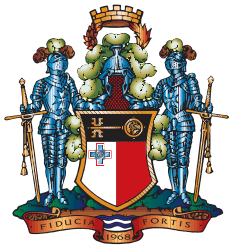

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ABBREVIATIONS

ECB	European Central Bank
EONIA	Euro OverNight Index Average
ESA 95	European System of Accounts 1995
ESA 2010	European System of Accounts 2010
ESCB	European System of Central Banks
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FTSE	Financial Times Stock Exchange
GDP	gross domestic product
HCI	harmonised competitiveness indicator
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
IC	insurance corporation
IF	investment fund
IMF	International Monetary Fund
LFS	Labour Force Survey
LTRO	longer-term refinancing operation
MFI	monetary financial institution
MFSA	Malta Financial Services Authority
MGS	Malta Government Stocks
MIGA	Multilateral Investment Guarantee Agency
MRO	main refinancing operation
MSE	Malta Stock Exchange
NACE	statistical classification of economic activities in the European Community
NCB	national central bank
NPISH	Non-Profit Institutions Serving Households
NSO	National Statistics Office
OECD	Organisation for Economic Co-operation and Development
OMFI	other monetary financial institution
OMT	Outright Monetary Transaction
RPI	Retail Price Index
SPE	Special Purpose Entity
ULC	unit labour cost

FOREWORD

The Governing Council of the European Central Bank (ECB) maintained an accommodative monetary policy stance during the second quarter of 2016, to strengthen the economic recovery in the euro area and to accelerate the return of inflation to levels below, but close to 2%.

During the quarter under review, the Governing Council decided to keep the key interest rates unchanged, with the interest rate on the main refinancing operations, the marginal lending facility and the deposit facility standing at 0.00%, 0.25% and -0.40% respectively.

Meanwhile, the ECB started to implement the comprehensive package of non-standard measures that were announced in March. This included an expansion of the monthly purchases under its asset purchase programme from €60 billion to €80 billion from April, and the start, in June, of a new corporate sector purchase programme (CSPP). In June, the ECB also conducted the first operation in the new series of targeted longer-term refinancing operations (TLTRO II).

During the second quarter of 2016, the pace of expansion in the euro area moderated, with gross domestic product (GDP) rising by 0.3% on a quarter-on-quarter basis, after recording a 0.5% increase in the first quarter. This slowdown was driven by domestic demand.

Price pressures in the euro area remained subdued. Annual inflation in the euro area, as measured on the basis of the Harmonised Index of Consumer Prices (HICP) stood at 0.1% in June, and thus rose only marginally above the zero rate recorded in March. This increase in inflation during the second quarter primarily reflected a smaller drop in energy prices as well as faster increases in food prices. In contrast, prices of services and non-energy industrial goods increased at a slower pace.

According to the ECB staff macroeconomic projections published in September, the euro area recovery is expected to continue, with euro area GDP expected to grow by 1.7% in 2016 and by 1.6% in 2017 and 2018. Euro area inflation is set to stand at 0.2% in 2016, but is expected to accelerate to 1.2% in 2017 and to 1.6% in 2018.

The Maltese economy continued to grow strongly during the first quarter of 2016, supported entirely by domestic demand. The initial estimate, published in June, shows an annual increase of 5.2% in real GDP.[1] During the second quarter, annual real GDP growth eased to 3.0%.

The domestic labour market continued to benefit from government policies targeting increased labour market participation as well as strong economic growth. Labour Force Survey (LFS) data point to a 2.6% annual increase in employment in the first quarter of 2016. The unemployment rate based on the LFS fell further, standing at 4.9%, down from 5.2% in the previous quarter. Jobsplus data show that the number of registered unemployed continued to decline during the second quarter of the year.

The annual rate of inflation in Malta, as measured by the HICP, stood at 1.0% in June, as in March. The prices of unprocessed food and services accelerated during this period. However,

[1] This was revised up to 5.3% in NSO *Release* 142/2016, published on 6 September 2016.

these price movements were offset by a faster decline in energy prices and slower growth in the prices of non-energy industrial goods.

The unit labour cost index, which measures the labour cost of producing one unit of output, dropped marginally by 0.2% on an annual basis during the first three months of the year, when measured on a four-quarter moving average basis. This drop reflects further growth in productivity, which outweighed a rise in compensation per employee. On the other hand, harmonised competitiveness indicators increased during the second quarter, mainly reflecting the appreciation of the euro against the pound sterling and the US dollar.

Turning to external developments, the current account of the balance of payments posted a lower surplus in the first quarter of 2016 than in the comparable quarter of the previous year. This was attributable to a widening in the merchandise trade gap and to higher net outflows related to primary income. These offset a rise in net receipts from services and secondary income.

Monetary dynamics remained robust over the second quarter, although the annual rate of growth of total residents' deposits eased to 6.0% in June, from 10.0% in March. The slowdown partly reflects developments in overnight deposits. Credit to Maltese residents also increased strongly, with the annual rate of change standing at 5.4% in June, slightly up from 5.2% three months earlier. The acceleration in the pace of expansion during the quarter was entirely driven by credit to residents outside the general government sector, as credit to government increased at a slower pace. The faster growth in the former mainly reflected a weaker rate of decline in lending to non-financial corporations. In contrast, the annual growth rate of loans to households, though still strong, eased compared with March, largely mirroring developments in loans for house purchase.

Mirroring to some extent developments in the euro area, interest rates in the domestic money and capital markets edged down further during the second quarter. In the primary market, the yield on three-month Treasury bills fell by 14 basis points between March and June, ending the quarter at -0.28%. In the secondary market, the ten-year government bond yield declined by 4 basis points during the second quarter, standing at 0.86% in June.

Bank lending rates also decreased. The weighted average interest rate offered by monetary and financial institutions to households and non-financial corporations went down by 5 basis points between March and June, to 0.58%. The rate on loans, meanwhile, edged down by 2 basis points, to stand at 3.75%.

Turning to fiscal developments, during the first quarter the general government deficit narrowed on a year earlier, as revenue increased and expenditure declined. As a result, the general government deficit, measured on a four-quarter moving sum basis, fell to 0.1% of GDP, from 1.5% in the last quarter of 2015. Nevertheless, the general government debt-to-GDP ratio rose by 1.5 percentage points, to 65.3%. Between January and June, the deficit on the Consolidated Fund, which covers most government transactions on a cash basis, narrowed when compared to the same period a year earlier.

From a policy perspective, the further narrowing in the fiscal deficit is a positive development. The Pre-Budget Document 2017 foresees a further narrowing in the deficit, with a deficit-to-GDP ratio of 0.6% next year and a close-to-balance position in 2018. The debt ratio is also set to decline, falling to below 60% in 2018. It is essential that these targets are supported by well-defined measures.

The financial system continues to benefit from a robust pace of economic expansion, prudent business practices and macro-prudential measures which are designed to mitigate potential systemic risks, including a recently launched Central Credit Register which aims at enabling banks to better assess risks associated with the provision of credit to clients. Capital and liquidity ratios remain healthy and non-performing loans show signs of decline. Prudent dividend pay-out policies, higher provisioning levels and enhanced collateral valuation processes are also essential to preserve the health of the financial system.

Banks are encouraged to make use of the Central Credit Register and of the additional monetary policy measures that were introduced during the first part of the year. This would support credit growth and enable a further reduction in domestic borrowing costs. Greater transparency in non-interest charges and other lending terms would also help ease financing conditions.

ECONOMIC SURVEY

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

Activity in advanced economies showed contrasting signals in the second quarter of 2016. The economies of the United States and the United Kingdom grew at a faster pace compared with the first quarter. On the other hand, gross domestic product (GDP) growth in the euro area eased. Nonetheless, unemployment fell in all three economies.

Inflationary pressures remained moderate, with the annual rate of change of consumer prices hovering around zero in the euro area, 0.5% in the United Kingdom and 1.0% in the United States, in June. In this environment, major central banks chose to maintain their accommodative monetary policies. The Governing Council of the European Central Bank (ECB) in particular, kept its key interest rates on hold during the review period. It also started to implement the comprehensive package of non-standard measures that was announced in March.

Meanwhile, Brent oil prices recorded a significant increase between March and June driven by a weaker US dollar and expectations of lower oil supplies.

The international economy

US economic growth regains some positive momentum

The US economy continued to grow at a moderate pace in the second quarter of 2016. Real GDP grew by 0.3% on the previous quarter, following 0.2% growth during the first three months of the year (see Table 1.1).

This economic expansion during the second quarter was mainly driven by positive contributions from personal consumption expenditure and exports. These were partly offset by lower levels of private inventory investment, private sector fixed investment and government spending. Imports increased slightly and thus also dampened GDP growth during the second quarter.

During the second quarter, the pace of job creation in the US lost momentum when compared with the first quarter of the year. The annual rate of change of employment, went down to 1.6% in June, from 2.0% in March, driven by slower growth in private sector construction and ser-

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

	2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2
United States	0.5	0.6	0.5	0.2	0.2	0.3
Euro area	0.8	0.4	0.4	0.4	0.5	0.3
United Kingdom	0.3	0.4	0.4	0.7	0.4	0.6

Sources: Bureau of Economic Analysis, US; Eurostat; Office for National Statistics, UK.

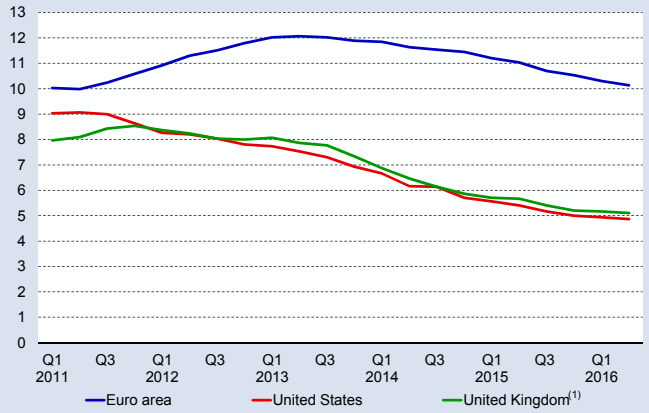
[1] The cut-off date for data in this Chapter is the 26 August 2016, except for euro area data, where the cut-off date is extended to 8 September.

vices employment. On the other hand, government employment grew at a slightly higher rate, while employment in the manufacturing sector fell at the same annual rate of March. Meanwhile, the participation rate decreased from 63.0% in March to 62.7% in June. The unemployment rate ended the second quarter at 4.9%, down from 5.0% in March, reflecting an unusually large number of unemployed leaving the labour force (see Chart 1.1).

The annual rate of inflation, as measured by the consumer price index (CPI), edged up from 0.9% in March to 1.0% in June (see Chart 1.2). This pick-up in inflation reflected a slower decline in energy prices, after oil prices gained some positive momentum in the second quarter. The slower fall in energy prices was augmented by a slightly faster increase in services prices. These price movements were partly offset by developments in the food and beverage index, which decelarated during the period under consideration. In June, the CPI excluding food and energy rose by 2.3% on a year earlier, up from 2.2% in March.

The Federal Reserve maintained its accommodative monetary policy stance throughout the second quarter, keeping the target range of the federal funds rate unchanged in-between 0.25% and 0.50% (see Chart 1.3). It also decided to maintain its policy of reinvesting principal payments from its agency debt

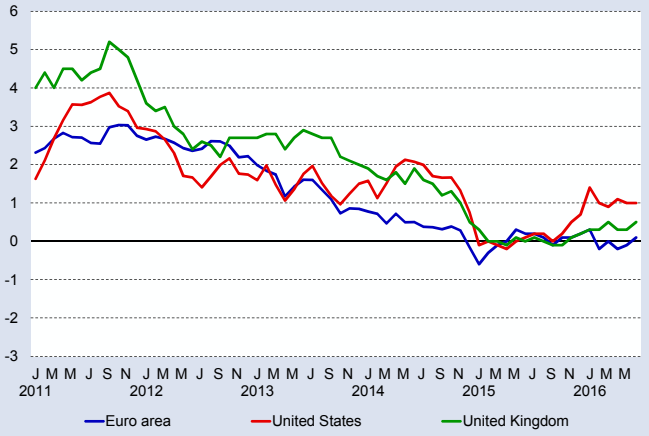
Chart 1.1
UNEMPLOYMENT RATE
(percentage of the labour force; quarterly average; seasonally adjusted)



(1) UK's second quarter average reflects data for April and May only.

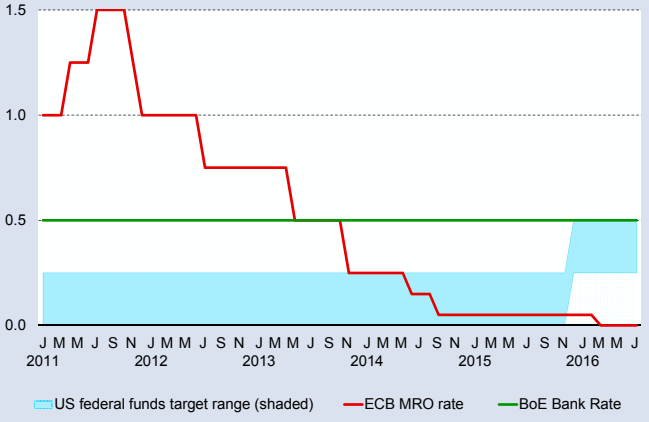
Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



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

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



Sources: ECB; Federal Reserve; Bank of England.

and agency mortagage-backed security holdings – purchased through its quantitative easing programmes – in agency mortgage-backed securities. It also continued rolling over maturing Treasury securities at auction.

In June, the Federal Open Market Committee (FOMC) indicated that although unemployment has declined, the amount of jobs generated in May diminished. The FOMC expected economic activity will continue to expand at a moderate pace thus further strenghtening the labour market. Inflation is still expected to remain low in the short run, in part due to earlier declines in energy prices, but it is expected to rise to the 2% target in the medium term.[2]

UK economic growth picks up

The UK economy regained some momentum in the second quarter of the year, despite the vote to leave the European Union (EU) in June. Thus, the quarter-on-quarter rate of GDP growth accelerated to 0.6%, from 0.4% over the first three months of 2016 (see Table 1.1). The largest contributor to this growth was the services industries followed by the production industries. On the other hand, both the agriculture and the construction industries both contributed negatively to GDP growth.

The increase in GDP growth was also reflected in the UK's labour market as employment also grew at a faster pace during the second quarter. The unemployment rate ended marginally lower, reaching 5.0% in May when compared to the 5.1% registered in March (see Chart 1.1).

Annual inflation followed a very similar pattern to that in the first quarter. The annual rate of change ended the second quarter at 0.5%, as in March (see Chart 1.2). In June there were larger declines in the prices of food and non-energy industrial goods which were offset by a more contained drop in energy prices. Meanwhile, services inflation remained unchanged from March. Inflation excluding energy and food declined marginally, going from 1.5% in March to 1.4% in June.

During the second quarter, the Bank of England left the official bank rate unchanged at 0.50% (see Chart 1.3). It also maintained its stock of purchased assets at £375 billion. During the Bank's Monetary Policy Committee meeting the highlight was the uncertainty posed by the EU referendum that would be held later on during the quarter. As the results of the referendum were not known at the time, the MPC opted to remain on hold, while emphasizing that it will do whatever is needed, following the outcome of the referendum, to ensure that inflation expectations remain well anchored and inflation returns to the target over the appropriate horizon.[3]

Economic and financial developments in the euro area

Economic activity in the euro area grows moderately

During the second quarter of 2016, the euro area economy grew further, extending the recovery that began in 2013. However, on a quarter-on-quarter basis, real GDP growth eased to 0.3%, from 0.5% in the first three months of the year (see Table 1.2).

Net exports underpinned economic growth during the second quarter, as exports of goods and services accelerated and grew at a much faster pace than imports of goods and services. Exports

[2] This assessment was broadly confirmed in July, with the FOMC taking note of a recovery in the pace of job creation since its June meeting and noting a reduction in near-term risks to the outlook for the US economy.

[3] Expansionary measures were announced in August, These included a reduction in the Bank Rate to 0.25%, a new Term Funding Scheme, £60 billion additional purchases of government bonds and purchases of up to £10 billion in corporate bonds.

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

	2015			2016	
	Q2	Q3	Q4	Q1	Q2
	Quarterly percentage changes				
Private consumption	0.4	0.5	0.3	0.6	0.2
Government consumption	0.4	0.4	0.6	0.6	0.1
Gross fixed capital formation	0.1	0.5	1.4	0.4	0.0
Exports	1.2	0.4	0.7	0.0	1.1
Imports	0.7	1.2	1.4	-0.1	0.4
GDP	**0.4**	**0.4**	**0.4**	**0.5**	**0.3**
	Percentage point contributions				
Private consumption	0.2	0.3	0.2	0.3	0.1
Government consumption	0.1	0.1	0.1	0.1	0.0
Gross fixed capital formation	0.0	0.1	0.3	0.1	0.0
Change in inventories	-0.2	0.2	0.1	-0.1	-0.2
Exports	0.6	0.2	0.3	0.0	0.5
Imports	-0.3	-0.5	-0.6	0.1	-0.2
GDP	**0.4**	**0.4**	**0.4**	**0.5**	**0.3**

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

increased by 1.1%, following zero growth in the previous quarter, while imports rose by 0.4% after contracting marginally in the first quarter.

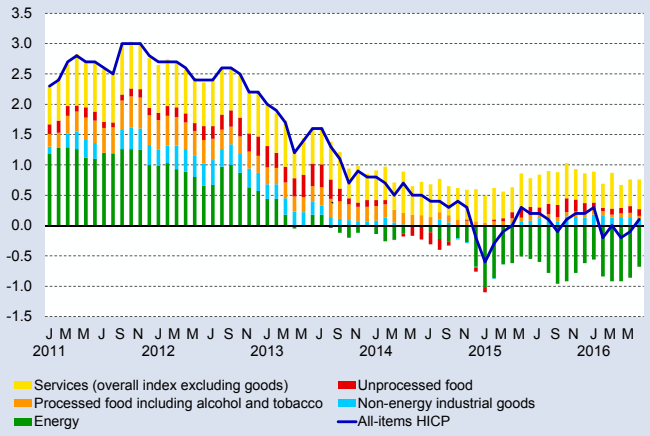
Domestic demand contributed negatively to real GDP growth, primarily reflecting developments in changes in inventories, which cut 0.2 percentage point from growth. Private consumption and government consumption increased at a slower rate when compared to the previous quarter, rising by 0.2% and 0.1% respectively. Moreover, gross fixed capital formation remained constant, following moderate growth in the first quarter.

Inflation remains subdued

The annual rate of inflation in the euro area, measured on the basis of the Harmonised Index of Consumer Prices (HICP), remained weak during the review period. The inflation rate, which had stood at zero in March, turned negative in April and May, before rising to 0.1% in June.

The marginal increase in euro area inflation over the second quarter partly reflected a smaller drop in energy prices, following the rebound in international oil prices (see Chart 1.4).

Chart 1.4
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)



Source: Eurostat.

Faster increases in both processed and unprocessed food also contributed to the slight pick-up in inflation. These movements offset a slower rise in prices of services and non-energy industrial goods.

Conversely, the annual rate of change of HICP excluding food and energy slowed down marginally over the second quarter. In June it stood at 0.9%, down from 1.0% in March, mirroring developments in the prices of services and non-energy industrial goods.

Labour market continues to recover

Labour market conditions improved further over the second quarter of 2016, with the unemployment rate in the euro area declining to 10.1% in June from 10.2% in March, and 11.0% a year earlier (see Chart 1.1).

Eurosystem staff projections show recovery expected to continue

According to the ECB staff's macroeconomic projections published in September, the economic recovery in the euro area is expected to continue. Euro area activity is set to benefit from the global economic recovery, an accommodative monetary policy stance, improving labour market conditions relatively low oil prices and a progress with deleveraging in different sectors of the economy. Real GDP growth is foreseen to grow by 1.7% in 2016, and by 1.6% in each of the following two years (see Table 1.3).

Growth is expected to remain driven by domestic demand. In contrast, net exports are expected to lower GDP growth over the projection horizon, although their negative impact is set to diminish progressively over time.

Private consumption is projected to maintain a steady pace of expansion in the context of continued employment growth and some pick up in compensation. At the same time, consumer confidence remains resilient from a historical perspective, while improving bank lending conditions should support growth in private consumption.

Investment is also expected to contribute positively to growth, on the back of a modest recovery in dwelling investment and continued growth in business investment. Investment is set to benefit from improving confidence, more favourable financing conditions, higher capacity utilisation and the need to modernise the capital stock after years of subdued investment. Government

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

	2015	2016	2017	2018
GDP	**1.9**	**1.7**	**1.6**	**1.6**
Private consumption	1.7	1.7	1.6	1.5
Government consumption	1.4	1.7	0.9	1.0
Gross fixed capital formation	2.9	3.1	3.3	3.3
Exports	6.1	2.6	3.7	4.1
Imports	6.1	3.3	4.4	4.7
HICP	**0.0**	**0.2**	**1.2**	**1.6**

(1) ECB staff macroeconomic projections (September 2016).
Source: ECB.

consumption is also set to expand over the forecast horizon, although its contribution is set to diminish in 2017 and 2018.

On the external side, exports are set to accelerate in response to the global economic recovery. However, they are set to grow more weakly than imports, with a negative net trade contribution that fades gradually over the projection horizon.

Compared with Eurosystem staff projections published in June, euro area GDP growth was revised down by 0.1 percentage point in 2017 and 2018, mainly reflecting the negative impact of a weaker outlook for the UK on euro area exports.

According to the September projections, HICP inflation is set to remain subdued at 0.2% in 2016. However, it should accelerate to 1.2% in 2017 and further to 1.6% in 2018. The pick-up in inflation over the forecast horizon is partly supported by energy inflation, which is expected to turn positive in 2017 as the effect of past declines in the oil price fades away. However, HICP excluding food and energy is also set to pick up, partly reflecting weaker downward pressures from earlier declines in commodity prices, faster wage growth in the context of lower unemployment, and a recovery in firms' profitability. The inflation projections are broadly unchanged from those published in June.

ECB maintains its accommodative monetary policy stance

The ECB's Governing Council maintained an accommodative monetary policy during the second quarter of 2016. The key interest rates were kept constant during the quarter, with the interest rate on main refinancing operations (MRO), marginal lending facility and deposit facility standing at 0.00%, 0.25% and -0.40%, respectively (see Chart 1.3). The Council expects these rates to remain at current or lower levels for an extended period of time, and well past the horizon of the net asset purchases.

The ECB also started to implement the comprehensive package of non-standard measures that was announced by the Governing Council in March. These tools are intended to ease financial conditions and encourage new credit provision within the euro area, which should in turn reinforce the recovery in Member States and accelerate the return of inflation to levels below, but close to 2%. As previously announced, in April the ECB began to expand the monthly purchases under the asset purchases programme (APP) to reach €80 billion. These purchases are intended to run until the end of March 2017, or beyond, if necessary. Subsequently, in June, the Bank started making purchases under the corporate sector purchase programme (CSPP) through six Eurosystem national central banks. It also conducted the first operation in the new series of targeted longer-term refinancing operations (TLTRO II). [4]

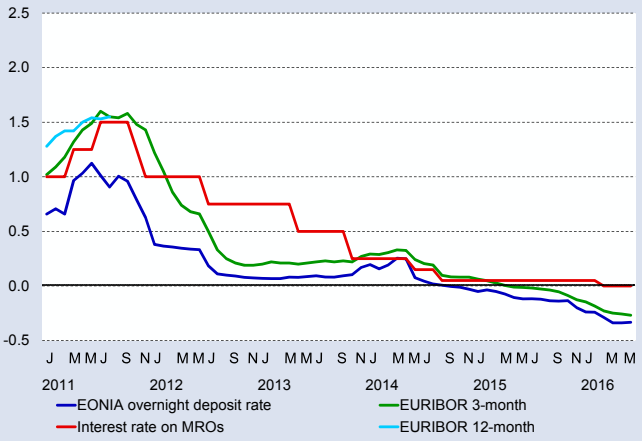
Money market rates at record lows

In the light of further monetary policy easing by the ECB during the second quarter of 2016, money market rates fell further, with all benchmarks attaining new historic lows and each falling into negative territory in June. The EONIA deposit rate stood at -0.33% in June, down from

[4] The Governing Council kept the key interest rates unchanged during its September meeting and confirmed that asset purchases will continue until at least March 2017.

-0.29% in March (see Chart 1.5).[5] Meanwhile, the three-month and twelve-month EURIBOR lost 4 and 2 basis points, to end the quarter at -0.27% and -0.03%, respectively.

Chart 1.5
KEY INTEREST RATES
(percentages per annum; monthly averages)

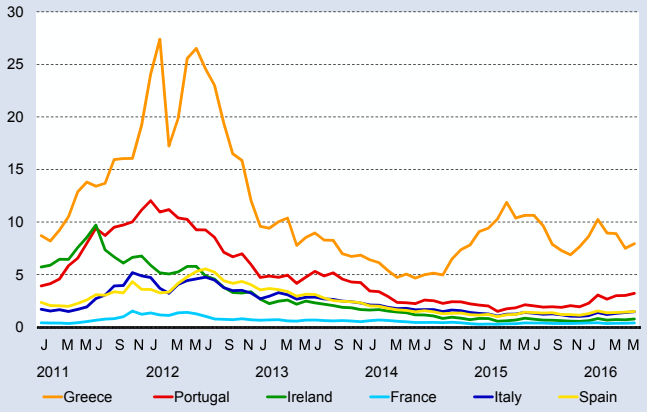


Source: ECB.

Bond yield spreads widen further

Yields on ten-year benchmark government bonds in the euro area generally declined in the second quarter of 2016, with the monthly average in Germany turning negative at -0.02% in June, down from 0.17% in March. The declines in ten-year government bond yields were more pronounced for higher-rated euro area countries, although those in Greece also fell strongly, as the country was granted an extension of its loans by international creditors. On the other hand, yields in Portugal and Italy increased over the review period, as a result of political and economic risks in Portugal, while the Italian economy was affected by heightened concerns about its banks.

Chart 1.6
EURO AREA TEN-YEAR GOVERNMENT BOND YIELD SPREADS[(1)]
(vis-à-vis German ten-year government bond yields)



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

The spreads between yields on ten-year German bonds and those issued by most other euro area sovereigns widened, particularly for Portugal and Italian government bond yields (see Chart 1.6). France, Ireland and Spain recorded a more limited increase in spreads against the bund, of around 10 basis points. In contrast, the significant decline in Greek bond yields caused their spread to narrow by just over a full basis point over the quarter under review.

The euro depreciates

The euro exchange rate remained relatively stable over the second quarter with the nominal effective exchange rate against the EER-19 group of countries falling by 0.3% between the end of March and end-June (see Chart 1.7).[6]

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

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

The euro's stability in nominal effective terms masks some heterogeneity in bilateral movements against major currencies. The euro lost 2.5% against the US dollar between end-March and end-June, partly driven by renewed fears over Greece's ability to repay its debt as well as yield differentials between the two economies (see Chart 1.8). On the other hand, the euro appreciated by 4.4% vis-à-vis the pound sterling over the review period, as sterling depreciated sharply following the announcement of the result of the referendum favouring the UK's exit from the European Union.

Commodities

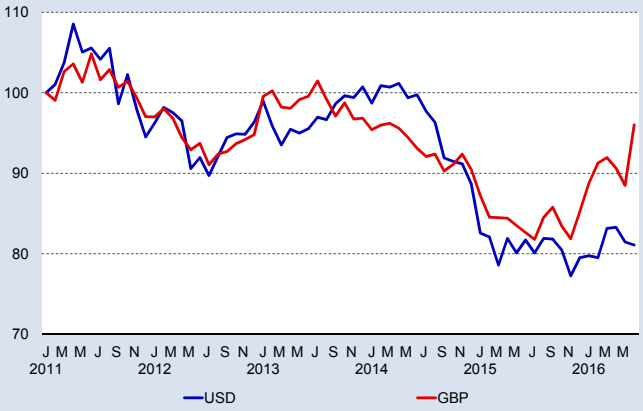
Commodity prices increase

During the second quarter, the price of oil continued to recover. A large increase was recorded during April, with the price of Brent crude oil rising by about 20% during that month (see Chart 1.9). This increase reflected several factors, including a weaker US dollar, lower US oil inventories, and expectations of lower production by non-OPEC countries. The expectation of a slowing supply was reinforced in May as wildfires caused disruptions in oil production in Canada, pushing the oil price further up. However these price increases were partly reversed during June, with the US dollar price of oil losing 3% during the month. This decline was mostly due to the unexpected result of the UK's referendum on the country's EU membership and

Chart 1.7
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

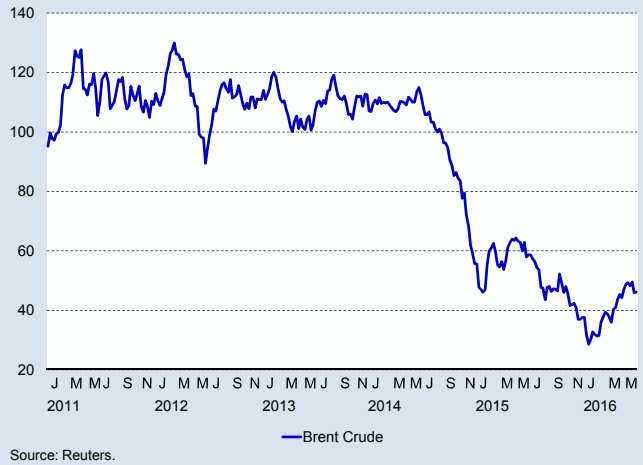
Source: ECB.

Chart 1.8
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2011=100; an increase in the index implies euro appreciation)



Source: Eurostat.

Chart 1.9
PRICE OF OIL
(end of week; US dollars per barrel)



Source: Reuters.

the ensuing uncertainty about global demand. Nevertheless the price of Brent crude oil still managed a significant increase during the second quarter of 2016. At the end of June it stood at USD 47.5, per barrel, marking a 27.3% gain over March.

Non-energy commodities also edged upward during the second quarter, on the basis of World Bank data. This was mainly driven by increases in food items and raw materials, which offset a decline in the metals and minerals index.

2. OUTPUT AND EMPLOYMENT

The Maltese economy continued to grow robustly during the first three months of 2016. Economic expansion was supported entirely by domestic demand, with net exports contributing negatively to growth in real gross domestic product (GDP). Sectoral data show that services remained the main driver of economic activity. Nevertheless, the gross value added (GVA) in manufacturing accelerated, while that in agriculture and utilities increased at a slower pace. Conversely, the construction sector recorded a small decline in GVA. Employment continued to increase, while unemployment continued to decline.

Gross domestic product

Economic activity continued to grow strongly

The Maltese economy continued to expand strongly during the first quarter of 2016, with real GDP rising at an annual rate of 5.2%. Although robust, this was a slower rate of growth than the 6.2% recorded in the previous quarter.[1] Domestic demand was the main driver behind the expansion in the first three months of the year, while net exports acted as a drag on real GDP growth (see Table 2.1).

On a quarter-on-quarter basis, real GDP growth also slowed down from the high growth rates recorded in the previous seven quarters. Economic activity went up by 0.3% in seasonally-

Table 2.1
GROSS DOMESTIC PRODUCT(1)

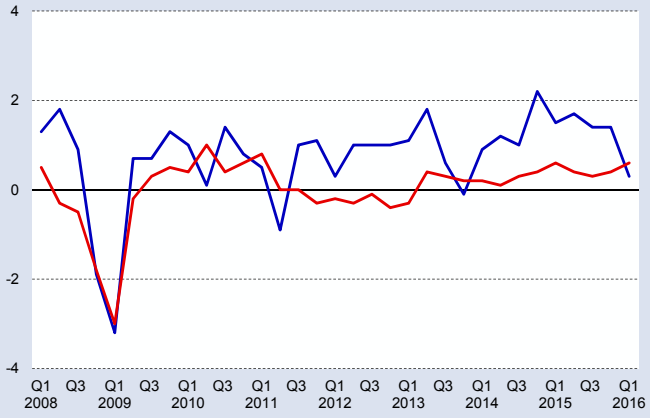
	2015				2016
	Q1	Q2	Q3	Q4	Q1
	Annual percentage changes				
Private final consumption expenditure	3.7	3.9	7.1	6.9	5.7
Government final consumption expenditure	4.5	5.5	-1.9	11.1	8.4
Gross fixed capital formation	5.3	72.6	80.3	22.4	16.2
Domestic demand	**4.7**	**16.1**	**20.2**	**7.5**	**8.3**
Exports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

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

[1] The analysis of GDP in this Chapter of the *Quarterly Review* is based on data in NSO *News Release* 091/2016, released on 8 June 2016.

adjusted terms, down from 1.4% in the previous quarter. On the other hand, the euro area economy grew by 0.6% in the first quarter, up from 0.4% in the last quarter of 2015 extending the gradual recovery seen since beginning of 2013 (see Chart 2.1).

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



Source: Eurostat.

Domestic demand remains the driver of economic growth

During the first quarter of 2016, the annual growth rate of domestic demand accelerated to 8.3% from 7.5% in the previous quarter. Moreover, domestic demand contributed 8.2 percentage points to real GDP growth. The strongest impact came from gross fixed capital formation, followed by private consumption. Government consumption also contributed positively, although to a lesser extent, while changes in inventories had a negligible impact on growth.

Gross fixed capital formation continued to increase robustly during the March quarter, expanding by 16.2% on an annual basis, following a rise of 22.4% in the previous quarter. Total investment pushed up economic growth by 3.4 percentage points. This strong performance mostly stemmed from investment in machinery and transport equipment, which, in turn, reflected the expansion in aviation services. Investment in dwellings, together with investment in intellectual property, also increased. In contrast, capital outlays on non-residential construction declined on an annual basis. In absolute terms, investment growth was driven solely by the private sector, as government investment fell when compared to the same period of the previous year. The decline reflects high absorption of EU funds in 2015, as work on projects financed by the 2007-13 EU financing framework reached completion.

Private consumption continued to grow strongly during the period under review, rising by 5.7% following 6.9% in the previous quarter, and contributing 3.1 percentage points to GDP growth. The slowdown in the annual rate of growth partly reflected a moderation in the rate of increase in employee compensation. Nominal consumption data show higher spending across almost all commodity types, except health. As regards spending on transport, this also reflected higher passenger car registrations, which were boosted by incentives to replace old motor vehicles with new ones.

Following an increase of 11.1% in the last quarter of 2015, government consumption rose at a slower pace in the first three months of the year, rising by 8.4%. It pushed up real GDP growth by 1.7 percentage points. In nominal terms, the two principal components of government consumption, namely intermediate consumption and compensation of employees, both rose on their year-ago levels.

Net exports decline

During the first quarter of 2016, imports continued to rise at a faster rate than exports, a pattern that goes back to the second quarter of 2015. This pattern coincides with rapid growth in domestic demand and, in particular, with the acceleration in investment, which has a high import content. Consequently, net exports remained a drag on economic activity, as they dampened real GDP growth by 3.0 percentage points.

Export growth slowed down compared to the previous quarter. Exports rose by 0.5% on a year earlier, following a 2.1% increase in the last quarter of 2015, as increased exports of services offset lower goods exports.

Strong growth in domestic demand supported import growth, which rose by 2.5% following a slightly higher rate of 2.7% in the previous quarter. The moderation in imports was driven by trade in goods. On the other hand, imports of services expanded on an annual basis, after having contracted in the previous quarter.

Nominal GDP growth moderates

In nominal terms, annual GDP growth slowed down to 7.6% in the first quarter of 2016, from 9.0% in the last quarter of 2015 (see Table 2.2).

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

	2015				2016
	Q1	Q2	Q3	Q4	Q1
Agriculture, forestry and fishing	0.1	0.0	0.1	0.2	0.1
Mining and quarrying; utilities	0.2	0.5	0.9	0.3	0.2
Manufacturing	0.1	0.4	0.0	0.3	0.6
Construction	0.0	0.5	0.5	0.4	0.0
Services	6.4	7.2	7.5	5.9	5.2
of which:					
Wholesale and retail trade; repair of motor vehicles; transportation; accommodation and related activities	1.2	1.7	2.2	1.8	1.4
Information and communication	0.4	0.4	0.4	0.5	0.5
Financial and insurance activities	0.5	0.5	0.8	0.3	0.4
Real estate activities	0.3	0.4	0.6	0.5	0.6
Professional, scientific, administrative and related activities	2.0	2.2	1.9	1.5	1.2
Public administration and defence; education; health and related activities	1.4	1.4	1.1	0.9	0.9
Arts, entertainment; household repair and related services	0.5	0.6	0.6	0.3	0.2
Gross value added	**6.8**	**8.6**	**8.9**	**7.0**	**6.1**
Net taxation on products	**1.5**	**0.5**	**0.4**	**1.9**	**1.4**
Annual nominal GDP growth (%)	**8.3**	**9.2**	**9.2**	**9.0**	**7.6**

Source: NSO.

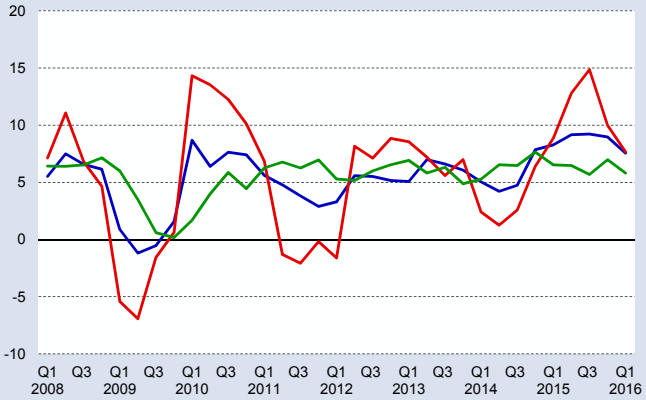
Analysing the distribution of GDP from the output side, GVA rose by 7.0% in the first quarter, following a rise of 8.2% in the previous quarter, with services remaining the main driver behind the expansion.[2] The strongest contributions came from the sectors incorporating wholesale and retail trade, professional and scientific activities as well as public administration. Together, these sectors accounted for slightly less than 60% of the year-on-year increase in overall GVA, adding 3.5 percentage points to nominal GDP growth.

GVA in manufacturing increased at a faster pace in the period under review, adding 0.6 percentage point to the annual rate of economic growth, reflecting declines in the cost of intermediate inputs. On the other hand, a slower rate of growth was recorded in the sectors incorporating agriculture, forestry and fishing as well as mining and utilities, which contributed 0.1 and 0.2 percentage points respectively to nominal GDP growth. Conversely, value added in the construction sector declined slightly on a year earlier, with a negligible effect on economic activity overall.

Looking at the distribution of GDP by factor income, the rapid growth in profits eased further. Gross operating surplus and mixed income rose by 7.7% on an annual basis, moderating from 10.0% in the previous quarter (see Chart 2.2). In absolute terms, the majority of sectors recorded increases in their gross operating surplus, partly because utility tariffs for commercial users were lowered in the second quarter of 2015. The largest rise in gross operating surplus was registered in the real estate sector, followed by the sectors that include administration and support services activities as well as financial and insurance activities. On the other hand, the sector comprising agriculture, forestry and fishing together with arts, entertainment and recreation recorded lower gross operating surplus when compared with the same quarter of the previous year.

The annual rate of growth of compensation of employees moderated to 5.8% in the first quarter of 2016, following a rise of 7.0% in the previous quarter. In absolute terms, the strongest increases were recorded in the sectors comprising public administration, health and education, followed by wholesale and retail activity as well as professional, scientific and technical activities.

Chart 2.2
NOMINAL GDP AND INCOME DISTRIBUTION
(annual percentage changes)



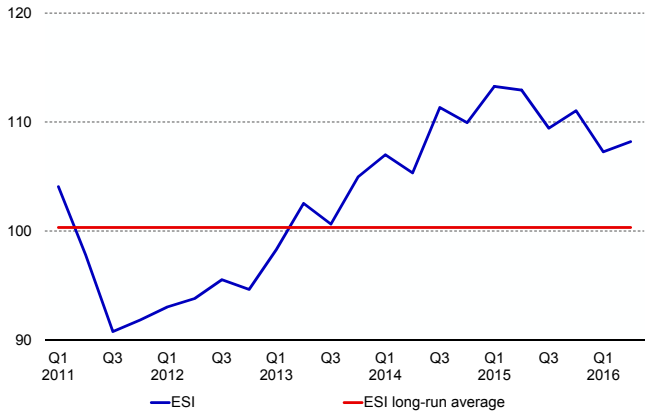
Source: NSO.

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

BOX 1: BUSINESS AND CONSUMER SURVEYS

During the second quarter of 2016, the economic sentiment indicator (ESI) increased marginally to 108, from 107 in the first quarter.[1] Therefore, it remained above its long-term average of 100 (see Chart 1).[2] Sentiment improved slightly across all sectors except in the retail sector.

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

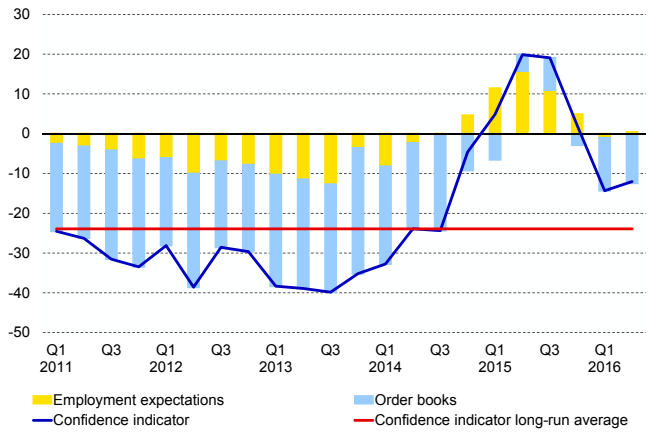


Source: European Commission.

Confidence in the construction sector less negative in the second quarter[3]

Sentiment in the construction sector increased marginally during the second quarter of 2016, breaking the downward path observed since the third quarter of 2015 (see Chart 2). Indeed, the construction confidence indicator stood at -12, compared with -14 in the preceding quarter.

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



Source: European Commission.

The rise in confidence during the second quarter of 2016 was driven by an increase in both firms' assessments of order books and employment expectations for the subsequent three months.

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[1] The ESI summarises developments in confidence in five surveyed sectors (industry, services, construction, retail and consumers). Quarterly data in this Box are three-month averages.

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

[3] The construction confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.

Additional survey data indicate that in the second quarter, on balance, firms expected no selling price inflation in the subsequent three months.

While well above its long-term average of -24, the overall construction confidence indicator has been negative for two consecutive quarters, with firms' assessment of order books being the main contributor to this result. This, in turn, may reflect year-on-year declines in the number of dwellings sold on the basis of the Property Volume Index published by the National Statistics Office (NSO), as well as the recent decline in government investment following the surge in 2014 and 2015 (see Government Finance Chapter).

Industrial confidence increases marginally[4]

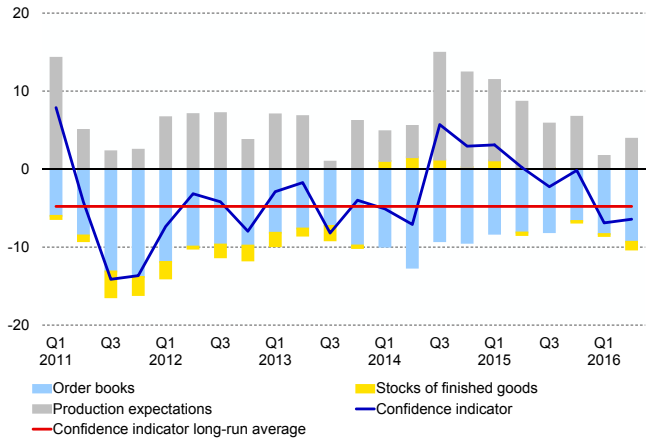
Confidence in the industrial sector edged up from -7 in the first quarter to -6 in the second quarter, thereby remaining slightly below its long term average (see Chart 3).

Negative sentiment in the second quarter of 2016 was primarily due to persistently weak order books, although firms also continued to report positive stocks of finished goods.[5] These factors were only partly offset by positive responses about production expectations.

The marginal increase in sentiment in industry during the quarter under review was in fact driven entirely by improved production expectations, notably among firms producing intermediate goods, including firms in the semiconductors industry.

Additional survey data suggest that, on average, in the second quarter more respondents expected to increase their labour complement in the subsequent months. At the same time, fewer respondents were expecting to decrease their selling prices.

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



Source: European Commission.

Confidence in the services sector increases marginally[6]

Confidence among firms in the services sector

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

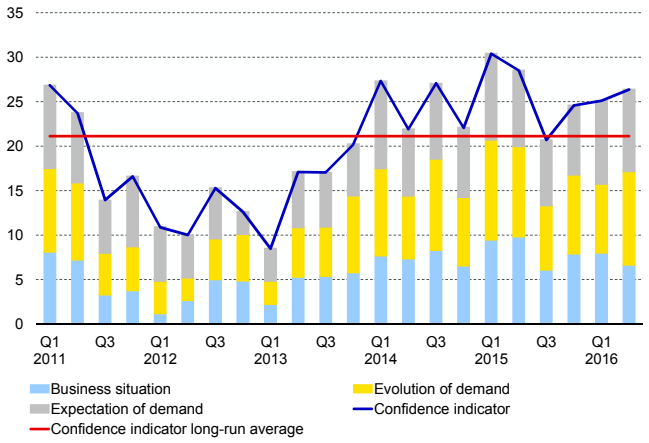
[5] An increase in stock levels indicates lower turnover and affects the overall indicator in a negative way. Such increases are thus represented by negative bars in Chart 3.

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

rose marginally to 26 in the second quarter, from 25 in the preceding quarter. This compares with a long-term average of 21 (see Chart 4).

The rise in confidence was driven by an increase in demand over the preceding three months. This increase marginally outweighed falls in firms' assessment of their business situation. Demand expectations were unchanged between the two quarters.

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



Source: European Commission.

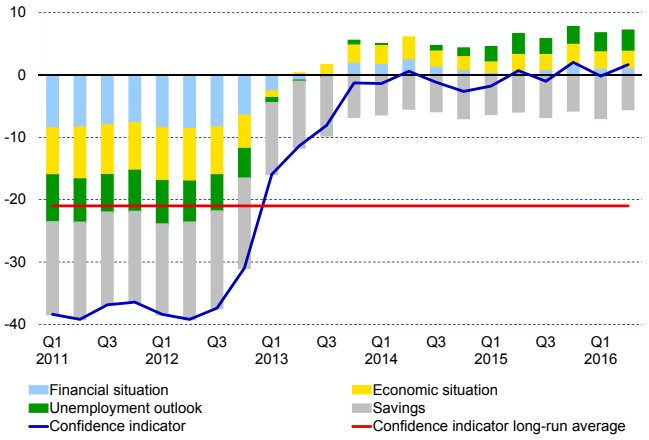
Additional survey data indicate that, overall, in the second quarter the share of firms reporting employment growth in the preceding and following three months rose. On the other hand, while selling price expectations remained positive, a smaller net share of respondents expected to charge higher prices.

Consumer confidence remains positive[7]

The consumer confidence indicator stood at 2 in the second quarter, up from 0 in the preceding three-month period. The indicator thus remained well above its long-term average of -21 (see Chart 5). Consumer sentiment continued to benefit from a favourable economic situation and labour market conditions.

The increase in confidence between the first and second quarter of

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



Source: European Commission.

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

2016 was mainly driven by consumers' savings expectations, which turned slightly less negative. Additional survey data, in fact, suggests that, a smaller share of consumers expressed the intention to make major purchases over the subsequent 12 months. Also, the share of respondents anticipating a fall in unemployment increased.[8]

The survey also indicates that consumers' price expectations, increased compared to the preceding quarter.

Confidence in the retail sector declines for the fourth consecutive quarter[9]

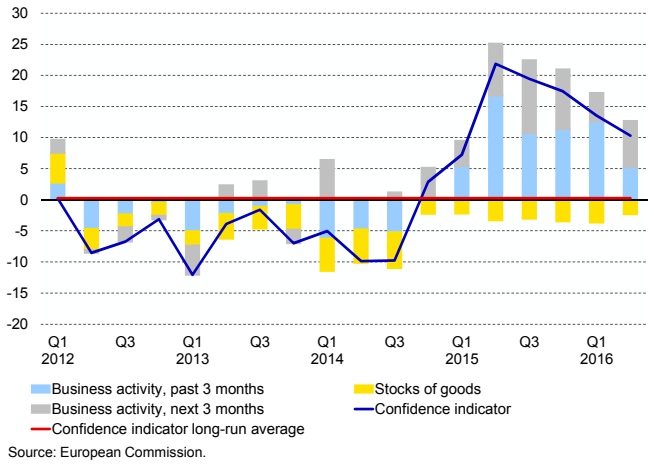
Sentiment in the retail sector fell from 14 in the first quarter to 10 in the second quarter, though it still exceeded its long-term average (see Chart 6).

Sentiment in this sector continues to benefit from a favourable assessment regarding past business activity. However, this assessment has become less optimistic in recent quarters. Indeed, a deterioration in respondents' assessment of business activity in the past three months was the key factor behind the recent deterioration in confidence among retailers. This also fully explains the deterioration in confidence in the second quarter.

On the other hand, the survey indicates an improvement in expectations for business activity over the subsequent three months. Similarly, although still contributing negatively to the overall indicator, inventory levels decreased between the first and second quarters of 2016.

Additional survey data indicate that, compared with the first quarter of the year, a smaller share of respondents expected their selling prices to rise in the near term. Also, a greater share of respondents expected their labour component and their order levels to increase in the following three months.

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



Source: European Commission.

[8] A fall in unemployment expectations affects the overall indicator in a positive way. Such falls are thus represented by positive bars in Chart 5.

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

BOX 2: THE CONSTRUCTION SECTOR IN 2015[1]

This Box reviews developments in the construction and real estate sectors during 2015 using various measures of activity.[2] It also looks at developments in sentiment in the construction sector as reported in a monthly survey published by the European Commission. Overall, the information available suggests that, during 2015, the construction and real estate sectors extended their recovery following a period of declining or stagnant activity. Government measures aimed at supporting the sector in recent years may have contributed to this improvement. The recovery occurred despite a continued reduction in bank borrowings, possibly reflecting the sector's access to financing arrangements outside the banking sector.

Activity accelerates in 2015

As regards activity indicators, business demographic data published by the NSO show that in 2015 there were 10,444 units registered in construction-related activities (see Table 1). This represented around 12% of the total 87,971 business units registered in Malta that year. The construction sector accounted for around two-thirds of all units active in construction-related activities, with a further third active in real estate. Only a small number of firms were active in the mining and quarrying sector.

Following a decline in 2012, the overall number of business units in construction-related activities recovered consistently until 2015. This recovery is evident in both construction and real estate, though somewhat faster in the latter case.[3] In 2015, the number of business units in construction and real estate rose by 749, or 7.8%. This compares with a 10.9% increase in the whole economy.

Table 1
LEGAL BUSINESS UNITS REGISTERED IN MALTA 2010-15
Number of business units

	2010	2011	2012	2013	2014	2015	2015 Annual change
Construction	6,901	6,884	6,372	6,445	6,519	6,782	263
Mining and quarrying	108	103	106	114	126	127	1
Real estate	3,068	3,103	2,830	2,877	3,049	3,535	486
Construction-related activities	**10,077**	**10,090**	**9,308**	**9,436**	**9,694**	**10,444**	**750**
Total economy	**73,116**	**76,043**	**71,864**	**74,709**	**79,356**	**87,971**	**8,615**

Source: NSO.

[1] Prepared by Rita Schembri, Manager Economic Analysis Office. The views expressed in this Box are the author's own and do not necessarily represent the views of the Bank. This Box is based on a presentation with the same theme delivered during the National Conference on the State of the Construction Sector in Malta, organised by the Building Industry Consultative Council on 24 June 2016.

[2] The definition of construction and real estate is based on Eurostat's NACE Rev 2. statistical classification of economic activities. Further information is available at: http://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF/dd5443f5-b886-40e4-920d-9df03590ff91?version=1.0.

[3] Data for 2015 are not strictly comparable to previous years, as on 1 January 2015 new VAT Regulations came in force affecting the threshold for turnover which determines whether one needs to register for VAT purposes.

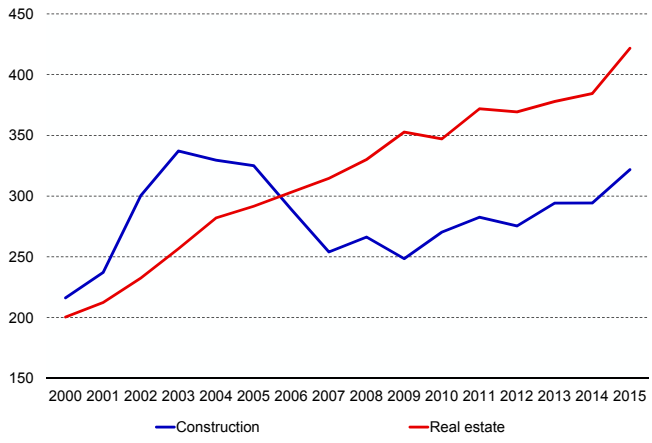
The recovery in business demographic data is also reflected in GVA and employment. National accounts data show that, in 2015, GVA in the construction sector amounted to around €322 million, while real estate activities generated an additional €422 million, up by 9.3% and 9.7%, respectively over the previous year.[4] Although the rate of growth is still below that recorded in the early 2000s, both construction and real estate have now expanded for the past three consecutive years (see Chart 1).

The two sectors have a significant influence on the Maltese economy, together accounting for 9.7% of the economy's overall GVA, marginally up from 9.6% in 2014. Although this share had been declining in recent years, it stabilised in 2015 as growth in these sectors was broadly in line with that in the economy as a whole (see Chart 2).

The decline in the share of construction and real estate in earlier years largely reflects developments in construction. Thus, the share of construction in overall GVA fell from a peak of 8.0% in 2003, to 4.2% in 2014 and remained at that level in 2015. The share of real estate declined to a lesser extent, going from a peak of 6.6% in 2004 to 5.5% in 2015. These declines partly reflected developments within these two sectors, but also the diversification of the economy into new areas such as remote gaming, professional services and finance.

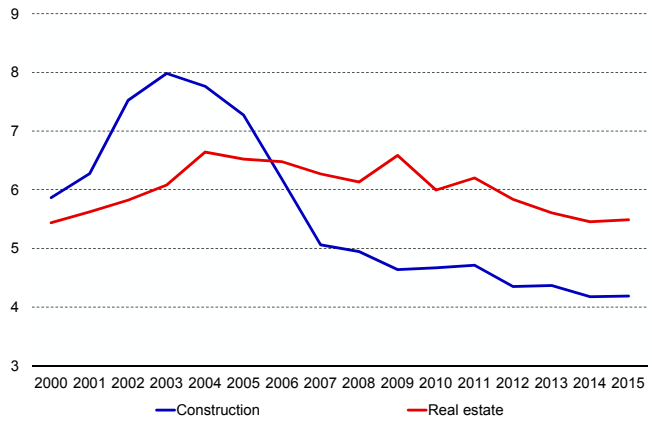
While the construction and real estate sectors directly account for less than a tenth of total GVA, they affect activity in other sectors given their

Chart 1
GROSS VALUE ADDED: CONSTRUCTION AND REAL ESTATE
(current prices; EUR millions)



Source: NSO.

Chart 2
SHARE OF REAL ESTATE AND CONSTRUCTION IN TOTAL GROSS VALUE ADDED
(per cent of total economy)



Source: NSO.

[4] National accounts data in this Box are consistent with NSO *News Release* 091/2016 published on 8 June 2016.

Table 2
DISTRIBUTION OF OUTPUT IN CONSTRUCTION SECTOR
EUR millions

	2015
Output at basic prices	974.1
Total intermediate consumption	652.3
Value added at basic prices	321.8
of which:	
Compensation of employees	138.0
Operating surplus, gross	181.4

Source: NSO.

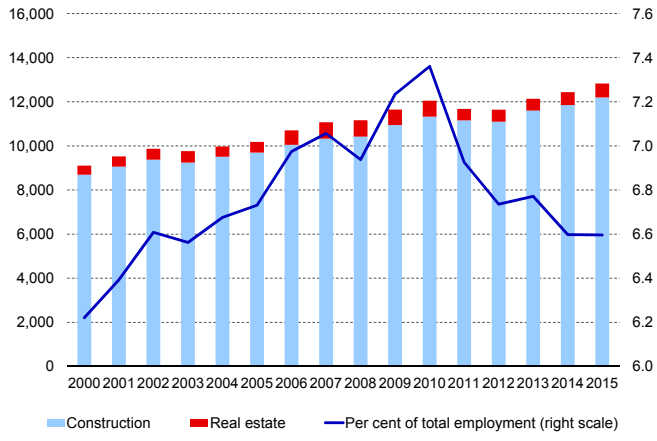
extended supply chain. Thus, for example, in 2015 the construction sector produced output with a value of €974 million, using material and services from within the industry and other industries worth around €652 million. This was more than twice the sector's €322 million direct contribution to GVA (see Table 2).

Additional data which, however, date back to 2010, suggest that the construction sector obtains only around 18% of inputs classified as intermediate consumption from within the industry itself. An additional 30% of the construction sector's inputs are sourced from firms producing non-metallic minerals including chemicals, gypsum, asphalt and bitumen. Metals and other manufactured items each account for just below a tenth of inputs, while quarrying and real estate account for a further 9%. Approximately another fifth comes from services other than real estate, such as architectural, legal and financial services.

Employment recovers while average wage remains below national average

The recent recovery in GVA is also mirrored in employment data and in the wage bill of the two sectors. In 2015 the two sectors employed 12,832 persons. The number of employed persons in these two sectors thus fully recovered from the declines of 2011 and 2012 (see Chart 3).

Chart 3
EMPLOYMENT IN CONSTRUCTION AND REAL ESTATE
(thousand persons; per cent of total employment)

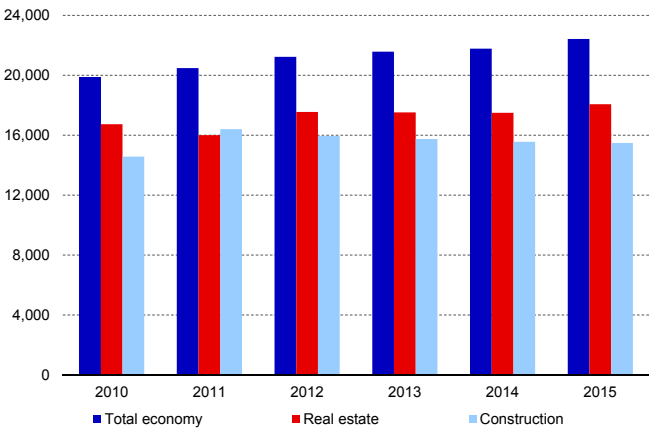


Source: NSO.

A recovery in employment was evident in both sectors, though the number of employed in real

estate remains below that recorded in 2010. In 2015, the two sectors jointly accounted for 6.6% of total employment in Malta, with the majority of job holders working in construction.[5]

Chart 4
COMPENSATION PER EMPLOYEE RELATIVE TO ECONOMY AVERAGE
(EUR per annum)



Source: NSO.

As a result of the rise in headcount, compensation of employees also recovered. In 2015 alone, it rose by €5.1 million, or 3.6%, of which an increase of €4.1 million was recorded in construction while an increase of €1.0 million was recorded in real estate. Gross operating surplus recorded even faster gains. The more rapid growth in gross operating surplus relative to the wage bill may reflect the availability of a growing pool of foreign workers, which has put downward pressure on the average wage in the construction sector, with compensation per employee in this sector declining for the fourth consecutive year (see Chart 4). The construction sector, moreover, benefited from lower energy costs following the cut in electricity tariffs for businesses during the year. The resulting savings boosted profitability relative to wages.

Average wage per head in fact remains low in relation to the average for whole economy. Thus while in 2015, compensation per employee for the whole economy stood at €22,421, it stood at €15,476 in construction and €18,064 in real estate. This implies gaps of around 30% and 20%, respectively, against the national average. In part, the gap in the construction sector could reflect relatively low productivity, as shown by the fact that GVA per employee in the sector lies below the economy-wide average. Such gaps, which have persisted for a number of years, may in turn have reduced the attractiveness of jobs in these sectors, encouraging operators in the construction sector to take advantage of an increased supply of foreign labour. Foreign workers account for 18% of the workforce in the real estate sector, and for 13% of that in the construction sector, as against 10% in the overall economy.[6]

Construction benefits from increased investment

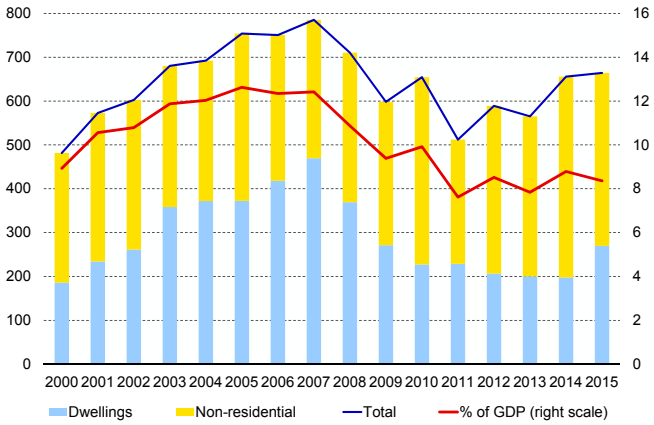
The recovery in construction activity in recent years coincides with increased investment in dwellings and non-residential buildings. In 2015, in real terms, overall construction investment is estimated to have amounted to €664 million after having risen for two consecutive years. This largely reflected a recovery in investment in dwellings, following a sequence

[5] Employment data in this Box are sourced from national accounts data supplementing NSO *News Release* 091/2016.

[6] See Grech, A. *Understanding the macroeconomic impact of migration in Malta*, Central Bank of Malta Policy Note, December 2015. This policy note also notes that in construction "there is evidence that the growth in employment since the downturn of 2009 was mainly taken up by migrant workers".

of declines. In contrast, investment in non-residential infrastructure declined, after having increased very strongly in 2014. Notwithstanding the decline in 2015, the volume of non-residential construction investment remained close to the recent peak recorded in 2010 (see Chart 5). In 2015, this component of construction investment was boosted by increased government investment, partly as a result of the increased use of EU funds under the 2007-13 EU financing programme, which failed to outweigh a decline in private non-residential construction.[7]

Chart 5
CONSTRUCTION INVESTMENT
(chain-linked volumes in EUR millions; per cent of GDP)



Source: NSO.

Mirroring these developments, the share of overall construction investment in GDP, which had fallen from a peak of 12.6% in 2005 to 7.6% in 2011, began to increase again in recent years, standing at 8.4% in 2015. When expressed as a share of total investment in the economy, construction investment amounted to less than 40%.

An increase in the number of permits issued for residential dwellings and commercial property supported the recovery in investment. Permits for residential units began to recover in 2014 and continued to increase in 2015. They went up from 2,705 in 2013 to 2,937 in 2014 and further to 3,947 in 2015. The increase in permits may have been aided by a number of administrative reforms, fiscal incentives for first-time buyers and favourable expectations in anticipation of schemes targeting high-end investors.

The number of commercial permits, which includes permits for minor works, has stabilised following a decline.

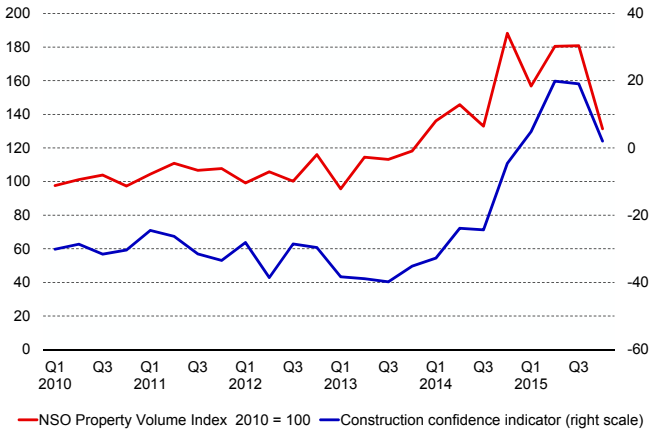
Sentiment in construction improves during most of 2015

The positive performance signalled by hard data was also mirrored in sentiment in the construction sector, as measured on the basis of a monthly survey administered by the European Commission. The survey shows that sentiment was positive on average during 2015, though with considerable monthly volatility. This indicator, which is based on a simple average of respondents' assessments of their current order book levels and employment expectations

[7] The large scale of certain projects and differences in their profile over time introduces a degree of volatility in the data on investment. In particular, the coming on stream of the electricity interconnector in 2015 partly explains the drop in non-residential construction investment that year.

over the next 3 months, was positive during most of 2015, reaching a high in August.[8] Since then, sentiment weakened again, turning negative in November 2015. This deterioration notwithstanding, sentiment was less pessimistic compared with its long-term average.

Chart 6
CONSTRUCTION CONFIDENCE AND NSO PROPERTY VOLUME INDEX
(percentage points; index 2010 = 100)



Sources: European Commission; NSO.

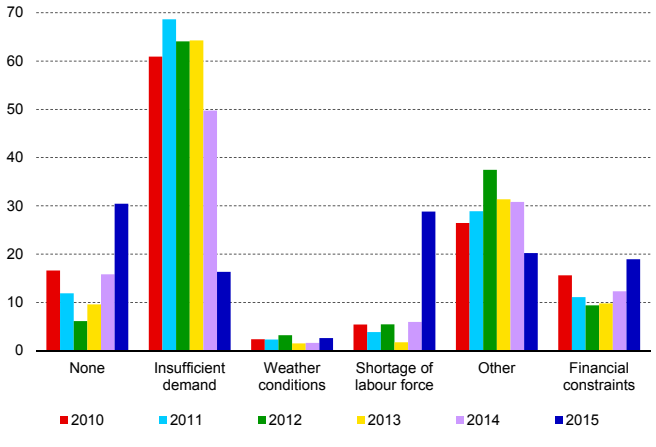
The upturn in confidence and subsequent decline reflects developments in both order books and employment expectations. This pattern may partly reflect slower growth in the NSO's Property Volume Index, which is based on the number of transactions in certain categories of residential property recorded by the Inland Revenue Department.[9] This Index grew by 7.7% in 2015, after an exceptionally strong rise of 36.6% in 2014, the first full year following the reduction of stamp duty for first-time buyers (see Chart 6).

Labour shortages and financing constraints were key concerns in 2015

The European Commission survey also looks at firms' views on the main factors hindering production. Chart 7 reports annual results for the period from 2010 to 2015.

In line with the general improvement in activity indicators, the share of respondents reporting no obstacles to production increased in 2015. The significance of specific impediments to growth changed over time, however. While insufficient demand was the main problem cited by Maltese respondents until 2014, in 2015 labour shortages and financing constraints were mentioned more

Chart 7
FACTORS LIMITING PRODUCTION IN CONSTRUCTION IN MALTA
(per cent of respondents)

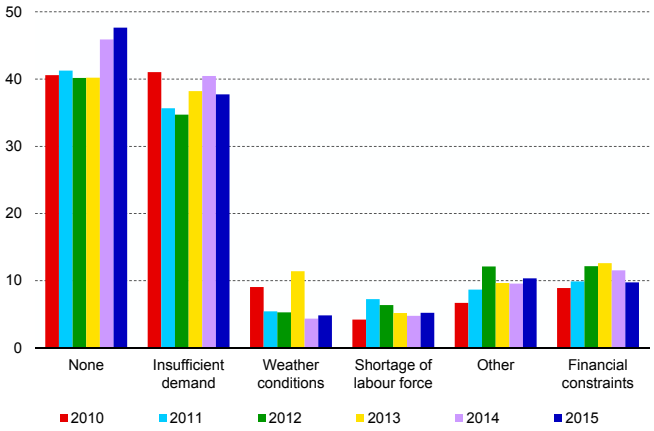


Source: European Commission.

[8] Further information about this survey is available in European Commission, *The joint harmonised EU programme of business and consumer surveys - User Guide*, March 2016.
[9] The Property Volume Index covers apartments, maisonettes and terraced houses.

often. The importance of these factors was also significantly higher compared with recent years.

Chart 8
FACTORS LIMITING PRODUCTION IN CONSTRUCTION IN EURO AREA
(per cent of respondents)

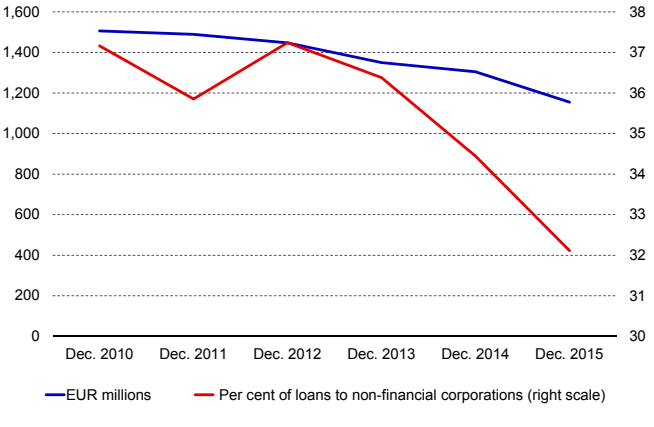


Source: European Commission.

Comparable results for the euro area as a whole suggest that operators in Malta feel more constrained than their euro area counterparts. The share of respondents reporting no obstacles to production in construction in 2015 was 30% in Malta, compared with 48% in the euro area (see Chart 8). The results also show that while insufficient demand remained the key concern in the euro area, labour shortages were less prominent. The latter were mentioned by 29% of Maltese respondents, but by only 5% of euro area respondents. Similarly, while the share of respondents flagging financing constraints as an issue was 10% in the euro area, in Malta this share rose to 19%. When compared against individual euro area countries, Malta stands out with one of the highest incidences of labour shortages as measured in this survey. Financial constraints also assumed greater importance in 2015, with the share of respondents flagging this issue in Malta also being relatively high.

Further information on the access to finance of the construction sector can be obtained from data on bank lending. Indeed, while activity and profitability in construction and real estate improved in 2015, lending to these sectors continued to decline in the aggregate. As a result, the share of these loans in overall bank loans to the non-financial corporate sector extended its decline, falling to 32% in December 2015 from 37% in the same month of 2010 (see Chart 9).

Chart 9
BANK LENDING TO CONSTRUCTION AND REAL ESTATE FIRMS IN MALTA
(EUR million; per cent)



Source: Central Bank of Malta.

This decline may reflect the repayment of outstanding loans but also banks' efforts to diversify their lending and reduce their exposure to the construction sector. At the same time, in the context of a buoyant housing market, the sector itself may have been in a stronger position to tap internal sources of finance. Anecdotal evidence, moreover, indicates increased recourse to new forms of external financing, including pre-financing through prospective buyers and a greater use by larger companies of bond issues and private placements of securities.

Conclusion

Overall, during 2015 the construction and real estate sectors continued to recover from the declines recorded in earlier years. This is evident in data on GVA, investment and permits. The improved performance of these sectors was aided by a number of supportive measures, including the first-time buyers' scheme, administrative reforms aimed at streamlining procedures for the granting of development permits, as well as schemes targeting high-value foreign investors.

The recovery in activity has in turn been reflected in employment growth and an increase in the wage bill. The average wage in the two sectors, however, has grown only moderately and continues to fall short of the national average. While relatively low labour costs may have been beneficial for the sector's recovery, a persistent negative wage gap in relation to other sectors may reduce the sector's attractiveness to potential job seekers.

Indeed, notwithstanding the increased availability of foreign workers, labour shortages have assumed greater importance recently. Such shortages may have been amplified by the acceleration in construction-related investment in recent years. Financing constraints pose another challenge. This may reflect banks' ongoing efforts to limit their exposure to the sector as well as operators' ability to tap alternative sources of funding.

The construction sector stands to benefit from incentives for potential job seekers to develop the skills needed by the industry. As skills are upgraded, however, firms may have to review remuneration terms, to render them sufficiently attractive for job seekers to take up employment in construction-related activities.

Going forward, an extension of the positive performance seen recently rests on the ability of the sector to identify new, sustainable growth opportunities, as government investment spending moderates and large private sector projects under way reach completion.

The labour market[3]

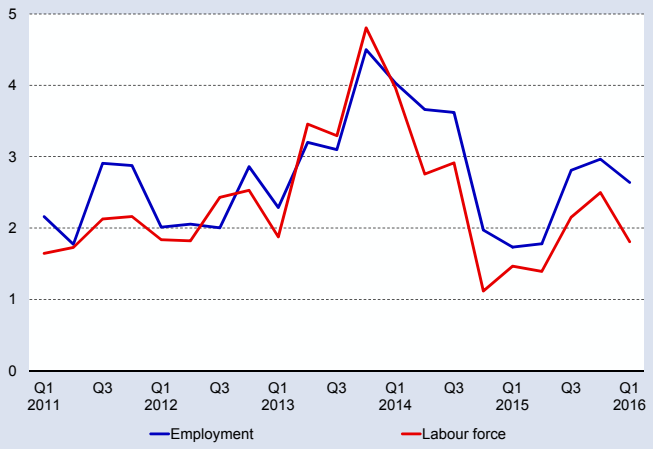
Labour market data show continued growth in employment and a further decline in unemployment in the first half of 2016. The favourable developments seen in recent quarters partly reflect government efforts to increase labour market participation, but also the strong pace of expansion of the Maltese economy.

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

Labour force continues to grow, though at a slower rate

Labour Force Survey (LFS) data show that the labour force grew by 1.8% in the first quarter of 2016 over the same quarter of 2015 (see Chart 2.3).[4] This follows a 2.5% rise in the preceding quarter. The more moderate growth in the labour force compared with the last quarter of 2015 reflects slower employment growth and a further drop in the number of unemployed. Despite this slowdown, annual labour force growth exceeded the 1.5% expansion registered in the same quarter of 2015.

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



Source: NSO.

Meanwhile, the activity rate extended its upward trend, reaching 67.7% in the first quarter of 2016 from 66.3% in the same quarter a year earlier.[5] This increase reflected a small increase of 0.5 percentage point in the male activity rate to 80.9%, while that of females increased by 2.3 percentage points to 54.0% (see Table 2.3).

Table 2.3
LABOUR MARKET INDICATORS BASED ON THE LFS
Persons; annual percentage changes

	2015				2016	Annual change
	Q1	Q2	Q3	Q4	Q1	%
Labour force	**193,373**	**195,465**	**200,050**	**197,182**	**196,869**	**1.8**
Employed	182,359	184,871	189,565	186,897	187,171	2.6
By type of employment:						
Full-time	153,860	156,603	158,761	158,176	160,160	4.1
Part-time	28,499	28,268	30,804	28,721	27,011	-5.2
Unemployed	11,014	10,594	10,485	10,285	9,698	-11.9
Activity rate (%)	**66.3**	**67.6**	**68.9**	**67.5**	**67.7**	
Male	80.4	80.2	81.6	80.9	80.9	
Female	51.7	54.4	55.6	53.5	54.0	
Employment rate (%)	**62.5**	**63.9**	**65.2**	**63.9**	**64.3**	
Male	75.6	75.7	77.1	76.6	76.9	
Female	48.9	51.5	52.8	50.7	51.2	
Unemployment rate (%)	**5.7**	**5.4**	**5.3**	**5.2**	**4.9**	
Male	5.9	5.6	5.5	5.2	4.8	
Female	5.4	5.2	4.9	5.3	5.1	

Source: NSO.

[4] The LFS defines the labour force as all persons aged 15 and over active in the labour market. This includes those in employment, whether full-time or part-time, and the unemployed, defined as those persons without work but who are actively seeking a job and available for work.
[5] The activity rate measures the number of persons in the labour force aged between 15 and 64, as a proportion of the working age population, which is defined as all those aged 15 to 64 years.

Employment grows further

Although employment continued to increase at a strong pace, the annual rate of change eased to 2.6% from 3.0% in the preceding quarter. The increase in employment during the first quarter reflected further growth in the number of persons employed on a full-time basis (see Table 2.3). These increased by 6,300, or 4.1% on the same quarter of 2015. On the other hand, the number of part-timers, which includes those employed on full-time with reduced hours basis, fell by 1,488, or 5.2%, following an increase of 1.3% in the preceding quarter.

During the first quarter of 2016 the total employment rate stood at 64.3%, a year-on-year increase of 1.8 percentage points.[6] This reflects developments in both the male and female employment rates, with the largest increase being registered among the latter. Indeed, the female employment rate rose by 2.3 percentage points compared with the first quarter of 2015, to 51.2%. Over this period the male employment rate rose by 1.3 percentage points to 76.9%. The rise in the female employment rate was especially pronounced among workers aged between 55 and 64. This possibly reflects the effect of government measures targeting an increase in the female participation rate, such as the introduction of tax exemptions for females joining the labour market and the more recent Access to Employment initiative, which targets disadvantaged persons, including those over 50 years. In contrast, both male and female employment rates among the youngest cohort, aged between 15 and 24 years, decreased, possibly reflecting higher enrolment rates in tertiary education.

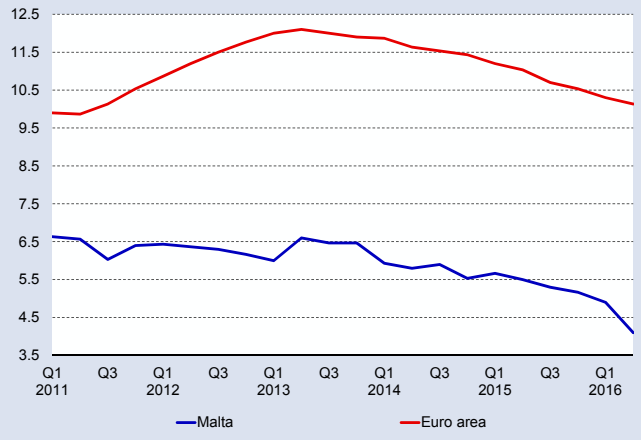
Strong increases in both activity and employment rates suggest that Government's target of increasing the employment rate to 70.0% by 2020 is achievable.[7]

The unemployment rate declines further

In the first quarter, the unemployment rate based on the LFS stood at 4.9%. This was 0.3 percentage point lower than in the preceding quarter, and 0.8 percentage point less than a year earlier.[8] The jobless rate for males declined by 1.1 percentage points to 4.8%, while that of females fell by 0.3 percentage point to 5.1% compared with the first quarter of 2015 (see Table 2.3).

Eurostat's seasonally adjusted unemployment rate shows further declines in the unemployment rate in the second quarter of 2016. Indeed, it averaged 4.1% in the second quarter, 1.4 percentage point lower than a year earlier, and 0.8 percentage point lower when compared with the preceding quarter (see Chart 2.4).[9] At

Chart 2.4
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

[6] The employment rate measures the number of persons aged between 15 and 64 employed on a full-time or part-time basis as a proportion of the working-age population.

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

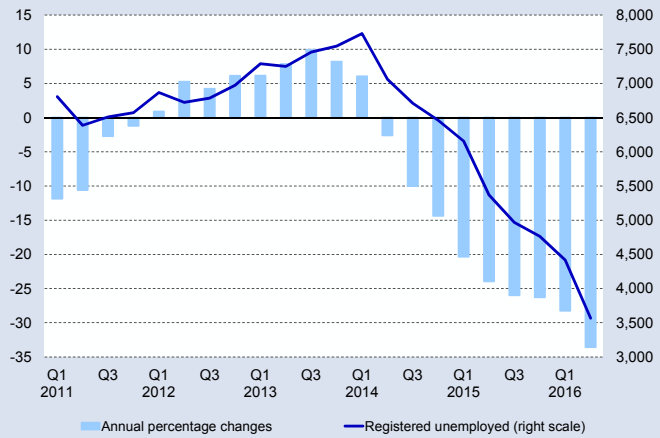
[8] According to the LFS the unemployed comprise persons between 15 and 74 years who are without work, available for work and who have actively sought work during the four weeks preceding the survey. In contrast, the number of unemployed on the basis of Jobsplus data includes only those persons registering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

[9] These statistics are based on three-month averages of monthly Eurostat calculations.

these levels, the unemployment rate in Malta remains well below the average rate for the euro area, though the latter also continues to decline.

The administrative records of Jobsplus also show favourable labour market developments. Indeed, the average number of registered unemployed stood at 3,568 in the second quarter of 2016, 1,802 lower than in the same quarter of 2015 (see Chart 2.5).

Chart 2.5
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

Apart from a growing demand for labour, the drop in the number of registered unemployed since the beginning of 2014 was also influenced by a range of measures aimed at reducing reliance on social benefits and taking up employment. The more recent measures include the Youth Guarantee Scheme and the tapering of benefits.

BOX 3: QUANTIFYING THE ECONOMIC IMPACT OF PENSION AGE CHANGES IN MALTA[1]

After remaining unchanged for several decades, the pension age in Malta started to rise in 2012. This process will continue till 2026 and will impact thousands, contributing to boost the workforce and partially countervailing the impact of the ageing transition. Understanding the potential impact of pension age changes on potential output is therefore very important for policymakers.

The change in the pension age in Malta

In 1948, the Old Age Pensions Act introduced a means-tested pension for elderly persons. This was followed by a comprehensive scheme of social insurance in 1956, and then an earnings-related pension scheme in 1979. While the latter improved system generosity, the age at which pensions started being paid remained unchanged: namely 61 years for men and 60 years for women. This changed with Act No XIX of 2006 which included provisions to gradually raise the pension age for both genders to 65. As a result of this reform, the pension age rose to 62 for those born between 1952 and 1955, to 63 for those born between 1956 and 1958, to 64 for those born between 1959 and 1961 and to 65 for those born from 1962 onwards. This means that women who were due to receive a pension at age 60 in 2012 instead had to wait until they reached age 62 in 2014. Similarly men who were due to

[1] Prepared by Dr Aaron G. Grech. Dr Grech is the Chief Officer of the Economics and Statistics Division of the Central Bank of Malta. He would like to thank Mr Clyde Caruana (Jobsplus) who provided data essential for this research, Mr Alfred Mifsud, Mr Brian Micallef, Mr Mark Musu (MFSS) and Mr Godwin Mifsud (EPD) for their helpful comments. The views expressed are those of the author and do not necessarily reflect those of the Central Bank of Malta.

become beneficiaries in 2013 had to wait until 2014 to receive their pension. The next rise in pension age will impact those who would reach age 62 in 2018, and instead will have to wait till 2019 to receive their pension. The next year when in theory there will be no new pension recipients will be 2022, when the pension age will rise to 64, followed by the final rise to age 65 in 2026.

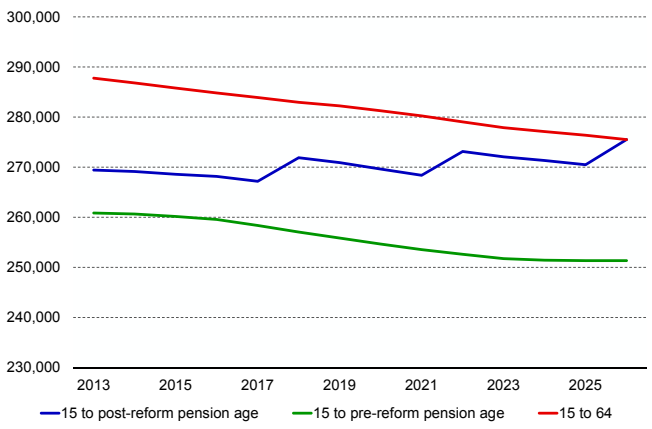
Besides introducing the rise in pension age gradually, the reform stipulated that under certain conditions individuals could still receive a state pension at age 61. Those born between 1952 and 1961 need to have 35 years of contributions, whilst those born between 1962 and 1968 require 40 years. The amount of contributions required to be able to receive a pension at age 61 has been increased to 41 years for those born after 1968 as part of a reform package announced in the Budget for 2016. The latter also introduced enhanced pensions for those who opt to continue working after age 61 even though they already qualify for their pension. Those who opt to receive their pension at 61 are precluded from working until they reach the pension age set for their birth cohort. After they reach pension age, individuals are allowed to receive their state pension while also being in employment.

Under the standard Eurostat definition, i.e. all those aged between 15 and 64, Malta's working age population is expected to fall by 3.3% to just over 275,000 during the next decade. However this definition ignores the pension age set in Malta. Chart 1 shows that on the basis of the pre-reform pension age, Malta's working age population in 2013 was circa 18,000 (or 6.4%) less than the amount implied by the standard definition. Over the coming decade, Eurostat population projections imply a fall to just over 251,000. Conversely, if one takes into account the gradual rise in pension age, the working age population is forecast to increase over the same period, by over 6,000 (or 2.3%) to nearly 275,500. The first increase in the pension age boosted the effective working age population by 3.3%. The second rise, in 2018 should add a further 2.5%, followed by another 2.3% boost in 2022, and a final upward contribution of 1.5% in 2026. By the time pension age will have reached 65, the effective working age population should be 9.6% higher, or about 24,000 more, than if the pension age had remained at 61 for men and 60 for women.

The impact of the first changes in pension age

The fact that the number of persons potentially available for work should rise instead of fall as a result of the pension age changes does not necessarily mean that all of these individuals will remain in employment. Employment rates

Chart 1
TRENDS IN WORKING AGE POPULATION – DIFFERENT DEFINITIONS
(number of persons)



Source: Author's calculations using data from Eurostat's Europop 2013 projections.

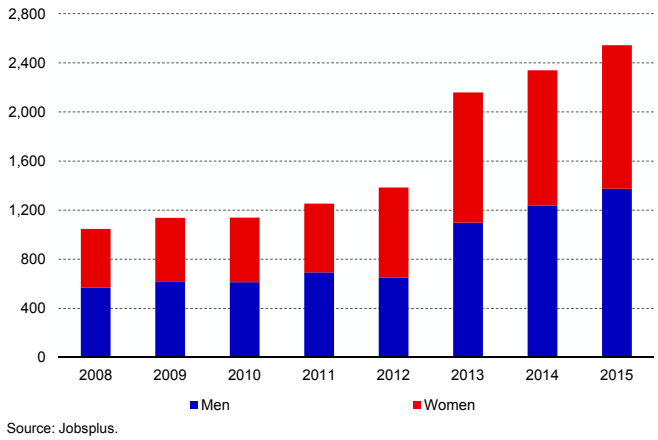
decline markedly with age. For instance while about 92% of men aged 45-49 were employed in 2015 according to LFS data, only 89% of the adjacent age cohort (ie those aged 50 to 54) worked. The cohort closest to pension age (those aged 55 to 59) had an employment rate of 83%. While being able to draw a state pension affects greatly labour market choices (the employment rate was 33% for the cohort straddling the current pension age – 60-64), it is not the sole determinant. Health conditions, care responsibilities, the availability of other social benefits and reliance on savings also play a key role.

Asessing how the boost in the effective working age population brought by the pension age change could translate into higher employment is particularly difficult as this policy is unprecedented in Malta. Existing international literature suggests that between 20% to 50% of those affected by a pension age rise remain in employment.[2] These estimates can be compared with actual labour market performance in Malta during the years around the first pension age increase. It is important to note that this period was characterised by rather buoyant economic activity, significant reductions in the tax burden on labour and the introduction of several active labour market policies. All of these factors may have boosted the probability of those affected by the pension age change to continue working.

LFS data indicate that whereas the number of men aged 60 to 64 who were in employment rose from 3,700 to 3,900 between 2010 and 2012, in 2013 there was an increase to 4,500, rising to 4,700 in 2015. Similarly while in previous years, the number of women aged 60 to 64 who remained in employment had declined slightly from 900 in 2010 to 800 in 2012, in 2013 it rose to 1,200, increasing further to 2,000 in 2015. The employment rate of this age group rose from 26% in 2012 to 33% in 2015 amongst men, and from 5% to 14% amongst women. Men aged 60 to 64 accounted for over a sixth of the total increase in male employment between 2012 and 2015, while women in the same age category accounted for more than an eighth of the rise in female employment.

At such level of detail, LFS data may suffer from significant margins of error. Thus, in order to further verify that the rise in pension age was accompanied by a lengthening of working lives, these data were compared with those of the national employment register by single year of age. These data (shown in Chart 2) indicate that

Chart 2
REGISTERED EMPLOYED – MEN AGED 61 AND WOMEN AGED 60 AND 61
(number of persons)



Source: Jobsplus.

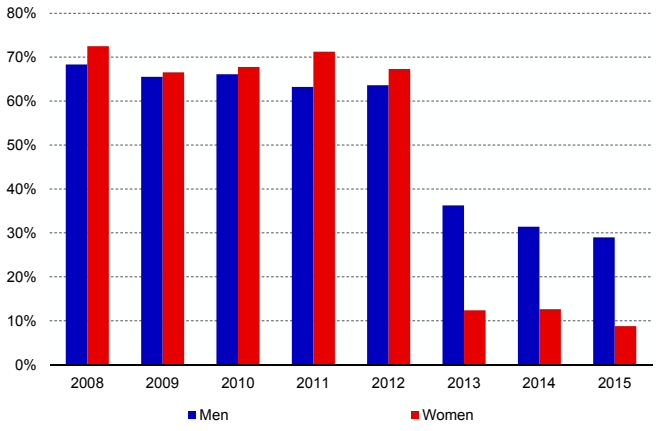
[2] For the impact in the US, see Mastrobuoni, G. (2009), Labour supply effects of the recent Social Security benefit cuts: empirical estimates using cohort discontinuities, *Journal of Public Economics*, 93(11-12): 1224-33. For the impact in the UK, see Cribb, J., Emmerson, C. & Tetlow, G. (2014), Incentives, shocks or signals: labour supply effects of increasing the femal state pension age in the UK, *Institute for Fiscal Studies Working Paper W13/13*.

employment in the affected ages (males aged 61 and females aged 60 and 61) rose in the three years after the change. There was an increase of over 720 amongst males and of nearly 440 amongst women, in turn accounting for 8% of the total rise in male employment and 4% of that in female employment. This is smaller than the impact suggested by the LFS, which could be in part explained by the fact that the latter source also captures part-time employment.

Eurostat data on the number of pension beneficiaries in Malta show that in the year when the pension age rose there was an increase in total pension beneficiaries of close to 550, compared to increases of 1,850 beneficiaries in adjacent years. Similarly the Annual Reports of the Ministry for the Family and Social Solidarity indicate that new pension claims fell to 1,700 from about 3,000 in normal years. Thus employment and social security administrative data suggest that as a result of the rise in the pension age to 62, dependence on benefits fell by about 1,400.

National employment register data indicate that in the last ten years between ages 50 to 59 each cohort had a drop-out rate from employment of 2% per year. Thus for instance, while there were 2,511 men aged 50 who were in employment in 2005, by 2015 there were 1,966 men aged 60. Assuming no migration and mortality affected this cohort, a fifth of the cohort aged 50 and in employment in 2005 dropped out of employment by the time they reached age 60 in 2015. Reaching pension age leads to a spike in the employment drop-out rate (see Chart 3). Amongst women, on average, 69% used to leave employment upon reaching pension age. Once the pension age rose to 61, the employment drop-out rate fell to 12%. The improvement in the drop-out rate for men was less pronounced, initially from 65% to 36%. This probably reflects the fact that men are likelier than women to have the amount of contribution years necessary to be able to draw a full pension at age 61. Aggregating across genders, whereas prior to the shift to a higher pension age there used to be an employment drop-out rate of 64%, this has now fallen to 25%. The rise in pension age to 61 led about 60% of those who used to exit the labour market at that age to instead continue working. This is close to the upper part of the range of estimates found in international studies.

Chart 3
EMPLOYMENT DROP-OUT RATE AT PRE-REFORM PENSION AGE
(percentage)



Source: Author's calculations using data provided by Jobsplus.

Grech & Micallef (2015) indicate that after falling significantly in 2009, the Maltese economy's potential growth rate doubled in subsequent years, driven by improvements in the potential labour supply.[3] The analysis above shows that the rise in pension age led to an upward increase in employment of around 1,100, equivalent to an increase of 0.6% of the potential labour supply. Using the labour input coefficient used in Grech & Micallef (2015), this equates to a positive contribution of 0.3 percentage point to potential output, or around a tenth of potential output growth.

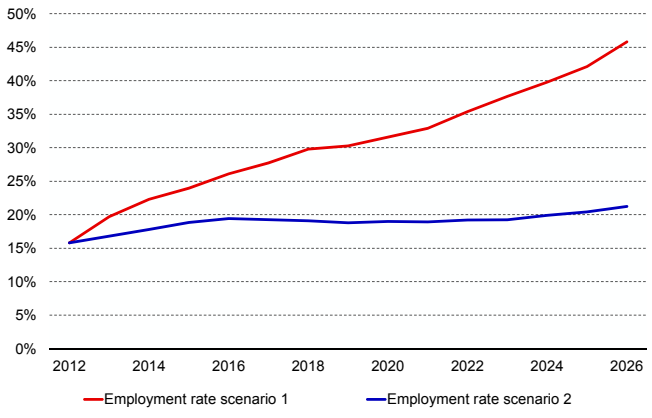
The possible impact of the remaining changes in pension age

To assess the impact of the remaining changes in pension age by 2026, one needs to make a number of assumptions on the future reaction of employees to changes in pension ages. The data shown in Chart 3 suggest that it is highly unlikely that over time, the employment drop-out rate for women could improve further. This rate is very low, and has remained stable. On the other hand, the employment drop-out rate for men is still significant, and has shown signs of declining since 2013. The recent introduction of financial incentives to retire later could also help change behaviour further. In this light, the employment drop-out rate for men at the new pension age is assumed to improve in line with the change seen since 2013 until it reaches that for women. When there are further increases in the pension age, drop-out rates are assumed to react similarly to what happened after the rise to age 61. Therefore initially 60% of those who would have stopped working instead opt to work another year to reach the new pension age. Men are then assumed to gradually adjust to women's employment drop-out rate.

To project employment forward, a cohort projection approach was applied to employment data by single year of age from the national employment register. Basically the current employment drop-out rates are applied to the amount of individuals currently in employment. For instance, there were nearly 2,100 men aged 59 who were in employment in 2015. Using the current employment drop-out rate between ages 59 and 60, i.e. 4%, this approach projects that in 2016 there should be 2,016 men aged 60 in employment, and so on.

Chart 4 compares the projected employment

Chart 4
EMPLOYMENT RATE OF THOSE AGED 60 to 64 − PROJECTION UNDER DIFFERENT SCENARIOS
(percentage)



Source: Author's calculations.

[3] Grech, A.G. & Micallef, B. (2015), Assessing potential output growth of the Maltese economy using a production function approach, *Xjenza*, 3(1): 57-63.

rate of those aged 60 to 64 with a baseline projection that assumes no rise in the pension age. Under the latter scenario, there is a gradual improvement in the employment rate from 15.8% in 2012 to 21.2% in 2026. This reflects the underlying trend increase in employment among women. Even if one assumes no behavioural changes, i.e. if employment drop-out rates remain the same, the fact that younger women tend to be more in employment than older cohorts causes the overall employment rate to improve over time. The assumption that employment drop-out rates will improve as a result of pension age changes greatly amplifies the rise in the employment rate of those aged 60 to 64. The first rise – that to a pension age of 61 – has already boosted the employment rate of this age category by 5 percentage points (implying an employment rate a quarter higher than it would have been if pension age had not risen). By 2026, under the assumptions made that the remaining increases in pension age will have the same relative impact as the first increase, the employment rate of those aged 60 to 64 would nearly double to 46% in 2026.

While this improvement may seem quite pronounced, the projected employment rate for those aged 60-64 in 2026 is significantly lower than the employment rate of 55% that characterises those aged 55-59 at present. Countries that already have a pension age of 65 also tend to have similar employment rates for those aged 60-64. For instance, in Germany the employment rate for this age bracket is 53%, in Sweden it stands at 66% while in the UK, Denmark and the Netherlands 48% of those aged 60-64 were in employment. Furthermore European Commission (2014) indicates, using a similar approach to the one taken here, that by 2020 the pension reform should boost the employment rate of those aged 55 to 64 in Malta by 4.7 percentage points and by 10.8 percentage points by 2040.[4]

On the basis of the assumptions described above, the gradual increase of the pension age to 65 should boost employment by over 7,200 by 2026. About 56% of this increase should be among men. On average, in the four years with a rise in the pension age (2013, 2018, 2022 and 2026), employment is projected to rise by over 800 compared to the baseline of no change in the pension age. In intervening years, when the employment drop-out rate gradually adjusts, the average rise is less than half this amount. On the basis of the projected labour supply for Malta published by the European Commission in the latest Ageing Report, this implies that by 2026 the gradual rise of the pension age to 65 could result in an upward shift of 3.6%.[5] This higher labour input would translate in a 2.1% boost in the level of potential output. In years where there is an increase in the pension age, potential output growth is estimated to be boosted, on average, by 0.2 percentage point. In intervening years, the gradual adjustment in employment rates would raise potential growth by 0.1 percentage points, on average.

[4] European Commission (2014), The 2015 Ageing Report: underlying assumptions and projection methodologies.
[5] European Commission (2015), The 2015 Ageing Report: Economic and budgetary projections for the 28 EU Member States (2012-60).

These projections compare well with those of international studies. Karam, Muir, Pereira & Tuladhar (2010), using the IMF's Global Integrated Monetary and Fiscal model, suggest that raising the retirement age by 2 years would raise GDP by almost 1 percent in the short to medium term.[6] Barell, Kirby & Orazgani (2011) in a study on the UK argue that a one year extension of working lives increases GDP by one percent about six years after its implementation.[7] They also find that had the UK kept its pension age at 60 for women and 65 for men, between 2010 and 2030 growth would on average have been 0.3 percent lower.

Besides increasing the labour supply and potential output, a higher pension age also impacts on government spending and revenue. Pension generosity data and projections from Pensions Strategy Group (2015) were used to compute the effect on outlays of the gradual increase in the eligibility age, while the impact on revenue was estimated by applying current implicit tax rates on labour income and on consumption on the projected income of those who continue working as a result of the pension age changes.[8] Taken together, the lower spending and the higher revenue are estimated to have improved the deficit to GDP ratio by 0.2 percentage point in 2013 and 2014. This estimate is identical to that presented in recent draft budgets by the Ministry for Finance.[9] Going forward, the impact of the pension age changes on the deficit to GDP ratio is projected to gradually rise to reach 1.0 percentage point by 2026.

Since by that year the absence of this policy would have increased public debt by 7.7% of GDP, government would possibly have had to address this burden either by gradually cutting spending or by raising taxes. Using the Central Bank of Malta's macro-econometric model, we estimated the impact on potential GDP of having to either raise direct tax revenue or cut public investment gradually by 1.0 percentage point of GDP by 2026.[10] These policies would lower the level of potential GDP by between 0.3 to 0.4 percentage point. This indicates that besides the direct positive impact on potential GDP arising from an increased labour supply, the gradual rise in the pension age also has the benefit of reducing the need to raise taxes or cut spending to address the ageing transition, and hence indirectly boosts potential output even further.

It is important to emphasise that the results presented here (summarised in Table 1) assume that the employment drop-out rate at age 61 continues to improve over time, and that future increases in the pension age have the same effect as that observed when the pension age rose to 61. If, on the other hand, the effective retirement age does not continue to improve, the economic and fiscal benefits of the gradual increase in pension age to 65

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6 Karam, P., Muir, D., Pereira, J. & Tuladhar, A. (2010), Macroeconomic effects of public pension reforms, *International Monetary Fund Working Paper* WP/10/297.

7 Barell, R., Kirby, S. & Orazgani, A. (2011), The macroeconomic impact from extending working lives, *Department for Work and Pensions Working Paper* No. 95.

8 Pensions Strategy Group (2015), A strategy for an adequate and sustainable Maltese pension system.

9 See Ministry for Finance (2014), Malta: Draft budgetary plan 2015.

10 Grech, O. & Rapa, N. (2016), STREAM: A structural macro-econometric model of the Maltese economy, *Central Bank of Malta Working Paper* WP/01/16.

could be substantially lower. Thus it is very important that Government continues to enact measures to incentivise the lengthening of working lives.

Table 1

IMPACT OF KEEPING THE PENSION AGE AT 61/60 (2013 to 2026) − CUMULATIVE EFFECT ON LEVELS

	Population 15 to pension age	Potential labour supply	Potential output	Public debt (% of GDP)
2013	-3.3%	-0.6%	-0.3%	0.2%
2014	-3.3%	-0.7%	-0.4%	0.4%
2015	-3.2%	-0.7%	-0.4%	0.7%
2016	-3.3%	-0.9%	-0.5%	1.0%
2017	-3.4%	-1.2%	-0.7%	1.4%
2018	-5.8%	-1.6%	-0.9%	1.8%
2019	-5.9%	-1.8%	-1.0%	2.4%
2020	-5.9%	-1.9%	-1.1%	2.9%
2021	-5.8%	-2.2%	-1.2%	3.6%
2022	-8.1%	-2.5%	-1.4%	4.3%
2023	-8.1%	-2.8%	-1.6%	5.1%
2024	-7.9%	-2.9%	-1.7%	5.9%
2025	-7.6%	-3.2%	-1.9%	6.7%
2026	-9.6%	-3.6%	-2.1%	7.7%

Note: This table shows the estimated cumulative difference in percentage points to the different variables had pension age remained unchanged. For instance, if pension age had stayed at 61 for men and 60 for women, the number of people aged 15 to pension age would have been 8.1% lower in 2022 compared to the projected number of people aged 15 to 64 (the pension age in 2022). Similarly, assuming away the impact that the rise in pension age could have on the participation rate of those aged 60 to 64, the potential labour supply in 2022 could be 2.5% smaller and this would reduce potential output by 1.4%. Finally if individuals retain their pre-reform labour market behaviour, by 2022 the national debt would be 4.3% of GDP higher. Note that to calculate the impact of the policy on the fiscal deficit, one needs to subtract the public debt of two adjoining years (e.g. in 2026, the impact is 1.0% of GDP).

Source: Author's calculations.

3. PRICES, COSTS AND COMPETITIVENESS

Consumer price inflation in Malta, as measured by the Harmonised Index of Consumer Prices (HICP), stood at 1.0% in June, unchanged from March. The annual rate of change of industrial producer prices turned less negative, reflecting the tapering-off of the effect of the utility tariff reductions in April 2015. With regard to competitiveness, Malta's harmonised competitiveness indicators (HCI) increased on a year earlier.

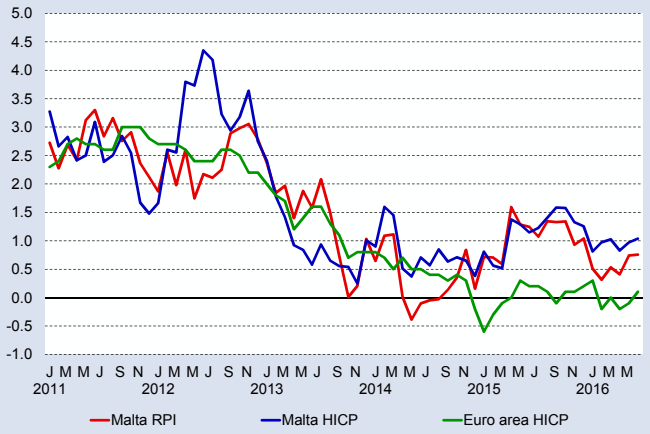
Inflation

HICP inflation stable in the second quarter

The annual HICP inflation rate remained unchanged at 1.0% at the end of the second quarter when compared to three months earlier (see Chart 3.1 and Table 3.1).[1] Inflation in unprocessed food and services prices rose during the period, however these were offset by a faster decline in energy prices and slower growth in prices of non-energy industrial goods (NEIG). As a result, HICP inflation in Malta remained closer to the European Central Bank's (ECB) inflation target of 2.0% than the euro area as a whole, where inflation stood at 0.1% in June. This partly reflects a more buoyant pace of domestic economic activity in Malta.

With regard to the main sub-components of overall HICP inflation, prices for unprocessed food accelerated sharply during the second quarter of 2016, with their annual inflation rate going from 0.5% in March to 2.9% in June. As a result, their contribution to headline inflation rose from nil to 0.2 percentage point (see Chart 3.2). These developments were mainly due to faster growth in vegetable prices, which could reflect dry weather

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



Sources: NSO; Eurostat.

Table 3.1
HICP INFLATION
Annual percentage change

	2015			2016					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Unprocessed food	5.2	2.9	4.2	0.9	-0.4	0.5	1.6	3.5	2.9
Processed food including alcohol and tobacco	2.4	3.4	2.6	2.3	2.5	2.5	2.2	2.2	2.2
Energy	-4.9	-4.9	-4.9	-5.7	-4.0	-2.4	-4.3	-4.3	-4.3
Non-energy industrial goods	1.2	1.1	1.2	1.4	1.5	1.3	0.9	0.9	1.0
Services (overall index excluding goods)	1.9	1.6	1.4	1.1	1.3	1.1	1.0	1.0	1.2
All Items HICP	**1.6**	**1.3**	**1.3**	**0.8**	**1.0**	**1.0**	**0.8**	**1.0**	**1.0**

Source: Eurostat.

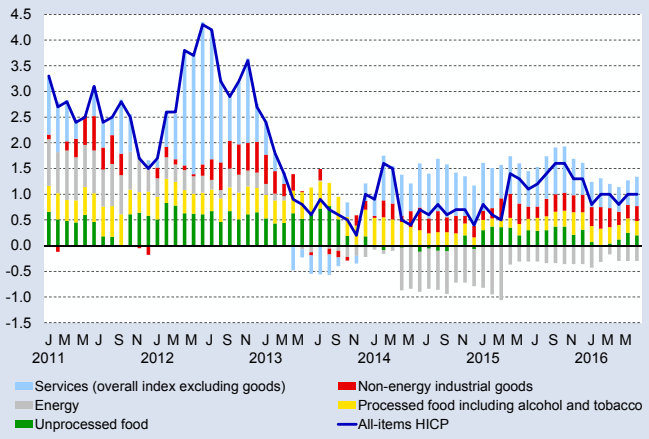
[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. In 2016 the weight allocated to energy stands at 7.2%, while that of non-energy industrial goods is 28.7%. Services account for 43.7% of the index, while the share allocated to food stands at 20.4%.

conditions over the past months. Prices for fish and seafood also accelerated, while the annual rate of change of fruit and meat prices decelerated.

Services also contributed positively to headline inflation, with the annual rate of change of service prices going from 1.1% in March to 1.2% in June. Although this change was marginal, the contribution of services to overall inflation rose by 0.1 percentage point to 0.6, given its large weight in the headline index. Upward movements were observed in recreation and personal service prices, including accommodation and restaurant prices, and in the miscellaneous services component (see Chart 3.3). This offset downward movements in the contributions of housing and transport services.

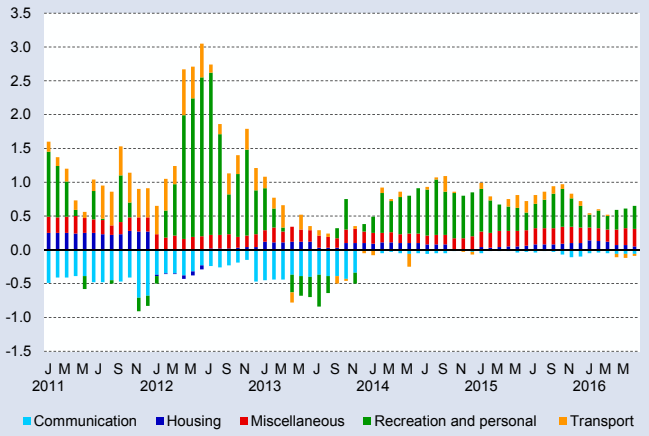
Meanwhile, annual inflation in processed food including alcohol and tobacco, dropped from 2.5% in March to 2.2% in June, with the main driver behind this deceleration being prices for alcoholic beverages. The contribution to headline inflation was broadly unchanged at 0.3.

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



Source: Eurostat.

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



Source: Eurostat.

NEIG prices decelerated in the second quarter, with their annual inflation rate going from 1.3% in March to 1.0% in June. As a result, this component's contribution to overall inflation dropped by 0.1 percentage point to 0.3. Prices for household furnishings and equipment partly drove the weaker increase in prices, which could reflect a strengthening of the euro against the pound sterling during 2016.

Energy prices continued to contract on an annual basis, with their annual inflation rate down to -4.3% in June from -2.4% in March. Thus, the contribution of this component to headline inflation became more negative, reaching -0.3 percentage point at the end of the second quarter. This mainly reflected a larger annual drop in domestic fuel prices.

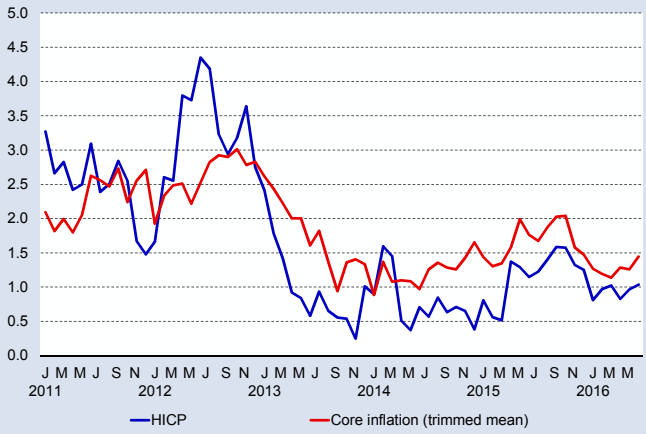
Core HICP inflation picks up

In order to better gauge underlying inflationary pressures in Malta, the Central Bank of Malta uses a measure of core inflation based on HICP data. This measure adopts a "trimmed mean" approach,

whereby the more volatile components of the index are removed from the basket of consumer goods to exclude extreme movements (downwards or upwards) from the headline inflation figure.[2]

According to this measure, core inflation in Malta picked up to 1.4% at the end of the second quarter, from 1.1% in March (see Chart 3.4). Core inflation has held above overall HICP inflation since 2014, reflecting strong downward pressures on the overall index from its more volatile components.

Chart 3.4
HICP IN MALTA: OVERALL AND CORE MEASURE
(annual percentage change)



Sources: Eurostat; CBM estimates.

Retail price index inflation rises

Annual inflation based on the retail price index (RPI) stood at 0.8% in June, up from 0.5% in March (see Chart 3.1).[3] Nonetheless, readings for 2016 remained lower on average than those observed in 2015.

The increase in RPI inflation since March mainly reflected developments in the food component, which has a larger weight in the RPI than in the HICP. The contribution of food to the overall RPI in fact gained 0.6 percentage point over the period under review (see Table 3.2). This outweighed drops in the contribution of recreation and culture, which excludes accommodation prices, and in the contribution of transport and communications. Contributions from the other components of the index were unchanged during the period under review.

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

	2015			2016					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Food	0.7	0.4	0.6	0.0	-0.2	0.0	0.2	0.6	0.6
Beverages and tobacco	0.2	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Clothing and footwear	0.0	0.0	0.1	0.2	-0.1	-0.1	-0.2	-0.1	0.0
Housing	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Water, electricity, gas and fuels	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Household equipment and house maintenance costs	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Transport and communications	-0.5	-0.6	-0.6	-0.7	-0.5	-0.5	-0.5	-0.7	-0.6
Personal care and health	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Recreation and culture	0.3	0.3	0.3	0.3	0.3	0.2	0.1	0.0	0.0
Other goods and services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
RPI (annual percentage change)	**1.3**	**0.9**	**1.0**	**0.5**	**0.3**	**0.5**	**0.4**	**0.7**	**0.8**

Source: NSO.

[2] Refer to "An Evaluation of Core Inflation Measures for Malta", *Quarterly Review* 2014:3, Central Bank of Malta, pp. 39-45.
[3] Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the way the two indices are compiled. For instance, whereas RPI weights are based on expenditure by Maltese households, HICP weights also reflect expenditure patterns by tourists in Malta. Thus, while the RPI excludes hotel accommodation prices, the latter account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

BOX 4: SEASONAL ADJUSTMENT OF THE HARMONISED INDEX OF CONSUMER PRICES IN MALTA[1]

The objective of this Box is to identify elements of seasonality in Malta's HICP index and explain the processes involved in the compilation of a seasonally adjusted series.

A prerequisite for the monitoring of the short-term development of economic statistics is the availability of seasonally adjusted data. The latter corrects for the seasonal fluctuations and calendar effects within the time series in order to provide a clearer understanding of the underlying economic trends. For instance, if the seasonal effect changes each month, it can be difficult to detect the general direction of monthly developments in a time series, such as turning points or consistency with other economic indicators. A key indicator that may require seasonal adjustment is the HICP, which is the official measure of price inflation used by the ECB to maintain price stability in the euro area over the medium term.

The annual growth rate in HICP inflation is not affected by seasonal patterns, as long as these patterns remain stable over time. However, it is sometimes useful to supplement the annual growth rates in inflation with shorter-term analysis, such as developments in the current month compared to the previous one. This is important because the year-on-year growth rate for a given month reflects price development over a period of 12 months and thereby could also be affected by so-called base effects stemming for instance, from changes in commodity prices.

Currently, the two most commonly used methods of seasonal adjustment within the European Statistical System (ESS) are the TRAMO-SEATS and X-12-ARIMA, which are supported by Banco de España and the Bureau of Census in the United States, respectively.[2] The ESS Guidelines on seasonal adjustment state that both methods are considered as "equally valuable as is reflected in their widespread use".[3]

Seasonal adjustment of HICP for Malta

In its analysis of price developments in the *Quarterly Review*, the Central Bank of Malta usually focuses on data for the overall HICP and a breakdown into five main components, namely energy, unprocessed food, processed food, non-energy industrial goods and services.

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[1] Prepared by Daniel Gaskin. The author is a Statistician in the Statistics Office of the Central Bank of Malta. The views expressed are those of the author and do not necessarily reflect those of the Central Bank of Malta.

[2] Gómez, V and Maravall, A. (2001), Seasonal Adjustment and Signal Extraction in Economic Time Series, A Course in Advanced Time Series Analysis, Peña, D., Tiao, G. C., and Tsay, R. S. (eds.), Wiley and Sons, New York, 202-246. Findley, D. F., Monsell, B. C., Bell, W. R., Otto, M. C. and Chen, B-C. (1998), New Capabilities and Methods of the X-12-ARIMA Seasonal-Adjustment Program, *Journal of Business and Economic Statistics*, 2, 16, 127-152.

[3] In the past, the Bank had already experimented with seasonally adjusting a range of monetary and economic statistics using the X-11 Variant of the Census Method II Seasonal Adjustment Program. Further details are available in Pule', J. (1995), Seasonal adjustment of economic time series, Central Bank of Malta, *Quarterly Review*, June 1995.

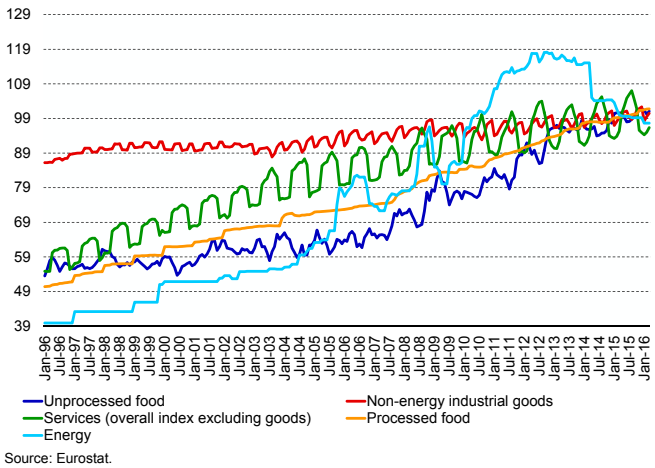
In this Box, the HICP index for Malta was seasonally adjusted using the TRAMO-SEATS approach through the application of the software package JDemetra+.[4] Following a recommendation by the Task Force on Seasonal Adjustment of National Harmonised Indices of Consumer Prices, it was decided to seasonally adjust the main components of the HICP directly, as opposed to the alternative of adjusting only the headline HICP index.[5]

The headline seasonally adjusted HICP is subsequently obtained by aggregating the adjusted main component series, namely unprocessed food, non-energy industrial goods and services with the unadjusted components for processed food and energy. The latter do not display elements of seasonality within their respective series. The main advantage of the indirect approach is a higher level of consistency between the adjusted aggregate HICP and the adjusted sub-component series. This approach is also warranted by the distinct seasonal pattern within each sub-index in order to avoid losing these component specific seasonal patterns during the aggregation process.

Chart 1 plots the unadjusted main components of the HICP over the period between 1996 and 2016. Seasonal patterns are clearly visible in the indices for unprocessed food, non-energy industrial goods and services.[6] On the contrary, the indices for processed food and energy do not exhibit seasonal variations over time.

Each time series is decomposed into four separate parts: the trend and cyclical elements, the seasonal effect and the irregular component. The process of seasonal treatment involves the setting up of a seasonal ARIMA model for each time series that needs to be adjusted. The seasonal part of an ARIMA model has the same structure as the non-seasonal part, that is, it may have an autoregressive (AR) term, an order of differencing (I) and a moving average (MA) component. In the seasonal part of the model, all of these factors operate across multiples of lag 's', where s refers to the number of periods in a season. Hence, a seasonal ARIMA model is

Chart 1
HICP SUB-INDICES FOR MALTA
(2015=100)



Source: Eurostat.

[4] Official program JDemetra+ v2.0.0 is publicly available from the CROS portal at: https://ec.europa.eu/eurostat/cros/content/download_en.

[5] The Task Force on Seasonal Adjustment of National Harmonised Indices of Consumer Prices is an ECB Task force set up to consider technical aspects of seasonal adjustments. Further details are available in Eiglsperger, M. (2011), Seasonal adjustment of harmonised indices of consumer prices – main findings of an ESCB task force, *European Central Bank* paper presented to the Ottawa Group, March 2011.

[6] In 2016, the weights for each sub-index in the overall HICP were as follows: services (43.7%), non-energy industrial goods (28.7%), unprocessed food (7.4%), processed food (13.0%) and energy (7.2%). These weights are updated annually.

classified as an ARIMA(p,d,q)(P,D,Q) model, where P refers to the number of seasonal autoregressive terms, D is the number of seasonal differences and Q is the number of seasonal moving average components. If the seasonal pattern changes over time, the time series is split accordingly and a unique ARIMA model is applied to each sub-sample. Table 1 lists the different ARIMA models for the different sub-samples of each treated HICP sub-index.

In each case, the changes in the seasonal pattern were traced back to changes in policy or the introduction of methodological changes in the data collection process. For instance, the difference in the seasonality pattern of unprocessed food was due to a change in methodology following the introduction of the HICP Regulation on the treatment of seasonal products, including fruit and vegetables, in 2011.[7]

The non-energy industrial goods series was split into three segments: up to December 2002, from January 2003 to December 2010 and from January 2011 onwards. The latter split was due to the same HICP Regulation in 2011, which also dealt with clothing and footwear, while the former relates to the elimination of an import levy on industrial goods implemented in January 2003. Differences in the seasonal pattern of services were due to a change in methodology of collecting hotel accommodation rates by the National Statistics Office (NSO) in March 2010.[8]

The seasonal adjustment of the three sub-indices – unprocessed food, non-energy industrial goods and services – is followed by diagnostic tests to ensure the successful removal of the seasonality pattern within the original series.[9] Following an analysis of the auto-correlation and partial auto-correlation functions of each series, the ARIMA models selected proved to be the best fitting for each respective adjustment. A number of tests were also

Table 1
HICP SUB-INDICES: ARIMA MODELS

HICP sub-indices (series span)	ARIMA Model
Unprocessed food (Jan. 96 – Dec. 10)	(0 1 0) (0 1 1)
Unprocessed food (Jan. 11 – Mar. 16)	(0 1 1) (0 1 1)
Industrial goods excluding energy (Jan. 96 – Dec. 02)	(0 1 0) (1 0 1)
Industrial goods excluding energy (Jan. 03 – Dec. 10)	(0 1 0) (0 1 1)
Industrial goods excluding energy (Jan. 11 – Mar. 16)	(1 0 0) (0 1 1)
Services (Jan. 96 – Feb. 10)	(0 1 1) (0 1 1)
Services (Mar. 10 – Mar. 16)	(1 0 0) (1 1 0)

Source: Author's calculations.

[7] HICP Regulation No. 33/2009 on the treatment of seasonal products. For details, see the Box entitled "Methodological changes in the compilation of the HICP and their impact on recent data", *European Central Bank Monthly Bulletin*, April 2011.

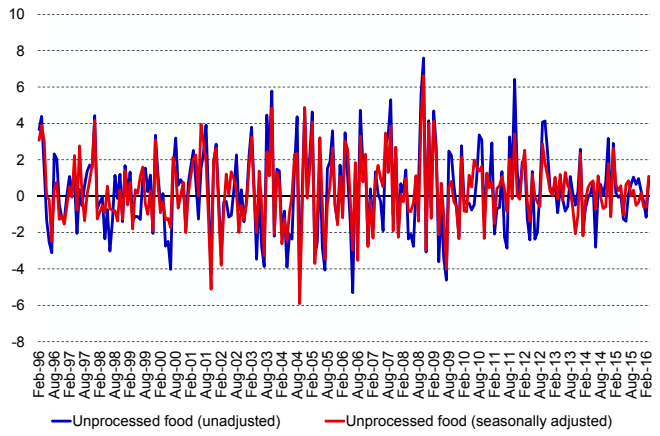
[8] In March 2010, the NSO started to collect statistics on hotel accommodation from a popular booking website rather than using hotel rack rates which led to this change in the seasonal pattern.

[9] A detailed description of the diagnostic tests is available in Grudkowska, S. (2013), JDemetra+ User Manual, *Narodowy Bank Polski* publication, October 2013.

carried out to ensure the absence of seasonality in the residuals and from the final seasonally-adjusted series. Outliers were found within the services series and the non-energy industrial goods series. These were corrected for by TRAMO-SEATS. Also, a significant Easter effect was found within the services series and was removed.

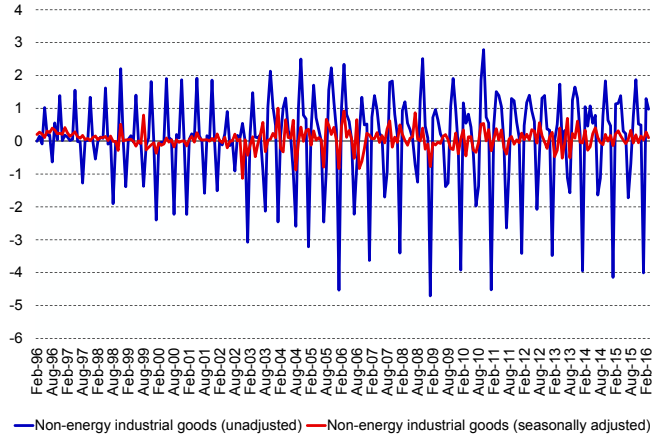
Charts 2, 3 and 4 depict the month-on-month growth rates of the seasonally adjusted series for each sub-index in comparison to the unadjusted series. As expected, each series portrays lower month-on-month volatility over time indicating a successful removal of both seasonal and calendar factors within the data. While the seasonal component was successfully removed, the series for unprocessed food shows persistently strong volatility due to its irregular component. However, the relatively low weight of this index does not raise concern for the aggregation of the overall HICP index.

Chart 2
UNPROCESSED FOOD
(month-on-month growth rates)



Source: Author's calculations.

Chart 3
NON-ENERGY INDUSTRIAL GOODS
(month-on-month growth rates)



Source: Author's calculations.

Due to the fact that the HICP is a monthly chained Laspeyres price index with annually updated weights, one cannot simply aggregate the sub-indices to obtain the headline index. Instead, the process of aggregation involves unchaining the sub-indices, aggregating these unchained series as a weighted sum, chain-linking the series in order to compile an overall index and finally normalising this final time series to match a reference year.[10] A tool created by the Deutsche Bundesbank to conduct this aggregation exercise to obtain the overall HICP seasonally adjusted

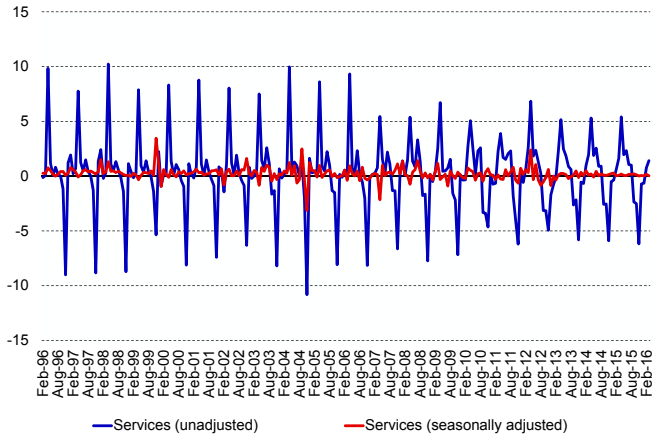
[10] Reference year used was 2015.

series was used for this purpose.

Chart 5 plots the final seasonally adjusted overall HICP index results for Malta. As can be seen, the monthly growth rates of the seasonally adjusted series portray a much lower volatility in comparison to the original unadjusted series. This newly adjusted series can provide a useful tool for analysts and policy makers as underlying trends within the series are no longer masked by seasonal factors.

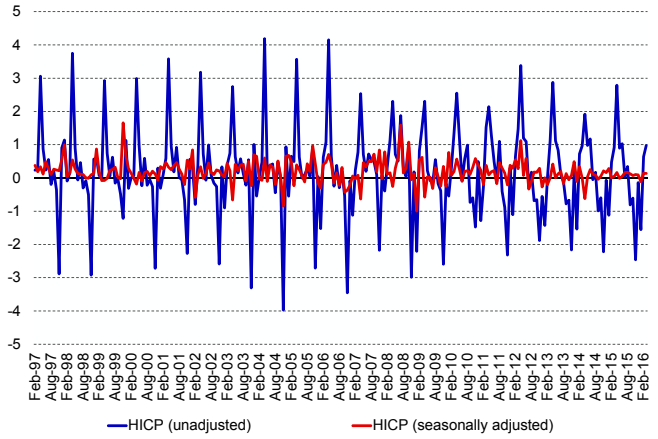
The Central Bank of Malta will be compiling a monthly time series of seasonally adjusted HICP data for internal analysis and research purposes. It also intends to start releasing such statistics on a regular basis on its website for use by the general public.

Chart 4
SERVICES
(month-on-month growth rates)



Source: Author's calculations.

Chart 5
OVERALL HICP INDEX
(month-on-month growth rates)



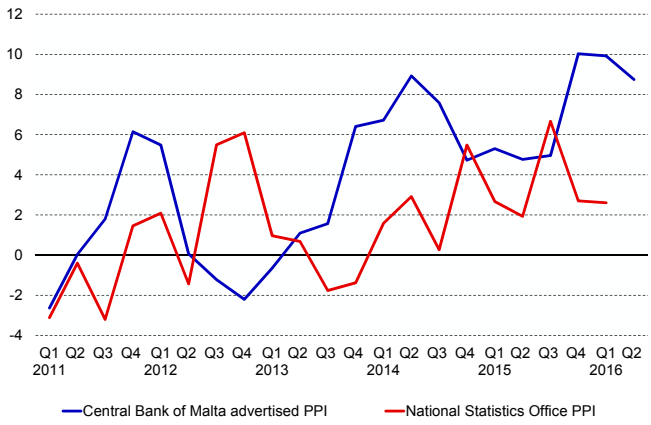
Source: Author's calculations.

BOX 5: RESIDENTIAL PROPERTY PRICES

Residential property prices rise further

In the second quarter of 2016, the Central Bank of Malta's index of advertised prices for residential property went up by 8.7% compared with the corresponding quarter of 2015. While still strong, the annual rate of increase of advertised house prices slowed down from 9.9% in the first quarter of 2016 (see Chart 1).

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



Sources: Central Bank of Malta; Eurostat.

The NSO Property Price Index (PPI), which is based on actual transactions involving apartments, maisonettes and terraced houses, also continued to rise. The latest data show that in the first quarter of 2016, this index gained 2.6% on an annual basis, marginally lower than the 2.7% registered in the last quarter of 2015.

In recent quarters the index of advertised property prices increased at a faster rate than that based on contract prices. This could reflect methodological differences in the compilation of the two indices, lagged effects and a tendency to boost asking prices during periods of relatively high economic growth.

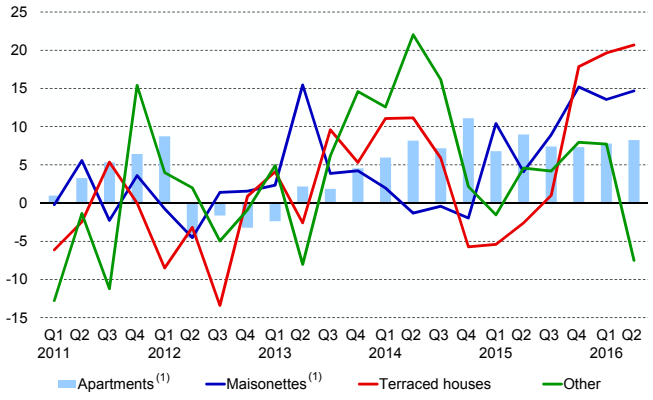
Residential property prices in Malta are being supported by a number of factors, such as the scheme for first-time buyers.[1] Demand for property is also being supported by strong growth in disposable income, which continues to benefit from favourable labour market conditions. At the same time, the low interest rate environment makes property more attractive than financial assets as an investment. These factors in turn are contributing to robust growth in lending for house purchases. The rise in foreign workers in Malta and to a more limited extent the Individual Investor Programme, have also been supporting demand for housing.

The increase in advertised property prices in the second quarter of 2016 was driven by terraced houses, maisonettes and apartments, prices of which rose by 20.7%, 14.7%

[1] This scheme, which was introduced in 2013 and subsequently extended, provides relief from the duty on documents due on the first €150,000 of the total value paid for the purchase of eligible property.

and 8.2%, respectively, on a year earlier (see Chart 2). The first two categories have been registering double digit growth since the last quarter of 2015. On the other hand, prices in the "other" properties category, which consists of town houses, houses of character and villas, contracted by 7.5% on a year earlier, the first decline after four consecutive increases.

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



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

Source: Central Bank of Malta.

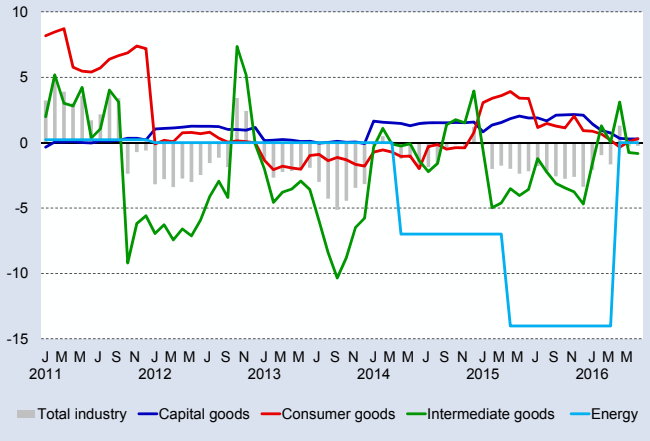
Costs and competitiveness

Producer prices extend their decline

Producer prices continued to post annual declines in the second quarter of 2016, a weakness that has been observed for most of the past four years. Nevertheless, this decline eased during the period under review, with the annual rate of change of the industrial PPI going to -0.2% in June from -1.7% in March (see Chart 3.5). [4]

This weaker drop in producer prices in June was mainly driven by the tapering-off of the impact of the reduction in utility tariffs for businesses in April 2015. As a result, year-on-year growth in the energy component of the PPI went to zero from -14.0% in March, translating into a 1.9 percentage point increase in the contribution of energy to the headline index. This was partly offset by developments in factory-gate prices of intermediate goods, which resumed their decline following a brief period

Chart 3.5
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage change)



Source: NSO.

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

of upward pressure at the start of 2016. Prices of intermediate goods, which includes semiconductors, fell by 0.8% on their year ago level in June, with the contribution to overall producer price inflation dropping to -0.4 point from nil in March.

With regard to the other components of the PPI, annual growth in prices for capital goods decelerated by 0.5 percentage point to 0.3% in June, while inflation in the consumer goods category rose marginally by 0.1 percentage point to 0.3%. Together, these components contributed a marginal 0.1 percentage point to overall index.

Harmonised competitiveness indices continue to rise

Malta's HCI rose once more during the second quarter of 2016, gaining 0.4% in nominal terms in June when compared to March (see Chart 3.6).[5] This implies a slight deterioration in Malta's international competitiveness in terms of trade-weighted exchange rates, mainly reflecting an appreciation of the euro against the pound sterling and the US dollar during the period.

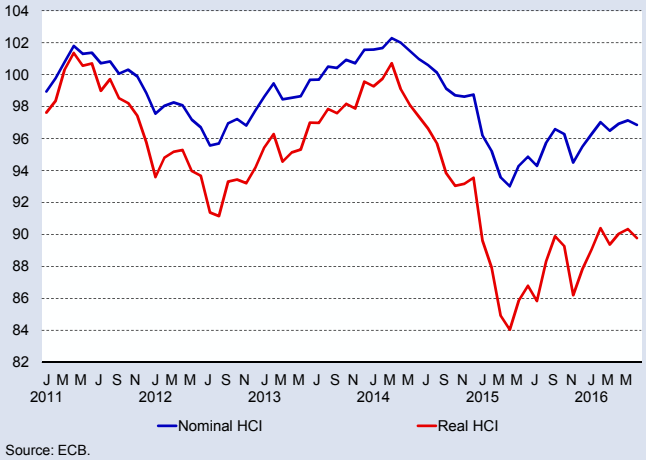
The real HCI, which also takes into account consumer prices in Malta and its international trading partners, gained 0.5% over this period. The faster increase in the real HCI over the nominal HCI indicates that the loss in competitiveness due to exchange rate movements was amplified by changes in relative prices.

HCI's in Malta have generally followed an upward trend since mid-2015, reflecting the gradual recovery in the euro exchange rate and the widening of the inflation gap between Malta and its trading partners, partly driven by Malta's robust economic growth. When compared to a year earlier, the nominal and real HCI stood 2.1% and 3.4% above their June 2015 level.

Unit labour costs decline in the first quarter

The unit labour cost (ULC) index, which is measured as the ratio of compensation per employee to labour productivity, dropped marginally during the first quarter of 2016. Measured on a four-quarter moving average basis, the annual growth rate of Malta's ULC stood at -0.2% during the first quarter, from -0.1% in the last quarter of 2015 (see Chart 3.7). These were the first negative annual growth rates observed since 2005.

Chart 3.6
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)

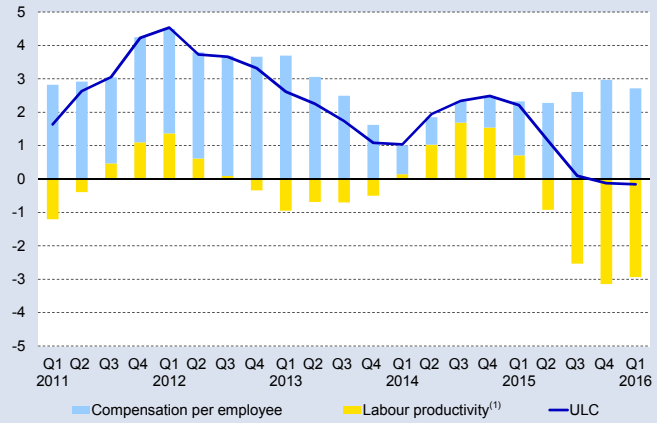


Source: ECB.

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

Developments in Malta's ULC contrast with those in the euro area, where ULC growth remained unchanged at 0.8%. This implies a recent strengthening of Malta's competitive position within the single currency area.[6] However, this follows a number of quarters where Malta's ULC had been growing at a faster rate than in the euro area.

Chart 3.7
DECOMPOSITION OF UNIT LABOUR COST IN MALTA
(annual percentage change; four-quarter moving average)



(1) A rise (drop) in productivity contributes negatively (positively) to ULC growth.
Sources: NSO; Central Bank of Malta estimates.

The recent drop in Malta's ULC reflects continued robust annual growth in labour productivity, which stood at 2.9% in the first quarter and outweighed growth in compensation per employee. The latter grew by an annual 2.7% during the first quarter when measured as a four-quarter moving average.

[6] A degree of caution is required in the interpretation of ULC in view of contemporaneous structural shifts in the composition and factor-intensity of production notably the shift to labour-intensive services. See Micallef, B. "Unit labour costs, wages and productivity in Malta: a sectoral and cross-country analysis" *Policy Note*, August 2015, available at https://www.centralbankmalta.org/en/working-papers-2015 and Rapa, N. "Measuring international competitiveness" in *Quarterly Review* 2016:1, Central Bank of Malta, pp. 53-63.

4. THE BALANCE OF PAYMENTS[1]

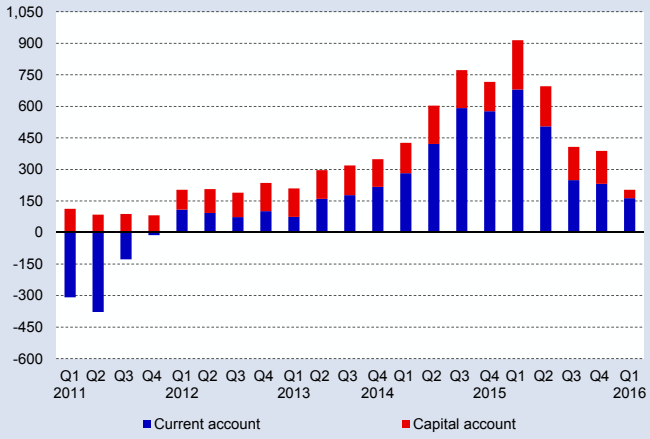
During the first quarter of 2016 the current account of the balance of payments posted a lower surplus than in the comparable quarter of 2015. This was attributable to a widening in the merchandise trade gap and to higher net outflows related to primary income. A rise in net receipts from services and secondary income partly countered these developments. Meanwhile, net inflows on the capital account declined substantially on a year earlier, while the financial account swung to a net borrowing position.

The current account

The current account surplus declines

During the first three months of 2016, the current account recorded a surplus of €39.9 million, down from €108.0 million a year earlier. When expressed as a four-quarter moving sum the balance on the current account stood at €163.2 million, €517.0 million less than in the year to March 2015. This smaller current account surplus was largely driven by developments on the goods balance (see Chart 4.1 and Table 4.1).

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



Source: NSO.

As a result, over the four quarters ending in March 2016, the

Table 4.1
BALANCE OF PAYMENTS
EUR millions

	Four-quarter moving sums						
	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016Q1	2015 Q1	2016Q1
Current account	**680.2**	**504.8**	**248.9**	**231.3**	**163.2**	**108.0**	**39.9**
Goods	-1,150.3	-1,384.3	-1,680.8	-1,752.5	-1,827.4	-298.9	-373.8
Services	1,847.2	1,911.7	1,970.4	2,034.1	2,052.3	394.2	412.4
Primary income	-234.2	-229.1	-245.7	-264.8	-279.1	-39.5	-53.7
Secondary income	217.5	206.6	205.0	214.6	217.4	52.2	55.0
Capital account	**234.2**	**190.8**	**158.5**	**156.5**	**40.1**	**123.9**	**7.4**
Financial account	**1,281.9**	**1,197.4**	**147.1**	**-20.1**	**-164.7**	**162.5**	**17.9**
Errors and omissions	**367.4**	**501.9**	**-260.3**	**-408.0**	**-368.0**	**-69.3**	**-29.4**

Source: NSO.

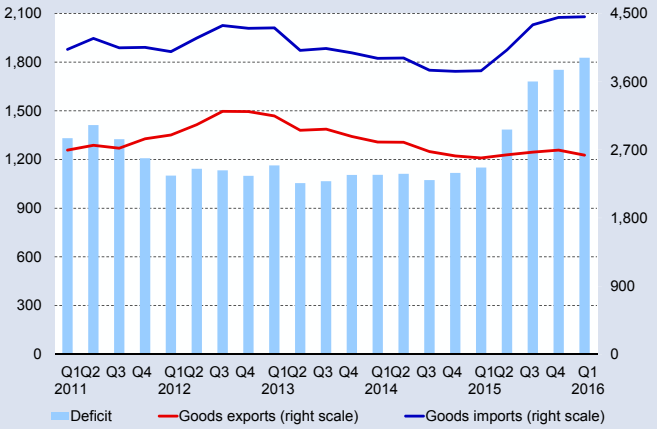
[1] This analysis is based on balance of payments data issued by the National Statistics Office (NSO) in accordance with the guidelines contained in the Sixth Edition of the International Monetary Fund's Balance of Payments and International Investment Position Manual (BPM6). The most notable difference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

current account surplus narrowed to 1.8% of gross domestic product, from 8.3% a year earlier.

The merchandise trade deficit widens

In the first three months of 2016, the merchandise trade deficit widened by €74.9 million on the corresponding quarter of 2015, standing at €373.8 million. This was attributable to a contraction of €67.3 million in exports and an increase of €7.6 million in imports.

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



Source: NSO.

The visible trade gap also widened when measured on a four-quarter cumulative basis, reaching €1,827.4 million from €1,150.3 million a year earlier. This arose as imports increased by €713.1 million offsetting a €36.0 million increase in exports (see Chart 4.2). The rise in imports was largely propelled by higher capital imports.

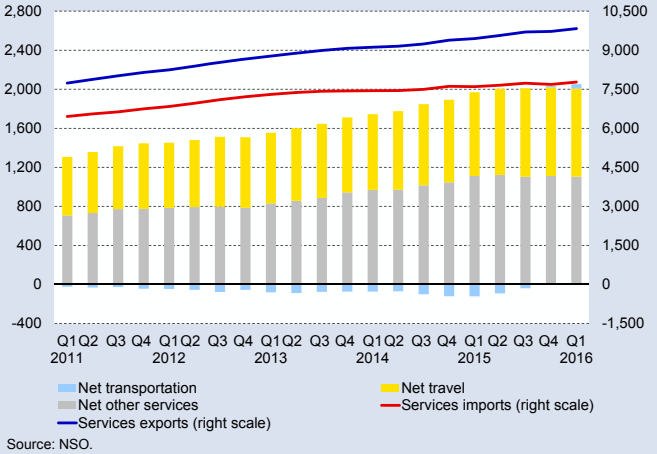
The surplus on services increases

Between January and March 2016, the positive balance on services stood at €412.4 million, a rise of €18.2 million on the same period of 2015. Higher net receipts were spurred by a significant increase in exports, which offset a rise in payments. The increased surplus was predominantly driven by a swing of €30.1 million on the transport account, which in turn reflected a rise in air transport receipts. The latter continued to benefit from a buoyant tourist sector and an expanding aviation services industry. Remote gaming, insurance and pension services also contributed to this amelioration.

In contrast, net travel exports decreased by €6.6 million, as increased expenditure by tourists in Malta was outweighed by higher spending by Maltese residents abroad. These developments were accompanied by a decline in net receipts on financial services and higher net payments related to telecommunication services.

Partly reflecting developments in the quarter under review, the overall surplus on services in the four quarters leading to March 2016 went up by €205.0 million from the level registered a year earlier, to €2,052.3 million (see Chart 4.3).

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



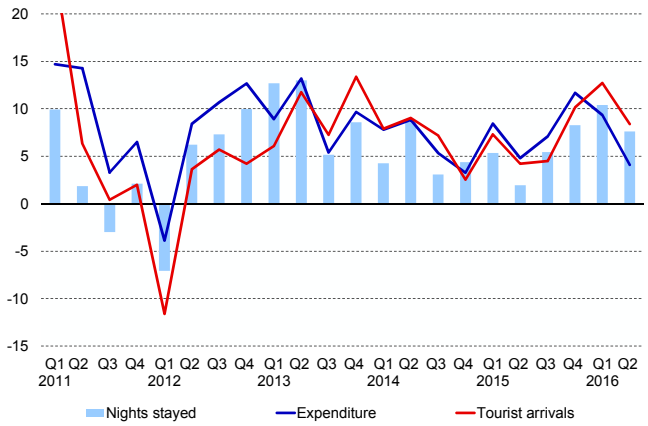
Source: NSO.

BOX 6: TOURISM ACTIVITY

The tourism industry continues to expand in the second quarter

NSO data show that in the April-June period of 2016 the number of inbound visitors reached 548,510 a rise of 8.4% on the corresponding quarter of 2015 (see Chart 1). This was almost entirely driven by a rise in the number of leisure travellers, although the number of business and professional tourists and travellers visiting for educational, religious and health reasons also increased. Over the same period, tourists spent over 3.8 million nights in Malta, an increase of 7.6% on a year earlier, while tourist spending in Malta rose at an annual rate of 4.1%, to reach €447.0 million. All three indicators suggest that the tourist industry grew at a slower pace compared with the first quarter of 2015. Nonetheless the pace of expansion remained robust, with the moderation in the second quarter likely influenced by the timing of Easter.

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



Source: NSO.

During the first half of 2016 as a whole, inbound visitors totalled 829,850, up by 9.9% on the same period of 2015. This growth was mostly driven by a surge in the number of leisure travellers. Business and professional visitors also increased. However, the number of tourists for educational, religious and health reasons contracted on a year earlier.

The number of nights spent rose at an annual rate of 8.6% and exceeded 5.8 million. Nights stayed in private accommodation increased by 21.3%, while nights stayed in collective accommodation increased by 2.7%. As a result, the share of nights spent in private accommodation rose to 35.3%, from 31.6% in the first six months of 2015.[1]

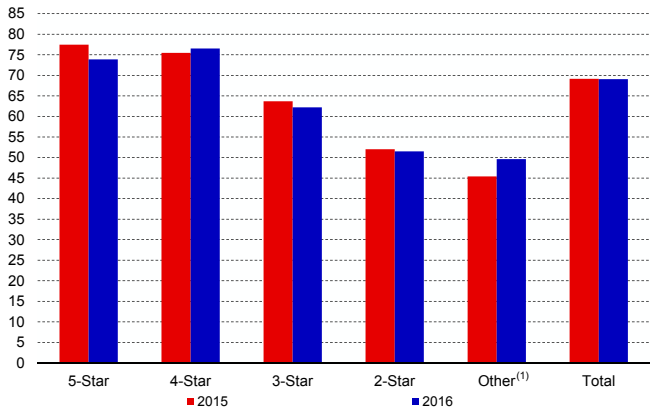
In the first half of 2016, tourism spending in Malta amounted to €656.4 million, an increase of 5.7% over the same period of 2015.[2] Non-package expenditure, particularly on accommodation, was the largest contributor to this increase, although spending on the "other" component also rose significantly. On the other hand, expenditure on package holidays declined when compared to the first half of 2015. As tourist expenditure increased at a

[1] Private accommodation includes self-catering apartments, farmhouses, and private residences. As per Eurostat recommendation, timeshare accommodation is classified as "private accommodation". Collective accommodation comprises hotels, aparthotels, guesthouses, hostels and tourist villages.
[2] Total expenditure is split into package, non-package and "other".

slower pace than tourist arrivals, expenditure per capita decreased to €791, a €31 difference from the same period in 2015.[3] Similar to a year earlier, tourists from Libya, Russia, Switzerland and the United States of America were on average the leading per capita spenders. The average stay was slightly shorter than a year earlier, dipping marginally to 7.0 nights.

In the second quarter of 2016, total nights spent in collective accommodation establishments decreased by 13,531 nights when compared with the same period of 2015. As a result, occupancy rates deceased marginally to 69.1% in 2016. This was mainly driven by lower occupancy in five and three-star establishments which were partly offset by increases in the four-star and "other" establishments' categories (see Chart 2). During the first half of 2016 as a whole, occupancy rates in collective establishments decreased by 0.2 percentage point on a year earlier, to 58.6%.

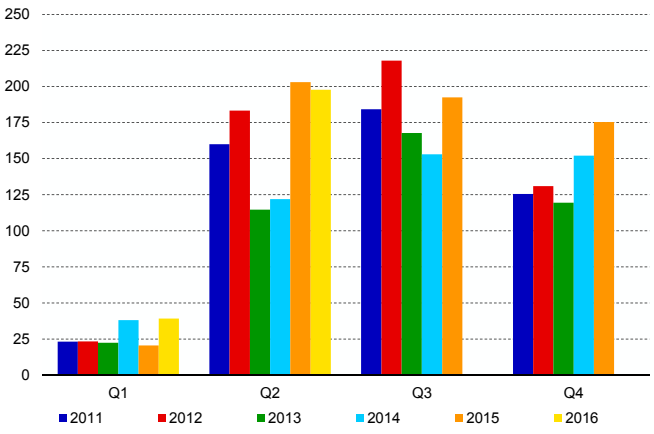
Chart 2
AVERAGE OCCUPANCY RATES IN THE SECOND QUARTER
(per cent)



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

In the second quarter of 2016, the number of cruise liner calls was 108, unchanged from a year earlier. On annual basis, the number of foreign passengers decreased marginally to 197,842 (see Chart 3).

Chart 3
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

During the first half of 2016, however, there was an increase in the number of cruise liner calls when compared to the same period in 2015, from 117 to 125. Concurrently, the number of foreign passengers increased from 223,757 to 237,145.

[3] Non-package holiday expenditure is subdivided into spending on accommodation and travel fares, while the "other" component captures any additional expenditure by tourists during their stay in Malta.

Primary income account records higher net outflows[2]

In the first three months of 2016, the primary income account posted net outflows of €53.7 million, up from €39.5 million in the corresponding period of 2015. Movements on this component of the current account continued to be strongly influenced by internationally-oriented firms, including SPEs and subsidiaries of foreign banks, which transact predominantly with non-residents.

When measured on a four-quarter cumulative basis, net outflows on this account reached €279.1 million, up by €44.9 million compared with the four-quarters to March 2015. This was predominantly driven by an increase in profits recorded by foreign-owned firms operating locally.

Inflows on the secondary income account increase[3]

In the first quarter of 2016, net inflows on the secondary income account rose by €2.9 million on a year earlier, reaching €55.0 million. Over the four quarters to March 2016, these net inflows amounted to €217.4 million, marginally lower than in the corresponding period a year earlier.

The capital account

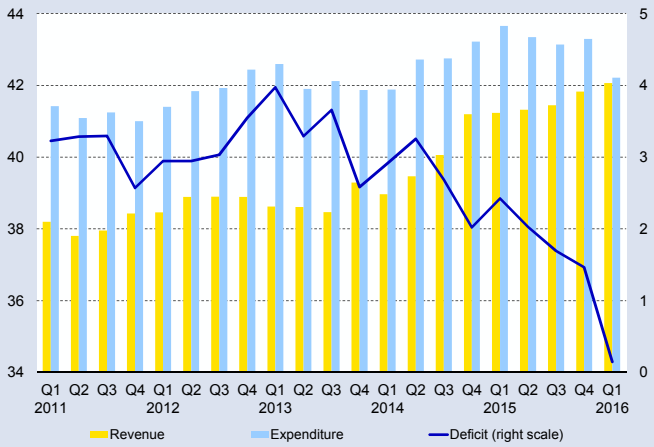
Between January and March 2016, net inflows on the capital account amounted to €7.4 million, a dip of €116.4 million on the same period of 2015 (see Table 4.1). This change was mostly driven by funds received under EU financing programmes. Similarly, on a four-quarter cumulative basis, capital inflows amounted to €40.1 million, a decrease of €194.1 million on the twelve months to March 2015 (see Chart 4.1).

[2] The primary income account shows income flows related mainly to cross-border investment and compensation of employees.
[3] The secondary income account shows current transfers between residents and non-residents.

5. GOVERNMENT FINANCE

The latest general government statistics cover the first quarter of 2016. During this period the general government deficit-to-gross-domestic-product (GDP) ratio, measured on the basis of four-quarter moving sums, fell to 0.1% from 1.5% in the last quarter of 2015 (see Chart 5.1). Nonetheless, general government debt as a percentage of GDP rose to 65.3%, from 63.8% as at the end of 2015.

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



Source: NSO.

Cash statistics indicate that the Consolidated Fund deficit for the first half of the year declined when compared with the same period of 2015.[1] However, central government debt was higher than the outstanding debt as at the end of 2015.

General government

General government balance improves

In the first quarter of 2016, the general government deficit narrowed by €115.8 million on a year earlier, to stand at €53.6 million (see Table 5.1). This reflected an increase in revenue coupled with a drop in expenditure. The primary balance, which excludes interest payments from total expenditure, and which had shown a shortfall of €113.9 million in the first quarter of 2015, posted a small deficit of €0.8 million in March 2016.

Strong economic growth supports revenue growth

Between January and March 2016 general government revenue went up by €85.4 million, or 11.2%, over the same quarter of the previous year, driven mainly by higher tax receipts. Inflows from current taxes on income and wealth increased by €41.9 million and accounted for almost half of the increase in revenue. This tax category continued to benefit from strong growth in employment and income. Positive developments in the labour market also led to higher inflows from social contributions, which went up by €12.2 million.

Meanwhile, revenue from taxes on production and imports also grew substantially, going up by €31.7 million, driven mainly by larger intakes from VAT in line with a strong increase in household consumption. Higher inflows from customs and excise duties and duties on property transfers also contributed towards the increase in indirect taxes.

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

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2015				2016	Change 2016Q1-2015Q1	
	Q1	Q2	Q3	Q4	Q1	Amount	%
Revenue	**764.4**	**878.6**	**885.4**	**1,154.7**	**849.8**	**85.4**	**11.2**
Taxes on production and imports	270.5	265.9	305.2	347.5	302.2	31.7	11.7
Current taxes on income and wealth	225.1	342.2	284.8	385.4	267.0	41.9	18.6
Social contributions	140.7	139.6	144.1	172.0	152.9	12.2	8.7
Capital and current transfers receivable	51.3	64.0	63.1	149.2	24.9	-26.4	-51.4
Other[(1)]	76.9	66.9	88.2	100.6	102.8	25.9	33.7
Expenditure	**933.9**	**920.2**	**898.6**	**1,059.4**	**903.4**	**-30.4**	**-3.3**
Compensation of employees	274.6	280.1	280.6	281.2	290.9	16.4	6.0
Intermediate consumption	118.7	143.8	124.4	209.6	138.6	19.8	16.7
Social benefits	249.2	263.3	256.5	264.2	269.7	20.4	8.2
Subsidies	28.0	26.6	29.3	26.6	30.4	2.4	8.6
Interest	55.5	56.8	57.2	58.1	52.8	-2.7	-4.9
Other current transfers payable	59.5	48.2	45.0	47.5	43.6	-15.9	-26.7
Gross fixed capital formation	85.2	97.4	89.2	130.6	58.7	-26.4	-31.0
Capital transfers payable	53.1	8.5	17.6	50.3	13.7	-39.4	-74.1
Other[(2)]	10.0	-4.5	-1.1	-8.8	5.0	-5.0	-
Primary balance	**-113.9**	**15.2**	**44.0**	**153.4**	**-0.8**	**113.0**	**-**
General government balance	**-169.4**	**-41.6**	**-13.3**	**95.3**	**-53.6**	**115.8**	**-**

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

At the same time, “other” revenue expanded by €25.9 million, partly supported by higher intakes from the Individual Investor Programme. On the other hand, capital and current transfers receivable contracted by €26.4 million, mainly reflecting a drop in capital transfers, which includes grants received from the European Union (EU). This reflects a lower utilisation rate of EU funds following the completion of projects financed by the 2007-13 EU Financial Framework. During the quarter under review, there were limited funds obtained from the new 2014-20 financing programme.

Expenditure falls

During the first three months of 2016, general government expenditure contracted by €30.4 million, or 3.3% on a year earlier, primarily because of a drop in capital expenditure.

In contrast, the main components of recurrent expenditure recorded an increase. Spending on compensation of employees grew by €16.4 million, reflecting higher outlays in the health, public administration and education sectors. Concurrently, intermediate consumption went up by €19.8 million driven mainly by higher operational expenditure by extra-budgetary units. Meanwhile, outlays on

social benefits grew by €20.4 million on the back of higher spending on pensions as well as social transfers in kind. At the same time, subsidies paid increased marginally, by €2.4 million.

These increases more than offset a €2.7 million reduction in interest payments. Despite an increasing stock of debt, coupon rates on new stock issues declined compared with a year earlier, as the Treasury benefited from the current historical low rates. Meanwhile, current transfers paid went down by €15.9 million, partly because of the one-time additional bonus paid to households in 2015.

Turning to developments in capital expenditure, spending on gross fixed capital formation went down by €26.4 million, mainly due to the termination of the 2007-13 EU funds programme as mentioned above. The drop stemmed mainly from reduced spending by EBUs but was also influenced by the purchase of a military aircraft, bought in 2015, which boosted capital spending in that year.

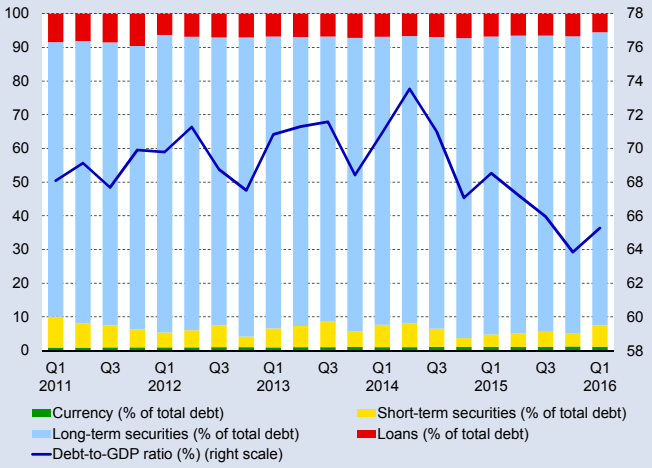
At the same time, capital transfers payable, which in 2015 were boosted by an equity injection by Government into Air Malta, contracted by €39.4 million.

The general government debt ratio increases

In March 2016, the stock of general government debt amounted to €5,847.6, up from €5,621.3 million in December 2015. As a result of this €226.3 million increase, the debt-to-GDP ratio, measured on the basis of four-quarter moving sums, rose by 1.4 percentage points to 65.3% over the same period (see Chart 5.2).

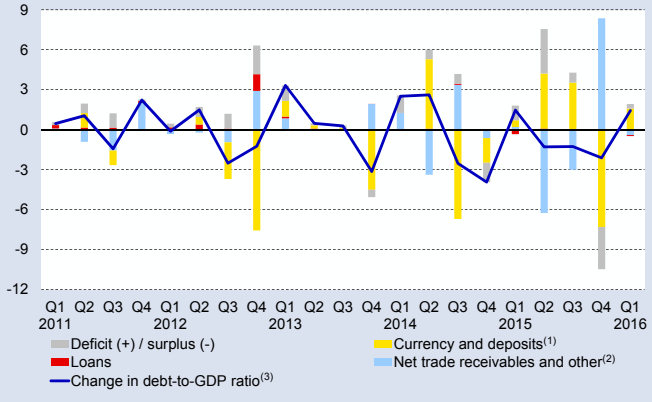
The increase in general government debt during the first quarter partly reflected the shortfall recorded during the year. However, the deficit-debt adjustment was the main contributor towards the increase in debt (see Chart 5.3). The latter was to a great extent driven by two Malta Government Stocks (MGS) issues during the quarter under review, which in turn are reflected in higher government deposits. In contrast, the repayment of a loan and net trade receivables had a dampening impact on debt.

Chart 5.2
GENERAL GOVERNMENT DEBT



Source: NSO.

Chart 5.3
CONTRIBUTION TO CHANGE IN DEBT
(percentage points)



(1) Composed mainly of transactions in deposits held with the Central Bank of Malta.
(2) Also includes transactions related to shares and other equity and adjustments for valuation and volume effects.
(3) GDP data are four-quarter moving sums.
Source: Central Bank of Malta.

With regard to debt composition, the share of short-term securities, namely Treasury bills, in total debt went up by 2.3 percentage points to 6.3%. On the other hand, the share of longer-term securities, which are composed of MGS, declined by 1.1 percentage points, to 87.0%. At the same time, the share of loans decreased to 5.5% from 6.7% at the end of 2015 following the repayment of a domestic loan. The proportion of government liabilities in the form of euro coins remained unchanged at 1.2%.

Consolidated Fund

The Consolidated Fund deficit narrows in the first six months

Between January and June 2016, the Consolidated Fund deficit narrowed by €47.3 million compared with the same period a year earlier, to stand at €110.6 million (see Table 5.2). At the same time, the primary balance improved by €43.0 million to reach a surplus of €1.2 million.

Revenue increased by €38.8 million, or 2.6% year-on-year, due to higher tax revenue. Receipts from direct taxes went up by 12.1% on the back of larger inflows from income taxes as well as higher social security contributions. Meanwhile, indirect taxes grew by 10.5% driven mainly by higher VAT receipts and higher duties on property transfers. Conversely, non-tax revenue fell by 37.9% on the back of lower grants received, which were exceptionally high a year ago as Malta utilised the remaining EU funds under the 2007-13 EU financing programme.

At the same time, expenditure went down by €8.5 million, or 0.5%, because of a drop in capital expenditure. The latter dropped by 38.7% partly due to lower EU-funded spending, mirroring the drop in EU funds received. On the other hand, recurrent spending went up by 4.9% on the back of higher contributions to government entities, compensation of employees and pensions, offsetting lower interest payments.

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2015 Jan.-June	2016 Jan.-June	Change Amount	Change %
Revenue	**1,511.6**	**1,550.4**	**38.8**	**2.6**
Direct tax[1]	693.0	776.8	83.8	12.1
Indirect tax	548.3	605.7	57.4	10.5
Non-tax[2]	270.2	167.9	-102.4	-37.9
Expenditure	**1,669.6**	**1,661.1**	**-8.5**	**-0.5**
Recurrent[1]	1,463.5	1,534.8	71.3	4.9
Of which: Interest payments	116.2	111.8	-4.4	-3.8
Capital	206.0	126.3	-79.8	-38.7
Primary balance[3]	**-41.8**	**1.2**	**43.0**	**-**
Consolidated Fund balance	**-158.0**	**-110.6**	**47.3**	**-**

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

Government debt increases in the first half of the year

Between the end of 2015 and June 2016, central government debt excluding debt issued by extra-budgetary units and local councils, and excluding also debt held by sinking funds, increased. The outstanding amount at end-June stood at €5,568.3 million, €234.3 million more than at the end of 2015. It was also higher compared with the outstanding debt as at June 2015.

The rise in debt between December and June was in the form of higher MGS and Treasury Bills, which added €205.4 million and €91.2 million respectively. Apart from financing the Consolidated Fund deficit, this increase partly reflected loan repayments, in full or in part, due in this period and redemptions of MGS (see Table 5.3).

The share of MGS in government debt as at end-June stood at 92.7%, slightly lower than 92.9% as at end-2015. On the other hand, the share of Treasury bills edged up to 5.6%, from 4.2% in December.

In the period under review, as a result of the abovementioned loan repayments, the stock of domestic loans from commercial banks fell to zero, while foreign loans outstanding declined by €7.7 million. Meanwhile, the stock of euro coins in issue remained relatively unchanged.

Table 5.3
CENTRAL GOVERNMENT DEBT[(1)]
EUR millions

	2015 end-Dec.	2016 end-June	Change June 2016 - Dec. 2015
Government debt	**5,334.1**	**5,568.3**	**234.3**
Euro coins issued in name of the Treasury	67.9	69.6	1.8
Treasury bills	222.1	313.3	91.2
Malta Government Stocks	4,958.0	5,163.4	205.4
Local loans	56.4	0.0	-56.4
Foreign loans	29.8	22.1	-7.7

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

6. MONETARY AND FINANCIAL DEVELOPMENTS[1]

Monetary dynamics in Malta remained robust during the second quarter of 2016.[2] In June, residents' deposits with monetary and financial institutions (MFI) operating in Malta grew strongly in annual terms, although their annual rate of growth eased when compared with March. Overnight deposits persisted as the main driver behind this increase, reflecting a preference for liquidity in an environment of low interest rates. The annual rate of growth of credit to Maltese residents edged up slightly over this period, reflecting faster dynamics in credit to the private sector. In contrast, growth in credit to government decelerated.

In line with developments in the rest of the euro area, interest rates on deposits and loans to residents continued to fall between March and June. Short-term yields declined further as the European Central Bank (ECB) maintained its accommodative monetary policy stance. Longer-term government bonds yields also fell. In the equity market, share prices in Malta broke their upward trend and ended the quarter lower compared with March.

Monetary aggregates and their counterparts

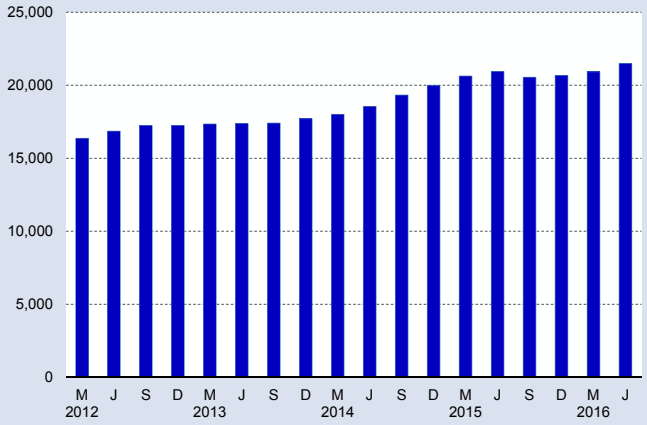
Total assets pertaining to the banking system in Malta rose by €1.2 billion, during the second quarter, to reach €52.7 billion by the end of June (see Chart 6.1). This growth mainly reflects increases in assets held by core domestic banks, which rose by €578.5 million.[3] Assets pertaining to international banks also rose during the period, partly reversing the decline registered during the first quarter of the year. These offset a small decline in the assets of the non-core domestic banks.

Residents' deposits grow at a slower pace

The total amount of deposits held by Maltese residents with MFIs in Malta continued to grow in annual terms, going up by 6.0% in June (see Table 6.1). Both households and non-financial corporations (NFC) deposits were higher on a year earlier, with loans to households recording the larger increase.

Nevertheless, annual growth in total deposits continued to slow since its peak in June 2015. This slowdown partly reflects developments in overnight deposits, the largest category of residents' deposits. In the year to June, overnight deposits grew by 12.6%, after they had increased at an annual rate of 39.3% a year earlier and of 17.8% in March.

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



Source: Central Bank of Malta.

At the same time, deposits with an agreed maturity of up to two years and those redeemable at

[1] The cut-off date for data in this Chapter is 31 August 2016.
[2] Monetary data analysed in this Chapter are compiled on the basis of statistical standards found in the General Notes of the Statistical Tables in this *Quarterly Review*. They are consistent with the relevant ECB Regulation and with ESA 2010.
[3] As from January 2016, the domestically relevant banks or "core" domestic banks are APS Bank Ltd, Banif Bank (Malta) plc, Bank of Valletta plc, HSBC Bank Malta plc, Lombard Bank Malta plc, Mediterranean Bank plc and Mediterranean Corporate Bank.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2016	2015			2016	
	June	June	Sep.	Dec.	Mar.	June
Overnight deposits	**11,025.3**	**39.3**	**33.3**	**24.9**	**17.8**	**12.6**
of which						
Households	5,999.8	34.9	29.5	23.9	17.8	15.7
Non-financial corporations	2,794.8	48.3	35.8	25.1	18.5	5.6
Deposits redeemable at notice of up to three months	**102.6**	**3.3**	**6.6**	**-2.2**	**-7.3**	**-12.2**
of which						
Households	87.9	0.6	0.8	-7.4	-4.8	-7.4
Non-financial corporations	10.6	9.6	7.3	15.0	-20.7	-45.2
Deposits with an agreed maturity of up to two years	**3,322.0**	**-8.4**	**-9.5**	**-10.9**	**-6.1**	**-10.5**
of which						
Households	2,596.0	-5.4	-5.2	-9.4	-9.3	-11.9
Non-financial corporations	257.1	-19.3	-33.8	-15.0	29.6	-10.2
Deposits with an agreed maturity above two years	**1,646.0**	**0.7**	**-1.2**	**9.2**	**5.3**	**5.6**
of which						
Households	1,552.0	0.5	-0.5	10.4	7.3	7.1
Non-financial corporations	58.3	6.8	-7.2	0.2	-23.2	-24.5
Total residents' deposits[1]	**16,095.9**	**19.1**	**16.0**	**12.9**	**10.0**	**6.0**

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

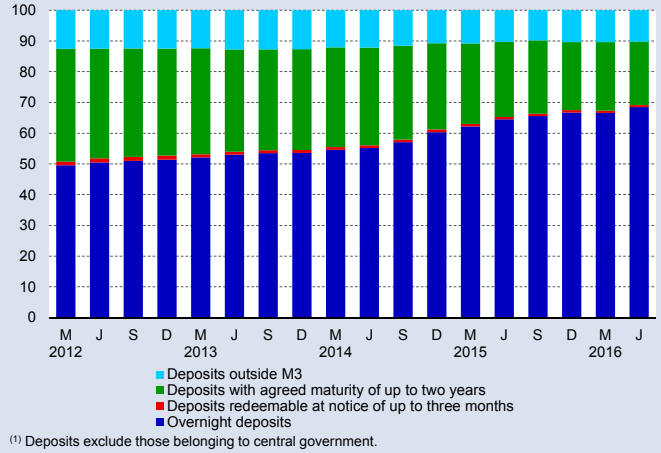
Source: Central Bank of Malta.

notice of up to three months contracted at a faster pace. The former dropped by 10.5% in the year to June, whereas deposits redeemable at notice of up to three months, the smallest component of total residents' deposits, went down by 12.2% in annual terms.

In contrast, deposits with an agreed maturity above two years grew by 5.6%, slightly faster than the 5.3% recorded three months earlier.

During the second quarter of 2016 the shift towards overnight deposits continued, with the share of overnight deposits in total residents' deposits standing at 68.5% in June compared with 64.5% a year earlier (see Chart 6.2). Over the same period, the share of deposits with an agreed maturity of up to two years dropped to 20.6% from 24.4%, while that of deposits with an agreed maturity of over two years remained relatively unchanged at 10.2%. Deposits

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



[1] Deposits exclude those belonging to central government.

Source: Central Bank of Malta.

redeemable at notice of up to three months continued to account for a very small proportion of total deposits.

Interest rates on deposits continue to decline

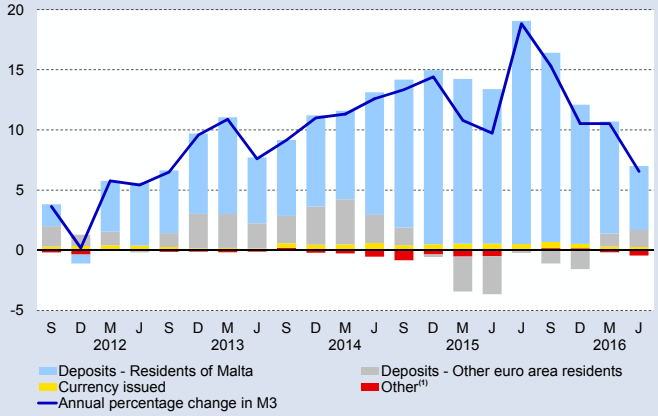
Interest rates on residents' deposits extended their decline during the second quarter of 2016, with the composite rate offered to households and NFCs going down by 5 basis points from March, to 0.58% (see Table 6.2).[4] This decline mainly reflected falls in rates paid on time deposits with agreed maturities of up to two years and over two years. Rates on overnight deposits, already very low, remained relatively stable.

When compared with a year earlier, the composite deposit rate dropped by 26 basis points. On this basis, the drop was also mainly driven by time deposit rates. This downward trend in deposit rates is in line with the ongoing accommodative monetary policy of the euro area.

Growth in the contribution to euro area M3 continues to slow

Overall, the contribution of Maltese MFIs to euro area M3 continued to grow, albeit at a decelerating pace. The annual growth rate decelerated to 6.6% in June, down from 8.4% in March (see Chart 6.3).[5] Residents' deposits

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



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

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

	2015			2016	
	June	Sep.	Dec.	Mar.	June
Total deposits	0.85	0.76	0.69	0.64	0.58
Overnight deposits					
Households	0.15	0.14	0.12	0.11	0.11
Non-financial corporations	0.12	0.11	0.11	0.09	0.08
Time deposits with agreed maturity up to two years					
Households	1.40	1.26	1.11	0.98	0.88
Non-financial corporations	1.22	1.01	0.85	0.80	0.75
Time deposits with agreed maturity over two years					
Households	3.30	3.20	2.99	2.90	2.85
Non-financial corporations	2.60	2.55	2.26	2.13	1.97

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

[4] Data on MFI interest rates on outstanding amounts shown in Table 6.2 cover euro-denominated deposits belonging to households and NFCs resident in Malta. The household sector includes non-profit institutions serving households.

[5] The contribution of Maltese MFIs to euro area monetary aggregates comprises the notional issue of euro currency attributed to the Central Bank of Malta, deposits held by Maltese and other euro area residents (except those belonging to central government and interbank deposits) with resident MFIs having terms to maturity of up to two years, as well as other monetary liabilities of Maltese MFIs towards euro area residents.

forming part of M3, which include overnight deposits and term deposits with maturities of up to two years, remained the largest contributor to the annual growth in Malta's M3 contribution, though their annual growth rate moderated during the quarter. This was partly offset by a marginal improvement in the contribution of deposits belonging to non-Maltese euro area residents which contributed 1.4 percentage points in June 2016, up from 1.1 percentage points in March. Contributions from the remaining components, such as currency issued, remained small.

Growth in credit to residents remains strong

Growth in credit to Maltese residents remained strong during the second quarter of 2016, with the annual rate of change standing at 5.4% in June (see Chart 6.4). This represented a slight improvement over the 5.2% registered in March. Credit growth remained above that in the euro area, where credit expanded by 3.8% year-on-year in June.

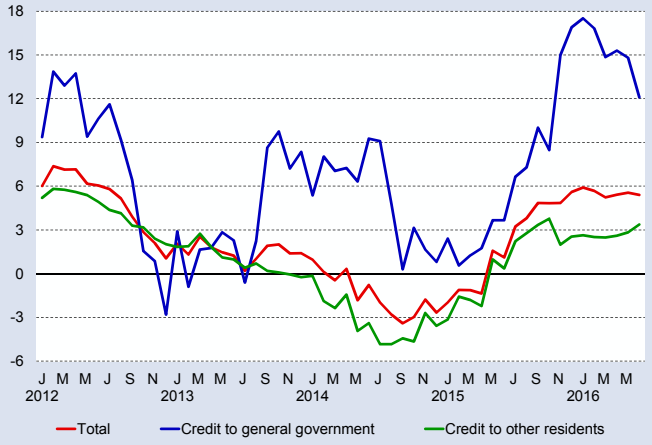
Annual growth in credit to Maltese residents in June reflected increases in both credit to government and credit to other residents. The acceleration between March and June, however, was entirely driven by credit to residents outside the government sector.

After growing by 14.9% in the year to March, credit to government posted a weaker annual increase of 12.1% in June. This increase was largely due to increased MFI holdings of Malta Government Stocks (MGS).

Credit to other residents, which mostly consists of credit to the private sector, grew at an annual rate of 3.4%, up from 2.5% at the close of the previous quarter. Purchases of shares and other equities grew strongly and loans continued to expand. The latter, which are the major component of credit to other residents, rose by 1.9% in the year to June, up from 0.7% in March.

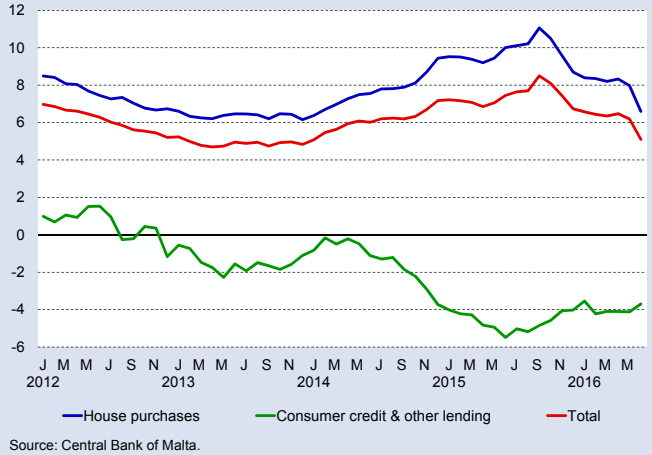
In more detail, the expansion in loans to the private sector was driven by continued robust growth in loans to households, which increased by 5.1% in June when compared to a year earlier (see Chart 6.5). Lending for house purchases, which

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



Source: Central Bank of Malta.

Chart 6.5
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

went up by 6.6%, remained the main driver of increases in this component. Consumer credit and other lending, on the other hand, continued to contract. While still strong, the annual growth rate of loans to households eased since March, when it had stood at 6.4%, driven by slower growth in lending for house purchase.

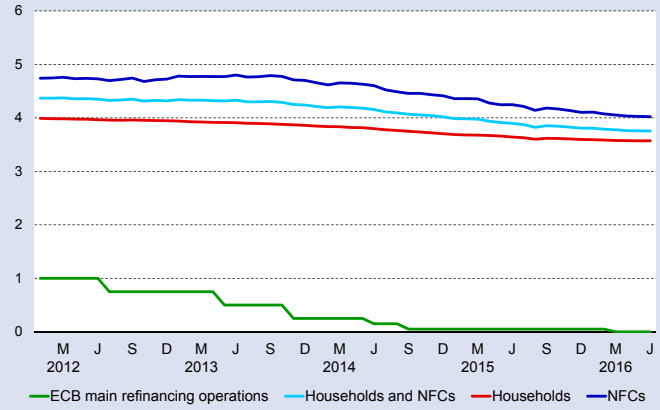
Loans to NFCs contracted further, albeit at a slower pace, with the annual rate of change standing at -2.9% in June, up from -6.3% in March. The weaker rate of decline in this loan category reflected a smaller year-on-year contraction in lending to public sector NFCs. In particular, the transfer of a loan to a public sector NFC to a non-monetary financial institution in June 2015, which had pulled down the annual rate of change of loans to NFCs in recent months, faded out from this measure. Loans to non-bank financial intermediaries expanded slightly in the year to June, maintaining the upward trend observed since mid-2015.

Interest rates on loans fall

Interest rates on loans to Maltese residents declined marginally during the three months to June, with the composite rate paid by households and NFCs edging down by 2 basis points, to 3.75% (see Chart 6.6). When compared with a year earlier, the composite rate was down by 14 basis points. Despite declining more rapidly during the period under review, rates on loans to NFCs remained higher when compared to those on loans to households, with a spread of 45 basis points in June. This spread, however, has been declining consistently in recent months.

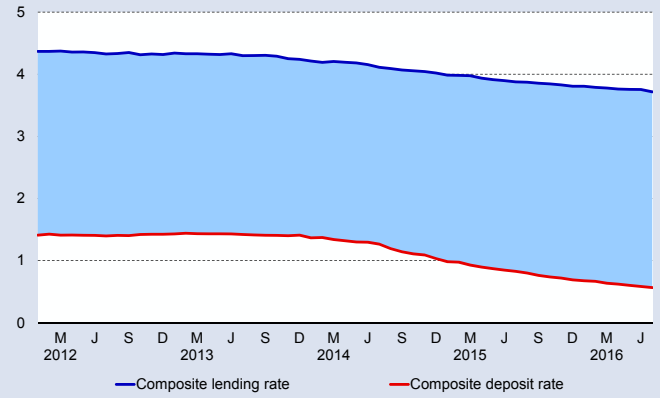
The downward trend in lending rates is in line with the ongoing accommodative monetary policy of the ECB. Nonetheless, the spread between the composite lending rate and its deposit counterpart increased slightly when compared with a year earlier, suggesting that the transmission rate of the ECB's easing measures to lending rates is weaker than that to deposit rates (see Chart 6.7).

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



[1] Interest rates are based on the MFIs' interest rates (MIR) on outstanding amounts.
Source: Central Bank of Malta.

Chart 6.7
MFIs' INTEREST RATES ON DEPOSITS & LOANS TO RESIDENTS OF MALTA[1]
(percentage per annum; end of period)



[1] Interest rates are based on the MFIs' composite interest rates on outstanding amounts.
Source: Central Bank of Malta.

Bank Lending Survey indicates broadly unchanged credit standards

The Bank Lending Survey, last conducted in July 2016, surveyed a selection of domestic banks on credit conditions in Malta during the second quarter of 2016.

Overall, credit standards and credit terms and conditions for businesses remained broadly unchanged during the period. Credit demand remained at previous quarter levels on average, with only one bank indicating a considerable increase. The survey indicates that enterprise credit demand is expected to remain stable or increase slightly in the third quarter of 2016.

With regard to household credit, credit standards on loans for house purchases were deemed loosened somewhat by one bank whilst credit terms and conditions were left unchanged across the respondent banks. The demand for house loans increased further during the second quarter of 2016, with two banks reporting increases. One bank stated that it expects a further increase during the third quarter of 2016.

Meanwhile, the four banks surveyed did not observe any change in credit standards or terms and conditions for consumer credit during the period under review and only one bank expects standards to ease for this type of lending in the next quarter. Overall, demand for this type of credit was assessed to have remained stable, with only one bank reporting a slight decrease.

The banks were also asked about their access to wholesale and retail funding. Banks generally reported that there was no change with regard to access to this type of funding during the months between April and June.

Questions on the impact of the ECB's non-standard measures were also put forward. Over the past three months, two respondent banks reduced their pool of riskier loans as a consequence of the Capital Requirement Directive. Two of the four banks also increased their capital through retained earnings and capital issuance. The latter are anticipating further increases over the upcoming months.

One bank indicated tighter credit standards on loans to households as a consequence of new supervisory and regulatory actions. With regards to credit margins, these remained stable across the respondents.

Meanwhile, as regards targeted longer-term refinancing operations (TLTROs), two of the banks stated that they have no interest in participating whilst one bank reported its intention to participate in future operations due to the attractive conditions offered, the fourth bank stated it was still undecided. In the latter two cases, the TLTROs were said to contribute to the banks' capacity to grant loans.

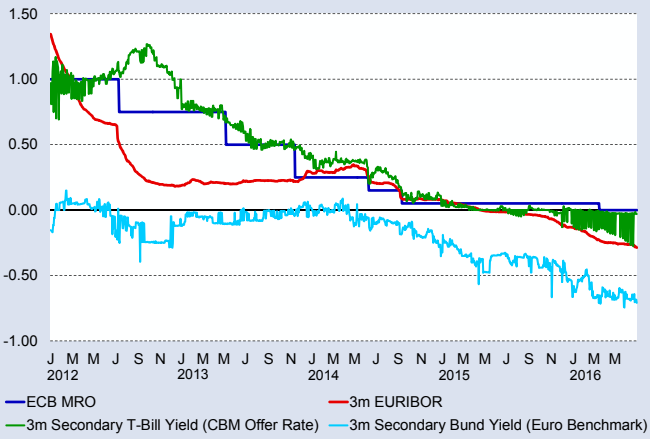
The money market

Short-term spread with euro area benchmark yield widens

During the second quarter of 2016 the ECB maintained the accommodative monetary policy stance adopted in March, keeping key interest rates low. In particular, the main refinancing operations (MRO) rate was kept at 0.00%. Towards the end of the quarter, the ECB also confirmed its intention to retain monthly asset purchases of €80 billion until at least the end of March 2017. Reflecting this accommodative monetary policy stance, money market interest rates in the euro area declined

slightly during the second quarter of 2016. As at end-June, the three-month Euro Interbank Offer Rate (EURIBOR) stood at -0.29%, down by 4 basis points from three months prior (see Chart 6.8).[6]

Chart 6.8
MONEY MARKET INTEREST RATES
(percentages per annum; daily rates)



Sources: Central Bank of Malta; ECB; Reuters.

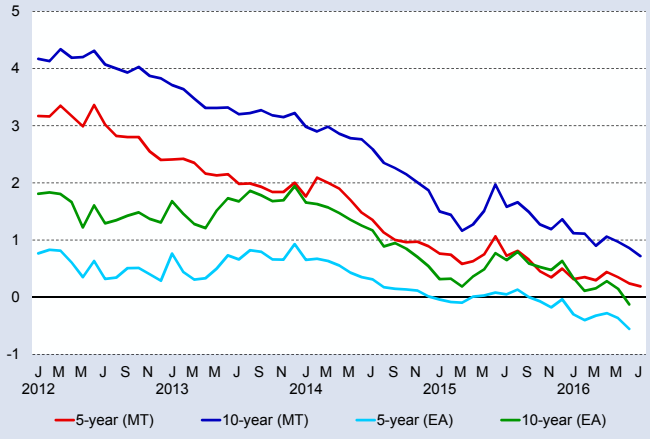
The domestic primary market yield, as measured by the yield on three-month Treasury bills, also dropped. It went down by 14 basis points over the quarter, standing at -0.28% at the end of June. The amount of Treasury bills issued by the Government decreased slightly from the previous quarter, with €226.75 million Treasury bills issued between April and June, down from €247.6 million in the first quarter.

In the secondary market, yields on three-month Treasury bills dropped by 1 basis point to -0.03% during the second quarter, after having declined slightly during the first three months of 2016. Yields on three-month German government securities, which act as a benchmark for euro area yields, dropped even faster, shedding 11 basis points during the second quarter of 2016, to -0.71%. As a result, the spread between the short-term Malta government yield and the short-term benchmark euro area yield increased slightly to 68 basis points as at end-June.

The capital market

In the secondary market, turnover for government bonds stood at €118.3 million during the second quarter, up from €103.9 million in the previous quarter. Meanwhile, turnover for corporate bonds also increased to €13.8 million from €12.1 million in the first three months of 2016.

Chart 6.9
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



Sources: Central Bank of Malta; ECB.

Maltese government bond yields in the secondary market declined once more during the second quarter of 2016 albeit at a slower pace (see Chart 6.9). Yields on five-year government bonds dropped by 6 basis points to 0.24% as at end-June, while those on ten-year bonds declined by 4 basis points to

[6] The EURIBOR is based on interest rates at which euro area banks are willing to lend funds to other banks in the euro area on an unsecured basis.

0.86%. These movements were far more contained than those in the euro-area, where the comparable five and ten-year yields dropped by 23 and 28 basis points respectively. The ten-year euro-area benchmark yield entered negative territory in June, declining to -0.13% by the end of the month.

During the second quarter of 2016, the Government issued two more MGS with a total value of €80.0 million. Over the same period, Bank of Valletta plc, Corinthia Finance plc and Global Capital plc also issued new stocks. In total, these private sector issues had a value of €86.6 million. All issues were heavily oversubscribed.

MSE share index breaks its upward trend

Share prices in Malta, as measured by the Malta Stock Exchange (MSE) index, declined during April and May but returned to March levels by the end of June (see Chart 6.10). Thus the index remained relatively unchanged at the end of the second quarter when compared with March. This marked the end of an upward trend in the MSE visible since late 2014. Turnover in equity also declined during the second quarter of 2016, going down to €18.6 million from €26.5 million in the first quarter of the year.

Chart 6.10
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)

Source: MSE.

BOX 7: A FINANCIAL STRESS INDEX FOR MALTA[1]

One of the objectives of the Central Bank of Malta is to ensure the stability of the domestic financial system and to formulate and implement macro-prudential policies. The latter have become part of policy makers' toolkit, complementing traditional instruments with the aim of reducing financial pro-cyclicality and systemic risks.[2]

Developments in the aftermath of the global financial crisis of 2008-2009 and the sovereign debt crisis of 2012 constitute a prime example of how financial stress may ultimately spill over to the real economy. There are three main channels through which financial stress can adversely impact economic activity. First, the increase in uncertainty may cause firms to postpone hiring and investment decisions. Households may also cut back on spending as

[1] Prepared by Brian Micallef. The author is the Manager of the Research Office. Helpful comments by Dr Aaron G. Grech, Anthony Cortis and Rita Schembri are gratefully acknowledged. Any errors, as well as the views expressed in this article, are the author's sole responsibility.

[2] See the European Central Bank publication entitled "Macroprudential Bulletin", Issue 1/2016 for an overview of the macroprudential policy framework in the euro area and the instruments available.

they become more uncertain about their future wealth prospects, especially if employment prospects deteriorate as well. Second, it can raise the cost of finance to firms and households, for instance, through higher risk premia, therefore further curtailing consumption and investment decisions. Finally, financial stress may adversely affect activity by causing banks to tighten their credit standards, such as non-interest rate charges or collateral requirements, thus making it harder for borrowers to qualify for a loan.

It is also likely that these channels can reinforce each other and, in the process, impact both the demand and the supply side of the economy. For instance, an increase in uncertainty that causes households to temporarily postpone spending may lead to a slowdown in demand. However, a prolonged period of uncertainty or tighter financial conditions that causes firms to delay investment or cut on research and development will adversely affect the capital stock, with longer lasting consequences on the economy's potential growth.

Against this background, this Box introduces a financial stress index for the Maltese economy. Since the economic and financial crisis, a number of studies have developed indices of financial stress to assist policy makers in gauging its impact on the economy. These indices differ from those that seek to measure financial conditions, whose cyclical nature is intended to summarize information on the future state of the economy from financial variables and asset prices.[3]

The proposed index is intended to enhance the ability of the Central Bank of Malta to monitor and assess the level of stress in the financial system, identify past episodes of stress and finally, to gauge the impact of policy measures directed towards mitigating systemic stress.

The rest of the Box is structured as follows. The next section describes the key features of financial stress and on how policy institutions have tried to develop indices to capture some of the salient features of stress. The subsequent section describes the financial stress index developed for Malta, including the methodology and the choice of variables used. The final section evaluates the impact of financial stress on economic activity.

Key features of financial stress

There is no exact definition of what constitutes 'financial stress', in part because each episode has its own defining features. However, these episodes almost always entail an interruption in the normal functioning of financial markets.

A study by the Federal Reserve of Kansas City lists a number of key phenomena that are usually prevalent in episodes of financial stress.[4] These periods are characterised by increased uncertainty about the fundamental value of assets, which, in turn, translates into greater volatility in their market price. The uncertainty could reflect concerns about the outlook for the economy as a whole or for specific sectors, like the collapse of the high-tech

[3] Angelopoulou, E., Balfoussia, H. and Gibson, H., "Building a financial conditions index for the euro area and selected euro area countries: what does it tell us about the crisis?", *European Central Bank Working Paper No. 1541*, 2013.

[4] Hakkio, C. and Keeton, W. "Financial Stress: What Is It, How Can It Be Measured, and Why Does It Matter?", Federal Reserve Bank of Kansas City, *Economic Review,* 2009.

bubble in 2001, the banking sector after the 2009 recession and stressed euro area sovereigns in 2012. Another form of uncertainty involves the behaviour of other investors, which could exacerbate asset price volatility.

Episodes of financial stress are characterised by increased information asymmetry between lenders and borrowers. This happens when one party in a transaction has more information than the other party about the true quality of a particular asset. These information gaps lead to problems of adverse selection or moral hazard, which raise the average cost of borrowing for households and businesses and depress asset prices on secondary markets. Information asymmetries are likely to be exacerbated during periods of financial stress as not only might the variation in the true quality of borrowers or financial assets increase but lenders may also lose confidence in the accuracy of their information on borrowers.

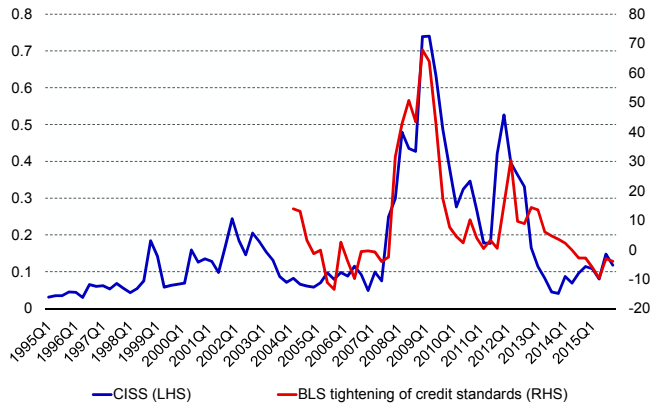
Another common sign of stress is the sharp decrease in investors' willingness to hold risky or illiquid financial assets. The former, known as flight to quality, causes lenders and investors to demand higher returns on risky assets and lower returns on safe assets, widening the spread between the two rates of return and, in the process, increasing the cost of borrowing for relatively risky borrowers. Typical examples include the increase in the spread between investment grade corporate bonds and treasury bills or, as happened during the recent crisis, an increase in the spread between different sovereigns in the euro area. One possible explanation for this behaviour is the tendency of lenders and investors to underestimate risk during good times and, consequently, to overestimate risk during the downturn. Investors' risk appetite may also wane during a recession, for instance, due to higher uncertainty about the economic outlook or job prospects, thereby requiring greater compensation to hold risky assets. Similarly, these episodes are generally characterised by a flight to liquidity, as investors become less willing to hold illiquid assets. This could be due, for instance, because the secondary market for the asset is thin so that the eventual selling of assets involves a large impact on its price.

The combination of these risks could exacerbate financial stress during turbulent times. For example, an increase in asset price volatility increases the probability that leveraged investors, such as hedge funds, would have to liquidate some of their assets to meet margin calls or redemptions from clients. All these risks manifested themselves during the financial crisis of 2009, requiring the intervention of governments and central banks to stabilize financial markets and limit the devastating effects on economic activity.

In recent years, policy institutions have developed indices that are intended to capture features of financial stress. In part, this was motivated by the events of the 2009 financial crisis, which has shown that the macro-prudential aspects of financial supervision and regulation need to be significantly strengthened. For example, the European Systemic Risk Board was established to identify and assess emerging systemic risks, warn about material risks and make policy recommendations on how to contain them. The Single Supervisory Mechanism conferred supervisory responsibilities on the European Central Bank. In 2010, the European System of Central Banks launched the Macro-prudential Research Network (MaRS) with the objective of developing core conceptual frameworks, models and tools that provide research

support to improve macro-prudential supervision in the European Union. This research network focused on the development of macro-financial models, early warning indicators and systemic risk indicators, as well as cross-border contagion risks.

Chart 1
FINANCIAL STRESS AND BANK TIGHTENING OF CREDIT STANDARDS IN THE EURO AREA
(index; net percentage of banks that tightened credit standards over the previous three months)



Source: ECB Statistical Data Warehouse.

One of the outcomes of this network was the Composite Index of Systemic Stress (CISS), an indicator intended to capture contemporaneous stress in the euro area's financial system.[5] Chart 1 shows that the sharpest spikes in the CISS tend to occur around very well-known events which caused, at least temporarily, severe stress in the global financial system. The increased volatility in 1999 took place in the context of the global market reactions to the Russian debt crisis and the subsequent collapse of the hedge fund Long-Term Capital Management. The next period of stress is associated with the downturn in high-tech stocks in early 2000 and the terrorist attacks of 9/11 in 2001. None of these events, however, was able to push up the CISS towards levels reached during the financial crisis of 2009. The CISS reached its highest level in the aftermath of the collapse of Lehman Brothers and increased sharply again in 2012 due to the European sovereign debt crisis.

There is clear evidence that financial stress tends to move in tandem with a tightening of credit standards by banks (see Chart 1). The latter are derived from the Bank Lending Survey (BLS), which reports the net percentage of banks in the euro area that tightened credit standards over the previous three months. The contemporaneous correlation coefficient between the two measures for the period between 2005 and 2015 stands at 0.83.

A financial stress index for Malta

Given the evidence presented above, this section describes the variables used in the construction of the financial stress index for Malta. For the index to be relevant for policy makers, however, it must be tailored to the specific characteristics of the domestic financial system. Most of the stress indices in the literature rely heavily on developments in the interbank and equity markets, both of which, in the case of Malta, have different features and characteristics compared to other economies.[6] For instance, contrary to similar institutions

[5] Hollo, D., Kremer, M. and Lo Duca, M. "CISS – A composite indicator of systemic stress in the financial system", *European Central Bank Working Paper No. 1426*, 2012.

[6] The same applies to the foreign exchange market. In the context of a fixed exchange rate regime, changes in the foreign exchange market are dictated by developments in the euro area as a whole rather than by domestic considerations. Before the adoption of the euro in 2008, the euro had a weight of 70% in Malta's currency basket, with the pound sterling and the US dollar having a weight of 20% and 10%, respectively.

in the euro area, core banks in Malta do not rely on wholesale markets for funding but rather on deposits.[7] Similarly, the capital market is relatively small and illiquid, with the Central Bank of Malta acting as a market-maker for Maltese government bonds in the secondary market to ensure adequate liquidity in these securities.

As a result, the financial stress index for Malta relies heavily on spreads and financial indicators from the banking sector, with five variables from the former and four from the latter. In addition, the index also includes two additional variables, the Malta Stock Exchange (MSE) index and the property price index. The latter, which is rarely used in similar indices in the literature, is intended to capture developments in the housing sector, given the exposure of domestic banks to this sector both in terms of loans and collateral.[8] Table 1 lists the variables included in the index, all of which are available since 1995 on a quarterly frequency.

The financial stress indicator is constructed by making a number of transformations to the data. First, variables are first-differenced, squared and square rooted. Second, the factor most responsible for the co-movement in the data is identified by the first principal component. Each variable is expressed in the same unit, that is, by subtracting the sample mean and dividing by the standard deviation. The general idea behind this approach is that the time-filtered square root of a growth rate should serve as a proxy for volatility.

Chart 2 plots the financial stress index for Malta for the period 1996–2015. The first step in assessing the plausibility of the index is to assess whether peaks have occurred in known periods of financial stress. There are two spikes in the index, one in the early 2000 and another one in 2009.

Table 1
VARIABLES USED IN THE FINANCIAL STRESS INDEX

Spreads
Spread between lending and deposit rate
Spread between lending rate and 3-month money market rate
Spread between lending rate and 10-year government bond yield
Spread between 10-year and 5-year government bond yield
Spread between 10-year Maltese and German bund yield
Financial stability indicators of core banks
Non-performing loans to total gross loans
Regulatory capital to risk weighted assets
Return on equity
Liquid assets to total assets
Other asset prices
Central Bank of Malta residential property price index
Malta Stock Exchange index

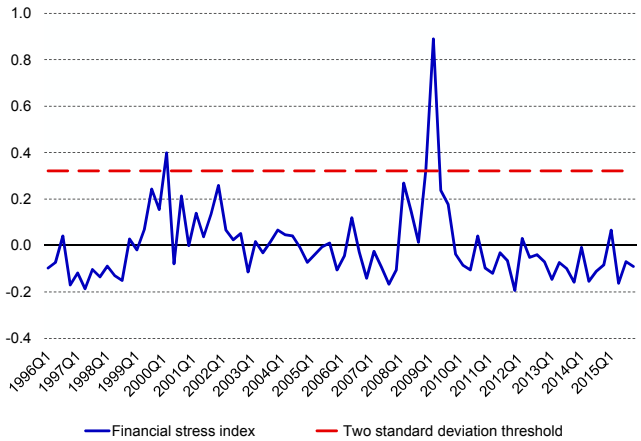
Sources: Central Bank of Malta; Eurostat.

[7] Due to liquidity surplus, the interbank market in Malta before euro adoption was characterised by thin trading, with interbank rates set by the Central Bank of Malta on the basis of quotes received from participating banks. The reliance on bank deposits instead of wholesale funding was maintained even after the introduction of the euro.

[8] The resulting financial stress index is robust to the exclusion of the property price index.

The first spike relates to the sharp increase in non-performing loans (NPL) as a result of regulatory changes with the introduction of Banking Rule BR/09 which clarified the definition of NPLs and required banks to make additional provisions, with an adverse impact on their capital and profitability. This asset review led the NPL ratio to double between the first quarter of 1999 and early 2000. More generally, the first years of the new millennium were characterised by higher than average stress in the financial system. For instance, in addition to the rise in NPLs and lower than average bank profitability, the MSE index declined by 51% from its peak in early 2000 until its trough at the end of 2002.[9]

Chart 2
FINANCIAL STRESS INDEX FOR MALTA
(index normalized to have a mean of zero)



Source: Author's calculations.

The second and most pronounced spike occurred during the financial crisis of 2008-2009 following the collapse of Lehman Brothers and the subsequent stress in international financial markets. In this case, the increase was primarily driven by widening spreads. For instance, the spread between the bank lending rate and the short-term money market rate increased to 3.4 percentage points in 2009, up by 2.0 percentage points from a year earlier. During the same period, the spread between the domestic 10-year government bond yield and the Bund increased by around 50 basis points. The domestic index, however, returned to normal levels much rapidly compared to CISS, since contrary to other peripheral countries in the euro area, the domestic banking system emerged relatively unscathed from the financial crisis and was not affected by the sovereign debt crisis of 2012.

The sharp increase in financial stress in 2009 makes it clear that it was a situation of major concern. Other episodes, however, may not be so obvious. This can be tackled by classifying episodes of financial stress as severe when the index exceeds the historical mean by a certain number of standard deviations. For instance, a study by the Bank of Canada uses a threshold of two standard deviations above the mean to classify episodes of high stress.[10] Assuming a threshold of two standard deviations, the two spikes listed above would both be classified as high stress periods. On the contrary, the higher than average financial stress between 2001 and 2002 does not exceed the threshold value.

[9] The drop in equity prices was driven primarily by the banking sector and a firm in the telecommunications industry.

[10] Illing, M. and Liu, Y. "Measuring financial stress in a developed country: an application to Canada", *Journal of Financial Stability*, Vol. 2, No. 3, 2006.

One possible limitation of this approach is that the number of standard deviations by which an index exceeds the mean can change significantly as more observations are added to the sample. To counter this limitation, one can classify financial stress as high whenever it exceeds the value of the index in a benchmark episode, say, early 2000. Using this approach would still leave the main results unchanged, as only the spike during the financial crisis exceeded the value of the index in the first quarter of 2000.

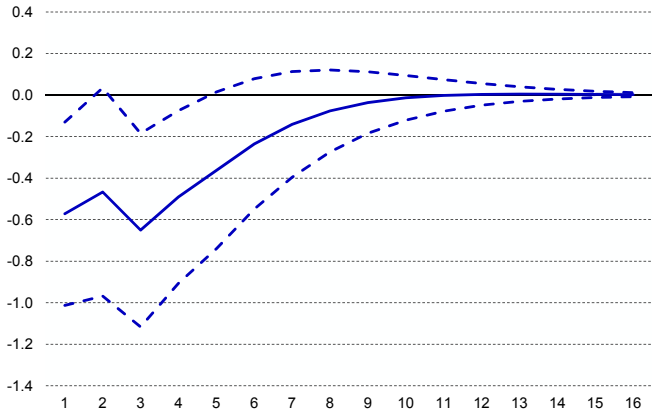
The impact of financial stress on economic activity

There is now a growing literature which documents that episodes of financial stress have a negative impact on economic activity.[11] As described above, the latter may be affected through higher uncertainty, an increase in borrowing costs and a tightening of bank credit standards. Investment is likely to be the most adversely affected from the aggregate demand components, which, through its impact on the capital stock, will also impact on the economy's supply potential. For instance, at the end of 2015, investment in the euro area remains 13% below the level prevailing at the beginning of 2008.

The impact of financial stress on economic activity is assessed quantitatively using a bivariate vector auto-regression (VAR) model. Two models are estimated, one with the real GDP growth as the measure of economic activity and another one with potential GDP growth. This distinction is made to test the hypothesis that financial stress can affect both the demand and the supply side of the economy. The estimates of potential output are derived using a production function approach and the models are estimated using quarterly data for the period 1996-2015.[12]

Charts 3 and 4 plot the response of real and potential GDP to a one standard deviation shock in the financial stress index.[13] To compute the impulse responses, some assumptions must be made about the contemporaneous interaction between financial stress and the measures of activity. The impulse responses are based on the assumption that within any quarter, a shock to

Chart 3
IMPACT OF STRESS ON REAL GDP GROWTH
(per cent deviation following a one standard deviation shock)

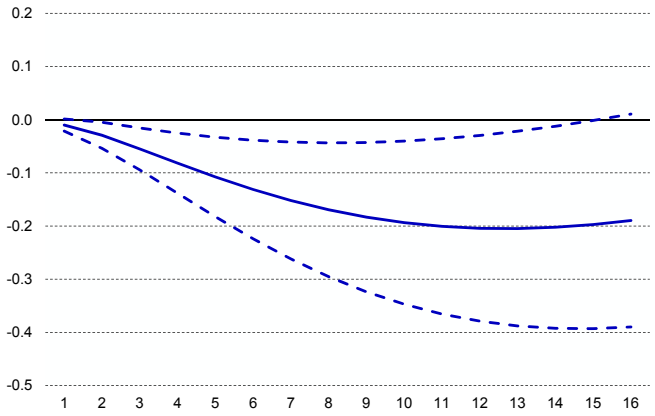


Source: Author's calculations.

[11] European Commission, "Impact of the current economic and financial crisis on potential output", *European Economy Occasional Paper* No. 49, 2009.
[12] Grech, A. G. and Micallef, B., "Assessing the supply side of the Maltese economy using a production function approach", Central Bank of Malta *Quarterly Review* 2013:4.
[13] The use of a one standard deviation shock is a common approach in the VAR literature. Since the model is linear, a two standard deviation shock, in line with the threshold adopted in the previous section, implies a doubling of the effects illustrated in Charts 3 and 4.

economic activity affects financial stress but a shock to stress has no contemporaneous effect on activity.[14] The dashed lines represent the 95 percent confidence bands for the estimates.

Chart 4
IMPACT OF STRESS ON POTENTIAL GDP GROWTH
(per cent deviation following a one standard deviation shock)



Source: Author's calculations.

As expected, a one standard deviation shock to the financial stress index has a negative effect on both real GDP and potential output. The effect on real GDP is more pronounced on impact and remains statistically significant for slightly more than one year. The impact on potential GDP is much smaller compared to real GDP but also more gradual and persistent, lasting for around four years. The gradual impact on potential GDP growth could be due to the slower accumulation of capital stock from a decline in investment as a result of under-utilized capacities or tighter credit conditions.[15]

One limitation of this approach is the use of a linear framework, that is, the assumption that there is no distinction between periods of low stress and those characterised by high financial distress. One particular study finds that the average size of financial stress on economic activity during periods of high stress is more than four times that prevailing in normal times.[16] Hence, it is likely that the responses in Charts 3 and 4 understate the impact on economic activity during periods of high financial stress and that, during these periods, the impact on growth is more pronounced.

Conclusion

The financial stress index introduced in this article is intended to complement the other tools used at the Central Bank of Malta for its regular analysis of the domestic financial system. The index is best suited to identify past historical episodes of stress and to gauge the impact of such events on economic activity. It is not designed to be used as an early warning indicator of stress as this would require the use of higher frequency data.

The index identified two episodes of financial stress that exceeded the two standard deviation threshold. The first episode took place in early 2000 following the sharp increase in

[14] In other words, in terms of the Choleski ordering, financial stress is ordered first. The impulse responses are very similar when the ordering is reversed.

[15] There are other factors in the literature that could have an impact on potential output. For instance, long unemployment spells can cause a permanent destruction in human capital, leading to a higher equilibrium unemployment rate. Similarly, a long recession may discourage some workers from seeking a job, thus reducing the potential labour force. However, these considerations are less relevant for Malta given the robust performance of the labour market.

[16] Troy, D. and Hakkio, C., "What is the effect of financial stress on economic activity?" Federal Reserve Bank of Kansas City, *Economic Review*, 2010.

NPLs due to a review of asset quality following regulatory changes. The second and most pronounced episode occurred in late 2008 and early 2009 during the global financial crisis. Contrary to the situation in the euro area, stress in the domestic system returned much more rapidly to normal levels in 2009 as the Maltese banking sector emerged relatively unscathed from the financial crisis and was not affected by the sovereign debt crisis of 2012.

Going forward, this index should prove useful for research on financial stability and its impact on economic activity. For instance, the distinction between different regimes of normal and high stress periods requires the use of a non-linear framework. The indicator of financial stress can also be introduced into an econometric model to trace the impact of stress not only on GDP but also on other variables of interest to policy makers, such as inflation and the unemployment rate, as well as spillovers from financial stress in other countries. Finally, the use of higher frequency statistics to construct such an index could potentially form the basis of an early warning indicator of potential instability in the financial system.

NEWS NOTES

Monetary policy measures of the Eurosystem

ECB monetary policy decisions

The Governing Council of the European Central Bank (ECB) met to discuss monetary policy on 2 June and 21 July. On both occasions, the Council decided to keep interest rates on the main refinancing operations, the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.40% respectively.

In June the ECB conducted its first targeted longer-term refinancing operation and began purchases under the corporate sector purchase programme (CSPP). On 21 July the ECB also confirmed that its extended asset purchase programme would be carried out until at least March 2017.

European policy and supervisory announcements

On 4 May, the Governing Council of the ECB decided to end both production and issuance of the €500 banknote towards the end of 2018. However, it was also decided to keep the €500 note as a legal tender.

On 5 July the Eurosystem unveiled a new €50 banknote in the Europa Series with enhanced security features. The note, which will be in circulation on 4 April 2017, is part of a project to make banknotes less prone to counterfeiting.

Central Bank of Malta announcements

Strengthening of association with the University of Malta

On 23 May the Central Bank of Malta renewed its agreement to establish a '*Central Bank of Malta Chair in Economics*' with the University of Malta's Faculty of Economics, Management and Accountancy for a period of three years starting from October 2016, with the possibility to renew this arrangement further. The aim of this support is to strengthen the University's Department of Economics through the engagement of foreign professors of Economics.

Issue of numismatic coin

On 27 May 2016 the Bank issued a silver coin to celebrate the 450th Anniversary of the foundation of Malta's Capital City, Valletta. The silver coin has a face value of €10, and will be limited to 3,000 pieces only. It was minted at the Royal Dutch Mint and struck to proof quality. The coin's obverse features the coat of arms of Malta with the date 2016 while the reverse shows the architect Francesco Laparelli and his assistant Gerolamo Cassar conferring with Grand Master Jean de Valette regarding the building of the new fortified city of Valletta.

Symposium on small euro area countries

On 17 June the Bank hosted a symposium on "Small euro area countries – performance after the crisis and challenges for the future". During the first part of the symposium, the

Bank launched 'Understanding the Maltese Economy', a research publication focussing on the evolution of the Maltese economy in the first decade following the EU accession. The second part of the symposium discussed the performance of small euro area countries after the crisis, with interventions by three Governors of Eurosystem national central banks.

Information on euro banknote counterfeiting January to June

On 28 July the Bank stated that in the first half of 2016 the number of counterfeit euro banknotes reported to it stood at 2,371 pieces, broadly in line with the amount reported in the same period of 2015. However, the number of notes withdrawn from circulation was 7.7% lower than in the previous six months. When compared with the number of genuine euro banknotes in circulation in Malta, the proportion of euro counterfeits remained insignificant.

Fiscal and economic policy developments

On 4 May the European Commission issued its Spring Forecast for 2016. In its projections for Malta, the Commission projects moderating but continued robust pace of economic expansion, with real GDP growth standing at 4.1% in 2016 and 3.5% in 2017. Growth over the forecast period is expected to be mainly driven by domestic demand. The fiscal deficit is expected to narrow to 0.8% of GDP by 2017, while the debt-to-GDP ratio is set to fall to 58.3%.

On 17 June the Economic and Financial Affairs Council (ECOFIN) approved draft recommendations to 29 Member States, on the economic and fiscal policies set out in their National Reform and Stability/Convergence Programmes. In its opinion on Malta, the Council recommended an annual structural fiscal adjustment of 0.6% of GDP towards the medium-term budgetary objective of a balanced budget in 2016 and 2017 and additional measures to ensure the long-term sustainability of public finances. The Commission also recommended taking measures which would strengthen labour supply, in particular through increased participation of low-skilled persons in lifelong learning.

International assessments of the Maltese economy

Credit ratings

On 23 May Moody's placed Malta's Government Bond Rating as Stable, with an A3 rating. This evaluation reflects the country's strong economic outlook and continued progress with fiscal consolidation. The agency, however, warned about the still high government debt to GDP ratio and contingent liability risks.

On 8 July Standard and Poor's (S&P Global) affirmed its BBB+/A-2 rating and positive outlook for Malta, noting that this assessment is supported by favourable growth prospects and continued progress with fiscal consolidation, which should achieve a fall in the debt-to-GDP ratio. On the other hand, the ratings were inhibited by significant contingent liabilities, as well as, non-performing loans, though the agency acknowledged that the latter declined recently and are concentrated in construction and real estate. It also mentioned the potential impact of Brexit on the domestic tourism and financial services industry, while noting that the overall impact on Malta's economic growth should be limited.

Financial sector developments

Central Bank of Malta Act

Legal Notice 220 of 2016 dated 10 June amends the Central Bank of Malta Regulations dealing with the appointment of Competent Authority of Interchange Fees for Card-Based Payment Transactions. Auxiliary regulations have been added empowering the Central Bank of Malta to issue and enforce sanctions when a person contravenes or fails to comply with the provisions of the said Regulations. It also designated the Financial Services Tribunal as the competent tribunal to hear and adjudicate any breaches, disputes or complaints under the said Regulations.

Legal Notice 263 of 2016 dated 26 July defines the maximum interchange fees for domestic consumer debit card and credit card transactions.

Investment Services Act

Legal Notice 215 dated 10 June deals with the amendment of the definition of "subject person" for the purposes of the Investment Services Act (Control of Assets) Regulations. Legal Notices 216–219 of 2016 establish a framework for the notification and marketing of Notified alternative investment funds.

Surrender of licence

On 6 July the Malta Financial Services Authority announced that Deutsche Bank Malta had voluntarily surrendered its banking licence.

Capital market developments

Issue of Malta Government Stocks

On 22 July the Government, through Legal Notice 258 of 2016, announced the issue of a 1.5% Malta Government Stock (MGS) 2022 (IV) Fungibility Issue and a 2.4% MGS maturing in 2041 maturing in 2022 and 2041, respectively. The issue was for a total amount of €100.0 million, subject to an overallotment option of an additional sum up to €60.0 million. The issue was oversubscribed.

Private sector issues

On 13 May Global Capital plc announced the issue of €10.0 million unsecured bonds maturing in 2021. The bonds, which have a nominal value of €100 were issued at par and carry a coupon rate of 5.0%.

On 1 July MIDI plc announced the issue of €50.0 million denominated secured bonds maturing in 2026. The bonds were issued at par and carry a coupon rate of 4.0%.

On 1 July International Hotel Investments plc announced the issue of €55.0 million secured bonds maturing in 2026. The bonds were issued at par and carry a coupon rate of 4.0%.

All three issues were oversubscribed.

International economic and financial news

European Council

On 28 and 29 June the European Council met to discuss the practical implications of 'Brexit'. Other matters discussed included jobs, growth and investment. The Council also discussed migration as well as security and defence policies. Additionally, the Council concluded the 2016 European Semester by endorsing the Country Specific Recommendations and called for their implementation by the respective Member States.

Council of the European Union

On 12 July the ECOFIN Council adopted a new Directive addressing some of the practices most commonly used by large companies to reduce their tax liability.

Transparency exercise

On 6 July the European Banking Authority (EBA) announced that in September 2016 it will launch a transparency exercise covering over 100 banks. This will provide actual information on the banks' balance sheet based on supervisory reporting data. The results of this exercise, which will complement the 2016 EU-wide stress test exercise, will be published in December.

2016 EU-wide banks' stress test exercise

On 29 July the EBA published the results of a stress test exercise covering 51 banks from 15 EU and EEA countries. These banks represent around 70% of banking assets in each jurisdiction and across the European Union. The test aims to provide supervisors, banks and other market participants with a common analytical framework to assess large banks' resilience to adverse economic developments. The EBA noted that further progress had been made by large banks in terms of strengthening their capital since 2014. The latest exercise highlights the importance of such strengthening. Among banks in the 2016 sample, the weighted average CET1 capital ratio would have declined from 13.2% to 9.4% under adverse economic conditions, but impacts vary significantly across individual banks. The full report is available on the EBA website.[1]

[1] http://www.eba.europa.eu/-/eba-publishes-2016-eu-wide-stress-test-results

STATISTICAL TABLES

The Maltese Islands – Key information, social and economic statistics

(as at 26 August 2016, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates:	EUR 1 = USD 1.129	
		EUR 1 = GBP 0.8545	
CLIMATE	Average temperature (2016):	Jan. - Mar.	14.6
	Average temperature (2015):	July - Sep.	27.3°C
	Annual rainfall (2015)		554.2mm
SELECTED GENERAL	GDP growth at chain-linked volumes 2010 prices (2016 Q2)[1]		3.0%
ECONOMIC STATISTICS	GDP per capita at current market prices (2015)[1]		EUR 20,469
	GDP per capita in PPS relative to the EU-28 average (2015)		89.0%
	Ratio of gross general government debt to GDP[1] (2015)		64.0%
	Ratio of general government deficit to GDP[1] (2015)		1.5%
	RPI inflation rate (12-month moving average) (Jul. 2016)		0.8%
	HICP inflation rate (12-month moving average) (Jul. 2016)		1.1%
	Ratio of exports of goods and services to GDP (2016 Q1)[1]		132.9%
	Ratio of current account surplus to GDP (2016 Q1)[1]		1.8%
	Employment rate (2016 Q1)[2]		64.3%
	Unemployment rate (2016 Q1)[2]		4.9%
	Long term government bond yield (Jul. 2016)		0.8%
POPULATION	Total Maltese and foreigners (2014)		429,344
	Males		214,735
	Females		214,609
	Age composition in % of population (2014)		
	0 - 14		14.3%
	15 - 64		67.2%
	65 +		18.5%
	Annual growth rate (2014)		0.9%
	Density per km^1 (2014)		1,359
HEALTH	Life expectancy at birth (2014)		82.1
	Males		79.8
	Females		84.3
	Crude birth rate, per 1,000 Maltese inhabitants (2014)		9.8
	Crude mortality rate, per 1,000 Maltese inhabitants (2014)		7.7
	Doctors		1,986
EDUCATION	Gross enrolment ratio (2013/2014)		71.5%
	Teachers per 1,000 students (2014)		110
ELECTRICITY	Domestic Consumption (million kwh) (2014)		604
WATER	Average daily consumption ('000 m^3) (2014)		73
LIVING STANDARDS	Human Development Index: rank out of 188 countries (2014)		37
	Mobile phone subscriptions per 100 population (2016 Q1)		130.3
	Internet subscribers per 100 population (2016 Q1)		38.5
	Private motor vehicle licences per 100 population (2016 Q2)		60.8

[1] Provisional.

[2] Labour Force Survey.

Sources: Central Bank of Malta; Eurostat; Ministry for Finance; NSO; UNDP.

The monetary and financial statistics shown in the "Statistical Tables" annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at July 2016:

Akbank T.A.S.
AgriBank p.l.c. (from February 2013)
APS Bank Ltd.
Banif Bank Malta p.l.c.
Bank of Valletta p.l.c.
Credit Europe NV (from March 2007)
Credorax Bank Ltd (from September 2015)
Commbank Europe Ltd.
ECCM Bank p.l.c.
FCM Bank Limited (from November 2011)
Ferratum Bank Limited (from February 2013)
FIMBank p.l.c. (from August 2011)
HSBC Bank Malta p.l.c.
IIG Bank (Malta) Ltd. (from October 2010)
Izola Bank Ltd.
Lombard Bank Malta p.l.c.
Mediterranean Bank p.l.c. (from January 2006)
Mediterranean Corporate Bank Limited
MFC Merchant Bank Ltd
NBG Bank Malta Ltd.
Nemea Bank Ltd (from December 2009)
Pilatus Bank Ltd (from March 2014)
Satabank p.l.c. (from October 2014)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Novum Bank Limited (from October 2010)
Yapikredi Bank (from October 2014)

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

The statistical tables shown in the "Statistical Tables" annex, including historical data, are provided in electronic format on the website of the Central Bank of Malta at www.centralbankmalta.org.

PART 1: MONETARY, BANKING AND FINANCIAL MARKETS

PART 2: GOVERNMENT FINANCE

PART 3: EXCHANGE RATES, EXTERNAL TRANSACTIONS AND POSITIONS

PART 4: REAL ECONOMY INDICATORS

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

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents[3]	Claims on euro area residents	Claims on non-euro area residents[2,3]				
2010	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011	10.3	1,382.9	182.3	276.7	387.0	498.2	51.0	769.8	3,558.2
2012	13.4	1,305.0	382.7	224.2	512.1	378.2	52.8	736.2	3,604.4
2013	12.5	1,451.0	607.2	137.5	418.8	200.1	52.2	730.8	3,610.1
2014	4.5	1,400.2	837.4	105.5	518.9	411.3	53.4	995.0	4,326.3
2015									
Jan.	4.5	1,397.3	788.6	74.4	521.6	295.4	55.5	1,116.3	4,253.6
Feb.	4.5	1,358.7	822.5	92.2	543.2	294.5	53.4	1,136.6	4,305.6
Mar.	5.0	1,347.3	834.8	124.2	545.0	368.5	53.4	1,132.8	4,411.0
Apr.	5.0	1,431.5	873.7	130.3	541.4	370.5	53.4	1,130.9	4,536.5
May	5.0	1,501.1	884.7	129.8	556.2	365.5	53.4	1,200.8	4,696.4
June	4.7	1,525.1	910.2	124.6	535.1	208.5	53.4	1,227.5	4,589.0
July	4.7	1,472.1	924.5	122.1	516.3	196.5	53.4	1,212.5	4,502.2
Aug.	4.7	1,457.7	910.9	122.1	524.9	187.8	53.4	1,220.1	4,481.6
Sep.	4.5	1,485.7	929.1	121.5	531.5	197.3	53.4	1,268.3	4,591.4
Oct.	4.5	1,500.3	939.0	124.8	525.3	136.3	53.4	1,189.1	4,472.9
Nov.	4.5	1,472.6	945.2	121.2	519.4	124.0	53.4	1,198.7	4,438.9
Dec.	4.5	1,478.1	945.7	157.6	527.6	115.0	53.4	1,224.4	4,506.1
2016									
Jan.	4.5	1,441.3	1,027.6	115.2	531.2	115.0	53.4	1,213.1	4,501.4
Feb.	4.5	1,436.0	1,044.1	90.9	607.1	101.1	53.4	1,224.2	4,561.2
Mar.	5.0	1,461.6	1,031.7	95.1	564.9	99.4	53.4	1,262.1	4,573.2
Apr.	5.0	1,486.2	1,028.1	95.4	565.5	95.4	53.4	1,285.8	4,614.7
May	5.0	1,542.3	1,022.1	94.7	570.1	91.3	53.4	1,306.1	4,684.9
June	5.4	1,564.8	1,020.6	90.1	659.2	91.6	162.3	1,292.8	4,886.7
July	5.4	1,570.5	1,021.5	88.2	681.3	68.6	53.4	1,288.0	4,777.0

[1] Figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.
[2] Includes IMF reserve position and holdings of SDRs.
[3] Mainly includes cash and bank balances, placements with banks and securities.
[4] Including items in course of settlement.

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

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations		Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
		Total	(of which): Minimum Reserve Requirements	Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2010	701.2	501.2	470.4	410.9	97.0	96.5	0.0	110.4	1,329.7	116.2	280.7
2011	737.6	1,101.1	431.6	438.6	86.5	122.5	0.0	113.2	557.9	103.1	297.1
2012	757.5	1,474.0	252.6	297.0	84.8	151.6	0.0	111.2	292.0	105.6	330.7
2013	803.2	1,144.0	327.3	340.0	1.8	61.1	0.0	106.7	709.8	115.7	327.6
2014	864.1	499.1	257.3	342.0	3.4	50.3	0.0	113.8	1,932.8	163.1	357.9
2015											
Jan.	853.3	761.1	263.7	362.4	10.6	47.8	0.0	113.8	1,583.9	163.1	357.7
Feb.	855.7	477.9	261.7	746.3	6.8	41.3	0.0	113.8	1,543.5	162.7	357.6
Mar.	863.8	955.6	275.4	526.5	16.7	49.2	0.0	122.4	1,350.6	145.2	381.0
Apr.	872.4	1,140.7	278.8	472.4	329.4	48.8	0.0	122.4	1,019.8	149.2	381.5
May	877.1	1,232.5	268.9	390.7	268.0	51.0	17.9	122.4	1,205.9	148.4	382.6
June	885.6	1,084.9	403.9	518.6	298.0	67.5	13.5	119.9	1,102.7	121.4	376.8
July	898.3	1,165.3	306.1	435.2	278.3	65.0	0.0	119.9	1,036.7	125.2	378.1
Aug.	896.2	1,404.0	293.9	485.3	137.4	76.4	0.0	119.9	855.4	128.0	379.0
Sep.	894.4	1,314.7	301.0	520.7	181.8	96.4	0.0	119.5	953.7	132.4	377.9
Oct.	895.7	1,494.1	275.7	480.7	18.6	98.1	0.0	119.5	851.7	135.4	379.2
Nov.	899.9	1,322.8	283.5	566.4	0.1	127.6	0.0	119.5	891.7	131.4	379.5
Dec.	920.9	1,457.5	408.4	342.9	0.2	157.5	0.0	121.4	975.6	147.7	382.3
2016											
Jan.	903.2	1,573.4	343.8	442.1	1.0	175.8	0.0	121.4	749.5	152.7	382.2
Feb.	903.7	1,390.8	338.3	649.1	0.1	167.7	0.0	121.4	802.4	119.0	407.0
Mar.	910.3	1,726.4	365.5	538.0	2.1	108.2	0.0	118.1	645.4	111.1	413.7
Apr.	912.6	1,859.4	349.5	560.3	5.3	95.8	0.0	118.1	535.5	113.7	414.0
May	915.7	2,023.6	504.8	588.3	6.4	110.5	0.0	118.1	387.3	120.8	414.3
June	923.6	2,143.6	477.2	828.5	0.1	248.9	0.0	120.0	84.9	116.3	420.9
July	932.4	2,144.6	515.5	571.4	0.1	170.7	0.0	120.0	300.4	116.3	421.1

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

[2] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key. This amount is purely notional and may not reflect the amount of currency in circulation in Malta.

[3] Includes items in course of settlement.

[4] Includes provisions and revaluation accounts.

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

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets[2]	Total		
2010	0.2	5.9	274.7	280.6	1,555.4	381.3	285.3	2,222.1	1,182.7	3,685.6
2011	0.1	6.2	343.9	350.1	1,910.9	434.4	301.8	2,647.1	612.9	3,610.3
2012	0.3	6.3	302.3	308.6	1,729.6	760.9	315.4	2,806.0	556.5	3,671.4
2013	0.3	6.6	331.8	338.4	1,673.8	1,146.2	291.5	3,111.5	308.4	3,758.5
2014	0.2	6.8	398.3	405.1	1,739.5	1,533.3	280.8	3,553.6	528.8	4,487.8
2015	0.1	6.6	736.4	742.9	1,690.8	1,716.5	295.0	3,702.3	254.1	4,699.4
2016										
Jan.	0.1	6.7	791.5	798.1	1,552.1	1,794.4	289.7	3,636.2	250.3	4,684.7
Feb.	0.1	6.7	798.4	805.1	1,520.8	1,866.4	377.5	3,764.7	239.7	4,809.6
Mar.	0.1	6.8	850.4	857.1	1,521.7	1,825.6	385.1	3,732.3	235.1	4,824.7
Apr.	0.1	6.6	898.9	905.5	1,535.9	1,806.5	377.6	3,720.0	236.3	4,861.9
May	0.1	6.5	950.9	957.5	1,541.3	1,859.8	369.3	3,770.4	229.4	4,957.4
June	0.1	6.7	990.8	997.5	1,638.7	1,907.6	366.4	3,912.8	235.6	5,145.9
July	0.1	6.7	1,001.5	1,008.1	1,525.3	1,932.8	363.2	3,821.2	210.9	5,040.3

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

EUR millions

End of period	Currency issued[4]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[3]
		Withdrawable on demand[5]	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities[2]	Total		
2010	742.1	489.1	8.2	497.2	1,225.2	97.1	108.0	1,430.3	438.1	577.8
2011	783.4	532.5	12.7	545.2	428.5	86.6	134.3	649.4	454.8	1,177.4
2012	807.9	335.3	17.4	352.7	201.3	84.9	93.6	379.8	490.9	1,640.1
2013	858.5	331.6	24.7	356.3	673.3	74.4	38.1	785.8	492.0	1,265.9
2014	924.5	338.5	0.0	338.5	1,930.2	79.5	21.0	2,030.7	552.0	642.1
2015	989.4	345.7	0.0	345.7	922.4	92.7	64.7	1,079.8	567.5	1,716.9
2016										
Jan.	971.6	433.2	0.0	433.2	700.4	93.7	55.9	850.0	569.9	1,859.9
Feb.	971.9	628.2	0.0	628.2	740.7	156.1	71.5	968.2	560.9	1,680.5
Mar.	978.7	517.6	0.0	517.6	565.0	156.8	83.1	804.9	561.6	1,961.9
Apr.	981.2	533.7	0.0	533.7	457.3	158.9	79.9	696.2	564.5	2,086.3
May	984.7	546.7	0.0	546.7	309.7	176.7	84.1	570.5	572.3	2,283.1
June	993.2	885.7	0.0	885.7	0.0	153.7	95.7	249.4	574.0	2,443.5
July	1,002.2	574.8	0.0	574.8	230.2	157.1	79.0	466.3	582.2	2,414.8

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast).

[2] If the Central Bank of Malta issues less, or more, currency than the amount attributed to it under the banknote allocation key, the shortfall, or excess, will be reflected in intra-Eurosystem claims, or liabilities, respectively.

[3] Includes resident interbank transactions.

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

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

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

EUR millions

End of period	Balances held with Central Bank of Malta	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans[2]	Securities other than shares	Shares & other equity[2]	Claims on other euro area residents	Claims on non-residents of the euro area[2]	Other external assets	Total		
2010	599.6	8,456.7	1,781.1	527.6	9,367.1	27,870.7	653.4	37,891.2	903.4	50,159.6
2011	1,179.9	8,928.9	1,946.1	543.5	10,111.8	27,056.2	665.8	37,833.8	914.9	51,347.1
2012	1,644.2	9,055.8	1,939.0	588.9	8,776.0	29,909.7	721.1	39,406.8	892.2	53,526.9
2013	1,259.9	9,027.4	2,081.2	612.6	7,230.7	28,401.1	740.2	36,372.1	982.3	50,335.5
2014	641.6	9,105.7	2,046.3	179.6	7,379.3	31,403.1	726.3	39,508.7	1,154.9	52,636.8
2015										
Jan.	897.0	9,109.1	2,162.7	182.7	6,946.0	34,505.5	852.5	42,304.1	1,168.0	55,823.6
Feb.	615.5	9,162.7	2,168.9	184.6	6,594.1	34,062.5	850.2	41,506.8	1,137.5	54,776.0
Mar.	1,088.6	9,175.6	2,206.9	187.7	6,794.8	34,637.4	867.9	42,300.1	1,116.8	56,075.8
Apr.	1,292.7	9,165.0	2,179.3	187.9	6,605.2	33,263.1	830.5	40,698.8	1,121.5	54,645.3
May	1,403.8	9,187.5	2,136.7	188.7	6,958.0	31,716.0	1,065.8	39,739.9	1,137.5	53,794.1
June	1,248.7	9,175.9	2,162.4	191.1	6,471.3	28,430.9	999.7	35,901.9	1,116.7	49,796.7
July	1,306.7	9,173.4	2,186.6	193.5	5,999.7	27,745.4	1,048.4	34,793.4	1,229.2	48,882.9
Aug.	1,521.5	9,148.3	2,179.1	291.5	6,228.8	25,063.3	1,103.6	32,395.6	1,182.7	46,718.8
Sep.	1,421.9	9,225.0	2,205.3	292.0	6,311.7	24,580.2	1,116.3	32,008.2	1,182.8	46,335.2
Oct.	1,596.6	9,214.1	2,155.3	294.8	6,278.4	24,050.0	1,150.1	31,478.6	1,180.1	45,919.5
Nov.	1,442.0	9,231.4	2,241.3	301.3	6,348.0	24,540.6	1,255.6	32,144.2	1,185.5	46,545.8
Dec.	1,628.8	9,208.1	2,137.0	305.3	6,254.2	25,492.7	1,182.6	32,929.5	1,183.1	47,391.8
2016										
Jan.	1,701.2	9,235.0	2,235.9	306.1	6,115.4	24,890.4	1,285.4	32,291.1	1,256.8	47,026.1
Feb.	1,647.7	9,254.0	2,230.3	329.9	6,464.1	24,803.0	1,350.6	32,617.7	1,137.3	47,216.9
Mar.	1,943.1	9,195.9	2,227.5	352.3	6,372.6	24,372.8	1,199.6	31,945.0	1,171.0	46,834.8
Apr.	2,060.3	9,196.5	2,224.0	351.4	6,385.9	24,990.3	1,194.2	32,570.4	1,118.2	47,520.8
May	2,228.0	9,241.4	2,221.9	353.6	6,073.8	25,260.6	1,254.0	32,588.4	1,159.3	47,792.6
June	2,415.6	9,306.6	2,199.3	323.6	6,169.6	25,158.8	1,452.6	32,781.0	1,166.0	48,192.1
July	2,389.2	9,220.3	2,178.5	321.7	5,550.2	24,424.8	1,469.0	31,444.1	1,191.9	46,745.8

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast). Figures also include assets of the MMFs.

[2] As from June 2010, statistics are in line with ESA 2010.

[3] Resident interbank claims are included in 'Other assets'.

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

EUR millions

End of period	Deposits from residents of Malta[2]				External liabilities				Debt securites issued[4]	Capital & reserves	Other liabilities[2]
	Withdraw-able on demand[3]	Redeem-able at notice	With agreed maturity[3]	Total	Deposits from other residents of the euro area[4]	Deposits from non-residents of the euro area[3,4]	Other external liabilities[5]	Total			
2010	5,075.3	123.7	5,060.0	10,259.0	6,611.2	19,018.8	1,760.2	27,390.2	304.5	9,853.8	2,352.1
2011	5,219.2	122.6	5,238.2	10,580.1	6,901.8	16,214.9	5,679.9	28,796.6	354.3	9,815.5	1,800.6
2012	5,815.3	151.8	5,348.4	11,315.5	6,966.1	15,471.6	7,204.1	29,641.7	403.1	10,369.7	1,796.9
2013	6,593.2	170.1	5,544.5	12,307.7	5,623.5	13,792.5	9,583.6	28,999.6	350.1	7,139.2	1,538.9
2014	8,489.0	208.8	5,419.7	14,117.5	5,552.9	14,334.7	12,271.9	32,159.5	370.9	4,284.8	1,704.0
2015											
Jan.	8,815.4	207.1	5,385.6	14,408.1	6,154.2	16,453.5	12,401.5	35,009.2	371.3	4,364.8	1,670.3
Feb.	8,615.6	206.3	5,272.6	14,094.6	6,445.4	16,700.2	11,086.5	34,232.1	371.7	4,371.2	1,706.5
Mar.	8,972.2	216.7	5,284.7	14,473.6	6,542.0	17,873.1	10,729.5	35,144.6	371.7	4,385.1	1,700.8
Apr.	9,338.2	221.5	5,248.8	14,808.5	6,078.8	17,719.2	9,669.8	33,467.8	371.7	4,268.2	1,729.0
May	9,543.2	214.3	5,258.7	15,016.2	6,136.2	17,366.2	8,903.8	32,406.2	371.8	4,251.9	1,748.0
June	9,877.9	212.4	5,265.2	15,355.5	5,904.3	15,531.4	8,031.7	29,467.4	374.9	3,071.2	1,527.7
July	9,879.1	210.7	5,270.8	15,360.6	5,828.2	14,857.2	7,680.5	28,365.8	394.6	3,121.4	1,640.5
Aug.	9,975.7	210.5	5,231.1	15,417.2	5,623.9	13,657.4	7,001.2	26,282.5	394.3	3,064.4	1,560.4
Sep.	10,238.1	212.5	5,192.2	15,642.8	6,076.2	13,109.3	6,465.1	25,650.6	394.2	3,009.5	1,638.1
Oct.	10,299.8	215.6	5,155.2	15,670.6	6,056.9	12,504.4	6,532.6	25,093.8	385.4	3,190.9	1,578.5
Nov.	10,378.2	215.4	5,152.7	15,746.3	6,300.3	13,120.9	6,085.2	25,506.4	385.4	3,270.5	1,637.2
Dec.	10,616.9	216.6	5,115.8	15,949.3	5,948.2	13,189.8	6,997.4	26,135.4	460.1	3,310.5	1,536.4
2016											
Jan.	10,578.0	196.9	5,087.0	15,861.9	5,781.1	13,229.1	6,807.0	25,817.3	459.5	3,351.9	1,535.5
Feb.	10,602.9	189.5	5,071.0	15,863.4	6,124.3	13,115.3	6,844.9	26,084.5	459.8	3,309.0	1,500.2
Mar.	10,590.8	193.5	5,150.8	15,935.1	5,881.3	12,967.3	6,618.0	25,466.6	496.4	3,358.5	1,578.2
Apr.	10,774.7	185.9	5,148.1	16,108.7	6,028.2	13,223.5	6,725.0	25,976.7	496.5	3,408.6	1,530.4
May	10,990.2	184.9	5,031.6	16,206.7	6,442.4	13,255.8	6,503.3	26,201.6	496.6	3,355.4	1,532.2
June	11,159.9	187.3	4,970.8	16,318.0	6,345.8	13,104.2	6,853.9	26,303.9	496.0	3,493.5	1,580.8
July	11,217.9	185.3	4,932.7	16,336.0	6,160.0	13,114.5	6,212.6	25,487.1	495.7	2,918.2	1,508.8

[1] Based on the instrument categories as stipulated in ECB Regulation 2013/33 of 10 December 2014 (recast). Figures also include liabilities of the MMFs.

[2] Excludes inter-bank deposits. These are included, together with other resident inter-bank liabilities, in 'other liabilities'.

[3] As from June 2010, statistics are in line with ESA 2010.

[4] Includes inter-bank deposits.

[5] Up to December 2007, debt securities held by non-residents are included under 'other external liabilities'. As from January 2008 they are included under 'debt securities issued'. For the purpose of this table, 'Other external liabilities' also include repos with non-residents.

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

EUR millions

End of period	Broad money (M3)[1]								
	Intermediate money (M2)							M3-M2[5]	Total (M3)[6]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]			
	Currency issued[2]	Overnight deposits[3]							
		From residents of Malta[4]	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta[4]	From other euro area residents		
2010	674.4	4,986.1	99.5	123.5	0.7	4,047.0	157.5	241.6	10,330.4
2011	710.6	5,123.5	124.1	122.5	2.6	3,833.9	228.2	204.3	10,349.7
2012	726.5	5,735.7	169.7	151.7	1.6	3,883.9	480.1	191.5	11,340.8
2013	778.7	6,522.3	176.0	113.8	0.0	3,993.4	838.4	165.4	12,588.1
2014	839.4	8,415.6	257.5	124.4	0.1	3,914.2	729.8	121.4	14,402.4
2015									
Jan.	842.4	8,736.4	320.0	123.7	0.1	3,874.0	320.3	129.5	14,346.3
Feb.	843.8	8,540.7	314.0	122.1	0.1	3,744.3	328.6	90.4	13,983.9
Mar.	848.4	8,897.3	353.6	121.4	0.1	3,743.0	354.1	93.0	14,411.0
Apr.	850.8	9,254.5	385.1	125.3	0.1	3,709.8	387.2	92.6	14,805.4
May	859.9	9,454.4	414.2	120.9	0.1	3,723.6	428.3	89.2	15,090.5
June	865.9	9,795.1	417.7	116.8	0.1	3,711.8	499.1	111.4	15,517.9
July	880.9	9,767.8	417.5	115.3	0.1	3,708.6	576.4	155.7	15,622.2
Aug.	887.1	9,851.4	394.0	119.1	0.1	3,675.9	557.0	154.7	15,639.2
Sep.	880.2	10,116.3	444.6	120.9	0.1	3,675.5	361.4	145.2	15,744.2
Oct.	884.8	10,178.6	400.5	120.5	0.1	3,631.0	356.7	132.9	15,705.1
Nov.	892.4	10,248.8	425.7	118.7	1.3	3,621.3	380.7	131.6	15,820.4
Dec.	893.1	10,510.9	415.5	121.7	1.3	3,487.7	345.3	125.1	15,900.5
2016									
Jan.	896.4	10,461.3	433.6	116.3	1.4	3,457.9	361.9	118.8	15,847.5
Feb.	899.9	10,486.2	422.6	108.4	1.4	3,438.6	384.8	61.2	15,803.0
Mar.	891.2	10,478.5	424.6	112.6	1.3	3,512.9	446.8	59.1	15,927.0
Apr.	903.5	10,659.1	440.3	104.9	1.4	3,502.1	504.9	54.1	16,170.4
May	906.1	10,856.8	441.2	103.9	1.4	3,378.8	627.3	48.7	16,364.1
June	908.5	11,025.3	407.1	102.6	1.7	3,322.0	723.6	44.0	16,534.7
July	920.4	11,076.7	471.5	101.7	1.7	3,285.2	776.5	43.9	16,677.5

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

[2] This is not a measure of currency in circulation in Malta. It comprises the Central Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury, less holdings of issued euro banknotes and coins held by the MFI sector.

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

[4] As from June 2010, statistics are in line with ESA 2010.

[5] M3 - M2 comprises repurchase agreements that are not conducted through central counterparties and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

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

Table 1.5 The contribution of resident MFIs to counterparts to euro area monetary aggregates

EUR millions

End of period	Broad money (M3)[1,2]	Credit counterpart[3]					External counterpart			Other counterparts (net)[4]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area[2]	Liabilities to non-residents of the euro area[2]	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents[2]	Credit to general government	Credit to other residents					
2010	10,330.4	2,091.0	8,955.0	1,794.9	2,392.7	15,233.6	29,140.7	20,763.0	8,377.7	13,280.9
2011	10,349.7	2,353.4	9,415.4	2,240.9	2,929.5	16,939.1	28,435.1	20,785.7	7,649.4	14,238.8
2012	11,340.8	2,287.1	9,605.1	1,261.1	3,351.0	16,504.3	31,675.8	21,583.1	10,092.6	15,256.1
2013	12,588.1	2,478.0	9,581.5	1,295.3	1,993.8	15,348.6	30,550.1	20,935.4	9,614.7	12,375.2
2014	14,402.4	2,497.7	9,239.1	1,503.8	2,527.8	15,768.4	33,869.4	22,342.5	11,526.9	12,892.9
2015										
Jan.	14,346.3	2,613.8	9,260.4	1,722.5	2,573.0	16,169.8	37,084.9	24,421.3	12,663.6	14,487.1
Feb.	13,983.9	2,631.1	9,311.3	1,698.0	2,477.7	16,118.1	36,709.4	24,030.2	12,679.2	14,813.4
Mar.	14,411.0	2,673.7	9,330.9	1,670.8	2,481.6	16,157.0	37,299.2	25,191.0	12,108.2	13,854.2
Apr.	14,805.4	2,702.5	9,319.4	1,664.2	2,364.9	16,051.0	35,940.4	24,764.8	11,175.7	12,421.4
May	15,090.5	2,757.5	9,344.6	1,691.5	2,541.3	16,334.9	34,677.1	23,854.9	10,822.2	12,066.6
June	15,517.9	2,838.3	9,331.6	1,657.5	2,395.9	16,223.3	31,328.0	21,273.2	10,054.7	10,760.2
July	15,622.2	2,892.6	9,334.9	1,684.1	1,986.0	15,897.6	30,707.1	20,341.3	10,365.8	10,641.2
Aug.	15,639.2	2,899.6	9,403.9	1,683.2	2,339.1	16,325.9	28,039.7	18,693.1	9,346.7	10,033.4
Sep.	15,744.2	2,940.9	9,481.3	1,719.3	2,304.9	16,446.4	27,608.5	18,080.9	9,527.6	10,229.8
Oct.	15,705.1	2,912.6	9,473.4	1,591.1	2,248.4	16,225.4	27,057.3	17,446.8	9,610.5	10,130.5
Nov.	15,820.4	3,005.2	9,500.5	1,688.6	2,315.1	16,509.3	27,688.2	17,698.4	9,989.8	10,678.7
Dec.	15,900.5	2,919.5	9,473.8	1,685.2	2,328.8	16,407.3	28,566.3	17,861.1	10,705.2	11,212.1
2016										
Jan.	15,847.5	3,071.4	9,503.8	1,636.1	2,360.2	16,571.4	28,146.9	17,946.3	10,200.6	10,924.5
Feb.	15,803.0	3,073.7	9,545.6	1,816.4	2,578.6	17,014.2	28,274.8	18,039.9	10,234.9	11,446.1
Mar.	15,927.0	3,070.9	9,562.0	1,882.9	2,550.7	17,066.5	27,669.3	17,659.5	10,009.8	11,149.3
Apr.	16,170.4	3,115.2	9,562.2	1,926.6	2,600.4	17,204.3	28,251.7	17,829.7	10,422.0	11,455.9
May	16,364.1	3,164.9	9,609.5	1,959.2	2,661.7	17,395.3	28,633.7	17,640.3	10,993.3	12,024.5
June	16,534.7	3,180.7	9,646.2	1,968.7	2,652.5	17,448.1	28,742.1	17,710.8	11,031.3	11,944.7
July	16,677.5	3,175.4	9,553.3	1,950.2	2,636.8	17,315.7	28,048.5	17,286.9	10,761.5	11,399.7

[1] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

[2] As from June 2010, statistics are in line with ESA 2010.

[3] Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

[4] Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

Table 1.6 Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item: Excess / shortfall (-) on the banknote allocation key[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2010	701.2	41.0	-	67.7	674.4	104.5
2011	737.6	45.8	-	72.8	710.6	130.0
2012	757.5	50.4	-	81.4	726.5	90.7
2013	803.2	55.3	-	79.8	778.7	37.4
2014	864.1	60.4	-	85.1	839.4	2.6
2015						
Jan.	853.3	60.3	-	71.1	842.4	-2.0
Feb.	855.7	60.1	-	72.0	843.8	6.2
Mar.	863.8	60.3	-	75.7	848.4	21.6
Apr.	872.4	60.8	-	82.5	850.8	28.6
May	877.1	61.9	-	79.0	859.9	24.3
June	885.6	62.9	-	82.6	865.9	36.8
July	898.3	64.2	-	81.6	880.9	28.6
Aug.	896.2	65.0	-	74.2	887.1	19.8
Sep.	894.4	65.4	-	79.6	880.2	28.0
Oct.	895.7	66.7	-	77.6	884.8	27.2
Nov.	899.9	66.9	-	74.4	892.4	32.9
Dec.	920.9	68.5	-	96.3	893.1	53.2
2016						
Jan.	903.2	68.4	-	75.2	896.4	49.1
Feb.	903.7	68.2	-	72.0	899.9	61.7
Mar.	910.3	68.4	-	87.5	891.2	80.3
Apr.	912.6	68.6	-	77.7	903.5	78.2
May	915.7	69.0	-	78.6	906.1	77.6
June	923.6	69.6	-	84.7	908.5	84.9
July	932.4	69.7	-	81.8	920.4	70.2

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

[2] A breakdown of Maltese lira banknotes and coins outstanding by denomination is shown in Table 1.7a (Denominations of Maltese currency issued and outstanding).

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

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10[2]	Lm5	Lm2	Total
2010	49.9	8.4	25.7	8.5	7.3	49.9
2011	46.7	7.8	23.5	8.2	7.2	46.7
2012	44.6	7.3	22.1	8.1	7.2	44.6
2013	42.8	6.8	20.8	8.0	7.1	42.8
2014	41.1	6.4	19.7	7.9	7.1	41.1
2015	39.7	6.1	18.8	7.8	7.1	39.7
2016						
Mar.	39.5	6.0	18.6	7.8	7.1	39.5
June	39.3	6.0	18.5	7.8	7.1	39.3

[1] The denominations of coins consist of Lm1, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.
[2] Since February 2010 a change in the basis of reporting was carried out to include the 4th series of the Lm10 notes.

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

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2010	-6.3	21.7	328.9	235.2	1.2	54.7	170.3	805.7
2011	-9.4	9.6	326.8	266.1	-18.6	77.9	215.2	867.6
2012	-12.7	-4.1	309.1	294.3	-78.9	79.7	260.7	848.1
2013	-15.7	-18.4	273.5	356.2	-146.5	77.7	313.8	840.6
2014	-19.4	-32.8	240.2	436.5	-199.8	80.3	361.6	866.6
2015	-23.1	-46.7	204.9	578.7	-227.6	84.0	404.0	974.1
2016								
Mar.	-24.3	-49.0	193.1	607.4	-231.9	84.9	410.3	990.6
June	-24.7	-52.0	184.9	644.6	-238.0	85.9	407.7	1,008.4

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB) adjusted for the excess / shortfall on the banknote allocation key. Figures represent the net issuance of currency notes, that is, the net amount of notes issued by (+), or the net amount paid into (-), the Bank.

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

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2010	0.0	0.6	1.2	2.0	3.4	5.4	9.2	19.1	41.0
2011	0.1	0.6	1.4	2.3	3.9	6.1	9.8	21.7	45.8
2012	0.1	0.7	1.5	2.5	4.1	6.5	10.2	24.7	50.4
2013	0.2	0.7	1.7	2.7	4.6	6.9	10.9	27.5	55.3
2014	0.2	0.8	1.9	2.9	4.9	7.3	11.2	31.0	60.4
2015	0.3	0.9	2.2	3.2	5.4	8.0	12.3	35.6	67.9
2016									
Mar.	0.3	0.9	2.2	3.3	5.4	8.0	12.2	36.1	68.4
June	0.3	0.9	2.2	3.3	5.6	8.2	12.4	36.9	69.9

Table 1.8 Deposits held with other monetary financial institutions by sector

EUR millions

End of period	Resident deposits						Deposits held by non-residents of Malta		Total deposits
	General government[1]	Financial corporations[2,3]	Insurance companies and pension funds[3]	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area[3]	
2010	227.0	2,545.5	234.9	1,694.9	6,935.0	11,637.3	6,632.2	20,123.3	38,392.8
2011	239.0	1,665.4	281.8	1,912.7	7,244.8	11,343.7	8,046.4	20,074.3	39,464.4
2012	219.2	1,857.3	285.7	2,002.3	7,634.0	11,998.6	8,031.1	20,866.1	40,895.8
2013	206.2	1,718.8	334.5	2,274.4	8,220.2	12,754.1	7,841.8	20,367.0	40,962.9
2014	221.0	2,221.3	456.3	2,679.3	9,051.6	14,629.4	9,562.4	21,560.5	45,752.3
2015									
Jan.	235.0	2,277.8	467.7	2,677.6	9,168.2	14,826.4	10,022.8	23,708.7	48,557.9
Feb.	230.1	2,183.3	433.2	2,665.5	8,993.9	14,506.0	9,681.0	23,355.8	47,542.8
Mar.	227.6	2,270.1	470.5	2,681.0	9,320.7	14,970.0	9,486.1	24,493.0	48,949.0
Apr.	238.6	2,404.6	465.1	2,745.3	9,458.4	15,312.0	8,590.6	23,693.1	47,595.7
May	247.7	2,282.8	459.9	2,980.4	9,552.6	15,523.4	8,394.5	22,916.5	46,834.4
June	244.8	2,289.4	441.9	3,022.9	9,673.4	15,672.4	8,416.8	20,325.5	44,414.8
July	278.8	2,284.6	453.4	2,975.9	9,760.3	15,753.0	8,206.2	19,454.3	43,413.6
Aug.	287.4	2,241.8	453.0	3,025.4	9,761.6	15,769.2	7,622.1	17,916.3	41,307.5
Sep.	294.7	2,384.0	457.0	3,044.0	9,817.5	15,997.3	7,621.5	17,282.6	40,901.3
Oct.	296.2	2,239.4	458.0	3,090.3	9,848.2	15,932.0	7,546.0	16,839.8	40,317.8
Nov.	303.4	2,279.3	455.8	3,081.1	9,882.1	16,001.7	7,693.6	17,042.4	40,737.7
Dec.	276.2	2,340.7	463.2	3,181.9	9,984.5	16,246.5	8,192.0	17,290.0	41,728.6
2016									
Jan.	288.4	2,299.9	443.3	3,030.1	10,047.1	16,108.7	7,698.5	17,309.4	41,116.6
Feb.	295.2	2,323.7	468.3	3,159.1	9,819.1	16,065.5	7,895.3	17,301.1	41,261.9
Mar.	282.1	2,308.2	457.9	3,168.9	10,006.7	16,223.9	7,679.2	16,929.0	40,832.1
Apr.	286.5	2,358.2	471.6	3,172.7	10,070.2	16,359.2	8,033.4	17,110.9	41,503.5
May	308.4	2,388.8	500.6	3,045.5	10,221.6	16,464.9	8,477.2	17,008.6	41,950.8
June	303.3	2,470.1	481.0	3,112.3	10,234.1	16,600.9	8,422.2	16,869.9	41,892.9
July	321.2	2,312.9	450.5	3,183.8	10,296.5	16,565.0	8,046.7	16,642.9	41,254.5

[1] Including extra-budgetary units.

[2] Financial corporations consist of other monetary financial institutions (OMFIs), MMFs, Non-MMF Investment Funds, other financial intermediaries and financial auxiliaries and Captive Financial Institutions and Money Lenders. Loans exclude OMFIs' deposits and reverse repos placed with the Central Bank of Malta and with other OMFIs.

[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	By residents of Malta				By non-residents of Malta			Total deposits
					Other euro area residents		Non-residents of the euro area[3]	
	EUR[2,3]	GBP[3]	USD[3]	Other[3]	EUR	Other		
2010	10,154.9	459.5	870.6	152.3	4,764.3	1,868.0	20,123.3	38,392.8
2011	9,950.4	558.9	688.6	145.8	5,857.6	2,188.8	20,074.3	39,464.4
2012	10,466.2	537.7	816.6	178.0	5,276.0	2,755.1	20,866.1	40,895.8
2013	11,186.6	587.3	768.3	212.0	3,623.0	4,218.7	20,367.0	40,962.9
2014	12,786.0	731.9	859.6	252.1	2,906.4	6,656.0	21,560.5	45,752.3
2015								
Jan.	12,909.5	741.6	906.6	268.6	3,045.5	6,977.3	23,708.7	48,557.9
Feb.	12,592.9	737.7	903.8	271.7	3,372.0	6,309.0	23,355.8	47,542.8
Mar.	13,063.8	736.9	921.8	247.5	3,328.1	6,158.0	24,493.0	48,949.0
Apr.	13,242.9	839.6	978.0	251.6	3,300.2	5,290.5	23,693.1	47,595.7
May	13,466.5	701.9	1,125.1	230.0	2,998.1	5,396.4	22,916.5	46,834.4
June	13,628.3	695.4	1,111.6	237.2	3,163.4	5,253.4	20,325.5	44,414.8
July	13,656.6	722.5	1,136.9	237.1	2,654.7	5,551.5	19,454.3	43,413.6
Aug.	13,693.7	700.9	1,145.4	229.2	2,553.0	5,069.1	17,916.3	41,307.5
Sep.	13,883.4	715.7	1,072.3	325.9	2,452.2	5,169.3	17,282.6	40,901.3
Oct.	13,927.8	695.7	1,051.8	256.8	2,443.5	5,102.5	16,839.8	40,317.8
Nov.	13,969.9	719.0	1,070.1	242.7	2,474.3	5,219.3	17,042.4	40,737.6
Dec.	14,154.5	752.7	1,071.5	267.8	2,332.1	5,859.9	17,290.0	41,728.6
2016								
Jan.	14,111.3	693.8	1,015.0	288.6	2,100.9	5,597.6	17,309.4	41,116.6
Feb.	13,930.3	771.7	986.3	377.1	2,020.7	5,874.7	17,301.1	41,261.9
Mar.	14,137.6	820.1	977.1	289.1	2,117.6	5,561.7	16,929.0	40,832.1
Apr.	14,257.7	790.4	1,009.2	301.9	2,236.2	5,797.1	17,110.9	41,503.5
May	14,501.7	688.7	968.3	306.2	2,352.2	6,125.0	17,008.6	41,950.8
June	14,612.8	656.7	1,025.2	306.1	2,465.5	5,956.7	16,869.9	41,892.9
July	14,693.1	630.8	965.5	275.5	2,495.5	5,551.2	16,642.9	41,254.5

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

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

[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	Size classes[2]				
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	Total
2010	758.2	3,242.9	2,138.5	18,901.8	25,041.4
2011	760.5	3,421.3	2,151.5	16,797.3	23,130.7
2012	754.6	3,580.7	2,308.6	15,271.8	21,915.6
2013	757.4	3,694.2	1,892.7	10,688.5	17,032.8
2014	717.3	3,922.0	1,779.0	9,830.1	16,248.3
2015					
Jan.	712.9	3,933.0	1,771.7	10,001.6	16,419.2
Feb.	719.0	3,953.7	1,774.7	9,939.2	16,386.6
Mar.	725.6	3,970.6	1,762.7	9,971.1	16,429.9
Apr.	729.5	3,981.9	1,754.4	9,781.5	16,247.3
May	732.7	4,005.0	1,750.3	9,930.5	16,418.4
June	740.8	4,030.0	1,726.0	9,570.9	16,067.7
July	741.7	5,541.8	1,650.6	8,050.9	15,985.1
Aug.	742.6	5,917.6	1,631.5	7,784.5	16,076.2
Sep.	749.0	5,947.3	1,636.8	7,721.7	16,054.7
Oct.	752.6	5,966.6	1,636.4	7,696.2	16,051.9
Nov.	754.5	6,134.6	1,628.2	7,647.8	16,165.1
Dec.	750.1	6,298.1	1,632.8	7,648.7	16,329.7
2016					
Jan.	747.1	6,264.0	1,637.7	7,364.5	16,013.4
Feb.	749.8	6,381.8	1,649.4	7,283.4	16,064.4
Mar.	756.1	6,321.5	1,636.8	7,176.1	15,890.5
Apr.	753.2	6,304.5	1,661.9	7,353.4	16,073.0
May	749.4	6,282.6	1,669.8	7,443.0	16,144.8
June	757.0	6,288.5	1,714.1	7,437.7	16,197.3
July	752.2	6,240.1	1,715.2	7,305.6	16,013.1

[1] For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Loans exclude interbank claims.
[2] Amounts in euro are approximations.

Table 1.11 Other monetary financial institutions' loans to residents of Malta by economic activity[1]

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage, Information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals[2]				Other[3,4]	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2010	502.0	511.8	283.5	1,113.8	446.3	825.2	392.2	2,666.0	365.4	323.4	3,354.8	1,027.6	740.5	7,716.7
2011	539.8	526.5	280.8	1,092.7	459.8	847.9	396.6	2,892.9	382.9	314.0	3,589.8	1,197.0	826.1	8,104.7
2012	280.1	502.0	308.8	1,024.0	468.2	829.9	423.4	3,088.2	387.1	301.5	3,776.8	1,443.6	794.4	8,262.4
2013	293.1	478.0	297.3	894.7	462.5	782.2	455.4	3,278.4	382.4	298.6	3,959.4	1,407.1	792.0	8,237.5
2014	422.8	451.1	287.9	802.5	436.0	849.5	502.3	3,588.2	372.2	283.4	4,243.8	1,109.9	1,002.4	8,103.3
2015														
Jan.	451.6	423.1	291.5	794.6	432.7	835.0	507.7	3,611.1	368.6	281.9	4,261.6	1,111.2	963.6	8,145.6
Feb.	445.7	426.6	294.1	787.4	456.7	839.0	500.2	3,631.0	367.1	283.4	4,281.4	1,131.6	943.0	8,219.7
Mar.	372.4	430.6	294.0	805.4	453.6	863.2	515.8	3,655.2	366.7	281.6	4,303.5	1,138.5	855.6	8,321.3
Apr.	375.9	417.2	298.8	802.4	450.3	872.1	500.1	3,670.2	365.5	279.2	4,314.9	1,133.5	848.4	8,316.7
May	396.7	413.7	309.0	793.9	429.1	833.3	489.1	3,710.5	365.0	276.4	4,351.9	1,170.8	848.7	8,338.9
June	274.1	424.4	313.2	668.9	414.8	838.5	587.9	3,758.5	363.5	275.1	4,397.1	1,257.5	793.5	8,382.8
July	289.6	426.9	287.4	575.5	493.7	826.1	596.5	3,791.1	364.6	272.8	4,428.6	1,249.5	795.9	8,377.9
Aug.	270.1	429.6	287.2	574.6	499.8	826.7	603.7	3,813.7	363.3	271.3	4,448.3	1,209.0	788.9	8,359.9
Sep.	286.2	431.1	282.5	572.6	491.1	852.4	602.0	3,864.3	365.6	270.6	4,500.5	1,207.3	800.2	8,425.3
Oct.	296.5	431.1	281.0	566.8	509.9	844.2	599.0	3,876.8	364.3	269.5	4,510.6	1,175.7	788.3	8,426.4
Nov.	301.5	432.1	279.7	561.7	510.4	855.8	615.9	3,885.9	364.2	270.4	4,520.5	1,153.8	784.9	8,446.5
Dec.	316.4	439.7	276.6	540.8	508.8	843.9	614.2	3,901.1	361.5	267.7	4,530.2	1,134.8	791.9	8,413.5
2016														
Jan.	313.1	447.3	273.0	536.6	510.8	836.1	612.6	3,914.8	359.7	267.7	4,542.2	1,162.6	786.5	8,447.7
Feb.	268.6	380.3	274.4	597.2	399.2	814.1	658.2	3,934.5	357.2	265.8	4,557.5	1,305.4	782.2	8,472.5
Mar.	264.8	360.6	247.9	576.2	381.6	830.5	699.5	3,955.3	356.8	265.1	4,577.1	1,259.4	720.2	8,477.4
Apr.	276.8	342.8	263.7	587.1	380.6	799.8	697.6	3,976.3	356.4	261.9	4,594.6	1,259.4	717.9	8,484.4
May	276.6	345.4	270.0	586.9	385.8	797.4	706.0	4,006.9	353.9	261.2	4,622.0	1,256.9	715.2	8,531.7
June	276.7	350.7	262.0	580.9	386.7	805.6	719.0	4,037.9	355.1	258.9	4,651.8	1,278.7	719.0	8,593.0
July	287.0	346.2	256.8	571.9	376.9	763.8	690.7	4,066.2	355.5	249.6	4,671.3	1,261.3	722.2	8,503.5

[1] As from 2010, the statistical classification of loans by economic activity is based on NACE rev 2. As from February 2016, data have been further revised to be fully in line with NACE Rev 2 classifications. Further revisions to back data as from December 2014 to January 2016 will also be revised and published in *Quarterly Review* 2016:3.

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

[3] Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial and insurance activities (including interbank loans), professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services activities and extra-territorial bodies & organisations.

[4] As from June 2010, statistics are in line with ESA 2010.

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta						Lending to non-residents of Malta		Total lending
	General government[1]	Financial corporations[2,3]	Insurance companies and pension funds	Non-financial corporations	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area[3]	
2010	118.6	547.5	14.0	4,052.4	3,724.8	8,457.2	5,218.5	11,321.5	24,997.2
2011	150.5	671.7	2.6	4,153.9	3,952.2	8,930.9	4,974.9	9,224.9	23,130.7
2012	130.3	912.9	4.0	3,886.4	4,123.3	9,056.8	3,757.3	9,101.4	21,915.6
2013	142.8	884.8	2.4	3,711.0	4,288.9	9,029.8	2,138.5	5,864.5	17,032.8
2014	150.5	577.0	14.7	3,788.1	4,575.6	9,105.8	2,171.2	4,971.3	16,248.3
2015									
Jan.	146.1	581.7	14.8	3,765.4	4,601.1	9,109.1	2,269.4	5,040.7	16,419.2
Feb.	149.3	594.0	14.6	3,785.0	4,619.8	9,162.8	2,141.3	5,082.6	16,386.6
Mar.	150.7	596.9	14.9	3,772.4	4,642.0	9,176.9	2,143.4	5,109.6	16,429.9
Apr.	148.5	593.9	14.9	3,757.1	4,650.8	9,165.1	1,976.0	5,106.2	16,247.3
May	148.7	635.7	14.7	3,705.0	4,683.4	9,187.5	2,128.0	5,102.9	16,418.4
June	148.0	716.0	14.8	3,575.1	4,722.6	9,176.4	2,003.5	4,887.9	16,067.7
July	148.5	711.7	11.5	3,550.8	4,751.4	9,173.8	1,959.6	4,851.7	15,985.1
Aug.	150.3	678.6	11.4	3,542.0	4,766.4	9,148.8	2,278.4	4,649.0	16,076.2
Sep.	152.0	674.5	11.5	3,565.0	4,822.5	9,225.6	2,223.6	4,605.5	16,054.7
Oct.	153.6	643.1	11.7	3,573.3	4,833.0	9,214.7	2,222.3	4,614.9	16,051.9
Nov.	154.3	620.1	11.5	3,604.6	4,841.0	9,231.5	2,101.7	4,831.9	16,165.1
Dec.	157.7	594.7	11.6	3,596.4	4,845.1	9,205.4	2,113.8	5,010.4	16,329.7
2016									
Jan.	157.6	620.5	11.6	3,588.8	4,855.7	9,234.2	1,843.3	4,935.9	16,013.4
Feb.	159.4	677.3	11.6	3,541.3	4,865.1	9,254.7	2,039.8	4,769.9	16,064.4
Mar.	104.0	705.4	11.6	3,493.2	4,883.5	9,197.7	2,070.4	4,622.5	15,890.5
Apr.	102.5	725.5	11.6	3,461.7	4,900.9	9,202.3	2,123.0	4,747.7	16,073.0
May	103.6	721.7	11.6	3,484.7	4,925.3	9,246.9	2,170.6	4,727.3	16,144.8
June	104.7	736.8	11.7	3,500.9	4,957.9	9,312.0	2,163.0	4,722.2	16,197.3
July	108.6	729.5	3.5	3,415.5	4,968.6	9,225.7	2,156.4	4,631.0	16,013.1

[1] Includes the extra-budgetary units.

[2] Financial corporations consist of other monetary financial institutions (OMFIs), MMFs, Non-MMF Investment Funds, other financial intermediaries and financial auxiliaries and Captive Financial Institutions and Money Lenders. Loans exclude OMFIs' deposits and reverse repos placed with the Central Bank of Malta and with other OMFIs.

[3] As from June 2010, statistics are in line with ESA 2010.

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

EUR millions

End of period	Lending to residents of Malta										Total lending
	Non-financial corporations				Households & non-profit institutions				Other sectors		
	EUR[1]		Other		EUR[1]		Other				
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	EUR[1,2]	Other[2]	
2010	1,178.1	2,760.3	70.1	44.0	269.2	3,444.8	1.7	9.1	355.1	325.0	8,457.2
2011	1,050.2	2,966.3	87.7	49.7	277.2	3,662.6	2.5	9.9	480.2	344.6	8,930.9
2012	964.3	2,787.9	88.1	46.1	270.6	3,845.8	3.1	3.7	728.6	318.6	9,056.8
2013	947.6	2,655.4	71.1	36.8	255.4	4,027.5	2.5	3.5	721.4	308.5	9,029.8
2014	1,005.8	2,650.5	96.9	34.9	176.2	4,391.3	3.1	5.1	596.5	145.6	9,105.8
2015											
Jan.	1,008.1	2,648.5	72.3	36.5	171.6	4,420.2	4.1	5.3	586.9	155.7	9,109.1
Feb.	1,013.5	2,656.5	77.8	37.2	171.2	4,439.1	4.1	5.4	606.7	151.3	9,162.8
Mar.	1,063.4	2,587.1	107.9	14.0	166.2	4,466.0	4.4	5.5	590.1	172.4	9,176.9
Apr.	1,058.6	2,566.3	118.8	13.4	238.6	4,402.0	4.7	5.5	587.9	169.3	9,165.1
May	1,007.3	2,565.9	68.9	62.9	237.5	4,435.4	5.0	5.5	621.7	177.4	9,187.5
June	927.9	2,514.3	67.4	65.4	234.0	4,477.7	5.4	5.5	703.4	175.3	9,176.4
July	924.9	2,496.5	63.3	66.1	232.2	4,507.9	5.8	5.5	700.8	170.8	9,173.8
Aug.	780.1	2,634.4	66.7	60.9	231.1	4,524.2	5.7	5.4	696.9	143.5	9,148.8
Sep.	822.8	2,618.6	60.6	63.1	234.2	4,577.5	5.5	5.3	699.2	138.9	9,225.6
Oct.	787.2	2,650.5	71.4	64.2	233.3	4,589.0	5.4	5.3	675.8	132.7	9,214.7
Nov.	830.1	2,632.0	76.6	66.0	232.3	4,598.4	5.5	4.7	667.9	118.0	9,231.5
Dec.	819.2	2,633.2	81.1	62.9	228.0	4,607.8	4.7	4.5	671.8	92.1	9,205.4
2016											
Jan.	813.5	2,635.7	74.8	64.8	227.2	4,619.7	4.5	4.4	675.5	114.2	9,234.2
Feb.	800.3	2,612.3	65.3	63.3	225.2	4,631.5	4.2	4.3	712.2	136.1	9,254.7
Mar.	816.6	2,582.8	51.4	42.3	223.2	4,651.8	4.3	4.2	694.4	126.6	9,197.7
Apr.	798.9	2,572.1	48.2	42.5	226.4	4,665.4	3.6	5.5	718.5	121.1	9,202.3
May	805.7	2,585.5	50.2	43.2	224.5	4,691.8	3.9	5.0	712.6	124.3	9,246.9
June	817.1	2,591.1	49.8	43.0	221.5	4,728.2	3.5	4.7	721.3	131.9	9,312.0
July	768.2	2,561.7	48.1	37.4	353.4	4,607.0	3.6	4.7	724.1	117.5	9,225.7

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

[2] As from June 2010, statistics are in line with ESA 2010.

Table 1.14 Aggregated statement of assets and liabilities – investment funds[1,7] *(assets)*

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2010	63.1	9.2	420.0	6.0	185.5	6,670.1	6.9	7,360.7
2011	59.8	0.0	400.5	240.8	141.5	6,477.5	8.0	7,328.2
2012	65.8	0.5	418.9	1,217.7	158.2	11,561.8	9.7	13,432.5
2013	86.9	11.3	389.3	318.8	506.0	6,557.4	4.1	7,873.8
2014	160.9	5.5	590.1	433.8	321.4	7,629.9	3.3	9,145.0
2015	168.6	5.8	618.3	454.5	336.7	7,993.1	3.5	9,580.4
2016								
Mar.	189.2	6.5	693.8	510.0	377.9	8,969.6	3.9	10,750.9
June.	166.1	5.7	609.2	447.9	331.8	7,876.1	3.5	9,440.1

Table 1.14 Aggregated statement of assets and liabilities – investment funds[1,7] *(liabilities)*

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2010	1.8	6,932.3	422.2	4.4	7,360.7
2011	0.1	6,925.9	398.7	3.5	7,328.2
2012	0.2	12,776.4	651.5	4.4	13,432.5
2013	0.2	7,479.6	392.3	1.7	7,873.7
2014	0.3	8,752.4	391.3	1.2	9,145.0
2015	0.3	9,169.1	410.0	1.2	9,580.4
2016					
Mar.	0.3	10,289.2	460.1	1.4	10,750.9
June	0.3	9,034.8	404.0	1.2	9,440.1

[1] The smallest IFs in terms of total assets (i.e. those IFs that contribute to 5% or less to the quarterly aggregated balance sheet of the total IFs' assets in terms of stocks) are estimated.

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

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

[4] Includes share capital and reserves.

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

[6] Includes creditors, accruals and other liabilities.

[7] Statistics are in line with ESA 2010.

Table 1.15 Aggregated statement of assets and liabilities – insurance corporations[1] *(assets)*

EUR millions

End of period	Currency and Deposits[2]	Holdings of securities other than shares	Holdings of shares and other equity	External assets[3]	Fixed and other assets[4]	Total assets
2010	383.6	550.6	192.8	3,829.8	352.3	5,309.0
2011	408.7	514.6	181.1	8,553.4	309.5	9,967.4
2012	377.0	575.4	191.5	8,890.3	367.3	10,401.5
2013	416.1	525.0	218.8	9,563.3	386.3	11,109.5
2014	548.8	568.4	233.1	10,915.8	426.3	12,692.5
2015						
Mar.	522.9	602.8	256.9	11,913.7	437.6	13,733.8
June	518.4	571.5	264.1	12,049.1	433.6	13,836.8
Sep.	500.7	581.5	261.7	11,891.6	406.3	13,641.8
Dec.	538.2	576.9	264.9	11,871.1	442.1	13,693.1
2016						
Mar.	518.8	582.8	285.1	8,844.4	453.0	10,684.0

Table 1.15 Aggregated statement of assets and liabilities – insurance corporations[1] *(liabilities)*

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6]	Other liabilities[7]	Total liabilities
2010	25.1	1,962.4	2,804.2	342.3	175.0	5,309.0
2011	17.2	2,571.7	6,561.2	533.3	284.0	9,967.4
2012	19.1	2,770.5	6,720.5	541.8	349.7	10,401.5
2013	18.7	2,450.4	7,615.9	663.4	361.1	11,109.5
2014	50.4	2,473.1	9,089.4	873.1	206.6	12,692.5
2015						
Mar.	53.0	2,615.8	9,787.0	975.6	302.5	13,733.8
June	54.5	2,663.1	9,802.1	1,097.0	220.1	13,836.8
Sep.	58.5	2,661.5	9,605.5	1,056.2	260.2	13,641.8
Dec.	43.9	2,894.6	9,519.4	995.5	239.6	13,693.1
2016						
Mar.	43.3	2,877.0	6,375.4	1,041.7	346.6	10,684.0

[1] Statistics are in line with ESA 2010.
[2] Includes loans.
[3] Includes deposits, securities, investment fund shares/units, financial derivatives and other assets with non-resident counterparties.
[4] Mainly includes financial derivatives with resident counterparties, non-financial assets including fixed assets, other assets and accruals.
[5] Comprising investment linked life-assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves.
[6] Includes loans, securities, financial derivatives and other accounts payable to non-resident counterparties.
[7] Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.

Table 1.16 Debt securities, by sector of resident issuers[1,2]

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes[3]
	General government	Financial corporations	Non-financial corporations	Total	General government	Financial corporations	Non-financial corporations	Total	
2010[2]	3,989.2	878.9	311.3	5,179.4	290.9	-429.7	14.5	-124.2	666.5
2011	4,312.1	1,616.5	314.3	6,242.9	322.9	736.6	-3.4	1,056.1	7.4
2012	4,505.8	995.8	296.8	5,798.4	193.7	-664.7	-14.0	-485.0	40.5
2013	4,859.0	1,252.2	258.6	6,369.8	353.2	257.2	-29.8	580.6	-9.1
2014	5,040.0	2,035.9	315.5	7,391.4	181.0	780.0	31.7	992.7	28.9
2015	5,247.6	2,953.6	375.9	8,577.1	193.1	902.7	36.3	1,132.1	53.6
2015									
Q1	5,276.0	2,141.3	342.0	7,759.2	236.0	100.6	-0.7	335.9	31.9
Q2	5,318.5	2,430.8	333.2	8,082.6	42.5	322.3	0.0	364.8	-41.5
Q3	5,342.6	2,950.5	332.6	8,625.6	9.6	493.0	0.0	502.5	40.5
Q4	5,247.6	2,953.6	375.9	8,577.1	-94.9	-13.2	37.0	-71.1	22.6
2016									
Q1	5,523.1	2,959.7	365.4	8,848.2	275.5	55.1	0.0	330.5	-59.4
Q2	5,548.7	2,983.6	395.6	8,928.0	25.6	62.6	0.0	88.2	-8.4

[1] Amounts are at nominal prices.

[2] As from June 2010 data has been revised in line with ESA 2010.

[3] Net valuation changes reflect exchange rate changes.

Sources: Central Bank of Malta; MSE.

Table 1.17 Quoted shares, by sector of resident issuers[1,3]

EUR millions

End of period	Outstanding amounts as at end of period			Net issues during period			Net valuation changes[2]
	Financial corporations	Non-financial corporations	Total	Financial corporations	Non-financial corporations	Total	
2010[3]	2,659.8	562.4	3,222.2	0.3	96.4	96.7	281.5
2011	2,182.4	462.5	2,644.8	15.2	0.0	15.2	-592.6
2012	2,483.2	508.1	2,991.3	232.3	15.3	247.6	98.9
2013	2,750.9	723.5	3,474.4	75.0	29.7	104.8	378.3
2014	2,614.8	855.8	3,470.6	218.4	0.0	218.4	-222.2
2015	3,433.7	1,371.2	4,804.9	221.8	0.0	221.8	1,112.5
2015							
Q1	2,856.2	1,026.2	3,882.4	0.0	0.0	0.0	411.8
Q2	3,265.6	1,177.9	4,443.5	259.8	0.0	259.8	301.3
Q3	3,209.7	1,321.5	4,531.2	0.0	0.0	0.0	87.7
Q4	3,433.7	1,371.2	4,804.9	-38.0	0.0	-38.0	311.6
2016							
Q1	3,311.2	1,522.3	4,833.5	0.0	0.0	0.0	28.7
Q2	3,328.8	1,444.8	4,773.6	6.7	0.0	6.7	-66.7

[1] Amounts are at market prices.

[2] Net valuation changes reflect market price and exchange rate changes.

[3] As from June 2010 data has been revised in line with ESA 2010.

Sources: Central Bank of Malta; MSE.

Table 1.18 Monetary financial institutions' interest rates on deposits and loans to residents of Malta[1]

% per annum	2010	2011	2012	2013	2014	2015	2016		
							Apr.	May	June
NEW BUSINESS									
Deposits	**2.10**	**2.55**	**2.11**	**1.95**	**1.31**	**1.13**	**0.96**	**0.96**	**0.92**
Households and NPISH									
Time deposits with agreed maturity	2.50	2.85	2.38	2.11	1.50	1.19	1.05	1.13	1.00
up to 1 year	2.03	1.99	1.91	1.84	1.17	0.77	0.69	0.75	0.62
over 1 and up to 2 years	3.00	3.41	3.49	2.70	2.12	1.55	1.39	1.34	1.33
over 2 years	3.86	3.65	3.80	3.11	2.29	2.12	1.89	2.01	1.87
Non-financial corporations									
Time deposits with agreed maturity	1.51	1.93	1.72	1.60	0.68	0.79	0.60	0.47	0.53
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.71**	**4.10**	**4.22**	**3.77**	**3.33**	**3.26**	**3.28**	**3.07**	**3.17**
Households and NPISH	4.20	3.82	4.00	3.54	3.39	3.43	3.14	3.16	3.30
Lending for house purchase	3.43	3.38	3.40	3.03	2.85	2.99	2.72	2.76	2.93
Consumer credit	5.81	5.04	5.66	5.32	5.35	4.96	5.09	4.93	4.86
Other lending	5.86	5.60	5.61	5.21	5.46	5.09	5.04	4.76	4.77
APRC[2] for loans to households and NPISH	3.94	3.78	3.82	3.52	3.82	3.82	3.25	3.27	3.37
Lending for house purchase	3.63	3.60	3.56	3.28	3.58	3.66	3.05	3.06	3.21
Consumer credit	5.89	5.12	5.64	5.34	5.44	5.08	5.39	5.26	5.16
Non-financial corporations									
Loans	4.86	4.28	4.26	3.89	3.34	2.96	3.23	2.89	2.95
OUTSTANDING AMOUNTS									
Deposits	**1.38**	**1.41**	**1.42**	**1.41**	**1.03**	**0.69**	**0.62**	**0.60**	**0.58**
Households and NPISH	1.50	1.54	1.56	1.57	1.19	0.81	0.73	0.72	0.69
Overnight deposits[3]	0.28	0.31	0.32	0.35	0.17	0.12	0.11	0.11	0.11
Savings deposits redeemable at notice [3,4]	1.59	1.51	1.54	1.93	1.31	1.18	0.67	0.66	0.67
up to 3 months	1.69	1.61	1.60	1.55	1.03	0.96	0.40	0.40	0.39
Time deposits with agreed maturity	2.30	2.38	2.47	2.52	2.22	1.73	1.60	1.57	1.56
up to 2 years	2.08	2.05	2.07	2.07	1.73	1.11	0.94	0.91	0.88
over 2 years	3.16	3.21	3.42	3.55	3.44	2.99	2.88	2.85	2.85
Non-financial corporations	0.81	0.84	0.79	0.72	0.43	0.24	0.19	0.18	0.17
Overnight deposits[3]	0.24	0.30	0.28	0.30	0.18	0.11	0.08	0.08	0.08
Time deposits with agreed maturity	2.09	2.09	2.11	2.04	1.59	1.05	1.00	0.99	0.94
up to 2 years	1.97	2.00	1.99	1.91	1.45	0.85	0.81	0.79	0.75
over 2 years	3.24	3.13	3.06	3.12	2.84	2.26	2.09	2.08	1.97
Loans	**4.38**	**4.44**	**4.32**	**4.24**	**4.02**	**3.81**	**3.76**	**3.76**	**3.75**
Households and NPISH	4.06	4.02	3.95	3.86	3.70	3.60	3.57	3.57	3.57
Lending for house purchase	3.46	3.43	3.40	3.34	3.22	3.17	3.16	3.16	3.17
Consumer credit and other lending[5]	5.58	5.66	5.59	5.55	5.47	5.39	5.36	5.37	5.36
Non-financial corporations [5]	4.67	4.85	4.73	4.70	4.41	4.10	4.03	4.03	4.02
Revolving loans and overdrafts									
Households and NPISH	5.75	6.12	5.84	5.78	5.72	5.74	5.76	5.76	5.74
Non-financial corporations	5.03	5.07	5.26	5.18	5.01	4.88	4.92	4.89	4.88

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits to/from households and non-financial corporations resident in Malta. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned. Weighted average rates as at end of period while headline indicators are composite rates.

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

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.19 Monetary financial institutions' interest rates on deposits and loans to euro area residents[1]

% per annum	2010	2011	2012	2013	2014	2015	2016		
							Apr.	May	June
NEW BUSINESS									
Deposits	**1.65**	**2.57**	**2.13**	**2.47**	**1.22**	**1.16**	**1.26**	**1.28**	**1.29**
Households and NPISH									
Time deposits with agreed maturity	2.44	2.83	2.38	2.10	1.52	1.20	1.31	1.35	1.31
up to 1 year	1.96	1.99	1.93	1.84	1.21	0.92	1.23	1.29	1.21
over 1 and up to 2 years	3.01	3.41	3.49	2.73	2.13	1.57	1.52	1.34	1.46
over 2 years	3.86	3.65	3.80	3.11	2.32	2.15	1.99	2.08	2.07
Non-financial corporations									
Time deposits with agreed maturity	1.11	2.17	1.80	2.67	0.68	0.91	0.67	1.07	0.67
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.45**	**4.09**	**4.15**	**3.51**	**3.52**	**3.19**	**3.55**	**2.89**	**3.00**
Households and NPISH	4.20	3.81	4.00	3.48	3.42	3.42	3.14	3.16	3.29
Lending for house purchase	3.42	3.38	3.40	3.05	2.82	2.99	2.71	2.75	2.92
Consumer credit	5.81	5.04	5.66	4.40	5.32	4.93	5.09	4.93	4.86
Other lending	5.86	5.60	5.61	5.13	5.46	5.09	5.03	4.76	4.77
APRC[2] for loans to households and NPISH	3.94	3.78	3.82	3.45	3.84	3.82	3.26	3.27	3.37
Lending for house purchase	3.63	3.60	3.56	3.30	3.58	3.66	3.05	3.06	3.21
Consumer credit	5.89	5.12	5.64	4.41	5.39	5.05	5.39	5.26	5.16
Non-financial corporations									
Loans	4.52	4.20	4.18	3.53	3.54	2.97	3.70	2.52	2.63
OUTSTANDING AMOUNTS									
Deposits	**1.37**	**1.41**	**1.43**	**1.39**	**1.03**	**0.70**	**0.65**	**0.63**	**0.62**
Households and NPISH	1.49	1.54	1.56	1.57	1.19	0.82	0.76	0.75	0.73
Overnight deposits[3]	0.28	0.30	0.32	0.35	0.17	0.12	0.12	0.11	0.11
Savings deposits redeemable at notice [3,4]	1.69	1.63	1.61	2.04	1.34	1.21	0.67	0.66	0.67
up to 3 months	1.69	1.63	1.61	1.55	1.03	0.96	0.40	0.40	0.39
Time deposits with agreed maturity	2.29	2.39	2.48	2.52	2.23	1.73	1.60	1.58	1.56
up to 2 years	2.08	2.05	2.09	2.08	1.73	1.11	1.00	0.98	0.95
over 2 years	3.16	3.22	3.44	3.56	3.46	3.01	2.90	2.87	2.85
Non-financial corporations	0.84	0.90	0.85	0.77	0.46	0.29	0.23	0.21	0.20
Overnight deposits[3]	0.25	0.30	0.29	0.30	0.18	0.10	0.09	0.07	0.07
Time deposits with agreed maturity	1.88	2.02	2.06	1.55	1.57	1.23	1.12	1.07	1.03
up to 2 years	1.71	1.93	1.96	1.45	1.44	1.10	0.97	0.92	0.89
over 2 years	3.33	2.99	2.95	2.81	2.55	2.13	1.98	1.96	1.87
Loans	**4.32**	**4.38**	**4.19**	**4.19**	**3.98**	**3.80**	**3.78**	**3.78**	**3.78**
Households and NPISH	4.06	4.02	3.95	3.86	3.72	3.74	3.71	3.72	3.73
Lending for house purchase	3.46	3.43	3.40	3.34	3.22	3.17	3.16	3.16	3.17
Consumer credit and other lending[5]	5.58	5.66	5.59	5.53	5.53	5.72	5.65	5.65	5.62
Non-financial corporations [5]	4.54	4.66	4.39	4.51	4.24	3.96	3.95	3.95	3.96
Revolving loans and overdrafts									
Households and NPISH	5.76	6.12	5.84	5.79	5.72	5.74	5.76	5.76	5.74
Non-financial corporations	5.02	5.07	5.25	5.16	4.96	4.81	4.85	4.83	4.79

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits vis-à-vis households and non-financial corporations with residents of Malta and other Monetary Union Member States. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned. Weighted average rates as at end of period while headline indicators are composite rates.

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

[3] Due to large number of inflows and outflows the concept of new business is extended to the whole stock, that is interest rates are compiled on outstanding amounts. Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible. Moreover, the composite rate consists of both 'up to 3 months' and 'over 3 months'.

[5] Includes bank overdrafts.

Table 1.20 Key European Central Bank interest rates, money market rates and other indicators

	2010	2011	2012	2013	2014	2015				2016	
						Mar.	June	Sep.	Dec.	Mar.	June
INTEREST RATES (%)[1]											
Key ECB interest rates[2]											
Marginal lending facility	1.75	1.75	1.50	0.75	0.30	0.30	0.30	0.30	0.30	0.25	0.25
Main refinancing operations - minimum bid rate	1.00	1.00	0.75	0.25	0.05	0.05	0.05	0.05	0.05	0.00	0.00
Deposit facility	0.25	0.25	0.00	0.00	-0.20	-0.20	-0.20	-0.20	-0.30	-0.40	-0.40
Money market rates (period averages)											
Overnight deposit (EONIA)	0.44	0.87	0.23	0.09	-0.01	-0.05	-0.10	-0.13	-0.16	-0.26	-0.34
Rates for fixed term deposits (EURIBOR)											
1 month	0.57	1.18	0.33	0.13	0.01	0.00	-0.05	-0.09	-0.15	-0.26	-0.35
3 months	0.81	1.39	0.57	0.22	0.08	0.05	-0.01	-0.03	-0.09	-0.19	-0.26
6 months	1.08	1.64	0.83	0.34	0.18	0.13	0.06	0.04	-0.01	-0.10	-0.15
1 year	1.35	2.01	1.11	0.54	0.33	0.26	0.17	0.16	0.09	0.01	-0.02
Government securities											
Treasury bills (primary market)											
1 month	-	1.20	-	-	0.06	-	-	-	-0.01	-	-
3 month	0.99	0.82	0.85	0.39	0.08	-	0.00	0.00	-0.10	-0.14	-0.28
6 month	1.10	1.33	1.15	0.44	0.12	0.01	0.00	0.00	-0.10	-0.10	-0.26
1 year	-	-	-	-	-	-	-	-	-0.12	-	-
Treasury bills (secondary market)											
1 month	0.77	0.85	0.94	0.40	0.03	-	0.01	0.00	0.00	-0.02	-0.03
3 month	0.94	0.97	1.00	0.40	0.03	0.00	0.00	0.00	0.00	-0.02	-0.03
6 month	1.23	0.99	1.05	0.54	0.05	0.02	0.00	0.01	0.00	-0.02	-0.03
1 year	1.28	1.26	1.26	0.70	0.23	0.03	0.09	0.02	0.00	-0.01	-0.02
Government long-term debt securities (period averages)											
2 year	1.88	2.41	1.90	1.00	0.39	0.25	0.23	0.15	0.04	0.03	0.02
5 year	3.05	3.48	3.01	2.13	0.97	0.77	0.78	0.80	0.48	0.37	0.37
10 year	4.19	4.49	4.13	3.36	2.08	1.50	1.48	1.65	1.32	1.15	0.99
15 year	n/a	n/a	n/a	4.35	2.83	2.26	1.95	2.25	1.98	n/a	1.76
20 year	n/a	n/a	n/a	n/a	n/a	2.80	0.67	n/a	n/a	n/a	n/a
MALTA STOCK EXCHANGE SHARE INDEX	3,781	3,095	3,212	3,686	3,331	3,776	4,091	4,334	4,431	4,563	4,561

[1] End of period rates unless otherwise indicated. As from *Quarterly Review 2013:1*, the publishing of the weighted average deposit and lending rates was discontinued. Interest rates paid and charged by MFIs in Malta reported according to harmonised definition established by the ECB are shown in Table 1.18 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Residents of Malta'.

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

Note: '-' denotes that no transactions occurred during the reference period.

'n/a' denotes that no bond qualifies for the benchmark.

Table 1.21 Non-consolidated financial accounts of the Maltese economy[1] *(financial assets)*

EUR millions

Holding sectors broken down by financial instruments	2011	2012	2013	2014	2015
Non-financial corporations	**15,971**	**17,219**	**17,262**	**19,117**	**20,508**
Currency	35	58	54	66	70
Deposits	2,234	2,461	2,818	3,322	3,866
Debt securities	74	84	72	123	107
Loans	4,565	4,905	5,137	5,783	6,192
Equity and Investment Fund Shares	4,809	5,279	4,933	5,218	5,585
Insurance, pension and standardised guarantees	48	49	56	62	77
Other accounts receivable	4,207	4,384	4,193	4,542	4,612
Financial corporations	**207,743**	**220,869**	**225,028**	**238,507**	**241,106**
Monetary gold and SDRs	118	120	113	106	116
Currency	82	99	105	120	169
Deposits	8,265	9,474	9,447	9,172	10,782
Debt securities	23,491	27,107	25,861	34,256	30,329
Loans	64,125	62,981	60,839	57,547	53,645
Equity and Investment Fund Shares	79,761	88,492	95,806	103,413	111,912
Insurance, pension and standardised guarantees	2	2	3	4	1
Other accounts receivable	31,898	32,595	32,854	33,889	34,151
General government	**2,266**	**2,615**	**2,804**	**2,809**	**2,921**
Currency	0	0	0	0	0
Deposits	670	431	409	486	464
Debt securities	12	33	51	80	80
Loans	140	261	297	309	259
Equity and Investment Fund Shares	870	1,125	1,197	1,086	1,166
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	574	766	850	848	953
Households and non-profit institutions	**17,013**	**18,597**	**19,519**	**22,181**	**23,767**
Currency	621	600	644	678	682
Deposits	7,702	8,072	8,638	9,451	10,356
Debt securities	2,444	2,778	2,866	3,248	3,273
Loans	857	914	971	1,160	1,219
Equity and Investment Fund Shares	3,531	4,257	4,279	5,228	5,591
Insurance, pension and standardised guarantees	1,628	1,770	1,910	2,171	2,394
Other accounts receivable	231	206	212	246	252
Total economy[2]	**242,993**	**259,301**	**264,613**	**282,613**	**288,302**
Monetary gold and SDRs	118	120	113	106	116
Currency	738	757	803	864	921
Deposits	18,871	20,438	21,311	22,430	25,469
Debt securities	26,021	30,002	28,850	37,708	33,788
Loans	69,687	69,061	67,243	64,800	61,315
Equity and Investment Fund Shares	88,970	99,152	106,216	114,945	124,253
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	36,910	37,950	38,109	39,524	39,968
Rest of the world	**191,954**	**202,489**	**206,720**	**218,882**	**219,177**
Currency	-	-	-	-	-
Deposits	29,520	30,253	30,105	34,499	27,943
Debt securities	935	919	847	1,161	1,391
Loans	4,372	4,016	3,428	2,701	2,520
Equity and Investment Fund Shares	112,949	120,058	121,059	124,729	129,056
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	44,177	47,243	51,281	55,791	58,266
Total[3]	**434,948**	**461,790**	**471,333**	**501,495**	**507,479**
Monetary gold and SDRs	118	120	113	106	116
Currency	738	757	803	864	921
Deposits	48,391	50,690	51,416	56,929	53,412
Debt securities	26,956	30,921	29,697	38,869	35,179
Loans	74,059	73,077	70,671	67,501	63,836
Equity and Investment Fund Shares	201,920	219,210	227,275	239,673	253,309
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	81,088	85,193	89,390	95,315	98,235

[1] Data as from 2011 are in line with ESA 2010. Data for 'Non-Financial Corporations', 'Financial Corporations' and the 'Rest of the World' sectors were revised accordingly.

[2] The total economy is defined in terms of resident units (ESA 2010).

[3] The aggregate of 'Total economy' and the 'Rest of the World' sector.

Table 1.21 Non-consolidated financial accounts of the Maltese economy[1] *(liabilities)*

EUR millions

Issuing sectors broken down by financial instruments	2011	2012	2013	2014	2015
Non-financial corporations	**21,676**	**22,928**	**23,478**	**25,187**	**26,434**
Currency	-	-	-	-	-
Deposits	-	-	-	-	-
Debt securities	480	604	560	732	715
Loans	10,558	10,635	10,898	11,546	12,161
Equity and Investment Fund Shares	6,175	7,020	7,135	7,684	7,998
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	4,462	4,668	4,885	5,225	5,561
Net Financial Assets/Liabilities	-5,705	-5,709	-6,215	-6,070	-5,926
Financial corporations	**210,075**	**223,325**	**227,347**	**240,888**	**244,046**
Currency	738	757	803	864	921
Deposits	41,985	43,319	43,652	49,398	45,118
Debt securities	1,323	1,370	1,182	1,392	1,801
Loans	4,355	4,202	3,514	3,025	2,501
Equity and Investment Fund Shares	117,529	126,420	127,089	130,386	135,578
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	42,467	45,436	49,136	53,584	55,652
Net Financial Assets/Liabilities	-2,332	-2,456	-2,319	-2,382	-2,941
General government	**5,863**	**6,146**	**6,546**	**7,284**	**7,587**
Currency	-	-	-	-	-
Deposits	46	50	55	60	69
Debt securities	4,648	4,920	5,343	5,969	6,345
Loans	465	351	382	400	383
Equity and Investment Fund Shares	13	11	11	11	10
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	691	813	755	843	780
Net Financial Assets/Liabilities	-3,597	-3,531	-3,742	-4,475	-4,666
Households and non-profit institutions	**4,850**	**5,192**	**5,497**	**5,886**	**6,199**
Currency	-	-	-	-	-
Deposits	-	-	-	-	-
Debt securities	-	-	-	-	-
Loans	4,095	4,321	4,511	4,852	5,138
Equity and Investment Fund Shares	-	-	-	-	-
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	756	871	986	1,034	1,061
Net Financial Assets/Liabilities	12,163	13,405	14,022	16,295	17,568
Total economy[2]	**242,465**	**257,592**	**262,867**	**279,244**	**284,266**
Currency	738	757	803	864	921
Deposits	42,031	43,369	43,708	49,459	45,187
Debt securities	6,451	6,895	7,085	8,093	8,861
Loans	19,474	19,510	19,305	19,822	20,182
Equity and Investment Fund Shares	123,718	133,451	134,235	138,081	143,585
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	48,375	51,788	55,761	60,687	63,054
Net Financial Assets/Liabilities	529	1,709	1,746	3,369	4,036
Rest of the world	**192,470**	**204,182**	**208,454**	**222,246**	**223,208**
Monetary gold and SDRs	108	106	100	101	111
Currency	0	0	0	0	0
Deposits	6,360	7,321	7,708	7,469	8,222
Debt securities	20,505	24,027	22,612	30,776	26,318
Loans	54,583	53,564	51,365	47,679	43,653
Equity and Investment Fund Shares	78,202	85,758	93,039	101,592	109,723
Insurance, pension and standardised guarantees	-	-	-	-	-
Other accounts receivable	32,713	33,405	33,629	34,628	35,181
Net Financial Assets/Liabilities	-516	-1,693	-1,733	-3,364	-4,031
Total[3]	**434,934**	**461,773**	**471,320**	**501,490**	**507,475**
Monetary gold and SDRs	108	106	100	101	111
Currency	738	757	803	864	921
Deposits	48,391	50,690	51,416	56,927	53,409
Debt securities	26,956	30,921	29,697	38,869	35,179
Loans	74,057	73,074	70,671	67,501	63,836
Equity and Investment Fund Shares	201,920	219,210	227,275	239,673	253,309
Insurance, pension and standardised guarantees	1,678	1,821	1,969	2,237	2,472
Other accounts receivable	81,088	85,193	89,390	95,315	98,235
Net Financial Assets/Liabilities	13	17	13	5	5

[1] Data as from 2011 are in line with ESA 2010. Data for 'Non-Financial Corporations', 'Financial Corporations' and the 'Rest of the World' sectors were revised accordingly.

[2] The total economy is defined in terms of resident units (ESA 2010).

[3] The aggregate of 'Total economy' and the 'Rest of the World' sector.

Government Finance

Table 2.1 General government revenue and expenditure[1]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	Current	Capital	Total	Current	Capital	Total		
2010	2,383.1	116.6	2,499.7	2,487.1	223.1	2,710.2	-210.5	-7.3
2011	2,527.3	116.4	2,643.8	2,587.4	233.3	2,820.6	-176.9	40.0
2012	2,659.3	147.4	2,806.7	2,758.5	304.4	3,062.8	-256.1	-41.0
2013	2,858.3	153.2	3,011.6	2,892.2	317.3	3,209.5	-197.9	21.2
2014	3,124.9	205.4	3,330.3	3,108.4	385.4	3,493.8	-163.4	67.4
2015	3,382.5	300.6	3,683.1	3,287.1	525.0	3,812.1	-129.0	98.7
2015								
Q1	722.3	42.2	764.4	786.2	147.7	933.9	-169.4	-113.9
Q2	821.6	57.0	878.6	819.5	100.8	920.2	-41.6	15.2
Q3	833.0	52.4	885.4	793.7	104.9	898.6	-13.3	44.0
Q4	1,005.6	149.1	1,154.7	887.8	171.6	1,059.4	95.3	153.4
2016								
Q1	833.3	16.5	849.8	826.6	76.9	903.4	-53.6	-0.8

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2010	807.8	856.2	456.5	154.3	86.8	21.5	2,383.1	14.7	101.9	116.6	2,499.7	2,135.2
2011	849.4	921.9	486.7	162.8	81.7	24.8	2,527.3	14.8	101.6	116.4	2,643.8	2,272.8
2012	934.9	938.1	504.3	156.7	92.1	33.2	2,659.3	16.1	131.3	147.4	2,806.7	2,393.5
2013	1,043.3	981.1	524.8	179.4	99.5	30.2	2,858.3	12.7	140.5	153.2	3,011.6	2,562.0
2014	1,155.4	1,097.8	560.3	179.4	93.0	39.0	3,124.9	11.8	193.6	205.4	3,330.3	2,825.3
2015	1,237.6	1,189.1	596.3	232.8	99.8	26.9	3,382.5	15.0	285.6	300.6	3,683.1	3,038.0
2015												
Q1	225.1	270.5	140.7	39.7	37.2	9.1	722.3	3.2	39.0	42.2	764.4	639.4
Q2	342.2	265.9	139.6	46.9	20.1	7.0	821.6	4.0	52.9	57.0	878.6	751.8
Q3	284.8	305.2	144.1	72.5	15.7	10.7	833.0	3.9	48.5	52.4	885.4	738.0
Q4	385.4	347.5	172.0	73.7	27.0	0.0	1,005.6	3.8	145.3	149.1	1,154.7	908.7
2016												
Q1	267.0	302.2	152.9	66.0	36.8	8.4	833.3	3.2	13.3	16.5	849.8	725.3

[1] Based on ESA 2010 methodology. Data are provisional.

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

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

Sources: Eurostat; NSO.

Table 2.3 General government expenditure by main components[1]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total[2]	
2010	855.1	842.4	203.2	403.1	52.8	130.5	2,487.1	146.6	76.5	223.1	2,710.2
2011	882.1	878.9	216.9	430.3	51.0	128.2	2,587.4	191.0	45.8	233.3	2,820.6
2012	922.4	924.9	215.1	483.2	76.9	136.0	2,758.5	227.2	67.0	304.4	3,062.8
2013	976.1	964.2	219.1	471.8	80.3	180.9	2,892.2	218.4	95.3	317.3	3,209.5
2014	1,048.6	1,004.1	230.8	524.8	105.0	195.0	3,108.4	297.1	91.9	385.4	3,493.8
2015	1,116.4	1,033.2	227.7	596.5	110.6	202.8	3,287.1	402.3	129.6	525.0	3,812.1
2015											
Q1	274.6	249.2	55.5	118.7	28.0	60.1	786.2	85.2	53.1	147.7	933.9
Q2	280.1	263.3	56.8	143.8	26.6	48.9	819.5	97.4	8.5	100.8	920.2
Q3	280.6	256.5	57.2	124.4	29.3	45.8	793.7	89.2	17.6	104.9	898.6
Q4	281.2	264.2	58.1	209.6	26.6	48.1	887.8	130.6	50.3	171.6	1,059.4
2016											
Q1	290.9	269.7	52.8	138.6	30.4	44.2	826.6	58.7	13.7	76.9	903.4

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

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

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2010	451.1	50.4	92.3	290.9	128.3	21.6	346.8	51.5	371.2	906.0	2,710.2
2011	492.5	56.0	94.5	302.0	87.5	23.6	370.4	58.3	391.4	944.3	2,820.6
2012	536.3	50.6	102.0	359.8	100.9	32.0	395.0	66.3	415.4	1,004.7	3,062.8
2013	534.1	49.1	106.7	391.4	104.5	25.9	433.9	68.1	441.7	1,054.2	3,209.5
2014	573.1	62.9	111.1	437.0	127.9	27.8	485.8	88.3	470.2	1,109.8	3,493.8
2015	625.3	68.6	121.2	476.9	139.6	30.3	530.0	96.4	513.0	1,210.9	3,812.1

[1] Based on Classification of Functions of Government (COFOG). Data are provisional.

Sources: Eurostat; NSO.

Table 2.5 General government financial balance sheet[1]

EUR millions

Period	Financial assets						Financial liabilties					Net financial worth
	Currency and deposits	Securities other than shares	Loans	Shares and other equity	Other accounts receivable	Total	Currency and deposits	Securities other than shares	Loans	Other accounts payable	Total	
2010	608.5	0.0	51.7	871.9	443.3	1,975.5	41.0	4,307.5	443.0	590.5	5,381.9	-3,406.4
2011	670.2	0.0	136.6	856.5	537.3	2,200.5	45.8	4,621.3	462.3	668.2	5,797.6	-3,597.1
2012	431.3	0.0	256.8	1,113.5	706.2	2,507.8	50.4	4,887.3	347.1	753.5	6,038.4	-3,530.6
2013	408.8	0.0	292.9	1,186.2	823.2	2,711.1	55.3	5,291.7	378.0	727.8	6,452.8	-3,741.7
2014	486.3	0.0	304.4	1,074.6	830.6	2,695.9	60.4	5,889.5	394.5	813.0	7,157.4	-4,461.6
2015												
Mar.	566.7	0.0	253.7	1,138.1	806.2	2,764.6	60.3	6,456.7	383.1	756.4	7,656.5	-4,891.9
June	618.5	0.0	254.6	1,121.7	882.9	2,877.7	62.9	6,209.7	371.7	911.5	7,555.7	-4,678.0
Sep.	680.5	0.0	255.2	1,143.8	821.6	2,901.1	65.4	6,315.3	372.4	916.7	7,669.8	-4,768.7
Dec.	463.8	0.0	254.2	1,155.4	921.4	2,794.8	68.5	6,265.5	378.1	748.3	7,460.5	-4,665.6
2016												
Mar.	711.2	0.0	242.3	1,181.6	1,014.0	3,149.1	68.4	6,666.2	323.0	912.7	7,970.3	-4,821.2

[1] Based on ESA 2010 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

Table 2.6 General government deficit-debt adjustment[1]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2010	301.4	-210.5	44.0	33.5	0.0	-0.9	15.4	-1.1	91.0
2011	346.1	-176.9	64.5	84.8	0.0	11.6	13.9	-5.6	169.3
2012	63.1	-256.1	-227.3	120.2	0.0	39.8	-202.8	77.0	-193.1
2013	372.7	-197.9	-19.2	36.2	0.0	26.4	2.5	128.9	174.8
2014	176.7	-163.4	74.6	11.4	0.0	15.1	-4.1	-83.7	13.2
2015	199.5	-129.0	-26.8	-52.1	0.0	-8.1	-4.2	161.7	70.5
2015									
Q1	224.5	-169.4	78.0	-52.7	0.0	-5.4	-1.2	36.4	55.1
Q2	16.2	-41.6	51.6	0.9	0.0	-3.2	-0.7	-74.1	-25.4
Q3	22.5	-13.3	62.0	0.6	0.0	3.1	2.5	-58.9	9.2
Q4	-63.8	95.3	-218.3	-1.0	0.0	-2.6	-4.8	258.2	31.6
2016									
Q1	226.3	-53.6	249.5	-12.0	0.0	-0.5	2.4	-66.8	172.6

[1] Based on ESA 2010 methodology. Data are provisional.
[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt[1]	Government guaranteed debt[2]
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2010	41.0	377.8	3,603.6	3,981.4	49.0	391.9	440.9	4,463.3	779.0
2011	45.8	257.1	4,046.3	4,303.5	55.7	404.4	460.1	4,809.4	870.1
2012	50.4	154.1	4,322.8	4,476.9	80.2	264.9	345.1	4,872.5	1,191.9
2013	55.3	248.1	4,565.6	4,813.7	22.4	353.8	376.2	5,245.2	1,198.7
2014	60.4	140.4	4,828.0	4,968.5	31.7	361.3	393.0	5,421.9	1,335.3
2015									
Mar.	60.3	208.1	4,996.3	5,204.4	33.9	347.8	381.6	5,646.4	1,245.8
June	62.9	230.6	4,998.4	5,229.0	30.7	340.0	370.7	5,662.6	1,211.7
Sep.	65.4	252.6	4,995.4	5,248.0	28.9	342.7	371.7	5,685.1	1,345.5
Dec.	68.5	222.1	4,953.9	5,176.0	32.1	344.8	376.8	5,621.3	1,404.2
2016									
Mar.	68.4	367.7	5,089.7	5,457.3	34.3	287.7	321.9	5,847.6	1,404.6

[1] In line with the Maastricht criterion, which defines general government debt as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. Data are provisional.
[2] Represents outstanding balances on general government guaranteed debt.
Sources: Eurostat; NSO.

Table 2.8 Treasury bills issued and outstanding[1]

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding[2] and held by		
		OMFIs[3]	Others[4]	Total	MFIs	Others[4]	Total
2010	1,341.6	1,091.7	153.2	1,245.2	319.9	57.9	377.8
2011	1,004.8	839.9	45.1	885.0	224.0	33.9	257.9
2012	949.0	818.2	22.0	845.2	124.0	30.1	154.1
2013	1,027.9	1,118.6	3.3	1,121.9	217.0	31.1	248.1
2014	1,017.8	904.9	5.6	910.2	118.5	21.9	140.4
2015	704.4	786.0	0.0	786.0	222.1	0.0	222.1
2015							
Jan.	32.0	100.1	0.0	100.1	192.6	15.9	208.5
Feb.	49.6	51.5	0.0	51.5	198.5	11.9	210.4
Mar.	16.3	14.0	0.0	14.0	197.0	11.1	208.1
Apr.	81.0	79.1	0.0	79.1	203.1	3.1	206.2
May	28.1	26.0	0.0	26.0	204.1	0.0	204.1
June	24.0	50.5	0.0	50.5	230.6	0.0	230.6
July	80.0	98.0	0.0	98.0	248.6	0.0	248.6
Aug.	45.5	40.0	0.0	40.0	243.1	0.0	243.1
Sep.	47.5	57.1	0.0	57.1	252.6	0.0	252.6
Oct.	109.1	43.0	0.0	43.0	186.6	0.0	186.6
Nov.	59.0	100.3	0.0	100.3	227.9	0.0	227.9
Dec.	132.3	126.5	0.0	126.5	222.1	0.0	222.1
2016							
Jan.	0.0	104.0	0.0	104.0	326.1	0.0	326.1
Feb.	50.0	63.6	0.0	63.6	339.7	0.0	339.7
Mar.	52.0	80.0	0.0	80.0	367.7	0.0	367.7
Apr.	113.0	75.0	0.0	75.0	329.7	0.0	329.7
May	63.6	72.0	0.0	72.0	338.0	0.0	338.0
June	104.6	79.8	0.0	79.8	313.3	0.0	313.3

[1] Amounts are at nominal prices.

[2] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).

[3] As from December 2008, issues in the primary market taken up by money market funds were reclassified from 'Others' to 'OMFIs'.

[4] Includes the Malta Government sinking fund.

Sources: Central Bank of Malta; The Treasury.

Table 2.9 Treasury bills issued and outstanding[1] *(end-June 2016)*

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)[2]	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding[5]
				OMFIs[3]	Others[4]	MFIs	Others[4]	
07/Apr/2016	07/Jul/2016	-0.150	-0.030	8.0	0.0	8.0	0.0	8.0
07/Jan/2016	07/Jul/2016	-0.098	-0.030	5.0	0.0	5.0	0.0	5.0
14/Apr/2016	14/Jul/2016	-0.170	-0.029	12.0	0.0	12.0	0.0	12.0
14/Jan/2016	14/Jul/2016	-0.120	-0.029	5.0	0.0	5.0	0.0	5.0
21/Apr/2016	21/Jul/2016	-0.179	-0.030	18.0	0.0	18.0	0.0	18.0
21/Jan/2016	21/Jul/2016	-0.120	-0.030	9.0	0.0	9.0	0.0	9.0
28/Apr/2016	28/Jul/2016	-0.183	-0.030	14.0	0.0	14.0	0.0	14.0
28/Jan/2016	28/Jul/2016	-0.120	-0.030	3.0	0.0	3.0	0.0	3.0
05/May/2016	04/Aug/2016	-0.191	-0.030	7.3	0.0	7.3	0.0	7.3
05/Nov/2015	04/Aug/2016	-0.009	-0.030	21.0	0.0	21.0	0.0	21.0
19/May/2016	18/Aug/2016	-0.207	-0.030	21.0	0.0	21.0	0.0	21.0
26/May/2016	25/Aug/2016	-0.215	-0.030	12.4	0.0	12.4	0.0	12.4
25/Feb/2016	25/Aug/2016	-0.050	-0.030	2.0	0.0	2.0	0.0	2.0
02/Jun/2016	01/Sep/2016	-0.235	-0.030	13.0	0.0	13.0	0.0	13.0
03/Mar/2016	01/Sep/2016	-0.090	-0.030	5.0	0.0	5.0	0.0	5.0
09/Jun/2016	07/Sep/2016	-0.240	-0.030	12.0	0.0	12.0	0.0	12.0
10/Mar/2016	07/Sep/2016	-0.096	-0.030	6.0	0.0	6.0	0.0	6.0
16/Jun/2016	15/Sep/2016	-0.267	-0.030	12.0	0.0	12.0	0.0	12.0
17/Dec/2015	15/Sep/2016	-0.110	-0.030	8.0	0.0	8.0	0.0	8.0
23/Jun/2016	22/Sep/2016	-0.275	-0.030	13.0	0.0	13.0	0.0	13.0
24/Mar/2016	22/Sep/2016	-0.960	-0.030	7.0	0.0	7.0	0.0	7.0
30/Jun/2016	29/Sep/2016	-0.280	-0.030	18.0	0.0	18.0	0.0	18.0
01/Apr/2016	29/Sep/2016	-0.095	-0.030	5.0	0.0	5.0	0.0	5.0
31/Dec/2015	29/Sep/2016	-0.100	-0.030	9.0	0.0	9.0	0.0	9.0
07/Apr/2016	06/Oct/2016	-0.110	-0.030	3.0	0.0	3.0	0.0	3.0
21/Apr/2016	20/Oct/2016	-0.150	-0.029	5.0	0.0	5.0	0.0	5.0
05/May/2016	03/Nov/2016	-0.171	-0.029	8.0	0.0	8.0	0.0	8.0
04/Feb/2016	03/Nov/2016	-0.096	-0.029	6.0	0.0	6.0	0.0	6.0
12/May/2016	10/Nov/2016	-0.180	-0.029	17.3	0.0	17.3	0.0	17.3
19/May/2016	17/Nov/2016	-0.190	-0.029	4.0	0.0	4.0	0.0	4.0
26/May/2016	24/Nov/2016	-0.210	-0.028	2.0	0.0	2.0	0.0	2.0
02/Jun/2016	01/Dec/2016	-0.235	-0.028	2.0	0.0	2.0	0.0	2.0
09/Jun/2016	07/Dec/2016	-0.240	-0.028	3.0	0.0	3.0	0.0	3.0
16/Jun/2016	15/Dec/2016	-0.251	-0.028	3.0	0.0	3.0	0.0	3.0
17/Mar/2016	15/Dec/2016	-0.060	-0.028	2.5	0.0	2.5	0.0	2.5
23/Jun/2016	22/Dec/2016	-0.255	-0.027	2.0	0.0	2.0	0.0	2.0
24/Dec/2015	22/Dec/2016	-0.121	-0.027	8.0	0.0	8.0	0.0	8.0
30/Jun/2016	29/Dec/2016	-0.260	-0.027	1.8	0.0	1.8	0.0	1.8
Total				313.3	0.0	313.3	0.0	313.3

[1] Amounts are at nominal prices.

[2] 'N/T' denotes non-tradable treasury bills.

[3] OMFIs include the money market funds.

[4] Includes the Malta Government sinking fund.

[5] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).

Sources: Central Bank of Malta; The Treasury.

Table 2.10 Malta government long-term debt securities outstanding[1] *(end-June 2016)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by		Amount
						MFIs[6]	Others	
4.80	2016 (II)[4]	03/04/06	100/101/104	N/A	26/05 - 26/11	101.4	84.9	186.4
7.00	2016 (III)[3]	28/06/1905	100	N/A	30/06 - 30/12	3.4	0.0	3.4
4.30	2016 (IV)[4]	2011	100.93	N/A	16/02 - 16/08	144.1	14.0	158.1
3.75	2017 (IV)[4]	2012	102	0.01	20/02 - 20/08	47.7	24.3	72.0
7.00	2017 (I)[3]	2007	100	0.01	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	0.01	30/06 - 30/12	0.0	10.3	10.3
4.25	2017 (III)[4]	11/12	100/100.75/104.97/ 103.75/104.01	0.02	06/05 - 06/11	183.2	80.6	263.9
3.85	2018 (V)[4]	2012	105.26	0.02	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	0.02	15/01 - 15/07	91.7	71.3	163.1
7.00	2018 (II)[3]	2008	100	0.04	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	0.04	30/06 - 30/12	0.0	6.5	6.5
3.20	2019 (V)[4]	2013	105.1205	0.07	31/01 - 31/07	93.8	27.7	121.5
6.60	2019 (I)	1999	100.00	0.08	01/03 - 01/09	57.3	45.2	102.5
3.00	2019 (III)[4]	2013	100	0.08	22/03 - 22/09	97.1	25.4	122.5
7.00	2019 (II)[3]	2009	100	0.10	30/06 - 30/12	3.0	10.7	13.7
5.20	2020 (I)[4]	2007	100	0.13	10/06 - 10/12	15.8	36.6	52.4
4.60	2020 (II)[4]	2009	100	0.12	25/04 - 25/10	77.6	80.7	158.3
3.35	2020 (IV)[4]	2013	105.0564	0.14	31/01 - 31/07	64.0	0.0	64.0
2.00	2020 (V)[4]	2014	103.62	0.15	26/03 - 26/09	110.6	27.9	138.5
7.00	2020 (III)[3]	2010	100.00	0.18	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	0.24	08/02 - 08/08	174.9	283.9	458.8
7.00	2021 (II)[3]	2011	100	0.30	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[3]	2011	100	0.30	30/06 - 30/12	0.0	2.9	2.9
1.50	2022 (IV)[3]	2016	105	0.39	11/01 - 11/07	0.0	3.0	3.0
1.50	2022 (IV)[4]	2016	106.4687	0.39	11/01 - 11/07	41.2	13.8	55.0
5.10	2022 (I)[4]	2004	100	0.40	16/02 - 16/08	19.7	51.3	71.0
4.30	2022 (II)[4]	2012	100.31	0.36	15/05 - 15/11	134.9	105.3	240.2
7.00	2022 (III)[3]	2012	100	0.47	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	0.57	06/01 - 06/07	18.5	60.3	78.8
7.00	2023 (II)[3]	2013	100	0.67	18/05 - 18/11	0.0	2.4	2.4
3.30	2024 (I)[4] R	2014	100.25	0.86	12/05 - 12/11	4.2	19.9	24.1
7.00	2024 (II)[3]	2014	100	0.88	18/02 - 18/08	0.0	1.1	1.1
7.00	2025 (I)[3]	2015	100	1.07	14/02 - 14/08	0.0	2.0	2.0
4.80	2028 (I)[4]	2012	101.04	1.33	11/03 - 11/09	33.1	73.9	107.0
4.50	2028 (II)[4]	2013	100	1.34	25/04 - 25/10	66.6	220.0	286.7
2.30	2029 (II)	2015	102.0835	1.41	24/01 - 24/07	44.9	98.7	143.5
5.10	2029 (I)[4]	2012	101.12/101	1.43	01/04 - 01/10	22.6	56.5	79.1
5.25	2030 (I)[4]	2010	100	1.50	23/06 - 23/12	134.9	305.2	440.2
5.20	2031 (I)[4] I	2011	102.88	1.61	16-03 - 16/09	49.0	152.4	201.3
4.65	2032 (I)[4] R	2013	103.03	1.69	22/01 - 22/07	33.4	107.1	140.5
4.45	2032 (II)[4]	2014	110.41	1.71	03/03 - 03/09	26.4	126.8	153.1
4.30	2033 (I)[4]	2014	104.55	1.79	01/02 - 01/08	28.9	121.8	150.7
4.10	2034 (I)[4] R	2014	109.12	1.91	18/04 - 18/10	66.5	133.6	200.1
2.50	2036 (I)	2016	105.4	2.11	17/05 - 17/11	9.3	212.5	221.7
3.00	2040 (I)[4] R	2015	109.25	2.33	11/06 - 11/12	25.4	136.9	162.3
F.R. 6-mth Euribor[7]	2017 (V)[4]	2012	100.2	0.765,[8] 19.18[9]	05/03 - 05/09	25.0	0.0	25.0
F.R. 6-mth Euribor[7]	2018 (IV)[4]	2012	99.33	0.965,[8] 21.51[9]	05/03 - 05/09	30.5	0.9	31.4
F.R. 6-mth Euribor[7]	2018 (VI)[4]	2013	100.09	0.767,[8] 21.92[9]	25/03 - 25/09	32.9	6.1	39.0
F.R. 6-mth Euribor[7]	2018 (VII)	2014	100.45	0.741,[8] 23.35[9]	12/06 - 12/12	29.3	0.0	29.3
F.R. 6-mth Euribor[7]	2019 (IV)[4]	2013	100.31	0.867,[8] 24.17[9]	25/03 - 25/09	37.8	3.0	40.8
F.R. 6-mth Euribor[7]	2019 (VI)	2015	100.58	0.206,[8] 26.80[9]	27/05 - 27/11	33.2	1.8	35.0
F.R. 6-mth Euribor[7]	2020 (VI)[4]	2014	101.4356	0.608,[8] 28.80[9]	29/04 - 29/10	47.9	0.0	47.9
Total						2,377.8	2,857.6	5,235.4

[1] Amounts are at nominal prices.

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

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

[4] Fungible issue, that is, the Accountant General reserves the right to issue, in future, additional amounts of the present stock. In the event of such future issues, these would be amalgamated with the existing stock.

[5] ISMA yields are based on secondary market prices. Securities not available for trading by the end of the reference period are denoted as not available (N/A).

[6] Comprising of Resident of Malta MFIs.

[7] Floating Rate (F.R.) MGS linked to the six-month Euribor plus a fixed spread until maturity (quoted margin). The interest rate will be reset semi-annually in accordance with the applicable six-month Euribor rate in effect two business days prior to relative coupon period each year. Interest for each period and accrued interest will be calculated on an Actual/360 day basis. The formula for Simple Margin calculation = Spread + [(100/Clean Price) x (100-Clean Price) / Maturity in Yrs)].

[8] Consists of the reset coupon expressed as a percentage per annum.

[9] Consists of the simple margin expressed in basis points.

Sources: Central Bank of Malta; MSE.

Table 2.11 Malta government long-term debt securities outstanding by remaining term to maturity[1]

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2010	128.4	1,810.9	767.9	608.7	295.5	3,611.5
2011	439.0	1,705.8	1,194.5	149.9	565.0	4,054.2
2012	370.3	1,650.1	1,424.8	78.8	827.7	4,351.6
2013	361.3	1,500.6	1,494.3	393.7	861.1	4,610.9
2014	349.2	1,581.5	1,162.4	472.8	1,333.7	4,899.6
2015						
Mar.	419.1	1,511.6	1,216.2	472.8	1,448.1	5,067.9
June	349.2	1,564.0	1,237.7	929.1	1,008.0	5,088.0
Sep.	349.2	1,872.3	929.4	931.1	1,008.0	5,090.0
Dec.	259.6	1,818.4	883.1	1,056.5	1,008.0	5,025.6
2016						
Mar.	347.9	1,660.2	886.1	1,056.5	1,204.7	5,155.4
June	347.9	1,660.2	941.1	1,056.5	1,229.7	5,235.4

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

Sources: Central Bank of Malta; MSE.

Table 2.12 General government external loans by currency[1] and remaining term to maturity[2]

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2010[3]	0.5	85.6	0.0	0.9	0.0	0.7	87.7
2011[3]	1.3	87.6	0.0	0.7	0.0	0.5	90.1
2012[3]	0.3	196.8	0.0	0.5	0.1	0.2	197.9
2013[3]	0.0	216.6	0.0	0.4	0.0	0.2	217.2
2014[3]	0.0	221.8	0.2	0.0	0.0	0.2	222.2
2015[3]							
Mar.	0.0	221.8	0.2	0.0	0.0	0.2	222.2
June	0.0	203.5	0.1	0.0	0.0	0.2	203.8
Sep.	0.0	203.5	0.1	0.0	0.0	0.1	203.7
Dec.	0.0	200.8	0.0	0.0	0.0	0.1	201.0
2016[3]							
Mar.	0.0	200.8	0.0	0.0	0.0	0.1	200.9
June	0.0	193.1	0.0	0.0	0.0	0.1	193.3

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

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

[3] Provisional.

Table 3.1a Euro exchange rates against the major currencies[1] *(end of period)*

Period	USD	GBP	JPY	CHF	AUD	CAD
2010	1.3362	0.8608	108.65	1.2504	1.3136	1.3322
2011	1.2939	0.8353	100.20	1.2156	1.2723	1.3215
2012	1.3194	0.8161	113.61	1.2072	1.2712	1.3137
2013	1.3791	0.8337	144.72	1.2276	1.5423	1.4671
2014	1.2141	0.7789	145.23	1.2024	1.4829	1.4063
2015						
Jan.	1.1305	0.7511	133.08	1.0468	1.4535	1.4323
Feb.	1.1240	0.7278	134.05	1.0636	1.4358	1.3995
Mar.	1.0759	0.7273	128.95	1.0463	1.4154	1.3738
Apr.	1.1215	0.7267	133.26	1.0486	1.4161	1.3480
May	1.0970	0.7190	135.95	1.0341	1.4338	1.3650
June	1.1189	0.7114	137.01	1.0413	1.4550	1.3839
July	1.0967	0.7041	136.34	1.0565	1.5140	1.4310
Aug.	1.1215	0.7275	136.07	1.0825	1.5753	1.4863
Sep.	1.1203	0.7385	134.69	1.0915	1.5939	1.5034
Oct.	1.1017	0.7182	132.88	1.0900	1.5544	1.4515
Nov.	1.0579	0.7048	130.22	1.0903	1.4671	1.4143
Dec.	1.0887	0.7340	131.07	1.0835	1.4897	1.5116
2016						
Jan.	1.0920	0.7641	132.25	1.1144	1.5388	1.5363
Feb.	1.0888	0.7858	123.14	1.0914	1.5260	1.4767
Mar.	1.1385	0.7916	127.90	1.0931	1.4807	1.4738
Apr.	1.1403	0.7803	122.34	1.0984	1.4948	1.4286
May	1.1154	0.7619	123.83	1.1044	1.5366	1.4530
June	1.1102	0.8265	114.05	1.0867	1.4929	1.4384
July	1.1113	0.8440	114.83	1.0823	1.4782	1.4643

[1] Denote units of currency per one euro.

Source: ECB.

Table 3.1b Euro exchange rates against the major currencies *(averages for the period)*[1]

Period	USD	GBP	JPY	CHF	AUD	CAD
2010	1.3257	0.8578	116.24	1.3803	1.4423	1.3651
2011	1.3920	0.8679	110.96	1.2326	1.3484	1.3761
2012	1.2848	0.8109	102.49	1.2053	1.2407	1.2842
2013	1.3281	0.8493	129.66	1.2311	1.3777	1.3684
2014	1.3285	0.8061	140.31	1.2146	1.4719	1.4661
2015	1.1095	0.7258	134.31	1.0679	1.4777	1.4186
2015						
Jan.	1.1621	0.7668	137.47	1.0940	1.4390	1.4039
Feb.	1.1350	0.7405	134.69	1.0618	1.4568	1.4199
Mar.	1.0838	0.7236	130.41	1.0608	1.4008	1.3661
Apr.	1.0779	0.7212	128.94	1.0379	1.3939	1.3313
May	1.1150	0.7212	134.75	1.0391	1.4123	1.3568
June	1.1213	0.7208	138.74	1.0455	1.4530	1.3854
July	1.0996	0.7069	135.68	1.0492	1.4844	1.4124
Aug.	1.1139	0.7142	137.12	1.0777	1.5269	1.4637
Sep.	1.1221	0.7313	134.85	1.0913	1.5900	1.4882
Oct.	1.1235	0.7329	134.84	1.0882	1.5586	1.4685
Nov.	1.0736	0.7066	131.60	1.0833	1.5011	1.4248
Dec.	1.0877	0.7260	132.36	1.0827	1.5009	1.4904
2016						
Jan.	1.0860	0.7546	128.32	1.0941	1.5510	1.5447
Feb.	1.1093	0.7756	127.35	1.1018	1.5556	1.5317
Mar.	1.1100	0.7802	125.39	1.0920	1.4823	1.4697
Apr.	1.1339	0.7923	124.29	1.0930	1.4802	1.4559
May	1.1311	0.7778	123.21	1.1059	1.5461	1.4626
June	1.1229	0.7905	118.45	1.0894	1.5173	1.4477
July	1.1069	0.8411	115.25	1.0867	1.4694	1.4428

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

Source: ECB.

Table 3.2 Balance of payments – current, capital and financial accounts *(transactions)*

EUR millions

Period	Current account									Capital account	
	Goods		Services		Primary Account		Secondary Income		Total		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		Credit	Debit
2010[1]	2,526.5	3,777.7	7,588.5	6,376.6	6,710.2	7,055.0	1,269.5	1,192.7	-307.4	150.0	21.0
2011[1]	2,844.9	4,052.7	8,144.8	6,743.4	10,038.4	10,331.1	878.7	792.1	-12.4	98.8	17.3
2012[1]	3,203.9	4,303.5	8,662.1	7,210.2	10,057.4	10,418.3	925.3	815.5	101.3	140.4	5.8
2013[1]	2,874.3	3,979.2	9,070.6	7,433.2	10,055.7	10,510.6	908.5	769.2	217.0	133.2	1.7
2014[1]	2,618.3	3,735.6	9,383.3	7,612.8	10,260.3	10,533.0	950.4	754.5	576.5	142.3	2.3
2015[1]	2,695.4	4,447.9	9,719.6	7,685.5	10,483.6	10,748.5	966.1	751.6	231.3	158.9	2.3
2015[1]											
Q1	627.2	926.1	2,229.6	1,835.5	2,709.0	2,748.4	240.4	188.3	108.0	124.4	0.6
Q2	711.9	1,216.6	2,445.4	1,928.7	2,626.0	2,680.4	240.7	188.9	9.3	23.5	0.6
Q3	685.7	1,270.2	2,690.1	2,010.1	2,576.8	2,649.0	244.3	187.2	80.3	2.5	0.6
Q4	670.6	1,035.0	2,354.6	1,911.3	2,571.9	2,670.6	240.7	187.1	33.8	8.5	0.6
2016[1]											
Q1	559.9	933.7	2,336.3	1,923.9	2,571.2	2,625.0	292.1	237.0	39.9	7.9	0.5

EUR millions

Period	Financial account										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2010[1]	2,511.2	7,016.5	4,656.0	-211.6	0.0	262.6	-533.5	-353.3	23.6	-56.9	121.5
2011[1]	-3,150.9	5,608.2	11,751.4	127.4	0.0	246.7	1,727.6	4,151.4	-52.9	141.6	72.4
2012[1]	-6,431.1	2,589.5	9,029.3	-396.5	0.0	438.5	2,295.7	1,398.3	121.4	985.5	749.6
2013[1]	-6,603.1	462.6	8,447.9	-669.0	0.0	104.4	1,664.1	3,708.9	-38.8	-136.8	-485.4
2014[1]	-6,757.8	62.5	13,423.8	-88.7	0.0	570.2	-1,813.7	3,114.9	12.0	1,205.3	488.9
2015[1]	-6,501.0	2,860.9	4,250.6	-1,134.3	0.0	967.4	-1,872.1	-6,869.8	-73.5	-20.1	-408.0
2015[1]											
Q1	-1,614.4	888.7	469.7	-787.7	0.0	737.4	2,665.7	456.1	-63.9	162.5	-69.3
Q2	-1,542.7	-49.1	478.6	50.1	166.3	0.0	-2,869.3	-4,022.3	-0.9	253.4	221.1
Q3	-1,580.9	903.9	712.6	-440.5	0.0	467.8	-1,581.4	-2,955.5	9.4	-416.1	-498.2
Q4	-1,762.9	1,117.3	2,589.8	43.9	71.5	0.0	-87.2	-348.1	-18.0	-19.9	-61.6
2016[1]											
Q1	-1,429.4	805.2	1,095.6	-127.8	0.0	239.7	-2,160.6	-3,364.8	64.6	17.9	-29.4

[1] Provisional.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

Source: NSO.

Table 3.3 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets[2]	
2010	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
2012[3]	12.0	106.1	55.8	81.7	271.2	6.9	533.8
2013[3]	11.1	100.1	57.7	32.2	230.0	4.3	435.4
2014[3]	3.1	100.8	53.7	35.8	330.1	-13.5	510.0
2015[3]	3.0	111.4	39.1	22.5	356.1	-6.9	525.2
2016[3]							
Jan.	3.2	110.6	38.8	22.6	353.1	-1.8	526.6
Feb.	3.5	111.0	60.0	22.4	407.2	0.0	604.1
Mar.	3.4	108.3	58.3	20.0	382.1	16.9	589.0
Apr.	3.5	108.8	58.0	19.1	388.4	13.9	591.8
May	3.4	110.1	58.7	10.1	435.8	-1.9	616.3
June	3.7	110.1	58.7	13.0	481.2	-7.2	659.4
July	3.7	109.7	55.3	14.1	503.2	-4.9	681.2

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

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

[3] Provisional.

Table 3.4 International investment position (IIP) - *(end of period amounts)*

EUR millions

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2010[1]	70,927.6	122,697.2	58,779.8	5,072.3	2,009.8	542.4	41,468.0	44,477.9	404.9	800.2
2011[1]	77,771.2	138,426.6	69,124.6	4,874.9	1,913.7	607.8	43,247.0	47,998.1	395.9	545.0
2012[1]	76,767.2	147,015.3	79,284.2	5,423.3	1,996.1	587.1	45,557.4	49,613.1	533.8	1,499.9
2013[1]	75,591.3	151,356.2	84,681.9	4,471.7	1,777.2	468.1	45,943.7	50,611.8	435.4	1,521.8
2014[1]	74,289.0	156,643.5	100,508.1	4,743.6	2,195.7	557.9	44,659.2	56,667.7	510.0	3,549.4
2015[1]										
Mar.	74,146.6	158,788.7	102,274.8	4,300.7	1,602.8	709.0	48,733.5	59,251.6	524.8	4,232.5
June	73,972.3	159,723.2	101,471.9	4,286.7	1,676.9	601.3	45,463.2	53,848.5	546.7	4,671.2
Sep.	73,857.0	161,651.4	100,815.6	3,831.6	1,408.0	652.1	43,618.7	49,797.0	538.2	4,305.4
Dec.	73,528.5	164,328.5	103,940.2	3,945.3	1,512.7	560.7	43,728.1	49,913.2	525.2	4,487.1

[1] Provisional.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

Source: NSO.

Table 3.5a Gross external debt by sector, maturity and instrument[1]

EUR millions

	2012[2]	2013[2]	2014[2]	2015[2]	2016[2] Mar.
General Government	592.8	652.6	588.1	585.8	628.3
Short-term	276.8	265.3	163.2	170.4	188.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	276.8	265.3	163.2	170.4	188.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	316.0	387.3	424.9	415.4	439.9
Special drawing rights (allocations)[3]	-	-	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	116.9	162.9	202.1	213.8	238.4
Loans	197.9	223.5	222.2	201.0	200.9
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.1	0.9	0.6	0.6	0.6
Central Bank of Malta	326.0	814.6	2,207.5	1,044.1	687.0
Short-term	326.0	814.6	2,093.7	922.6	568.9
Currency and deposits	326.0	814.6	2,093.7	922.6	568.9
Debt securities	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	113.8	121.4	118.1
Special drawing rights (allocations)[3]	-	-	113.8	121.4	118.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Deposit-taking corporations, except the Central Bank of Malta[4]	30,059.4	29,595.0	32,829.9	27,091.5	26,312.5
Short-term	24,315.0	24,747.2	26,371.9	20,057.3	19,315.1
Currency and deposits	17,499.2	17,422.4	17,947.8	18,197.7	18,107.5
Debt securities	0.0	0.0	0.0	0.0	0.0
Loans	6,687.6	7,027.2	7,899.3	1,688.5	959.2
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	128.2	297.6	524.9	171.1	248.5
Long-term	5,744.4	4,847.8	6,457.9	7,034.2	6,997.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	4.5	6.8	13.0	21.1	20.7
Loans	5,739.8	4,841.0	6,444.9	7,013.1	6,976.6
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Other Sectors[5]	18,973.5	19,932.8	21,787.9	22,168.6	19,032.5
Short-term	9,970.9	10,847.8	12,587.4	12,500.9	9,175.1
Currency and deposits	202.3	255.8	302.3	350.7	363.0
Debt securities	0.0	0.0	0.0	0.0	0.0
Loans	1,059.8	685.2	558.3	450.8	421.2
Trade credit and advances	2,586.5	3,170.2	3,644.1	4,045.2	4,177.0
Other debt liabilities	6,122.3	6,736.5	8,082.7	7,654.2	4,213.9
Long-term	9,002.7	9,085.0	9,200.5	9,667.7	9,857.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	217.1	214.2	300.6	435.7	470.1
Loans	2,063.2	1,664.7	1,212.9	1,061.4	1,095.7
Trade credit and advances	6,722.4	7,206.0	7,687.0	8,170.5	8,291.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany Lending	32,019.1	34,344.2	36,206.9	38,538.8	38,846.3
Debt liabilities of direct investment enterprises to direct investors	23,050.9	25,328.4	27,155.2	29,559.9	29,895.0
Debt liabilities of direct investors to direct investment enterprises	8,968.3	9,015.8	9,051.7	8,978.9	8,951.3
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0
Gross External Debt Position	**81,970.8**	**85,339.1**	**93,620.2**	**89,428.7**	**85,506.5**
of which: Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**77,329.3**	**79,636.3**	**86,633.6**	**82,810.6**	**79,272.1**
Gross External Debt excluding debt liabilities of Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**4,641.5**	**5,702.8**	**6,986.6**	**6,618.1**	**6,234.4**

[1] The gross external debt shows only a fraction of the overall International Investment Position of Malta with countries abroad. Gross external debt data do not comprise Malta's claims vis-à-vis foreign countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found on the website and the *Quarterly Review* of the Central Bank of Malta.

[2] Provisional.

[3] Data on SDRs are available from 2014.

[4] The debt of the OMFIs is fully backed by foreign assets.

[5] Comprising financial institutions, insurance companies, non-financial corporations and NPISH.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

Figures may not add up due to rounding.

Table 3.5b Net external debt by sector, maturity and instrument[1]

EUR millions

	2012[2]	2013[2]	2014[2]	2015[2]	2016[2] Mar.
General Government	246.4	259.3	142.9	125.1	160.4
Short-term	153.7	154.1	20.1	-2.7	7.9
Currency and deposits	-0.2	-0.2	-0.2	-0.3	-0.3
Debt securities	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	153.8	154.3	20.3	-2.4	8.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Long-term	92.8	105.1	122.8	127.8	152.6
Special drawing rights (allocations)[3]	-	-	-	-	-
Currency and Deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	116.9	162.9	202.1	213.8	238.4
Loans	11.3	0.3	-10.3	-20.9	-21.0
Trade credit and advances	-11.0	-9.7	-8.5	-7.3	-7.0
Other debt liabilities	-24.5	-48.4	-60.5	-57.9	-57.9
Central Bank of Malta	-2,274.5	-1,858.7	-983.6	-2,193.1	-2,507.6
Short-term	100.7	522.1	1,951.3	797.0	450.2
Currency and deposits	100.7	522.1	1,952.0	797.0	450.2
Debt securities	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	-0.7	0.0	0.0
Long-term	-2,375.2	-2,380.8	-2,934.8	-2,990.0	-2,957.9
Special drawing rights (allocations)[3]	-	-	13.0	10.0	9.8
Currency and Deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	-2,359.5	-2,365.2	-2,931.8	-2,984.2	-2,951.8
Loans	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	-15.8	-15.6	-16.0	-15.9	-15.9
Deposit-taking corporations, except the Central Bank of Malta[2]	-9,451.3	-6,775.4	-6,841.1	-4,823.0	-4,745.8
Short-term	14,210.7	13,037.1	16,703.8	13,790.8	12,949.1
Currency and deposits	7,618.7	5,214.3	7,487.9	10,984.8	10,628.3
Debt securities	-0.1	-20.2	-79.1	-94.1	-57.9
Loans	6,555.8	7,632.8	8,846.7	2,867.1	2,271.8
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	36.3	210.1	448.4	33.0	106.9
Long-term	-23,661.9	-19,812.5	-23,544.9	-18,613.8	-17,694.9
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	-16,079.8	-15,497.2	-21,633.0	-17,178.7	-16,338.9
Loans	-7,582.1	-4,315.3	-1,911.9	-1,435.1	-1,356.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0
Other Sectors[4]	-6,287.5	-7,495.4	-8,382.3	-10,785.6	-11,407.9
Short-term	947.3	1,472.7	2,927.6	1,877.0	-1,779.3
Currency and deposits	-6,887.7	-7,154.7	-7,018.9	-7,738.8	-7,923.7
Debt securities	-126.4	-147.0	-124.2	-235.6	-208.0
Loans	997.1	622.0	488.9	379.7	347.4
Trade credit and advances	1,157.9	1,764.0	2,184.8	2,484.5	2,501.4
Other debt liabilities	5,806.5	6,388.5	7,397.0	6,987.2	3,503.7
Long-term	-7,234.8	-8,968.1	-11,310.0	-12,662.5	-9,628.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0
Debt securities	-3,236.2	-2,579.9	-3,497.3	-3,855.6	-3,726.9
Loans	-1,933.7	-3,243.1	-3,427.1	-3,500.4	-276.8
Trade credit and advances	5,195.3	5,457.8	5,560.0	5,981.6	5,998.9
Other debt liabilities	-7,260.3	-8,602.9	-9,945.5	-11,288.1	-11,623.8
Direct Investment: Intercompany Lending	-16,557.5	-12,354.4	-8,813.1	-4,806.3	-4,259.8
Debt liabilities of direct investment enterprises to direct investors	-12,969.6	-12,865.2	-13,347.5	-10,818.0	-10,452.9
Debt liabilities of direct investors to direct investment enterprises	-3,587.9	510.8	4,534.4	6,011.7	6,193.1
Debt liabilities between fellow enterprises	0.0	0.0	0.0	0.0	0.0
Net External Debt	**-34,324.4**	**-28,224.6**	**-24,877.3**	**-22,482.8**	**-22,760.7**
of which: Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**-32,974.0**	**-27,772.7**	**-24,922.0**	**-21,922.4**	**-21,816.6**
Net External Debt excluding debt liabilities of Financial Institutions and Deposit-taking corporations, except the Central Bank of Malta	**-1,350.4**	**-451.9**	**44.7**	**-560.5**	**-944.1**

[1] A negative figure denotes a net asset position.

[2] Provisional.

[3] Data on SDRs are available from 2014.

[4] Comprising the non-monetary financial institutions, insurance companies, non-financial corporations and NPISH.

Figures shown are based on the guidelines recommended by the IMF in its Balance of Payments Manual (BPM6) and are inclusive of Special Purpose Entities.

Figures may not add up due to rounding.

Table 3.6 Malta's foreign trade[1]

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2010[2]	2,809.3	4,335.4	(1,526.1)
2011[2]	3,819.0	5,341.6	(1,522.5)
2012[2]	4,438.8	6,189.4	(1,750.6)
2013[2]	3,925.5	5,639.4	(1,713.9)
2014[2]	3,737.9	6,400.3	(2,662.4)
2015[2]	3,527.4	6,100.6	(2,573.2)
2015[2]			
Jan.	304.2	416.5	(112.3)
Feb.	243.0	625.5	(382.5)
Mar.	300.5	544.5	(244.0)
Apr.	356.0	464.8	(108.8)
May	248.9	673.7	(424.8)
June	320.1	599.8	(279.6)
July	356.0	595.8	(239.9)
Aug.	269.0	455.2	(186.2)
Sep.	302.8	471.6	(168.8)
Oct.	354.2	418.3	(64.1)
Nov.	242.0	434.3	(192.3)
Dec.	230.8	400.7	(169.9)
2016[2]			
Jan.	195.5	355.8	(160.2)
Feb.	201.5	786.4	(585.0)
Mar.	379.1	568.7	(189.7)
Apr.	280.8	534.8	(254.0)
May	319.2	577.6	(258.5)
June	314.3	555.9	(241.6)

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.

[2] Provisional.

Source: NSO.

Table 3.7 Direction of trade – exports[1]

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
2010[2]	238.6	281.6	157.6	229.0	906.8	131.4	111.0	1,149.1	686.5	196.1	777.6	2,809.3
2011[2]	244.9	326.2	171.2	291.3	1,033.6	150.4	117.8	1,301.9	1,092.1	169.0	1,256.0	3,819.0
2012[2]	296.9	358.5	174.2	212.6	1,042.2	124.6	129.2	1,296.0	1,020.4	198.0	1,924.4	4,438.8
2013[2]	253.0	348.6	154.1	197.8	953.6	107.8	184.7	1,246.1	1,059.6	170.0	1,449.8	3,925.5
2014[2]	204.1	309.2	160.5	160.9	834.7	99.3	171.1	1,105.1	767.4	164.1	1,701.4	3,737.9
2015[2]	239.6	334.1	137.1	112.6	823.4	126.4	128.7	1,078.5	715.8	135.6	1,597.4	3,527.4
2016[2]												
Jan.	22.8	35.9	7.8	8.7	75.2	10.0	9.7	94.9	42.2	7.9	50.5	195.5
Feb.	13.1	38.6	15.3	8.4	75.3	8.7	8.9	92.9	43.4	8.7	56.6	201.5
Mar.	14.3	34.0	7.5	7.4	63.3	7.4	7.7	78.4	54.2	169.9	76.5	379.1
Apr.	16.4	27.5	8.5	8.6	61.0	8.1	12.1	81.2	33.9	8.6	157.1	280.8
May	11.8	24.9	12.5	8.7	57.8	13.1	10.3	81.2	33.7	85.3	119.0	319.2
June	24.0	28.4	9.3	9.2	70.9	7.0	11.7	89.5	36.9	110.2	77.7	314.3

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.
[2] Provisional.
Source: NSO.

Table 3.8 Direction of trade – imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total				
	France	Germany	Italy	Other euro area	Total				Asia	USA	Others	
2010[2]	338.5	296.7	1,068.8	495.5	2,199.5	360.4	161.8	2,721.8	611.7	92.8	909.2	4,335.4
2011[2]	376.1	317.8	1,447.8	525.5	2,667.2	362.7	329.7	3,359.6	641.9	225.3	1,114.7	5,341.6
2012[2]	369.1	320.1	1,988.8	659.4	3,337.3	372.8	242.0	3,952.1	769.9	134.1	1,333.3	6,189.4
2013[2]	285.6	321.4	1,410.3	621.9	2,639.2	309.4	296.2	3,244.8	827.6	187.9	1,379.1	5,639.4
2014[2]	224.9	324.3	1,177.7	789.5	2,516.4	390.5	319.9	3,226.9	733.6	610.2	1,829.6	6,400.3
2015[2]	234.1	379.1	1,292.8	963.1	2,869.1	417.3	332.8	3,619.2	783.0	294.3	1,404.0	6,100.6
2016[2]												
Jan.	14.7	33.5	75.0	35.4	158.6	24.9	17.6	201.0	41.2	7.2	106.4	355.8
Feb.	25.0	46.0	77.9	46.9	195.9	27.0	9.8	232.7	81.5	13.2	459.1	786.4
Mar.	50.9	35.0	89.2	36.2	211.2	24.5	12.0	247.7	73.1	18.7	229.1	568.7
Apr.	15.9	23.3	73.0	43.1	155.2	23.9	19.1	198.3	96.3	81.6	158.7	534.8
May	25.4	27.4	99.9	62.6	215.3	27.3	20.4	263.0	55.8	31.5	227.3	577.6
June	25.3	20.0	98.6	90.9	234.9	27.3	23.7	285.9	51.2	24.5	194.4	555.9

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.
[2] Provisional.
Source: NSO.

Table 4.1a Gross domestic product, gross national income and expenditure components (in line with ESA 2010) *(at current market prices)*[1]

EUR millions

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net		
2010	3,814.9	1,286.4	1,411.6	146.6	6,659.6	10,114.1	10,174.2	-60.1	6,599.5	6,321.3
2011	4,023.9	1,344.2	1,266.5	52.2	6,686.9	10,988.9	10,800.8	188.1	6,874.9	6,650.4
2012	4,111.2	1,448.2	1,315.0	-34.5	6,839.9	11,880.8	11,511.9	368.9	7,208.7	6,910.4
2013	4,254.4	1,479.1	1,315.1	88.9	7,137.4	11,902.5	11,368.6	533.9	7,671.3	7,305.6
2014	4,360.0	1,603.4	1,470.1	22.6	7,456.1	11,922.4	11,285.5	636.8	8,092.9	7,907.5
2015	4,654.5	1,693.8	2,230.2	-44.2	8,534.3	12,354.6	12,100.5	254.1	8,788.4	8,673.8
2015										
Q1	1,090.8	399.6	422.1	26.4	1,938.8	2,847.4	2,758.9	88.5	2,027.4	2,005.9
Q2	1,136.3	432.6	623.8	-21.4	2,171.3	3,139.9	3,136.3	3.6	2,174.9	2,154.4
Q3	1,213.2	392.0	637.6	-16.5	2,226.4	3,349.3	3,261.7	87.6	2,314.0	2,254.3
Q4	1,214.2	469.6	546.6	-32.6	2,197.7	3,018.0	2,943.6	74.4	2,272.1	2,259.1
2016										
Q1	1,168.8	428.1	526.9	40.1	2,148.1	2,904.5	2,889.1	15.4	2,185.6	2,145.7
Q2	1,172.1	452.3	631.4	5.2	2,261.1	3,178.8	3,162.4	16.5	2,277.6	2,225.3

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Sources: NSO; Eurostat.

Table 4.1b Gross domestic product and expenditure components – chain-linked volumes 2010 prices (in line with ESA 2010)[1]

EUR millions

Period	Domestic demand				External balance		Gross Domestic Product[4]
	Private consumption[2]	General government consumption	Gross fixed capital formation	Total[3]	Exports of goods and services	Imports of goods and services	
2010	3,814.9	1,286.4	1,411.6	6,513.0	10,114.1	10,174.2	6,599.5
2011	3,938.1	1,335.7	1,214.7	6,488.5	10,327.8	10,152.3	6,719.8
2012	3,925.9	1,421.0	1,207.5	6,554.3	11,070.1	10,690.7	6,911.4
2013	4,016.4	1,423.0	1,190.1	6,629.5	11,081.5	10,591.5	7,220.5
2014	4,110.4	1,522.7	1,293.3	6,926.3	11,055.0	10,550.3	7,470.4
2015	4,338.2	1,592.9	1,850.2	7,781.3	11,281.7	11,138.1	7,930.2
2015							
Q1	1,020.8	373.5	358.0	1,752.4	2,653.7	2,662.1	1,778.4
Q2	1,055.9	409.3	519.0	1,984.2	2,739.4	2,801.9	1,915.0
Q3	1,134.0	366.3	523.7	2,024.0	3,089.1	2,946.2	2,166.2
Q4	1,127.4	443.8	449.6	2,020.8	2,799.5	2,727.9	2,070.6
2016							
Q1	1,079.8	397.2	426.8	1,900.2	2,676.0	2,757.0	1,873.3
Q2	1,077.4	422.5	508.3	2,008.2	2,743.7	2,801.1	1,971.6

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Not inclusive of changes in inventories due to the issue highlighted in footnote 4 regarding chain-linked components.
[4] Chain-linking components of GDP may not add up to the aggregate series mainly because chain-linked volumes are calculated by separately extrapolating both totals and their sub-components. Moreover, results could prove to be erratic when chain-linking for variables with a potentially changing sign. Thus, variables that are regularly susceptible to this phenomenon are not compiled by the NSO.
Sources: NSO; Eurostat.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2010	86.5	126.2	221.0	211.1	644.9	415.2	103.5	1,163.6	176.7	1,340.3
2011	103.7	134.4	201.6	213.1	652.8	438.7	116.7	1,208.2	206.8	1,415.0
2012	107.9	137.5	202.2	206.9	654.6	441.3	130.8	1,226.7	216.8	1,443.4
2013[2]	116.5	147.1	233.8	212.2	709.6	454.7	152.5	1,316.8	265.4	1,582.2
2014[2]	125.5	143.1	262.6	221.5	752.7	487.7	176.8	1,417.2	272.6	1,689.8
2015[2]	128.0	141.9	282.8	255.8	808.5	526.0	192.5	1,526.9	256.5	1,783.4
2015										
Jan.	5.1	7.5	13.7	8.5	34.8	21.3	5.1	61.2	13.1	74.3
Feb.	5.0	7.1	13.3	8.7	34.1	24.2	5.9	64.2	10.0	74.2
Mar.	6.9	10.0	19.0	11.2	47.1	31.9	7.5	86.6	14.6	101.2
Apr.	11.9	14.9	23.9	23.7	74.5	44.6	15.9	135.0	17.1	152.1
May	18.6	12.2	23.0	28.8	82.6	49.6	20.0	152.2	21.4	173.6
June	13.0	12.3	25.9	27.8	79.0	56.4	19.7	155.1	25.0	180.1
July	13.6	10.2	33.0	30.8	87.5	55.8	27.4	170.7	36.0	206.6
Aug.	20.3	15.9	51.2	36.7	124.1	65.7	26.0	215.7	30.8	246.5
Sep.	10.4	14.4	29.0	26.9	80.7	60.0	21.8	162.4	30.1	192.6
Oct.	13.9	18.5	21.5	27.3	81.3	60.5	25.1	166.8	29.9	196.7
Nov.	5.6	12.2	15.6	15.9	49.3	34.6	11.9	95.8	17.2	113.0
Dec.	3.8	6.7	13.7	9.5	33.7	21.4	6.3	61.3	11.2	72.6
2016										
Jan.	3.8	7.9	17.5	10.3	39.4	23.2	8.4	71.1	13.7	84.8
Feb.	5.5	7.7	14.5	8.7	36.4	26.8	6.0	69.3	11.7	81.0
Mar.	6.4	11.3	19.0	15.5	52.3	37.0	10.4	99.7	15.8	115.5
Apr.	16.8	13.4	25.3	23.5	79.0	47.5	19.6	146.1	18.8	164.9
May	16.9	17.6	24.7	31.3	90.5	51.0	24.9	166.4	24.2	190.6
June	14.9	12.0	28.3	27.3	82.6	58.6	25.1	166.3	26.8	193.0

[1] Based on the NSO's inbound tourism survey. Data refer to tourist departures by air and sea.

[2] Provisional.

Source: NSO.

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2010	104.1	49.7	153.8	98.7	48.2	146.9	5.4	5.2	1.5	2.9	6.9	4.5
2011	104.6	52.0	156.6	99.4	50.7	150.1	5.1	4.9	1.4	2.7	6.5	4.2
2012	105.4	54.3	159.8	100.1	52.8	152.9	5.3	5.0	1.5	2.8	6.8	4.3
2013[3]	107.3	57.5	164.8	101.7	55.8	157.5	5.6	5.2	1.8	3.1	7.4	4.5
2014[3]	110.0	60.8	170.7	104.7	59.1	163.7	5.3	4.8	1.7	2.8	7.0	4.1
2015[3]	112.2	64.0	176.2	108.2	62.7	170.9	4.0	3.6	1.3	2.1	5.3	3.0
2015[3]												
Jan.	111.4	62.5	173.9	106.6	60.9	167.5	4.8	4.3	1.5	2.5	6.4	3.7
Feb.	111.8	62.9	174.6	107.1	61.4	168.4	4.7	4.2	1.5	2.4	6.2	3.5
Mar.	112.2	63.3	175.5	107.7	61.9	169.6	4.5	4.0	1.4	2.3	5.9	3.4
Apr.	111.4	63.0	174.4	107.2	61.6	168.8	4.2	3.7	1.4	2.2	5.6	3.2
May	111.3	63.2	174.4	107.3	61.8	169.1	4.0	3.6	1.4	2.2	5.3	3.1
June	111.9	63.7	175.5	108.0	62.4	170.3	3.9	3.5	1.3	2.1	5.4	3.1
July	112.5	64.3	176.8	108.8	63.0	171.7	3.8	3.3	1.3	2.0	5.1	2.9
Aug.	112.7	64.6	177.3	109.0	63.3	172.3	3.6	3.2	1.3	2.0	4.9	2.8
Sep.	112.7	64.9	177.6	109.1	63.6	172.7	3.7	3.2	1.3	1.9	4.9	2.8
Oct.	112.7	65.1	177.8	109.0	63.9	172.9	3.7	3.3	1.2	1.9	4.9	2.8
Nov.	112.9	65.4	178.4	109.3	64.3	173.6	3.6	3.2	1.2	1.8	4.8	2.7
Dec.	112.7	65.4	178.1	109.2	64.3	173.5	3.5	3.1	1.1	1.7	4.6	2.6
2016[3]												
Jan.	112.9	65.8	178.7	109.4	64.6	174.0	3.6	3.2	1.1	1.7	4.7	2.6
Feb.	113.5	66.2	179.7	110.1	65.1	175.2	3.4	3.0	1.1	1.7	4.5	2.5
Mar.	113.9	66.5	180.4	110.9	65.5	176.4	3.0	2.6	1.0	1.6	4.0	2.2

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: Jobsplus.

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2010	114.4	60.2	174.6	106.7	55.9	162.6	7.7	6.7	4.3	7.1	12.0	6.8
2011	115.0	62.9	177.9	108.2	58.4	166.6	6.9	6.0	4.5	7.1	11.3	6.4
2012	114.9	66.9	181.8	108.3	62.0	170.3	6.6	5.7	4.9	7.3	11.5	6.3
2013	117.2	70.7	187.9	109.6	66.3	175.9	7.6	6.5	4.4	6.2	12.0	6.4
2014[3]	119.1	73.8	192.9	111.9	69.8	181.7	7.3	6.1	3.9	5.3	11.2	5.8
2015[3]	120.6	75.9	196.5	114.0	72.0	185.9	6.6	5.5	3.9	5.2	10.6	5.4
2015[3]												
Q1	120.1	73.3	193.4	113.0	69.4	182.4	7.1	5.9	3.9	5.4	11.0	5.7
Q2	118.9	76.5	195.5	112.3	72.5	184.9	6.6	5.5	4.0	5.2	10.6	5.4
Q3	121.8	78.3	200.1	115.2	74.4	189.6	6.6	5.4	3.9	4.9	10.5	5.2
Q4	121.6	75.6	197.2	115.3	71.6	186.9	6.3	5.2	4.0	5.3	10.3	5.2
2016[3]												
Q1	121.1	75.8	196.9	115.2	72.0	187.2	5.8	4.8	3.9	5.1	9.7	4.9

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: NSO.

Table 4.5 Property prices index based on advertised prices *(base 2000 = 100)*[1]

Period	Total	Apartments	Maisonettes	Terraced houses	Others[2]
2010	167.1	166.4	171.8	199.4	178.5
2011	169.3	173.0	174.5	197.6	172.5
2012	170.1	172.5	173.5	185.5	172.4
2013	173.7	175.1	184.5	193.0	179.7
2014	185.7	189.3	183.6	203.2	202.6
2015	197.4	203.7	201.3	208.3	210.5
2015					
Q1	193.1	200.0	199.6	194.5	193.0
Q2	193.1	200.5	193.5	201.4	216.1
Q3	195.9	203.6	199.3	208.0	211.0
Q4	207.5	210.7	212.9	229.2	221.7
2016					
Q1	212.3	215.6	226.6	232.7	207.9
Q2	210.0	217.0	222.0	243.1	199.9

[1] As the statistical methodologies underpinning the total and the components are different, the change in the components does not necessarily reflect the change in the total.
[2] Consists of town houses, houses of character and villas.
Source: Central Bank of Malta estimates.

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

Period	Commercial and social								Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking	Total		
2010	293	55	231	10	46	118	79	832	1,522	2,354
2011	192	33	256	4	47	74	49	655	1,065	1,720
2012	169	33	247	17	32	87	58	643	955	1,598
2013	123	33	266	15	49	43	47	576	964	1,540
2014	124	35	347	29	42	55	78	710	921	1,631
2015	221	21	403	21	54	77	101	898	824	1,722

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

[2] Includes quarrying.

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

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

[5] Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works, infrastructure, monuments, embellishment projects, boathouses and yacht marinas, light industry, waste management facilities and others.

Source: Malta Environment & Planning Authority.

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

Period	Number of permits[2]			Number of units[3]				
	New dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2010	1,499	1,020	2,519	3,736	375	227	106	4,444
2011	1,159	832	1,991	3,276	401	191	87	3,955
2012	958	700	1,658	2,489	298	202	75	3,064
2013	1,004	808	1,812	2,062	350	209	84	2,705
2014	1,074	971	2,045	2,221	414	204	98	2,937
2015	1,254	1,171	2,425	3,019	471	342	115	3,947

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

[2] Total for permits granted is irrespective of the number of units.

[3] Data comprise the actual number of units (e.g. a block of apartments may consist of several units).

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Table 4.8 Inflation rates measured by the Retail Price Index[1] *(base 1946 = 100)*

Year	Index	Inflation rate (%)
1946	100.00	-
1947	104.90	4.90
1948	113.90	8.58
1949	109.70	-3.69
1950	116.90	6.56
1951	130.10	11.29
1952	140.30	7.84
1953	139.10	-0.86
1954	141.20	1.51
1955	138.80	-1.70
1956	142.00	2.31
1957	145.70	2.61
1958	148.30	1.78
1959	151.10	1.89
1960	158.80	5.10
1961	164.84	3.80
1962	165.16	0.19
1963	168.18	1.83
1964	172.00	2.27
1965	174.70	1.57
1966	175.65	0.54
1967	176.76	0.63
1968	180.42	2.07
1969	184.71	2.38
1970	191.55	3.70
1971	196.00	2.32
1972	202.52	3.33
1973	218.26	7.77
1974	234.16	7.28
1975	254.77	8.80
1976	256.20	0.56
1977	281.84	10.01
1978	295.14	4.72
1979	316.21	7.14
1980	366.06	15.76
1981	408.16	11.5
1982	431.83	5.80
1983	428.06	-0.87
1984	426.18	-0.44
1985	425.17	-0.24
1986	433.67	2.00
1987	435.47	0.42
1988	439.62	0.95
1989	443.39	0.86
1990	456.61	2.98
1991	468.21	2.54
1992	475.89	1.64
1993	495.59	4.14
1994	516.06	4.13
1995	536.61	3.98
1996	549.95	2.49
1997[2]	567.95	3.27
1998	580.61	2.23
1999	593.00	2.13
2000	607.07	2.37
2001	624.85	2.93
2002	638.54	2.19
2003	646.84	1.30
2004	664.88	2.79
2005	684.88	3.01
2006	703.88	2.77
2007	712.68	1.25
2008	743.05	4.26
2009	758.58	2.09
2010	770.07	1.51
2011	791.02	2.72
2012	810.16	2.42
2013	821.34	1.38
2014	823.89	0.31
2015	832.95	1.10

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

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

Table 4.9 Main categories of Retail Price Index *(base December 2009 = 100)*

Period	All Items Index	12-month moving average rates of change (%)[1]												
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2010	101.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
2011	104.1	2.7	3.9	2.2	0.1	5.8	2.5	-1.4	3.2	1.7	1.2	4.3
2012	106.6	2.4	4.7	4.4	-1.7	0.4	1.3	2.1	2.1	1.1	1.2	4.4
2013	108.1	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5
2014	108.4	0.3	0.5	4.4	0.9	0.5	-13.8	1.5	-0.5	1.1	2.9	0.5
2015	109.6	1.1	3.0	3.5	1.9	0.8	-6.5	1.0	-1.5	1.3	2.5	2.2
2015												
Jan.	108.0	0.3	0.8	4.1	1.2	0.5	-15.4	1.2	-0.3	1.1	2.8	0.7
Feb.	108.6	0.3	1.1	3.8	1.2	0.4	-17.0	1.0	-0.4	1.1	2.7	0.9
Mar.	109.1	0.2	1.3	3.5	1.5	0.4	-18.7	0.7	-0.4	1.0	2.7	1.0
Apr.	109.8	0.4	1.6	3.3	2.4	0.4	-17.5	0.6	-0.6	1.0	2.6	1.3
May	109.6	0.5	1.7	3.2	2.9	0.4	-16.2	0.4	-0.4	1.0	2.5	1.5
June	109.8	0.6	2.0	3.1	3.0	0.4	-14.9	0.1	-0.4	1.0	2.4	1.7
July	109.5	0.7	2.1	3.1	3.1	0.4	-13.6	0.1	-0.5	1.1	2.4	1.8
Aug.	109.5	0.8	2.3	3.1	3.2	0.5	-12.2	0.0	-0.5	1.1	2.3	1.9
Sep.	109.9	0.9	2.6	3.1	2.6	0.5	-10.8	0.4	-0.7	1.2	2.3	2.0
Oct.	110.4	1.0	2.8	3.1	2.2	0.6	-9.4	0.7	-0.9	1.2	2.4	2.1
Nov.	110.5	1.0	2.7	3.3	2.1	0.7	-8.0	0.9	-1.2	1.2	2.5	2.2
Dec.	110.8	1.1	3.0	3.5	1.9	0.8	-6.5	1.0	-1.5	1.3	2.5	2.2
2016												
Jan.	108.6	1.1	2.7	3.6	2.0	0.9	-4.9	1.3	-1.8	1.4	2.7	2.2
Feb.	108.9	1.0	2.2	3.7	1.9	1.1	-3.2	1.5	-1.9	1.4	2.8	2.1
Mar.	109.7	1.0	2.0	3.8	1.4	1.2	-1.4	1.7	-2.0	1.4	2.8	2.1
Apr.	110.3	0.9	1.7	3.9	0.5	1.3	-1.4	1.8	-2.0	1.4	2.7	2.1
May	110.4	0.9	1.8	4.0	0.0	1.4	-1.5	2.0	-2.2	1.4	2.5	2.0
June	110.6	0.9	1.9	4.1	-0.3	1.5	-1.5	2.1	-2.3	1.4	2.3	1.9
July	110.2	0.8	1.9	4.2	-0.4	1.5	-1.6	2.1	-2.3	1.4	2.1	1.9

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

Source: NSO.

Table 4.10 Main categories of Harmonised Index of Consumer Prices *(base 2015 = 100)*

Period	All Items Index	12-month moving average rates of change (%)														
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2010	91.8	2.0	1.1	3.3	-2.3	10.1	1.1	2.0	2.2	-6.0	-1.7	7.8	5.5	3.4
2011	94.1	2.5	4.9	3.6	-1.2	3.5	0.2	1.4	7.8	-9.7	0.5	4.4	1.8	4.2
2012	97.1	3.2	5.7	4.2	-1.5	0.4	3.2	1.7	4.8	-6.6	0.6	3.6	6.1	2.1
2013	98.1	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-1.0	-8.8	2.2	4.4	-1.0	1.7
2014	98.8	0.8	0.2	7.7	0.8	-6.1	1.9	0.8	0.0	-1.0	1.3	6.4	2.4	0.8
2015	100.0	1.2	2.4	5.0	2.1	-2.0	1.1	1.5	-1.6	-1.2	1.7	6.3	1.8	2.6
2015														
Jan.	96.3	0.8	0.4	7.0	1.1	-6.9	1.7	0.8	0.2	-1.1	1.4	6.3	2.5	1.1
Feb.	96.8	0.7	0.5	6.3	1.1	-7.7	1.4	0.7	0.1	-1.0	1.4	6.2	2.5	1.3
Mar.	97.6	0.6	0.7	5.7	1.4	-8.6	1.0	0.7	0.0	-1.0	1.4	6.2	2.5	1.5
Apr.	100.4	0.7	0.9	5.2	2.2	-7.9	0.8	0.6	-0.2	-1.0	1.4	6.2	2.4	1.7
May	101.3	0.8	0.9	5.0	2.7	-7.2	0.6	0.7	-0.1	-0.9	1.3	6.2	2.4	1.9
June	102.3	0.8	1.2	4.8	2.9	-6.5	0.2	0.8	-0.2	-0.9	1.3	6.3	2.3	2.1
July	102.3	0.8	1.4	4.7	3.1	-5.8	0.1	0.8	-0.4	-0.8	1.4	6.3	2.2	2.2
Aug.	102.7	0.9	1.6	4.6	3.2	-5.1	0.1	1.0	-0.6	-0.8	1.5	6.4	2.0	2.3
Sep.	101.9	1.0	1.9	4.6	2.7	-4.4	0.5	1.1	-0.9	-0.7	1.6	6.4	1.9	2.4
Oct.	101.2	1.0	2.1	4.5	2.3	-3.6	0.8	1.2	-1.1	-0.8	1.8	6.5	1.9	2.5
Nov.	98.7	1.1	2.2	4.8	2.2	-2.8	0.9	1.3	-1.4	-1.0	1.8	6.4	1.9	2.6
Dec.	98.6	1.2	2.4	5.0	2.1	-2.0	1.1	1.5	-1.6	-1.2	1.7	6.3	1.8	2.6
2016														
Jan.	97.1	1.2	2.3	5.2	2.2	-1.1	1.4	1.6	-1.8	-1.2	1.6	6.2	1.7	2.5
Feb.	97.7	1.2	2.1	5.4	2.1	-0.2	1.7	1.9	-1.9	-1.2	1.6	6.1	1.6	2.3
Mar.	98.6	1.3	2.0	5.5	1.7	0.7	2.1	2.1	-1.9	-1.3	1.5	6.0	1.5	2.2
Apr.	101.2	1.2	1.9	5.6	0.9	0.8	2.4	2.2	-1.9	-1.4	1.3	6.0	1.6	2.0
May	102.2	1.2	2.0	5.6	0.4	0.8	2.6	2.3	-1.9	-1.4	0.9	5.9	1.7	1.9
June	103.4	1.2	1.9	5.6	0.1	0.8	2.8	2.3	-1.9	-1.5	0.6	5.9	1.8	1.8
July	103.3	1.1	1.9	5.6	0.0	0.9	2.8	2.3	-1.9	-1.6	0.1	5.8	1.9	1.6

Sources: NSO; Eurostat.

GENERAL NOTES

MONETARY, BANKING, INVESTMENT FUNDS, FINANCIAL MARKETS

General monetary statistical standards

Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's Monetary and Financial Statistics Manual (2000). Since June 2014, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2013/33 of 24 September 2013 concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the European System of National and Regional Accounts (ESA 2010). As from September 2014, ESA 1995 was replaced by the European System of National and Regional Accounts (ESA 2010).

Institutional balance sheets and financial statements

The "Financial statement of the Central Bank of Malta" is based on accounting principles as established in ECB Guideline 2010/20 (as amended) of 11 November 2010 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in the "Balance sheet of the Central Bank of Malta based on statistical principles", which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2013/33. Important changes to data on currency issued and reserve assets following the adoption of the euro are explained below in the "measures of money" and in the "external statistics" section, respectively.

The "Aggregated balance sheet of the other monetary financial institutions" is also based on a detailed description of instrument categories as stipulated in Regulation ECB/2013/33 (Recast).

Determination of "residence"

Monetary data are based on the classification of transactions and positions by the residence of the transactor or holder. A transactor is an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. ESA 2010 stipulates that the units which constitute the economy of a country are those which are resident in the economy. An institutional unit is resident in a country when it has its "centre of predominant economic interest" in the economic territory of that country. Such units are known as resident units, irrespective of nationality, legal form or presence on the economic territory at the time they carry out a transaction. "Centre of predominant economic interest" indicates that a location exists within the economic territory of a country where a unit engages in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). The ownership of land and buildings within the economic territory is deemed to be sufficient for the owner to have a centre of predominant economic interest there. In the absence of any physical dimension to an enterprise, its residence is determined according to the economic territory under whose laws the enterprise is incorporated or registered.

Whereas special purposes entities (SPE) were classified as non-residents, in accordance with ESA 1995, ESA 2010 requires that these are classified as residents of Malta. Data has been revised at least as from June 2010. An SPE is usually a limited company or a limited partnership, created to fulfil narrow, specific or temporary objectives and to isolate a financial risk, a specific

taxation or a regulatory risk. There is no common definition of an SPE, but the following characteristics are typical: they have only few employees and do not have non-financial assets; they have little physical presence beyond a "brass plate" or sign confirming their place of registration; they are always related to another corporation, often as a subsidiary; and they are resident in a different territory from the territory of residence of the related corporations.

Diplomatic bodies, embassies, consulates and other entities of foreign governments are considered to be residents of the country they represent.

In national monetary statistics, the key distinction between residents and non-residents of Malta remains relevant for national statistical purposes. After Malta joined the euro area, the key distinction, in particular for the purposes of the table entitled, "The contribution of resident MFIs to the euro area monetary aggregates" and in other tables, is between residence in Malta or elsewhere in the euro area and residence outside the euro area.

Sector classification

In accordance with ESA 2010 and ECB Regulation 2013/33 (Recast), the main sectors of the Maltese (and euro area) economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Financial corporations
  (1) Monetary financial institutions (MFIs)
    i. Central bank
    ii. Other monetary financial institutions/Deposit-taking corporations

  (2) Other financial corporations
    i. Non-MMF Investment Funds
    ii. Other financial intermediaries and financial auxiliaries
    iii. Captive Financial Institutions and money lenders

(b) Insurance corporations and pension funds

(c) General government
    i. Central government
    ii. Other General Government

(d) Non-financial corporations
    i. Public non-financial corporations
    ii. Private non-financial corporations

(e) Households and non-profit institutions serving households (NPISH).

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

(a) Financial corporations

The financial corporations sector comprises the monetary financial institutions (MFIs) sector and the rest of the financial corporations sector, the latter known as the other financial corporations (OFIs) sector:

(1) Monetary financial institutions (MFIs) consist of:

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

ii. Other monetary financial institutions (OMFIs) also referred to as Deposit-taking corporations consist almost entirely of credit institutions. The business of OMFIs is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. Credit institutions licensed in Malta comprise banks licensed by the competent authority under the Banking Act (Cap. 371). In accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/, a credit institution is an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account. OMFIs include the resident branches and subsidiaries of banks with headquarters abroad.

Money Market Funds (MMFs) fulfil the MFI definition and the agreed conditions for liquidity and are therefore included in the OMFI sector. MMFs are defined as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments.

(2) Other financial corporations consist of:

i. Non-MMF Investment Funds

The non-MMF Investment Funds subsector consists of all collective investment schemes which are principally engaged in financial intermediation. MMFs are excluded from this sub-sector. The business of the non-MMF Investment Funds sector is to issue investment fund shares or units which are not close substitutes for deposits and on their own account to make investments primarily in financial assets other than short-term financial assets and in non-financial assets (usually real estate)

ii. Other financial intermediaries and financial auxiliaries

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: financial vehicle corporations engaged in securitisation transactions, long-term financing, financial leasing, factoring, security and derivative dealing.

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

iii. Captive Financial Institutions and money lenders

In accordance with ESA 2010, holding corporations are to be classified within the financial sector as captive financial institutions. The adoption of ESA 2010 in the domestic context required a reclassification resulting in a shift of financial assets and liabilities from the non-financial corporations sector to the financial corporations sector. Special Purpose Entities (SPEs) are to be classified under this subsector with the exception of captive insurance companies and professional investment funds which will be classified in the insurance sector and investment funds categories, respectively.

(b) Insurance corporations and pension funds

This sector comprises non-monetary financial corporations principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance corporations are principally engaged in such activities mainly in the form of direct insurance or reinsurance. They consist of incorporated, mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or groups of units. This sector also includes services of reinsurance to other insurance corporations and captive insurance companies. The latter consists of insurers which are normally owned by a non-financial corporation and mostly insure the risks of their shareholders.

Pension funds are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability.

(c) General government

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

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

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

The public sector (which is not an institutional sector in the ESA 2010) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 2010), the latter being those companies that are owned by government or are subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging "economically significant" prices such that sales cover at least 50% of production costs).

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

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

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

(e) Households and non-profit institutions serving households (NPISH)
This sector comprises individuals or groups of individuals that are consumers and producers of goods and non-financial services exclusively intended for their own final consumption. It includes also non-profit institutions serving households. They are separate legal entities, serving households and which are private non-market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income. They are principally engaged in the production of non-market goods and services intended for particular sections of households (churches, clubs, societies, trade unions, etc.) and market-producing cooperatives, partnerships and sole proprietorships that are not recognised as independent legal entities. Thus many small businesses are included in the household sector.

Classification of economic activities

The classification of economic activities follows the standards of Regulation EC No 1893/2006 of the European Parliament and of the Council of 20 December 2006, entitled "Statistical classification of economic activities in the European Community", known by the acronym NACE Rev.2.

Measures of money

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Maltese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem (comprising the ECB and the national central banks of the other EU Member States in the euro area) in the total issue of banknotes in the

area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column "Banknotes in circulation" in the "Financial Statements of the Bank" will be a notional amount conforming to the banknote allocation key, and may be quite different from the amount of euro banknotes in the hands of Maltese residents. Moreover, Maltese residents' holdings of M3 within the euro area aggregate will include their holdings of deposits and other monetary instruments issued by MFIs anywhere in the euro area, the amount of which is not known.

The Table entitled "The contribution of resident MFIs to the euro area monetary aggregates" shows the contribution of Maltese MFIs to the euro area totals. This comprises the notional issue of euro currency attributed to the Bank according to the banknote allocation key, plus the issue of coins (where the Central Bank acts as agent of the Treasury), and, for 2008 only, remaining amounts of Maltese lira currency notes outstanding less holdings of euro banknotes and coins and, temporarily, of Maltese lira currency reported by MFIs in Malta; deposits held by Maltese residents and by residents of other euro area countries with MFIs in Malta excluding any holdings belonging to central governments (since central government holdings of deposits are excluded from the ECB's monetary aggregates) and any interbank deposits; repurchase agreements that are not conducted through central counterparties; any marketable instruments of the kind included in euro area M3 issued by MFIs in Malta less holdings by Maltese MFIs of such instruments issued by MFIs resident anywhere in the euro area (because Maltese MFIs may hold more of these instruments than they issued, this part of the Maltese contribution to euro area M3 may be negative); and MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area. Similarly, in the Table entitled "The contribution of resident MFIs to selected counterparts to euro area M3", the "credit counterpart" to euro area M3 contributed by Maltese MFIs comprises all Maltese MFI lending (including through the acquisition of securities in any form) to Maltese and all other euro area residents (other than MFIs). The so-called "external counterpart" will be limited to their net claims on non-residents of the euro area. The computation of the net claims on non-residents of the euro area consist of Maltese MFIs' (including the Central Bank of Malta's) claims on non-residents of the euro area, minus their liabilities to non-residents of the euro area, in all forms and in foreign currency as well as in euro. "Other counterparts (net)" comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs. The local credit institutions must submit data to the Central Bank of Malta not later than fifteen calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions report monthly financial information to the Central Bank of Malta in line with ECB Regulation 2013/33 (Recast) and (recast) Guideline of the ECB of 4 April 2014 on monetary and financial statistics (ECB/2014/15). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

MFIs report stock positions, which are outstanding balances as at the end of the reference period, and for certain items transactions during the period. They show separately positions and transactions with residents of Malta, with residents of other euro area countries, and with non-residents of the euro area. Assets and liabilities are generally reported at market or fair value and on an accruals basis; deposits and loans are reported at nominal value. Thus, the effects of transactions and other events are recognised when they occur rather than when cash is received or paid. Transactions are recorded at the time of change in ownership of a financial asset. In this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by another. Instruments are reported in accordance with their maturity at issue, i.e. by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed, or can be redeemed only with some significant penalty. All financial assets and liabilities are reported on a gross basis. Loans – which include overdrafts, bills discounted and any other facility whereby funds are lent – are reported gross of all related provisions, both general and specific. Claims include assets in the form of loans, deposits and repurchase agreements (or repos). Financial assets and liabilities that have demonstrable value – as well as non-financial assets – are considered as on-balance sheet items. Other financial instruments, whose value is conditional on the occurrence of uncertain future events, such as contingent instruments, are not recorded on the statistical balance sheet.

Release of monetary statistics

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

Investment funds

In line with ESA 2010 the Table entitled "Aggregated statement of assets and liabilities – investment funds" comprise the statistics submitted to the Central Bank of Malta by all IF registered by the Malta Financial Services Authority (MFSA). IF submit such data to the CBM on a monthly, quarterly or annual basis depending on the size of their balance sheet. The definitions, methodology and standards of reporting are in line with Regulation (EU) No 1073/2013 of the ECB of 18 October 2013 concerning statistics on the assets and liabilities of IF (recast). Accounting rules followed by IF for reporting under this Regulation are those laid down in the relevant national law implementing Council Directive 86/635/EEC of December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions or, if the former is not applicable, in any other national or international standards that apply to IFs.

The IF sector excludes all money market funds as, according to ECB Regulation 2013/33 (Recast), these form part of the MFI sector. The balance sheet is aggregated, not consolidated, and therefore includes, among the assets and liabilities, holdings by investment funds of shares/units issued by other investment funds.

Insurance corporations

The table entitled "Aggregated statement of assets and liabilities – insurance corporations" shows the aggregated statement of assets and liabilities of all the IC registered in Malta by the MFSA. The IC sector comprises non-monetary financial institutions principally engaged in financial intermediation as the consequence of the pooling of risk. Therefore, the principal function of insurance corporations is the provision of life, accident, health, fire, reinsurance and/or other forms of insurance. Such statistics are based on standards specified in ESA 2010, while accounting rules are those laid down in the relevant national law implementing the European Council Directive 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings. All financial assets and liabilities are reported on a gross basis and are generally valued at market or fair value.

Financial markets

Tables 1.16 and 1.17 show, respectively, the debt securities and quoted shares issued by sectors of resident issuers. As from June 2010, statistics are in line with ESA 2010 and include all issuances of securities and shares in foreign exchanges. Debt securities comprise all financial assets that are usually negotiable and traded on recognised exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares cover all shares whose prices are quoted on a recognised stock exchange or other form of regulated market. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Monetary financial institutions interest rate (MIR) statistics relate to the interest rates which are applied by resident credit institutions to euro denominated deposits and loans vis-à-vis non-financial corporations and households (including non-profit organisations) resident in Malta and in the euro area. MIR statistics are compiled in accordance with Regulation ECB/2014/30 (as amended) of 8 July 2014 and are therefore harmonised across the euro area. Interest rates are shown for both outstanding amounts and new business. Outstanding amounts cover the stock of all kinds of deposits and loans granted to households and non-financial corporations. New business consists of any new agreement between the household or non-financial corporation and the bank during the period under review. Two types of interest rates are quoted: (a) the Annualised Agreed Rate (AAR) and (b) the Annual Percentage Rate of Charge (APRC). The AAR is the rate which is agreed between the customer and the bank, quoted in percentage per annum. This rate covers all interest payments, excluding any other charges that may apply on deposits and loans. The APRC covers only two categories, namely lending for house purchase and consumer credit. It is the annual percentage rate that covers the total costs of the credit to the consumer such as the cost of inquiries, administration, guarantees, legal fees and other additional costs associated with the transaction.

As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates for its operations as the Maltese money market became part of the integrated euro area-wide interbank market. Thus, as from that date, the financial market interest rates shown are the key interest rates

determined by the ECB for central bank operations throughout the euro area, and overnight (EONIA) and fixed-term (EURIBOR) rates on wholesale business in euro-denominated deposits as reported daily by a panel of active institutions in the euro area interbank market.

All outstanding Treasury bills and government securities denominated in Maltese lira were redenominated in euro at the beginning of 2008. The primary market rates on Treasury bills are the weighted averages of the rates attached to the bills that are taken up by bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign means that no transactions occurred during the reference period.

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

FINANCIAL ACCOUNTS STATISTICS

Financial accounts statistics form part of the general statistical framework of a country's economy known as the "national accounts". Such statistics show the most relevant financial assets and liabilities of the total economy and such instruments vis-à-vis their counterpart institutional sector i.e. financial corporations, general government, non-financial corporations, households & non-profit institutions and the rest of the world (the rest of the world account shows the financial claims of residents on non-residents, or vice versa). Institutional sector classification is fundamental since, for instance, it identifies those sectors that hold or issue financial instruments. Statistics are being presented in non-consolidated matrix format and all information is being presented in the form of a balance sheet i.e. in outstanding stock positions. The two tables in this section are compiled on an annual basis and in accordance with the methodological framework established in the European System of Accounts 2010 (ESA 2010). Regulating the compilation of these statistics is also the (recast) Guideline of the European Central Bank of 25 July 2013 (ECB/2013/24) on the statistical reporting requirements in the field of quarterly financial accounts as well as Regulation (EC) No 1392/2007 of the European Parliament and of the Council of 13 November 2007 with respect to the transmission of national accounts' data.

GOVERNMENT FINANCE STATISTICS

Tables in this section show the general government fiscal position compiled on the basis of ESA 10 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays.

The Table on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by

government transactions in financial assets, such as through privatization receipts or the utilization of its deposit accounts, and by valuation effects on debt.

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

EXTERNAL STATISTICS

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics are generally in line with the IMF Balance of Payments Manual (BPM06) and in accordance with Guideline ECB/2011/23 and ECB/2013/25 (as amended). Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices.

From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

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

REAL ECONOMY INDICATORS (SELECTED)

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 2010 standards. Labour market statistics are also compiled on the basis of the NSO's Labour Force Survey (LFS). The LFS is based on a random sample of private households using concepts and definitions outlined by Eurostat according to methodologies established by the International Labour Organisation (ILO). From March 2004, data are based on a weekly survey carried out throughout the reference quarter; from June 2005 the data are

weighted using a new procedure and are thus not strictly comparable with earlier figures. The labour market data based on the administrative records of Jobsplus represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with Jobsplus itself. Jobsplus data on unemployment are based on the number of persons registering for work under Part 1 and Part 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2008/9. The HICP by contrast covers all household final consumption expenditure irrespective of nationality or residence status.

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