BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

# QUARTERLY REVIEW
## 2013

Vol. 46 No. 3

**Address**
Pjazza Kastilja
Valletta VLT 1060
Malta

**Telephone**
(+356) 2550 0000

**Fax**
(+356) 2550 2500

**Website**
http://www.centralbankmalta.org

**E-mail**
info@centralbankmalta.org

*Printed by*
*Gutenberg Press Ltd*
*Gudja Road*
*Tarxien, Malta*



*The cut-off date for statistical information published in the Economic Survey of this Review is 11 November 2013, except where otherwise indicated. Figures in tables may not add up due to rounding.*

ISSN 0008-9273 (print)
ISSN 1811-1254 (online)

# CONTENTS

## ABBREVIATIONS

| | |
|---|---|
| ECB | European Central Bank |
| ECOFIN | Economic and Financial Affairs Council |
| EONIA | Euro OverNight Index Average |
| ESA 95 | European System of Accounts 1995 |
| ESCB | European System of Central Banks |
| ETC | Employment and Training Corporation |
| EU | European Union |
| EURIBOR | Euro Interbank Offered Rate |
| 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 |
| IMF | International Monetary Fund |
| LFS | Labour Force Survey |
| LTRO | longer-term refinancing operation |
| MIGA | Multilateral Investment Guarantee Agency |
| MFI | monetary financial institution |
| MFSA | Malta Financial Services Authority |
| MGS | Malta Government Stock |
| 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 |
| ULC | unit labour costs |

## FOREWORD

The Governing Council of the European Central Bank (ECB) lowered key interest rates once during the second and third quarters of 2013. In May the Council reduced the interest rate on the main refinancing operations (MRO) of the Eurosystem by 25 basis points to 0.50%. The rate on the marginal lending facility was reduced by 50 basis points to 1.00%, while that on the deposit facility was left unchanged at 0.00%. As a result, the band around the MRO was narrowed to 50 basis points on either side. This decision was taken in view of expectations of low underlying price pressures over the medium term and against a background of economic weakness in the euro area, and subdued money and credit dynamics.

On 7 November the Governing Council lowered key interest rates again amid indications of further diminishing underlying price pressures in the euro area over the medium term and subdued monetary and credit dynamics. The interest rate on the MROs of the Eurosystem was cut by another 25 basis points to a new historical low of 0.25%. At the same time, the interest rate on the marginal lending facility was lowered by 25 basis points to 0.75%, while that on the deposit facility was left unchanged at 0.00%.

Meanwhile, the Eurosystem continued to implement non-standard monetary policy measures aimed at supporting the monetary policy transmission mechanism. In July the Governing Council introduced forward guidance, announcing that it expected key interest rates to remain unchanged or at lower levels for an extended period of time.

In November the Governing Council also decided to continue conducting its MROs as fixed rate tender procedures with full allotment for as long as necessary and at least until 7 July 2015. This procedure will also continue to be applied in the special-term refinancing operations with a maturity of one maintenance period, and at least until the end of June 2015. The Eurosystem's three-month longer-term refinancing operations (LTRO) will be conducted as fixed rate tender procedures with full allotment, with the rates on such operations fixed at the average rate of the MROs over the life of the respective LTRO.

During the second quarter of 2013 economic growth in the euro area turned positive, following six quarters of contraction. Real gross domestic product (GDP) expanded by 0.3% quarter-on-quarter, following a drop of 0.2% in the previous quarter. The increase in GDP reflected positive contributions from both domestic demand and net exports. The euro area economy is estimated to have expanded by 0.1% in the third quarter.

Meanwhile, the annual rate of inflation in the euro area, as measured using the Harmonised Index of Consumer Prices (HICP), eased further during the June quarter, extending the downward trend observed since August 2012, partly owing to the large degree of slack in the economy. The area-wide inflation rate dropped from 1.7% in March to 1.2% in April, reaching a new three-year low before rising to 1.6% in June. The decline in the annual inflation rate between March and June mainly reflected developments in services, although prices of non-energy industrial goods also increased at a slower annual rate. Inflation fell further to an estimated 0.7% in October, owing to a broad-based easing in price pressures.

According to ECB staff projections published in September 2013, real GDP in the euro area is expected to contract by 0.4% in 2013 as a whole and to expand by 1.0% in 2014. The euro area average annual inflation rate is expected to decline from 2.5% in 2012 to 1.5% in 2013 and to 1.3% in 2014.

The Maltese economy continued to expand in the second quarter of 2013, with the annual real GDP growth rate accelerating to 3.6% from 1.8% in the previous quarter. Growth was mainly driven by net exports, as imports fell more strongly than exports. Government consumption increased, while changes in inventories, gross fixed capital formation and private consumption declined on a year earlier.

HICP inflation in Malta eased further during the second quarter of 2013, with the annual rate decelerating to 0.6% in June from 1.4% in March. This was predominantly due to movements in the prices of services, energy and non-energy industrial goods, where the inflation rate turned negative. Meanwhile, price pressures from processed and unprocessed food accelerated over the quarter under review. Annual HICP inflation remained unchanged at 0.6% in September.

The Labour Force Survey (LFS) showed that, during the second quarter of 2013, employment rose by 3.0% in annual terms, while the labour force increased by 3.2% compared with the same quarter a year earlier. In the September quarter the LFS unemployment rate stood at 6.7%, compared with 6.5% a year earlier.

With regard to competitiveness indicators, in June the nominal harmonised competitiveness indicator (HCI) was 3.1% higher on a year earlier, while the real HCI increased by 1.6%. Thus, the appreciation of the euro against the US dollar and the pound sterling since June 2012 was partly offset by a narrowing in Malta's inflation differential against trading partners. More recent data up to September show that the annual rate of change in the nominal HCI went up to 3.5%, whereas the real HCI increased by only 2.6%, as the inflation differential narrowed again. During the second quarter of the year, Malta's unit labour cost index, measured as a four-quarter moving average was 3.2% higher in annual terms, up from 3.0% in the previous three-month period.

In the external sector, during the second quarter of 2013 the current account of the balance of payments posted a larger surplus compared with the same period of 2012. This reflected a smaller deficit in merchandise trade and higher net inflows on the services account. These favourable movements outweighed higher net outflows in the income account and lower net inflows on current transfers. The current account balance, expressed as a four-quarter moving sum, stood at 2.0% of GDP in the year to June 2013, down by half a percentage point over the comparable period a year earlier.

The contribution of resident monetary financial institutions to the euro area broad money stock, which approximates the broad money aggregate (M3) in Malta, grew at a slower pace during the second quarter of 2013. Its annual growth rate decelerated to 6.7% in June from 7.6% in March. Subsequently, annual growth in M3 reached 8.4% in September. On an annual basis, deposits held by Maltese residents accelerated during the second and third quarters, while credit granted to them slowed down substantially.

During the second and third quarters, domestic financial markets were characterised by declining interest rates. Yields on three-month Treasury bills fell in both the primary and secondary market, with the secondary market rate ending June at 0.60%. Yields on five-year and ten-year government bonds also declined, reaching 2.15% and 3.32% in June, respectively. Yields continued to fall in the third quarter of 2013, with the three-month, five-year and ten-year rates standing at 0.49%, 1.93% and 3.27%, respectively, at the end of September.

With regard to fiscal developments, during the second quarter of 2013 the general government deficit increased on a year-on-year basis as expenditure outpaced revenue. Expenditure growth was mainly attributable to the result of a one-off event in 2012 involving the payment of a concession fee paid by a private firm to operate the National Lottery, which lowered this item of expenditure that year. Revenue was boosted by higher inflows from current taxes on income and wealth. Measured on a four-quarter moving sum, the deficit stood at 3.7% of GDP at the end of June, compared with 3.8% at the end of March. General government debt increased during the second quarter, with the debt-to-GDP ratio rising to 75.8% in June 2013 from 75.0% in March.

In its latest projection exercise concluded in November, the Bank expects real GDP growth to accelerate from 0.8% in 2012 to 1.8% in 2013 and to 2.0% in 2014. The Bank expects net exports to be the main driver of economic growth this year. However, domestic demand is foreseen to drive the expansion in 2014, as private consumption accelerates and investment begins to grow again, supported by specific projects in the energy sector. The contribution of net exports is set to turn negative, as imports respond to the recovery in demand. HICP inflation is projected to decelerate from 3.2% in 2012 to 1.0% in 2013. It is set to rise to 1.4% in 2014, as a pick-up in services inflation and higher indirect taxes offset a reduction in energy tariffs.

Risks to the GDP projections are on the downside in 2013 and relate mainly to the fact that the baseline projection incorporates an assumed recovery of private consumption and investment. Risks for 2014 are broadly balanced. On the one hand, the economic situation in the euro area remains fragile and there could be pressure for further fiscal consolidation. On the other hand, export growth could recover more strongly than the projections suggest.

With regard to prices, risks are slightly on the downside for 2014, reflecting the risks to demand referred to above.

From a policy perspective, following the breach of the 3% threshold in 2012 and the re-opening of the excessive deficit procedure for Malta in July this year, the Government should ensure that it achieves its budgetary targets and thus correct the excessive deficit as soon as possible. Additional fiscal consolidation effort is also needed to make progress towards the medium-term objective of a balanced budget and to achieve a sustainable reduction in the debt ratio. This requires the Government to continue to reform the pension system and to implement measures that would contain the cost of healthcare and other public services.

Bringing the debt-to-GDP ratio down would be easier in a context of sustained economic growth. In turn, the Maltese economy has to remain competitive on international markets, particularly because other competitor countries are restraining labour costs and prices. Wage growth must be aligned with productivity.

With regard to the financial system, banks in Malta continue to perform satisfactorily, reporting adequate capitalisation, liquidity, and profitability levels. They are, therefore, well placed to support economic activity through the provision of credit which, although growing more strongly than in the euro area, has been approaching zero recently. Margins between bank lending rates and deposit rates are high relative to those in the stronger euro area countries. There is room, therefore, for lending rates to be lowered. Lower lending rates would allow the corporate sector in Malta, particularly small and medium-sized companies, easier access to finance, thereby facilitating restructuring and investment where needed, and supporting economic growth and competitiveness. Thus, the accommodative monetary policy stance of the Eurosystem would also be transmitted to the domestic economy.

# ECONOMIC SURVEY

## 1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

Developments in the world's major economies were mixed during the second quarter of 2013. Gross domestic product (GDP) growth in advanced economies gained some traction during the three months to June, mainly led by domestic demand. On the other hand, growth in the world's major emerging economies slowed during the period, in part reflecting weak export growth, structural problems and capital outflows. Inflationary pressures remained moderate in most large economies, with movements primarily caused by energy prices.

Meanwhile, developments in financial and commodity markets were mostly led by expectations of slower monetary stimulus in the United States and by weaker demand from emerging economies. As a result, the recent rally in equity markets was halted, prices for industrial commodities and gold dropped, and government bond yields rose.

During the second quarter of 2013 economic activity in the euro area recovered, with real GDP growth turning positive for the first time in six quarters, reflecting increases in both domestic demand and net exports. Against this backdrop, employment contracted at a slower rate. Nonetheless, the area-wide unemployment rate increased to a new record high during the quarter. At the same time, the annual inflation rate continued to ease further, reaching a new three-year low in April.

With regard to monetary policy, the Governing Council of the European Central Bank (ECB) reduced key interest rates in May, with the interest rate on the main refinancing operations (MRO) being cut by 25 basis points to a new historical low of 0.50%. The Eurosystem also continued to implement non-standard monetary policy measures. In July the Governing Council introduced forward guidance, indicating that it expects key ECB interest rates to remain at current or lower levels for an extended period. Subsequently, in November the ECB lowered key interest rates again, with the MRO rate being reduced by a further 25 basis points to 0.25%.

### International economic developments

*Domestic demand fuels US expansion*

Economic growth in the United States accelerated during the second quarter of 2013, with real GDP rising by 0.6% over the previous quarter (refer to Table 1.1). Although the recovery still had to gather full momentum, this was the fastest quarterly growth rate since the summer of 2012, and was wholly due to an expansion in domestic demand. In particular, a continued solid contribution from private consumption and an upturn in private investment spending were the main factors behind the pick-up in demand. In turn, these reflected a further strengthening of the housing market, while recent improvements in stock prices and labour market conditions had a positive effect on consumer confidence. On the other hand, government expenditure declined further during the quarter, albeit at a slower pace, on account of the widespread federal government spending cuts that began in March.

**Table 1.1**
**REAL GDP GROWTH in ADVANCED ECONOMIES**
*Quarterly percentage changes; seasonally adjusted*

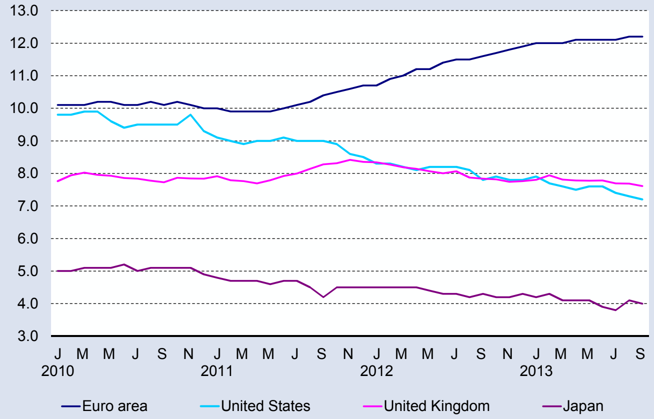
| | 2012 | | | 2013 | |
|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 |
| United States | 0.3 | 0.7 | 0.0 | 0.3 | 0.6 |
| Euro area | -0.3 | -0.1 | -0.5 | -0.2 | 0.3 |
| United Kingdom | -0.5 | 0.6 | -0.3 | 0.4 | 0.7 |
| Japan | -0.2 | -0.9 | 0.1 | 1.1 | 0.9 |

Source: Eurostat.

On the external side, the contribution of net exports to GDP growth was negligible during the quarter. While exports rose at their fastest pace since 2010, led by increased trade in petroleum and consumer goods, they were offset by equally solid growth in imports, reflecting the upturn in domestic demand.

Employment growth was solid during the quarter, mainly reflecting higher recruitment in the large services industry. This offset continued weakness in manufacturing. Despite the improvement in economic conditions, the unemployment rate held steady at 7.6% in the March–June period, thereby temporarily interrupting its recent downward trend. However, this mainly occurred owing to a rise in the labour force, indicating a degree of slack in the economy and also the return of a number of discouraged workers to the labour market. Labour market dynamics picked up once more during the following quarter, with the unemployment rate in September falling to 7.2% (see Chart 1.1).

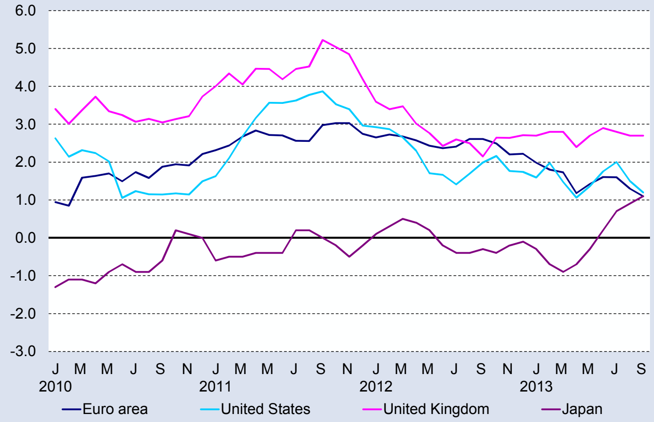
**Chart 1.1**
**UNEMPLOYMENT RATE**
*(percentage of the labour force; monthly data; seasonally adjusted)*




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

Price developments during the second quarter continued to be led by movements in energy prices, with the overall annual consumer price inflation (CPI) rate rising from 1.5% in March to 1.8% in June (see Chart 1.2). Inflation was subdued during

**Chart 1.2**
**CONSUMER PRICE INFLATION**
*(annual percentage changes)*

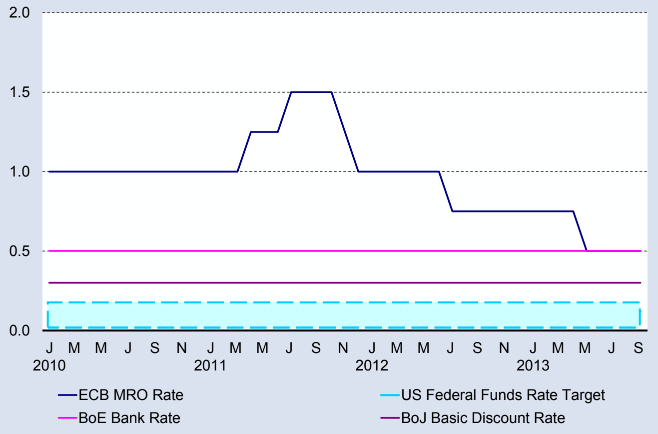



Sources: Eurostat; Bureau of Labor Statistics, US; Office of National Statisitcs, UK; Statistics Bureau, Japan.

April and May reflecting the drop in international oil prices during the period, before a base effect on energy prices raised the overall inflation rate again in June.

Underlying price pressures in the US economy remained weak. Excluding energy and food prices, there was a drop of 0.3 point in the inflation rate over the quarter to 1.6% in June, on the back of a decline in used car prices and slower growth in prices of services.

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




Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

Inflation fell in the third quarter, with the overall rate standing at 1.2% in September.

Monetary policy in the United States was unchanged during the second and third quarters of 2013. The federal funds target rate remained in a range between 0% and 0.25% (see Chart 1.3) during the three months to June, with the Federal Reserve noting that such a low range would be maintained as long as the unemployment rate remained above 6.5% and inflation developments were consistent with price stability.

In addition, the Federal Reserve continued to purchase long-term Treasury securities, while reinvesting principal payments from its holdings in agency mortgage-backed securities and rolling over maturing Treasury securities. The Fed also continued to implement its policy of purchasing mortgage-backed securities. However, in June the Fed stated that it would consider moderating these purchases in the near future should the state of the economy permit it.

### *UK recovery gathers momentum*

Economic activity in the United Kingdom continued to gain momentum during the second quarter, with real GDP rising by 0.7% on the previous three-month period (refer to Table 1.1). Contrary to recent quarters, economic expansion was fuelled by solid growth in domestic demand, led by strong upturns in investment, government spending and inventory stocking. Growth in private consumption was also positive, though slower than in the March quarter. The contribution of net exports, meanwhile, was negligible as the recovery in domestic demand boosted imports. This offset a solid rise in exports, partially reflecting increased demand from the recovering euro area.

The improvement in economic conditions was broad-based across all main economic sectors, indicating a sustainable recovery. Output of both manufacturing and services was supported by increased domestic and foreign demand. Favourable weather conditions during the quarter also played a part. Growth was registered in the construction industry, resulting from an upturn in the property market fuelled by low interest rates and government-backed housing schemes.

Employment continued to rise during the second quarter, but the increase was not enough to pull down the unemployment rate, which remained unchanged at 7.8% throughout the period (see Chart 1.1). Meanwhile, real earnings continued to decline during the quarter, as the annual rate of pay growth remained short of the CPI inflation rate. Going into the third quarter, the unemployment rate resumed its downward trend, falling to 7.6% in September.

Inflation remained above the Bank of England's 2% target throughout the three months to June, with the annual CPI rate easing to 2.4% in April from 2.8% in March, before rising once more to 2.9% in June (see Chart 1.2). Energy inflation was the main factor behind these movements, slowing down at the start of the quarter before rising strongly in June, partly because of a large drop a year earlier. Other upside factors included higher food prices, a base effect in clothing price inflation after an earlier-than-usual start in summer sales in 2012, and continued strong contributions from prices of education and alcohol & tobacco. Underlying inflation remained stable. Excluding food and energy prices, the inflation rate fell only marginally to 2.3% in June from 2.4% in March. CPI inflation during the third quarter held above the 2% target, dropping slightly to 2.7% as of September.

The Bank of England's monetary policy remained unchanged during the second quarter, with the official interest rate paid on commercial bank reserves held at 0.5% (see Chart 1.3) and the Bank's stock of asset purchases standing once more at GBP375 billion. Furthermore, the Bank continued to implement its Funding for Lending Scheme together with the Treasury to encourage lending to the real economy. In August the Bank also introduced forward guidance on the future path of its monetary policy, stating that its official interest rate would not be raised and its stock of asset purchases not reduced at least until the unemployment rate fell to 7%. However, this guidance would cease to apply if material risks to price stability or financial stability were deemed to have risen.

### *Stimulus measures support recovery in Japan*

The Japanese economy continued to recover during the second quarter of 2013, with real GDP growing by 0.9% on the previous quarter (refer to Table 1.1). This was the third straight three-month period of growth, reflecting positive contributions from both domestic and external sectors. Domestic demand in particular has been growing at an increasingly accelerated pace over the past few quarters, as private consumption and investment continued to recover. Higher government spending, in particular on capital investment, also contributed to the expansion, reflecting the impact of recent expansionary fiscal policy measures. The latter in turn supported private demand. On the other hand, the remaining component of domestic demand, inventories, declined for the third successive quarter.

On the external side exports continued to grow strongly, as the Bank of Japan's easing policies induced a depreciation of the yen, which boosted manufacturing output. However, imports also grew at a faster pace, and hence the positive contribution of net exports to GDP growth dropped slightly.

The unemployment rate eased further from 4.1% in March to 3.9% in June, as higher demand prompted employers to recruit more staff (see Chart 1.1). During the following quarter, the unemployment rate edged up marginally to 4.0% in September.

Inflation moved into positive territory during the second quarter, with the annual rate rising from -0.9% in March to 0.2% in June (see Chart 1.2). The latter was the first positive reading in over a year and mainly reflected higher energy prices. In turn, this was due to the effect of the yen's depreciation on import costs, as well as to a base effect from a drop a year earlier. Excluding food and energy, prices extended their decline, though at a gradually slower pace. Inflationary pressures continued to rise during the subsequent three-month period, with the overall CPI rate reaching 1.1% in September, its highest value since 2008.

Japan's fiscal and monetary authorities launched additional stimulus measures during the second quarter in an attempt to boost economic growth. In April the Bank of Japan introduced a new monetary easing policy to achieve its price stability target of 2.0% annual CPI inflation. As a result, the Bank changed its main target for money market operations from the uncollateralised overnight call rate to the monetary base, which will be doubled within the forthcoming two years. The Bank's holdings of Japanese government bonds will also be increased, with its portfolio's average maturity expected to rise. This measure will absorb those bonds bought under the previous Asset Purchase Programme, which was terminated. Moreover, the Bank also decided to increase its purchases of other assets, such as exchange traded funds.

Later on in the quarter, the Bank of Japan announced a number of measures to reduce the volatility in long-term government bond yields that was observed since it announced its new stimulus measures. Meanwhile, on the fiscal side, in May the Japanese parliament approved the government budget for the current fiscal year, which is expected to bring government spending for 2013 to a record high. During the quarter, the Government also announced a number of structural reforms as part of its new growth strategy.

### *Growth in emerging economies slows down*

In contrast with developments in advanced economies, growth in several of the world's major emerging economies remained low by historical standards during the second quarter. In China weaker global demand and strong competition restrained export growth, while a tightening of credit conditions and government efforts to put the economy on a more sustainable growth path weighed on domestic demand. As a result, GDP growth during the second quarter stood at 7.5% on an annual basis, down from 7.7% in the previous three-month period.

Conditions also deteriorated in other emerging economies, reflecting weak exports. This was partly due to the slowdown in China: other factors included infrastructural problems, the lack of structural reforms, falling prices for commodity exports, and capital outflows. The latter reflected the increased possibility that the Federal Reserve would reduce its monetary stimulus in the near future, which led to a rise in US government bond yields. As a result, capital flowed out of riskier emerging market assets, causing a slide in emerging market currencies and stock markets.

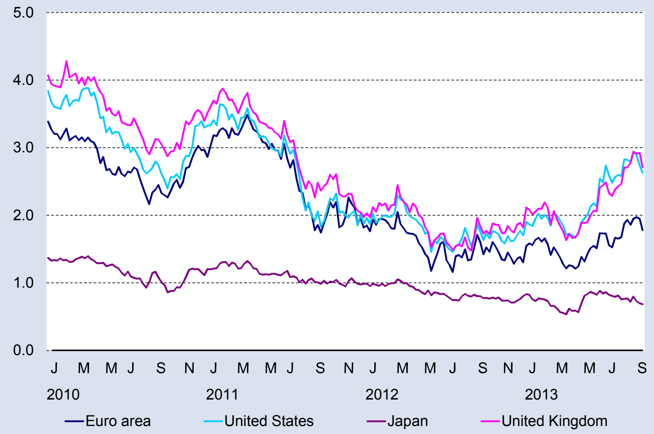
## International financial markets

### *Government bond yields surge on expectations of US policy tightening*

Ten-year government bond yields in advanced nations generally dropped at the start of the second quarter. This decline, reflecting an increase in demand for safe-haven government bonds, occurred on the back of continued central bank purchases, signs of an economic slowdown towards the end of the first quarter, falling commodity prices in April and a terrorist incident in Boston. Yields were also held down by a new wave of monetary stimulus from the Bank of Japan, which led Japanese rates to a record low.

This downward trend in government bond yields was reversed in May as the Federal Reserve announced its intention to begin withdrawing its stimulus policies in the near future. The prospect of reduced central bank purchases caused a surge in yields towards the end of the quarter, so that ten-year yields in the United States and in the United Kingdom rose by 64 and 68 basis points, respectively, between March and June. As a result, the ten-year yield in the United States stood at 2.5% as at end-June, while the ten-year yield in the United Kingdom rose to 2.4% (see Chart 1.4). Yields in Japan were also impacted by concerns about the future of US monetary policy, with the ten-year yield rising by 29 basis points over the quarter to 0.8%. Developments in the Japanese bond market during the period were also affected by a rise in inflation expectations stemming from recent domestic policy measures.

**Chart 1.4**
**TEN-YEAR GOVERNMENT BOND YIELDS**
*(percentages per annum; end of week)*




Source: Reuters.

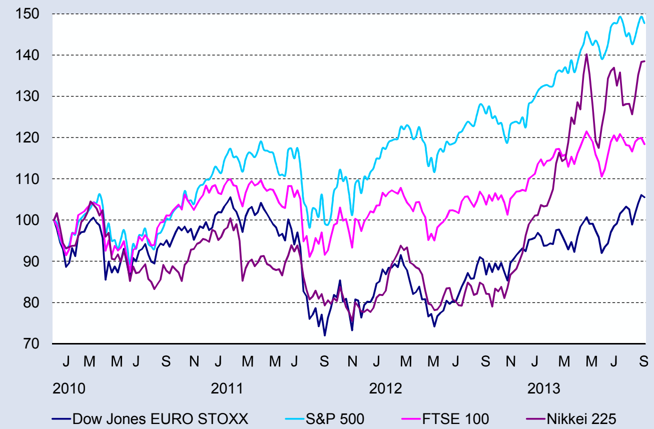
In the following quarter, improved economic conditions reduced the demand for safe-haven government securities. This, along with continued expectations of slower US monetary stimulus, led to a rise in ten-year yields in both the United States and the United Kingdom, by 13 and 28 basis points to 2.6% and 2.7%, respectively. On the other hand, the ten-year yield in Japan dropped by 16 basis points to 0.7%, reflecting the launch of additional monetary stimulus in that country.

### *Rally in equity prices halted by concerns over US monetary policy*

Global equity markets at the start of the second quarter continued to be characterised by rising prices as a low interest rate environment boosted investor demand for shares in expectation of higher returns. New monetary stimulus measures in Europe and Japan during the period further strengthened this shift to equities, with Japanese shares also supported by a depreciation of the yen. Other factors contributing to the rally included the formation of a new government in Italy and generally positive corporate earnings.

The upward trend in equity prices was reversed in the latter half of the quarter, following statements by Federal Reserve officials that it might slow down its pace of monetary easing in the near future. This weighed on equity prices through expectations of a consequent drop in market liquidity. Signs of an economic slowdown in China also had a downward impact on equity prices during the period. These developments led to a partial reversal of the gains

**Chart 1.5**
**STOCK PRICE INDICES**
*(end of week index; Jan. 2010=100)*




Source: Reuters.

seen in US and Japanese stock indices earlier in the quarter. All in all, the S&P500 and the Nikkei225 share price indices rose by 2.4% and 10.3%, respectively, during the three months to June (see Chart 1.5). On the other hand, the UK FTSE100 Index of equity prices dropped by an overall 3.1% during the same period, as events toward the end of the quarter outweighed the gains registered in April and May.

Signs of an improved economic outlook, in particular in China and the euro area fuelled a rise in share prices in the following quarter. As a result, equity prices in the United States, the United Kingdom and Japan rose by 4.7%, 4.0%, and 5.7%, respectively.

## Commodities

### *Oil price falls*

The price of Brent crude oil dropped during the second quarter, standing at USD102.5 per barrel as at end-June (see Chart 1.6). This was 6.5% below its value three months earlier.

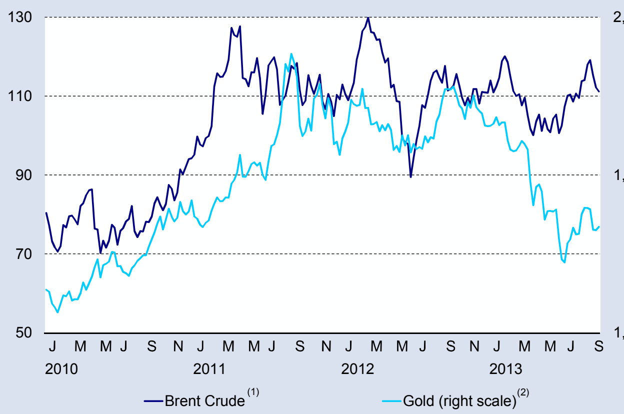
The decline in the oil price was especially pronounced in April, as data pointed to a global economic slowdown toward the end of the first quarter. This was coupled with reports of rising oil inventories and seasonally weaker demand. Oil prices fluctuated in a narrow range throughout the rest of the quarter, as upside factors, such as increased tensions in Egypt and the Middle East, were offset by concerns over the future of US monetary policy.

### *Price of gold tumbles*

The price of gold plunged by 22.7% during the second quarter of 2013, marking the third consecutive quarterly decline (see Chart 1.6). As a result, the metal's price stood at USD1,233.1 per troy ounce at the end of June. Rumours that central banks in stressed European nations might sell their gold reserves to raise funds sparked a sell-off during April. This was compounded by weak inflation data in developed economies, which reduced demand for gold as an inflation hedge. Heavy outflows from gold financial instruments also contributed to the decline, reflecting a long-term drop in risk aversion owing to the gradual easing in euro area tensions since the summer of 2012. Furthermore, the ongoing rally in equity prices increased the opportunity cost of holding precious metals.

The gold price temporarily stabilised in May as the earlier drop ignited physical buying from Asia. However, demand subsequently fell once more as the Federal Reserve announced its intention to slow down its rate of monetary easing, reducing inflation expectations. Demand from emerging economies was also hit by slowing economic growth, rapidly deprecating currencies and restrictions on gold imports in India in June.

**Chart 1.6**
**OIL AND GOLD PRICES**
*(end of week)*



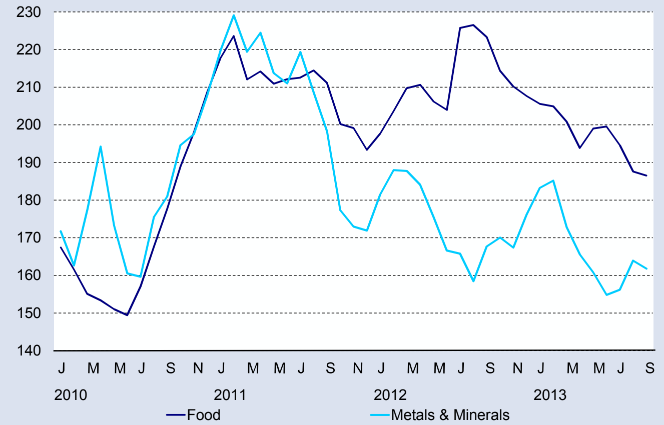

(1) US dollars per barrel; (2) US dollars per troy ounce.

Source: Reuters.

*Food prices drop on abundant supplies*

International food prices dropped during the second quarter of 2013, with the World Bank's Food Price Index shedding 0.7% over the period (see Chart 1.7). Prices generally declined during April, reflecting an abundant supply of grains, sugar and edible oil on account of favourable weather conditions. However, dairy prices continued to rise strongly during the period, mainly owing to abnormally dry weather in New Zealand. Meat and poultry prices also remained high by historical standards, owing to high feed prices and a cut in poultry output due to bird flu fears.

**Chart 1.7**
**COMMODITY PRICES**
*(monthly indices; 2005 = 100)*




Source: World Bank.

Going into the latter half of the quarter, the overall drop in food prices was partly reversed, as a deterioration in weather conditions pushed up the prices of grains, in particular maize and soybeans.

*Weak demand supresses metal prices*

Prices for industrial metals dropped strongly during the three months to June, with the World Bank's Metals & Minerals Index losing 10.4% of its value, following a 1.9% drop in the first quarter (see Chart 1.7). The decline was broad-based, with copper, tin and nickel prices, in particular, dropping significantly. These developments reflected concerns about weak demand, particularly in China, the world's largest consumer of commodities, as well as the prospects that the Federal Reserve might reduce its policy stimulus in the near future.

*Commodity prices rise in the third quarter*

Commodity prices rose during the third quarter driven by demand, with the price of Brent crude oil up by 6.9% and base metal prices gaining 4.5%. This reflected improved economic data in China and advanced economies, with the oil price also supported by tensions in the Middle East. These tensions, in particular the prospect of military action in Syria, also supported the gold price, which gained 7.6% during the third quarter. On the other hand, food prices dropped overall, owing to the impact of positive weather conditions on the supply of grains.

## Economic and monetary developments in the euro area

*Euro area economy recession comes to a halt*

During the second quarter of 2013 economic growth in the euro area turned positive, following six quarters of contraction. Real GDP expanded by 0.3% quarter-on-quarter, following a drop of 0.2% in the previous quarter (see Table 1.2). The increase in GDP reflected positive contributions from both domestic demand and net exports.

**Table 1.2**
**REAL GDP GROWTH IN THE EURO AREA**
*Seasonally adjusted*

| | 2012 | | | 2013 | |
|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 |
| | *Quarterly percentage changes* | | | | |
| Private consumption | -0.6 | -0.1 | -0.5 | -0.2 | 0.2 |
| Government consumption | -0.3 | -0.2 | 0.1 | 0.0 | 0.4 |
| Gross fixed capital formation | -1.9 | -0.4 | -1.2 | -2.2 | 0.3 |
| **Domestic demand** | **-0.9** | **-0.3** | **-0.6** | **-0.2** | **0.1** |
| Exports | 1.1 | 0.6 | -0.5 | -1.0 | 1.6 |
| Imports | -0.2 | 0.2 | -0.9 | -1.1 | 1.4 |
| **GDP** | **-0.3** | **-0.1** | **-0.5** | **-0.2** | **0.3** |
| | *Percentage point contributions* | | | | |
| Private consumption | -0.3 | 0.0 | -0.3 | -0.1 | 0.1 |
| Government consumption | -0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| Gross fixed capital formation | -0.4 | -0.1 | -0.2 | -0.4 | 0.0 |
| Changes in inventories | -0.1 | -0.2 | -0.2 | 0.4 | -0.1 |
| **Domestic demand** | **-0.8** | **-0.3** | **-0.6** | **-0.2** | **0.1** |
| **Net exports** | **0.6** | **0.2** | **0.1** | **0.0** | **0.2** |
| **GDP** | **-0.3** | **-0.1** | **-0.5** | **-0.2** | **0.3** |

Source: Eurostat.

The negative impact of domestic demand on GDP in the first quarter of 2013 was reversed in the second quarter. On a quarter-on-quarter basis, domestic demand increased by 0.1%. Its contribution of 0.1 percentage point to real GDP growth followed a 0.2 percentage point drop in the first quarter. All major components of domestic demand rose, with the most pronounced increase occurring in government consumption, which went up by 0.4% from zero in the previous quarter. Private consumption rose by 0.2% on the previous quarter, following a similar fall in the first quarter. This reflected higher retail sales and increased registrations of passenger cars. Similarly, investment went up by 0.3% compared with a drop of 2.2% in the previous quarter. Both non-construction and construction investment expanded during the quarter under review. In contrast, changes in inventories had an adverse impact on economic growth.

On the external side, both exports and imports grew in the June quarter after contracting in the March quarter. The former rose by 1.6%, while the latter put on 1.4%, as opposed to declines of 1.0% and 1.1% in the previous quarter, respectively. As a result, the contribution of net exports to growth was 0.2 percentage point, up from nil in the previous quarter.

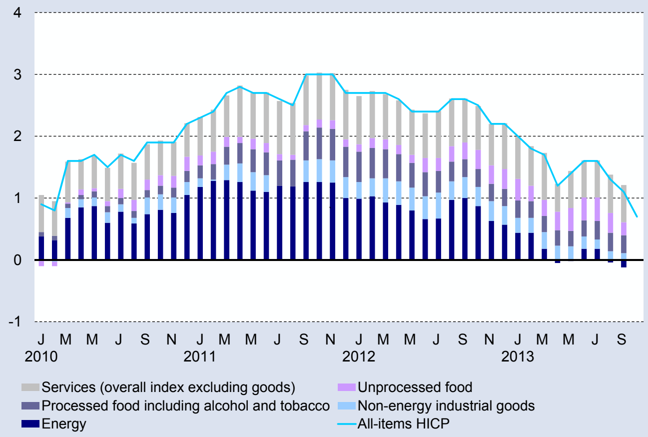
### *Euro area inflation continues to ease*

The annual rate of inflation in the euro area, as measured using the Harmonised Index of Consumer Prices (HICP), eased further during the June quarter, extending the downward trend observed since August 2012, partly owing to the high degree of slack in the economy. The area-wide inflation rate dropped from 1.7% to 1.2% in April, reaching a new three-year low (see Chart 1.8). However, it rose to 1.6% in June.

The decline in the annual inflation rate between March and June mainly reflected developments in services. In fact, the annual inflation rate in services decreased from 1.8% in March to 1.4% in June, so that its contribution to overall inflation diminished from 0.8 percentage point to 0.6 percentage point. Moreover, prices of non-energy industrial goods also increased at a slower annual rate. While the contributions of the processed food and energy components were stable, the contribution of the remaining component, unprocessed food, to overall inflation increased. Excluding energy and unprocessed food prices from the HICP, inflation declined from 1.6% in March to 1.3% in June.

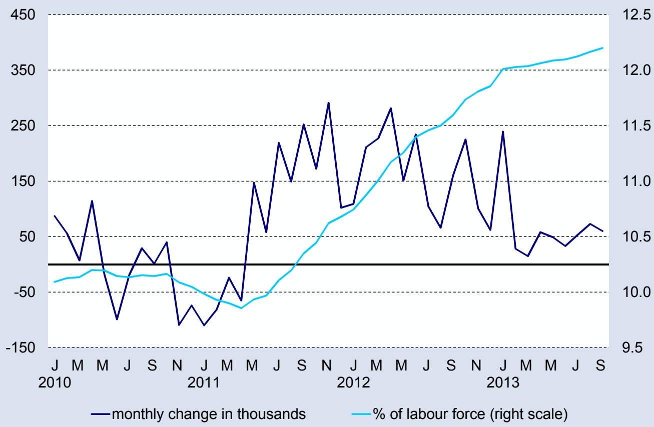
Going into the following quarter, inflation fell further to 1.1% in September, mainly owing to developments in energy prices, while a broad-based easing pushed inflation down to an estimated 0.7% in October.

**Chart 1.8**
**CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA**
*(percentage points; annual percentage change)*




Source: Eurostat.

**Chart 1.9**
**UNEMPLOYMENT IN THE EURO AREA**
*(monthly data; seasonally adjusted)*




Source: Eurostat.

## *Labour market conditions remain weak*

In line with the return to growth in output, employment contracted at a slower pace than in the previous quarter, falling by just 0.1% on a quarter-on-quarter basis, as opposed to a drop of 0.4% in the March quarter.

On the other hand, the area-wide unemployment rate edged up from 12.0% in March to a new high of 12.1% in April, remaining at that level in May and June (see Chart 1.9). The number of unemployed persons rose by 0.1 million over the quarter to 19.3 million in June.

Going into the following quarter, the unemployment rate rose further in August to 12.2%, remaining at that rate in September, with the number of unemployed persons continuing to increase.

## *Euro area GDP forecasts for 2013 revised upwards*

According to the ECB staff projections published in September 2013, following the return to growth in the second quarter of 2013, euro area GDP is expected to stabilise during the second half of the year and to gain momentum in 2014. As a result, real GDP is expected to fall by 0.4% in 2013 as a whole and to expand by 1.0% in 2014 (see Table 1.3). Compared with forecasts released in June, these projections represent an upward revision for 2013 and a downward revision for 2014.

**Table 1.3**

**REAL GDP AND INFLATION PROJECTIONS FOR THE EURO AREA**[1]

*Average annual percentage changes; working-day-adjusted data.*

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| Private consumption | -1.4 | -0.7 | 0.7 |
| Government consumption | -0.5 | -0.1 | 0.6 |
| Gross fixed capital formation | -4.0 | -3.6 | 1.8 |
| Exports | 2.7 | 0.9 | 3.6 |
| Imports | -0.9 | -0.6 | 3.8 |
| **GDP** | **-0.6** | **-0.4** | **1.0** |
| **HICP** | **2.5** | **1.5** | **1.3** |

(1) ECB staff macroeconomic projections (Sep 2013).

Source: ECB.

The rebound in 2014 is expected to be supported by a gradual improvement in domestic demand, aided by various factors. These include the accommodative monetary policy stance, a general improvement in financial markets, a less restrictive fiscal stance and the favourable impact of lower inflation on real incomes. A gradual rise in foreign demand should also have a favourable impact on exports. On the other hand, labour market performance is expected to remain subdued, with a negative impact on domestic demand, while the need for various sectors to adjust their balance sheets will continue to weigh on economic activity. Overall, the recovery is projected to remain subdued by historical standards.

According to the September ECB staff projections, the inflation forecast for 2013 was revised slightly upwards compared with the June forecasts, while that for 2014 remained unchanged. The average annual inflation rate in the euro area is expected to fall from 2.5% in 2012 to 1.5% in 2013 and then to 1.3% in 2014. The easing projected for 2013 is based on the marked fall seen during the first half of the year, as well as a projected strong decline in energy price inflation and, to a lesser extent, in food price inflation.

### *ECB reduces key interest rates*

The Governing Council of the ECB reduced the interest rate on the MROs of the Eurosystem by 25 basis points to a new historical low of 0.50% in May. The rate on the marginal lending facility was lowered by 50 basis points to 1.00%, while that on the deposit facility was left unchanged at 0.00%. These changes imply a narrowing of the policy rates' corridor. This decision was taken against a backdrop of low underlying price pressures over the medium term, as inflation expectations continued to be firmly anchored, while monetary and loan dynamics remained subdued. The Council indicated that it expected the cut in interest rates to support economic recovery.

In July the Governing Council introduced forward guidance, announcing that it expected key ECB interest rates to remain "at current or lower levels for an extended period". These expectations were based on the overall subdued outlook for inflation in the medium term, given the broad-based weakness in the real economy and moderate monetary dynamics.

The Eurosystem continued to implement non-standard monetary policy measures. In May the Governing Council decided to continue conducting its MROs as fixed rate tender procedures with full allotment for as long as necessary and at least until 8 July 2014. This procedure will also remain in use for the Eurosystem's special-term refinancing operations until the end of the second quarter of 2014. Furthermore, the Council decided to conduct the three-month longer-term refinancing operations to be allotted over the period between July 2013 and June 2014 as fixed rate tender procedures with full allotment.

In addition, in September the ECB decided, in agreement with the Bank of England, to extend the liquidity swap arrangement with the Bank of England up to 30 September 2014. Subsequently, in October the ECB and the People's Bank of China agreed to establish a bilateral currency swap arrangement involving the Chinese yuan and the euro. Such swap arrangements promote financial market stability.

In November the Governing Council lowered key interest rates again in the light of indications of a further reduction in underlying price pressures in the euro area over the medium term and of subdued monetary and credit dynamics. The interest rate on the MROs of the Eurosystem was cut by another 25 basis points to a new historical low of 0.25%. At the same time, the interest rate on the marginal lending facility was lowered by 25 basis points to 0.75%, while that on the deposit facility was left unchanged at 0.00%. The interest rate changes became effective on 13 November 2013.

### *Growth in broad money moderates further*

Money and credit dynamics in the euro area remained subdued during the quarter under review. Annual growth in the broad monetary aggregate (M3) declined, going from 2.6% in March to 2.4% three months later (see Table 1.4). As in the preceding quarter, this reduction occurred despite an acceleration in M1, while other short-term deposits, the remaining component of M2, grew at a slower pace.

The annual growth rate of the narrow money component, M1, extended the upward trend observed since mid-2011. Over the quarter M1 growth increased from 7.1% to 7.6%. This reflects a continued strong preference for liquid instruments and, at a time of low interest rates, a small opportunity cost of holding narrow money. In particular, the annual growth rate of overnight deposits increased by 0.6 percentage point to 8.8% in June.

On the other hand, the annual rate of growth of other short-term deposits (i.e. M2 minus M1) decreased further, going to 0.1% in June from 0.5% in March. Deposits redeemable at notice of up to three months (short-term saving deposits) expanded at a slower pace than before and

**Table 1.4**
**EURO AREA MONETARY AGGREGATES**
*Annual percentage changes*

| | 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Mar. | Apr. | May | June | July | Aug. | Sep. |
| **M1** | **7.1** | **8.7** | **8.3** | **7.6** | **7.1** | **6.8** | **6.6** |
| Currency in circulation | 1.9 | 3.4 | 2.6 | 2.1 | 2.4 | 2.7 | 3.2 |
| Overnight deposits | 8.2 | 9.8 | 9.6 | 8.8 | 8.1 | 7.6 | 7.3 |
| **M2-M1 (Other short-term deposits)** | **0.5** | **0.1** | **0.0** | **0.1** | **0.2** | **0.4** | **0.2** |
| Deposits with an agreed maturity of up to two years | -5.2 | -6.0 | -6.2 | -5.6 | -5.4 | -4.5 | -4.8 |
| Deposits redeemable at notice of up to three months | 5.9 | 5.9 | 5.8 | 5.4 | 5.3 | 4.8 | 4.5 |
| **M2** | **4.2** | **4.9** | **4.7** | **4.3** | 4.1 | 4.0 | 3.8 |
| **M3** | **2.6** | **3.2** | **2.9** | **2.4** | **2.2** | **2.3** | **2.1** |

Source: ECB.

deposits with an agreed maturity of up to two years (short-term time deposits) contracted at a faster rate.

Going into the third quarter, annual growth rate in M3 decreased further to 2.1% in September. Whereas the annual rate of change of M1 moderated during the quarter, other short-term deposits (i.e. M2 minus M1) rose at a slightly faster pace.

### *Private sector credit contracts further*

On the counterparts' side, credit to the private sector in the euro area contracted at a faster pace than in the previous quarter, with the annual rate of change declining to -1.1% in June from -0.9% in March.[1]

At the same time, loans granted by monetary financial institutions (MFI) to the private sector, which account for most private sector credit, contracted at a faster pace than in March. Their annual rate of change fell to -0.9% in June from -0.3% in March (see Chart 1.10). Within this category, the growth rate of loans to non-financial corporations fell by 0.9 of a percentage point to -3.3% in June. Similarly, the corresponding growth rate of lending to households fell by 0.4 of a percentage point to zero percent in over the same period.

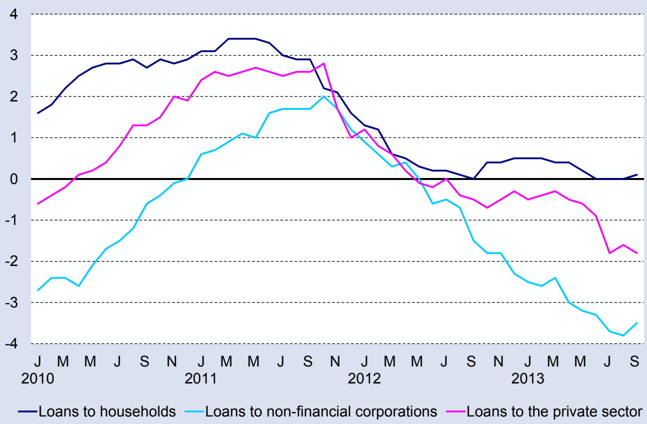
The weakness in credit dynamics during the quarter reviewed reflects a combination of subdued loan demand and, to a lesser degree, supply factors. Demand for credit was held back by weakness in economic activity, high uncertainty, the need to reduce private sector debt levels in some countries, and the ability of some firms, especially large ones, to use alternative sources of financing by, for instance, issuing debt securities.

Credit growth remained negative in the following quarter. The annual growth rate of total lending to the private sector contracted at a faster annual rate, falling to -1.8% in September. Lending to non-financial corporations contracted by 3.5% on a year earlier, while lending to households grew by a marginal rate of 0.1%.

### *Money market rates stable*

Money market interest rates in the euro area were largely unchanged during the June quarter. Unsecured money market interest rates, as measured by EURIBOR, rose by 1 basis point to 0.22% at the three-month maturity (see Chart 1.11).[2] At the 12-month maturity EURIBOR fell by 2 basis points to 0.53%. During the September

**Chart 1.10**
**MFI LOANS TO THE PRIVATE SECTOR IN THE EURO AREA**
*(annual percentage changes)*




Source: ECB.

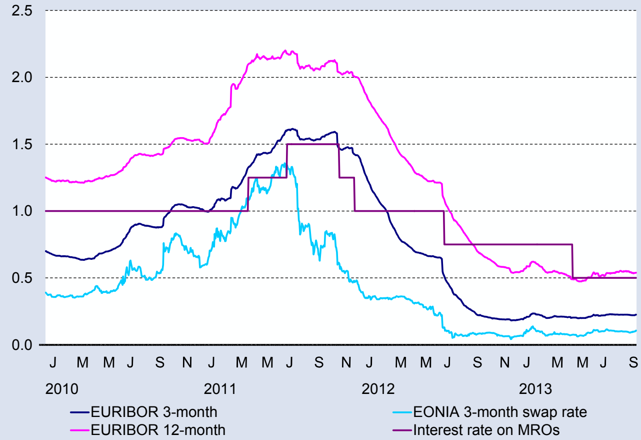
[1] Credit to the private sector is made up of MFI loans and holdings of securities. It includes claims on all resident sectors except MFIs and general government.

[2] Euro Interbank Offered Rate (EURIBOR) refers to the rates at which prime banks are willing to lend funds to other prime banks in euro on an unsecured basis.

quarter, the interest rate on both the three-month and 12-month maturity rose by 1 point.

Secured rates rose slightly.[3] The rate implicit in the three-month EONIA swap index remained close to the zero mark, in line with low key ECB interest rates and the excess liquidity in the overnight money market. Over the three months to June, the rate rose by just 3 basis points to 0.11%. This interest rate was stable over the following quarter.

**Chart 1.11**
**KEY INTEREST RATES**
*(percentages per annum; daily data)*




Sources: ECB; Euribor FBE.

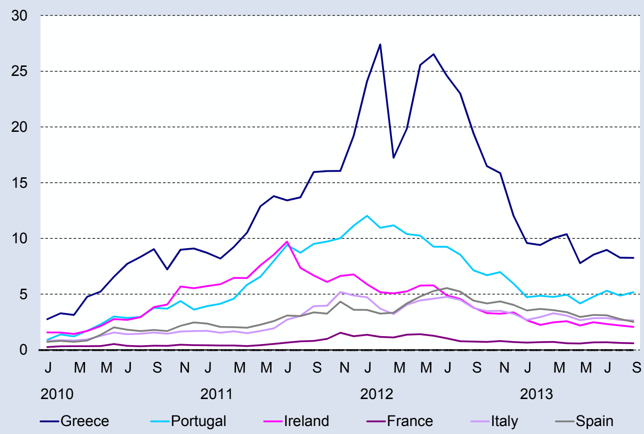
As a result, the spread between the unsecured EURIBOR rate and the secured EONIA swap rate, which is often used as a measure of market confidence in the soundness of the banking system, narrowed marginally. At the three-month maturity, the spread fell to 11 basis points at end-June from 13 points three months earlier, signalling a slight improvement in confidence.

## *Euro area bond yields rise*

During the June quarter ten-year German government bond yields, which often serve as a benchmark for the euro area, increased by 45 basis points to 1.73% at end-June (refer to Chart 1.4). In April in particular, bond yields declined, reflecting weak economic data releases and flight-to-safety flows triggered by events in Cyprus and by political uncertainty in a number of euro area countries. In May and June yields rose as some of these flight-to-safety flows started to unwind owing to a reduction in perceived uncertainties. In contrast, ten-year German government bond yields remained practically unchanged during the following quarter, to end September at 1.78%.

Spreads between yields on bonds issued by a number of euro area countries and Germany generally narrowed during the June quarter, as shown in Chart 1.12. This largely reflected the fact that yields on German government bonds rose, while those on bonds issued by some of the other countries fell

**Chart 1.12**
**EURO AREA TEN-YEAR GOVERNMENT BOND YIELD SPREADS**
*(vis-à-vis German ten-year government bond yields)*




Source: ECB.

[3] Euro OverNight Index Average (EONIA) is a measure of the effective interest rate prevailing in the euro interbank overnight market. The EONIA swap rate is the fixed rate that banks are willing to pay in exchange for receiving the average EONIA rate over the lifetime of a swap contract. The EONIA swap index is considered a measure of market confidence in the soundness of the banking system.

following positive news, including successful primary market issues, regarding several stressed countries. As in the previous quarter, the most pronounced drop related to the spread on Greek sovereign bonds, which fell from 10.03 percentage points in March to 8.54 percentage points in June, a level not seen since the beginning of 2011.

### *Euro area equity prices edge slightly down*

Euro area equity prices, as measured by the Dow Jones EURO STOXX index, dropped by 1.1% during the second quarter (refer to Chart 1.5). Stock prices rose in April and May as investors were driven by a search for yield, despite weak economic data. However, this rally came to a halt in June. Equity prices recovered strongly in the following quarter, with the index increasing by 11.3% by end-September.

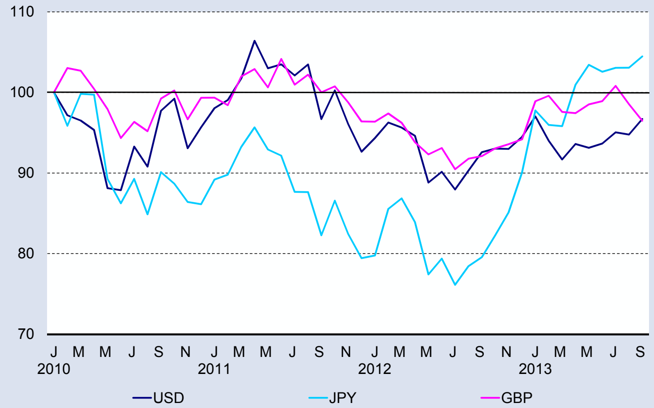
### *The euro strengthens against other major currencies*

The euro appreciated during the June quarter. Foreign exchange market developments were related to more favourable expectations about the economic outlook for the euro area, as well as to perceptions about further monetary policy accommodation outside the euro area.

On a bilateral basis, over the quarter as a whole the euro rose against major currencies. In particular, it appreciated strongly against the Japanese yen, gaining 7.0%, while it rose by 2.1% against the US dollar, primarily due to weaker than expected US economic data and uncertainty relating to the Federal Reserve's asset purchase programme. The euro also strengthened by 1.4% against the pound sterling (see Chart 1.13). During the September quarter, the euro appreciated against the Japanese yen and US dollar, but depreciated against the pound sterling.

More broadly, during the second quarter the nominal effective exchange rate of the euro, as measured against the currencies of 20 of the euro area's main trading partners, appreciated, gaining 2.3% (see Chart 1.14). The effective rate further strengthened during the third quarter of 2013, rising by 0.6% in nominal effective terms.

**Chart 1.13**
**EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES**
*(index of end of month rates; Jan. 2010=100; an increase in the index implies euro appreciation)*




Source: Eurostat.

**Chart 1.14**
**EURO NOMINAL EFFECTIVE EXCHANGE RATE**
*(index of daily effective exchange rate; Q1 1999=100)*

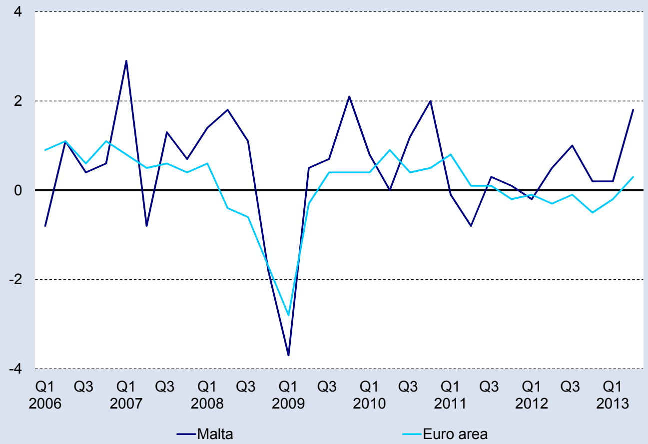

Source: ECB.

## 2. OUTPUT AND EMPLOYMENT

### Gross domestic product and industrial production

*Economic growth accelerates*
Economic activity in Malta continued to expand in the second quarter of 2013, with annual gross domestic product (GDP) growth accelerating to 3.6% from 1.8% in the previous quarter. Net exports were the main source of economic growth as domestic demand contracted. On a quarterly basis, seasonally-adjusted data indicate that the Maltese economy expanded by 1.8%, up from 0.2% in the previous quarter. This compares with 0.3% growth in the euro area (see Chart 2.1).

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




Source: Eurostat.

*Net exports boost GDP growth*
During the period under review net exports contributed 7.9 percentage points to the annual rise in GDP. While both exports and imports registered negative growth, imports declined at a much faster rate than exports (see Table 2.1).

On an annual basis real exports were 8% lower in the second quarter of 2013. This resulted from lower merchandise sales, which dropped by nearly 17% compared with the same quarter of 2012. Conversely, export of services increased by 11.1% in the same period. In nominal terms, Customs data indicate that the drop in goods exports was mainly due to lower oil re-exports. In fact, non-fuel exports were higher on an annual basis. The largest absolute increases were recorded in exports of food, chemicals and machinery & transport equipment. Over the same period, higher exports of services mainly reflected the buoyant performance of the tourism industry.

The fall in exports, together with lower domestic demand, led to a sharp reduction in imports during the quarter reviewed. The latter declined by 14.8% in real terms, with both goods and services contracting on an annual basis by 21.6% and 1.3%, respectively. The impact of the drop in imports was to boost real GDP growth by 17.4 percentage points. Customs data show that in nominal terms imports of goods were lower across all main components except oil. The most notable declines were in imports of machinery & transport equipment and food. Imports of services remained practically unchanged in the second quarter of 2013 on a year earlier.

*Domestic demand declines*
Domestic demand weakened in the second quarter of the year, reversing the positive performance observed in the previous quarter. In fact, domestic demand had an adverse impact of 4.2 percentage points on real GDP growth on account of negative changes in inventories, lower

**Table 2.1**
**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 | -0.2 |
| **Domestic demand** | **0.7** | **1.7** | **-0.1** | **5.2** | **-4.3** |
| 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** | **3.6** |
| | *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 | -2.1 |
| **Domestic demand** | **0.7** | **1.5** | **-0.1** | **5.2** | **-4.2** |
| 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** | **3.6** |

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

investment and lower private consumption.[1] Government consumption expenditure was the only component of domestic demand to register growth.

Private consumption fell for the second consecutive quarter, by 1.6%. It contributed a negative 1 percentage point to real GDP growth. Lower expenditure on clothing & footwear and transport were key factors behind the decline.

Meanwhile, government consumption recovered and rose by 3.5% after having declined in the previous quarter. It contributed 0.7 of a percentage point to GDP growth. In nominal terms, payments in connection with the compensation of employees were the largest contributor to the increase in government consumption, though intermediate consumption also rose. At a sectorial level, education and health, which absorb the largest amount of government consumption expenditure, also recorded the highest increase during the second quarter.

Gross fixed capital formation fell for the fourth consecutive quarter, dropping at an annual rate of 13.5% in the second quarter. Its contribution to GDP growth was a negative 1.9 percentage points. Investment in real terms fell across all sectors except those involving IT & related services. The largest fall was recorded in construction-related activity, both in the residential and non-residential category.

Nominal data indicate that both private and government investment were lower in the second quarter. In the case of general government investment, the decline was mainly related to transport equipment and non-residential construction. Where the private sector was concerned, the

[1] Changes in inventories include acquisitions and disposals of valuables and the statistical discrepancy.

contraction was reflected in the machinery and residential construction categories. However, private investment outlays on IT & related products and on transport equipment were higher.

Changes in inventories turned negative in the second quarter of the year and dragged down real GDP growth by 2.1 percentage points. These were equivalent to -0.2% of real GDP.

### *Growth in compensation of employees accelerates*

Nominal GDP growth accelerated to an annual rate of 5.4% in the second quarter from 4.1% in the previous quarter. Gross operating surplus continued to grow, though the rate of growth decelerated sharply to 3.7% (see Chart 2.2). In contrast, compensation of employees grew at a faster pace, rising by 6.1% on a year earlier.

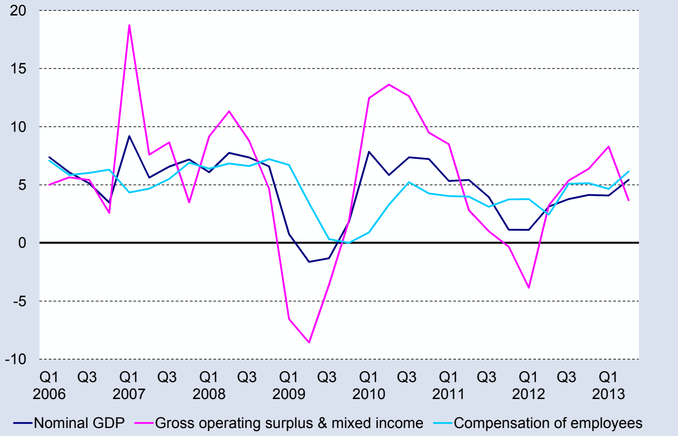
At a sectorial level, the most significant increases in operating surplus occurred in the mining & utilities sector, which continued to recover, mainly in response to efficiency gains in the energy sector. Operating surplus also rose significantly in the professional & scientific activities sector and the accommodation sector. In a number of sectors, however, the operating surplus decreased, most notably in transport & storage, in wholesale & retail and in health & social work.

With regard to the compensation of employees, this rose on a year earlier across all sectors except construction. In absolute terms, public administration & defence was responsible for a substantial part of the increase. However, a significant rise was also registered by the professional & scientific and wholesale & retail, transport & accommodation sectors.

Turning to the output measure of GDP, gross value added (GVA) contributed 4.5 percentage points to nominal GDP growth (see Table 2.2).[2] The year-on-year growth rate, at 5.1%, was 0.9 of a percentage point lower compared with the first quarter of 2013.

Services continue to be the main driving force behind the increase in GVA, adding 3.1 percentage points to nominal GDP growth. GVA rose in all service sectors except the arts & entertainment sector compared with the same quarter a year ago. The largest increase in GVA was in the public administration & defence sector, followed closely by the professional & scientific activities sector. These contributed 1 and 0.8 percentage point, respectively, to GDP growth. The financial & insurance activities sector added half a percentage point. The rest of the service sectors collectively boosted GDP by 0.7 of a percentage point.

**Chart 2.2**
**NOMINAL GDP AND ITS MAIN COMPONENTS**
*(annual percentage changes)*




Source: NSO.

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

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

| | 2012 | | | 2013 | |
|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 |
| Agriculture, forestry & fishing | -0.1 | 0.1 | 0.2 | 0.1 | 0.1 |
| Mining & quarrying; utilities | -0.4 | -0.7 | -0.3 | 0.9 | 1.2 |
| Manufacturing | -0.1 | 1.1 | 1.1 | 1.1 | 0.2 |
| Construction | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Services | 3.4 | 3.9 | 4.0 | 3.2 | 3.1 |
| *of which:* | | | | | |
| Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities | 0.8 | 1.6 | 1.1 | 0.5 | 0.3 |
| Information & communication | 0.5 | 0.4 | 0.4 | 0.4 | 0.3 |
| Financial & insurance activities | 0.8 | 0.2 | 0.3 | 0.3 | 0.5 |
| Real estate activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Professional, scientific, administrative & related activities | 0.0 | 0.7 | 0.6 | 0.7 | 0.8 |
| Public administration & defence; education; health & related activities | 0.9 | 0.9 | 1.3 | 1.2 | 1.0 |
| Arts, entertainment; household repair & related services | 0.4 | 0.1 | 0.4 | 0.1 | 0.0 |
| **Gross value added** | **2.7** | **4.3** | **5.0** | **5.2** | **4.5** |
| **Net taxation on products** | **0.4** | **-0.5** | **-0.9** | **-1.1** | **1.0** |
| **Annual nominal GDP growth (%)** | **3.1** | **3.8** | **4.1** | **4.1** | **5.4** |

Source: NSO.

The GVA in the mining & utilities sector also increased significantly for the second consecutive quarter, boosting nominal GDP growth by 1.2 percentage points. However, growth in the manufacturing sector slowed down but remained positive and contributed 0.2 percentage points. In contrast, GVA in construction extended its downward trend, shaving off 0.1 percentage point from nominal GDP growth.

During the quarter reviewed higher receipts from indirect taxes led to an increase in net taxes of 8%, mechanically increasing nominal GDP growth by 1 percentage point.

**Table 2.3**
**INDUSTRIAL PRODUCTION**
*Percentages; annual percentage changes*

| | | 2012 | | | 2013 | |
|---|---|---|---|---|---|---|
| | Shares | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Industrial production** | **100** | **0.5** | **6.4** | **8.7** | **2.2** | **3.6** |
| Computer, electronic & optical products | 18.5 | 7.4 | 21.1 | 26.8 | 10.9 | -0.6 |
| Food products | 10.2 | 1.4 | 6.3 | 1.2 | 5.0 | 12.7 |
| Energy[1] | 8.0 | 3.7 | 4.9 | 3.6 | -3.8 | -2.4 |
| Wearing apparel | 6.5 | -11.8 | -11.1 | 29.8 | -4.0 | 5.3 |
| Rubber & plastic products | 6.2 | -14.2 | -11.5 | -10.8 | 0.4 | 8.9 |
| Basic pharmaceutical products & pharmaceutical preparations | 5.5 | 1.8 | 14.2 | 16.4 | 6.2 | -5.5 |
| Textiles | 5.2 | -8.4 | -11.3 | -0.9 | -23.4 | -18.8 |
| Repair and installation of machinery and equipment | 5.0 | -1.0 | -0.2 | -9.1 | -6.6 | -1.9 |

[1] Includes electricity, gas, steam & air conditioning supply and water collection, treatment & supply.
Source: NSO.

### *Industrial production accelerates*

The annual rate of growth of industrial production accelerated to 3.6% in the second quarter from 2.2% in the first quarter of 2013 with almost all the sectors registering an improved performance (see Table 2.3).[3] Thus, output growth accelerated in the food and rubber & plastic products sectors and turned positive in the wearing apparel industry. In the textile, energy and repair & installation of machinery & equipment industries it contracted at a slower pace. However, output in the pharmaceutical and computer, electronic & optical products sectors declined after it had risen in the previous quarter.

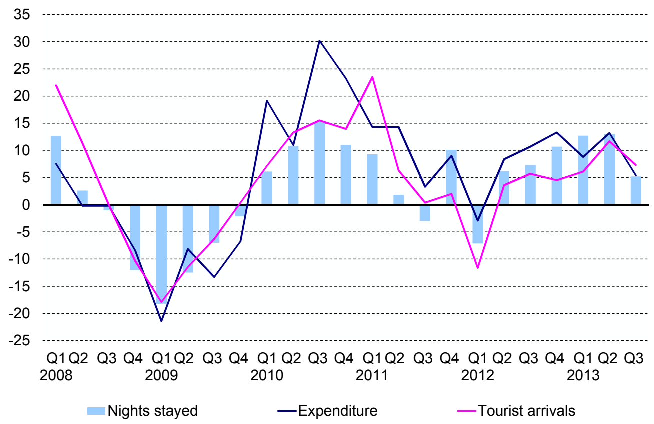
[3] Methodological differences may account for divergences between developments in GVA in the manufacturing sector and industrial production. GVA nets input costs from output to arrive at value added and is expressed in nominal terms. Industrial production is a measure of the volume of output that takes no account of input costs. The sectorial coverage between the two measures may differ, since industrial production data also capture the output of the energy sector.

## BOX 1: TOURISM ACTIVITY

### Tourism industry expands further in the second quarter

During the second quarter of 2013 the tourism industry continued to perform strongly as the number of inbound tourists recorded a positive year-on-year growth rate for the fifth consecutive quarter. When compared with the April-June period of 2012, nights stayed and expenditure were also higher.

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




Source: NSO.

National Statistics Office (NSO) data show that arrivals in the second quarter of 2013 numbered 451,418, an 11.7% increase on the corresponding period of 2012 (see Chart 1). The surge reflected marked increases in the number of leisure travellers and, to a lesser extent, business travellers.

In terms of geographical distribution, the rise in arrivals stemmed from Malta's main traditional markets, as well as from less traditional markets. The largest upturn was registered by the Italian market, where the number of visitors went up by 8,020, or 15.3%, compared with the second quarter of 2012. Meanwhile, the number of visitors from the United Kingdom, Malta's largest source market, rose by 5,670, or 4.5%, compared with year-ago levels. Additionally, while visitors from Austria, Scandinavia, France and Russia increased substantially, travellers from Germany, which had a recorded a strong rise in the first quarter of 2013, fell by 1,077 compared with the second quarter of 2012. At the same time, arrivals from Spain dropped by 827. A small decline was also recorded in the number of visitors from Ireland.

In the second quarter of the year total tourist expenditure is estimated by the NSO to have reached €380.1 million, up by 13.2% in annual terms.[1] This rise was mainly attributable to an estimated 31.4% increase in non-package expenditure, mirroring higher spending on airfares and accommodation. At the same time, spending on the "other" component of expenditure and on package holidays also went up by 9.7% and 4.4%, respectively.[2]

The total number of nights spent in Malta by tourists rose by 13.0% over year-ago levels, reflecting a 9.0% increase in nights spent in collective accommodation as well as a 23.8%

---

[1] Total expenditure is split into package, non-package and "other".

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

surge in private accommodation.[3] The latter include self-catering apartments, farmhouses and private residences. As a result of the increasing use of private accommodation, the share of nights stayed in collective accommodation in total nights stayed dropped to just over 70% from around 75% two years earlier. Between April and June 2013, the average length of stay of visitors rose by 0.1 to 7.2 nights over the corresponding period a year earlier.

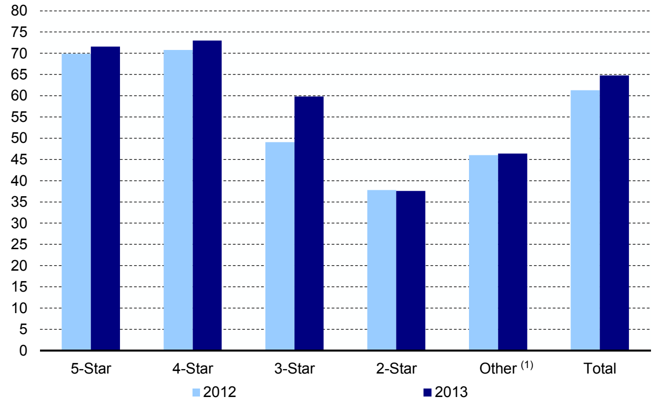
According to NSO data for the third quarter of 2013, the tourism sector continued to grow with regard to arrivals, nights stayed and expenditure. The number of visitors to Malta rose by 7.3% year-on-year, with total nights stayed 5.2% higher than the level of the same period of 2012. Meanwhile, total expenditure increased by 5.4%. Although all expenditure components recorded increases, the rise is predominantly attributable to non-package spending, notably on fares and accommodation.

Tourist arrivals generally increased from both traditional and smaller markets. The largest absolute increases were observed in the Italian, Libyan and UK markets. Significant increases were also recorded in German and Scandinavian markets. These more than offset declines in tourist arrivals from a small number of other countries, including Spain.

By end-June 2013 the net number of bed-places available in collective establishments edged up by 3.9% when compared with the accommodation capacity a year earlier. Although all hotel categories recorded increases, the expansion was predominantly attributed to a rise in 3-star hotels. The number of establishments in the latter category rose to 39, up by one over a year earlier.

Overall, reflecting the rise in nights stayed, the average occupancy rate in collective accommodation establishments was 64.8% in the second quarter, a rise of 3.5 percentage points on a year earlier. This increase was evident across all hotel categories, with the exception of 2-star hotels (see Chart 2).[4] However, the largest increase was registered by 3-star hotels, with occupancy rates growing by 10.7 percentage points, while 4-star and 5-star hotels showed increases of 2.2 and 1.7 points, respectively. Conversely, occupancy in 2-star hotels dipped to 37.6%, down by 0.2 percentage point. As a result, this category of hotel continued to record the lowest occu-

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




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

[3] Collective accommodation comprises hotels, aparthotels, guesthouses, hostels and tourist villages.
[4] Occupancy rates in all establishments include night stays of both residents and non-residents.

pancy rates. Meanwhile, occupancy in “other” establishments[5] edged up by 0.4 point when compared with the corresponding period of the previous year.

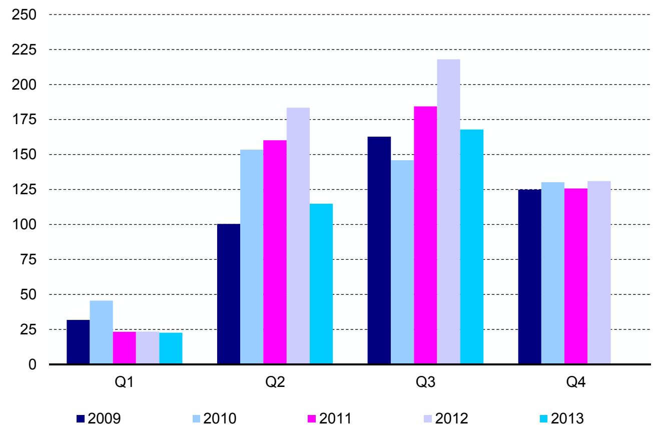
The quarterly survey conducted by the tourism industry shows that the average achieved room rates between April and June increased in 3-star and 5-star hotels. Whilst rates in the former category edged up only marginally, the latter increased to €115.70 from €109.0 in the second quarter of 2012.[6] Meanwhile, rates in 4-star hotels registered a marginal decrease when compared with a year earlier. The survey also shows that gross operating profit per achieved room increased across all hotel categories.

NSO data for July and August show that occupancy rates in collective accommodation establishments averaged 83.4%, up by 1.2 percentage points over the comparable months a year earlier. This was the result of an increase in the occupancy rates of guesthouses, aparthotels and hostels. Concurrently, increases in the occupancy rates of 2-star and 3-star hotels were offset by declines registered in 4-star and 5-star ones.

## Cruise liner passengers drop

The performance of the cruise liner business was less buoyant during the same period. The number of cruise liner calls between April and June 2013 contracted by 33 on a year earlier, partly because two cruise liner companies terminated their port calls to Malta. As a result, the number of foreign cruise line passengers declined by 37.4% in annual terms (see Chart 3).

Chart 3
CRUISE LINER PASSENGERS
*(thousands)*




Source: NSO.

In the third quarter of 2013, the number of cruise liner calls was 101, down by 12 from the corresponding quarter a year earlier. The number of foreign passengers fell by over 50,000, or nearly a quarter. As a result, during the January-September period of 2013, the number of passengers went down by 28.2%.

5 Comprises guesthouses, aparthotels and hostels.
6 See *BOV-MHRA Survey – Q2 2013*.

## The labour market[4]

In the second quarter of 2013 employment rose further on both an annual and quarter-on-quarter basis. Meanwhile, the unemployment rate based on the Labour Force Survey (LFS) increased when compared both with a year earlier and with the preceding quarter.

### *Employment continues to rise*

The LFS shows that in the second quarter of 2013 the labour force increased by 3.2%, compared with the same quarter a year earlier (see Table 2.4).[5] This was marginally lower than the rise of 3.3% registered in the previous quarter.

Employment rose by 3.0% on a year earlier, following a slower increase of 1.7% in the first quarter (see Chart 2.3). Jobs on a full-time basis were up by 1,922 in absolute terms, or 1.3%, while part-time jobs increased by 3,024, or 16.4%. Meanwhile, full-time jobs on reduced hours also rose on a year earlier.

The total employment rate stood at 60.5%, 2.0 percentage points higher than the year-ago level.[6] This increase was primarily driven by females as their employment rate rose to 46.5% from 43.9% in the first quarter. Among women, the strongest increase was registered in the 15 – 24

**Table 2.4**
**LABOUR MARKET INDICATORS BASED ON THE LFS**
*Persons; annual percentage changes*

| | 2012 | | | 2013 | | Annual change |
|---|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 | % |
| **Labour force** | **183,705** | **186,409** | **185,426** | **185,459** | **189,620** | **3.2** |
| Employed | 171,728 | 174,126 | 173,456 | 174,174 | 176,862 | 3.0 |
| *By type of employment:* | | | | | | |
| Full-time | 148,393 | 148,833 | 148,961 | 148,977 | 150,315 | 1.3 |
| Full-time with reduced hours | 4,876 | 4,232 | 4,125 | 4,063 | 5,054 | 3.7 |
| Part-time | 18,459 | 21,061 | 20,370 | 21,134 | 21,483 | 16.4 |
| Unemployed | 11,977 | 12,283 | 11,970 | 11,285 | 12,758 | 6.5 |
| **Activity rate (%)** | **62.6** | **63.9** | **63.6** | **63.6** | **64.9** | |
| Male | 77.7 | 79.1 | 77.7 | 78.0 | 79.4 | |
| Female | 47.0 | 48.1 | 49.0 | 48.6 | 49.8 | |
| **Employment rate (%)** | **58.5** | **59.6** | **59.5** | **59.7** | **60.5** | |
| Male | 72.5 | 74.7 | 73.1 | 73.0 | 73.9 | |
| Female | 43.9 | 44.0 | 45.4 | 45.8 | 46.5 | |
| **Unemployment rate (%)** | **6.5** | **6.6** | **6.5** | **6.1** | **6.7** | |
| Male | 6.5 | 5.4 | 5.9 | 6.3 | 6.9 | |
| Female | 6.6 | 8.6 | 7.4 | 5.7 | 6.5 | |

Source: NSO.

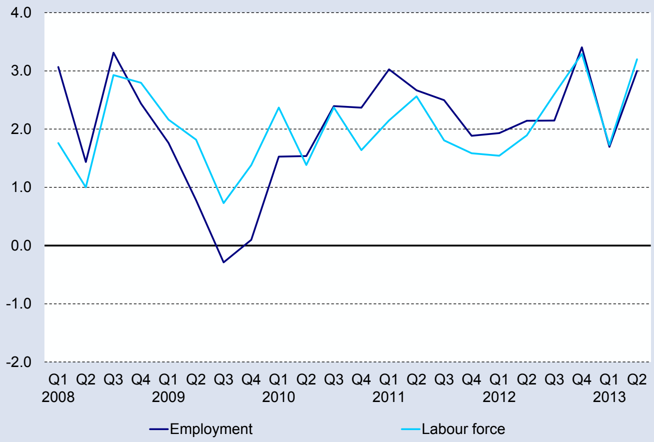
4 This section draws mainly on labour market statistics from two sources: the LFS, which is a household survey conducted by the NSO on the basis of definitions set by the International Labour Organization and Eurostat, and administrative records compiled by the Employment and Training Corporation according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

5 The LFS defines the labour force as all persons active in the labour market aged 15 and over. This includes those in employment, whether full-time or part-time, and the unemployed, defined as those people without work, actively seeking a job and available for work. The ETC definition of the labour supply is more restricted: it consists of the sum of the full-time gainfully occupied population and the registered unemployed.

6 The employment rate measures the number of persons employed on a full-time or part-time basis as a proportion of the working-age population, which is defined as all those aged between 15 and 64 years.

age bracket, while the bracket comprising those aged between 55 and 64 also saw a strong rise. The latter was a result of the increase in the female retirement age from 60 to 62. At the same time, the male employment rate also rose to 73.9% from 72.5% a year earlier. The strongest increases were recorded in the 25 – 34 and 35 – 44 age brackets. Employment among those aged between 55 and 64 also rose.

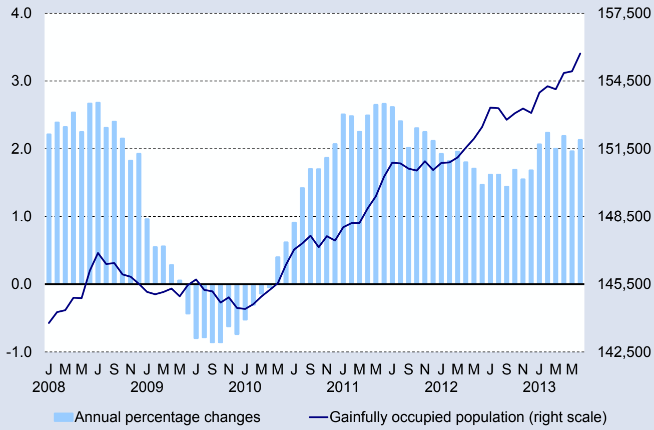
Chart 2.3
**LABOUR FORCE AND EMPLOYMENT BASED ON THE LFS**
*(annual percentage changes)*




Source: NSO.

As the labour force rose and the working-age population fell marginally in line with demographic trends, the activity rate went up to 64.9% from 62.6% a year earlier.[7]

Chart 2.4
**GAINFULLY OCCUPIED POPULATION BASED ON ETC RECORDS**
*(annual percentage changes; persons)*




Source: NSO.

Employment and Training Corporation (ETC) data show that the gainfully occupied population, which includes all persons with full-time employment, continued to increase (see Chart 2.4). The annual growth rate rose marginally to 2.1% in June from 2.0% in March.

In June the number of employed persons increased both in the private and public sectors (see Table 2.5). In the private sector, the number of full-timers rose by 2,199, or 2.0% on a year earlier. Job creation occurred in market services, which saw an increase of 3.3%. On the other hand, jobs in direct production fell by 1.4%.

The largest increases in employment in private services were recorded in administrative & support service activities, professional, scientific & technical activities, computer programming, education and health & social work. Jobs fell in land transport, accommodation, wholesale trade (except motor vehicles & motorcycles) and in the rental & leasing sector. Turning to direct production, the construction sector recorded the highest number of job losses, although employment in the manufacturing sector also declined.

[7] The activity rate measures the number of persons in the labour force (whether employed or seeking work) as a proportion of the working-age population, which is defined as all those aged between 15 and 64 years.

**Table 2.5**
**LABOUR MARKET INDICATORS BASED ON ETC ADMINISTRATIVE RECORDS**
*Persons; annual percentage changes*

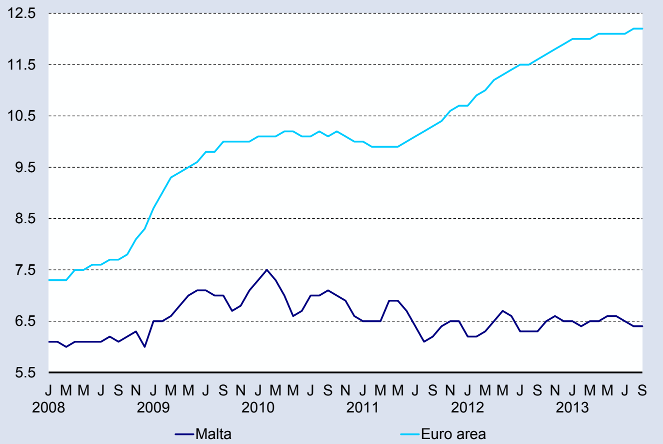
| | 2012 | | | 2013 | | Annual change |
|---|---|---|---|---|---|---|
| | June | Sep. | Dec. | Mar. | June | % |
| **Labour supply** | **159,165** | **159,655** | **159,899** | **161,487** | **162,994** | **2.4** |
| Gainfully occupied[(1)] | 152,468 | 152,786 | 153,088 | 154,137 | 155,715 | 2.1 |
| Registered unemployed | 6,697 | 6,869 | 6,811 | 7,350 | 7,279 | 8.7 |
| **Unemployment rate (%)** | **4.2** | **4.3** | **4.3** | **4.6** | **4.5** | |
| **Private sector** | **111,685** | **111,918** | **112,078** | **112,630** | **113,884** | **2.0** |
| **Public sector** | **40,783** | **40,868** | **41,010** | **41,507** | **41,831** | **2.6** |
| **Part-time jobs** | **54,986** | **55,773** | **55,922** | **55,522** | **56,986** | **3.6** |
| Primary | 31,803 | 32,083 | 31,974 | 31,883 | 33,117 | 4.1 |
| Secondary[(2)] | 23,183 | 23,690 | 23,948 | 23,639 | 23,869 | 3.0 |

(1) This category measures full-time employment.
(2) This category includes employees holding both a full-time and a part-time job.
Source: NSO.

In the public sector employment rose by 1,048 or 2.6% in June, compared with a year earlier. Job increases were mainly recorded in the services category, more specifically in education and health. In contrast, employment fell in direct production, primarily in the construction sector.

On an annual basis, part-time employment increased by 3.6% in June, as against 5.3% in March. The number of workers with a part-time job as their main occupation rose by 4.1%, while the number of employees with both a part-time and a full-time job went up by 3.0%. Both increases were driven by female workers, as seen in earlier periods. Within the entire pool of part-timers, the most significant additions were recorded in wholesale & retail trade, public administration, accommodation & food service activities, professional, scientific & technical activities and health & social work.

**Chart 2.5**
**UNEMPLOYMENT RATE**
*(seasonally adjusted; per cent)*




Source: Eurostat.

### *Most unemployment rate data show an increase on a year earlier*

In the September quarter the LFS unemployment rate stood at 6.7%, compared with 6.1% in the previous quarter.[8] The jobless rate was 0.2 percentage point above the year-ago level. Compared with the situation a year

[8] According to the LFS, the unemployed comprise all persons above 15 years of age 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 ETC data includes only those persons registering for work under Part 1 and Part 2 of the unemployment register.

earlier, the unemployment rate for males increased, while that for females fell marginally.

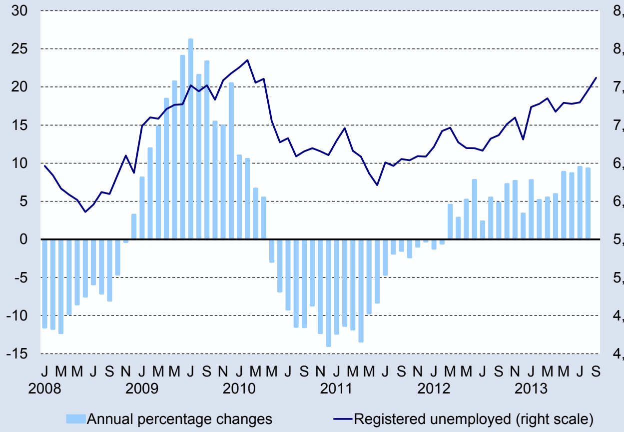


**Chart 2.6**
**REGISTERED UNEMPLOYED**
*(annual percentage changes; persons)*
Source: NSO.

The seasonally adjusted unemployment rate averaged 6.5% in the second quarter of 2013, unchanged compared with the preceding quarter (see Chart 2.5).[9] The rate was marginally below the year-ago level of 6.6%. The unemployment rate in Malta remained well below the average for the euro area.

The administrative records of the ETC show that the number of claimants for unemployment benefits fell by 71, to 7,279 between March and June (see Chart 2.6). In June the unemployment rate based on ETC data stood at 4.5%. This compares with 4.6% in March and 4.2 % a year earlier.

In the third quarter of 2013, the seasonally adjusted unemployment rate averaged 6.4%, 0.1 percentage point higher compared with a year earlier. ETC data indicate that the number of registered unemployed rose to 7,619 in September, which was higher than a year earlier.

[9] Based on Eurostat calculations.

## BOX 2: ESTIMATING OKUN'S LAW FOR MALTA[1]

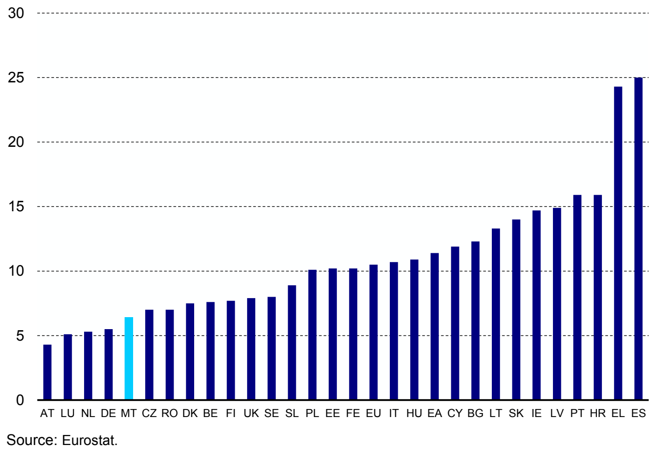
### Introduction

The economic and financial crisis of 2008-2009 and, more recently, the sovereign debt crisis of 2012 have taken a heavy toll on the labour market in Europe, although to differing degrees in various countries. This is most evident by the different unemployment rates, which have reached unprecedented levels among EU countries (see Chart 1). For instance, in 2012, the lowest unemployment rate in the European Union was registered in Austria, at 4.3%, whereas in Spain it stood at 25%. Youth unemployment has reached even more alarming figures in some countries, exceeding 50% in Spain and Greece. At 6.4% in 2012, the unemployment rate in Malta remains one of the lowest in the European Union.[2] This divergence among EU countries is mainly explained by differences in the sectoral composition of employment, country-specific labour market institutions and variations in policy initiatives designed to deal with fluctuations in economic activity.

In economic literature, the negative relationship between output and unemployment is known as Okun's Law, named after the economist who first documented this relationship in the early 1960s.[3] The original formulation, estimated with post-second World War US data, suggested that a 2.0% to 3.0% drop in output growth is associated with an increase in the unemployment rate of around 1 percentage point.

More recent estimates for the euro area in the pre-crisis period suggest that a 1 percentage point decline in output growth is associated with a contemporaneous 0.4 percentage point rise in the unemployment rate.[4] Estimates based on a period that includes the recession point to a reduction in the output-unemployment relationship, to around 0.3 percentage point, as measures adopted during the crisis to stem the pace of job losses have led to some distortions in this relationship.

**Chart 1**
**UNEMPLOYMENT RATE IN EU COUNTRIES IN 2012**
*(per cent of the labour force)*



Source: Eurostat.

Part of the appeal of Okun's Law is its simplicity, even though it is widely recognised that this "law"

---

[1] Prepared by Brian Micallef. Mr Micallef is a Senior Research Economist in the Bank's Modelling and Research Office.

[2] For an in-depth analysis of the sources of labour market resilience in Malta after the 2009 recession, see the box entitled "Labour market resilience in Malta", published in the *Central Bank of Malta Quarterly Review* 2013:1.

[3] See Okun, A.M., "Potential GNP: Its Measurement and Significance", *Proceedings of the Business and Economic Statistics Section,* American Statistical Association, 1962, pp. 98-104.

[4] See box entitled "Back to Okun's Law? Recent developments in euro area output and unemployment", *ECB Monthly Bulletin*, June 2011.

is just a statistical relationship and not necessarily a structural feature of an economy. This means that this relationship may not be stable over time, especially when the economy undergoes structural changes. Indeed, recent studies suggest that this may be the case, especially after the economic and financial crisis of 2008.[5] Empirical studies also document significant variations in Okun's coefficient across countries.[6] Furthermore, recent studies point towards the presence of asymmetries in Okun's relationship, with unemployment likely to rise more during recessions than to decrease during periods of expansion.[7]

Against this background, this box presents empirical estimates of the link between GDP growth and the unemployment rate in Malta based on Okun's Law. It also compares the strength of this relationship with that in other EU countries, tests the stability of this relationship over time and its sensitivity to the economic cycle.

### Okun's Law

There are two versions of Okun's Law.

The **difference version** relates the change in unemployment rate (UNR) to real GDP growth:

$$\Delta \mathrm{UNR} = \mathrm{c}_1 - \mathrm{c}_2 * \Delta \mathrm{GDP} \qquad (1)$$

where $\Delta\mathrm{UNR}$ represents the annual percentage point change in the unemployment rate and $\Delta\mathrm{GDP}$ measures the annual percentage change in real GDP. This equation captures the contemporaneous correlation between GDP growth and changes in the unemployment rate. The parameter $\mathrm{c}_2$ represents Okun's coefficient, which a priori is expected to be negative, since positive GDP growth is associated with a declining unemployment rate. The ratio $\frac{-\mathrm{c}_1}{\mathrm{c}_2}$ represents the rate of output growth that is consistent with a stable unemployment rate.

More recently, a dynamic version of Okun's relationship has evolved through the introduction of lags in equation (1) in both the dependent and the explanatory variables.[8] This is meant to account for changes in economic activity that affect the labour market with a lag and for the possible omission of relevant variables from the equation.

The **gap version** relates the level of the unemployment rate to the output gap, i.e. the difference between actual and potential GDP:

$$\mathrm{UNR} = \mathrm{c}_1 - \mathrm{c}_2 * \text{output gap} \qquad (2)$$

In this specification, the parameter $\mathrm{c}_1$ is associated with the unemployment rate that is consistent with full employment while, a priori, one expects $\mathrm{c}_2$ to be negative. The problem with this specification is that the output gap and potential output are unobservable variables. Economists usually estimate these variables by statistical filtering techniques or by using a

5 See Knotek, E., "How useful is Okun's law?" *Economic Review Federal Reserve Bank of Kansas City* 4, 2007, pp. 73-103.

6 See Ball, L., Leigh, D. and Loungani, P., "Okun's Law: Fit at 50?" Paper presented at the 13th *Jacques Polak Annual Research Conference* held by the IMF, November 2012.

7 See Cazes, S. and Verick, S., "What has happened to Okun's law in the US and Europe? Insights from the great Recession and longer time trends", Research Conference on *Key Lessons from the Crisis and the Way Forward*, ILO, February 2011.

8 See reference in footnote 5.

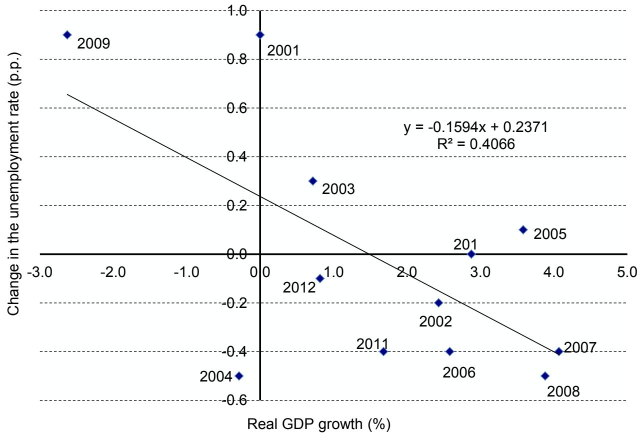
production function approach. To avoid a debate on the appropriate approach to estimate the output gap, and in the light of the sensitivity of the results of the method chosen, the rest of this box will focus on the difference version of Okun's Law.

### Empirical estimates

Chart 2 shows the annual changes in the unemployment rate against real GDP growth for Malta, using annual data for the period between 2000 and 2012. The chart shows that, as expected, there is a negative relationship between real GDP growth and the change in the unemployment rate, with periods of economic expansions being associated with a declining unemployment rate and vice versa. The rate of output growth consistent with a stable unemployment rate is estimated at 1.5%. The regression line that runs through the scatter plot implies an Okun's coefficient of 0.16. This means that a 1 percentage point increase in GDP growth in excess of 1.5% lowers the unemployment rate by around 0.16 percentage point.

Excluding 2004 from the analysis, which as seen in Chart 2 is a clear outlier, the estimated Okun's coefficient increases to 0.2, while the rate of output growth consistent with a stable unemployment rate rises to 1.9%. In this case, we also observe a considerable improvement in the fit of the equation, with the $R^2$ increasing from 0.41 to 0.64.

**Chart 2**
**OKUN'S RELATIONSHIP IN MALTA**
*(annual data)*




Sources: Eurostat; Author's calculations.

Table 1 presents further econometric estimates for the difference version of Okun's Law for Malta, using quarterly data from the first quarter of 2001 to

**Table 1**
**REGRESSION COEFFICIENTS FOR OKUN'S LAW**
*Dependent variable: $\Delta(UNR_t)$*
*Sample: 2001Q1 - 2012Q4*

| | | Explanatory variables | | |
|---|---|---|---|---|
| Specification | intercept | $\Delta(GDP_t)$ | $\Delta(GDP_{t-1})$ | $\Delta(UNR_{t-1})$ |
| Static | 0.06 | -0.05 | | |
| Dynamic (1) | 0.11 | 0.02 | -0.10*** | 0.57*** |
| Dynamic (2) | 0.13 | | -0.09*** | 0.57*** |

*Statistical significance: * at 10% level, ** at 5% level, *** at 1% level*

Source: Author's calculations.

the last quarter of 2012.[9] The first equation, named static, points to an Okun's coefficient of -0.05, while the rate of output growth consistent with a stable unemployment rate is estimated at 1.2%. However, both the intercept and the slope of the regression are not statistically different from zero at conventional levels of significance. This suggests that, at a quarterly frequency, there is no contemporaneous relationship between unemployment and output in Malta.

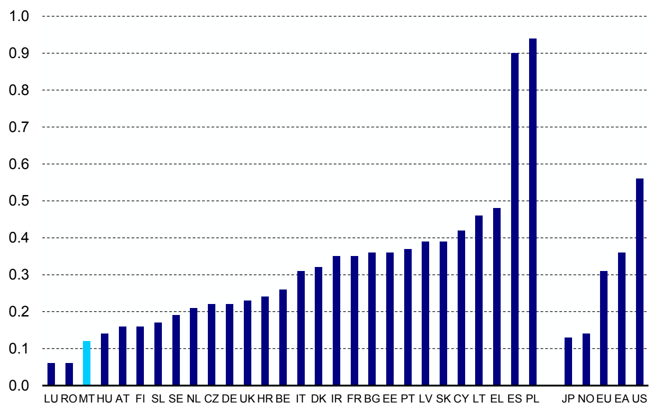
The second and third row of Table 1 present results of the dynamic specification, with lags of both dependent and explanatory variables. The first dynamic version confirms that the effect of contemporaneous GDP growth on unemployment is not statistically significant. Both dynamic specifications suggest that developments in domestic economic activity affect the labour market with a lag. In both specifications, the rate of output growth consistent with a stable unemployment rate is estimated around 1.4%. The short-run Okun's coefficient, lagged by one quarter, is estimated at around 0.1, while the long-run coefficient stands at 0.2.[10]

## Comparison with EU countries

Using the static specification in Table 1 and estimating it on the basis of annual data from the start of the monetary union, Chart 3 plots Okun's coefficient for EU countries and various other advanced economies. The chart shows that Okun's coefficient for Malta is one of the lowest in the European Union. [11]

The cross-country comparison shows a considerable degree of heterogeneity in Okun's coefficient. This heterogeneity is due to a number of factors, such as country-specific labour market institutions, employment protection legislation, labour market flexibility and the source and magnitude of shocks hitting the economy. For instance, the high coefficient in Spain could be related to the elevated incidence of temporary contracts, which, over the past decade or so, have accounted for around a third of Spanish

**Chart 3**
**OKUN'S COEFFICIENT IN EU AND ADVANCED ECONOMIES**
*(estimates based on annual figures from 1999 to 2012)*




Source: Author's calculations.

[9] Since quarterly data start from 2000, the first four observations are lost when taking the annual growth rate in GDP and the change in the unemployment rate. GDP and unemployment statistics are derived from the National Accounts and the Labour Force Survey, respectively.

[10] The long-run effect is calculated as: $\frac{-0.09}{(1-0.57)}$. For further information on the long-run effects of dynamic models, see Vogelvang, B., Econometrics: Theory and applications with Eviews, *Pearson Addison Wesley Publications*, 2005.

[11] This is consistent with the analysis in the box entitled "Recent developments in the Okun relationship in the euro area", *ECB Monthly Bulletin*, July 2012. Even when the year 2004 is excluded, the results would still leave Malta at the lower end of the rankings.

employment, thereby making it easier for firms to adjust employment in response to changes in economic activity.

### Testing the stability of Okun's coefficient

A number of studies have recently questioned the stability of Okun's coefficients over time.[12] To test this hypothesis, the empirical version of Okun's Law presented above is re-estimated using the rolling regressions technique.[13] This means that the equation is estimated for Malta over a sequence of sample periods, thereby producing a set of estimated coefficients. This exercise applies the static specification using a fixed window of 20 quarters (five years). This means that the first equation is estimated over the period 2001Q1-2005Q4, the second one for 2001Q2-2006Q1, and so on. This process is repeated until the final regression with a 20-quarter window includes the last observation from the sample (i.e. 2008Q1 – 2012Q4).

If the relationship between output and unemployment remained stable over the sample period, the coefficients from the regressions estimated over different samples should be relatively similar. On the contrary, substantial changes in the coefficients imply that the relationship has not been stable over time. This method provides the means for detecting whether developments in the early part of the last decade are influencing the estimation of recent relationships.

Econometric estimates show that the unemployment-output relationship in Malta has changed considerably over the last decade. In particular, the relationship between these variables was not statistically significant in the mid-2000s. However, Okun's coefficient has been relatively stable and statistically significant since 2005, standing at around -0.15. This finding is confirmed by restricting the estimation of Okun's law to the post-2005 sample, with Okun's coefficient becoming statistically significant and larger than the one showed in the first equation in Table 1.

The increased responsiveness of unemployment to economic activity since the mid-2000s can be partly explained by two developments. The first relates to the declining share of public sector employment in total employment. Contrary to those in the private sector, employees in the public sector are to some degree sheltered from developments in the real economy. The second relates to the increased use of part-timers and workers with temporary contracts. For example, the share of temporary employees in total employees has almost doubled since 2006. These workers have less employment protection relative to those with permanent contracts and, hence, their contracts are less likely to be renewed in times of falling demand.

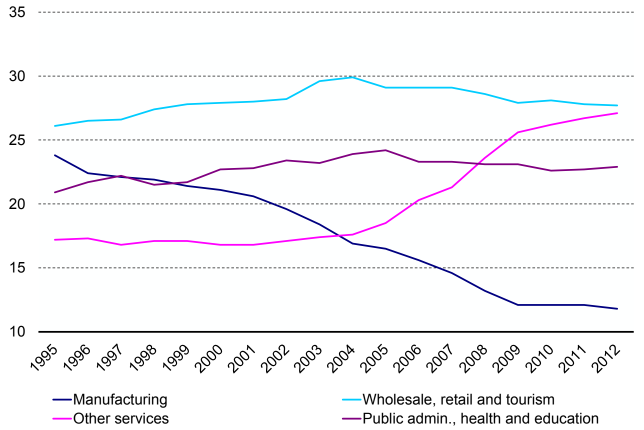
In general, this phenomenon should be seen in light of structural changes that have taken place in the Maltese economy over the last decade. In particular, these are related to the diversification of the economy towards the services sector, which is more labour-intensive, both in terms of output and employment, at the expense of traditional industries. For instance, the share of employment in the manufacturing sector has steadily declined from

[12] See the chapter "Unemployment dynamics during recessions and recoveries: Okun's law and beyond", *IMF World Economic Outlook*, pp. 69-108.

[13] A similar technique was used in the studies referred to in footnotes 7 and 12.

23.8% of total employment in 1995 to 11.8% in 2012 (see Chart 4). At the same time, the share of services excluding wholesale, retail and tourism has gone up from 17.2% to 27.1%.[14] These changes in the services sector occurred primarily after EU membership in 2004. Econometric estimates suggest that, at a sectoral level, the long-run elasticity of employment growth with respect to output growth is much higher in these service industries than in the manufacturing sector.[15] The responsiveness of unemployment to output is thus affected by these trends in the labour market, with service industries being the main driver of employment growth in recent years, in conjunction with an expansion in the supply of labour driven by a gradual increase in the participation rate of females.

**Chart 4**
**EVOLUTION OF SECTORAL EMPLOYMENT**
*(percentage of total employment)*




Source: Eurostat.

## Testing for asymmetry

Asymmetry in Okun's relationship would imply that the response of the unemployment rate to changes in GDP depends also on whether the economy is expanding or contracting. This differs from the symmetric specification outlined in Table 1, which implicitly restricts the unemployment response to GDP to be the same during expansions and recessions. Here, the asymmetry is tested through two methods that distinguish between periods of recessions and expansions.[16]

The first approach checks directly for asymmetry. In equations (1) and (3) in Table 2, the GDP growth rate is split into, and replaced by, two variables. One is $d\_(\Delta GDP_t)^{-ve}$, which consists of the rate of change in GDP for those quarters when GDP contracted, while the remaining quarters show a value of zero. The other variable is $d\_(\Delta GDP_t)^{+ve}$, which contains the rate of change in GDP for those quarters when GDP increased, while the remaining quarters show a value of zero. Equation (3) also includes an autoregressive term.

[14] This category includes information & communication, finance & insurance, real estate activities, professional, scientific & technical sectors and the recreation sector.

[15] The econometric results are based on an autoregressive distributed lag model, similar to the dynamic version of Okun's Law but with the annual growth rate of sectoral employment replacing the unemployment rate. The year-on-year growth rate in sectoral employment is regressed on its own lag and contemporaneous or lagged values of the annual growth rate of sectoral gross value added. Both output and employment statistics are derived from the National Accounts and the estimation period is from 2001Q1 until 2013Q2. The long-run elasticity is calculated as described in footnote 10. The long-run elasticity for other services (excluding retail, wholesale and tourism) is 0.6, meaning that a 1 percentage point increase in the annual growth rate of output of these services leads to a 0.6 percentage point increase in employment in this sector. The elasticities for the other sectors are the following: 0.3 for retail, wholesale and tourism, 0.15 for construction and 0.1 for manufacturing.

[16] Similar approaches were used in the studies referred to in footnotes 8 and 11.

**Table 2**
**REGRESSION COEFFICIENTS WITH ASYMMETRY**

*Dependent variable: $\Delta(UNR_t)$*

*Sample 2001Q1 - 2012Q4*

| | | Explanatory variables | | | | | |
|---|---|---|---|---|---|---|---|
| Equation | Specification | intercept | $\Delta(GDP_t)$ | $\Delta(GDP_{t-1})$ | $\Delta(UNR_{t-1})$ | $d\_\Delta(GDP_t)^{-ve}$ | $d\_\Delta(GDP_t)^{+ve}$ |
| 1 | Static | -0.31* | | | | -0.32*** | 0.07 |
| 2 | Static | -0.31* | 0.07 | | | -0.39*** | |
| 3 | Dynamic | -0.23 | | | 0.56*** | -0.21** | 0.06 |
| 4 | Dynamic | 0.07 | | -0.09** | 0.55*** | -0.09 | |
| 5 | Dynamic | -0.14 | 0.10 | -0.10*** | 0.52*** | -0.27*** | |

*Statistical significance: * at 10% level, ** at 5% level, *** at 1% level.*

*The last two columns refer to the specification of dummy variables to test for asymmetry.*

Source: Author's calculations.

The specifications in the second approach (see equations 2, 4 and 5 in Table 2) account for asymmetry by retaining overall GDP growth, but also adding $d\_(\Delta GDP_t)^{-ve}$, the dummy for GDP contraction, already referred to in the previous paragraph. In this way, the second approach tests for both the standard Okun's coefficient and the coefficient during periods of negative GDP growth. Equations (4) and (5) also contain an autoregressive term.

Table 2 presents the results for Malta from both static and dynamic specifications of the difference version while testing also for asymmetry. In most instances, both static and dynamic specifications provide evidence of an asymmetric relationship between output and unemployment, indicating that during recessions the response of unemployment to output tends to be more pronounced.[17] Estimates of Okun's coefficient during periods of positive growth are lower than those during periods of negative growth, but these estimates are not statistically significant and with the wrong sign. As with findings in Table 1, the impact of contemporaneous changes in output on unemployment is statistically insignificant and with the wrong sign, thereby confirming the absence of contemporaneous impact of developments in the real economy on the labour market.

Estimates from the static versions – equations (1) and (2) in Table 2 – point to an Okun coefficient in excess of 0.3 during periods of contracting GDP growth. Statistically significant estimates from the dynamic versions – equations (3) to (5) in Table 2 – range between 0.2 and 0.3, with the differences in the range depending on whether changes in GDP growth enter the specification contemporaneously or with a lag.

## Conclusion and policy implications

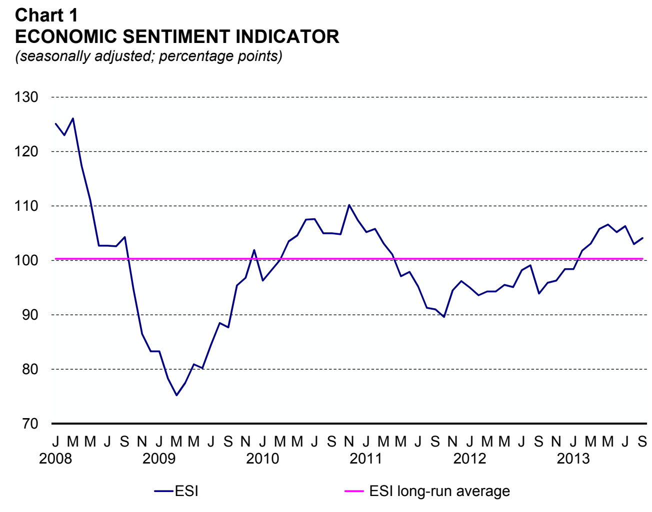
The results presented point to a number of interesting observations on the relationship between real economic activity and the labour market in Malta. First, developments in the real economy affect the domestic labour market with a lag. Second, the relationship between output and unemployment is relatively weak in Malta compared with other EU

[17] A similar finding for Malta was reported in the study referred to in footnote 7. To assess the robustness of the results, a separate set of regressions were estimated using the change in the growth rate instead of the growth rate as a dummy variable. The main finding in favour of asymmetric evidence remains unchanged.

economies, although the link has become more pronounced in recent years perhaps due to the changing structure of employment and the labour market. Empirical estimates suggest that the rate of output growth consistent with a stable unemployment rate is around 1.5% to 2.0%, with an Okun's coefficient of around 0.2. This implies that GDP growth in excess of 1.5%-2.0% lowers the unemployment rate. More specifically, a 1 percentage point increase in GDP above this threshold lowers the unemployment rate by around 0.2 percentage point.

Finally, the relationship appears to be more pronounced during economic recessions. This finding would strengthen the call for prudent fiscal policy during the business cycle to create fiscal space in good times, thereby allowing room for manoeuvre in times of subdued demand to stimulate economic activity and avoid job losses. In addition, the asymmetric relationship between unemployment and output implies that the pace of job creation following a recession may be insufficient to absorb the newly unemployed. Hence, a more proactive approach should be pursued to provide appropriate training and incentives to the unemployed to upgrade their skills to meet the changing requirements of the new industries, thereby facilitating their re-employment.

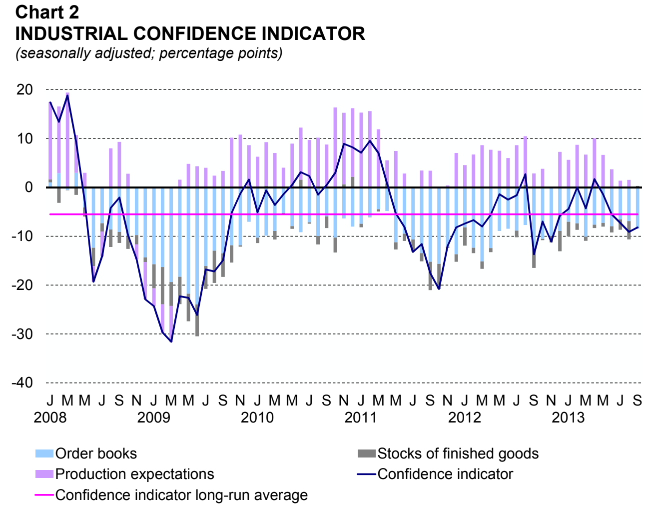
## BOX 3: BUSINESS AND CONSUMER SURVEYS



Source: European Commission.

Survey data for the third quarter of 2013 indicate a deterioration in confidence among firms operating in the manufacturing and service sectors. In contrast, confidence improved among consumers, while it remained unchanged at very low levels in the construction sector. As a result of these developments, the overall economic sentiment indicator (ESI), which summarises developments in all these sectors, fell to 104.1 in September from 105.2 in June (see Chart 1).[1,2] The indicator nonetheless remained above its long-term average of 100.3.

### Industrial confidence falls further[3]



Source: European Commission.

In the third quarter of the year, the industrial confidence indicator continued to fall and stood at -8 in September compared with -6 in June (see Chart 2). Thus, the indicator stood below its long-term average of -6.

The decline in confidence was once again primarily driven by a deterioration in production expectations, as in September the majority of respondents anticipated production to

[1] The ESI summarises developments in confidence in the four surveyed sectors (industry, services, construction and consumers).

[2] Long-term averages are calculated over the entire period for which data are available. For the consumer and industrial confidence indicator, data became available in November 2002, while the services and construction confidence indicator data became available in May 2007 and May 2008, respectively. The long-term average of the ESI is computed from November 2002.

[3] 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.

remain broadly unchanged over the subsequent three months, whereas in June the majority expected production to increase. Moreover, a slightly larger number of respondents reported weak order books compared with what they would expect for the same period of the year. On the other hand, on balance, respondents in September believed that their stocks of finished goods would decrease marginally, whereas three months earlier they were foreseeing a rise. In September production expectations and the stock of finished goods sub-indicators were below their respective long-term average, while the order book indicator was equal to its long-term average.

Meanwhile, the share of respondents foreseeing a decrease in their selling prices over the subsequent three months increased. A large number of respondents continued to indicate insufficient demand as the main element inhibiting business activity. Despite the fall in industrial sentiment generally, additional survey data indicate that in September the number of participants anticipating their labour complement to increase rose further, compared with three months earlier.

At a sectoral level, the balance of replies turned negative among producers of computer, electronic & optical products, rubber & plastic products and electrical equipment. On the other hand, improvements in confidence were reported in sectors involved in the production of food products, pharmaceuticals, fabricated metal products (except machinery & equipment). Confidence also rose among those engaged in the printing & reproduction of recorded media and repair & installation of machinery & equipment.

### Construction confidence remains unchanged[4]

Confidence among construction firms remained unchanged, at -42 in September compared with three months earlier (see Chart 3). Thus, the indicator remained below its long-run average of -32.

The proportion of firms that considered their current order books to be below normal decreased slightly. However, this improvement was completely offset by a higher share of respondents expressing an intention to reduce their workforce in the subsequent three months. Both sub-components remained below their respective long-term average.

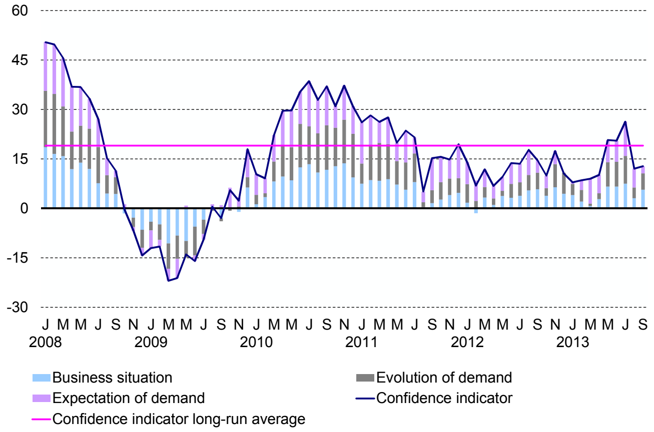
Chart 3
**CONSTRUCTION CONFIDENCE INDICATOR**
*(seasonally adjusted; percentage points)*


Source: European Commission.

[4] 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.

## Confidence in the services sector deteriorates[5]

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




Source: European Commission.

The strong improvement in confidence among service providers observed in the second quarter of 2013 proved to be short lived as the indicator fell to 13 in September from the recent high level of 21 registered in June (see Chart 4). As a result, the indicator moved again below its long-term average of 19. All sub-components of the indicator deteriorated. More specifically, respondents' assessment with regard to demand in the previous quarter deteriorated, as did their expectations of future demand. Meanwhile, the share of respondents registering better business conditions over the previous three months fell. As a result of these movements, all components of the indicator stood below their respective long-term averages.

Additional data show that even though overall confidence decreased, expectations with respect to employment levels improved. While in June firms, on balance, had anticipated a fall in their labour complement, in September they expected employment to rise. On balance, a smaller proportion of participants anticipated an increase in prices charged for services compared with three months earlier.

Between June and September, confidence fell in sectors comprising accommodation, financial services, land and air transport, and food & beverage. On the other hand, improved confidence was registered in sectors related to programming & broadcasting, arts, entertainment & recreation and rental & leasing.

## Consumer confidence rises[6]

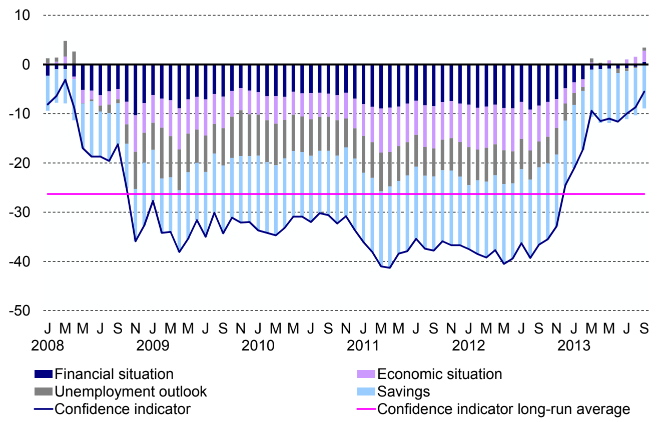
During the third quarter of 2013, the consumer confidence indicator reported gains and stood at -6 in September as against -12 in June (see Chart 5). Furthermore, the indicator remained above its long-run average of -26 and is at the highest level since early 2008.

[5] 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 for the subsequent three months.

[6] 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.

All components of the indicator recorded gains. In fact, respondents' assessments of the general economic situation and their own financial position in the forthcoming 12 months improved. In September the majority of respondents expected unemployment to fall, whereas in June they had believed that the number of unemployed would increase. Moreover, consumers were less pessimistic about their ability to save in the forthcoming 12 months.

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




Source: European Commission.

Since the beginning of the year, all components of the indicator improved, with the balance of replies regarding households' own financial situation, the general economic situation and the outlook for unemployment turning positive. Meanwhile, although consumers' assessment of their ability to save improved, the balance of replies indicated that they were unlikely to save over the forthcoming 12 months.

Supplementary survey information shows that the proportion of respondents considering that the timing was right to make major purchases, given the existing economic situation, decreased slightly compared with June. In September, on balance compared with June, a smaller number of respondents expected prices to rise over the forthcoming 12 months.

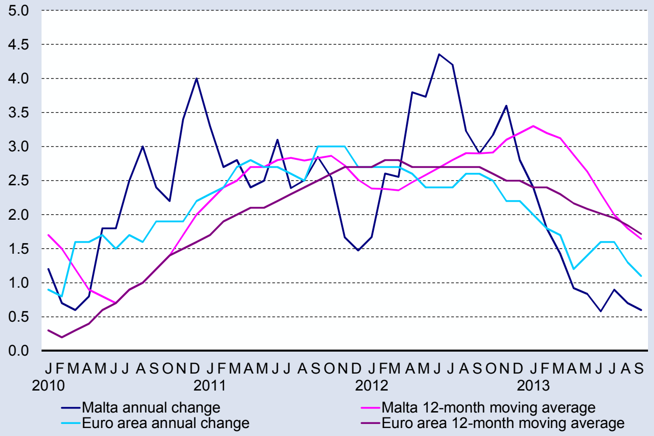
# 3. PRICES, COSTS AND COMPETITIVENESS

## HICP inflation

*HICP inflation rate eases further in the second quarter*

The inflation rate based on the Harmonised Index of Consumer Prices (HICP) continued to decline during the second quarter of the year, with the annual rate decelerating to 0.6% in June from 1.4% in March (see Table 3.1).[1] As a result, the 12-month moving average rate moderated to 2.3% in June, 0.8 percentage point lower than the rate recorded at the end of the first quarter.

**Chart 3.1**
**HICP INFLATION RATES IN MALTA AND IN THE EURO AREA**
*(annual percentage changes; annual average percentage changes)*




Sources: NSO; Eurostat.

The drop in the annual inflation rate between March and June 2013 was primarily driven by movements in the prices of services, energy and non-energy industrial goods, where the inflation rate turned negative. Meanwhile, price pressures from processed and unprocessed food accelerated over the quarter under review.

Malta's annual rate of inflation at the end of June stood 1 percentage point lower than that of the euro area as a whole. However, the 12-month moving average rate remained slightly above that in the euro area, which decelerated to 2.0% (see Chart 3.1).

The marked deceleration in Malta's inflation rate during the second quarter of 2013 was mainly driven by developments in the services sub-index, which constitutes over two-fifths of the overall

**Table 3.1**
**YEAR-ON-YEAR HICP INFLATION**
*Percentage change*

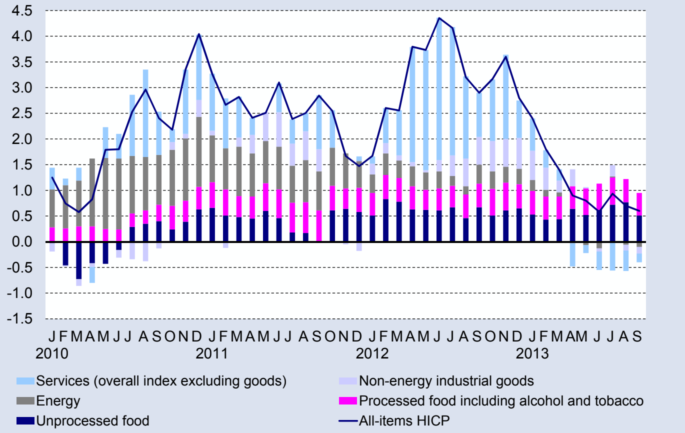
| | 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. |
| Unprocessed food | 7.0 | 5.5 | 5.9 | 8.9 | 7.3 | 9.0 | 10.6 | 11.4 | 7.2 |
| Processed food including alcohol and tobacco | 3.6 | 3.5 | 3.5 | 3.6 | 4.3 | 4.2 | 4.4 | 3.7 | 3.5 |
| Energy | 2.8 | 1.8 | 1.1 | -0.4 | -0.9 | -1.7 | 0.3 | -0.8 | -1.3 |
| Non-energy industrial goods | 1.9 | 1.5 | 0.8 | 1.1 | 0.1 | -0.2 | 0.8 | -0.4 | -0.5 |
| Services (overall index excluding goods) | 1.5 | 0.8 | 0.5 | -1.1 | -0.4 | -0.9 | -1.3 | -1.0 | -0.5 |
| **All Items HICP** | **2.4** | **1.8** | **1.4** | **0.9** | **0.8** | **0.6** | **0.9** | **0.7** | **0.6** |

Source: NSO.

[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. In January 2013 the weight of non-energy industrial goods was reduced by 0.5 pp to 29.5%. In contrast, the weight related to food rose by 0.1 pp to 20.4%, while the share allocated to energy rose from 7.3% to 7.6% in 2013. Weights related to services rose marginally to 42.5%.

HICP index. The annual rate of change of this component swung from 0.5% in March to -0.9% three months later. As a result, its contribution to the overall inflation rate stood at -0.4 percentage point in June (see Chart 3.2 and Chart 3.3).

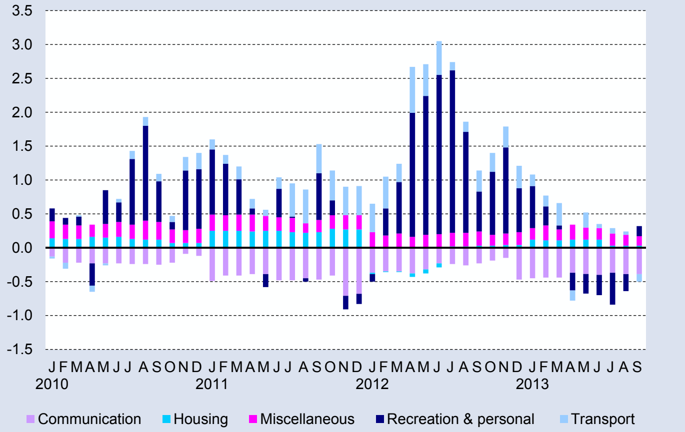
**Chart 3.2**
**CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION**
*(percentage points; annual percentage change)*




Source: Eurostat.

The contraction of this sub-index over the quarter stemmed from lower prices of recreational & personal services, as well as a deceleration in transport prices. The former component contributed -0.3 percentage point to the overall inflation rate in June, as opposed to 0.1 three months earlier, largely reflecting decreases in accommodation prices and recreational & sporting services. At the same time, the contribution of the transport sub-component fell from 0.3 percentage point in March to 0.1 point in June, predominantly on the back of a substantial moderation in airfares. Meanwhile, communication prices continued to fall, largely reflecting a 10.4% drop in telephony and internet rates, the same rate of decline recorded in March.

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




Source: Eurostat.

Conversely, when compared with the annual growth rates recorded in March, prices of housing and miscellaneous services edged up moderately to 2.9% and 3.4%, respectively, by the end of the second quarter. This notwithstanding, reflecting their small weight in the overall index, the contribution of these two sub-indices to the overall inflation rate remained practically unchanged from three months earlier.

During the period under review, prices of non-energy industrial goods, which had increased by 0.8% in March, contracted at an annual rate of 0.2% in June. As a result, the sub-index's contribution to overall inflation, which comprises just under a third of the aggregate HICP index, dropped from 0.2 point in March to -0.1 point in June. Lower prices were largely driven by a drop in prices of furniture, furnishings and information processing equipment.

Meanwhile, benefitting from a significant drop in gas prices, energy inflation turned negative, at -1.7%, in June from a positive 1.1% in March (see Table 3.1). Accordingly, its contribution to overall inflation declined to -0.1 point in March from 0.1 percentage point three months earlier.

At the same time food prices accelerated to 6.0% in June from 4.4% in March. This component contributed 1.1 percentage points to overall inflation, 0.2 point more than three months earlier. The rise in food price inflation over this period was mostly attributable to unprocessed food, with the related inflation rate climbing to 9.0% in June from 5.9% in March, mainly on account of an acceleration in vegetable and fish prices. Meanwhile, the annual rate of change of processed food prices also increased, up by 0.7 percentage point to 4.2% in June.

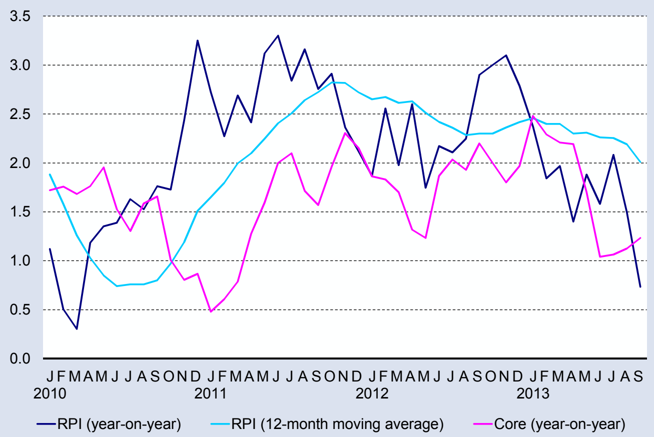
In the third quarter the annual HICP inflation rate continued to record modest increases, ending at 0.6% in September, unchanged from June. Low inflationary pressures were mainly driven by contractions in the prices of energy and non-energy industrial goods, which fell by 1.3% and 0.5%, respectively, following drops of 1.7% and 0.2% in June. Prices of services continued to decline, although the annual rate of contraction moderated when compared with three months earlier. Thus, in September, these fell by 0.5% year-on-year, following a drop of 0.9% in June, mainly driven by a smaller decline in the prices of accommodation services. Meanwhile, the annual rate of change in prices of unprocessed food decelerated to 7.2%, from the 9.0% recorded in June. This largely reflected developments in the prices of fish, vegetables and, to a lesser extent, meat. Prices of processed food in September also rose at a slower pace, increasing by 3.5% as opposed to 4.2% in June.

## RPI inflation[2]

### *RPI inflation follows the same path of the HICP*

The Retail Price Index (RPI) inflation rate also moderated to 1.6% in June from 2.0% three months earlier (refer to table 3.2). As a result, the 12-month moving average inflation rate eased to 2.3% from 2.4% in March 2013 (refer to Chart 3.4).

**Chart 3.4**
**RPI AND CORE INFLATION**
*(annual percentage changes; annual average percentage change)*




Sources: Central Bank of Malta estimates; NSO.

The deceleration in the RPI inflation rate between March and June was largely driven by the continued contraction in prices of transport & communication services, the largest sub-component of the RPI, with a weight of nearly 25% in the overall index. The latter sub-component recorded a year-on-year contraction of 2.6% in June as opposed to a drop of 0.4% in March. As a result, the

[2] 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 tourist expenditure in Malta. Thus, while the RPI excludes hotel accommodation prices, these account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

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

| | 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. |
| Food | 1.1 | 0.9 | 1.0 | 1.2 | 1.2 | 1.5 | 1.5 | 1.5 | 1.1 |
| Beverages & tobacco | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Clothing & footwear | 0.2 | 0.2 | 0.0 | 0.1 | -0.1 | 0.0 | 0.4 | -0.2 | -0.2 |
| Housing | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Water, electricity, gas & fuels | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 |
| Household equipment & house maintenance costs | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| Transport & communications | -0.1 | -0.3 | -0.1 | -0.9 | -0.2 | -0.6 | -0.4 | -0.5 | -0.9 |
| Personal care & health | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Recreation & culture | 0.3 | 0.2 | 0.3 | 0.3 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 |
| Other goods & services | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **RPI (annual percentage change)** | **2.4** | **1.8** | **2.0** | **1.4** | **1.9** | **1.6** | **2.2** | **1.5** | **0.7** |

Sources: Central Bank of Malta; NSO.

contribution of transport & communication to the overall RPI inflation stood at -0.6 percentage point, down by half a point when compared with three months earlier. In addition, although to a lesser effect, the moderation in RPI inflation during the second quarter of 2013 also reflected lower prices in another three RPI sub-indices: clothing & footwear, water, electricity, gas & fuels and household equipment & house maintenance. The combined contribution of these sub-components to the overall RPI inflation rate in June stood at -0.1 percentage point, 0.3 less than in March.

Meanwhile, prices of items of household expenditure related to personal care & health, recreation & culture, housing, and other goods & services increased more moderately in annual terms, when compared with March. The contribution of these various sub-components to overall RPI inflation declined to 0.5 percentage point in June from 0.7 point at the end of the first quarter.

Conversely, prices of food and beverages & tobacco, which together constitute over a quarter of the total RPI index accelerated markedly between March and June.[3] Food prices increased at an annual rate of 7.2%, up from the 4.5% recorded in March, whereas prices of beverages & tobacco accelerated from 2.9% to 4.7% over the period under review, partly reflecting an increase in excise duty on tobacco. Consequently, the joint contribution of these sub-components to overall RPI inflation rose from 1.1 percentage points in March to 1.8 points in June.

The RPI inflation rate continued to extend its downward path during the third quarter of 2013, standing at 0.7% in September, down by 0.9 percentage point from three months earlier. The moderation in the annual RPI inflation rate was mainly driven by developments in prices of transport & communication and clothing & footwear items, as well as by slower food price increases.

As the RPI is heavily influenced by a number of volatile and cyclical components, such as food prices and water & electricity charges, underlying price pressures can be better assessed by the

[3] The food component in the RPI includes both processed and unprocessed food. Processed food in the RPI excludes beverages and tobacco, which, however, are part of the processed food sub-index of the HICP.

Bank's core RPI inflation rate.[4] The latter fell substantially to 1.0% in June from 2.2% in March. The deceleration in this measure of inflation was largely attributable to the contraction in household equipment & house maintenance, as well as to lower price increases in recreation and culture related services. Going into the third quarter, the Bank's core RPI inflation rate edged up to 1.2% in September.

## Costs and competitiveness

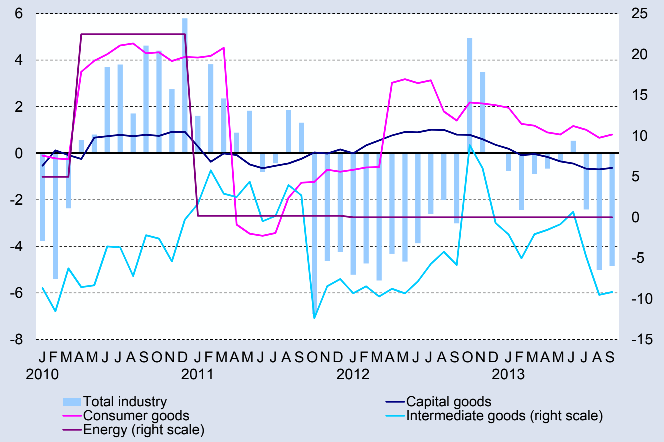
### *Producer price inflation turns positive in the second quarter of the year*[5]

Producer prices in June rose by 0.5% on a year earlier, after having fallen by 0.9% in March (see Chart 3.5). This swing largely reflects developments in the intermediate goods category, whose prices rose at a rate of 0.7% after having declined by 2.1% at the end of the first quarter. This category mainly includes semiconductors, pharmaceutical, paper and plastic products. As a result, the contribution of the intermediate goods category to the overall producer price inflation turned positive, and stood at 0.3 percentage point, as opposed to the -1.1 percentage points registered three months earlier. Meanwhile, consumer goods prices rose by 1.2% in June, the same year-on-year increase recorded in March.

In contrast, capital goods prices contracted by 0.4% in June, after they had been broadly stable in March 2013, whereas energy prices had no effect on producer price inflation as electricity tariffs remained unchanged from the beginning of 2011.

During the third quarter of 2013 producer price inflation turned negative, with prices contracting at an annual rate of 4.8% in September, as opposed to the increase of 0.5% observed three months earlier. The change in direction was mainly driven by developments in the prices of intermediate goods, which fell by 9.2%, as against a rise of 0.7% in June. Additionally, over the same period, the annual rate of contraction in prices of capital goods picked up slightly, while prices of consumer goods decelerated.

**Chart 3.5**
**INDUSTRIAL PRODUCER PRICE INFLATION**
*(annual percentage changes)*




Source: NSO.

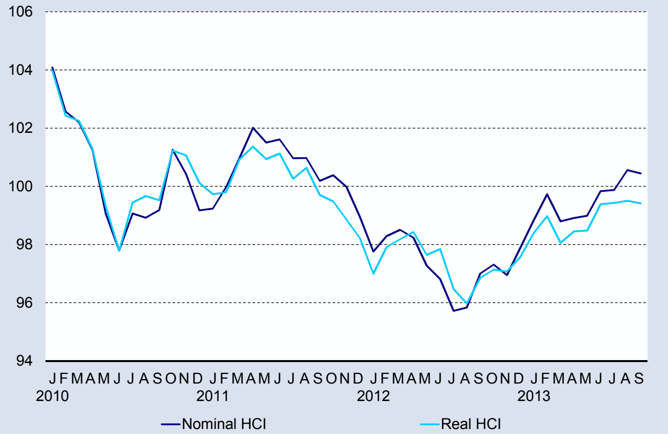
4 The core inflation rate reflects developments only in those sub-indices of the RPI that show persistent price changes. As measured by the Bank, these sub-indices currently consist of: housing, durable household goods, personal care & health, education & entertainment and other goods & services.

5 The Industrial Producer Price Index measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage. It monitors the ex-works sale prices of leading products as reported by a sample of 77 large enterprises accounting for over 80% of total industrial turnover. The index covers three areas of economic activity: mining & quarrying, manufacturing and the supply of electricity, gas & 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. Producer price inflation in Malta has been more volatile than consumer price inflation in recent years, reflecting relatively sharp fluctuations in producer prices in the energy and intermediate goods sectors.

*Harmonised competitive indices edge up further*

During the second quarter of 2013, both the nominal and the real harmonised competitiveness indicator (HCI) increased, extending the upward trend in evidence since the first quarter of the year.[6] In June the nominal index was 1.1% higher than its March level, while the real index rose by 1.4% (see Chart 3.6).[7]

**Chart 3.6**
**HARMONISED COMPETITIVENESS INDICATORS**
*(May 2004 = 100)*




Source: ECB.

The increase in the nominal HCI reflected a slight appreciation of the euro against both the pound sterling and the US dollar. There was also a widening in Malta's inflation differentials vis-à-vis that of its trading partners. This explains the more pronounced increase in the real HCI compared with the nominal HCI.

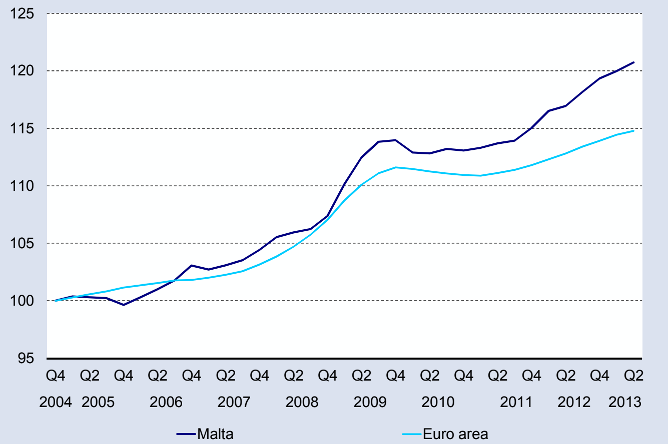
Compared with a year earlier, the nominal HCI was 3.1% higher in June, whilst the real HCI increased by 1.6%. Thus, the appreciation of the euro against the US dollar and the pound sterling since June 2012 was partly offset by a narrowing in Malta's inflation differential against trading partners.

More recent data up to September show that the annual rate of change in the nominal HCI was up by 3.5%, whilst the real HCI increased by 2.6%.

*Unit labour costs continue to increase*

During the second quarter of the year, Malta's unit labour cost (ULC) index, measured as a four-quarter moving average, was 3.2% higher in annual terms (see Chart 3.7). This increase followed a 3.0% rise in the first three months of the year.

**Chart 3.7**
**UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA**
*(four-quarter moving average indices; 2004 Q4 = 100)*




Sources: ECB; Central Bank of Malta estimates.

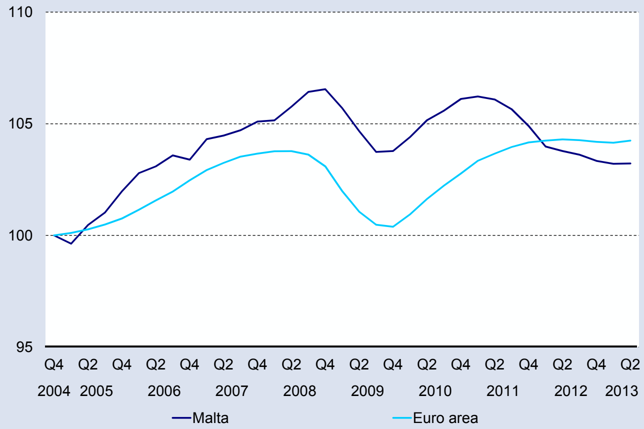
[6] A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes and the relative inflation of a country vis-à-vis its main trading partners. In the computation of the indices, 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. The HCIs are compiled by the European Central Bank.

[7] The HCI measures Malta's competitiveness vis-à-vis the other 16 countries in the euro area plus the EER-40 group of trading partners.

The year-on-year rise in Malta's ULC during the second quarter was the result of both an increase in compensation per employee and a drop in labour productivity (see charts 3.8 and 3.9). The former rose by 2.7% following an increase of 2.3% in the previous quarter. The latter decreased by 0.5% following a drop of 0.7% in the first quarter of 2013, as employment continued to outpace real gross domestic product.

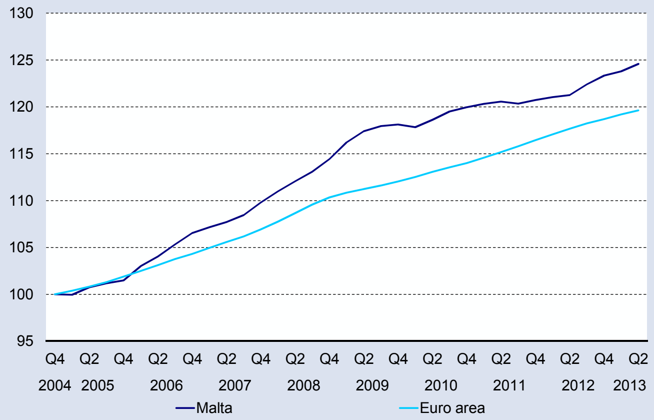
In the euro area ULC also rose when measured over a rolling four-quarter period, growing at an annual rate of 1.6% during the second quarter of 2013. However, the increase in ULC in the second quarter weakened compared with that recorded in the first quarter of the year. Labour productivity in the euro area as a whole was largely stable around its level a year earlier. Thus, the increase in the euro area's ULC was almost entirely driven by developments in compensation per employee, which expanded by 1.7% on an annual basis.

**Chart 3.8**
**PRODUCTIVITY IN MALTA AND THE EURO AREA**
*(four-quarter moving average indices; 2004 Q4 = 100)*




Sources: ECB; Central Bank of Malta estimates.

**Chart 3.9**
**COMPENSATION PER EMPLOYEE IN MALTA AND THE EURO AREA**
*(four-quarter moving average indices; 2004 Q4 = 100)*



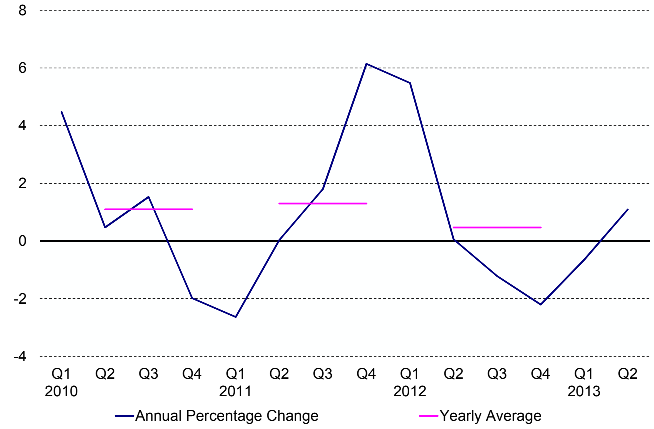

Sources: ECB; Central Bank of Malta estimates.

## BOX 4: RESIDENTIAL PROPERTY PRICES

### Residential property prices increase in the second quarter of 2013

Based on the Central Bank of Malta's property price index, the price of residential properties rose at an annual rate of 1.1% in the second quarter of 2013, which followed a drop of 0.6% in the previous quarter (see Chart 1).[1]

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES




Source: Central Bank of Malta.

The annual increase in the overall Central Bank of Malta index during the second quarter of 2013 masks diverging movements in prices of the different categories (see Chart 2). While maisonette and apartment prices increased, prices of terraced houses and the "other" category, which consists of town houses, houses of character and villas, dropped.

During the second quarter of 2013 prices for apartments, which make up almost three-fifths of properties in the sample, rose by 2.2%. This reverses the 2.4% fall in apartment prices in the first quarter of the year.

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


(1) Includes both units in shell form and finished units.
Source: Central Bank of Malta.

On the other hand, advertised prices in the "other" category dropped by 8.0%, which followed a rise of 4.9% in the previous quarter. The fall primarily

[1] This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in advertised residential property prices compiled from newspaper advertisements sampled each month. The Bank's index is divided into eight dwelling categories.

reflected a decrease in prices for houses of character and town houses. Prices for villas also dropped but to a lesser extent.

Meanwhile, asking prices of maisonettes increased at a faster rate when compared with the first quarter of 2013. Between March and June 2013, they rose by 15.5%, a much higher rate of growth than the 2.3% registered in the first quarter. On the other hand, prices for terraced houses declined by 2.6%, after a rise of 4.1% in the previous quarter.

Activity in the housing market is measured by the number of advertised properties captured in the Bank's survey and by permits approved for development. In the second quarter of 2013, after seven months of decline, the number of advertised properties in the Bank's survey increased, going up by 0.3% on a year earlier after a 12.4% drop in the first quarter. The overall rise mirrored significant increases in adverts for maisonettes and houses of character, which outweighed a fall in the number of apartments advertised.

Meanwhile, the number of building permits issued by MEPA fell marginally by 0.2%, a much lower fall than the 27.3% drop in the previous quarter. The June quarter's decline was due to a lower number of permits issued for apartments. In contrast, the number of permits granted for maisonettes, terraced houses and those in the "other" category rose.

# 4. THE BALANCE OF PAYMENTS

In the second quarter of 2013 the current account of the balance of payments posted a larger surplus when compared with the corresponding period of 2012. This mainly reflected a smaller merchandise trade deficit and higher net inflows on the services account. These favourable movements more than offset higher net outflows in the income account and lower net inflows on current transfers.

The capital and financial account registered higher net outflows than in the June quarter of 2012. This increase reflected higher outflows in the financial account, which were dampened to a limited extent by higher inflows in the capital account.[1] Meanwhile, over the survey period, net reserve assets declined while net errors and omissions remained positive at a level considerably higher than that registered a year earlier.[2]

## The current account

### *A higher surplus registered on the current account*

In the June quarter the current account surplus amounted to €85.4 million, compared with €8.3 million in the second quarter of 2012 (see Table 4.1).

**Table 4.1**
**BALANCE OF PAYMENTS**
*EUR millions*

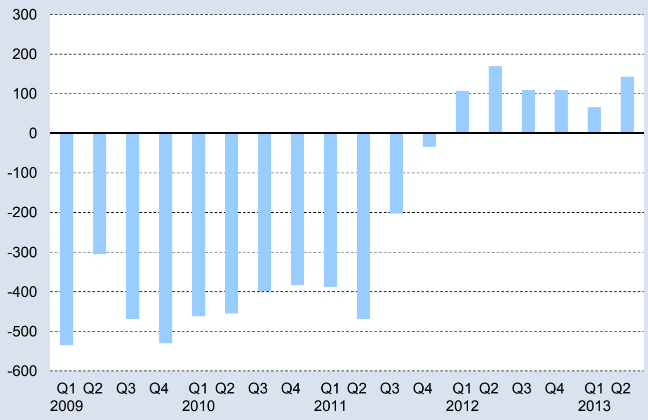
| | | | four-quarter moving sums(1) | | | | |
|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | | 2012 | | | 2013 |
| | | Q2 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Current account** | **8.3** | **85.4** | **169.9** | **109.5** | **109.4** | **66.1** | **143.2** |
| Goods | -312.8 | -236.3 | -972.6 | -975.2 | -971.8 | -1,035.4 | -958.9 |
| Services | 370.7 | 410.6 | 1,355.1 | 1,385.7 | 1,431.3 | 1,413.1 | 1,453.0 |
| Income | -84.1 | -114.9 | -252.6 | -355.6 | -409.3 | -408.7 | -439.5 |
| Current transfers | 34.5 | 26.0 | 39.9 | 54.6 | 59.1 | 97.1 | 88.6 |
| **Capital and financial account** | **-122.1** | **-287.9** | **-535.4** | **-588.6** | **-531.4** | **-352.4** | **-518.2** |
| Capital account | 4.6 | 15.7 | 82.1 | 113.1 | 91.4 | 138.3 | 149.5 |
| Financial account | -126.7 | -303.6 | -617.5 | -701.7 | -622.8 | -490.7 | -667.7 |
| Direct investment | -42.7 | 154.4 | 28.6 | 161.1 | 49.8 | 119.8 | 316.9 |
| Portfolio investment | -714.0 | -1,573.8 | -3,496.6 | -2,980.5 | -1,603.0 | -2,190.0 | -3,049.8 |
| Financial derivatives | 11.1 | 26.4 | 55.3 | -1.4 | 25.3 | -8.8 | 6.5 |
| Other investment | 637.2 | 1,074.1 | 2,922.2 | 2,232.5 | 1,026.5 | 1,537.8 | 1,974.8 |
| Reserve assets | -18.3 | 15.2 | -127.1 | -113.4 | -121.4 | 50.4 | 83.9 |
| Errors and omissions | 113.8 | 202.5 | 365.5 | 479.1 | 422.0 | 286.3 | 375.0 |

(1) In the final quarter of the year, the four-quarter moving sum is equivalent to the annual figure.
Source: NSO.

[1] In the capital and financial account of the balance of payments, additions to assets and decreases in liabilities are considered as outflows and recorded with a negative sign. Conversely, increases in liabilities and decreases in assets are recorded with a positive sign.
[2] Positive net errors and omissions imply an overestimation of the current account deficit and/or an overestimation of net outflows on the capital and financial account.

When expressed as a four-quarter moving sum, the current account balance showed a smaller surplus on a year earlier. Over the year to June 2013, this surplus stood at €143.2 million, compared with €169.9 million in the 12 months to June 2012 (see Chart 4.1). This narrowing in the surplus was driven entirely by higher net outflows on the income account, which more than offset positive developments in merchandise trade, services and current transfers.

**Chart 4.1**
**CURRENT ACCOUNT BALANCE**
*(four-quarter moving sum; EUR millions)*




Source: NSO.

As a proportion of gross domestic product the current account balance, expressed as a four-quarter moving sum, stood at 2.0% in the year to June 2013, down by half a percentage point over the comparable period a year earlier.

### *The merchandise trade gap narrows*

During the second quarter of 2013, the merchandise trade deficit narrowed by €76.5 million on a year earlier, falling to €236.3 million as the drop in imports outweighed that in exports. Imports of goods were €264.2 million, or 22.0%, lower over the corresponding quarter of 2012, while the value of exported goods decreased by €187.7 million, or 21.1%.

The fall in exports was mainly caused by a drop in the value of "goods procured in ports by carriers", which is influenced by a contraction in fuel re-exports.[3] Meanwhile, other merchandise exports increased on a year earlier.

Customs data for the same period also show that the fall in exports of goods registered in the April-June quarter was mostly attributable to lower re-exports of fuel-related products, down by €80.3 million on the year-ago level. Non-fuel exports, on the other hand, rose by €11.6 million, as higher sales of chemicals, particularly pharmaceuticals, as well as machinery and transport equipment, and food increased on the year-ago levels. Together, these offset declines in exports of semi-manufactured goods and other manufacturing articles.[4]

With regard to imports, in the second quarter of the year non-fuel purchases fell on a year earlier, offsetting a moderate increase in the fuel bill. The drop partly reflects decreases in imports of food, manufacturing inputs and chemicals on a year earlier.

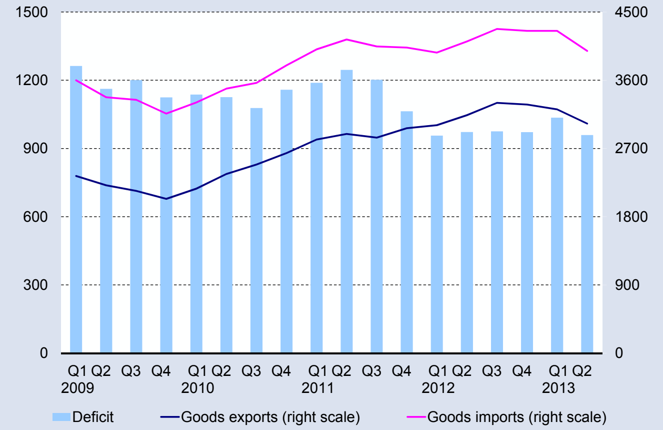
---

[3] Goods exports and imports in balance of payments figures include general merchandise data from Customs sources – adjusted for differences in coverage, valuation and timing (see footnote 4). These are added to goods procured in ports by carriers (GPPC), repairs on goods and non-monetary gold. Exports (imports) of GPPCs are those goods, such as fuels, stores and provisions, sold to foreigners in local ports (bought by residents in foreign ports).

[4] International trade data compiled on the basis of Customs returns differ from balance of payments data as a result of differences in coverage, valuation and timing. Thus, for example, trade data record the physical entry into, and the corresponding exit from, Maltese territory, of all goods, whereas balance of payments data only capture transactions that entail a change of ownership between residents and non-residents. These differences are especially pronounced in the case of trade in fuel.

When measured on a four-quarter cumulative basis, the merchandise trade deficit based on balance of payments data narrowed to €958.9 million, the smallest deficit since the first quarter of 2012, and €13.7 million lower than the corresponding period a year earlier. The improvement in the goods' deficit reflected a fall of €123.9 million in imports, which offset lower exports of €110.2 million (see Chart 4.2).

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




Source: NSO.

Customs data for the third quarter of 2013 point to a further marginal reduction in the visible trade gap, as imports fell by €327.0 million compared with a €321.8 million decline in exports. As a result, the merchandise trade gap narrowed by 1.0% on a year earlier. The contraction in imports was mainly driven by a significant drop in the value of imported fuels, and to a lesser extent, by decreases in industrial supplies and consumer goods. On the other hand, imports of capital equipment increased. With respect to exports, the registered decline was also mainly due to a substantial fall in fuel re-exports, but a drop in foreign sales of machinery and transport equipment also contributed.

When considering developments between January and September of 2013, the trade deficit based on Customs data narrowed to €1395.8 million, compared with €1460.0 million in the same period of 2012.

### *An increase in the surplus on services*

During the second quarter of 2013, the surplus on services rose by €39.9 million to €410.6 million compared with the same period last year. This was propelled by a significant rise in exports, whilst imports fell only marginally.

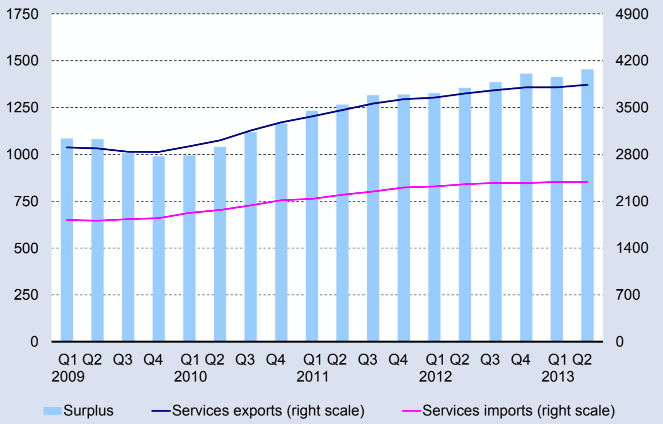
The increased surplus was driven by the "other services" component, where net inflows increased by €28.0 million on a year earlier. This reflected higher royalties & licence fees, as well as lower net payments on business, professional and technical services. These developments were partly offset by lower net exports on financial and audio-visual related services.

Meanwhile, in response to continued buoyancy in the tourism industry, the net surplus on travel services edged up by €19.8 million. Receipts from tourism during the second quarter of 2013 expanded by €23.5 million, while expenditure by Maltese nationals travelling abroad increased by €3.7 million.

In contrast, the deficit on transport services widened by €7.9 million, reflecting both a drop in receipts as well as higher payments related to passenger airfares.

Expressed as a four-quarter moving sum, the overall surplus on services in the year to June 2013 rose by €97.8 million, standing at €1,453.0 million (see Chart 4.3). This amelioration in the balance was mainly attributable to increased earnings on the "other services" and travel components.

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




Source: NSO.

### *Higher net outflows on the income account*

Between April and June 2013, net outflows on the income component of the current account stood at €114.9 million, an increase of €30.8 million over the same period of 2012. This was the result of a combination of lower interest earnings recorded by residents on their portfolio investments abroad and higher net outflows related to profits of foreign-owned firms operating in Malta. This deterioration was offset to some extent by a decline in net interest payments on outstanding loans. Flows on the income account continued to be heavily affected by activities of internationally-oriented banks that predominantly engage in financial operations with non-residents.

### *Net inward current transfers drop*

During the second quarter of 2013, the positive balance on current transfers decreased by €8.5 million compared with the corresponding quarter a year earlier, to €26.0 million. Movements in the balance of this component are significantly influenced by differences in timing between the collection of tax revenues from, and refund of tax payments to non-resident entities. Other items affecting transfers include budgetary receipts from the European Union, as well as Malta's contribution to the EU budget.

## The capital and financial account

### *Higher net outflows recorded on the capital and financial account*

In the June quarter of 2013, net outflows on the capital and financial account totalled €287.9 million, more than double the €122.1 million recorded a year earlier (see Table 4.1). The rise in net outflows was entirely driven by transactions on the financial account, as the capital account recorded a higher surplus of €15.7 million, as opposed to €4.6 million in the second quarter of 2012. Higher inflows on the latter account emanated from increased transfers involving the Government, primarily related to EU structural and cohesion funds.

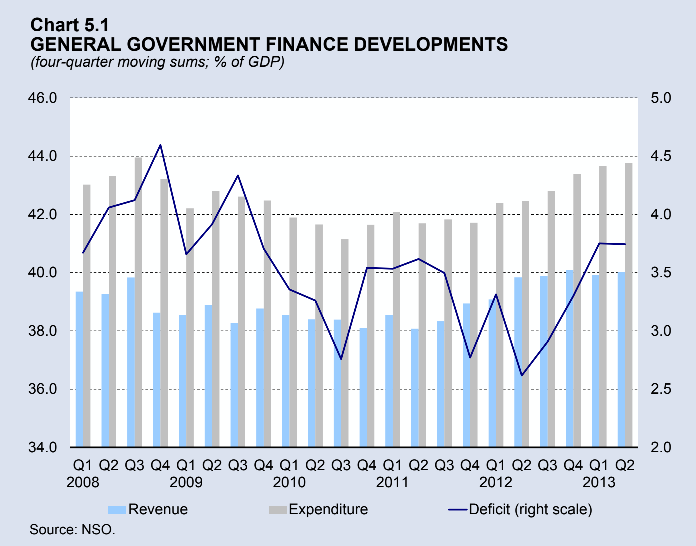
On the financial account net outflows amounted to €303.6 million, up by €177.0 million on the corresponding months of 2012. Movements in this account continued to be heavily affected by transactions of internationally-oriented banks. In particular, during the quarter under review, these banks more than doubled their purchases of foreign portfolio instruments, principally bonds. As a result, net portfolio outflows surged to €1573.8 million, up by €859.8 million on the year-ago level.

On the other hand, direct investment, financial derivatives and “other investments” all registered increased inflows, partly counterbalancing the downward effect of higher outflows on portfolio investment. Meanwhile, net inflows on the “other investment” component increased substantially to €1074.1 million. This reflected a drop in assets, as well as increased liabilities.

Concurrently, direct investment flows swung from net outflows of €42.7 million in the second quarter of 2012 to net inflows of €154.4 million in the quarter under review, mostly driven by increases in reinvested earnings and the net equity position of foreign-owned internationally-oriented banks.

Over the period April to June 2013, reserve assets declined by €15.2 million, after rising by €18.3 million in the corresponding period of 2012. Errors and omissions remained positive and substantial.

# 5. GOVERNMENT FINANCE




In the second quarter of 2013 the general government deficit increased slightly on a year-on-year basis. The ratio of the deficit to the gross domestic product (GDP), measured on a four-quarter moving sum, stood at 3.7% as at end-June, 0.1 percentage point below the value at the end of March, but 1.1 percentage points higher than the ratio recorded a year earlier (see Chart 5.1). The deficit on the Consolidated Fund rose in the June quarter, when compared with the same quarter of 2012, but narrowed over the first six months of 2013.[1] General government debt as a percentage of GDP increased by 0.8 percentage point to 75.8% at the end of June, compared with 75.0% at the end of March.

## General government

### *General government deficit widens*

Between April and June 2013 the shortfall between revenue and expenditure widened by €3.0 million on a year earlier, as the increment in spending outpaced that in revenue by a small margin. Consequently, the general government deficit rose to €45.6 million (see Table 5.1).

Over the first six months of 2013, the deficit widened by €36.1 million year-on-year, as expenditure grew at a faster pace than revenue. Over the same period the primary deficit, which excludes interest payments from total expenditure, widened by €34.7 million to stand at €49.4 million.

### *Revenue rises*

General government revenue expanded by €43.8 million, or 6.6%, in the second quarter of the year compared with the same period in 2012. Most of the increase stemmed from larger inflows from current taxes on income and wealth. The latter went up by €37.0 million mainly on the back of a higher intake from income taxes paid by corporations. At the same time, revenue from social contributions rose by €6.8 million, supported by employment growth. Concurrently, receipts from taxes on production and imports went up by €16.5 million, mainly reflecting an increase in value added tax (VAT) receipts and in duty on documents.

[1] The Consolidated Fund captures most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA95 regulations, cover central government, which is defined to include extra-budgetary units, as well as local councils, on an accruals 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.

**Table 5.1**
**GENERAL GOVERNMENT BALANCE[1]**
*EUR millions*

| | 2012 Q2 | 2013 Q2 | Change Amount | Change % | 2012 Q1-Q2 | 2013 Q1-Q2 | Change Amount | Change % |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **667.3** | **711.1** | **43.8** | **6.6** | **1,316.1** | **1,374.4** | **58.2** | **4.4** |
| Taxes on production and imports | 213.3 | 229.8 | 16.5 | 7.8 | 431.2 | 433.0 | 1.8 | 0.4 |
| Current taxes on income and wealth | 241.1 | 278.2 | 37.0 | 15.4 | 458.9 | 524.7 | 65.8 | 14.3 |
| Social contributions | 119.0 | 125.8 | 6.8 | 5.8 | 239.4 | 248.1 | 8.7 | 3.6 |
| Capital and current transfers | 40.8 | 32.9 | -7.9 | -19.3 | 68.8 | 57.7 | -11.1 | -16.1 |
| Other [2] | 53.1 | 44.4 | -8.7 | -16.4 | 117.8 | 110.8 | -7.0 | -6.0 |
| **Expenditure** | **709.9** | **756.7** | **46.8** | **6.6** | **1,438.5** | **1,532.8** | **94.3** | **6.6** |
| Compensation of employees | 229.5 | 242.7 | 13.1 | 5.7 | 451.6 | 480.3 | 28.7 | 6.4 |
| Intermediate consumption | 104.4 | 107.2 | 2.8 | 2.7 | 219.9 | 216.4 | -3.5 | -1.6 |
| Social benefits | 247.0 | 256.4 | 9.4 | 3.8 | 466.0 | 487.9 | 21.9 | 4.7 |
| Subsidies | 20.9 | 16.4 | -4.4 | -21.2 | 36.8 | 37.0 | 0.2 | 0.5 |
| Interest | 52.9 | 53.0 | 0.1 | 0.3 | 107.6 | 109.0 | 1.4 | 1.3 |
| Current transfers payable | 22.4 | 33.1 | 10.6 | 47.4 | 54.4 | 69.0 | 14.6 | 26.9 |
| Gross fixed capital formation | 57.2 | 42.1 | -15.1 | -26.4 | 91.1 | 80.0 | -11.1 | -12.2 |
| Capital transfers payable | 12.0 | 5.7 | -6.3 | -52.4 | 42.2 | 52.9 | 10.7 | 25.4 |
| Other [3] | -36.4 | 0.1 | 36.5 | - | -31.1 | 0.2 | 31.4 | - |
| **Primary balance** | **10.3** | **7.4** | **-2.9** | **-** | **-14.7** | **-49.4** | **-34.7** | **-** |
| **General government balance** | **-42.6** | **-45.6** | **-3.0** | **-** | **-122.3** | **-158.4** | **-36.1** | **-** |

[1] The general government balance is computed in line with the ESA95 methodology. For further details, see http://www.nso.gov.mt/docs/ESA95_Glossary.pdf

[2] "Other" revenue includes market output as well as income derived from property and investments.

[3] "Other" expenditure reflects changes in the value of inventories and in the net acquisition of valuables and other assets.

Source: NSO.

Conversely, revenue from capital and current transfers declined by €7.9 million during the second quarter, while "other" revenue components fell by €8.7 million.

Over the first two quarters of 2013, revenue grew by €58.2 million, or 4.4%, on the back of higher inflows from current taxes on income and wealth. This rise emanated from an increase in income taxes paid by corporations and, to a lesser extent, households, as well as from a lower level of tax refunds. In line with resilient labour market conditions, social contributions rose by €8.7 million. Revenue from indirect taxes rose marginally during the first six months of the year as an increase in inflows in the second quarter was dampened by lower VAT receipts and excise duties in the first quarter.

In the first half of the year, receipts from capital and current transfers fell by €11.1 million, mainly owing to lower capital revenue received by extra-budgetary units. Concurrently, the "other" revenue component decreased by €7.0 million, resulting from a fall in property income receivable, which reflected movements in both dividends receivable and profits.

### *Expenditure increases*

Between April and June general government expenditure rose by €46.8 million or 6.6%. Most of the increase stemmed from a rise in capital expenditure. In turn, this is attributable to an increase in the "other" component of expenditure, which primarily is the result of a one-off event in 2012.

This involved a concession fee paid by a private firm to operate the National Lottery, which lowered this item of expenditure that year.[2]

Compensation of employees during the quarter rose by €13.1 million, driven mainly by higher wages to employees in the education and health sectors, partly under the impact of continued growth in employment, as well as by newly signed agreements that were concluded during the first half of the year. At the same time, social benefits rose by €9.4 million largely on the back of higher expenditure on retirement pensions, as well as on children's allowance as a result of the 2013 budget measure. This raised the minimum allowance for every child and also increased the allowance provided in the case of minimum wage earners. Current transfers payable and intermediate consumption rose by €10.6 million and €2.8 million, respectively, with the latter reflecting higher expenditure in the health sector. On the other hand, subsidies contracted by €4.4 million.

A decline was also registered in gross fixed capital formation (GFCF).This partly reflected the fact that in 2012 GFCF was boosted by expenditure on the acquisition of an airplane. Furthermore, the period under review featured lower spending on infrastructural projects, most of which are financed by the European Union. This factor is mirrored in a €6.3 million fall in capital transfers payable.

Over the first six months of the year, total expenditure rose by €94.3 million, or 6.6%, mainly on the back of higher recurrent spending. In particular, compensation of employees grew by 6.4%. Current transfers payable also rose during the first six months of the year. Apart from transfers to the EU budget, payments in connection with the new Parliament building also increased. Interest payments and subsidies rose marginally, with the former emanating from a higher level of government debt.

On the other hand, intermediate consumption fell in the first half of the year. This is in line with the current spending review programme being carried out by Government to effect savings on certain items and ensure an early correction of deviations from expenditure targets. The drop in GFCF reflects the decline experienced in the second quarter.

## Consolidated Fund

### *The Consolidated Fund deficit increases in the second and third quarters*

Between April and June 2013 the Consolidated Fund deficit widened by €13.9 million compared with the same period a year earlier, reaching €73.7 million (see Table 5.2). Concurrently, the primary balance deteriorated by €10.0 million.

Compared with the same quarter of 2012, revenue grew by €29.0 million as a result of higher intakes from direct taxes and VAT. Together, these offset a fall in non-tax revenue. On the other hand, expenditure expanded by €42.9 million during the second quarter of 2013 owing to an increase in recurrent spending. The latter mainly reflected larger expenditure on social benefits, higher contributions to government entities and greater spending on personal emoluments. Conversely, capital expenditure fell during the period under review.

[2] In line with ESA95 methodology, such revenue, which is related to the disposal of assets, is deducted from expenditure.

**Table 5.2**
**CONSOLIDATED FUND BALANCE**
*EUR millions*

| | 2012 Q2 | 2013 Q2 | Change Amount | Change % | 2012 Q1-Q2 | 2013 Q1-Q2 | Change Amount | Change % |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **632.6** | **661.5** | **29.0** | **4.6** | **1,123.9** | **1,223.1** | **99.2** | **8.8** |
| Direct tax[1] | 337.0 | 365.5 | 28.5 | 8.5 | 540.5 | 610.6 | 70.2 | 13.0 |
| Indirect tax | 220.9 | 239.7 | 18.8 | 8.5 | 446.3 | 448.5 | 2.2 | 0.5 |
| Non-tax[2] | 74.7 | 56.4 | -18.3 | -24.5 | 137.2 | 164.0 | 26.9 | 19.6 |
| **Expenditure** | **692.3** | **735.3** | **42.9** | **6.2** | **1,408.3** | **1,464.3** | **56.0** | **4.0** |
| Recurrent[1] | 611.3 | 660.6 | 49.3 | 8.1 | 1,251.9 | 1,285.5 | 33.6 | 2.7 |
| *Of which:* Interest payments | 55.9 | 59.8 | 3.9 | 7.0 | 109.4 | 111.2 | 1.9 | 1.7 |
| Capital | 81.0 | 74.7 | -6.3 | -7.8 | 156.4 | 178.8 | 22.4 | 14.3 |
| **Primary balance[3]** | **-3.9** | **-13.9** | **-10.0** | **-** | **-175.0** | **-129.9** | **45.0** | **-** |
| **Consolidated Fund balance** | **-59.8** | **-73.7** | **-13.9** | **-** | **-284.3** | **-241.2** | **43.2** | **-** |

[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.

In the first half of 2013, the Consolidated Fund deficit narrowed by €43.2 million as revenue growth exceeded the rise in expenditure. Revenue grew by 8.8% mainly owing to higher intake from income tax, particularly that paid by corporations, as well as to higher inflows from EU grants. The rise in indirect taxes arose from higher VAT receipts.

Expenditure rose by €56.0 million, or 4.0%, mainly owing to higher recurrent spending on personal emoluments, as well as greater spending on social benefits. At the same time, expenditure growth reflected also an increase in contributions to government entities. Meanwhile, capital spending expanded by €22.4 million, reflecting an equity capital contribution to Air Malta and higher spending on infrastructural projects.

Going forward, data for the third quarter of the year show that the Consolidated Fund balance deteriorated by €32.4 million when compared with the same period in the previous year and, consequently, turned into a deficit of €30.2 million.

During the third quarter revenue grew mainly on the back of a higher intake from income taxes and customs and excise duties. Together these offset a decline in non-tax revenue, resulting from a base effect featuring in the third quarter of 2012, namely the payment of a concession fee by a private firm to operate the National Lottery.

Concurrently, spending of a recurrent nature surged on account of the timing of payment of social benefits. Expenditure growth also reflected an increase in spending on personal emoluments. On the other hand, capital expenditure declined slightly.

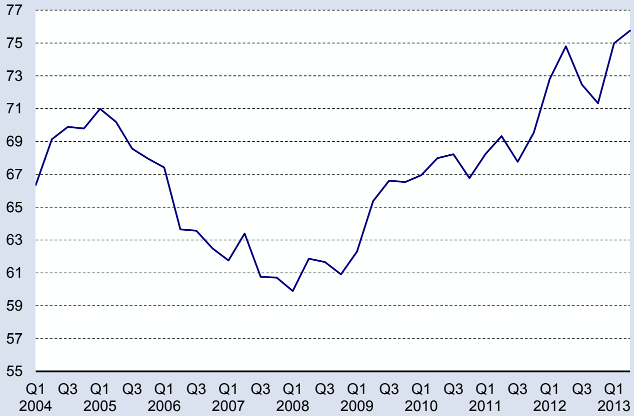
Looking at the entire period from January to September, the Consolidated Fund balance narrowed by €10.8 million, with the deficit declining to €271.4 million. While expenditure grew by 5.6%, revenue went up by 7.0%.

## General government debt

*General government debt increases*

At the end of June 2013, the stock of general government debt reached €5,292.5 million up from €5,169.9 million at the end of March 2013 (see Table 5.3). Consequently, the debt-to-GDP ratio rose by 0.8 percentage point to 75.8% over the same period (see Chart 5.2).

**Chart 5.2**
**GENERAL GOVERNMENT DEBT**
*(% of GDP; GDP data are four-quarter moving sums)*




Source: NSO.

Apart from financing the borrowing requirements for the second quarter, the increase mirrored a build-up of government financial assets, namely bank deposits. In fact, the increase in government holdings of currency & deposits between March and June 2013 was equivalent to more than half of the concurrent rise in debt (see Chart 5.3). The increase in deposits partly reflects the frontloading of debt issuance. By the end of June, the Government had issued more than half of the amount planned for 2013. The increase in debt also reflected additional contributions in relation to European Financial Stability Facility (EFSF) obligations.[3]

During the quarter under review, the composition of debt continued to shift towards short-term obligations. The stock of short-term securities, in the form of Treasury bills, reached €335.9

**Table 5.3**
**GENERAL GOVERNMENT DEBT**
*EUR millions*

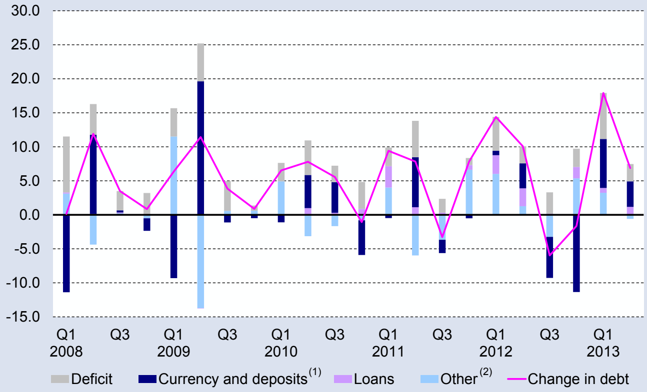
| | 2012 | | | 2013 | |
|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Q2 |
| **General government debt**[(1)] | **5,008.0** | **4,899.6** | **4,871.3** | **5,169.9** | **5,292.5** |
| **Currency** | **47.0** | **48.9** | **50.4** | **50.8** | **52.3** |
| **Securities** | **4,621.0** | **4,507.6** | **4,476.9** | **4,771.7** | **4,879.0** |
| Short-term | 255.1 | 319.4 | 154.1 | 288.6 | 335.9 |
| Long-term | 4,366.0 | 4,188.2 | 4,322.8 | 4,483.1 | 4,543.1 |
| **Loans** | **340.0** | **343.1** | **343.9** | **347.3** | **361.1** |
| Short-term | 58.4 | 59.1 | 79.1 | 76.4 | 77.0 |
| Long-term | 281.6 | 284.1 | 264.9 | 270.9 | 284.1 |

(1) Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.
Source: NSO.

[3] According to rules covering the statistical treatment of general government accounts, any increase in EFSF debt to finance lending to euro area countries in need of support is reported as an increase in the debt of the contributing Member States weighted in accordance with their capital key.

million. As a result, their share in total debt rose by 0.8 percentage point to 6.3%. Long-term securities also grew during the period, as new issues of Malta Government Stocks outweighed redemptions, with the outstanding amount reaching €4,543.1million as at end-June 2013. Nevertheless, their share in total debt declined by 0.9 percentage point over the quarter to 85.8%.

**Chart 5.3**
**GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT**
*(% of GDP)*




(1) Composed mainly of transactions in deposits held with the Central Bank of Malta.
(2) Includes transactions related to shares and other equity, adjustments for valuation and volume effects and transactions capturing the effect of trade credits or other accounts receivable or payable. The latter are particularly large in the first quarter of each year.
Source: Central Bank of Malta.

During the period under review, the share of loans in total debt edged up by 0.1 percentage point to 6.8%. Long-term loans outstanding rose by €13.3 million. This category incorporates loans granted to other euro area Member States through EFSF.

Government liabilities in the form of Maltese euro coins in issue increased by €1.5 million, although their share in total debt remained unchanged from the previous quarter's level.

## 6. MONETARY AND FINANCIAL DEVELOPMENTS

The total assets of the core domestic banks in Malta remained broadly stable during the second and third quarters of 2013. Deposits remained the main source of funding, with balances belonging to residents of Malta growing at a slightly faster annual pace in both quarters. Meanwhile, credit granted to residents decelerated markedly, due to reduced borrowing by the corporate sector.

Domestic primary money market yields fell during the second quarter, as did those on Maltese government bonds. As a result, both the five and ten-year spreads over euro area benchmarks narrowed. At the same time, the Malta Stock Exchange (MSE) share index persisted on its upward path, rising for the fifth quarter in a row.

During the third quarter domestic money market rates and government bond yields extended their downward trend. Meanwhile, the MSE share index increased marginally over the end of June level.

### Monetary aggregates and their counterparts

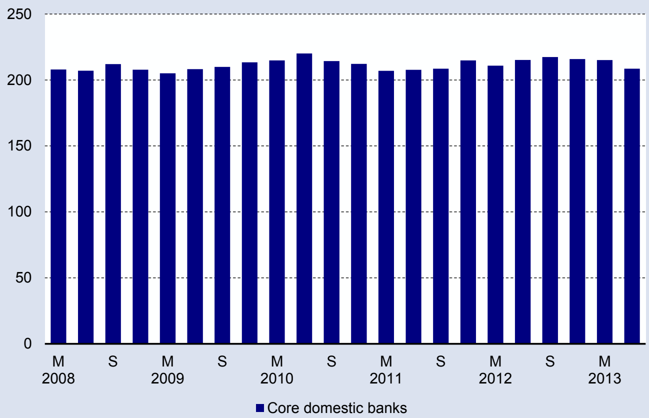
*Total assets pertaining to core domestic banks remain stable*

The total assets of the Maltese banking system contracted during the second quarter of 2013. The contraction was driven by developments in internationally-oriented banks. However, total assets belonging to the domestically relevant banking system, or core domestic banks, remained stable around their long-term average and stood at 209% of GDP at end-June 2013 (see Chart 6.1).[1]

*Resident deposits grow at a faster pace*

Deposits belonging to Maltese residents and held with resident credit institutions continued to be composed mostly of overnight deposits and time deposits with agreed maturity of up to two years (see Chart 6.2). While the former continued to strengthen, the latter declined further, but, overall, the rate of growth of total residents' deposits accelerated.

**Chart 6.1**
**TOTAL ASSETS/LIABILITIES OF CORE DOMESTIC BANKS**
*(% of GDP; GDP data are four-quarter moving sums)*




Source: Central Bank of Malta.

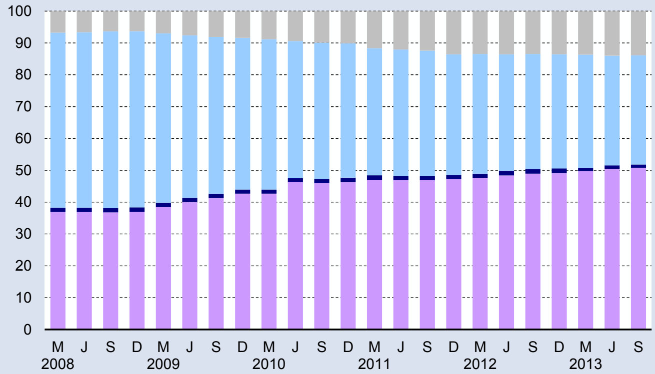
Overnight deposits grew by 10.1% over the year to June, marginally below the rate reported three months earlier (see Table 6.1). As in previous quarters, private sector deposits, particularly those belonging to households and non-financial corporations (NFC), were the main factor driving growth in such deposits. The low level of interest rates in recent years has reduced the opportunity cost of holding overnight balances. In addition, during the quarter reviewed households

[1] The domestically relevant banks, or "core" domestic banks, are APS Bank Ltd, Banif Bank (Malta) plc, Bank of Valletta plc, HSBC Bank Malta plc, and Lombard Bank Malta plc.

may have been building up liquid balances in anticipation of new bond issues. During this period, the annual rate of growth of overnight deposits belonging to households accelerated to 13.1%, while the annual growth rate of NFC deposits slowed down slightly to 11.7%.

During the third quarter annual growth in overnight deposits picked up again, reaching 10.7% in September. Overall, annual growth continued to be driven by balances belonging to households and NFCs.

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




[1] Deposits outside M3 exclude deposits belonging to central government
Source: Central Bank of Malta.

Meanwhile, deposits with agreed maturity of up to two years continued to contract, falling at an annual rate of 0.4% in June. Lower holdings belonging to non-bank financial intermediaries, insurance companies and private NFCs were only partly offset by higher household deposits. The

**Table 6.1**
**DEPOSITS OF MALTESE RESIDENTS**

| | Eur millions | | Annual percentage changes | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | 2012 | | | 2013 | | |
| | June | Sep. | June | Sep. | Dec. | Mar. | June | Sep. |
| **Overnight deposits** | **5,291.9** | **5,481.2** | **10.6** | **10.6** | **10.0** | **10.2** | **10.1** | **10.7** |
| *of which* | | | | | | | | |
| Households | 3,393.2 | 3,481.1 | 8.3 | 7.7 | 10.2 | 11.7 | 13.1 | 11.2 |
| Non-financial corporations | 1,622.2 | 1,697.7 | 8.4 | 15.2 | 5.5 | 14.8 | 11.7 | 11.4 |
| **Deposits redeemable at notice up to 3 months** | **113.0** | **111.2** | **12.2** | **14.9** | **23.8** | **-8.6** | **-21.6** | **-22.7** |
| *of which* | | | | | | | | |
| Households | 96.6 | 96.9 | -3.9 | -8.0 | -5.3 | -3.5 | -3.9 | 0.3 |
| Non-financial corporations | 15.9 | 14.0 | 81.0 | 144.1 | 187.0 | -32.1 | -61.8 | -70.1 |
| **Deposits with agreed maturity up to 2 years** | **3,615.8** | **3,697.6** | **-1.3** | **-2.5** | **-0.3** | **-0.4** | **-0.4** | **1.0** |
| *of which* | | | | | | | | |
| Households | 3,028.3 | 3,036.8 | -3.4 | -2.7 | 1.2 | 2.2 | 2.6 | 1.9 |
| Non-financial corporations | 373.2 | 387.6 | -5.6 | -3.5 | -5.2 | -2.8 | -3.8 | -6.1 |
| **Deposits with agreed maturity above 2 years** | **1,466.6** | **1,499.1** | **20.4** | **15.0** | **5.5** | **7.1** | **8.7** | **10.0** |
| *of which* | | | | | | | | |
| Households | 1,402.6 | 1,421.5 | 21.6 | 15.5 | 5.0 | 6.2 | 8.7 | 9.2 |
| Non-financial corporations | 52.0 | 58.2 | 11.0 | 9.4 | 18.3 | 18.9 | 9.8 | 22.6 |
| **Total residents' deposits[1]** | **10,487.4** | **10,789.2** | **7.1** | **6.0** | **5.6** | **5.5** | **5.6** | **6.6** |

[1] Total resident deposits exclude deposits belonging to Central Government.

Source: Central Bank of Malta.

relatively strong decline in interest rates prevailing on these short-term deposits may be a reason for the persistent shifts away from such deposits observed during the past six years.

Subsequently, deposits with agreed maturity of up to two years reversed their downward trend and expanded during the third quarter. As a result, their annual growth rate turned positive and rose to 1.0%. Increases in deposits held by households and insurance companies offset a reduction in balances belonging to private NFCs and to non-bank financial intermediaries.

Deposits with maturities above two years, which are excluded from broad money (M3), have steadily gained popularity in recent years, with their share in total deposits rising from 6.8% in January 2008 to 13.9% in September 2013 (see Chart 6.2). These longer-term deposits have been a popular option for households in search of higher returns on their investments. Numerous schemes launched by banks during the past few years have augmented the shift towards such deposits.

Overall, annual growth in total residents' deposits accelerated during the second and third quarters of 2013, rising from 5.5% in March to 5.6% and 6.6% in June and September, respectively.

### *Interest rates on residents' deposits remain unchanged, before declining slightly*

The weighted average interest rate paid by monetary financial institutions (MFI) on all deposits belonging to households and NFCs resident in Malta was constant during the second quarter and stood at 1.43% in June (see Table 6.2).[2] Rates received by households on overnight deposits remained unchanged at 0.34%, while those earned by NFCs dipped by 2 points to 0.27%. In contrast, rates on both types of time deposits rose marginally for both households and NFCs during the second quarter.

**Table 6.2**
**INTEREST RATES ON OUTSTANDING DEPOSITS BELONGING TO RESIDENTS OF MALTA**
*Percentages per annum; weighted average rates as at end of period*

| | 2012 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | June | Sep. | Dec. | Mar. | June | Sep. |
| **Total deposits belonging to households and non-financial corporations** | 1.41 | 1.40 | 1.42 | 1.43 | 1.43 | 1.41 |
| **Overnight deposits** | | | | | | |
| Households | 0.32 | 0.32 | 0.32 | 0.34 | 0.34 | 0.35 |
| Non-financial corporations | 0.29 | 0.27 | 0.28 | 0.29 | 0.27 | 0.28 |
| **Time deposits with agreed maturity up to 2 years**(1) | | | | | | |
| Households | 2.06 | 2.06 | 2.07 | 2.07 | 2.08 | 2.05 |
| Non-financial corporations | 1.92 | 1.96 | 1.99 | 1.98 | 2.01 | 1.97 |
| **Time deposits with agreed maturity over 2 years**(1) | | | | | | |
| Households | 3.27 | 3.36 | 3.42 | 3.49 | 3.50 | 3.53 |
| Non-financial corporations | 3.23 | 3.34 | 3.06 | 3.13 | 3.14 | 3.19 |

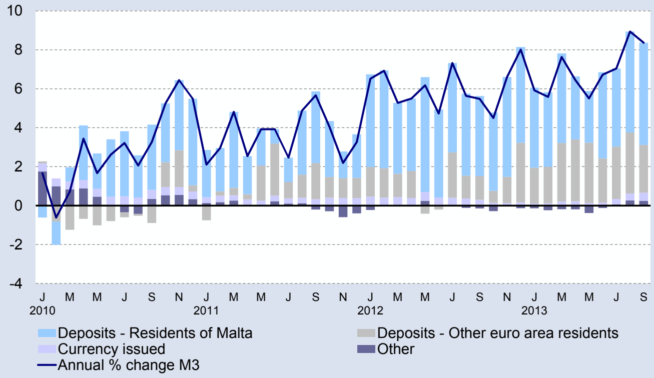
(1) Annualised agreed rates on euro-denominated deposits.

Source: Central Bank of Malta.

[2] Data on interest rates on outstanding amounts shown in Table 6.3 cover MFI euro-denominated deposits belonging to households and NFCs resident in Malta. The household sector also includes Non-Profit Institutions Serving Households (NPISH). NFCs include all enterprises except banks, insurance companies and other financial institutions. Hence, these statistics do not cover all economic sectors.

Subsequently, during the September quarter, rates earned by both households and NFCs rose both on overnight deposits and on time deposits with agreed maturity over two years. In contrast, rates on time deposits with a maturity shorter than two years declined. Prior to the September quarter, the latter fell for the past five quarters.

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



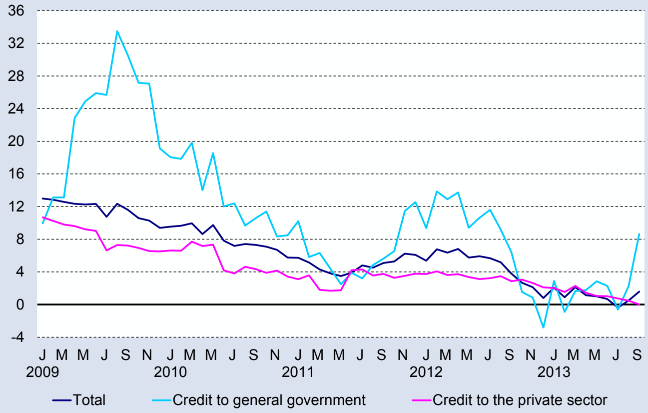

[(1)] The 'other' category consists of loans granted to resident MFIs, repurchase agreements, money market fund shares/units and debt securities with a maturity of up to and including two years issued by MFIs.

Source: Central Bank of Malta.

### *Contribution to euro area M3 decelerates*

The contribution of Maltese MFIs to euro area M3 decreased from 7.6% in March to 6.7% in June, before picking up to 8.4% in September. Deposits belonging to residents of Malta were the main contributor towards growth in M3 in both June and September (see Chart 6.3).[3]

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




Note: Credit to the private sector includes credit granted to private NFCs and Households.

Source: Central Bank of Malta.

### *Credit to residents slows down*

Credit to Maltese residents has been on a persistently downward trend since the beginning of 2009, after the onset of the global financial crisis, with only a moderate improvement being recorded during 2012. Nevertheless, credit growth in Malta has tended to consistently exceed the corresponding rates in the euro area.

During the second quarter of 2013, credit granted to residents slowed down noticeably. The annual rate of credit growth fell to 0.7% in June from 2.1% three months earlier (see Chart 6.4). During the third quarter, the annual rate of growth of credit to residents fell briefly below zero, before recovering to 1.6% in September.

Credit granted to general government increased during the June quarter, as banks expanded their Treasury bill portfolios. As a result, the annual growth rate of credit to the Government rose to 2.3% in June from 1.7% in March. During the subsequent quarter, increased bank holdings

[3] 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 governments 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. Further information is given in the General Notes accompanying the Statistical Tables in this *Review*. Monetary statistics cover all MFIs resident in Malta.

of Malta Government Stocks (MGS) and, to a lesser extent, in Treasury bills, pushed up annual growth in credit to general government to 8.6% in September.

The deceleration in overall credit during the year to June stemmed mainly from slower growth in credit to residents other than general government, which went up by a mere 0.2%, and in part reflected a lower volume of loans to public NFCs operating mainly in the electricity, gas, steam & air-conditioning supply sector. Additionally, despite rising moderately during the 12 months to June, credit to private sector residents did so at a much slower pace, as higher mortgage lending was offset by lower lending to the construction sector and the wholesale & retail trade sector in particular.

In the following quarter, credit granted to residents other than general government persisted on its downward trend, with the annual rate of change turning negative and reaching -0.4% in September. This contraction, which was driven by lending to the private sector, predominantly stemmed from a lower volume of loans to the construction and the wholesale & retail trade sectors, which jointly counterbalanced the increase in mortgages granted to households.

### *Bank lending to NFCs declines*

Looking at credit to the private sector in more detail, bank lending to NFCs declined at an annual rate of 2.9% in June 2013 as opposed to zero growth three months earlier (see Table 6.3). The decline could mirror the weakness in private investment, but, looking forward, it could also have implications for future capital spending, given that loans issued by resident credit institutions are an important source of funding for local companies. This is particularly true for small and medium-sized enterprises (SME) which generally have lesser access to the domestic capital market for funding.

Loans advanced to private NFCs fell at an even quicker pace during the 12 months to September, with the annual rate of change reaching -4.8%. The slowdown stemmed mainly from reduced borrowing by firms in the construction and the wholesale & retail trade sectors. However, the accommodation & food service activities sector also contributed substantially to the decline, as its contribution to overall private NFC loan growth turned negative following significant growth in the previous quarter.

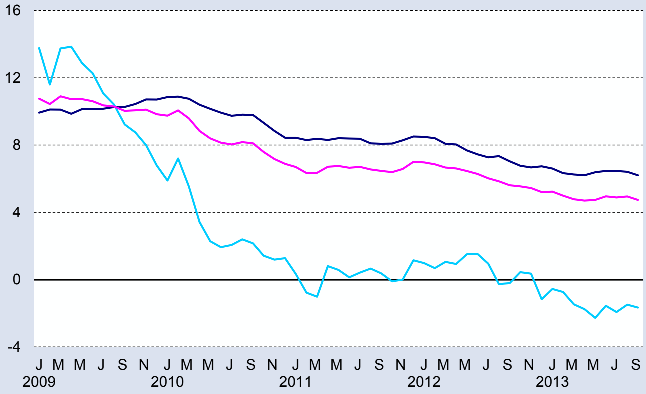
**Table 6.3**
**SECTORAL CONTRIBUTIONS TO YEAR-ON-YEAR GROWTH IN LOANS TO PRIVATE NFCs**
*Percentage points*

| | All Private NFCs | | | | | | SMEs | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | 2013 | | | 2012 | | | 2013 | | |
| | June | Sep. | Dec. | Mar. | June | Sep. | June | Sep. | Dec. | Mar. | June | Sep. |
| Accommodation and food service activities | 0.3 | 0.3 | 0.2 | 0.3 | 1.5 | -0.1 | 0.7 | 0.7 | 0.1 | 0.0 | 2.0 | 0.0 |
| Construction | -0.5 | -1.4 | -1.8 | -2.4 | -2.9 | -3.8 | 1.6 | 0.8 | -0.1 | -3.4 | -3.7 | -4.9 |
| Manufacturing | 0.8 | 0.8 | 0.7 | 0.8 | -0.2 | -0.1 | 0.9 | 0.7 | 0.5 | 0.8 | -0.3 | 0.9 |
| Real estate activities | 0.3 | 0.0 | 0.1 | 0.6 | 0.6 | 0.6 | 2.1 | 1.7 | 3.1 | 1.7 | 1.6 | 0.7 |
| Transportation and storage | -0.3 | -0.2 | -0.4 | -0.5 | -0.6 | -0.3 | 0.1 | -0.1 | 0.0 | -0.4 | -0.6 | -0.4 |
| Wholesale and retail trade | -1.0 | -0.4 | -0.5 | 0.2 | -2.0 | -1.1 | -0.3 | 0.1 | 0.3 | 0.1 | -2.8 | -1.4 |
| Other | 0.7 | 1.4 | 0.9 | 1.0 | 0.7 | 0.0 | 1.1 | 2.2 | 1.7 | 0.8 | 1.4 | 2.8 |
| **Total** | **0.4** | **0.5** | **-0.7** | **0.0** | **-2.9** | **-4.8** | **6.2** | **6.1** | **5.6** | **-0.4** | **-2.3** | **-2.3** |

Source: Central Bank of Malta.

Loans to SMEs comprised around three-fourths of loans granted to total private NFCs resident in Malta during the second and third quarters of 2013.[4] Loans granted to non-financial SMEs declined at a considerable pace during the year to June, falling by 2.3% as opposed to a drop of 0.4% three months before. An equivalent contraction was recorded during the year to September, though this lending category fell at a slower pace than total NFC loans. The decline in loans in both June and September was most evident in construction and in wholesale & retail trade.

Chart 6.5
**LOANS TO HOUSEHOLDS**
*(annual percentage changes)*




Source: Central Bank of Malta.

## *Bank lending to households*

Lending to households, which is the other major component of credit to the private sector, grew at a slightly faster pace during the second quarter of 2013, with the annual growth rate edging up to 5.0% in June, from 4.8% in March (see Chart 6.5). Lending for house purchases accelerated to 6.5% in June, up from 6.2% three months earlier. In contrast, consumer loans – which include the use of credit cards and overdraft facilities, together with other types of lending – contracted at a slightly faster pace, falling by 1.6% during the year to June as opposed to a drop of 1.5% in March.

During the third quarter annual growth in lending to households reverted to its downward path, ending September at 4.7%. While mortgage growth decelerated to 6.2%, loans for consumption purposes contracted at 1.7%, a slightly faster pace than in the June quarter.

## *Rates on loans to Maltese residents remain broadly unchanged*

The weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs remained constant during the second quarter, standing at 4.33% in June. Rates paid by households on mortgages fell by 1 basis point to 3.37%. In contrast, rates on loans to NFCs rose by 3 basis points to 4.80%, while rates charged to households on consumer credit & other lending rose by 1 point to 5.59% (see Table 6.4).[5]

In September the weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs dipped slightly to 4.30%, with all interest rate categories edging down.

[4] SMEs are those companies which employ fewer than 250 employees and have a turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million.

[5] Data on interest rates on outstanding amounts shown in Table 6.5 cover MFI euro-denominated loans granted to households and NFCs resident in Malta. These statistics do not cover all sectors of the economy.

**Table 6.4**
**MFI INTEREST RATES ON OUTSTANDING LOANS TO MALTESE RESIDENTS[(1)]**

*Percentages per annum; weighted average rates as at end of period*

| | 2012 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | June | Sep. | Dec. | Mar. | June | Sep. |
| **Total loans to households and non-financial corporations** | 4.35 | 4.35 | 4.32 | 4.33 | 4.33 | 4.30 |
| Households and NPISH | | | | | | |
| Lending for house purchases | 3.41 | 3.41 | 3.39 | 3.38 | 3.37 | 3.36 |
| Consumer credit and other lending[(2)] | 5.58 | 5.58 | 5.59 | 5.58 | 5.59 | 5.57 |
| Non-financial corporations[(2)] | 4.73 | 4.74 | 4.73 | 4.77 | 4.80 | 4.79 |

[(1)] Annualised agreed rates on euro-denominated loans to households and non-financial corporations.

[(2)] Includes bank overdrafts.

Source: Central Bank of Malta.

### *Credit standards for enterprises and households remain unchanged*

The Bank Lending Survey (BLS) conducted in July 2013 revealed that credit standards applied on lending to enterprises and households remained unchanged during the second quarter of 2013.[6] Demand for loans by enterprises decreased during the quarter – as reported by two of four surveyed banks – while that by households remained unchanged.

Similarly, the BLS conducted in October 2013 showed unchanged credit standards applied to lending to enterprises and households during the third quarter of the year. Meanwhile, demand for loans by households increased, as reported by two banks. Although overall demand for loans by enterprises remained unchanged, two banks reported slight offsetting changes.

With regard to the fourth quarter of 2013, banks expected credit standards applied to NFCs and households to remain constant. Nonetheless, while demand for loans by firms was expected to remain unchanged, household demand was anticipated to rise, by one bank.

### *Credit granted to euro area residents outside Malta declines*

Credit granted by resident MFIs to residents of euro area countries except Malta continued to decline, falling by €649.4 million, or 14.3%, in the year to June, a stronger drop than the 7.7% fall three months before. This decline continued to reflect a sharp drop in MFI holdings of euro area sovereign bonds. Additionally, credit institutions reduced their lending to non-bank financial intermediaries and private NFCs residing in other euro area countries.

Subsequently, during the third quarter these loans contracted further. As a result, the decline in credit granted to euro area residents fell by €1.2 billion, or 25.1%, during the 12 months to September 2013. One internationally-oriented bank accounted for the major part of this drop. Besides lower loans granted to non-bank financial intermediaries and to private NFCs, this drop also stemmed from reduced holdings of securities, mostly issued by financial vehicle corporations. At end-September, credit provided by resident MFIs to residents of other euro area countries stood at €3.6 billion.

[6] The BLS gauges credit demand and supply conditions. It is carried out as part of a quarterly exercise conducted by the Eurosystem across the entire euro area.

**Table 6.5**
**NET CLAIMS ON NON-RESIDENTS OF THE EURO AREA(1)**

| | Eur millions 2013 | | Annual changes 2013 | | Annual % changes 2013 | |
|---|---|---|---|---|---|---|
| | June | Sep. | June | Sep. | June | Sep. |
| **Net claims on non-residents of the euro area(1)** | **10,406.2** | **12,127.1** | **-332.5** | **3,409.5** | **-3.1** | **39.1** |
| Claims on non-residents of the euro area | 34,047.4 | 35,673.0 | 335.7 | 3,139.1 | 1.0 | 9.6 |
| Liabilities to non-residents of the euro area | 23,641.2 | 23,545.8 | 668.2 | -270.5 | 2.9 | -1.1 |

(1) Figures show the contribution of Maltese MFIs to the euro area totals.

Source: Central Bank of Malta.

### *Net claims on non-residents of the euro area fall, before recovering substantially*

During the year to June 2013, resident MFIs' net claims on non-residents of the euro area contracted by €332.5 million, or 3.1% (see Table 6.5).

Gross claims on non-residents of the euro area rose by 1.0% over the same 12 months, mainly owing to increases in holdings of securities issued by non-euro area governments and in bank deposit balances held outside the euro area by MFIs. At the same time, liabilities grew by 2.9%, driven by an increase in repurchase agreements. In contrast, there was a fall in foreign loans taken up by resident banks, as well as in time deposits held with them – predominantly belonging to private NFCs.

Subsequently, during the third quarter, the situation changed considerably as loans to residents of non-euro area countries expanded. As a result, net claims rose by €3.4 billion, or 39.1%, during the 12 months to September 2013 (see Table 6.5).

Gross claims on non-residents of the euro area rose by 9.6% during the year, predominantly owing to additional holdings of securities issued by non-euro area governments and higher bank deposit balances held outside the euro area. At the same time, liabilities contracted by 1.1%, as a drop in foreign loans taken up by resident banks, along with a reduction in time deposits held with them, outweighed an increase in repurchase agreements.

## The money market

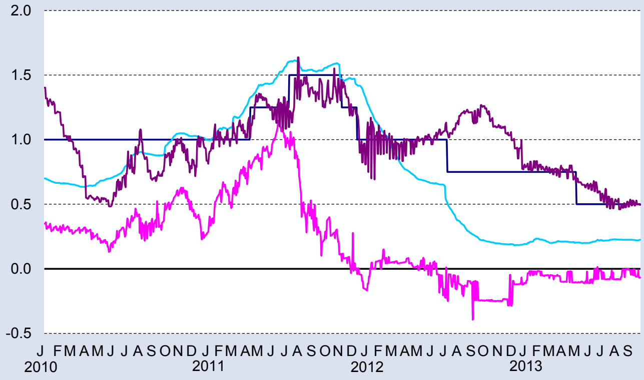
### *Domestic and euro area yields decline during the third quarter*

The European Central Bank (ECB) lowered the interest rate on its main refinancing operations (MRO) by 25 basis points in May 2013, in the light of low underlying price pressures over the medium term, of subdued monetary and loan dynamics, and of economic weakness in the euro area. As a result, the MRO rate fell from 0.75% at end-March to 0.50% at end-June and remained unchanged throughout the third quarter. Meanwhile, the three-month EURIBOR rose by a single basis point to 0.22% at end-June and by a further basis point to 0.23% three months later (see Chart 6.6).[7]

7 The Euro Interbank Offered Rate (EURIBOR) refers to rates at which a prime bank is willing to lend funds to another prime bank in euro on an unsecured basis.

The reduction in official interest rates fed into domestic money market rates. The primary market yield on Maltese three-month Treasury bills fell by 12 basis points during the second quarter of 2013, reaching 0.59% by end-June. It fell by a further 9 basis points to 0.50% during the three months to September, as demand increased substantially.

**Chart 6.6**
**MONEY MARKET INTEREST RATES**
*(percentages per annum; daily rates)*




Sources: Central Bank of Malta; ECB; Reuters; Bloomberg; Euribor FBE.

A total of €217.5 million worth of Treasury bills were issued during the June quarter, €36.3 million less than in the previous quarter, as the issuance of long-term debt on the primary market reduced the Treasury's reliance on short-term borrowing. However, primary market issues rose considerably in the following quarter and amounted to €347.8 million.

Around three-fifths of the amount issued over the two quarters had a three-month term to maturity, while the remainder consisted mainly of six-month paper. Resident banks participated actively in the auctions and bought more than four-fifths of the total. The rest was taken up almost entirely by money market funds.

Meanwhile, turnover in the secondary Treasury bill market, which exhibits substantial volatility, amounted to €4.9 million in the second quarter of 2013, up from €4.3 million in the previous quarter. While issuance of Treasury bills in the primary market rose during the third quarter, turnover in the secondary market amounted merely to €0.1 million, the lowest amount registered for a number of years. All transactions involved the Central Bank of Malta in its capacity as market-maker.

The secondary market yield on three-month securities issued by the German Government, which serves as a benchmark for yields in the euro area, remained in negative territory but rose by 8 basis points during the quarter, reaching -0.02% in June. The benchmark rate then fell by 5 basis points during the third quarter, to -0.07%. This was the sixth consecutive quarter of negative yields, reflecting the strong demand for such safe-haven assets. The corresponding domestic yield fell by 18 and 11 basis points, respectively, during the second and third quarters. As a result, the spread over the euro area benchmark narrowed to 56 basis points as at the end of September, from 88 basis points at end-March (see Chart 6.6).

## The capital market

### *Domestic government bond yields decline in the secondary market*

During the second quarter of 2013, the Government raised additional funds through two new MGS issues with a combined value of €170.0 million. The bonds had terms to maturity of six and 15 years, and offered fixed rate coupons of 3.00% and 4.50%, respectively. While nearly 90% of the total amount issued was bought at fixed prices predominantly by households and resident nominees, the remainder was acquired by auction, mostly by banks. The issues were well received, with the initial offer of €100.0 million worth of MGS being oversubscribed. As a result, the over-allotment option of €70.0 million worth of bonds was exercised in full.

During the three months to September 2013, the Government offered a further two new issues of MGS, with floating rate coupons linked to the six-month EURIBOR. The bonds mature in 2018 and in 2019. They were acquired entirely by auction, primarily by resident banks, with a total of €79.7 million worth of bids accepted.

Following the change in the listing policies that came into force on 5 March 2013, there were some indications of increased activity in the corporate bond market.[8] While no corporate bonds were issued during the first two quarters of 2013, a financial company launched an issue during the third quarter. The bonds, denominated in euro and in pound sterling, had a value of €10.0 million and offered a coupon of 7.5%. The bonds mature in 2019.

Further primary market corporate issues are expected in the last quarter of 2013. At the same time, over €60 million worth of corporate bonds are due to mature.

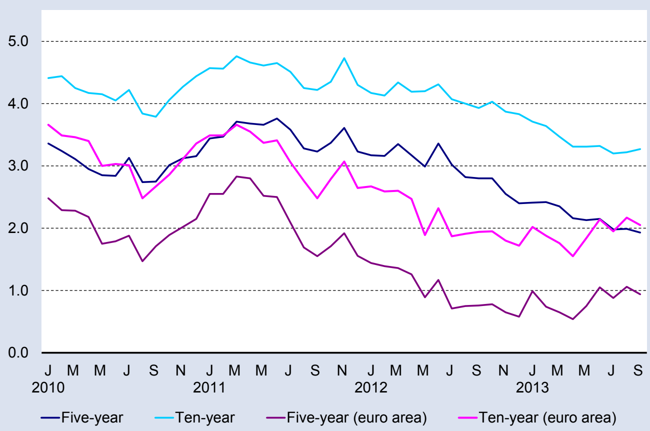
Turnover in the secondary market for government bonds amounted to €162.6 million in the second quarter, €25.8 million less than in the previous quarter. In the third quarter trading picked up again, increasing by €6.9 million over the previous quarter, to €169.5 million. The Central Bank of Malta, as market-maker, accounted for more than nine-tenths of the value traded.

Domestic government bond yields fell during the second and third quarters of 2013, extending the general decline observed since November 2011. Yields on five-year bonds decreased by 20 basis points from their end-March levels, reaching 2.15% at the end of June. At the same time, those on ten-year bonds fell by 15 basis points to 3.32%. By the end of September, yields on five-year and ten-year domestic government bonds had fallen further to 1.93% and 3.27%, respectively (see Chart 6.7).

Conversely, the equivalent benchmark yields for the euro area rose by around 40 basis points during the second quarter, before falling by around 10 basis points during the following three months.[9] As a result, between March and September, the five-year differential narrowed to 99 points, while the ten-year differential fell to 122 points.

In the secondary corporate bond market, trading during the June quarter remained stable at €7.7 million. Such a low level of

**Chart 6.7**
**GOVERNMENT BOND YIELDS**
*(percentages per annum; end of month)*




Sources: Central Bank of Malta; ECB.

[8] The new listing policies, revised by Malta Financial Services Authority, eased the requirement for firms to set up a sinking fund, notably when the bond is secured by easily realisable assets.
[9] Euro area yields are based on AAA-rated central government bonds, with ratings provided by Fitch.

activity could be related to the lack of new issues in the primary market. More than half of the trading was concentrated around seven securities issued by the financial sector. In the following quarter, secondary corporate bond market trading rose to €9.1 million driven by transactions in corporate bonds issued during the quarter.

Chart 6.8
MALTA STOCK EXCHANGE SHARE INDEX
*(end of month)*


Source: MSE.

### *MSE share index rises*

Activity in the domestic equity market moderated during the second quarter of 2013, after having been particularly strong during the first three months of the year. The value of transactions fell to €11.4 million from €15.1 million in the previous quarter as the number of shares traded dropped. The decline continued in the third quarter, when trading amounted to €11.2 million.

During the second quarter the MSE share index rose for the fifth consecutive quarter, increasing by 2.9% from its end-March level to end June at 3,417.4 (see Chart 6.8). Two firms in the IT sector were the best performers, seeing equity price gains of over 35%.

A further rise in the MSE share index in July was followed by a correction in August and September. Nevertheless, over the quarter as a whole, the index still increased marginally over the end of June level, ending September at 3,418.3.

Developments in the MSE index tend to reflect movements in the three largest listed companies, namely, Bank of Valletta plc, HSBC Bank Malta plc and International Hotel Investments plc, which accounted for more than 60% of the total market capitalisation at the end of September.

## BOX 5: HOUSEHOLD FINANCE AND CONSUMPTION SURVEY – MALTA VS. EURO AREA[1]

In 2011 the Central Bank of Malta finalised a Household Finance and Consumption Survey (HFCS) assessing households' wealth, as well as financing and consumption patterns in Malta. This Survey formed part of a coordinated research exercise led by the ECB, which involved national central banks and national statistical institutes in the euro area.[2]

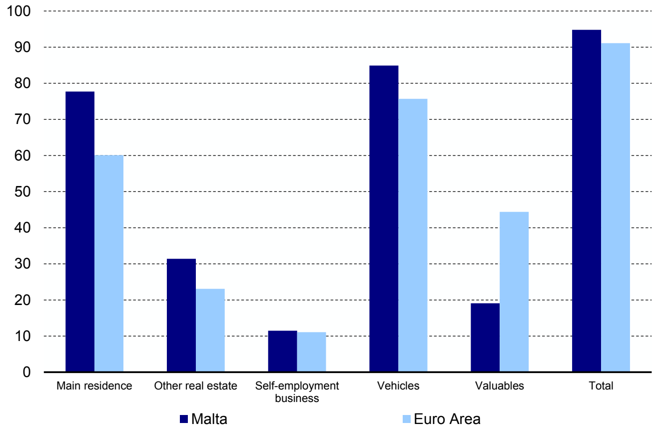
This Box summarises the main findings of the Survey and compares them with euro area-wide results.[3] The reference year for most countries, including Malta, was 2010.

### Household assets

Household assets are split into two types, real and financial. With regard to real assets, Survey results for Malta show that 77.7% of households owned their main place of residence in 2010, as opposed to 60.1% in the euro area (see Chart 1). While the median value of the Maltese households' main residence was estimated at €186,643, the median value in the euro area stood at €180,300. At the same time, while almost a third of Maltese households (31.4%) owned other forms of property, including second homes, garages, commercial premises and agricultural land, the corresponding proportion of euro area households was less than one-fourth (23.1%). While the percentage ownership of vehicles was moderately higher for Maltese households, the share of households reporting business ownership was comparable with that reported for the euro area. In contrast, Maltese households' ownership of valuables was significantly lower.

Concurrently, more than 97% of Maltese households held some form of financial asset in 2010 with bank deposits being the predominant option (see Chart 2). The next most commonly held financial asset category was that incorporating life insurance policies and voluntary pension schemes, with 24.2% of all households reporting that they hold such assets.[4]

Chart 1
PARTICIPATION IN REAL HOUSEHOLD ASSETS
*(per cent of households)*

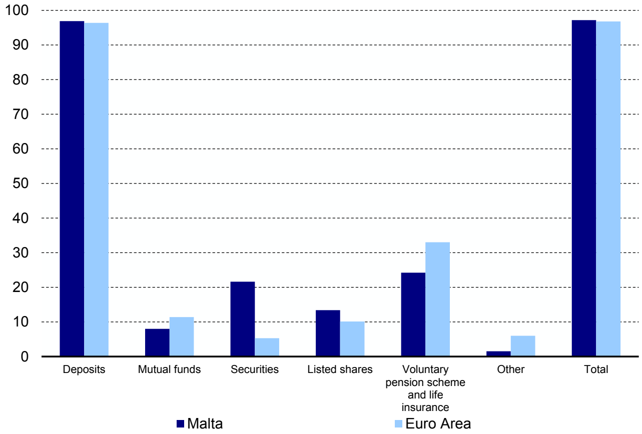



Source: MT HFCS and EA HFCS.

1 Prepared by Elaine Caruana Briffa. Ms Caruana Briffa is a Senior Economist in the Bank's Economics and Research Department.
2 For more details refer to Box entitled "Household Finance and Consumption Survey" published in *Quarterly Review 2013:2*.
3 See Eurosystem Household Finance and Consumption Network (2013), "The Eurosystem Household Finance and Consumption Survey – Results from the first wave", European Central Bank, Frankfurt.
4 The Survey excluded public pensions.

Similarly, in the euro area as a whole, both the ownership of at least one type of financial asset, as well as the portion of households holding deposits, was above 96%. Additionally, a third of euro area households benefited from participation in a pension scheme or a life insurance policy cover.

Chart 2
PARTICIPATION OF HOUSEHOLDS IN FINANCIAL ASSETS
*(per cent of households)*

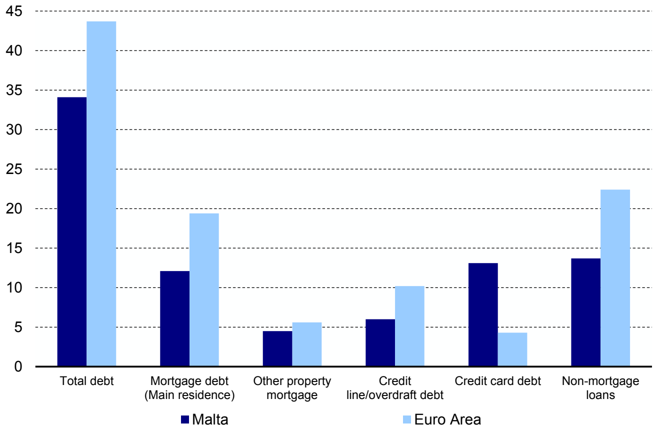


Source: MT HFCS and EA HFCS.

There was a significant disparity in the holdings of debt securities. While 21.6% of Maltese households owned bonds, only 5.3% of euro area households held such assets. The preference for listed shares was also stronger domestically. On the other hand, 24.6% of Maltese households participated in voluntary pension schemes and life insurance policies, compared with 33.0% in the euro area. In contrast, 11.4% of euro area households held mutual funds in their financial asset portfolio, as opposed to 8.0% of Maltese households. The overall median value of financial asset holdings of Maltese households was estimated at €26,229, more than double the amount estimated for euro area households (€11,400).

The share of financial assets belonging to Maltese households in the latter's total assets portfolio was estimated at 13.4%, compared with 16.8% in the euro area. Deposits made up 51.2% of total financial assets, while securities, voluntary pension schemes and life insurance cover accounted for another 31.8%. The corresponding percentages in the euro area stood at 42.9% and 32.9%, respectively.

Chart 3
PARTICIPATION OF HOUSEHOLDS IN DEBT
*(per cent of households)*



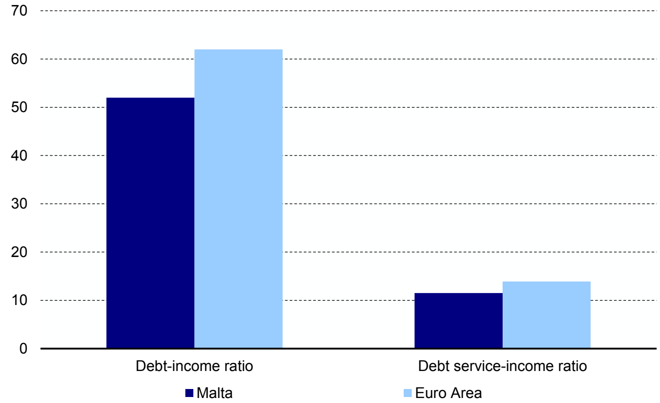
Source: MT HFCS and EA HFCS.

## Household debt

More than a third of Maltese households (34.1%) had some type of debt liability in 2010 (see Chart 3), with almost 16% of the sample having an outstanding mortgage loan to finance their main residence or other real estate.

Moreover, 25.2% of households had credit facilities to finance some form of consumption expenditure via credit cards, overdrafts and/or other consumer/private loans.

Chart 4
**INDICATORS OF HOUSEHOLD DEBT BURDEN**
*(in per cent)*




Note: The debt-income ratio was calculated for all indebted households while the debt service-income ratio excludes households that only hold credit lines/overdraft debt or credit card debt, due to the unavailability of such information.
Source: MT HFCS and EA HFCS.

Indebtedness was relatively higher in the euro area, where Survey results revealed that 43.7% of households had some type of debt liability, and that mortgage debt was extended to 23.1% of households. Non-mortgage debt, generally used to finance consumption, was taken up by 29.3% of households residing within the euro area.

The median value of total debt held by Maltese households was estimated at €15,700, as opposed to that of euro area households, which stood at €21,500. In Malta, more than three-fourths of total household debt consisted of mortgages (mostly taken to finance the main place of residence). The share of mortgages in total debt was estimated at 76.0% while the corresponding share in the euro area stood at 82.8%.

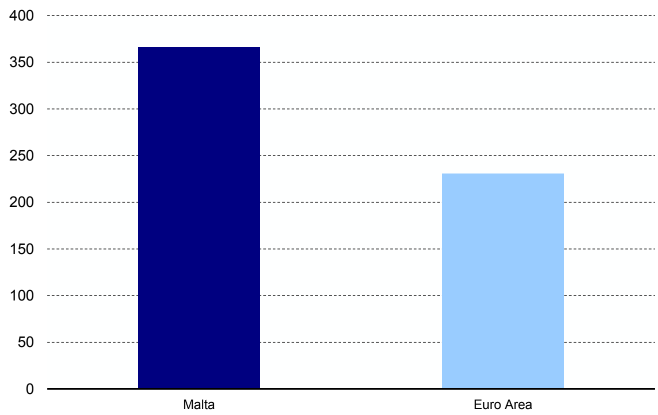
Results from the Survey can also be used to assess the debt burden and vulnerabilities pertaining to households. One widely used indicator is the ratio of outstanding debt to annual income. While the median ratio of household debt to gross household income was calculated at 52.0% for Maltese households, the same ratio for euro area households stood at 62.0% (see Chart 4).

Furthermore, overall debt servicing for Maltese households – capital repayments and interest payments on mortgage loans and consumer/private loans – expressed as a proportion of gross household income, was estimated at 11.0% in median terms. Similarly, when the ratio was restricted to those households having just mortgage loans, the median ratio was estimated at 12.8%. The corresponding debt servicing ratios for euro area households were 13.9% and 15.9%, respectively. Consequently, Survey results suggest that Maltese households are less indebted than their euro area counterparts and are also in a better position to meet their obligations.

## Household net wealth

Overall, Maltese households' net wealth, defined as the sum of real and financial assets net of financial liabilities, was estimated at a median value of €215,932. This was significantly above the euro area median value of €109,200. The same message was portrayed by mean net household wealth figures, where the average net wealth of Maltese households was well above the euro area average (see Chart 5). In part this reflected the fact that the proportion of Maltese households owning their main residence considerably exceeded that of euro area households at the time of the Survey. Furthermore, a lower indebtedness burden for Maltese households also contributed.

Chart 5
MEAN NET WEALTH IN MALTA AND THE EURO AREA
*(EUR 000s)*




Source: MT HFCS and EA HFCS.

## Household income

The average annual household income, before payment of income tax and social contributions, amounted to €26,443, while the median income reached €21,615. In the euro area the mean and median stood at €37,800 and €28,600, respectively.

The Survey revealed that in Malta 60.2% of total gross household income stemmed from employee compensation. While another 11.8% was generated from self-employment activity, 17.4% was in the form of transfer payments, such as public pensions, widows' and disability pensions and other regular social transfers. Income from financial investment was estimated at 6.6%, while rental income accounted for a mere 1.0%.

## Household expenditure

The mean annual spending on consumption of food and beverages by Maltese households was estimated at €6,200, close to but below the estimate of €6,400 for the euro area. Maltese households' median ratio of food consumption to income was estimated at 27.1%, 8.7 percentage points higher than the euro area ratio. Generally, country disparities in this ratio reflect differences in income levels: the lower the income level, the higher the ratio of food expenditure to income.

## Household savings

Information on households' savings provided by the Survey shows that 23.7% of households in Malta were net savers, with median annual savings amounting to €3,000 and a mean of €4,444.[5] On the basis of the Malta HFCS, it is estimated that the overall household savings ratio, measured by the ratio of mean savings to gross household income, stood at 4.0%. A comparable savings rate for the euro area is not available.

[5] Around half of households surveyed, or 47.6% of respondents, declared that they are neither savers nor dissavers.

## Conclusion

In 2010 the proportion of Maltese households owning their main place of residence exceeded that in the euro area, with domestic residences having a higher median value when compared with those in the euro area. With regard to financial assets, Maltese households showed a higher preference for deposits, debt securities and listed shares than their euro area counterparts. Nonetheless, participation in a voluntary pension scheme or life insurance policy was still lower than in the euro area.

On the liabilities side, Survey results suggest that Maltese households were less indebted than their euro area counterparts. In terms of net wealth, domestic households ranked highly.

Results from the Survey need to be interpreted with caution owing to a number of caveats. First, the Survey was carried out across the participating countries at different points in time between mid-2008 and mid-2011, with the majority of participating countries conducting the Survey in 2010. It should also be recalled that the Survey was carried out while the euro area sovereign debt crisis was still evolving, and the time gap between the effect of the crisis and data collection is likely to have varied between the participating countries.

Moreover, statistics were not adjusted for price differences arising from different reference years, nor for purchasing power parity differences across countries, while the valuation of real assets (e.g. property prices) was based on self-assessment by respondent households.

In terms of wealth, differences across countries may also stem from the size and composition of households, given that rather than conducting the Survey on a per capita basis, the unit of measurement was taken to be the household. On average, Maltese households were larger than other countries; larger households, particularly those with a higher number of adults, tend to have higher wealth accumulation.

Maltese households scored highly in household wealth, though not in income. This discrepancy may be related to the high proportion of Malta's household wealth that is in the form of real estate, and more specifically in the form of unutilized property. It is also important to note that the Survey focused on one type of wealth owner - the private household.

Despite these limitations, the HFCS provides a substantial amount of harmonised wealth data drawn from a large number of countries that can be used for a range of analytical studies. The second "wave" of the Survey has 2013 as the reference year and data collection will commence in Malta in January 2014. Comparisons of the new results with those from the first edition will provide important information on the development in various key statistics on households' finances.

## BOX 6: ECB ESTIMATION OF SENSITIVITY TO HOUSE-PRICE AND INTEREST RATE SHOCKS

The global financial crisis has brought about adverse consequences for households. Across the euro area, households experienced financial pressures regarding their wealth, income and consumption. To measure the potential financial fragility of households in response to external shocks, the ECB used euro area household micro data collected by the Household Finance and Consumption Survey and applied various alternative shock specifications.[1]

This Box summarizes the main findings of the ECB's sensitivity analysis of house prices and interest rate shocks, with a focus on Maltese households.[2]

The relatively resilient situation in Malta is corroborated by the estimated effect of a negative shock to house prices, specifically the impact of a 20% decline in property prices on the households' debt-to-asset ratio. As a result, the median debt-to-asset ratio generally increases in all countries. The change varies across countries and ranges from 1% to 6.5%. Malta is the second most resilient country, with just a 1% increase in the median ratio (see Chart 1).

Particularly vulnerable households, with a debt-to-asset ratio above 100%, and therefore with negative equity, are also analysed against the drop in house prices. In this respect, Malta emerges as the country with the least share of households that experience a negative equity position in the euro area. This share stands at only 2.4% in Malta, while it is as high as 18% in the Netherlands and in Finland, and 16% in Germany (see Chart 2).

**Chart 1**
**THE EFFECT OF A HOUSE PRICE SHOCK ON THE MEDIAN DEBT-TO-ASSETS RATIO**
*(2010, percentages, median of indebted households)*

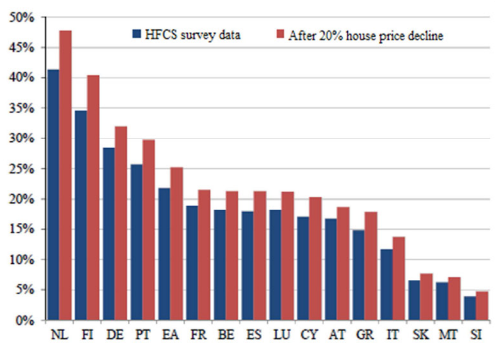
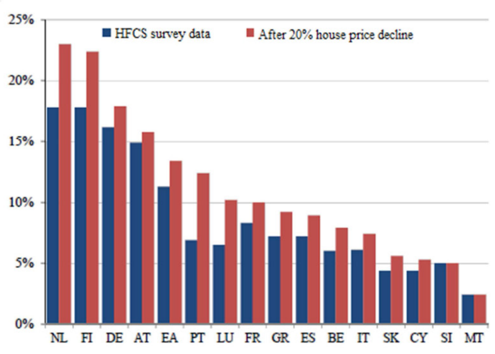



**Chart 2**
**THE EFFECT OF A HOUSE PRICE SHOCK ON THE PROPORTION OF HOUSEHOLDS WITH A DEBT-TO-ASSETS RATIO ABOVE 100%**
*(2010, percentages of indebted households)*




Source: Financial Stability Review, ECB, November 2013.

[1] Published in April 2013, the Eurosystem's Household Finance and Consumption Survey dataset contains information on the wealth, income and consumption patterns of more than 62,000 euro area households. The results serve as the baseline for the ECB's assessment of the sensitivity to shocks.

[2] This Box draws on the ECB *Financial Stability Review*, November 2013, pages 32—35, which also provides information on data sources, a summary of the findings for other euro area countries and for references on the specification.

For such households, sensitivity to a decrease in house prices is also uneven across the euro area. In Malta the house-price shock would have no effect on the debt-to-asset ratio, while in almost all other euro area countries, it would show an increase particularly in the Netherlands and in Finland, where the share of households with negative equity would increase to 23% (see Chart 2). On the basis of these results Maltese households demonstrate strong resilience to external shocks in terms of mortgage solvency.

Separately, the estimation of the impact of a positive interest rate shock assesses the capacity of households to repay their debts without drawing on their assets. An increase of 300 basis points in the interest rate results in a moderate but varying rise of the median debt service-to-net income ratio in all countries. The ratio increases by 2.3% on average for the euro area, from 18.7% to 21%. Maltese households once again demonstrate a high degree of resilience to this shock, with an increase in the ratio equivalent to the euro area average, and just slightly above that registered by households in France or Germany.

## 7. ECONOMIC PROJECTIONS FOR 2013 AND 2014

### Outlook for the Maltese economy[1]

According to the Bank's latest projections, real gross domestic product (GDP) growth in Malta is expected to accelerate to 1.8% this year from 0.8% in 2012. Economic growth should pick up again in 2014, to 2.0%. These growth rates are higher than those presented in the *Quarterly Review 2013:1*.[2]

Revisions to the previous projections are driven by new data covering the first half of 2013, as well as by a reassessment of investment plans in the energy sector.

*Net exports to drive the expansion this year, domestic demand propels growth in 2014*

In line with the outcome for the first half of 2013, real GDP growth for the year as a whole is expected to be driven by net exports, with imports set to fall faster than exports.

Overall domestic demand is foreseen to remain weak this year. However, in 2014 it is set to be the main engine of growth as private consumption and investment recover. After increasing strongly in 2012, general government consumption is expected to decelerate this year and grow at a faster, but still moderate, pace in 2014.

Meanwhile, the contribution of net exports to growth turns negative in 2014.

After having contracted by 0.2% in 2012, private consumption is expected to rise by 0.8% during 2013 on the back of a continued rise in employment and estimated growth in real disposable income. The fading hiatus in consumer spending around the time of the general elections in March was accompanied by an improvement in consumer confidence and this is also expected to support the recovery in private consumption. This should accelerate further to 1.9% in 2014, broadly in line with estimated growth in disposable income.

Given the broad-based contraction seen in the first half of 2013, investment is projected to fall by 2.6% over the year as a whole. Investment is set to begin growing again in 2014, rising by 11.1%. Two major projects in the energy sector, including the new gas power plant, are set to drive this recovery, although private investment in other sectors – including housing – is also expected to support the increase in capital spending. Government investment is set to decline this year, reflecting outcomes in the first half of the year, but should recover strongly in 2014 because of work on projects that were delayed in 2013 and as the current EU financial programming period draws to a close.

Given the outcome for the first half of the year, government consumption growth is set to slow down considerably, to 0.6% in 2013. It is set to remain moderate in 2014, at 1.4%, as Government seeks to make further progress in terms of fiscal consolidation, with a view to exit the Excessive Deficit Procedure.

Exports, which increased strongly in 2012, fell during the first half of 2013 and are set to contract by 2.9% over the year as a whole. The overall decline reflects a foreseen drop in exports of goods, particularly fuel and, to a lesser extent, semiconductors. In contrast, exports of services

[1] The Bank's outlook for the Maltese economy is based on information available up to 15 November 2013 and is conditional on the technical assumptions included in Table 7.1.

[2] See *Quarterly Review 2013:1*, pp. 79-82.

**Table 7.1**
**PROJECTIONS FOR THE MAIN MACROECONOMIC VARIABLES FOR MALTA**

| | 2012(1) | 2013(2) | 2014(2) |
|---|---|---|---|
| **Real economic activity (% change)** | | | |
| GDP | 0.8 | 1.8 | 2.0 |
| Private consumption expenditure | -0.2 | 0.8 | 1.9 |
| Government consumption expenditure | 5.0 | 0.6 | 1.4 |
| Gross fixed capital formation | -3.9 | -2.6 | 11.1 |
| Inventories (% of GDP) | -1.4 | -0.9 | -0.6 |
| Exports of goods & services | 7.0 | -2.9 | 2.1 |
| Imports of goods & services | 5.5 | -3.9 | 3.4 |
| **Contribution to real GDP growth (in percentage pts)(3)** | | | |
| Final domestic demand | 0.3 | 0.2 | 3.0 |
| Net exports | 1.7 | 0.8 | -1.0 |
| Changes in inventories | -1.2 | 0.7 | 0.0 |
| **Balance of payments (% of GDP)** | | | |
| Goods and services balance | 5.5 | 6.3 | 5.5 |
| Current account balance | 1.6 | 1.7 | 0.7 |
| **Labour market (% change)** | | | |
| Total employment | 2.3 | 2.8 | 1.7 |
| Unemployment rate (% of labour force) | 6.4 | 6.3 | 6.3 |
| **Prices and costs (% change)** | | | |
| RPI | 2.4 | 1.5 | 1.5 |
| Overall HICP | 3.2 | 1.0 | 1.4 |
| HICP excluding energy | 3.1 | 1.1 | 2.2 |
| Compensation per employee | 2.2 | 1.2 | 2.0 |
| ULC | 3.7 | 2.2 | 1.6 |
| **Technical assumptions** | | | |
| USD/EUR exchange rate | 1.29 | 1.33 | 1.35 |
| Oil price (USD per barrel) | 112.0 | 108.2 | 103.9 |

(1) Data on GDP and the trade balance were sourced from NSO News Release 170/2013, as revised on 21 October 2013. Data on the current account balance were sourced from NSO News Release 180/2013.

(2) Central Bank of Malta projections.

(3) The contributions to GDP growth in this Table are estimated using GDP expenditure aggregates expressed in the previous year's prices. This approach yields different results from those reported elsewhere in this *Review*.

are expected to expand, with earnings from both tourism and non-travel services projected to increase. Overall export growth is set to turn positive in 2014, in line with an improvement in external demand and an expected increase in capacity in the tourism sector.

Imports are set to fall by 3.9% this year, after having expanded markedly in 2012, mainly reflecting a sizeable downscaling in fuel re-exports and overall weakness in aggregate demand. In 2014 import growth is set to turn positive, as the expected recovery in exports and buoyant domestic demand, reflecting higher consumption and investment expenditure, result in a surge of imports.

### *The current account surplus is to widen slightly in 2013, but narrows in 2014*

The trade surplus is expected to widen in 2013, reflecting developments on the services account, with exports outpacing imports.[3] On the other hand, a larger deficit on trade in goods is foreseen, as exports are set to fall more strongly than imports. In 2014 the trade surplus is set to narrow, as imports respond to the recovery in aggregate demand.

Having moved into surplus in 2012, the current account is set to post a slightly higher surplus this year, as the improvement in the goods and services balance and an increase in net transfers receivable are almost fully offset by higher net outflows on the income account. The current account surplus is set to narrow in 2014, mainly reflecting the smaller trade surplus that is expected to be registered during that year.

### *The labour market*

Following relatively strong growth in 2012, employment is set to accelerate in 2013, reflecting the buoyancy of the labour market in the first half of the year. With employment growth foreseen to decelerate in the second half, the projected growth rate for the year as a whole is expected to be 2.8%.

Employment growth is set to slow down to 1.7% the following year. The slowdown is mainly due to the strong outturn in 2013. Although the projections embed a small rise in the number of government employees, the increase in headcount is set to be driven by the private sector, supported by a growing share of part-timers in total employment.

The unemployment rate is expected to drop slightly in 2013, to 6.3%, and remain stable around that level in 2014, as the significant increase in employment is being almost completely matched by a higher labour supply, also reflecting an increasing female participation rate.[4]

Growth in unit labour costs (ULC) is expected to moderate in 2013, mirroring a fall in the growth rate of compensation per employee. Nominal compensation per employee is set to grow more strongly in 2014, as wages react to improvements in productivity. However, as productivity is set to recover, ULC growth should moderate in 2014.

### *Inflation*

Harmonised Index of Consumer Price (HICP) inflation is set to ease from 3.2% in 2012 to 1.0% this year, before edging up to 1.4% next year. The projection for 2013 is largely determined by developments up to October, which entail a drop in inflation across all major sub-components.

The pick-up in 2014 reflects faster growth in prices of services and the impact of increased indirect taxes on alcohol and tobacco that were introduced in the Budget for 2014. These offset the effects of the announced 25% decline in utility tariffs that is set to take effect in March 2014. HICP inflation excluding energy is expected to slow down from 3.1% in 2012 to 1.1% this year. It is

[3] Data on the trade balance in this Box are consistent with *NSO Release 170/2013* and the projections for real exports and imports reported in Table 7.1. The current account projections are based on balance of payments data published in *NSO Release 180/2013*.

[4] In the Bank's projection exercise, the unemployment rate is computed as the ratio of the number of unemployed reported in the Labour Force Survey (LFS) to a measure of the labour force based on the LFS and national accounts data. For this reason, references to the unemployment rate in this Box may differ from those mentioned elsewhere in the *Review*.

then projected to accelerate to 2.2% in 2014. The projection for 2014 is also influenced by the projected decline in the price of Brent crude oil.

### *Fiscal deficit is expected to narrow*

The general government deficit-to-GDP ratio is set to fall from 3.3% in 2012 to below 3.0% in 2014, as revenue is projected to outpace expenditure.

The narrowing of the deficit over the projection horizon is mainly supported by continued buoyancy in direct taxes paid by corporations, and, in 2014, also by higher revenue from additional indirect taxes announced in the Budget 2014.

The fiscal projections continue to assume restrained growth in selected items of current expenditure, particularly those related to intermediate consumption. The increase in the retirement age in 2013 and a projected slowdown in nominal investment also limit overall expenditure growth in 2013. In 2014 recurrent expenditure is expected to grow moderately as a proportion of GDP, partly because payments arising from the renewal of certain sector wage agreements in 2013 will not be repeated in 2014. This is counterbalanced by the expected acceleration in government investment mentioned earlier.

The general government debt ratio is projected to rise through 2013 and 2014, ending that year at around 72% of GDP.

## Risks to the projections

Risks to the GDP projections are on the downside in 2013 and relate mainly to the fact that the baseline projection incorporates an assumed recovery of private consumption and investment. The downside risk would materialise if the recovery in domestic demand does not take place as envisaged. In 2014 risks are broadly balanced. On the one hand, the economic situation in the euro area remains fragile and there could be pressure for further fiscal consolidation. On the other hand, export growth could recover more strongly than the projections suggest.

With regard to prices, risks are balanced in 2013 but slightly on the downside for 2014, reflecting the risks to the demand components referred to above.

# ACHIEVING MALTA'S POTENTIAL GROWTH IN CHALLENGING TIMES[1]

**Professor Josef Bonnici**
*Governor of the Central Bank of Malta*

First of all, I would like to thank you, Mr President, and your Committee for the opportunity to share my thoughts once again with such a distinguished audience at the *ifs* Malta Annual Dinner.

Before I do so, however, I would like to commend the *ifs* for its perseverance in adapting itself to the changing demands of a dynamic financial sector and its on-going commitment to excellence in the provision of financial services education.

It is pleasing to hear that you had a successful year and that you are active on new initiatives to promote even higher professional standards in the financial sector. Your collaboration with other organisations is also noteworthy. The presence of representatives from the UK's *ifs* University College and the European Banking & Financial Services Training Association is evidence of the quality of the service provided by *ifs* Malta.

Mr President, well done and I wish you and your Committee success in your future endeavours.

## The ECB plays an important role in averting risks

As you are all aware, many of the Member States of the euro area are going through fundamental reforms that would over time promote sustainable growth. This only can occur with the support of a healthy financial sector, including a banking system that provides the needed volume of credit at interest rates that reflect the European Central Bank's (ECB) provision of ample and low-cost liquidity.

Over the course of the crisis the ECB has launched various measures to avert the risk of more severe ramifications from the financial crisis. In July the ECB introduced forward guidance, assuring the financial markets that its policy stance will remain accommodative and interest rates low for as long as necessary. As a matter of fact, the recent interest rate cut was consistent with this forward guidance.

Throughout the crisis, the ECB has played an important role in ensuring, within its price stability mandate, the proper financing of the euro area economy in a context of subdued credit dynamics. A series of measures were introduced to ensure that banks can pass on low policy rates to the real economy, in particular where most needed. These measures include providing ample liquidity to euro area banks, reviewing the collateral framework, lengthening the maturity of operations to three years, and reducing redenomination risk in financial markets through the announcement of Outright Monetary Transactions.

Over the longer term, further decisive steps are needed for the establishment of a genuine banking union, so as to further enhance the resilience of the banking sector, reduce financial

[1] Speech given at the Annual Dinner of the *ifs* Malta on 29 November 2013.

fragmentation, and strengthen the institutional framework of the euro area. Certainly, in various euro area countries, these measures need to be complemented by efforts to correct past excesses in both the public and private sectors. And these reforms need to be undertaken against the backdrop of a weak and fragile economic recovery, making the whole process more challenging.

## The first signs of recovery

The first signs of recovery are now visible. Chart 1 shows the level of systemic risk across the euro area, as gauged by the Composite Indicator of Systemic Stress. This index has reached the lowest levels since the euro area sovereign debt crisis started.

From the macroeconomic perspective, following a contraction that spanned over six quarters, the euro area's real GDP rose marginally in the second and third quarters of 2013. Although projections still see real GDP shrinking marginally in 2013 as a whole, a modest but positive growth rate of around 1% is expected for 2014. Despite these positive developments, the risks around the outlook for the euro area remain tilted to the downside. Moreover, unemployment in the euro area remains excessively high, especially in the stressed countries.

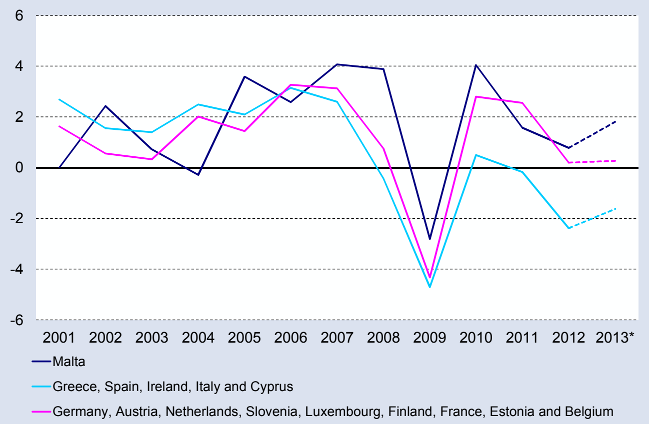
**Chart 1**
**COMPOSITE INDICATOR OF SYSTEMIC STRESS (CISS)**


Source: Statistical Data Warehouse.

## Heterogeneity in the euro area is evident both in terms of economic performance…

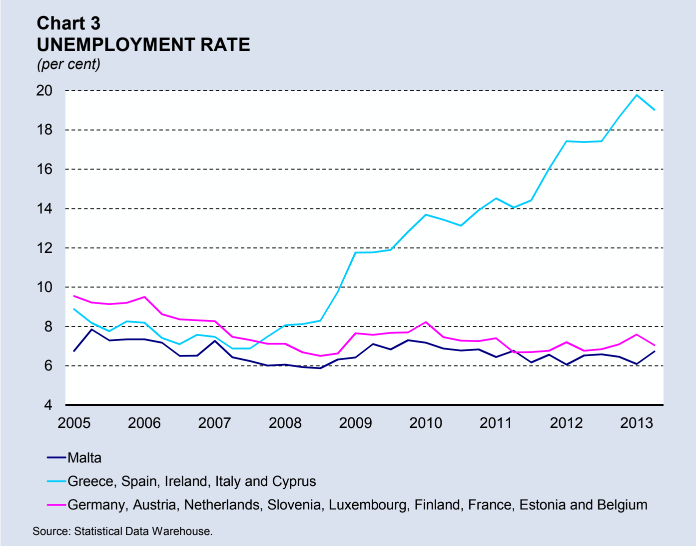
An underlying characteristic that is observed in the euro area is the uneven performance across countries and the emergence of increased heterogeneity. As can be seen in Chart 2, the uneven pace of economic recovery is evident: countries, such as Greece, Italy and Portugal, are registering a contraction in their economies, while Germany, Austria and Malta are among the countries that have recorded modestly positive growth

**Chart 2**
**REAL GDP GROWTH**
*(annual percentage change)*




* Forecast
Source: Eurostat.

rates. Chart 3 shows that unemployment rates vary between less than 5% in the Netherlands, Austria and Luxembourg to over 25% in Greece and Spain.



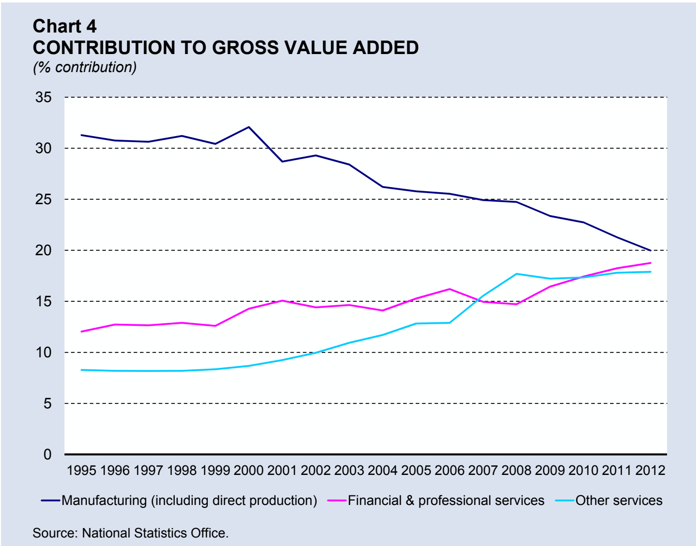

### …and in terms of monetary policy transmission

Even on the monetary side, the transmission of accommodative monetary policy measures across the euro area remains weak and uneven. Loans to the private sector have been declining and the pace of contraction has actually accelerated in recent quarters, particularly in the stressed countries. Although, on the demand side, subdued loan dynamics in the weaker economies can largely be explained by the slow pace of economic activity, the supply of credit is also constrained by banks' efforts to repair their balance sheets and strengthen their capital position. For all these reasons, it will perhaps take a while for the ECB's monetary policy to be reflected in credit creation in the weaker economies.

### Though Malta is positioned with the stronger economies…

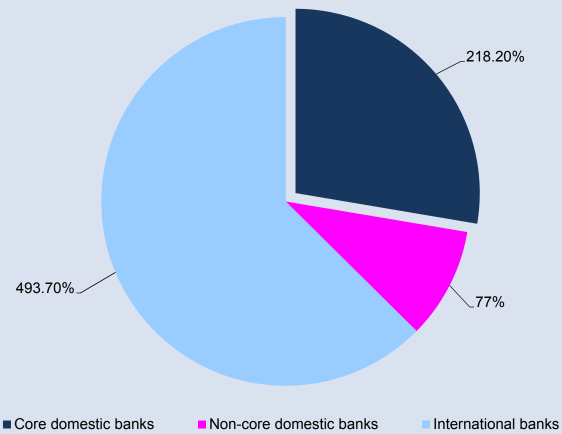
Various indicators place Malta with the stronger performers. Chart 2 shows a growth rate for Malta that generally exceeds the corresponding rates for both categories of countries. A similar conclusion can be drawn from Chart 3, which deals with the unemployment rate. Similarly, the level of unit labour costs is lower in Malta than in both the weaker and stronger groups, as will be discussed later. It is important that the public debate and the formulation of policy focus more closely on what is needed for Malta to remain aligned with the better performers.

In the first two quarters of 2013, Malta's GDP growth rate stood at 2.7%. Net exports have been the main source of expansion. The outlook is for stronger growth in 2014 as Malta continues to benefit from its competitiveness. The economy continues to diversify, creating high value added job opportunities. While some sectors have had to downsize, there has been a compensating expansion in other sectors, such as financial and other services. This is shown in Chart 4.




An aspect that may go unnoticed is the role of the financial sector in the resilience of the Maltese economy and its alignment with the stronger group of countries. Financial soundness indicators confirm that Malta has a sound and robust banking sector. A three-way split of the banking sector distinguishes between the core domestic banks that are closely integrated with the domestic economy at one end and the international banks that conduct all their business abroad at the other end, along with a relatively small sector, the non-core domestic banks, in between, as shown in Chart 5.

**Chart 5**
**STRUCTURE OF THE MALTESE BANKING SECTOR: RATIO OF BANK ASSETS TO GDP, BY BANK CATEGORY, 2013**

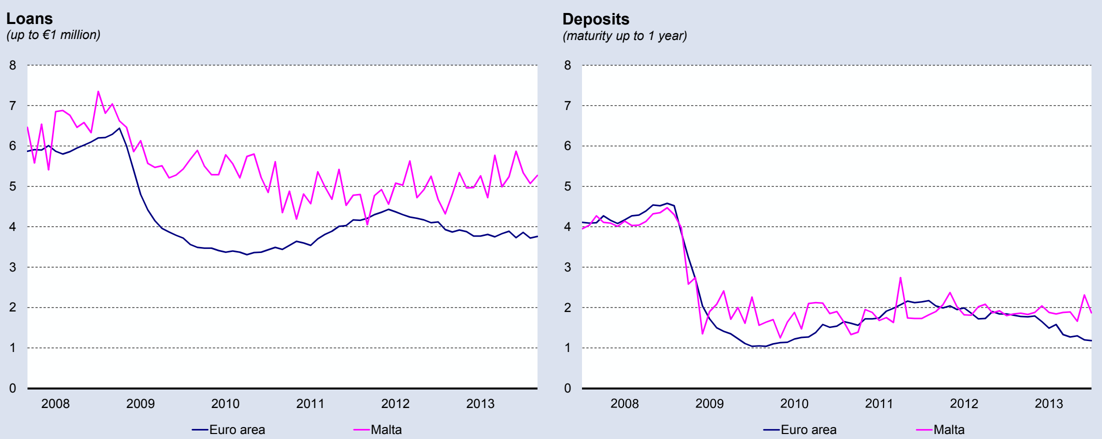



Looking more closely at the external dimension, an important characteristic that distinguishes us from other models, such as the one in Cyprus, is the fact that the international banking sector in Malta is only lightly linked to the domestic economy and to the remainder of the Maltese banking system. Meanwhile, unlike the situation in other countries, the core domestic banks have very low reliance on non-resident deposits. They operate along traditional lines, applying a prudent business model and, like the rest of the banking sector, carrying minimal exposure to securities issued in the distressed economies. The core domestic banks are highly capitalised, profitable and liquid, and the other categories of the banking sector are similarly robust.

### …in terms of interest rates, Malta needs to further align with its peers.

Although various indicators place Malta with the stronger performing group, there is room for further improvement. Interest rates on loans to businesses are currently around 2% to 3% higher in Malta as compared with Germany, the Netherlands, Finland, Austria, and Luxembourg. In contrast, deposit rates offered by Maltese banks are broadly in line with those across the euro area, as shown in Chart 6. As a result, bank interest margins are higher in Malta, as shown

**Chart 6**
**INTEREST RATES CHARGED TO SMEs IN MALTA AND THE EURO AREA**
*(per cent)*

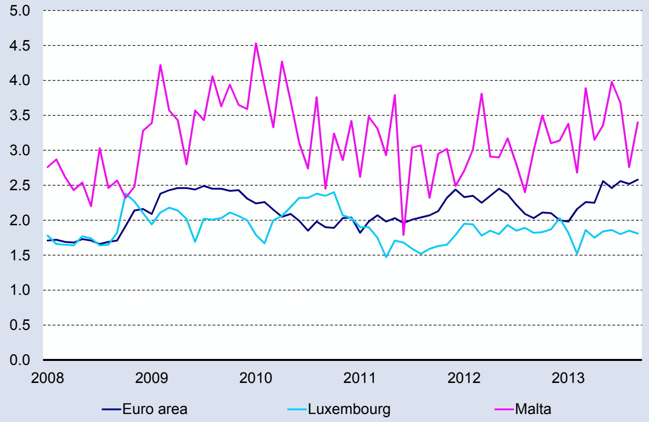



Sources: Eurostat; Statistical Data Warehouse.

in Chart 7. A closer alignment of margins with those of our peers appears to be warranted. The recently proposed Budget measure to conduct a review of bank charges to businesses makes sense. The benefits of having a robust banking sector would then be passed more fully to the rest of the economy.

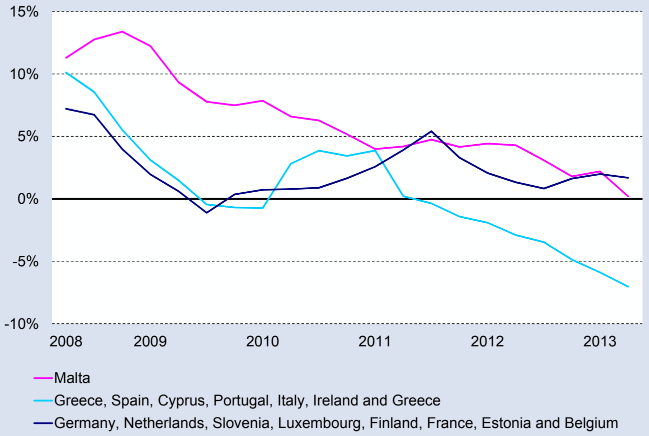
This would be reflected in faster growth in the volume of credit, which recently has been trending downwards, although it should also be pointed out that credit growth in Malta continues to outpace that in the euro area, as can be seen in Chart 8. The expected setting-up of the Development Bank will also contribute to filling a funding gap that currently exists in the financial sector in Malta, which could provide relief to the cost and difficulty of access to finance, particularly for SMEs, and may serve to compliment the core banks in the funding of larger projects.

**Chart 7**
**BANK INTEREST MARGIN BETWEEN LOAN AND DEPOSIT RATES**
*(loans up to €1mln; deposits up to 1 year; per cent)*




Source: Eurostat; Statistical Data Warehouse.

**Chart 8**
**GROWTH IN BANK LENDING IN MALTA AND THE EURO AREA**




Sources: Statistical Data Warehouse; Central Bank of Malta calculations.

## Preparations for the banking union are underway…JFSB and BR/09/2008

We are now entering the first phase of the banking union, where major financial institutions will be supervised directly by the ECB under the Single Supervisory Mechanism (SSM). At a second stage, all other institutions will be adopting the single rulebook. This requires preparation for the new challenges ahead.

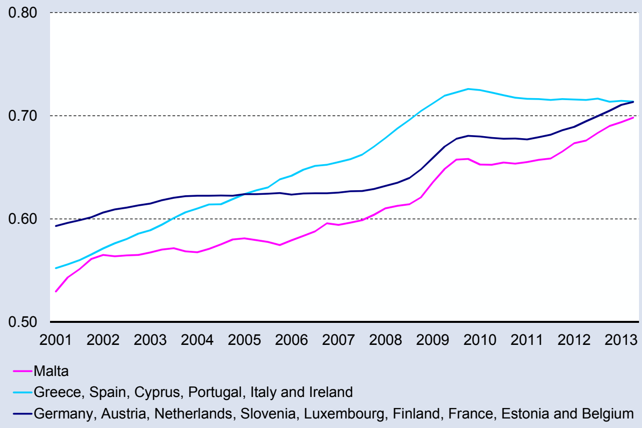
In the local context, an important step in the preparation for the SSM was the establishment of the Joint Financial Stability Board (JFSB), set up jointly by the Central Bank and the MFSA, and now part of the Central Bank of Malta Act.

Amongst the issues that are being discussed by the Joint Financial Stability Board, there is the proposed revision of the Banking Rule BR/09/2008. This revision is currently at consultation stage in the financial sector. The rule deals with provisioning for non-performing loans (NPL), taking into account the duration of the NPLs, and also calls for a specific buffer linked to the gap between provisions and NPLs.

## Safeguarding fiscal stability by expanding growth… competitiveness is key

Economic and financial stability also require fiscal consolidation, so that the deficit progressively declines towards the Fiscal Compact target. The debt-to-GDP ratio is expected to reach a plateau and then start declining, as planned by the Government. Budget figures project the debt-to-GDP ratio at 73% in 2013, along with a deficit ratio of 2.7%. An exit from the Excessive Deficit Procedure is essential.

**Chart 9**
**UNIT LABOUR COSTS**
*(four-quarter moving average; EUR per unit of output)*




Source: Eurostat.

Indeed, the Fiscal Compact involves strict budgetary commitments and places limits on the Government's deficit. Moreover, even in the absence of the obligations under the Fiscal Compact, public debt cannot be allowed to accumulate persistently as this could lead to unsustainable debt dynamics.

GDP growth reduces the debt ratio first by automatically raising tax revenues and reducing Government spending. Second, it expands the denominator of the debt-to-GDP ratio. Obviously, resolving fiscal excess through an expanding GDP is less painful.

To sustain economic growth, the economy needs to offer products and services with high value added and at competitive prices. The alignment of wages and productivity is crucial for competitiveness, particularly at a time when neighbouring economies are undergoing an internal devaluation. Because of this correction, unit labour costs in the stressed economies have plateaued and are now converging with those in the better performing countries (refer to Chart 4). While unit labour costs in Malta have been lower than in other euro area countries, it is crucial to ensure that higher productivity supports wage growth, thereby safeguarding the country's competitiveness.

## Conclusion – Malta as a regional hub

In the recent past, our economy was able to attract sectors and niche markets, such as financial and business services, and the aviation maintenance sector. Further investment promotion calls for continued efforts to identify new areas of growth, and to develop a labour force with the necessary skills and qualifications.

The financial and other service sectors have been crucial for economic stability and growth. Recent expansion in the financial services sector can serve as a springboard for further development in view of new opportunities in the Mediterranean region. Further diversification of the range of financial and other services will provide opportunities for Malta to develop further as a regional hub for various activities. Proficiency in the English language, a sound legal system, the high standards of the legal and accounting professions and the mantle of EU membership offer fertile ground for those who want to do business here.

Certainly, a growing financial sector needs to be supported and protected by appropriate legislative and supervisory frameworks to ensure that potential risks are minimized. Malta has managed to host a relatively large financial sector without exposing itself to excessive risks. Yet this has not been the case in other countries. We need to be on the lookout for potential threats to our system so as to reap the benefits of the financial sector without exposure to excessive risk. In the past year we have been under the spotlight and operators need to ensure that the appropriate regulations are carefully followed.

Malta should look optimistically to the future, not only because it has managed to ride the downturn quite well, but also because it has the ingredients for further growth and prosperity. A concerted and unified effort is essential to achieve our potential growth.

# INFLATION DIFFERENTIALS BETWEEN MALTA AND THE EURO AREA

**Brian Micallef**[1]

## Executive Summary

Since 1999 Malta experienced higher inflation than the euro area in all but three years. During this period, the Harmonised Index of Consumer Price (HICP) inflation in Malta averaged 2.5% per annum, 0.5 percentage point higher than in the euro area. These differentials are more relevant in the context of a monetary union in which country-specific shocks cannot be corrected by monetary and exchange rate policies, but through structural reforms and relative price and wage adjustments.

From the three main theories found in economic literature that seek to explain inflation differentials – price level convergence, differences in the business cycle and heterogeneous market structures – evidence suggests that, in the case of Malta, market structures are likely to play an important role. A decomposition of inflation differentials using a structural econometric model suggests that cost-push shocks are predominant in explaining these differences. Furthermore, the model assigns an important role to inflation expectations and the need to contain cost pressures. This is corroborated by cross-country evidence that points to a close relationship between inflation and unit labour costs (ULC).

With wage developments being broadly similar to those in the euro area since EU membership in 2004, Malta's higher relative ULC growth is mainly driven by sluggish labour productivity growth. Addressing supply-side rigidities is likely to spur productivity growth and, in the process, exert downward pressure on prices. Such rigidities can be tackled for instance through policies designed to increase competition in some market segments or to provide incentives to promote higher investment in information and communication technologies (ICT) in the distribution sector.

## Introduction: why should we care about inflation differentials?

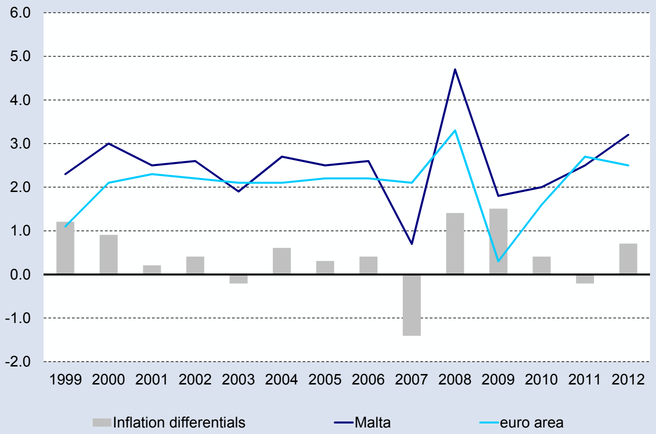
A country that registers persistently higher inflation than its main trading partners will eventually suffer a deterioration in its external price competitiveness. Since the start of Europe's Economic and Monetary Union (EMU) in 1999, Malta has experienced higher inflation than the euro area in all but three years (see Chart 1). Between 1999 and 2012, consumer price inflation in Malta, as measured by the HICP, averaged 2.5% per annum, 0.5 percentage point higher than in the euro area.

Inflation differentials are even more relevant in the context of a monetary union, in which asymmetric shocks cannot be corrected by changes in monetary or exchange rate policies. Instead, adjustment must be made through structural reforms, which increase the flexibility of the economy and relative price and wage movements. Although some degree of price dispersion is a common feature of currency unions, inflation differentials within the euro area have been very persistent, with some countries systematically registering higher or lower inflation compared with the union's average, exacerbating the internal imbalances within the monetary union.

[1] Mr Micallef is a Senior Research Economist in the Bank's Modelling and Research Office. The author would like to thank Dr Aaron G. Grech for helpful comments and suggestions. Any errors, as well as the opinions expressed in this article, are the author's sole responsibility.

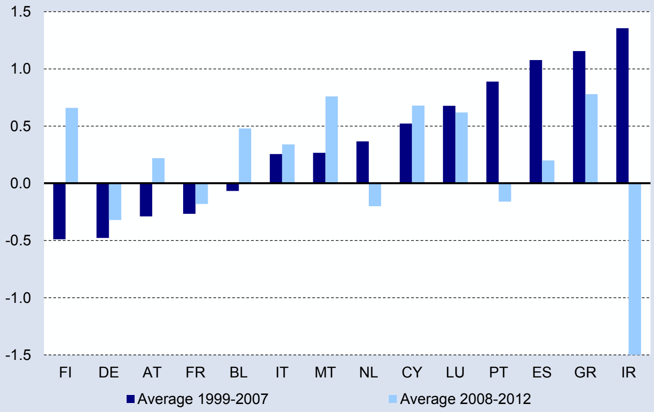
Chart 2 shows substantial heterogeneity in euro area countries with regard to their ability to adjust their prices to restore cost competitiveness. For instance, out of the four countries that required international assistance, Ireland and, to a lesser extent, Portugal, registered negative inflation differentials vis-à-vis the euro area since 2008, whereas Greece and Cyprus still registered substantially higher price inflation compared with the rest of the euro area. Since 2008 average inflation differentials between Malta and the euro area were more pronounced, driven primarily by the impact of higher energy, food and accommodation prices.[2]

**Chart 1**
**HICP INFLATION IN MALTA AND THE EURO AREA**
*(annual growth rates; differentials in percentage points)*




Source: Eurostat.

**Chart 2**
**INFLATION DIFFERENTIALS IN EURO AREA COUNTRIES**
*(percentage point difference from euro area average)*




Source: Eurostat.

## Inflation differentials: the facts

Since 1999 inflation in Malta has fluctuated around a mean of 2.5%. On average, inflation in Malta has been around 0.5 percentage point higher than the 2.0% registered in the euro area during the same period. In addition, inflation developments in Malta have been more volatile, in part reflecting the interplay of external shocks, such as high oil and commodity prices in recent years, with domestic rigidities, namely monopolistic practices and low competition in certain sectors of the economy. The latter are, to a certain extent, structural features of a small economy.

Higher inflation in Malta is not only limited to the headline HICP index but is also present in other HICP sub-indices that exclude the most volatile components (such as energy and unprocessed food) or administered prices[3] (see Table 1). Between 1999 and 2012, measures of underlying inflation that exclude energy and unprocessed food averaged around 0.4 to 0.5 percentage point

[2] Accommodation prices could also be affected by the change in methodology adopted by the National Statistics Office in 2010 in the collection of hotel accommodation rates. Accommodation prices have been volatile in recent months and were the main contributor to the increase in HICP inflation in 2012. Excluding accommodation prices from the overall HICP index would lower the average HICP inflation between 2008 and 2012 from 2.9% to 2.4%. However, this rate is still remain higher than the average overall HICP inflation of 2.1% registered in the euro area over the same period.

[3] The composition of administered prices and their share in the overall HICP differ significantly across countries. In 2013, the share of administered prices ranges from 5% of the overall HICP in Ireland to 24% in Slovakia. In Malta, the share of administered prices stood at 7%, lower than the euro area average of 12%.

**Table 1**
**KEY SUMMARY STATISTICS 1999-2012**
*Per cent*

| | Average | Maximum | Minimum | Coefficient of variation[1] |
|---|---|---|---|---|
| *Malta* | | | | |
| HICP inflation | 2.5 | 5.7 | -1.1 | 0.5 |
| HICP inflation excluding energy | 2.2 | 4.8 | -0.6 | 0.5 |
| HICP inflation excluding energy and unprocessed food | 2.1 | 5.0 | -0.5 | 0.5 |
| HICP inflation excluding administered prices[2] | 2.3 | 5.1 | -0.8 | 0.5 |
| *Euro area* | | | | |
| HICP inflation | 2.1 | 4.0 | -0.6 | 0.4 |
| HICP inflation excluding energy | 1.7 | 3.1 | 0.6 | 0.3 |
| HICP inflation excluding energy and unprocessed food | 1.7 | 2.7 | 0.7 | 0.3 |
| HICP inflation excluding administered prices[2] | 2.1 | 4.2 | -0.9 | 0.4 |

(1) Measured as the standard deviation of the series divided by the mean.
(2) Series start in 2002.
Sources: Eurostat; Author's calculations.

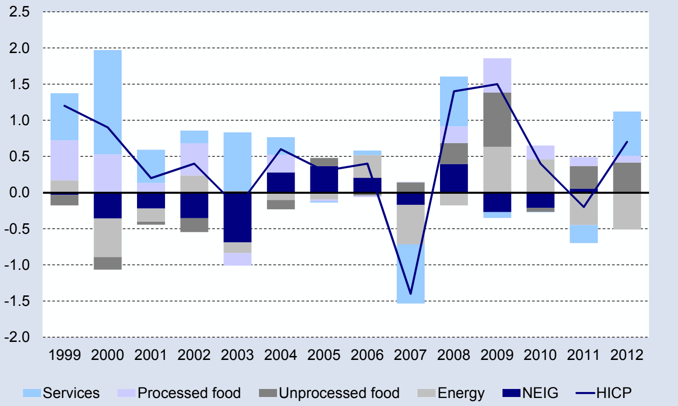
higher than in the euro area and have been more volatile. For example, overall inflation, excluding energy and unprocessed food in Malta fluctuated between a maximum of 5.0% and a minimum of -0.5% during this period, whereas in the euro area the range was between 2.7% and 0.7%, respectively. Even with the exclusion of administered prices, inflation in Malta has been on average 0.2 percentage point higher. These findings warrant a deeper understanding of the structural forces behind Malta's inflation dynamics and the price setting behaviour of domestic firms.

One possible source of inflation differentials can be households' different consumption expenditure patterns. A comparison of the evolution of the HICP consumption basket of Malta and of the euro area between 1999 and 2012 leads to four main observations. First, despite the downward trend observed, Malta's hotel and restaurant component, with a weight of 15.7% in 2012, is still significantly larger than the euro area's at 9.2%. This reflects Malta's reliance on the tourism industry. Second, the weight of the housing, water, electricity and gas component in Malta's expenditure basket, which stood at 8.5% in 2012, still remains almost half of that observed in the euro area. This is also reflected in the weight of the energy component in Malta, which at 7.3% in 2012, is one of the lowest among the euro area countries. Third, the weight of the food category in Malta, at 20.2%, is around 1 percentage point higher than in the euro area, although the gap in this category has been gradually narrowing in recent years. Finally, one observes an increase in households' expenditure on recreational and information technology-related items at the expense of more traditional categories, such as furnishing and clothing. This trend reflects society's changing consumption patterns, especially the importance of online shopping observed in recent years, and is, in general, in line with spending habits in the euro area.

With the first three categories – hotel and restaurants, energy and food – being important drivers of inflationary pressures in recent years, differences in weights in both regions' consumption baskets could have contributed to exacerbate or dampen inflation differentials in the face of common shocks to both economies.

Finally, the underlying drivers of inflation differentials are different in the pre-EU and post-EU membership period. Chart 3 decomposes inflation differentials into five main components: services, energy, non-energy industrial goods (NEIG), processed and unprocessed food. This decomposition suggests that services, and, to a lesser extent, processed food, have been the main drivers of inflation differentials until Malta's EU membership in 2004.

**Chart 3**
**DECOMPOSITION OF HICP INFLATION DIFFERENTIALS**
*(percentage point contributions to annual growth rate in HICP inflation)*

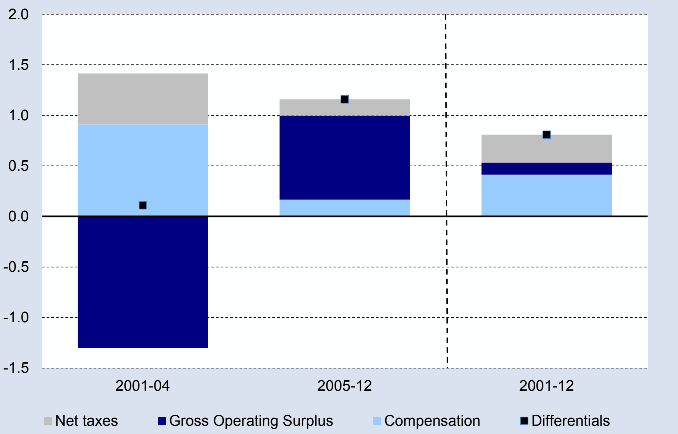



Source: Eurostat.

Inflation differentials have been more volatile and pronounced between 2007 and 2009. The sharp drop in 2007 was mainly due to hospitality prices and energy. The latter reflect the decision by the authorities to postpone the adjustment of utility prices in spite of higher global oil prices. The subsequent revision in utility prices in the latter part of 2008 led to positive inflation differentials in a period when energy prices in the euro area started to decelerate. The positive inflation differentials in 2008 were also driven by the pick-up in hospitality prices, driven by a buoyant tourism sector following the arrival of low-cost airlines. Food price inflation remained stubbornly high in the latter half of 2008 and in 2009 despite the decline in international food commodity prices. Food and energy remained the main contributors to inflation differentials in 2010. In 2012 the differentials were driven by accommodation and food prices, whereas the contribution of energy prices was negative in both 2011 and 2012.

From a supply-side perspective price inflation, as measured by the annual growth rate of the gross domestic product (GDP) deflator, can be decomposed in three components: growth in wages, profits (gross operating surplus) and net taxes (see Chart 4). Growth in wages has been the main driver of the differentials in the GDP deflator between the two economies in the pre-EU period, in part driven by two collective agreements in the public sector. Net taxes also contributed positively during this period mainly owing to the increase in the VAT rate to 18% in 2004. The contribution from gross operating surplus was, however, negative following a period of restructuring in the manufacturing sector. On the contrary, the differentials after EU membership have been driven mainly by gross operating surplus, reflecting the sectoral

**Chart 4**
**SUPPLY SIDE DECOMPOSITION OF INFLATION DIFFERENTIALS**
*(percentage point contributions)*




Sources: Eurostat; Author's calculations.

diversification of the Maltese economy towards higher value added industries.[4] The contribution of wages and net taxes has been slightly positive, at around 0.2 percentage point each. The lower contribution of wages reflects a period of wage moderation, with nominal wage growth increasing on average by 2.6% between 2005 and 2012, compared with 4.2% in the period 1995-2004.

## Main theories on inflation differentials

The underlying sources of inflation differentials in EMU have been extensively studied and documented over the past decade.[5] In general, the factors explaining these differentials can be broadly grouped in three categories: (i) price level convergence (ii) cross-country differences in the business cycles and (iii) structural factors, such as heterogeneous product and labour markets.

First, inflation differentials can be the result of equilibrium changes in relative prices owing to price level convergence as a result of an economic catching-up process. In this case, higher inflation is not necessarily a "bad" thing, but rather an equilibrium process. In particular, the Balassa-Samuelson theory focuses on the effect of sectoral differences in productivity growth on the aggregate price level and is often associated with the process of convergence in income levels across countries.

Evidence suggests that the Balassa-Samuelson effect may have played only a limited role in explaining inflation differentials in Malta. Income levels in Malta vis-à-vis the European Union, as measured by GDP per capita in Purchasing Power Standards (PPS), have improved only modestly over the past decade, while the increase in Malta's price level over the same period has been more moderate compared with that registered in other countries with similar levels of economic development.[6]

The second theory is also not supported by data. Since the start of EMU, average GDP growth in Malta has been broadly similar to that in the euro area, albeit considerably below growth rates in other countries that were subject to demand shocks from an appreciation in asset prices or with similar levels of economic development.[7] In addition, Malta's business cycle has become increasingly synchronized with that of the euro area, especially after the country's EU accession in 2004.[8]

Structural features of the economy may imply different inflation dynamics even in the face of symmetric shocks. This can arise, for instance, due to different degrees of oil dependency, to variations in exchange rate pass-through patterns or to country-specific characteristics of product and labour markets. This is likely to be an important factor for Malta where differences in market

[4] The relative contribution of the three components to the GDP price deflator exhibits some differences between the two economies. The contribution of wages remained relatively stable in the euro area in both sub-periods, at around 0.8 - 0.9 percentage point, whereas in Malta, it declined from 1.8 to 1.0 percentage point. Developments in gross operating surplus were even more volatile, with the domestic contribution being slightly negative in the pre-EU period to 1.3 percentage point after 2005. On the contrary, the contribution of gross operating surplus in the euro area declined from 1.1 to 0.5 percentage point, respectively, with the latter being adversely affected by the contraction in profits during the 2008-2009 recession. Finally, the contribution of net taxes remained stable in the euro area, at 0.2 percentage points in both periods, whereas in Malta, net taxes contributed 0.7 and 0.4 percentage point, respectively, to the GDP price deflator.

[5] See Gonzales-Paramo, J.M., "Inflation differentials in the euro area", *ECB speech*, 23 May 2005 for a non-technical overview of the main features and possible causes of inflation differentials in the euro area and their implications for economic policies.

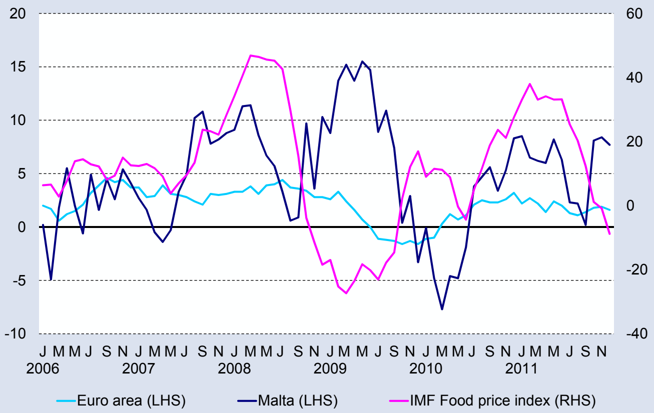
[6] Malta's GDP per capita in PPS stood at 86% of the EU average in 2012, up from 82% in 2001. During this period, Malta's price level increased from 71% of the EU average to 74%. ECB (2011) also concludes that the catching-up process has played a minor role in explaining inflation differentials in the euro area since the relationship between inflation and GDP per capita appears to be rather weak.

[7] The average annual GDP growth rate between 1999 and 2007 stood at 2.6% in Malta, slightly above the average growth registered in the euro area (2.3%). This rate is lower than that registered in other small open economies with a similar level of economic development, such as Cyprus (3.9%), Slovenia (4.5%) and the Czech Republic (4.3%). GDP growth rates in Ireland and Spain, two countries that registered high increases in house prices before the crisis, averaged 6.4% and 3.7%, respectively. Data source: EC Spring Economic Forecasts 2013.

[8] The correlation coefficient of the output gap in Malta and the euro area, increased from 0.4 for the period 1997-2004 to 0.7 in 2005-2014. Data source: EC Spring Economic Forecasts 2013.

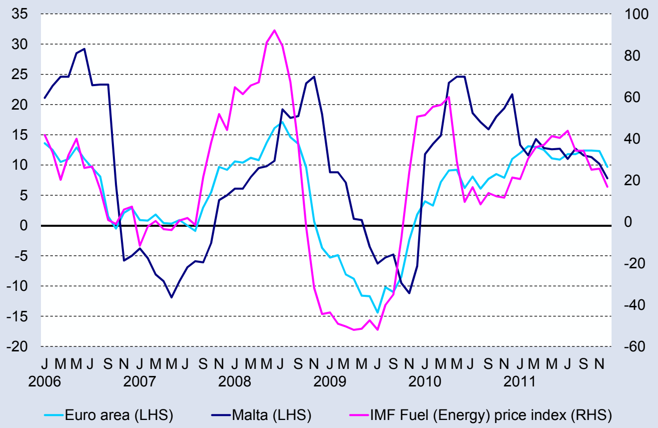
structures, in part explained by characteristics of Malta's small island economy, are more likely to play an important role. Testament to this is the experience with higher international energy and food prices between 2007 and 2009, when the magnitudes and timing of the pass-through to domestic prices were different from those observed in the euro area and from the respective prices in international markets (see Charts 5 and 6).

**Chart 5**
**UNPROCESSED FOOD INFLATION AND INTERNATIONAL FOOD PRICES: 2006 - 2011**
*(annual growth rates)*




Sources: Eurostat; IMF.

**Chart 6**
**ENERGY INFLATION AND INTERNATIONAL ENERGY PRICES: 2006-2011**
*(annual growth rates)*




Source: Eurostat; IMF.

Overall, therefore, the evidence seems to suggest that out of the three factors identified in the literature to explain inflation differentials, it is probable that differences in market structures are likely to play the most important role.

## Econometric analysis of inflation differentials

We applied a structural model for a more detailed study of the underlying forces behind Malta's inflation differentials. The objective was to decompose them into the three main theories identified in literature and to shed light on the inflation process in Malta.[9]

One of the key equations within this modelling framework is the New Keynesian Phillips Curve, whereby inflation is assumed to depend on its lagged values (to capture inertia in price-setting behaviour), on expectations of future inflation and on real marginal costs. The latter depends on a number of factors, such as real wages, productivity, relative price movements and a cost-push shock. This shock captures the effect of other variables that affect inflation, such as commodity prices, that are not explicitly included in the model.

[9] Details of the model are available in Micallef, B. and Cyrus, L., "Inflation differentials in a monetary union: the case of Malta", *Central Bank of Malta Working Paper* WP/05/2013 (which can be downloaded at http://www.centralbankmalta.org/site/publications6.asp). The model is an extension of the one developed by Rabanal, P., "Inflation differentials between Spain and the EMU: A DSGE perspective", *Journal of Money, Credit and Banking*, 2009, Vol. 41, No. 6, pp 1141-1166. The original model was extended to include cost-push shocks and labour market rigidities, thereby making it more suitable to the Maltese economy's structural characteristics. The model is estimated with Bayesian inference methods for the period 2000-2011 on the following nine observables: GDP, overall HICP inflation, services inflation, wage growth for both Malta and the euro area and the 3-month EURIBOR interest rate common for both economies.

According to the estimated model, price and wage-setting behaviour in Malta is less sticky than in the euro area. The average price duration in Malta is estimated at around 1.5 to 2.5 quarters, compared with between two and four quarters in the euro area. Turning to the labour market, the average duration of wage contracts in Malta is estimated at slightly less than one year compared with around six quarters in the euro area. The range of these estimates is broadly in line with the findings of the Inflation Persistence Network and the Wage Dynamics Network.[10]

Price indexation in Malta, that is, the degree of persistence in the inflation equation, was found to be broadly similar to that observed in the euro area.[11] Wage indexation is however higher than in the euro area. The latter is in line with our prior information, given the partial wage indexation mechanism present in Malta.

Within the context of the structural model, these findings imply that inflation expectations play an important role in price-setting decisions in both economies and that Maltese firms are more sensitive to costs than their European counterparts.[12]

Estimates of the size of shocks hitting the Maltese economy were generally found to be more pronounced than those observed in the euro area. Of particular importance for the purpose of this study is the size of the cost-push shock. In part, this can be explained by the small size of the domestic economy and its dependence on international trade. However, the fact that cost-push shocks were found to be highly correlated to international commodity prices and that both economies are net importers of commodities may suggest that this result could be driven by other factors, such as market structures of domestic importation and distribution chains. In turn, these could lead to differences in the pass-through, possibly both in terms of timing and magnitude, of foreign commodity prices to inflation in the two economies.

An interesting way of summarizing the results of a structural model is to decompose the key variables of interest into the main shocks that are included in the model (variance decomposition). To facilitate the economic interpretation of the shocks, these are aggregated into five categories – productivity shocks, demand shocks, monetary shocks, wage mark-up shocks and cost-push shocks. Chart 7 reflects this exercise by decomposing inflation differentials into these five main shock categories. We can see that cost-push shocks are predominant in explaining inflation differentials between the two economies. The role played by productivity and wage mark-up shocks is more limited, each reflecting slightly less than 20%, while the role of demand and monetary shocks is almost insignificant.

---

10 According to the micro evidence from the Inflation Persistence Network, prices in sectors covered by the consumer price index in the euro area are unchanged on average between four and five quarters, compared with around two quarters in the United States. The findings of the Wage Dynamics Network suggest an average duration of wages of around 15 months in the euro area. In Malta the findings of the Wage Dynamics Report, available on the Central Bank of Malta's website, suggest that most of the changes in wages occur on an annual basis while around half of respondents claim to change prices at least once a year.

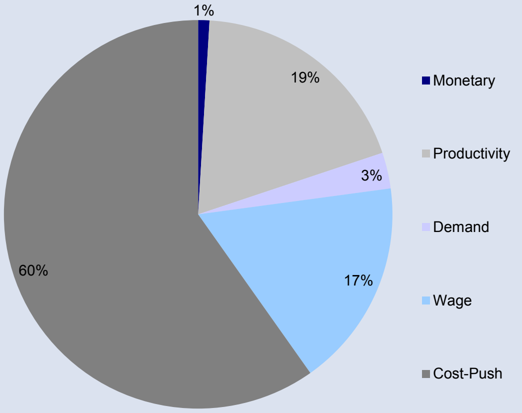
11 The estimates of inflation persistence are broadly in line with those by Demarco, A., "A new measure of core inflation in Malta", *Central Bank of Malta Quarterly Review* 2004:2 and the box entitled "Estimating inflation persistence in Malta" *Central Bank of Malta Quarterly Review* 2013:2. Both studies estimate inflation persistence using an autoregressive model on the main sub-components of the Retail Price Index (RPI) and the HICP, respectively. Persistence is found to be low in food and energy components and higher in services and industrial goods. Estimates in literature using different methodologies also suggest that inflation persistence in Malta is broadly similar to the euro area countries and, in general, lower than the estimates for Central and Eastern European countries (see Vladova, Z. and Pachedjiev, S., "Empirical analysis of inflation persistence and price dynamics in Bulgaria", *Central Bank of Bulgaria Discussion Paper* DP/70/2008 and Franta, M., Saxa, B. and Smidkova, K., "The role of inflation persistence in the inflation process in the New EU Member States", *Czech Journal of Economics and Finance*, No. 6, 2010).

12 Given a moderate degree of persistence, the important role of expectations follows from the fact that the coefficients on lagged and expected values of inflation are restricted to unity to ensure no long-run trade-off between inflation and economic activity. The higher sensitivity of inflation to real marginal costs is inversely related to the price stickiness parameter, which in Malta is lower than in the euro area.

Chart 8 shows a similar exercise to compare the contribution of different shocks in explaining HICP inflation in Malta and the euro area. In general, differences in the relative importance of shocks explaining the developments in HICP inflation can be explained in relation to the size and structure of both economies. The high import content in domestic consumption implies that cost-push shocks, which mostly originate from abroad, are predominant in explaining HICP inflation in Malta, while in the euro area, which is a large and relatively closed economy, domestic factors, in the form of productivity and wages, play a more important role. The findings for Malta are in line with econometric estimates from the Central Bank of Malta's traditional macro-econometric model of the Maltese economy, which also point towards an important role of foreign disturbances in driving domestic price developments.[13]

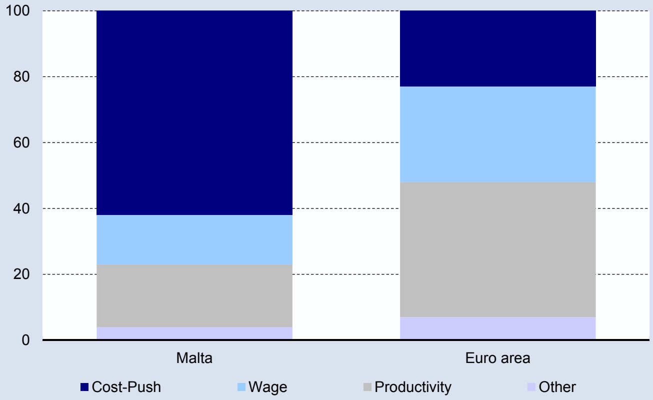
Chart 9 plots the historical contributions of shocks to inflation differentials according to the estimated model. While such decompositions should be treated with caution, they shed light on how the structural model interprets the observed developments in the data. The story emerging from the historical decomposition is broadly consistent with the stylized facts identified above. In particular, cost-push shocks are found to have been particularly important in explaining inflation differentials between 2007 and 2009 and, second, wage mark-up shocks seem to have played a more important role in the pre-EU

**Chart 7**
**VARIANCE DECOMPOSITION OF INFLATION DIFFERENTIALS**
*(contribution of shocks explaining inflation differentials in the estimated structural model)*



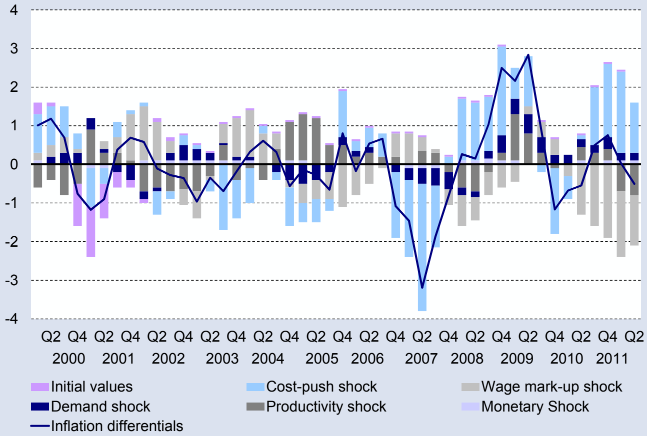

Source: Micallef and Cyrus (2013).

**Chart 8**
**VARIANCE DECOMPOSITION OF HICP INFLATION IN MALTA AND EURO AREA**
*(contribution of structural shocks to HICP inflation; per cent)*




Source: Micallef and Cyrus (2013).

**Chart 9**
**MODEL DECOMPOSITION OF INFLATION DIFFERENTIALS**
*(percentage point contributions to inflation differentials (demeaned)*




Source: Micallef and Cyrus (2013).

[13] Grech, O. et al, "A structural macro-econometric model of the Maltese economy" *Central Bank of Malta Working Paper* WP/02/2013.

membership period compared with more recent years when they contributed negatively to inflation differentials following a period of wage moderation.

## What determines higher costs?

The importance of cost-push shocks and the sensitivity of inflation to costs suggest that market structures and the role of mark-ups at wholesale and retail level are key to understanding higher inflation in Malta.

Chart 10 shows the average HICP inflation and growth rate in ULC for 27 EU countries for the period 2000-2012.[14] The evolution of ULCs is an important determinant of inflation and of changes in competitiveness, although the latter depends on a myriad of factors, encompassing both price and non-price (quality) elements. The cross-country empirical evidence in Chart 10 suggests that there is indeed a close relationship between HICP inflation and ULC growth. Over this period, ULCs and HICP in Malta increased on average by 2.6% and 2.5% per annum, respectively. ULC growth in Malta has been higher on average compared with the euro area in both the pre-EU and post-EU membership period, although the gap between the two has narrowed in the latter period.

High ULC growth can be explained either by strong wage growth, low labour productivity or a combination of both.[15] Average nominal wage growth in Malta was around 4.8% per annum between 2000 and 2004, compared with 2.3% in the euro area. Since 2005, however, wage developments in the two economies moved much more in line, though still higher in Malta. In contrast, growth in Malta's labour productivity since 2005 has declined significantly compared with the pre-EU membership period. This result is mostly affected by developments in domestic labour productivity since the financial crisis of 2008-2009 due to the resilience of employment growth in Malta.

Low competition in the services sector, particularly in wholesale and retail industries, is usually suggested as one of the main factors hindering productivity growth.[16,17] An important caveat is that sectoral developments in productivity in Malta have to be treated with caution owing to the absence of appropriate price deflators, especially for service sectors. According to the EU Klems database, productivity developments in the wholesale and retail industries were significantly lower than the average for

**Chart 10**
**RELATIONSHIP BETWEEN INFLATION AND UNIT LABOUR COSTS (ULC)**
*(average growth rate for the period 200-2012)*


Sources: Eurostat; AMECO; Author's calculations.

[14] Romania is excluded from the chart since it is a clear outlier, with average HICP inflation and ULC growth exceeding 10%.
[15] Domestic productivity developments should be treated with caution as they could be a reflection of structural shifts in the economy that have taken place in the last decade, like the growing importance of services, which are more labour intensive, at the expense of traditional industries. In addition, the expanding role and complexity of services in certain industries inevitably leads to difficulties in accurately measuring the output of these industries.
[16] See the report "Competition, productivity and prices in the Euro area services sector", *ECB Occasional Paper* No.44, 2006
[17] Estimates of productivity in the distribution sector and in other sectors of the Maltese economy can be obtained from the EU Klems database.

the whole economy.[18] Similar developments are usually documented for the euro area, especially when compared with the United States, with the difference in productivity growth typically attributed to lower investment in ICT.

Conventional economic theory posits a negative relationship between the degree of market competition and firms' profit levels. A commonly used indicator of market competition is the profit margin, calculated as the ratio of operating surplus to value added. An environment of high competition is generally associated with a market structure in which economic agents are price-takers, with the absence of barriers to enter or leave the market and with a market in which firms cannot exploit increasing returns to scale. In such a structure, competition is believed to reduce prices to a level equal to the marginal costs of production. An important caveat is that it is generally difficult to draw strong conclusions from such indicators, as high profitability could be the result of lack of competition, for instance owing to sheltered or protected sectors, but it could also be due to highly efficient firms operating in a competitive environment that spurs productivity gains, for example, by exploiting advances in ICT and economies of scale. Over long periods of time, however, high competition should reduce profits as more firms are attracted to a profitable industry. Given the size and structural characteristics of the Maltese economy, it is more likely that high profitability is indicative of low competition.

A sectoral analysis of the average developments in the profitability ratio between 2004 and 2012 suggests that the manufacturing sector, which is exposed to international competition, displays a profit ratio that is lower than the average for the whole economy, whereas the opposite holds true for the wholesale and retail sector.[19] Cross-country empirical evidence also suggests that there is a positive relationship between the profitability ratio and HICP inflation in the services sector for a number of EU countries, with low competition being usually associated with higher average inflation in the services sector.

Another commonly used indicator of market competition is the price mark-up approach. The rationale behind this indicator is that, whereas high competition drives prices down to the marginal cost of production, firms in an imperfectly competitive market structure are able to charge a mark-up over their marginal cost of production. According to the Wage Dynamics Report, more than 50% of firms in the wholesale and retail sector set prices according to costs and a self-determined profit margin, reflecting the degree of market power, a share which is higher than the average for the whole economy. In addition, more than 40% of firms in the distribution industry are not likely to follow a competitor into a price cut, indicating a lower sensitivity to price competitiveness than other sectors of the economy, which could be indicative of low competitive pressures.

Estimates of product market mark-ups for Malta are relatively high compared with other EU countries.[20] One particular study finds that mark-up ratios are on average higher in service industries than in the manufacturing sector, which is not surprising, given that the latter is more exposed to international competition.[21] At a sectoral level, mark-ups for the wholesale and retail sector have been found to be particularly high when compared with other EU countries.[22]

18 Productivity is defined as gross value added per hour worked.

19 The share of gross operating surplus in gross value added in the retail industry, however, has been on a declining trend since 2000.

20 Comparisons of product market mark-ups are available in Borg, M., "Measuring market competition in the EU: the mark-up approach", *Bank of Valletta Review*, No.39, Spring 2009 and in the report "Structural features of distributive trades and their impact on prices in the Euro area", *ECB Structural Issues Report*, 2011 .

21 Borg, M., "Measuring market competition in the EU: the mark-up approach", *Bank of Valletta Review*, No.39, Spring 2009.

22 An important caveat is that these findings are based on data from 1995 until 2005, and could therefore not adequately take into account the impact of post-EU membership developments and recent sectoral trends.

Anecdotal evidence suggests that port handling costs in Malta remain relatively high by international standards.[23] This constitutes a source of concern, especially in a small and open economy like Malta with a high degree of import content. Higher transport costs inflate the cost structure of domestic importers and trickle down the supply chain, eventually to the end-consumers through higher prices. They also have an adverse impact on the cost competitiveness of domestic firms, both export-oriented and domestic retailers, as consumers shift towards cheaper online shopping.

## Concluding remarks

A country that registers persistently higher inflation than its main trading partners will eventually suffer a deterioration in its external price competitiveness, with subsequent losses in output and employment. This is even more relevant in a monetary union, in which asymmetric shocks cannot be corrected by changes in monetary or exchange rate policies but rather through structural policies and relative adjustments in prices and wages.

This necessitates higher awareness from both policy makers and social partners on the need to keep domestic inflation around 2.0%, similar to the euro area average and in line with the European Central Bank's definition of price stability of close to, but below 2.0% in the medium term. In light of these findings, an argument can be made for a business environment in which production costs for firms are kept in check, while government-induced costs should be kept to a minimum. Expectations of lower inflation will eventually feed in the wage formation process, thereby assisting exporting firms to remain competitive. The role of expectations is particularly important for a small and open economy like Malta as it creates a cushion against the impact that foreign price pressures, on which local authorities have very limited control, can have on domestic prices and costs.

Finally, inflation differentials should not be analysed in isolation but rather assessed from a holistic perspective as they are possibly a symptom of wider macroeconomic rigidities. Addressing these supply-side rigidities, for instance through policies designed to increase competition in some market segments or providing incentives to promote higher investment in ICT in the distribution sector, are likely to spur productivity growth and enhance the economy's potential growth rate. In the process, this should exert downward pressure on prices.

23 Anecdotal evidence is based on meetings attended by the Bank's economists with the Malta Chamber of Commerce, Enterprise and Industry (MCCEI). Similar arguments were raised separately in meetings held with the section on shipping and bunkering (March 2012) and with the section of importers, distributors and retailers (August 2012).

## NEWS NOTES

### ECB adopts forward guidance

On 4 July the European Central Bank (ECB) adopted a form of forward guidance, stating that its policy stance will remain accommodative for as long as necessary, and that its key interest rates will remain at present or lower levels for an extended period of time. This guidance is conditional on the medium-term outlook for inflation and on monetary dynamics remaining subdued against a background of broad-based weakness in the real economy. The Federal Reserve Bank and the Bank of England have also introduced forms of forward guidance in their monetary policies.

### ECB cuts key interest rates

On 7 November the ECB lowered the interest rate on the main refinancing operations of the Eurosystem by 25 basis points to a new historical low of 0.25%. Furthermore, the interest rate on the marginal lending facility was lowered by 25 basis points to 0.75%, while that on the deposit facility was left unchanged at 0.00%. The interest rate changes became effective on 13 November 2013.

### Central Bank of Malta announcements

*Issue of numismatic coins*

On 26 July the Bank issued two numismatic coins, one in gold and one in silver. The coins, both of which were struck at the Royal Belgian Mint, depict the emblem of Malta and the year of issue on the obverse, and the façade of the Auberge de Provence on the reverse. The gold coin has a face value of €15 and the silver coin has a face value of €10. The Auberge de Provence, which was built by the French Knights of the Order of St John, is the fifth Auberge to be featured in the Bank's coin programme.

*Biannual information on banknote counterfeiting*

On 7 August the Bank issued a press release on euro banknote counterfeiting in Malta. During the first half of 2013, the number of counterfeit euro notes reported to the Bank and subsequently withdrawn from circulation amounted to 877, slightly more than the number reported in the previous six months.

*Financial Stability Report 2012*

On 23 August the Bank published its annual *Financial Stability Report* for 2012 and the first months of 2013. The *Report* concluded that throughout 2012 the Maltese financial sector remained robust, despite the fragile and uncertain external environment. Core domestic banks remain well capitalised, highly liquid and profitable, while non-core and international banks also maintained a high level of capital and liquidity. During the year the level of credit risk in the Maltese financial sector rose, mainly owing to banks' exposure to specific sectors, such as construction and real estate. This increased level of risk was largely mitigated by a rise in bank provisions for loan losses.

### Malta ratifies Treaty on Stability, Coordination and Governance

On 11 June the House of Representatives approved a motion authorising the Government to ratify the Treaty on Stability, Coordination and Governance, sometimes referred to as the "Fiscal Compact", that was signed in March 2012. The Treaty became effective in Malta on 1 July. Under the terms of the Treaty Member States are obliged to achieve a balanced budget or a surplus.

### The Global Residence Programme 2013

On 5 July the Government issued new taxation rules governing individuals who wish to apply for special tax status under a new programme entitled Global Residence Programme (GRP) 2013. The GRP is designed to attract individuals who are not nationals of the European Union, European Economic Area or Switzerland. A qualifying property holding, however, is an essential condition for eligibility to the programme. Under this special tax status, the individual will pay a rate of 15% on any income arising outside Malta, subject to a minimum tax amount payable of €15,000.

### Malta places 41st in Global Competitiveness Index

According to the World Economic Forum's *Global Competitiveness Report 2013-14*, published on 4 September, Malta ranked in 41st place out of 148 countries in the Global Competitiveness Index. Malta's main strengths were identified as health, the quality of education and technological readiness, while its main weak points were market size and innovation. Government bureaucracy, meanwhile, was identified as the main problematic factor for doing business in Malta, followed by access to financing.

### IMF Article IV Mission

On 12 July the International Monetary Fund (IMF) published the final conclusions of its Article IV mission to Malta, which took place between 2 May and 13 May. The Fund noted that the Maltese economy has shown remarkable resilience, underpinned by robust export growth and by a sound banking sector. Against this positive background, the Fund called for continued progress in fiscal consolidation and structural reforms, the latter to enhance growth prospects and competitiveness. The Fund also called for close monitoring in the financial sector to ensure continued financial stability, given banks' high exposure to the property market and to low loan loss provisions.

### ECOFIN issues recommendations to Malta

On 9 July the Economic and Financial Affairs Council (ECOFIN) issued recommendations to 23 Member States on the economic and employment policies set out in their national reform programmes. With reference to Malta, the Council recommended that necessary steps be taken to correct the excessive budget deficit by 2014. Among other recommendations, the Council called for further reforms of the pension and healthcare systems. The importance of increasing the female participation rate was also highlighted. Finally, the Council recommended that Malta maintain strict banking supervision and that overall efficiency in the judicial system is improved.

## OECD Reports on Malta's Tax Framework

On 31 July the Organisation for Economic Co-operation and Development's (OECD) Global Forum on Transparency and Exchange of Information for Tax Purposes published a peer review report on the quality of Malta's tax framework. The *Report* concludes that Malta is in full conformity with requirements related to international transparency standards and exchange of information for tax purposes.

## Credit Rating Assessments

On 19 July Standard & Poor's affirmed Malta's long-term credit rating at BBB+ with a stable outlook. This reflected improved prospects for economic reforms, strong institutional and governance effectiveness, and a prosperous economy on the upside, and a sizable government debt burden and external imbalances on the downside. The agency also commented on the stability of Malta's financial system, while stating that the presence of internationally-oriented banks poses little threat to overall stability.

On 21 September Fitch Ratings downgraded Malta's rating to A from A+, with a stable outlook. This reflected the fiscal slippage that occurred in 2012, with the government deficit rising to 3.3% of gross domestic product (GDP). Fitch also forecast a higher deficit of 3.6% of GDP in 2013. The agency warned that a high debt ratio, with the government debt ratio forecast to peak at 74% of GDP in 2015, reduced the fiscal space to absorb future adverse shocks. On the positive side, Fitch stated that government debt is mainly held locally, while the banking sector is liquid, strong, and resilient.

On 4 October 2013 Moody's Investors Service changed the outlook on Malta's A3 government bond rating to stable from negative. This reflects the agency's expectation of the stabilisation of debt metrics in 2014, Malta's limited contagion risk from the euro area, and the resilience of the banking system.

## Capital market developments

### *Issue of Malta Government Stocks*

On 10 September the Government, through Legal Notice 268 of 2013, announced the issue of two Malta Government Stocks (MGS) for a total amount of €50 million, subject to an over-allotment option of €30 million. The MGS, which were issued as floating rate bonds, were both linked to the six-month EURIBOR. The Treasury received bids totalling €107.8 million and accepted €79.4 million: €38.6 million was allotted to the 2018 (VI) issue, and €40.8 million to the 2019 (IV) issue.

### *Corporate bonds*

On 3 July Mediterranean Bank plc issued the equivalent of €10 million in 7.5% subordinated bonds. The bonds, due in 2019, were denominated in euro and pound sterling and were subsequently listed on the Malta Stock Exchange.

On 23 September Medserv plc issued €13 million in 6% notes maturing between 2020 and 2023 as part of a €20 million secured and guaranteed note issuance programme. The issue was oversubscribed and trading on the Malta Stock Exchange commenced on 15 October.

On 27 September FIMBank plc announced that its 7% subordinated bonds 2012 – 2019 will be redeemed on 30 October 2013. The bonds were in two tranches, amounting to €23.6 million and $8.1 million, respectively.

## Banking and finance legislation

Legal Notice 165 of 2013, issued on 2 July and entitled Companies Act (Investment Companies with Variable Share Capital) (Amendment) Regulations, 2013, amends various regulations relating to multi-fund companies and adds a new regulation relating to the issue of shares by an investment company with variable share capital.

Legal Notice 179 of 2013, issued on 9 July and entitled European Union Directives (Amendment) Regulations, 2013, implements Council Directive 2013/13/EU of 13 May 2013. This Directive amends a number of EU Directives in the field of taxation, more specifically on EU common taxation systems in different areas, to account for the accession of the Republic of Croatia into the European Union.

Legal Notice 180 of 2013, issued on 9 July and entitled Joint Council of Europe/OECD Convention on Mutual Administrative Assistance in Tax Matters Order, 2013, implements the provisions of the Convention ratified by Malta on 23 May 2013. The main objective of the Convention is the provision of administrative assistance in tax matters between signatories to prevent tax avoidance and evasion, while ensuring adequate protection of taxpayers' rights.

Legal Notice 182 of 2013, issued on 12 July and entitled Financial Conglomerates Regulations, 2013, implements the provisions of Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 regarding financial conglomerates. The Regulations define the thresholds for identifying a financial conglomerate, while assigning the task of the supplementary supervision of credit institutions, insurance undertakings, and investment firms in a financial conglomerate to the Malta Financial Services Authority.

Legal Notices 183 and 184 of 2013, issued on 12 July, issue Regulations under the Insurance Business Act by transposing Article 1 of Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011 regarding the supplementary supervision of financial entities in financial conglomerates. The Insurance Business (Supplementary Supervision of Insurance and Reinsurance Undertakings in an Insurance Group) Regulations and the Insurance Business (Assets and Liabilities) Regulations are both being amended to include financial conglomerates within their scope.

Legal Notice 214 of 2013, issued on 19 July and entitled Investment Services Act (Alternative Investment Fund Manager) (Third Country) (Amendment) Regulations, 2013, amends a number of the original regulations by including a change to the definition of the

Undertakings for Collective Investment in Transferable Securities (UCITS) Directive and by including European Alternative Investment Fund Managers (AIFM), in addition to Maltese AIFMs.

Legal Notice 283 of 2013, issued on 20 September and entitled Financial Collateral Arrangements (Amendment) Regulations, 2013, which is part of the Set-Off and Netting on Insolvency Act, amends and adds new definitions to the original Regulations and includes a general update of the Regulations.

*Double taxation agreements*

Legal Notice 239 of 2013, issued on 2 August and entitled Double Taxation Relief (Taxes on Income) (The United Mexican States) Order, 2013, declares relief from double taxation in relation to the federal income tax and the business flat rate tax imposed by the United Mexican States, as from a later date to be agreed by the parties.

## SELECTED INTERNATIONAL ECONOMIC AND FINANCIAL NEWS

### ECOFIN

On 9 July the ECOFIN accepted a decision allowing Latvia to adopt the euro on 1 January 2014, along with regulations setting a permanent conversion rate for the Latvian lats against the euro (1 euro = 0.702804 lats). The Council also approved the addition of €7.3 billion to the 2013 EU budget to tackle youth unemployment and to support economic growth.

On 2 September the ECOFIN adopted its position on the 2014 EU draft budget. The Council's position reflects €142.33 billion in commitments (i.e. legal promises to spend money for activities whose implementation might extend over several financial years) and €135.0 billion in payments. The latter corresponds to 1% of the EU's gross national income.

*Informal ECOFIN*

On the 13 and 14 September, ministers for finance and central bank governors of EU Member States met for an informal meeting in Vilnius, Lithuania. Attention was focused on the banking union, financing small and medium-sized enterprises and the EU economic outlook. The Single Resolution Mechanism was discussed for the first time at ECOFIN level, and a follow-up to the G-20 Leaders' Summit was held too.

### European Stability Mechanism

On 1 July the European Stability Mechanism became the sole and permanent mechanism for responding to new requests for financial assistance by euro area Member States, replacing the European Financial Stability Fund (EFSF). As a result, the EFSF may no longer engage in new financing programmes or enter into new loan facility agreements. It will still remain active in financing the ongoing programmes for Portugal, Ireland and Greece.

### European Banking Authority

On 25 September the European Banking Authority published its fourth report on the Basel III monitoring exercise on the European banking system. This exercise gathered aggregate results on capital, risk-weighted assets, and liquidity and leverage ratios for banks in the European Union to assess the impact of the Basel III requirements.

### Single Supervisory Mechanism approved

On 12 September, the European Parliament gave its approval to the Council Regulation on the EU banking supervision system, also known as the Single Supervisor Mechanism (SSM). The Regulation confers specific tasks on the ECB regarding policies relating to the prudential supervision of credit institutions. As from September 2014, this system will bring some 150 of the EU's largest banks under the ECB's direct oversight. This Regulation was subsequently adopted by the European Council on 15 October.

### The Group of Twenty

The G-20 met in St. Petersburg on 5 - 6 September. Discussions focused on the economy, specifically on the need to increase the momentum of the global recovery to generate higher growth and better jobs. Euro area members of the G-20 emphasised their commitment to strengthening the foundations for economic and monetary union, including through further efforts to strengthen bank balance sheets and reduce financial fragmentation. The importance of moving ahead towards a banking union was stressed. The G-20 countries agreed that monetary policy will continue to be directed towards domestic price stability, as well as to support the economic recovery. In addition, the G-20 reiterated their commitment to market-determined exchange rates and emphasised that excess financial flow volatility can have adverse implications for economic and financial stability.

# STATISTICAL TABLES

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

*(as at end-June 2013, unless otherwise indicated)*

| | | | |
|---|---|---|---|
| CAPITAL CITY | Valletta | | |
| AREA | 316 km$^2$ | | |
| CURRENCY UNIT | Euro exchange rates[1]: | EUR 1 = USD 1.3080 | |
| | | EUR 1 = GBP 0.8572 | |
| CLIMATE | Average temperature (2013): | Jan. - Mar. | 13.6°C |
| | Average temperature (2012): | July - Sep. | 27.4°C |
| | Annual rainfall (2012) | | 519.2mm |
| SELECTED GENERAL | GDP growth at constant 2000 prices[2] | | 3.6% |
| ECONOMIC STATISTICS | GDP per capita at current market prices[2] | | EUR16,300 |
| | GDP per capita in PPS relative to the EU-27 average (2012) | | 86.0% |
| | Ratio of gross general government debt to GDP[2] (2012) | | 71.3% |
| | Ratio of general government deficit to GDP[2] (2012) | | 3.3% |
| | RPI inflation rate (12-month moving average) | | 2.3% |
| | HICP inflation rate (12-month moving average) | | 2.3% |
| | Ratio of exports of goods and services to GDP[2] | | 97.8% |
| | Ratio of current account surplus to GDP[2] | | 4.8% |
| | Employment rate[3] | | 60.5% |
| | Unemployment rate[3] | | 6.7% |
| | Long term government bond yield | | 3.4% |
| POPULATION | Total Maltese and foreigners (2012) | | 421,364 |
| | Males | | 209,880 |
| | Females | | 211,484 |
| | Age composition in % of population (2012) | | |
| | 0 - 14 | | 14.6% |
| | 15 - 64 | | 68.3% |
| | 65 + | | 17.2% |
| | Annual growth rate (2012) | | 0.9% |
| | Density per km$^2$ (2012) | | 1,333 |
| HEALTH | Life expectancy at birth (2012) | | 80.1 |
| | Males | | 78.0 |
| | Females | | 82.2 |
| | Crude birth rate, per 1,000 Maltese inhabitants (2012) | | 9.8 |
| | Crude mortality rate, per 1,000 Maltese inhabitants (2012) | | 8.1 |
| | Doctors (2012) | | 1,572 |
| EDUCATION | Gross enrolment ratio (2010/2011) | | 70.8% |
| | Teachers per 1,000 students (2009/2010)[2] | | 139 |
| ELECTRICITY | Domestic Consumption (million kwh) (2012) | | 525 |
| WATER | Average daily consumption ('000 m$^3$) (2012) | | 84 |
| LIVING STANDARDS | Human Development Index: rank out of 187 countries (2012) | | 32 |
| | Mobile phone subscriptions per 100 population | | 131.6 |
| | Internet subscribers per 100 population | | 33.8 |
| | Private motor vehicle licences per 100 population | | 58.1 |

[1] End of month ECB reference rates.

[2] Provisional.

[3] Labour Force Survey.

Sources: Central Bank of Malta; Eurostat; Ministry of 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 June 2013:**

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.
BAWAG Malta Bank Ltd.
Credit Europe NV (from March 2007)
Commbank Europe Ltd. (from September 2005)
Deutsche Bank Malta Ltd. (from March 2010)
Erste Bank (Malta) Ltd.
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)
Investkredit International Bank p.l.c.
Izola Bank Ltd.
Lombard Bank Malta p.l.c.
Mediterranean Bank p.l.c. (from January 2006)
NBG Bank Malta Ltd. (from July 2005)
Nemea Bank Ltd (from December 2009)
Raiffeisen Malta Bank p.l.c.
Saadgroup Bank Europe Ltd. (from January 2009)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Novum Bank Limited (from October 2010)
Volksbank Malta Ltd.

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

As from *Quarterly Review 2013:1*, the Central Bank of Malta discontinued to publish the weighted average deposit and lending rates in Table 1.21 - Other rates and indicators. 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', and Table 1.19 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Euro Area Residents'.

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.

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

*EUR millions*

| End of period | External assets | | | | IMF currency subscription | Central government securities | Other assets | Total assets/ liabilities |
|---|---|---|---|---|---|---|---|---|
| | Gold | IMF-related assets[2] | Other[3] | Total | | | | |
| 2005 | 1.5 | 87.4 | 2,061.2 | 2,150.1 | 74.6 | 21.2 | 62.5 | 2,308.4 |
| 2006 | 2.7 | 84.8 | 2,123.6 | 2,211.1 | 70.5 | 70.5 | 62.3 | 2,414.4 |
| 2007 | 8.8 | 83.9 | 2,434.4 | 2,527.2 | 66.3 | 203.6 | 74.4 | 2,871.5 |

*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 | Claims on euro area residents | Claims on non-euro area residents | | | | |
| 2008 | 4.1 | 638.8 | 260.0 | 435.4 | 251.4 | 454.0 | 48.4 | 631.5 | 2,723.6 |
| 2009 | 5.2 | 626.8 | 95.7 | 238.0 | 375.0 | 1,252.5 | 49.0 | 602.3 | 3,244.5 |
| 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** | | | | | | | | | |
| Jan. | 8.3 | 1,334.3 | 204.8 | 358.2 | 413.4 | 506.1 | 50.4 | 764.3 | 3,639.8 |
| Feb. | 8.8 | 1,306.1 | 236.2 | 279.7 | 473.8 | 474.3 | 50.4 | 785.9 | 3,615.2 |
| Mar. | 13.0 | 1,281.8 | 281.4 | 246.9 | 491.6 | 557.0 | 50.4 | 787.1 | 3,709.2 |
| Apr. | 13.0 | 1,308.5 | 322.2 | 280.8 | 452.4 | 532.3 | 50.4 | 772.7 | 3,732.3 |
| May | 13.0 | 1,300.1 | 346.6 | 237.2 | 479.0 | 595.7 | 50.4 | 756.5 | 3,778.4 |
| June | 13.1 | 1,279.3 | 342.0 | 251.7 | 544.4 | 614.7 | 50.4 | 746.7 | 3,842.2 |
| July | 10.9 | 1,317.6 | 348.6 | 261.9 | 529.1 | 691.5 | 50.4 | 722.3 | 3,932.3 |
| Aug. | 9.8 | 1,341.1 | 367.4 | 286.5 | 516.1 | 636.6 | 50.4 | 747.5 | 3,955.4 |
| Sep. | 9.9 | 1,322.6 | 363.8 | 240.7 | 529.5 | 592.6 | 50.4 | 789.2 | 3,898.7 |
| Oct. | 10.4 | 1,268.3 | 362.3 | 222.6 | 479.7 | 648.3 | 50.4 | 740.8 | 3,782.9 |
| Nov. | 11.5 | 1,290.5 | 374.5 | 178.1 | 435.1 | 537.2 | 50.4 | 732.4 | 3,609.6 |
| Dec. | 13.4 | 1,305.0 | 382.7 | 224.2 | 512.1 | 378.2 | 52.8 | 736.2 | 3,604.4 |
| **2013** | | | | | | | | | |
| Jan. | 13.4 | 1,264.9 | 363.7 | 180.0 | 445.9 | 300.8 | 459.1 | 891.0 | 3,918.7 |
| Feb. | 14.4 | 1,178.8 | 374.1 | 178.7 | 435.5 | 337.7 | 449.2 | 889.2 | 3,857.6 |
| Mar. | 14.3 | 1,186.1 | 399.4 | 152.9 | 471.8 | 319.7 | 669.7 | 962.3 | 4,176.1 |
| Apr. | 17.1 | 1,166.9 | 425.0 | 153.1 | 466.9 | 304.8 | 478.0 | 955.9 | 3,967.8 |
| May | 17.0 | 1,292.1 | 421.4 | 158.7 | 446.8 | 331.4 | 428.9 | 973.9 | 4,070.1 |
| June | 12.6 | 1,295.2 | 434.9 | 114.2 | 431.4 | 381.4 | 428.3 | 983.6 | 4,081.4 |

[1] As from 2008, 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 | Currency issued | IMF-related liabilities | Deposits | | | | Capital & reserves | External liabilities | Other liabilities |
|---|---|---|---|---|---|---|---|---|---|
| | | | Credit institutions | Central government | Other residents | Total | | | |
| 2005 | 1,211.4 | 74.6 | 424.7 | 343.5 | 22.2 | 790.4 | 196.3 | - | 35.7 |
| 2006 | 1,173.9 | 70.5 | 660.8 | 248.2 | 41.0 | 950.0 | 181.0 | - | 38.9 |
| 2007 | 677.8 | 66.4 | 1,433.5 | 387.2 | 75.7 | 1,896.4 | 189.9 | - | 41.0 |

*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 | | | | |
| 2008 | 693.1 | 483.5 | 474.5 | 366.3 | 80.4 | 33.8 | 0.1 | 12.5 | 719.4 | 99.4 | 235.2 |
| 2009 | 673.4 | 584.6 | 447.6 | 397.7 | 86.8 | 71.6 | 0.0 | 103.9 | 908.7 | 156.1 | 261.7 |
| 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** | | | | | | | | | | | |
| Jan. | 721.1 | 1,054.7 | 220.5 | 272.1 | 88.8 | 121.5 | 0.0 | 113.2 | 874.7 | 106.5 | 287.2 |
| Feb. | 719.9 | 895.0 | 219.2 | 542.2 | 83.3 | 145.9 | 0.0 | 113.2 | 725.5 | 93.9 | 296.3 |
| Mar. | 722.1 | 554.6 | 215.9 | 440.8 | 89.7 | 151.1 | 0.1 | 110.7 | 1,245.1 | 96.5 | 298.4 |
| Apr. | 725.3 | 1,049.0 | 218.0 | 386.7 | 90.2 | 144.7 | 0.1 | 110.7 | 842.9 | 83.7 | 299.0 |
| May | 732.9 | 636.2 | 215.8 | 361.9 | 90.3 | 99.3 | 0.0 | 110.7 | 1,356.4 | 91.1 | 299.5 |
| June | 741.8 | 581.7 | 227.0 | 518.0 | 91.3 | 128.7 | 0.0 | 115.0 | 1,269.9 | 96.6 | 299.1 |
| July | 745.2 | 519.3 | 224.3 | 480.8 | 93.2 | 106.0 | 0.0 | 115.0 | 1,474.3 | 98.1 | 300.3 |
| Aug. | 744.0 | 546.1 | 276.1 | 559.0 | 91.8 | 157.8 | 0.0 | 115.0 | 1,335.1 | 105.4 | 301.0 |
| Sep. | 740.8 | 1,028.3 | 254.6 | 697.5 | 85.1 | 180.4 | 0.0 | 113.8 | 631.4 | 116.8 | 304.6 |
| Oct. | 739.9 | 1,372.9 | 234.6 | 357.3 | 84.9 | 132.2 | 0.0 | 113.8 | 555.1 | 121.8 | 305.0 |
| Nov. | 738.5 | 1,304.8 | 247.0 | 457.8 | 93.3 | 167.7 | 77.3 | 113.8 | 224.3 | 126.2 | 305.8 |
| Dec. | 757.5 | 1,474.0 | 252.6 | 297.0 | 84.8 | 151.6 | 0.0 | 111.2 | 292.0 | 105.6 | 330.7 |
| **2013** | | | | | | | | | | | |
| Jan. | 732.5 | 1,356.7 | 249.1 | 344.9 | 458.1 | 135.8 | 254.3 | 111.2 | 96.5 | 123.8 | 304.8 |
| Feb. | 730.4 | 993.6 | 232.0 | 380.6 | 802.7 | 108.6 | 204.6 | 111.2 | 101.8 | 93.8 | 330.4 |
| Mar. | 743.8 | 1,351.1 | 738.5 | 416.8 | 688.7 | 168.7 | 156.9 | 111.6 | 113.5 | 96.0 | 329.0 |
| Apr. | 748.3 | 984.7 | 224.5 | 406.3 | 780.3 | 154.1 | 237.9 | 111.6 | 114.7 | 100.6 | 329.4 |
| May | 751.4 | 973.9 | 230.8 | 582.9 | 726.5 | 99.4 | 276.8 | 111.6 | 110.5 | 107.3 | 329.9 |
| June | 756.3 | 1,070.0 | 251.1 | 482.4 | 735.3 | 112.7 | 266.5 | 109.8 | 115.6 | 107.3 | 325.5 |

[1] As from 2008, 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; the series is not comparable with the data prior to January 2008. For 2008, remaining outstanding Maltese lira banknotes are included.

[3] Includes items in course of settlement.

[4] Includes provisions and revaluation accounts.

# Monetary, Banking and Financial Markets

## 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 | | |
| 2008 | 0.0 | 5.2 | 271.2 | 276.4 | 963.0 | 479.2 | 196.7 | 1,638.9 | 834.6 | 2,750.0 |
| 2009 | 0.4 | 5.4 | 214.7 | 220.2 | 1,069.8 | 355.4 | 246.9 | 1,672.1 | 1,380.8 | 3,273.4 |
| 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** | | | | | | | | | | |
| Jan. | 0.3 | 6.2 | 307.4 | 313.6 | 2,043.8 | 821.8 | 318.1 | 3,183.7 | 479.3 | 3,977.0 |
| Feb. | 0.3 | 6.2 | 310.2 | 316.4 | 1,947.1 | 828.5 | 305.3 | 3,080.9 | 525.3 | 3,923.0 |
| Mar. | 0.3 | 6.2 | 314.9 | 321.1 | 2,189.4 | 979.9 | 299.4 | 3,468.7 | 454.2 | 4,244.4 |
| Apr. | 0.3 | 6.2 | 322.9 | 329.1 | 1,966.9 | 991.8 | 294.1 | 3,252.8 | 443.7 | 4,025.8 |
| May | 0.3 | 6.2 | 319.6 | 325.8 | 2,055.1 | 980.9 | 295.8 | 3,331.8 | 468.5 | 4,126.4 |
| June | 0.3 | 6.3 | 318.7 | 325.0 | 2,054.7 | 988.6 | 295.2 | 3,338.5 | 480.6 | 4,144.4 |

## 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 | | |
| 2008 | 740.9 | 400.1 | 0.0 | 400.1 | 667.7 | 80.4 | 65.0 | 813.1 | 297.2 | 498.6 |
| 2009 | 710.5 | 445.5 | 5.6 | 451.0 | 814.6 | 86.8 | 109.2 | 1,010.6 | 419.9 | 681.3 |
| 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** | | | | | | | | | | |
| Jan. | 782.7 | 359.7 | 16.9 | 376.6 | 0.0 | 91.2 | 724.5 | 815.7 | 476.6 | 1,525.4 |
| Feb. | 780.5 | 388.0 | 17.4 | 405.5 | 0.0 | 80.7 | 1,036.9 | 1,117.6 | 476.0 | 1,143.3 |
| Mar. | 794.7 | 469.7 | 17.9 | 487.6 | 0.0 | 88.5 | 879.7 | 968.3 | 475.3 | 1,518.5 |
| Apr. | 799.4 | 468.0 | 19.8 | 487.8 | 0.0 | 88.5 | 1,043.2 | 1,131.7 | 482.7 | 1,124.1 |
| May | 803.1 | 586.1 | 19.9 | 606.0 | 0.0 | 82.6 | 1,032.1 | 1,114.7 | 485.9 | 1,116.6 |
| June | 808.6 | 508.4 | 19.8 | 528.2 | 0.0 | 83.3 | 1,041.7 | 1,125.0 | 476.7 | 1,205.8 |

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (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. For 2008, the remaining outstanding Maltese lira banknotes and coins are included.

[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[2] | Claims on residents of Malta | | | External assets | | | | Other assets[3] | Total assets/ liabilities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Loans | Securities other than shares | Shares & other equity | Claims on other euro area residents | Claims on non-residents of the euro area | Other external assets | Total | | |
| 2005 | 487.5 | 5,058.0 | 1,440.4 | 62.2 | 4,472.3 | 13,040.6 | 1,827.7 | 19,340.5 | 806.0 | 27,194.5 |
| 2006 | 707.0 | 5,788.8 | 1,210.8 | 83.2 | 5,212.1 | 15,976.6 | 412.3 | 21,601.1 | 643.1 | 30,033.9 |
| 2007 | 1,518.0 | 6,334.9 | 1,287.2 | 93.0 | 5,376.8 | 21,961.2 | 609.4 | 27,947.3 | 627.3 | 37,807.7 |
| 2008 | 600.6 | 7,150.4 | 1,342.9 | 115.3 | 6,153.2 | 25,468.7 | 847.3 | 32,469.1 | 797.8 | 42,476.2 |
| 2009 | 674.9 | 7,677.1 | 1,690.3 | 132.2 | 6,186.2 | 23,631.2 | 631.9 | 30,449.3 | 876.8 | 41,500.6 |
| 2010 | 599.6 | 8,075.5 | 1,781.1 | 141.9 | 9,366.9 | 28,681.7 | 650.4 | 38,699.0 | 909.3 | 50,206.4 |
| 2011 | 1,179.9 | 8,438.6 | 1,946.1 | 169.0 | 10,111.8 | 27,921.1 | 665.8 | 38,698.7 | 914.9 | 51,347.1 |
| **2012** | | | | | | | | | | |
| Jan. | 1,123.7 | 8,420.1 | 1,939.4 | 168.5 | 9,843.9 | 28,923.2 | 691.2 | 39,458.3 | 910.8 | 52,020.9 |
| Feb. | 966.1 | 8,486.8 | 2,005.4 | 168.4 | 10,048.0 | 28,333.0 | 673.3 | 39,054.3 | 909.9 | 51,591.0 |
| Mar. | 624.0 | 8,491.2 | 2,002.1 | 167.9 | 9,361.5 | 28,991.8 | 622.2 | 38,975.5 | 839.5 | 51,100.2 |
| Apr. | 1,104.5 | 8,508.4 | 2,012.0 | 168.8 | 8,432.9 | 30,236.9 | 643.6 | 39,313.3 | 893.0 | 51,999.9 |
| May | 683.5 | 8,523.3 | 2,024.6 | 169.0 | 8,219.6 | 31,812.4 | 785.2 | 40,817.2 | 906.9 | 53,124.6 |
| June | 686.9 | 8,536.4 | 2,046.6 | 167.9 | 8,019.4 | 31,911.1 | 781.0 | 40,711.5 | 918.5 | 53,067.9 |
| July | 621.6 | 8,540.6 | 2,101.6 | 174.4 | 9,044.4 | 32,874.0 | 789.8 | 42,708.2 | 894.6 | 55,041.0 |
| Aug. | 700.8 | 8,542.4 | 2,114.7 | 175.1 | 8,521.2 | 32,058.4 | 814.6 | 41,394.2 | 922.6 | 53,849.8 |
| Sep. | 1,330.5 | 8,585.0 | 2,079.5 | 175.1 | 9,566.9 | 30,730.4 | 769.9 | 41,067.2 | 896.5 | 54,133.8 |
| Oct. | 1,509.3 | 8,545.0 | 2,023.0 | 175.6 | 9,228.9 | 30,162.0 | 721.2 | 40,112.0 | 892.3 | 53,257.2 |
| Nov. | 1,480.8 | 8,568.8 | 2,057.5 | 176.6 | 9,202.3 | 31,538.1 | 771.5 | 41,511.9 | 865.8 | 54,661.4 |
| Dec. | 1,644.2 | 8,567.6 | 1,939.0 | 176.0 | 8,776.0 | 30,810.7 | 721.1 | 40,307.9 | 892.2 | 53,526.9 |
| **2013** | | | | | | | | | | |
| Jan. | 1,518.1 | 8,552.4 | 2,067.9 | 175.6 | 8,655.1 | 30,955.6 | 647.4 | 40,258.2 | 899.1 | 53,471.3 |
| Feb. | 1,136.6 | 8,577.4 | 2,066.0 | 175.9 | 8,595.6 | 32,034.2 | 663.4 | 41,293.2 | 923.6 | 54,172.8 |
| Mar. | 1,517.9 | 8,648.9 | 2,105.9 | 176.0 | 8,362.4 | 32,198.5 | 665.2 | 41,226.1 | 876.9 | 54,551.7 |
| Apr. | 1,116.6 | 8,553.0 | 2,105.6 | 181.2 | 8,126.0 | 30,951.8 | 610.9 | 39,688.7 | 860.3 | 52,505.5 |
| May | 1,113.0 | 8,534.4 | 2,131.7 | 181.1 | 8,365.8 | 32,485.2 | 622.2 | 41,473.2 | 858.0 | 54,291.3 |
| June | 1,208.8 | 8,530.7 | 2,133.9 | 182.1 | 7,955.8 | 32,187.2 | 606.2 | 40,749.1 | 878.0 | 53,682.6 |

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 figures also include assets of the MMFs.

[2] Include holdings of Maltese lira banknotes and coins up to 2008.

[3] Includes resident interbank claims.

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Withdraw-able on demand | Redeem-able at notice | With agreed maturity | Total | Deposits from other residents of the euro area[3] | Deposits from non-residents of the euro area[3] | Other external liabilities[4] | Total | | | |
| 2005 | 2,800.2 | 73.3 | 3,834.6 | 6,708.1 | 5,329.3 | 9,294.9 | 2,653.5 | 17,277.7 | 170.5 | 2,359.4 | 678.8 |
| 2006 | 2,834.9 | 71.8 | 4,300.2 | 7,206.9 | 6,385.9 | 11,167.7 | 1,447.7 | 19,001.3 | 87.9 | 3,083.0 | 654.9 |
| 2007 | 3,139.6 | 105.3 | 5,102.7 | 8,347.6 | 7,916.4 | 15,275.8 | 2,124.2 | 25,316.4 | 144.9 | 3,360.6 | 638.1 |
| 2008 | 3,170.0 | 114.5 | 5,222.2 | 8,506.7 | 9,240.4 | 17,301.9 | 2,275.7 | 28,818.0 | 172.2 | 3,339.7 | 1,639.5 |
| 2009 | 3,705.3 | 111.6 | 4,789.0 | 8,605.9 | 7,772.1 | 16,973.4 | 1,205.3 | 25,950.9 | 253.4 | 4,120.5 | 2,569.9 |
| 2010 | 4,314.3 | 123.7 | 4,860.4 | 9,298.5 | 6,611.2 | 20,023.4 | 1,758.1 | 28,392.7 | 304.5 | 9,840.3 | 2,370.5 |
| 2011 | 4,686.6 | 122.6 | 5,096.6 | 9,905.8 | 6,901.8 | 16,889.2 | 5,679.9 | 29,470.9 | 354.3 | 9,815.5 | 1,800.6 |
| **2012** | | | | | | | | | | | |
| Jan. | 4,812.1 | 124.4 | 5,115.9 | 10,052.5 | 6,793.4 | 16,830.4 | 6,051.2 | 29,675.0 | 354.0 | 10,001.4 | 1,938.0 |
| Feb. | 4,742.3 | 128.3 | 5,107.3 | 9,977.9 | 6,341.1 | 17,082.8 | 5,948.3 | 29,372.2 | 353.6 | 9,985.5 | 1,901.8 |
| Mar. | 4,798.9 | 124.1 | 5,141.0 | 10,064.1 | 6,199.1 | 17,041.9 | 5,754.6 | 28,995.6 | 353.8 | 9,799.8 | 1,886.9 |
| Apr. | 4,837.0 | 131.4 | 5,138.9 | 10,107.2 | 6,186.1 | 17,437.8 | 6,220.4 | 29,844.3 | 394.0 | 9,817.2 | 1,837.3 |
| May | 4,930.3 | 137.6 | 5,127.2 | 10,195.2 | 6,303.7 | 17,406.5 | 7,120.2 | 30,830.4 | 395.3 | 9,737.9 | 1,965.8 |
| June | 4,891.1 | 144.3 | 5,055.4 | 10,090.7 | 6,402.0 | 17,179.2 | 6,982.6 | 30,563.8 | 395.1 | 9,939.7 | 2,078.6 |
| July | 4,971.9 | 141.2 | 5,095.3 | 10,208.4 | 6,260.6 | 18,897.3 | 6,900.0 | 32,057.9 | 395.6 | 10,274.7 | 2,104.5 |
| Aug. | 5,001.3 | 138.6 | 5,105.7 | 10,245.6 | 6,175.1 | 17,508.1 | 7,203.9 | 30,887.1 | 395.2 | 10,291.2 | 2,030.8 |
| Sep. | 5,036.7 | 144.0 | 5,099.2 | 10,280.0 | 6,369.7 | 17,621.9 | 7,184.8 | 31,176.5 | 394.6 | 10,245.4 | 2,037.4 |
| Oct. | 5,023.6 | 142.3 | 5,182.8 | 10,348.8 | 6,597.1 | 16,317.4 | 7,195.5 | 30,110.1 | 393.2 | 10,289.7 | 2,115.4 |
| Nov. | 5,020.8 | 149.6 | 5,147.0 | 10,317.4 | 6,908.3 | 17,322.5 | 7,312.4 | 31,543.2 | 390.8 | 10,449.2 | 1,960.8 |
| Dec. | 5,127.3 | 151.8 | 5,145.9 | 10,425.1 | 6,966.1 | 16,362.0 | 7,204.1 | 30,532.2 | 403.1 | 10,370.0 | 1,796.6 |
| **2013** | | | | | | | | | | | |
| Jan. | 5,165.0 | 156.9 | 5,194.2 | 10,516.2 | 6,548.2 | 16,468.1 | 7,479.1 | 30,495.3 | 402.5 | 10,351.6 | 1,705.7 |
| Feb. | 5,149.3 | 113.0 | 5,179.8 | 10,442.1 | 7,085.8 | 16,184.9 | 7,972.6 | 31,243.3 | 402.8 | 10,248.2 | 1,836.4 |
| Mar. | 5,262.0 | 116.4 | 5,205.6 | 10,584.0 | 7,356.3 | 15,897.9 | 8,381.6 | 31,635.8 | 403.3 | 10,198.0 | 1,730.6 |
| Apr. | 5,226.8 | 121.8 | 5,156.0 | 10,504.6 | 7,519.3 | 13,070.5 | 9,146.1 | 29,735.8 | 402.9 | 10,245.6 | 1,616.5 |
| May | 5,331.2 | 126.7 | 5,127.7 | 10,585.6 | 8,048.2 | 13,436.6 | 10,225.4 | 31,710.2 | 402.9 | 9,957.5 | 1,635.2 |
| June | 5,383.1 | 131.3 | 5,132.8 | 10,647.3 | 7,129.1 | 14,292.1 | 10,168.1 | 31,589.3 | 412.0 | 9,407.6 | 1,626.5 |

[1] Based on the instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 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] Includes inter-bank deposits.

[4] 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 1.4a Monetary base and monetary aggregates

*EUR millions*

| End of period | Monetary base (M0) | | | Broad money (M3) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Intermediate money (M2) | | | | | | | | Total (M3)[1] |
| | | | | Narrow money (M1) | | | | Deposits redeemable at notice up to 3 months | Deposits with agreed maturity up to 2 years | Total (M2) | | |
| | Currency issued | OMFI balances with Central Bank of Malta | Total (M0) | Currency in circulation | Deposits withdrawable on demand | | Total (M1) | | | | | |
| | | | | | Demand | Savings | | | | | | |
| 2005 | 1,211.4 | 315.7 | 1,527.1 | 1,162.2 | 727.0 | 2,001.0 | 3,890.2 | 73.3 | 3,121.5 | 7,085.0 | | 7,085.0 |
| 2006 | 1,173.9 | 412.2 | 1,586.1 | 1,112.9 | 726.5 | 2,020.0 | 3,859.4 | 71.8 | 3,520.6 | 7,451.7 | | 7,451.7 |
| 2007 | 677.8 | 1,110.0 | 1,787.8 | 610.2 | 806.3 | 2,278.9 | 3,695.4 | 105.3 | 4,474.6 | 8,275.3 | | 8,275.3 |

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

*EUR millions*

| End of period | Broad money (M3) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Intermediate money (M2) | | | | | | | M3-M2[4] | Total (M3)[5] |
| | 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 | From other euro area residents | From residents of Malta | From other euro area residents | From residents of Malta | From other euro area residents | | |
| 2008 | 669.2 | 3,120.0 | 60.4 | 114.2 | 0.0 | 4,668.0 | 192.7 | 37.3 | 8,861.8 |
| 2009 | 639.8 | 3,633.6 | 86.1 | 111.6 | 0.1 | 4,057.2 | 142.7 | 212.2 | 8,883.3 |
| 2010 | 674.4 | 4,225.1 | 99.5 | 123.5 | 0.7 | 3,848.1 | 157.5 | 241.6 | 9,370.5 |
| 2011 | 710.6 | 4,590.9 | 124.1 | 122.5 | 2.6 | 3,693.1 | 228.2 | 204.3 | 9,676.3 |
| **2012** | | | | | | | | | |
| July | 723.7 | 4,887.5 | 181.6 | 141.1 | 2.1 | 3,671.8 | 320.8 | 211.4 | 10,140.2 |
| Aug. | 719.7 | 4,913.4 | 180.1 | 138.5 | 2.1 | 3,672.7 | 295.2 | 202.7 | 10,124.4 |
| Sep. | 718.7 | 4,950.8 | 184.6 | 144.0 | 1.7 | 3,660.3 | 340.8 | 202.5 | 10,203.3 |
| Oct. | 715.8 | 4,945.0 | 172.0 | 142.2 | 1.7 | 3,725.4 | 369.6 | 190.5 | 10,262.1 |
| Nov. | 713.5 | 4,939.8 | 179.8 | 149.5 | 1.5 | 3,698.0 | 378.4 | 189.8 | 10,250.3 |
| Dec. | 726.5 | 5,047.7 | 169.7 | 151.7 | 1.6 | 3,683.0 | 480.1 | 191.5 | 10,451.9 |
| **2013** | | | | | | | | | |
| Jan. | 716.8 | 5,094.3 | 191.6 | 156.8 | 1.5 | 3,725.2 | 360.6 | 195.7 | 10,442.6 |
| Feb. | 714.6 | 5,072.9 | 178.9 | 112.9 | 1.5 | 3,689.9 | 386.1 | 189.1 | 10,345.9 |
| Mar. | 721.9 | 5,195.2 | 190.2 | 113.3 | 1.5 | 3,711.1 | 454.3 | 195.5 | 10,583.1 |
| Apr. | 727.2 | 5,146.7 | 181.9 | 113.3 | 0.0 | 3,647.4 | 491.5 | 193.7 | 10,501.7 |
| May | 732.8 | 5,246.6 | 176.8 | 113.4 | 0.0 | 3,606.7 | 454.5 | 195.0 | 10,525.8 |
| June | 732.4 | 5,291.9 | 164.1 | 113.0 | 0.0 | 3,615.8 | 489.4 | 194.7 | 10,601.5 |

[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. For 2008, remaining outstanding Maltese lira banknotes and coins are included. This represents the residual amount after deducting holdings of euro banknotes and coins (and, temporarily, of Maltese lira currency) reported by MFIs in Malta from the currency issued figure as reported in Table 1.2.

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

[4] 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.

[5] 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 1.5a Counterparts to the monetary aggregates

*EUR millions*

| End of period | Domestic credit | | | Net foreign assets | | | | | Broad money (M3) | Other counterparts to broad money (net)[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| | Net claims on central government[1] | Claims on other residents | Total | Central Bank of Malta | | OMFIs | | Total | | |
| | | | | Foreign assets | Foreign liabilities | Foreign assets | Foreign liabilities | | | |
| 2005 | 1,031.2 | 5,110.6 | 6,141.8 | 2,260.2 | 87.8 | 19,340.5 | 17,297.9 | 4,215.0 | 7,085.0 | 3,271.8 |
| 2006 | 850.1 | 5,855.8 | 6,705.9 | 2,314.0 | 99.1 | 21,601.1 | 19,011.8 | 4,804.1 | 7,451.7 | 4,058.3 |
| 2007 | 1,023.8 | 6,404.9 | 7,428.7 | 2,633.0 | 100.1 | 27,947.3 | 25,330.1 | 5,150.1 | 8,275.3 | 4,303.6 |

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

*EUR millions*

| End of period | Broad money (M3)[4] | Credit counterpart[3] | | | | | External counterpart | | | Other counterparts (net)[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Residents of Malta | | Other euro area residents | | Total credit | Claims on non-residents of the euro area | Liabilities to non-residents of the euro area | Net claims on non-residents of the euro area | |
| | | Credit to general government | Credit to other residents | Credit to general government | Credit to other residents | | | | | |
| 2008 | 8,861.8 | 1,618.0 | 7,266.9 | 461.8 | 2,796.6 | 12,143.4 | 26,971.4 | 19,603.7 | 7,367.8 | 10,649.4 |
| 2009 | 8,883.3 | 1,927.4 | 7,792.4 | 1,238.3 | 2,273.9 | 13,232.0 | 24,843.9 | 18,197.0 | 6,646.9 | 10,995.6 |
| 2010 | 9,370.5 | 2,091.0 | 8,188.1 | 1,794.9 | 2,392.7 | 14,466.7 | 29,948.7 | 21,765.5 | 8,183.3 | 13,279.4 |
| 2011 | 9,676.3 | 2,353.4 | 8,550.5 | 2,240.9 | 2,929.5 | 16,074.3 | 29,300.0 | 21,460.0 | 7,840.0 | 14,238.0 |
| **2012** | | | | | | | | | | |
| July | 10,140.2 | 2,502.2 | 8,660.1 | 1,404.6 | 3,359.4 | 15,926.3 | 34,673.6 | 24,997.5 | 9,676.1 | 15,462.2 |
| Aug. | 10,124.4 | 2,523.2 | 8,659.2 | 1,391.9 | 3,431.2 | 16,005.5 | 33,866.2 | 23,785.7 | 10,080.4 | 15,961.5 |
| Sep. | 10,203.3 | 2,453.6 | 8,696.6 | 1,364.9 | 3,445.6 | 15,960.6 | 32,533.9 | 23,816.3 | 8,717.6 | 14,474.9 |
| Oct. | 10,262.1 | 2,372.0 | 8,683.6 | 1,245.7 | 3,386.1 | 15,687.4 | 31,865.9 | 22,462.3 | 9,403.6 | 14,828.9 |
| Nov. | 10,250.3 | 2,398.5 | 8,709.5 | 1,279.7 | 3,378.8 | 15,766.5 | 33,279.5 | 23,661.2 | 9,618.3 | 15,134.6 |
| Dec. | 10,451.9 | 2,287.1 | 8,704.1 | 1,261.1 | 3,351.0 | 15,603.3 | 32,576.8 | 22,473.6 | 10,103.2 | 15,254.6 |
| **2013** | | | | | | | | | | |
| Jan. | 10,442.6 | 2,422.5 | 8,687.1 | 1,213.3 | 3,273.2 | 15,596.0 | 32,707.0 | 23,471.9 | 9,235.1 | 14,388.5 |
| Feb. | 10,345.9 | 2,422.0 | 8,713.7 | 1,147.1 | 3,375.6 | 15,658.4 | 33,814.6 | 23,801.8 | 10,012.8 | 15,325.3 |
| Mar. | 10,583.1 | 2,466.8 | 8,785.1 | 1,284.5 | 3,232.0 | 15,768.3 | 34,115.3 | 23,553.4 | 10,561.8 | 15,747.0 |
| Apr. | 10,501.7 | 2,476.7 | 8,692.2 | 1,313.8 | 3,070.5 | 15,553.2 | 32,821.4 | 21,534.2 | 11,287.2 | 16,338.7 |
| May | 10,525.8 | 2,502.2 | 8,670.8 | 1,485.8 | 2,956.2 | 15,614.9 | 34,358.5 | 22,890.7 | 11,467.8 | 16,556.8 |
| June | 10,601.5 | 2,506.1 | 8,665.7 | 1,484.0 | 2,413.9 | 15,069.7 | 34,047.4 | 23,641.2 | 10,406.2 | 14,874.4 |

[1] Central government deposits held with MFIs are netted from this figure.

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

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

[4] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate. As from December 2008 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.

## Table 1.6a Currency in circulation

*EUR millions*

| End of period | Currency issued and outstanding | | | Less currency held by OMFIs | Currency in circulation |
|---|---|---|---|---|---|
| | Notes | Coins | Total | | |
| 2005 | 1,164.5 | 46.8 | 1,211.4 | 49.2 | 1,162.2 |
| 2006 | 1,125.4 | 48.6 | 1,173.9 | 61.0 | 1,113.0 |
| 2007 | 634.2 | 43.6 | 677.8 | 67.6 | 610.2 |

## Table 1.6b 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 | |
| 2008 | 629.3 | 31.2 | 80.5 | 71.7 | 669.2 | 54.5 |
| 2009 | 673.4 | 37.2 | - | 70.7 | 639.8 | 95.1 |
| 2010 | 701.2 | 41.0 | - | 67.7 | 674.4 | 104.5 |
| 2011 | 737.6 | 45.8 | - | 72.8 | 710.6 | 130.0 |
| **2012** | | | | | | |
| July | 745.2 | 48.2 | - | 69.7 | 723.7 | 118.3 |
| Aug. | 744.0 | 49.0 | - | 73.3 | 719.7 | 101.5 |
| Sep. | 740.8 | 48.9 | - | 70.9 | 718.7 | 98.7 |
| Oct. | 739.9 | 49.3 | - | 73.4 | 715.8 | 88.0 |
| Nov. | 738.5 | 50.1 | - | 75.1 | 713.5 | 86.8 |
| Dec. | 757.5 | 50.4 | - | 81.4 | 726.5 | 90.7 |
| **2013** | | | | | | |
| Jan. | 732.5 | 50.2 | - | 65.9 | 716.8 | 96.5 |
| Feb. | 730.4 | 50.2 | - | 65.9 | 714.6 | 101.8 |
| Mar. | 743.8 | 50.8 | - | 72.8 | 721.9 | 113.5 |
| Apr. | 748.3 | 51.2 | - | 72.2 | 727.2 | 114.7 |
| May | 751.4 | 51.7 | - | 70.3 | 732.8 | 110.5 |
| June | 756.3 | 52.3 | - | 76.2 | 732.4 | 115.6 |

[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] For 2008 only, currency issued includes any outstanding Maltese lira banknotes and coins. A breakdown of Maltese lira banknotes and coins outstanding by denomination is shown in Table 1.7a (Denominations of Maltese currency issued and outstanding). For December 2008 the figure shown under "outstanding Maltese lira banknotes and coins" differs from that shown under the afore-mentioned table, due to the fact that all unredeemed Maltese lira coins were written off and transferred to the profit and loss account of the Central Bank of Malta at the end of 2008 (see more details in the notes to the financial statements of the Central Bank of Malta 2008).

[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 |
| 2005 | 1,211.4 | 257.5 | 812.1 | 76.8 | 18.1 | 1,164.5 |
| 2006 | 1,173.9 | 240.5 | 785.0 | 80.9 | 18.9 | 1,125.4 |
| 2007 | 677.8 | 120.2 | 439.8 | 57.5 | 16.7 | 634.2 |
| 2008 | 90.5 | 11.3 | 35.4 | 9.5 | 7.5 | 63.8 |
| 2009 | 82.2 | 9.6 | 29.9 | 8.9 | 7.4 | 55.8 |
| 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** | | | | | | |
| Mar. | 44.2 | 7.2 | 21.8 | 8.1 | 7.2 | 44.2 |
| June | 43.6 | 7.0 | 21.4 | 8.1 | 7.2 | 43.6 |

[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 | |
| 2008 | -1.3 | 46.7 | 319.0 | 181.6 | 34.8 | 42.7 | 60.5 | 683.8 |
| 2009 | -3.8 | 35.1 | 331.4 | 214.3 | 23.2 | 50.4 | 117.9 | 768.5 |
| 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** | | | | | | | | |
| Mar. | -13.4 | -6.2 | 304.8 | 307.6 | -91.5 | 80.1 | 276.0 | 857.3 |
| June | -14.1 | -10.8 | 298.9 | 333.0 | -107.9 | 78.1 | 294.8 | 871.9 |

[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 | |
| 2008 | 0.1 | 0.4 | 0.8 | 1.5 | 2.6 | 4.3 | 7.7 | 13.6 | 31.1 |
| 2009 | 0.0 | 0.5 | 1.0 | 1.8 | 3.0 | 4.9 | 8.6 | 17.3 | 37.2 |
| 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** | | | | | | | | | |
| Mar. | 0.1 | 0.7 | 1.6 | 2.5 | 4.2 | 6.5 | 10.2 | 25.0 | 50.8 |
| June | 0.1 | 0.7 | 1.6 | 2.6 | 4.3 | 6.7 | 10.6 | 25.7 | 52.3 |

## Table 1.8 Deposits held with other monetary financial institutions by sector[1]

EUR millions

| End of period | Resident deposits | | | | | | | Deposits held by non-residents of Malta | | Total deposits |
|---|---|---|---|---|---|---|---|---|---|---|
| | General government[1] | Monetary financial institutions[2] | Insurance companies and pension funds | Other financial intermediaries & financial auxiliaries | Non-financial companies | Households & non-profit institutions | Total | Other euro area residents | Non-residents of the euro area | |
| 2005 | 118.3 | 149.3 | 49.6 | 136.0 | 1,042.9 | 5,361.3 | 6,857.3 | 5,575.2 | 9,976.4 | 22,409.0 |
| 2006 | 218.2 | 73.5 | 99.1 | 89.6 | 1,112.8 | 5,687.3 | 7,280.4 | 6,688.4 | 12,055.0 | 26,023.8 |
| 2007 | 126.8 | 106.1 | 198.6 | 137.8 | 1,342.5 | 6,541.8 | 8,453.7 | 8,090.1 | 16,239.9 | 32,783.8 |
| 2008 | 101.5 | 878.8 | 249.2 | 146.1 | 1,282.9 | 6,727.0 | 9,385.6 | 9,276.9 | 17,640.5 | 36,303.0 |
| 2009 | 123.4 | 1,575.1 | 263.9 | 122.7 | 1,417.1 | 6,678.8 | 10,181.0 | 7,839.7 | 17,628.8 | 35,649.5 |
| 2010 | 227.0 | 1,378.3 | 233.1 | 208.4 | 1,694.9 | 6,935.0 | 10,676.8 | 6,632.2 | 21,127.9 | 38,437.0 |
| 2011 | 239.0 | 763.6 | 279.6 | 229.7 | 1,912.7 | 7,244.8 | 10,669.4 | 8,046.4 | 20,748.6 | 39,464.4 |
| **2012** | | | | | | | | | | |
| Jan. | 237.3 | 865.0 | 280.1 | 256.7 | 1,986.0 | 7,292.4 | 10,917.5 | 7,999.9 | 20,922.7 | 39,840.2 |
| Feb. | 225.0 | 822.9 | 260.8 | 345.7 | 1,879.9 | 7,266.5 | 10,800.8 | 7,519.0 | 21,138.8 | 39,458.6 |
| Mar. | 233.5 | 877.3 | 255.8 | 373.1 | 1,879.3 | 7,322.4 | 10,941.4 | 7,328.6 | 21,020.6 | 39,290.5 |
| Apr. | 231.5 | 862.8 | 268.5 | 325.8 | 1,947.8 | 7,333.6 | 10,970.0 | 7,454.7 | 21,706.7 | 40,131.4 |
| May | 221.1 | 940.3 | 261.2 | 383.6 | 1,955.5 | 7,373.8 | 11,135.5 | 7,580.5 | 22,424.4 | 41,140.5 |
| June | 226.9 | 954.8 | 238.1 | 370.3 | 1,911.4 | 7,344.0 | 11,045.5 | 7,589.4 | 22,229.3 | 40,864.2 |
| July | 229.4 | 1,058.3 | 243.1 | 305.6 | 2,035.5 | 7,394.8 | 11,266.8 | 7,030.7 | 24,181.9 | 42,479.4 |
| Aug. | 231.9 | 982.9 | 254.7 | 320.8 | 1,990.7 | 7,447.5 | 11,228.5 | 7,058.7 | 22,995.8 | 41,283.0 |
| Sep. | 229.2 | 930.4 | 252.0 | 277.0 | 2,011.3 | 7,510.6 | 11,210.4 | 7,307.1 | 23,074.7 | 41,592.2 |
| Oct. | 227.8 | 969.5 | 249.1 | 313.4 | 2,057.9 | 7,500.5 | 11,318.3 | 7,603.2 | 21,736.5 | 40,658.0 |
| Nov. | 225.4 | 857.3 | 264.8 | 304.6 | 1,977.1 | 7,545.5 | 11,174.8 | 7,933.2 | 22,832.6 | 41,940.5 |
| Dec. | 219.2 | 683.1 | 271.4 | 298.1 | 2,002.3 | 7,634.0 | 11,108.1 | 8,031.1 | 21,756.6 | 40,895.8 |
| **2013** | | | | | | | | | | |
| Jan. | 218.0 | 596.2 | 266.7 | 314.7 | 2,028.7 | 7,688.0 | 11,112.4 | 7,640.7 | 22,057.4 | 40,810.5 |
| Feb. | 222.3 | 644.1 | 228.8 | 306.6 | 1,980.5 | 7,703.9 | 11,086.1 | 8,346.7 | 22,155.8 | 41,588.6 |
| Mar. | 211.2 | 573.9 | 222.2 | 271.5 | 2,066.9 | 7,812.3 | 11,157.9 | 8,822.9 | 22,115.9 | 42,096.7 |
| Apr. | 219.6 | 555.5 | 196.3 | 286.4 | 1,962.5 | 7,839.8 | 11,060.1 | 9,113.7 | 19,978.4 | 40,152.2 |
| May | 227.9 | 569.3 | 195.5 | 270.1 | 2,020.0 | 7,872.0 | 11,154.8 | 9,726.5 | 21,340.1 | 42,221.4 |
| June | 233.5 | 593.0 | 195.8 | 258.1 | 2,040.3 | 7,919.6 | 11,240.3 | 8,817.4 | 22,127.7 | 42,185.4 |

[1] Including extra-budgetary units.

[2] For the purposes of this table, deposits include interbank loans and uncleared effects.

## 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 | |
| | MTL[2] | EUR | GBP | USD | Other | MTL[2] | EUR | Other | | |
| 2005 | 5,812.9 | 288.2 | 423.5 | 252.9 | 79.9 | 22.9 | 2,820.1 | 2,732.2 | 9,976.4 | 22,409.0 |
| 2006 | 6,052.9 | 434.8 | 446.3 | 252.6 | 93.7 | 49.4 | 3,856.3 | 2,782.8 | 12,055.0 | 26,023.8 |
| 2007 | 6,922.6 | 711.2 | 380.9 | 316.5 | 122.5 | 35.0 | 5,465.8 | 2,589.3 | 16,239.9 | 32,783.8 |
| 2008 | | 8,325.4 | 317.4 | 629.2 | 113.6 | | 7,149.6 | 2,127.3 | 17,640.5 | 36,303.0 |
| 2009 | | 9,319.8 | 401.0 | 381.5 | 78.7 | | 5,489.8 | 2,349.9 | 17,628.8 | 35,649.5 |
| 2010 | | 9,723.3 | 423.4 | 418.9 | 111.2 | | 4,764.3 | 1,868.0 | 21,127.9 | 38,437.0 |
| 2011 | | 9,592.4 | 518.9 | 454.4 | 103.7 | | 5,857.6 | 2,188.8 | 20,748.6 | 39,464.4 |
| **2012** | | | | | | | | | | |
| Jan. | | 9,765.5 | 497.2 | 545.5 | 109.4 | | 5,734.4 | 2,265.5 | 20,922.7 | 39,840.2 |
| Feb. | | 9,720.5 | 438.2 | 518.7 | 123.4 | | 5,793.2 | 1,725.9 | 21,138.8 | 39,458.6 |
| Mar. | | 9,881.4 | 444.7 | 506.2 | 109.0 | | 5,740.6 | 1,588.0 | 21,020.6 | 39,290.6 |
| Apr. | | 9,836.5 | 489.0 | 533.6 | 110.9 | | 5,869.6 | 1,585.1 | 21,706.7 | 40,131.4 |
| May | | 9,963.9 | 492.7 | 563.2 | 115.7 | | 5,630.8 | 1,949.8 | 22,424.4 | 41,140.5 |
| June | | 9,890.7 | 493.1 | 553.3 | 108.4 | | 5,595.6 | 1,993.8 | 22,229.3 | 40,864.2 |
| July | | 10,074.9 | 493.0 | 587.6 | 111.4 | | 5,081.5 | 1,949.2 | 24,181.9 | 42,479.4 |
| Aug. | | 10,061.0 | 485.6 | 573.5 | 108.4 | | 5,074.2 | 1,984.5 | 22,995.8 | 41,283.0 |
| Sep. | | 10,030.1 | 490.3 | 580.5 | 109.4 | | 5,290.4 | 2,016.7 | 23,074.7 | 41,592.2 |
| Oct. | | 10,149.0 | 467.8 | 564.2 | 137.2 | | 5,505.7 | 2,097.5 | 21,736.5 | 40,658.0 |
| Nov. | | 10,034.0 | 469.5 | 537.8 | 133.4 | | 5,601.1 | 2,332.1 | 22,832.6 | 41,940.5 |
| Dec. | | 9,935.5 | 481.1 | 548.1 | 143.5 | | 5,276.0 | 2,755.1 | 21,756.6 | 40,895.8 |
| **2013** | | | | | | | | | | |
| Jan. | | 9,958.0 | 447.8 | 570.3 | 136.3 | | 5,149.1 | 2,491.6 | 22,057.4 | 40,810.5 |
| Feb. | | 9,985.0 | 441.3 | 518.1 | 141.8 | | 5,276.1 | 3,070.6 | 22,155.8 | 41,588.6 |
| Mar. | | 10,052.8 | 494.0 | 472.3 | 138.8 | | 5,326.6 | 3,496.3 | 22,115.9 | 42,096.7 |
| Apr. | | 10,029.1 | 457.1 | 445.6 | 128.3 | | 5,487.1 | 3,626.6 | 19,978.4 | 40,152.2 |
| May | | 10,065.3 | 484.6 | 476.6 | 128.3 | | 5,346.8 | 4,379.7 | 21,340.1 | 42,221.4 |
| June | | 10,191.5 | 464.3 | 462.5 | 122.0 | | 4,802.1 | 4,015.3 | 22,127.7 | 42,185.4 |

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

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

## 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 |
| 2005 | 811.9 | 2,173.4 | 2,247.7 | 6,898.6 | 12,131.6 |
| 2006 | 1,046.2 | 2,362.9 | 2,360.0 | 9,294.3 | 15,063.4 |
| 2007 | 1,138.2 | 3,143.8 | 2,865.2 | 14,036.2 | 21,183.3 |
| 2008 | 658.2 | 2,646.3 | 2,117.9 | 20,593.7 | 26,016.0 |
| 2009 | 704.9 | 2,896.9 | 2,701.2 | 16,096.2 | 22,399.3 |
| 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** | | | | | |
| Jan. | 750.6 | 3,430.3 | 2,181.8 | 16,441.4 | 22,804.2 |
| Feb. | 751.2 | 3,444.3 | 2,208.1 | 16,489.1 | 22,892.6 |
| Mar. | 755.5 | 3,472.4 | 2,228.1 | 16,387.6 | 22,843.5 |
| Apr. | 755.4 | 3,475.0 | 2,249.3 | 16,483.7 | 22,963.3 |
| May | 756.6 | 3,487.8 | 2,323.0 | 16,810.0 | 23,377.4 |
| June | 758.0 | 3,494.4 | 2,316.9 | 16,878.0 | 23,447.1 |
| July | 755.8 | 3,510.7 | 2,272.2 | 15,371.1 | 21,909.8 |
| Aug. | 754.2 | 3,520.3 | 2,307.7 | 15,621.5 | 22,203.7 |
| Sep. | 759.6 | 3,540.4 | 2,291.1 | 15,467.3 | 22,058.4 |
| Oct. | 758.7 | 3,555.0 | 2,251.4 | 15,299.2 | 21,864.3 |
| Nov. | 757.6 | 3,574.4 | 2,286.9 | 15,210.8 | 21,829.7 |
| Dec. | 754.6 | 3,580.7 | 2,308.6 | 15,271.8 | 21,915.6 |
| **2013** | | | | | |
| Jan. | 748.0 | 3,588.2 | 2,262.1 | 15,238.8 | 21,837.0 |
| Feb. | 746.2 | 3,594.5 | 2,279.5 | 15,379.3 | 21,999.6 |
| Mar. | 745.1 | 3,615.6 | 2,235.6 | 15,204.7 | 21,801.0 |
| Apr. | 745.6 | 3,610.1 | 2,186.9 | 14,559.4 | 21,102.0 |
| May | 748.5 | 3,630.3 | 2,143.6 | 14,196.4 | 20,718.8 |
| June | 752.1 | 3,636.7 | 2,139.0 | 13,751.0 | 20,278.8 |

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

[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] | Total lending to residents | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Lending for house purchase | Consumer credit | Other lending | Total | | Public sector | Private sector |
| 2005 | 142.3 | 287.1 | 306.2 | 502.3 | 474.8 | 691.1 | 444.2 | 1,521.4 | 212.7 | 214.6 | 1,948.7 | 427.6 | 401.1 | 4,823.2 |
| 2006 | 188.9 | 340.7 | 266.7 | 586.4 | 492.9 | 715.0 | 612.8 | 1,769.9 | 250.4 | 230.7 | 2,251.1 | 380.7 | 421.3 | 5,414.0 |
| 2007 | 196.6 | 322.6 | 301.3 | 677.5 | 474.3 | 732.3 | 725.1 | 2,014.9 | 287.6 | 276.1 | 2,578.6 | 356.8 | 438.3 | 5,926.7 |
| 2008 | 333.1 | 429.2 | 340.6 | 730.4 | 457.4 | 757.1 | 931.3 | 2,219.8 | 329.9 | 307.8 | 2,857.5 | 333.9 | 634.1 | 6,536.4 |
| 2009 | 432.1 | 480.0 | 296.4 | 733.0 | 485.8 | 767.2 | 1,033.2 | 2,457.8 | 373.8 | 307.2 | 3,138.8 | 316.3 | 733.0 | 6,949.8 |
| 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 | 646.5 | 740.5 | 7,335.5 |
| 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 | 706.7 | 826.1 | 7,614.5 |
| **2012** | | | | | | | | | | | | | | |
| Jan. | 537.2 | 524.3 | 283.9 | 1,088.3 | 457.8 | 836.2 | 395.1 | 2,906.8 | 374.6 | 312.8 | 3,594.2 | 704.1 | 819.3 | 7,601.8 |
| Feb. | 547.9 | 521.0 | 288.8 | 1,082.4 | 455.9 | 877.9 | 396.4 | 2,921.8 | 374.1 | 311.3 | 3,607.2 | 732.1 | 828.3 | 7,681.5 |
| Mar. | 538.2 | 515.5 | 303.8 | 1,088.9 | 465.2 | 831.2 | 400.3 | 2,939.3 | 378.9 | 312.2 | 3,630.4 | 733.2 | 820.6 | 7,686.0 |
| Apr. | 555.4 | 506.9 | 301.6 | 1,082.8 | 462.2 | 843.4 | 396.1 | 2,949.4 | 380.2 | 310.9 | 3,640.5 | 735.6 | 838.4 | 7,686.0 |
| May | 555.2 | 514.1 | 306.3 | 1,080.3 | 465.1 | 833.5 | 397.1 | 2,964.2 | 381.8 | 312.1 | 3,658.2 | 730.1 | 841.0 | 7,698.8 |
| June | 552.0 | 517.7 | 310.5 | 1,078.5 | 468.4 | 822.1 | 393.4 | 2,983.0 | 381.1 | 313.1 | 3,677.3 | 733.1 | 837.7 | 7,715.3 |
| July | 553.0 | 514.6 | 305.0 | 1,062.6 | 465.9 | 824.3 | 392.4 | 2,999.3 | 381.3 | 312.2 | 3,692.7 | 746.4 | 835.9 | 7,720.9 |
| Aug. | 540.1 | 510.9 | 309.3 | 1,047.9 | 460.8 | 841.4 | 389.2 | 3,016.2 | 380.9 | 307.0 | 3,704.1 | 740.1 | 818.5 | 7,725.5 |
| Sep. | 535.3 | 512.6 | 310.3 | 1,055.8 | 463.5 | 836.5 | 394.3 | 3,035.7 | 384.3 | 308.6 | 3,728.6 | 749.3 | 814.6 | 7,771.6 |
| Oct. | 530.1 | 500.0 | 305.5 | 1,047.1 | 461.6 | 833.7 | 418.2 | 3,047.2 | 382.9 | 309.3 | 3,739.5 | 710.7 | 800.4 | 7,746.1 |
| Nov. | 530.8 | 501.1 | 313.9 | 1,037.7 | 459.8 | 847.5 | 417.0 | 3,063.7 | 383.1 | 309.2 | 3,756.0 | 707.2 | 802.3 | 7,768.7 |
| Dec. | 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 | 955.4 | 794.4 | 7,774.2 |
| **2013** | | | | | | | | | | | | | | |
| Jan. | 291.7 | 495.0 | 302.0 | 1,006.6 | 473.8 | 836.3 | 423.6 | 3,099.2 | 382.7 | 300.8 | 3,782.6 | 941.8 | 802.2 | 7,751.3 |
| Feb. | 296.7 | 496.6 | 326.9 | 980.8 | 477.1 | 848.9 | 416.3 | 3,107.2 | 380.8 | 299.6 | 3,787.5 | 951.6 | 808.6 | 7,773.8 |
| Mar. | 291.8 | 506.8 | 335.2 | 997.7 | 476.6 | 837.7 | 445.7 | 3,123.3 | 378.8 | 302.0 | 3,804.2 | 958.3 | 810.9 | 7,843.1 |
| Apr. | 277.3 | 479.2 | 327.4 | 984.2 | 473.7 | 806.7 | 441.8 | 3,132.8 | 378.6 | 300.3 | 3,811.7 | 951.5 | 789.9 | 7,763.6 |
| May | 273.4 | 480.9 | 304.0 | 974.1 | 544.0 | 742.3 | 434.5 | 3,153.7 | 379.9 | 298.2 | 3,831.8 | 949.9 | 788.2 | 7,746.7 |
| June | 264.8 | 478.6 | 304.0 | 968.2 | 527.1 | 745.2 | 437.2 | 3,176.1 | 382.3 | 301.1 | 3,859.6 | 948.6 | 778.5 | 7,754.8 |

[1] As from 2010, the statistical classification of loans by economic activity is based on NACE rev 2.
[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.

## 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] | Monetary financial institutions[2] | Insurance companies and pension funds | Other financial intermediaries & financial auxiliaries | Non-financial companies | Households & non-profit institutions | Total | Other euro area residents | Non-residents of the euro area | |
| 2005 | 123.5 | 648.6 | 16.7 | 13.3 | 2,738.2 | 2,166.4 | 5,706.7 | 1,955.8 | 6,379.0 | 14,041.5 |
| 2006 | 118.4 | 739.4 | 20.0 | 14.9 | 3,092.7 | 2,542.9 | 6,528.2 | 2,348.2 | 8,601.4 | 17,477.8 |
| 2007 | 126.8 | 1,557.8 | 23.0 | 21.0 | 3,265.6 | 2,898.4 | 7,892.6 | 2,439.4 | 15,373.9 | 25,706.0 |
| 2008 | 111.4 | 613.0 | 21.6 | 14.3 | 3,801.0 | 3,202.2 | 7,763.4 | 3,454.6 | 20,129.5 | 31,347.5 |
| 2009 | 111.0 | 649.0 | 22.3 | 10.9 | 4,034.6 | 3,498.5 | 8,326.1 | 2,900.0 | 16,825.4 | 28,051.5 |
| 2010 | 118.6 | 586.6 | 14.0 | 165.8 | 4,052.4 | 3,724.8 | 8,662.1 | 6,371.9 | 18,757.3 | 33,791.4 |
| 2011 | 150.5 | 1,176.7 | 2.6 | 179.5 | 4,153.9 | 3,952.2 | 9,615.4 | 6,324.2 | 17,368.4 | 33,308.0 |
| **2012** | | | | | | | | | | |
| Jan. | 150.4 | 1,116.3 | 2.0 | 179.9 | 4,132.1 | 3,955.8 | 9,536.5 | 6,083.7 | 17,888.5 | 33,508.7 |
| Feb. | 151.9 | 984.5 | 3.1 | 186.9 | 4,174.0 | 3,971.0 | 9,471.3 | 6,238.0 | 17,841.9 | 33,551.1 |
| Mar. | 156.5 | 621.7 | 2.8 | 184.8 | 4,151.0 | 3,996.1 | 9,112.8 | 6,159.6 | 17,683.9 | 32,956.3 |
| Apr. | 158.2 | 1,099.2 | 3.0 | 184.6 | 4,158.9 | 4,003.7 | 9,607.6 | 5,230.8 | 18,838.3 | 33,676.7 |
| May | 156.2 | 687.7 | 3.1 | 180.0 | 4,166.1 | 4,018.0 | 9,211.0 | 5,087.7 | 19,216.3 | 33,515.1 |
| June | 156.7 | 706.1 | 4.1 | 180.8 | 4,166.9 | 4,027.9 | 9,242.5 | 5,078.7 | 19,263.9 | 33,585.1 |
| July | 156.6 | 638.4 | 2.4 | 186.4 | 4,154.1 | 4,041.2 | 9,179.0 | 5,920.1 | 18,712.4 | 33,811.6 |
| Aug. | 156.2 | 694.9 | 5.0 | 185.6 | 4,144.5 | 4,051.0 | 9,237.3 | 5,451.0 | 18,891.5 | 33,579.8 |
| Sep. | 158.8 | 1,324.1 | 4.1 | 189.1 | 4,154.3 | 4,078.7 | 9,909.1 | 6,452.3 | 18,013.0 | 34,374.4 |
| Oct. | 129.9 | 1,518.3 | 3.8 | 184.9 | 4,138.8 | 4,087.7 | 10,063.3 | 6,071.5 | 17,615.2 | 33,750.0 |
| Nov. | 129.2 | 1,483.2 | 3.1 | 177.7 | 4,154.1 | 4,104.5 | 10,052.0 | 6,089.9 | 18,195.3 | 34,337.2 |
| Dec. | 130.3 | 1,616.3 | 4.0 | 423.7 | 3,886.4 | 4,123.3 | 10,183.9 | 5,723.0 | 17,480.6 | 33,387.5 |
| **2013** | | | | | | | | | | |
| Jan. | 129.7 | 1,501.3 | 2.1 | 420.0 | 3,877.6 | 4,123.1 | 10,053.7 | 5,695.6 | 18,026.1 | 33,775.4 |
| Feb. | 130.6 | 1,133.6 | 2.4 | 422.0 | 3,894.0 | 4,128.4 | 9,711.0 | 5,597.6 | 18,311.4 | 33,620.0 |
| Mar. | 131.0 | 1,501.7 | 2.1 | 423.1 | 3,944.4 | 4,148.3 | 10,150.5 | 5,240.9 | 18,575.4 | 33,966.8 |
| Apr. | 132.6 | 1,091.3 | 2.1 | 417.3 | 3,848.7 | 4,152.3 | 9,644.4 | 4,940.5 | 17,603.5 | 32,188.4 |
| May | 133.9 | 1,078.6 | 2.1 | 412.5 | 3,813.5 | 4,172.4 | 9,613.0 | 5,228.5 | 18,510.6 | 33,352.1 |
| June | 134.7 | 1,179.0 | 2.4 | 407.0 | 3,789.5 | 4,197.1 | 9,709.7 | 5,351.2 | 17,863.1 | 32,924.1 |

[1] Includes the extra-budgetary units.

[2] For the purposes of this table, loans include interbank deposits.

**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[1] | | | |
| | MTL[2] | | EUR | | Other | | MTL[2] | | EUR | | Other | | MTL[2] | EUR | Other | |
| | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | Less than 1 year | Over 1 year | | | | |
| 2005 | 860.7 | 1,568.3 | 17.3 | 263.3 | 18.5 | 10.2 | 204.2 | 1,943.2 | 1.4 | 15.0 | 0.1 | 2.4 | 696.7 | 86.4 | 19.0 | 5,706.7 |
| 2006 | 905.7 | 1,689.6 | 69.9 | 395.1 | 21.1 | 11.3 | 218.5 | 2,289.2 | 2.3 | 29.6 | 0.1 | 3.1 | 713.6 | 156.9 | 22.1 | 6,528.2 |
| 2007 | 858.3 | 1,802.5 | 108.1 | 450.0 | 36.6 | 10.2 | 241.5 | 2,616.0 | 2.0 | 34.4 | 1.0 | 3.5 | 963.8 | 744.6 | 20.3 | 7,892.6 |
| 2008 | | | 1,133.1 | 2,608.2 | 40.7 | 19.0 | | | 275.7 | 2,921.9 | 1.3 | 3.4 | | 725.2 | 35.0 | 7,763.4 |
| 2009 | | | 1,152.8 | 2,811.7 | 39.4 | 30.6 | | | 281.6 | 3,207.1 | 1.5 | 8.2 | | 765.5 | 27.6 | 8,326.1 |
| 2010 | | | 1,178.1 | 2,760.3 | 70.1 | 44.0 | | | 269.2 | 3,444.8 | 1.7 | 9.1 | | 846.7 | 38.3 | 8,662.1 |
| 2011 | | | 1,050.2 | 2,966.3 | 87.7 | 49.7 | | | 277.2 | 3,662.6 | 2.5 | 9.9 | | 1,485.0 | 24.2 | 9,615.4 |
| **2012** | | | | | | | | | | | | | | | | |
| Jan. | | | 1,041.9 | 2,959.5 | 78.2 | 52.6 | | | 269.8 | 3,674.0 | 2.1 | 9.9 | | 1,424.5 | 24.2 | 9,536.5 |
| Feb. | | | 1,066.4 | 2,954.9 | 87.4 | 65.3 | | | 271.4 | 3,687.4 | 2.4 | 9.8 | | 1,300.1 | 26.2 | 9,471.3 |
| Mar. | | | 1,052.2 | 2,975.2 | 83.7 | 40.0 | | | 274.5 | 3,707.8 | 2.5 | 11.3 | | 943.0 | 22.8 | 9,112.8 |
| Apr. | | | 1,075.3 | 2,950.1 | 91.6 | 42.0 | | | 274.0 | 3,715.6 | 2.7 | 11.4 | | 1,421.8 | 23.3 | 9,607.6 |
| May | | | 1,078.4 | 2,963.0 | 81.4 | 43.3 | | | 272.1 | 3,731.4 | 3.1 | 11.5 | | 1,000.1 | 26.8 | 9,211.0 |
| June | | | 1,072.9 | 2,976.5 | 74.6 | 43.0 | | | 265.8 | 3,747.9 | 2.7 | 11.4 | | 1,003.8 | 43.9 | 9,242.5 |
| July | | | 1,045.4 | 2,975.4 | 89.8 | 43.5 | | | 262.4 | 3,764.5 | 2.7 | 11.6 | | 929.9 | 53.8 | 9,179.0 |
| Aug. | | | 1,031.0 | 2,971.7 | 100.3 | 41.5 | | | 263.2 | 3,780.4 | 2.4 | 5.0 | | 951.3 | 90.5 | 9,237.3 |
| Sep. | | | 1,006.2 | 3,022.0 | 85.2 | 40.9 | | | 270.2 | 3,802.2 | 2.5 | 3.8 | | 1,589.3 | 86.8 | 9,909.1 |
| Oct. | | | 1,001.1 | 3,012.9 | 84.7 | 40.1 | | | 270.0 | 3,811.3 | 2.5 | 3.8 | | 1,758.5 | 78.3 | 10,063.3 |
| Nov. | | | 1,009.1 | 3,004.7 | 93.4 | 46.8 | | | 269.2 | 3,828.5 | 3.1 | 3.8 | | 1,695.1 | 98.2 | 10,052.0 |
| Dec. | | | 964.3 | 2,787.9 | 88.1 | 46.1 | | | 270.6 | 3,845.8 | 3.1 | 3.7 | | 2,094.6 | 79.7 | 10,183.9 |
| **2013** | | | | | | | | | | | | | | | | |
| Jan. | | | 974.0 | 2,771.7 | 87.9 | 44.1 | | | 264.0 | 3,853.1 | 2.3 | 3.8 | | 1,980.6 | 72.4 | 10,053.7 |
| Feb. | | | 988.2 | 2,764.5 | 118.4 | 22.9 | | | 262.8 | 3,859.5 | 2.4 | 3.6 | | 1,624.9 | 63.7 | 9,711.0 |
| Mar. | | | 1,019.2 | 2,786.7 | 115.8 | 22.8 | | | 264.1 | 3,877.7 | 2.9 | 3.6 | | 1,989.5 | 68.3 | 10,150.5 |
| Apr. | | | 989.9 | 2,745.4 | 91.3 | 22.0 | | | 262.4 | 3,883.7 | 2.7 | 3.6 | | 1,593.7 | 49.7 | 9,644.4 |
| May | | | 971.2 | 2,725.0 | 73.2 | 44.0 | | | 262.8 | 3,903.4 | 2.7 | 3.5 | | 1,577.2 | 50.0 | 9,613.0 |
| June | | | 948.7 | 2,730.0 | 67.1 | 43.7 | | | 263.1 | 3,927.6 | 2.9 | 3.5 | | 1,672.2 | 51.0 | 9,709.7 |

[1] For the purposes of this table, loans include interbank deposits.

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

**Table 1.14 Aggregated statement of assets and liabilities - investment funds[1] *(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 | | | |
| 2005 | 52.2 | 34.5 | 624.0 | 7.9 | 232.4 | 350.4 | 32.7 | 1,334.1 |
| 2006 | 20.8 | 50.9 | 690.2 | 7.0 | 204.4 | 431.6 | 16.6 | 1,421.4 |
| 2007 | 32.6 | 3.4 | 498.8 | 6.4 | 195.3 | 410.4 | 12.0 | 1,159.0 |
| 2008 | 18.8 | 2.4 | 421.7 | 3.9 | 128.0 | 299.1 | 9.4 | 883.3 |
| 2009 | 33.3 | 15.4 | 403.2 | 4.8 | 139.3 | 318.6 | 5.6 | 920.2 |
| 2010 | 48.5 | 8.6 | 405.9 | 4.5 | 144.5 | 340.5 | 6.9 | 959.4 |
| 2011 | 46.2 | 0.0 | 354.2 | 11.1 | 127.6 | 308.4 | 8.0 | 855.5 |
| 2012 | 52.1 | 0.5 | 406.8 | 4.4 | 143.8 | 355.4 | 9.7 | 972.8 |
| **2013** | | | | | | | | |
| Mar. | 56.7 | 1.2 | 426.2 | 4.9 | 148.2 | 349.5 | 13.2 | 1,000.0 |
| June | 62.2 | 6.8 | 431.1 | 6.7 | 157.9 | 327.4 | 14.7 | 1,006.8 |

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

*EUR millions*

| End of period | Loans | Shareholders' units/ funds[4] | External liabilities[5] | Other liabilities[6] | Total liabilities |
|---|---|---|---|---|---|
| 2005 | 0.2 | 1,322.5 | 4.1 | 7.4 | 1,334.1 |
| 2006 | 0.4 | 1,406.4 | 11.0 | 3.6 | 1,421.4 |
| 2007 | 0.3 | 1,147.6 | 7.8 | 3.3 | 1,159.0 |
| 2008 | 1.9 | 870.2 | 6.9 | 4.2 | 883.3 |
| 2009 | 2.1 | 902.0 | 10.8 | 5.3 | 920.2 |
| 2010 | 1.8 | 910.3 | 42.9 | 4.4 | 959.4 |
| 2011 | 0.1 | 833.9 | 18.0 | 3.5 | 855.5 |
| 2012 | 0.2 | 952.9 | 15.4 | 4.4 | 972.8 |
| **2013** | | | | | |
| Mar. | 0.5 | 979.6 | 12.8 | 7.1 | 1,000.0 |
| June | 0.4 | 984.0 | 12.9 | 9.5 | 1,006.8 |

[1] Comprising the resident investment funds (IFs). 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
[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.

## 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[3,8] | Fixed and other assets[4,8] | Total assets |
|---|---|---|---|---|---|---|
| 2005 | 61.7 | 347.6 | 161.0 | 358.1 | 192.1 | 1,120.5 |
| 2006 | 103.0 | 373.8 | 173.3 | 462.0 | 209.8 | 1,321.9 |
| 2007 | 193.9 | 418.5 | 189.4 | 482.9 | 244.5 | 1,529.2 |
| 2008 | 222.6 | 442.6 | 156.5 | 481.0 | 266.9 | 1,569.6 |
| 2009 | 252.9 | 486.0 | 184.6 | 622.3 | 265.6 | 1,811.4 |
| 2010 | 247.8 | 547.4 | 189.8 | 778.7 | 275.3 | 2,039.0 |
| 2011 | 264.3 | 510.8 | 181.0 | 837.0 | 289.4 | 2,082.5 |
| 2012 | 207.4 | 574.3 | 185.9 | 963.4 | 327.5 | 2,258.4 |
| **2013** | | | | | | |
| Mar. | 205.8 | 586.2 | 189.9 | 1,006.0 | 332.7 | 2,320.6 |
| June | 184.5 | 587.9 | 206.0 | 1,008.5 | 338.0 | 2,324.8 |

## 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[6,8] | Other liabilities[7,8] | Total liabilities |
|---|---|---|---|---|---|---|
| 2005 | 17.1 | 177.5 | 863.0 | 17.1 | 45.7 | 1,120.5 |
| 2006 | 21.1 | 205.1 | 1,027.1 | 15.7 | 52.9 | 1,321.9 |
| 2007 | 21.3 | 238.9 | 1,196.7 | 15.6 | 56.7 | 1,529.2 |
| 2008 | 24.9 | 229.2 | 1,229.3 | 34.3 | 52.0 | 1,569.6 |
| 2009 | 20.6 | 265.0 | 1,430.7 | 37.7 | 56.9 | 1,811.0 |
| 2010 | 22.6 | 289.2 | 1,628.6 | 45.1 | 53.6 | 2,039.0 |
| 2011 | 11.7 | 292.1 | 1,683.0 | 45.0 | 50.8 | 2,082.5 |
| 2012 | 13.3 | 313.0 | 1,825.1 | 48.2 | 58.8 | 2,258.4 |
| **2013** | | | | | | |
| Mar. | 11.1 | 319.2 | 1,876.3 | 51.2 | 62.7 | 2,320.6 |
| June | 7.9 | 316.2 | 1,888.9 | 49.3 | 62.6 | 2,324.8 |

[1] Comprising the resident insurance companies.

[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.

[8] Following a reclassification exercise, as from Q1 2009, certain instruments were shifted from "External Assets" to the "Fixed and other assets" column.

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

*EUR millions*

| End of period | Outstanding amounts as at end of period | | | | Net issues during period | | | | Net valuation changes[3] |
|---|---|---|---|---|---|---|---|---|---|
| | General government | Financial Corporations[2] | Non-financial companies[2] | Total | General government | Financial Corporations[2] | Non-financial companies[2] | Total | |
| 2005 | 3,064.4 | 160.3 | 649.6 | 3,874.4 | 129.3 | -45.8 | -17.1 | 66.4 | 50.6 |
| 2006 | 2,998.1 | 104.9 | 593.0 | 3,696.0 | -66.3 | -52.3 | -17.5 | -136.1 | -42.3 |
| 2007 | 3,116.3 | 162.0 | 625.0 | 3,903.2 | 118.2 | 60.0 | 68.1 | 246.3 | -39.1 |
| 2008 | 3,328.3 | 189.4 | 665.4 | 4,183.1 | 211.9 | 26.0 | 22.6 | 260.5 | 19.3 |
| 2009 | 3,698.3 | 271.1 | 667.7 | 4,637.1 | 370.1 | 82.8 | 1.5 | 454.4 | -0.3 |
| 2010 | 3,989.2 | 323.0 | 743.2 | 5,055.4 | 290.9 | 54.5 | 62.9 | 408.3 | 10.0 |
| 2011 | 4,312.1 | 372.7 | 745.6 | 5,430.4 | 322.9 | 49.1 | -4.4 | 367.5 | 7.3 |
| 2012 | 4,505.8 | 658.0 | 486.6 | 5,650.4 | 193.7 | 47.8 | -17.7 | 223.8 | -3.8 |
| **2013** | | | | | | | | | |
| Q1 | 4,832.6 | 655.2 | 481.3 | 5,969.2 | 326.8 | -3.5 | -10.5 | 312.9 | 5.9 |
| Q2 | 4,937.3 | 653.1 | 452.0 | 6,042.5 | 104.7 | -1.6 | -25.0 | 78.2 | -4.9 |

[1] Amounts are at nominal prices.

[2] As from March 2012 debt securities issued by holding companies have been reclassified from Non-Financial Corporations to Financial Corporations in terms of NACE Rev 2.

[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]

*EUR millions*

| End of period | Outstanding amounts as at end of period | | | Net issues during period | | | Net valuation changes[2] |
|---|---|---|---|---|---|---|---|
| | Financial corporations | Non-financial companies | Total | Financial corporations | Non-financial companies | Total | |
| 2005 | 2,673.4 | 800.8 | 3,474.2 | 2.2 | 20.0 | 22.2 | 1,337.5 |
| 2006 | 2,657.4 | 758.2 | 3,415.7 | 0.8 | 53.3 | 54.1 | -112.7 |
| 2007 | 2,690.1 | 1,163.9 | 3,854.0 | 9.9 | 387.3 | 397.2 | 41.2 |
| 2008 | 1,585.2 | 981.4 | 2,566.7 | 2.1 | 38.2 | 40.3 | -1,327.6 |
| 2009 | 1,863.3 | 980.6 | 2,844.0 | 42.1 | 36.4 | 78.5 | 198.8 |
| 2010 | 2,034.1 | 1,188.1 | 3,222.2 | 0.3 | 214.2 | 214.5 | 163.7 |
| 2011 | 1,618.5 | 1,022.7 | 2,641.3 | 0.2 | 11.1 | 11.3 | -592.3 |
| 2012 | 1,687.5 | 1,066.9 | 2,754.5 | 15.6 | 3.2 | 18.7 | 94.4 |
| **2013** | | | | | | | |
| Q1 | 1,761.5 | 1,090.7 | 2,852.2 | 0.0 | 1.5 | 1.5 | 96.2 |
| Q2 | 1,751.8 | 1,208.0 | 2,959.7 | 0.0 | 56.4 | 56.4 | 51.2 |

[1] Amounts are at market prices.

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

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 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Jan. | Feb. | Mar. | Apr. | May | June |
| **NEW BUSINESS** | | | | | | | | | | | |
| **Deposits** | **3.04** | **1.74** | **2.10** | **2.55** | **2.11** | **2.14** | **2.31** | **2.06** | **2.00** | **2.03** | **1.92** |
| *Households and NPISH* | | | | | | | | | | | |
| *Time deposits with agreed maturity* | 3.31 | 2.23 | 2.50 | 2.85 | 2.38 | 2.48 | 2.95 | 2.40 | 2.20 | 2.18 | 2.09 |
| up to 1 year | 3.06 | 1.95 | 2.03 | 1.99 | 1.91 | 2.04 | 2.05 | 1.95 | 1.92 | 1.88 | 1.88 |
| over 1 and up to 2 years | 4.60 | 3.00 | 3.00 | 3.41 | 3.49 | 3.45 | 3.60 | 3.46 | 3.29 | 3.13 | 3.18 |
| over 2 years | 4.77 | 3.44 | 3.86 | 3.65 | 3.80 | 4.29 | 4.30 | 4.16 | 3.77 | 3.85 | 3.62 |
| *Non-financial corporations* | | | | | | | | | | | |
| Time deposits with agreed maturity | 2.60 | 0.85 | 1.51 | 1.93 | 1.72 | 1.71 | 1.72 | 1.75 | 1.62 | 1.74 | 1.63 |
| **Loans (excluding credit card debt, revolving loans & overdrafts)** | **4.88** | **4.49** | **4.71** | **4.10** | **4.22** | **4.52** | **4.74** | **3.98** | **4.22** | **4.25** | **4.30** |
| *Households and NPISH* | 4.88 | 4.49 | 4.20 | 3.82 | 4.00 | 3.82 | 4.00 | 3.98 | 3.83 | 3.78 | 3.87 |
| Lending for house purchase | 3.84 | 3.51 | 3.43 | 3.38 | 3.40 | 3.25 | 3.24 | 3.21 | 3.11 | 3.15 | 3.20 |
| Consumer credit | 6.12 | 6.02 | 5.81 | 5.04 | 5.66 | 5.72 | 5.66 | 5.78 | 5.65 | 5.58 | 5.51 |
| Other lending | 6.44 | 5.56 | 5.86 | 5.60 | 5.61 | 5.69 | 6.03 | 5.64 | 5.86 | 5.47 | 5.78 |
| *APRC[2] for loans to households and NPISH* | 4.63 | 4.05 | 3.94 | 3.78 | 3.82 | 3.74 | 3.82 | 3.75 | 3.78 | 3.82 | 3.73 |
| Lending for house purchase | 4.35 | 3.70 | 3.63 | 3.60 | 3.56 | 3.46 | 3.50 | 3.46 | 3.44 | 3.50 | 3.47 |
| Consumer credit | 6.25 | 6.10 | 5.89 | 5.12 | 5.64 | 5.74 | 5.69 | 5.81 | 5.68 | 5.60 | 5.53 |
| *Non-financial corporations* | | | | | | | | | | | |
| Loans | 5.50 | 4.95 | 4.86 | 4.28 | 4.26 | 5.32 | 5.66 | 3.99 | 4.59 | 4.61 | 4.67 |
| **OUTSTANDING AMOUNTS** | | | | | | | | | | | |
| **Deposits** | **2.60** | **1.46** | **1.38** | **1.41** | **1.42** | **1.43** | **1.44** | **1.43** | **1.43** | **1.43** | **1.43** |
| *Households and NPISH* | 2.74 | 1.57 | 1.50 | 1.54 | 1.56 | 1.57 | 1.59 | 1.58 | 1.58 | 1.58 | 1.58 |
| Overnight deposits[3] | 0.57 | 0.30 | 0.28 | 0.31 | 0.32 | 0.34 | 0.34 | 0.34 | 0.34 | 0.34 | 0.34 |
| *Savings deposits redeemable at notice[3,4]* | 2.05 | 1.68 | 1.59 | 1.51 | 1.54 | 1.54 | 1.53 | 1.57 | 1.64 | 1.70 | 1.75 |
| up to 3 months | 2.09 | 1.70 | 1.69 | 1.61 | 1.60 | 1.61 | 1.59 | 1.59 | 1.58 | 1.57 | 1.56 |
| *Time deposits with agreed maturity* | 3.82 | 2.35 | 2.30 | 2.38 | 2.47 | 2.48 | 2.49 | 2.50 | 2.50 | 2.50 | 2.51 |
| up to 2 years | 3.90 | 2.22 | 2.08 | 2.05 | 2.07 | 2.07 | 2.08 | 2.07 | 2.08 | 2.08 | 2.08 |
| over 2 years | 3.19 | 3.06 | 3.16 | 3.21 | 3.42 | 3.44 | 3.46 | 3.49 | 3.48 | 3.48 | 3.50 |
| *Non-financial corporations* | 1.73 | 0.86 | 0.81 | 0.84 | 0.79 | 0.79 | 0.77 | 0.80 | 0.76 | 0.74 | 0.72 |
| Overnight deposits[3] | 0.64 | 0.23 | 0.24 | 0.30 | 0.28 | 0.28 | 0.28 | 0.29 | 0.27 | 0.28 | 0.27 |
| Time deposits with agreed maturity | 3.38 | 1.99 | 2.09 | 2.09 | 2.11 | 2.08 | 2.06 | 2.10 | 2.14 | 2.18 | 2.14 |
| up to 2 years | 3.39 | 1.89 | 1.97 | 2.00 | 1.99 | 1.97 | 1.93 | 1.98 | 2.02 | 2.05 | 2.01 |
| over 2 years | 3.26 | 3.35 | 3.24 | 3.13 | 3.06 | 3.07 | 3.09 | 3.13 | 3.12 | 3.13 | 3.14 |
| **Loans** | **5.03** | **4.58** | **4.38** | **4.44** | **4.32** | **4.34** | **4.33** | **4.33** | **4.32** | **4.32** | **4.33** |
| *Households and NPISH* | 4.57 | 4.15 | 4.06 | 4.02 | 3.94 | 3.94 | 3.93 | 3.92 | 3.92 | 3.91 | 3.91 |
| Lending for house purchase | 4.03 | 3.51 | 3.46 | 3.43 | 3.39 | 3.39 | 3.38 | 3.38 | 3.38 | 3.38 | 3.37 |
| Consumer credit and other lending[5] | 5.80 | 5.67 | 5.58 | 5.66 | 5.59 | 5.59 | 5.59 | 5.58 | 5.58 | 5.58 | 5.59 |
| *Non-financial corporations[5]* | 5.43 | 4.96 | 4.67 | 4.85 | 4.73 | 4.78 | 4.77 | 4.77 | 4.77 | 4.77 | 4.80 |
| *Revolving loans and overdrafts* | | | | | | | | | | | |
| Households and NPISH | 7.16 | 6.44 | 5.75 | 6.12 | 5.86 | 5.87 | 5.87 | 5.88 | 5.87 | 5.86 | 5.84 |
| Non-financial corporations | 5.30 | 5.08 | 5.03 | 5.07 | 5.25 | 5.24 | 5.25 | 5.26 | 5.30 | 5.32 | 5.32 |

[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 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 Jan. | Feb. | Mar. | Apr. | May | June |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **NEW BUSINESS** | | | | | | | | | | | |
| **Deposits** | **2.72** | **1.90** | **1.65** | **2.57** | **2.13** | **2.15** | **2.43** | **2.09** | **2.03** | **2.07** | **2.02** |
| *Households and NPISH* | | | | | | | | | | | |
| *Time deposits with agreed maturity* | 3.31 | 2.24 | 2.44 | 2.83 | 2.38 | 2.49 | 2.96 | 2.39 | 2.23 | 2.22 | 2.09 |
| up to 1 year | 3.05 | 1.97 | 1.96 | 1.99 | 1.93 | 2.07 | 2.18 | 1.98 | 1.95 | 1.94 | 1.88 |
| over 1 and up to 2 years | 4.60 | 3.00 | 3.01 | 3.41 | 3.49 | 3.46 | 3.59 | 3.47 | 3.29 | 3.14 | 3.18 |
| over 2 years | 4.77 | 3.44 | 3.86 | 3.65 | 3.80 | 4.29 | 4.30 | 4.16 | 3.79 | 3.86 | 3.64 |
| *Non-financial corporations* | | | | | | | | | | | |
| Time deposits with agreed maturity | 2.06 | 1.44 | 1.11 | 2.17 | 1.80 | 1.75 | 1.99 | 1.83 | 1.72 | 1.78 | 1.91 |
| **Loans (excluding credit card debt, revolving loans & overdrafts)** | **4.88** | **4.48** | **4.45** | **4.09** | **4.15** | **4.20** | **4.28** | **4.01** | **4.03** | **4.13** | **4.23** |
| *Households and NPISH* | 4.88 | 4.48 | 4.20 | 3.81 | 4.00 | 3.84 | 4.02 | 3.97 | 3.83 | 3.77 | 3.86 |
| Lending for house purchase | 3.84 | 3.51 | 3.42 | 3.38 | 3.40 | 3.29 | 3.30 | 3.22 | 3.12 | 3.16 | 3.20 |
| Consumer credit | 6.12 | 6.01 | 5.81 | 5.04 | 5.66 | 5.72 | 5.65 | 5.79 | 5.65 | 5.58 | 5.51 |
| Other lending | 6.43 | 5.56 | 5.86 | 5.60 | 5.61 | 5.69 | 6.03 | 5.64 | 5.83 | 5.47 | 5.78 |
| *APRC[2] for loans to households and NPISH* | 4.63 | 4.05 | 3.94 | 3.78 | 3.82 | 3.77 | 3.86 | 3.75 | 3.77 | 3.81 | 3.73 |
| Lending for house purchase | 4.35 | 3.70 | 3.63 | 3.60 | 3.56 | 3.50 | 3.54 | 3.45 | 3.44 | 3.50 | 3.47 |
| Consumer credit | 6.25 | 6.09 | 5.89 | 5.12 | 5.64 | 5.74 | 5.69 | 5.81 | 5.68 | 5.60 | 5.53 |
| *Non-financial corporations* | | | | | | | | | | | |
| Loans | 4.93 | 4.42 | 4.52 | 4.20 | 4.18 | 4.35 | 4.44 | 4.02 | 4.20 | 4.35 | 4.51 |
| **OUTSTANDING AMOUNTS** | | | | | | | | | | | |
| **Deposits** | **2.62** | **1.47** | **1.37** | **1.41** | **1.43** | **1.44** | **1.45** | **1.43** | **1.42** | **1.43** | **1.43** |
| *Households and NPISH* | 2.74 | 1.58 | 1.49 | 1.54 | 1.56 | 1.57 | 1.59 | 1.58 | 1.58 | 1.59 | 1.59 |
| Overnight deposits[3] | 0.57 | 0.30 | 0.28 | 0.30 | 0.32 | 0.33 | 0.34 | 0.34 | 0.34 | 0.34 | 0.34 |
| *Savings deposits redeemable at notice[3,4]* | 2.09 | 1.70 | 1.69 | 1.63 | 1.61 | 1.62 | 1.60 | 1.63 | 1.68 | 1.73 | 1.77 |
| up to 3 months | 2.09 | 1.70 | 1.69 | 1.63 | 1.61 | 1.62 | 1.60 | 1.60 | 1.58 | 1.57 | 1.56 |
| *Time deposits with agreed maturity* | 3.82 | 2.36 | 2.29 | 2.39 | 2.48 | 2.49 | 2.51 | 2.51 | 2.51 | 2.52 | 2.52 |
| up to 2 years | 3.89 | 2.21 | 2.08 | 2.05 | 2.09 | 2.09 | 2.10 | 2.09 | 2.09 | 2.10 | 2.10 |
| over 2 years | 3.24 | 3.10 | 3.16 | 3.22 | 3.44 | 3.45 | 3.48 | 3.50 | 3.50 | 3.50 | 3.52 |
| *Non-financial corporations* | 2.00 | 0.92 | 0.84 | 0.90 | 0.85 | 0.86 | 0.85 | 0.82 | 0.78 | 0.80 | 0.81 |
| Overnight deposits[3] | 0.65 | 0.23 | 0.25 | 0.30 | 0.29 | 0.29 | 0.29 | 0.28 | 0.26 | 0.27 | 0.28 |
| Time deposits with agreed maturity | 3.56 | 2.04 | 1.88 | 2.02 | 2.06 | 2.08 | 2.12 | 1.88 | 1.74 | 1.97 | 1.93 |
| up to 2 years | 3.57 | 1.93 | 1.71 | 1.93 | 1.96 | 1.98 | 2.02 | 1.79 | 1.64 | 1.87 | 1.83 |
| over 2 years | 3.28 | 3.13 | 3.33 | 2.99 | 2.95 | 2.96 | 2.97 | 2.82 | 2.80 | 2.81 | 2.81 |
| **Loans** | **4.94** | **4.29** | **4.32** | **4.38** | **4.19** | **4.23** | **4.22** | **4.22** | **4.21** | **4.21** | **4.20** |
| *Households and NPISH* | 4.57 | 4.15 | 4.06 | 4.02 | 3.94 | 3.94 | 3.93 | 3.92 | 3.92 | 3.91 | 3.91 |
| Lending for house purchase | 4.03 | 3.51 | 3.46 | 3.43 | 3.40 | 3.40 | 3.39 | 3.38 | 3.38 | 3.38 | 3.38 |
| Consumer credit and other lending[5] | 5.79 | 5.67 | 5.58 | 5.66 | 5.59 | 5.59 | 5.59 | 5.58 | 5.58 | 5.58 | 5.59 |
| *Non-financial corporations[5]* | 5.20 | 4.40 | 4.54 | 4.66 | 4.39 | 4.48 | 4.46 | 4.46 | 4.47 | 4.46 | 4.46 |
| *Revolving loans and overdrafts* | | | | | | | | | | | |
| Households and NPISH | 7.16 | 6.45 | 5.76 | 6.12 | 5.86 | 5.87 | 5.88 | 5.88 | 5.87 | 5.86 | 5.84 |
| Non-financial corporations | 5.14 | 5.08 | 5.02 | 5.07 | 5.25 | 5.25 | 5.26 | 5.31 | 5.28 | 5.33 | 5.29 |

[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, money market interest rates and other indicators

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | |
|---|---|---|---|---|---|---|---|
| | | | | | | Mar. | June |
| **INTEREST RATES (%)**[1] | | | | | | | |
| **Key ECB interest rates**[2] | | | | | | | |
| Marginal lending facility | 3.00 | 1.75 | 1.75 | 1.75 | 1.50 | 1.50 | 1.00 |
| Main refinancing operations - minimum bid rate | 2.50 | 1.00 | 1.00 | 1.00 | 0.75 | 0.75 | 0.50 |
| Deposit facility | 2.00 | 0.25 | 0.25 | 0.25 | 0.00 | 0.00 | 0.00 |
| **Money market rates (period averages)** | | | | | | | |
| Overnight deposit (EONIA) | 3.86 | 0.72 | 0.44 | 0.87 | 0.23 | 0.07 | 0.08 |
| Rates for fixed term deposits (EURIBOR) | | | | | | | |
| 1 month | 4.27 | 0.90 | 0.57 | 1.18 | 0.33 | 0.12 | 0.12 |
| 3 months | 4.63 | 1.23 | 0.81 | 1.39 | 0.57 | 0.21 | 0.21 |
| 6 months | 4.72 | 1.44 | 1.08 | 1.64 | 0.83 | 0.34 | 0.31 |
| 1 year | 4.81 | 1.62 | 1.35 | 2.01 | 1.11 | 0.57 | 0.51 |
| **Government securities** | | | | | | | |
| Treasury bills (primary market) | | | | | | | |
| 1 month | - | - | - | 1.20 | - | - | - |
| 3 month | 3.65 | 1.40 | 0.99 | 0.82 | 0.85 | 0.71 | 0.59 |
| 6 month | 2.75 | 1.52 | 1.10 | 1.33 | 1.15 | 0.77 | 0.75 |
| 1 year | - | - | - | - | - | - | - |
| Treasury bills (secondary market) | | | | | | | |
| 1 month | 2.64 | 1.36 | 0.77 | 0.85 | 0.94 | 0.78 | 0.59 |
| 3 month | 2.64 | 1.40 | 0.94 | 0.97 | 1.00 | 0.78 | 0.60 |
| 6 month | 2.65 | 1.46 | 1.23 | 0.99 | 1.05 | 0.81 | 0.63 |
| 1 year | 2.73 | 1.69 | 1.28 | 1.26 | 1.26 | 0.93 | 0.71 |
| **Government long-term debt securities (period averages)** | | | | | | | |
| 2 year | 3.43 | 2.41 | 1.88 | 2.41 | 1.90 | 1.27 | 1.00 |
| 5 year | 4.01 | 3.66 | 3.05 | 3.48 | 3.01 | 2.41 | 2.20 |
| 10 year | 4.53 | 4.54 | 4.19 | 4.49 | 4.13 | 3.66 | 3.34 |
| 15 year | 4.76 | 4.96 | n/a | n/a | n/a | n/a | 4.38 |
| **MALTA STOCK EXCHANGE SHARE INDEX** | 3,208 | 3,461 | 3,781 | 3,095 | 3,212 | 3,323 | 3,417 |

[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 as a 15 year benchmark.

## Government Finance

### Table 2.1 General government revenue and expenditure[1,2]

*EUR millions*

| Period | Revenue | | | Expenditure | | | Deficit (-)/ surplus (+) | Primary deficit (-)/ surplus (+)[2] |
|---|---|---|---|---|---|---|---|---|
| | Current | Capital | Total | Current | Capital | Total | | |
| 2005 | 1,836.3 | 172.9 | 2,009.2 | 1,909.4 | 241.8 | 2,151.2 | -142.1 | 35.8 |
| 2006 | 1,938.0 | 167.8 | 2,105.8 | 2,002.1 | 244.7 | 2,246.7 | -140.9 | 38.8 |
| 2007 | 2,130.7 | 70.6 | 2,201.3 | 2,107.5 | 222.1 | 2,329.6 | -128.4 | 52.9 |
| 2008 | 2,256.9 | 46.5 | 2,303.4 | 2,381.8 | 195.7 | 2,577.5 | -274.1 | -87.5 |
| 2009 | 2,246.8 | 62.4 | 2,309.2 | 2,346.4 | 183.5 | 2,529.9 | -220.7 | -37.3 |
| 2010 | 2,317.0 | 112.9 | 2,429.9 | 2,436.3 | 219.4 | 2,655.7 | -225.8 | -39.7 |
| 2011 | 2,465.2 | 115.2 | 2,580.4 | 2,552.8 | 211.3 | 2,764.0 | -183.6 | 17.0 |
| 2012 | 2,590.4 | 147.1 | 2,737.5 | 2,715.0 | 248.0 | 2,963.0 | -225.5 | -12.5 |
| **2012** | | | | | | | | |
| Q1 | 626.6 | 22.3 | 648.9 | 659.3 | 69.3 | 728.6 | -79.7 | -25.0 |
| Q2 | 635.0 | 32.3 | 667.3 | 677.3 | 32.6 | 709.9 | -42.6 | 10.3 |
| Q3 | 612.2 | 36.5 | 648.7 | 644.6 | 61.1 | 705.7 | -57.0 | -3.2 |
| Q4 | 716.7 | 56.0 | 772.7 | 733.8 | 85.0 | 818.8 | -46.1 | 5.3 |
| **2013** | | | | | | | | |
| Q1 | 645.2 | 18.1 | 663.2 | 691.3 | 84.8 | 776.1 | -112.8 | -56.8 |
| Q2 | 683.8 | 27.3 | 711.1 | 709.3 | 47.4 | 756.7 | -45.6 | 7.4 |

### Table 2.2 General government revenue by main components[1,2]

*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 | | |
| 2005 | 559.5 | 718.2 | 380.2 | 95.0 | 69.5 | 14.0 | 1,836.3 | 17.5 | 155.4 | 172.9 | 2,009.2 | 1,675.3 |
| 2006 | 609.8 | 759.3 | 389.8 | 96.8 | 63.5 | 18.9 | 1,938.0 | 14.7 | 153.2 | 167.8 | 2,105.8 | 1,773.4 |
| 2007 | 726.0 | 802.1 | 398.3 | 110.0 | 72.8 | 21.6 | 2,130.7 | 15.7 | 54.9 | 70.6 | 2,201.3 | 1,942.0 |
| 2008 | 742.8 | 832.4 | 432.0 | 153.4 | 70.4 | 25.9 | 2,256.9 | 15.1 | 31.4 | 46.5 | 2,303.4 | 2,022.2 |
| 2009 | 795.4 | 810.4 | 434.9 | 116.9 | 69.2 | 19.9 | 2,246.8 | 14.0 | 48.3 | 62.4 | 2,309.2 | 2,054.8 |
| 2010 | 807.8 | 844.2 | 456.5 | 103.6 | 84.4 | 20.6 | 2,317.0 | 14.7 | 98.2 | 112.9 | 2,429.9 | 2,123.1 |
| 2011 | 849.4 | 907.3 | 486.7 | 121.4 | 79.4 | 20.9 | 2,465.2 | 14.8 | 100.4 | 115.2 | 2,580.4 | 2,258.3 |
| 2012 | 934.9 | 916.9 | 504.3 | 112.3 | 89.9 | 32.0 | 2,590.4 | 16.1 | 131.0 | 147.1 | 2,737.5 | 2,372.3 |
| **2012** | | | | | | | | | | | | |
| Q1 | 217.8 | 217.9 | 120.5 | 27.2 | 37.5 | 5.7 | 626.6 | 3.7 | 18.6 | 22.3 | 648.9 | 559.9 |
| Q2 | 241.1 | 213.3 | 119.0 | 29.0 | 24.1 | 8.5 | 635.0 | 3.8 | 28.5 | 32.3 | 667.3 | 577.2 |
| Q3 | 215.9 | 238.7 | 118.9 | 22.7 | 9.5 | 6.5 | 612.2 | 4.4 | 32.2 | 36.5 | 648.7 | 577.8 |
| Q4 | 260.1 | 247.0 | 146.0 | 33.5 | 18.8 | 11.3 | 716.7 | 4.2 | 51.8 | 56.0 | 772.7 | 657.3 |
| **2013** | | | | | | | | | | | | |
| Q1 | 246.6 | 203.2 | 122.3 | 31.5 | 34.9 | 6.8 | 645.2 | 2.7 | 15.4 | 18.1 | 663.2 | 574.7 |
| Q2 | 278.2 | 229.8 | 125.8 | 27.2 | 17.1 | 5.7 | 683.8 | 3.1 | 24.2 | 27.3 | 711.1 | 636.9 |

[1] Based on ESA95 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[1,2]

*EUR millions*

| Period | Current expenditure | | | | | | | Capital expenditure | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Compensation of employees | Social benefits | Interest | Intermediate consumption | Subsidies | Other | Total | Investment | Capital transfers | Total [2] | |
| 2005 | 668.3 | 642.7 | 177.8 | 238.2 | 101.2 | 81.2 | 1,909.4 | 227.7 | 48.7 | 241.8 | 2,151.2 |
| 2006 | 678.4 | 666.5 | 179.7 | 285.6 | 109.4 | 82.4 | 2,002.1 | 204.7 | 47.9 | 244.7 | 2,246.7 |
| 2007 | 706.9 | 718.6 | 181.3 | 295.8 | 112.1 | 92.9 | 2,107.5 | 206.0 | 43.2 | 222.1 | 2,329.6 |
| 2008 | 831.5 | 756.6 | 186.6 | 383.8 | 125.1 | 98.2 | 2,381.8 | 139.1 | 48.3 | 195.7 | 2,577.5 |
| 2009 | 830.3 | 809.4 | 183.4 | 347.8 | 64.0 | 111.5 | 2,346.4 | 137.2 | 58.8 | 183.5 | 2,529.9 |
| 2010 | 841.9 | 845.1 | 186.1 | 376.0 | 66.9 | 120.4 | 2,436.3 | 134.0 | 81.0 | 219.4 | 2,655.7 |
| 2011 | 871.2 | 882.7 | 200.6 | 415.0 | 65.1 | 118.1 | 2,552.8 | 164.4 | 50.4 | 211.3 | 2,764.0 |
| 2012 | 914.5 | 929.6 | 212.9 | 459.5 | 76.9 | 121.5 | 2,715.0 | 210.0 | 67.0 | 248.0 | 2,963.0 |
| **2012** | | | | | | | | | | | |
| Q1 | 222.0 | 218.9 | 54.7 | 115.5 | 15.9 | 32.1 | 659.3 | 34.0 | 30.2 | 69.3 | 728.6 |
| Q2 | 229.5 | 247.0 | 52.9 | 104.4 | 20.9 | 22.6 | 677.3 | 57.2 | 12.0 | 32.6 | 709.9 |
| Q3 | 227.8 | 202.4 | 53.8 | 109.9 | 21.5 | 29.1 | 644.6 | 45.3 | 12.3 | 61.1 | 705.7 |
| Q4 | 235.1 | 261.3 | 51.5 | 129.8 | 18.5 | 37.6 | 733.8 | 73.6 | 12.5 | 85.0 | 818.8 |
| **2013** | | | | | | | | | | | |
| Q1 | 237.6 | 231.5 | 56.0 | 109.2 | 20.5 | 36.4 | 691.3 | 37.9 | 47.2 | 84.8 | 776.1 |
| Q2 | 242.7 | 256.4 | 53.0 | 107.2 | 16.4 | 33.6 | 709.3 | 42.1 | 5.7 | 47.4 | 756.7 |

[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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | 326.6 | 43.7 | 76.2 | 305.0 | 73.7 | 35.7 | 309.0 | 31.6 | 272.6 | 677.0 | 2,151.2 |
| 2006 | 348.0 | 37.1 | 75.9 | 310.4 | 82.0 | 37.1 | 325.6 | 29.1 | 287.0 | 714.5 | 2,246.7 |
| 2007 | 350.8 | 35.6 | 80.3 | 319.6 | 93.2 | 33.6 | 315.8 | 31.6 | 296.0 | 773.1 | 2,329.6 |
| 2008 | 396.4 | 38.2 | 86.6 | 436.5 | 94.3 | 40.3 | 317.2 | 36.4 | 312.7 | 818.7 | 2,577.1 |
| 2009 | 427.9 | 53.8 | 90.1 | 286.2 | 101.5 | 16.9 | 321.8 | 42.7 | 319.9 | 869.2 | 2,529.9 |
| 2010 | 403.6 | 50.5 | 92.7 | 299.0 | 126.7 | 17.5 | 345.2 | 49.1 | 363.6 | 907.9 | 2,655.7 |
| 2011 | 434.7 | 56.2 | 94.8 | 314.6 | 87.4 | 20.1 | 368.0 | 57.1 | 383.1 | 947.9 | 2,764.0 |

[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 | |
| 2005 | 399.1 | 0.0 | 29.2 | 1,117.8 | 218.3 | 1,764.4 | 0.0 | 3,420.9 | 300.5 | 332.0 | 4,053.4 | -2,289.0 |
| 2006 | 431.9 | 0.0 | 26.4 | 842.6 | 208.0 | 1,509.0 | 0.0 | 3,297.4 | 265.5 | 359.0 | 3,921.9 | -2,413.0 |
| 2007 | 487.9 | 0.0 | 27.5 | 836.1 | 309.7 | 1,661.2 | 8.3 | 3,308.6 | 272.8 | 424.1 | 4,013.9 | -2,352.6 |
| 2008 | 476.6 | 0.0 | 32.8 | 739.8 | 361.2 | 1,610.5 | 31.2 | 3,662.9 | 284.1 | 535.3 | 4,513.4 | -2,902.9 |
| 2009 | 577.6 | 0.0 | 29.5 | 797.8 | 375.1 | 1,780.0 | 37.2 | 3,994.2 | 237.4 | 531.6 | 4,800.5 | -3,020.4 |
| 2010 | 589.2 | 0.0 | 63.1 | 855.5 | 435.0 | 1,942.8 | 41.0 | 4,307.5 | 237.4 | 548.6 | 5,134.5 | -3,191.6 |
| 2011 | 656.0 | 0.0 | 147.9 | 843.8 | 515.3 | 2,163.0 | 45.8 | 4,625.0 | 260.2 | 635.8 | 5,566.9 | -3,403.9 |
| 2012 | 426.3 | 0.0 | 268.1 | 1,098.9 | 679.0 | 2,472.3 | 50.4 | 4,889.9 | 345.9 | 686.9 | 5,973.2 | -3,500.9 |
| **2012** | | | | | | | | | | | | |
| Mar. | 665.0 | 0.0 | 192.0 | 851.0 | 672.2 | 2,380.2 | 45.2 | 4,789.0 | 305.7 | 664.6 | 5,804.5 | -3,424.3 |
| June | 733.4 | 0.0 | 236.2 | 891.1 | 704.4 | 2,565.1 | 47.0 | 4,933.7 | 341.4 | 701.0 | 6,023.1 | -3,458.1 |
| Sep. | 624.1 | 0.0 | 239.2 | 832.5 | 687.8 | 2,383.5 | 48.9 | 4,880.3 | 344.8 | 719.7 | 5,993.6 | -3,610.1 |
| Dec. | 426.3 | 0.0 | 268.1 | 1,098.9 | 679.0 | 2,472.3 | 50.4 | 4,889.9 | 345.9 | 686.9 | 5,973.2 | -3,500.9 |
| **2013** | | | | | | | | | | | | |
| Mar. | 545.3 | 0.0 | 279.8 | 1,104.2 | 749.6 | 2,678.8 | 50.8 | 5,242.7 | 349.4 | 671.3 | 6,314.3 | -3,635.5 |
| June | 612.7 | 0.0 | 300.5 | 1,106.1 | 782.6 | 2,801.9 | 52.3 | 5,370.1 | 362.4 | 730.5 | 6,515.3 | -3,713.4 |

[1] Based on ESA95 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

## Table 2.6 General government deficit-debt adjustment[1,2]

*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 | | | |
| 2005 | 106.0 | -142.1 | 93.0 | -0.1 | 0.0 | -55.4 | -23.4 | -50.0 | -36.0 |
| 2006 | -101.7 | -140.9 | 67.3 | -2.8 | 0.0 | -219.4 | -1.2 | -86.7 | -242.7 |
| 2007 | 131.4 | -128.4 | 60.3 | 1.1 | 0.0 | -32.1 | -7.8 | -18.3 | 3.0 |
| 2008 | 247.5 | -274.1 | -5.9 | 5.3 | 0.0 | -5.1 | 20.3 | -41.2 | -26.6 |
| 2009 | 330.0 | -220.7 | 135.8 | -3.3 | 0.0 | -0.9 | -1.0 | -21.4 | 109.3 |
| 2010 | 295.1 | -225.8 | 52.1 | 33.5 | 0.0 | -0.8 | 0.2 | -15.8 | 69.3 |
| 2011 | 349.6 | -183.6 | 70.3 | 84.8 | 0.0 | 16.1 | 5.1 | -10.3 | 165.9 |
| 2012 | 264.0 | -225.5 | -232.7 | 120.2 | 0.0 | 44.3 | -0.7 | 107.4 | 38.6 |
| **2012** | | | | | | | | | |
| Q1 | 230.3 | -79.7 | 10.3 | 44.1 | 0.0 | 2.1 | -6.0 | 100.1 | 150.6 |
| Q2 | 170.5 | -42.6 | 62.2 | 44.2 | 0.0 | 11.3 | 1.5 | 8.7 | 127.9 |
| Q3 | -108.5 | -57.0 | -109.5 | 2.9 | 0.0 | 0.1 | 3.4 | -62.4 | -165.5 |
| Q4 | -28.3 | -46.1 | -195.7 | 28.9 | 0.0 | 30.9 | 0.3 | 61.1 | -74.4 |
| **2013** | | | | | | | | | |
| Q1 | 298.6 | -112.8 | 120.1 | 11.7 | 0.0 | -0.4 | -4.8 | 59.2 | 185.8 |
| Q2 | 122.6 | -45.6 | 66.8 | 20.7 | 0.0 | -5.5 | 3.8 | -8.9 | 77.0 |

[1] Based on ESA95 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 | | |
| 2005 | - | 443.1 | 2,614.4 | 3,057.5 | 76.8 | 221.1 | 297.9 | 3,355.3 | 612.4 |
| 2006 | - | 373.8 | 2,617.4 | 2,991.2 | 24.5 | 238.0 | 262.4 | 3,253.6 | 555.1 |
| 2007 | 8.3 | 354.9 | 2,753.3 | 3,108.3 | 31.0 | 237.5 | 268.5 | 3,385.1 | 602.8 |
| 2008 | 31.2 | 365.8 | 2,954.4 | 3,320.2 | 70.4 | 210.7 | 281.1 | 3,632.5 | 684.8 |
| 2009 | 37.2 | 474.1 | 3,216.4 | 3,690.5 | 34.8 | 200.1 | 234.9 | 3,962.6 | 857.8 |
| 2010 | 41.0 | 377.8 | 3,603.6 | 3,981.4 | 40.7 | 194.7 | 235.4 | 4,257.7 | 991.1 |
| 2011 | 45.8 | 257.1 | 4,046.3 | 4,303.5 | 51.3 | 206.6 | 257.9 | 4,607.3 | 1,068.9 |
| 2012 | 50.4 | 154.1 | 4,322.8 | 4,476.9 | 79.1 | 264.9 | 343.9 | 4,871.3 | 1,186.0 |
| **2012** | | | | | | | | | |
| Mar. | 45.2 | 216.4 | 4,272.8 | 4,489.2 | 56.4 | 246.7 | 303.2 | 4,837.6 | 1,072.5 |
| June | 47.0 | 255.1 | 4,366.0 | 4,621.0 | 58.4 | 281.6 | 340.0 | 5,008.0 | 1,065.8 |
| Sep. | 48.9 | 319.4 | 4,188.2 | 4,507.6 | 59.1 | 284.1 | 343.1 | 4,899.6 | 1,069.3 |
| Dec. | 50.4 | 154.1 | 4,322.8 | 4,476.9 | 79.1 | 264.9 | 343.9 | 4,871.3 | 1,186.0 |
| **2013** | | | | | | | | | |
| Mar. | 50.8 | 288.6 | 4,483.1 | 4,771.7 | 76.4 | 270.9 | 347.3 | 5,169.9 | 1,190.5 |
| June | 52.3 | 335.9 | 4,543.1 | 4,879.0 | 77.0 | 284.1 | 361.1 | 5,292.5 | 1,185.4 |

[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 |
| 2005 | 1,204.7 | 831.0 | 245.3 | 1,076.3 | 351.5 | 91.5 | 443.0 |
| 2006 | 992.0 | 522.5 | 400.2 | 922.7 | 249.7 | 124.2 | 373.9 |
| 2007 | 1,129.5 | 823.7 | 287.0 | 1,110.7 | 278.6 | 76.3 | 354.9 |
| 2008 | 1,018.9 | 349.2 | 683.4 | 1,032.6 | 126.4 | 239.5 | 365.8 |
| 2009 | 1,516.6 | 1,033.9 | 591.0 | 1,624.8 | 327.3 | 146.8 | 474.1 |
| 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** | | | | | | | |
| Jan. | 98.1 | 56.9 | 0.0 | 56.9 | 195.7 | 20.9 | 216.7 |
| Feb. | 67.3 | 48.4 | 1.1 | 49.4 | 171.3 | 27.5 | 198.8 |
| Mar. | 18.8 | 33.3 | 3.8 | 37.1 | 175.3 | 41.8 | 217.1 |
| Apr. | 70.1 | 76.4 | 0.5 | 76.9 | 181.3 | 42.5 | 223.9 |
| May | 32.4 | 68.7 | 1.4 | 70.0 | 215.5 | 46.0 | 261.5 |
| June | 34.6 | 26.3 | 2.9 | 29.2 | 210.1 | 46.0 | 256.1 |
| July | 101.6 | 121.1 | 1.2 | 122.3 | 223.4 | 53.4 | 276.7 |
| Aug. | 93.0 | 107.0 | 1.3 | 108.4 | 234.4 | 57.7 | 292.1 |
| Sep. | 52.8 | 80.3 | 0.8 | 81.1 | 264.4 | 56.0 | 320.4 |
| Oct. | 99.0 | 36.1 | 0.1 | 36.2 | 210.6 | 47.0 | 257.5 |
| Nov. | 132.7 | 122.4 | 6.4 | 128.8 | 206.3 | 47.3 | 253.6 |
| Dec. | 148.5 | 41.5 | 2.6 | 49.1 | 124.0 | 30.1 | 154.1 |
| **2013** | | | | | | | |
| Jan. | 63.5 | 179.1 | 0.6 | 179.7 | 227.5 | 42.8 | 270.3 |
| Feb. | 4.1 | 25.9 | 2.0 | 27.9 | 248.5 | 45.6 | 294.1 |
| Mar. | 51.8 | 46.3 | 0.0 | 46.3 | 251.8 | 37.3 | 288.6 |
| Apr. | 98.1 | 101.8 | 0.0 | 101.8 | 247.5 | 44.8 | 292.3 |
| May | 22.3 | 71.0 | 8.2 | 79.2 | 299.5 | 49.7 | 349.2 |
| June | 49.8 | 36.5 | 0.0 | 36.5 | 289.5 | 46.4 | 335.9 |

[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] *(as at end-June 2013)***

*EUR millions*

| Issue date | Maturity date | Primary market weighted average rate (%) | Secondary market offer rate (%) | Amount issued in the primary market taken up by | | Amount outstanding and held by | | Total amount issued / outstanding[4] |
|---|---|---|---|---|---|---|---|---|
| | | | | OMFIs[2] | Others[3] | MFIs | Others[3] | |
| 05/Oct/2012 | 04/Oct/2013 | 1.598 | 0.600 | 5.5 | 0.0 | 5.0 | 0.5 | 5.5 |
| 02/Nov/2012 | 02/Aug/2013 | 1.298 | 0.586 | 10.0 | 0.3 | 10.2 | 0.2 | 10.3 |
| 04/Jan/2013 | 05/Jul/2013 | 0.945 | 0.571 | 27.0 | 0.5 | 27.0 | 0.5 | 27.5 |
| 11/Jan/2013 | 12/Jul/2013 | 0.884 | 0.576 | 15.0 | 0.0 | 15.0 | 0.0 | 15.0 |
| 18/Jan/2013 | 19/Jul/2013 | 0.837 | 0.580 | 19.0 | 0.0 | 19.0 | 0.0 | 19.0 |
| 25/Jan/2013 | 26/Jul/2013 | 0.847 | 0.585 | 24.0 | 0.1 | 24.0 | 0.1 | 24.1 |
| 15/Feb/2013 | 16/Aug/2013 | 0.800 | 0.589 | 0.0 | 1.1 | 0.3 | 0.8 | 1.1 |
| 22/Feb/2013 | 22/Nov/2013 | 0.855 | 0.617 | 6.0 | 0.0 | 6.0 | 0.0 | 6.0 |
| 15/Mar/2013 | 13/Sep/2013 | 0.781 | 0.595 | 4.0 | 0.0 | 4.0 | 0.0 | 4.0 |
| 22/Mar/2013 | 20/Sep/2013 | 0.769 | 0.597 | 6.0 | 0.0 | 6.0 | 0.0 | 6.0 |
| 05/Apr/2013 | 04/Oct/2013 | 0.857 | 0.600 | 25.6 | 0.0 | 23.0 | 2.6 | 25.6 |
| 12/Apr/2013 | 12/Jul/2013 | 0.702 | 0.576 | 23.5 | 0.0 | 10.0 | 13.5 | 23.5 |
| 12/Apr/2013 | 11/Oct/2013 | 0.857 | 0.603 | 4.0 | 0.0 | 4.0 | 0.0 | 4.0 |
| 19/Apr/2013 | 19/Jul/2013 | 0.699 | 0.580 | 20.7 | 0.0 | 16.0 | 4.7 | 20.7 |
| 19/Apr/2013 | 18/Oct/2013 | 0.860 | 0.605 | 8.0 | 0.0 | 8.0 | 0.0 | 8.0 |
| 26/Apr/2013 | 25/Oct/2013 | 0.854 | 0.608 | 20.0 | 0.0 | 14.0 | 6.0 | 20.0 |
| 03/May/2013 | 02/Aug/2013 | 0.685 | 0.586 | 33.4 | 0.0 | 29.0 | 4.4 | 33.4 |
| 10/May/2013 | 09/Aug/2013 | 0.670 | 0.588 | 10.0 | 0.0 | 10.0 | 0.0 | 10.0 |
| 10/May/2013 | 08/Nov/2013 | 0.810 | 0.612 | 20.8 | 0.0 | 19.0 | 1.8 | 20.8 |
| 17/May/2013 | 16/Aug/2013 | 0.665 | 0.589 | 2.0 | 0.0 | 2.0 | 0.0 | 2.0 |
| 17/May/2013 | 15/Nov/2013 | 0.804 | 0.615 | 5.0 | 0.0 | 5.0 | 0.0 | 5.0 |
| 24/May/2013 | 23/Aug/2013 | 0.650 | 0.591 | 2.0 | 0.0 | 0.0 | 2.0 | 2.0 |
| 31/May/2013 | 30/Aug/2013 | 0.627 | 0.592 | 6.0 | 0.0 | 6.0 | 0.0 | 6.0 |
| 06/Jun/2013 | 06/Sep/2013 | 0.617 | 0.594 | 5.6 | 0.0 | 4.0 | 1.6 | 5.6 |
| 14/Jun/2013 | 13/Sep/2013 | 0.609 | 0.595 | 2.4 | 0.0 | 2.0 | 0.4 | 2.4 |
| 14/Jun/2013 | 12/Dec/2013 | 0.746 | 0.624 | 5.0 | 0.0 | 5.0 | 0.0 | 5.0 |
| 21/Jun/2013 | 20/Sep/2013 | 0.599 | 0.597 | 4.5 | 0.0 | 0.0 | 4.5 | 4.5 |
| 28/Jun/2013 | 27/Sep/2013 | 0.591 | 0.598 | 19.0 | 0.0 | 16.0 | 3.0 | 19.0 |
| Total | | | | 334.0 | 1.9 | 289.5 | 46.4 | 335.9 |

[1] Amounts are at nominal prices.

[2] OMFIs include the money market funds.

[3] Includes the Malta Government sinking fund.

[4] 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] *(as at end-June 2013)*

*EUR millions*

| Coupon rate (%) | Year of maturity | Year of issue | Issue price[2] | ISMA Yield (%)[5] | Interest dates | Held by | | Amount |
|---|---|---|---|---|---|---|---|---|
| | | | | | | MFIs[6] | Others | |
| 7.80 | 2013 (I) | 1997 | 100 | 0.69 | 18/04 - 18/10 | 45.9 | 33.9 | 79.8 |
| 7.00 | 2013 (III) | 2003 | 100 | 0.73 | 30/06 - 30/12 | 0.0 | 0.2 | 0.2 |
| 3.60 | 2013 (IV)[4] | 2009 | 100 | N/A | 18/04 - 18/10 | 68.4 | 72.1 | 140.5 |
| 6.60 | 2014 (I)[4] | 2000 | 100 | 0.77 | 30/03 - 30/09 | 11.0 | 13.5 | 24.5 |
| 6.45 | 2014 (II)[4] | 2001 | 100 | 0.79 | 24/05 - 24/11 | 30.9 | 39.0 | 69.9 |
| 5.10 | 2014 (III)[4] | 03/04/06/07/08 | 100/103.25/103.64/ 105.5 | 0.76 | 06/01 - 06/07 | 178.7 | 210.2 | 388.9 |
| 7.00 | 2014 (IV)[3] | 2004 | 100 | 0.80 | 30/06 - 30/12 | 0.0 | 4.0 | 4.0 |
| 6.10 | 2015 (I)[4] | 2000 | 100 | 0.83 | 10/06 - 10/12 | 36.4 | 33.5 | 69.9 |
| 5.90 | 2015 (II)[4] | 02/03/07 | 100/102/105 | 0.97 | 09/04 - 09/10 | 40.7 | 75.8 | 116.5 |
| 7.00 | 2015 (III)[3] | 2005 | 100 | 1.06 | 30/06 - 30/12 | 0.0 | 0.7 | 0.7 |
| 7.00 | 2015 (IV)[3] | 2005 | 100 | 1.06 | 03/05 - 03/11 | 0.0 | 0.8 | 0.8 |
| 3.75 | 2015 (VI)[4] | 2010 | 100 | 1.03 | 03/06 - 03/12 | 96.2 | 35.3 | 131.5 |
| 6.65 | 2016 (I)[4] | 2001 | 100 | 1.14 | 28/03 - 28/09 | 12.6 | 57.2 | 69.9 |
| 4.80 | 2016 (II)[4] | 03/04/06 | 100/101/104 | 1.39 | 26/05 - 26/11 | 77.7 | 108.7 | 186.4 |
| 7.00 | 2016 (III)[3] | 2006 | 100 | 1.44 | 30/06 - 30/12 | 0.0 | 3.4 | 3.4 |
| 4.30 | 2016 (IV)[3] | 2011 | 100.93 | 1.28 | 16/02 - 16/08 | 133.1 | 25.1 | 158.1 |
| 3.75 | 2017 (IV)[4] | 2012 | 102 | 1.70 | 20/02 - 20/08 | 31.9 | 40.1 | 72.0 |
| 7.00 | 2017 (I)[3] | 2007 | 100 | 1.93 | 18/02 - 18/08 | 0.0 | 0.7 | 0.7 |
| 7.00 | 2017 (II)[3] | 2007 | 100 | 1.93 | 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 | 1.83 | 06/05 - 06/11 | 163.8 | 100.0 | 263.9 |
| 3.85 | 2018 (V)[4] | 2012 | 105.26 | 2.11 | 18/04 - 18/10 | 116.1 | 5.3 | 121.4 |
| 7.80 | 2018 (I) | 1998 | 100 | 2.18 | 15/01 - 15/07 | 74.1 | 89.0 | 163.1 |
| 7.00 | 2018 (II)[3] | 2008 | 100 | 2.33 | 18/04 - 18/10 | 0.0 | 0.3 | 0.3 |
| 7.00 | 2018 (III)[3] | 2008 | 100 | 2.33 | 30/06 - 30/12 | 0.0 | 6.5 | 6.5 |
| 6.60 | 2019 (I) | 1999 | 100 | 2.54 | 01/03 - 01/09 | 48.5 | 54.0 | 102.5 |
| 3.00 | 2019 (III) R | 2013 | 100.5 | 2.56 | 22/03 - 22/09 | 3.2 | 9.7 | 12.8 |
| 3.00 | 2019 (III) I | 2013 | 100.5 | 2.56 | 22/03 - 22/09 | 23.0 | 8.8 | 31.8 |
| 3.00 | 2019 (III) FI R MAY | 2013 | 102.25 | 2.56 | 22/03 - 22/09 | 4.1 | 13.8 | 17.9 |
| 3.00 | 2019 (III) FI I MAY | 2013 | 103.12 | 2.56 | 22/03 - 22/09 | 20.0 | 0.5 | 20.5 |
| 7.00 | 2019 (II)[3] | 2009 | 100 | 2.64 | 30/06 - 30/12 | 0.0 | 13.7 | 13.7 |
| 5.20 | 2020 (I)[4] | 2007 | 100 | 2.77 | 10/06 - 10/12 | 11.6 | 40.8 | 52.4 |
| 4.60 | 2020 (II)[4] | 2009 | 100 | 2.74 | 25/04 - 25/10 | 66.8 | 91.5 | 158.3 |
| 7.00 | 2020 (III)[3] | 2010 | 100 | 2.91 | 30/06 - 30/12 | 0.0 | 0.4 | 0.4 |
| 5.00 | 2021 (I)[4] | 04/05/07/08 | 98.5/100 | 3.07 | 08/02 - 08/08 | 152.4 | 306.4 | 458.8 |
| 7.00 | 2021 (II)[4] | 2011 | 100 | 3.21 | 18/06 - 18/12 | 0.0 | 0.5 | 0.5 |
| 7.00 | 2021 (III)[4] | 2011 | 100 | 3.21 | 30/06 - 30/12 | 0.0 | 2.9 | 2.9 |
| 5.10 | 2022 (I)[4] | 2004 | 100 | 3.33 | 16/02 - 16/08 | 10.5 | 60.6 | 71.0 |
| 4.30 | 2022 (II)[4] | 2012 | 100.31 | 3.32 | 15/05 - 15/11 | 121.1 | 119.0 | 240.2 |
| 7.00 | 2022 (III)[3] | 2012 | 100 | 3.33 | 01/09 - 01/03 | 0.0 | 1.3 | 1.3 |
| 5.50 | 2023 (I)[4] | 2003 | 100 | 3.32 | 06/01 - 06/07 | 19.3 | 59.5 | 78.8 |
| 4.80 | 2028 (I) | 2012 | 101.04 | 4.37 | 11/03 - 11/09 | 16.4 | 90.6 | 107.0 |
| 4.50 | 2028 (II) | 2013 | 100 | 4.39 | 25/04 - 25/10 | 20.4 | 134.7 | 155.1 |
| 4.50 | 2028 (II) FI R MAY | 2013 | 101.5 | 4.39 | 25/04 - 25/10 | 3.8 | 127.2 | 131.1 |
| 4.50 | 2028 (II) FI I MAY | 2013 | 102.53 | 4.39 | 25/04 - 25/10 | 0.0 | 0.5 | 0.5 |
| 5.10 | 2029 (I)[4] | 2012 | 101.12/101 | 4.45 | 01/04 - 01/10 | 13.3 | 65.8 | 79.1 |
| 5.25 | 2030 (I)[4] | 2010 | 100 | 4.52 | 23/06 - 23/12 | 104.5 | 335.7 | 440.2 |
| 5.20 | 2031 (I)[4] I | 2011 | 102.88 | 4.56 | 16-03 - 16/09 | 19.4 | 181.9 | 201.3 |
| F.R. 6-mth Euribor[7] | 2013 (VI)[4] | 2010 | 100 | 0.828[8], 26.53[9] | 11/08 - 11/02 | 30.0 | 0.0 | 30.0 |
| F.R. 6-mth Euribor[7] | 2014 (V)[4] | 2011 | 100.28 | 0.743[8], 32.19[9] | 23/05 - 23/11 | 24.0 | 0.0 | 24.0 |
| F.R. 6-mth Euribor[7] | 2015 (V)[4] | 2009 | 100 | 1.700[8], (22.19)[9] | 25/04 - 25/10 | 13.5 | 16.3 | 29.8 |
| F.R. 6-mth Euribor[7] | 2017 (V)[4] | 2012 | 100.2 | 1.228[8], (14.86)[9] | 05/03 - 05/09 | 25.0 | 0.0 | 25.0 |
| F.R. 6-mth Euribor[7] | 2018 (IV)[4] | 2012 | 99.33 | 1.428[8], 18.82[9] | 05/03 - 05/09 | 30.5 | 0.9 | 31.4 |
| Total | | | | | | 1,898.9 | 2,702.5 | 4,601.4 |

[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 |
|---|---|---|---|---|---|---|
| 2005 | 103.5 | 655.5 | 992.7 | 463.5 | 406.1 | 2,621.3 |
| 2006 | 163.1 | 971.8 | 817.8 | 592.8 | 78.8 | 2,624.3 |
| 2007 | 93.2 | 1,037.4 | 889.6 | 662.5 | 78.8 | 2,761.4 |
| 2008 | 208.2 | 969.7 | 1,115.7 | 668.9 | 0.0 | 2,962.5 |
| 2009 | 191.1 | 1,552.8 | 774.4 | 705.8 | 0.0 | 3,224.2 |
| 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** | | | | | | |
| Mar. | 356.9 | 1,787.8 | 1,463.9 | 519.0 | 201.3 | 4,328.9 |
| June | 416.9 | 1,647.3 | 1,282.4 | 360.9 | 720.7 | 4,428.2 |
| Sep. | 230.1 | 1,638.4 | 1,547.7 | 80.1 | 720.6 | 4,216.7 |
| Dec. | 370.3 | 1,650.1 | 1,424.8 | 78.8 | 827.7 | 4,351.6 |
| **2013** | | | | | | |
| Mar. | 387.5 | 1,625.6 | 1,469.4 | 78.8 | 982.7 | 4,544.0 |
| June | 274.9 | 1,747.1 | 1,386.3 | 78.8 | 1,114.3 | 4,601.4 |

[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 | |
| 2005 | 17.0 | 142.1 | 0.0 | 10.7 | 0.0 | 1.6 | 171.3 |
| 2006 | 0.0 | 134.4 | 1.0 | 5.6 | 0.0 | 1.3 | 142.3 |
| 2007 | 0.1 | 126.6 | 0.0 | 3.2 | 0.0 | 1.0 | 131.0 |
| 2008[3] | 1.5 | 115.2 | 0.4 | 1.1 | 0.0 | 0.9 | 119.1 |
| 2009[3] | 1.7 | 98.9 | 0.0 | 1.0 | 0.0 | 0.7 | 102.3 |
| 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 |
| **2012[3]** | | | | | | | |
| Mar. | 1.1 | 127.9 | 0.0 | 0.7 | 0.0 | 0.5 | 130.3 |
| June | 1.1 | 162.9 | 0.0 | 0.7 | 0.2 | 0.2 | 165.1 |
| Sep. | 1.1 | 165.4 | 0.0 | 0.6 | 0.2 | 0.2 | 167.6 |
| Dec. | 0.3 | 196.8 | 0.0 | 0.5 | 0.1 | 0.2 | 197.9 |
| **2013[3]** | | | | | | | |
| Mar. | 0.3 | 198.7 | 0.0 | 0.6 | 0.1 | 0.2 | 199.8 |
| June | 0.0 | 215.9 | 0.0 | 0.5 | 0.0 | 0.2 | 216.6 |

[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 |
|---|---|---|---|---|---|---|
| 2005 | 1.1797 | 0.6853 | 138.90 | 1.5551 | 1.6109 | 1.3725 |
| 2006 | 1.3170 | 0.6715 | 156.93 | 1.6069 | 1.6691 | 1.5281 |
| 2007 | 1.4721 | 0.7334 | 164.93 | 1.6547 | 1.6757 | 1.4449 |
| 2008 | 1.3917 | 0.9525 | 126.14 | 1.4850 | 2.0274 | 1.6998 |
| 2009 | 1.4406 | 0.8881 | 133.16 | 1.4836 | 1.6008 | 1.5128 |
| 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** | | | | | | |
| Jan. | 1.3176 | 0.8351 | 100.63 | 1.2048 | 1.2366 | 1.3134 |
| Feb. | 1.3443 | 0.8439 | 107.92 | 1.2051 | 1.2414 | 1.3282 |
| Mar. | 1.3356 | 0.8339 | 109.56 | 1.2045 | 1.2836 | 1.3311 |
| Apr. | 1.3214 | 0.8130 | 105.85 | 1.2018 | 1.2684 | 1.2985 |
| May | 1.2403 | 0.7999 | 97.66 | 1.2010 | 1.2736 | 1.2761 |
| June | 1.2590 | 0.8068 | 100.13 | 1.2030 | 1.2339 | 1.2871 |
| July | 1.2284 | 0.7840 | 96.03 | 1.2014 | 1.1675 | 1.2312 |
| Aug. | 1.2611 | 0.7953 | 98.96 | 1.2009 | 1.2201 | 1.2487 |
| Sep. | 1.2930 | 0.7981 | 100.37 | 1.2099 | 1.2396 | 1.2684 |
| Oct. | 1.2993 | 0.8065 | 103.78 | 1.2076 | 1.2528 | 1.3005 |
| Nov. | 1.2986 | 0.8108 | 107.37 | 1.2054 | 1.2474 | 1.2904 |
| Dec. | 1.3194 | 0.8161 | 113.61 | 1.2072 | 1.2712 | 1.3137 |
| **2013** | | | | | | |
| Jan. | 1.3550 | 0.8570 | 123.32 | 1.2342 | 1.3009 | 1.3577 |
| Feb. | 1.3129 | 0.8630 | 121.07 | 1.2209 | 1.2809 | 1.3461 |
| Mar. | 1.2805 | 0.8456 | 120.87 | 1.2195 | 1.2308 | 1.3021 |
| Apr. | 1.3072 | 0.8443 | 127.35 | 1.2238 | 1.2649 | 1.3213 |
| May | 1.3006 | 0.8537 | 130.47 | 1.2406 | 1.3540 | 1.3434 |
| June | 1.3080 | 0.8572 | 129.39 | 1.2338 | 1.4171 | 1.3714 |

[1] All the above exchange rates denote units of currency per one euro.

Source: ECB.

## Exchange Rates, External Transactions and Positions

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

| Period | USD | GBP | JPY | CHF | AUD | CAD |
|---|---|---|---|---|---|---|
| 2005 | 1.2441 | 0.6838 | 136.85 | 1.5483 | 1.6320 | 1.5087 |
| 2006 | 1.2556 | 0.6817 | 146.02 | 1.5729 | 1.6668 | 1.4237 |
| 2007 | 1.3705 | 0.6843 | 161.25 | 1.6427 | 1.6348 | 1.4678 |
| 2008 | 1.4708 | 0.7963 | 152.45 | 1.5874 | 1.7416 | 1.5594 |
| 2009 | 1.3948 | 0.8909 | 130.34 | 1.5100 | 1.7727 | 1.5850 |
| 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 |
| **2012** | | | | | | |
| Jan. | 1.2905 | 0.8321 | 99.33 | 1.2108 | 1.2405 | 1.3073 |
| Feb. | 1.3224 | 0.8370 | 103.77 | 1.2071 | 1.2327 | 1.3193 |
| Mar. | 1.3201 | 0.8345 | 108.88 | 1.2061 | 1.2538 | 1.3121 |
| Apr. | 1.3162 | 0.8219 | 107.00 | 1.2023 | 1.2718 | 1.3068 |
| May | 1.2789 | 0.8037 | 101.97 | 1.2012 | 1.2825 | 1.2916 |
| June | 1.2526 | 0.8058 | 99.26 | 1.2011 | 1.2550 | 1.2874 |
| July | 1.2288 | 0.7883 | 97.07 | 1.2011 | 1.1931 | 1.2461 |
| Aug. | 1.2400 | 0.7888 | 97.58 | 1.2011 | 1.1841 | 1.2315 |
| Sep. | 1.2856 | 0.7982 | 100.49 | 1.2089 | 1.2372 | 1.2583 |
| Oct. | 1.2974 | 0.8067 | 102.47 | 1.2098 | 1.2596 | 1.2801 |
| Nov. | 1.2828 | 0.8039 | 103.94 | 1.2052 | 1.2331 | 1.2787 |
| Dec. | 1.3119 | 0.8124 | 109.71 | 1.2091 | 1.2527 | 1.2984 |
| **2013** | | | | | | |
| Jan. | 1.3288 | 0.8327 | 118.34 | 1.2288 | 1.2658 | 1.3189 |
| Feb. | 1.3359 | 0.8625 | 124.40 | 1.2298 | 1.2951 | 1.3477 |
| Mar. | 1.2964 | 0.8600 | 122.99 | 1.2266 | 1.2537 | 1.3285 |
| Apr. | 1.3026 | 0.8508 | 127.54 | 1.2199 | 1.2539 | 1.3268 |
| May | 1.2982 | 0.8491 | 131.13 | 1.2418 | 1.3133 | 1.3257 |
| June | 1.3189 | 0.8519 | 128.40 | 1.2322 | 1.3978 | 1.3596 |

[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 | | Income | | Current transfers | | Total | | |
| | Credit | Debit | Credit | Debit | Credit | Debit | Credit | Debit | | Credit | Debit |
| 2005 | 2,083.2 | 2,987.5 | 1,617.2 | 969.5 | 973.9 | 1,173.5 | 277.5 | 241.6 | -420.4 | 165.9 | 10.2 |
| 2006 | 2,575.5 | 3,541.1 | 2,049.3 | 1,407.7 | 1,462.4 | 1,636.2 | 417.0 | 423.4 | -504.1 | 158.3 | 5.6 |
| 2007[2] | 2,699.8 | 3,623.7 | 2,439.0 | 1,584.7 | 1,973.6 | 2,098.4 | 640.1 | 668.6 | -222.8 | 75.5 | 6.8 |
| 2008[2] | 2,526.0 | 3,759.7 | 2,936.5 | 1,819.6 | 2,212.7 | 2,373.7 | 903.1 | 910.3 | -285.0 | 36.2 | 11.6 |
| 2009[2] | 2,034.6 | 3,159.5 | 2,836.2 | 1,847.0 | 1,653.1 | 2,087.8 | 1,429.2 | 1,389.0 | -530.2 | 103.9 | 9.1 |
| 2010[2] | 2,638.5 | 3,796.8 | 3,278.3 | 2,114.0 | 1,633.9 | 2,062.7 | 1,295.4 | 1,256.4 | -383.8 | 118.1 | 25.6 |
| 2011[2] | 2,967.7 | 4,031.2 | 3,623.5 | 2,304.2 | 1,657.3 | 1,973.7 | 891.0 | 864.0 | -33.6 | 110.9 | 21.7 |
| 2012[2] | 3,279.6 | 4,251.4 | 3,801.9 | 2,370.5 | 1,844.8 | 2,254.1 | 945.1 | 885.9 | 109.4 | 98.2 | 6.8 |
| **2012[2]** | | | | | | | | | | | |
| Q1 | 808.5 | 973.9 | 799.5 | 552.2 | 466.5 | 605.3 | 210.8 | 224.2 | -70.4 | 5.6 | 1.6 |
| Q2 | 888.9 | 1,201.7 | 967.5 | 596.8 | 491.0 | 575.1 | 255.9 | 221.5 | 8.3 | 6.3 | 1.8 |
| Q3 | 774.3 | 1,066.7 | 1,145.7 | 621.9 | 467.1 | 550.6 | 235.4 | 219.9 | 163.5 | 55.6 | 1.8 |
| Q4 | 807.9 | 1,009.2 | 889.1 | 599.5 | 420.2 | 523.1 | 242.9 | 220.3 | 8.1 | 30.7 | 1.6 |
| **2013[2]** | | | | | | | | | | | |
| Q1 | 744.9 | 973.9 | 798.7 | 569.6 | 431.9 | 570.1 | 260.1 | 235.6 | -113.7 | 52.6 | 1.8 |
| Q2 | 701.2 | 937.4 | 1,007.0 | 596.4 | 413.0 | 527.9 | 229.2 | 203.2 | 85.4 | 17.4 | 1.6 |

*EUR millions*

| Period | Financial account [1] | | | | | | | | | | Errors & omissions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Direct investment | | Portfolio investment | | Financial derivatives | | Other investment | | Official reserve assets | Total | |
| | Abroad | In Malta | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities | | | |
| 2005 | 16.6 | 543.5 | -2,166.2 | 28.8 | -14.6 | -3.8 | -2,261.6 | 4,344.9 | -187.8 | 299.8 | -35.1 |
| 2006[2] | -23.8 | 1,469.6 | -1,965.1 | -15.3 | 40.5 | -15.6 | -3,291.2 | 4,199.4 | -83.0 | 315.5 | 36.0 |
| 2007[2] | -5.0 | 557.0 | 366.0 | -0.2 | -127.9 | 251.1 | -7,617.8 | 7,101.8 | -326.5 | 198.6 | -44.4 |
| 2008[2] | -311.4 | 642.3 | 201.6 | 167.0 | 27.9 | -372.2 | -4,412.7 | 4,133.0 | 108.7 | 184.0 | 76.4 |
| 2009[2] | -98.6 | 286.6 | -1,906.6 | -25.7 | -6.7 | -112.1 | 4,091.2 | -2,298.7 | -2.4 | -73.1 | 508.5 |
| 2010[2] | -98.7 | 702.5 | -3,212.0 | 1.8 | -40.0 | 67.8 | 535.2 | 1,796.8 | -23.6 | -270.3 | 561.6 |
| 2011[2] | -2.3 | 181.9 | -3,104.0 | -0.4 | -13.3 | 37.6 | 1,488.6 | 1,068.9 | 52.9 | -290.2 | 234.6 |
| 2012[2] | 75.4 | -25.5 | -1,611.7 | 8.7 | -19.1 | 44.4 | -61.7 | 1,088.2 | -121.4 | -622.8 | 422.0 |
| **2012[2]** | | | | | | | | | | | |
| Q1 | -8.2 | -96.8 | 154.4 | -4.0 | 56.8 | -6.3 | -439.9 | 252.1 | -126.1 | -218.0 | 284.5 |
| Q2 | -8.7 | -33.9 | -712.5 | -1.5 | -44.0 | 55.1 | -118.5 | 755.8 | -18.3 | -126.7 | 113.8 |
| Q3 | 54.2 | 82.3 | -464.1 | 10.7 | -32.2 | 13.9 | -379.1 | 542.3 | 24.5 | -147.4 | -69.9 |
| Q4 | 38.2 | 22.9 | -589.6 | 3.6 | 0.4 | -18.3 | 875.7 | -462.0 | -1.6 | -130.7 | 93.6 |
| **2013[2]** | | | | | | | | | | | |
| Q1 | 8.5 | -43.5 | -482.3 | 45.7 | 28.3 | -12.0 | -953.0 | 1,276.6 | 45.8 | -85.9 | 148.8 |
| Q2 | 17.6 | 136.8 | -1,576.6 | 2.7 | 21.4 | 5.0 | 152.8 | 921.4 | 15.2 | -303.6 | 202.5 |

[1] A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.

[2] Provisional.

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] | |
| 2005 | 1.9 | 38.9 | 48.8 | 676.9 | 1,420.3 | 2.0 | 2,188.9 |
| 2006 | 3.1 | 39.0 | 46.2 | 827.6 | 1,325.3 | -0.6 | 2,240.6 |
| 2007 | 8.8 | 40.8 | 43.5 | 1,491.0 | 966.5 | 10.8 | 2,561.4 |
| 2008[3] | 3.7 | 12.9 | 44.6 | 107.5 | 88.7 | 10.9 | 268.3 |
| 2009[3] | 4.5 | 104.3 | 36.1 | 90.2 | 145.7 | -7.0 | 373.7 |
| 2010[3] | 3.3 | 111.0 | 35.8 | 75.2 | 178.5 | 1.1 | 404.9 |
| 2011[3] | 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 |
| **2012[3]** | | | | | | | |
| July | 10.4 | 111.8 | 58.1 | 41.6 | 319.2 | -9.0 | 532.1 |
| Aug. | 9.3 | 110.0 | 57.2 | 30.9 | 301.5 | 4.8 | 513.7 |
| Sep. | 8.7 | 108.6 | 57.1 | 83.4 | 286.6 | 10.5 | 554.9 |
| Oct. | 8.3 | 107.9 | 56.7 | 47.5 | 278.8 | 9.1 | 508.3 |
| Nov. | 9.5 | 107.5 | 56.5 | 20.8 | 275.5 | 1.9 | 471.7 |
| Dec. | 12.0 | 106.1 | 55.8 | 81.7 | 271.2 | 6.9 | 533.8 |
| **2013[3]** | | | | | | | |
| Jan. | 11.8 | 103.6 | 54.4 | 10.4 | 273.7 | 7.6 | 461.5 |
| Feb. | 12.5 | 103.2 | 55.2 | 16.1 | 264.0 | 9.1 | 460.1 |
| Mar. | 12.9 | 104.6 | 56.4 | 40.4 | 274.3 | -1.8 | 486.7 |
| Apr. | 14.3 | 103.3 | 55.7 | 20.8 | 280.3 | 1.2 | 475.5 |
| May | 13.8 | 103.2 | 55.6 | 8.2 | 275.8 | -2.8 | 453.7 |
| June | 11.7 | 102.9 | 56.6 | 9.5 | 268.0 | 0.5 | 449.3 |

[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) |
|---|---|---|---|---|---|---|---|---|---|---|
| | Abroad | In Malta | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities | | |
| 2005 | 840.5 | 3,645.5 | 10,053.9 | 413.0 | 42.3 | 44.2 | 9,595.9 | 16,839.5 | 2,188.9 | 1,779.4 |
| 2006[1] | 866.9 | 4,954.9 | 11,371.0 | 408.1 | 34.4 | 49.3 | 12,290.1 | 19,969.4 | 2,240.6 | 1,421.3 |
| 2007[1] | 838.3 | 5,537.5 | 10,694.7 | 406.9 | 106.8 | 79.1 | 19,498.0 | 26,563.8 | 2,561.4 | 1,111.9 |
| 2008[1] | 896.8 | 5,693.5 | 10,188.1 | 551.0 | 276.8 | 281.7 | 25,885.9 | 30,650.5 | 268.3 | 339.2 |
| 2009[1] | 1,207.6 | 6,266.6 | 12,441.5 | 502.2 | 138.2 | 177.8 | 21,664.7 | 27,994.7 | 373.7 | 884.5 |
| 2010[1] | 1,289.0 | 12,116.5 | 15,577.4 | 506.2 | 217.3 | 307.6 | 26,963.9 | 30,881.3 | 404.9 | 641.0 |
| 2011[1] | 1,090.4 | 11,963.2 | 17,168.4 | 472.0 | 301.4 | 377.3 | 25,632.6 | 31,215.6 | 395.9 | 560.5 |
| 2012[1] | 1,067.6 | 12,339.3 | 20,046.4 | 507.0 | 302.9 | 455.1 | 25,398.6 | 32,350.3 | 533.8 | 1,697.5 |
| **2012[1]** | | | | | | | | | | |
| Mar. | 1,121.0 | 11,869.8 | 17,895.1 | 477.0 | 240.2 | 365.6 | 25,795.3 | 31,552.7 | 512.2 | 1,298.8 |
| June | 1,140.8 | 11,993.0 | 19,117.6 | 478.4 | 298.5 | 469.1 | 26,439.7 | 33,085.6 | 549.8 | 1,520.2 |
| Sep. | 1,096.2 | 12,291.7 | 19,410.0 | 483.4 | 335.2 | 480.5 | 26,577.6 | 33,200.9 | 555.0 | 1,517.6 |
| Dec. | 1,067.6 | 12,339.3 | 20,046.4 | 507.0 | 302.9 | 455.1 | 25,398.6 | 32,350.3 | 533.8 | 1,697.5 |

[1] Provisional.

Source: NSO.

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

*EUR millions*

| | 2009[2] | 2010[2] | 2011[2] | 2012[2] | 2013[2] | |
|---|---|---|---|---|---|---|
| | | | | | Mar. | June |
| **General Government** | 290.9 | 266.6 | 292.0 | 461.5 | 501.9 | 523.9 |
| *Short-term* | 90.5 | 75.1 | 93.6 | 144.0 | 141.5 | 145.0 |
| Money market instruments | 31.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade credits | 59.0 | 75.1 | 93.6 | 144.0 | 141.5 | 145.0 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Long-term* | 200.4 | 191.6 | 198.3 | 317.5 | 360.4 | 378.8 |
| Bonds and notes | 98.1 | 103.9 | 106.6 | 116.9 | 154.0 | 158.7 |
| Loans | 102.3 | 87.7 | 90.3 | 199.5 | 205.3 | 219.1 |
| Trade credits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other debt liabilities | 0.0 | 0.0 | 1.4 | 1.1 | 1.1 | 1.0 |
| **Monetary Authorities** | 826.3 | 1,228.9 | 426.0 | 206.0 | 766.0 | 929.7 |
| *Short-term* | 826.3 | 1,228.9 | 426.0 | 206.0 | 766.0 | 929.7 |
| Money market instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans | 0.0 | 0.0 | 0.0 | 0.0 | 757.7 | 924.7 |
| Currency and deposits | 826.3 | 1,228.9 | 426.0 | 206.0 | 8.3 | 5.0 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Long-term* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **OMFIs[3]** | 25,835.3 | 28,068.4 | 29,077.6 | 29,993.5 | 31,045.9 | 31,061.4 |
| *Short-term* | 20,616.8 | 21,558.3 | 22,525.7 | 24,249.1 | 23,617.8 | 22,582.9 |
| Money market instruments | 3.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans | 7,299.9 | 4,753.7 | 6,865.8 | 6,687.6 | 7,423.2 | 8,474.2 |
| Currency and deposits | 13,181.4 | 16,623.0 | 15,544.7 | 17,433.3 | 16,085.5 | 13,970.6 |
| Other debt liabilities | 132.1 | 181.6 | 115.2 | 128.2 | 109.1 | 138.0 |
| *Long-term* | 5,218.5 | 6,510.1 | 6,551.9 | 5,744.4 | 7,427.5 | 8,478.5 |
| Bonds and notes | 13.9 | 14.9 | 4.0 | 4.5 | 4.3 | 4.3 |
| Loans | 5,111.1 | 6,495.2 | 6,548.0 | 5,739.8 | 7,423.2 | 8,474.2 |
| Currency and deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other debt liabilities | 93.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Other Sectors[4]** | 1,426.4 | 1,682.6 | 1,817.5 | 2,083.2 | 2,201.9 | 2,280.4 |
| *Short-term* | 727.5 | 882.8 | 1,003.8 | 1,276.1 | 1,365.7 | 1,438.4 |
| Money market instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans | 30.7 | 14.1 | 18.3 | 26.8 | 31.3 | 30.8 |
| Currency and deposits | 112.0 | 112.9 | 123.2 | 133.8 | 136.4 | 139.1 |
| Trade credits | 584.8 | 755.8 | 862.3 | 1,115.5 | 1,198.0 | 1,268.5 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Long-term* | 698.9 | 799.8 | 813.8 | 807.1 | 836.2 | 842.0 |
| Bonds and notes | 210.6 | 212.4 | 218.6 | 217.1 | 220.4 | 216.8 |
| Loans | 453.2 | 573.7 | 585.2 | 574.3 | 598.6 | 606.2 |
| Currency and deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade credits | 35.0 | 13.8 | 10.0 | 15.7 | 17.2 | 19.1 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Direct Investment: Intercompany lending** | 1,477.5 | 1,645.6 | 1,899.0 | 2,283.5 | 2,399.5 | 2,494.3 |
| Debt liabilities to affiliated enterprises | 95.3 | 114.0 | 133.6 | 194.0 | 208.5 | 215.2 |
| Debt liabilities to direct investors | 1,382.2 | 1,531.6 | 1,765.4 | 2,089.5 | 2,191.0 | 2,279.1 |
| **Gross External Debt** | **29,856.4** | **32,892.2** | **33,512.2** | **35,027.6** | **36,915.2** | **37,289.6** |
| **of which: OMFIs** | **25,835.3** | **28,068.4** | **29,077.6** | **29,993.5** | **31,045.9** | **31,061.4** |
| **Gross External Debt excluding OMFIs' debt liabilities** | **4,021.1** | **4,823.8** | **4,434.6** | **5,034.1** | **5,869.3** | **6,228.2** |

[1] Gross external debt illustrates only a fraction of the overall International Investment Position of Malta with other countries. Gross external debt data do not comprise Malta's claims vis-à-vis other countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found in Table 3.4. Moreover, Malta's net external debt position is shown in Table 3.5b.

[2] Provisional.

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

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

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

*EUR millions*

| | 2009[2] | 2010[2] | 2011[2] | 2012[2] | 2013[2] | |
|---|---|---|---|---|---|---|
| | | | | | Mar. | June |
| **General Government** | 266.0 | 178.2 | 167.5 | 138.6 | 205.5 | 206.1 |
| *Short-term* | 65.6 | 19.8 | 48.5 | 20.8 | 50.5 | 54.4 |
| Money market instruments | 31.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency and deposits | -0.1 | -0.3 | -0.2 | -0.2 | -0.2 | -0.1 |
| Trade credits | 34.2 | 20.2 | 48.7 | 21.0 | 50.7 | 54.5 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Long-term* | 200.4 | 158.4 | 119.0 | 117.8 | 155.0 | 151.8 |
| Bonds and notes | 98.1 | 103.9 | 106.6 | 116.9 | 154.0 | 158.7 |
| Loans | 102.3 | 67.9 | 23.7 | 10.7 | 10.6 | 2.4 |
| Currency and deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade credits | 0.0 | -13.4 | -12.7 | -11.0 | -10.7 | -10.4 |
| Other Debt Liabilities | 0.0 | 0.0 | 1.4 | 1.1 | 1.1 | 1.0 |
| **Monetary Authorities** | -678.4 | -754.8 | -1,942.8 | -2,394.5 | -2,258.7 | -1,959.7 |
| *Short-term* | 557.2 | 968.6 | 119.4 | -19.3 | 12.9 | 446.1 |
| Money market instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans | 0.0 | 0.0 | 0.0 | 0.0 | 757.7 | 924.7 |
| Currency and deposits | 557.2 | 968.6 | 119.4 | -19.3 | -744.8 | -478.6 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Long-term* | -1,235.5 | -1,723.4 | -2,062.2 | -2,375.2 | -2,271.5 | -2,405.9 |
| Bonds and notes | -1,222.3 | -1,709.2 | -2,045.8 | -2,359.5 | -2,256.2 | -2,390.4 |
| Loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade credits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other debt liabilities | -13.2 | -14.2 | -16.3 | -15.8 | -15.3 | -15.5 |
| **OMFIs** | -4,047.9 | -9,690.0 | -8,388.6 | -9,517.2 | -9,359.6 | -8,944.7 |
| *Short-term* | 14,057.2 | 12,029.9 | 13,046.0 | 14,144.7 | 12,422.6 | 10,550.0 |
| Money market instruments | -198.8 | -173.3 | -2.0 | -0.1 | -0.1 | -0.1 |
| Loans | 6,049.5 | 2,637.2 | 6,458.6 | 6,557.8 | 6,985.7 | 7,983.8 |
| Currency and deposits | 8,167.8 | 9,489.8 | 6,523.1 | 7,550.7 | 5,396.1 | 2,487.2 |
| Other debt liabilities | 38.7 | 76.3 | 66.4 | 36.3 | 40.9 | 79.1 |
| *Long-term* | -18,105.1 | -21,719.9 | -21,434.6 | -23,661.9 | -21,782.3 | -19,494.7 |
| Bonds and notes | -9,535.1 | -12,141.3 | -13,568.9 | -16,079.8 | -16,385.7 | -16,627.6 |
| Loans | -8,598.3 | -9,578.6 | -7,865.7 | -7,582.1 | -5,396.6 | -2,867.0 |
| Currency and deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other debt liabilities | 28.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Other Sectors[3]** | -709.2 | -446.0 | -539.6 | -658.9 | -625.4 | -588.7 |
| *Short-term* | -556.6 | -361.5 | -406.6 | -407.5 | -395.5 | -369.1 |
| Money market instruments | -0.8 | -0.9 | 0.0 | 0.0 | -0.8 | -0.9 |
| Loans | -15.2 | -20.7 | -28.0 | -25.6 | -10.1 | -9.0 |
| Currency and deposits | -550.7 | -568.4 | -625.2 | -669.4 | -710.2 | -705.6 |
| Trade credits | 10.1 | 228.4 | 246.6 | 287.6 | 325.6 | 346.4 |
| Other debt liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Long-term* | -152.6 | -84.5 | -132.9 | -251.4 | -229.9 | -219.6 |
| Bonds and notes | -560.1 | -585.8 | -641.4 | -731.1 | -732.6 | -719.7 |
| Loans | 379.1 | 496.1 | 507.6 | 496.9 | 518.7 | 526.3 |
| Currency and deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade credits | 35.0 | 11.9 | 9.1 | 15.0 | 16.3 | 18.2 |
| Other debt liabilities | -6.6 | -6.6 | -8.3 | -32.2 | -32.3 | -44.4 |
| **Direct Investment: Intercompany Lending** | 141.0 | 159.2 | 300.6 | 209.2 | 265.9 | 364.3 |
| Debt Liabilities to affiliated enterprises | -365.1 | -363.9 | -221.5 | -192.9 | -181.2 | -172.8 |
| Debt Liabilities to direct investors | 506.1 | 523.0 | 522.0 | 402.1 | 447.0 | 537.1 |
| **Net External Debt** | **-5,028.4** | **-10,553.5** | **-10,402.9** | **-12,222.8** | **-11,772.3** | **-10,922.6** |
| **of which: OMFIs** | **-4,047.9** | **-9,690.0** | **-8,388.6** | **-9,517.2** | **-9,359.6** | **-8,944.7** |
| **Net External Debt Excluding OMFIs** | **-980.5** | **-863.5** | **-2,014.3** | **-2,705.6** | **-2,412.7** | **-1,978.0** |

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

[2] Provisional.

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

## Table 3.6 Malta's foreign trade[1]

*EUR millions*

| Period | Exports (f.o.b.) | Imports (c.i.f.) | Balance of trade |
|---|---|---|---|
| 2005 | 1,959.1 | 3,117.2 | (1,158.1) |
| 2006 | 2,499.9 | 3,537.1 | (1,037.2) |
| 2007[2] | 2,597.4 | 3,603.9 | (1,006.5) |
| 2008[2] | 2,455.8 | 3,897.2 | (1,441.4) |
| 2009[2] | 2,087.4 | 3,474.9 | (1,387.4) |
| 2010[2] | 2,809.3 | 4,329.5 | (1,520.2) |
| 2011[2] | 3,819.0 | 5,336.0 | (1,516.9) |
| 2012[2] | 4,431.1 | 6,173.5 | (1,742.5) |
| **2012[2]** | | | |
| Jan. | 316.6 | 444.1 | (127.5) |
| Feb. | 410.0 | 504.5 | (94.5) |
| Mar. | 298.4 | 419.4 | (120.9) |
| Apr. | 310.9 | 441.3 | (130.4) |
| May | 391.1 | 596.8 | (205.7) |
| June | 349.7 | 617.7 | (268.1) |
| July | 437.4 | 784.3 | (346.9) |
| Aug. | 420.3 | 529.7 | (109.4) |
| Sep. | 410.7 | 467.2 | (56.6) |
| Oct. | 337.9 | 405.0 | (67.1) |
| Nov. | 388.3 | 562.3 | (173.9) |
| Dec. | 359.8 | 401.2 | (41.5) |
| **2013[2]** | | | |
| Jan. | 304.2 | 411.8 | (107.7) |
| Feb. | 323.8 | 415.7 | (91.9) |
| Mar. | 381.6 | 452.6 | (71.1) |
| Apr. | 367.0 | 650.4 | (283.4) |
| May | 346.7 | 509.0 | (162.2) |
| June | 269.2 | 441.0 | (171.8) |

[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]

*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 | |
| 2005 | 283.8 | 236.3 | 100.5 | 92.9 | 713.5 | 216.2 | 75.0 | 1,004.7 | 460.9 | 263.9 | 229.6 | 1,959.1 |
| 2006 | 326.7 | 283.0 | 85.6 | 164.1 | 859.4 | 213.2 | 82.3 | 1,154.9 | 631.4 | 275.5 | 438.1 | 2,499.9 |
| 2007[2] | 271.3 | 306.8 | 90.8 | 131.7 | 800.5 | 222.1 | 86.2 | 1,108.8 | 719.9 | 246.7 | 522.1 | 2,597.4 |
| 2008[2] | 237.3 | 270.4 | 114.6 | 99.9 | 722.2 | 165.4 | 66.5 | 954.2 | 713.9 | 183.0 | 604.7 | 2,455.8 |
| 2009[2] | 187.4 | 222.0 | 105.2 | 141.9 | 656.5 | 100.5 | 63.8 | 820.7 | 528.1 | 152.3 | 586.2 | 2,087.4 |
| 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 | 358.3 | 174.2 | 212.6 | 1,042.0 | 124.6 | 129.2 | 1,295.8 | 1,012.9 | 198.0 | 1,924.4 | 4,431.1 |
| **2012[2]** | | | | | | | | | | | | |
| Jan. | 19.5 | 36.3 | 9.9 | 9.6 | 75.3 | 7.0 | 6.3 | 88.6 | 56.4 | 11.8 | 159.8 | 316.6 |
| Feb. | 28.4 | 31.7 | 12.8 | 22.4 | 95.3 | 8.1 | 8.5 | 111.8 | 65.6 | 12.4 | 220.2 | 410.0 |
| Mar. | 27.3 | 41.3 | 10.7 | 9.5 | 88.8 | 11.1 | 7.8 | 107.7 | 68.7 | 17.8 | 104.2 | 298.4 |
| Apr. | 23.4 | 31.2 | 33.6 | 13.5 | 101.7 | 11.7 | 12.5 | 125.8 | 55.2 | 13.9 | 116.1 | 310.9 |
| May | 22.0 | 30.6 | 12.5 | 27.0 | 92.0 | 13.6 | 9.6 | 115.2 | 65.8 | 18.6 | 191.6 | 391.1 |
| June | 24.3 | 24.2 | 8.4 | 31.3 | 88.2 | 9.7 | 10.9 | 108.9 | 61.8 | 13.2 | 165.9 | 349.7 |
| July | 23.2 | 29.5 | 11.1 | 7.9 | 71.8 | 7.3 | 13.7 | 92.7 | 96.1 | 33.0 | 215.5 | 437.4 |
| Aug. | 28.8 | 30.9 | 6.6 | 13.2 | 79.6 | 10.0 | 18.8 | 108.3 | 128.9 | 15.7 | 167.3 | 420.3 |
| Sep. | 33.0 | 27.9 | 10.1 | 11.3 | 82.3 | 22.9 | 12.1 | 117.3 | 80.5 | 16.6 | 196.3 | 410.7 |
| Oct. | 24.8 | 27.2 | 16.4 | 26.9 | 95.2 | 6.8 | 12.3 | 114.3 | 74.6 | 14.0 | 135.0 | 337.9 |
| Nov. | 23.9 | 31.1 | 21.7 | 14.5 | 91.2 | 10.3 | 10.6 | 112.2 | 134.8 | 15.3 | 126.0 | 388.3 |
| Dec. | 18.4 | 16.5 | 20.3 | 25.5 | 80.6 | 6.1 | 6.2 | 92.9 | 124.4 | 15.9 | 126.5 | 359.8 |
| **2013[2]** | | | | | | | | | | | | |
| Jan. | 22.3 | 24.8 | 9.3 | 22.4 | 78.9 | 8.6 | 5.8 | 93.4 | 78.8 | 15.4 | 116.6 | 304.2 |
| Feb. | 20.4 | 26.3 | 9.3 | 14.7 | 70.6 | 10.8 | 14.9 | 96.4 | 126.0 | 13.9 | 87.6 | 323.8 |
| Mar. | 22.0 | 29.2 | 13.1 | 25.4 | 89.6 | 9.4 | 12.3 | 111.2 | 94.8 | 14.7 | 160.9 | 381.6 |
| Apr. | 17.4 | 32.1 | 9.0 | 21.8 | 80.2 | 7.7 | 13.2 | 101.1 | 68.7 | 30.3 | 166.9 | 367.0 |
| May | 21.4 | 33.4 | 9.4 | 32.0 | 96.3 | 8.4 | 16.8 | 121.5 | 120.8 | 12.7 | 91.8 | 346.7 |
| June | 20.3 | 28.6 | 16.2 | 9.3 | 74.3 | 7.4 | 13.3 | 95.0 | 76.3 | 14.5 | 83.4 | 269.2 |

[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): | | | | | | | | | | | |
| | France | Germany | Italy | Other euro area | Total | UK | Other EU | Total | Asia | USA | Others | |
| 2005 | 291.3 | 280.1 | 956.7 | 334.8 | 1,862.9 | 335.9 | 67.1 | 2,266.0 | 417.6 | 162.3 | 271.3 | 3,117.2 |
| 2006 | 405.9 | 263.2 | 1,015.2 | 370.2 | 2,054.5 | 344.5 | 72.6 | 2,471.6 | 635.0 | 179.5 | 250.9 | 3,537.1 |
| 2007 | 420.1 | 290.5 | 902.7 | 375.3 | 1,988.6 | 499.6 | 103.4 | 2,591.6 | 597.2 | 206.5 | 208.6 | 3,603.9 |
| 2008[2] | 381.4 | 267.6 | 1,027.4 | 484.6 | 2,161.0 | 457.5 | 137.2 | 2,755.8 | 597.8 | 86.8 | 456.8 | 3,897.2 |
| 2009[2] | 338.9 | 272.4 | 861.0 | 463.3 | 1,935.6 | 380.3 | 109.6 | 2,425.4 | 457.7 | 124.7 | 467.0 | 3,474.9 |
| 2010[2] | 338.5 | 295.2 | 1,065.7 | 495.2 | 2,194.6 | 359.4 | 161.8 | 2,715.9 | 611.7 | 92.8 | 909.2 | 4,329.5 |
| 2011[2] | 376.1 | 317.6 | 1,443.5 | 525.0 | 2,662.2 | 362.1 | 329.7 | 3,354.0 | 641.9 | 225.3 | 1,114.7 | 5,336.0 |
| 2012[2] | 369.0 | 319.7 | 1,983.3 | 659.0 | 3,331.0 | 372.3 | 241.9 | 3,945.2 | 768.7 | 134.1 | 1,325.5 | 6,173.5 |
| **2012[2]** | | | | | | | | | | | | |
| Jan. | 17.8 | 27.5 | 93.1 | 29.7 | 168.1 | 20.6 | 9.9 | 198.6 | 140.9 | 10.4 | 94.2 | 444.1 |
| Feb. | 27.7 | 27.5 | 268.8 | 29.8 | 353.8 | 29.3 | 7.4 | 390.4 | 36.9 | 22.6 | 54.6 | 504.5 |
| Mar. | 36.8 | 34.9 | 130.8 | 50.6 | 253.1 | 47.7 | 30.3 | 331.2 | 45.0 | 4.4 | 38.8 | 419.4 |
| Apr. | 29.0 | 26.7 | 179.4 | 45.4 | 280.5 | 25.1 | 20.4 | 326.0 | 47.4 | 4.4 | 63.5 | 441.3 |
| May | 46.1 | 29.7 | 166.8 | 46.8 | 289.4 | 51.9 | 26.9 | 368.2 | 57.6 | 4.6 | 166.4 | 596.8 |
| June | 21.9 | 24.9 | 123.1 | 104.8 | 274.6 | 40.5 | 9.4 | 324.5 | 93.2 | 6.8 | 193.2 | 617.7 |
| July | 37.5 | 29.4 | 221.7 | 61.0 | 349.6 | 27.0 | 34.2 | 410.8 | 58.7 | 26.2 | 288.6 | 784.3 |
| Aug. | 22.9 | 24.3 | 213.3 | 89.3 | 349.8 | 26.0 | 43.9 | 419.7 | 66.3 | 9.4 | 34.2 | 529.7 |
| Sep. | 20.4 | 22.6 | 169.5 | 74.8 | 287.4 | 23.8 | 7.4 | 318.5 | 70.0 | 20.6 | 58.1 | 467.2 |
| Oct. | 33.1 | 25.1 | 111.1 | 55.1 | 224.4 | 34.9 | 12.2 | 271.5 | 46.5 | 17.1 | 70.0 | 405.0 |
| Nov. | 38.3 | 27.5 | 158.9 | 34.3 | 259.0 | 25.1 | 22.3 | 306.5 | 63.5 | 4.2 | 188.1 | 562.3 |
| Dec. | 37.6 | 19.6 | 146.8 | 37.4 | 241.3 | 20.4 | 17.5 | 279.2 | 42.9 | 3.3 | 75.8 | 401.2 |
| **2013[2]** | | | | | | | | | | | | |
| Jan. | 24.1 | 37.1 | 84.6 | 27.5 | 173.3 | 21.9 | 12.4 | 207.7 | 60.7 | 6.3 | 137.2 | 411.8 |
| Feb. | 20.1 | 25.2 | 79.0 | 31.0 | 155.4 | 23.3 | 13.3 | 191.9 | 68.1 | 11.6 | 144.2 | 415.7 |
| Mar. | 23.4 | 25.8 | 131.6 | 57.3 | 238.0 | 26.1 | 21.6 | 285.7 | 59.7 | 4.3 | 103.0 | 452.6 |
| Apr. | 21.4 | 31.8 | 121.3 | 131.0 | 305.5 | 31.5 | 34.1 | 371.1 | 158.7 | 10.5 | 110.0 | 650.4 |
| May | 18.2 | 27.4 | 187.5 | 50.4 | 283.5 | 34.9 | 14.1 | 332.5 | 43.9 | 16.2 | 116.4 | 509.0 |
| June | 25.1 | 22.5 | 129.5 | 42.7 | 219.8 | 18.8 | 7.4 | 246.0 | 66.2 | 14.0 | 114.8 | 441.0 |

[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.

# Real Economy Indicators

## Table 4.1a Gross domestic product, gross national income and expenditure components *(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 | | |
| 2005 | 3,116.5 | 941.2 | 1,047.6 | -12.1 | 5,093.1 | 3,700.3 | 3,855.6 | -155.3 | 4,937.8 | 4,720.0 |
| 2006 | 3,305.1 | 1,011.1 | 1,108.1 | 29.7 | 5,454.0 | 4,621.5 | 4,868.8 | -247.3 | 5,206.7 | 5,018.7 |
| 2007 | 3,400.0 | 1,041.9 | 1,175.2 | 27.8 | 5,644.9 | 5,138.8 | 5,208.3 | -69.5 | 5,575.4 | 5,433.7 |
| 2008 | 3,656.3 | 1,221.3 | 1,098.4 | 95.7 | 6,071.6 | 5,475.4 | 5,583.5 | -108.1 | 5,963.5 | 5,766.5 |
| 2009 | 3,778.7 | 1,230.6 | 1,003.2 | 79.2 | 6,091.8 | 4,870.8 | 5,006.5 | -135.7 | 5,956.0 | 5,511.6 |
| 2010 | 3,870.0 | 1,291.1 | 1,123.8 | 86.1 | 6,370.9 | 5,916.8 | 5,910.8 | 5.9 | 6,376.8 | 5,947.4 |
| 2011 | 4,030.7 | 1,353.3 | 1,001.5 | -15.1 | 6,370.4 | 6,591.2 | 6,335.4 | 255.8 | 6,626.2 | 6,301.2 |
| 2012 | 4,094.6 | 1,447.4 | 1,008.3 | -98.6 | 6,451.6 | 6,997.9 | 6,620.1 | 377.9 | 6,829.5 | 6,413.8 |
| **2012** | | | | | | | | | | |
| Q1 | 986.7 | 357.8 | 237.8 | -42.3 | 1,540.0 | 1,587.2 | 1,525.7 | 61.5 | 1,601.6 | 1,461.2 |
| Q2 | 1,001.8 | 352.9 | 266.9 | 31.4 | 1,653.0 | 1,835.6 | 1,798.0 | 37.5 | 1,690.5 | 1,604.8 |
| Q3 | 1,052.6 | 361.7 | 246.4 | -56.7 | 1,604.1 | 1,899.2 | 1,688.2 | 211.1 | 1,815.2 | 1,726.7 |
| Q4 | 1,053.4 | 375.0 | 257.1 | -31.0 | 1,654.5 | 1,675.9 | 1,608.2 | 67.7 | 1,722.2 | 1,621.1 |
| **2013** | | | | | | | | | | |
| Q1 | 994.0 | 364.6 | 240.0 | 68.3 | 1,667.0 | 1,543.0 | 1,543.0 | 0.0 | 1,667.0 | 1,528.8 |
| Q2 | 1,011.9 | 377.0 | 232.8 | -4.7 | 1,617.1 | 1,699.8 | 1,534.6 | 165.2 | 1,782.3 | 1,668.0 |

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

## Table 4.1b Gross domestic product and expenditure components *(at constant 2000 prices)*[1]

*EUR millions*

| Period | Domestic demand | | | | | External balance | | | Gross Domestic Product |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | |
| 2005 | 2,833.6 | 790.1 | 1,007.9 | -11.1 | 4,620.5 | 3,744.5 | 3,973.9 | -229.4 | 4,391.0 |
| 2006 | 2,956.7 | 835.6 | 1,003.9 | 25.9 | 4,822.2 | 4,297.6 | 4,615.4 | -317.8 | 4,504.4 |
| 2007 | 2,980.4 | 839.6 | 1,023.6 | 23.4 | 4,867.0 | 4,458.0 | 4,637.3 | -179.3 | 4,687.7 |
| 2008 | 3,103.9 | 945.9 | 884.4 | 82.1 | 5,016.3 | 4,550.6 | 4,697.1 | -146.5 | 4,869.7 |
| 2009 | 3,123.6 | 920.6 | 758.9 | 63.8 | 4,866.9 | 4,167.8 | 4,301.9 | -134.2 | 4,732.7 |
| 2010 | 3,104.8 | 935.9 | 806.0 | 66.1 | 4,912.7 | 4,845.1 | 4,833.9 | 11.2 | 4,924.0 |
| 2011 | 3,203.8 | 974.3 | 688.7 | -13.1 | 4,853.7 | 5,074.2 | 4,926.3 | 147.9 | 5,001.5 |
| 2012 | 3,196.8 | 1,023.0 | 661.5 | -72.6 | 4,808.8 | 5,430.3 | 5,198.4 | 231.9 | 5,040.7 |
| **2012** | | | | | | | | | |
| Q1 | 783.0 | 256.0 | 156.6 | -31.1 | 1,164.4 | 1,266.1 | 1,254.1 | 11.9 | 1,176.3 |
| Q2 | 772.1 | 247.9 | 169.6 | 22.3 | 1,211.9 | 1,458.4 | 1,442.3 | 16.1 | 1,228.0 |
| Q3 | 823.3 | 254.1 | 163.8 | -41.4 | 1,199.9 | 1,413.0 | 1,278.1 | 134.9 | 1,334.8 |
| Q4 | 818.3 | 265.0 | 171.6 | -22.4 | 1,232.6 | 1,292.9 | 1,223.9 | 68.9 | 1,301.5 |
| **2013** | | | | | | | | | |
| Q1 | 774.0 | 251.7 | 150.0 | 49.7 | 1,225.4 | 1,222.1 | 1,249.5 | -27.4 | 1,198.0 |
| Q2 | 759.8 | 256.6 | 146.6 | -3.1 | 1,159.8 | 1,341.4 | 1,228.5 | 112.9 | 1,272.7 |

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

## 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 | | | | | |
| 2005 | 82.6 | 138.2 | 92.4 | 151.8 | 465.0 | 482.6 | 78.0 | 1,025.6 | 145.0 | 1,170.6 |
| 2006 | 73.4 | 125.8 | 112.5 | 151.1 | 462.9 | 431.3 | 79.3 | 973.5 | 150.7 | 1,124.2 |
| 2007 | 75.1 | 130.1 | 113.7 | 177.8 | 496.7 | 482.4 | 103.5 | 1,082.6 | 160.9 | 1,243.5 |
| 2008 | 81.1 | 150.8 | 144.5 | 205.4 | 581.7 | 454.4 | 97.4 | 1,133.6 | 157.3 | 1,290.9 |
| 2009 | 71.9 | 127.4 | 161.7 | 197.8 | 558.8 | 398.5 | 87.0 | 1,044.3 | 138.1 | 1,182.5 |
| 2010 | 86.5 | 126.2 | 221.0 | 211.1 | 644.9 | 415.2 | 103.5 | 1,163.6 | 176.7 | 1,340.3 |
| 2011 | 103.6 | 134.2 | 201.5 | 212.9 | 652.2 | 438.6 | 116.8 | 1,207.6 | 207.4 | 1,415.0 |
| 2012 | 107.8 | 137.4 | 202.1 | 205.5 | 652.8 | 440.9 | 132.5 | 1,226.1 | 218.1 | 1,444.2 |
| **2012** | | | | | | | | | | |
| Jan. | 3.0 | 6.6 | 11.5 | 7.9 | 29.0 | 16.6 | 4.5 | 50.1 | 11.2 | 61.4 |
| Feb. | 3.4 | 7.1 | 6.9 | 8.1 | 25.5 | 22.3 | 3.5 | 51.3 | 10.5 | 61.8 |
| Mar. | 4.8 | 9.0 | 11.2 | 11.1 | 36.1 | 26.1 | 6.7 | 68.8 | 11.4 | 80.1 |
| Apr. | 11.5 | 13.0 | 19.0 | 18.0 | 61.5 | 37.4 | 9.7 | 108.6 | 14.4 | 123.0 |
| May | 12.8 | 12.5 | 16.6 | 19.8 | 61.8 | 40.0 | 14.0 | 115.7 | 17.9 | 133.6 |
| June | 11.5 | 13.6 | 16.8 | 21.9 | 63.8 | 47.6 | 15.0 | 126.3 | 21.0 | 147.4 |
| July | 12.6 | 12.3 | 25.1 | 26.4 | 76.3 | 46.4 | 19.4 | 142.1 | 32.7 | 174.8 |
| Aug. | 18.4 | 14.1 | 36.4 | 31.2 | 100.1 | 53.4 | 17.8 | 171.3 | 28.1 | 199.4 |
| Sep. | 11.6 | 15.7 | 21.4 | 25.0 | 73.8 | 49.6 | 16.6 | 139.9 | 23.3 | 163.3 |
| Oct. | 8.2 | 16.7 | 15.9 | 17.3 | 58.1 | 54.5 | 16.6 | 129.2 | 23.4 | 152.6 |
| Nov. | 6.5 | 10.9 | 10.3 | 10.9 | 38.6 | 27.9 | 6.0 | 72.5 | 13.0 | 85.5 |
| Dec. | 3.4 | 6.0 | 11.0 | 8.0 | 28.3 | 19.1 | 2.8 | 50.3 | 11.1 | 61.4 |
| **2013** | | | | | | | | | | |
| Jan. | 3.7 | 7.9 | 12.0 | 7.1 | 30.6 | 18.1 | 4.2 | 52.9 | 11.9 | 64.9 |
| Feb. | 2.5 | 7.7 | 9.9 | 5.9 | 26.0 | 21.9 | 3.0 | 50.9 | 10.5 | 61.4 |
| Mar. | 6.3 | 12.1 | 12.5 | 11.0 | 41.9 | 29.7 | 4.5 | 76.1 | 13.1 | 89.3 |
| Apr. | 11.2 | 13.1 | 21.0 | 20.3 | 65.6 | 39.1 | 13.0 | 117.7 | 15.5 | 133.2 |
| May | 16.0 | 11.9 | 18.0 | 25.2 | 71.1 | 43.1 | 17.6 | 131.8 | 23.6 | 155.4 |
| June | 12.2 | 13.0 | 21.5 | 21.3 | 67.9 | 48.4 | 17.3 | 133.5 | 29.3 | 162.9 |

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

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] |
| 2005 | 103.6 | 42.6 | 146.2 | 97.8 | 41.0 | 138.8 | 5.7 | 5.5 | 1.6 | 3.7 | 7.3 | 5.0 |
| 2006 | 103.7 | 43.8 | 147.5 | 98.1 | 42.1 | 140.2 | 5.5 | 5.3 | 1.7 | 3.8 | 7.1 | 4.8 |
| 2007 | 103.9 | 45.3 | 149.3 | 98.9 | 43.8 | 142.7 | 4.9 | 4.7 | 1.5 | 3.4 | 6.4 | 4.3 |
| 2008 | 104.7 | 47.4 | 152.1 | 99.9 | 46.0 | 145.9 | 4.8 | 4.5 | 1.4 | 2.9 | 6.1 | 4.0 |
| 2009 | 104.3 | 48.5 | 152.8 | 98.6 | 46.8 | 145.5 | 5.7 | 5.5 | 1.7 | 3.5 | 7.4 | 4.8 |
| 2010 | 104.0 | 49.7 | 153.7 | 98.6 | 48.3 | 146.8 | 5.4 | 5.2 | 1.5 | 2.9 | 6.9 | 4.5 |
| 2011[3] | 104.5 | 51.9 | 156.3 | 99.3 | 50.5 | 149.8 | 5.2 | 5.0 | 1.4 | 2.7 | 6.6 | 4.2 |
| 2012[3] | 105.1 | 54.1 | 159.1 | 99.8 | 52.5 | 152.3 | 5.3 | 5.0 | 1.5 | 2.8 | 6.8 | 4.3 |
| **2012[3]** | | | | | | | | | | | | |
| Jan. | 104.7 | 52.9 | 157.6 | 99.4 | 51.4 | 150.9 | 5.2 | 5.0 | 1.5 | 2.8 | 6.7 | 4.3 |
| Feb. | 104.8 | 53.1 | 157.8 | 99.3 | 51.6 | 150.9 | 5.4 | 5.2 | 1.5 | 2.8 | 6.9 | 4.4 |
| Mar. | 104.8 | 53.3 | 158.1 | 99.4 | 51.8 | 151.1 | 5.4 | 5.2 | 1.5 | 2.9 | 7.0 | 4.4 |
| Apr. | 104.9 | 53.4 | 158.3 | 99.6 | 51.9 | 151.5 | 5.3 | 5.0 | 1.5 | 2.8 | 6.8 | 4.3 |
| May | 105.0 | 53.6 | 158.6 | 99.8 | 52.2 | 151.9 | 5.2 | 5.0 | 1.5 | 2.7 | 6.7 | 4.2 |
| June | 105.2 | 54.0 | 159.2 | 100.0 | 52.5 | 152.5 | 5.2 | 5.0 | 1.5 | 2.7 | 6.7 | 4.2 |
| July | 105.5 | 54.5 | 160.0 | 100.3 | 53.0 | 153.3 | 5.2 | 4.9 | 1.5 | 2.8 | 6.7 | 4.2 |
| Aug. | 105.5 | 54.6 | 160.1 | 100.3 | 53.0 | 153.3 | 5.2 | 4.9 | 1.6 | 2.9 | 6.8 | 4.3 |
| Sep. | 105.1 | 54.6 | 159.7 | 99.8 | 53.0 | 152.8 | 5.3 | 5.0 | 1.6 | 2.9 | 6.9 | 4.3 |
| Oct. | 105.3 | 54.8 | 160.1 | 99.9 | 53.2 | 153.1 | 5.4 | 5.1 | 1.6 | 3.0 | 7.0 | 4.4 |
| Nov. | 105.3 | 55.0 | 160.4 | 99.9 | 53.4 | 153.3 | 5.5 | 5.2 | 1.6 | 3.0 | 7.1 | 4.4 |
| Dec. | 104.8 | 55.1 | 159.9 | 99.6 | 53.5 | 153.1 | 5.3 | 5.0 | 1.5 | 2.8 | 6.8 | 4.3 |
| **2013[3]** | | | | | | | | | | | | |
| Jan. | 105.4 | 55.8 | 161.2 | 99.9 | 54.1 | 154.0 | 5.6 | 5.3 | 1.8 | 3.2 | 7.3 | 4.6 |
| Feb. | 105.6 | 56.0 | 161.5 | 100.0 | 54.3 | 154.3 | 5.6 | 5.3 | 1.7 | 3.0 | 7.3 | 4.5 |
| Mar. | 105.4 | 56.1 | 161.5 | 99.8 | 54.3 | 154.1 | 5.6 | 5.3 | 1.7 | 3.1 | 7.4 | 4.6 |
| Apr. | 105.6 | 56.4 | 162.0 | 100.1 | 54.7 | 154.9 | 5.5 | 5.2 | 1.7 | 3.0 | 7.2 | 4.4 |
| May | 105.7 | 56.5 | 162.2 | 100.1 | 54.8 | 154.9 | 5.6 | 5.3 | 1.7 | 3.0 | 7.3 | 4.5 |
| June | 106.1 | 56.9 | 163.0 | 100.5 | 55.2 | 155.7 | 5.6 | 5.2 | 1.7 | 3.0 | 7.3 | 4.5 |

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

## 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] |
| 2005 | 110.5 | 51.4 | 161.9 | 103.4 | 46.9 | 150.3 | 7.1 | 6.5 | 4.5 | 8.8 | 11.6 | 7.2 |
| 2006 | 111.5 | 52.7 | 164.3 | 104.3 | 48.0 | 152.4 | 7.2 | 6.5 | 4.7 | 8.9 | 11.9 | 7.3 |
| 2007 | 113.0 | 54.2 | 167.2 | 106.3 | 50.0 | 156.4 | 6.7 | 5.9 | 4.1 | 7.6 | 10.8 | 6.5 |
| 2008 | 113.5 | 57.2 | 170.7 | 107.1 | 53.2 | 160.4 | 6.4 | 5.7 | 3.9 | 6.9 | 10.4 | 6.1 |
| 2009 | 115.0 | 58.3 | 173.3 | 107.4 | 53.9 | 161.3 | 7.6 | 6.6 | 4.4 | 7.6 | 12.0 | 6.9 |
| 2010 | 116.2 | 60.5 | 176.7 | 108.3 | 56.2 | 164.4 | 7.9 | 6.8 | 4.3 | 7.1 | 12.2 | 6.9 |
| 2011[3] | 117.5 | 62.8 | 180.3 | 110.3 | 58.3 | 168.6 | 7.2 | 6.2 | 4.4 | 7.0 | 11.7 | 6.5 |
| 2012[3] | 116.5 | 68.0 | 184.5 | 109.7 | 63.0 | 172.6 | 6.8 | 5.9 | 5.0 | 7.3 | 11.8 | 6.4 |
| **2012[3]** | | | | | | | | | | | | |
| Q1 | 115.4 | 66.9 | 182.3 | 108.9 | 62.3 | 171.3 | 6.5 | 5.6 | 4.5 | 6.8 | 11.0 | 6.1 |
| Q2 | 116.6 | 67.1 | 183.7 | 109.1 | 62.6 | 171.7 | 7.6 | 6.5 | 4.4 | 6.6 | 12.0 | 6.5 |
| Q3 | 118.1 | 68.3 | 186.4 | 111.6 | 62.5 | 174.1 | 6.4 | 5.4 | 5.9 | 8.6 | 12.3 | 6.6 |
| Q4 | 115.9 | 69.6 | 185.4 | 109.0 | 64.4 | 173.5 | 6.8 | 5.9 | 5.1 | 7.4 | 12.0 | 6.5 |
| **2013[3]** | | | | | | | | | | | | |
| Q1 | 116.5 | 69.0 | 185.5 | 109.1 | 65.1 | 174.2 | 7.4 | 6.4 | 3.9 | 5.7 | 11.3 | 6.1 |
| Q2 | 118.8 | 70.8 | 189.6 | 110.6 | 66.2 | 176.9 | 8.2 | 6.9 | 4.6 | 6.5 | 12.8 | 6.7 |

[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] |
|---|---|---|---|---|---|
| 2005 | 170.9 | 173.7 | 176.7 | 188.9 | 160.3 |
| 2006 | 177.0 | 178.3 | 187.0 | 196.2 | 175.0 |
| 2007 | 178.9 | 183.3 | 181.4 | 205.3 | 171.9 |
| 2008 | 174.1 | 172.7 | 181.4 | 201.5 | 173.7 |
| 2009 | 165.3 | 162.2 | 173.7 | 207.8 | 169.6 |
| 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 |
| **2012** | | | | | |
| Q1 | 172.9 | 181.0 | 173.2 | 177.8 | 166.0 |
| Q2 | 167.4 | 166.4 | 163.1 | 191.0 | 184.1 |
| Q3 | 170.8 | 173.6 | 176.9 | 177.4 | 164.2 |
| Q4 | 169.2 | 169.0 | 180.8 | 195.9 | 175.4 |
| **2013** | | | | | |
| Q1 | 171.8 | 176.8 | 177.3 | 185.1 | 174.1 |
| Q2 | 169.2 | 170.1 | 188.4 | 186.0 | 169.4 |

[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 | | |
| 2005 | 293 | 33 | 217 | 16 | 25 | 43 | 103 | 730 | 2,980 | 3,710 |
| 2006 | 267 | 38 | 169 | 9 | 26 | 30 | 84 | 623 | 3,129 | 3,752 |
| 2007 | 325 | 27 | 185 | 8 | 14 | 30 | 60 | 649 | 3,018 | 3,667 |
| 2008 | 182 | 29 | 137 | 6 | 14 | 8 | 66 | 442 | 2,475 | 2,917 |
| 2009 | 160 | 31 | 123 | 6 | 20 | 23 | 47 | 410 | 2,281 | 2,691 |
| 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 |

[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 |
| 2005 | 1,852 | 570 | 2,422 | 7,539 | 1,058 | 363 | 121 | 9,081 |
| 2006 | 2,502 | 492 | 2,994 | 8,961 | 932 | 375 | 141 | 10,409 |
| 2007 | 2,636 | 411 | 3,047 | 10,252 | 696 | 257 | 138 | 11,343 |
| 2008 | 1,770 | 375 | 2,145 | 6,184 | 361 | 164 | 127 | 6,836 |
| 2009 | 1,241 | 368 | 1,609 | 4,616 | 400 | 182 | 100 | 5,298 |
| 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 |

[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.

## Real Economy Indicators

### 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 |
| *(continued)* | | |
| 1980 | 366.06 | 15.76 |
| 1981 | 408.16 | 11.50 |
| 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 |

[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 |
| 2005 | 90.1 | 3.0 | 1.8 | 2.4 | -0.5 | 5.0 | 23.0 | 2.1 | 3.8 | 3.6 | 1.1 | 3.0 |
| 2006 | 92.6 | 2.8 | 2.0 | 2.2 | -1.8 | 4.8 | 26.0 | 1.5 | 3.3 | 2.9 | -0.2 | 2.3 |
| 2007 | 93.8 | 1.3 | 4.3 | 2.1 | 0.4 | 2.9 | -6.6 | 0.7 | -1.1 | 1.7 | 1.6 | 0.4 |
| 2008 | 97.8 | 4.3 | 8.0 | 2.7 | 4.5 | 3.9 | 19.9 | -0.2 | 2.6 | 1.9 | 1.1 | 2.4 |
| 2009 | 99.8 | 2.1 | 6.4 | 4.3 | -0.3 | 2.9 | 16.0 | 0.3 | -4.1 | 3.1 | 0.9 | 1.9 |
| 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 |
| **2012** | | | | | | | | | | | | |
| Jan. | 104.1 | 2.7 | 3.7 | 2.4 | 0.1 | 5.4 | 2.3 | -0.9 | 3.1 | 1.6 | 1.1 | 4.6 |
| Feb. | 104.7 | 2.7 | 3.7 | 2.6 | 0.2 | 4.9 | 2.1 | -0.3 | 3.0 | 1.5 | 1.0 | 4.8 |
| Mar. | 105.2 | 2.6 | 3.9 | 2.9 | -0.3 | 4.5 | 1.9 | 0.3 | 2.7 | 1.4 | 0.8 | 5.0 |
| Apr. | 106.6 | 2.6 | 4.0 | 3.2 | -0.8 | 4.0 | 1.8 | 0.6 | 2.9 | 1.4 | 0.7 | 5.1 |
| May | 106.6 | 2.5 | 3.8 | 3.4 | -1.3 | 3.5 | 1.6 | 0.8 | 2.8 | 1.4 | 0.7 | 5.0 |
| June | 106.8 | 2.4 | 3.7 | 3.7 | -1.9 | 2.9 | 1.4 | 1.0 | 2.8 | 1.3 | 0.7 | 5.1 |
| July | 106.1 | 2.4 | 3.8 | 3.9 | -2.0 | 2.5 | 1.4 | 1.2 | 2.4 | 1.2 | 0.7 | 5.1 |
| Aug. | 106.5 | 2.3 | 4.0 | 4.1 | -2.3 | 2.2 | 1.3 | 1.4 | 2.1 | 1.2 | 0.7 | 5.0 |
| Sep. | 107.5 | 2.3 | 4.3 | 4.2 | -3.0 | 1.7 | 1.2 | 1.7 | 2.1 | 1.1 | 0.8 | 5.0 |
| Oct. | 108.5 | 2.3 | 4.4 | 4.3 | -2.7 | 1.3 | 1.2 | 1.9 | 2.0 | 1.1 | 1.0 | 4.9 |
| Nov. | 108.3 | 2.4 | 4.5 | 4.4 | -2.3 | 0.8 | 1.2 | 2.0 | 2.1 | 1.1 | 1.1 | 4.6 |
| Dec. | 108.4 | 2.4 | 4.7 | 4.4 | -1.7 | 0.4 | 1.3 | 2.1 | 2.1 | 1.1 | 1.2 | 4.4 |
| **2013** | | | | | | | | | | | | |
| Jan. | 106.6 | 2.5 | 4.9 | 4.4 | -1.5 | 0.5 | 1.4 | 2.1 | 2.0 | 1.3 | 1.5 | 4.1 |
| Feb. | 106.7 | 2.4 | 4.8 | 4.2 | -1.0 | 0.7 | 1.4 | 2.0 | 1.7 | 1.4 | 1.7 | 3.9 |
| Mar. | 107.2 | 2.4 | 4.7 | 4.1 | -0.6 | 0.8 | 1.3 | 1.9 | 1.6 | 1.6 | 1.9 | 3.6 |
| Apr. | 108.1 | 2.3 | 4.8 | 4.0 | 0.0 | 1.0 | 1.1 | 1.9 | 0.9 | 1.7 | 2.2 | 3.2 |
| May | 108.6 | 2.3 | 4.9 | 4.0 | 0.2 | 1.2 | 0.9 | 2.0 | 0.7 | 1.8 | 2.3 | 2.9 |
| June | 108.5 | 2.3 | 5.3 | 4.0 | 0.4 | 1.4 | 0.6 | 1.7 | 0.2 | 1.8 | 2.3 | 2.6 |

[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 2005 = 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 |
| 2005 | 100.0 | 2.5 | 1.8 | 1.8 | -0.5 | 9.3 | 2.4 | 5.5 | 3.5 | 10.0 | 1.9 | 1.6 | 0.0 | 3.0 |
| 2006 | 102.6 | 2.6 | 2.2 | 0.6 | -1.8 | 10.6 | 2.0 | 4.0 | 4.2 | 0.4 | 0.1 | 2.6 | 1.9 | 2.8 |
| 2007 | 103.3 | 0.7 | 3.9 | 0.8 | 0.4 | -0.1 | 0.8 | 2.7 | -1.4 | 0.2 | 0.7 | 4.2 | -0.6 | 0.9 |
| 2008 | 108.1 | 4.7 | 8.0 | 1.9 | 4.5 | 8.5 | 0.6 | 2.2 | 3.7 | 2.9 | -0.6 | 6.8 | 7.7 | 1.3 |
| 2009 | 110.1 | 1.8 | 6.4 | 3.6 | -0.4 | 7.0 | 1.0 | 4.4 | -4.3 | -1.3 | -0.6 | 6.9 | 1.3 | 2.2 |
| 2010 | 112.4 | 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 | 115.2 | 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 | 118.9 | 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 |
| **2012** | | | | | | | | | | | | | | |
| Jan. | 113.2 | 2.4 | 4.8 | 3.6 | -1.3 | 3.2 | 0.7 | 1.4 | 7.5 | -9.6 | 0.4 | 4.5 | 1.3 | 4.1 |
| Feb. | 113.9 | 2.4 | 5.0 | 3.7 | -1.2 | 2.9 | 1.1 | 1.3 | 7.5 | -9.6 | 0.4 | 4.6 | 1.2 | 4.0 |
| Mar. | 115.6 | 2.4 | 5.1 | 3.8 | -1.6 | 2.6 | 1.5 | 1.3 | 7.2 | -9.5 | 0.3 | 4.8 | 1.3 | 3.9 |
| Apr. | 119.5 | 2.5 | 5.2 | 3.9 | -2.0 | 2.3 | 1.7 | 1.3 | 7.2 | -9.6 | 0.4 | 4.7 | 1.9 | 3.7 |
| May | 120.9 | 2.6 | 5.1 | 3.9 | -2.5 | 2.0 | 1.7 | 1.3 | 7.1 | -9.6 | 0.4 | 4.7 | 2.8 | 3.5 |
| June | 122.2 | 2.7 | 5.1 | 4.0 | -3.0 | 1.7 | 1.9 | 1.3 | 6.9 | -9.2 | 0.4 | 4.6 | 3.5 | 3.4 |
| July | 121.9 | 2.8 | 5.3 | 4.1 | -3.0 | 1.5 | 2.0 | 1.4 | 6.3 | -8.9 | 0.3 | 4.6 | 4.5 | 3.2 |
| Aug. | 122.1 | 2.9 | 5.3 | 4.1 | -3.1 | 1.4 | 2.3 | 1.4 | 5.7 | -8.6 | 0.3 | 4.5 | 5.0 | 3.0 |
| Sep. | 121.3 | 2.9 | 5.6 | 4.1 | -3.5 | 1.1 | 2.7 | 1.4 | 5.5 | -8.2 | 0.3 | 4.5 | 4.8 | 2.8 |
| Oct. | 120.5 | 3.0 | 5.6 | 4.1 | -2.9 | 0.9 | 2.9 | 1.5 | 5.2 | -7.9 | 0.3 | 4.2 | 5.0 | 2.6 |
| Nov. | 118.2 | 3.1 | 5.6 | 4.3 | -2.3 | 0.6 | 3.1 | 1.6 | 4.9 | -7.0 | 0.5 | 3.9 | 5.7 | 2.3 |
| Dec. | 117.6 | 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** | | | | | | | | | | | | | | |
| Jan. | 115.9 | 3.3 | 5.7 | 4.1 | -1.1 | 0.5 | 3.2 | 1.8 | 4.5 | -6.8 | 0.9 | 3.3 | 6.3 | 2.0 |
| Feb. | 115.9 | 3.2 | 5.5 | 3.9 | -0.6 | 0.6 | 3.2 | 2.0 | 4.1 | -7.0 | 1.2 | 3.1 | 6.2 | 2.0 |
| Mar. | 117.2 | 3.1 | 5.4 | 3.8 | -0.2 | 0.7 | 3.2 | 2.1 | 3.9 | -7.2 | 1.5 | 2.8 | 5.7 | 1.9 |
| Apr. | 120.6 | 2.9 | 5.4 | 3.8 | 0.4 | 0.7 | 3.2 | 2.1 | 3.0 | -7.2 | 1.8 | 2.8 | 4.7 | 1.9 |
| May | 121.9 | 2.6 | 5.4 | 4.1 | 0.6 | 0.8 | 3.2 | 2.1 | 2.5 | -7.4 | 2.1 | 2.8 | 3.5 | 1.8 |
| June | 123.0 | 2.3 | 5.4 | 4.3 | 0.9 | 0.8 | 3.0 | 2.1 | 1.9 | -7.8 | 2.3 | 2.9 | 2.2 | 1.8 |

Sources: NSO; Eurostat.

## GENERAL NOTES

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR 1 = MTL 0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese lira into euro' which was published in the 2007:3 issue of the *Quarterly Review*, while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*.

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

#### General monetary statistical standards

Since January 2008, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2008/32 (Recast) concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the *European System of Accounts (ESA 1995)*. Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's *Monetary and Financial Statistics Manual* (2000).

#### Institutional balance sheets and financial statements

The financial statement of the Central Bank of Malta published in Table 1.1 is based on accounting principles as established in ECB Guideline 2006/16 (as amended) of 10 November 2006 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in Table 1.2, which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast) of 19 December 2008. 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 ECB Regulation 2008/32 (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. The internationally agreed residence criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'. The term 'centre of economic interest' usually indicates that there exists some location within an economic territory on or from which a unit engages, and intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). Transactors with their 'centre of economic interest' outside the said territory are considered to be non-residents. Diplomatic bodies, embassies, consulates and other entities of foreign governments are considered to be residents of the country they represent.

In national monetary statistics, the key distinction up to December 2007 was between residents and non-residents of Malta. Although that distinction remains relevant for national statistical purposes, the key distinction now, in particular for the purposes of Malta's contribution to euro area monetary aggregates shown in Table 1.4 and in other tables, is between residence in Malta or elsewhere in the euro area and residence outside the euro area.

**Sector classification**

In accordance with ESA 95 and ECB Regulation 2008/32 (Recast), the main sectors of the Maltese (and euro area) economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Monetary financial institutions (MFIs)
(b) Other financial intermediaries and financial auxiliaries
(c) Insurance corporations and pension funds
(d) General government
(e) Non-financial corporations
(f) Households and non-profit institutions serving households (NPISH).

Entities that are considered to be non-residents are classified in the 'external sector' or the 'rest of the world'. As noted above, in many statistical tables in this *Quarterly Review*, and starting with data for 2008, they are split into other euro area residents and non-residents of the euro area (and may be further sub-classified by sector according to their primary activity).

(a) **Monetary financial institutions** (MFIs) consist of:

i. **The central bank**, which is the national financial institution that exercises control over key aspects of the financial system, issues currency, conducts financial market operations, and holds the international reserves of the country. The Central Bank of Malta is part of the Eurosystem, which comprises the ECB and the NCBs of the member countries of the euro area.

ii. **Other monetary financial institutions** (OMFIs), 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 Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006, a credit institution is "an undertaking whose business is to receive deposits or other repayable funds from the public - including the proceeds arising from the sales of bank bonds to the public - and to grant credit for its own account". OMFIs include the Maltese branches and subsidiaries of banks with headquarters abroad. 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.

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

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: long-term financing, financial leasing, factoring, security and derivative dealing, receiving deposits and/or close substitutes for deposits from MFIs only (and not from the public), and managing investment trusts, unit trusts and other collective investment schemes (collectively termed investment funds).

Financial auxiliaries are companies that are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediaries themselves. The following are examples of companies classified in this sector: insurance, loan and securities brokers, investment advisers, flotation companies that manage issues of securities, central supervisory authorities of financial intermediaries and financial markets when these are separate institutional units, managers of pension funds and mutual funds and companies providing stock exchange and insurance exchange services.

(c) **Insurance corporations and pension funds**

This sector comprises non-monetary financial corporations principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance corporations consist of incorporated, mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or groups of units. Pension funds provide retirement benefits for specific groups of employees.

The sector **financial corporations** consists of all corporations which are principally engaged in financial intermediation and/or in anxiliary financial activities i.e. they include monetary financial institutions, other financial intermediaries/financial auxiliaries and insurance corporations/pension funds.

(d) **General government**

General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Broadly speaking, non-market production means that the entity does not charge "economically significant" prices such that sales cover at least 50% of production costs. The sector is sub-divided into:

i. **Central government**, which includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory of the country. Central government thus includes departments, ministries, and offices of government located in the country together with embassies, consulates, military establishments and other institutions of government located outside the country. Also included in the central government sector are extra-budgetary units, also termed public non-market units. These comprise institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or that are involved in the redistribution of national income and wealth.

ii. **Other general government**, which in Malta comprises the local government sector only. Local government includes administrative departments, councils or agencies whose competence covers only a restricted part of the economic territory of the country.

The **public sector** (which is not an institutional sector in the ESA 95) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 95), the latter being those companies that are owned by government or are subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging "economically significant" prices such that sales cover at least 50% of production costs).

(e) **Non-financial corporations**

This sector comprises corporations engaged principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities, which are subdivided into:

i. **Public non-financial corporations**, i.e. companies that are subject to control by government units - see the notes on financial corporations for a definition of control.

ii. **Private non-financial corporations,** i.e. companies that are controlled by non-government units, whether resident or non-resident.

(f) **Households and non-profit institutions serving households (NPISH)**

This sector comprises individuals or groups of individuals that are consumers and producers of goods and non-financial services exclusively intended for their own final consumption. It includes also non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households (churches, clubs, societies, trade unions, etc.) and market-producing cooperatives, partnerships and sole proprietorships that are not recognised as independent legal entities. Thus many small businesses are included in the household sector.

## Classification of economic activities

The classification of economic activities follows the standards of Regulation 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

Until the end of 2007, the Central Bank of Malta compiled data on the following monetary aggregates: the monetary base (M0), narrow money (M1), intermediate money (M2) and broad money (M3). The **monetary base (M0)** consisted of currency in issue and OMFI deposits with the Bank. **Narrow money (M1)** included the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. **Intermediate money (M2)** comprised M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years. **Broad money (M3)** comprised M2 and the

OMFIs' repurchase agreements with the non-bank sector and their debt securities issued with an agreed maturity of up to and including two years and held by the non-bank sector.

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Maltese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem[1] 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 *Quarterly Review* Table 1.4b 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, for 2008 only, 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, the 'credit counterpart' to euro area M3 contributed by Maltese MFIs (Table 1.5b) comprises all Maltese MFI lending (including through the acquisition of securities in any form) to Maltese and all other euro area residents (other than MFIs). The so-called 'external counterpart' will be limited to their net claims on non-residents of the euro area[2]. 'Other counterparts (net)' comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

## Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs (Tables 1.2-1.3), with details of OMFIs' deposits and loans in Tables

[1] The Eurosystem comprises the ECB and the national central banks of the other EU Member States in the euro area.

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

1.8-1.13. 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 compile monthly financial information in line with ECB Regulation 2008/32 (Recast). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

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

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

## Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 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

The investment funds sector consists of collective investment schemes licensed by the MFSA; the data in Table 1.14 comprise all those funds whose centre of economic interest is based locally. It excludes all money market funds as according to ECB Regulation 2008/32 (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

Table 1.15 shows the aggregated statement of assets and liabilities of the insurance corporations resident in Malta. The statistical information excludes those corporations dealing predominantly with non-residents. The insurance corporations 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 and/or other forms of insurance. Such statistics are based on standards specified in ESA 1995, 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

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.18 and 1.19 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/2009/7 (as amended) of 31 March 2009 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 in Table 1.20 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.

Debt securities as presented in Table 1.16 comprise all financial assets that are usually negotiable and traded on recognized stock exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares included in Table 1.17 cover all shares whose prices are quoted on the Malta Stock Exchange. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

## Part 2 Government Finance

Tables in this section show the general government fiscal position compiled on the basis of ESA 95 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function (Table 2.4) is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays.

Table 2.6 on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatisation receipts or the utilisation of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government (Table 2.7), 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 in Table 2.12 is generally consistent with the IMF's "External debt statistics - guide for compilers and users". Debt is recognised when disbursement of funds is effected.

## Part 3 Exchange Rates, External Transactions and Positions

From 2008, statistics on exchange rates (Tables 3.1a-3.1b) show the end-of-period and the average bilateral exchange rates of the euro against other selected major currencies. The euro exchange reference rates are published by the ECB on a daily basis normally at 1415hrs.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics (Tables 3.2-3.4) are generally in line with the *IMF Balance of Payments Manual* (BPM5) and in accordance with ECB Guideline 2004/15 (as amended). Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices. Up to the end of 2007, official reserve assets (Table 3.3) comprised gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside Malta, mainly central banks, other banks and governments, in line with the *IMF's Balance of Payments Manual* (BPM5). From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

Latest trade data are based on the respective NSO press release.

The concepts used in the compilation of gross and net external debt generally comply with the IMF's *"External debt statistics – guide for compilers and users (2003)"*. Gross external debt data are fully reconcilable with the data shown in the IIP. The external debt of the MFIs is also being shown separately as a memorandum item as such debt is fully backed by foreign assets of these institutions. The net external debt position is equal to gross external debt less gross external assets in the form of debt instruments.

## Part 4 Real Economy

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 95 standards except for the labour market indicators in Table 4.3, which are based on the ETC's administrative records, and the RPI (Tables 4.8-4.9). Data on development permits (Tables 4.6-4.7) are taken from the Malta Environment and Planning Authority (MEPA).

Labour market statistics comprise those compiled on the basis of the NSO's Labour Force Survey (LFS) and the ETC's administrative records. The LFS is based on a random sample of private households using concepts and definitions outlined by Eurostat according to methodologies established by the International Labour Organisation (ILO). From March 2004, data are based on a weekly survey carried out throughout the reference quarter; from June 2005 data are weighted using a new procedure and are thus not strictly comparable with earlier figures. The labour market data based on the administrative records of the ETC represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with the ETC itself. ETC data on unemployment are based on the number of persons registering for work under Parts 1 and 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2008/9. The HICP, by contrast, (Table 4.10) covers all household final consumption expenditure irrespective of nationality or residence status. Consequently, the HICP uses weights that cover not only resident private and institutional household expenditure but also expenditure by tourists in Malta. The differences in these weighting schemes account for the significant monthly disparities between the RPI and the HICP. The sources of data used in the compilation of the Central Bank of Malta's property prices index (Table 4.5) are the advertisements for the sale of properties in all localities in Malta and Gozo carried in the property section of a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month of that quarter. The property types include flats and maisonettes, both in shell and in finished form, together with terraced houses, townhouses, houses of character and villas. Indices for each property type are derived on the basis of median prices weighted by the number of observations in each property category. The overall index is a Fischer chained index, calculated as the square root of the product of the chained Laspeyres and the chained Paasche indices. Annual data are derived as an average of the quarterly indices. Prices of commercial properties are excluded from the index.