

SUPPLEMENT TO THE QUARTERLY REVIEW 2013:1

Real gross domestic product in the first quarter of 2013

Economic growth moderates slightly

On 6 June 2013, the National Statistics Office (NSO) published gross domestic product (GDP) data covering the first quarter of 2013.¹ These statistics were not covered in the main text of the *Quarterly Review 2013:1*, as they became available after the *Review's* cut-off-date of 7 May.

This information shows that the Maltese economy expanded by 1.0% in real terms in 2012, as against an estimate of 0.8% released in March. The annual rate of real GDP growth in the first quarter of 2013 was 1.6%, while the growth rate for the last quarter of 2012 was revised upwards to 1.7%.

This moderation notwithstanding, the economy continued to outperform that of the euro area, which contracted for the fourth consecutive quarter (see Chart 1).^{2,3}

Net exports decline

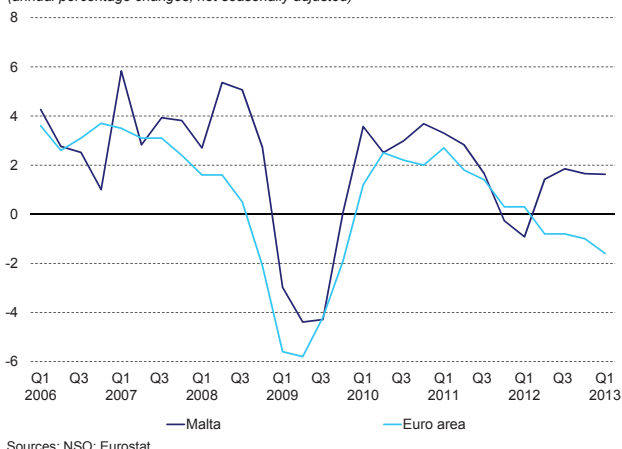
During the first three months of the year, the contribution of net exports to real GDP growth turned negative. Exports declined by 3.4% in annual terms, with the drop being almost entirely due to movements in exports of goods (see Table 1). In contrast, imports went up by 0.2%, as an increase in imports of services was almost fully offset by lower merchandise imports.

Final domestic demand decreases, but is offset by movements in inventories⁴

After growing moderately in the last quarter of 2012 private consumption declined by 1.8% in real terms during the March quarter, lowering GDP growth by 1.2 percentage points. Households reduced their expenditure on a number of items, including food & non-alcoholic beverages, clothing & footwear, and communications. These drops offset higher spending on utilities and recreation & culture.

Government consumption, which had increased quite strongly during most of 2012, fell on a year earlier and thus also had a downward impact on GDP. Nominal data suggest that this decline

Chart 1
REAL GDP GROWTH
(annual percentage changes; not seasonally adjusted)



Sources: NSO; Eurostat.

¹ See NSO News Release 110/2013.

² To maintain comparability with data for Malta, annual real GDP growth rates for the euro area reported here are not seasonally adjusted.

³ The data for the euro area shown in Chart 1 are in line with the second estimate of euro area GDP for the first quarter of 2013, published on 5 June 2013.

⁴ Final domestic demand refers to domestic demand less changes in inventories.

Table 1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2012				2013
	Q1	Q2	Q3	Q4	Q1
	<i>Annual percentage changes</i>				
Private final consumption expenditure	-0.6	-1.5	0.3	1.1	-1.8
Government final consumption expenditure	6.0	4.3	8.0	2.0	-3.0
Gross fixed capital formation	-2.4	1.9	-4.2	-11.1	-5.6
Changes in inventories (% of GDP) ⁽¹⁾	-3.1	1.1	-3.2	-2.5	4.7
Domestic demand	-6.1	2.0	1.8	-0.4	5.5
Exports of goods & services	7.7	12.4	11.9	-6.5	-3.4
Imports of goods & services	2.1	13.2	13.1	-8.8	0.2
Gross domestic product	-0.9	1.4	1.8	1.7	1.6
	<i>Percentage point contributions</i>				
Private final consumption expenditure	-0.4	-1.0	0.2	0.7	-1.2
Government final consumption expenditure	1.2	0.8	1.4	0.4	-0.6
Gross fixed capital formation	-0.3	0.3	-0.5	-1.6	-0.7
Changes in inventories ⁽¹⁾	-6.8	1.9	0.5	0.2	7.9
Domestic demand	-6.3	2.0	1.6	-0.4	5.4
Exports of goods & services	7.5	12.8	11.3	-7.0	-3.5
Imports of goods & services	-2.1	-13.4	-11.1	9.0	-0.2
Net exports	5.4	-0.6	0.2	2.0	-3.8
Gross domestic product	-0.9	1.4	1.8	1.7	1.6

⁽¹⁾ Includes acquisitions less disposal of valuables.

Source: NSO.

was driven by a drop in intermediate consumption, as compensation of employees increased. Intermediate consumption during this period may have been restrained by legal limits on government expenditure, which applied until the Budget for this year was approved in April.

Gross fixed capital formation continued to decline, although at a slower pace of 5.6% compared with a fall of 11.1% in the previous quarter. The contraction recorded during the first three months of 2013 reflected lower expenditure on residential buildings, which is consistent with the recent reduction in the number of building permits issued and negative growth in credit to this sector.

Changes in inventories & acquisitions, which also include the statistical discrepancy, turned positive after being negative a year earlier. This had a large upward impact on GDP growth, of almost 8 percentage points, offsetting the negative contribution of final domestic demand, which went down by 2.5%.