.4
Nov.	49.4	7.8	5.8	1,291.4	1,073.9	2,428.2	4,842.4	7,270.6
Dec.	50.8	8.6	6.4	1,327.7	1,091.7	2,485.1	4,700.8	7,186.0
<b>2007</b>								
Jan.	51.9	8.4	6.0	1,326.3	1,102.4	2,494.9	4,854.2	7,349.1
Feb.	53.5	8.4	6.0	1,326.2	1,112.5	2,506.7	4,960.4	7,467.1
Mar.	53.9	8.5	6.9	1,347.7	1,140.3	2,557.3	5,576.5	8,133.7
Apr.	51.2	9.9	10.2	1,341.8	1,149.7	2,562.6	5,715.6	8,278.2
May	51.7	10.5	9.7	1,340.9	1,162.8	2,575.7	6,223.4	8,799.1
June	52.1	10.3	14.6	1,346.8	1,180.7	2,604.4	6,703.2	9,307.6
July	52.0	10.2	8.9	1,339.8	1,194.0	2,604.9	6,788.7	9,393.6
Aug.	52.9	10.0	7.7	1,334.3	1,201.4	2,606.3	7,155.8	9,762.1
Sep.	53.6	8.1	7.8	1,361.3	1,216.6	2,647.5	7,441.4	10,088.9
Oct.	53.6	8.3	8.1	1,356.8	1,224.4	2,651.2	7,142.7	9,793.9
Nov.	53.2	8.1	7.7	1,374.0	1,233.6	2,676.7	7,088.5	9,765.2
Dec.	54.5	9.9	9.0	1,400.7	1,243.7	2,717.7	7,643.8	10,361.6

<sup>1</sup>Including extra-budgetary units.

## Monetary, Banking, Investment Funds and Financial Markets

Table 1.12 Other monetary financial institutions loans by currency and original maturity

End of period	Lending to residents														Total lending	
	Non-financial companies						Households & non-profit institutions						Total	Lending to non-residents		
	MTL		EUR		Other		MTL		EUR		Other					
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year				
2003	447.0	603.0	4.1	35.5	6.4	11.3	83.5	618.0	0.2	4.3	0.5	0.9	95.4	1,910.1	2,156.3	4,066.4
2004	412.6	663.9	11.1	39.7	9.2	16.9	91.6	717.6	0.3	4.6	1.7	1.2	62.2	2,032.7	2,490.4	4,523.1
2005	369.5	673.3	7.4	113.0	8.0	4.4	87.7	834.2	0.6	6.5	0.1	1.0	65.9	2,171.4	3,578.1	5,749.6
<b>2006</b>																
Jan.	360.1	674.9	23.4	124.8	7.2	4.2	86.7	842.7	0.6	6.7	0.2	1.0	65.5	2,198.1	3,578.9	5,777.0
Feb.	358.0	678.7	25.3	127.0	8.3	4.1	92.6	847.4	0.6	6.7	0.0	1.0	63.2	2,213.0	3,838.2	6,051.2
Mar.	370.2	690.1	25.9	132.0	10.3	5.9	94.7	860.3	0.2	6.9	0.0	1.2	60.8	2,258.5	4,049.5	6,308.0
Apr.	369.4	684.4	27.5	136.4	10.9	5.7	97.5	867.7	1.0	7.3	0.0	1.1	60.0	2,269.0	4,369.3	6,638.3
May	366.5	676.3	28.6	153.3	11.5	5.3	98.1	878.4	1.1	7.7	0.1	0.9	58.7	2,286.5	4,346.9	6,633.4
June	373.3	681.0	29.2	153.6	9.4	5.0	98.0	890.4	1.0	8.6	0.1	0.9	59.0	2,309.5	4,687.2	6,996.6
July	366.9	687.9	29.1	158.4	9.1	5.0	99.2	902.6	0.8	8.8	0.0	1.1	59.4	2,328.4	4,556.9	6,885.3
Aug.	356.9	691.3	28.3	161.6	8.4	4.7	99.8	913.4	1.2	9.2	0.0	1.3	59.4	2,335.8	4,786.3	7,122.1
Sep.	369.9	702.6	26.9	162.6	11.1	5.0	84.1	944.9	0.3	10.5	0.1	1.4	60.1	2,379.4	4,808.4	7,187.9
Oct.	365.7	706.9	28.9	163.0	9.3	5.0	89.5	956.5	0.6	10.5	0.0	1.4	62.2	2,399.5	4,699.9	7,099.4
Nov.	365.1	713.9	27.3	170.7	9.5	4.9	90.7	968.5	0.7	12.6	0.0	1.3	63.0	2,428.2	4,842.4	7,270.6
Dec.	388.8	725.3	30.0	169.6	9.1	4.8	93.8	982.8	1.0	12.7	0.1	1.3	65.8	2,485.1	4,700.8	7,186.0
<b>2007</b>																
Jan.	383.0	728.9	29.4	169.6	10.6	4.8	91.4	995.7	1.0	12.8	0.1	1.4	66.2	2,494.9	4,854.2	7,349.1
Feb.	376.1	736.8	29.1	169.4	10.0	4.8	90.5	1,006.1	1.4	12.8	0.3	1.4	68.0	2,506.7	4,960.4	7,467.1
Mar.	378.3	752.5	29.5	171.4	11.1	4.9	99.5	1,025.1	0.6	13.4	0.3	1.3	69.3	2,557.3	5,576.5	8,133.7
Apr.	368.0	745.9	31.7	180.9	10.4	4.9	100.1	1,034.0	0.6	13.4	0.3	1.3	71.2	2,562.6	5,715.6	8,278.2
May	360.3	754.5	29.9	179.5	11.9	4.8	100.5	1,048.3	0.7	11.8	0.2	1.3	72.0	2,575.7	6,223.4	8,799.1
June	364.4	753.6	31.0	177.4	15.5	4.8	100.8	1,065.2	0.7	12.4	0.2	1.3	76.9	2,604.4	6,703.2	9,307.6
July	350.1	761.2	32.5	177.1	14.2	4.7	101.4	1,077.0	0.7	13.3	0.4	1.3	71.1	2,604.9	6,788.7	9,393.6
Aug.	346.4	757.1	33.3	179.4	13.6	4.6	102.3	1,083.0	0.7	13.9	0.3	1.3	70.6	2,606.3	7,155.8	9,762.1
Sep.	358.6	766.0	34.1	183.8	14.2	4.6	107.5	1,092.0	0.9	13.1	2.1	1.1	69.5	2,647.5	7,441.4	10,088.9
Oct.	355.8	764.0	34.4	184.2	13.9	4.5	106.3	1,100.8	1.0	13.2	2.0	1.1	69.9	2,651.2	7,142.7	9,793.9
Nov.	358.3	773.2	38.7	184.9	14.5	4.4	104.5	1,110.8	0.9	13.8	2.1	1.5	69.0	2,676.7	7,088.5	9,765.2
Dec.	368.3	772.8	46.4	193.2	15.7	4.4	103.6	1,122.5	0.9	14.8	0.4	1.5	73.3	2,717.7	7,643.8	10,361.6

<sup>1</sup> Including general government and financial sector companies other than MFIs.

## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.13 Aggregated statement of assets and liabilities - investment funds<sup>1</sup> (*liabilities*)**

*Lm millions*

End of period	Loans	Shareholders' units/ funds <sup>2</sup>	External liabilities <sup>3</sup>	Other liabilities <sup>4</sup>	Total liabilities
2004	0.2	426.9	1.3	2.0	430.4
2005	0.1	559.8	1.3	3.2	564.4
<b>2006</b>					
Mar.	0.1	629.4	4.9	6.5	640.9
June	0.1	597.5	4.6	4.5	606.8
Sep.	0.1	583.6	4.5	3.2	591.3
Dec.	0.2	577.9	3.4	1.5	583.0
<b>2007</b>					
Mar.	0.2	556.2	3.2	3.0	562.7
June	7.2	489.8	3.2	2.4	502.6
Sep.	0.8	426.1	3.1	1.8	431.7
Dec.	0.1	418.9	2.8	1.3	423.2

**Table 1.13 Aggregated statement of assets and liabilities - investment funds<sup>1</sup> (*assets*)**

*Lm millions*

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets <sup>5</sup>	Fixed and other assets <sup>6</sup>	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2003	7.5	23.3	180.1	1.5	49.0	94.8	9.8	366.1
2004	5.0	26.2	200.5	2.1	68.8	116.8	11.0	430.4
2005	22.4	14.8	267.9	3.4	99.8	142.1	14.1	564.4
<b>2006</b>								
Mar.	36.9	34.7	277.2	5.6	125.5	151.9	9.1	640.9
June	33.3	20.5	285.6	5.0	101.1	152.7	8.6	606.8
Sep.	11.7	21.3	298.2	4.6	93.9	154.3	7.3	591.3
Dec.	6.8	21.8	296.3	3.0	87.7	160.1	7.1	583.0
<b>2007</b>								
Mar.	8.9	5.4	295.9	3.0	86.4	157.2	5.9	562.7
June	3.1	3.1	244.9	2.7	85.6	149.8	13.3	502.6
Sep.	3.8	1.8	222.1	2.7	55.5	139.7	6.1	431.7
Dec.	9.2	1.5	214.1	2.7	54.4	136.2	5.1	423.2

<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 share capital and reserves.

<sup>3</sup>Includes loans, creditors, accruals, shareholders' units/ funds and other liabilities to non-resident counterparties.

<sup>4</sup>Includes creditors, accruals and other liabilities.

<sup>5</sup>Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.

<sup>6</sup>Includes debtors, currency (both Maltese lira and foreign), prepayments and other assets.



## Monetary, Banking, Investment Funds and Financial Markets

**Table 1.14 Monetary policy operations of the Central Bank of Malta**

*Lm thousands*

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos <sup>1</sup>			Marginal lending during the period <sup>2</sup>	Term deposits <sup>3</sup>			Overnight deposits <sup>4</sup>
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
2003	-	-	-	1,000	3,519,200	3,518,900	104,300	106,400
2004	-	-	-	5,804	2,696,870	2,780,170	21,000	86,850
2005	-	-	-	11	372,000	399,500	46,800	15,900
<b>2006</b>								
Jan.	-	-	-	228	367,900	314,000	100,700	1,100
Feb.	-	-	-	23	443,500	423,200	121,000	52,450
Mar.	-	-	-	160	473,700	515,700	79,000	12,800
Apr.	-	-	-	-	302,600	312,300	69,300	-
May	-	-	-	78	297,200	288,400	78,100	900
June	-	-	-	-	592,300	523,400	147,000	18,500
July	-	-	-	-	597,900	605,900	139,000	-
Aug.	-	-	-	26	638,700	597,900	179,800	6,300
Sep.	-	-	-	43	737,400	765,700	151,500	34,500
Oct.	-	-	-	-	576,100	575,100	152,500	3,500
Nov.	-	-	-	-	568,800	589,600	131,700	16,100
Dec.	-	-	-	3,000	621,900	646,900	106,700	8,800
<b>2007</b>								
Jan.	-	-	-	-	464,800	444,000	127,500	16,500
Feb.	-	-	-	-	540,000	535,400	132,100	9,200
Mar.	-	-	-	600	630,900	643,200	119,800	8,700
Apr.	-	-	-	-	370,900	417,200	73,500	-
May	-	-	-	-	324,800	330,300	68,000	10,400
June	-	-	-	-	457,400	454,400	71,000	82,060
July	-	-	-	-	387,900	367,400	91,500	7,200
Aug.	-	-	-	-	526,900	496,400	122,000	18,400
Sep.	-	-	-	-	481,500	468,800	134,700	19,000
Oct.	-	-	-	-	525,600	537,300	123,000	7,000
Nov.	-	-	-	-	787,800	727,300	183,500	24,230
Dec.	-	-	-	200	683,500	724,700	142,300	35,100

<sup>1</sup> The Central Bank of Malta injects liquidity into the banking system through an auction of reverse repos in the event of a liquidity shortage. With effect from 15th September 2005, the maturity period of reverse repos is 7 days.

<sup>2</sup> The Central Bank of Malta provides a marginal lending facility to credit institutions in order to satisfy their liquidity needs arising from normal banking business.

<sup>3</sup> The Central Bank of Malta accepts placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity from the banking system. Up to 14th September 2005 the maturity period of such deposits was 14 days. Thereafter the maturity period was reduced to 7 days.

<sup>4</sup> The Central Bank of Malta provides 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 1.15 Financial markets

	2003	2004	2005	2006				2007			
				Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
<b>INTEREST RATES (%)</b>											
<b>Central Bank of Malta</b>											
Central intervention rate	3.00	3.00	3.25	3.25	3.50	3.50	3.75	4.00	4.25	4.25	4.00
Money market intervention rates:											
Term deposit rate	2.95	2.95	3.20	3.20	3.45	3.45	3.70	3.95	4.20	4.20	3.95
Reverse repo rate	3.05#	3.05#	3.30#	3.30#	3.55#	3.55#	3.80#	4.05#	4.30#	4.30#	4.05#
Rate on standby (collateralised) loans	3.55	4.50	4.25	4.25	4.50	4.50	4.75	5.00	5.25	5.25	5.00
Rate on overnight deposits	0.30	1.50	2.25	2.25	2.50	2.50	2.75	3.00	3.25	3.25	3.00
Remuneration on required reserves	2.70	2.75	3.00	3.00	3.25	3.25	3.50	3.75	4.00	4.00	4.00
<b>Interbank market offered rates</b>											
Overnight	2.95	2.95	3.18	3.15	3.38	3.35	4.54	3.94	4.20	4.23	3.82*
1 week	2.96	2.95	3.27*	3.25	3.41	3.38	3.78*	4.05*	4.28	4.25	4.17*
1 month	2.98	2.98	3.29*	3.32*	3.59*	3.59*	3.86*	4.09*	4.33*	4.39*	4.40
3 month	3.00*	2.80	3.32*	3.34	3.69*	3.73*	3.99*	4.22*	4.44*	4.65*	4.62*
<b>Other Monetary Financial Institutions</b>											
Weighted average deposit rate	2.47	2.04	2.13	2.17	2.20	2.29	2.37	2.62	2.77	2.90	3.00
Current deposits	0.44	0.47	0.45	0.50	0.59	0.56	0.57	0.69	0.72	0.78	0.78
Savings deposits	1.01	0.95	1.17	1.17	1.17	1.18	1.17	1.41	1.62	1.72	1.73
Time deposits	3.45	2.87	2.97	3.00	3.03	3.14	3.27	3.51	3.69	3.80	3.96
Weighted average lending rate	5.33	5.36	5.51	5.50	5.71	5.71	5.90	6.11	6.34	6.33	6.30
Non-financial companies	5.78	5.80	5.99	6.02	6.21	6.19	6.34	6.57	6.81	6.80	6.75
Households and individuals	4.52	4.68	4.95	4.93	5.15	5.13	5.38	5.54	5.81	5.81	5.80
Consumer credit	5.53	6.22	6.70	6.72	6.94	6.91	7.42	7.13	7.82	7.84	7.84
House purchase	4.47	4.30	4.49	4.49	4.73	4.72	4.95	5.18	5.39	5.39	5.39
Other lending	5.30	5.18	6.11	6.17	6.40	6.32	6.46	6.66	6.83	6.80	6.74
<b>Government securities</b>											
Treasury bills (primary market)											
1 month	-	2.96	-	-	-	3.55	3.51	-	4.30	-	4.32
3 month	2.94	2.96	3.22	3.20	3.45	3.65	3.91	4.18	4.36	4.37	4.35
6 month	2.93	2.97	3.23	3.23	3.27	3.75	4.00	4.24	4.31	4.54	4.54
1 year	3.13	2.97	3.22	3.46	3.70	3.87	4.20	-	4.26	4.53	4.39
Treasury bills (secondary market)											
1 month	2.95	2.95	3.20	3.20	3.46	3.55	3.75	3.99	4.30	4.33	4.32
3 month	2.94	2.96	3.22	3.20	3.46	3.65	3.90	4.18	4.36	4.37	4.35
6 month	2.93	2.97	3.27	3.23	3.52	3.75	4.00	4.24	4.47	4.54	4.54
1 year	2.98	2.97	3.32	3.46	3.70	3.86	4.20	4.26	4.70	4.61	4.58
Long-term debt securities											
2 year	3.39	3.21	3.30	3.39	3.69	3.89	4.18	4.32	4.95	4.68	4.54
5 year	4.37	4.26	3.65	3.63	3.99	4.07	4.17	4.31	5.03	4.76	4.61
10 year	4.71	4.70	4.38	4.35	4.27	4.34	4.33	4.38	5.12	4.85	4.81
15 year	4.96	4.97	4.96	4.38	4.47	4.48	4.48	4.54	5.16	5.17	5.10
<b>MSE SHARE INDEX</b>	2,126	3,069	4,981	6,509	5,428	5,141	4,873	4,815	4,809	4,878	4,938

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

\* denotes Central Bank of Malta fixing rate average.

- denotes that no transactions occurred during the reference period.

## Government Finance

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

*Lm millions*

Period	Revenue			Expenditure			Deficit (-)/surplus (+)	Primary deficit (-)/surplus (+) <sup>2</sup>
	Current	Capital	Total	Current	Capital	Total		
2003	704.4	10.1	714.5	749.9	150.2	900.1	-185.6	-121.4
2004	751.4	38.4	789.8	792.0	87.1	879.1	-89.3	-18.9
2005	785.6	74.3	859.9	819.6	100.9	920.6	-60.6	15.7
2006	826.0	72.7	898.7	855.0	99.2	954.2	-55.4	21.3
2007	911.7	29.0	940.6	893.2	88.5	981.8	-41.1	37.0
<b>2006</b>								
Mar.	172.6	13.0	185.6	201.4	25.6	227.0	-41.4	-23.8
June	199.4	14.5	213.9	213.3	16.9	230.3	-16.4	3.9
Sep.	205.3	16.9	222.3	212.3	21.9	234.3	-12.0	11.1
Dec.	248.8	28.2	277.0	228.0	34.7	262.7	14.3	30.2
<b>2007</b>								
Mar.	189.2	1.8	191.0	215.4	22.2	237.6	-46.7	-23.5
June	215.8	5.3	221.2	216.5	23.2	239.8	-18.6	-4.4
Sep.	216.1	8.6	224.6	217.9	18.9	236.8	-12.2	6.4
Dec.	290.6	13.3	303.9	243.4	24.2	267.6	36.3	58.6

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

*Lm 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	223.1	243.0	150.1	35.2	47.5	5.5	704.4	2.7	7.5	10.1	714.5	618.9
2004	220.9	279.5	155.1	42.5	42.2	11.2	751.4	4.0	34.4	38.4	789.8	659.5
2005	245.3	299.0	165.7	39.8	29.8	5.9	785.6	7.5	66.8	74.3	859.9	717.6
2006	257.4	325.4	167.6	40.6	27.1	7.9	826.0	6.3	66.4	72.7	898.7	756.8
2007	308.0	340.5	171.9	47.0	33.4	10.9	911.7	6.7	22.2	29.0	940.6	827.2
<b>2006</b>												
Mar.	38.4	74.3	35.7	9.9	13.0	1.3	172.6	1.4	11.6	13.0	185.6	149.8
June	60.4	80.4	40.1	9.5	7.2	1.8	199.4	1.7	12.9	14.5	213.9	182.5
Sep.	64.9	84.0	42.1	9.5	3.1	1.7	205.3	1.6	15.4	16.9	222.3	192.6
Dec.	93.7	86.8	49.7	11.7	3.9	3.0	248.8	1.7	26.5	28.2	277.0	231.9
<b>2007</b>												
Mar.	42.3	78.1	37.5	12.1	16.6	2.6	189.2	1.7	0.1	1.8	191.0	159.6
June	71.7	82.2	43.4	13.4	3.7	1.6	215.8	1.8	3.6	5.3	221.2	198.9
Sep.	72.1	84.8	39.4	10.2	5.7	4.0	216.1	1.6	7.0	8.6	224.6	197.8
Dec.	121.9	95.4	51.7	11.3	7.5	2.7	290.6	1.7	11.6	13.3	303.9	270.8

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

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

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

Sources: Eurostat; NSO.

## Government Finance

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

*Lm 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	277.9	249.1	64.2	94.8	41.0	22.9	749.9	88.8	59.8	150.2	900.1
2004	282.7	257.2	70.4	107.2	36.9	37.6	792.0	75.9	14.9	87.1	879.1
2005	286.9	275.7	76.3	103.1	42.4	35.2	819.6	100.0	17.5	100.9	920.6
2006	291.2	285.9	76.8	126.4	40.7	34.0	855.0	90.5	16.6	99.2	954.2
2007	301.8	302.0	78.2	126.0	47.0	38.3	893.2	93.7	9.0	88.5	981.8
<b>2006</b>											
Mar.	72.8	68.2	17.6	26.6	6.8	9.4	201.4	24.2	0.9	25.6	227.0
June	72.5	73.4	20.3	28.1	12.3	6.8	213.3	15.0	3.0	16.9	230.3
Sep	72.8	69.2	23.1	29.3	7.5	10.3	212.3	20.2	2.6	21.9	234.3
Dec.	73.1	75.1	15.9	42.3	14.2	7.5	228.0	31.2	10.1	34.7	262.7
<b>2007</b>											
Mar.	74.0	73.3	23.1	25.9	9.5	9.6	215.4	22.1	1.5	22.2	237.6
June	75.7	79.5	14.1	29.6	10.3	7.2	216.5	30.2	3.5	23.2	239.8
Sep	76.5	71.9	18.6	29.0	11.3	10.6	217.9	18.6	1.5	18.9	236.8
Dec.	75.6	77.3	22.3	41.4	15.9	10.9	243.4	22.8	2.6	24.2	267.6

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

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

Sources: Eurostat; NSO.

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

*Lm 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	117.7	16.4	33.0	190.9	16.7	27.9	115.5	10.8	115.3	256.0	900.1
2004	149.9	19.2	32.2	131.2	18.4	21.4	118.9	11.9	110.8	265.3	879.1
2005	139.2	19.3	32.9	132.0	30.2	17.1	134.0	13.0	116.9	286.0	920.6
2006	147.0	17.0	32.7	123.4	36.4	17.6	140.3	12.3	121.1	306.5	954.2

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

## Government Finance

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

*Lm 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	201.9	-185.6	66.5	-22.8	0.0	0.7	-0.1	0.0	-28.0	16.3
2004	89.9	-89.3	-0.8	-1.3	0.0	0.0	-6.9	-1.2	10.8	0.6
2005	45.2	-60.6	31.4	0.0	0.0	-25.2	-11.8	0.0	-9.9	-15.5
2006	-43.5	-55.4	16.0	-1.2	0.0	-95.3	-0.2	0.0	-18.2	-98.9
2007	49.3	-41.1	11.7	0.5	0.0	-11.6	-2.7	0.0	10.3	8.2

<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**

*Lm millions*

Period	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	232.3	907.1	1,139.3	55.4	110.3	165.7	1,305.0	226.3
2004	245.4	1,011.4	1,256.7	36.3	102.0	138.2	1,394.9	261.6
2005	190.2	1,122.0	1,312.2	33.0	94.9	127.9	1,440.1	271.0
<b>2006</b>								
Mar.	179.0	1,147.4	1,326.3	11.1	115.2	126.3	1,452.6	269.8
June	121.3	1,148.6	1,270.0	11.4	111.9	123.3	1,393.3	239.6
Sep.	153.6	1,133.7	1,287.2	13.4	107.9	121.4	1,408.6	251.9
Dec.	160.5	1,123.7	1,284.1	10.4	102.1	112.5	1,396.6	249.3
<b>2007</b>								
Mar.	171.7	1,123.9	1,295.6	10.7	100.7	111.4	1,407.0	240.4
June	196.2	1,157.1	1,353.3	10.8	100.4	111.2	1,464.5	259.2
Sep.	158.1	1,157.1	1,315.2	11.6	100.5	112.1	1,427.2	264.6
Dec.	152.4	1,182.0	1,334.4	10.7	100.8	111.6	1,445.9	269.8

<sup>1</sup> In line with Maastricht criteria, 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.

Sources: Eurostat; NSO.

## Government Finance

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

*Lm 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	712.6	607.7	124.4	732.1	198.3	34.0	232.3
2004	595.7	502.3	106.5	608.8	200.4	45.0	245.4
2005	31.4	36.1	12.5	48.6	150.9	39.3	190.2
<b>2006</b>							
Jan.	52.0	19.4	13.6	33.0	129.6	41.7	171.3
Feb.	35.3	19.0	24.7	43.7	122.4	57.2	179.6
Mar.	45.8	20.3	24.9	45.3	114.7	64.3	179.0
Apr.	27.6	15.0	15.5	30.5	111.9	69.9	181.8
May	35.4	6.5	14.1	20.6	101.7	65.3	167.0
June	61.7	7.0	9.0	16.0	64.5	56.9	121.3
July	30.5	30.1	13.5	43.6	80.9	53.5	134.4
Aug.	28.5	22.0	9.7	31.7	87.8	49.7	137.5
Sep.	18.2	19.1	15.2	34.3	94.3	59.3	153.6
Oct.	43.7	12.4	9.8	22.2	76.7	55.4	132.1
Nov.	29.6	47.0	13.9	60.9	105.3	58.2	163.4
Dec.	17.4	6.5	8.0	14.5	107.2	53.3	160.5
<b>2007</b>							
Jan.	16.8	3.0	1.4	4.4	106.2	41.9	148.1
Feb.	50.7	48.5	14.0	62.5	120.7	39.3	160.0
Mar.	32.7	38.0	6.4	44.4	141.9	29.8	171.7
Apr.	5.4	16.5	11.1	27.6	156.7	37.2	193.9
May	59.7	27.0	14.7	41.7	138.4	37.4	175.9
June	57.6	58.5	19.4	77.9	155.8	40.4	196.2
July	60.0	32.5	23.4	55.9	149.9	42.2	192.2
Aug.	50.8	19.0	5.0	24.0	122.1	43.2	165.3
Sep.	41.2	26.0	7.9	33.9	112.4	45.6	158.1
Oct.	50.6	49.0	5.5	54.5	135.5	26.5	162.0
Nov.	39.3	28.6	11.4	40.1	128.7	34.0	162.7
Dec.	20.2	7.0	2.9	9.9	119.6	32.8	152.4

<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 to Lm200 million, and on 27 November 2002 this was raised further to Lm300 million.

Source: Central Bank of Malta; The Treasury.

## Government Finance

**Table 2.8 Treasury bills issued and outstanding<sup>1</sup> (as at end-December 2007)**

Lm 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>	
06/07/2007	04/01/2008	4.42	4.15	8.0	0.1	8.1	0.0	8.1
13/04/2007	11/01/2008	4.32	4.21	3.0	2.1	3.5	1.6	5.1
19/10/2007	18/01/2008	4.37	4.27	5.0	0.4	5.0	0.4	5.4
26/10/2007	25/01/2008	4.37	4.32	4.0	3.1	4.0	3.1	7.1
02/11/2007	01/02/2008	4.36	4.32	0.0	2.1	0.0	2.0	2.1
10/08/2007	08/02/2008	4.49	4.33	3.0	0.6	3.0	0.6	3.6
16/11/2007	15/02/2008	4.36	4.33	1.6	1.9	1.6	1.9	3.5
24/08/2007	22/02/2008	4.49	4.34	6.0	0.6	6.0	0.6	6.6
30/11/2007	29/02/2008	4.35	4.34	3.0	5.9	3.0	5.9	8.9
07/09/2007	07/03/2008	4.52	4.34	9.0	1.3	9.0	1.3	10.3
22/06/2007	20/03/2008	4.57	4.35	8.0	1.6	8.3	1.3	9.6
28/09/2007	28/03/2008	4.54	4.35	6.0	0.7	6.0	0.7	6.7
12/10/2007	11/04/2008	4.57	4.38	17.0	1.4	17.0	1.4	18.4
02/11/2007	02/05/2008	4.50	4.43	8.0	0.7	8.0	0.7	8.7
11/05/2007	09/05/2008	4.26	4.44	0.0	0.8	0.0	0.8	0.8
31/08/2007	30/05/2008	4.58	4.49	8.0	1.7	8.0	1.7	9.7
07/12/2007	06/06/2008	4.54	4.50	7.0	2.9	7.0	2.9	9.9
20/09/2007	20/06/2008	4.56	4.53	3.0	3.6	3.0	3.6	6.6
13/07/2007	11/07/2008	4.53	4.55	0.0	0.9	0.0	0.9	0.9
12/10/2007	11/07/2008	4.57	4.55	3.0	0.5	3.0	0.5	3.5
09/11/2007	08/08/2008	4.58	4.56	16.0	0.8	16.0	0.8	16.8
23/11/2007	21/11/2008	4.39	4.58	0.0	0.2	0.0	0.2	0.2
<b>Total</b>				<b>118.6</b>	<b>33.8</b>	<b>119.6</b>	<b>32.8</b>	<b>152.4</b>

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

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

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

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-December 2007)**

Lm 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	4.60	10/06 - 10/12	9.4	0.6	10.0
7.20	2008 (II)	1998	100	4.67	28/02 - 28/08	23.8	6.2	30.0
7.00	2009	1999	100	4.63	30/06 - 30/12	0.0	0.1	0.1
5.90	2009 (II)	1999	100	4.62	01/03 - 01/09	19.8	5.2	25.0
5.90	2009 (III)	2000/2005	100/107.8	4.64	30/03 - 30/09	61.0	3.3	64.3
5.90	2010	1999	100	4.65	19/05 - 19/11	13.7	1.3	15.0
5.75	2010 (II)	2000	100	4.62	10/06 - 10/12	16.8	1.7	18.5
7.00	2010 (III) <sup>2</sup>	2000	100	4.63	30/06 - 30/12	0.0	0.5	0.5
5.40	2010 (IV)	2003/2004	100/104.5	4.60	21/02 - 21/08	20.4	27.6	48.0
7.50	2011	1996	100	4.68	28/03 - 28/09	7.0	8.0	15.0
6.25	2011 (II)	2001	100	4.66	01/02 - 01/08	21.2	18.8	40.0
7.00	2011 (III) <sup>2</sup>	2002	100	4.69	30/06 - 30/12	0.0	0.1	0.1
7.80	2012	1997	100	4.70	24/05 - 24/11	15.3	19.2	34.5
7.00	2012 (II) <sup>2</sup>	2002	100	4.72	30/06 - 30/12	0.0	0.2	0.2
5.70	2012 (III) FI <sup>3</sup>	2005/2007	100/102.75/105.95/ 108/108.5/109.7	4.71	30/03 - 30/09	90.2	62.3	152.5
5.70	2012 (III) FI <sup>3</sup>	2007	103.85	4.71	30/03 - 30/09	26.6	5.0	31.6
7.80	2013	1997	100	4.79	18/04 - 18/10	15.9	18.4	34.3
6.35	2013 (II)	2001	100	4.74	19/05 - 19/11	1.8	24.2	26.0
7.00	2013 (III)	2003	100	4.80	30/06 - 30/12	0.0	0.1	0.1
6.60	2014	2000	100	4.81	30/03 - 30/09	1.2	9.3	10.5
6.45	2014 (II)	2001	100	4.84	24/05 - 24/11	8.3	21.7	30.0
5.10	2014 (III)	03/04/06/07	100/103.25/ 103.64/105.5	4.83	06/01 - 06/07	22.2	60.3	82.5
7.00	2014 (IV) <sup>2</sup>	2004	100	4.85	30/06 - 30/12	0.0	1.7	1.7
6.10	2015	2000	100	4.87	10/06 - 10/12	9.9	20.1	30.0
5.90	2015 (II) FI <sup>3</sup>	02/03/07	100/102/105	4.88	09/04 - 09/10	9.6	40.4	50.0
7.00	2015 (III)	2005	100	4.89	30/06 - 30/12	0.0	0.3	0.3
7.00	2015 (IV)	2005	100	4.89	03/05 - 03/11	0.0	0.3	0.3
6.65	2016	2001	100	4.89	28/03 - 28/09	3.4	26.6	30.0
4.80	2016 (II) FI <sup>3</sup>	03/04/06	100/101/104	4.90	26/05 - 26/11	19.0	61.0	80.0
7.00	2016 (III)	2006	100	4.90	30/06 - 30/12	0.0	1.5	1.5
7.00	2017	2007	100	4.91	18/02 - 18/08	0.0	0.3	0.3
7.00	2017 (II)	2007	100	4.91	30/06 - 30/12	0.0	4.4	4.4
7.80	2018	1998	100	4.94	15/01 - 15/07	25.9	44.1	70.0
6.60	2019	1999	100	5.00	01/03 - 01/09	12.5	31.5	44.0
5.20	2020	2007	100	5.05	10/06 - 10/12	1.3	10.2	11.5
5.00	2021 FI/(I)FI <sup>3</sup>	2004/2005	100	5.11	08/02 - 08/08	12.0	98.0	110.0
5.00	2021 FI <sup>3</sup>	2007	98.5	5.11	08/02 - 08/08	0.3	18.1	18.4
5.10	2022	2004	100	5.17	16/02 - 16/08	1.1	29.4	30.5
5.50	2023	2003	100	5.20	06/01 - 06/07	0.2	33.6	33.8
<b>Total</b>						<b>469.9</b>	<b>715.5</b>	<b>1,185.5</b>

<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 Lm110 per Lm100 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>**

*Lm millions*

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
2003	44.6	209.4	310.5	270.7	77.8	913.0
2004	55.0	243.8	342.4	269.2	104.3	1,014.7
2005	44.4	281.4	426.2	199.0	174.3	1,125.3
<b>2006</b>						
Mar.	44.4	281.4	426.2	224.0	174.3	1,150.3
June	89.7	276.2	416.2	194.0	174.3	1,150.3
Sep.	55.3	291.2	420.4	305.5	64.3	1,136.6
Dec.	70.0	417.2	351.1	254.5	33.8	1,126.6
<b>2007</b>						
Mar.	70.0	266.5	501.8	224.3	64.3	1,126.9
June	34.8	291.0	510.0	224.3	100.1	1,160.2
Sep.	64.8	413.7	377.2	270.7	33.8	1,160.2
Dec.	40.0	445.4	381.9	284.4	33.8	1,185.5

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

Sources: Central Bank of Malta; MSE.

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

*Lm millions*

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2003	0.9	76.3	0.5	7.0	0.0	1.3	86.0
2004	0.5	72.4	0.0	5.3	0.0	0.9	79.1
2005	7.3	61.0	0.0	4.6	0.0	0.7	73.6
<b>2006</b>							
Mar.	7.3	60.0	0.0	4.4	0.0	0.7	72.3
June	7.3	59.3	0.0	3.8	0.0	0.6	71.1
Sep.	7.3	58.1	0.0	3.8	0.0	0.8	69.9
Dec.	0.0	57.7	0.4	2.4	0.0	0.5	61.1
<b>2007<sup>3</sup></b>							
Mar.	0.0	56.6	0.4	2.3	0.0	0.5	59.9
June	0.1	56.0	0.4	1.9	0.0	0.5	58.9
Sep.	0.8	54.2	0.4	1.8	0.1	0.4	57.6
Dec.	0.7	53.6	0.0	1.4	0.0	0.4	56.2

<sup>1</sup> Converted into Maltese liri using the closing Central Bank of Malta midpoint rate as at the end of the 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 3.1 Maltese Lira exchange rates against major currencies<sup>1</sup> (end of period closing middle 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	3.6230	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>							
July 6	0.4293	3.1650	1.5752	390.30	3.8652	3.6964	3.3295
13	0.4293	3.2094	1.5792	392.81	3.8615	3.6996	3.3604
20	0.4293	3.2120	1.5650	392.71	3.8713	3.6507	3.3512
27	0.4293	3.1776	1.5659	376.90	3.8505	3.6969	3.3689
Aug 3	0.4293	3.1895	1.5672	379.92	3.8452	3.7246	3.3717
10	0.4293	3.1824	1.5786	374.51	3.8049	3.7770	3.3581
17	0.4293	3.1370	1.5857	355.32	3.7800	4.0245	3.3733
24	0.4293	3.1716	1.5827	367.56	3.8110	3.8614	3.3329
31	0.4293	3.1898	1.5784	371.23	3.8310	3.8751	3.3678
Sep 7	0.4293	3.2066	1.5792	366.43	3.8209	3.8643	3.3642
14	0.4293	3.2324	1.6061	370.25	3.8329	3.8478	3.3344
20	0.4293	3.2694	1.6281	376.46	3.8389	3.7886	3.2750
28	0.4293	3.7075	1.6243	380.90	3.8673	3.7474	3.2951
Oct. 5	0.4293	3.2757	1.6120	383.46	3.8782	3.6732	3.2341
12	0.4293	3.3083	1.6257	388.77	3.9173	3.6578	3.2218
19	0.4293	3.3302	1.6232	384.28	3.8952	3.7060	3.2190
26	0.4293	3.3487	1.6311	382.93	3.8956	3.6654	3.2269
Nov 2	0.4293	3.3724	1.6188	387.21	3.8911	3.6753	3.1577
9	0.4293	3.4185	1.6306	380.24	3.8431	3.7293	3.2159
16	0.4293	3.4093	1.6674	377.67	3.8210	3.8209	3.3328
23	0.4293	3.4510	1.6778	372.58	3.8040	3.9553	3.4093
30	0.4293	3.4399	1.6648	381.24	3.8550	3.8739	3.4283
Dec 7	0.4293	3.4130	1.6804	381.03	3.8550	3.8726	3.4273
14	0.4293	3.3760	1.6672	381.38	3.8809	3.9026	3.4522
21	0.4293	3.3464	1.6859	379.07	3.8680	3.8664	3.3394
28	0.4293	3.4198	1.7149	387.11	3.8696	3.8959	3.3456

<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.

## Exchange Rates, External Transactions and Positions

**Table 3.2 Maltese Lira exchange rates against major currencies (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>2006</b>							
Jan.	0.4293	2.8233	1.5983	325.81	3.6082	3.7644	3.2703
Feb.	0.4293	2.7825	1.5913	327.91	3.6302	3.7514	3.1988
Mar.	0.4293	2.7992	1.6047	328.18	3.6541	3.8470	3.2380
Apr.	0.4293	2.8576	1.6178	334.50	3.6687	3.8832	3.2739
May	0.4293	2.9753	1.5916	332.33	3.6253	3.8957	3.3029
June	0.4293	2.9488	1.5987	337.85	3.6330	3.9820	3.2821
July	0.4293	2.9561	1.6026	341.74	3.6538	3.9319	3.3340
Aug.	0.4293	2.9850	1.5774	345.80	3.6744	3.9108	3.3399
Sep.	0.4293	2.9677	1.5726	347.45	3.6891	3.9243	3.3100
Oct.	0.4293	2.9381	1.5674	348.68	3.7039	3.8997	3.3160
Nov.	0.4293	3.0001	1.5699	351.88	3.7089	3.8866	3.4082
Dec.	0.4293	3.0776	1.5665	360.73	3.7210	3.9163	3.5440
<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 3.3 Balance of payments - current, capital and financial accounts (*transactions*)**

Lm millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit			
2003	975.0	1,217.6	547.4	337.2	340.8	350.4	76.5	93.2	-58.6	7.1	0.5
2004 <sup>1</sup>	939.4	1,240.1	587.7	360.6	336.2	354.9	79.5	100.4	-113.2	29.9	1.3
2005 <sup>1</sup>	894.3	1,276.9	694.3	421.0	418.1	503.8	119.1	103.7	-179.6	71.2	4.4
2006 <sup>1</sup>	1,001.9	1,414.2	903.3	576.9	627.1	718.4	180.8	183.2	-179.7	66.4	2.2
2007 <sup>1</sup>	1,007.0	1,410.2	1,006.5	650.0	837.3	892.1	226.1	252.7	-128.1	23.2	2.2
<b>2006<sup>1</sup></b>											
Mar.	223.3	337.1	177.0	120.5	138.4	182.9	43.6	30.7	-88.9	11.5	0.5
June	249.5	373.0	227.9	143.9	146.4	169.5	40.4	36.4	-58.6	12.9	0.5
Sep.	243.1	351.1	278.5	146.6	173.4	190.8	65.4	55.4	16.5	13.9	0.5
Dec.	286.0	353.1	219.9	165.8	168.9	175.3	31.4	60.8	-48.7	28.1	0.7
<b>2007<sup>1</sup></b>											
Mar.	241.6	321.1	211.1	140.8	184.8	208.1	24.5	27.9	-35.9	2.0	0.5
June	262.1	352.4	246.9	162.5	209.0	225.8	111.8	109.0	-19.8	0.9	0.4
Sep.	246.5	361.1	315.4	171.5	221.0	235.6	60.6	47.2	28.0	12.1	0.6
Dec.	256.8	375.6	233.0	175.2	222.5	222.6	29.3	68.6	-100.4	8.3	0.8

Lm millions

Period	Financial account <sup>1</sup>									Total	Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets		
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2003	-207.2	365.1	-591.6	-7.2	-1.8	10.8	-23.0	550.8	-54.7	41.2	10.8
2004 <sup>2</sup>	-2.6	136.5	-723.3	1.6	-5.9	-0.1	-439.9	1,024.8	69.2	60.2	24.4
2005 <sup>2</sup>	7.1	233.5	-929.9	12.4	-6.3	-1.6	-970.9	1,865.3	-80.6	128.9	-16.1
2006 <sup>2</sup>	0.2	635.9	-843.8	-6.5	17.4	-6.7	-1,430.1	1,809.3	-35.7	140.0	-24.4
2007 <sup>2</sup>	-5.8	298.8	156.7	0.4	-57.8	109.4	-3,292.3	2,976.9	-140.2	46.1	61.0
<b>2006<sup>2</sup></b>											
Mar.	-0.2	99.0	-148.4	-4.1	3.5	3.0	-514.5	611.8	55.8	105.9	-27.9
June	-0.4	356.3	-699.0	-6.9	1.9	6.2	-792.4	1,220.4	-71.2	14.9	31.3
Sep.	1.6	78.9	141.8	5.7	0.2	-5.3	-179.2	-59.1	-39.2	-54.7	24.8
Dec.	-0.8	101.7	-138.2	-1.2	11.7	-10.5	56.1	36.2	18.9	73.9	-52.6
<b>2007<sup>2</sup></b>											
Mar.	3.6	59.7	-57.1	0.0	-2.1	4.5	-902.6	902.0	61.5	69.5	-35.2
June	-2.3	84.5	-179.8	-2.1	9.6	1.6	-1,180.3	1,253.7	33.3	18.3	1.1
Sep.	-0.8	133.8	335.9	-0.8	-2.8	22.5	-890.8	377.1	-31.6	-57.5	18.0
Dec.	-6.4	20.8	57.7	3.2	-62.4	80.8	-318.7	444.1	-203.3	15.9	77.0

<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**

*Lm 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>1</sup>	
2003	0.6	15.2	20.5	681.6	225.1	1.6	944.6
2004	0.6	15.3	20.0	399.7	435.5	0.0	871.1
2005	0.8	16.7	21.0	290.6	609.8	0.8	939.7
<b>2006</b>							
Mar.	1.5	16.6	20.6	203.4	635.2	1.4	878.7
June	1.0	16.4	20.1	323.4	577.5	1.4	939.8
Sep.	1.3	16.8	20.2	376.6	570.9	-1.0	984.8
Dec.	1.3	16.8	19.8	355.3	569.2	-0.2	962.2
<b>2007<sup>2</sup></b>							
Mar.	1.2	16.9	19.6	298.5	561.9	2.0	900.1
June	1.2	17.7	19.4	292.9	533.0	-1.6	862.6
Sep.	1.2	17.5	18.9	386.1	469.7	3.1	896.6
Dec.	3.8	17.5	18.7	640.1	415.7	4.6	1,100.4

<sup>1</sup> Comprising gains or losses on financial derivatives (net).

<sup>2</sup> Provisional.

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

*Lm 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	316.3	1,123.7	2,404.3	141.3	1.8	10.8	2,491.4	4,116.8	944.6	765.7
2004 <sup>1</sup>	353.4	1,280.0	3,067.1	152.2	4.6	16.4	2,895.7	4,964.0	871.1	779.2
2005 <sup>1</sup>	360.8	1,565.1	4,316.1	177.3	18.2	19.0	4,119.4	7,229.2	939.7	763.7
2006 <sup>1</sup>	373.0	2,116.7	4,881.8	175.1	14.8	21.2	5,292.5	8,568.5	961.9	642.5

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

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

End of period	General government			Other sectors <sup>2</sup>			Direct investment vis-à-vis:			Total gross external debt (a+b+c)	Memo item: MFIs <sup>3</sup>		
	Short term	Long term	Total (a)	Short term	Long term	Total (b)	Affiliated enterprises	Direct investors	Total (c)		Short term	Long term	Total
2003 <sup>4</sup>	4.3	87.3	91.6	92.2	217.3	309.6	5.2	113.2	118.4	519.6	2,367.3	1,473.8	3,841.1
2004 <sup>4</sup>	6.9	80.1	87.1	125.2	200.4	325.7	9.9	127.8	137.7	550.4	4,064.0	588.2	4,652.2
2005 <sup>4</sup>	3.0	74.6	77.6	215.8	251.8	467.6	32.1	188.7	220.8	766.1	5,819.3	963.4	6,782.7
<b>2006<sup>4</sup></b>													
Mar.	2.5	73.8	76.3	213.7	239.5	453.2	29.8	193.2	223.0	752.5	5,990.1	1,302.4	7,292.4
June	2.8	72.6	75.4	228.1	240.4	468.5	30.1	309.6	339.6	883.5	6,590.3	1,613.7	8,203.9
Sep.	3.3	71.4	74.8	204.0	256.9	460.9	30.9	331.1	362.1	897.8	6,217.4	1,995.1	8,212.5
Dec.	3.3	62.6	65.9	209.3	235.8	445.2	31.1	348.6	379.7	890.7	6,059.3	2,095.0	8,154.3
<b>2007<sup>4</sup></b>													
Mar.	2.0	61.5	63.5	207.9	238.8	446.6	29.6	369.0	398.6	908.8	7,042.0	1,984.0	9,026.0
June	1.4	60.4	61.9	215.6	236.3	452.0	30.3	370.7	401.0	914.8	8,178.5	2,089.7	10,268.2
Sep.	0.8	59.1	59.9	234.3	244.2	478.5	31.8	376.5	408.4	946.8	8,485.7	1,988.0	10,473.7
Dec.	2.0	54.5	56.5	251.3	247.5	498.8	23.5	386.9	410.5	965.8	9,165.3	1,688.7	10,854.0

<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**

*Lm millions*

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2003	928.3	1281.2	(352.9)
2004 <sup>1</sup>	906.8	1306.8	(400.1)
2005 <sup>1</sup>	841.0	1325.3	(484.3)
2006 <sup>1</sup>	952.1	1460.0	(507.9)
2007 <sup>1</sup>	958.0	1456.5	(498.5)
<b>2006<sup>1</sup></b>			
Jan.	72.6	96.2	(23.6)
Feb.	61.6	123.9	(62.3)
Mar.	76.6	130.1	(53.5)
Apr.	73.7	120.5	(46.8)
May	83.8	131.8	(48.0)
June	79.3	133.8	(54.5)
July	73.9	122.9	(49.0)
Aug.	71.7	124.4	(52.7)
Sep.	84.5	112.1	(27.6)
Oct.	87.7	131.0	(43.3)
Nov.	106.7	124.8	(18.1)
Dec.	80.0	108.5	(28.5)
<b>2007<sup>1</sup></b>			
Jan.	70.1	104.1	(34.0)
Feb.	68.9	105.8	(36.9)
Mar.	90.9	124.2	(33.2)
Apr.	72.3	112.8	(40.5)
May	88.2	120.2	(32.0)
June	86.4	131.9	(45.5)
July	85.6	146.0	(60.4)
Aug.	71.8	111.9	(40.1)
Sep.	78.3	114.5	(36.2)
Oct.	82.0	134.5	(52.5)
Nov.	82.2	126.0	(43.9)
Dec.	81.3	124.7	(43.4)

<sup>1</sup> Provisional.

Source: NSO.

## Exchange Rates, External Transactions and Positions

**Table 3.8 Direction of trade - exports**

*Lm 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	120.4	95.1	31.3	48.7	295.5	109.0	6.8	411.3	247.4	134.3	135.3	928.3
2004 <sup>1</sup>	140.8	98.0	27.8	37.2	303.8	103.9	29.1	436.8	233.7	141.8	94.5	906.8
2005 <sup>1</sup>	121.9	101.5	43.1	39.8	306.3	92.7	32.3	431.3	197.8	113.2	98.7	841.0
2006 <sup>1</sup>	140.2	121.3	34.7	54.4	350.6	91.4	35.3	477.2	271.1	118.3	85.5	952.1
2007 <sup>1</sup>	116.4	130.2	38.9	56.3	341.7	94.7	36.7	473.2	286.7	105.8	92.2	958.0
<b>2006<sup>1</sup></b>												
Jan.	10.1	8.6	2.2	3.4	24.2	7.3	1.7	33.2	19.6	12.7	7.1	72.6
Feb.	10.2	8.7	2.4	3.4	24.7	7.6	2.2	34.5	15.6	8.8	2.7	61.6
Mar.	11.6	11.5	3.6	4.5	31.1	6.9	2.8	40.8	19.4	9.9	6.5	76.6
Apr.	9.7	9.4	2.8	4.9	26.8	7.4	2.7	36.9	16.9	10.2	9.7	73.7
May	12.5	10.7	3.7	6.1	33.0	9.6	3.3	45.9	19.7	10.0	8.2	83.8
June	12.1	8.7	3.0	7.3	31.1	9.0	3.7	43.8	19.6	8.5	7.4	79.3
July	11.6	9.9	3.0	5.3	29.8	8.3	3.3	41.4	19.3	7.7	5.5	73.9
Aug.	12.1	9.8	2.4	4.1	28.4	6.8	2.7	37.9	20.0	8.1	5.7	71.7
Sep.	12.8	12.4	3.2	4.0	32.4	7.3	3.6	43.3	23.4	10.4	7.4	84.5
Oct.	12.0	11.5	3.4	3.4	30.3	7.7	3.1	41.1	27.5	11.9	7.2	87.7
Nov.	14.1	11.6	2.8	4.4	32.9	8.6	3.3	44.8	42.5	10.4	9.0	106.7
Dec.	11.5	8.5	2.4	3.4	25.9	4.9	2.8	33.6	27.6	9.7	9.1	80.0
<b>2007<sup>1</sup></b>												
Jan.	9.5	11.2	2.9	3.3	26.9	8.4	2.5	37.8	17.2	8.5	6.7	70.1
Feb.	8.2	9.9	2.7	4.3	25.0	7.2	2.8	34.9	17.0	9.0	7.9	68.9
Mar.	11.0	13.9	3.7	6.2	34.8	9.8	3.4	48.1	23.9	9.7	9.2	90.9
Apr.	9.2	10.6	3.5	4.1	27.3	8.3	2.8	38.4	20.3	7.3	6.2	72.3
May	10.6	11.2	3.6	5.2	30.6	8.8	4.2	43.6	25.8	9.6	9.3	88.2
June	10.0	9.0	3.6	11.3	33.9	7.2	2.2	43.3	25.3	9.1	8.7	86.4
July	10.1	12.9	3.8	4.6	31.4	9.1	4.6	45.0	23.7	9.1	7.8	85.6
Aug.	8.2	11.0	2.4	3.6	25.2	6.7	2.6	34.5	24.1	7.7	5.6	71.8
Sep.	9.2	11.0	3.6	3.6	27.4	7.4	3.8	38.6	25.8	8.8	5.2	78.3
Oct.	11.6	11.5	3.6	3.4	30.1	8.2	2.9	41.2	23.9	9.2	7.7	82.0
Nov.	9.3	9.6	2.8	4.1	25.8	9.3	2.4	37.5	26.9	8.3	9.5	82.2
Dec.	9.7	8.5	2.7	2.5	23.4	4.4	2.7	30.4	32.9	9.6	8.5	81.3

<sup>1</sup> Provisional.

Source: NSO.



## Exchange Rates, External Transactions and Positions

**Table 3.9 Direction of trade - imports**

*Lm 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	218.9	100.9	294.3	118.5	732.6	118.7	16.0	867.3	201.8	103.9	108.2	1,281.2
2004 <sup>1</sup>	175.2	114.0	331.0	140.8	761.0	157.7	30.5	949.2	197.1	69.9	90.6	1,306.8
2005 <sup>1</sup>	125.2	107.3	410.4	144.1	787.0	144.2	28.7	959.9	179.4	69.7	116.3	1,325.3
2006 <sup>1</sup>	138.0	112.7	413.9	160.2	824.8	147.5	30.1	1,002.4	272.5	76.9	108.2	1,460.0
2007 <sup>1</sup>	135.5	123.6	368.4	161.8	789.3	213.0	43.7	1,046.0	256.8	63.1	90.6	1,456.5
<b>2006<sup>1</sup></b>												
Jan.	4.7	8.3	25.1	9.7	47.8	9.9	2.5	60.2	19.5	5.4	11.1	96.2
Feb.	11.7	11.7	35.7	12.5	71.5	9.6	2.9	84.0	14.0	13.2	12.7	123.9
Mar.	10.7	9.9	29.5	13.9	64.0	13.2	2.6	79.8	19.0	7.5	23.8	130.1
Apr.	12.2	8.2	41.6	14.9	76.9	11.6	2.2	90.7	19.4	5.9	4.5	120.5
May	13.0	11.1	37.6	18.6	80.3	12.3	2.4	95.0	22.5	7.3	7.0	131.8
June	11.7	8.3	47.9	15.6	83.5	10.2	3.2	96.9	20.8	6.3	9.8	133.8
July	13.4	9.6	37.1	14.2	74.3	14.8	2.2	91.3	21.6	4.9	5.1	122.9
Aug.	9.9	7.9	32.2	11.9	61.9	13.9	1.9	77.7	35.3	5.7	5.7	124.4
Sep.	12.6	8.7	31.6	11.3	64.2	11.2	2.3	77.7	24.3	5.3	4.8	112.1
Oct.	11.5	9.4	36.3	13.6	70.8	15.5	3.1	89.4	29.1	5.7	6.8	131.0
Nov.	14.2	10.5	27.3	12.6	64.6	15.7	2.5	82.8	27.9	6.7	7.5	124.8
Dec.	12.4	9.2	32.0	11.4	65.0	9.6	2.3	76.9	19.1	3.0	9.5	108.5
<b>2007<sup>1</sup></b>												
Jan.	6.4	9.9	25.5	9.9	51.7	13.8	2.0	67.5	20.7	4.2	11.8	104.1
Feb.	10.0	8.0	29.4	11.8	59.3	13.5	3.6	76.4	18.2	4.8	6.3	105.8
Mar.	8.5	11.2	36.1	13.1	68.8	14.5	2.5	85.8	24.2	5.3	8.9	124.2
Apr.	12.3	9.7	29.0	13.1	64.1	11.4	4.4	79.9	23.8	3.9	5.2	112.8
May	12.0	10.1	30.1	12.7	64.9	19.9	3.2	88.0	21.2	3.3	7.8	120.2
June	14.3	7.6	34.2	12.0	68.0	18.5	8.4	94.9	17.7	12.2	7.0	131.9
July	12.4	11.0	36.7	18.0	78.1	18.5	3.9	100.5	27.7	11.2	6.6	146.0
Aug.	13.0	8.4	24.7	12.7	58.8	19.0	3.2	81.0	18.8	4.0	8.1	111.9
Sep.	16.7	10.2	24.9	12.1	63.9	18.6	3.1	85.7	20.1	2.9	5.8	114.5
Oct.	9.3	12.1	29.4	20.9	71.8	24.2	4.0	99.9	20.9	4.2	9.4	134.5
Nov.	11.5	14.4	30.6	12.8	69.2	18.0	3.3	90.6	22.2	4.1	9.2	126.0
Dec.	9.1	11.0	37.8	12.8	70.7	23.2	1.9	95.8	21.2	3.0	4.7	124.7

<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)**

*Lm 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	1,218.1	387.2	369.8	-58.7	1,916.3	1,522.4	1,554.8	-32.4	1,883.9	1,874.3
2004 <sup>1</sup>	1,275.5	401.3	369.9	-52.1	1,994.6	1,527.1	1,600.7	-73.6	1,921.0	1,897.7
2005 <sup>1</sup>	1,333.4	408.8	397.9	13.8	2,153.9	1,588.6	1,697.8	-109.3	2,044.6	1,951.0
2006 <sup>1</sup>	1,376.5	433.8	424.0	26.7	2,261.1	1,905.1	1,991.1	-86.0	2,175.1	2,078.3
2007 <sup>1</sup>	1,429.7	447.2	431.1	46.9	2,355.0	2,013.5	2,060.0	-46.5	2,308.5	2,246.6
<b>2006<sup>1</sup></b>										
Mar.	314.3	103.8	120.2	13.9	552.1	400.3	457.6	-57.4	494.8	448.4
June	336.2	105.3	97.2	47.2	585.8	477.4	516.9	-39.5	546.3	521.1
Sep.	353.5	108.4	101.8	-17.4	546.2	521.6	497.7	23.9	570.1	552.7
Dec.	372.6	116.4	104.8	-16.9	576.9	505.9	518.9	-13.0	563.9	556.1
<b>2007<sup>1</sup></b>										
Mar.	327.4	104.3	110.4	-4.5	537.5	452.8	461.9	-9.1	528.4	503.6
June	352.0	110.2	107.5	13.8	583.4	509.0	514.9	-5.8	577.6	559.0
Sep.	365.9	114.1	111.8	-14.4	577.4	561.9	532.6	29.3	606.7	590.2
Dec.	384.5	118.6	101.4	52.0	656.6	489.8	550.6	-60.8	595.7	593.7

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

*Lm 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	1,158.1	340.4	341.8	-54.4	1,785.8	1,625.7	1,694.7	-69.0	1,716.9
2004 <sup>1</sup>	1,185.5	342.3	338.6	-47.2	1,819.1	1,660.6	1,758.7	-98.1	1,721.0
2005 <sup>1</sup>	1,208.3	343.1	358.5	12.6	1,922.4	1,646.4	1,790.1	-143.7	1,778.7
2006 <sup>1</sup>	1,217.0	357.4	369.2	23.7	1,967.3	1,811.5	1,939.1	-127.6	1,839.7
2007 <sup>1</sup>	1,251.3	359.7	370.4	40.9	2,022.4	1,801.1	1,914.4	-113.2	1,909.1
<b>2006<sup>1</sup></b>									
Mar.	280.9	85.8	105.2	12.8	484.6	392.4	449.8	-57.4	427.3
June	293.5	86.2	83.9	41.3	504.9	459.0	506.1	-47.1	457.8
Sep.	314.2	89.2	87.5	-15.2	475.7	483.0	483.4	-0.4	475.4
Dec.	328.4	96.2	92.6	-15.2	502.0	477.1	499.8	-22.7	479.3
<b>2007<sup>1</sup></b>									
Mar.	290.0	84.2	96.1	-4.0	466.2	407.8	429.9	-22.2	444.1
June	307.6	88.6	93.0	12.2	501.4	455.8	483.4	-27.6	473.8
Sep.	323.7	91.6	95.1	-12.5	497.9	491.5	495.2	-3.7	494.2
Dec.	330.0	95.3	86.3	45.3	556.8	446.2	505.9	-59.7	497.1

<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>2006</b>										
Jan.	2.9	4.6	5.0	4.1	16.6	23.3	2.3	42.2	8.3	50.5
Feb.	2.5	6.8	3.3	3.9	16.5	23.8	1.1	41.5	5.8	47.3
Mar.	3.0	9.6	4.4	7.0	24.1	28.4	2.3	54.8	9.6	64.3
Apr.	8.5	12.9	12.1	13.4	46.8	36.3	5.0	88.1	9.7	97.8
May	10.7	10.2	6.5	17.4	44.8	38.6	7.3	90.7	12.0	102.7
June	7.6	14.0	8.2	14.5	44.3	43.7	8.2	96.1	12.9	109.0
July	9.4	10.2	14.5	19.5	53.7	41.5	13.1	108.3	23.5	131.8
Aug.	12.2	11.4	31.0	21.9	76.6	56.4	11.0	143.9	20.4	164.3
Sep.	5.3	14.4	10.9	19.4	50.0	45.1	10.8	105.8	16.1	122.0
Oct.	5.8	14.8	6.0	16.0	42.7	46.8	10.6	100.2	16.2	116.4
Nov.	3.8	10.8	5.6	8.4	28.5	27.6	5.6	61.7	9.8	71.5
Dec.	1.6	6.1	5.0	5.5	18.3	19.7	2.0	40.0	6.5	46.5
<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

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

Source: NSO.

## Real Economy Indicators

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

Thousands

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>2</sup>	Number	% <sup>2</sup>
2003	104.1	41.7	145.8	97.9	40.1	137.9	6.3	6.0	1.6	3.8	7.8	5.4
2004	103.8	42.0	145.9	97.2	40.4	137.6	6.6	6.4	1.7	3.9	8.3	5.7
2005	103.0	42.6	145.6	97.2	41.0	138.2	5.8	5.7	1.6	3.8	7.4	5.1
2006 <sup>3</sup>	102.8	43.7	146.5	97.2	42.0	139.2	5.6	5.5	1.7	3.9	7.3	5.0
<b>2006<sup>3</sup></b>												
Jan.	102.7	43.0	145.7	96.8	41.2	138.0	5.9	5.8	1.8	4.1	7.7	5.3
Feb.	102.7	43.1	145.8	96.8	41.3	138.1	5.9	5.7	1.8	4.2	7.7	5.3
Mar.	102.7	43.2	145.9	96.8	41.4	138.2	5.9	5.7	1.8	4.1	7.7	5.3
Apr.	102.7	43.1	145.8	96.9	41.4	138.3	5.8	5.7	1.7	4.0	7.5	5.2
May	102.7	43.2	145.9	97.1	41.6	138.8	5.6	5.4	1.6	3.7	7.1	4.9
June	103.0	43.5	146.5	97.5	42.0	139.5	5.5	5.4	1.5	3.6	7.1	4.8
July	103.1	43.9	147.0	97.7	42.3	140.0	5.4	5.2	1.7	3.8	7.1	4.8
Aug.	103.2	44.1	147.3	97.8	42.4	140.1	5.5	5.3	1.7	3.9	7.2	4.9
Sep.	103.3	44.1	147.4	97.8	42.4	140.2	5.5	5.3	1.7	3.9	7.2	4.9
Oct.	102.9	44.2	147.1	97.4	42.5	139.9	5.5	5.4	1.7	3.8	7.2	4.9
Nov.	103.1	44.4	147.4	97.5	42.6	140.1	5.6	5.5	1.7	3.9	7.3	5.0
Dec.	101.9	43.9	145.8	96.4	42.3	138.7	5.5	5.4	1.6	3.7	7.2	4.9
<b>2007<sup>3</sup></b>												
Jan.	102.2	44.1	146.3	96.6	42.4	139.0	5.6	5.5	1.7	3.8	7.3	5.0
Feb.	102.2	44.1	146.4	96.7	42.5	139.2	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	139.5	5.3	5.2	1.5	3.3	6.7	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

<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	111.0	55.3	166.2	104.5	51.0	155.5	6.5	5.9	4.2	7.6	10.7	6.4
<b>2006</b>												
Mar.	113.7	50.5	164.3	105.6	45.7	151.4	8.1	7.1	4.8	9.5	12.9	7.8
June	111.2	53.3	164.6	103.9	47.9	151.8	7.3	6.5	5.5	10.3	12.7	7.7
Sep.	110.6	54.3	164.9	103.9	49.9	153.7	6.7	6.1	4.4	8.1	11.1	6.8
Dec.	110.7	52.8	163.5	103.8	48.7	152.5	6.9	6.2	4.1	7.7	11.0	6.7
<b>2007</b>												
Mar.	112.1	52.8	164.9	104.7	49.0	153.7	7.4	6.6	3.8	7.3	11.2	6.8
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

<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

<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>2006</b>												
Jan.	107.1	3.0	1.8	2.3	-0.7	5.1	23.3	2.2	3.7	3.6	0.9	2.8
Feb.	107.7	2.9	1.6	2.3	-0.7	5.2	23.6	2.2	3.7	3.5	0.8	2.8
Mar.	109.1	2.9	1.7	2.4	-0.8	4.9	25.3	2.2	3.6	3.5	0.6	2.6
Apr.	110.3	3.0	1.8	2.4	-0.9	4.7	26.9	2.2	3.7	3.4	0.5	2.6
May	110.9	3.1	1.7	2.5	-0.8	4.6	28.2	2.2	3.9	3.4	0.4	2.6
June	110.5	3.1	1.5	2.6	-0.6	4.6	29.6	2.1	4.2	3.3	0.3	2.6
July	110.0	3.3	1.7	2.5	0.4	4.6	30.8	2.0	4.5	3.4	0.2	2.6
Aug.	109.5	3.4	1.7	2.5	0.8	4.6	31.9	1.9	4.6	3.3	0.1	2.5
Sep.	110.2	3.4	1.8	2.4	0.3	4.6	33.2	1.8	4.8	3.3	0.0	2.5
Oct.	110.6	3.3	1.7	2.4	-0.6	4.7	34.2	1.7	4.5	3.2	0.0	2.4
Nov.	109.9	3.0	1.8	2.3	-1.3	4.7	30.0	1.6	3.9	3.1	-0.1	2.4
Dec.	109.9	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
<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	-2.1	4.4	17.7	1.3	2.2	2.7	0.4	1.9
Apr.	110.2	2.0	2.3	2.1	-2.3	4.2	13.4	1.2	1.6	2.5	0.6	1.7
May	110.4	1.7	2.3	2.0	-2.7	4.0	9.6	1.0	0.9	2.4	0.7	1.4
June	110.5	1.4	2.5	1.8	-3.2	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

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



## 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	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2005	100.0	2.5	1.8	-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	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
<b>2006</b>													
Jan.	98.3	1.9	1.7	-0.7	9.5	2.4	5.4	3.6	8.8	1.8	1.7	0.2	2.9
Feb.	98.9	2.6	1.6	-0.8	9.6	2.4	5.2	3.8	7.0	1.7	1.9	0.4	2.9
Mar.	100.0	2.6	1.5	-0.8	9.8	2.4	5.0	3.9	5.4	1.5	2.0	0.7	2.9
Apr.	104.2	2.7	1.4	-0.9	10.2	2.5	4.9	4.2	3.9	1.5	2.0	1.1	2.9
May	104.8	2.8	1.7	-0.8	10.5	2.5	4.7	4.6	2.4	1.5	2.1	1.5	3.0
June	104.6	2.9	1.5	-0.6	10.8	2.5	4.6	5.0	2.1	1.4	2.2	1.8	3.0
July	105.0	3.1	1.7	0.4	11.2	2.4	4.6	5.4	1.8	1.2	2.2	1.8	3.1
Aug.	104.7	3.1	1.9	0.8	11.5	2.3	4.6	5.7	1.5	0.9	2.3	1.6	3.1
Sep.	104.9	3.2	2.0	0.3	11.9	2.2	4.5	6.0	1.2	0.6	2.4	2.0	3.0
Oct.	104.3	3.1	1.8	-0.6	12.3	2.2	4.4	5.6	0.9	0.4	2.4	2.2	2.9
Nov.	100.7	2.8	2.0	-1.2	11.4	2.1	4.2	4.9	0.7	0.3	2.5	1.9	2.9
Dec.	100.6	2.6	2.2	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
<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

Source: NSO, Eurostat.

## GENERAL NOTES

### Part 1 Monetary, Banking, Financial Markets and Investment Funds

#### Institutional balance sheets

The balance sheets published in Tables 1.1 and 1.2 are based on accounting principles. Consequently, the data in these tables might differ from those shown in other tables compiled according to statistical concepts and methodologies.

#### General monetary statistical standards

Since October 2003, the compilation of monetary statistics has been consistent with internationally agreed statistical concepts and methodologies as set out in the IMF's Monetary and Financial Statistics Manual (2000), ECB Regulation 2001/13 concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the European System of Accounts (ESA 1995). Prior to October 2003, the compilation of monetary statistics was broadly in line with the IMF's A Guide to Money and Banking Statistics in International Financial Statistics of December 1984.

#### Determination of 'residence'

Monetary data are based on the classification of transactions by the residence of the transactor, who may either be a resident or a non-resident of Malta. 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' indicates that there exists some location within the 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). Those companies solely undertaking international business activities, including shipping activities, which have a physical presence and undertake a significant degree of economic activity in Malta, are considered resident units.

Transactors not meeting the above-mentioned criteria, that is, units that have their 'centre of economic interest' in other countries, are considered to be non-residents. Hence, diplomatic bodies, embassies, consulates and other entities of a foreign government located in Malta are considered to be residents of the country they represent and not of Malta.

#### Sector classification of the Maltese economy

The main sectors of the Maltese 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 companies and pension funds
- (d) General government
- (e) Non-financial companies
- (f) Households and non-profit institutions (NPISH)

In addition to the above, there are those transactors that are considered to be non-residents (also referred to as the 'external sector' or the 'rest of the world').

(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 and whose principal function is to issue currency, to maintain the internal and external value of the currency and to hold all or part of the international reserves of the country.

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".

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

Other financial intermediaries are non-monetary financial companies (excluding insurance companies and pension funds) principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than MFIs. 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 managing investment trusts, unit trusts and other collective investment schemes.

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 companies and pension funds:**

This sector comprises non-monetary financial companies principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance companies 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 included in this sector are those that are constituted as separate from the units that created them. They are established for the purpose of providing retirement benefits for specific groups of employees. They have their own assets and liabilities, and

they engage in financial transactions on their own account. These funds are organised and directed by individual private or government employers, or jointly by individual employers and their employees, and towards which the employees and/or employers make regular contributions.

(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. This 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. 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. These units/entities do not charge “economically significant” prices and/or did not cover at least 50% of their production costs in sales over the last years.

ii. **Other general government**, which in Malta comprises solely the local government sector. 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** comprises the general government sector and public companies, the latter being those companies that are owned by government or are subject to government control.

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

This sector comprises companies not engaged in any form of financial intermediation but 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 companies**, i.e. companies that are subject to control by government units. Control over a company is defined as the ability to determine general corporate policy by choosing appropriate 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. These state-owned non-financial companies 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 to the market, and/or to be charging economically-significant prices, and/or more than 50% of their production costs are covered by their sales.

ii. **Private non-financial companies**, 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 non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households and market-producing co-operatives, partnerships and sole proprietorships that are not recognised as independent legal entities.

### **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**

The Bank compiles data on three main monetary aggregates: narrow money (M1), intermediate money (M2) and broad money (M3).

**Narrow money (M1)** includes the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. Excluded from demand deposits are uncleared effects drawn on OMFIs and cheques and other items in the process of collection, but non-government deposits with the Central Bank of Malta are included.

**Intermediate money (M2)** comprises M1, residents’ savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years.

**Broad money (M3)** comprises M2 and the OMFIs’ repurchase agreements with the non-bank sector and OMFIs’ debt securities issued with an agreed maturity of up to and including two years. It therefore includes the resident non-bank sector’s holdings of bank notes and coins in circulation, resident non-bank and non-government deposits irrespective of denomination, the OMFIs’ repurchase agreements with the non-bank sector and the banks’ issues of debt securities, all with an agreed maturity of up to and including two years.

### **The Monetary Base**

The monetary base (M0) is defined as currency in issue together with the OMFIs’ deposits with the Central Bank of Malta. Currency in issue comprises both currency in circulation and holdings of national currency by the banks. OMFIs’ deposits with the Central Bank of Malta exclude term deposits and other bank deposits that are restricted for a significant period of time.

### **Compilation and valuation principles**

Monetary statistics are based on a consolidation of the monthly financial statements provided

by the local OMFIs and the Central Bank of Malta. The OMFIs must submit data to the Central Bank not later than twelve calendar days following the end of the reporting month or quarter. Branches and subsidiaries of OMFIs operating in Malta but whose head offices/parent companies are located abroad are also obliged to submit similar data. The reporting institutions compile monthly financial information in line with international accounting norms as established by the International Accounting Standards Committee. In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank.

Monetary data show stock positions, which are outstanding balances as at the end of the reference period. Monetary aggregates are consolidated for the MFI sector, so that all identifiable interbank transactions are eliminated. Assets and liabilities are generally reported at market or fair value and on an accruals basis. 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. Within 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, that is, by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed.

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 at their book value and 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 which are conditional on the occurrence of uncertain future events, such as contingent instruments, are not given on balance sheet recognition. Only the gains and losses on the latter instruments are treated as on balance sheet items.

### **Release of monetary statistics**

Monthly provisional consolidated monetary statistics are posted on the Central Bank of Malta's website generally by the end of the month following the reference month. Such monetary statistics are considered provisional since the Central 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. Subsequently, such provisional monetary data, together with related analytical information, are released to the press through the Bank's monthly 'Statistical Release on Monetary Aggregates and their Counterparts' 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 indicators**

The statutory interest rates used by the Central Bank of Malta and other indicative benchmark money market rates are given as end-of-period rates as a percentage per annum. The repurchase agreement/term deposit rates are the prevailing 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 shown are the prevailing rates of the last dealings between banks in the official interbank market during the last month of the period reported. When no deals are transacted, the Central Bank of Malta fixing rate average is used.

The weighted average deposit rates on current, savings and time deposits refer to the interest rates applicable on resident Maltese lira deposits only. These rates are 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 in local currency by the interest rate applied thereto and dividing by the total amount.

The primary market Treasury bill rates 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 implies that no transactions occurred during the reference period. Meanwhile, the secondary market yields represent the wholesale selling rates quoted by the Central Bank of Malta at the end of the reference period for amounts of Lm50,000 or over in 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 Malta Stock Exchange (MSE) share index is calculated real-time during each trading day. It is based on the last closing trade prices of the shares of all eligible companies and weighted by their current market capitalisation. The index has a base of 1,000 initiating on 27 December 1995.

## **Investment funds**

The investment funds sector consists of the collective investments schemes licensed by the MFSA that have a centre of economic interest in Malta, other than professional investor funds and money market funds. The balance sheet is aggregated 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 is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays. The table showing 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. It is mainly explained by government transactions in financial assets, such as through privatization receipts or the utilization of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government, which mainly relate to the non-financial public sector companies. 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. They also include guarantees on loans granted by the extra-budgetary units but exclude guarantees granted to them by government as these already feature as general government debt.

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). Data refer to external loans with an original maturity of one year and over. Debt is recognised when disbursement of funds is effected. Data are converted to Maltese liri using end-of-period exchange rates.

### **Part 3 Exchange Rates, External Transactions and Positions**

Exchange rates statistics show the end-of-period and average exchange rates of the Maltese lira against other currencies. The Maltese lira average exchange rates are calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics are generally in line with the IMF Balance of Payments Manual (BPM05). The conventions of the system are also in line with the IMF manual. Credit entries are recorded for e.g. exports, income receivable and financial items, 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 items, 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 non-residents of Malta and are, in most cases, valued at current market prices. The concepts used in the compilation of gross external debt generally complies with the IMF'S guidelines. Such data may not be fully reconcilable with the data shown in the IIP primarily due to conceptual differences. The external debt data of the OMFIs are being shown as a memorandum item as such debt is totally backed by foreign assets.

The official reserve assets concept is also in line with the IMF's Balance of Payments Manual (BPM05). Official reserve assets refer to the country's international reserves, which are those external assets that are readily available to, and controlled by, the monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitudes of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes.

The concepts used in the compilation of gross external debt complies 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 other monetary financial institutions is being separately shown as a memorandum item as such debt is totally 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, which are based on the ETC's administrative records, and the RPI. Data on development permits are sourced 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). As from March 2004, data are based on a weekly survey carried out throughout the reference quarter, whereas from June 2005 data are weighted using a new procedure and are, thus, not strictly comparable with figures prior to this period. The labour market data based on the administrative records of the ETC represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with the ETC itself. ETC data on unemployment are based on the number of persons registering for work under Part 1 and Part 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2000/1. On the other hand, the HICP covers all household final consumption expenditure irrespective of nationality or residence status. Consequently, the HICP uses weights that cover not only private and institutional household expenditure but also tourism expenditure in Malta. The differences in these weighting schemes account significantly for the monthly disparities in the RPI and the HICP.

The sources of data used in the compilation of the Central Bank's property prices index are the properties advertised for sale in all localities in Malta and Gozo 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 within the quarter. The property types include flats and maisonettes, both in shell and in finished form, together with terraced houses, townhouses, houses of character and villas. Indices for each property type are derived on the basis of median prices weighted by the number of observations in each property category. The overall index is a Fischer chained index, calculated as the square root of the product of the chained Laspeyres and the chained Paasche indices. Annual data are derived as an average of the quarterly indices. Prices of commercial properties are excluded from the index.