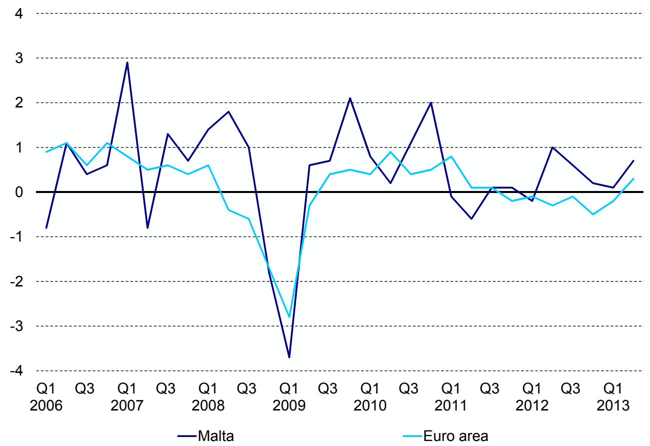
SUPPLEMENT TO THE QUARTERLY REVIEW 2013:2

Real gross domestic product in the second quarter of 2013

Economic growth steady

On 6 September 2013 the National Statistics Office (NSO) published gross domestic product (GDP) estimates for the second quarter of the year.[1]

Chart 1
REAL GDP GROWTH
(quarter-on-quarter percentage changes; seasonally and working day adjusted)



Source: Eurostat.

This new information shows that the annual rate of growth in real GDP stood at 1.8% in the first quarter of the year, up from the previous estimate of 1.6%. GDP growth slowed down slightly in the second quarter, to 1.7% (see Table 1). Looking at seasonally-adjusted data, real GDP in Malta expanded by 0.7% on the previous quarter. This was a faster increase than that recorded in the euro area as a whole, where economic activity increased by 0.3% (see Chart 1).[2]

Net exports drive the expansion

During the second quarter of 2013 exports declined by 8.0% in annual terms, but imports decreased more strongly, dropping by 14.8% on year-ago levels (see Table 1). The drop in imports was almost entirely due to movements in the goods component and partly reflected weak aggregate demand. As a result, the contribution of net exports to real GDP growth turned positive.

Final domestic demand continues to decline[3]

Final domestic demand continued to decline in annual terms, contracting for the third consecutive quarter. Although government consumption recovered, private consumption and investment both declined more strongly than in the previous quarter.

Private consumption was down by 1.6%, after falling by 1.1% in the first three months of the year, lowering GDP growth by a full percentage point.

Gross fixed capital formation continued to decrease, extending the pattern observed since the second half of 2012. In the second quarter of 2013, it fell by 13.5% on the same period of 2012, a considerably steeper decline than the 4.2% drop recorded in the previous quarter. The second quarter's drop was propelled mainly by lower outlays on machinery and construction, including dwellings.

[1] See *NSO News Release 170/2013*. These statistics are not commented on in the main text of the *Quarterly Review 2013:2*, as they became available after the *Review's* cut-off date.
[2] The data for the euro area shown in Chart 1 are in line with the second estimate of euro area GDP for the second quarter of 2013 published on 4 September 2013.
[3] Final domestic demand refers to domestic demand less changes in inventories.

Table 1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2012			2013	
	Q2	Q3	Q4	Q1	Q2
	Annual percentage changes				
Private final consumption expenditure	-1.9	0.4	1.2	-1.1	-1.6
Government final consumption expenditure	4.2	8.1	2.0	-1.7	3.5
Gross fixed capital formation	1.3	-3.4	-11.9	-4.2	-13.5
Changes in inventories (% of GDP)(1)	1.8	-3.1	-1.7	4.2	-2.2
Domestic demand	**0.7**	**1.7**	**-0.1**	**5.2**	**-6.3**
Exports of goods & services	16.0	11.4	-6.6	-3.5	-8.0
Imports of goods & services	15.8	12.8	-8.4	-0.4	-14.8
Gross domestic product	**1.0**	**1.5**	**1.5**	**1.8**	**1.7**
	Percentage point contributions				
Private final consumption expenditure	-1.2	0.3	0.8	-0.8	-1.0
Government final consumption expenditure	0.8	1.4	0.4	-0.4	0.7
Gross fixed capital formation	0.2	-0.4	-1.8	-0.6	-1.9
Changes in inventories(1)	0.9	0.3	0.6	6.9	-4.1
Domestic demand	**0.7**	**1.5**	**-0.1**	**5.2**	**-6.2**
Exports of goods & services	16.6	11.0	-7.2	-3.7	-9.5
Imports of goods & services	-16.2	-11.0	8.8	0.4	17.4
Net exports	**0.4**	**-0.1**	**1.6**	**-3.3**	**7.9**
Gross domestic product	**1.0**	**1.5**	**1.5**	**1.8**	**1.7**

(1) Includes acquisitions less disposal of valuables.
Source: NSO.

After having contracted in the first quarter of 2013, government consumption increased again in the second quarter of the year, going up by 3.5% in annual terms. The rise was spread across most sectors, but continued to be driven by spending on health and education.

Changes in inventories & acquisitions, which include the statistical discrepancy and which had been positive a year earlier, turned negative. Consequently, they lowered GDP growth by around 4 percentage points.