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Address
Pjazza Kastilja
Valletta VLT 1060
Malta

Telephone
(+356) 2550 0000

Fax
(+356) 2550 2500

Website
http://www.centralbankmalta.org

E-mail
info@centralbankmalta.org

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ABBREVIATIONS

ECB	European Central Bank
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 cost

FOREWORD

The Governing Council of the European Central Bank (ECB) lowered key interest rates during the fourth quarter of 2013. In November the Council reduced the interest rate on the main refinancing operations (MRO) of the Eurosystem by 25 basis points to 0.25%. The rate on the marginal lending facility was cut by 25 basis points to 0.75%, while that on the deposit facility was left unchanged at 0.00%. As a result the band around the MRO was narrowed to 75 basis points. This decision was taken 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.

In the following two months the Governing Council decided to leave key interest rates unchanged. Moreover, the Governing Council continued to emphasize that it will maintain an accommodative stance for monetary policy for as long as necessary. Additionally, based on a subdued outlook for inflation over the medium term, the Council reiterated its forward guidance that it expected key ECB interest rates to remain at present or lower levels for an extended period of time.

Meanwhile, the Eurosystem continued to implement non-standard monetary policy measures aimed at supporting the monetary policy transmission mechanism. In November 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 7 July 2015. This procedure will also continue to be applied in the special-term refinancing operations with a maturity of one maintenance period, at least until the end of June 2015. The Eurosystem's three-month longer-term refinancing operations to be allotted until then will also be conducted as fixed rate tender procedures with full allotment.

During the third quarter of 2013 the euro area continued to recover moderately. Real gross domestic product (GDP) expanded by 0.1% quarter-on-quarter, following a rise of 0.3% in the previous quarter. The increase in GDP reflected positive contributions from domestic demand, mainly on account of a slight pick-up in private investment and the stocking up of inventories.

Meanwhile, the annual rate of inflation in the euro area, as measured using the Harmonised Index of Consumer Prices (HICP), continued to ease during the September quarter. The area-wide inflation rate dropped from 1.6% in June to 1.1% in September driven mainly by a fall in energy prices and by slower growth of unprocessed food prices. Price pressures moderated even further going into the following quarter, with the annual inflation rate dropping to 0.8% in December.

According to Eurosystem staff projections published in December 2013, real GDP in the euro area is expected to have contracted by 0.4% in 2013 as a whole. It is projected to expand by 1.1% and 1.5% in 2014 and 2015, respectively. The euro area average annual inflation rate is expected to fall from 1.4% in 2013 to 1.1% in 2014, before rising slightly to 1.3% in 2015.

In contrast, the Maltese economy expanded at a relatively healthy pace during the third quarter of 2013, with the annual GDP growth rate at 1.9%, although this was below the rather robust rate of 3.3% in the previous quarter. Growth in the third quarter was mainly driven by domestic demand, as private consumption increased and changes in inventories were less negative than a year earlier. On the other hand, gross fixed capital formation and government consumption fell. Net exports made a marginal positive contribution to growth as, in absolute terms, exports rose slightly more than imports.

Price pressures in Malta were subdued in the third quarter as annual HICP inflation in September remained at its June level of 0.6%. Prices of processed and unprocessed food increased at a reduced pace, offsetting the slower contraction of energy and service prices. Meanwhile, non-energy industrial goods prices continued to decline. In the last quarter of the year, inflation increased to 1.0%.

The labour market remained buoyant, with both sources of employment data confirming an upward trend in job creation. Labour Force Survey (LFS) data showed that during the third quarter of 2013 employment rose by 3.1% on a year earlier, up slightly compared with the previous quarter. Data issued by the Employment and Training Corporation showed an increase of 2.6% in full-time employment in August, while the unemployment rate stood at 4.5%. In the September quarter the LFS unemployment rate stood at 6.7%, unchanged compared with the previous quarter but up marginally on a year earlier.

With regard to competitiveness indicators, in September the nominal harmonised competitiveness indicator (HCI) was 3.5% higher on a year earlier, while the real HCI increased by 2.6%. The rise in these indicators was completely driven by exchange rate movements. More recent data over the fourth quarter show that nominal and real HCI indicators continued their upward trend. In contrast, during the third quarter of the year, growth in unit labour costs moderated. Malta's unit labour cost index, measured as a four-quarter moving average, grew at an annual rate of 2.2% down from 3.2% in the previous three-month period.

In the external sector, during the third quarter of 2013 the surplus on the current account of the balance of payments increased slightly compared with the same period of 2012. This stemmed entirely from a smaller merchandise trade deficit as imports fell more than exports. Concurrently, lower net inflows from services, as well as higher net income outflows and lower net inward current transfers, dampened the improvement in visible trade. The current account balance stood at 2.5% of GDP over the four quarters to September 2013, down by 0.6 percentage point over the comparable period a year earlier.

Deposits held by Maltese residents with resident credit institutions accelerated during the fourth quarter, driven mainly by higher overnight deposits, with their annual growth rate rising to 9.1% in December. At the same time, the annual rate of growth of credit to residents continued to decelerate, reaching 1.4%, as lending to private non-financial companies contracted further.

During the fourth quarter interest rates in domestic financial markets generally drifted lower. Yields on three-month Treasury bills fell in both the primary and secondary market, with the secondary market rate ending December at 0.40%. While yields on ten-year government bonds declined, reaching 3.22% in December, those on five-year government bonds rose, ending the year at 2.00%. Bank lending rates edged down marginally.

With regard to fiscal developments, during the third quarter of 2013 the general government deficit increased on a year-on-year basis as expenditure outpaced revenue. Expenditure growth was mainly attributed to payments of social benefits and to compensation of employees, while revenue was boosted by higher inflows from indirect taxes. Measured on a four-quarter moving sum, the deficit stood at 4.1% of GDP at the end of September, compared with 3.6% at the end of June. Consolidated Fund data up to November, however, point to a narrowing in the deficit. General government debt also increased, with the debt-to-GDP ratio rising to 76.6% at end-September 2013 from 75.7% at end-June.

From a policy perspective, following the breach of the 3.0% threshold in 2012 and the re-opening of the excessive deficit procedure for Malta in July 2013, the achievement of budgetary targets should be an important priority for Government this year. Additional improvement with fiscal consolidation is also necessary to enable the Government to make progress towards the medium-term objective of a balanced budget and a substantial reduction in the debt-to-GDP ratio.

Efforts to achieve prudent fiscal targets would be facilitated by a sustained rate of economic growth. In turn, this necessitates a competitive economy able to retain its share in export markets at a time when Malta's competitor countries are restraining labour costs and prices to regain their competitive edge. In a local context, therefore, wage growth must be aligned with productivity. Faster economic growth also requires further progress with structural reforms that would enhance productivity. In this regard, initiatives that encourage labour market participation should be pursued actively.

The positive performance of the financial system in Malta during the first half of 2013 is reflected by the profit performance of core domestic banks. Furthermore, their liquidity levels remained ample, while their deposits continued to increase.

The banks' extension of credit to the private sector, however, continued to contract, driven by developments in lending to non-financial corporations. Given their profitability levels, there is perhaps a case for lowering bank lending rates in response to the recent cuts in official interest rates. The high level of liquidity and access to cheaper ECB funding can support a reduced level of lending rates, which, in turn, would favour credit growth, thereby spurring increased economic activity.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

The world's major advanced economies continued to recover during the third quarter of 2013, mainly led by domestic demand. In contrast, growth in emerging economies was mixed during the period. Global inflationary pressures remained moderate.

In financial markets, reflecting the generally improved economic outlook in advanced economies, equity prices rose and the demand for safe-haven government bonds dropped, pushing up yields. Prices of industrial metals also increased. Meanwhile, tensions in North Africa and the Middle East contributed to an increase in oil prices during the summer. Improved supply, on the other hand, led to a drop in food prices.

The euro area economy continued to show signs of recovery during the third quarter of 2013, with real gross domestic product (GDP) expanding, boosted by a modest increase in domestic demand. The recovery remains fragile, however. Against this backdrop, the unemployment rate stabilised, though remaining at a significantly high level. At the same time the inflation rate continued to decelerate, in part owing to excess spare capacity within the euro area economy.

With regard to monetary policy, the European Central Bank (ECB) reduced its key interest rates in November, with the rate on the main refinancing operations (MRO) being cut by 25 basis points to 0.25%. This followed the adoption of a forward guidance approach in July, through which the ECB stated that it expected its key interest rates to remain at current or lower levels for an extended period of time.

International economic developments

US economic activity gathers pace

Economic activity in the United States continued to accelerate during the third quarter of 2013, with the quarterly growth rate of GDP increasing to 1.0% in real terms (see Table 1.1). Higher inventory stocking was the largest contributor to GDP growth during the period. Private fixed investment and consumption, meanwhile, expanded at a similar pace as that registered in the previous quarter, possibly held back by the recent increases in market interest rates. Government spending declined further during the period, partly on account of the federal spending cuts that began earlier in the year.

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

	2012		2013		
	Q3	Q4	Q1	Q2	Q3
United States	0.7	0.0	0.3	0.6	1.0
Euro area	-0.2	-0.5	-0.2	0.3	0.1
United Kingdom	0.8	-0.1	0.5	0.8	0.8
Japan	-0.8	0.1	1.1	0.9	0.3

Source: Eurostat.

On the external side, export growth slowed but remained positive during the third quarter, reflecting the sluggish recovery in global demand. Import growth also eased, partly reflecting a reduced dependence on energy imports due to rising domestic production of shale gas. As a result, as in the previous quarter, the contribution of net exports to GDP growth was negligible during the three months to September.

Although still weak, labour market conditions in the United States continued to improve during the summer, with the unemployment rate dropping from 7.5% in June to 7.2% in September (see Chart 1.1). At this rate, unemployment is now 2.8 percentage points below the peak of 10.0% reached in 2009, at the height of the crisis. The latest fall reflected the combined effects of a moderate rise in employment, particularly in the services industry, and a decline in the labour force participation rate as discouraged job seekers dropped out of the market.

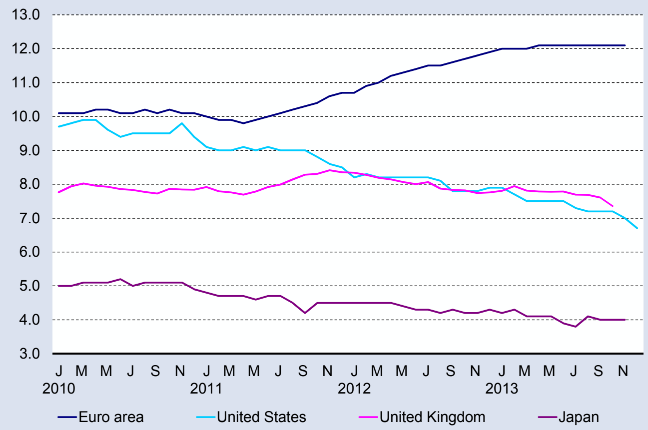
The unemployment rate decreased strongly during the following quarter, reaching 6.7% in December.

Inflationary pressures in the United States weakened further during the summer, with the annual Consumer Price Index (CPI) inflation rate declining gradually from 1.8% in June to 1.2% three months later (see Chart 1.2). Energy prices, particularly motor fuel prices, were the main drivers behind this deceleration. Indeed, core inflation, which excludes food and energy, remained stable at around 1.7% as weakness in the goods sector was offset by strong growth in prices of services. Subdued inflation continues to point towards a degree of slack within the US economy, despite the recent recovery in growth.

During the fourth quarter, price pressures in the United States remained contained, though the overall CPI inflation rate accelerated slightly to 1.5% in December.

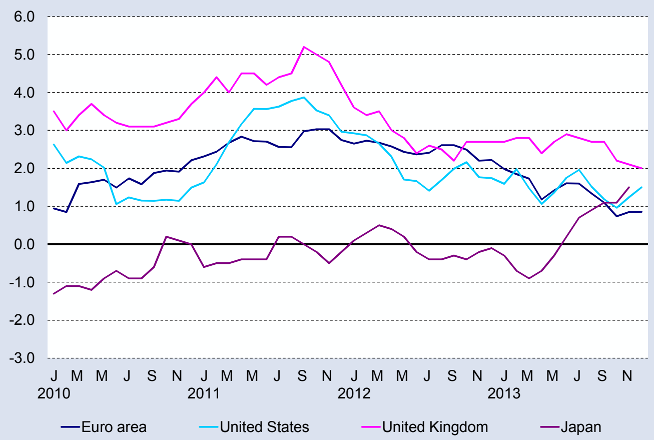
In the light of these developments, the Federal Reserve held the federal funds target rate unchanged in a range between 0.00% and 0.25%

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



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

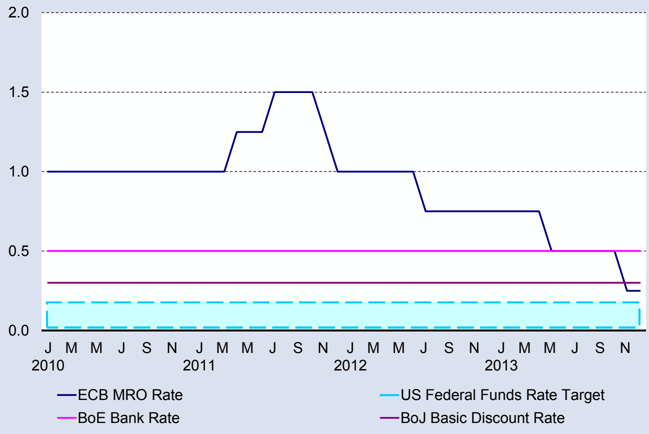
Chart 1.2
CONSUMER PRICE INFLATION
(annual percentage changes)



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

during the second half of 2013 (see Chart 1.3). However, given the weak inflation outlook, the Fed altered its forward guidance statement in December, stating that the current low target range for the federal funds rate would remain in place past the time that the unemployment rate declined below 6.5%, on condition that inflation expectations were well anchored.

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



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

During the latter half of 2013, the Federal Reserve continued to implement non-standard monetary policy measures, purchasing long-term Treasury securities and mortgage-backed securities, while reinvesting principal payments from its holdings in agency mortgage-backed securities and rolling over maturing Treasury securities. However, in December the Fed moderated the pace of its asset purchases by USD10 million per month to USD75 million. This reflected the Bank's assessment that underlying economic activity and labour market conditions had improved.

With regard to fiscal policy, the US Government entered a partial, two-week shutdown in October, thereby halting all non-essential government services until the debt ceiling was raised. In December Congress passed a two-year budget, trimming automatic government spending cuts in exchange for savings elsewhere.

UK economic recovery gathers momentum

The UK economy continued to gather momentum during the third quarter of 2013. Real GDP growth stood at 0.8% on a quarterly basis, the third successive period of expansion and the fastest since 2010 (see Table 1.1). Economic activity during the period was supported by a strong expansion in domestic demand. While this partly reflected a large contribution from inventory stocking, private consumption also accelerated during the third quarter. Furthermore, both government spending and private investment continued to expand, though at slower growth rates than in the previous three-month period.

Encouragingly, the third quarter expansion was broad-based across all main economic sectors, with the manufacturing, construction and service industries all registering solid rates of growth as domestic demand strengthened, consumer confidence improved and the housing market picked up.

In contrast, external demand weighed on GDP growth during the third quarter, as exports contracted strongly. Coupled with growth in imports, this led to a contraction in net exports.

The continued improvement in overall economic conditions in the United Kingdom was also seen in the labour market during the quarter, with the unemployment rate dropping by 0.2 point to 7.6% in September, its lowest level since 2009 (see Chart 1.1). This reflected a continued rise in the number of employed persons, with the employment rate reaching its highest level in four years in September. Nonetheless, wage growth remained weak and below the overall inflation rate, implying a further drop in real wages.

The rate of joblessness dropped further during the fourth quarter, standing at 7.4% in October.

The annual CPI inflation rate stood at 2.7% in September, marginally down from 2.9% as at the end of the second quarter, but still pointing to price pressures within the economy (see Chart 1.2). An easing of energy inflation was the main contributor to this deceleration, though the annual growth rates of energy prices, along with those of food, alcohol & tobacco, and education, remained high. The overall rate of CPI inflation eased during the final quarter of 2013, decelerating to 2.0% in December and hence reaching the Bank of England's inflation target.

With regard to monetary policy, the Bank of England maintained its official bank rate at 0.5% and its stock of asset purchases at GBP375 billion during the second half of 2013 (see Chart 1.3). Meanwhile, in August, following the appointment of a new governor in July, the Bank of England provided explicit guidance regarding the future conduct of its monetary policy, stating that it would not raise the official interest rate or reduce the stock of its asset purchases at least until the unemployment rate fell below 7.0%. This was conditional on the outlook for price and financial stability.

In October the Bank of England announced changes to the way it dealt with lenders in financial difficulty by offering liquidity for longer periods, accepting a wider range of collateral and lowering the cost of using the discount window. In the following month the Bank of England, together with the Treasury, announced changes to the terms of the Funding for Lending Scheme to re-focus the scheme's incentives towards supporting business lending.

On the fiscal side, the UK Government presented its Autumn Statement in December, which included a number of fiscal measures, including a gradual increase in the pension age.

Japanese economy continues to recover

Real GDP in Japan expanded during the third quarter of 2013, marking the fourth successive quarterly gain. However, the quarterly growth rate of GDP decelerated to 0.3%, from 0.9% in the previous quarter (see Table 1.1). This resulted from a drop in exports, as weaker demand from emerging economies offset the recent depreciation of the yen. Coupled with stronger import growth, this led to a negative contribution from net exports to overall GDP growth.

Domestic demand, on the other hand, continued to expand at a relatively solid pace. This mainly resulted from a large increase in the contribution of inventory stocking and continued strong growth of residential and public investment. However, key components of demand, namely private consumption and business investment, grew only marginally during the period.

Labour market conditions remained relatively stable during the third quarter, with the unemployment rate rising marginally to 4.0% in September (see Chart 1.1). This partly reflected an increase in the labour force, possibly suggesting that the economic recovery had encouraged more people to search for jobs. The unemployment rate remained unchanged at 4.0% through to November.

Price pressures in Japan continued to rise in the summer of 2013, reflecting higher import costs and recent policy stimulus measures. At 1.1% in September, the annual rate of CPI inflation stood at its highest level since 2008 (see Chart 1.2). The acceleration during the quarter mainly reflected developments in prices of imported items, such as energy and food, on account of the weak yen. However, core inflation, which excludes food and energy prices, also broke its deflationary trend during the third quarter. While the yen's diminished purchasing power on international markets played a role, the recent economic recovery could also have played a part by allowing sellers to raise prices.

Price pressures increased further during the fourth quarter of 2013, with the annual inflation rate reaching 1.5% by November.

In the light of the recent economic recovery and the breaking of Japan's deflationary trend, the Bank of Japan kept its monetary stimulus measures unchanged during the second half of the year. In line with its price stability target of 2.0% annual CPI inflation, the Bank of Japan aims to double the monetary base by the end of 2014. Furthermore, the Bank of Japan is targeting an increase in its asset holdings, in particular Japanese government bonds, while extending the average maturity of its bond portfolio.

Meanwhile, on the fiscal side, the Japanese Government announced in October that, as from April 2014, it would raise the national sales tax to shore up the country's finances. It also launched another stimulus package to mitigate the adverse impact of the tax increase on the economy.

Developments in emerging economies mixed

Developments in the world's major emerging economies were mixed during the third quarter of 2013. In China the annual rate of GDP growth accelerated slightly to 7.8%, following a slowdown in the previous quarter. A jump in investment was the main contributor to growth, fuelled by robust credit expansion. Meanwhile, exports were held back by a strong yuan and the recent slowdown in other emerging markets. Growth was also supported by a number of fiscal measures, though at the same time authorities were attempting to rein in excessive loan growth while opening up the financial system to market forces.

Economic growth in India also accelerated during the third quarter, mainly reflecting a strong export performance. This followed the recent depreciation of the Indian rupee on account of the financial turmoil that hit the country in June. Meanwhile, growth in other major emerging economies, such as Brazil and Russia, remained weak, reflecting overall subdued demand and supply bottlenecks. Inflationary pressures in most emerging economies remained strong during the three months to September, as import prices were pushed up by weakening currencies and higher raw material prices.

International financial markets

Recovery in advanced economies supports equity prices

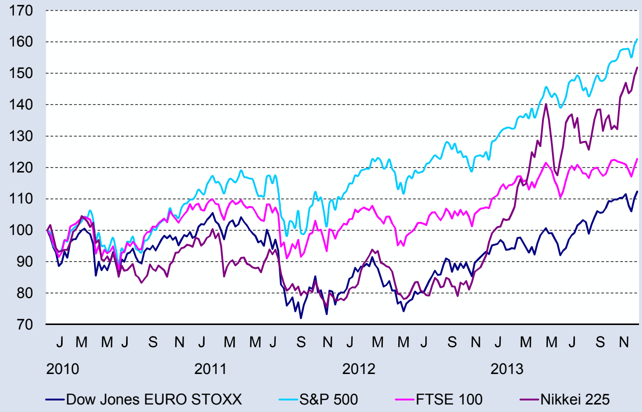
Equity prices generally extended their upward trend during the third quarter, with stock indices in the United States (S&P500), the United Kingdom (FTSE100), and Japan (Nikkei225) gaining 4.7%, 4.0%, and 5.7%, respectively (see Chart 1.4). These developments mainly occurred on the back of signs of an improving economic outlook in advanced economies, coupled with continued accommodative policies and forward guidance statements by central banks. Stock markets in Japan were also boosted by the results of the upper house elections in July and by Tokyo's winning bid to host the 2020 Olympics. Across markets, these factors offset downside risks, such as political uncertainty in the United States and Italy, and fears of military action in Syria.

Equity prices continued to rise in the following quarter, with indices in the United States, the United Kingdom and Japan gaining a further 9.9%, 4.4%, and 12.7%, respectively.

Government bond yields continue to rise

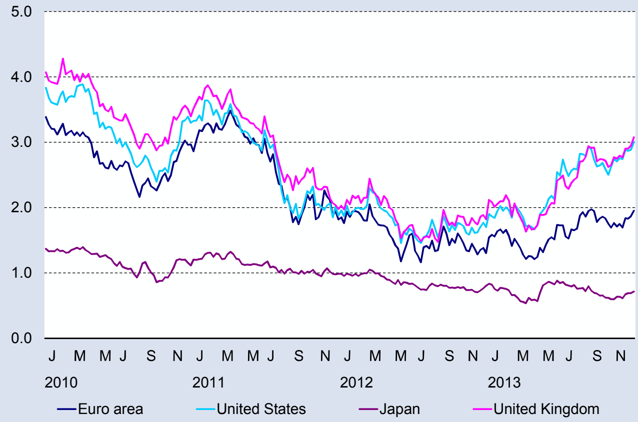
Government bond yields in various advanced economies continued their recent run of increases during the third quarter, with those on US and UK ten-year government bonds rising by 13 and 28 basis points, respectively, to 2.6% and 2.7% (see Chart 1.5). Signs of a recovery in advanced economies reduced the demand for safe-haven government securities, pushing up yields. Increased speculation that the Fed was going to scale back its asset purchase programmes in the near future also supported yields. These factors offset a temporary increase in risk-aversion owing to the possibility of military action in Syria, as well as to the fiscal impasse in the United States.

Chart 1.4
STOCK PRICE INDICES
(end of week index; Jan. 2010=100)



Source: Reuters.

Chart 1.5
TEN-YEAR GOVERNMENT BOND YIELDS
(percentages per annum; end of week)



Source: Reuters.

In contrast, the Japanese ten-year government bond yield dropped during the three months to September, shedding 16 basis points to stand at 0.7%. This reflected the continuation of the Bank of Japan's accommodative monetary policy measures.

Developments in various bond markets were roughly similar during the fourth quarter. Ten-year yields in the United States and the United Kingdom continued to rise, by 39 and 31 basis points respectively. Japanese bond yields increased slightly, by 5 basis points.

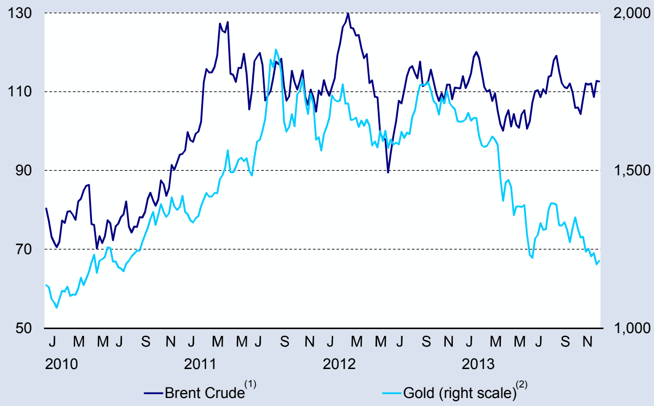
Commodities

Oil price gains on output cuts, recovery in demand

The price of oil rose overall during the third quarter, with the market value of Brent Crude gaining 6.9% to stand at USD109.6 per barrel as at end-September (see Chart 1.6). On the supply side, the oil price was supported in the early summer months by developments in North Africa and the Middle East, including a large cut in Libyan exports and the possibility of military action in Syria, as well as by maintenance in the North Sea oilfields. Signs of a recovery in advanced economies also pushed up the oil price through the demand channel. Toward the end of the quarter, however, increased uncertainty owing to the possibility of a US government default weighed on oil demand, partly reversing the price gains registered in July and August.

The oil price edged up during the following quarter, standing at USD110.5 at the end of December, 0.8% higher than its value three months before.

Chart 1.6
OIL AND GOLD PRICES
(end of week)



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

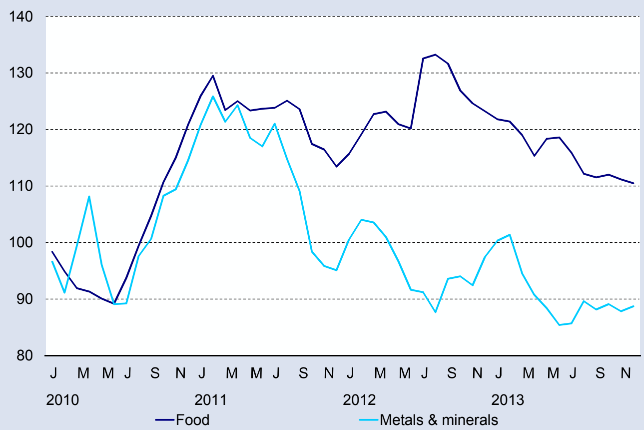
Geopolitical tensions support gold price

The price of gold rose during the third quarter, thereby breaking a run of three consecutive quarterly declines. As at end-September, the price of gold stood at USD1,326.9 per troy ounce, 7.6% higher than its end-June value (see Chart 1.6). Tensions in the Middle East raised safe-haven asset demand during the period, while industrial unrest in South Africa led to a drop in output. Furthermore, physical demand from Asia was strong, in response to the plunge in prices during the second quarter. A weakening US dollar also supported the gold market. On the other hand, expectations of slower monetary stimulus in the United States reduced demand for gold as an inflation hedge, though this was partly offset by the adoption of forward guidance in the euro area and the United Kingdom. The price of gold resumed its decline during the following quarter, dropping by 9.2% to stand at USD1,204.9 per troy ounce at the end of December.

Abundant grain supply pushes down food prices

International food prices, as measured by the World Bank's Food Price index, dropped during the third quarter, with the index shedding 6.0% of its value (see Chart 1.7). This mainly reflected a sharp drop in grain prices, on account of favourable weather conditions in supplier countries. Weather conditions, on the other hand, had a negative impact on the supply of soybeans and sugar, pushing up their prices.

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



Source: World Bank.

Food prices dropped further going into the following quarter, with the Food Price Index shedding 0.9% of its value by end-December.

Recovering global demand supports metal prices

Prices for industrial metals rose during the three months to September, with the World Bank's Metals and Minerals Index gaining 3.2% (see Chart 1.7). Demand during the period was supported by the recovery in advanced economies, as well as by receding fears of a slowdown in China. Iron ore and tin were the main contributors to this increase, though the price of copper also rose.

Metal prices continued to advance in the fourth quarter, with the Metals and Minerals Index increasing by 0.6% over the period.

Economic and monetary developments in the euro area

Euro area economy recovering modestly

The euro area economy continued to show signs of a recovery during the summer of 2013. Nonetheless, growth was subdued, with real GDP expanding by just 0.1% in the third quarter compared with the previous three-month period (see Table 1.2).

Domestic demand drove growth during the period, mainly reflecting a pick-up in private investment and a build-up in inventories. Private consumption also expanded, albeit marginally, reflecting the contrasting influences of a moderation in fiscal consolidation, improved consumer confidence and higher real income on the one hand, and the continued high level of joblessness on the other.

Meanwhile, negative developments in net exports weighed on GDP growth as exports slowed down sharply, partly as a result of the recent strengthening of the euro exchange rate. Import growth, on the other hand, remained robust, probably reflecting the recovery in demand.

Table 1.2
REAL GDP GROWTH IN THE EURO AREA
Seasonally adjusted

	2012		2013		
	Q3	Q4	Q1	Q2	Q3
	Quarterly percentage changes				
Private consumption	-0.1	-0.5	-0.1	0.1	0.1
Government consumption	-0.2	0.0	0.3	0.0	0.2
Gross fixed capital formation	-0.6	-1.2	-2.0	0.3	0.5
Domestic demand	**-0.4**	**-0.7**	**-0.3**	**0.0**	**0.5**
Exports	0.7	-0.6	-0.9	2.1	0.3
Imports	0.3	-1.0	-1.1	1.5	1.2
GDP	**-0.2**	**-0.5**	**-0.2**	**0.3**	**0.1**
	Percentage point contributions				
Private consumption	-0.1	-0.3	-0.1	0.1	0.0
Government consumption	0.0	0.0	0.1	0.0	0.0
Gross fixed capital formation	-0.1	-0.2	-0.4	0.0	0.1
Changes in inventories	-0.1	-0.2	0.1	-0.2	0.3
Domestic demand	**-0.4**	**-0.7**	**-0.3**	**0.0**	**0.5**
Net exports	**0.2**	**0.1**	**0.1**	**0.3**	**-0.4**
GDP	**-0.2**	**-0.5**	**-0.2**	**0.3**	**0.1**

Source: Eurostat.

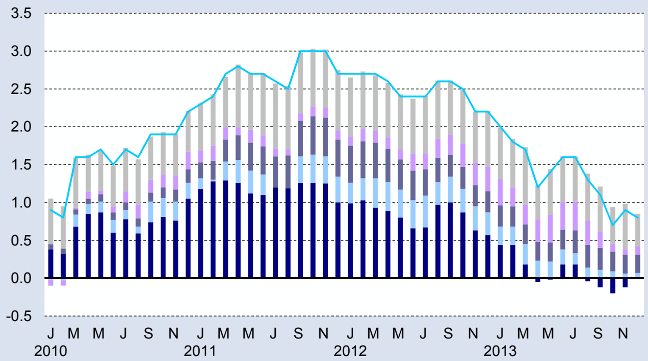
Across sectors, growth was underpinned by a broad-based expansion in services, particularly in financial and insurance activities. This offset a renewed contraction in manufacturing value added. Activity in the construction industry stabilised during the quarter, following a long period of decline.

The German economy continued to be the main driver of growth in the euro area during the third quarter. Nonetheless, activity in stressed economies showed signs of recovery, notably in Spain. In Italy the rate of contraction slowed. However, French economic growth moved back into negative territory.

Euro area inflation remains subdued

Following a slight pick-up in the second quarter, inflation eased during the summer, with the annual Harmonised Index of Consumer Prices (HICP) inflation rate standing at 1.1% in September compared with 1.6% in June (see Chart 1.8). The decelerating inflation rate mainly reflected movements in energy prices, where the annual rate of change fell from 1.6% in June to -0.9% three months later. Slower price growth of unprocessed foods also contributed to downward pressures. Core inflation, excluding food and energy, fluctuated around 1.1% during the quarter, with weakness in prices mainly stemming from the non-energy industrial goods category. This tallies with weak consumer demand dynamics, though the recent appreciation of the euro could also have played a part. Price pressures moderated even further going into the following quarter, with the annual rate of HICP inflation dropping to 0.8% in December.

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

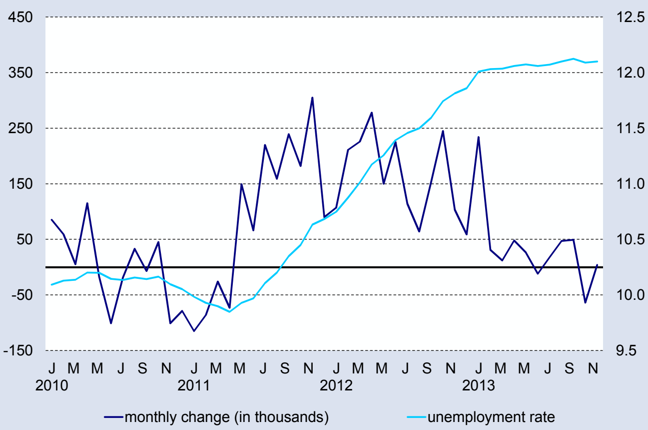


Source: Eurostat.

Labour market conditions remain weak

Labour market conditions in the euro area remained sluggish during the second half of 2013. Although the unemployment rate stabilised at 12.1%, it remained at a record high (see Chart 1.9). Furthermore, the number of unemployed people continued to rise, though the

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



Source: Eurostat.

average increase over the second and third quarters was significantly lower than in previous periods, suggesting that the effect of the incipient economic recovery was beginning to be felt in the labour market. Cross-country divergences remained, with the low unemployment rate in Germany contrasting with the elevated levels recorded in Greece and Spain.

As in the second quarter, employment levels in the euro area remained unchanged during the third quarter, after having declined in previous periods. This suggests that the deterioration in labour market conditions may be bottoming out in light of the recent economic turnaround.

Euro area GDP forecasts point to moderate recovery

The Eurosystem projections issued in December 2013 point to a gradual acceleration of euro area GDP growth over the next two years. Following a 0.4% contraction in 2013, the economy is expected to expand by 1.1% in 2014 and by 1.5% in 2015 (see Table 1.3).

Positive growth is expected to be driven by domestic demand, reflecting the ECB's accommodative stance on monetary policy and a less restrictive fiscal policy. Improved business expectations and higher real incomes, on the back of lower inflation, are expected to outweigh downward pressures on growth emanating from an adjustment to private and public sector balance sheets and a still high level of unemployment.

On the external side, export growth is expected to pick up as a result of stronger foreign demand. However, import growth is set to remain buoyant as domestic demand gains momentum.

The outlook for inflation was revised downward in the latest forecast round, with the overall annual HICP inflation rate expected to fall from 1.4% in 2013 to 1.1% in 2014 and to 1.3% in 2015. Inflationary pressures are set to abate in 2014 as the diminishing effect of past indirect tax hikes, of lower unit labour cost growth and of persistent slack in the economy have a dampening effect on prices. Gradually improving economic conditions and a modest recovery in profit margins are expected to boost prices in 2015.

ECB cuts interest rates and introduces forward guidance

The ECB's monetary policy stance remained accommodative during the second half of 2013. In July the Governing Council introduced forward guidance, announcing that it expected key interest

Table 1.3
MACROECONOMIC PROJECTIONS FOR THE EURO AREA(1)
Average annual percentage changes; working-day-adjusted data

	2013	2014	2015
GDP	**-0.4**	**1.1**	**1.5**
Private consumption	-0.6	0.7	1.2
Government consumption	0.1	0.3	0.4
Gross fixed capital formation	-3.0	1.6	2.8
Exports	1.1	3.7	4.8
Imports	-0.1	3.5	4.7
HICP	**1.4**	**1.1**	**1.3**

(1) Eurosystem staff macroeconomic projections (December 2013).
Source: ECB.

rates to remain at present or lower levels for an extended period of time. This reflected mainly the subdued medium-term outlook for inflation and the weak state of the euro area economy.

In November the Governing Council reaffirmed its forward guidance and lowered key interest rates in the light of indications of a further reduction in underlying price pressures in the euro area over the medium term and of continued sluggish monetary and credit conditions. The interest rate on the MROs of the Eurosystem was cut by another 25 basis points to a new historical low of 0.25% (see Chart 1.3). 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 Eurosystem also continued to implement non-standard monetary policy measures. In July the ECB adjusted its collateral eligibility rules for Eurosystem monetary operations, while in November it decided to continue conducting its MROs as fixed rate tender procedures with full allotment at least until July 2015. Moreover, it decided to continue conducting the three-month longer-term refinancing operations (LTRO) as fixed rate tender procedures with full allotment.

In September the ECB, in agreement with the Bank of England, extended its liquidity swap arrangement up to September 2014. In October a bilateral currency swap arrangement was signed with the People's Bank of China. Furthermore, the ECB announced that existing temporary bilateral liquidity swap arrangements with five major central banks were being converted to standing arrangements.

Monetary dynamics continue to deteriorate

Monetary conditions remained subdued as annual growth in M3, the broadest measure of money, decelerated to 2.0% in September from 2.4% in June (see Table 1.4). The slowdown in the growth rate reflected developments in the more illiquid money categories, more specifically marketable instruments and time deposits. On the other hand, annual growth in M1, a measure of the most liquid form of money, remained robust, standing at 6.7% in September. The continued preference for liquidity points to lingering risk-aversion in European financial markets.

Money growth moderated further during the following quarter, with the annual growth rate of M3 decelerating to 1.5% in November. The annual rate of expansion in M1, on the other hand, declined only modestly to 6.5%.

Table 1.4
EURO AREA MONETARY AGGREGATES
Annual percentage changes

	June	July	Aug.	Sep.	Oct.	Nov.
M1	**7.6**	**7.1**	**6.8**	**6.7**	**6.6**	**6.5**
Currency in circulation	2.1	2.4	2.7	3.1	3.7	4.5
Overnight deposits	8.8	8.1	7.6	7.4	7.1	6.9
M2-M1 (Other short-term deposits)	**0.1**	**0.2**	**0.4**	**0.1**	**-1.2**	**-1.5**
Deposits with an agreed maturity of up to two years	-5.6	-5.4	-4.5	-4.9	-6.6	-6.8
Deposits redeemable at notice of up to three months	5.4	5.3	4.8	4.5	3.5	3.1
M2	**4.3**	**4.1**	**4.0**	**3.8**	**3.2**	**3.1**
M3	**2.4**	**2.2**	**2.3**	**2.0**	**1.4**	**1.5**

Source: ECB.

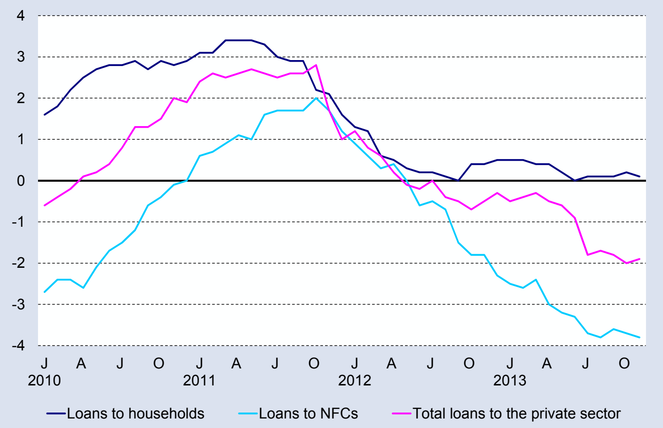
Private sector credit contracts further

With regard to the counterparts of M3, total credit in the euro area continued to decline, in part reflecting a persistent drop in private sector credit. The net external assets of euro area monetary financing institutions (MFI), on the other hand, continued to grow throughout the quarter to September 2013.

Loans, which account for most of private sector credit, contracted at an annual rate of 1.8% in September, following a 0.9% decline at the end of the second quarter (see Chart 1.10). These developments mainly reflected a strong contraction in loans to non-financial corporations (NFC). Loans to households, meanwhile, grew marginally, as a slight expansion in loans for house purchases was offset by declines in consumer loans and in other lending. Reduced credit flows in the euro area, especially to small and medium-size enterprises, reflect not only weak credit demand but also supply factors, such as a tightening in capital requirements for euro area MFIs and general risk-aversion.

During the fourth quarter of 2013, the annual rate of growth of private sector credit fell to a negative 1.9% in November, as loans to NFCs contracted strongly and growth in loans to households remained weak.

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

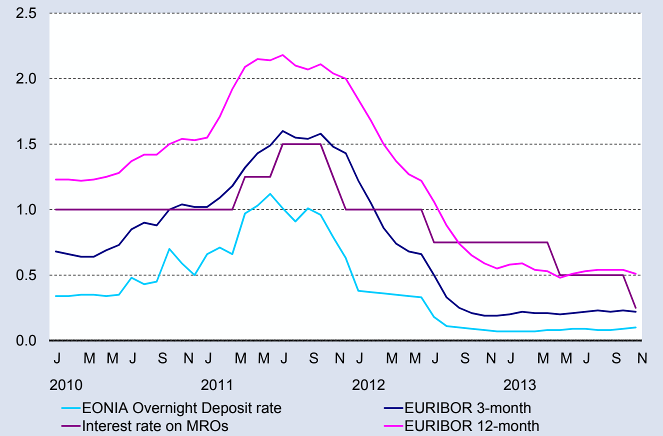


Source: ECB.

Money market rates stable

Euro area money market rates were stable during the third quarter, with the three-month EURIBOR standing at 0.22% in September. As a result, the spread between the ECB's MRO rate and the three-month EURIBOR remained unchanged at 28 basis points (see Chart 1.11).[1] The low levels of money market rates reflected the accommodative monetary policy stance of the ECB, with the introduction of forward guidance in July offsetting the upward pressure on rates stemming from banks' gradual repayment of LTROs, which led to a decline in liquidity during the period.

Chart 1.11
KEY INTEREST RATES
(percentages per annum; monthly averages)



Source: Central Bank of Malta.

The spread between the MRO rate and the three-month EURIBOR narrowed during the fourth

[1] 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, following the ECB's interest rate cut in November. Money market rates failed to follow the MRO rate downward, owing to low liquidity levels within the euro area financial system.

Benchmark euro area bond yields continue rising

In line with developments in international sovereign bond markets, German government bond yields used as a benchmark for euro area yields, rose by 5 basis points during the September quarter, reaching 1.8% (see Chart 1.5). The demand for German government bonds, considered to have safe-haven status, dropped during the quarter amid signs of a recovery in advanced economies, along with increased speculation that the US Fed would slow down its asset purchase programmes. These factors, in turn, pushed up bond yields for the second quarter running.

Meanwhile, spreads between yields on German bonds and those issued by other euro area countries generally narrowed during the quarter, reflecting the improved economic outlook in some of the stressed economies and related capital flows (see Chart 1.12).

Going into the following quarter, ten-year German yields continued to increase, rising by 16 basis points to stand at 1.9% at the end of December. This contributed to a further narrowing of the spreads between German bond yields and those of other euro area countries during the period.

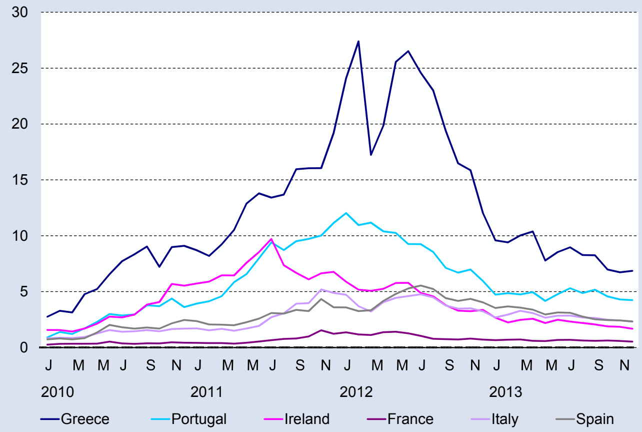
Euro area equity prices resume rally

European equity prices rose during the third quarter, with the Dow Jones EUROSTOXX index gaining 11.3% (see Chart 1.4) following a drop in the previous three-month period. This increase, which mirrored developments in global equity markets, reflected the improving international economic outlook. At the same time the continued accommodative monetary policy and the introduction of forward guidance by the ECB also supported share prices. The rally continued into the following quarter, with the index gaining 7.3% between September and December.

The euro continues to strengthen

The nominal effective exchange rate (NEER) of the euro maintained a steady rise during the third

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



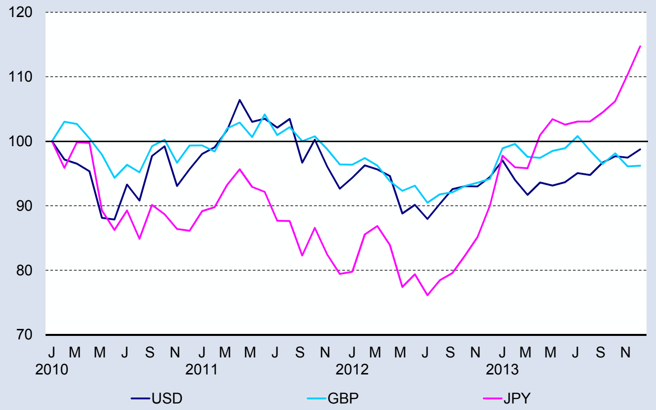
Source: ECB.

Chart 1.13
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

quarter, posting an increase of 0.6% (see Chart 1.13). Further signs of an improvement in euro area economic conditions supported the common currency and outweighed the negative impact of political tensions in Italy and Portugal, and the dampening effect of the ECB's forward guidance on euro area interest rates.

Chart 1.14
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.

Over the period, the euro rose against the Japanese yen (see Chart 1.14), which was weighed down by the Bank of Japan's continued easing policies. In terms of the US dollar, it also recorded gains as the latter was undermined by increasing political risks related to uncertainty about the direction of US fiscal policy. On the other hand, the euro depreciated against the pound sterling, which was supported by strong economic growth in the United Kingdom.

These patterns were extended in the fourth quarter of 2013. The euro generally continued to strengthen, with the NEER gaining 1.8%. On a bilateral basis, the euro gained against both the yen and the US dollar during the period, while depreciating against the pound sterling.

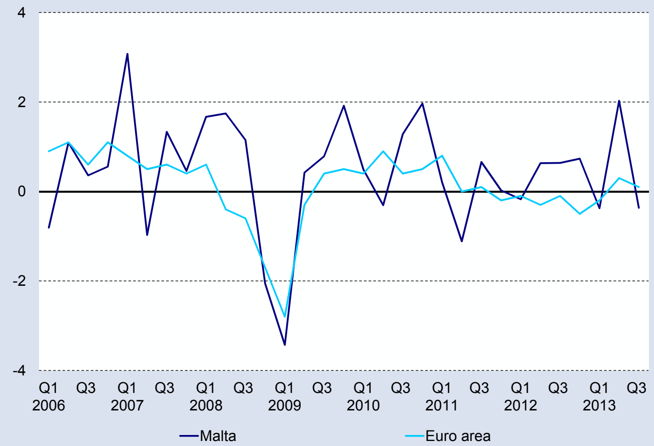
2. OUTPUT AND EMPLOYMENT

Gross domestic product and industrial production

Economic growth slows down

Real gross domestic product (GDP) in Malta expanded by 1.9% in annual terms during the third quarter of 2013, slowing down from 3.3% in the previous quarter. Growth was mainly driven by domestic demand, while net exports made a marginal positive contribution. In seasonally adjusted terms, GDP declined by 0.4% compared with the previous quarter after having increased by a relatively strong 2.0% in the second quarter. In contrast, euro area real GDP was 0.1% higher (see Chart 2.1).

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



Source: Eurostat.

Net exports remain stable

Net exports rose marginally compared with the same quarter of 2012, as in absolute terms the increase in exports was slightly higher than that in imports. Net exports contributed just 0.1 of a percentage point to real GDP growth (see Table 2.1).

Real exports rose at an annual rate of 2.4% in the third quarter of the year, following three consecutive quarters of decline. Exports of goods were the main driver, increasing by 3.4% over the same period a year earlier. Conversely, in nominal terms, exports of goods declined, with Customs data indicating that exports of machinery, which include semiconductors, fell. The different movements in the real and nominal values reflect falling export prices. In the same period, real exports of services increased by 1.1%, while they rose marginally in nominal terms. The latter went up as a result of a buoyant tourism industry, which outweighed drops in earnings from financial services.

Real import growth recovered to 2.6% on an annual basis, following a fall of 18.8% in the second quarter of 2013. Both imports of goods and services went up, by 3.1% and 1.8%, respectively. Similarly to exports, nominal goods imports declined, with Customs data pointing to lower imports of fuel. The latter may be the result of more efficient domestic energy production. Underlying imports of goods, excluding oil and ships, declined compared with the third quarter of 2012, driven by a drop in imports of industrial supplies. With regard to services, nominal imports rose following higher expenditure on travel and business & management consultancy.

Domestic demand recovers

Domestic demand spurred economic activity, contributing 1.8 percentage points to real GDP growth mainly through changes in inventories and private consumption.[1] Conversely, government

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

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2012		2013		
	Q3	Q4	Q1	Q2	Q3
	Annual percentage changes				
Private final consumption expenditure	-0.5	1.0	0.6	1.1	0.5
Government final consumption expenditure	8.0	2.2	-1.0	1.2	-1.2
Gross fixed capital formation	-3.9	-11.3	1.9	-6.2	-6.2
Changes in inventories (% of GDP)[1]	-3.9	-2.2	2.8	-0.5	-1.4
Domestic demand	**-0.1**	**-1.0**	**6.6**	**-2.0**	**2.0**
Exports of goods & services	13.6	-5.1	-7.0	-14.2	2.4
Imports of goods & services	13.8	-7.9	-2.4	-18.8	2.6
Gross domestic product	**1.1**	**1.9**	**1.5**	**3.3**	**1.9**
	Percentage point contributions				
Private final consumption expenditure	-0.3	0.7	0.4	0.7	0.3
Government final consumption expenditure	1.4	0.4	-0.2	0.2	-0.2
Gross fixed capital formation	-0.5	-1.7	0.3	-0.8	-0.8
Changes in inventories[1]	-0.7	-0.4	6.0	-2.0	2.5
Domestic demand	**-0.1**	**-1.0**	**6.5**	**-1.9**	**1.8**
Exports of goods & services	13.1	-5.4	-7.7	-17.0	2.6
Imports of goods & services	-11.9	8.3	2.6	22.3	-2.5
Net exports	**1.2**	**2.9**	**-5.0**	**5.3**	**0.1**
Gross domestic product	**1.1**	**1.9**	**1.5**	**3.3**	**1.9**

[1] Includes acquisitions less disposal of valuables.
Source: NSO.

consumption and gross fixed capital formation (GFCF) decreased compared with the same quarter of 2012.

Private consumption growth remained positive, albeit slowing down from 1.1% in the second quarter to 0.5%. It added 0.3 of a percentage point to real growth compared with 0.7 percentage point in the previous quarter. Growth in consumption was sustained, in particular by higher expenditure on communications and health. Expenditure on transport also increased reflecting to some extent higher sales of automobiles, which in turn was evidenced by a rise in car registrations compared with the same quarter of 2012. On the other hand, private consumption of clothing and food declined.

Reversing the rise seen in the previous quarter, government consumption expenditure fell by 1.2% on a year earlier. As a result, its contribution to real GDP growth was a negative 0.2 percentage point. Nominal data indicate that this drop resulted from developments in intermediate consumption as compensation of employees continued to grow.

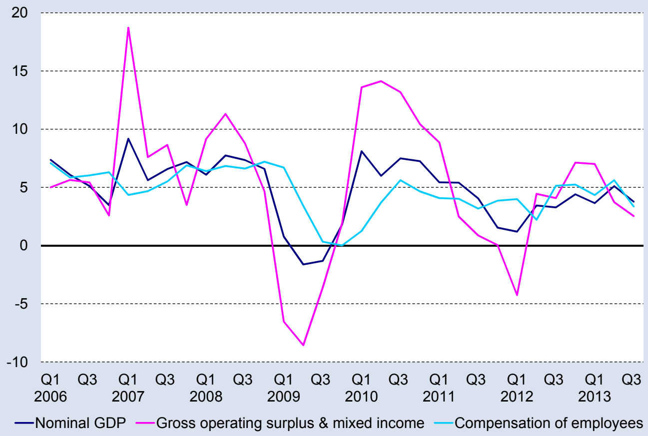
Real investment continued on its downward trend, dropping by 6.2% for the second consecutive quarter, pulling down GDP growth by 0.8 percentage point. Lower investment in non-residential construction, machinery and transport equipment was behind the fall in GFCF levels. This outweighed a pick-up in investment in residential construction and further growth in IT-related capital spending. In nominal terms, private investment spending continued to fall, with the largest drops in machinery and transport equipment. On the other hand, government investment recovered following a decline in the previous quarter mainly on account of higher outlays on machinery.

Changes in inventories, which were equivalent to -1.4% of real GDP, were considerably less negative compared with the third quarter of 2012 and boosted real GDP growth by 2.5 percentage points.

Nominal GDP growth slows down

Annual nominal GDP growth slowed down to 3.8% in the third quarter of 2013, from 5.1% in the second quarter, as both gross operating surplus and compensation of employees rose at a slower pace (see Chart 2.2).

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



Source: NSO.

Gross operating surplus expanded by 2.5% compared with 3.7% in the previous quarter. In absolute terms, the largest increases were in sectors covering accommodation, mining & utilities and professional & scientific activities. On the other hand, the gross operating surplus in manufacturing declined substantially.

The annual rate of growth in compensation of employees was 3.4% in the third quarter, as against 5.6% in the second quarter. Compensation of employees increased mostly in public administration & defence, driven by spending on health and in the sector comprising professional & scientific activities. In contrast, the most significant decline occurred in the financial & insurance activities sector, partly because non-wage employee costs fell.

Based on the output approach, gross value added (GVA) continued to expand in annual terms, contributing 2.5 percentage points to nominal GDP growth in the third quarter (see Table 2.2).[2] However, its rate of expansion slowed down compared with the previous quarter and, hence, its contribution to GDP growth decreased.

Service activities were the driver of GVA during the third quarter, adding 2.8 percentage points to nominal GDP growth. The sectors including public administration & defence, and the professional & scientific activities recorded the largest absolute increases in GVA, contributing 1 percentage point each to nominal GDP growth. The rest of the service sectors together, including tourism, added 0.8 of a percentage point.

In contrast, GVA in the manufacturing sector dropped for the second consecutive quarter, taking off 1.2 percentage points from nominal growth, while GVA in construction continued to contract marginally. Conversely, GVA in the mining & quarrying and utilities sector continued to rise on an annual basis, reflecting efficiency gains in energy production and adding 1.0 percentage point to nominal GDP.

Industrial production continues to decline

Industrial production contracted further in the third quarter of 2013, declining by 4.8% on a year earlier, following a fall of 0.1% in the second quarter. Almost all major sectors contributed to the overall decrease (see Table 2.3).[3] In particular, the volume of output fell rapidly in the computer,

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

[3] Methodological differences may account for divergences between developments in the GVA of 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 sectoral coverage between the two measures may differ, since industrial production data also capture the output of the energy sector.

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

	2012		2013		
	Q3	Q4	Q1	Q2	Q3
Agriculture, forestry & fishing	0.1	0.9	0.1	0.1	0.0
Mining & quarrying; utilities	-0.7	-0.2	1.0	1.3	1.0
Manufacturing	0.7	0.7	0.2	-0.9	-1.2
Construction	-0.1	0.0	-0.1	-0.1	-0.1
Services	3.8	3.9	3.6	3.9	2.8
of which:					
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	1.5	1.0	0.7	0.8	0.3
Information & communication	0.4	0.4	0.5	0.4	0.4
Financial & insurance activities	0.2	0.2	0.3	0.5	0.1
Real estate activities	0.0	0.0	0.0	0.1	0.0
Professional, scientific, administrative & related activities	0.6	0.6	0.8	1.1	1.0
Public administration & defence; education; health & related activities	1.0	1.3	1.2	0.9	1.0
Arts, entertainment; household repair & related services	0.1	0.4	0.1	0.0	0.1
Gross value added	**3.8**	**5.2**	**4.7**	**4.2**	**2.5**
Net taxation on products	**-0.5**	**-0.8**	**-1.1**	**0.9**	**1.2**
Annual nominal GDP growth (%)	**3.3**	**4.4**	**3.6**	**5.1**	**3.8**

Source: NSO.

electronic & optical products and pharmaceutical sectors. Production growth turned negative in the industries producing food and wearing apparel, while output in the energy sector also continued to fall. Textile production contracted at a slower pace. On the other hand, production of rubber & plastic products grew for the fourth consecutive quarter.

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

		2012		2013		
	Shares	Q3	Q4	Q1	Q2	Q3
Industrial production	**100**	**8.1**	**11.6**	**-3.2**	**-0.1**	**-4.8**
of which:						
Computer, electronic & optical products	18.5	23.5	27.9	9.3	-1.3	-14.9
Food products	10.2	16.8	-0.8	2.0	20.0	-0.2
Energy[(1)]	8.0	4.1	3.3	-3.6	-2.0	-3.3
Wearing apparel	6.5	-5.4	19.9	-6.0	31.9	-7.1
Rubber & plastic products	6.2	-8.5	1.9	0.7	4.8	7.8
Basic pharmaceutical products & pharmaceutical preparations	5.5	32.6	67.9	-15.7	-7.3	-42.4
Textiles	5.2	-17.3	-1.4	-24.2	-26.2	-3.6
Repair and installation of machinery & equipment	5.0	-0.4	-6.3	-8.1	-2.6	-3.8

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

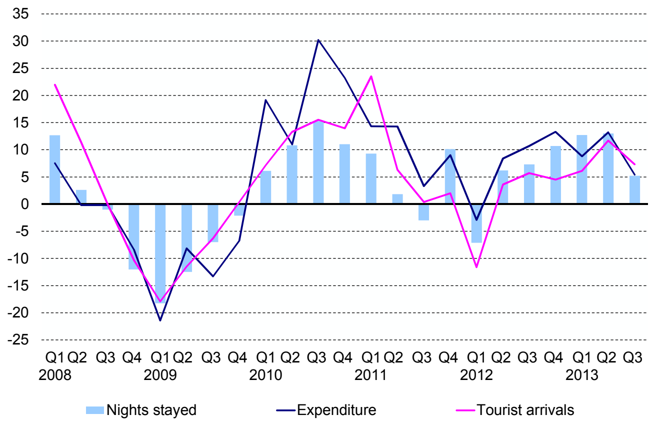
BOX 1: TOURISM ACTIVITY

Tourism industry expands further in the third quarter

During the third quarter of 2013, buoyancy in the tourism industry persisted. All the main indicators suggest that the industry continued to perform strongly as the number of inbound tourists, nights stayed and expenditure recorded positive year-on-year growth for the sixth consecutive quarter.

National Statistics Office (NSO) data show that arrivals in the July-September period of 2013 numbered 576,540, a 7.3% increase on the corresponding period of 2012 (see Chart 1). This surge reflected a marked increase in the number of leisure travellers, as visitors travelling for business purposes declined.

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



Source: NSO.

In terms of geographical distribution, the rise in arrivals stemmed from all main source markets, except Spain (see Table 1). The largest upturn was

Table 1
DEPARTING TOURISTS BY COUNTRY OF RESIDENCE
Number of visitors

	2012 Q3	2013 Q3	Change	2012 Oct.-Nov.	2013 Oct.-Nov.	Change
Total tourists	**537,486**	**576,539**	**39,053**	**237,285**	**273,234**	**35,949**
Austria	6,783	7,403	619	2,919	4,192	1,273
France	42,609	43,597	987	14,781	17,157	2,375
Germany	42,131	45,040	2,908	27,703	30,813	3,110
Ireland	8,941	10,086	1,145	4,832	5,291	459
Italy	82,808	94,108	11,300	26,216	31,547	5,331
Libya	4,894	10,901	6,007	3,005	6,176	3,170
Netherlands	15,050	15,556	505	6,031	5,952	-80
Russia	17,708	18,549	840	4,736	7,770	3,034
Scandinavia	40,187	41,781	1,594	16,683	21,805	5,121
Spain	29,878	27,793	-2,086	5,093	5,089	-4
United Kingdom	149,310	152,829	3,520	82,526	82,270	-256
USA	5,967	5,905	-63	2,237	3,165	928
Other	91,219	102,994	11,775	40,522	52,009	11,486

Source: NSO.

once again registered by the Italian market, where the number of visitors went up by 11,300, or 13.6%, compared with the third quarter of 2012. Other substantial increases were registered by the Libyan, German, Scandinavian and Irish markets. Meanwhile, the number of visitors from the United Kingdom, which accounts for nearly 30% of total visitors, rose by 3,520, or 2.4%, compared with year-ago levels. At the same time, arrivals from Spain dropped by more than 2,000, or 7.0%.

The NSO estimates that in the July-September period total tourist expenditure reached €613.8 million, up by 5.4% in annual terms.[1] This was mainly attributable to an 8.5% rise in non-package expenditure and an increase of 6.8% on the “other” component of expenditure. The rise in non-package expenditure largely reflected higher spending on accommodation, with airfares contributing to a lesser extent. At the same time, spending on package holidays went up by 1.5%.[2]

The total number of nights spent in Malta rose by 5.2% over year-ago levels, reflecting a 5.0% increase in nights in collective accommodation and a 5.4% rise in private accommodation.[3] The latter includes self-catering apartments, farmhouses and private residences. Between July and September 2013, the average length of stay of visitors fell by 0.2 to 9.3 nights over the corresponding period a year earlier.

According to NSO data for October and November 2013, tourist arrivals, nights stayed and expenditure continued to grow. The number of visitors rose by 15.2% on the corresponding months of 2012, resulting in an increase of 9.1% in total nights stayed.

Meanwhile, total expenditure expanded by 12.3%. Although all expenditure components increased, the rise was largely attributable to spending on package holidays and on the “other” component of tourist expenditure.

Tourist arrivals generally went up in both the traditional and smaller markets (see Table 1). Significant absolute increases during October and November were observed in the Italian, Scandinavian, Libyan, German and Russian markets. Notable additions were also recorded by the Austrian and US markets. These outweighed marginal declines in tourist arrivals from a small number of other countries, including the United Kingdom and the Netherlands.

As a result, between January and November 2013, tourist arrivals increased by 9.8% on the comparable months of 2012. Meanwhile, total nights stayed and expenditure rose by 8.8% and 9.0%, respectively.

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1 Total expenditure is split into package, non-package and “other”.

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

3 Collective accommodation comprises hotels, aparthotels, guesthouses, hostels and tourist villages.

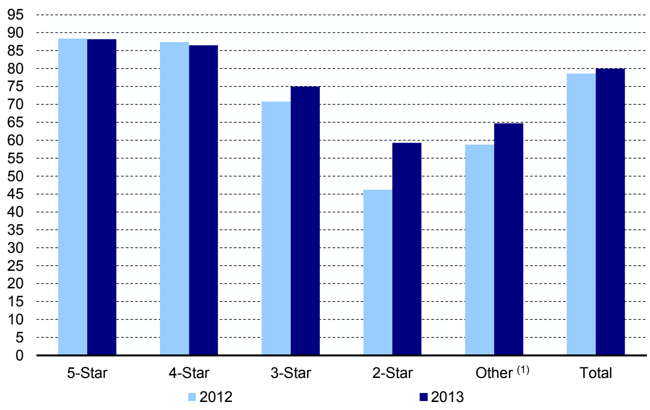
With regard to accommodation capacity, by end-September 2013 the net number of bed places available in collective establishments edged up by 3.4% on a year earlier. The opening of two new 3-star hotels accounted for most of this increase in bed capacity. Nevertheless, smaller increases in bed capacity of "other collective accommodation" and of 2-star hotels also contributed. Meanwhile, bed capacity in the 4-star and 5-star hotel categories remained broadly unchanged.

Overall, the rise in nights stayed in the third quarter of 2013 pushed up the average occupancy rate in collective accommodation establishments. The latter edged up to 80.0%, a rise of 1.4 percentage points on a year earlier (see Chart 2).[4] The largest increases among hotels were registered in 2-star and 3-star establishments, where occupancy rates gained 13.1 percentage points and 4.2 points, respectively. In addition, occupancy in "other" establishments[5] put on 5.9 points when compared with the corresponding period of the previous year. Conversely, 4-star and 5-star hotels recorded marginal decreases of 0.9 and 0.2 point, respectively.

In October occupancy rates also increased on a year earlier, reaching 65.5%, up by 2.7 percentage points. This followed a 7.2% rise in total nights spent in hotels and other collective accommodation establishments. All accommodation categories recorded increases.

The quarterly survey conducted by the tourism industry shows that average achieved room rates between July and September increased across all hotel categories, with 4-star and 5-star hotels recording an improvement of over 5.0% on a year earlier.[6] Reflecting these developments, gross operating profit per available room rose in both categories. In the 3-star category, however, profitability per room declined marginally, as higher costs offset a modest improvement in the average achieved room rates when compared with the September quarter of 2012.

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



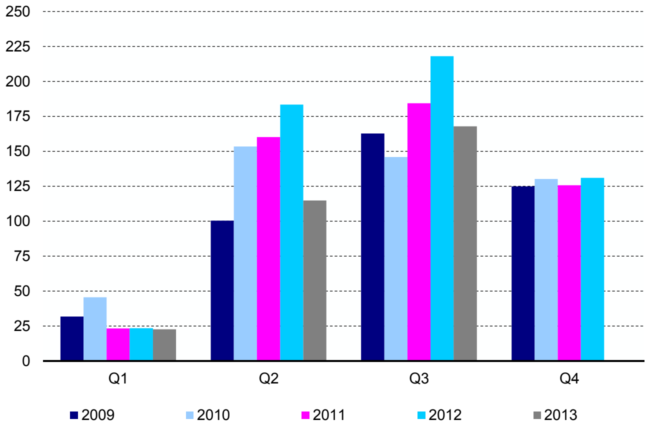
(1) Includes guest houses, hostels & holiday complexes.
Source: NSO.

4 Occupancy rates in all establishments include night stays of both residents and non-residents.
5 Comprises guesthouses, aparthotels and hostels.
6 See *BOV-MHRA Survey – Q3 2013*.

Cruise liner visits contract

The cruise liner business continued to contract on an annual basis. In the third quarter of 2013, the number of cruise liner calls was 101, down by 12 from the corresponding quarter a year earlier (see Chart 3). Consequently, in annual terms the number of foreign passengers fell by almost 25% during the quarter and by 28.2% over the nine-month period to September 2013.

Chart 3
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

The labour market[4]

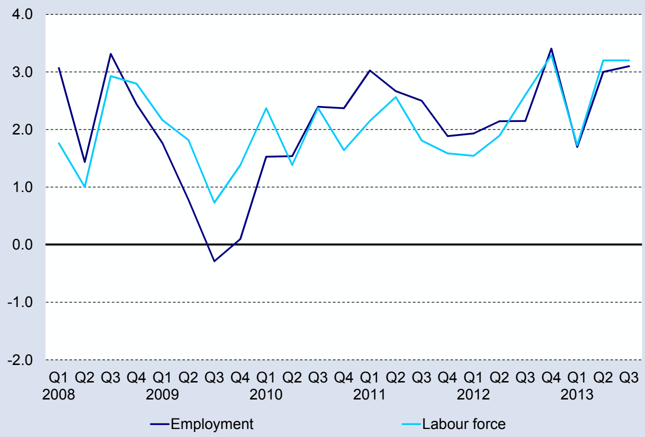
Labour market statistics for the third quarter of 2013 show that employment continued to rise on both an annual and a quarterly basis. At the same time, the unemployment rate based on the Labour Force Survey (LFS) was marginally higher than a year earlier but remained unchanged compared with the previous quarter.

Employment rises further

LFS data indicate that in the third quarter of 2013 the labour force rose by 3.2% on a year earlier (see Table 2.4).[5] This was equal to the rate of increase in the preceding quarter.

The annual rate of employment growth rose slightly to 3.1%, from 3.0% in the second quarter (see Chart 2.3). Full-time jobs increased considerably, rising by 2,693 on a year earlier, or 1.8%, while jobs on a part-time basis went up by 2,004, or 9.5%. Meanwhile, full-time jobs on reduced hours increased by 653, or 15.4%.

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



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 16 and over.

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

	2012		2013			Annual change
	Q3	Q4	Q1	Q2	Q3	%
Labour force	**186,409**	**185,426**	**185,459**	**189,620**	**192,303**	**3.2**
Employed	174,126	173,456	174,174	176,862	179,476	3.1
By type of employment:						
Full-time	148,833	148,961	148,977	150,315	151,526	1.8
Full-time with reduced hours	4,232	4,125	4,063	5,054	4,885	15.4
Part-time	21,061	20,370	21,134	21,483	23,065	9.5
Unemployed	12,283	11,970	11,285	12,758	12,827	4.4
Activity rate (%)	**63.9**	**63.6**	**63.6**	**64.9**	**65.8**	
Male	79.1	77.7	78.0	79.4	80.2	
Female	48.1	49.0	48.6	49.8	50.8	
Employment rate (%)	**59.6**	**59.5**	**59.7**	**60.5**	**61.3**	
Male	74.7	73.1	73.0	73.9	74.8	
Female	44.0	45.4	45.8	46.5	47.3	
Unemployment rate (%)	**6.6**	**6.5**	**6.1**	**6.7**	**6.7**	
Male	5.4	5.9	6.3	6.9	6.6	
Female	8.6	7.4	5.7	6.5	6.8	

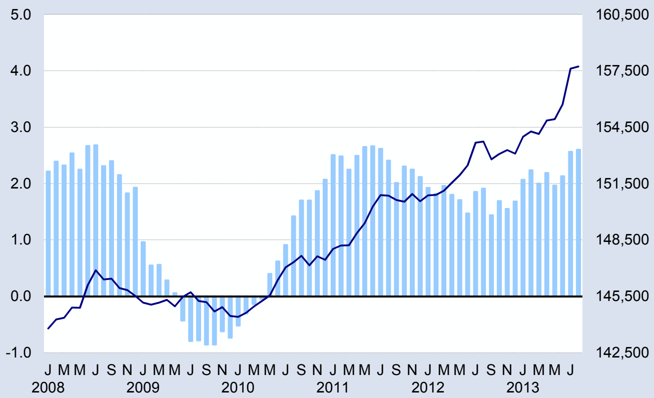
Source: NSO.

At 61.3%, the total employment rate was 1.7 percentage points higher than the year-ago level.[6] As in previous quarters, the increase was mainly driven by females as their employment rate rose from 44.0% in the third quarter of 2012 to 47.3% a year later. In absolute terms, all female age groups reported a rise in employment except for the 15–24 age group. The strongest increase was registered in the 45–54 age bracket. During the quarter under review, the male employment rate went up marginally to 74.8% from 74.7% a year earlier. The strongest rise was recorded among those aged 65 and over and in the 55–64 age group.

As the labour force rose, the activity rate went up from 63.9% in the third quarter of 2012 to 65.8% a year later.[7]

Employment and Training Corporation (ETC) data show that the gainfully occupied population, defined to include all in full-time employment, continued to increase, reaching the highest level on record (see Chart 2.4). The annual growth rate rose to 2.6% in August from 2.1% in June.

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



Source: NSO.

[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 15–64 years.
[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 15–64 years.

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

	2012		2013			Annual change
	Aug.	Dec.	Mar.	June	Aug.	%
Labour supply	**160,556**	**159,899**	**161,487**	**162,994**	**165,187**	**2.9**
Gainfully occupied(1)	153,735	153,088	154,137	155,715	157,730	2.6
Registered unemployed	6,821	6,811	7,350	7,279	7,457	9.3
Unemployment rate (%)	**4.2**	**4.3**	**4.6**	**4.5**	**4.5**	
Private sector	**112,807**	**112,078**	**112,630**	**113,884**	**115,742**	**2.6**
Public sector	**40,928**	**41,010**	**41,507**	**41,831**	**41,988**	**2.6**
Part-time jobs	**56,208**	**55,922**	**55,522**	**56,986**	**58,782**	**4.6**
Primary	32,725	31,974	31,883	33,117	34,355	5.0
Secondary(2)	23,483	23,948	23,639	23,869	24,427	4.0

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

From a sectoral perspective, employment increased in both the private and public sector, but job creation continued to be driven by the former (see Table 2.5). In August the number of full-timers in the private sector rose by 2,935, or 2.6% on a year earlier. Hiring took place in market services, where employment increased by 4.1%. On the other hand, jobs in direct production fell by 1.1%.

Within the private sector, all market service sub-sectors registered increases. The largest additions were recorded in administrative & support services, professional, scientific & technical activities, health & social work, education, information & communication and financial & insurance activities. Turning to direct production, the fall in employment was once again attributed to the construction sector. Jobs in manufacturing were also lower albeit to a lesser degree.

In the public sector, employment increased by 1,060 or 2.6% in August, compared with the same month a year earlier. Jobs rose solely in the services category, primarily in public administration & defence, education and human health activities. In contrast, employment dropped in direct production, mainly in the construction sector.

On an annual basis, part-time jobs increased by 4.6% in August as against 3.6% in June. The number of those having only a part-time job rose by 5.0%, while those having a part-time job in addition to their full-time job were up by 4.0%. Both upward changes were driven by female workers, primarily in wholesale & retail trade, public administration & defence, administrative & support services and professional, scientific & technical activities.

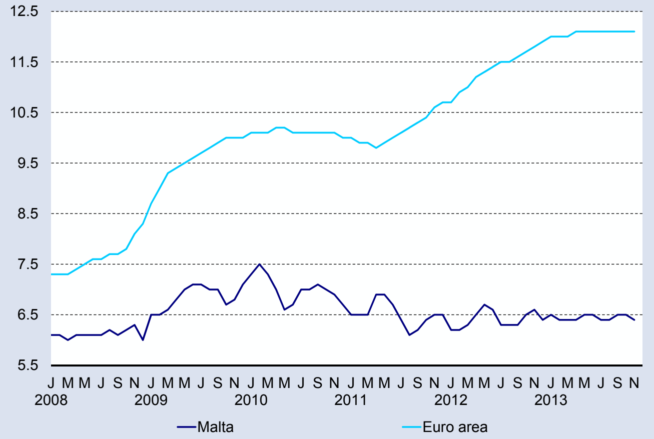
Unemployment rises on a year earlier

In the September quarter, the unemployment rate based on the LFS remained unchanged, at 6.7%, compared with the preceding quarter.[8] Compared with the same period a year earlier,

8 According to the LFS, the unemployed comprise persons 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.

the unemployment rate rose marginally by 0.1 percentage point. The jobless rate for males increased by 1.2 percentage points on a year earlier, while that for females was 1.8 percentage points lower.

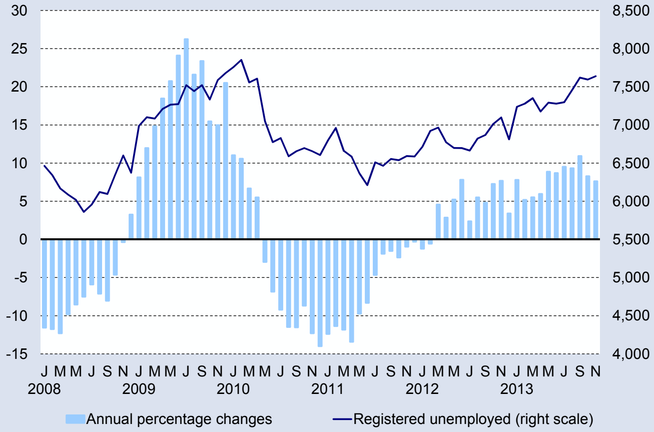
Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

The seasonally adjusted unemployment rate averaged 6.4% in the third quarter and was thus 0.1 percentage point lower than in the preceding quarter, but was 0.1 percentage point higher compared with the situation a year earlier (see Chart 2.5).[9] The unemployment rate in Malta remained well below the average of the euro area, which stood at 12.1%.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

The administrative records of the ETC indicate that the number of registered unemployed rose by 340, to 7,619 between June and September (see Chart 2.6). In August the jobless rate based on ETC data stood at 4.5%, unchanged compared with June, but 0.3 percentage point higher than in August 2012.

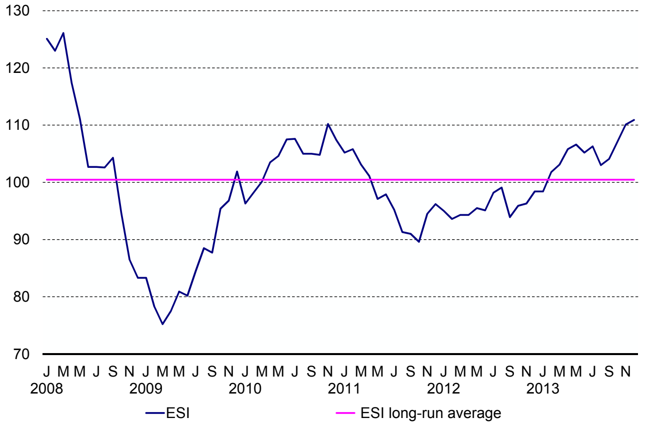
In October the seasonally adjusted unemployment rate remained unchanged at 6.5% compared with September, before falling to 6.4% in November. The latest ETC data show that on a month-on-month basis, the number of registered unemployed fell in October but rose again in November. In both months the number was above the corresponding figure registered a year earlier.

[9] Based on Eurostat calculations.

BOX 2: BUSINESS AND CONSUMER SURVEYS

In the final quarter of 2013, confidence rose in all the surveyed sectors measured by the economic sentiment indicator (ESI). Confidence among firms operating in the services sector increased after having declined in the previous quarter. It also rose among consumers, with the indicator turning positive in November for the first time since the survey started. Meanwhile, confidence in the manufacturing and construction sectors improved but remained in negative territory. As a result of these movements, the ESI, which summarises developments in all these sectors, rose to 110.9 in December from 104.1 in September and remained above its long-term average of 100.5 (see Chart 1).[1,2]

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

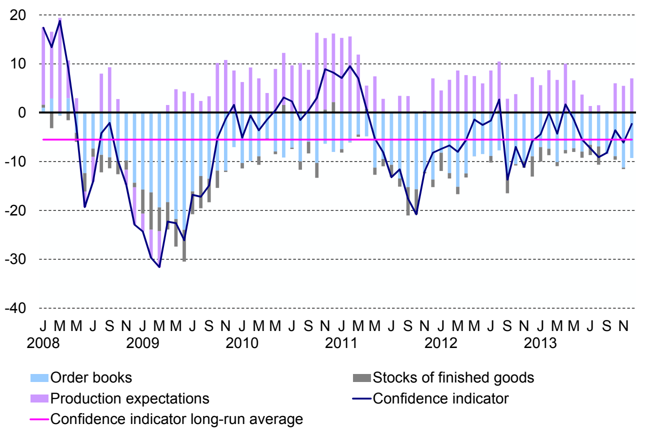


Source: European Commission.

Industry confidence improves, but remains in negative territory[3]

Confidence among firms operating in the manufacturing sector remained negative but rose from -8 in September to -2 in December 2013 (see Chart 2). As a result, the indicator moved above its long-term average of -6.

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



Source: European Commission.

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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.

Confidence rose mainly as a result of improved production expectations. While in September the majority of respondents expected production to remain broadly unchanged over the subsequent three months, in December the majority anticipated an increase in production. On the other hand, a slightly larger number of respondents reported weak order book levels. On balance, respondents in December believed that their stock of finished goods would decrease by a lesser extent compared with September. In December the production expectations sub-indicator stood above its long-term average, while order books were below their respective long-run average. The accumulation of stocks has recently lost some momentum, suggesting that the weakness in industry may have begun to bottom out around the end of 2013.

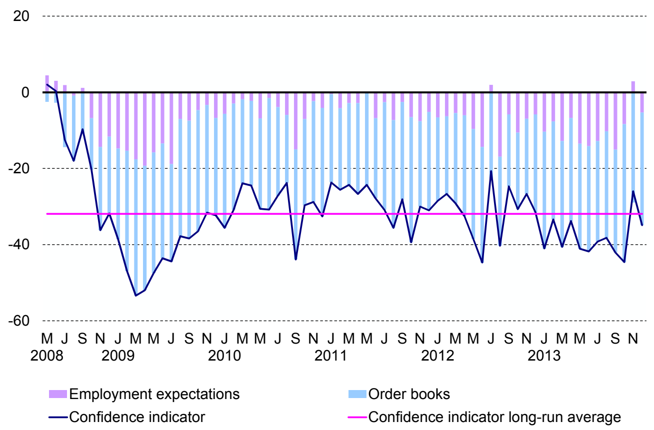
The majority of respondents continued to anticipate their labour complement to increase over the following three months, although overall the number of these participants was lower when compared with September. Meanwhile, the share of participants anticipating a decrease in their selling prices rose marginally compared with September. The majority of respondents indicated insufficient demand as the main factor inhibiting business activity.

At a sectoral level, confidence improved among producers of food products, fabricated metal products, wearing apparel and beverages. A marginal improvement in confidence was also reported in the computer, electronic & optical, pharmaceuticals and the printing & reproduction of recorded media sub-sectors. On the other hand, confidence turned negative among producers of non-metallic mineral products and furniture. Those engaged in the repair & installation of machinery & equipment also reported a loss in confidence.

Confidence in the construction sector rises[4]

During the quarter being reviewed, confidence among construction firms, while still negative, rose to -35 in December from -42 three months earlier (see Chart 3). The indicator, however, remained below its long-term average of -32.

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



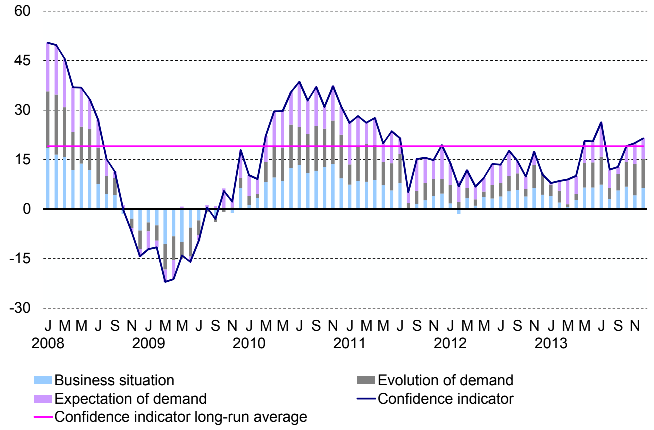
Source: European Commission.

The rise in confidence was completely spurred by a lower share of respondents expressing an intention to reduce their workforce in the following three

[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.

months. In contrast, the proportion of firms that considered their current order books to be below normal increased. The sub-component pertaining to employment moved above its long-term average, while the order book indicator remained below.

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



Source: European Commission.

Confidence among service providers rises[5]

After having declined in the third quarter of 2013, confidence among service providers rose in the final quarter, reaching the level recorded in June 2013. The indicator stood at 21 in December compared with 13 in September and moved above its long-term average of 19 (see Chart 4). All sub-components of the indicator reported gains. In fact, respondents' assessment with regard to expectations of future demand improved, as did demand in the previous three-month period. Moreover, the share of respondents registering a better business situation over the preceding three months rose. As a result, the sub-indicators pertaining to the business situation and to past demand moved above their respective long-term average, while the demand expectations sub-indicator remained slightly below.

Supplementary information shows that in line with the improvement in the overall indicator, the number of respondents foreseeing an increase in their labour complement rose. In October and November, the majority of respondents anticipated a decline in the prices they charged, whereas in December respondents were once again expecting a rise in prices charged over the subsequent three months.

Between September and December, confidence improved in the accommodation sector, in financial services and in the food & beverage industry. On the other hand, confidence fell among firms operating in air and land transport, programming & broadcasting and rental & leasing. Confidence remained practically unchanged in the gaming sector.

Consumer confidence reaches an all-time high[6]

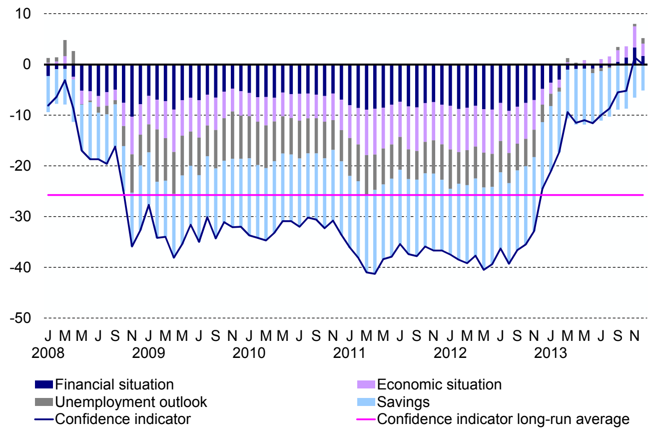
During the fourth quarter of 2013, the consumer confidence indicator reported further gains. A particularly strong improvement was recorded in November, when the reading

[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.

turned positive for the first time. The consumer confidence indicator fell slightly in December, ending 2013 at 0 up from -6 in September (see Chart 5). At the end of 2013, the indicator thus remained above its long-run average of -26.

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



Source: European Commission.

As in September, all components of the indicator recorded gains. More specifically, consumers were less pessimistic about their ability to save in the subsequent 12 months. Moreover, assessments of their own financial position and the general economic situation in the following 12 months improved. In December a marginally higher number of respondents expected unemployment to fall compared with September. The sub-indicators related to savings, the financial position and the economic situation were higher compared with their respective long-term averages. Consumers were also less likely to expect increases in unemployment. Therefore, their assessment with regard to employment prospects was also better compared with the past.

Further information shows that the proportion of respondents considering that the timing was right to make major purchases, given the existing economic situation, increased compared with three months earlier. With regard to price developments, on balance in December the majority of consumers believed that prices were going to decrease over the subsequent three months, whereas in September prices had been expected to rise.

BOX 3: ASSESSING THE SUPPLY SIDE OF THE MALTESE ECONOMY USING A PRODUCTION FUNCTION APPROACH[1]

Introduction

Estimating potential output has always been a challenge to policy makers, especially in economies undergoing structural changes or in the aftermath of wars, natural disasters or financial crises. Conceptually, potential output is often defined as the sustainable production capabilities of an economy determined by the structure of production, the state of technology and available resources. A closely related concept is the output gap, defined as the difference between actual and potential output. Measures of the output gap provide an indication of the overall balance between demand and supply conditions in the economy. This is generally considered useful information by policy makers, for example to determine and predict price pressures, and to gauge progress in fiscal consolidation.[2]

A number of studies have documented that financial and economic crises have a sizeable impact on the level of potential output and that, following their occurrence, output does not revert to its previous growth trend but rather remains permanently below it.[3] There are several factors that can affect the economy's supply capacity after a recession. On the production side, examples include the scrapping of existing capital stock owing to business failure, a slowdown in investment due to high uncertainty about future prospects and tight credit conditions to firms. This state of events can in turn depress the growth rate of total factor productivity, especially if it leads to lower spending on research and development. On the labour market front, in addition to the erosion of skills, some workers who lose their jobs may become discouraged in finding alternative work and leave the labour force entirely.

The implications of the global recession that was triggered by the financial crisis of 2008 for the growth rate of potential output and whether the world (and in turn, the Maltese) economy will settle on a lower growth path are still open issues. Apart from the crisis, demographic developments will adversely affect potential output growth in a number of countries in the coming years owing to the shrinkage of the workforce because of an ageing population. The assessment of such effects on the growth path of medium-term potential output remains a key issue for economic policy analysis.

After outlining the various methods used to estimate potential output, this box presents estimates for Malta derived from one of the most commonly used methods, i.e. the production function approach. Given the uncertainty surrounding these kinds of estimates, they are compared with those made for Malta by other institutions using different methods. Based on this analysis and on a cross-country comparison, a number of policy recommendations and final observations are made.

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1 Prepared by Aaron G. Grech and Brian Micallef. The authors work in the Bank's Modelling and Research Office. Any errors, as well as the views expressed in this article, are the authors' sole responsibility.

2 For a comprehensive review of the various policy applications of potential output measures, see, for instance, "IMF estimates of potential output: Theory and practice", *IMF Working Paper* no. 97/177, 1997.

3 See, for instance, the study "Impact of the current economic and financial crisis on potential output", *European Commission Occasional Paper* no. 49, June 2009.

Alternative methods to estimate potential output

There are various methods available in the literature to estimate potential output.[4] These can be grouped into three broad categories: the production function or growth-accounting exercises, statistical approaches, and measures computed from dynamic stochastic general equilibrium (DSGE) models. The first approach attempts to create an explicit model of the supply side of the economy using economic theory. The second simply attempts to break down real GDP directly into a trend and a cyclical component. The third approach, although founded in economic theory like the first, is conceptually different. It recreates the level of output of the economy that would prevail in the absence of the structural rigidities that form part of the underlying model.

The production function framework is generally considered a useful way to explain the key economic forces underlying developments in output and growth in the medium term.[5] This approach provides a comprehensive framework for estimating potential output, with a clear link between output and its long-term fundamental determinants. Thus, it may be used to assess the impact on potential output of structural changes and individual policies. Nevertheless, this approach has certain disadvantages. First, it raises important data problems, in particular measures of capital stock are often not available and data on hours worked are not very reliable. Second, it requires measures of the trend components of the factor inputs. Different assumptions about these trend components can lead to different estimates of potential output.

Statistical methods of estimating potential output are based on extracting the trend from the output series using statistical techniques. These methods can be divided into two categories. Univariate methods extract the trend from the information contained in the output series in isolation, without using the information contained in other variables. A widely used approach in such a univariate estimation of potential output is the Hodrick-Prescott (HP) filter. This filter extracts a trend component by trying to balance a good fit to the actual series with a certain degree of smoothness in the trend. While such filters are relatively easy to use, they have a number of drawbacks, the most important being the poor reliability of the end-of-sample estimates and the arbitrary choice of the smoothing parameter. In addition, these methods take no account of economic theory or of information involving other series, which may help to separate the trend from the cycle. The filter will also smooth structural breaks, even if these take the form of clear shifts in the level or the growth rate of the series and, therefore, it generates misleading estimates of potential output around these periods. Moreover, this simple filter is ill-adapted to handle the high degree of volatility manifested in the time series of very small open economies.[6]

[4] For a non-technical overview of these alternative methods and policy implications, see Mishkin, F., "Estimating potential output", *speech delivered at the Conference on Price Measurement for Monetary Policy*, Federal Reserve Bank of Dallas, May 2007 or Cotis, J-P, J., Elmeskov & Mourougane, A., "Estimates of potential output: Benefits and pitfalls from a policy perspective", in Reichlin L. (ed.), *The Euro Area business cycle: Stylized facts and measurement issues*, London: CEPR, 2005.

[5] The European Commission, for instance, adopts this method as it considers it is the only one that can "underpin a comprehensive economic assessment of the outlook" and is the most "satisfactory instrument to frame economic policy discussions or explain policy decisions to the public". See European Policy Committee, "Report on potential output and the output gap", *DG Economic and Financial Affairs*, European Commission, 2001.

[6] See Grech, A. G., "Adapting the Hodrick-Prescott filter for very small open economies", *International Journal of Economics and Finance*, Vol. 5 (8), pp.39-53, 2013.

Multivariate filters attempt to extract the trend using the information in the output series in conjunction with information contained in other variables, most notably inflation or the unemployment rate. These techniques typically attempt to take into account empirical relationships, such as the Phillips Curve or Okun's Law. They too, however, suffer from drawbacks, such as the sensitivity of these estimates to the modelling specification of these relationships, including the treatment of expectations and estimates of equilibrium concepts, like the non-accelerating inflation rate of unemployment (NAIRU).[7]

Finally, measures of potential output can also be derived using DSGE models. The latter are micro-founded models in which certain rigidities, such as wage and price stickiness, are used to match developments observed in macroeconomic data. Removing these rigidities offers a natural way to define a measure of potential output in a model-consistent way. This measure of potential output is thus defined as the output level that would be realised in equilibrium if prices and wages were perfectly flexible. The drawback of this approach is that, without rigidities, output – identified as "potential output" in this framework – adjusts more rapidly than observed in the data. This gives rise to more volatile measures of potential output than usually obtained by other methods.[8] Furthermore, DSGE estimates of potential output are considered to be more model-dependent than the alternatives.

Given the advantages and drawbacks of various approaches used in the literature, central banks do not usually depend exclusively on a single estimate of potential output. The most common approach is to rely on a production function approach and then compute alternative estimates, most likely from a statistical model, as a cross-check. Disparities across potential output estimates and comparison with those published by international institutions, like the International Monetary Fund (IMF) and the European Commission, are often used as an indication of the uncertainty surrounding these estimates. When available, survey data on the degree of capacity utilisation can also be used either as a check on output gap estimates or as complementary information to inform policy makers on the current state of the economy.

The production function approach

The Central Bank of Malta uses several methods to study potential output trends for Malta. However, in line with the approach taken by international institutions, the benchmark approach is taken to be a production function meant to model the supply side of the local economy.

This production function relates output to the level of technology and factor inputs, namely labour and capital, by means of a constant-returns-to-scale Cobb-Douglas specification, namely:

$$Y_t = TFP_t * K_t{}^{\alpha} * L_t{}^{1-\alpha}$$

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7 Carnot, N., Koen, V. and Tissot, B., *"Economic Forecasting"*, Palgrave Macmillan, 2005.

8 For a discussion of alternative notions of potential output in DSGE models used in ESCB central banks, see Vetlov, I. et al., "Potential output in DSGE models", *ECB Working Paper* No. 1351, June 2010.

where Y_t denotes output at time t, L_t the labour input, K_t the capital stock and TFP_t the total factor productivity. TFP is derived as the HP-filter of the Solow residual, using the standard smoothing parameter of 1600 for quarterly data. The Solow residual is that part of economic growth that cannot be explained through growth in the capital stock or in the labour supply and is a proxy for productivity gains.

In the Maltese case the share of labour income is calibrated at 0.58, based on the share of compensation of employees in GVA between 1995 and 2012, adjusted for the proportion of the labour force that consists of self-employed. The stock of capital is calculated using the perpetual inventory method.[9] Housing investment is excluded from the measurement of the capital stock. The capital stock thus includes both public investment and non-housing investment by the private sector.

In more detail, labour input comprises several key variables of the labour market:

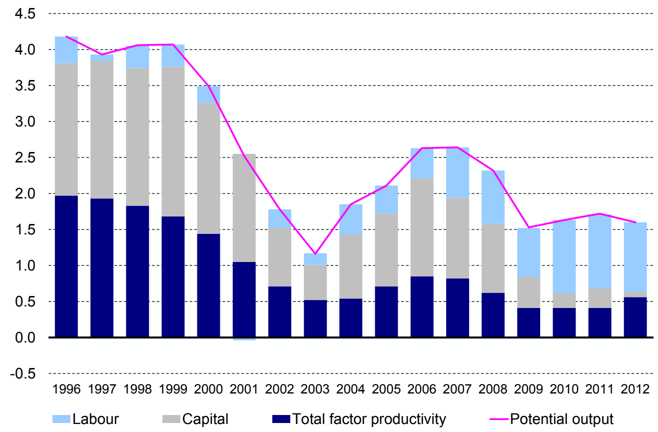
$$L_t = WAP_t * \overline{PR_t} * (1 - \overline{UNR_t}) * \overline{HRS_t}$$

where WAP_t denotes the working-age population, $\overline{PR_t}$ the trend participation rate, $\overline{UNR_t}$ the NAIRU and $\overline{HRS_t}$ the trend hours worked. To help derive potential labour utilisation, the trend participation rate and hours worked are obtained using the HP filter. NAIRU is computed from a multivariate filter, which is based on well-established relationships in economic theory, such as the Phillips Curve and Okun's Law.[10]

Estimates of potential output growth

Chart 1 plots potential GDP growth and its decomposition between 1995 and 2012, using the production function approach. According to this method, Malta's potential output growth declined from around 4.0% in the late 1990s to below 2.0% in the first half of the last decade, primarily owing to both a downward trend in productivity and a slowdown in investment, with the latter leading to a slower accumulation of capital.[11] Potential output growth recovered during the cyclical upswing between 2005

Chart 1
ESTIMATES OF POTENTIAL OUTPUT GROWTH IN MALTA
(annual growth rate; contributions to potential growth)



Source: Authors' calculations.

[9] The perpetual inventory method is based on the following formula: $K_t = (1-\delta)K_{t-1} + I_t$, where K_t is level of the capital stock, I_t is real investment and δ represents the depreciation rate.

[10] See, for instance, Benes et al., "Estimating potential output with a multivariate filter", *IMF Working Paper* WP/10/285, 2010.

[11] Similar results are reported in Grech, A.G., "Estimating the output gap for the Maltese economy", *MPRA Paper* No. 33663, University Library of Munich, 2004.

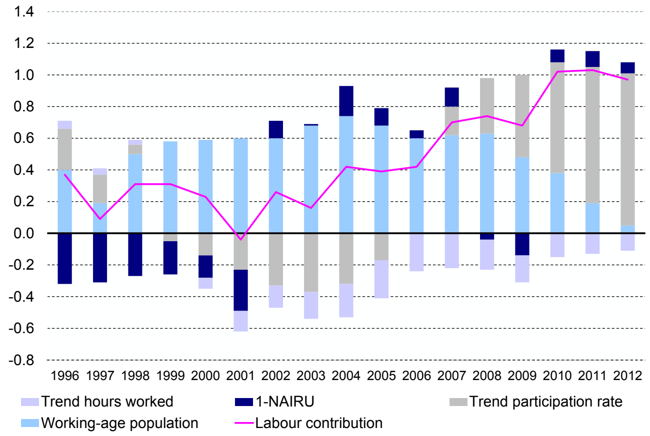
and 2008, peaking at around 2.6% in 2006 and 2007. This increase was driven by a rebound in TFP and investment, and a stronger contribution from labour due to a combination of favourable demographics, an increase in the labour market participation rate and a decline in NAIRU.

The recession of 2009 had an adverse effect on potential output growth, which declined to around 1.6% per annum between 2009 and 2012. The slowdown was mainly due to a sharp contraction in the contribution of capital and, to a lesser extent, lower TFP growth. The contribution of capital to potential output growth declined from an average of 1.1 percentage points in the cyclical upswing before the recession to around 0.2 percentage point between 2009 and 2012. This was due to a sharp slowdown in investment, with the investment-to-GDP ratio declining from a historical average of 21.0% before 2009 to 15.0% afterwards. The decline in investment was broad-based, affected not only by contraction in the construction sector in recent years, but also in other industrial categories, such as machinery & equipment.

The average growth rate of TFP slowed down from 0.7% in the pre-crisis cyclical upswing to around 0.4% after 2009, although there were tentative signs of a recovery in 2012.

The contribution of labour to potential output growth increased significantly in recent years (see Chart 2). In the years before the recession, the main source was an increase in the working-age population and, to a lesser extent, the downward trend in NAIRU. On the contrary, both the trend participation rate and hours worked contributed negatively. The latter coincides with the increase in part-time employment, which lowers the hours worked per person. Since 2009, the unfavourable effects of an ageing population started to weigh in, with a gradual decline in the contribution of the working-age population. However, these effects have been outweighed by the rising participation rate. This was mainly driven by the rise in the female participation rate, which went up by 7.6 percentage points since 2008, by far the largest increase among EU countries, though it remains relatively low at 47.8% in 2012. Moreover, the increase in NAIRU during the recession proved to be temporary, as the rise in the domestic unemployment rate started to be reversed as early as 2010.

Chart 2
CONTRIBUTION OF LABOUR TO POTENTIAL GROWTH
(annual growth rate; contribution to growth in percentage points)



Source: Authors' calculations.

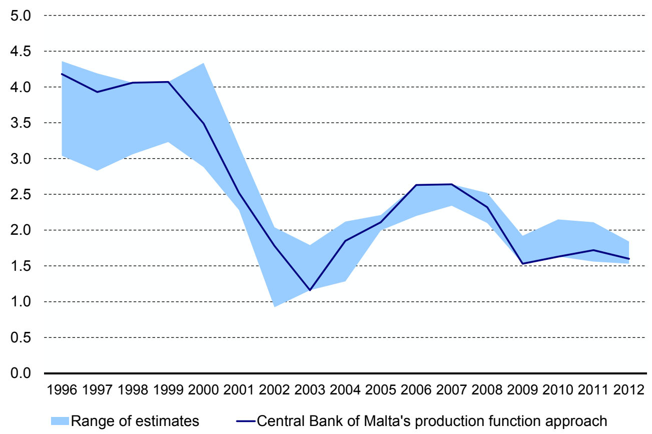
Comparison with estimates by other institutions

As already mentioned, estimates of potential output are surrounded by a considerable degree of uncertainty. This stems from a number of factors, such as the unobservable nature of this variable and the sensitivity of the results to the chosen method. The uncertainty surrounding the estimates of potential output is especially pronounced during a period of structural change in the economy or after a recession, when it is difficult to disentangle transitory effects from permanent ones.

One way of quantifying this uncertainty is by comparing the results of the production function approach with alternative estimates, computed for instance from a statistical model, or with those published by international organisations. This section compares the Bank's estimates of Maltese potential output and the output gap with four alternative estimates. These include a Central Bank of Malta estimate of a production function with different modelling assumptions on technological progress (i.e. labour-augmenting technology), a standard HP filter and the estimates published by the IMF and the European Commission. IMF estimates are those published in Malta's Article IV mission report in 2013. Estimates by the European Commission, which are based on a production function approach similar to the one presented in the previous section, refer to those published in the 2013 Autumn Forecasts.[12] Estimates of potential output from DSGE models are not available for Malta.

Chart 3 plots a range of estimates of potential output growth around the estimates derived using the Central Bank of Malta's production function approach, as outlined above. Despite some disparities across the various point estimates of potential output, the different models point to a similar story. Potential output slowed down significantly between the late 1990s and the early years of the last decade. Moreover, despite the increase in the supply capacity during the cyclical upswing before the 2009 recession, potential output growth had not recovered to the rates prevailing in the late 1990s. The weakness in economic activity following the 2009 recession led to a slowdown in the growth rate of potential GDP, which remained subdued until 2012, with most estimates pointing to growth rates below 2.0%.

Chart 3
RANGE OF ESTIMATES FOR POTENTIAL OUTPUT GROWTH
(annual growth rates)



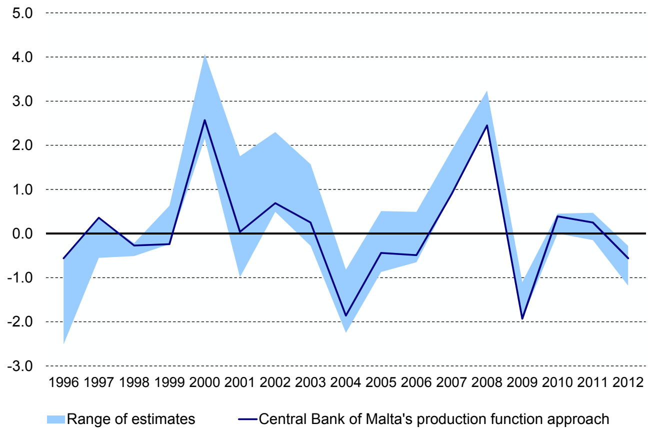
Source: Authors' calculations.

Building upon the various estimates for potential

[12] For details of the Commission's production function approach, see D'Auria, F. et al., "The production function methodology for calculating potential growth rates and output gaps", *European Economy Economic Papers* 420, 2010, July.

output, Chart 4 plots the range of estimates for the output gap. Allowing for some degree of uncertainty in point estimates, all the indicators are broadly consistent in the analysis of the business cycle fluctuations of the Maltese economy over the past 15 years. Between 1996 and 2012, there were two clear periods when the economy was operating above potential. The first one was in 2000, driven in part by a large (temporary) increase in activity in Malta's semiconductor industry in the context of the international technology boom. The second one occurred between 2007 and 2008, before the global recession.

Chart 4
RANGE OF ESTIMATES FOR THE OUTPUT GAP
(per cent of potential output)



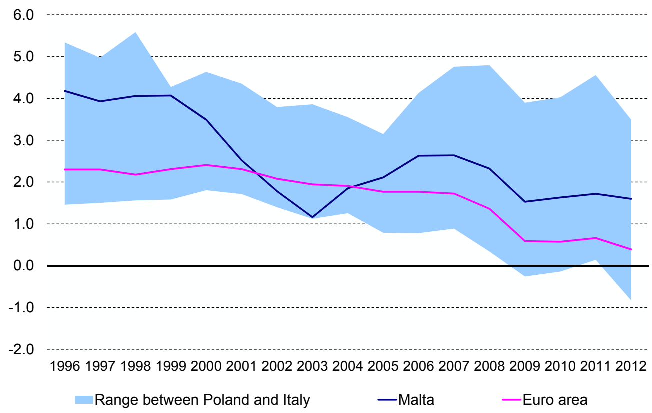
Source: Authors' calculations.

This recession, which led to a fall in domestic output in 2009, also pushed output below its potential and led to a negative output gap in the range of -1.0% to -2.0%. The subsequent recovery in economic activity led to a relatively quick correction of the output gap. This proved, however, to be short-lived as the output gap turned negative again in 2012 owing to the slowdown in GDP growth following the sovereign debt crisis in Europe.

Cross-country comparisons and policy recommendations

The impact of the great recession on Malta's potential output growth was more muted than in the rest of the European Union. Chart 5 plots selected potential growth rates across the European Union between 1996 and 2012. Poland, which is shown at the top of the range, had the most consistently positive potential output path, with growth averaging 4.3% per year, while Italy had the lowest, at just 0.9% on average. Note, however, that in some countries, potential output has exhibited boom and bust dynamics, with

Chart 5
SELECTED POTENTIAL GROWTH RATES ACROSS THE EUROPEAN UNION
(annual growth rates)



Source: European Commission Autumn 2013 Economic Forecasts; authors' estimates.

relatively high growth rates before the crisis, as in Ireland and Latvia, but shrinking potential since 2008. Italy and Poland have, in fact, been selected on the basis of the consistency of their growth path to ascertain the main contributing factors for success or failure.

The relatively strong growth of potential output in Poland appears to be driven by a consistent decline in structural unemployment, supported by a relatively stable, albeit moderate investment-to-GDP ratio. The long-term decline in Italian growth potential, from around 2.3% in 1980s to less than 1% in the 2000s, is driven by the downward trend in total factor productivity. Recent studies have attributed this slowdown in trend productivity growth to a combination of deteriorating competitiveness and resource misallocation, the latter most likely a result of outdated management practices and limited penetration of information and communication technologies.[13]

Malta has been closer to the top of the range, especially in the late 1990s, and has outperformed the average for the euro area, except during the period of economic restructuring that preceded EU accession in 2004. This bodes well for the pace of real convergence of the Maltese economy.

As the sizeable changes in Malta's potential growth rates show, however, the business cycle in Malta is more volatile than in the euro area, as would be expected for a very small open economy, but it is quite synchronised with that in the rest of the monetary union.

As in other countries, in Malta the impact of a slowdown in population growth has so far been offset by rising participation rates. In contrast, as in other countries with a better than average potential output path, Malta has been spared the large rise in the structural unemployment rate that has affected many euro area economies. However, the Maltese economy has also witnessed a very significant decline in the investment ratio, which has reached historical lows and is towards the bottom of the range among EU countries.

To tackle this slowdown in potential output, it is crucial to create a better business environment and generate the conditions to sustain more start-ups, while attracting new businesses to Malta. The ageing Maltese population limits the possible increases in participation rates, so that potential output growth is unlikely to be sustained only through higher labour inputs. That said, policymakers need to continue to put in place the right incentives for more people to join and remain longer in the labour force, while pursuing structural reforms to reduce unemployment. Given the increased share of very competitive high value-added service activities, it is also essential to have further investment in education to improve the quality of human capital and increase labour market flexibility. This must be supported by adequate investment in the supporting physical, communications and information technology infrastructure of the country. Finally, policymakers need to continue to pursue structural reforms that lead to an improvement in productivity.

13 See Hassan, F. and Ottaviano, G. "Productivity in Italy: the great unlearning", article published on *VoxEU*, 30 November 2012.

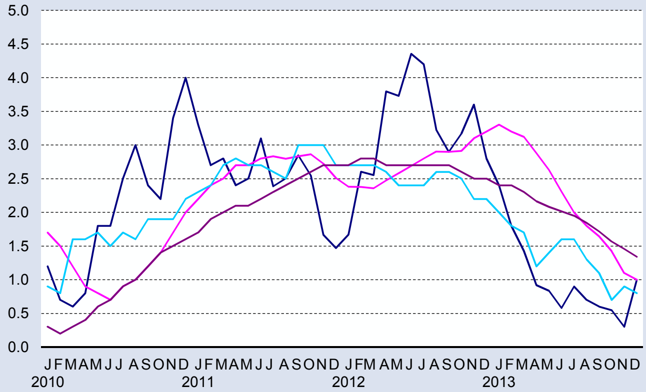
3. PRICES, COSTS AND COMPETITIVENESS

HICP inflation

HICP inflation rate remains low

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 0.6% in September, unchanged compared with June (see Table 3.1).[1] The 12-month moving average rate stood at 1.6% in September, down from 2.3% three months earlier.

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



Sources: NSO; Eurostat.

Over the year to September, prices of processed and unprocessed food increased at a slower pace, while those of non-energy industrial goods fell at a faster pace compared with developments up to June. These movements were offset by the slower contraction of energy and service prices.

Malta's annual rate of inflation at the end of September stood half a percentage point lower than that of the euro area. In addition, the 12-month moving average rate was slightly lower than the 1.7% registered in the euro area (see Chart 3.1).

In September the services sub index, which constitutes over two-fifths of the overall HICP index, declined by 0.5% on a year earlier, after dropping by 0.9% in June (see Chart 3.2). The deceleration in the rate of decline of service prices was the result of developments in the prices of recreational and personal services, whose contribution to overall service prices swung from -0.3

Table 3.1
YEAR-ON-YEAR HICP INFLATION
Percentage change

	2013								
	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Unprocessed food	8.9	7.3	9.0	10.6	11.4	7.2	2.5	0.3	2.4
Processed food including alcohol and tobacco	3.6	4.3	4.2	4.4	3.7	3.5	3.0	2.9	4.1
Energy	-0.4	-0.9	-1.7	0.3	-0.8	-1.3	-3.0	-2.7	-2.8
Non-energy industrial goods	1.1	0.1	-0.2	0.8	-0.4	-0.5	-0.2	0.7	0.6
Services (overall index excluding goods)	-1.1	-0.4	-0.9	-1.3	-1.0	-0.5	0.6	-0.4	0.8
All Items HICP	**0.9**	**0.8**	**0.6**	**0.9**	**0.7**	**0.6**	**0.5**	**0.3**	**1.0**

Source: NSO.

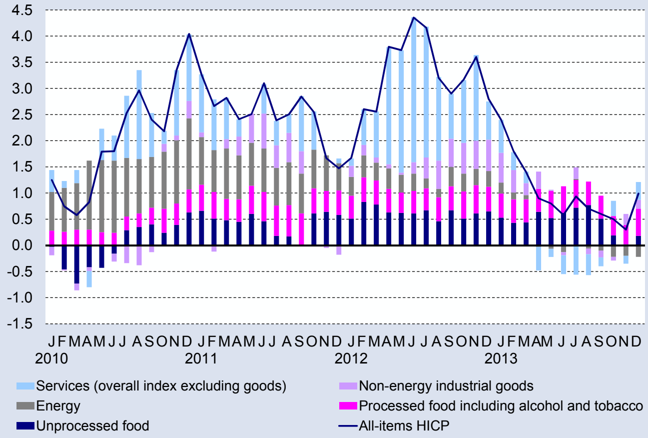
[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. In January 2013 the weight of non-energy industrial goods was reduced by 0.5 percentage point to 29.5%. In contrast, the weight related to food rose by 0.1 percentage point to 20.4%, while the share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

to 0.2 percentage point, mainly on the back of a rise in restaurant prices and a slower contraction in accommodation rates.

Such upward price developments more than offset a fall in the price of transport services, as well as a slowdown in price increases of miscellaneous and housing services. The annual rate of change of charges for transport services fell from 1.0% in June to -1.8% in September, thus its contribution to overall HICP inflation turned slightly negative. This was mainly due to a significant fall in airfares. The combined contribution of housing and miscellaneous services to the overall inflation rate decreased to 0.2 percentage point in September from 0.3 point three months earlier.

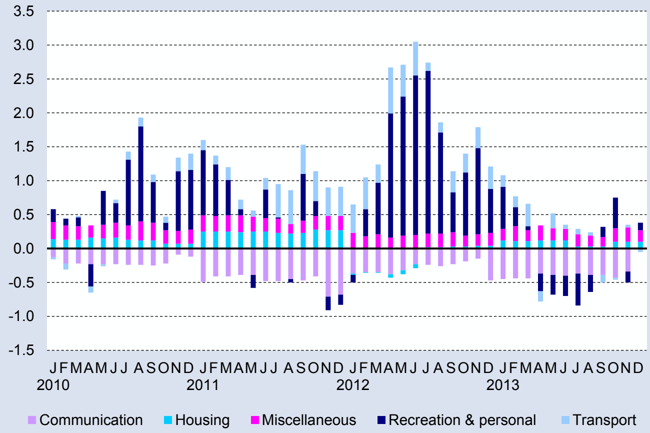
Meanwhile, communication prices continued to decline substantially, largely as a result of a considerable contraction in telephony and internet rates (see Chart 3.3). Their contribution to overall inflation stood at -0.4 percentage point, unchanged between June and September.

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



Source: Eurostat.

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



Source: Eurostat.

During the period under review, prices of non-energy industrial goods contracted further, declining by 0.5% following a year-on-year drop of 0.2% in June. The faster pace of contraction was largely attributable to a drop in the prices of garments and, to a lesser extent, carpets and other floor coverings. This notwithstanding, the sub-index's contribution to overall inflation, which comprises just under a third of the aggregate HICP index, remained largely unchanged at -0.1 percentage point.

Energy inflation remained negative, although its rate of decline slowed to -1.3% in September from -1.7% three months earlier. Its contribution to overall inflation remained broadly similar to its second quarter reading of -0.1 percentage point.

At the same time, food price inflation in September decelerated to 4.9% from 6.0% in June, contributing a full percentage point to overall inflation, as opposed to 1.1 percentage points three months earlier.[2] The lower food price inflation over this period was mostly attributable to unprocessed food, with the related inflation rate slowing to 7.2% in September from 9.0% in June, mainly reflecting more moderate increases in meat prices, as well as a drop in fish prices. Meanwhile, largely on the back of slower increases in the prices of dairy products, breads and cereals, the annual rate of change of processed food prices stood at 3.5% at the end of the third quarter, down from 4.2% in June.

By December 2013 the annual rate of HICP inflation increased to 1.0%, 0.4 percentage point higher than its September reading. This was largely the result of developments in the prices of services and non-energy industrial goods, whose annual rates of change swung from -0.5% to 0.8% and from -0.5% to 0.6%, respectively. In addition, processed food prices rose by 4.1% on their year-ago level, after the 3.5% increase recorded in September, mainly on the back of higher cigarette prices. On the other hand, energy prices extended their downward contraction, falling by 2.8% in December after having declined by 1.3% three months earlier. Meanwhile, the inflation rate of unprocessed food prices moderated substantially, from 7.2% to 2.4% driven by developments in the prices of fruit.

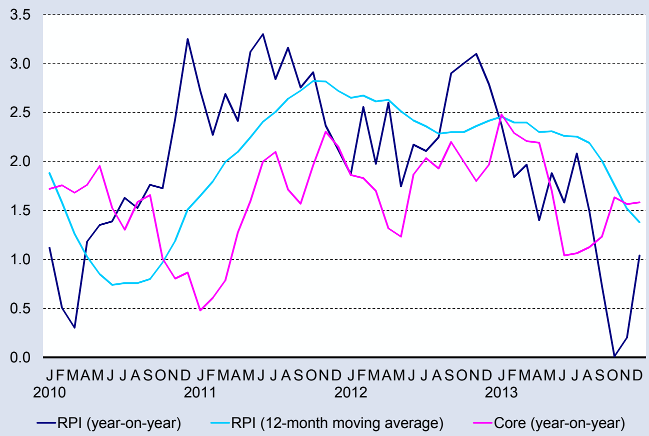
RPI inflation[3]

RPI inflation declines further

The Retail Price Index (RPI) inflation rate moderated to 0.7% in September from 1.6% three months earlier. As a result, the 12-month moving average inflation rate eased to 2.0% from 2.3% in June 2013 (see Chart 3.4).

The significant deceleration in the RPI inflation rate between June and September was largely driven by the continued contraction in prices of transport & communications services, as well as a slowdown in food price inflation – the two largest sub-components of the RPI, with a combined weight of over two-fifths in the overall index. Food prices recorded a year-on-year increase of 5.4% in September, down from 7.2% in June. As a result, their contribution to overall inflation fell from 1.5 percentage points to 1.1 points (see Table 3.2). On an annual basis, the rate of decline in transport & communication prices accelerated to -3.9% by September after standing at -2.6% in June. Thus, their contribution to

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



Sources: Central Bank of Malta estimates; NSO.

[2] The food price index in the HICP includes also beverages and tobacco. In the RPI, these constitute a separate category.

[3] Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the way the two indices are compiled. For instance, whereas RPI weights are based on expenditure by Maltese households, HICP weights also reflect 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								
	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.
Food	1.0	1.2	1.2	1.5	1.5	1.5	1.1	0.5	0.1
Beverages & tobacco	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Clothing & footwear	0.0	0.1	-0.1	0.0	0.4	-0.2	-0.2	-0.2	0.1
Housing	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Water, electricity, gas & fuels	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Household equipment & house maintenance costs	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Transport & communications	-0.1	-0.9	-0.2	-0.6	-0.4	-0.5	-0.9	-1.1	-0.8
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	0.3	0.2	0.1	0.2	0.1	0.2	0.2	0.2
Other goods & services	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
RPI (annual percentage change)	**2.0**	**1.4**	**1.9**	**1.6**	**2.2**	**1.5**	**0.7**	**0.0**	**0.2**

Sources: Central Bank of Malta; NSO.

overall RPI inflation stood at -0.9 percentage point, 0.3 point less than three months earlier. In addition, although to a lesser extent, the moderation in RPI inflation during the third quarter also reflected lower prices in clothing & footwear, as well as a slowdown in prices of housing and beverages & tobacco. The combined contribution of these three sub-components to overall RPI inflation declined to 0.1 percentage point in September, from 0.4 point at the end of the second quarter.

Such downward pressures on RPI inflation were slightly mitigated by a slower decline in electricity and gas prices, as well as by stronger increases in the prices of recreation and culture services, as well as of household equipment & maintenance. The joint contribution of these various sub-components to overall RPI inflation rose marginally from 0.1 percentage point in June to 0.2 point in September. Meanwhile, prices of personal care & health continued to rise at the same pace as three months earlier.

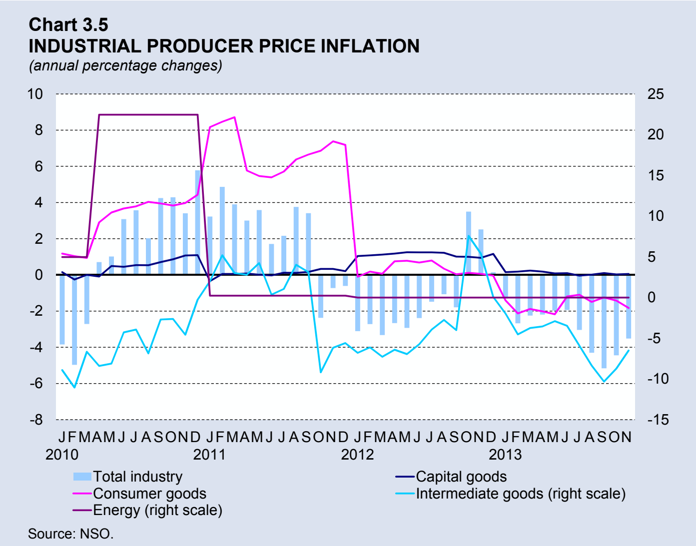
The annual RPI inflation rate extended its downward trend going into the fourth quarter of 2013, standing at 0.2% in November down from 0.7% in September. The moderation in the rate was mainly driven by decelerating food price increases and further declines in the prices of transport & communications services.

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 Bank's core RPI inflation rate.[4] The latter rose slightly to 1.2% in September from 1.0% in June. The acceleration in this measure of inflation was largely attributable to developments in the prices of household equipment and house maintenance costs. These offset a moderation in housing price inflation and a decline in prices of other goods & services. Going into the fourth quarter, the Bank's core RPI inflation rate rose to 1.6% in November.

[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.

Costs and competitiveness

Producer price inflation remains negative in the third quarter of the year[5]



In September producer prices fell by an annual rate of 5.2%, after having declined by 1.9% in June (see Chart 3.5). This largely reflects developments in the intermediate goods category, whose prices contracted at a rate of 10.3% following a fall of 3.5% registered at the end of the second quarter. This category mainly includes semiconductors, as well as pharmaceuticals, paper and plastic products. As a result, the negative contribution of the intermediate goods category to the overall producer price inflation increased from 1.7 percentage points in June to 4.9 points in September. Meanwhile, consumer goods prices contracted by 1.2% in September, a year-on-year decrease equal to that recorded in June.

Capital goods prices continued to increase at 0.1%, a rate equal to that of the previous quarter. On the other hand, energy prices had no effect on producer price inflation as electricity tariffs remained unchanged for the third consecutive year.

Moving into the fourth quarter of 2013, producer prices continued to contract. However, the rate of contraction eased. In November producer prices decreased at an annual rate of 3.5%, compared with a decline of 5.2% registered in September. This reflects a smaller drop in intermediate goods prices.

Harmonised competitive indices edge up further

During most of the third quarter of 2013, the nominal harmonised competitiveness indicator (HCI) extended its upward trend in evidence since the first quarter of the year.[6] In September it was 0.6% above its June level. Meanwhile, the real HCI remained at around the same level as three months earlier (see Chart 3.6).

The increase in the nominal HCI mainly reflected the appreciation of the euro against the US dollar. On the other hand, the fact that the real HCI remained stable reflects a narrowing in Malta's

[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.

[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 indicators, exchange rate and price changes are weighted according to the direction of trade in manufactured goods only. Therefore, the HCI should only be considered as a partial measure of Malta's international competitiveness. Changes in the HCI should be interpreted with caution. The HCIs are compiled by the European Central Bank.

inflation differentials vis-à-vis that of its trading partners, which counterbalanced the euro's appreciation.

Compared with a year earlier, the nominal HCI was 3.5% higher in September, whilst the real HCI increased by 2.6%. Thus, the loss in price competitiveness during the year to September 2013 signalled by the rise in these indicators was completely driven by exchange rate movements.

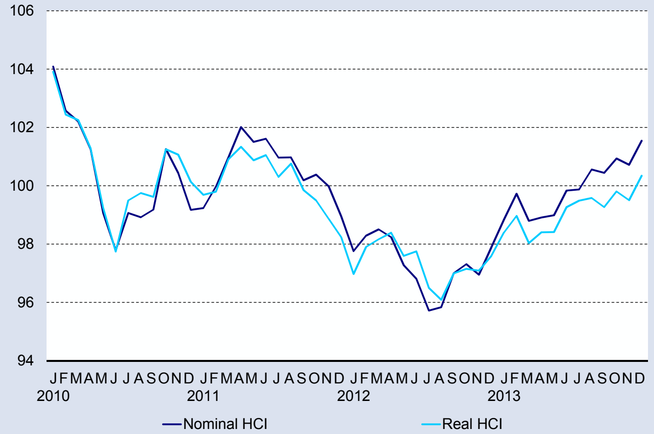
Over the fourth quarter, the nominal and real HCI indicators continued their upward trend. By December they had both increased by 1.1% on their September levels. This marginal deterioration in competitiveness was predominantly related to unfavourable exchange rate movements, once again reflecting the strength of the euro against other major currencies.

The increase in unit labour costs moderates in the third quarter

During the June-September period, Malta's unit labour cost (ULC) index, measured as a four-quarter moving average, was 2.2% higher in annual terms (see Chart 3.7). This increase followed a 3.2% rise in the second quarter of the year.

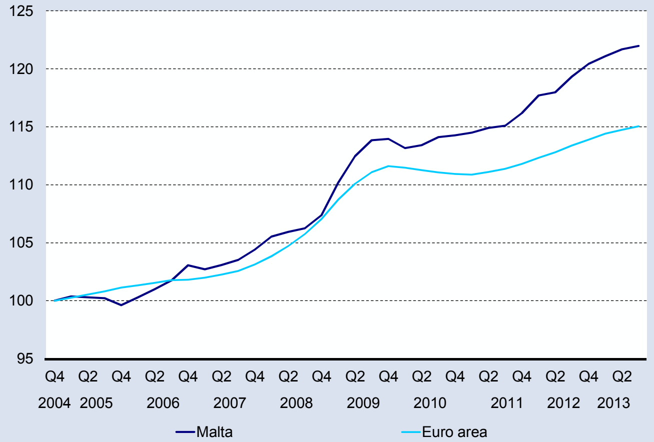
The moderation in Malta's ULC growth during the third quarter was the result of both slower growth in compensation per employee and a smaller drop in labour productivity (see Charts 3.8 and 3.9). The former rose by 1.7%, following an increase

Chart 3.6
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)



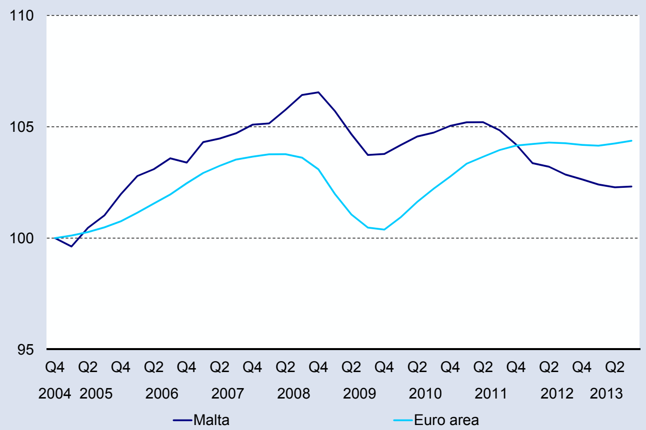
Source: ECB.

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.

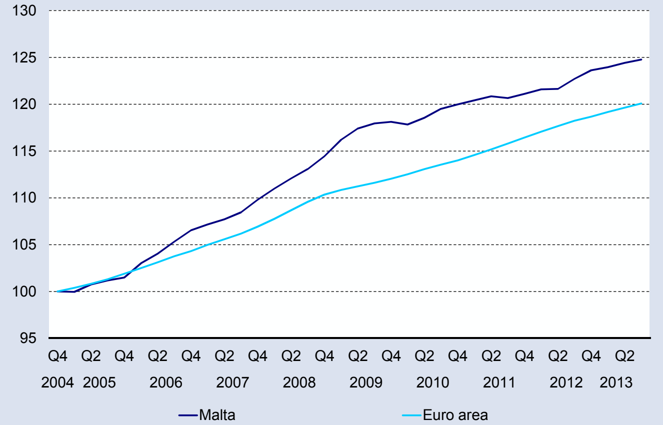
Chart 3.8
PRODUCTIVITY IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Sources: ECB; Central Bank of Malta estimates.

of 2.3% in the previous quarter. The latter contracted by 0.5%, following a drop of 0.9% in quarter two, as employment continued to outpace real gross domestic product.

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.

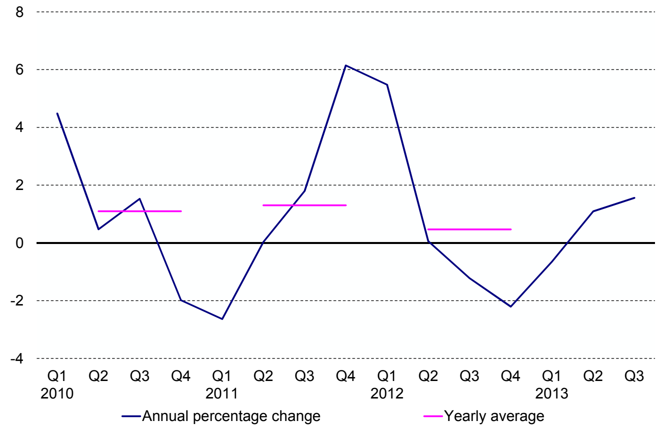
In the euro area, ULC also decelerated when measured over a rolling four-quarter period, growing at an annual rate of 1.4% during the third quarter of 2013 from 1.7% in quarter two. The moderation in ULC growth was driven by developments in compensation per employee, which rose at an annual rate of 1.6% in quarter three, down from 1.7% in the previous quarter. Meanwhile, labour productivity growth turned slightly positive, from a zero reading in the previous quarter.

BOX 4: RESIDENTIAL PROPERTY PRICES

Residential property prices increase in the third 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 1.6% in the third quarter of 2013, following an increase of 1.1% in the previous quarter (see Chart 1).[1]

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES



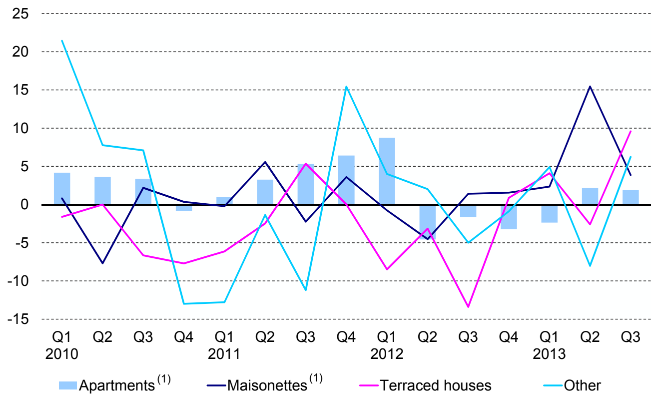
Source: Central Bank of Malta.

Prices increased across all the main sampled categories included in the index during the third quarter of 2013 (see Chart 2). The acceleration in the overall index was supported by faster growth in the prices of terraced houses and of property in the "other" category, which consists of town houses, houses of character and villas. Both categories had recorded year-on-year

[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.

declines in the previous quarter. In contrast, the annual rate of change of apartment prices and maisonettes moderated in the third quarter.

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.

During the third quarter of 2013 prices for apartments, which make up almost three-fifths of properties in the sample and hence represent the largest contributor to movements in the overall index, rose by 1.9%. This followed a 2.2% rise in the previous quarter. The increase recorded in the July – September period marks the second consecutive one after four quarters of negative growth rates.

Moreover, advertised prices in the "other" category rose by 6.2%, after dropping by 8.0% in the previous quarter. The rise was driven by higher prices for houses of character. This outweighed drops in prices for town houses and villas.

Meanwhile, asking prices of maisonettes increased at a slower rate when compared with the second quarter of 2013. During the third quarter of 2013, asking prices went up by 3.9%, which followed a 15.5% growth in the April to June quarter. The high growth rate in the latter quarter was a result of the exceptionally low price of maisonettes in the second quarter of 2012. Furthermore, in 2013 Q3, prices for terraced houses rose by 9.6%, which followed a drop of 2.6% in the previous quarter.

Activity in the housing market may be measured by the number of advertised properties captured in the Bank's survey and by permits approved for development. In the third quarter of 2013, the number of advertised properties in the Bank's survey declined by 1.4% on a year earlier, after a 0.3% rise in the second quarter. The overall fall mirrored decreases in adverts for apartments and houses of character, which outweighed increases in adverts for terraced houses and maisonettes.

Meanwhile, the number of building permits issued by the Malta Environment and Planning Authority picked up strongly, rising by 14.8% after a marginal fall of 0.2% in the previous quarter. The rise was mainly driven by a larger number of permits issued for apartments. This category accounted for more than half of the year-on-year increase in the number of dwelling permits. However, the number of permits granted for maisonettes, terraced houses and dwellings in the "other" category also rose.

4. THE BALANCE OF PAYMENTS

In the third quarter of 2013 the current account of the balance of payments posted a slightly higher surplus when compared with the corresponding period of 2012. This was entirely on account of a narrowing of the merchandise trade deficit, as the positive balance on the services account declined while net outflows on the income account were higher. Net inward current transfers were also lower.

In the capital and financial account higher net outflows were registered than in the September quarter of 2012. This was wholly attributable to movements in the financial account.[1] Meanwhile, net reserve assets declined slightly, while net errors and omissions turned positive.[2]

The current account

Current account remains in surplus

In the September quarter of 2013 the surplus on the current account edged up by €0.5 million to €163.1 million over the corresponding quarter a year earlier (see Table 4.1).

When expressed as a four-quarter moving sum, the current account balance remained positive for the seventh consecutive quarter (see Chart 4.1). Over the year to September 2013, this stood at €175.6 million, an increase of €44.0 million when compared with the same period ending in September 2012. This expansion was driven by favourable developments on all the main components of the account except income, which recorded higher net outflows.

Table 4.1
BALANCE OF PAYMENTS
EUR millions

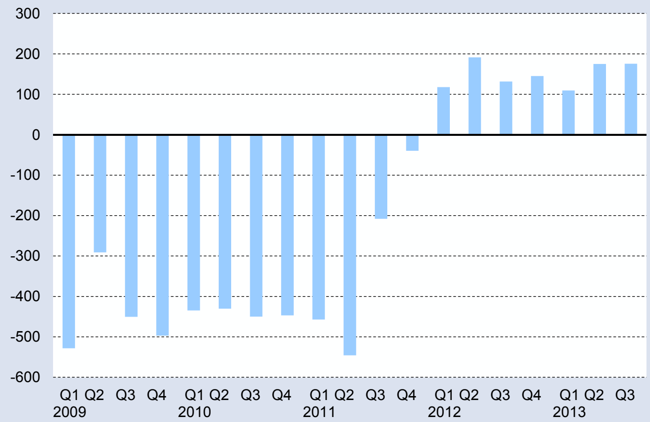
	2012	2013	four-quarter moving sums(1) 2012		2013		
	Q3		Q3	Q4	Q1	Q2	Q3
Current account	**162.6**	**163.1**	**131.6**	**145.0**	**109.4**	**175.1**	**175.6**
Goods	-283.2	-264.0	-955.8	-939.8	-989.9	-868.9	-849.7
Services	511.3	502.2	1,381.9	1,428.3	1,406.4	1,398.2	1,389.0
Income	-82.0	-85.2	-352.8	-407.8	-407.8	-441.6	-444.8
Current transfers	16.4	10.0	58.2	64.4	100.8	87.5	81.1
Capital and financial account	**-117.5**	**-238.6**	**-570.9**	**-535.0**	**-383.4**	**-335.4**	**-456.6**
Capital account	30.6	38.1	114.0	134.0	134.1	133.8	141.2
Financial account	-148.1	-276.7	-684.9	-669.0	-517.6	-469.2	-597.8
Direct investment	137.0	169.2	161.5	1.8	37.1	163.1	195.3
Portfolio investment	-453.4	-1,716.7	-2,979.3	-1,600.6	-2,187.0	-3,048.0	-4,311.3
Financial derivatives	-18.3	-93.2	-1.4	25.3	-8.9	6.5	-68.4
Other investment	162.1	1,363.0	2,247.7	1,025.9	1,590.8	2,325.3	3,526.2
Reserve assets	24.5	0.9	-113.4	-121.4	50.4	83.9	60.4
Errors and omissions	-45.1	75.6	439.3	390.0	274.0	160.3	281.0

(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.

As a proportion of gross domestic product (GDP) the current account surplus, expressed as a four-quarter moving sum, stood at 2.5% in the year to September 2013, down by 0.6 percentage point over the comparable period a year earlier.

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



Source: NSO.

The merchandise trade gap narrows further

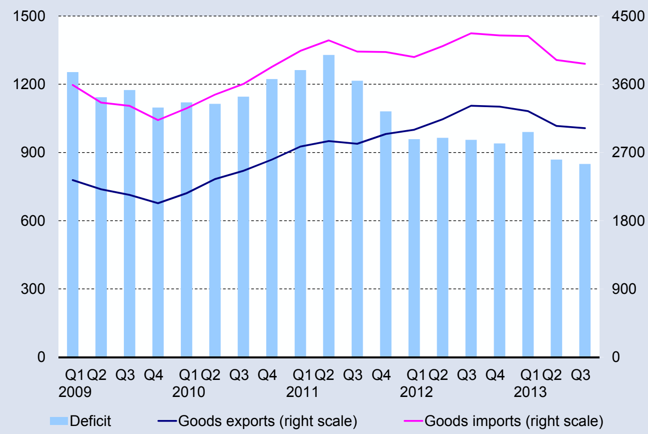
During the July–September period of 2013, the merchandise trade deficit fell by €19.2 million on a year earlier to €264.0 million. This was due to a contraction in goods imports, which exceeded a decline in exports. The year-on-year drop in the former amounted to €49.7 million, or 4.6%, while the fall in exports was lower at €30.5 million, or 3.9%.[3]

The contraction in exports reflected developments in the sale of non-fuel products, as exports of "goods procured in ports by carriers", which are influenced by fuel re-exports, increased. Customs data show that the drop in non-fuel exports was primarily due to lower sales of electronic components, which outweighed an increase in exports of printed books, organic chemicals and rubber products.

With regard to imports, Customs data point to a drop in the fuel bill.[4] Other imports, excluding ships, also fell. This drop reflected lower purchases of industrial supplies, particularly semiconductors.

When measured on a four-quarter cumulative basis, the visible trade gap based on balance of payments data narrowed to €849.7 million, which was €106.1 million lower than that recorded in the corresponding period of 2012. The decline in the merchandise trade deficit reflected a fall of €401.7 million in imports, which offset a drop of €295.6 million in exports (see Chart 4.2).

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



Source: NSO.

[3] Goods exports and imports in balance of payment 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 (or 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.

Customs data for October and November of 2013 indicate that the visible trade gap has continued to narrow going into the fourth quarter, falling by 16.2% on the same months of 2012. Declines were registered in both exports and imports. However, the latter fell by €205.8 million while the former decreased by €166.7 million. The contraction in imports was mainly due to a significant drop in the value of imported fuels, and to a lesser extent to a decline in industrial supplies and consumer goods. With respect to exports, the contraction was largely driven by sales of fuels, and by machinery and transport equipment on a smaller scale. Overall, the remaining export categories rose on a year earlier, mainly reflecting a significant increase in fish exports.

On a cumulative basis, the trade deficit based on Customs data narrowed to €1,635.9 million in the 11 months up to November, compared with €1,708.0 million in the same period of 2012.

The surplus on services drops marginally

During the third quarter of 2013, the surplus on services declined by €9.1 million to €502.2 million compared with the same period of 2012. Although both imports and exports expanded, the former rose at a faster pace.

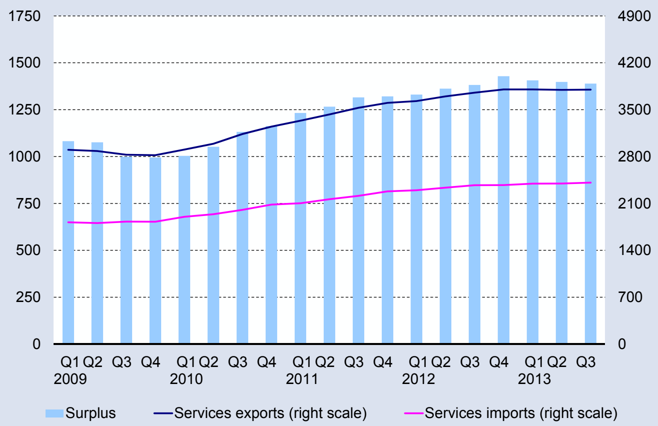
The decline in the surplus was entirely driven by the "other services" component, which recorded a fall in net inflows of €47.0 million compared with the same period of 2012. A drop in financial service receipts and higher net payments for business, professional and technical services were the main factors contributing to the contraction.

In contrast, the net surplus on travel services continued to increase, buoyed by the strong performance of the tourism industry. Over the third quarter the surplus on this component rose by €15.9 million compared with the same period of 2012. The higher balance reflected an increase of €23.0 million in receipts from tourists, which offset a €7.1 million increase in expenditure by Maltese nationals travelling abroad.

Net inflows also boosted the balance on transport services, which recorded a surplus of €5.7 million compared with a deficit of €16.3 million in the third quarter of 2012. This improvement reflected an increase of €3.4 million in receipts and a drop of €18.6 million in imports, principally related to lower freight payments.

Expressed as a four-quarter moving sum, the overall surplus on services in the year to September 2013 stood at €1,389.0 million, edging up by €7.1 million on the year ending September 2012 (see Chart 4.3). The amelioration in the balance was attributable to a marked increase in exports, primarily linked with tourism earnings, which offset higher payments.

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



Source: NSO.

Higher net outflows on the income account

In the third quarter of 2013, net outflows on the income account stood at €85.2 million, an increase of €3.2 million over the corresponding period of 2012. This was the result of a combination of factors. On the one hand, earnings by residents on their portfolio investments abroad fell. At the same time, net outflows related to dividends and distributed profits of foreign-owned firms operating in Malta increased. These outflows were offset to a large extent by a decline in interest payments by resident banks on their outstanding loans with non-residents. The activities of internationally-oriented banks, which are predominantly engaged in financial operations with non-residents, continued to have a major impact on flows on the income account.

Net inward current transfers drop

Between July and September 2013, the positive balance on current transfers contracted by €6.4 million on the comparable quarter a year earlier, to stand at €10.0 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.

The capital and financial account

Higher net outflows recorded on the capital and financial account

In the September quarter of 2013, net outflows on the capital and financial account surged to €238.6 million, an increase of €121.2 million on the corresponding period of 2012 (see Table 4.1). Higher net outflows were entirely driven by developments on the financial account, as the surplus on the capital account widened by €7.4 million on a year earlier. Higher inflows on the latter account emanated mainly from official funds due to the Government under EU financing programmes.

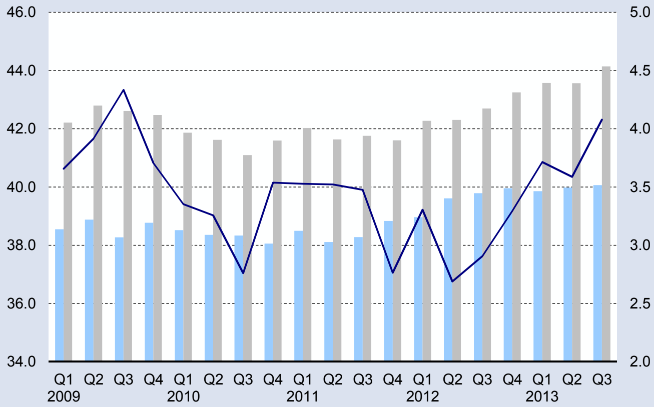
At the same time, net outflows on the financial account amounted to €276.7 million, up by €128.6 million on a year earlier. Movements in this account continued to be heavily affected by operations of internationally-oriented banks in particular. During the quarter under review, these banks recorded a significant increase in their purchases of foreign portfolio instruments, primarily in bonds, and to a lesser extent in equity securities. As a result, net portfolio outflows rose by €1,263.3 million on the third quarter of 2012, to €1,716.7 million. Net outflows on the financial derivatives account also increased, going up by €74.8 million, primarily boosted by purchases of assets by banks.

In contrast, direct investment and “other investment” registered an increase in net inflows. Net inflows on the “other investment” component rose by €1,200.9 million to €1,363.0 million, mainly mirroring a rise in deposit liabilities. Concomitantly, net inward foreign direct investment flows increased by €32.2 million, mostly driven by a strengthening of the net equity position of foreign-owned banks.

Over the period under review, reserve assets declined by €0.9 million, after falling by €24.5 million in the corresponding period of 2012. At the same time, errors and omissions turned positive.

5. GOVERNMENT FINANCE

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



Source: NSO.

In the third quarter of 2013 the general government deficit increased on a year-on-year basis. As a result the ratio of the deficit to gross domestic product (GDP), measured on a four-quarter moving sum, stood at 4.1% as at end-September 2013, 0.5 percentage point higher than at end of June and 1.2 percentage points more than the ratio recorded a year earlier (see Chart 5.1). The deficit on the Consolidated Fund also rose between July and September when compared with the same quarter of 2012, but narrowed over the first nine months of 2013.[1] This narrowing is also observed in the Consolidated Fund data covering the period up to November.

General government debt as a percentage of GDP increased by 0.9 percentage point to 76.6% at the end of September, compared with 75.7% at the end of June.

General government

General government deficit widens

The shortfall between revenue and expenditure between July and September 2013 widened by €37.1 million on a year earlier, as the level of the increase in spending was double that in revenue. Consequently, the general government deficit rose to €94.1 million (see Table 5.1).

Over the first nine months of 2013, the deficit widened by €62.5 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 €57.6 million to stand at €75.0 million.

Revenue rises

General government revenue expanded by €33.3 million, or 5.1%, in the third quarter of the year compared with the same period in 2012. Just under two-thirds of the overall increase stemmed from growth in taxes on production and imports, which surged by €21.5 million on the back of higher VAT inflows. At the same time, "other" revenue components rose by €15.2 million, mainly owing to higher inflows from sales by extra budgetary units, and from property income receivable, which includes income from rents and dividends.

[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 Q3	2013 Q3	Change Amount	Change %	2012 Q1-Q3	2013 Q1-Q3	Change Amount	Change %
Revenue	**648.8**	**682.1**	**33.3**	**5.1**	**1,965.3**	**2,058.2**	**92.9**	**4.7**
Taxes on production and imports	238.7	260.2	21.5	9.0	670.0	691.9	21.9	3.3
Current taxes on income and wealth	215.9	203.5	-12.3	-5.7	674.8	728.3	53.5	7.9
Social contributions	118.9	121.1	2.2	1.8	358.3	369.2	10.8	3.0
Capital and current transfers	43.1	49.8	6.7	15.6	112.2	111.1	-1.1	-1.0
Other[(2)]	32.2	47.5	15.2	47.3	150.0	157.7	7.7	5.1
Expenditure	**705.7**	**776.2**	**70.5**	**10.0**	**2,144.3**	**2,299.6**	**155.4**	**7.2**
Compensation of employees	227.8	249.4	21.6	9.5	679.4	728.1	48.7	7.2
Intermediate consumption	109.9	105.7	-4.2	-3.8	329.8	315.7	-14.1	-4.3
Social benefits	202.4	242.1	39.7	19.6	668.4	730.0	61.6	9.2
Subsidies	21.5	20.5	-1.0	-4.7	58.3	57.5	-0.8	-1.4
Interest	53.8	57.2	3.4	6.2	161.5	166.4	5.0	3.1
Current transfers payable	29.0	27.0	-2.0	-6.8	83.4	93.2	9.8	11.8
Gross fixed capital formation	45.3	56.3	11.0	24.3	136.5	136.8	0.3	0.2
Capital transfers payable	12.3	14.6	2.3	18.4	54.5	68.3	13.8	25.3
Other[(3)]	3.7	3.4	-0.3	-	-27.5	3.6	31.1	-
Primary balance	**-3.1**	**-36.9**	**-33.8**	**-**	**-17.5**	**-75.0**	**-57.6**	**-**
General government balance	**-57.0**	**-94.1**	**-37.1**	**-**	**-178.9**	**-241.4**	**-62.5**	**-**

(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.

Inflows from capital and current transfers grew by €6.7 million as a result of higher capital transfers, reflecting an increase in grants from the European Union. Concurrently, intakes from social contributions went up by €2.2 million, supported by employment growth.

On the other hand, revenue from current income on taxes and wealth declined by €12.3 million owing to a higher level of income tax refunds, which are netted from gross receipts.

Over the first three quarters of 2013, revenue grew by €92.9 million, or 4.7%, on the back of strong growth in tax revenue. In particular, inflows from current taxes on income and wealth went up by €53.5 million owing to higher income tax paid by households, as well as by corporations. Intakes from taxes on production and imports, and social contributions increased by €21.9 million and €10.8 million, respectively. Conversely, capital and current transfers receivable fell by €1.1 million, as the decline in the former offset a moderate increase in the latter.

Expenditure increases

Between July and September general government expenditure rose by €70.5 million or 10.0%. Most of the increase stemmed from higher spending on social benefits and on compensation of employees. Outlays on social benefits grew by €39.7 million mainly on account of greater spending on retirement pensions. Compensation of employees rose by €21.6 million, driven primarily by increased wages to employees in the health sector, partly reflecting new collective agreements. In line with the increasing debt profile, interest expenditure went up by €3.4 million.

On the other hand, outlays on intermediate consumption declined by €4.2 million, as a consequence of the current spending review programme being carried out by Government to promote savings on certain items and to ensure an early correction of deviations from expenditure targets. Spending on current transfers went down by €2.0 million, while outlays on subsidies decreased by €1.0 million.

The quarter under review saw an increase in capital expenditure, led by a €11.0 million rise in gross fixed capital formation. This is partly due to bigger capital outlays in the education sector, and partly the result of the purchase of a helicopter by the Armed Forces of Malta. At the same time, capital transfers payable grew by €2.3 million.

Taking a look at overall developments during the first nine months of the year, general government expenditure rose by €155.4 million, or 7.2%. Around two-fifths of the overall increase was due to higher spending on social benefits, which went up by €61.6 million, mainly owing to greater outlays on retirement pensions. Concurrently, compensation of employees grew by €48.7 million, partly under the impact of the collective agreements in the health and education sectors that were concluded during the first half of the year, but also due to continued growth in employment in both sectors.

“Other” expenditure rose by €31.1 million, as a result of a one-off event in 2012, when spending growth was depressed by the inclusion of a concession fee paid by a private firm to operate the National Lottery.[2]

At the same time, current transfers payable went up by €9.8 million on the back of higher contributions to the EU budget, as well as following additional payments related to the new Parliament building. Moreover, spending on capital transfers increased by €13.8 million, reflecting a higher level of equity capital injected by Government into Air Malta.

Conversely, as a result of the above-mentioned spending review programme, outlays on intermediate consumption fell by €14.1 million.

Consolidated Fund

The Consolidated Fund deficit increases in the third quarter

In the third quarter of 2013, the Consolidated Fund balance deteriorated by €32.4 million, with the deficit standing at €30.2 million from a surplus of €2.1 million in the same period a year earlier (see Table 5.2). At the same time, the primary balance declined by €36.8 million.

Compared with the same quarter of 2012, revenue grew by €27.1 million mainly on the back of higher inflows from direct taxes. Greater revenues from customs and excise duties and from VAT also contributed towards the rise. On the other hand, non-tax revenue fell by €37.6 million, reflecting a decline in grants as well as a base effect arising from the above-mentioned concession fee to operate the National Lottery.

[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 Q3	2013 Q3	Change Amount	Change %	2012 Q1-Q3	2013 Q1-Q3	Change Amount	Change %
Revenue	**670.1**	**697.1**	**27.1**	**4.0**	**1,794.0**	**1,920.2**	**126.3**	**7.0**
Direct tax[1]	340.0	378.6	38.6	11.4	880.4	989.2	108.8	12.4
Indirect tax	231.8	257.9	26.1	11.2	678.1	706.3	28.3	4.2
Non-tax[2]	98.3	60.7	-37.6	-38.3	235.5	224.7	-10.8	-4.6
Expenditure	**667.9**	**727.3**	**59.4**	**8.9**	**2,076.2**	**2,191.6**	**115.5**	**5.6**
Recurrent[1]	580.9	649.5	68.5	11.8	1,832.8	1,935.0	102.2	5.6
Of which: Interest payments	58.6	54.2	-4.4	-7.5	168.0	165.5	-2.6	-1.5
Capital	87.0	77.9	-9.1	-10.5	243.4	256.7	13.3	5.5
Primary balance[3]	**60.8**	**24.0**	**-36.8**	**-**	**-114.2**	**-105.9**	**8.3**	**-**
Consolidated Fund balance	**2.1**	**-30.2**	**-32.4**	**-**	**-282.2**	**-271.4**	**10.8**	**-**

[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.

Total expenditure rose by €59.4 million during the period owing to an increase in recurrent spending, mainly on social benefits. The latter partly reflects the timing of payment of retirement pensions. Expenditure growth also accounted for a rise in spending on personal emoluments. Conversely, interest payments declined during the quarter. At the same time, capital expenditure contracted by €9.1 million.

Looking at the first nine months of 2013, the Consolidated Fund balance improved by €10.8 million as revenue outpaced expenditure. The former went up by 7.0% mainly owing to higher direct tax revenue from corporations and, to a lesser extent, from households. Indirect tax receipts also grew, reflecting higher inflows from customs and excise duties, and VAT. On the other hand, non-tax revenue fell partly owing to the base effect mentioned earlier, which offset an increase in grants.

Total expenditure grew by 5.6% mainly following greater recurrent outlays on social benefits. This was augmented by stronger spending on personal emoluments and bigger contributions to government entities. Concurrently, capital expenditure rose, reflecting the equity capital contribution to Air Malta during the first quarter of 2013.

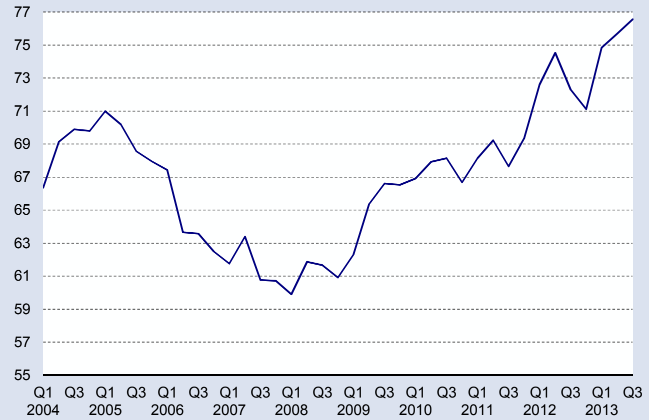
Overall, Consolidated Fund data for October and November 2013 show a contraction in the deficit compared with the previous year. This contributed to a narrowing of the cash deficit over the entire period January-November 2013. During this 11-month period, the Consolidated Fund deficit decreased by around €35.0 million on a year earlier, as higher revenue outstripped an increase in expenditure. Revenue was boosted by tax receipts, particularly takings from income tax and VAT. Expenditure rose mainly as a result of greater capital spending, and bigger outlays on wages and social benefits.

General government debt

General government debt increases

At the end of September 2013, the stock of general government debt reached €5,408.9 million, up from €5,295.6 million at the end of June 2013 (see Table 5.3). Consequently, the debt-to-GDP ratio rose by 0.9 percentage point to 76.6% 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.

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 €422.7 million, so that their share in total debt rose over the three months by 1.5 percentage points to 7.8%. Long-term securities also grew during the period, reaching €4,564.7 million, as new issues of Malta Government Stocks (MGS) outweighed redemptions. However, the share of MGS in total debt declined by 1.4 percentage points over the quarter to 84.4%.

Concurrently, the share of loans in total debt declined slightly by 0.1 percentage point, to 6.8%. During the period under review long-term loans outstanding rose by €3.2 million, reflecting additional contributions in relation to the European Financial Stability Facility (EFSF) obligations.[3]

Table 5.3
GENERAL GOVERNMENT DEBT
EUR millions

	2012		2013		
	Q3	Q4	Q1	Q2	Q3
General government debt[(1)]	**4,899.6**	**4,871.3**	**5,171.2**	**5,295.6**	**5,408.9**
Currency	**48.9**	**50.4**	**50.8**	**52.3**	**54.3**
Securities	**4,507.6**	**4,476.9**	**4,771.7**	**4,879.0**	**4,987.3**
Short-term	319.4	154.1	288.6	335.9	422.7
Long-term	4,188.2	4,322.8	4,483.1	4,543.1	4,564.7
Loans	**343.1**	**343.9**	**348.6**	**364.2**	**367.3**
Short-term	59.1	79.1	77.8	80.1	80.0
Long-term	284.1	264.9	270.9	284.1	287.3

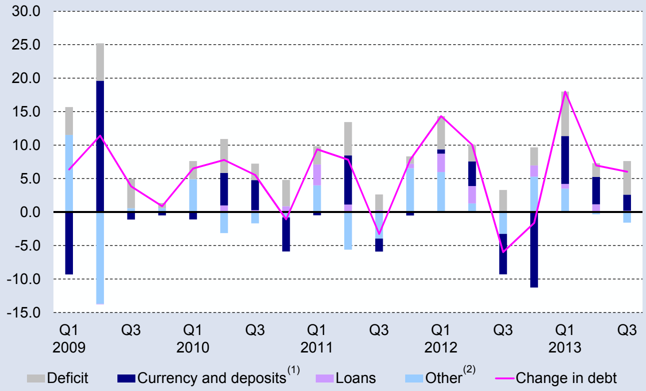
[(1)] Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.
Source: NSO.

[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 ECB capital key.

The increase in debt between June and September 2013 primarily reflects the financing of borrowing requirements for the third quarter, as well as funding a continued build-up of deposits held with the local banking system (see Chart 5.3).

Government liabilities in the form of Maltese-issued euro coins increased by €2.0 million, although their share in total debt remained unchanged from the previous quarter's level.

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.

BOX 5: GOVERNMENT'S FISCAL OUTLOOK: BUDGET 2014[1]

According to the Budget Speech and Financial Estimates 2014, the deficit in the Consolidated Fund declined considerably in 2013 and should narrow further through to 2016, as revenue growth is forecast to outstrip expenditure (see Table 1).

The general government deficit is estimated to have gone down to 2.7% of GDP in 2013 from 3.3% in 2012. It is then projected to narrow steadily to 0.7% by 2016. The general government debt-to-GDP ratio is seen to have peaked at 72.9% in 2013, with a foreseen decline to 68.6% by 2016.

Table 1
GOVERNMENT FISCAL INDICATORS
As a percentage of GDP

	2012 Actual(1)	2013 Estimate	2014 Estimate	2015 Estimate	2016 Estimate
Total revenue	39.8	43.1	44.5	44.6	44.6
Total expenditure	44.8	45.6	46.4	45.6	45.2
Primary balance	-1.7	0.7	1.3	2.1	2.6
Consolidated Fund balance	-5.0	-2.5	-1.9	-1.0	-0.6
General government balance	-3.3	-2.7	-2.1	-1.6	-0.7
General government gross debt	71.3	72.9	72.6	71.1	68.6
Nominal GDP (growth rate)	3.1	3.7	3.8	3.8	3.6

(1) Computed using the same GDP vintage available when the *Budget Speech 2014* was prepared (NSO Release 170/2013).

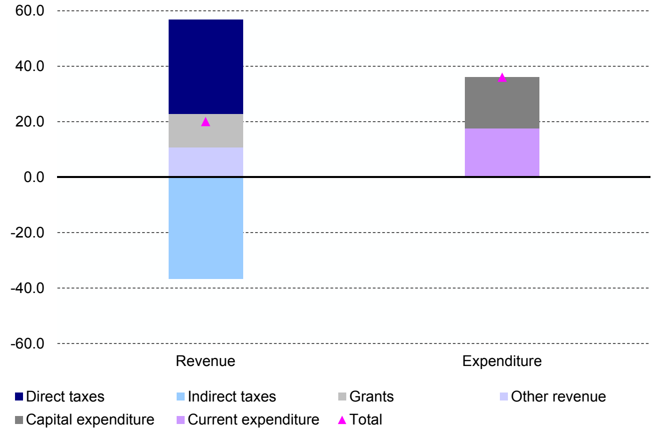
Source: NSO; Ministry for Finance (*Budget Speech November 2013*).

[1] The Financial Estimates for 2014, as well as revised estimates for 2013, were first presented to Parliament on 4 November 2013 and were subsequently approved. In this Box the approved estimates for 2013 are those presented with the Budget 2013 that had been approved by Parliament in April 2013.

Revisions in the Consolidated Fund for 2013

According to revised estimates in the Budget approved by Parliament in November 2013, the Consolidated Fund deficit for 2013 reached €179.8 million, up from the €163.8 million originally approved in April. An upward revision in expenditure exceeded higher than anticipated revenue (see Chart 1).

Chart 1
CONSOLIDATED FUND PERFORMANCE IN 2013
(difference between approved and revised estimates; EUR millions)



Source: Ministry for Finance.

The revision in revenue estimates for 2013 was largely driven by larger than expected inflows from direct taxes, mainly due to provisional income tax paid by firms on their profits and in spite of the negative impact of the reduction in the top rate of personal income tax implemented in the year. In 2013 grants received from the European Union were also larger than anticipated. On the other hand, revenue from indirect taxes was revised downwards on account of lower than expected inflows from duties on petroleum and motor vehicle registration tax.

Concurrently, government current expenditure was revised upwards mainly due to higher than anticipated outlays on social benefits, as well as on medicine and maintenance of medical equipment. Capital spending was also revised upwards, partly due to outlays on projects co-financed by the European Union.

Consolidated Fund 2013: comparison with 2012

On the basis of the revised estimates, compared with 2012 the Consolidated Fund deficit declined by €162.5 million in 2013, as the increase in revenue is estimated to have been double the rise in expenditure (see Table 2). Total revenue during 2013 is estimated to have expanded by €324.0 million, or 12.9%, mainly due to growth in receipts from both indirect and direct taxes. The latter are seen to have increased by 9.2%, primarily on the back of increased provisional income taxes paid by businesses, although taxes paid by households also supported this revenue item, reflecting developments in the labour market.

Inflows from indirect taxes are estimated to have grown by 12.7%, partly on the basis of expectations with regard to private consumption, which should have boosted VAT revenue. The latter is estimated to have contributed around two-fifths of the overall increase in indirect taxes. Inflows from customs and excise duties are seen to have expanded by 35.4%, mainly due to the recovery of overdue duties on petroleum. Meanwhile, non-tax revenue is expected to have risen by 28.1%, driven by higher grants from the European Union.

Table 2
BALANCE ON THE CONSOLIDATED FUND 2012-2014
EUR millions

	2012	2013			2014		
	Actual	Revised estimate	Change Amount	Change %	Approved estimate	Change Amount	Change %
Revenue	**2,513.3**	**2,837.3**	**324.0**	**12.9**	**3,046.5**	**209.2**	**7.4**
Direct Tax	**1,273.1**	**1,389.7**	**116.6**	**9.2**	**1,437.6**	**47.9**	**3.4**
Income tax	865.9	959.0	93.1	10.7	984.0	25.0	2.6
Social security contributions(1)	407.2	430.7	23.5	5.8	453.6	22.9	5.3
Indirect tax	**917.3**	**1,034.0**	**116.7**	**12.7**	**1,142.5**	**108.5**	**10.5**
Value Added Tax	534.2	585.0	50.8	9.5	620.3	35.3	6.0
Customs and excise duties	155.8	211.0	55.2	35.4	266.5	55.5	26.3
Licences, taxes and fines	227.4	238.0	10.6	4.7	255.7	17.7	7.4
Non-tax	**322.8**	**413.6**	**90.8**	**28.1**	**466.4**	**52.9**	**12.8**
of which Grants	92.9	198.5	105.7	113.8	241.2	42.6	21.5
Expenditure	**2,855.5**	**3,017.1**	**161.5**	**5.7**	**3,182.8**	**165.7**	**5.5**
Recurrent(1)	**2,511.8**	**2,611.6**	**99.8**	**4.0**	**2,730.0**	**118.4**	**4.5**
Personal emoluments	612.5	648.0	35.6	5.8	663.3	15.3	2.4
Operational and maintenance	115.6	123.8	8.2	7.1	131.7	8.0	6.4
Contributions to government entities	221.2	231.5	10.3	4.6	253.4	21.9	9.4
Social security benefits	782.6	802.1	19.5	2.5	828.6	26.5	3.3
Interest payments	225.8	228.0	2.2	1.0	234.7	6.7	3.0
Other expenditure	554.1	578.2	24.1	4.3	618.3	40.1	6.9
Capital(2)	**343.8**	**405.5**	**61.7**	**17.9**	**452.8**	**47.3**	**11.7**
Consolidated Fund balance	**-342.3**	**-179.8**	**162.5**	**-**	**-136.3**	**43.5**	**-**

(1) Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both revenue and expenditure.
(2) Capital expenditure data are obtained from the *Budget Speech 2014*. Figures do not correspond with those in the Financial Estimates 2014 due to the treatment of equity acquisitions.
Source: Ministry for Finance.

According to the revised estimates for 2013, total expenditure added €161.5 million, or 5.7% over 2012, with around three-fifths being due to higher current spending. Within this category, outlays on personal emoluments showed the strongest increase in absolute terms, rising by an estimated 5.8%. Spending on social security benefits is seen to have increased by 2.5%, mainly due to additional outlays on retirement pensions. Concurrently, contributions to government entities are set to have grown by 4.6% owing to expenditure within the health and education sectors. Capital spending is estimated to have increased by 17.9%, mainly driven by spending on EU-funded projects.

Budget Estimates for 2014

In 2014 the deficit on the Consolidated Fund is expected to be reduced by €43.5 million, to €136.3 million, as revenue grows faster than expenditure.

Revenue is forecast to grow by 7.4%, with around half of this rise coming from indirect taxes. The latter include the effect of increases announced in the Budget Speech on duties on fuel, tobacco, cement and alcohol, as well as driving licence fees. The intake from direct taxes is set to rise by 3.4%, driven by inflows from social security contributions. Meanwhile, non-tax revenue is foreseen to increase by 12.8%, largely driven by higher grants from the European Union. The Budget anticipates growth in non-tax revenue to include some inflows arising from the Individual Investor Programme.

The Government expects to increase its spending by 5.5% over the 2013 level, owing to higher capital and, particularly, recurrent outlays. The latter are once again set to grow on the back of higher expenditure on social security benefits, medicine and surgical materials, as well as personal emoluments. Owing to the reform in the pension system, which led to an increase in the statutory retirement age as from 2013, outlays on social benefits in 2014 are set to grow at a faster pace than in the previous year. On the other hand, personal emoluments received by government employees are expected to rise at a slower rate than in 2013, when certain collective agreements in the health and education sectors came into effect.

Spending is also set to grow on the basis of new measures announced in the Budget 2014; these include an ex-gratia payment in relation to registration tax paid on imported vehicles for personal use within a certain period, as well as measures intended to boost employment. Partly as a result, contributions to government entities and "other" expenditure are set to grow by 9.4% and 6.9%, respectively.

Capital expenditure is meanwhile projected to grow by 11.7%, as a number of infrastructural projects part-financed by the European Union are expected to reach completion.

6. MONETARY AND FINANCIAL DEVELOPMENTS

The total assets of core domestic banks in Malta rose slightly during the third quarter of 2013. Deposits remained the main source of funding in the fourth quarter of the year, with balances belonging to residents of Malta growing at a faster annual pace. Meanwhile, credit granted to residents continued to decelerate owing to a further reduction in lending to the corporate sector.

Domestic primary money market yields fell during the fourth quarter. In the secondary capital market, yields of ten-year Maltese government bonds decreased, whereas those on five-year bonds rose. Meanwhile, spreads over euro area benchmarks for both the five and ten-year government securities narrowed. The Malta Stock Exchange (MSE) share index persisted on its upward path, rising for the seventh quarter in a row.

Monetary aggregates and their counterparts

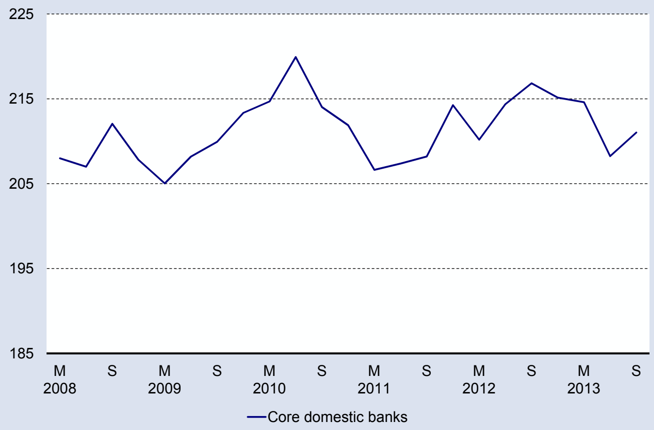
Total assets pertaining to core domestic banks rise

The total assets of the Maltese banking system expanded slightly during the third quarter of 2013. Total assets belonging to the domestically relevant banking system, or core domestic banks, stayed close to their long-term average and stood at 211% of gross domestic product (GDP) at end-September 2013, up from 208% three months earlier (see Chart 6.1).[1]

Resident deposits grow at a faster pace

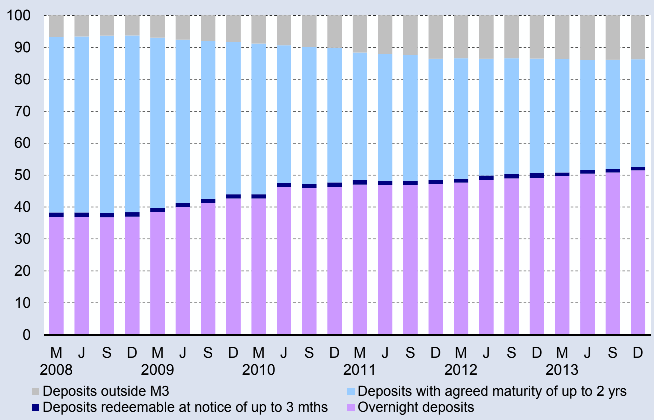
Deposits belonging to Maltese residents and held with resident credit institutions are composed mostly of overnight deposits and time deposits with an agreed maturity of up to two years (see Chart 6.2). While the former's share in total deposits remained on its steady upward path, the latter lost ground during the fourth quarter of 2013. Overall, the annual rate of growth of total

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



Sources: Central Bank of Malta; NSO.

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.

[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.

residents' deposits gained considerable momentum, rising from 6.6% in September to 9.1% in December.

Looking at residents' deposits in more detail, overnight deposits expanded by 14.3% over the year to December, up from an annual growth of 10.7% three months earlier (see Table 6.1). As in previous quarters, deposits belonging to households and non-financial corporations (NFC) were the main factor driving growth. During the fourth quarter, households' overnight balances grew rapidly, with the annual growth rate rising to 12.0% in December from 11.2% in September. Overall, this persistently strong preference for holding liquid monetary assets by households may be stemming from the reduced opportunity cost brought about by low interest rates in recent years. Indeed, interest rates paid on substitute deposits remained at low levels during the quarter. Meanwhile, the annual growth rate of overnight deposits belonging to NFCs almost doubled, rising from 11.4% in September to 22.0% in December, following a strong increase during the quarter reviewed.

At the same time, deposits with agreed maturity of up to two years continued their gradual recovery, expanding by 2.7% during the year to December, up from 1.0% in the 12 months to September. Increases in deposits held by households and insurance companies offset a reduction in balances belonging to NFCs. In contrast, deposits redeemable at notice up to three months continued to contract at double-digit annual rates, driven predominantly by lower balances belonging to private NFCs. In absolute terms, drops in such deposits were relatively small and movements

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2013	2012	2013			
	Dec.	Dec.	Mar.	June	Sep.	Dec.
Overnight deposits	**5,771.0**	**10.0**	**10.2**	**10.1**	**10.7**	**14.3**
of which						
Households	3,610.0	10.2	11.7	13.1	11.2	12.0
Non-financial corporations	1,814.5	5.5	14.8	11.7	11.4	22.0
Deposits redeemable at notice up to 3 months	**113.0**	**23.8**	**-8.6**	**-21.6**	**-22.7**	**-25.5**
of which						
Households	96.0	-5.3	-3.5	-3.9	0.3	-2.1
Non-financial corporations	15.8	187.0	-32.1	-61.8	-70.1	-70.3
Deposits with agreed maturity up to 2 years	**3,782.5**	**-0.3**	**-0.4**	**-0.4**	**1.0**	**2.7**
of which						
Households	3,057.0	1.2	2.2	2.6	1.9	2.2
Non-financial corporations	405.3	-5.2	-2.8	-3.8	-6.1	-5.6
Deposits with agreed maturity above 2 years	**1,544.5**	**5.5**	**7.1**	**8.7**	**10.0**	**11.0**
of which						
Households	1,459.2	5.0	6.2	8.7	9.2	10.2
Non-financial corporations	65.7	18.3	18.9	9.8	22.6	21.6
Total residents' deposits(1)	**11,211.1**	**5.6**	**5.5**	**5.6**	**6.6**	**9.1**

(1) Total resident deposits exclude deposits belonging to Central Government.

Source: Central Bank of Malta.

were generally quite volatile. Nonetheless, a noticeable downward trend appeared to have materialised during the previous four quarters.

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 March 2008 to 13.8% in December 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. During the quarter reviewed, these deposits expanded further, with their annual growth rate rising to 11.0%.

Interest rates on residents' deposits remain broadly unchanged

The weighted average interest rate paid by monetary financial institutions (MFI) on all deposits belonging to households and NFCs resident in Malta remained constant during the fourth quarter and stood at 1.41% in December (see Table 6.2).[2] Rates received by households on overnight deposits were unchanged at 0.35%, while those earned by NFCs edged up by 2 points to 0.30%. In the case of rates paid on time deposits, these rose marginally for households but dipped for NFCs during the fourth quarter. The rate on time deposits with an agreed maturity of over two years, particularly on those granted to households, has grown steadily since 2008, which may be a factor behind the increasing share of such deposits in the total.

Contribution to euro area M3 accelerates

Robust growth in residents' deposits also boosted the contribution of Maltese MFIs to euro area M3. The latter expanded at a faster pace during the fourth quarter of 2013, with the annual rate of change rising from 8.3% in September to 11.2% in December. Deposits belonging to residents of

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

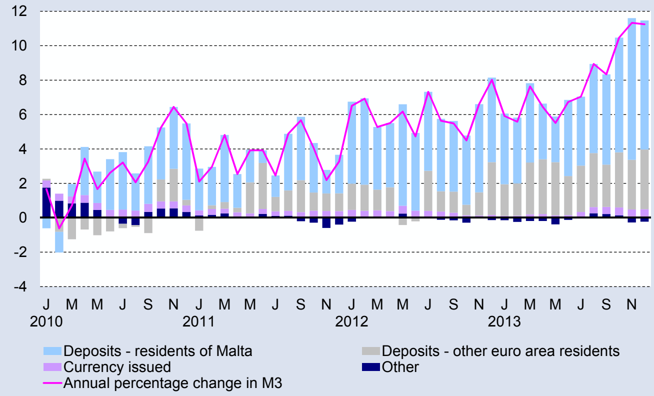
	2012	2013			
	Dec.	Mar.	June	Sep.	Dec.
Total deposits belonging to households and non-financial corporations	1.42	1.43	1.43	1.41	1.41
Overnight deposits					
Households	0.32	0.34	0.34	0.35	0.35
Non-financial corporations	0.28	0.29	0.27	0.28	0.30
Time deposits with agreed maturity up to 2 years[(1)]					
Households	2.07	2.07	2.08	2.05	2.07
Non-financial corporations	1.99	1.98	2.01	1.97	1.91
Time deposits with agreed maturity over 2 years[(1)]					
Households	3.42	3.49	3.50	3.53	3.55
Non-financial corporations	3.06	3.13	3.14	3.15	3.12

[(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.

Malta remained the main contributor towards growth in M3 during the period reviewed (see Chart 6.3).[3] However, deposits belonging to other euro area residents also grew substantially during 2013, driven predominantly by balances held by private NFCs.

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

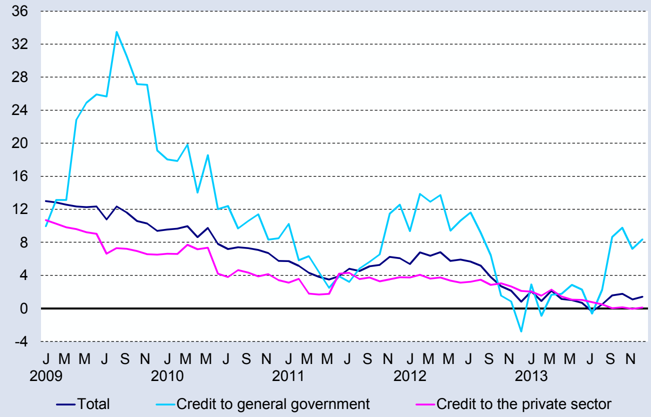


(1) The "other" category consists of loans granted to resident MFIs, repurchase agreements, money market fund shares/units and debt securities with a maturity of up to and including two years issued by MFIs.
Source: Central Bank of Malta.

Credit to residents slows down

Growth in credit to Maltese residents has been on a general downward trend since the onset of the global financial crisis with only a moderate increase in the level of credit being recorded in 2012. Nevertheless, credit growth in Malta has tended to exceed the corresponding rates in the euro area.

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



Note: Credit to the private sector consists of credit granted to private NFCs and households.
Source: Central Bank of Malta.

During the fourth quarter of 2013, credit granted to residents slowed down further. The annual rate of credit growth eased to 1.4% in December from 1.6% three months earlier (see Chart 6.4).

Credit granted to general government increased during the year to December 2013, as banks expanded their Treasury bill and Malta Government Stock (MGS) portfolios. The latter were particularly augmented by issues throughout the year of long-term government securities on the primary market. Nonetheless, the annual growth rate of credit to general government slowed down to 8.3% in December from 8.6% three months earlier owing to a larger decline in credit institutions' Treasury bill and MGS holdings in the December quarter when compared with the last quarter of 2012.

In contrast, credit to residents other than general government, which mainly consists of credit to the private sector as shown in Chart 6.4, continued to fall, contracting at an annual rate of 0.4% in December, principally on account of lower loans granted to private NFCs.

[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.

Table 6.3
SECTORAL CONTRIBUTIONS TO YEAR-ON-YEAR GROWTH IN LOANS TO PRIVATE NFCs
Percentage points; annual percentage changes

	All Private NFCs					SMEs				
	2012	2013				2012	2013			
	Dec.	Mar.	June	Sep.	Dec.	Dec.	Mar.	June	Sep.	Dec.
Accommodation and food service activities	0.2	0.3	1.5	-0.1	-0.2	0.1	0.0	2.0	0.0	0.3
Construction	-1.8	-2.4	-2.9	-3.8	-3.4	-0.1	-3.4	-3.7	-4.9	-4.5
Manufacturing	0.7	0.8	-0.2	-0.1	-0.3	0.5	0.8	-0.3	0.9	1.1
Real estate activities	0.1	0.6	0.6	0.6	0.6	3.1	1.7	1.6	0.7	-0.6
Transportation and storage	-0.4	-0.5	-0.6	-0.3	-0.4	0.0	-0.4	-0.6	-0.4	-0.9
Wholesale and retail trade	-0.5	0.2	-2.0	-1.1	-1.2	0.3	0.1	-2.8	-1.4	-1.5
Other	0.9	1.0	0.7	0.0	0.1	1.7	0.8	1.4	2.8	3.0
Total	**-0.7**	**0.0**	**-2.9**	**-4.8**	**-4.9**	**5.6**	**-0.4**	**-2.3**	**-2.3**	**-3.1**

Source: Central Bank of Malta.

Bank lending to NFCs declines further

Among the components of credit growth, the annual rate of change of bank lending to private NFCs edged down to -4.9% in December as opposed to -4.8% in September (see Table 6.3). Weak private investment could be holding back credit demand. At the same time, credit standards applied by banks appear to have remained tight. During the fourth quarter of 2013 loans to private NFCs in Malta contracted at a faster annual pace than in the euro area.

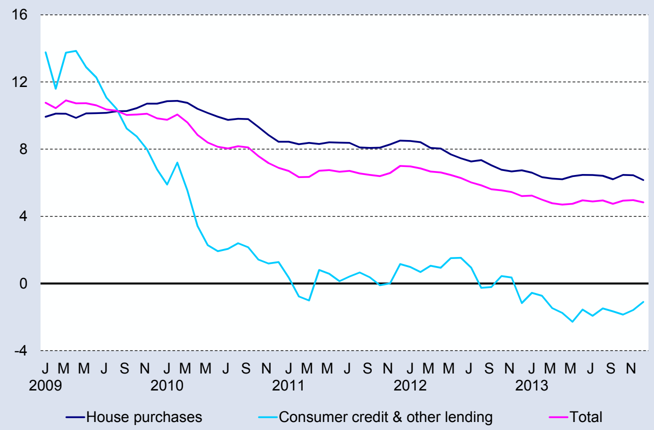
The slowdown in these loans stemmed mainly from reduced lending to firms in the construction and wholesale & retail trade sectors.

Loans to small and medium-sized enterprises (SME) comprised more than three-fourths of all loans extended to total private NFCs resident in Malta in December 2013.[4] Loans granted to non-financial SMEs declined at a considerable pace during the year to December, falling by 3.1% following a drop of 2.3% three months previously. Declines in borrowing were most evident in construction and in wholesale & retail trade.

Bank lending to households edges up

Lending to households, which is the other major component of credit to the private sector, grew at a slightly faster pace during the fourth quarter of 2013, with the annual growth rate edging up to 4.8% in December from 4.7% in September (see Chart 6.5). Growth in mortgage loans

Chart 6.5
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

[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.

remained unchanged at 6.2% in December. In contrast, consumer loans – which involve mainly the use of credit cards and overdraft facilities – contracted, although at a slower pace, falling by 1.1% during the year to December as opposed to a drop of 1.7% in September. Lending to households within the euro area remained flat during the fourth quarter of 2013.

Rates on loans to Maltese residents decline

The weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs declined slightly to 4.26% in December. Rates paid by households on mortgages fell by 1 basis point to 3.35%. Similarly, rates charged to households on consumer credit & other lending fell by 2 basis points to 5.55%. Rates on loans to NFCs fell by 7 basis points to 4.72%, reaching the lowest rate recorded in 2013 (see Table 6.4).[5] The decline in bank lending rates during the quarter reviewed was smaller than the reduction in official interest rates.

Credit standards for enterprises and households remain unchanged

The Bank Lending Survey (BLS) conducted in January 2014 revealed that credit standards applied on lending to enterprises and households remained unchanged during the fourth quarter of 2013.[6] Demand for loans by households – to finance house purchases – increased slightly during the quarter, as reported by one of the four surveyed banks, while that by enterprises remained unchanged.

Looking ahead to the first quarter of 2014, banks expected standards applied to loans to NFCs and households to remain constant. Nonetheless, while all respondents expected corporate demand for loans to remain unchanged, one bank anticipated a rise in household demand.

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 €1.3 billion, or 28.7%, in the year to December, a stronger drop than the 25.1% fall three months earlier. This decrease mainly reflected reduced lending to non-bank financial intermediaries and private NFCs. There was an additional contribution from lower resident bank holdings of securities issued by financial vehicle corporations residing in other euro area countries. These developments were driven by internationally-oriented banks operating in Malta.

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			
	Dec.	Mar.	June	Sep.	Dec.
Total loans to households and non-financial corporations	4.32	4.33	4.33	4.30	4.26
Households and NPISH					
Lending for house purchases	3.39	3.38	3.37	3.36	3.35
Consumer credit and other lending[(2)]	5.59	5.58	5.59	5.57	5.55
Non-financial corporations[(2)]	4.73	4.77	4.80	4.79	4.72

[(1)] Annualised agreed rates on euro-denominated loans to households and non-financial corporations.
[(2)] Includes bank overdrafts.
Source: Central Bank of Malta.

[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.
[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
EUR millions; changes on a year earlier

	2012 Dec.	2013 Dec.	Amount	%
Net claims on non-residents of the euro area[(1)]	**10,103.2**	**9,571.7**	**-531.5**	**-5.3**
Claims on non-residents of the euro area	32,576.8	31,467.1	-1,109.7	-3.4
Liabilities to non-residents of the euro area	22,473.6	21,895.4	-578.2	-2.6

Source: Central Bank of Malta.

Net claims on non-residents of the euro area fall

During the year to December 2013, resident MFIs' net claims on non-residents of the euro area contracted by €531.5 million, or 5.3% (see Table 6.5).

Gross claims on non-residents of the euro area fell by -3.4% over the same 12 months, as reduced lending to private NFCs and non-bank financial intermediaries residing outside the euro area was only partly offset by higher deposits held with non-euro area credit institutions. At the same time liabilities contracted by 2.6%, 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.

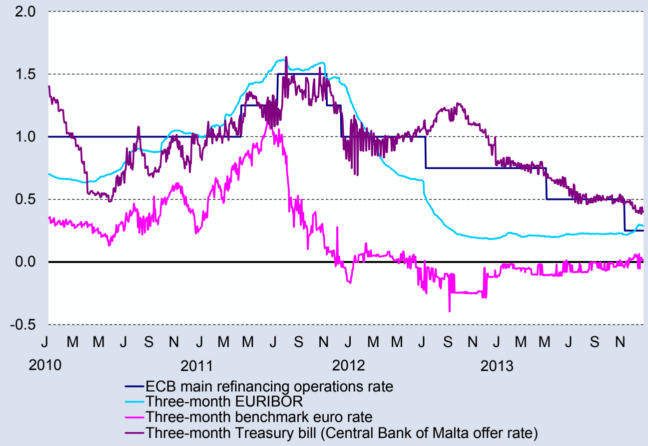
The money market

Domestic yields decline during the fourth quarter

The European Central Bank (ECB) eased further its monetary policy stance during the last quarter of 2013. Diminishing price pressures and subdued monetary and loan dynamics prompted the ECB to cut the interest rate on its main refinancing operations (MRO) by 25 basis points in November 2013, to a new low of 0.25%. However, the three-month EURIBOR rose by 6 basis points to 0.29% at end-December as excess liquidity in the euro area fell. As a result, the three-month EURIBOR closed the year above the MRO rate (see Chart 6.6).[7]

On the contrary, the reduction in the official interest rate was partly reflected in money market rates in Malta. One further contributor was the Treasury's reduced reliance on short-term borrowing. A total of €302.9 million worth of Treasury bills were issued during the last quarter of 2013, €44.9 million less than in the previous quarter. Falling official interest rates and the reduced supply of Treasury bills contributed to a reduction of the primary market yield on Maltese

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



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

[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.

three-month bills, which fell by 11 basis points during the last quarter of 2013, reaching 0.39% by end-December.

More than half of the amount of Treasury bills issued during the fourth quarter of 2013 had a one-month term to maturity while the remainder mainly consisted of three-month paper. Resident banks participated actively in the auctions and bought more than 90.0% of the total. The rest was taken up almost entirely by money market funds.

Meanwhile, no turnover was recorded in the secondary Treasury bill market during the last quarter of the year, as opposed to €0.1 million registered in the third quarter.

The secondary market yield on three-month securities issued by the German Government, which serve as a benchmark for the euro area, returned to positive territory, rising by 8 basis points during the quarter, reaching 0.02% in December. On the other hand, the corresponding domestic yield, as quoted by the Central Bank of Malta, fell by 9 basis points, to 0.40% at end-December, extending a generally declining path since September 2012. As a result, the spread over the euro area benchmark narrowed by 18 basis points to 39 basis points at end-December (see Chart 6.6).

The capital market

Recovery in primary market issuance of corporate bonds

During the last quarter of 2013, the Government raised funds through four MGS issues with a combined value of €327.8 million. Terms to maturity varied between six and 19 years, with fixed-rate coupons ranging between 3.00% and 4.65%.

In November the Government launched €120.0 million worth of MGS with an additional €60.0 million as an over-allotment option. The issue was split between the 3.00% MGS 2019 (III) Fungible Issue and the 4.65% MGS 2032. The amount of bids received was €229.5 million and the over-allotment option was exercised in full. More than four-fifths of the amount issued was purchased at a fixed price, predominantly by households and resident nominees, including stockbrokers.

The remaining two issues were related to the MGS switch auction programme. In December the Treasury implemented the last stage of the three-year programme that was launched in 2011. In order to lengthen and smooth the interest payments and redemptions of outstanding MGS, around one-third of the outstanding bonds maturing in 2014 were converted into €83.7 million worth of MGS maturing in 2019, with a coupon rate of 3.20%, and a further €64.0 million maturing in 2020, offering 3.35%. The issue was sold entirely by auction and resident credit institutions participated actively.

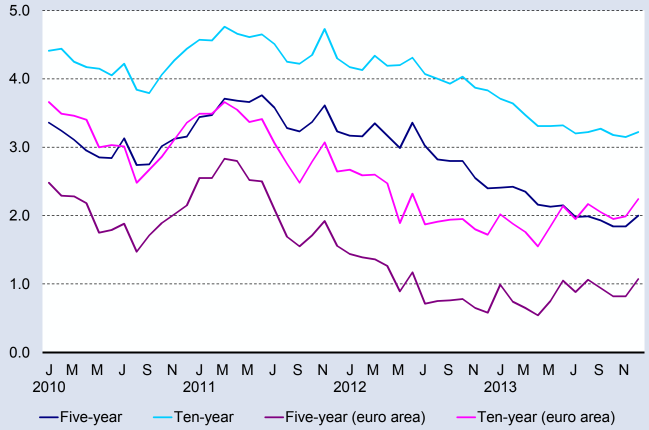
Meanwhile, in the corporate bond market, the gradual recovery in primary market issuance continued. Three new issues were recorded during the last quarter of 2013. In October Medserv plc offered €13.0 million worth of bonds. The bonds, offering a coupon of 6.00% and maturing in 2023, were heavily oversubscribed. In November International Hotel Investments plc issued €10.0 million worth of bonds, offering a coupon of 5.80% and maturing in 2023, while in December Gasan Finance Company plc issued €25.0 million worth of bonds, offering a coupon of 4.90% and redeemable between 2019 and 2021. Demand for these bonds was also substantial and both were oversubscribed.

In the secondary market, turnover for Government bonds amounted to €159.0 million in the fourth quarter, €10.4 million less than in the previous quarter and the lowest quarterly value recorded in 2013. The Central Bank of Malta, as market-maker, was involved in more than two-thirds of the value traded.

Mixed movements in government bond yields

Yields on five-year domestic bonds rose during the last quarter of 2013, reaching 2.00% from 1.93% at the end of September. Conversely, yields on ten-year bonds declined further, falling by 5 basis points to 3.22% (see Chart 6.7). The equivalent benchmark yields for the euro area rose by 13 and 19 basis points, respectively, over the same period.[8] As a result, between September and December, the five-year differential narrowed to 93 points while the ten-year differential fell to 98 points.

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



Sources: Central Bank of Malta; ECB.

In the secondary corporate bond market, trading during the December quarter declined marginally to €9.0 million from €9.1 million in the third quarter, which was the highest amount traded during 2013. More than half the trading was concentrated around securities issued by the financial sector, with securities issued by the construction, hospitality and property development sectors accounting for most of the remainder.

MSE share index continues to rise

Activity in the domestic equity market went up strongly during the fourth quarter of 2013, with turnover rising to the highest level seen since the first quarter of 2008. The value of transactions increased to €15.4 million, despite a drop in the number of shares traded, reflecting a rise in most share prices. Indeed, the MSE share index added 7.8% from its end-September level to end December at 3,685.8, the seventh consecutive quarterly rise (see Chart 6.8).

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

Source: MSE.

[8] Euro area yields are based on AAA-rated central government bonds, with ratings provided by Fitch.

BOX 6: THE DEMAND FOR CURRENCY IN MALTA[1]

Introduction

Money serves four main purposes, namely as the main medium of exchange in a modern economy, a store of value, a unit of account and a source of deferred payment.[2] Like any commodity, demand for currency, the most liquid form of money, is mainly driven by price and income variables. Currency is needed to conduct transactions, but holding cash has its cost as its value is eroded by inflation while no interest is earned on it.

In traditional classical theories like Fisher's quantity theory,[3] money does not have any intrinsic utility and serves only as a means of facilitating exchange. The quantity of money is related to the volume of transactions multiplied by the price level of goods and services traded by means of the velocity of circulation. The latter, while assumed to be stable in the immediate future, is deemed to move over time due to changing preferences and payment systems. Therefore, demand for money in this view is solely driven by transactions demand and by changes in payment system arrangements or in consumer payment habits.

In contrast, another strand of the literature, known as the Cambridge approach, argued that money demand played a more substantive role.[4] Rather than being determined by the volume of transactions and by the payments system, currency was seen as demanded in its own right, as a store of value that is convenient and secure. These economists emphasised the role of interest rates, wealth and inflation in helping to determine the demand for money. This was more rigorously defined by Keynes,[5] who developed the concept of precautionary demand (i.e. money kept for contingencies) and of speculative demand (i.e. currency holdings seen also as a reflection of portfolio choices and expectations). These ideas influenced and were, to some extent, incorporated in many other later theories, such as those developed by Friedman in the late 1950s.[6]

Given the importance of understanding the precise nature of money demand, especially the stability or not of this function for monetary policy purposes, many empirical studies have been undertaken in this area.[7] While all studies start with a basic relationship between real money balances to a scale (or transactions demand) variable and an opportunity cost variable,[8] the role allocated to particular variables tends to differ according to the theoretical inclination of the authors. However, most recent studies tend to include the lagged value of the dependent variable as an explanatory variable to better explain its short-term dynamics. These partial adjustment models assume that agents are always in the process of

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1 Prepared by Aaron G. Grech. Dr Grech manages the Modelling and Research Office. Any errors, as well as the views expressed here, are the author's sole responsibility.

2 For a broad explanation of these different roles, refer to Laidler, D. E. W., *The demand for money: theories, evidence and problems*, 4th edition, New York: HarperCollins College Publishers, 1993.

3 Fisher, I., *The purchasing power of money*, New York: Macmillan, 1911.

4 See Pigou, A. C., "The value of money", *The Quarterly Journal of Economics*, Vol. 37, 1917, pp. 38-65 and Marshall, A., *Money, credit and commerce*, London: Macmillan, 1923.

5 Keynes, J. M., *The general theory of employment, interest and money*, London and New York: Macmillan, 1936.

6 Friedman, M., "The quantity theory of money – a restatement" in *Studies in the Quantity Theory of Money*, M. Friedman (ed.), Chicago: University of Chicago, 1956.

7 See footnote 2.

8 Sriram, S. S., "Survey of literature on demand for money: theoretical and empirical work with special reference to error-correction models", *WP/99/64*, International Monetary Fund, 1999.

adjusting their current cash holdings to the desired long-run level.[9] On the other hand, the definition of the dependent variable tends to differ, ranging from real currency in circulation or broader monetary aggregates in absolute terms, to ratios of monetary sub-aggregates to broader aggregates, or to measures of total payments.[10]

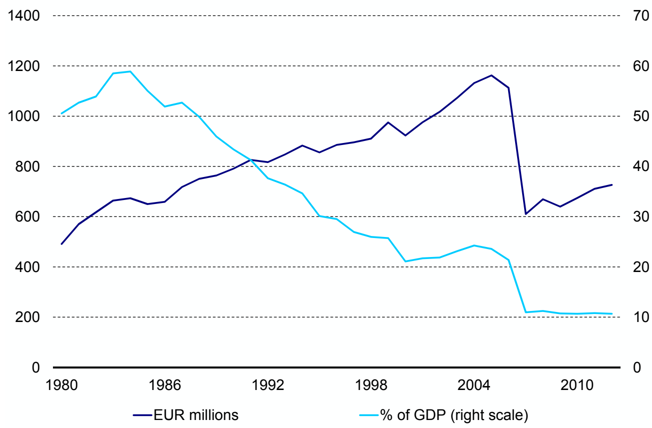
This Box studies the demand for one particular component of the money stock, currency, in Malta in the light of the theoretical and empirical issues described above. In particular, it will argue that the commonly applied analytical framework needs to be tweaked slightly for it to better explain the reasons underpinning the relatively high currency demand in Malta compared with other euro area countries.

Currency demand in Malta

The amount of currency in circulation in Malta, which can be taken to be equivalent to the amount demanded, more than doubled in absolute quantity between 1980 and 2005, its historic peak. However, as can be seen in Chart 1, except in the early 1980s, there has been a steeply declining trend when compared with nominal GDP.[11] This ratio nearly halved over the decade 1986 to 1995, possibly reflecting the very rapid development of the local banking sector and financial liberalisation, which led to increasing use of non-cash payments. After remaining relatively stable for another decade, the ratio of currency in circulation to nominal GDP halved again in 2007 ahead of the adoption of the euro and the associated cash conversion process. Since then it has remained relatively stable.

However, the amount of banknotes issued by the Central Bank of Malta is significantly greater than the value of euro banknotes allocated to the Bank in accordance with the ECB's banknote allocation key, which in turn is based on the Bank's share in the ECB's capital.[12] In addition, the demand for higher denomination banknotes, such as the €200 and €500 notes, is

Chart 1
CURRENCY IN CIRCULATION IN MALTA: 1980-2012



Sources: Central Bank of Malta; Eurostat; author's calculations.

[9] See Gordon, R. J., "The short-run demand for money: a reconsideration", *Journal of Money, Credit and Banking*, 16(1): 1984, pp 403-434.

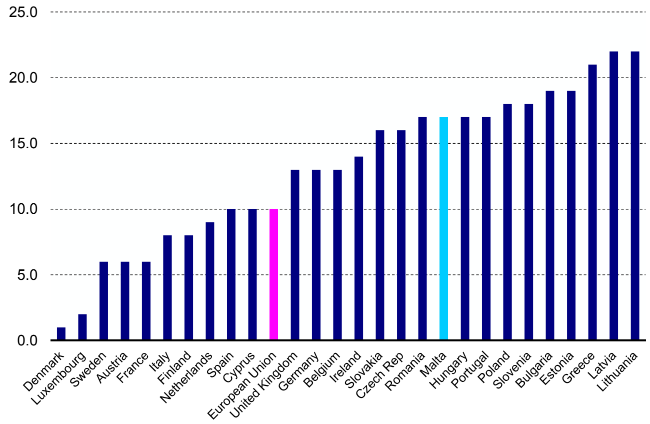
[10] For instance, recently some authors are using the ratio of the flow of cash withdrawn from bank accounts to total non-cash payments. See for instance, Ardizzi, G., Petraglia, C., Piacenza, M. & Turati, G., "Measuring the underground economy with the currency demand approach: a reinterpretation of the methodology, with an application to Italy", *Working Paper 864*, Banca d'Italia, 2012.

[11] A similar trend is observed when looking at the ratio of currency in circulation to M2, a monetary aggregate which, besides currency holdings, includes overnight deposits and other short-term deposits. Note that the ratio of M2 to GDP has, on the other hand, increased consistently since the 1980s.

[12] The regulation setting out this allocation can be downloaded at: http://www.ecb.europa.eu/ecb/legal/pdf/l_03520110209en00260030.pdf

rising and also exceeds that in the rest of the euro area.[13] Moreover, holdings of currency are still very high in Malta, especially when compared with advanced Western European countries.[14] The implied velocity of currency in circulation in Sweden is more than three times higher than in Malta, for instance. In 2011 cash withdrawals from ATMs were equivalent to €2,570 for every Maltese person. This is just below the average observed in the euro area. However, when one translates this in terms of GDP per capita, the amount for Malta becomes nearly double the EU average. As can be seen from Chart 2, cash withdrawals in Malta from ATMs remain relatively high.

Chart 2
CASH WITHDRAWALS IN EUROPEAN UNION COUNTRIES: 2011
(as a percentage of GDP)



Sources: European Central Bank; author's calculations.

Factors underpinning currency demand in Malta

There are a number of reasons why cash still remains so popular in Malta. Possibly, the most important is Maltese consumers' payment preferences. Besides consumer preferences, this could also reflect those of retailers. The fragmented nature of the retail market in Malta, possibly combined with the uneven impact of bank charges on small retail outlets, could be a contributing factor for the popularity of cash. Convenience may also play a role, as the availability of ATMs in Malta is quite low on a per capita basis, standing at less than half the euro area average. This could lead consumers to maintain higher cash balances.

Despite it probably becoming less important over the years, the relative thinness and weak liquidity of the local financial markets may also contribute to high domestic cash balances. Although the household saving rate in Malta has declined substantially, households have accumulated considerable financial wealth over time. In fact, on a per capita basis, the average Maltese household holds twice the financial assets of the average euro area household.[15] For a considerable period of time, these savings mostly ended up either as cash or bank deposits on account of strict capital controls and the unavailability of alternative assets, such as private debt securities, equity and private pension products. In recent years, Maltese households have had more investment options, both local and overseas, but cash may still have retained a larger than average share in their portfolio allocation.

[13] These data were obtained from the ECB's Statistical Data Warehouse. See http://www.ecb.europa.eu/stats/payments/paym/html/index.en.html

[14] On the other hand, the ratio to M2 to GDP is in line with those in countries like Germany, France and Italy.

[15] An estimate of household wealth based on the results of a survey carried out in 2010 can be found in Caruana, K. & Pace, C., "Household Finance and Consumption Survey in Malta: main results of 2010 exercise", *Central Bank of Malta*, 2013.

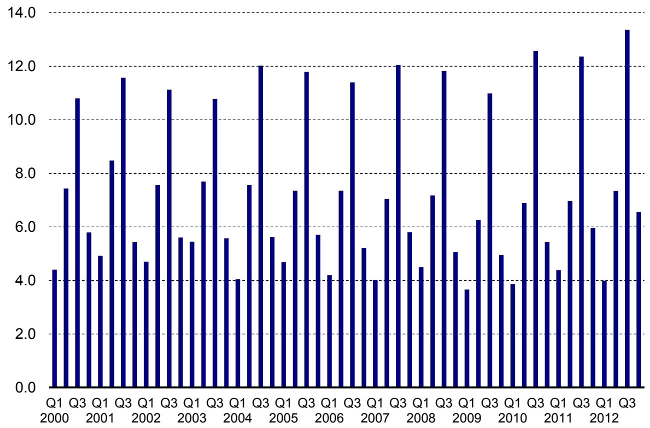
Another possible cause could be the shadow economy, i.e. “market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of GDP”.[16] A sizeable shadow economy would boost the demand for currency since cash-based transactions are harder to trace. Many US economists in the 1960s and 1970s, who tried to rationalise the rise in currency demand in the post-war period, noticed that standard price and income variables did not have much explanatory power.[17] They therefore introduced tax burden or government regulation variables, arguing that a higher demand for cash was being driven by a desire to operate in the shadow economy. They found that these additional explanatory variables were, indeed, significant.

Incidentally, a similar argument was made in Malta in the 1970s in relation to “cash-hoarding”.[18] There are a number of estimates of the size of the shadow economy in Malta.[19] Some are the result of cross-country studies, undertaken by the European Commission and by Schneider, which estimate the size of Malta’s shadow economy at around a quarter of GDP.[20] Interestingly, these results are very similar to those found in earlier studies conducted by Maltese economists.[21]

One frequently ignored determinant of the use of cash in Malta is the large size of the inbound tourist industry. In parallel with the situation in one part of any monetary union, the currency stock in one country within a multi-country monetary union, such as the euro area, includes the amount issued by the national central bank, plus the net amount that is carried in or out by visitors.

In 2012 more than 1.4 million tourists visited the Maltese islands, more than three times the size of the resident population. Chart 3 quantifies this impact by converting the number of tourists into an equivalent

Chart 3
IMPACT ON POPULATION SIZE OF TOURISM
(percentage)



Source: Author's calculations using NSO data on tourist departures, length of stay and population.

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16 Smith, P., “Assessing the size of the underground economy: the Canadian statistical perspective”, *Canadian Economic Observer*, 11(10): 1994, pp 16-33.

17 Cagan, P., “The demand for currency relative to the total money supply”, *Journal of Political Economy*, 66(4): 1958, pp: 303-328, and Guttman, P. M., “The subterranean economy”, *Financial Analysts Journal*, 33(6): 1977, pp 26-27.

18 Delia, E.P., *Focus on Aspects of the Maltese Economy*, Malta: Midsea Books, 1978.

19 These studies tend to follow the approach developed by Tanzi, V., “The underground economy in the United States: annual estimates, 1939-80”, *IMF Staff Papers*, 30(2), 1983, pp 283-305.

20 See Schneider, F., “The shadow economy in Europe, 2011”; *European Employment Observatory Review*, European Commission, Spring 2007; and Kearney, A. T., & Schneider, F., “The shadow economy and work in the shadow: what do we (not) know?” *Discussion Paper IZA DP* No.6423, Institute for the Study of Labour, Germany, 2012. According to these studies, Malta has one of the largest shadow economies, equivalent to between two and three times the euro area average.

21 See Cassar, A., “An index of the underground economy in Malta”, *Bank of Valletta Review*, No:23, Spring 2001; and Briguglio, L., “Factors affecting the ratio of currency demand to total monetary assets in Malta”, *Paper* presented at the International Conference on Applied Statistics, Middle East Business and Economic Association, Cairo: January 1989.

resident using data on the average length of stay of tourists. Thus, if on average tourists stay 7.5 days in a month, they are treated as equivalent to a quarter of a resident. Using this approach one finds that there have been points at which the local population has been boosted by nearly a seventh as a result of incoming tourists.[22] Incidentally, the latest available ECB payment statistics suggest that in 2012 €0.2 billion were withdrawn from ATMs in Malta by means of cards issued outside the country, equivalent to one-sixth of the total amount withdrawn using cards issued in Malta. A similar proportion is reported in Cyprus. In contrast, across the euro area this ratio stood at less than 3.0%.

Estimation

To study the extent to which these different factors drive the demand for currency in Malta, two currency demand specifications, both modelled in error-correction form, were applied to Maltese data.

In the first specification the dependent variable is currency in circulation as a ratio of M2. In the second the dependent variable is currency holdings deflated using the GDP deflator. Note that both specifications differ slightly in two ways from those used in literature. A linear trend was included to account for growing financial sophistication (such as the increasing use of electronic payments). Two dummy variables were used to capture the impact of one-off shocks, namely a significant change in monetary data compilation in 2003 along with the adoption of the euro in 2008. In the latter case, while there was a large decline in currency in circulation, this resulted from the euro changeover, and evidence suggests that people quickly reverted to previous patterns of behaviour.

The results of these regressions, shown in Table 1, suggest that the increase in population caused by tourists does play a significant role in determining both the short-run and long-run dynamics of currency demand in Malta.[23]

The tax ratio, computed as the sum of income tax paid by households, social security contributions and VAT as a share of GDP, also appears to play an important part. As expected, an increase in the tax burden raises the demand for cash, with this effect being significant in the long run. In line with theory, demand for currency is also affected by its opportunity cost, with the real deposit interest rate exerting a relatively strong impact both in the short term and in the long term. An increase in real deposit rates lowers the demand for currency.

Currency holdings are positively related to household financial wealth, which is proxied by a variable that is the sum of MGS outstanding and M2 (excluding currency). This suggests that Maltese households allocate a share of their financial asset portfolio to currency, with an increase in their financial wealth being accompanied by higher cash holdings.

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[22] Arrivals are quite seasonal, peaking in the third quarter of the year. This implies that on an annual basis, the impact falls to 5.0%, on average. This is still much higher than the 0.6% impact of incoming tourism on the European Union's population. Only Cyprus faces a similar situation to Malta in this respect.

[23] Note that the seasonal dummies were found to be significant, implying that besides the fluctuations in population size due to tourism, there are other seasonal determinants of the demand for money in Malta, such as the increase in consumption around Christmas.

In contrast, Table 1 suggests that transactions demand plays a limited role in determining the demand for currency, with the coefficient on GDP per capita being insignificant even at the 10.0% confidence level. In part, this could reflect the very significant persistence of currency demand, which contrasts with the relative volatility of economic activity. Finally, there is some evidence that the attractiveness, or not, of foreign investment assets could slightly affect currency holdings in Malta. In one specification, the latter are negatively related to the level of the Dow Jones stock index (used here as a proxy for the return on foreign investment).

Table 1
CURRENCY DEMAND SPECIFICATION RESULTS FOR MALTA[1]

	Specification 1: Dependent = Currency/M2		Specification 2: Dependent = Currency/deflator	
Constant	-0.34	***	-2.49	***
dlog($Touristeq_t$)	0.02	***	0.14	***
d(IR_t)	-0.01	**	-0.12	**
d(TR_t)	0.26	*	0.19	
dlog(VT_t)	0.14		0.70	
Log($Dependent_{t-1}$)	-0.13	***	-0.15	***
Log($Touristeq_{t-1}$)	0.05	***	0.23	***
IR_{t-1}	-0.01	**	-0.03	**
TR_{t-1}	0.09	**	1.69	***
Log(VT_{t-1})	0.08	**	0.31	
Log(FW_{t-1})	0.04	**	0.22	**
Log(DOW_{t-1})	-0.01	**	-0.00	
Trend	-0.01	***	-0.01	***
Dmondata	-0.03	***	-0.01	
Dintro	-0.02	***	-0.31	***
Adjusted R^2	0.87		0.89	
Standard Error of regression	0.00		0.02	
Durbin-Watson	2.39		2.06	

[1] Sample is 2000Q1 to 2012Q4. Data were not seasonally adjusted, but seasonal dummies (results not shown here for conciseness) were included in the estimation. Interest rate data are Central Bank of Malta measures, and not MFI interest rates.

*** denotes significant at 1.0% level, ** at 5.0% level and * at 10.0% confidence level.

Dependent variable in specification 1 is currency holdings as a share of M2; it is real currency holdings in specification 2, VT is transactions demand (i.e. GDP per capita), IR is the real deposit rate, TR is the tax ratio, Touristeq measures the impact on population size of tourist arrivals, FW is total government bonds and M2 excluding currency, and DOW is the level of the Dow Jones index. Dintro is a dummy for the adoption of the euro and dmondata is a dummy for a change in methodology of monetary statistics in 2003.

Source: Author's calculations.

Conclusion

The estimates shown above must, however, be interpreted and used with due caution. Despite the popularity of estimating demand for money functions, there are several issues to keep in mind. For instance, the currency demand equation could be incorrectly specified. This is particularly true when there are structural breaks in the demand for cash, such as changes in payment preferences or in payment systems. A further major issue is correctly accounting for the abrupt change in the relative size of currency in circulation as a result of the adoption of the euro.

Following euro adoption, it is almost impossible to assess with a good degree of certitude how many banknotes (and coins) are circulating at any one time in the Maltese economy as euro banknotes (and coins) can be brought in from overseas by both locals and visitors, while those issued in Malta can be taken and used abroad.

In terms of policy implications, these results suggest that the Maltese economy is likely to continue to use more currency than larger economies in the short to medium term. Moreover, the impact of a large tourism sector in raising currency demand merits further investigation.

The demand for cash could be reduced if more transactions are carried out using electronic means. The latter development would be facilitated if payment preferences of the Maltese population change significantly. This could be aided by modified bank charges, particularly on smaller operators in the retail and tourism sectors. Efforts to discourage the shadow economy, for instance by strengthening tax enforcement and by creating the right incentives to formalise activity, could also contribute.[24] The faster development of the local financial sector, for example through the establishment of a private pension industry, should widen the investment options for Maltese savers. Coupled with the continued high level of regulatory oversight, this should gradually help reduce reliance on currency as a store of wealth.

[24] There are much wider benefits resulting from a smaller shadow economy. The latter not only leads to resource misallocation in an economy, with too many self-employed or small firms in the traditional sectors (i.e. construction, agriculture and retail trade), but also boosts unnecessarily the level of prices (as margins need to be higher to make up for low turnover), as well as to unfair competition with operators in the formal economy. For more on this topic, see Singh, A., Jain-Chandra, S. & Mohammad, A., "Out of the shadows", *Finance and Development*, Vol.49, No.2, IMF, 2012.

LAUNCHING OF MALTA'S FINANCIAL ACCOUNTS STATISTICS

Jesmond Pule'[1]

Introduction

To resolve a significant omission in economic and financial statistics and to fulfil EU statistical requirements, the Central Bank of Malta initiated the compilation of the first fully fledged set of Malta's Financial Accounts (MFA) statistics, capturing the financial activities of all institutional sectors of the Maltese economy.[2] Tables containing a summarised set of annual MFA statistics going back to 2006 will be published as from *Quarterly Review 2013:4*, as well as on the Bank's website. Initially, the Bank will only publish stock positions, while the corresponding flow figures will be made available at a later stage.

This article introduces these statistics and briefly explains the compilation methodology. It also provides an overview of the financial characteristics of non-financial corporations (NFC) and households, and of the role of financial accounts statistics in the EU Commission's surveillance of macroeconomic imbalances. The article ends with a comparison of certain MFA indicators with those of other EU countries.

History of financial accounts statistics

> When total purchases of our national product increase, where does the money come from to finance them? When purchases of our national product decline, what becomes of the money that is not spent? Is it hoarded or what? Who has and exercises discretion to increase or decrease expenditures on national product? What part do cash balances, other liquid asset holdings, and debts play in the cyclical expansion and contraction of money flow?
>
> Morris Copeland[3]

Stocks and flows statistics in the MFA can address these questions.[4] They enable an assessment of financial wealth and indebtedness. Financial accounts also provide a broad perspective on the financial conditions within which monetary developments and the transmission of monetary policy can be analysed.

Complete financial accounts statistics comprise detailed information on the financing sources of institutional sectors, the form of financing and indebtedness of those sectors, and where and how their surpluses are invested. On the macro scale, financial accounts indicate how indebted sectors obtain the necessary financial resources by acquiring liabilities or reducing assets, and how the net lending sectors allocate their surpluses by acquiring financial assets or reducing their liabilities.[5]

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[1] Mr Pule' is the Head of the Statistics Department. The author would like to thank Dr Bernard Gauci, Mr Anthony Cortis, Mr Michael Caruana and various staff from the Statistics Department for helpful comments and suggestions. Any errors, as well as the opinions expressed in this article, are the author's sole responsibility.

[2] This is required by the (recast) Guideline of the European Central Bank (ECB) of 25 July 2013 on the statistical reporting requirements of the ECB in the field of quarterly financial accounts (ECB/2013/24) and by Regulation (EC) No 1392/2007 of the European Parliament and of the Council of 13 November 2007 with respect to the transmission of national accounts' data.

[3] Copeland, Morris A, "Social accounting for moneyflows". *The Accounting Review*, 24(3), 1949, pp. 254-264. This author is widely regarded as the pioneer of the "moneyflows" or "flow-of-funds" accounts, although various other prominent economists, such as Hicks J.R., Duesenberry J.S., Tobin J. and Mitchell W.R., contributed substantially to the subject.

[4] The latter are also referred to as flow-of-funds statistics.

[5] It is important to note that financial accounts record financial stocks and transactions only; therefore, fixed assets and intangibles are excluded.

Several past crises, including most recently the financial crisis of 2008, highlighted the need for closer attention to vulnerabilities in sectoral balance sheets. Monitoring those vulnerabilities is important for financial stability purposes.

Financial accounts collection and compilation methodology

Financial accounts statistics are part of the general statistical framework of a country's economy, as presented in the European System of Accounts 1995 (ESA 1995).[6]

The Bank compiles a full set of financial accounts, including both transactions (flows) and positions (stocks), as stipulated by ESA 1995.[7] Compilation of such statistics involves a series of distinct stages, the first being the collection of the data on all sectors and sub-sectors of the economy. Data are obtained either directly from the reporting institutions, as primary sources, or indirectly from counterparty information. In collecting primary data, MFA statistics make extensive use of statutory and other returns received by the Bank, while supplementary sources are used to fill any gaps in the primary sources or to improve the quality of the statistics. Data for the compilation of the financial accounts can be obtained from either of the two parties in every financial transaction.[8] The Central Bank of Malta and the National Statistics Office (NSO) cooperate extensively, especially to make use of administrative data to the fullest extent possible.[9] Producing certain data for the household sector presents a particular challenge. In practice, most data on this sector are obtained from counterparty information, i.e., using the statistics of other sectors on the positions of, or transactions with, households.

Another problem arises when data sources provide contradictory estimates. This problem requires statistical compilers to assess the relative quality of the different sources. A ranking of sources normally assigns priority to primary information sources, for instance, by recognising that banking data tend to be more reliable than household data.

The next stage involves placing all the information in an array containing the full set of accounts for the whole economy. This helps to ensure a perfectly reconciled set of financial accounts. However, this is not always the case due to different accounting valuations, timing differences and other considerations. It is also important to recognise that the Bank's financial accounts may not tally perfectly with the non-financial accounts statistics compiled by the NSO. It is not always possible to fully reconcile the two accounts primarily because of differences in the data sources.

The finalised set of statistics showing the financial accounts of the whole economy is presented in Table 1 in non-consolidated format, in accordance with ESA 1995 classifications. The table shows the main institutional sectors of the economy, the most relevant financial instrument breakdowns and include the sector representing the rest of the world.[10] All information in the table is presented in a balance sheet form, i.e., in outstanding stock positions.

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[6] See *European System of Accounts ESA 1995*, European Commission, 1996, for detailed description of the system. ESA 1995 significantly accelerated the move towards harmonised financial accounts in Europe. In late 2014, it will be replaced by new internationally compatible EU accounting framework, ESA 2010. For details on ESA 2010 see Annex A of Regulation (EU) No 549/2013.

[7] The "financial account" is the last account in the ESA 1995 sequence of integrated economic and financial accounts. Accounts earlier in the sequence record non-financial activities.

[8] The exceptions are monetary gold and special drawing rights (SDR), for which a counterparty does not exist in statistical terms.

[9] Apart from the NSO, administrative data are also sourced from the Malta Financial Services Authority (MFSA) and the Malta Stock Exchange.

[10] According to ESA 1995, the rest-of-the-world sector consists of non-resident units insofar as they are engaged in transactions, or have economic links, with resident institutional units.

Table 1
NON-CONSOLIDATED FINANCIAL ACCOUNTS OF THE MALTESE ECONOMY (FINANCIAL ASSETS)

EUR millions

Issuing sectors broken down by financial instrument	2006	2007	2008	2009	2010	2011	2012
Total economy	**86,050**	**102,816**	**113,280**	**114,011**	**133,724**	**136,499**	**142,643**
Monetary gold and SDRs	42	50	17	110	115	118	120
Currency	1,134	630	671	721	747	798	814
Deposits	23,965	31,551	39,137	38,493	41,515	42,547	43,875
Debt securities	15,873	14,962	14,447	17,045	20,753	22,917	26,207
Loans	25,355	33,958	36,357	33,476	39,760	38,863	38,485
Shares and other equity	13,427	14,029	13,637	15,462	21,584	21,415	22,116
Insurance technical reserves	1,021	1,199	1,222	1,423	1,623	1,678	1,821
Other accounts receivable	5,232	6,437	7,792	7,281	7,628	8,164	9,206
Financial corporations[1]	**34,863**	**42,566**	**47,223**	**47,277**	**55,899**	**56,680**	**59,468**
Monetary gold and SDRs	42	50	17	110	115	118	120
Currency	82	86	83	87	82	92	94
Deposits	3,506	5,868	6,897	7,825	2,488	2,574	2,886
Debt securities	14,081	13,057	12,038	14,453	17,856	19,748	22,752
Loans	15,336	21,675	26,487	22,735	33,350	32,207	31,587
Shares and other equity	1,533	1,464	1,231	1,524	1,605	1,566	1,622
Insurance technical reserves	3	2	1	2	3	2	2
Other accounts receivable	279	364	469	541	401	374	405
General government	**1,510**	**1,662**	**1,610**	**1,780**	**1,943**	**2,161**	**2,461**
Currency	0	0	0	0	0	0	0
Deposits	432	488	476	577	589	655	424
Debt securities	0	0	0	0	0	0	0
Loans	26	27	33	30	63	148	268
Shares and other equity	843	836	740	798	856	844	1,097
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts receivable	209	311	361	375	435	514	671
Non-financial corporations[2]	**10,483**	**11,828**	**12,695**	**14,080**	**15,203**	**16,200**	**16,341**
Currency	20	25	34	57	40	36	36
Deposits	1,196	1,486	1,432	1,620	1,932	2,235	2,430
Debt securities	71	82	80	80	80	87	91
Loans	2,349	2,670	3,228	3,771	4,338	4,735	4,761
Shares and other equity	3,281	3,722	3,852	4,220	4,412	4,727	4,528
Insurance technical reserves	29	18	17	59	57	48	49
Other accounts receivable	3,536	3,826	4,051	4,273	4,344	4,333	4,446
Households and non-profit institutions	**13,178**	**13,523**	**13,815**	**14,805**	**15,608**	**15,911**	**16,673**
Currency	1,032	520	553	576	626	670	684
Deposits	6,140	7,000	7,246	7,163	7,406	7,698	8,068
Debt securities	1,445	1,516	1,650	1,970	2,179	2,392	2,573
Loans	431	456	440	572	683	581	581
Shares and other equity	2,986	2,674	2,546	3,016	2,958	2,726	2,803
Insurance technical reserves	989	1,179	1,204	1,362	1,562	1,628	1,770
Other accounts receivable	155	178	176	144	194	216	195
Rest of the world	**26,017**	**33,237**	**37,937**	**36,070**	**45,072**	**45,546**	**47,699**
Currency	-	-	-	-	-	-	-
Deposits	12,691	16,708	23,086	21,308	29,101	29,384	30,067
Debt securities	275	308	679	542	638	690	791
Loans	7,212	9,129	6,169	6,368	1,325	1,192	1,287
Shares and other equity	4,785	5,333	5,269	5,905	11,754	11,552	12,065
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts receivable	1,053	1,758	2,734	1,948	2,254	2,727	3,489

[1] Including the international banking institutions.

[2] Including the subsidiary holding corporations.

Table 1
NON-CONSOLIDATED FINANCIAL ACCOUNTS OF THE MALTESE ECONOMY (LIABILITIES)
EUR millions

Issuing sectors broken down by financial instrument	2006	2007	2008	2009	2010	2011	2012
Total economy	**86,008**	**102,766**	**113,263**	**113,901**	**133,609**	**136,381**	**142,523**
Currency	1,134	630	671	721	747	798	814
Deposits	23,965	31,551	39,137	38,493	41,515	42,547	43,875
Debt securities	15,873	14,962	14,447	17,045	20,753	22,916	26,207
Loans	25,355	33,958	36,357	33,476	39,760	38,863	38,485
Shares and other equity	13,427	14,029	13,637	15,462	21,584	21,415	22,115
Insurance technical reserves	1,021	1,198	1,222	1,423	1,623	1,678	1,821
Other accounts payable	5,232	6,437	7,792	7,281	7,628	8,164	9,207
Net Financial Assets/Liabilities	*42*	*50*	*17*	*110*	*115*	*118*	*120*
Financial corporations[1]	**35,777**	**43,408**	**47,699**	**47,604**	**56,356**	**57,061**	**59,421**
Currency	1,113	610	629	673	701	738	758
Deposits	20,865	26,683	33,428	32,557	40,573	41,499	42,845
Debt securities	143	221	506	478	612	752	865
Loans	6,289	7,969	5,040	5,176	52	57	70
Shares and other equity	5,997	5,777	5,436	6,667	12,221	11,797	12,462
Insurance technical reserves	1,021	1,198	1,222	1,423	1,623	1,678	1,821
Other accounts payable	349	950	1,437	629	574	541	600
Net Financial Assets/Liabilities	*-915*	*-842*	*-476*	*-327*	*-458*	*-381*	*47*
General government	**3,923**	**4,015**	**4,513**	**4,800**	**5,134**	**5,566**	**5,961**
Currency	-	8	31	37	41	46	50
Deposits	-	-	-	-	-	-	-
Debt securities	3,297	3,309	3,663	3,994	4,307	4,625	4,890
Loans	266	273	284	237	237	260	346
Shares and other equity	-	-	-	-	-	-	-
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	360	425	535	532	549	634	674
Net Financial Assets/Liabilities	*-2,413*	*-2,352*	*-2,903*	*-3,021*	*-3,192*	*-3,404*	*-3,499*
Non-financial corporations[2]	**15,533**	**17,357**	**18,757**	**20,219**	**21,800**	**22,755**	**22,623**
Currency	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Debt securities	507	550	522	690	776	757	750
Loans	6,404	7,056	7,963	8,929	9,747	10,152	9,863
Shares and other equity	5,839	6,626	6,820	7,094	7,510	7,870	7,824
Insurance technical reserves	-	1	-	-	-	-	-
Other accounts payable	2,783	3,124	3,453	3,507	3,766	3,976	4,185
Net Financial Assets/Liabilities	*-5,051*	*-5,529*	*-6,063*	*-6,140*	*-6,597*	*-6,555*	*-6,282*
Households and non-profit institutions	**3,415**	**3,749**	**4,147**	**4,561**	**4,820**	**5,047**	**5,164**
Currency	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Loans	2,636	2,977	3,308	3,649	3,884	4,092	4,262
Shares and other equity	-	-	-	-	-	-	-
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	779	771	839	912	936	955	902
Net Financial Assets/Liabilities	*9,762*	*9,774*	*9,668*	*10,243*	*10,788*	*10,864*	*11,510*
Rest of the world	**27,359**	**34,238**	**38,146**	**36,716**	**45,498**	**45,952**	**49,355**
Currency	21	12	10	10	5	14	6
Deposits	3,100	4,868	5,709	5,935	942	1,047	1,029
Debt securities	11,926	10,883	9,756	11,883	15,056	16,782	19,702
Loans	9,760	15,683	19,762	15,484	25,840	24,303	23,944
Shares and other equity	1,592	1,626	1,381	1,702	1,853	1,748	1,829
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	960	1,167	1,527	1,702	1,802	2,058	2,845
Net Financial Assets/Liabilities	*-1,342*	*-1,001*	*-209*	*-647*	*-426*	*-406*	*-1,656*

[1] Including the international banking institutions.

[2] Including the subsidiary holding corporations.

Highlights of MFA statistics

Table 1 shows the evolution of MFA assets and liabilities, respectively, from 2006 to 2012. The instruments are classified according to their liquidity and negotiability, in line with ESA 1995 standards, and attributed to the issuing sector.

Moreover, as already stated, data in the table are not consolidated, so that intra-sectoral positions do not offset each other. For instance, if a company extends a loan to another company, or if a subsidiary provides a loan to its parent company, both the loan liability and the counterpart asset are shown in the table.

On the assets side, in Table 1, financial assets of all sectors increased from €86.0 billion to €142.6 billion between 2006 and 2012. The magnitude of these figures and the volatility in the levels of certain instruments were in large part because of transactions between the international banking institutions resident in Malta with the rest of the world. These international banking institutions are largely unconnected to the domestic economy.

The financial corporations' sector comprises the Bank, banking institutions, investment funds, insurance corporations and all other financial institutions resident in Malta. This sector increased its share in the financial assets of the economy from 40.5% to 41.7%, as its assets climbed from €34.9 billion to €59.5 billion during the seven-year period under consideration.

The rest-of-the-world sector, representing the foreign liabilities of the Maltese economic sectors, including those of international banking institutions (already referred to in a previous paragraph), reached a share of 33.4% in 2012, a significant increase from the 30.2% recorded in 2006. Meanwhile, assets held by the NFC sector, which includes intragroup assets on a gross basis, and by households & non-profit institutions also increased during that period, reaching a share of 11.5% and 11.7%, respectively, in 2012. At €2.5 billion in 2012, the assets of the general government sector, made up of both central and local government, amounted to 1.7% of total financial assets.

Table 1 also lists the liabilities of the total economy which, at aggregate level, increased by 65.7% from €86.0 billion to €142.5 billion between 2006 and 2012. The liabilities of financial corporations, including those of the international banking institutions, amounted to €59.4 billion, raising their share in the total from 41.6% in 2006 to 41.7% in 2012. This sector accounts for the largest share of liabilities in the whole economy.

As a proportion of the total, the liabilities of the rest-of-the-world sector, which correspond to the foreign assets of the national economy, grew from 31.8% in 2006 to 34.6% in 2012, reaching €49.4 billion. This sector has the second largest share of total liabilities. Meanwhile, the share of liabilities of NFCs, which include intragroup liabilities, went down from 18.1% to 15.9% during the same period, while the liabilities of the households and non-profit institutions decreased their share from 4.0% to 3.6%.

The table also provides information on various types of financial instruments, whether assets or liabilities, held by the main sectors. At the total economy level, each instrument category on the assets side is matched with the instrument category on the liabilities side. The exceptions are monetary gold and SDRs, for which a counterpart does not exist in statistical terms.

The main financial instruments of the Maltese economy were in the form of deposits lodged with banks or held abroad. These accounted for €43.9 billion, or 30.8% of total financial assets. At €38.5 billion, loans made up the second largest portion, or 27.0% of total financial assets. Concurrently, debt securities amounted to €26.2 billion, or 18.4% of the total, while shares and other equity, at €22.1 billion, represented approximately one-sixth of total financial wealth. Other financial instruments were mainly in the form of other accounts receivable/payable and insurance technical reserves.

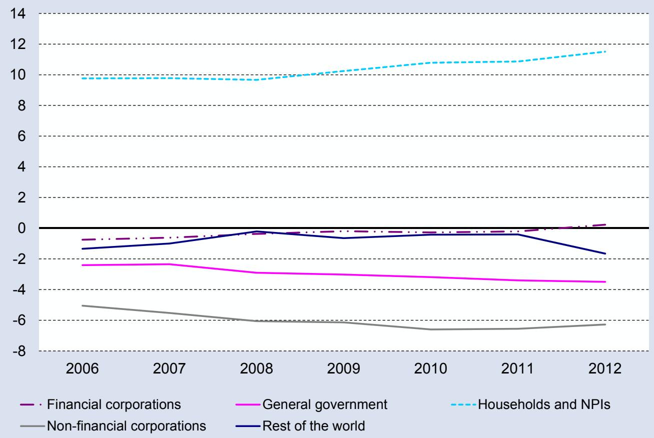
Table 1 also shows the net financial assets of the whole economy and of each sector of the economy. "Net financial assets" represent the difference between financial assets and liabilities of the country or sector.

Although financial assets must generally equal liabilities at the total instrument level, this is not usually the case at the sectoral level.[11] The difference between a sector's financial assets and liabilities is equivalent to that sector's net financial assets or liabilities. Indeed, different sectors in the economy are either net borrowers or net lenders, recording either net liability or a net financial asset position.[12] When domestic institutional units engage in financial transactions with each other, the surplus assets of one sector are made available to other sectors, such that the positive net financial wealth of the surplus sectors matches the negative net counterpart of the deficit sectors.

As in many other countries, the NFC and general government sectors record net financial liabilities, while households hold the largest part of net financial assets. In comparison with other sectors, financial corporations generally have small amounts of net financial worth, although their gross financial assets and liabilities are comparatively large, due to their primary role as intermediaries between borrowers and lenders.[13]

Chart 1 illustrates the evolution over the last seven years of the net financial position of the institutional sectors of the Maltese economy, including the rest-of-the-world sector. As illustrated in Chart 1, in 2012 the general government and the NFC sectors registered net financial liabilities of €3.5 billion and €6.3 billion, respectively. Households & non-profit institutions (NPI) are clearly, on a net basis, the major source of funds, holding net financial assets of €11.5 billion. The household sector's net asset position has edged up

Chart 1
NET FINANCIAL WEALTH
(EUR billions)



Source: Central Bank of Malta.

[11] With the exception of monetary gold and SDRs.
[12] In the ESA 1995, all liabilities are considered as being financial liabilities.
[13] In addition, net borrowers can bypass financial intermediaries by transacting directly with net lenders. For example, governments can issue securities in the market that can be purchased by households, NFCs, and rest-of-the-world sectors.

consistently since 2008. The rest-of-the-world sector registered net liabilities of €1.7 billion. Conceptually, the financial balance sheet of the rest of the world corresponds to Malta's International Investment Position (IIP), where IIP assets for Malta are recorded as rest-of-the-world liabilities, and conversely, IIP liabilities are recorded as rest-of-the-world assets.

In Chart 1, one may also note that the financial corporations sector moved from a previous net debtor position to a net creditor position in 2012, although the amounts in question were consistently relatively small.

The financial balance sheet of NFCs[14]

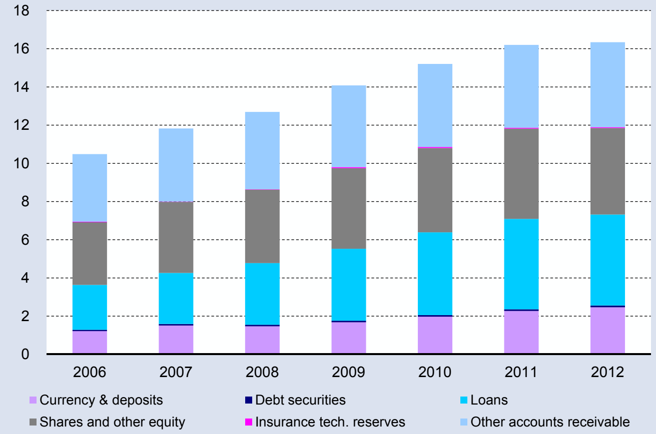
As already mentioned, resident NFCs have accumulated financial assets at a fairly steady rate, reaching €16.3 billion in 2012 from €10.5 billion in 2006 (see Chart 2). These are unconsolidated figures, which include intragroup assets on a gross basis.

At €9.3 billion, loans and shares alone amounted to over half of NFC assets. Deposits, worth €2.4 billion and largely placed with domestic monetary financial institutions (MFI), amounted to 14.9%. NFCs also owned a relatively small portfolio of debt securities and a small amount of insurance technical reserves, equivalent to 0.6% and 0.3% of the total, respectively. Other accounts receivable, amounting to 27.2% of the total, were largely due from other NFCs and from the rest-of-the-world sector. These receivables also consisted of deferred or refundable income tax or VAT, dues from third parties and a residual component.

Chart 3 shows liabilities of NFCs. The stock of liabilities of NFCs reached €22.6 billion in 2012, making the NFC sector a net debtor or user of funds.

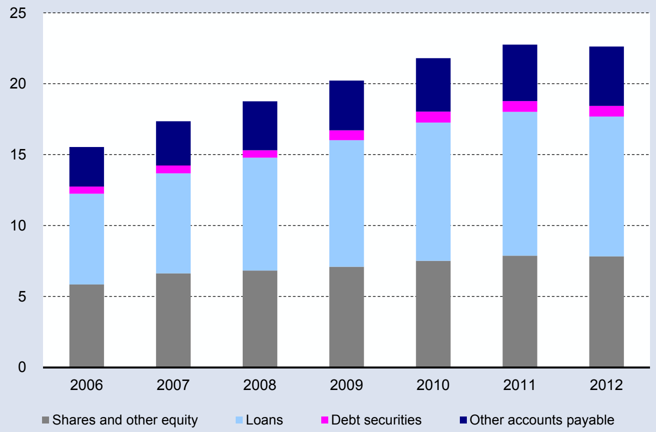
Turning to specific liabilities, in 2012 loans extended to NFCs amounted to €9.9 billion,

Chart 2
NON FINANCIAL CORPORATIONS - FINANCIAL ASSETS
(EUR billions)



Source: Central Bank of Malta.

Chart 3
NON FINANCIAL CORPORATIONS - LIABILITIES
(EUR billions)



Source: Central Bank of Malta.

[14] For more detail, see the Bank's *Financial Stability Report 2012*, which is available on the Bank's website.

or 43.5% of their total liabilities. Such loans partly reflect active local intra-NFC lending and financing from abroad. Equity financing constitutes another important source of financing for NFCs, reflecting the large role of intra-NFC and household participation in business financing. Equity amounted to 34.6% of the total. Foreign direct investment, which also includes reinvested earnings, was an important factor in the build-up of equity financing.[15] Debt securities amounted solely to 3.3% of the total.

Other accounts payable, which amounted to 18.4% of total liabilities, were largely made up of trade credit extended to other NFCs and to rest-of-the-world counterparties.[16] Other accounts payable also comprise taxes, fees and licences payable, as well as the residual component.

"From-whom-to-whom" accounts

In the near future, the Bank will also publish a set of accounts known as "from-whom-to-whom" accounts, which considerably enriches the information content of the MFA. "From-whom-to-whom" accounts as shown in Table 2 show financial assets and liabilities vis-à-vis the counterpart sector, by sector and type of financial instrument. Hence, such accounts do not simply answer the question of "who does what business?", but "who does what business with whom?" This overview presents from-whom-to-whom accounts only for NFCs, although the Bank compiles similar information for all sectors of the economy (see Table 2).

Table 2 shows that at the end of 2012, on the assets side of their balance sheet, NFCs held €2.0 billion in the form of deposits lodged with resident financial corporations, predominantly with MFIs, and €0.4 billion worth of deposits abroad (i.e., held with the rest-of-the-world sector). Their portfolio of debt securities was mainly in the form of long-term government bonds and smaller holdings of debt securities issued by other NFCs and resident financial corporations. They also had marginal holdings of debt securities issued by the rest-of-the-world sector. As previously mentioned, intragroup positions heavily influence both sides of the NFC balance sheet.

Loans primarily reflect intra-NFC activity while, similarly, the NFC portfolio of shares and other equity is predominantly in securities issued by other NFCs. Conversely, NFCs' stock of outward foreign direct investment and their holdings of shares issued by financial corporations are relatively low. Other accounts receivable, amounting to €4.4 billion are mainly in the form of trade credits and advances with the rest-of-the-world sector, largely explained by transactions between companies operating from Malta and non-residents.

The liabilities side of the from-whom-to-whom accounts of the NFC sector shows that, as at the end of 2012, more than half of their issued debt securities, worth €0.8 billion, was held by households, although the rest-of-the-world sector held quite a sizeable portion (see Table 2). Loans, totalling €9.9 billion, included €3.9 billion worth of short-term and long-term loans extended by the local MFI sector and €1.0 billion worth of borrowings from abroad, apart from intra-NFC borrowing. The €7.8 billion worth of shares and other equity issued by NFCs,

[15] The number of newly registered companies on the MFSA's Companies Registry increased by an annual average of around 3,500 firms over the period 2010–2012. This was another factor that contributed to the increase in shares and other equity. Unquoted shares significantly exceeded quoted shares in the total stock of shares and other equity. Source: *Annual Report 2012*, MFSA, p. 80.

[16] The results of the Central Bank of Malta's 2010 Wage Dynamics Survey, which can be viewed on the Bank's website, indicate that the effects of the economic crisis were mainly in the form of a fall in demand for the firms' main products followed by difficulties in obtaining payments and, to a lesser extent, difficulties in sourcing supplies.

excluding local intra-NFC participation amounting to €3.9 billion, comprised a substantial stock of inward direct investment from abroad at €2.2 billion and, to a lesser extent, participation by households and Government's own investment in public NFCs. Their other accounts payable, amounting to €4.2 billion, were mainly in the form of trade credits and advances from the rest-of-the-world sector.

Table 2 "From-whom-to-whom" accounts of the non-financial corporations, as at 2012
EUR millions

	Classification of positions by counterparty					
	Financial corporations[1]	General government	Non-financial corporations[2]	Households and non-profit institutions	Rest of the world	Total
Total financial assets	**2,539**	**407**	**8,883**	**801**	**3,710**	**16,341**
Currency and deposits	2,081	2	0	0	383	2,466
Currency	35	2	0	0	0	36
Deposits	2,047	0	0	0	383	2,430
Debt securities	15	62	12	0	2	91
Short-term	0	3	0	0	0	3
Long-term	11	59	12	0	2	85
Financial derivatives	3	0	0	0	0	3
Loans	3	7	4,248	101	403	4,761
Short-term	0	7	2,407	65	28	2,506
Long-term	3	0	1,841	36	375	2,255
Shares and other equity	231	0	3,935	0	362	4,528
Quoted shares	54	0	547	0	1	602
Unquoted shares	102	0	3,389	0	360	3,851
Investment fund shares	75	0	0	0	0	75
Insurance technical reserves	49	0	0	0	0	49
Other accounts receivable	161	337	687	701	2,560	4,446
Trade credits and advances	116	39	385	613	2,560	3,714
Other accounts receivable	44	299	302	87	0	732
Total liabilities	**4,173**	**1,044**	**8,883**	**1,977**	**6,546**	**22,623**
Debt securities	123	0	12	396	219	750
Short-term	0	0	0	0	0	0
Long-term	107	0	12	396	215	731
Financial derivatives	15	0	0	0	4	19
Loans	3,924	75	4,248	578	1,037	9,863
Short-term	1,066	6	2,407	152	26	3,658
Long-term	2,859	69	1,841	426	1,011	6,206
Shares and other equity	94	614	3,935	938	2,243	7,824
Quoted shares	75	55	547	195	212	1,083
Unquoted shares	19	559	3,389	744	2,031	6,741
Investment fund shares	0	0	0	0	0	0
Other accounts payable	32	355	687	64	3,048	4,185
Trade credits and advances	13	19	385	43	3,048	3,508
Other accounts payable	18	336	302	21	0	677
Net financial assets/liabilities	**-1,633**	**-637**	**0**	**-1,175**	**-2,836**	**-6,282**

[1] Including the international banking institutions.
[2] Including the subsidiary holding corporations.
Source: Central Bank of Malta.

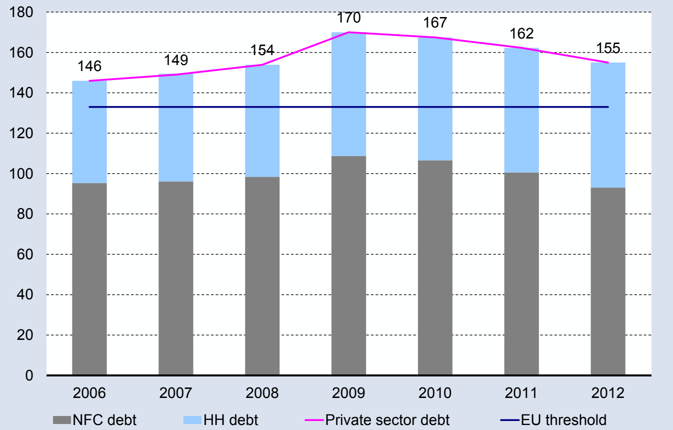
“Scoreboard” for the surveillance of macroeconomic imbalances

Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011, on the prevention and correction of macroeconomic imbalances, provides for the setting up of a “scoreboard” serving as an early warning signal of potentially harmful macroeconomic imbalances in Member States. It consists of a limited set of relevant economic, financial and structural indicators, with their corresponding indicative thresholds.

One of the indicators is the private sector’s debt, measured on a consolidated basis and as a proportion of gross domestic product (GDP).[17] For the purposes of this exercise, the private sector comprises NFCs and households, while debt consists of the sum of loans and issued debt securities. The proposed EU threshold for this indicator is 133.0% of nominal GDP. In such consolidated statistics, intra-NFC financing is netted out (see Chart 4).

Eurostat provides a comparison of such an indicator for all EU countries, with data for 2012 being the latest published information.[18] Malta’s private sector debt to GDP stood at 155.1% of GDP, ranking 11th after Luxembourg (317.4%), Ireland (306.4%), Cyprus (299.2%), Denmark (238.9%), Portugal (223.7%), the Netherlands (219.3%), Sweden (212.2%), Spain (194.4%), United Kingdom (178.5%) and Finland (157.8%).

Chart 4
PRIVATE SECTOR DEBT (CONSOLIDATED) AS % OF GDP
(per cent)



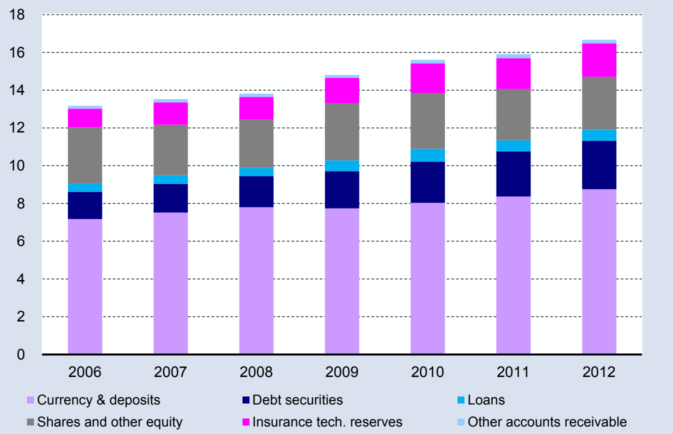
Sources: Central Bank of Malta; Eurostat.

The financial balance sheet of the households and non-profit institutions sector

Although information about saving and borrowing behaviour of households is considered essential for macroeconomic analyses, statistics on households’ assets and liabilities have previously been incomplete.[19]

As illustrated in Chart 5, Maltese households’ financial assets reached €16.7 billion in 2012, an increase of 26.5% from €13.2 billion in 2006. Currency and

Chart 5
HOUSEHOLDS - FINANCIAL ASSETS
(EUR billions)

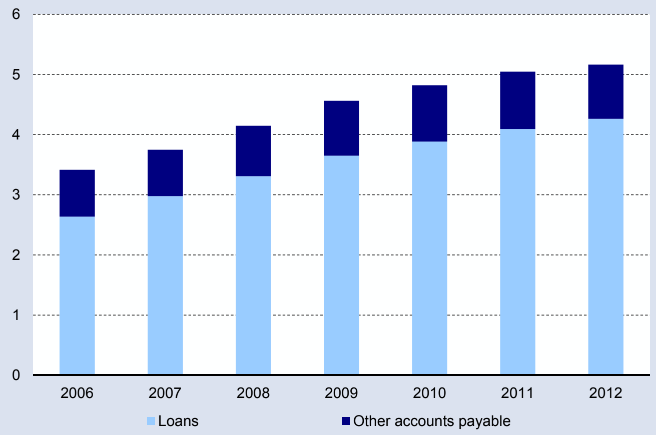


Source: Central Bank of Malta.

[17] A related indicator within the scoreboard relates to private sector credit flow, i.e., the change in private sector debt as percentage of GDP.
[18] See “Report from the Commission to the European Parliament, the Council, the European Central Bank and the European Economic and Social Committee – Alert Mechanism Report 2014”, *COM(2013) 790*, European Commission, 13 November 2013.
[19] MFA statistics are just one stage in a larger project by the Bank to create an integrated picture of household wealth. The Bank’s participation in the European System of Central Banks’ Household Finance and Consumption Survey is another step forward that may also provide input for the estimation of a number of components of financial accounts statistics.

deposits, amounting to €8.8 billion, remained the largest repository of households' financial assets. However, their share in total households' financial assets has decreased from 54.4% in 2006 to 52.5% in 2012 on account of an increased portfolio of debt securities, in the form of government bonds, shares and other investments. Other households' assets consisted of loans to NFCs, as well as accounts receivable, mainly dues from general government and NFC sectors.

Chart 6
HOUSEHOLDS - LIABILITIES
(EUR billions)



Source: Central Bank of Malta.

As shown in Chart 6, the level of household liabilities reached €5.2 billion in 2012, representing a 51.2% increase from the €3.4 billion reported in 2006. A feature of the economy during the period was the prominence of long-term loans in the form of lending for house purchases and consumer credit. These amounted to €3.1 billion and €0.4 billion, respectively. On the other hand, other accounts payable, which include dues to third parties and to general government, stood at only €0.9 billion.

Conclusion

Preliminary annual financial accounts statistics will henceforth be published by the Central Bank of Malta within nine months after year-end. As results are primarily derived from various data sources, revisions to the statistics will depend on revisions of these sources. In particular, the estimation of households' foreign assets and the companies' business register are areas which are targeted for further development. Moreover, the introduction of ESA 2010 in late 2014 will, inter alia, bring about reclassifications of certain sub-sectors. Holding corporations, for instance, will be classified with the financial corporations sector.

The launching of MFA statistics by the Central Bank of Malta offers a wide array of benefits. They include new information that was not previously measured or reported, in particular detailed information on non-financial sectors, such as households and NFCs. These new statistics also contain consistent information on each institutional sector as a whole, and on the interrelations across institutional sectors. Moreover, the compilation of Malta's financial accounts is another step in the preparation of a set of integrated economic accounts for the Maltese economy. These should eventually permit the integration within a unified framework of the financial and non-financial sides of Malta's national accounts.

NEWS NOTES

ECB cuts key interest rates

On 7 November the European Central Bank (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 decreased by 25 basis points to 0.75%, whereas that on the deposit facility was left unchanged at 0.00%. The interest rate changes became effective on 13 November 2013. The Governing Council of the ECB also reiterated its commitment to forward guidance.

Amendments to Central Bank of Malta legislation

ACT No. XIII of 2013, issued on 5 November and entitled Central Bank of Malta (Amendment) Act, 2013, amends a number of articles in the Act. A major amendment is the incorporation in the Act of a provision related to the Joint Financial Stability Board (JFSB), which was originally set up under a Memorandum of Understanding between the Central Bank of Malta and the Malta Financial Services Authority (MFSA). The amendments also provide for the appointment of a second Deputy Governor with responsibilities for financial stability and an additional member of the Board of Directors. Other changes to the Act concern the provisions dealing with macro-prudential policy, payment systems and payment services. The provisions of the amended Act came into force on 19 November 2013.

Legal Notice 446, issued on 20 December and entitled Central Bank of Malta (Penalties for Offences and Infringements) (Revocation) Regulations, 2013, revokes the Central Bank of Malta (Penalties for Offences and Infringements) Regulations, which allowed the Minister of Finance to impose administrative penalties for infringements of the Central Bank of Malta Act without recourse to a court hearing. The power to impose penalties has been transferred to the Central Bank of Malta by virtue of Act XIII of 2013.

Central Bank of Malta announcements

Issue of commemorative coin

On 28 October the Bank issued the third €2 commemorative coin in the series highlighting milestones in Malta's constitutional history. The coin, which is based on the theme "Self-Government – 1921", was minted by the Royal Dutch Mint. Its obverse side features a map of the Maltese islands and a representation of the Maltese population, while its reverse depicts the common €2 side.

Issue of numismatic coin

On 28 November the Bank issued a numismatic coin commemorating one of Malta's former Prime Ministers, Sir Paul Boffa. The coin, which has a face value of €10, was struck in silver at the Royal Dutch Mint. Its obverse shows the national emblem of Malta and the year of issue, while its reverse features a portrait bust of Sir Paul Boffa.

Financial Stability Report Update

On 27 December the Bank published an update to its *Financial Stability Report*, covering the first half of 2013. The update notes that the financial system in Malta remains sound, supported by a resilient domestic economy and positive economic growth, despite a challenging external environment. While the update does not identify any new threats to financial stability, it does caution that an increase in credit risk may have contributed to a deterioration in banks' asset quality. Nonetheless, domestic banks maintained healthy liquidity positions and their mid-year profit improved over that registered a year earlier.

MFSA issues amendments to Banking Rule BR/09

On 31 December the MFSA amended Banking Rule BR/09 now entitled "Measures Addressing Credit Risks arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions Authorised under the Banking Act 1994". The MFSA and the Central Bank of Malta began work on the revised BR/09 in 2011. In April 2012 one of the Country Specific Recommendations (CSR) which the European Commission made with respect to Malta required measures to strengthen provisioning to cover non-performing loans (NPL) and to improve banks' coverage ratios. The MFSA and the Bank agreed to tackle these issues through appropriate amendments to BR/09. Given the significance of the issues and the potential impact on the whole banking sector, this work was brought within the auspices of the newly established JFSB between the Bank and the MFSA in January 2013. Following a consultation process with various stakeholders, including the major banks, during the last quarter of 2013 the JFSB endorsed a final draft of the Rule and the MFSA proceeded with its publication. The Rule became applicable from 31 December 2013.

The main thrust of the amendments to BR/09 lies in the introduction of a new principle whereby banks are required to allocate an amount of capital to a reserve, which is equal to 2.5 percentage points of a bank's NPLs less impairments and interest in suspense, as defined in International Financial Reporting Standards (IFRS). For certain overdue NPLs the metric increases to 5 percentage points and can be raised further by the competent authority if necessary. Moreover, the Rule aligns the definition of NPLs and forbearance with the newly established European Banking Authority (EBA) draft Technical Standard on Supervisory Reporting on Forbearance and Non-Performing Exposures. Another aim of the Rule is for credit institutions to recognise incurred losses as early as possible within the context of the IFRS. It thus also requires institutions to set up appropriate governance structures, a robust credit risk management framework and reporting systems.

Fiscal and economic policy developments

Economic Partnership Programme and Report on Effective Action

On 1 October the Government submitted Malta's Economic Partnership Programme to the European Commission, in which it outlined its fiscal and economic reforms to address the Economic and Financial (ECOFIN) Council's CSRs. These include reforms to Malta's fiscal framework, to the energy sector, and to the justice system. The Government also submitted its *Report on Effective Action*, in which it outlined the measures taken to address Malta's excessive government deficit.

Budget Estimates for 2014

On 4 November the Minister for Finance presented the Budget estimates for 2014. The estimates show a general government deficit of 2.7% of gross domestic product (GDP) in 2013, compared with 3.3% in 2012. The fiscal balance is expected to gradually improve over the forecast horizon, with the deficit narrowing to 2.1% of GDP in 2014 and falling further to 0.7% in 2016. Meanwhile, general government debt is forecast to have peaked at 72.9% in 2013 before projected to decline to 72.6% in 2014.

European Commission Alert Mechanism Report

On 13 November the European Commission published its *Alert Mechanism Report*, as part of the Macroeconomic Imbalance Procedure. The *Report* noted improvements in several areas of the Maltese economy, including an ameliorated external position and the strong asset position of the private sector. Nonetheless, issues remain with regard to high private sector debt, the long-term sustainability of public finances and the recent increase in banks' NPLs. As a result, the Commission concluded that a further examination of Malta's macroeconomic imbalances should take place in 2014.

European Commission budgetary surveillance

On 15 November the European Commission presented its budgetary surveillance conclusions, which included an assessment of Malta's Draft Budgetary Plan, the *Report on Effective Action*, and the Economic Partnership Programme. According to the Commission, Malta appears to have taken effective action in response to the ECOFIN Council's recommendation on its excessive government deficit. However, the Draft Budgetary Plan for 2014 is at risk of non-compliance with the Excessive Deficit Procedure recommendation for 2014, while Malta's Economic Partnership Programme shows limited progress on structural reforms. On 22 November the Eurogroup took note of additional measures taken by the Maltese Government to address the Commission's concerns about its Draft Budgetary Plan for 2014.

Credit ratings

Fitch affirms BOV's credit rating

On 3 October Fitch Ratings affirmed Bank of Valletta's long-term credit rating at BBB+ with a stable outlook.

Moody's upgrades Malta's rating outlook

On 4 October Moody's Investor Service affirmed Malta's A3 government bond rating, while changing the outlook to stable from negative. This reflects the agency's expectation that debt metrics will stabilize in 2014, that Malta's lack of funding stress, limited contagion risk from the euro area, as well as the resilience of the Maltese banking system will continue.

Fitch reports on Malta's banking sector

In December Fitch Ratings published a report on Malta's banking sector and maintained its stable outlook for the sector. The report highlights Malta's strong economic performance relative to the euro area, the good profit performance of the banks and their adequate level of capitalisation.

Capital market developments

Issue of Malta Government Stocks

On 18 October the Government, through Legal Notice 338 of 2013, announced the issue of two Malta Government Stocks (MGS) for a total amount of €120.0 million, subject to an over-allotment option of €60.0 million. The Treasury received bids totalling €229.5 million and exercised the over-allotment option in full. It allotted €39.5 million to the 3.00% MGS 2019 (III) Fungibility Issue, and €140.5 million to the 4.65% MGS 2032 (I). The stocks were offered to the public at the price of €103.75 and €100.25, per €100 nominal, respectively.

On 26 November the Government, through Legal Notice 420 of 2013, announced the conversion of part of the 5.10% MGS 2014 (III) into longer-dated securities. Investors would be able to exchange holdings of the 5.10% MGS 2014 (III) into the 3.20% MGS 2019 (V), the 3.35% MGS 2020 (IV), or a combination of the two. The Treasury withdrew a nominal value of €150.0 million of the 5.10% MGS 2014 (III) as part of the exchange, thereby reducing the stock's outstanding nominal balance to €238.9 million. A total of €83.7 million was allotted to the 3.20% MGS 2019 (V), and €64.0 million was allotted to the 3.35% MGS 2020 (IV).

Corporate bonds

On 22 October International Hotel Investments plc published a prospectus announcing a new €10.0 million bond issue maturing in 2023 with a coupon rate of 5.80%. The issue was oversubscribed and the bonds were listed at par on the Malta Stock Exchange (MSE) on 15 November.

On 25 October Gasan Finance Company plc published a prospectus announcing a new €25.0 million bond issue maturing in 2021 with a coupon rate of 4.90%. The issue was oversubscribed and the bonds were listed at par on the MSE on 2 December.

Banking and finance legislation

Legal Notice 344 of 2013, issued on 25 October and entitled Investment Services Act (Marketing of UCITS) (Amendment) Regulations, 2013, amends the original regulations by exempting European Undertakings for Collective Investment in Transferable Securities (UCITS) marketing their units in Malta from the provisions on prospectus and investment advertisements.

Legal Notice 423 of 2013, issued on 29 November and entitled Declaration of Bank Holidays Order (No.2), 2013, declares 21 April and 26 December 2014 as bank holidays.

Legal Notice 424 of 2013, issued on 29 November and entitled Financial Markets Act (Off-Market Deals) (Amendment) Regulations, 2013, adds a new regulation enabling the competent authority to issue binding Financial Market Rules over and above the requirements specified in the original Act.

Legal Notices 425 and 426 of 2013, issued on 29 November and respectively entitled Investment Services Act (Control of Assets) (Amendment) Regulations, 2013, and Investment Services Act (Performance Fees) (Amendment) Regulations, 2013, amend the original regulations by including Alternative Investment Funds within their scope.

Legal Notice 452, issued on 27 December and entitled Reinsurance Special Purpose Vehicles Regulations, 2013, amends the Insurance Business Act by allowing the business of a reinsurance special purpose vehicle (SPV) in or from Malta, on condition that the SPV meets the required criteria as set out in the Regulations and is authorised by the MFSA. Legal Notice 451, issued on the same date and entitled Insurance Intermediaries Act (Amendment) Regulations, 2013, includes the reinsurance SPVs as part of an insurance manager's intermediary activities.

Double taxation agreements

Legal Notice 343 of 2013, issued on 25 October and entitled Double Taxation Relief (Taxes on Income) (The State of Israel) Order, 2013, declares relief from double taxation in relation to income tax, company tax (including taxes on capital gains), taxes imposed on gains from the alienation of property according to the Real Estate Taxation Law and profit tax imposed by the State of Israel. The Agreement will come into effect at a later date to be agreed upon by the two parties.

Legal Notice 448 of 2013, issued on 20 December and entitled Double Taxation Relief (Taxes on Income) (Republic of India) Order, 2013, declares relief from double taxation in relation to income tax, including any surcharge thereon imposed by the Republic of India. The Agreement will come into effect at a later date to be agreed upon by the two parties.

Exchange of tax information

Legal Notice 449 of 2013, issued on 20 December and entitled Exchange of Information (Tax Matters) (Macao Special Administrative Region of the People's Republic of China) Order, 2013, lays down the arrangements made by the Government of Malta with the Government of the Macao Region to prevent fiscal evasion through the exchange of information between them. The Agreement will enter into force as from a later date to be agreed upon by the parties.

SELECTED INTERNATIONAL ECONOMIC AND FINANCIAL NEWS

European Council (Economic and Financial Affairs)

On 15 October the ECOFIN Council adopted regulations creating a Single Supervisory Mechanism (SSM). The ECB, which will have direct oversight over key euro area banks, will be responsible for the entire functioning of the SSM, though it will cooperate closely with national supervisory authorities. The ECB's monetary tasks will be strictly separated from its new supervisory tasks. The establishment of the SSM is one of the main pre-conditions for the creation of a European banking union and is also a necessary requirement for the use of the European Stability Mechanism's (ESM) facilities to recapitalise banks directly. Meanwhile, the EBA's voting modalities were amended to ensure that the countries participating in the SSM do not hold a dominant position on the EBA's board of supervisors.

On 17 October the European Council adopted a directive updating transparency requirements introduced in 2004 for issuers of securities on regulated markets as part of the Transparency Directive. Issuance obligations will be simplified to make regulated markets more attractive for raising capital for small and medium-sized issuers.

On 15 November the ECOFIN Council confirmed that if the ECB identifies capital shortfalls in the banking system as a result of its comprehensive bank assessment, private sources of funding have to be utilised to strengthen capital positions. If private funding is insufficient for this purpose, national frameworks, including resolution mechanisms and public backstops, have to be activated. Recourse to euro area instruments, such as the ESM, is to be used only as a last resort.

On 17 December the European Council and the European Parliament reached a provisional agreement on the revision of the Deposit Guarantee Schemes (DGS) Directive. The Directive will require all credit institutions to join a DGS, which will be continually supervised and stress-tested on a regular basis. The target level of DGS funds has been set at 0.8% of covered deposits. Transparency is another element of the Directive, ensuring that depositors are given clear and understandable information about the DGS. Furthermore, the Directive aims at improved simplification and harmonisation across different schemes, in particular those relating to coverage and pay-out arrangements.

On 18 December the ECOFIN Council agreed on a draft regulation regarding the Single Resolution Mechanism (SRM), one of the main pillars required for the creation of a banking union. The Bank Recovery and Resolution Directive is aimed at providing national authorities with common powers and instruments to pre-empt bank crises and to resolve issues concerning failing financial institutions in an orderly manner, while minimising taxpayer losses. It was agreed that the single resolution fund would be financed by bank levies raised at national level. There will be strict bail-in rules, which would reduce moral hazard in the financial system and protect taxpayer interests in financial crises. The target level of the resolution fund has been set at 1.0% of covered deposits and should be reached by 2025. A common backstop will also be put in place for situations in which the single resolution fund is not sufficiently funded by the banking sector. A minimum level of losses would have to be imposed on the institution’s shareholders and creditors before access could be granted to the resolution fund. The SRM Directive, which would cover all banks in participating Member States, is expected to enter into force on 1 January 2015. Bail-in and resolution functions would apply from 1 January 2016.

European Council Summits

On 24–25 October the European Council summit focused on the digital economy, innovation and services, as well as on economic and social policy. The Council affirmed the importance of tackling youth unemployment, improving access to finance for small and medium-sized enterprises, and of enhancing market regulation.

On 19–20 December the European Council summit noted the recent progress towards a European banking union. In this regard it welcomed the final agreement on the DGS

Directive and the Bank Recovery and Resolution Directive, as well as the general approach and the specific conclusions reached by the Council on the SRM.

ECB starts comprehensive bank review

On 23 October the ECB announced the details of its comprehensive bank review, which was expected to commence in November 2013. The review is an integral part of the ECB's preparations ahead of its taking on full responsibility for banking supervision. It will be undertaken in collaboration with the national competent authorities, and will involve around 130 banks throughout the euro area, covering approximately 85.0% of total euro area bank assets. The review has three elements, namely, a supervisory risk assessment to review key risks; an asset quality review to enhance the transparency of bank exposures; and a stress test to examine the resilience of banks' balance sheets to stress scenarios. The ECB expects to conclude this assessment in October 2014, before assuming its new supervisory tasks in November 2014.

EBA transparency exercise

On 16 December the EBA published the results of its 2013 EU-wide transparency exercise, aimed at providing more information on capital positions and exposures of EU banks. The report indicates a continued positive trend in the capital position of European banks, led by an increase in Core Tier 1 capital. The report, however, observes an increase in bonds issued by stressed sovereigns held by domestic banks. In total, 64 European banks took part in the exercise, including one Maltese bank.

The Group of Twenty

On 10–11 October the Group of Twenty (G20) Finance Ministers and Central Bank Governors met in Washington ahead of the World Bank and the International Monetary Fund (IMF) Annual Meetings. Discussions focused on the global economy, with participants expressing concerns about the unacceptably high unemployment rates in a number of countries. Another important challenge noted by participants is the volatility of capital flows associated with the normalization of monetary policy. These and other downside risks to economic growth can only be mitigated through sound macroeconomic policies, structural reforms and strong prudential frameworks.

World Bank/IMF Annual Meetings

On 11–13 October the Annual Meetings of the World Bank Group and the IMF were held in Washington. The International Monetary and Financial Committee noted that global activity is recovering, albeit moderately, led by advanced economies. Growth in emerging economies, meanwhile, has slowed down. Ministers acknowledged that accommodative monetary policies had helped support global growth while maintaining stable prices. However, they were concerned about the eventual transition toward the normalization of monetary policy, recommending that it should be well timed and clearly communicated to the public to reduce financial market volatility. The importance of structural policies was noted, along with the need for improved fiscal sustainability.

World Trade Organization agrees on trade package

On 6 December the World Trade Organization agreed on a package of measures to liberalize global trade, following a conference in Bali, Indonesia. The measures are aimed at tackling trade barriers, in particular bureaucracy. Import taxes and agricultural subsidies are also to be lowered, while trade barriers for agriculture, such as export limits, are expected eventually to be replaced by customs duties.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

(as at end-September 2013, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates[1]:	EUR 1 = USD 1.3505	
		EUR 1 = GBP 0.8361	
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]		1.9%
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)		2.0%
	HICP inflation rate (12-month moving average)		1.6%
	Ratio of exports of goods and services to GDP[2]		101.3%
	Ratio of current account surplus to GDP[2]		8.7%
	Employment rate[3]		61.3%
	Unemployment rate[3]		6.7%
	Long term government bond yield		3.3%
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)		1,672
EDUCATION	Gross enrolment ratio (2011/2012)		70.8%
	Teachers per 1,000 students (2010/2011)[2]		147
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		135.3
	Internet subscribers per 100 population		34.1
	Private motor vehicle licences per 100 population		58.5

[1] End of month ECB reference rates.

[2] Provisional.

[3] Labour Force Survey.

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

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

PART 1: MONETARY, BANKING AND FINANCIAL MARKETS

PART 2: GOVERNMENT FINANCE

PART 3: EXCHANGE RATES, EXTERNAL TRANSACTIONS AND POSITIONS

PART 4: REAL ECONOMY INDICATORS

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

EUR millions

End of period	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
July	12.6	1,287.6	461.2	114.1	417.7	296.4	415.7	964.9	3,970.1
Aug.	13.3	1,477.6	490.7	113.8	430.3	277.1	510.8	746.6	4,060.2
Sep.	14.2	1,467.9	492.2	110.4	413.3	197.1	511.4	746.6	3,953.0

[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.

Monetary, Banking and Financial Markets

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
July	771.4	1,145.0	270.7	350.0	718.2	120.3	231.5	109.8	84.7	112.8	326.4
Aug.	772.3	1,060.6	213.4	488.0	763.2	117.0	238.5	109.8	65.7	117.8	327.3
Sep.	771.6	1,021.9	406.3	494.5	719.8	83.7	255.2	108.4	55.4	115.5	326.9

[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.

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
July	0.3	6.4	323.4	329.8	2,020.9	990.9	290.5	3302.3	394.9	4027.3
Aug.	0.3	6.4	326.7	333.1	2,101.0	1002.8	297.2	3401.1	382.0	4116.4
Sep.	0.3	6.6	326.2	332.8	2,089.5	996.7	294.0	3380.3	302.0	4015.4

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
July	824.7	382.9	19.5	402.5	0.0	80.4	955.8	1,036.1	484.4	1,279.6
Aug.	826.4	515.8	21.7	537.4	0.0	84.7	982.9	1,067.6	489.3	1,195.6
Sep.	825.9	508.9	22.0	530.9	0.0	77.1	954.8	1,031.8	489.6	1,137.2

[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[4]	Total assets/ liabilities
		Loans[3]	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
July	1,279.0	8,503.4	2,108.3	178.4	7,967.2	32,723.3	697.5	41,388.0	884.3	54,341.5
Aug.	1,204.6	8,528.7	2,195.6	178.9	8,249.8	33,337.8	804.3	42,392.0	967.8	55,467.5
Sep.	1,120.1	8,532.6	2,280.2	180.3	7,340.2	33,649.0	758.8	41,748.0	925.2	54,786.3

[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] Excludes resident interbank claims.
[4] 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
July	5,434.4	142.9	5,157.2	10,734.4	7,659.8	14,304.6	10,295.1	32,259.4	411.9	9,376.3	1,559.5
Aug.	5,565.7	148.0	5,176.8	10,890.5	7,562.0	15,998.6	9,843.4	33,404.0	411.9	9,147.7	1,613.4
Sep.	5,575.6	150.5	5,223.8	10,949.9	7,636.3	15,289.8	9,578.4	32,504.5	411.8	9,332.6	1,587.9

[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: Demand	Deposits withdrawable on demand: Savings	Total (M1)				
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	3,606.6	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
July	751.4	5,357.2	181.1	112.4	0.0	3,637.2	599.4	215.3	10,854.0
Aug.	755.5	5,474.8	193.6	111.7	0.0	3,662.8	604.1	227.0	11,029.4
Sep.	761.2	5,481.7	185.6	111.2	0.0	3,697.6	594.4	222.0	11,053.8

[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
July	10,854.0	2,486.8	8,633.2	1,472.1	2,367.4	14,959.5	34,673.7	23,759.0	10,914.6	15,020.0
Aug.	11,029.4	2,579.6	8,656.7	1,441.3	2,196.3	14,873.8	35,409.3	24,919.4	10,489.9	14,334.2
Sep.	11,053.8	2,665.5	8,660.4	1,438.1	2,163.2	14,927.3	35,672.5	23,545.3	12,127.2	16,000.8

[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
July	771.4	53.2	-	73.3	751.4	84.7
Aug.	772.3	54.2	-	71.0	755.5	65.7
Sep.	771.6	54.3	-	64.7	761.2	55.4

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

[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
Sep.	43.3	7.0	21.1	8.0	7.2	43.3

[1] The denominations of coins consist of Lm1, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.

[2] Since February 2010 a change in the basis of reporting was carried out to include the 4th series of the Lm10 notes.

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

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
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
Sep.	-15.5	-17.1	279.0	332.0	-128.7	77.2	300.1	827.1

[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
Sep.	0.1	0.7	1.7	2.7	4.5	6.9	11.0	26.5	54.3

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 corporations	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
July	220.8	525.2	201.8	270.6	2,095.2	7,946.0	11,259.6	9,241.9	22,202.0	42,703.4
Aug.	234.1	515.0	233.7	272.8	2,147.8	8,002.0	11,405.4	9,247.5	23,302.3	43,955.2
Sep.	233.0	430.7	264.7	282.3	2,134.1	8,035.7	11,380.5	9,697.4	22,004.1	43,082.0

[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
July		10,221.5	470.5	444.8	122.8		5,013.4	4,228.4	22,202.0	42,703.4
Aug.		10,306.0	485.1	479.3	135.1		5,240.5	4,007.0	23,302.3	43,955.2
Sep.		10,319.3	496.7	453.9	110.6		5,111.1	4,586.2	22,004.1	43,082.0

[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
July	749.2	3,648.6	2,086.2	13,553.4	20,037.4
Aug.	748.7	3,654.6	2,043.4	13,578.8	20,025.5
Sep.	753.3	3,672.1	2,021.4	13,342.3	19,789.1

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

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

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage, Information & communication	Manufacturing	Construction	Accommodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals[2]				Other[3]	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
July	268.0	479.9	303.3	958.2	523.0	727.5	432.1	3,193.3	381.6	298.4	3,873.4	938.7	772.5	7,731.4
Aug.	304.3	479.2	301.0	949.5	471.3	775.9	444.0	3,209.8	381.5	296.1	3,887.4	916.2	801.3	7,727.6
Sep.	294.0	489.7	304.6	908.7	460.8	794.5	452.9	3,224.0	383.5	297.8	3,905.3	922.7	794.5	7,738.8

[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 corporations	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
July	134.9	1,244.0	2.1	402.6	3,753.1	4,210.8	9,747.4	5,451.4	18,169.7	33,368.4
Aug.	137.7	1,175.4	2.1	400.0	3,766.2	4,222.6	9,704.1	5,915.2	18,435.7	34,055.0
Sep.	138.7	1,104.7	3.3	402.9	3,745.9	4,241.9	9,637.4	5,007.0	18,309.1	32,953.4

[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
July			931.3	2,712.6	69.7	39.5			259.6	3,945.0	2.8	3.4		1,733.3	50.3	9,747.4
Aug.			948.5	2,708.0	70.0	39.7			255.2	3,961.3	2.8	3.3		1,661.6	53.7	9,704.1
Sep.			953.9	2,683.6	67.3	41.2			257.8	3,977.9	2.7	3.5		1,608.2	41.4	9,637.4

[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
Sep.	44.0	11.8	473.6	5.5	157.7	347.5	9.5	1,049.5

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
Sep.	0.5	1,028.3	13.7	7.0	1,049.5

[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 counterparties.

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

[4] Includes share capital and reserves.

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

[6] Includes creditors, accruals and other liabilities.

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
Sep.	229.5	554.3	208.3	1,046.8	333.0	2,372.0

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

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6,8]	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
Sep.	7.7	323.8	1,923.0	50.1	67.4	2,372.0

[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 corporations[2]	Total	General government	Financial corporations[2]	Non-financial corporations[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
Q3	5,073.8	661.5	446.3	6,181.5	136.5	8.9	-0.1	145.2	-6.2

[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 corporations	Total	Financial corporations	Non-financial corporations	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
Q3	1,764.5	1,214.3	2,978.8	36.3	0.2	36.5	-17.5

[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 Apr.	May	June	July	Aug.	Sep.
NEW BUSINESS											
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**1.99**	**2.03**	**1.92**	**1.97**	**1.97**	**1.94**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.38	2.19	2.18	2.09	2.13	2.12	2.12
up to 1 year	3.06	1.95	2.03	1.99	1.91	1.92	1.88	1.88	1.88	1.85	1.84
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	3.22	3.13	3.18	3.06	3.08	3.04
over 2 years	4.77	3.44	3.86	3.65	3.80	3.77	3.85	3.62	3.41	3.53	3.29
Non-financial corporations											
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.72	1.62	1.74	1.63	1.70	1.60	1.61
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.22**	**4.22**	**4.25**	**4.30**	**4.16**	**4.51**	**4.04**
Households and NPISH	4.88	4.49	4.20	3.82	4.00	3.83	3.78	3.87	3.83	3.74	3.87
Lending for house purchase	3.84	3.51	3.43	3.38	3.40	3.11	3.15	3.20	3.17	3.16	3.18
Consumer credit	6.12	6.02	5.81	5.04	5.66	5.65	5.58	5.51	5.28	5.59	5.50
Other lending	6.44	5.56	5.86	5.60	5.61	5.86	5.47	5.78	5.61	5.80	5.63
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.78	3.82	3.73	3.68	3.71	3.74
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.44	3.50	3.47	3.39	3.40	3.38
Consumer credit	6.25	6.10	5.89	5.12	5.64	5.68	5.60	5.53	5.30	5.63	5.35
Non-financial corporations											
Loans	5.50	4.95	4.86	4.28	4.26	4.59	4.61	4.67	4.42	5.23	4.16
OUTSTANDING AMOUNTS											
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.43**	**1.43**	**1.43**	**1.42**	**1.41**	**1.41**
Households and NPISH	2.74	1.57	1.50	1.54	1.56	1.58	1.58	1.58	1.58	1.57	1.57
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.32	0.34	0.34	0.34	0.35	0.35	0.35
Savings deposits redeemable at notice[3,4]	2.05	1.68	1.59	1.51	1.54	1.64	1.70	1.75	1.81	1.83	1.85
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.58	1.57	1.56	1.56	1.55	1.54
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.47	2.50	2.50	2.51	2.50	2.50	2.50
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.08	2.08	2.08	2.07	2.06	2.05
over 2 years	3.19	3.06	3.16	3.21	3.42	3.48	3.48	3.50	3.50	3.53	3.53
Non-financial corporations	1.73	0.86	0.81	0.84	0.79	0.76	0.74	0.72	0.71	0.70	0.70
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.27	0.28	0.27	0.28	0.27	0.28
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.11	2.14	2.18	2.14	2.13	2.12	2.10
up to 2 years	3.39	1.89	1.97	2.00	1.99	2.02	2.05	2.01	2.00	1.99	1.97
over 2 years	3.26	3.35	3.24	3.13	3.06	3.12	3.13	3.14	3.11	3.12	3.15
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.32**	**4.32**	**4.32**	**4.33**	**4.30**	**4.30**	**4.30**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.92	3.91	3.91	3.90	3.89	3.89
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.38	3.38	3.37	3.36	3.36	3.36
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.59	5.58	5.58	5.59	5.59	5.59	5.57
Non-financial corporations[5]	5.43	4.96	4.67	4.85	4.73	4.77	4.77	4.80	4.76	4.77	4.79
Revolving loans and overdrafts											
Households and NPISH	7.16	6.44	5.75	6.12	5.84	5.87	5.86	5.84	5.86	5.87	5.86
Non-financial corporations	5.30	5.08	5.03	5.07	5.26	5.30	5.32	5.32	5.32	5.28	5.31

[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					
						Apr.	May	June	July	Aug.	Sep.
NEW BUSINESS											
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.13**	**2.02**	**2.06**	**2.02**	**1.85**	**2.34**	**2.04**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.38	2.21	2.22	2.09	2.14	2.13	2.15
up to 1 year	3.05	1.97	1.96	1.99	1.93	1.94	1.94	1.88	1.90	1.87	1.89
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	3.22	3.14	3.18	3.09	3.09	3.05
over 2 years	4.77	3.44	3.86	3.65	3.80	3.78	3.86	3.64	3.43	3.53	3.29
Non-financial corporations											
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.80	1.71	1.78	1.91	1.43	2.37	1.87
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**4.03**	**4.13**	**4.23**	**4.25**	**4.32**	**3.92**
Households and NPISH	4.88	4.48	4.20	3.81	4.00	3.83	3.77	3.86	3.83	3.74	3.84
Lending for house purchase	3.84	3.51	3.42	3.38	3.40	3.12	3.16	3.20	3.17	3.16	3.18
Consumer credit	6.12	6.01	5.81	5.04	5.66	5.65	5.58	5.51	5.28	5.49	5.25
Other lending	6.43	5.56	5.86	5.60	5.61	5.83	5.47	5.78	5.61	5.80	5.63
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.77	3.81	3.73	3.68	3.71	3.70
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.44	3.50	3.47	3.39	3.41	3.39
Consumer credit	6.25	6.09	5.89	5.12	5.64	5.69	5.60	5.53	5.30	5.53	5.11
Non-financial corporations											
Loans	4.93	4.42	4.52	4.20	4.18	4.20	4.35	4.51	4.45	4.77	3.96
OUTSTANDING AMOUNTS											
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.43**	**1.42**	**1.43**	**1.43**	**1.43**	**1.41**	**1.42**
Households and NPISH	2.74	1.58	1.49	1.54	1.56	1.58	1.59	1.59	1.58	1.58	1.57
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.34	0.34	0.34	0.35	0.35	0.34
Savings deposits redeemable at notice[3,4]	2.09	1.70	1.69	1.63	1.61	1.68	1.73	1.77	1.87	1.92	1.93
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.58	1.57	1.56	1.56	1.55	1.54
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.48	2.51	2.52	2.52	2.51	2.51	2.51
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.09	2.10	2.10	2.08	2.07	2.06
over 2 years	3.24	3.10	3.16	3.22	3.44	3.50	3.50	3.52	3.52	3.54	3.54
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.78	0.80	0.81	0.87	0.80	0.82
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.29	0.26	0.27	0.28	0.29	0.29	0.30
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	1.74	1.97	1.93	2.12	1.92	2.06
up to 2 years	3.57	1.93	1.71	1.93	1.96	1.64	1.87	1.83	2.05	1.83	1.98
over 2 years	3.28	3.13	3.33	2.99	2.95	2.80	2.81	2.81	2.80	2.81	2.83
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.19**	**4.21**	**4.21**	**4.20**	**4.22**	**4.25**	**4.24**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.92	3.91	3.91	3.90	3.90	3.89
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.38	3.38	3.38	3.37	3.37	3.36
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.59	5.58	5.58	5.59	5.59	5.59	5.56
Non-financial corporations[5]	5.20	4.40	4.54	4.66	4.39	4.47	4.46	4.46	4.51	4.56	4.57
Revolving loans and overdrafts											
Households and NPISH	7.16	6.45	5.76	6.12	5.84	5.87	5.86	5.84	5.86	5.87	5.86
Non-financial corporations	5.14	5.08	5.02	5.07	5.25	5.28	5.33	5.29	5.29	5.26	5.30

[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	Sep.
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	1.00
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	0.75	0.75	0.50	0.50
Deposit facility	2.00	0.25	0.25	0.25	0.00	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	0.08
Rates for fixed term deposits (EURIBOR)								
1 month	4.27	0.90	0.57	1.18	0.33	0.12	0.12	0.13
3 months	4.63	1.23	0.81	1.39	0.57	0.21	0.21	0.22
6 months	4.72	1.44	1.08	1.64	0.83	0.34	0.31	0.34
1 year	4.81	1.62	1.35	2.01	1.11	0.57	0.51	0.54
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	0.50
6 month	2.75	1.52	1.10	1.33	1.15	0.77	0.75	0.55
1 year	-	-	-	-	-	-	-	-
Treasury bills (secondary market)								
1 month	2.64	1.36	0.77	0.85	0.94	0.78	0.59	0.49
3 month	2.64	1.40	0.94	0.97	1.00	0.78	0.60	0.49
6 month	2.65	1.46	1.23	0.99	1.05	0.81	0.63	0.52
1 year	2.73	1.69	1.28	1.26	1.26	0.93	0.71	0.63
Government long-term debt securities (period averages)								
2 year	3.43	2.41	1.88	2.41	1.90	1.27	1.00	0.86
5 year	4.01	3.66	3.05	3.48	3.01	2.41	2.20	2.00
10 year	4.53	4.54	4.19	4.49	4.13	3.66	3.34	3.24
15 year	4.76	4.96	n/a	n/a	n/a	n/a	4.38	4.33
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,095	3,212	3,323	3,417	3,418

[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.

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

EUR millions

Issuing sectors broken down by financial instrument	2006	2007	2008	2009	2010	2011	2012
Total economy	**86,050**	**102,816**	**113,280**	**114,011**	**133,724**	**136,499**	**142,643**
Monetary gold and SDRs	42	50	17	110	115	118	120
Currency	1,134	630	671	721	747	798	814
Deposits	23,965	31,551	39,137	38,493	41,515	42,547	43,875
Debt securities	15,873	14,962	14,447	17,045	20,753	22,917	26,207
Loans	25,355	33,958	36,357	33,476	39,760	38,863	38,485
Shares and other equity	13,427	14,029	13,637	15,462	21,584	21,415	22,116
Insurance technical reserves	1,021	1,199	1,222	1,423	1,623	1,678	1,821
Other accounts receivable	5,232	6,437	7,792	7,281	7,628	8,164	9,206
Financial corporations[1]	**34,863**	**42,566**	**47,223**	**47,277**	**55,899**	**56,680**	**59,468**
Monetary gold and SDRs	42	50	17	110	115	118	120
Currency	82	86	83	87	82	92	94
Deposits	3,506	5,868	6,897	7,825	2,488	2,574	2,886
Debt securities	14,081	13,057	12,038	14,453	17,856	19,748	22,752
Loans	15,336	21,675	26,487	22,735	33,350	32,207	31,587
Shares and other equity	1,533	1,464	1,231	1,524	1,605	1,566	1,622
Insurance technical reserves	3	2	1	2	3	2	2
Other accounts receivable	279	364	469	541	401	374	405
General government	**1,510**	**1,662**	**1,610**	**1,780**	**1,943**	**2,161**	**2,461**
Currency	0	0	0	0	0	0	0
Deposits	432	488	476	577	589	655	424
Debt securities	0	0	0	0	0	0	0
Loans	26	27	33	30	63	148	268
Shares and other equity	843	836	740	798	856	844	1,097
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts receivable	209	311	361	375	435	514	671
Non-financial corporations[2]	**10,483**	**11,828**	**12,695**	**14,080**	**15,203**	**16,200**	**16,341**
Currency	20	25	34	57	40	36	36
Deposits	1,196	1,486	1,432	1,620	1,932	2,235	2,430
Debt securities	71	82	80	80	80	87	91
Loans	2,349	2,670	3,228	3,771	4,338	4,735	4,761
Shares and other equity	3,281	3,722	3,852	4,220	4,412	4,727	4,528
Insurance technical reserves	29	18	17	59	57	48	49
Other accounts receivable	3,536	3,826	4,051	4,273	4,344	4,333	4,446
Households and non-profit institutions	**13,178**	**13,523**	**13,815**	**14,805**	**15,608**	**15,911**	**16,673**
Currency	1,032	520	553	576	626	670	684
Deposits	6,140	7,000	7,246	7,163	7,406	7,698	8,068
Debt securities	1,445	1,516	1,650	1,970	2,179	2,392	2,573
Loans	431	456	440	572	683	581	581
Shares and other equity	2,986	2,674	2,546	3,016	2,958	2,726	2,803
Insurance technical reserves	989	1,179	1,204	1,362	1,562	1,628	1,770
Other accounts receivable	155	178	176	144	194	216	195
Rest of the world	**26,017**	**33,237**	**37,937**	**36,070**	**45,072**	**45,546**	**47,699**
Currency	-	-	-	-	-	-	-
Deposits	12,691	16,708	23,086	21,308	29,101	29,384	30,067
Debt securities	275	308	679	542	638	690	791
Loans	7,212	9,129	6,169	6,368	1,325	1,192	1,287
Shares and other equity	4,785	5,333	5,269	5,905	11,754	11,552	12,065
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts receivable	1,053	1,758	2,734	1,948	2,254	2,727	3,489

[1] Including the international banking institutions.

[2] Including the subsidiary holding corporations.

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

EUR millions

Issuing sectors broken down by financial instrument	2006	2007	2008	2009	2010	2011	2012
Total economy	**86,008**	**102,766**	**113,263**	**113,901**	**133,609**	**136,381**	**142,523**
Currency	1,134	630	671	721	747	798	814
Deposits	23,965	31,551	39,137	38,493	41,515	42,547	43,875
Debt securities	15,873	14,962	14,447	17,045	20,753	22,916	26,207
Loans	25,355	33,958	36,357	33,476	39,760	38,863	38,485
Shares and other equity	13,427	14,029	13,637	15,462	21,584	21,415	22,115
Insurance technical reserves	1,021	1,198	1,222	1,423	1,623	1,678	1,821
Other accounts payable	5,232	6,437	7,792	7,281	7,628	8,164	9,207
Net Financial Assets/Liabilities	*42*	*50*	*17*	*110*	*115*	*118*	*120*
Financial corporations[1]	**35,777**	**43,408**	**47,699**	**47,604**	**56,356**	**57,061**	**59,421**
Currency	1,113	610	629	673	701	738	758
Deposits	20,865	26,683	33,428	32,557	40,573	41,499	42,845
Debt securities	143	221	506	478	612	752	865
Loans	6,289	7,969	5,040	5,176	52	57	70
Shares and other equity	5,997	5,777	5,436	6,667	12,221	11,797	12,462
Insurance technical reserves	1,021	1,198	1,222	1,423	1,623	1,678	1,821
Other accounts payable	349	950	1,437	629	574	541	600
Net Financial Assets/Liabilities	*-915*	*-842*	*-476*	*-327*	*-458*	*-381*	*47*
General government	**3,923**	**4,015**	**4,513**	**4,800**	**5,134**	**5,566**	**5,961**
Currency	-	8	31	37	41	46	50
Deposits	-	-	-	-	-	-	-
Debt securities	3,297	3,309	3,663	3,994	4,307	4,625	4,890
Loans	266	273	284	237	237	260	346
Shares and other equity	-	-	-	-	-	-	-
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	360	425	535	532	549	634	674
Net Financial Assets/Liabilities	*-2,413*	*-2,352*	*-2,903*	*-3,021*	*-3,192*	*-3,404*	*-3,499*
Non-financial corporations[2]	**15,533**	**17,357**	**18,757**	**20,219**	**21,800**	**22,755**	**22,623**
Currency	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Debt securities	507	550	522	690	776	757	750
Loans	6,404	7,056	7,963	8,929	9,747	10,152	9,863
Shares and other equity	5,839	6,626	6,820	7,094	7,510	7,870	7,824
Insurance technical reserves	-	1	-	-	-	-	-
Other accounts payable	2,783	3,124	3,453	3,507	3,766	3,976	4,185
Net Financial Assets/Liabilities	*-5,051*	*-5,529*	*-6,063*	*-6,140*	*-6,597*	*-6,555*	*-6,282*
Households and non-profit institutions	**3,415**	**3,749**	**4,147**	**4,561**	**4,820**	**5,047**	**5,164**
Currency	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Loans	2,636	2,977	3,308	3,649	3,884	4,092	4,262
Shares and other equity	-	-	-	-	-	-	-
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	779	771	839	912	936	955	902
Net Financial Assets/Liabilities	*9,762*	*9,774*	*9,668*	*10,243*	*10,788*	*10,864*	*11,510*
Rest of the world	**27,359**	**34,238**	**38,146**	**36,716**	**45,498**	**45,952**	**49,355**
Currency	21	12	10	10	5	14	6
Deposits	3,100	4,868	5,709	5,935	942	1,047	1,029
Debt securities	11,926	10,883	9,756	11,883	15,056	16,782	19,702
Loans	9,760	15,683	19,762	15,484	25,840	24,303	23,944
Shares and other equity	1,592	1,626	1,381	1,702	1,853	1,748	1,829
Insurance technical reserves	-	-	-	-	-	-	-
Other accounts payable	960	1,167	1,527	1,702	1,802	2,058	2,845
Net Financial Assets/Liabilities	*-1,342*	*-1,001*	*-209*	*-647*	*-426*	*-406*	*-1,656*

[1] Including the international banking institutions.

[2] Including the subsidiary holding corporations.

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	2,317.1	112.9	2,430.0	2,436.3	219.5	2,655.8	-225.8	-39.7
2011	2,465.3	115.2	2,580.5	2,552.8	211.4	2,764.2	-183.7	16.9
2012	2,590.5	147.0	2,737.5	2,715.0	248.1	2,963.1	-225.6	-12.6
2012								
Q1	626.6	22.3	648.9	659.3	69.3	728.6	-79.7	-25.0
Q2	635.0	32.7	667.7	677.3	32.6	709.9	-42.2	10.6
Q3	612.2	36.5	648.8	644.6	61.1	705.7	-57.0	-3.1
Q4	716.7	55.5	772.2	733.8	85.0	818.8	-46.6	4.8
2013								
Q1	646.9	18.4	665.3	688.7	87.4	776.1	-110.8	-54.7
Q2	683.7	27.0	710.8	701.3	46.0	747.3	-36.5	16.5
Q3	641.2	40.9	682.1	702.7	73.6	776.2	-94.1	-36.9

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	103.7	84.4	20.6	2,317.1	14.7	98.2	112.9	2,430.0	2,123.1
2011	849.4	907.3	486.7	121.5	79.4	20.9	2,465.3	14.8	100.4	115.2	2,580.5	2,258.3
2012	934.9	916.9	504.3	112.4	89.9	32.0	2,590.5	16.1	130.9	147.0	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	29.1	24.1	8.5	635.0	3.8	28.9	32.7	667.7	577.2
Q3	215.9	238.7	118.9	22.7	9.5	6.5	612.2	4.4	32.2	36.5	648.8	577.8
Q4	260.1	247.0	146.0	33.5	18.8	11.3	716.7	4.2	51.3	55.5	772.2	657.3
2013												
Q1	246.6	203.2	122.3	31.5	34.9	8.5	646.9	2.7	15.7	18.4	665.3	574.7
Q2	278.2	228.5	125.8	26.6	17.3	7.4	683.7	3.1	23.9	27.0	710.8	635.6
Q3	203.5	260.2	121.1	30.4	17.1	8.9	641.2	2.3	38.6	40.9	682.1	587.2

[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	134.2	81.0	219.5	2,655.8
2011	871.2	882.7	200.6	415.0	65.1	118.1	2,552.8	164.5	50.4	211.4	2,764.2
2012	914.5	929.6	212.9	459.6	76.9	121.5	2,715.0	210.2	67.0	248.1	2,963.1
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	73.7	12.5	85.0	818.8
2013											
Q1	237.6	231.5	56.2	111.1	17.0	35.3	688.7	40.0	47.8	87.4	776.1
Q2	241.1	256.4	53.0	98.9	20.0	31.9	701.3	40.5	5.9	46.0	747.3
Q3	249.4	242.1	57.2	105.7	20.5	27.7	702.7	56.3	14.6	73.6	776.2

[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	818.8	2,577.5
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	2,655.8
2011	434.7	56.2	94.8	314.6	87.4	20.1	368.1	57.1	383.1	948.0	2,764.2

[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												
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	747.1	2,676.3	50.8	5,242.7	350.8	670.2	6,314.5	-3,638.2
June	616.3	0.0	300.5	1,117.8	781.2	2,815.8	52.3	5,370.1	365.5	727.6	6,515.5	-3,699.8
Sep.	661.5	0.0	304.2	1,138.4	763.4	2,867.5	54.3	5,486.0	368.6	712.1	6,620.9	-3,753.4

[1] Based on ESA95 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

Government Finance

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	-183.7	70.3	84.8	0.0	16.1	5.1	-10.4	165.9
2012	264.0	-225.6	-232.7	120.2	0.0	44.3	-0.7	107.3	38.5
2012									
Q1	230.3	-79.7	10.3	44.1	0.0	2.1	-6.0	100.1	150.6
Q2	170.5	-42.2	62.2	44.2	0.0	11.3	1.5	9.0	128.2
Q3	-108.5	-57.0	-109.5	2.9	0.0	0.1	3.4	-62.4	-165.5
Q4	-28.3	-46.6	-195.7	28.9	0.0	30.9	0.3	60.6	-74.9
2013									
Q1	299.9	-110.8	119.1	11.7	0.0	-0.4	-4.8	63.6	189.1
Q2	124.4	-36.5	73.1	20.7	0.0	11.9	3.8	-21.7	87.9
Q3	113.3	-94.1	45.2	3.7	0.0	0.0	-2.6	-27.1	19.2

[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									
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	77.8	270.9	348.6	5,171.2	1,190.5
June	52.3	335.9	4,543.1	4,879.0	80.1	284.1	364.2	5,295.6	1,185.4
Sep.	54.3	422.7	4,564.7	4,987.3	80.0	287.3	367.3	5,408.9	1,197.7

[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
July	129.8	74.1	0.0	74.1	236.5	43.7	280.2
Aug.	64.8	176.4	0.4	176.8	340.0	52.2	392.2
Sep.	66.5	96.9	0.0	96.9	366.0	56.7	422.7

[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-September 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	N/A	5.5	0.0	5.0	0.5	5.5
05/Apr/2013	04/Oct/2013	0.857	N/A	25.6	0.0	23.0	2.6	25.6
05/Jul/2013	04/Oct/2013	0.529	N/A	7.3	0.0	5.0	2.3	7.3
12/Apr/2013	11/Oct/2013	0.857	0.488	4.0	0.0	4.0	0.0	4.0
12/Jul/2013	11/Oct/2013	0.516	0.488	5.0	0.0	3.0	2.0	5.0
19/Apr/2013	18/Oct/2013	0.860	0.488	8.0	0.0	8.0	0.0	8.0
19/Jul/2013	18/Oct/2013	0.477	0.488	20.0	0.0	20.0	0.0	20.0
26/Apr/2013	25/Oct/2013	0.854	0.490	20.0	0.0	14.0	6.0	20.0
26/Jul/2013	25/Oct/2013	0.467	0.490	3.0	0.0	3.0	0.0	3.0
02/Aug/2013	01/Nov/2013	0.468	0.490	31.4	0.0	21.0	10.4	31.4
10/May/2013	08/Nov/2013	0.810	0.491	20.8	0.0	19.0	1.8	20.8
17/May/2013	15/Nov/2013	0.804	0.491	5.0	0.0	5.0	0.0	5.0
16/Aug/2013	15/Nov/2013	0.461	0.491	34.0	0.4	34.0	0.4	34.4
22/Feb/2013	22/Nov/2013	0.855	0.492	6.0	0.0	6.0	0.0	6.0
23/Aug/2013	22/Nov/2013	0.473	0.492	5.0	0.0	5.0	0.0	5.0
30/Aug/2013	29/Nov/2013	0.476	0.492	16.0	0.0	16.0	0.0	16.0
06/Sep/2013	06/Dec/2013	0.481	0.492	25.1	0.0	21.5	3.6	25.1
14/Jun/2013	12/Dec/2013	0.746	0.493	5.0	0.0	5.0	0.0	5.0
13/Sep/2013	12/Dec/2013	0.491	0.493	28.1	0.0	24.5	3.6	28.1
20/Sep/2013	20/Dec/2013	0.490	0.493	25.2	0.0	23.5	1.7	25.2
27/Sep/2013	27/Dec/2013	0.499	0.494	15.0	0.0	10.0	5.0	15.0
05/Jul/2013	03/Jan/2014	0.685	0.495	20.0	0.0	20.0	0.0	20.0
12/Jul/2013	10/Jan/2014	0.669	0.497	16.8	0.0	7.0	9.8	16.8
26/Jul/2013	24/Jan/2014	0.605	0.501	2.0	0.0	0.0	2.0	2.0
30/Aug/2013	28/Feb/2014	0.551	0.511	5.0	0.0	5.0	0.0	5.0
27/Sep/2013	28/Mar/2014	0.550	0.519	0.5	0.0	0.5	0.0	0.5
02/Aug/2013	02/May/2014	0.645	0.531	35.0	0.0	30.0	5.0	35.0
09/Aug/2013	09/May/2014	0.663	0.533	25.0	0.0	25.0	0.0	25.0
06/Sep/2013	06/Jun/2014	0.599	0.542	3.0	0.0	3.0	0.0	3.0
Total				422.3	0.4	366.0	56.7	422.7

[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-September 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	N/A	18/04 - 18/10	44.8	34.9	79.8
7.00	2013 (III)	2003	100	N/A	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV)[4]	2009	100	N/A	18/04 - 18/10	48.2	92.3	140.5
6.60	2014 (I)[4]	2000	100	0.62	30/03 - 30/09	9.6	14.8	24.5
6.45	2014 (II)[4]	2001	100	0.67	24/05 - 24/11	41.9	28.0	69.9
5.10	2014 (III)[4]	03/04/06/07/08	100/103.25/103.64/105.5	0.65	06/01 - 06/07	190.2	198.7	388.9
7.00	2014 (IV)[3]	2004	100	0.70	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	0.81	10/06 - 10/12	35.8	34.1	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	0.90	09/04 - 09/10	38.4	78.1	116.5
7.00	2015 (III)[3]	2005	100	0.96	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	0.96	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI)[4]	2010	100	0.94	03/06 - 03/12	86.3	45.2	131.5
6.65	2016 (I)[4]	2001	100	1.03	28/03 - 28/09	16.0	53.9	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	1.24	26/05 - 26/11	80.8	105.5	186.4
7.00	2016 (III)[3]	2006	100	1.27	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[3]	2011	100.93	1.15	16/02 - 16/08	133.1	25.1	158.1
3.75	2017 (IV)[4]	2012	102	1.53	20/02 - 20/08	36.9	35.1	72.0
7.00	2017 (I)[3]	2007	100	1.71	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	1.71	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	1.63	06/05 - 06/11	164.5	99.3	263.9
3.85	2018 (V)[4]	2012	105.26	1.86	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	1.99	15/01 - 15/07	74.4	88.7	163.1
7.00	2018 (II)[3]	2008	100	2.15	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	2.15	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	2.33	01/03 - 01/09	46.9	55.6	102.5
3.00	2019 (III)	2013	100	2.35	22/03 - 22/09	50.5	32.5	83.0
7.00	2019 (II)[3]	2009	100	2.44	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	2.6	10/06 - 10/12	11.6	40.8	52.4
4.60	2020 (II)[4]	2009	100	2.56	25/04 - 25/10	67.0	91.3	158.3
7.00	2020 (III)[3]	2010	100	2.77	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	2.96	08/02 - 08/08	153.8	305.1	458.8
7.00	2021 (II)[4]	2011	100	3.10	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[4]	2011	100	3.10	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	3.25	16/02 - 16/08	10.8	60.2	71.0
4.30	2022 (II)[4]	2012	100.31	3.24	15/05 - 15/11	123.0	117.1	240.2
7.00	2022 (III)[3]	2012	100	3.26	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	3.27	06/01 - 06/07	19.3	59.5	78.8
4.80	2028 (I)	2012	101.04	4.31	11/03 - 11/09	19.8	87.2	107.0
4.50	2028 (II)	2013	100	4.34	25/04 - 25/10	25.3	129.8	155.1
4.50	2028 (II) FI R MAY	2013	101.5	4.34	25/04 - 25/10	10.2	120.9	131.1
4.50	2028 (II) FI I MAY	2013	102.53	4.34	25/04 - 25/10	0.0	0.5	0.5
5.10	2029 (I)[4]	2012	101.12/101	4.38	01/04 - 01/10	15.5	63.6	79.1
5.25	2030 (I)[4]	2010	100	4.42	23/06 - 23/12	108.8	331.3	440.2
5.20	2031 (I)[4] I	2011	102.88	4.48	16/03 - 16/09	23.4	177.9	201.3
F.R. 6-mth Euribor[7]	2014 (V)[4]	2011	100.28	0.743[8], 25.90[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], (19.14)[9]	25/04 - 25/10	13.5	16.3	29.8
F.R. 6-mth Euribor[7]	2017 (V)[4]	2012	100.2	1.242[8], 55.84[9]	05/03 - 05/09	25.0	0.0	25.0
F.R. 6-mth Euribor[7]	2018 (IV)[4]	2012	99.33	1.442[8], 82.07[9]	05/03 - 05/09	30.5	0.9	31.4
F.R. 6-mth Euribor[7]	2018 (VI)[4]	2013	100.09	1.237[8], 82.57[9]	25/03 - 25/09	26.3	12.7	39.0
F.R. 6-mth Euribor[7]	2019 (IV)[4]	2013	100.31	1.337[8], 93.56[9]	25/03 - 25/09	34.8	6.0	40.8
Total						1,957.3	2,693.8	4,651.1

[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
Sep.	244.9	1,980.5	1,311.4	107.0	1,007.3	4,651.1

[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]							
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
Sep.	0.0	215.9	0.0	0.4	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.

Exchange Rates, External Transactions and Positions

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
July	1.3275	0.8735	130.00	1.2317	1.4725	1.3669
Aug.	1.3235	0.8540	130.01	1.2310	1.4820	1.3936
Sep.	1.3505	0.8361	131.78	1.2225	1.4486	1.3912

[1] Denote units of currency per one euro.

Source: ECB.

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

Period	USD	GBP	JPY	CHF	AUD	CAD
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
July	1.3080	0.8619	130.39	1.2366	1.4279	1.3619
Aug.	1.3310	0.8590	130.34	1.2338	1.4742	1.3853
Sep.	1.3348	0.8417	132.41	1.2338	1.4379	1.3817

[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[1]	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[1]	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[1]	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[1]	2,526.0	3,759.7	2,936.5	1,819.6	2,212.7	2,373.7	903.6	910.3	-284.4	32.4	11.6
2009[1]	2,030.2	3,127.9	2,821.0	1,826.0	1,653.1	2,087.8	1,428.3	1,387.9	-496.9	80.8	9.1
2010[1]	2,607.0	3,830.0	3,246.5	2,083.6	1,633.9	2,060.5	1,295.2	1,255.4	-446.9	150.0	25.6
2011[1]	2,944.5	4,025.4	3,602.0	2,280.9	1,657.3	1,967.0	892.8	863.1	-39.8	98.4	21.7
2012[1]	3,304.4	4,244.2	3,802.9	2,374.6	1,844.8	2,252.6	949.3	885.0	145.0	140.8	6.8
2012[1]											
Q1	812.0	971.9	797.2	545.9	466.5	604.9	211.3	224.0	-59.8	17.8	1.6
Q2	889.6	1,197.8	970.1	595.4	491.0	575.8	256.8	221.3	17.2	29.7	1.8
Q3	785.5	1,068.7	1,145.4	634.1	467.1	549.1	236.1	219.6	162.6	32.5	1.8
Q4	817.2	1,005.8	890.3	599.2	420.2	522.8	245.2	220.1	25.0	60.9	1.6
2013[1]											
Q1	752.7	962.6	796.0	566.7	431.9	570.4	259.1	235.4	-95.4	18.1	1.8
Q2	695.5	882.7	964.2	597.7	412.8	531.5	228.3	206.0	82.9	29.2	1.6
Q3	755.1	1,019.0	1,148.7	646.5	423.9	509.1	217.0	206.9	163.1	39.7	1.6

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	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011	9.6	107.7	54.4	47.5	179.1	-2.2	395.9
2012[3]							
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	-2.9	453.7
June	11.7	102.9	56.6	9.5	268.0	0.5	449.3
July	12.7	102.0	58.4	7.2	246.9	0.3	427.6
Aug.	13.4	102.4	57.9	17.5	246.9	4.0	442.0
Sep.	12.6	101.7	57.5	13.4	242.8	5.8	433.7

[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[1]	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	Sep.
General Government	393.8	376.7	420.5	592.9	634.7	676.1	645.1
Short-term	193.4	185.1	222.4	276.9	276.3	299.8	265.8
Money market instruments	31.4	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	162.0	185.1	222.4	276.9	276.3	299.8	265.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	200.4	191.6	198.1	316.0	358.4	376.3	379.2
Bonds and notes	98.1	103.9	106.6	116.9	154.0	158.7	158.3
Loans	102.3	87.7	90.1	197.9	203.3	216.6	220.0
Trade credits	0.0	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	0.9
Monetary Authorities	826.3	1,228.9	426.0	206.0	766.0	929.7	899.7
Short-term	826.3	1,228.9	426.0	206.0	766.0	929.7	899.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits (incl. repos)	826.3	1,228.9	426.0	206.0	766.0	929.7	899.7
Other debt liabilities	0.0	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	0.0
OMFIs[3]	25,835.3	28,068.4	29,077.6	30,059.4	31,185.2	31,191.9	32,079.3
Short-term	20,616.8	21,558.3	22,525.7	24,315.0	24,990.8	25,582.5	26,337.4
Money market instruments	3.4	0.0	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	7,178.2
Currency and deposits	13,181.4	16,623.0	15,544.7	17,499.2	17,458.6	16,970.3	18,911.9
Other debt liabilities	132.1	181.6	115.2	128.2	109.1	138.0	247.3
Long-term	5,218.5	6,510.1	6,551.9	5,744.4	6,193.7	5,609.4	5,741.9
Bonds and notes	13.9	14.9	4.0	4.5	4.3	4.3	5.1
Loans	5,111.1	6,495.2	6,548.0	5,739.8	6,189.4	5,605.1	5,736.8
Currency and deposits	0.0	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	0.0
Other Sectors[4]	1,426.3	1,688.1	1,826.9	2,088.1	2,207.3	2,276.8	2,319.3
Short-term	727.4	882.6	1,003.4	1,275.8	1,367.2	1,432.2	1,466.4
Money market instruments	0.0	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	32.5
Currency and deposits	112.0	112.9	123.2	133.8	136.4	139.1	141.7
Trade credits	584.7	755.7	861.9	1,115.2	1,199.6	1,262.4	1,292.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	698.9	805.5	823.5	812.3	840.0	844.6	852.9
Bonds and notes	210.6	212.4	218.6	217.1	220.4	216.8	218.9
Loans	453.2	579.4	594.9	579.5	602.5	608.7	612.9
Currency and deposits	0.0	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	21.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,474.5	1,643.0	1,896.7	2,242.3	2,347.9	2,440.2	2,528.5
Debt liabilities to affiliated enterprises	92.2	111.4	131.4	143.2	147.9	153.8	157.5
Debt liabilities to direct investors	1,382.2	1,531.6	1,765.3	2,099.1	2,200.0	2,286.4	2,371.0
Gross External Debt	**29,956.2**	**33,005.1**	**33,647.8**	**35,188.6**	**37,141.1**	**37,514.7**	**38,471.7**
of which: OMFIs	**25,835.3**	**28,068.4**	**29,077.6**	**30,059.4**	**31,185.2**	**31,191.9**	**32,079.3**
Gross External Debt excluding OMFIs' debt liabilities	**4,120.9**	**4,936.7**	**4,570.2**	**5,129.2**	**5,955.9**	**6,322.8**	**6,392.4**

[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	Sep.
General Government	369.0	288.3	296.4	272.1	346.2	355.0	307.8
Short-term	168.6	129.9	177.2	153.8	190.5	202.4	155.4
Money market instruments	31.4	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	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	-0.1
Trade credits	137.2	130.2	177.4	154.0	190.7	202.5	155.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	200.4	158.4	119.2	118.4	155.7	152.5	152.4
Bonds and notes	98.1	103.9	106.6	116.9	154.0	158.7	158.3
Loans	102.3	67.9	23.9	11.3	11.3	3.2	3.2
Currency and deposits	0.0	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	-10.1
Other Debt Liabilities	0.0	0.0	1.4	1.1	1.1	1.0	0.9
Monetary Authorities	-678.4	-754.8	-1,942.8	-2,394.5	-2,258.7	-1,959.7	-2,033.0
Short-term	557.2	968.6	119.4	-19.3	12.9	446.1	330.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits (incl. repos)	557.2	968.6	119.4	-19.3	12.9	446.1	330.8
Other debt liabilities	0.0	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	-2,363.9
Bonds and notes	-1,222.3	-1,709.2	-2,045.8	-2,359.5	-2,256.2	-2,390.4	-2,348.1
Loans	0.0	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	0.0
Other debt liabilities	-13.2	-14.2	-16.3	-15.8	-15.3	-15.5	-15.8
OMFIs	-4,047.9	-9,690.0	-8,388.6	-9,451.3	-9,220.3	-8,812.2	-8,758.6
Short-term	14,057.2	12,029.9	13,046.0	14,210.7	13,795.7	13,549.6	13,568.1
Money market instruments	-198.8	-173.3	-2.0	-0.1	-0.1	-0.1	-2.1
Loans	6,049.5	3,669.3	8,391.3	7,692.4	6,985.7	7,983.8	6,565.1
Currency and deposits	8,167.8	8,457.6	4,590.3	6,482.1	6,769.1	5,486.8	6,836.3
Other debt liabilities	38.7	76.3	66.4	36.3	40.9	79.1	168.8
Long-term	-18,105.1	-21,719.9	-21,434.6	-23,661.9	-23,016.0	-22,361.9	-22,326.7
Bonds and notes	-9,535.1	-12,141.3	-13,568.9	-16,079.8	-16,385.7	-16,625.7	-17,333.2
Loans	-8,598.3	-9,578.6	-7,865.7	-7,582.1	-6,630.3	-5,736.1	-4,993.5
Currency and deposits	0.0	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	0.0
Other Sectors[3]	-707.9	-438.7	-526.4	-645.0	-614.4	-580.0	-572.0
Short-term	-555.3	-359.8	-403.2	-398.9	-388.5	-363.1	-369.9
Money market instruments	-0.8	-0.9	0.0	0.0	-0.8	-0.9	-0.1
Loans	-15.2	-20.7	-28.0	-25.6	-10.1	-8.0	6.7
Currency and deposits	-550.7	-568.4	-625.2	-666.7	-707.6	-701.3	-715.7
Trade credits	11.4	230.1	250.0	293.4	330.1	347.0	339.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	-152.6	-78.8	-123.2	-246.0	-225.9	-216.9	-202.1
Bonds and notes	-560.1	-585.8	-641.4	-731.1	-732.6	-719.7	-711.6
Loans	379.1	501.7	517.4	502.3	522.8	529.0	533.7
Currency and deposits	0.0	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	20.2
Other debt liabilities	-6.6	-6.6	-8.3	-32.2	-32.3	-44.4	-44.4
Direct Investment: Intercompany Lending	158.2	179.8	323.6	195.8	221.4	316.1	283.3
Debt Liabilities to affiliated enterprises	-367.4	-365.7	-222.7	-240.5	-238.4	-220.4	-232.9
Debt Liabilities to direct investors	525.6	545.4	546.3	436.3	459.9	536.5	516.1
Net External Debt	**-4,907.0**	**-10,415.5**	**-10,237.8**	**-12,022.8**	**-11,525.7**	**-10,680.9**	**-10,772.5**
of which: OMFIs	**-4,047.9**	**-9,690.0**	**-8,388.6**	**-9,451.3**	**-9,220.3**	**-8,812.2**	**-8,812.2**
Net External Debt Excluding OMFIs	**-859.1**	**-725.5**	**-1,849.2**	**-2,571.5**	**-2,305.4**	**-1,868.7**	**-1,868.7**

[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[2]	1,959.1	3,117.2	(1,158.1)
2006[2]	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]	4,438.6	6,180.5	(1,741.9)
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	(130.3)
May	391.2	596.8	(205.6)
June	349.7	625.6	(275.9)
July	437.4	783.4	(346.0)
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	(174.0)
Dec.	367.2	401.2	(34.0)
2013[2]			
Jan.	300.6	412.1	(111.5)
Feb.	321.7	415.9	(94.2)
Mar.	377.8	452.9	(75.0)
Apr.	365.0	650.8	(285.8)
May	343.1	509.8	(166.7)
June	263.4	442.9	(179.5)
July	291.1	566.5	(275.5)
Aug.	274.1	434.9	(160.7)
Sep.	381.5	453.1	(71.6)

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

[2] Provisional.

Source: NSO.

Table 3.7 Direction of trade - exports[1]

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	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	1,020.4	198.0	1,924.4	4,438.6
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	391.2
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	131.9	15.9	126.5	367.2
2013[2]												
Jan.	22.0	24.8	9.2	22.4	78.5	8.6	5.8	93.0	76.1	14.9	116.5	300.6
Feb	20.0	26.3	9.3	14.7	70.3	10.9	14.9	96.1	124.4	13.6	87.6	321.7
Mar.	21.7	29.3	13.0	25.4	89.4	9.6	12.3	111.3	91.5	14.1	160.9	377.8
Apr.	16.9	32.1	8.9	21.8	79.8	7.7	13.2	100.7	67.4	30.0	166.9	365.0
May	21.2	33.5	9.4	32.0	96.1	8.5	16.8	121.4	117.7	12.2	91.7	343.1
June	19.6	28.6	16.1	9.2	73.6	7.4	13.3	94.3	71.7	13.9	83.4	263.4
July	22.1	31.0	8.5	25.3	86.8	9.4	15.8	112.1	56.5	10.8	111.7	291.1
Aug.	10.0	22.9	5.5	6.4	44.8	9.8	25.4	80.0	86.9	13.0	94.2	274.1
Sep.	15.0	45.3	6.7	7.5	74.5	6.9	14.6	96.0	91.4	14.1	180.0	381.5

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

[2] Provisional.

Source: NSO.

Table 3.8 Direction of trade - imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2005[2]	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[2]	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[2]	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	1,982.2	658.0	3,328.9	372.3	241.9	3,943.1	769.9	134.1	1,333.3	6,180.5
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	390.5	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	201.1	625.6
July	37.5	29.4	220.5	60.0	347.4	27.1	34.2	408.7	59.9	26.2	288.6	783.4
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	37.2	84.7	27.5	173.5	21.9	12.4	207.9	60.7	6.3	137.2	412.1
Feb	20.1	25.2	79.1	31.0	155.5	23.3	13.3	192.1	68.1	11.6	144.2	415.9
Mar.	23.4	25.8	131.7	57.3	238.1	26.2	21.6	285.9	59.7	4.3	103.0	452.9
Apr.	21.4	31.8	121.5	131.1	305.8	31.5	34.2	371.5	158.7	10.5	110.0	650.8
May	18.2	27.4	188.2	50.4	284.2	35.0	14.1	333.4	43.9	16.2	116.4	509.8
June	25.1	23.1	129.7	43.1	221.0	19.0	7.9	247.9	66.2	14.0	114.8	442.9
July	37.9	25.9	147.6	48.5	259.9	27.6	32.3	319.8	67.1	5.0	174.7	566.5
Aug.	20.7	20.2	130.7	36.5	208.1	20.2	47.9	276.3	58.2	12.6	87.8	434.9
Sep.	20.4	23.8	111.6	59.3	215.1	25.3	47.5	288.0	94.2	5.5	65.4	453.1

[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	3,882.9	1,290.9	1,230.8	40.1	6,444.8	5,854.5	5,914.2	-59.7	6,385.1	5,958.5
2011	4,047.6	1,353.2	1,004.3	5.7	6,410.8	6,544.8	6,310.9	233.9	6,644.6	6,327.9
2012	4,110.0	1,450.3	1,010.7	-134.3	6,436.8	7,025.9	6,612.0	413.9	6,850.7	6,441.4
2012										
Q1	989.7	358.5	239.3	-50.4	1,537.1	1,588.8	1,517.8	71.0	1,608.1	1,468.8
Q2	1,007.2	353.6	265.0	26.0	1,651.7	1,839.4	1,793.3	46.1	1,697.9	1,612.4
Q3	1,056.6	362.5	247.1	-70.3	1,595.8	1,910.5	1,695.9	214.7	1,810.5	1,724.3
Q4	1,056.6	375.7	259.5	-39.6	1,652.1	1,687.1	1,605.0	82.1	1,734.2	1,635.8
2013										
Q1	1,005.1	366.3	250.4	45.9	1,667.7	1,528.3	1,529.3	-1.0	1,666.7	1,529.3
Q2	1,024.7	367.5	242.5	-9.1	1,629.8	1,639.4	1,480.4	165.2	1,795.1	1,663.4
Q3	1,079.1	362.8	236.3	-26.3	1,651.9	1,885.4	1,658.5	226.9	1,878.8	1,792.0

[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	3,115.6	935.8	879.1	29.9	4,960.4	4,891.3	4,960.9	-69.7	4,890.7
2011	3,217.3	974.3	690.1	2.6	4,884.3	5,055.1	4,964.7	90.4	4,974.7
2012	3,200.5	1,024.5	659.7	-98.2	4,786.6	5,465.0	5,234.0	231.0	5,017.6
2012									
Q1	784.8	256.5	156.8	-37.1	1,161.1	1,287.4	1,278.0	9.4	1,170.5
Q2	776.5	248.5	166.7	18.5	1,210.2	1,462.0	1,448.8	13.2	1,223.4
Q3	818.4	254.0	163.1	-51.0	1,184.5	1,422.8	1,285.6	137.1	1,321.6
Q4	820.7	265.6	173.2	-28.6	1,230.8	1,292.8	1,221.6	71.2	1,302.1
2013									
Q1	789.9	253.8	159.8	33.7	1,237.3	1,197.9	1,247.1	-49.3	1,188.1
Q2	785.0	251.4	156.3	-6.3	1,186.4	1,253.9	1,176.3	77.6	1,264.0
Q3	822.4	251.0	153.0	-18.2	1,208.1	1,457.1	1,318.7	138.4	1,346.5

[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
July	12.4	10.9	26.4	26.5	76.1	48.6	21.0	145.7	36.2	181.9
Aug.	19.7	16.6	42.4	30.9	109.6	55.0	20.3	185.0	33.3	218.3
Sep.	11.6	17.5	25.3	24.0	78.4	49.2	19.9	147.5	28.9	176.4

[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	159.2	99.8	52.6	152.4	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	105.7	54.6	160.3	100.6	53.1	153.7	5.2	4.9	1.5	2.8	6.7	4.2
Aug.	105.8	54.7	160.6	100.6	53.1	153.7	5.2	4.9	1.6	2.9	6.8	4.2
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
July	107.1	57.8	164.9	101.6	56.0	157.6	5.5	5.2	1.8	3.1	7.3	4.4
Aug.	107.3	57.9	165.2	101.6	56.1	157.7	5.7	5.3	1.8	3.1	7.5	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]												
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
Q3	120.3	72.0	192.3	112.4	67.1	179.5	7.9	6.6	4.9	6.8	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					
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
Q3	173.5	176.9	183.7	194.5	174.4

[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.

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

Year	Index	Inflation rate (%)
(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
July	108.3	2.3	5.5	3.9	0.9	1.3	0.4	1.5	0.0	1.9	2.3	2.2
Aug.	108.1	2.2	5.8	3.9	0.5	1.2	0.3	1.5	-0.3	2.0	2.2	2.0
Sep.	108.3	2.0	5.8	3.9	0.5	1.2	0.2	1.3	-0.9	2.1	2.2	1.5

[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
July	123.1	2.0	5.5	4.5	1.4	0.8	2.8	2.1	1.7	-8.1	2.4	2.9	0.9	1.8
Aug.	122.9	1.8	5.6	4.7	1.2	0.7	2.6	2.0	1.3	-8.4	2.4	2.9	0.2	1.8
Sep.	122.0	1.6	5.5	4.9	1.1	0.6	2.3	2.0	0.7	-8.7	2.4	3.0	0.1	1.7

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. Claims include assets in the form of loans, deposits and repurchase agreements (or repos). Financial assets and liabilities that have demonstrable value - as well as non-financial assets - are considered as on-balance sheet items. Other financial instruments, whose value is conditional on the occurrence of uncertain future events, such as contingent instruments, are not recorded on the statistical balance sheet.

Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19th working day of the month following the reference month. The ECB also publishes a more detailed monetary data on a quarterly basis. The Maltese contribution to the monthly aggregates is then posted on the Central Bank of Malta's website. When first published, monetary statistics are considered provisional since the Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting procedures. The ECB accepts revisions to the previous month's data with each monthly submission; revisions to earlier periods are normally submitted with the next provision of quarterly data. Malta's contributions to the euro area aggregates published by the Central Bank of Malta must be consistent with the latest euro area aggregates published by the ECB. Subsequently, such provisional data are released to the press by the Central Bank of Malta on a monthly basis and in more detail in the Central Bank of Malta's *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. When major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

Investment funds

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.