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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 Stocks
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) maintained an accommodative monetary policy stance during the final quarter of 2013 and in the first quarter of 2014.

In November 2013 it reaffirmed its forward guidance and lowered key interest rates. The interest rate on the main refinancing operations (MRO) was cut by 25 basis points to 0.25%, while the rate on the marginal lending facility was lowered by a similar amount, to 0.75%. The rate on the deposit facility was kept at 0.00%. These decisions were taken in light of weakening underlying price pressures in the euro area over the medium term, and continued sluggish monetary and credit conditions. The Governing Council subsequently kept rates unchanged, as incoming information broadly confirmed this assessment.

On 5 June the Governing Council took additional measures to ensure that the inflation rate in the euro area would return to levels closer to 2%, while also supporting lending to the real economy. The MRO rate was lowered to 0.15%. Rates on the marginal lending facility and on the deposit facility were lowered to 0.40% and -0.10%, respectively, with the latter moving into negative territory for the first time. As a result, a symmetric corridor of 25 basis points on each side of the MRO rate was restored.

The ECB also announced two four-year targeted longer-term refinancing operations (TLTRO) at fixed interest rate to be conducted in September and December 2014. These operations enable eligible banks to borrow up to 7% of outstanding loans which they had extended to the euro area non-financial private sector, excluding mortgage lending, with the possibility of further borrowings through additional TLTROs to be conducted between March 2015 to June 2016.

The Governing Council also decided to intensify preparations for outright purchases in the market for asset-backed securities, which should also support credit in the euro area.

Meanwhile, the Eurosystem continued to implement non-standard measures. In particular, the Governing Council agreed that MROs will continue to be conducted as fixed rate tender procedures with full allotment, at least until December 2016. It announced that this procedure would also apply to three-month longer-term refinancing operations (LTRO) to be allotted until 2016.

During the fourth quarter of 2013 the euro area economy continued to grow moderately. Real gross domestic product (GDP) expanded by 0.2% quarter-on-quarter, following a 0.1% increase in the third quarter. Growth in the final three months of 2013 reflected a positive contribution of net exports, as exports outpaced imports. On the other hand, domestic demand in the euro area contributed negatively to GDP growth during the same period, as government spending and inventories fell, outweighing increases in private consumption and investment.

The annual rate of inflation in the euro area, as based on the Harmonised Index of Consumer Prices (HICP), continued to ease, dropping to 0.8% in December from 1.1% in September. The moderation in price pressures was evident across most components. Price pressures eased further going into the first quarter of 2014, with the annual inflation rate decelerating to 0.5% in March. In April, however, it rose to 0.7%, reflecting a pick-up in service prices and a smaller fall in energy prices.

According to ECB staff projections published in March 2014, real GDP growth in the euro area is expected to turn positive this year, with the euro area economy expanding by 1.2%. Real GDP growth is then set to pick up to 1.5% in 2015 and to 1.8% in 2016. The annual HICP inflation rate is forecast to weaken from 1.4% in 2013 to 1.0% in 2014, before gradually accelerating to 1.3% in 2015 and 1.5% in 2016.

On the local scene, the Maltese economy expanded by 2.2% in annual terms during the last quarter of 2013, down marginally from 2.3% in the previous quarter. Growth in the December quarter was entirely driven by domestic demand, mainly reflecting developments in inventories and private consumption. Conversely, government consumption and investment declined on a year earlier. In contrast to domestic demand, net exports dampened growth, as exports fell more than imports.

Consumer price inflation in Malta picked up during the final quarter of 2013 and the first quarter of 2014, although from low levels. Annual HICP inflation rose to 1.0% in December, from 0.6% in September. This acceleration reflected increases in prices of services and non-energy industrial goods, and stronger growth in processed food prices. In contrast, energy prices fell more strongly while unprocessed food prices rose at a slower pace. The annual inflation rate continued to rise in the first quarter of 2014, reaching 1.4% in March. However, in April it declined to 0.5%, partly under the impact of a reduction in energy tariffs for consumers.

The labour market remained buoyant, with the two main sources of data both showing solid growth in employment. According to the Labour Force Survey (LFS), in the fourth quarter of 2013 employment rose by 2.8% on a year earlier, following a 3.1% increase in the third quarter. Data issued by the Employment and Training Corporation similarly indicated a strong increase in the number of job holders, with the number of full-timers in December showing a 3.3% increase in annual terms. The unemployment rate based on the LFS stood at 6.4% in the last quarter of 2013, 0.3 percentage point lower compared with September, and 0.1 percentage point less than its level a year earlier.

With regard to competitiveness indicators, in December the nominal harmonised competitiveness indicator (HCI) was 3.7% higher in annual terms, while the real HCI was up by 3.2%. The loss in price competitiveness signalled by the rise in these indicators continued through the first quarter of 2014 as the upward trend in these indicators persisted. Meanwhile, growth in unit labour costs moderated in the last three months of 2013, with the unit labour cost index, measured as a four-quarter moving average, gaining 1.4% in annual terms after a 2.3% increase in the third quarter.

In the external sector, during the last quarter of 2013 the current account of the balance of payments posted a deficit, compared with a surplus in the corresponding period of 2012. This reflected a widening in the merchandise trade deficit and higher net outflows on the income account. The surplus on the services account remained broadly unchanged, while net inward current transfers increased. Over the year as a whole, the current account surplus stood at 1.4% of GDP, as against 2.0% in 2012.

Monetary developments were characterised by a further expansion in deposits and a deceleration in credit growth. Deposits held by Maltese residents with resident credit institutions accelerated during the first quarter of 2014, with their annual growth rate rising to 10.3% in March. This was largely due to growth in overnight deposits. Meanwhile, the annual rate of growth of credit to residents continued to slow down in the first quarter of 2014, falling to 0.9% in March from 1.4% three months earlier. This reflected slower growth in credit to government and a decline in credit to other residents.

During the first three months of 2014 interest rates in domestic financial markets generally declined. Yields on three-month Treasury bills decreased in both the primary and secondary market, with the latter rate standing at 0.37% in March. Meanwhile, the average yield on five-year government bonds remained stable at around 2%, while that on ten-year government bonds declined to just below 3%. Bank lending rates fell marginally.

With regard to fiscal developments, during the fourth quarter of 2013 the general government balance swung to a surplus from a deficit a year earlier, as revenue outpaced expenditure. For the year as a whole, the deficit narrowed substantially and amounted to 2.8% of GDP, 0.4 percentage point less than in 2012. General government debt declined during the last quarter of 2013. However, the debt-to-GDP ratio rose from 70.8% in December 2012 to 73.0% at the end of 2013.

In its latest projection exercise concluded in May, the Bank expects real GDP growth to moderate from 2.4% in 2013 to 2.3% in 2014, before increasing to 2.6% in 2015. Domestic demand is set to be the main driver of growth, largely under the impact of a recovery in private consumption and investment. The latter will be underpinned by capital projects related to the energy infrastructure. Net exports are also expected to support activity over the forecast horizon, although to a lesser extent. HICP inflation is set to increase marginally from 1.0% in 2013 to 1.1% in 2014, and to pick up further to 1.7% in the following year. The inflation projections are influenced by the assumption of falling oil prices and a strong euro. However, rising service prices are set to push up inflation, particularly in 2015. On the other hand, the lowering of utility energy tariffs for households and the expected reduction in commercial rates in 2015 are expected to dampen price pressures.

Risks to the GDP growth projections are balanced. Downside risks relate to the fragility of the global economic recovery. In particular, a weaker than expected expansion in the euro area economy would weigh on demand for Maltese exports. Investment could also be weaker than expected, if any of the planned major infrastructure projects are delayed while other forms of investment take longer than envisaged to recover. Upside risks relate to the possibility that the pass-through of the reduction in energy tariffs for business foreseen in 2015 is stronger than that embedded in the Bank's projections. Another upside risk arises from the conservative assumptions underlying the Bank's projections on export growth.

With regard to prices, risks are slightly on the downside. Such risks relate to the possibility of weaker than expected price pressures in Malta's trading partners and a stronger pass-through of the projected cut in utility tariffs from industry to domestic prices.

From a policy perspective, a reduction in the deficit-to-GDP ratio to below 3% is a positive development. However, additional measures are needed for Government to make progress towards lowering the debt ratio and improve the long-term sustainability of public finances.

Meanwhile, the financial system continued to perform satisfactorily in the second half of 2013, as reflected in the profitability and capital adequacy ratios of core domestic banks. Liquidity levels also remained ample, as reflected in continued growth in resident deposits.

Banks' net interest income remained strong. In part, this reflects the relatively high level of lending rates, particularly those charged to small businesses, which are even higher than those prevailing in euro area countries with stressed banking sectors. At the same time, however, growth in credit to the private sector has recently turned negative. Although a key factor is the reduction of credit to the construction industry, there was also a decline in credit to non-financial corporations in other sectors. Given the banks' robust health, and the relatively high rates for loans to small and medium-sized enterprises, there may be scope for lowering bank lending rates further to stimulate credit demand and spur increased investment and economic activity.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

Global economic growth remained subdued during the fourth quarter of 2013. It was once again supported by developments in advanced economies, led by the United States and the United Kingdom. The economies of the euro area and Japan also expanded. Meanwhile, economic activity in emerging economies generally weakened during the fourth quarter. Global inflationary pressures remained moderate, despite the highly accommodative monetary policy stance of most major central banks.

In financial markets, the economic recovery in advanced economies supported equity prices, while yields on safe-haven government bonds rose. Upside developments were also observed in commodity markets that are influenced by the economic outlook, such as oil and metals. On the other hand, continued abundant supply in several exporter countries led to a further drop in the prices of several food commodities.

International economic developments

US economy expands despite government shutdown

Economic activity in the United States continued to grow during the final quarter of 2013. Although, at 0.7%, the quarter-on-quarter growth rate of real gross domestic product (GDP) was slower than in the previous three-month period, the pace of economic expansion in the United States remained strong compared with that of other large advanced economies (see Table 1.1). Both the manufacturing and the services industry expanded during the period, suggesting that US businesses had weathered the effect of a shutdown of certain government services in October.

From an expenditure point of view, growth during the fourth quarter was largely supported by private consumption and exports. Consumer spending was boosted by an improving labour market and low inflation, while the net exports balance benefitted from the ongoing shale energy boom in the United States.

On the other hand, growth was partly weighed down by a base effect on inventory stocking, which had expanded strongly in the previous quarter, and by a further decline in government consump-

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

	2013			
	Q1	Q2	Q3	Q4
United States	0.3	0.6	1.0	0.7
Euro area	-0.2	0.3	0.1	0.2
United Kingdom	0.4	0.8	0.8	0.7
Japan	1.1	1.0	0.2	0.2

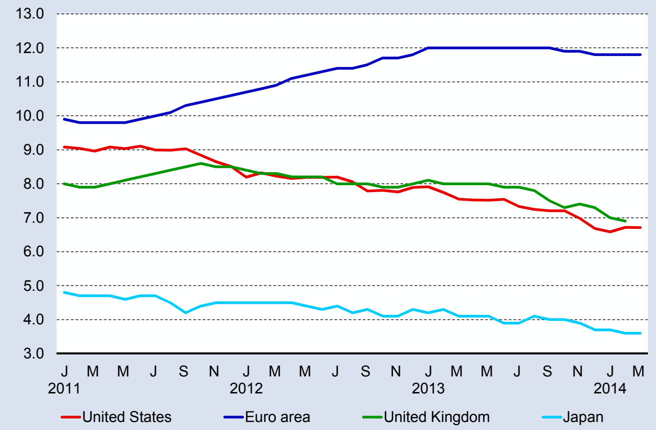
Sources: Bureau of Economic Analysis, US; Eurostat; Office of National Statistics, UK; Cabinet Office, Japan.

tion, following the recent government shutdown. The latter also contributed to slower growth in investment expenditure, on the back of a drop in public capital spending and an increase in uncertainty for private businesses. Furthermore, investment spending was hit by some weakness in the property market, partly owing to rising market interest rates.

In line with the overall expansion in demand, labour market conditions improved once more during the fourth quarter. Payroll employment expanded across all main private economic sectors, while the number of unemployed declined for the second quarter running. As a result, the unemployment rate dropped to 6.7% in December from 7.2% in September, the lowest level since 2008 (see Chart 1.1). The rate then remained stable during the subsequent quarter, standing at 6.7% in March 2014.

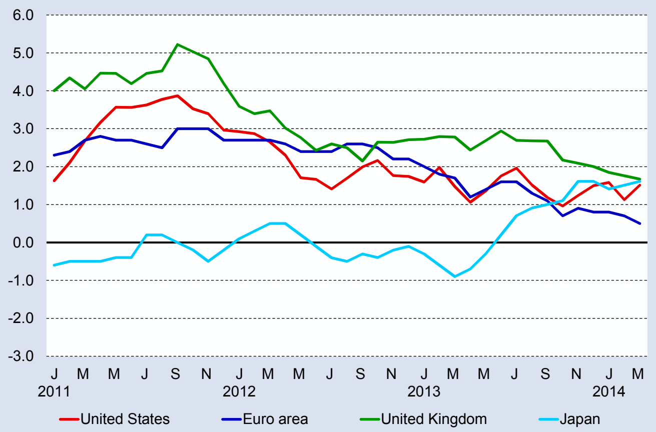
Nothwithstanding the improvement in economic conditions, price pressures remained muted during the fourth quarter. The annual rate of change in the consumer price index (CPI) stood at 1.5% in December, only slightly higher than the 1.2% recorded in September (see Chart 1.2). The acceleration in the CPI inflation rate between September and December mainly reflected a slight pick-up in petrol prices. Meanwhile, developments in the other components of the CPI were roughly similar to those observed in recent months, with service prices rising steadily and the goods (less energy) category exhibiting moderate price pressures. The latter partly reflected subdued imported inflation, on the back of a stronger dollar and lower raw material prices when compared with the previous year.

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)

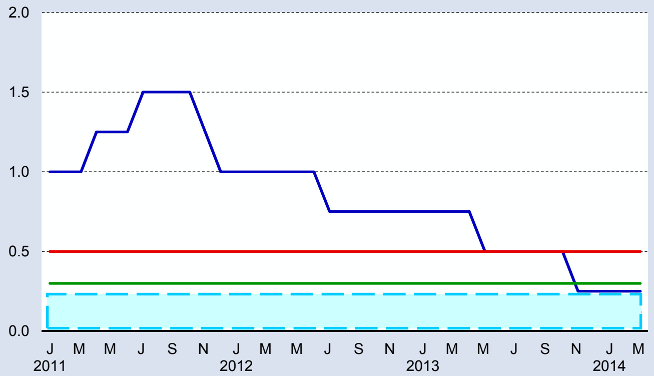


Sources: Eurostat; US Bureau of Labor Statistics; UK Office of National Statistics; Japan Statistics Bureau.

Inflationary pressures remained subdued going into the following quarter, with the CPI inflation rate standing at 1.5% in March 2014.

In light of the recent improvement in economic conditions, the Federal Reserve moderated the pace of its asset purchases on three occasions during the final quarter of 2013 and the first quarter of 2014, to USD 55 million per month from USD 85 million at the end of September. On the other hand, the federal funds target rate was held unchanged in a range between 0.00% and 0.25% (see Chart 1.3). However, given the weak inflation outlook, the Fed altered its forward guidance statement twice between October 2013 and March 2014. In the latest announcement released in March, the Fed stated that the current low target range for the federal funds rate would remain in place for a considerable time after its asset purchase programme ended, on condition that inflation expectations were well anchored. Meanwhile, the Fed continued to implement other non-standard monetary policy measures, such as reinvesting principal payments from its holdings in agency mortgage-backed securities and rolling over maturing Treasury securities.

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



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

Fiscal policy developments in the United States during the period under review were dominated by the two-week government shutdown in October. In the end the fiscal impasse was resolved when the debt ceiling was raised in October and a new two-year budget was passed in December.

UK economy on an upward trend

Economic growth in the United Kingdom continued on its recent positive trend during the fourth quarter of 2013, with real GDP rising by 0.7% on a quarterly basis (see Table 1.1). Unlike the previous two quarters, net exports were the main contributor to aggregate demand during the three months to December. In contrast, domestic demand fell.

Export growth picked up as demand from the United Kingdom's main trading partners continued to recover. This coincided with a contraction in imports, in line with slower inventory stocking by firms during the quarter.

This drop in inventories, which followed a large increase in the previous quarter, weighed heavily on domestic demand. The latter was also impacted by slower growth in both government and consumer expenditure, as a sustained drop in real wages kept a lid on spending. Nonetheless, confidence in the economic recovery remained high, with the growth rate of capital investment remaining robust.

In line with the continued expansion in overall economic growth, the unemployment rate registered a further drop during the three months to December, going to 7.3% from 7.5% in September (see Chart 1.3). The decline in the number of unemployed was matched by an increase in employment figures during the period, as businesses responded to the pick-up in growth. Labour market conditions improved also in the first quarter of 2014, with the unemployment rate dropping further to 6.9% in February.

With regard to prices, the annual CPI inflation rate dropped by 0.7 point to 2.0% between September and December, hitting the Bank of England's target for the first time since 2009 (see Chart 1.2). A deceleration in food inflation was one of the factors behind this easing in price pressures, in part reflecting developments in international food prices and the recent strengthening of the sterling. Lower services inflation also contributed, mainly reflecting a base effect related to education tuition prices, which had risen substantially in the last quarter of 2012.

Price pressures continued to ease during the following quarter, with the CPI inflation rate standing at 1.7% in March.

To support the ongoing economic recovery, the Bank of England maintained its official bank rate at 0.5% and its stock of asset purchases at GBP 375 billion during the six months from September 2013 (see Chart 1.3). In February 2014 the Bank announced that it would focus mainly on the amount of spare capacity within the British economy when determining whether to raise the bank rate or not.

Meanwhile, in October 2013 the Bank announced changes to the way it would deal with lenders in financial difficulty, which entail 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 UK Treasury, announced changes to refocus the terms of the Funding for Lending Scheme to stimulate business lending.

On the fiscal side, the UK Government in December announced a gradual increase in the pension age. In the March 2014 Budget, the Government forecast a gradual drop in the fiscal deficit over the medium term.

Japanese recovery continues

The Japanese economy grew marginally for the second quarter running during the three months to December, despite the authorities' expansionary policies. Compared with the third quarter, the level of real GDP stood 0.2% higher at the end the fourth quarter of 2013, mainly on account of an expansion in the industrial and construction sectors (see Table 1.1).

As in the previous quarter, real GDP growth was dragged down by a weak export performance. This reflected slower growth in Japan's main Asian trading partners, as well as the fact that many Japanese companies have moved their production processes abroad. These factors offset the positive impact on exports of the recent depreciation of the yen. Meanwhile, import growth continued to strengthen, reflecting a rise in consumer imports ahead of a sales tax increase in 2014.

More encouragingly, growth in domestic demand remained strong for the fourth quarter in a row, mainly on the back of solid contributions from investment and private consumption. Apart from the above-mentioned anticipated tax increase, which boosted spending on durable goods, growth was also supported by a continued improvement in the property market and by capital investment on the part of Government. Meanwhile, growth in private business investment remained modest, though marking the third successive quarter of growth following several periods of weakness.

The continued, though modest, expansion in the Japanese economy led to a further tightening in the labour market, with the unemployment rate dropping by 0.3 point over the fourth quarter to 3.7% in December, along with an increase in employment (see Chart 1.1). This trend continued into the first quarter of 2014, with the unemployment rate standing at 3.6% in March.

The overall annual CPI inflation rate rose to 1.6% in December from 1.0% in September (see Chart 1.2). The increase in inflation was broad-based across categories. The yen's diminished purchasing power was the main factor behind this rise, with strong price increases, among others, for imported food, fuels and metals. However, a slight pick-up in services inflation does point to some demand-pull inflation during the period. Price pressures subsequently remained stable during the subsequent quarter, with the inflation rate standing at 1.6% in March 2014.

The Bank of Japan's accommodative monetary policy was maintained during the fourth quarter, in line with its price stability target of 2% annual CPI inflation. As a result, the Bank held on to its aim of doubling the monetary base by the end of 2014. During the first quarter of 2014 the Bank increased the scale of its Stimulating Bank Lending Facility and of its Growth-Supporting Funding Facility, while raising the amount of funds available for financial institutions in disaster areas.

On the fiscal side, the Japanese Government in October launched a further stimulus package to partly mitigate the adverse impact of the sales tax increase on the economy, which was scheduled to be raised in April 2014 in an attempt to shore up government finances.

Growth in emerging economies moderates

Economic activity in emerging economies generally weakened during the fourth quarter. In China real GDP growth slowed to 1.7% on a quarter-on-quarter basis from 2.3% in the third quarter, as the authorities continued with their policy of making economic growth more sustainable. This was set to be achieved by promoting domestic consumption rather than government spending and credit-fuelled investment, and by allowing market forces to have a bigger say in financial and exchange rate markets.

Economic activity in India also slowed during the three months to December on the back of a broad-based drop in demand. This was partly due to political uncertainty and the upcoming elections. In Russia real GDP growth registered a slight acceleration when compared with the third quarter. Nonetheless, the pace of expansion in the Russian economy remained weak, with the latest increase in growth largely driven by a contraction in imports on the back of a slowdown in private consumption.

Meanwhile, economic activity in Brazil rebounded during the fourth quarter, reflecting a jump in exports. The recent depreciation of the Brazilian real was a key factor behind these developments.

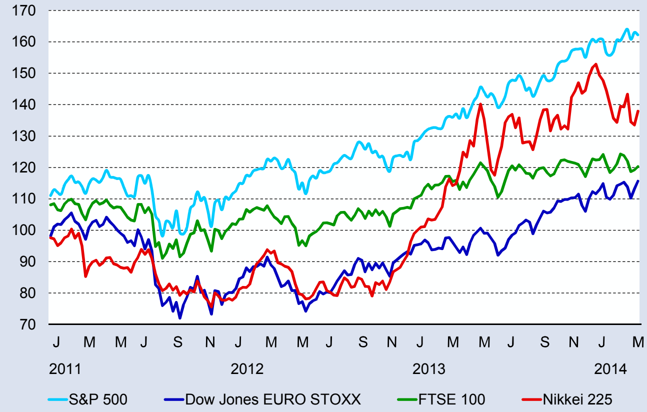
Inflation in most emerging economies held steady during the December quarter, with upward pressures from weaker currencies offset by generally slower demand.

International financial markets

Equity prices extend rally

Equity prices rose in most advanced economies during the final quarter of 2013, thereby marking a gain for the year as a whole (see Chart 1.4). Share prices in the United States (S&P500) gained 9.9% during the period. Similarly, equity prices in Europe (DJ EUROSTOXX), the United Kingdom (FTSE100) and Japan (Nikkei225) rose by 7.3%, 4.4%, and 12.7%, respectively. The main driver behind the latest increase in stock indices was the continued positive economic momentum in advanced economies. Further monetary policy accommodation by major central banks, such as the latest interest rate cut by the European Central Bank (ECB) and the change in the Federal Reserve's forward guidance on interest rates, also boosted demand for higher-yielding assets, such as equities. Growth in stock prices was also supported by the end to the fiscal deadlock in the United States during the fourth quarter, though the US government shutdown in October had initially weighed on share prices.

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



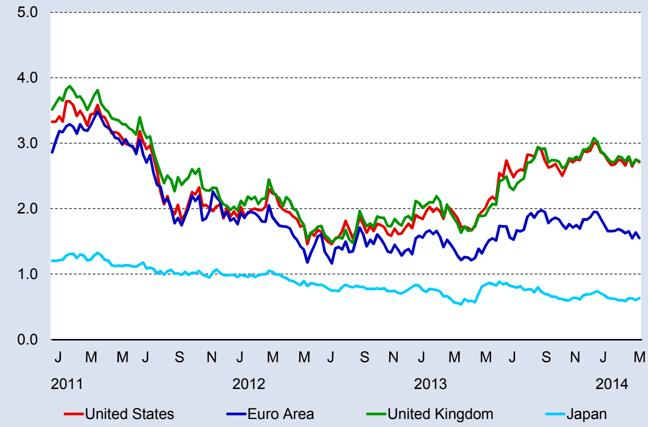
Source: Reuters.

This upward momentum waned somewhat during the subsequent three months, with the S&P500 and the DJ EUROSTOXX indices gaining only 1.3% and 2.9%, respectively between end-December and March 2014. At the same time, stock prices in the United Kingdom and in Japan dropped by 2.2% and 9.0% respectively.

Government bond yields rise

Ten-year government bond yields in advanced economies rose overall during the fourth quarter (see Chart 1.5). By the end of December, yields in the United States had increased by 39 basis points over their September level, to 3.01%. Over the same period, ten-year yields in Europe, the United Kingdom, and Japan rose by 16, 31, and 5 basis points, respectively, to 1.94%, 3.03%, and 0.74%.[1]

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



Source: Reuters.

[1] Ten-year German government bond yields are used as a benchmark for European yields.

This overall increase in yields was a result of the global economic recovery, which led investors to shift their funds away from safe-haven government debt and into higher-return assets, such as equities. Bond yields also rose in response to the US government shutdown in October. Furthermore, the Federal Reserve's decision to slow down its rate of asset purchases led to a drop in demand for bonds, pushing up yields.

Sovereign bond yields dipped once more during the following quarter. Yields in the United States dropped by 28 basis points, while those in Europe, in the United Kingdom, and in Japan fell by 37, 30, and 9 basis points, respectively.

Commodities

Oil price increases slightly

The price of Brent crude oil ended the fourth quarter of 2013 at USD 110.5 per barrel, up slightly from USD 109.6 at the end of the previous quarter (see Chart 1.6). Overall, this represents a 0.8% gain.

The oil price dipped briefly in October, in part reflecting eased tensions between Iran and western nations. However, this decline was subsequently reversed, as the global demand outlook improved amid signs of economic recovery in advanced economies and a severe winter in the United States and elsewhere. This was coupled with supply disruptions in oil-exporting nations, such as Libya and South Sudan.

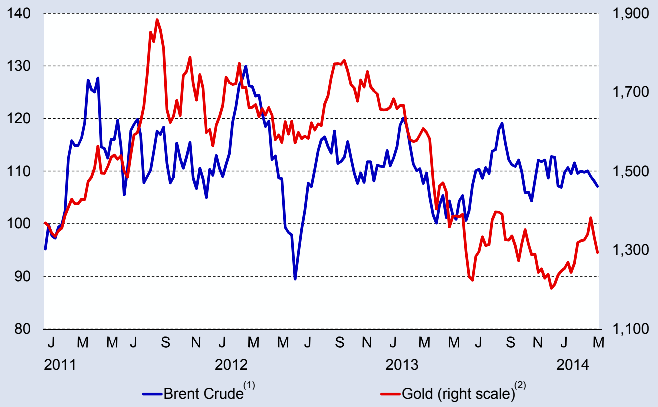
Going into the first quarter of 2014, the price of Brent Crude decreased by 3.7%, to USD 106.4 per barrel.

Gold price resumes decline

Following a rise during the summer, the price of gold resumed the downward trend observed earlier in the year during the final three months of 2013 (see Chart 1.6). As at end-December, the price stood at USD 1,204.9 per troy ounce, 9.2% lower than its end-September price of USD 1,326.9.

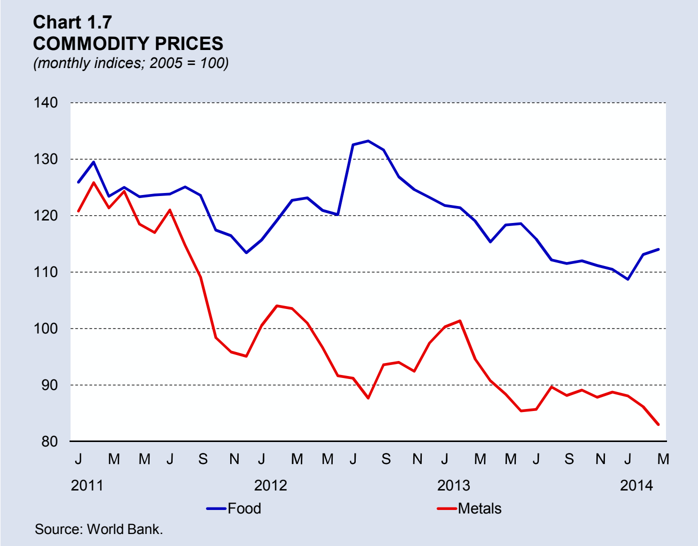
The ongoing global economic recovery reduced risk aversion, and thus, the demand for safe-haven assets, such as gold, during the quarter. Furthermore, low inflation in advanced economies reduced demand for precious metals as an inflation hedge. These factors were compounded by the resolution of the fiscal impasse in the United States, which led to renewed investor interest in the dollar, and the Federal Reserve's announcement that it would slow down its pace of

Chart 1.6
OIL AND GOLD PRICES
(end of week)



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

asset purchases, further lowering inflation expectations. These considerations reduced investor interest in gold.



This decline was partly reversed during the following quarter. As at end-March 2014, the gold price stood at USD 1,283.6 per troy ounce, representing a gain of 6.5%.

Food prices down on abundant supply

International food prices continued to fall during the final quarter of 2013, with the World Bank's Food Index dropping by an overall 0.9% (see Chart 1.7). Food prices have been in decline for much of the previous 18 months following a spike in the summer of 2012.

The latest decline reflected improved supply conditions for a number of components of the Index, particularly grains and sugar. Meat prices were also weighed down by lower feed costs, reflecting the drop in grain prices throughout the year. These factors helped offset price increases for other food items, such as dairy products and edible oils.

During the first quarter of 2014, the Food Index rose by 3.2%, boosted mainly by grain prices.

Economic recovery supports metal prices

Metal prices rose overall during the fourth quarter, with the World Bank's Metals & Minerals Index gaining 0.6% (see Chart 1.7). Following a strong decline at the start of 2013, the Index stabilised within a narrow range during the second half of the year.

The Index's rise during the fourth quarter was generally broad-based, with the exception of aluminium. This increase was mainly supported by the recovery in advanced economies. Moreover, large cuts in Indonesian exports following a government ban supported prices of metals, such as copper and nickel.

The gain in metal prices was reversed during the following quarter, with the World Bank's Metals and Minerals Index shedding 6.5% of its value.

Economic and monetary developments in the euro area

Economic recovery continues to strengthen

The euro area economy marked its third consecutive quarter of growth during the final three months of 2013, with real GDP expanding by 0.2%, slightly more than the 0.1% of the third quarter (see Table 1.2). Both the industrial and service sectors saw an expansion, indicating that the economic recovery was taking a stronger hold.

Table 1.2
REAL GDP GROWTH IN THE EURO AREA
Seasonally adjusted

	2013			
	Q1	Q2	Q3	Q4
	Quarterly percentage changes			
Private consumption	-0.2	0.1	0.1	0.1
Government consumption	0.2	-0.1	0.4	-0.3
Gross fixed capital formation	-1.7	0.1	0.5	1.1
Domestic demand	**-0.3**	**0.0**	**0.5**	**-0.2**
Exports	-0.9	2.4	0.1	1.3
Imports	-1.2	1.7	0.9	0.5
GDP	**-0.2**	**0.3**	**0.1**	**0.2**
	Percentage point contributions			
Private consumption	-0.1	0.1	0.1	0.0
Government consumption	0.0	0.0	0.1	-0.1
Gross fixed capital formation	-0.3	0.0	0.1	0.2
Changes in inventories	0.1	-0.1	0.3	-0.3
Domestic demand	**-0.3**	**0.0**	**0.5**	**-0.2**
Net exports	**0.1**	**0.4**	**-0.3**	**0.4**
GDP	**-0.2**	**0.3**	**0.1**	**0.2**

Source: Eurostat.

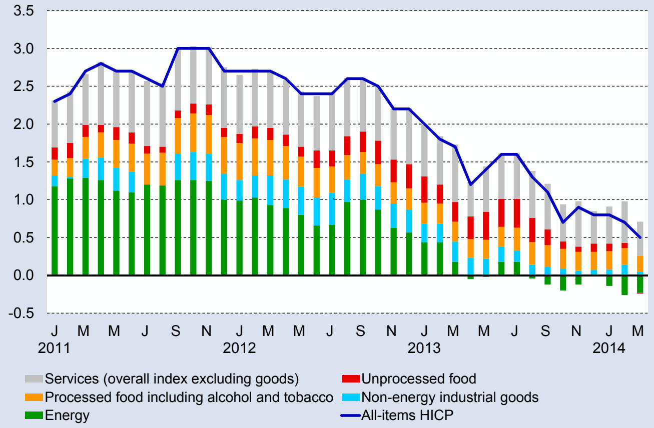
The latest expansion in real GDP was led mainly by an improved export performance combined with slower import growth. This led to an overall increase in the contribution of net exports to GDP growth. On the other hand, domestic demand made a negative contribution during the three months to December. This mainly reflected drops in government spending, and, in particular, a rundown in inventories following a solid increase during the summer.

With regard to the other components of domestic demand, private consumption grew marginally during the quarter. While low inflation has boosted spending power and consumer confidence improved, private spending remained subdued, reflecting the weak labour market. At the same time, growth in private investment continued to accelerate, as higher business investment offset continued weakness in the residential property market.

The economic recovery started to filter through to the labour market during the fourth quarter. An increase in employment in the services industry offset continued job-shedding in both manufacturing and construction industries, so that the quarterly pace of growth in employment turned positive after a period of weak readings.

The number of unemployed persons registered its first quarterly drop since the start of 2011 (see Chart 1.8). Nonetheless,

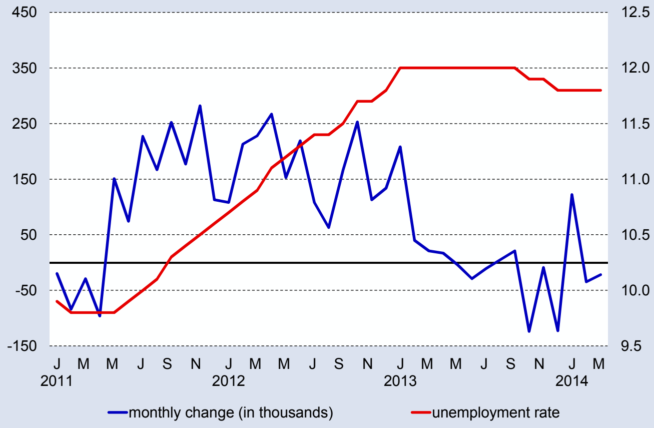
Chart 1.8
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)



Source: Eurostat.

the unemployment rate remains close to its record high, dropping by 0.2 point to 11.8% over the quarter, and stabilising at this level during the first quarter of 2014.

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



Source: Eurostat.

Inflationary pressures continue to weaken

Inflationary pressures continued to weaken throughout the fourth quarter of 2013, with the overall annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) dropping from 1.1% in September to 0.8% in December (see Chart 1.9). This decline reflected a continued deceleration in food inflation and a general weakness in the core measure, with inflationary pressures moderating across the board bar prices for communications and energy. The weakness in price pressures was sustained going into the first quarter of 2014, with the annual HICP inflation rate dipping to 0.5% in March.

Low price pressures throughout the euro area are being brought about by a wide array of factors. Despite the recent economic recovery, growth in consumption spending remains weak while industrial capacity utilisation is still low. Furthermore, the recent structural reforms within the bloc have led to a drop in firms' unit labour costs. Meanwhile, on the external side, prices for a wide range of imported commodities continued to decline on an annual basis. These partly reflect recent drops in international commodity prices, as well as a general strengthening of the euro throughout 2013.

Eurosystem forecasts economic recovery, subdued inflation

According to the Eurosystem staff's macroeconomic projections, euro area real GDP growth is expected to gradually recover over the forecast horizon, expanding by 1.2% in 2014 before accelerating to 1.5% in 2015 and 1.8% in 2016 (see Table 1.3). This follows two successive years of

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

	2014	2015	2016
GDP	**1.2**	**1.5**	**1.8**
Private consumption	0.7	1.2	1.4
Government consumption	0.4	0.4	0.7
Gross fixed capital formation	2.1	2.7	3.7
Exports	3.6	4.7	5.1
Imports	3.5	4.7	5.2
HICP	**1.0**	**1.3**	**1.5**

[1] Eurosystem macroeconomic projections (March 2014).
Source: ECB.

negative growth. Gradually improving fiscal conditions, as well as a continued accommodative monetary policy stance and lower oil prices are expected to support domestic demand during the period. Furthermore, drags on growth, such as uncertainty, balance sheet adjustment and high unemployment are expected to diminish. On the external side, net exports are expected to contribute modestly to the recovery, as export growth will be almost fully matched by a contemporaneous recovery in import growth.

With regard to prices, the annual HICP inflation rate is forecast to weaken to 1.0% in 2014, before gradually accelerating to 1.3% in 2015 and 1.5% in 2016. This moderate inflation outlook reflects an expected drop in oil prices over the forecast horizon and slack within the economy. The slight pick-up in price pressures over the next three years will be driven by a cyclical recovery in economic activity and in unit labour costs, a recovery in non-energy commodity prices and by the fading effects of the euro's recent appreciation.

ECB cuts interest rates

Against this background of fragile growth and a weak inflation outlook, the ECB kept an accommodative monetary policy stance during both the final quarter of 2013 and the first quarter of 2014.

More specifically, in November the Governing Council reaffirmed its forward guidance and lowered key interest rates in light of a drop in underlying price pressures over the medium term and continued sluggish monetary and credit conditions. The interest rate on the main refinancing operations (MRO) of the Eurosystem was cut by 25 basis points to a new historical low of 0.25% (see Chart 1.3). Furthermore, the interest rate on the marginal lending facility was lowered by 25 basis points to 0.75%, while that on the deposit facility was left unchanged at 0.00%, resulting in an asymmetric corridor around the MRO. At the same time, the ECB decided to continue conducting its MROs as fixed rate tender procedures with full allotment, at least until July 2015. It also decided to continue conducting the three-month longer-term refinancing operations (LTRO) due to be allotted until the first half of 2015 as fixed rate tender procedures with full allotment.

In June 2014 the ECB reduced its key interest rates once more, cutting the MRO rate by 10 basis points to 0.15%. At the same time, the rates on the marginal lending facility and on the deposit facility were reduced to 0.40% and -0.10%, respectively. The latter moved into negative territory for the first time ever. Meanwhile, the ECB also introduced four-year targeted longer-term refinancing operations, providing banks with funds equivalent to a percentage of their loans to the non-financial private sector, excluding loans for house purchase. It also announced a prolongation of fixed rate, full allotment tender procedures until December 2016, as well as the extension of the existing eligibility of assets as collateral and the suspension of the sterilising operations related to the Securities Markets Programme. The Governing Council also decided to intensify preparations for outright purchases of asset-backed securities.

With regard to other measures, in October 2013 the ECB signed a bilateral currency swap arrangement with the People's Bank of China. The Bank also announced that existing temporary bilateral liquidity swap arrangements with five other major central banks were being converted to standing arrangements. In January 2014, however, the ECB announced that, as US dollar funding conditions had improved significantly, in agreement with other central banks it would gradually reduce the offering of US dollar liquidity-providing operations.

Table 1.4
EURO AREA MONETARY AGGREGATES
Seasonally adjusted; annual percentage changes

	2013			2014		
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Currency in circulation	3.7	4.5	5.3	5.8	6.2	6.5
Overnight deposits	7.1	6.9	5.8	6.2	6.2	5.5
M1	**6.5**	**6.5**	**5.7**	**6.1**	**6.2**	**5.6**
Time Deposits	-1.2	-1.5	-1.7	-2.6	-2.6	-2.3
M2	**3.2**	**3.0**	**2.5**	**2.4**	**2.4**	**2.2**
Marketable Instruments	-17.9	-16.3	-16.2	-12.8	-11.6	-13.6
M3	**1.4**	**1.5**	**1.0**	**1.2**	**1.3**	**1.1**

Source: ECB.

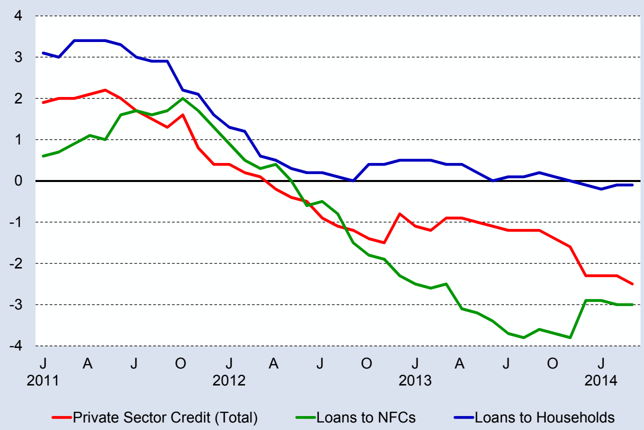
Monetary and credit conditions remain subdued

Monetary aggregates within the euro area weakened further during the final quarter of 2013, with the annual growth rate of broad money (M3) dropping from 2.0% in September to 1.0% in December (see Table 1.4). This deceleration reflected an annual decline in time deposits during the period, as well as a slight slowdown in narrow money (M1) growth. However, the latter remains the main component supporting M3 growth, indicating a continued preference for liquidity. The recent slowdown in M1 growth mainly reflected deposit outflows on the back of a high number of sales of securities by banks, in preparation for the ECB's comprehensive assessment of banks' balance sheets during 2014. Meanwhile, marketable instruments, the other component of M3, continued to contract strongly during the three months to December, thereby remaining the biggest drag on money growth.

Net inflows of external assets into European monetary and financial institutions continued to support M3 growth during the period, indicating an increased external confidence in European banks. On the other hand, credit conditions deteriorated further, with the annual rate of contraction in total credit declining to -2.0% in December from -0.8% in September (see Chart 1.10). This reflected a drop of 2.3% in credit to the private sector, along with a persistent reduction in credit to government.

The drop in private sector credit mainly occurred on the back of a continued strong decline in loans to non-financial corporations. Meanwhile, loans to households dropped at a marginal pace following months of subdued growth. In this category, contractions were observed in consumer credit and in other lending, while house loans expanded at a modest annual pace.

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



Source: ECB.

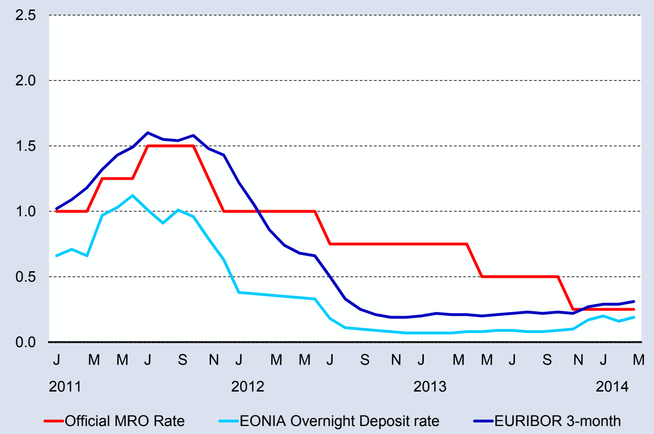
Subdued credit conditions in the euro area mainly reflect a combination of low demand and low supply emanating from the still uncertain economic backdrop, with banks unwilling to take excessive risks, and firms hesitant to take out large loans in such an environment. This suggests that the ECB's record low interest rates are still not feeding through evenly to the real economy. Moreover, the ECB's comprehensive assessment of banks, particularly the Asset Quality Review expected to be completed in 2014, may have dampened bank lending during the fourth quarter.

Subdued monetary and credit developments were also observed during the first quarter of 2014, with private sector credit contracting by an annual rate of 2.5% in March and annual growth in M3 remaining subdued at 1.1%.

Money market rates rise

In euro area money markets, rates generally increased during the three months to December, with the EONIA overnight deposit rate rising by 9 basis points to 0.17% and the three-month EURIBOR up by 5 basis points to 0.27% (see Chart 1.11). A drop in money market excess liquidity was the main driver behind this increase, as banks pulled back funding ahead of the ECB's Asset Quality Review. Meanwhile, the ECB's balance sheet continued to shrink as banks repaid the three-year LTROs granted previously by the ECB.

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



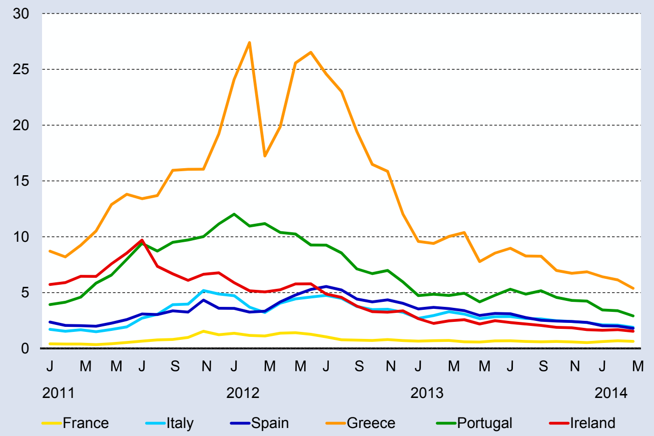
Source: Central Bank of Malta.

Money market rates continued to rise going into the following quarter, with the EONIA overnight deposit rate standing at 0.19% as at end-March and the three-month EURIBOR at 0.31%.

Positive developments in euro area financial markets

In financial markets, German government bond ten-year yields generally rose during the fourth quarter of 2013 (see Chart 1.5). On the other hand, ten-year government bond yields in France, Italy and the euro area periphery dropped

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



Source: ECB.

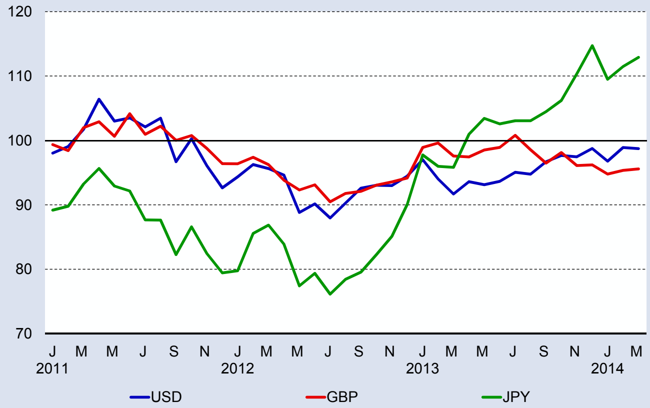
during the period. As a result, spreads between these yields and their safe-haven German counterparts continued to narrow (see Chart 1.12). This reflected a sustained reduction in financial market tensions within the euro area periphery, as these countries continued to recover while the ECB kept an accommodative monetary policy stance.

Chart 1.13
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(monthly index vis-a-vis 20 trading partners; Q1 1999=100)

Source: ECB.

This improved sentiment in euro area financial markets was also reflected in the exchange rate, with the euro continuing with its recent run of gains (see Chart 1.13). Overall, the nominal effective exchange rate (NEER) appreciated by 1.8% during the fourth quarter, reflecting continued capital inflows into the bloc amid an ongoing economic recovery and the gradual easing of financial market tensions throughout the past year. Confidence in the currency was further boosted by steps taken at creating a European banking union. Tight liquidity levels in money markets, as mentioned above, also strengthened the euro exchange rate.

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.

As a result of these factors, the euro continued to appreciate on a bilateral basis against both the US dollar and the Japanese yen during the fourth quarter (see Chart 1.14). However, the common currency did weaken against the pound sterling, which strengthened in response to improving economic prospects in the United Kingdom.

The improvement in euro area financial conditions was sustained during the first quarter of 2014, as capital continued to flow into various stressed countries. As a result, the euro strengthened, with the NEER rising by 0.8% during the period. Spreads in relation to the German bund also narrowed.

2. OUTPUT AND EMPLOYMENT

Gross domestic product (GDP) continued to grow at a sustained pace in the last quarter of 2013, driven by domestic demand. The services sector extended its positive performance, whereas manufacturing output continued to drop. At the same time, the labour market remained buoyant. Employment growth was solid, while the unemployment rate as measured through the Labour Force Survey declined.

GDP and industrial production

Economic growth remains sustained

Real GDP in Malta expanded by 2.2% in annual terms during the last quarter of 2013, down marginally from 2.3% in the previous quarter. Growth was entirely driven by domestic demand, as net exports made a negative contribution. In seasonally adjusted terms, quarter-on-quarter growth stood at 0.4% in the December quarter compared with a contraction of 0.2% in the September quarter. Malta's GDP growth in the final quarter of 2013 exceeded that of the euro area, which had increased by 0.2% in the three months to December (see Chart 2.1).

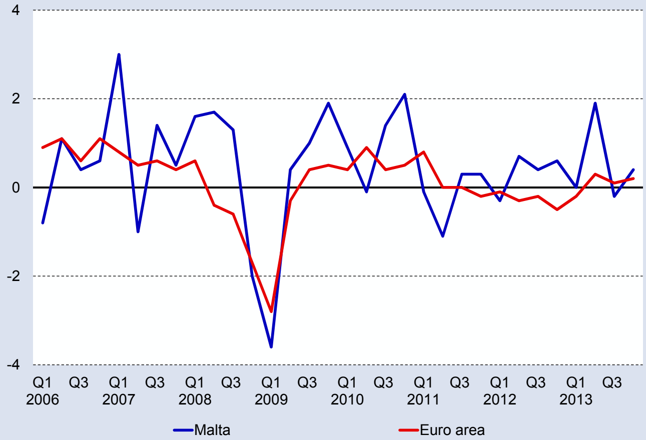
Net exports decline

Net exports remained positive in the last quarter of 2013; however, they fell in absolute terms compared with the same quarter of 2012 as the drop in exports exceeded that of imports. Consequently, the contribution of net exports to real GDP growth was a negative 2.3 percentage points (see Table 2.1).

After having registered positive annual growth in the previous quarter, real exports declined at an annual rate of 8.3% in the fourth quarter of the year. This reflected developments in exports of goods, which fell by 12.8%. Customs data confirm the contraction in exports, with nominal data showing a significant drop in exports of machinery & transport equipment and in sales of oil. Exports of services increased marginally in real terms but in nominal terms they posted a drop mainly as a result of lower receipts from transport and financial services, which outweighed higher earnings from tourism-related services.

On the import side, goods and services recorded a decline in real terms, by 8.4% and 3.4%, respectively. Similarly, in nominal terms imports of goods also decreased, with Customs data recording lower imports of fuel in response to a fall in re-exports and efficiency gains in local generation of electricity. However, imports of other categories of goods increased compared with the same quarter of 2012, driven by machinery & transport equipment. With regard to imports of

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



Source: Eurostat.

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2012	2013			
	Q4	Q1	Q2	Q3	Q4
	Annual percentage changes				
Private final consumption expenditure	1.3	0.9	1.9	1.7	2.5
Government final consumption expenditure	2.4	-1.0	0.6	0.3	-0.6
Gross fixed capital formation	-9.8	1.1	-6.8	-7.5	-1.9
Changes in inventories (% of GDP)(1)	-3.4	4.7	1.0	-1.7	-0.1
Domestic demand	**-1.8**	**7.6**	**-1.0**	**1.4**	**4.8**
Exports of goods & services	-3.1	-5.5	-12.5	3.9	-8.3
Imports of goods & services	-6.2	0.0	-16.3	3.2	-6.4
Gross domestic product	**1.3**	**1.6**	**3.3**	**2.3**	**2.2**
	Percentage point contributions				
Private final consumption expenditure	0.8	0.6	1.2	1.1	1.5
Government final consumption expenditure	0.5	-0.2	0.1	0.1	-0.1
Gross fixed capital formation	-1.5	0.1	-0.9	-0.9	-0.3
Changes in inventories(1)	-1.5	7.0	-1.4	1.0	3.3
Domestic demand	**-1.7**	**7.6**	**-1.0**	**1.2**	**4.5**
Exports of goods & services	-3.2	-5.9	-14.9	4.2	-8.4
Imports of goods & services	6.3	0.0	19.2	-3.1	6.1
Net exports	**3.1**	**-5.9**	**4.3**	**1.1**	**-2.3**
Gross domestic product	**1.3**	**1.6**	**3.3**	**2.3**	**2.2**

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

services in nominal terms, these contracted as payments for business, professional & technical services and telecommunications were lower.

Domestic demand gathers pace

Domestic demand contributed 4.5 percentage points to real GDP growth, with changes in inventories and private consumption the main components behind the increase.[1] Conversely, government consumption and gross fixed capital formation (GFCF) contracted compared with the last three months of 2012.

Private consumption maintained a positive trend, increasing for the fifth consecutive quarter, accelerating to 2.5% from 1.7% in the third quarter of 2013 and adding 1.5 percentage points to real GDP growth. Growth in consumption was sustained, in particular, by higher expenditure on communications and transport, the latter reflecting to some extent higher sales of automobiles, as also evidenced by an increase in car registrations compared with the same quarter of 2012. On the other hand, consumer spending on recreation & culture and household goods declined.

Government consumption expenditure fell by 0.6% on a year earlier, following a rise of 0.3% in the third quarter. As a result, it lowered real GDP growth by a marginal 0.1 of a percentage point. Based on nominal data government consumption increased, as both compensation of employees and intermediate consumption rose compared with the same quarter of 2012.

The investment component of GDP extended its downward path, although the rate of decline decelerated in the last quarter of 2013. On a year-on-year basis, investment was 1.9% lower in

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

the quarter under review compared with a drop of 7.5% in the previous quarter. It thus contributed a negative 0.3 percentage point to GDP growth. Non-residential construction and transport equipment were the main categories of investment registering a contraction as spending on residential construction, IT-related projects and machinery increased. Developments in the latter were mostly due to investment in equipment related to the interconnector project, which will link Malta to the European electricity grid via a cable connection to Sicily. In nominal terms GFCF was higher, underpinned entirely by private investment, particularly in the machinery category. On the other hand, government investment declined owing to a drop in non-residential construction, which outweighed higher spending on machinery.

Changes in inventories, which were equivalent to -0.1% of real GDP, were considerably less negative compared with the fourth quarter of 2012, thus boosting real GDP growth by 3.3 percentage points.

Nominal GDP growth picks up slightly

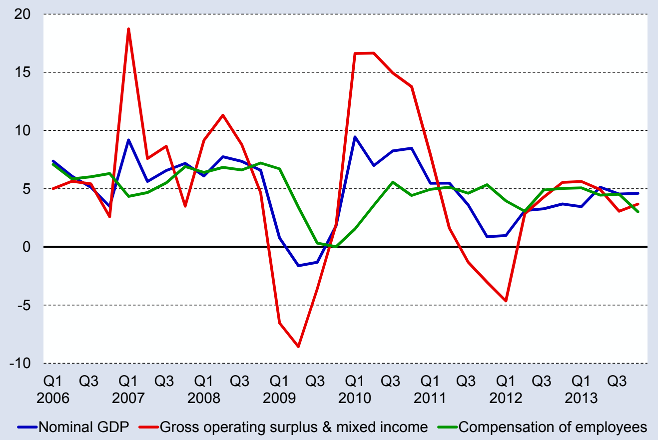
Annual nominal GDP growth accelerated slightly from 4.5% in the third quarter of 2013 to 4.6% in the last quarter. On the basis of the income approach, the main components diverged, however. Thus, gross operating surplus expanded at a faster annual rate compared with the previous quarter, whereas compensation of employees registered a slower rate of growth (see Chart 2.2).

Gross operating surplus expanded at an annual rate of 3.7% compared with 3.1% in the previous quarter. In absolute terms, the largest increases were in professional & scientific activities, transport and mining & utilities sectors. The improvement in the gross operating surplus in the utilities sector reflected more efficient energy production at the new power plant, which consequently contributed to a reduction in fuel imports and a sustained improvement in the gross value added (GVA) of this sector. In contrast, in a number of sectors, notably manufacturing, the gross operating surplus declined.

Meanwhile, growth in compensation of employees slowed down in annual terms from 4.5% in the third quarter to 3.0% in the quarter under review. To a large extent, this reflected slower employment growth in the last quarter of the year. The main sectors recording an increase in compensation of employees were public administration & defence, and professional & scientific activities. The construction sector, in contrast, registered a noteworthy decline in employee compensation.

From an output perspective, GVA continued to expand in annual terms though at a slower pace than in the previous quarter, with the growth rate slowing down to 3.6% from 3.8%. The increase in GVA contributed 3.1 percentage

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



Source: NSO.

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

	2012	2013			
	Q4	Q1	Q2	Q3	Q4
Agriculture, forestry & fishing	0.3	0.1	0.1	0.0	0.0
Mining & quarrying; utilities	-0.3	1.0	1.3	1.1	1.1
Manufacturing	0.3	0.2	-0.8	-1.3	-1.1
Construction	0.0	-0.1	-0.1	0.0	0.0
Services	4.1	3.5	3.8	3.5	3.1
of which:					
Wholesale & retail trade; repair of motor vehicles; transportation; accommodation & related activities	1.4	0.6	0.7	0.7	0.3
Information & communication	0.3	0.4	0.4	0.5	0.5
Financial & insurance activities	0.2	0.2	0.4	0.0	0.2
Real estate activities	0.0	0.1	0.2	0.0	0.2
Professional, scientific, administrative & related activities	0.6	1.0	1.3	1.1	1.3
Public administration & defence; education; health & related activities	1.3	1.1	0.8	1.3	0.6
Arts, entertainment; household repair & related services	0.4	0.1	0.0	0.1	0.1
Gross value added	**4.5**	**4.6**	**4.2**	**3.3**	**3.1**
Net taxation on products	**-0.8**	**-1.1**	**0.9**	**1.3**	**1.5**
Annual nominal GDP growth (%)	**3.7**	**3.5**	**5.1**	**4.5**	**4.6**

Source: NSO.

points to nominal GDP growth, with net taxation accounting for 1.5 percentage points (see Table 2.2).[2]

Service activities continued to drive GVA growth with a 3.1 percentage point contribution to nominal GDP expansion. Within this sector, public administration & defence and the professional & scientific activities sectors contributed 0.6 and 1.3 percentage point, respectively, to nominal GDP growth. Meanwhile, the information & communication sector contributed half a percentage point to GDP growth with the rest of the service sectors together, including tourism, adding 0.7 of a percentage point.

In contrast, GVA in the manufacturing sector contracted for the third consecutive quarter, thus reducing GDP growth by 1.1 percentage points. The mining & quarrying & utilities sector, on the other hand, continued to rise on an annual basis, adding 1.1 percentage points to nominal GDP. Changes in other sectors had no significant impact on nominal GDP growth.

Industrial production continues to decline

Industrial production contracted for the fourth consecutive quarter. In the last quarter of 2013 it decreased by 8.7% on a year earlier compared with a drop of 4.6% in the previous quarter. Firms producing computer, electronic & optical products, pharmaceutical goods and textiles were the main contributors to the decline in industrial output (see Table 2.3).[3] On the other hand, the pro-

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

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

	Shares	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Industrial production	**100**	**11.6**	**-3.4**	**-0.3**	**-4.6**	**-8.7**
of which:						
Computer, electronic & optical products	18.5	27.9	9.3	-1.3	-14.9	-30.1
Food products	10.2	-0.8	2.0	20.0	-0.3	27.8
Energy[1]	8.0	3.3	-3.6	-2.0	-2.4	0.0
Wearing apparel	6.5	19.9	-6.0	31.9	-4.9	5.1
Rubber & plastic products	6.2	1.9	0.7	4.8	7.8	0.9
Basic pharmaceutical products & pharmaceutical preparations	5.5	67.9	-15.7	-7.3	-42.4	-46.1
Textiles	5.2	-1.4	-24.2	-26.2	-3.6	-32.9
Repair and installation of machinery and equipment	5.0	-6.3	-8.1	-2.6	-3.4	0.9

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

duction of food products, wearing apparel, rubber & plastic products and repair & installation of machinery & equipment expanded. The level of output of the energy sector was unchanged when compared with the previous year.

BOX 1: TOURISM ACTIVITY

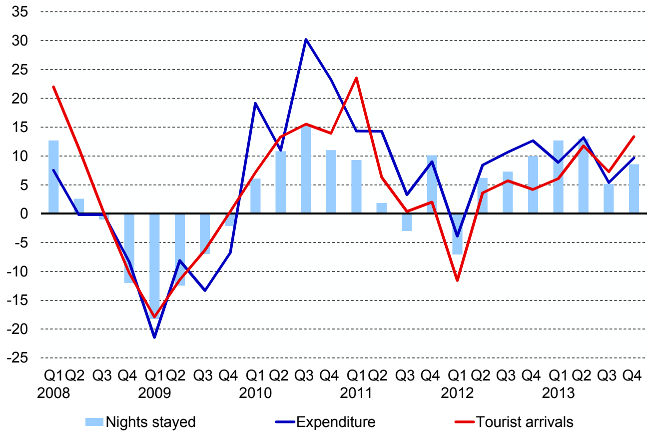
Tourism industry remains buoyant

All leading tourism indicators suggest that the tourism industry continued to perform strongly in the last quarter of 2013, with the number of inbound tourists, nights stayed and expenditure by tourists recording positive year-on-year growth for the seventh consecutive quarter.

National Statistics Office (NSO) data show that arrivals in the fourth quarter of 2013 went up to 338,580, an increase of 13.4% on the corresponding quarter of 2012 (see Chart 1). This surge mainly resulted from movements in the number of leisure travellers, although business travellers also contributed.

In terms of geographical distribution, the increase in arrivals during the last quarter of 2013 stemmed from all main source markets, with the exception of the United Kingdom and

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



Source: NSO.

Table 1
DEPARTING TOURISTS BY COUNTRY OF RESIDENCE
Number of visitors

	2012 Q4	2013 Q4	Change
Total tourists	**298,658**	**338,580**	**39,922**
Austria	4,048	4,799	751
France	18,207	20,987	2,779
Germany	33,665	36,276	2,610
Ireland	6,100	6,454	354
Italy	37,258	44,690	7,432
Libya	4,872	10,174	5,302
Netherlands	7,083	6,999	-84
Russia	5,567	8,792	3,225
Scandinavia	18,577	23,990	5,413
Spain	6,430	6,436	5
United Kingdom	101,904	101,323	-581
USA	2,791	3,960	1,169
Other	52,154	63,700	11,546

Source: NSO.

the Netherlands, which recorded small declines (see Table 1). For the third consecutive quarter, the largest upturn was registered by the Italian market, with the number of visitors going up by 7,432, or 19.9%, compared with the last quarter of 2012. Other substantial increases were registered by the Scandinavian, Libyan and Russian markets, partly reflecting an increase in airline routes.

NSO data covering the last three months of 2013 show that total tourist expenditure reached €282.7 million, up by 9.7% in annual terms.[1] All expenditure components recorded increases when compared with the corresponding months of 2012, with spending on package holidays registering a rise of 13.5% while the "other" component of expenditure increased by 11.4%. At the same time, non-package expenditure went up by 3.3%, reflecting higher spending on accommodation.[2]

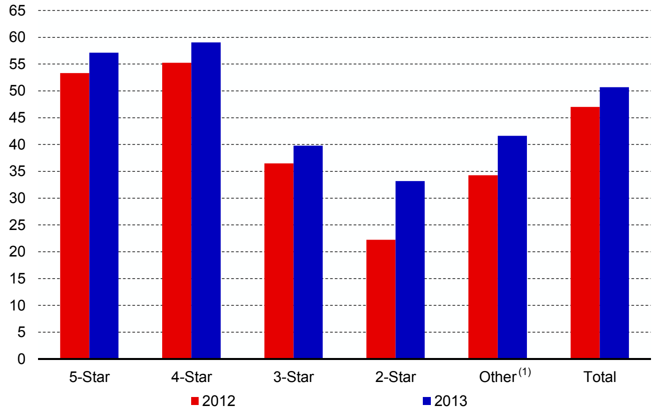
The aggregate number of visitor nights rose by over 200,000 nights, or 8.6% over the level in the last quarter of 2012. Nights in collective accommodation establishments climbed by 9.9% and accounted for much of the increase in nights stayed. However, nights spent in private accommodation, which account for around a third of total nights stayed, also rose strongly, going up by 6.0%.[3] During the last quarter of 2013, the average length of stay of visitors fell by 0.3 to 7.7 nights over the corresponding quarter of 2012.

Overall, reflecting the higher number of nights stayed during the last quarter of 2013, the average occupancy rate in collective accommodation establishments stood at 50.7% at

[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. Private accommodation includes self-catering apartments, farmhouses and private residences.

end-December 2013, up by 3.7 percentage points on a year earlier (see Chart 2). This was evident across all hotel categories. Occupancy rates in five-star and four-star hotel categories edged up by 3.8 and 3.7 percentage points, respectively, on the previous year's level, whilst the comparable rate in three-star hotels rose by 3.3 points on the December quarter of 2012. Meanwhile, occupancy rates in two-star hotels and in "other" establishments surged by 11.0 percentage points and 7.3 percentage points, respectively.[4]

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

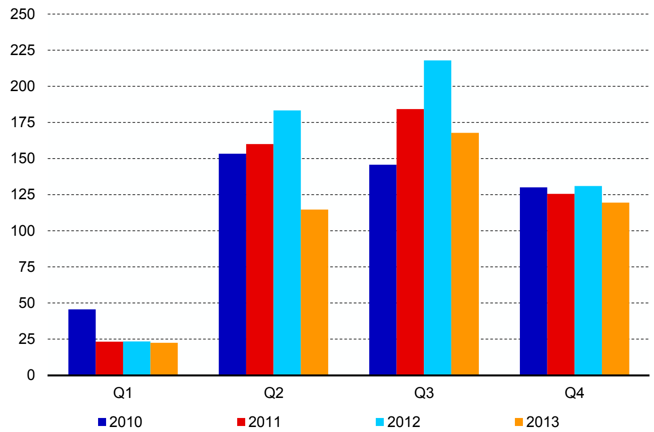


(1) Includes guest houses, hostels & holiday complexes.
Source: NSO.

The favourable developments during the last quarter of 2013 were also corroborated by the quarterly survey conducted by the tourism industry. The survey shows that average achieved room rates, as well as gross operating profit per available room between October and December, improved across all hotel categories. Significant improvements were recorded in four-star and five-star hotels, where the average achieved room rates increased by 10.9% and 6.0%, respectively, on a year earlier.[5]

More recent NSO data indicate that the buoyancy in the tourism industry persisted in the first quarter of 2014 with the number of departing tourists increasing by 7.9% over the first three months of 2013. Furthermore, nights spent and expenditure rose by 4.3% and 7.8%, respectively, on a year earlier.

Chart 3
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

Cruise liner visits contract

In the fourth quarter of 2013, the number of cruise

[4] "Other" establishments comprise guesthouses, aparthotels and hostels.
[5] See *BOV-MHRA Survey* – Q4 2013.

liner calls increased to 92, up by eight from the corresponding quarter of 2012. This notwithstanding, in annual terms the number of foreign passengers fell by 8.8% (see Chart 3).

Data covering the first quarter of 2014 show that the number of cruise liner calls climbed to 23, up by ten from the first three months of 2013. The number of cruise line passengers went up by 15,490, or 68.4%, on a year earlier.

The labour market[4]

Labour market data for the final quarter of 2013 indicate that employment rose further in annual terms. Meanwhile, the unemployment rate based on the Labour Force Survey (LFS) was lower when compared with both the previous quarter and the year-ago level.

Employment rises at a healthy pace

LFS data show that in the final quarter of 2013 the labour force increased by 2.7% (see Table 2.4). This compares with a 3.2% rise in the third quarter.[5] At 2.8%, the annual rate of employ-

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

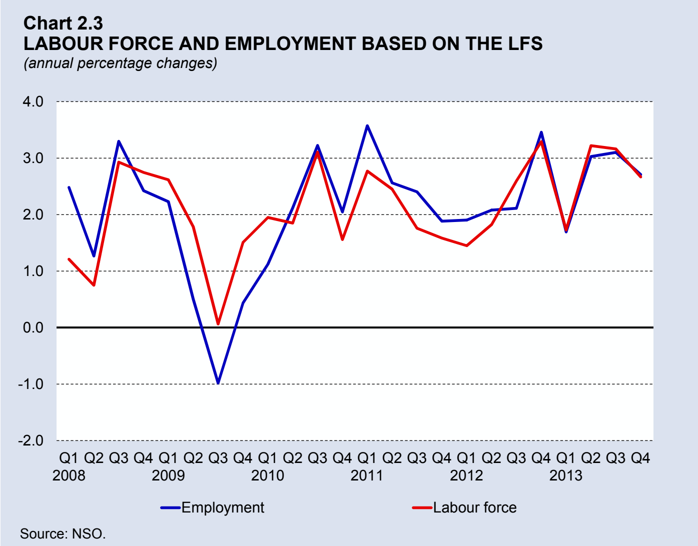
	2012	2013				Annual change
	Q4	Q1	Q2	Q3	Q4	%
Labour force	**185,426**	**185,459**	**189,620**	**192,303**	**190,372**	**2.7**
Employed	173,456	174,174	176,862	179,476	178,241	2.8
By type of employment:						
Full-time	148,961	148,977	150,315	151,526	152,296	2.2
Full-time with reduced hours	4,125	4,063	5,054	4,885	4,441	7.7
Part-time	20,370	21,134	21,483	23,065	21,504	5.6
Unemployed	11,970	11,285	12,758	12,827	12,131	1.3
Activity rate (%)	**63.6**	**63.6**	**64.9**	**65.8**	**65.3**	
Male	77.7	78.0	79.4	80.2	80.0	
Female	49.0	48.6	49.8	50.8	50.1	
Employment rate (%)	**59.5**	**59.7**	**60.5**	**61.3**	**61.1**	
Male	73.1	73.0	73.9	74.8	74.8	
Female	45.4	45.8	46.5	47.3	46.9	
Unemployment rate (%)	**6.5**	**6.1**	**6.7**	**6.7**	**6.4**	
Male	5.9	6.3	6.9	6.6	6.3	
Female	7.4	5.7	6.5	6.8	6.4	

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 (ETC) 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.

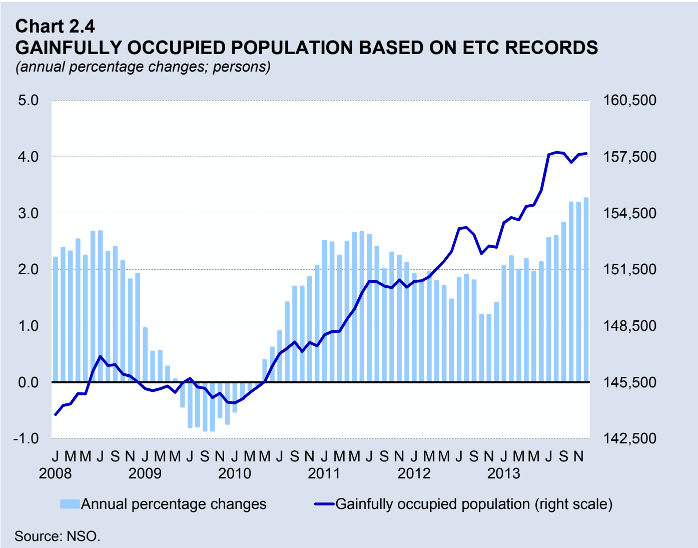
ment growth was 0.3 percentage point lower compared with the preceding quarter (see Chart 2.3). In absolute terms, full-time jobs accounted for most of the year-on-year rise in employment. These went up by 3,335, or 2.2%. Jobs on a part-time basis rose by 1,134, or 5.6%, while full-timers on reduced hours increased by 316 or 7.7%.



The total employment rate stood at 61.1% and was thus 1.6 percentage points higher than the year-ago level.[6] The increase was spurred by both males and females. In fact, the male employment rate rose from 73.1% in the final quarter of 2012 to 74.8% in the same period a year later. Among male workers, the strongest rise in employment in absolute terms was registered in the 35–44 age bracket, although increases were also recorded in most other age groups. The employment rate for females went up from 45.4% to 46.9%. As in the case of males, the increase was reflected in most age brackets, with the highest rise in employment being recorded in the 45–54 age bracket.

The activity rate rose from 63.6% in the final quarter of 2012 to 65.3% a year later.[7] Both males and females reported gains, but the increase was stronger among the former.

ETC data show that the gainfully occupied population, defined to include all in full-time employment, continue to exceed its year-ago level and remained close to the peak recorded in August 2013 (see Chart 2.4). The annual growth rate reached 3.3% in December from 2.8% in September.



Employment growth was driven by both the private and public sector, but the highest absolute increase was registered in the former (see Table 2.5). In December the number of full-time employees in the private sector rose by 3,570, or 3.2% on the previous year. Full-time jobs

[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
	Dec.	Mar.	June	Sep.	Dec.	%
Labour supply	**159,493**	**161,487**	**162,994**	**165,303**	**165,064**	**3.5**
Gainfully occupied(1)	152,682	154,137	155,715	157,684	157,663	3.3
Registered unemployed	6,811	7,350	7,279	7,619	7,401	8.7
Unemployment rate (%)	**4.3**	**4.6**	**4.5**	**4.6**	**4.5**	
Private sector	**111,672**	**112,630**	**113,884**	**115,794**	**115,242**	**3.2**
Public sector	**41,010**	**41,507**	**41,831**	**41,890**	**42,421**	**3.4**
Part-time jobs	**55,106**	**55,522**	**56,986**	**58,085**	**57,387**	**4.1**
Primary	31,646	31,883	33,117	33,774	33,231	5.0
Secondary(2)	23,460	23,639	23,869	24,311	24,156	3.0

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

in the service sectors accounted for much of this increase, with jobs in direct production increasing by 20.

In the service sectors, the highest additions to employment were registered in professional, scientific & technical activities, administrative & support service activities and activities related to health & social work and wholesale & retail trade. Turning to direct production, a rise in employment in the manufacturing sector was nearly completely offset by declines in construction, agriculture, forestry & fishing and water supply.

Within the public sector, employment rose by 1,411 or 3.4% in December, compared with the same month a year earlier. This increase was entirely driven by developments in the service sectors, particularly education, health & social work.

In December part-time employment went up by 2,281 or 4.1% on a year earlier. The category of workers with a part-time job as the primary source of employment income increased by 1,585 or 5.0%, while those having a part-time job in addition to their full-time job rose by 696 or 3.0%. Female workers made up most of the increases in both categories. Within the pool of part-timers, the highest additions in the number of job holders were registered in wholesale & retail trade, professional, scientific & technical activities and activities related to administration & support.

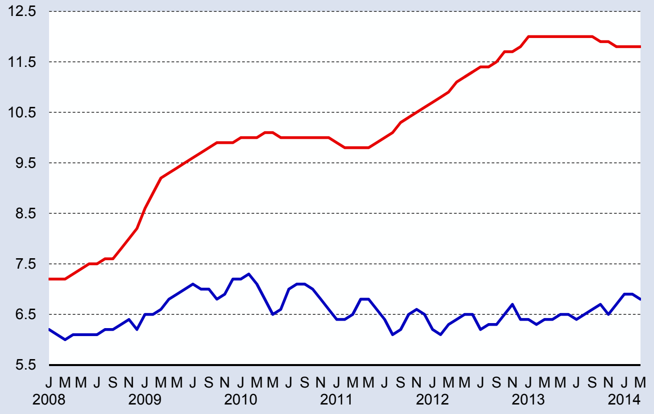
Unemployment data give mixed results

In the fourth quarter of 2013, the unemployment rate based on the LFS was 6.4%. This is 0.3 percentage point less than the rate recorded in the preceding quarter and 0.1 percentage point less than the rate recorded a year earlier.[8] The jobless rate for females fell by 1.0 percentage point, while that for males increased by 0.4 percentage point, compared with the preceding year.

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 seasonally adjusted unemployment rate averaged 6.6% in the quarter reviewed, up by 0.1 percentage point on both the previous quarter and on a year earlier (see Chart 2.5).[9] The unemployment rate in Malta remained over 5 percentage points lower than the average rate for the euro area.

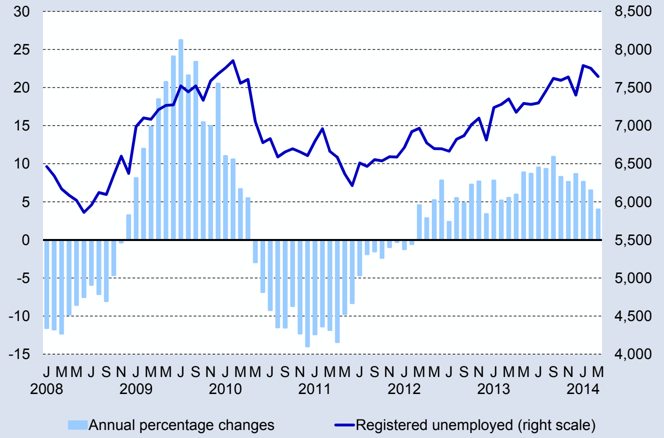
Chart 2.5
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)



Source: Eurostat.

The administrative records of the ETC show that the number of registered unemployed fell by 218 to 7,401 between September and December (see Chart 2.6) but remained above the level recorded in December a year earlier. Thus, the unemployment rate based on ETC data stood at 4.5%, 0.1 percentage point lower compared with September, but 0.2 percentage point higher than in December 2012.

Chart 2.6
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



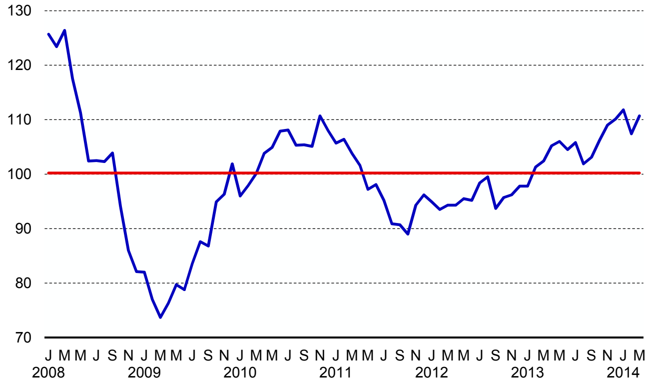
Source: NSO.

Data for the first months of 2014 suggest that unemployment continued to increase in annual terms. The seasonally adjusted unemployment rate rose to 6.9% in the first two months of 2014, before falling marginally to 6.8% in March. ETC data show that in the first quarter of 2014 the number of unemployed was also above the corresponding figure a year earlier.

[9] Based on Eurostat calculations.

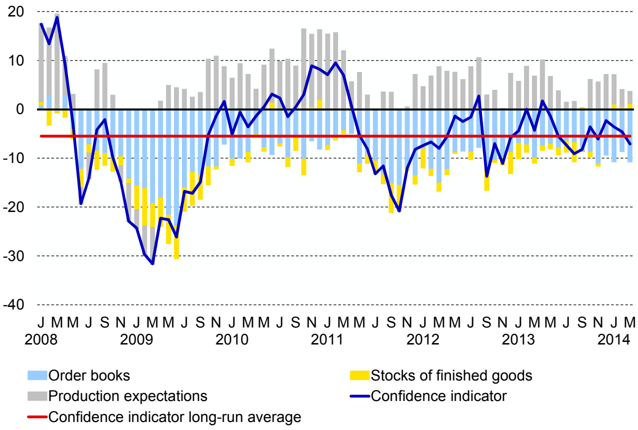
BOX 2: BUSINESS AND CONSUMER SURVEYS

In the first quarter of 2014 confidence improved among firms operating in the services sector and among consumers. Confidence also rose in the construction sector, but remained in negative territory. On the other hand, firms operating in the manufacturing sector became more pessimistic. As a result of these movements, the economic sentiment indicator (ESI) rose marginally to 110.7 in March from 110.1 in December 2013 and remained above its long-term average of 100.2 (see Chart 1).[1, 2]



Industrial confidence falls[3]

The industrial confidence indicator remained in negative territory, falling to -7 in March from -2 in December (see Chart 2). As a consequence, the indicator moved again below its long-term average of -6.



The fall in confidence during the first three months of 2014 was primarily attributable to a deterioration in production expectations, as the proportion of respondents that anticipated an increase in production over the subsequent three months was lower in March compared with December. In addition, a larger number of firms reported weak order book levels. Further survey data

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

Source: European Commission.

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

Source: European Commission.

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.

suggest that the deterioration in order books is mainly attributable to export orders, as a higher number of respondents expected export orders to fall. In March, on balance, respondents believed that their stock of finished goods would decrease by a larger extent compared with three months earlier.[4] Production expectations and order book sub-indicators stood below their respective long-term average. The stock of finished goods stood below its long-run average level, suggesting that the accumulation of stocks has lost momentum during the previous four months.

Further information shows that the number of respondents who anticipated an increase in their labour complement went up compared with December. Meanwhile, the share of participants anticipating their selling prices to decrease rose, with the majority indicating insufficient demand as the main factor inhibiting business activity.

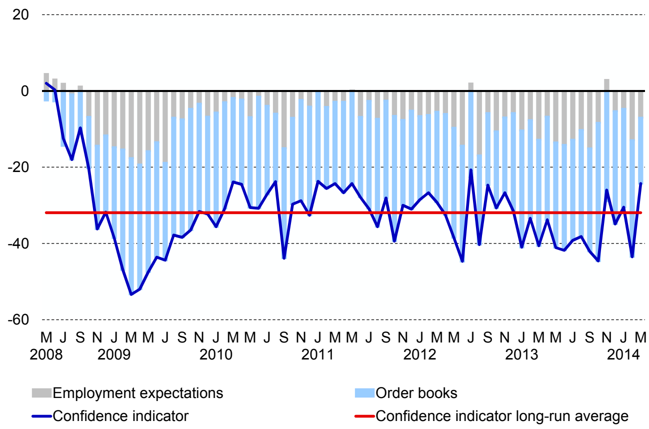
At a sectoral level, confidence deteriorated among producers of food products, wearing apparel and beverages. Producers of pharmaceuticals and non-metallic mineral products became more pessimistic, while confidence turned negative in the printing & reproduction of the recorded media sub-sector. On the other hand, confidence turned positive among producers of metal products and was less negative among those producing computer, electronic & optical products.

Confidence in the construction sector rises, but remains negative[5]

Confidence among firms operating in the construction sector remained in negative territory, but rose to -24 in March from -35 three months earlier (see Chart 3). The indicator thus moved above its long-term average of -32.

The rise in confidence between December and March was completely attributable to a lower proportion of firms considering their current order books to be below normal. In contrast, a higher share of respondents expressed the intention to reduce their workforce in the subsequent three months.

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



Source: European Commission.

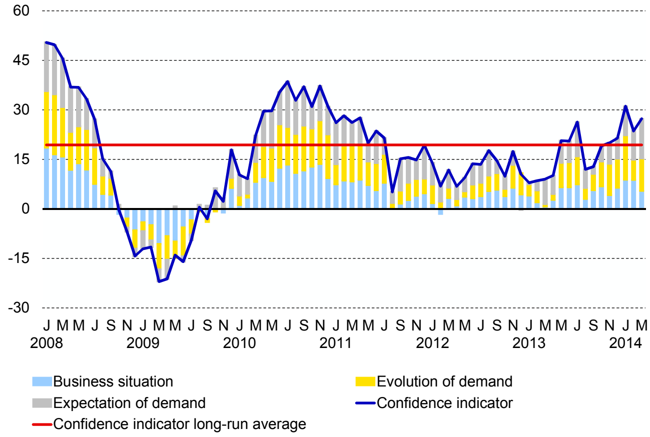
[4] Declines in stock levels indicate higher turnover and affect the overall indicator in a positive way. They are thus represented by bars above the 0 mark in Chart 2.

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

Confidence rises further in the service industry[6]

The services confidence indicator rose further and reached 27 in March from 21 in December, thus remaining above its long-term average of 19 (see Chart 4). Respondents' assessment with regard to demand over the previous three-month period improved, as did their expectations of future demand. Following these developments, the demand expectations sub-indicator moved above its long-term average, with the indicator of past demand remaining above average. On the other hand, the business situation sub-indicator remained below the long-term average.

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



Source: European Commission.

Further information shows that expectations with respect to manpower levels improved, as the number of respondents expecting an increase in their labour complement rose. On balance, prices charged by service providers were anticipated to decrease in the subsequent three months.

Between December and March, confidence rose further in the accommodation sector, in air and land transport, and programming & broadcasting. In contrast, confidence fell in the catering industry and in rental & leasing. Confidence also marginally decreased in financial services, while it remained practically unchanged in the gaming sector.

Consumer confidence moves again into positive territory[7]

In the first two months of 2014, the consumer confidence indicator moved again into negative territory before turning positive in March, when the indicator stood at 1, up from 0 in December (see Chart 5). Thus, the indicator, which has been on an upward path since the third quarter of 2012, remained well above its long-term average of -25.

The amelioration in confidence was attributable to improved assessments with regard to consumers' own financial position and to the general economic situation expected to prevail in the subsequent 12 months. On the other hand, the number of respondents expecting unemployment to fall was lower in March compared with December. Consumers were

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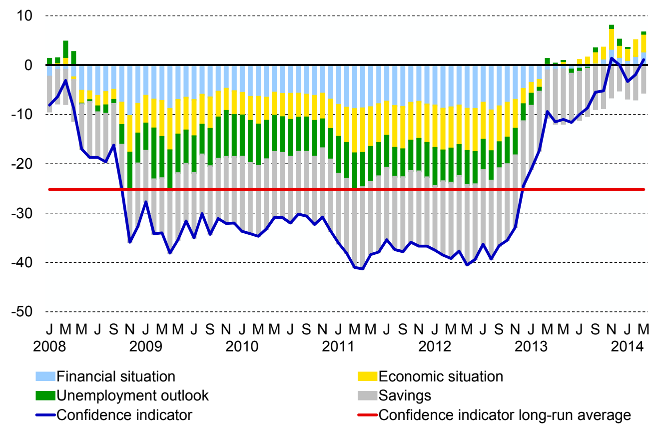
6 The services confidence indicator is the arithmetic average of the seasonally adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

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

also marginally more pessimistic about their ability to save in the subsequent 12 months, but additional information from the survey suggests that they were more predisposed to make major purchases of consumer goods like furniture and electronic devices. The sub-indicators related to savings, the financial position and the economic situation were higher compared with their respective long-term averages. The unemployment sub-indicator stood below its long-run average, indicating that even if consumers' assessment of employment prospects deteriorated from the beginning of the year, it was still better compared with the past.

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



Source: European Commission.

Supplementary results on price developments show that in March, on balance, a smaller number of respondents expected prices to fall over the subsequent 12 months compared with three months earlier.

3. PRICES, COSTS AND COMPETITIVENESS

Consumer price inflation in Malta picked up from low levels during the final quarter of 2013, mainly reflecting developments in service prices, while it continued to rise in the first quarter of 2014. Producer prices, however, fell further. Looking at measures of international price competitiveness, the harmonised competitiveness indicator edged up, while unit labour costs increased at a slower pace.

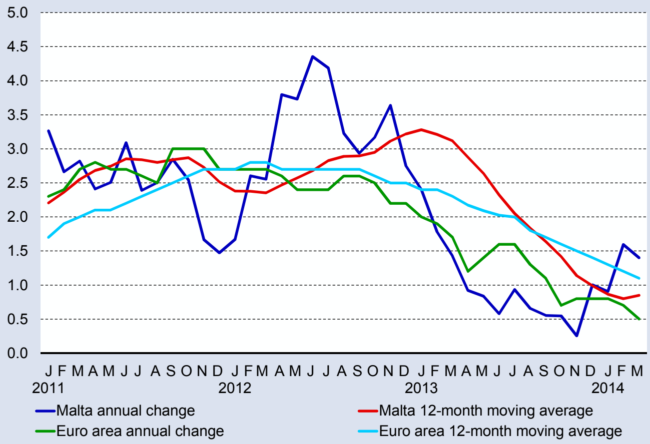
HICP inflation

HICP inflation increases

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 1.0% in December, up from 0.6% in September (see Table 3.1).[1] This acceleration was the result of price developments in services, non-energy industrial goods and processed food, which were partly offset by movements in prices of energy and unprocessed food. The annual inflation rate picked up further in the following quarter, rising to 1.4% in March.

Although the overall HICP inflation rate in Malta increased during the quarter under review, the 12-month moving average rate continued to decline to 1.0% in December from 1.6% in September. This rate was lower than that registered in the euro area, which decelerated to 1.4% by the end of 2013 (see Chart 3.1). The 12-month moving average rate in Malta fell further in the following months, reaching 0.8% in March.

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



Sources: NSO; Eurostat.

Table 3.1
HICP INFLATION
Annual percentage change

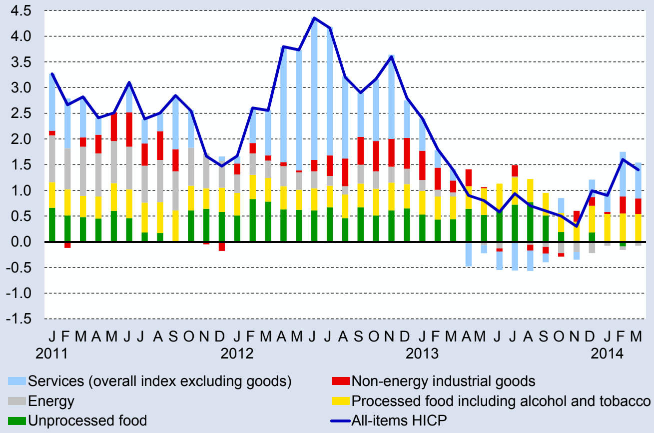
	2013						2014		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Unprocessed food	10.6	11.4	7.2	2.5	0.3	2.4	0.2	-1.2	-0.3
Processed food including alcohol and tobacco	4.4	3.7	3.5	3.0	2.9	4.1	4.1	4.2	4.0
Energy	0.3	-0.8	-1.3	-3.0	-2.7	-2.8	-1.2	-0.9	-1.1
Non-energy industrial goods	0.8	-0.4	-0.5	-0.2	0.7	0.6	0.1	1.1	1.1
Services (overall index excluding goods)	-1.3	-1.0	-0.5	0.6	-0.4	0.8	0.9	2.0	1.7
All Items HICP	**0.9**	**0.7**	**0.6**	**0.5**	**0.3**	**1.0**	**0.9**	**1.6**	**1.4**

Source: NSO.

[1] The HICP weights are revised on an annual basis to reflect changes in household consumption patterns. In January 2014 the weight of non-energy industrial goods was reduced by 0.4 percentage point to 29.1%, while that allocated to services fell by 0.1 point to 42.4%. In contrast, the weight related to energy rose by 0.5 percentage point to 8.1%, while the share allocated to food remained stable at 20.4%.

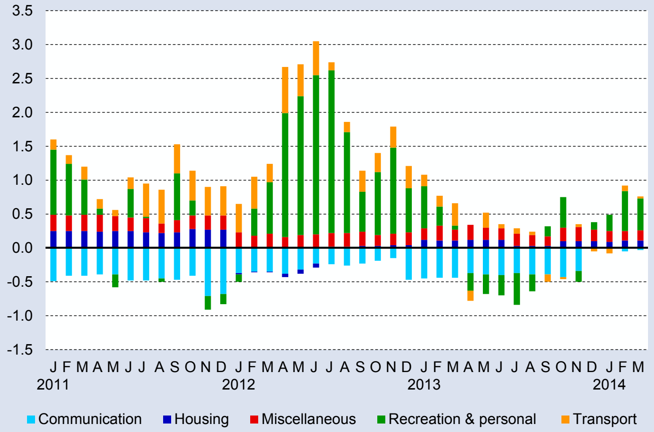
In Malta the acceleration in the overall inflation rate in the fourth quarter was mainly driven by developments in the services component, which constitutes two-fifths of the overall HICP index. The annual rate of change in service prices swung from -0.5% to 0.8% during the quarter under review. Thus, it contributed 0.3 percentage point to headline inflation, up from -0.2 percentage point three months earlier (see Chart 3.2).

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.

The acceleration in services price inflation was due to a combination of factors. First, the annual rate of change of communications prices turned significantly less negative, from -9.4% in September to -0.2% in December - the slowest rate of decline since September 2009. This suggests that competitive pressures between players in the industry have started to ease. As a result, the contribution to overall inflation rose from -0.4 to nil (see Chart 3.3). In addition, prices of services related to housing and of miscellaneous services, notably education, both increased at a faster pace during the last quarter of 2013, contributing a combined 0.3 percentage point to the overall HICP inflation rate. Transport prices also fell at a slower rate, yet the rise in contribution to overall inflation was only marginal.

Meanwhile, prices of services related to recreation and personal care rose at an annual rate of 0.5% in December, the same rate registered in September. A sharp increase in prices of package holidays offset the effects of a steeper fall in accommodation rates during the period under review. As a result, the contribution of this component to overall inflation remained constant.

Similarly to services, the annual rate of change in non-energy industrial goods prices also turned positive, rising to 0.6% in December following a decline of 0.5% three months earlier. The increase was largely attributable to a pick-up in footwear and furniture & furnishings prices, as well as to a slower contraction in prices of garments. As a result, the sub-index's contribution to overall inflation, which comprises just under a third of the aggregate HICP index, swung from -0.1 percentage point to 0.2 point.

On the other hand, annual food price inflation in December decelerated to 3.5% from 4.9% in September, contributing 0.7 percentage point to overall inflation, as opposed to 1.0 percentage point three months earlier.[2] This was mostly attributable to unprocessed food, with the related inflation rate slowing to 2.4% in December from 7.2% in September, mainly reflecting developments in fruit prices. On the other hand, growth in prices of processed food accelerated from 3.5% to 4.1% during the period under review, largely on the back of higher cigarette prices following an increase in excise duty.

Meanwhile, energy prices fell further, declining at an annual rate of 2.8% in December from a 1.3% drop three months earlier. Their contribution to overall inflation thus became marginally more negative, at -0.2 percentage point.

By the end of the first quarter of 2014, the annual rate of HICP inflation increased to 1.4%, 0.4 percentage point higher than its December reading. This was largely the result of developments in the prices of services, with the annual rate of change accelerating to 1.7% in March, mainly due to an increase in accommodation rates. In addition, non-energy industrial goods price inflation picked up to 1.1%, owing to developments in durable goods prices. Furthermore, energy price inflation at -1.1% was less negative than in December. On the other hand, unprocessed food prices declined at an annual rate of 0.3% in March after having increased by 2.4% three months earlier. This was the first year-on-year decline recorded since 2010 and was broad-based across all sub-components of the category. Meanwhile, processed food price inflation remained broadly stable at 4.0%, 0.1 percentage point lower than in December.

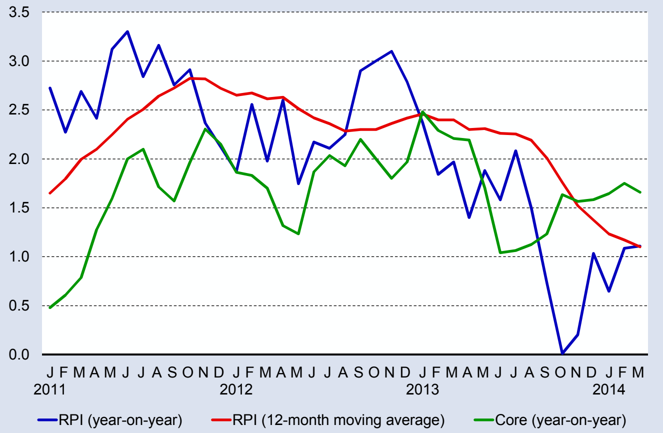
RPI inflation[3]

RPI inflation picks up, in line with HICP developments

The annual inflation rate based on the Retail Price Index (RPI) accelerated to 1.0% in December from 0.7% three months earlier. Nevertheless, the 12-month moving average inflation rate continued to ease, falling to 1.4% in December from 2.0% in September (see Chart 3.4).

The acceleration in RPI inflation in the fourth quarter of 2013 was largely driven by prices of transport & communications services, as well as beverages & tobacco prices. When combined, the two categories account for nearly 30% of the overall index. The beverages and tobacco sub-index increased at an annual rate

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



Sources: Central Bank of Malta estimates; NSO.

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[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.

of 6.3% in December, up from 4.4% three months earlier. As a result, its contribution to overall inflation rose marginally from 0.3 to 0.4 percentage point (see Table 3.2). Moreover, the annual rate of decline in transport & communication prices slowed to -1.8% as opposed to -3.9% in September, and thus their contribution became significantly less negative, from -0.9 to -0.4 percentage point. In addition, prices of clothing and footwear increased at an annual rate of 0.6% in December, after having fallen by 2.8% in September, thus turning this category's contribution from -0.2 to nil.

These upward pressures on RPI inflation were mitigated by developments in food prices, as their annual rate of change halved to 2.6%, compared with 5.4% three months earlier. Meanwhile, prices of housing, recreation & culture and personal care & health accelerated marginally, but their combined contribution to overall RPI inflation remained unchanged. Finally, electricity and gas prices extended their downward trend, declining by 1.2% in December on a year earlier, but their contribution remained unchanged at nil, reflecting the small weight of this component in the overall RPI.

During the first quarter of 2014, the annual RPI inflation rate edged up to 1.1%. A considerable slowdown in food price inflation was offset by higher prices of fuels, as well as by an acceleration in household equipment and maintenance prices, and by a slower decline in prices of transport and communications services.

As the RPI is heavily influenced by a number of volatile 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] This rate climbed to 1.6% by the end of the fourth quarter from 1.2% in September. The acceleration was largely attributable to developments in the prices of household equipment & house maintenance costs, and, to a lesser extent, prices of recreation and culture. Subsequently, the Bank's core RPI inflation rate rose marginally to 1.7% in March.

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

	2013						2014		
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Food	1.5	1.5	1.1	0.5	0.1	0.6	0.1	0.0	0.2
Beverages & tobacco	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Clothing & footwear	0.4	-0.2	-0.2	-0.2	0.1	0.0	-0.2	0.1	0.0
Housing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water, electricity, gas & fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Household equipment & house maintenance costs	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Transport & communications	-0.4	-0.5	-0.9	-1.1	-0.8	-0.4	-0.2	0.1	-0.1
Personal care & health	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Recreation & culture	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.2
Other goods & services	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0
RPI (annual percentage change)	**2.1**	**1.5**	**0.7**	**0.0**	**0.2**	**1.0**	**0.6**	**1.1**	**1.1**

Sources: Central Bank of Malta; NSO.

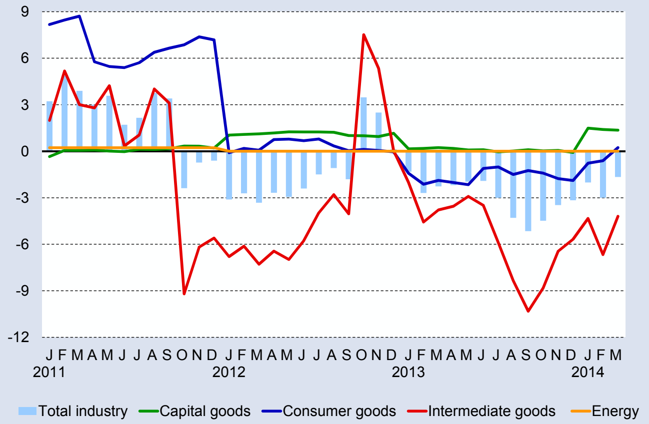
[4] The core inflation rate reflects developments only in those sub-indices of the RPI that show persistent price changes. As measured by the Bank, these sub-indices currently consist of: housing, durable household goods, personal care & health, education & entertainment and other goods & services.

Costs and competitiveness

Producer prices continue to fall[5]

Producer prices fell further in the final quarter of 2013, though at a slower annual rate. In December they declined at an annual rate of 3.2% after having dropped by 5.2% in September (see Chart 3.5). This moderation largely reflects developments in the intermediate goods category, in which prices contracted at an annual rate of 5.7% following a fall of 10.3% registered at the end of the third quarter. This category mainly includes semiconductors, as well as pharmaceuticals, paper and plastic products.

Chart 3.5
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



Source: NSO.

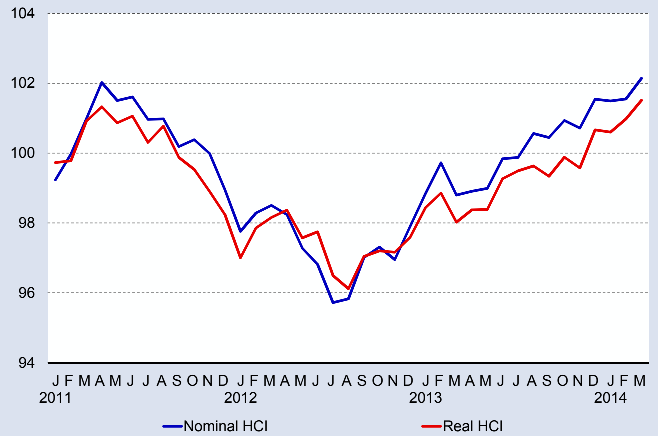
On the other hand, consumer goods prices decreased at a faster annual pace, declining by 1.9% in December compared with a 1.3% drop three months earlier. Meanwhile, capital goods prices declined marginally, falling by 0.1% on a year earlier, with a negligible impact on overall PPI inflation. Energy prices had no effect on producer price inflation as electricity tariffs remained unchanged for the third consecutive year.

Moving into the first quarter of 2014, producer prices continued to contract. However, the rate of contraction eased further. In March producer prices decreased at an annual rate of 1.7%, reflecting a smaller drop in intermediate goods prices, partially offset by a slight increase in consumer goods prices.

Harmonised competitive indices edge up further

During the fourth quarter of 2013, the nominal harmonised competitiveness indicator (HCI) extended the upward trend in evidence since the first quarter of the year (see Chart 3.6).[6] The increase in

Chart 3.6
HARMONISED COMPETITIVENESS INDICATORS
(May 2004 = 100)



Source: ECB.

[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 nominal HCI mainly reflected the appreciation of the euro against the US dollar and the Japanese yen.

The real HCI also increased during the final quarter of the year. Apart from nominal exchange rate movements, Malta's inflation differential compared with its trading partners became less favourable during the quarter under review.

Compared with a year earlier, the nominal HCI was 3.7% higher in December, while the real HCI increased by 3.2%. Thus, the loss in price competitiveness during 2013 signalled by the rise in these indicators was completely driven by exchange rate movements.

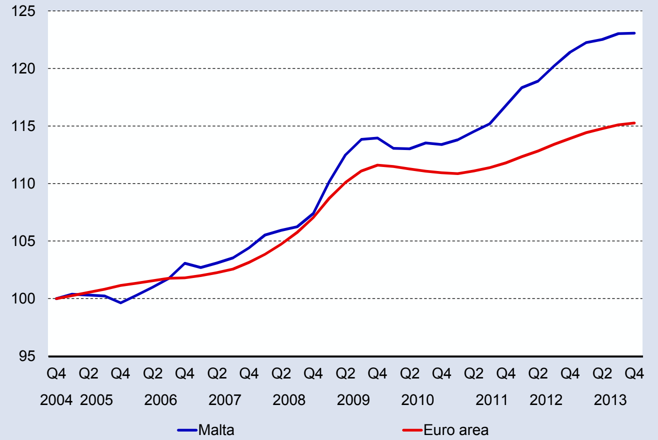
Over the first quarter of 2014, the nominal and real HCI indicators continued their upward trend, rising by 0.6% and 0.8%, respectively. This marginal deterioration in competitiveness was predominantly related to higher inflation in Malta vis-à-vis its trading partners.

The increase in unit labour costs moderates in the final quarter

During the final quarter of 2013, Malta's unit labour cost (ULC) index, measured as a four-quarter moving average, was 1.4% higher on a year earlier (see Chart 3.7).[7] This increase followed a 2.3% rise in the third quarter of the year.

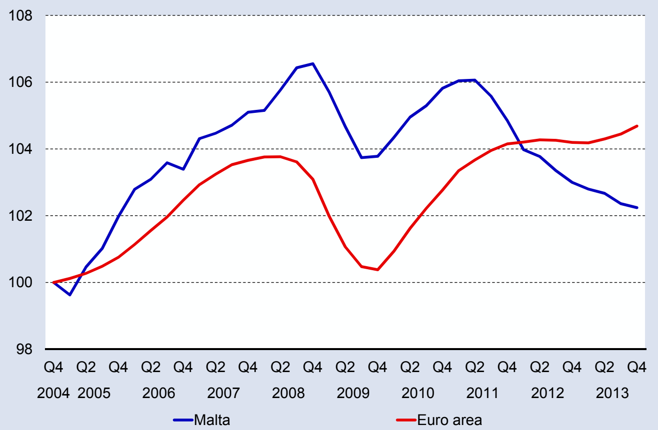
The moderation in Malta's ULC growth during the fourth quarter was the result of slower growth in compensation per employee and a smaller drop in labour productivity (see Charts 3.8 and 3.9). The former rose by 0.6% following an increase of 1.4% in the previous quarter. The latter contracted by 0.7% following a drop of 1.0% in the previous three months, as employment

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 IN THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



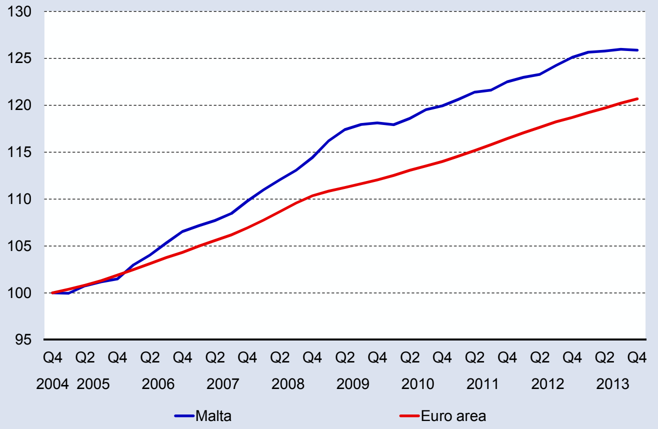
Sources: ECB; Central Bank of Malta estimates.

[7] ULCs measure the average cost of labour per unit of output and is calculated as the ratio of compensation per employee to labour productivity.

continued to outpace real gross domestic product.

In the euro area, ULCs also decelerated when measured over a rolling four-quarter period, growing at an annual rate of 1.2% during the fourth quarter of 2013 as against 1.5% three months earlier. The moderation in ULC growth was driven by developments in labour productivity, which increased by 0.5%, a faster rate than in the previous quarter. Meanwhile, compensation per employee rose by 1.7%, the same pace registered in the third quarter.

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



Sources: ECB; Central Bank of Malta estimates.

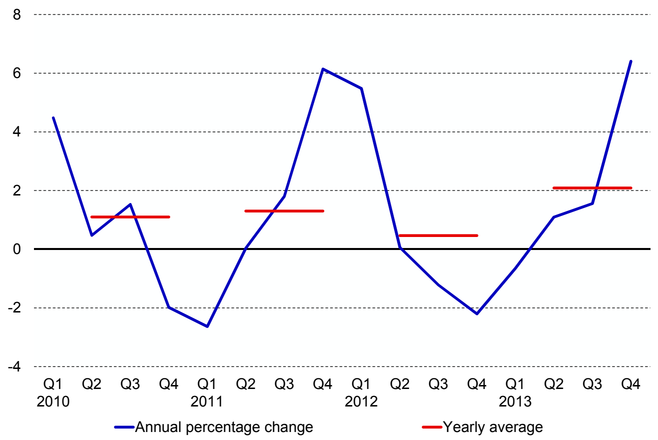
The increase in ULCs in Malta was more rapid than that in the euro area as a whole. This implies a weakening of Malta's competitive position within the single currency area.

BOX 3: RESIDENTIAL PROPERTY PRICES

Residential property prices rise further in the last quarter of 2013

Based on the Central Bank of Malta's advertised property price index, the price of residential properties rose at an annual rate of 6.4% in the fourth quarter of 2013, following an increase of 1.6% in the previous quarter (see Chart 1).[1]

Chart 1
MOVEMENTS IN RESIDENTIAL PROPERTY PRICES BASED ON ADVERTISED PRICES



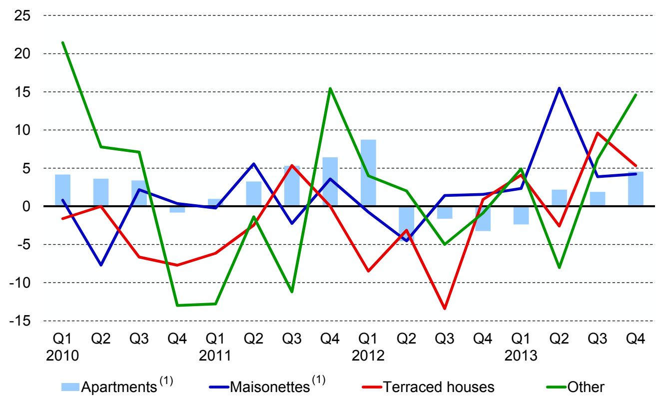
Source: Central Bank of Malta.

Prices went up across all main sampled categories included in the index (see Chart 2). Stronger annual rates of change were recorded in the prices of

[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.

apartments, maisonettes and of property in the "other" category, which consists of town houses, houses of character and villas. Meanwhile, the annual rate of change of terraced house prices moderated in the quarter under review.

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 last quarter of 2013 prices for apartments, which make up almost three-fifths of properties in the sample, rose by 4.5%. This followed a 1.9% rise in the previous quarter and marks the third consecutive quarter of positive growth in prices in this category.

Moreover, advertised prices in the "other" category surged by 14.6%, thus accelerating significantly from the 6.2% increase registered in the third quarter. This reflected higher prices for houses of character, villas, as well as town houses. In addition, prices of maisonettes also increased at a slightly faster pace, rising by 4.2% in the quarter under review as opposed to 3.9% three months earlier.

Meanwhile, the annual rate of change of advertised prices for terraced houses rose at a more gradual pace of 5.3%, compared with 9.6% in the third quarter. The latter mainly reflected the exceptionally low level of prices for such properties in the corresponding quarter of 2012.

4. THE BALANCE OF PAYMENTS

In the last quarter of 2013 the current account of the balance of payments posted a deficit, compared with a surplus in the corresponding period of 2012. This was entirely on account of a widening in the merchandise trade deficit and higher net outflows on the income account. Meanwhile, net inward current transfers increased, whereas the surplus on the services account remained broadly unchanged.

Concomitantly, net inflows were recorded in the capital and financial account, as opposed to net outflows in the fourth quarter of 2012. This was predominantly attributable to movements in the financial account.[1] Net reserve assets increased, while errors and omissions turned negative.[2]

The current account

Current account posts a deficit in the last quarter of 2013

In the December quarter of 2013 the current account showed a deficit of €43 million, as against a surplus of €29 million in 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 eighth consecutive quarter. However, the surplus narrowed by €36.4 million when compared with the same four quarters of 2012, to €100.3 million (see Table 4.1 and Chart 4.1). The contraction was reflected in all the main components of the account except current transfers, which recorded higher net inflows.

Table 4.1
BALANCE OF PAYMENTS
EUR millions

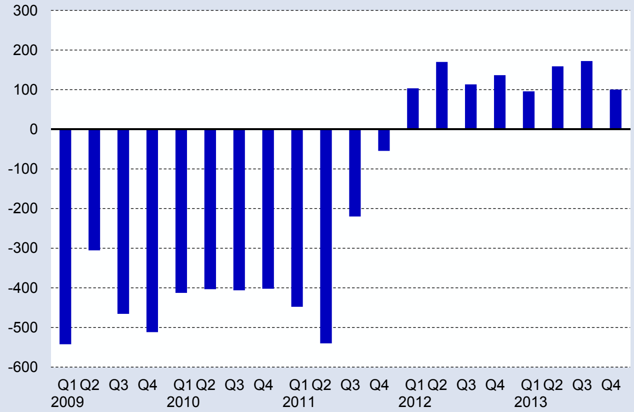
			four-quarter moving sums(1)				
	2012	2013	2012	2013			
	Q4		Q4	Q1	Q2	Q3	Q4
Current account	**29.0**	**-43.0**	**136.7**	**95.7**	**159.0**	**172.3**	**100.3**
Goods	-187.0	-227.9	-954.9	-1,026.3	-935.3	-946.9	-987.7
Services	297.1	297.2	1,450.2	1,425.1	1,424.8	1,441.5	1,441.6
Income	-106.1	-148.0	-422.9	-403.8	-417.9	-400.6	-442.5
Current transfers	25.1	35.7	64.4	100.8	87.5	78.4	88.9
Capital and financial account	**-173.2**	**294.4**	**-450.4**	**-303.7**	**-223.0**	**-255.7**	**211.9**
Capital account	59.4	60.6	134.5	134.7	134.3	141.8	143.0
Financial account	-232.6	233.8	-585.0	-438.3	-357.3	-397.4	68.9
Direct investment	26.4	-1,816.6	36.2	66.9	222.9	266.7	-1,576.3
Portfolio investment	-584.8	1,632.1	-1,600.7	-2,187.1	-3,226.3	-4,513.9	-2,297.0
Financial derivatives	-18.0	-12.8	25.3	-8.9	6.5	-68.4	-63.2
Other investment	345.4	454.1	1,075.6	1,640.2	2,555.7	3,857.8	3,966.5
Reserve assets	-1.6	-23.1	-121.4	50.4	83.9	60.3	38.8
Errors and omissions	144.2	-251.4	313.7	208.0	64.0	83.4	-312.2

(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 Negative net errors and omissions imply an underestimation of the current account deficit and/or an overestimation of net inflows on the capital and financial account.

As a proportion of gross domestic product (GDP) the current account surplus stood at 1.4% in 2013, down by 0.6 percentage point from the base registered in 2012.

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

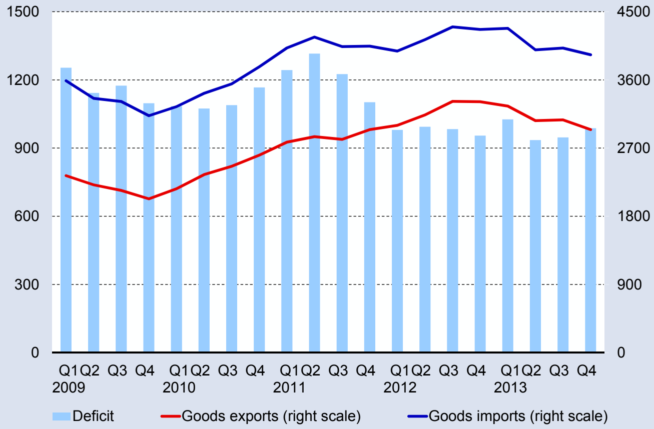


Source: NSO.

The merchandise trade gap widens

During the September – December period of 2013, the merchandise trade gap widened by €40.8 million on a year earlier to €227.9 million. This was attributable to a contraction in exports of goods, which was more pronounced than a drop in imports. The year-on-year drop in the former amounted to €129.6 million, or 15.7%, while the fall in imports was lower at €88.8 million, or 8.8%.[3]

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



Source: NSO.

Customs data show that the dip in exports during the last quarter of 2013 was largely due to lower sales of fuel products and electronic components.[4] With regard to imports, Customs data point to declines in the fuel bill, industrial supplies and, to a lesser extent, consumer goods. On the other hand, capital imports increased when compared with the December quarter of 2012, partly boosted by purchases related to investment in the energy sector.

When measured on a four-quarter cumulative basis, the visible trade gap based on balance of payments data widened to €987.7 million, €32.8 million higher than the deficit recorded in the corresponding period of 2012. This arose as exports declined by €368.3 million, while imports recorded a smaller drop of €335.5 million (see Chart 4.2). These drops were heavily influenced by transactions relating to fuel, although a decline in semiconductor exports and imports of industrial supplies also played a role.

[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 (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 the first three months of 2014 indicate that exports continued to fall more strongly than imports. As a result, the visible trade gap widened to €347.6 million, a deterioration of €63.1 million when compared with the deficit in the March quarter of 2013.

This was largely on account of a notable increase in fuel imports which was not matched by fuel re-exports. In contrast, non-fuel imports declined more than related exports. Indeed, when excluding fuels, the trade deficit would have narrowed by €27.5 million, to €175.2 million.

The surplus on services remains unchanged

Between October and December 2013, the surplus on services stood at €297.2 million, up by €0.1 million on the same period of 2012, as imports and exports contracted by similar amounts.

The seemingly unchanged overall surplus reflected opposing intra-account movements. Sustained by the strong performance of the tourism industry, the net balance on travel services increased to €133.2 million, up by €9.1 million on the corresponding quarter of 2012. This reflected a €13.5 million rise in receipts, which was only partly dampened by a €4.4 million increase in expenditure by Maltese nationals travelling abroad. Meanwhile, declines in net payments for business, professional & technical services, insurance and telecommunication-related services also contributed favourably to movements on the services account.

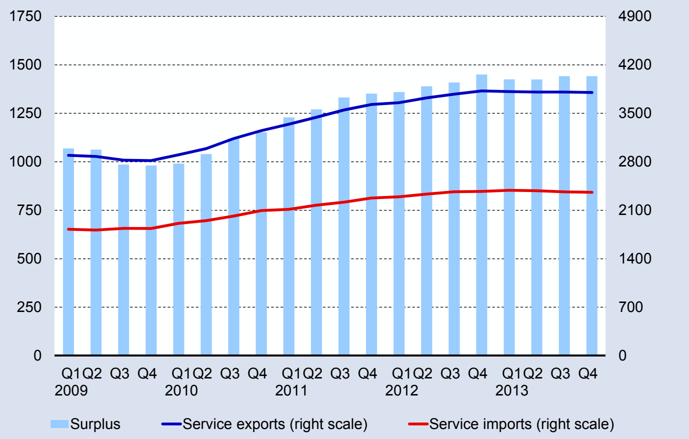
In contrast, during the last quarter of 2013, net receipts on financial services declined to €33.3 million, down by €17.0 million a year earlier. Furthermore, the balance on transport services swung to net payments of €9.5 million from a surplus of €1.0 million in the last three months of 2012. This deterioration was driven by a rise in freight payments and, to a lesser extent, by a drop in receipts from passenger air fares.

The overall surplus on services in 2013 as a whole stood at €1,441.6 million, down by €8.6 million, or 0.6% from the previous year's level (see Chart 4.3). This was attributable to a decline on the export side, primarily linked to lower receipts from financial and transport services, which offset a fall in payments on telecommunication and insurance.

Higher net outflows on the income account

In the final quarter of 2013, net outflows on the income account amounted to €148.0 million, up by €41.8 million over the corresponding quarter of 2012. Flows on this account continued to be heavily influenced by the activities of internationally-oriented banks, which are predominantly engaged in financial operations with non-residents. Higher net outflows were attributable to a rise in net interest payments by resident banks on their outstanding loans with non-residents.

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



Source: NSO.

During 2013 as a whole, net outflows on the income account increased by €19.6 million, to stand at €442.5 million. This was driven by a fall in resident banks' earnings on their overseas portfolio investment holdings, which exceeded a decline in interest payments on loans from non-residents and lower outflows related to reinvested earnings of foreign-owned companies operating in Malta.

Net inward current transfers rise

In the last quarter of 2013, the positive balance on current transfers expanded by €10.5 million on the fourth quarter of 2012, to stand at €35.7 million. This improvement was propelled by a rise in net government receipts. Movements in this regard are significantly influenced by differences in timing between the collection of tax revenues from, and refund of tax payments to, non-resident entities. Other items affecting current transfers include budgetary receipts from the European Union, as well as Malta's contribution to the EU budget.

Over the four quarters of 2013, net inward current transfers increased to €88.9 million, up by €24.5 million on the previous year.

The capital and financial account

Net inflows recorded on the capital and financial account

Between October and December 2013, the capital and financial account posted net inflows of €294.4 million as opposed to net outflows of €173.2 million in the corresponding months of 2012 (see Table 4.1). The reversal in the balance on this account was entirely due to developments in the financial component, as net capital inflows edged up by €1.2 million on a year earlier. These stemmed from funds paid to the Government, under EU financing programmes.

During the last quarter of 2013, net inflows on the financial account amounted to €233.8 million, whereas net outflows of €232.6 million were registered a year earlier. Financial flows in this account continued to be heavily affected by operations of internationally-oriented banks. During the period under review, these banks sold their holdings of foreign portfolio instruments, predominantly bonds, and to a lesser extent equity securities. As a result, net portfolio inflows of €1.6 billion were recorded compared with net portfolio outflows in the corresponding period of 2012. At the same time, net inflows on the "other investment" component increased by €0.1 billion, standing at €0.5 billion, as repayments of long-term loans extended to non-residents were only partly offset by a drop in deposits held with Maltese residents. In contrast, the direct investment account, which had posted net inflows a year earlier, recorded net outward flows of €1.8 billion in the last quarter of 2013, largely driven by a substantial contraction in the equity position of a financial intermediary. Meanwhile, net outflows on the financial derivatives account fell by around €5.2 million to €12.8 million.

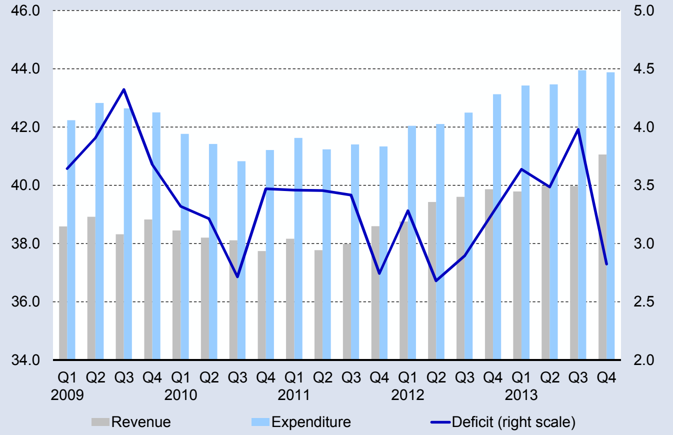
Over the period under review, reserve assets rose by €23.1 million, after increasing by €1.6 million in the corresponding period of 2012. At the same time, errors and omissions shifted into negative territory.

Developments in the last quarter of 2013 had a significant impact on the outcome for the year overall. Looking at 2013 as a whole, the capital and financial account recorded net inflows of €211.9 million, as against net outflows of €450.4 million in the previous year. The shift was almost wholly attributable to movements on the financial account, as the surplus on the capital account increased marginally on a year earlier. The swing in the financial account was entirely driven by higher net inflows on the "other investment" component. Conversely, a rise in net portfolio investment outflows, and net outward flows on direct investment and financial derivatives, partly counterbalanced the effect of higher net inflows. Over the year as a whole, reserve assets declined while net errors and omissions were negative.

5. GOVERNMENT FINANCE

In the fourth quarter of 2013 the general government balance improved substantially on a year-on-year basis. As a result, the ratio of the deficit to the gross domestic product (GDP) for 2013 as a whole stood at 2.8%, 0.4 percentage point less than the ratio recorded in 2012 (see Chart 5.1).

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



Source: NSO.

Similarly, the Consolidated Fund balance improved between October and December when compared with the same quarter of 2012, as well as in 2013 as a whole.[1] However, Consolidated Fund data for the period from January to March 2014 show that the deficit widened compared with the first quarter of 2013.

General government debt as a percentage of GDP fell from 76.1% at the end of September to 73.0% at the end of December. However, the debt ratio rose by 2.2 percentage points compared with the end of 2012.

General government

General government balance improves

The general government account recorded a surplus of €34.4 million between October and December 2013 compared with a deficit of €45.5 million in the same period a year earlier, as a surge in revenue outweighed an increase in spending (see Table 5.1).

Consequently, the deficit for 2013 as a whole narrowed by €21.7 million year-on-year, as revenue grew at a faster pace than expenditure. Over the same period the primary balance, which excludes interest payments from total expenditure, swung from a deficit of €11.4 million to a surplus of €14.2 million.

Revenue rises

In the final quarter of the year, general government revenue expanded by €109.9 million, or 14.2%, compared with the same period in 2012, mostly owing to higher tax revenue. Around half of the overall increase stemmed from growth in current taxes on income and wealth, which surged by €54.9 million, buoyed by inflows from income tax paid by households and corporations.

[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
EUR millions

	2012 Q4	2013 Q4	Change Amount	Change %	2012 Q1-Q4	2013 Q1-Q4	Change Amount	Change %
Revenue	**775.4**	**885.3**	**109.9**	**14.2**	**2,742.7**	**2,950.5**	**207.7**	**7.6**
Taxes on production and imports	247.5	274.7	27.3	11.0	918.2	967.7	49.5	5.4
Current taxes on income and wealth	260.1	315.0	54.9	21.1	934.9	1,043.3	108.4	11.6
Social contributions	146.0	155.7	9.6	6.6	504.3	524.8	20.5	4.1
Capital and current transfers	70.7	68.5	-2.2	-3.1	183.5	185.3	1.8	1.0
Other(1)	51.1	71.5	20.4	39.8	201.8	229.5	27.7	13.7
Expenditure	**820.9**	**850.9**	**30.0**	**3.7**	**2,967.4**	**3,153.5**	**186.1**	**6.3**
Compensation of employees	234.7	244.6	10.0	4.3	912.8	970.9	58.1	6.4
Intermediate consumption	130.4	135.2	4.7	3.6	461.5	454.0	-7.5	-1.6
Social benefits	261.3	242.6	-18.7	-7.2	929.7	972.6	42.9	4.6
Subsidies	18.5	21.8	3.2	17.4	76.9	79.5	2.6	3.4
Interest	51.6	50.9	-0.6	-1.2	213.2	217.2	3.9	1.8
Current transfers payable	39.9	63.2	23.3	58.4	127.3	162.9	35.6	28.0
Gross fixed capital formation	72.4	62.2	-10.2	-14.1	206.9	195.6	-11.3	-5.5
Capital transfers payable	12.5	25.4	12.9	103.1	67.0	92.8	25.8	38.6
Other(2)	-0.3	5.1	5.4	-	-27.9	8.1	36.0	-
Primary balance	**6.1**	**85.4**	**79.3**	**-**	**-11.4**	**14.2**	**25.6**	**-**
General government balance	**-45.5**	**34.4**	**79.9**	**-**	**-224.7**	**-203.0**	**21.7**	**-**

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

Receipts from taxes on production and imports increased by €27.3 million, led by higher VAT revenue, partly reflecting recent growth in private consumption. At the same time, revenue from social contributions rose by €9.6 million, supported by employment growth.

"Other" revenue grew by €20.4 million, mainly owing to higher inflows from fees and from property income, which includes rents and dividends. On the other hand, inflows from capital and current transfers declined slightly, by €2.2 million.

Following the strong showing in the final quarter of the year, revenue growth for the whole of 2013 amounted to €207.7 million, or 7.6%. In particular, inflows from current taxes on income and wealth surged by €108.4 million, largely owing to higher income tax paid by corporations. Growth in the latter was also affected by lower tax refunds. At the same time, the intake from taxes on production and imports increased by €49.5 million, while social contributions grew by €20.5 million, in line with developments in domestic consumption and the labour market, respectively.

"Other" revenue went up by €27.7 million as a result of the aforementioned increases in rents and dividends received. Meanwhile, capital and current transfers rose by €1.8 million, driven by grants received from the European Union.

Expenditure increases

Between October and December general government expenditure rose by €30.0 million, or 3.7%, on a year earlier. Most of the increase stemmed from spending on current transfers, which went up by €23.3 million, partly due to higher contributions to the EU budget. Concurrently, the level of capital transfers paid in the quarter under review rose by €12.9 million, owing to additional spending on EU co-financed projects.

Outlays on compensation of employees grew by €10.0 million, due to additional spending within the health and education sectors. At the same time, spending on intermediate consumption and subsidies went up by €4.7 million and €3.2 million, respectively.

On the other hand, outlays on social benefits declined by €18.7 million, as a result of the timing of payment of retirement pensions. In fact, spending on the latter had increased significantly in the third quarter of the year. Gross fixed capital formation declined by €10.2 million, owing to lower spending on roads.

Overall, general government expenditure in 2013 rose by €186.1 million, or 6.3%. Recurrent spending accounted for around three-fourths of this increase. More specifically, outlays on compensation of employees grew by €58.1 million, reflecting the impact of the collective agreements in the health and education sectors that were concluded during the first half of the year, as well as continued growth in government employment. Spending on social benefits went up by €42.9 million on the back of payments on retirement pensions. Current transfers rose strongly, putting on €35.6 million owing to the aforementioned contributions to the EU budget, as well as payments related to the new Parliament building.

In line with the year-on-year increase in debt, interest payments went up by €3.9 million. Meanwhile, spending on subsidies increased by €2.6 million, partly due to higher outlays related to public transport.

Conversely, outlays on intermediate consumption fell by €7.5 million as a result of a spending review programme being carried out by Government to promote savings on certain items.

Capital expenditure during 2013 also increased over the previous year. Capital transfers rose by €25.8 million, largely due to an equity injection by the Government in Air Malta, which was larger than the corresponding injection in the previous year. "Other" expenditure rose by €36.0 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] On the other hand, spending on gross fixed capital formation declined by €11.3 million, owing to lower expenditure on infrastructural projects.

Consolidated Fund

The Consolidated Fund deficit narrows

In the fourth quarter of 2013, the Consolidated Fund balance improved by €88.3 million, shifting to a surplus of €8.2 million from a deficit of €80.1 million in the same period a year earlier (see Table 5.2). At the same time, the corresponding primary balance improved by €93.0 million.

Compared with the same quarter of 2012, revenue grew by €138.8 million, mainly due to higher non-tax revenue on the back of increased grants. Inflows from indirect taxes rose by €44.0 million, owing to higher VAT receipts, while direct taxes grew by €17.3 million, led by income tax.

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[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 Q4	2013 Q4	Change Amount	Change %	2012 Q1-Q4	2013 Q1-Q4	Change Amount	Change %
Revenue	**719.3**	**858.1**	**138.8**	**19.3**	**2,513.3**	**2,778.3**	**265.1**	**10.5**
Direct tax[(1)]	392.7	410.0	17.3	4.4	1,273.1	1,399.2	126.0	9.9
Indirect tax	239.3	283.2	44.0	18.4	917.3	989.6	72.2	7.9
Non-tax[(2)]	87.3	164.9	77.6	88.9	322.8	389.6	66.8	20.7
Expenditure	**799.4**	**849.9**	**50.5**	**6.3**	**2,875.5**	**3,041.5**	**166.0**	**5.8**
Recurrent[(1)]	679.0	711.8	32.9	4.8	2,511.8	2,646.8	135.0	5.4
Of which: Interest payments	57.8	62.4	4.6	8.0	225.8	227.9	2.1	0.9
Capital	120.4	138.0	17.6	14.6	363.8	394.7	30.9	8.5
Primary balance[(3)]	**-22.3**	**70.7**	**93.0**	**-**	**-136.5**	**-35.3**	**101.2**	**-**
Consolidated Fund balance	**-80.1**	**8.2**	**88.3**	**-**	**-362.3**	**-263.2**	**99.1**	**-**

(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 €50.5 million during the quarter largely on account of recurrent spending, buoyed by higher personal emoluments and operational & maintenance expenses. Capital expenditure rose by €17.6 million following higher spending on projects co-financed by the European Union.

As a result, the Consolidated Fund deficit during 2013 as a whole decreased by €99.1 million, with revenue outpacing expenditure. Revenue increased by 10.5% mainly owing to higher direct tax receipts from corporations and from households. Indirect tax receipts also grew, reflecting higher inflows from VAT and customs and excise duties. Non-tax revenue also went up, owing to an increase in grants in the final quarter as mentioned above.

Total expenditure grew by 5.8%, mainly due to increased outlays on social benefits, higher contributions to the EU budget and additional spending on personal emoluments. Capital expenditure also went up, reflecting the equity capital contribution to Air Malta during the first quarter of 2013.

Going forward, Consolidated Fund data for the first quarter of 2014 show that the deficit widened compared with the same period of the previous year as expenditure grew faster than revenue. Expenditure was boosted by higher spending on health and social benefits coupled with increased contributions to government entities. The increase in revenue reflected higher tax receipts, particularly takings from income tax and VAT.

General government debt

General government debt declines in the fourth quarter

At the end of December 2013, the stock of general government debt reached €5,243.1 million, down from €5,408.9 million at the end of September 2013 (see Table 5.3). Consequently, the debt-to-GDP ratio declined by 3.2 percentage points to 73.0% over the same period (see Chart 5.2). However, the debt ratio stood 2.2 percentage points more than at end-December 2012.

Table 5.3
GENERAL GOVERNMENT DEBT
EUR millions

	2012	2013			
	Q4	Q1	Q2	Q3	Q4
General government debt(1)	**4,871.2**	**5,171.2**	**5,295.5**	**5,408.9**	**5,243.1**
Currency	**50.4**	**50.8**	**52.3**	**54.3**	**55.3**
Securities	**4,476.9**	**4,771.7**	**4,879.0**	**4,987.3**	**4,813.7**
Short-term	154.1	288.6	335.9	422.7	248.1
Long-term	4,322.8	4,483.1	4,543.1	4,564.7	4,565.6
Loans	**343.9**	**348.6**	**364.2**	**367.3**	**374.1**
Short-term	79.0	77.7	80.1	80.0	83.2
Long-term	264.9	270.9	284.1	287.3	290.9

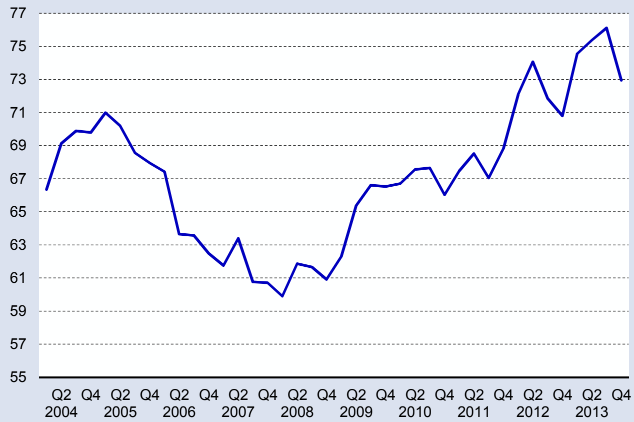
(1) Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.
Source: NSO.

The decline in debt between October and December 2013 was in large part funded by a drawdown of government deposits held with the banking system and, to a lesser but significant extent, reflected the surplus recorded in the general government balance (see Chart 5.3).

In terms of the composition of the debt, a number of Treasury bills matured and were not rolled over. As a result, the stock of short-term securities declined by €174.5 million during the final quarter of 2013, so that their share in total debt decreased by 3.1 percentage points to 4.7%. Consequently, the share of long-term government securities rose by 2.7 percentage points over the quarter to 87.1%. The amount of outstanding long-term securities grew by €0.9 million, as the value of new issues largely equalled redemptions.

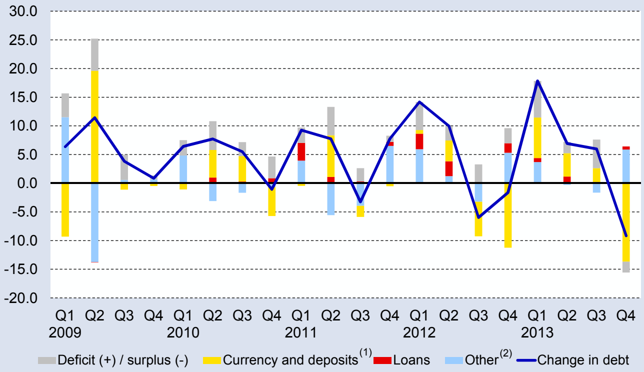
The share of loans in total debt increased by 0.3 percentage point, to 7.1%. During the quar-

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



Source: NSO.

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.

Table 5.4
GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT
Per cent of GDP

	2009	2010	2011	2012	2013
Change in debt	**5.5**	**4.6**	**5.2**	**3.8**	**5.2**
Deficit	3.7	3.5	2.7	3.3	2.8
Stock flow adjustment	**1.9**	**1.1**	**2.5**	**0.6**	**2.4**
of which					
Currency and deposits(1)	2.3	0.8	1.0	-3.4	-0.1
Loans	-0.1	0.5	1.3	1.7	0.6
Other(2)	-0.4	-0.2	0.2	2.2	1.8

(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.
Sources: NSO; Central Bank of Malta.

ter under review long-term loans outstanding rose by €3.6 million, reflecting additional contributions in relation to European Financial Stability Facility (EFSF) obligations.[3] Meanwhile, government liabilities in the form of euro coins issued increased by €1.0 million and their share in total debt rose marginally by 0.1 percentage point.

In 2013 the general government debt rose by €371.9 million, mainly to finance the deficit. Other debt-increasing factors include additional EFSF obligations and equity contributions required for the setting up of the European Stability Mechanism (ESM), as well as an amount covering arrears in revenue due from Enemalta (see Table 5.4).

The value of long-term debt securities outstanding rose by €242.8 million during the year, while short-term debt securities increased by €94.0 million. By the end of 2013, long-term debt and short-term debt accounted for 92.6% and 6.3% of total debt, respectively. The share of loans remained unchanged during the year while that of currency rose marginally.

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.

6. MONETARY AND FINANCIAL DEVELOPMENTS

The total assets of core domestic banks in Malta declined slightly during the first quarter of 2014. Deposits remained the main source of funding, with balances belonging to residents of Malta growing at a faster annual pace. Meanwhile, credit granted to residents continued to slow down owing to a further reduction in lending to the corporate sector.

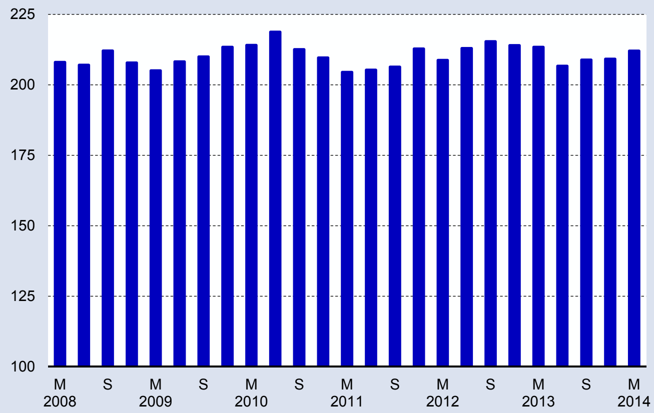
Domestic primary market yields edged down during the first quarter. In the secondary capital market, yields on five-year domestic government bonds remained unchanged while those on ten-year bonds declined. However, as euro area benchmark yields fell to a greater extent, spreads widened. The Malta Stock Exchange (MSE) share index lost ground during the quarter under review.

Monetary aggregates and their counterparts

Total assets pertaining to domestic banks fall marginally

The total assets of the Maltese banking system declined slightly during the March quarter. Total assets belonging to the core domestic banks – the domestically relevant banking system – stood at 212% of gross domestic product (GDP) at end-March 2014, close to their long-term average (see Chart 6.1).[1,2]

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

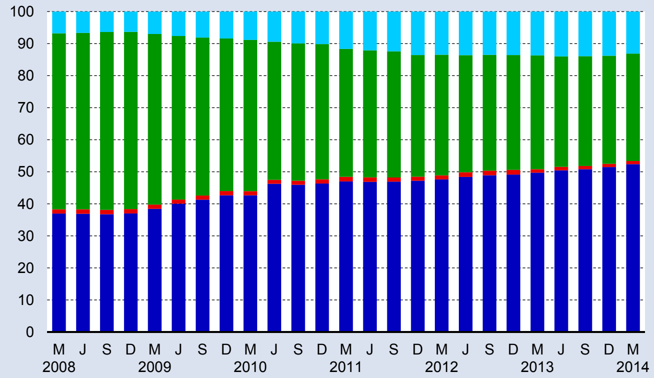


Sources: Central Bank of Malta; NSO.

Resident deposits grow at a faster pace

Deposits belonging to Maltese residents and held with resident banks consist mainly of overnight deposits and time deposits with an agreed maturity of up to two years (see Chart 6.2). While the share of overnight deposits in the total continued on its upward path, time deposits lost ground during the first quarter of 2014. The shift towards overnight deposits is consistent with a preference for more liquid monetary assets,

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.

[2] GDP statistics are sourced from NSO *News Release* 108/2014.

given the current low interest rates. The share of deposits with an agreed maturity of over two years in total deposits fell marginally during the quarter after rising significantly in previous quarters.

Overall, total residents' deposits grew at a faster pace, with the annual rate of change rising to 10.3% in March from 9.1% in December (see Table 6.1). An acceleration in the growth rate of aggregate deposits has been observed since May 2013.

Looking into the various components, overnight deposits continued growing at a double-digit rate, with the annual rate of growth rising to 16.2% from 14.3% three months earlier. As in previous quarters, deposits belonging to private non-financial corporations (NFC) and, especially, households were the main factor behind the increase.

Meanwhile, deposits with agreed maturity of up to two years recovered further during the 12 months to March, growing by 4.1%, up from 2.8% in the year to December. This was mainly driven by higher balances held by households and insurance companies & pension funds, which offset a reduction in balances belonging to NFCs.

At the same time, deposits redeemable at notice of up to three months, which make up only a small share of total deposits, contracted by 1.7% year-on-year. The annual rate of change of these deposits tends to be volatile because of their small size.

Table 6.1
DEPOSITS OF MALTESE RESIDENTS

	EUR millions	Annual percentage changes				
	2014	2013				2014
	Mar.	Mar.	June	Sep.	Dec.	Mar.
Overnight deposits	**6,037.0**	**10.2**	**10.1**	**10.7**	**14.3**	**16.2**
of which						
Households	3,719.1	11.7	13.1	11.2	12.0	11.4
Non-financial corporations	1,903.2	14.8	11.7	11.4	22.0	21.2
Deposits redeemable at notice up to 3 months	**111.3**	**-8.6**	**-21.6**	**-22.7**	**-25.5**	**-1.7**
of which						
Households	95.9	-3.5	-3.9	0.3	-2.1	-2.5
Non-financial corporations	15.0	-32.1	-61.8	-70.1	-70.3	2.7
Deposits with agreed maturity up to 2 years	**3,862.6**	**-0.4**	**-0.4**	**1.0**	**2.8**	**4.1**
of which						
Households	3,116.4	2.2	2.6	1.9	2.3	3.3
Non-financial corporations	417.1	-2.8	-3.8	-6.1	-5.6	-7.7
Deposits with agreed maturity above 2 years	**1,510.0**	**7.1**	**8.7**	**10.0**	**10.8**	**5.8**
of which						
Households	1,418.0	6.2	8.7	9.2	10.1	4.4
Non-financial corporations	71.0	18.9	9.8	22.6	21.6	29.5
Total residents' deposits[1]	**11,520.9**	**5.5**	**5.6**	**6.6**	**9.1**	**10.3**

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

Source: Central Bank of Malta.

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

	2013				2014
	Mar.	June	Sep.	Dec.	Mar.
Total deposits belonging to households and non-financial corporations	1.43	1.43	1.41	1.41	1.34
Overnight deposits					
Households	0.34	0.34	0.35	0.35	0.27
Non-financial corporations	0.29	0.27	0.28	0.30	0.26
Time deposits with agreed maturity up to 2 years					
Households	2.07	2.08	2.05	2.07	2.03
Non-financial corporations	1.98	2.01	1.97	1.91	1.93
Time deposits with agreed maturity over 2 years					
Households	3.49	3.50	3.53	3.55	3.54
Non-financial corporations	3.13	3.14	3.15	3.12	3.09

(1) Annualised agreed rates on euro-denominated deposits.
Source: Central Bank of Malta.

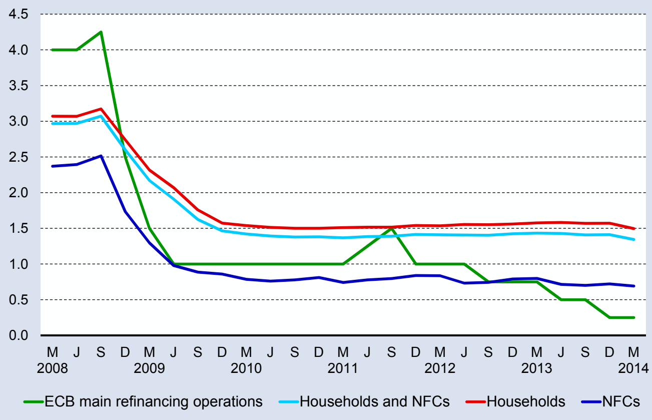
Annual growth in deposits with maturities above two years, which are excluded from broad money (M3), slowed down to 5.8% during the quarter under review, after steady growth in previous quarters.

Interest rates on residents' deposits decline

During the first quarter of 2014, the weighted average interest rate paid by monetary financial institutions (MFI) on all deposits belonging to households and NFCs resident in Malta fell by 7 basis points to 1.34% in March (see Table 6.2).[3] This is the lowest rate recorded since 2008, when the MFI interest rates (MIR) were first compiled (see Chart 6.3). The biggest change was in rates offered on overnight deposits, with those received by households falling by 8 basis points, and those earned by NFCs dropping by 4 basis points, to 0.27% and 0.26%, respectively.

Rates paid on time deposits with an agreed maturity of up to two years rose marginally for NFCs but dropped by 4 basis points for households. On the other hand, rates paid on longer time deposits declined for both households and NFCs, falling by 1 basis point and 3 basis points, respectively.

Chart 6.3
INTEREST RATES ON DEPOSITS OF MALTESE RESIDENTS(1)
(per cent per annum; end of period)



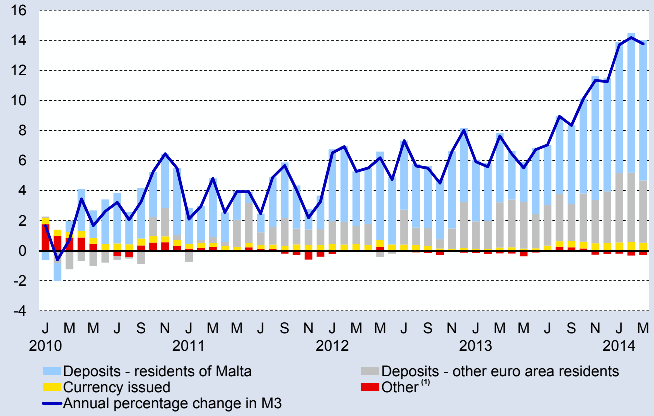
(1) Interest rates are based on the MFI interest rates on outstanding amounts.
Source: Central Bank of Malta.

3 Data on interest rates on outstanding amounts shown in Table 6.2 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.

Contribution to euro area M3 accelerates

Strong growth in resident deposits boosted the contribution of Maltese MFIs to euro area M3. This continued to expand rapidly during the first quarter of 2014, with the annual growth rate rising to 13.8% from 11.2% in the previous quarter (see Chart 6.4).[4] Deposits belonging to residents of Malta remained the main contributor towards growth in M3 during the period reviewed. Deposits belonging to other euro area residents also increased, driven predominantly by higher balances held by private NFCs. The contributions of currency issued and other components remained small.

Chart 6.4
CONTRIBUTIONS OF RESIDENT MFIs TO EURO AREA M3
(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.

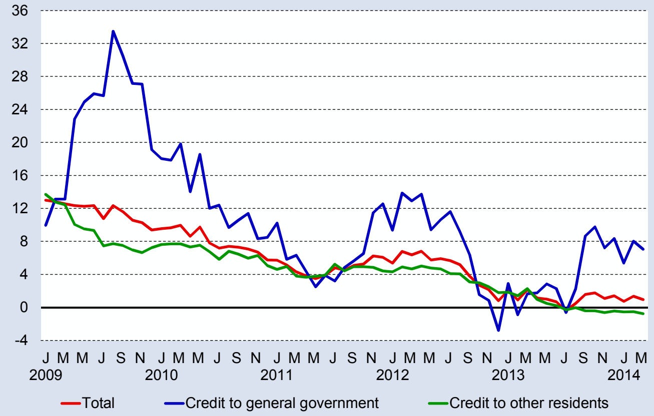
Credit to residents slows down

Credit to Maltese residents has been growing at a slower pace since the onset of the global financial crisis in 2008, except for a moderate acceleration in 2012 and a modest pick-up towards the end of 2013. Nonetheless, credit growth in Malta has tended to exceed the corresponding rate for the euro area as a whole.

During the first quarter of 2014, credit granted to residents slowed down further. The annual growth rate fell to 0.9% in March from 1.4% three months earlier, because of a deceleration in credit to general government and a faster contraction in credit to other residents (see Chart 6.5).

Credit granted to general government rose during the 12 months to March as banks increased their holdings of Maltese government securities. Nonetheless, the annual growth rate of credit to general government slowed down to 7.1% in March from 8.3% three months

Chart 6.5
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.

[4] 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.

earlier because the increase in credit institutions' Treasury bill holdings during the first quarter of 2014 was smaller than that registered a year earlier.

On the other hand, credit to residents other than general government, mainly credit to the private sector, continued to fall on an annual basis, contracting by 0.8% year-on-year in March (see Chart 6.5). The contraction stemmed from a reduced volume of loans granted to NFCs and non-bank financial intermediaries.

Bank lending to NFCs declines further

Loans granted to private NFCs contracted at a faster pace during the year to March, with the annual rate of change falling to -5.9% from -4.9% in December (see Table 6.3). This decline coincides with weak private investment. In addition, credit standards applied by banks with respect to loans to firms appear to have remained tight. Most of the contraction was in lending to firms in the construction, wholesale & retail trade and manufacturing sectors. Loans to private NFCs in Malta continued to contract at a faster annual pace than in the euro area as a whole.

The decline in lending to NFCs during the quarter reviewed involved credit extended to larger firms. Indeed, loans to small and medium-sized enterprises (SME) expanded during the quarter, facilitated by targeted EU loan guarantee programmes. The annual growth rate of loans to SMEs turned positive again, after having contracted in 2013, reaching 0.8% in March. This expansion stemmed mainly from higher lending to SMEs operating in the information & communication and manufacturing sectors.

Bank lending to households edges up

Lending to households, which is the other major component of lending to the private sector, expanded at a faster rate during the first quarter of 2014, with the annual growth rate rising to 5.6% in March from 4.8% in December (see Chart 6.6). This was driven by loans for house purchases, which is the principal component of lending to households and which grew by 7.0% year-on-year. Conversely, consumer loans – which involve mainly the use of credit cards and overdraft facilities – contracted, although at a slower pace, falling by 0.5% during the year to March as opposed to a drop of 1.1% in December. In comparison, lending to households across the euro area remained flat during the first quarter of 2014.

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

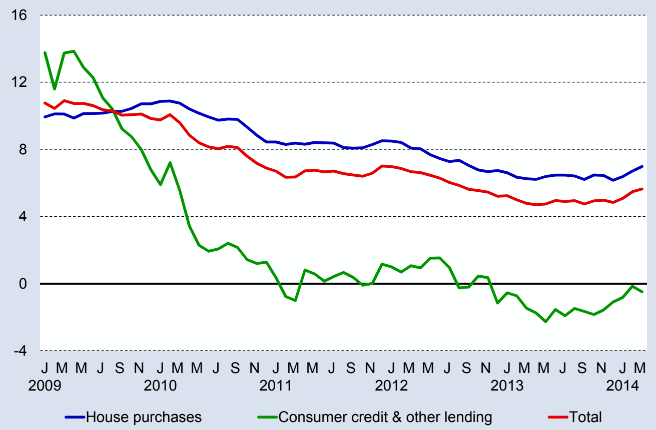
	All Private NFCs					SMEs				
	2013				2014	2013				2014
	Mar.	June	Sep.	Dec.	Mar.	Mar.	June	Sep.	Dec.	Mar.
Accommodation and food service activities	0.3	1.5	-0.1	-0.2	-0.2	0.0	2.0	0.0	0.3	0.7
Construction	-2.4	-2.9	-3.8	-3.4	-3.0	-3.4	-3.7	-4.9	-4.5	-1.3
Manufacturing	0.8	-0.2	-0.1	-0.3	-1.2	0.8	-0.3	0.9	1.1	0.6
Real estate activities	0.6	0.6	0.6	0.6	0.2	1.7	1.6	0.7	-0.6	-1.1
Transportation and storage	-0.5	-0.6	-0.3	-0.4	-0.2	-0.4	-0.6	-0.4	-0.9	-0.7
Wholesale and retail trade	0.2	-2.0	-1.1	-1.2	-1.4	0.1	-2.8	-1.4	-1.5	-0.4
Other	1.0	0.7	0.0	0.1	-0.1	0.8	1.4	2.8	2.1	2.9
Total	**0.0**	**-2.9**	**-4.8**	**-4.9**	**-5.9**	**-0.4**	**-2.3**	**-2.3**	**-4.0**	**0.8**

Source: Central Bank of Malta.

Rates on loans to Maltese residents decline marginally

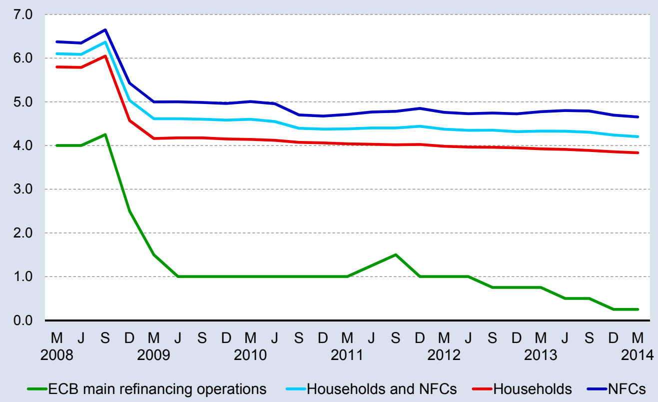
The weighted average interest rate charged by MFIs on outstanding loans to resident households and NFCs declined marginally by 4 basis points to 4.20%, also reaching the lowest rate recorded since 2013 (see Chart 6.7). Rates paid by households on mortgages edged down to 3.32% from 3.34% in the previous quarter. Similarly, those charged on consumer credit and other household lending fell by 3 basis points to 5.52%. Rates on loans to NFCs shed 5 basis points to 4.65%. As can be seen in Chart 6.7, the rates charged on loans to residents have not been significantly responsive to the reductions in policy rates since 2009.

Chart 6.6
LOANS TO HOUSEHOLDS
(annual percentage changes)



Source: Central Bank of Malta.

Chart 6.7
INTEREST RATES ON LOANS TO MALTESE RESIDENTS[(1)]
(per cent per annum; end of period)



[(1)] Interest rates are based on the MFI interest rates on outstanding amounts.

Source: Central Bank of Malta.

Credit standards for enterprises and households

The Bank Lending Survey (BLS) conducted in April 2014 revealed that credit standards applied on lending to enterprises and households remained largely unchanged during the first quarter of 2014.[5] However, from a longer-term perspective, credit standards are tighter than those that prevailed before the crisis. Meanwhile, demand for loans by households to finance house purchases increased slightly, as reported by one of the four surveyed banks, while demand by enterprises remained unchanged.

Looking ahead to the second quarter of 2014, banks expected standards applied to loans to NFCs and households to remain as they were. Similarly, all respondents expected demand for loans by NFCs and households to remain unchanged.

Credit granted to euro area residents outside Malta declines

Credit granted by resident MFIs to residents of euro area countries, excluding Malta, expanded during the first quarter of 2014. However, on an annual basis it continued to contract, although at a slower pace, falling by €1.1 billion during the year to March as opposed to a €1.3 billion drop in

[5] 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 6.4
NET CLAIMS ON NON-RESIDENTS OF THE EURO AREA
EUR millions; changes on a year earlier

	2013 Mar.	2014 Mar.	Amount	%
Net claims on non-residents of the euro area[(1)]	**10,561.8**	**8,941.5**	**-1,620.4**	**-15.3**
Claims on non-residents of the euro area	34,115.3	30,910.5	-3,204.7	-9.4
Liabilities to non-residents of the euro area	23,553.4	21,969.1	-1,584.4	-6.7

Source: Central Bank of Malta.

the year to December. This decline mainly reflected reduced lending to non-bank financial intermediaries and private NFCs. These developments were driven by internationally-oriented banks operating in Malta.

Net claims on non-residents of the euro area fall

During the year to March 2014, resident MFIs' net claims on non-residents of the euro area contracted by €1.6 billion, or 15.3% (see Table 6.4).

Gross claims on non-residents of the euro area contracted by 9.4% over the same period, as reduced lending to MFIs and private NFCs was only partly offset by higher holdings of securities issued by non-euro area residents. At the same time, liabilities fell by 6.7% because of a drop in foreign loans taken up by resident banks, along with a fall in repurchase agreements conducted with counterparties outside the euro area.

The money market

Domestic and euro area yields decline during the first quarter

The European Central Bank (ECB) left the interest rate on its main refinancing operations (MRO) unchanged during the first quarter, at a historic low of 0.25%. At the same time, as excess liquidity in the euro area decreased, the three-month EURIBOR rose further above the MRO rate. The three-month interbank rate rose by 3 basis points during the quarter, ending March at 0.31% (see Chart 6.8).[6]

Meanwhile, on the Maltese primary market, the yield on three-month Treasury bills fell marginally by 2 basis points, reaching 0.37% by end-March. During the period reviewed the Treasury continued to reduce its reliance on short-term borrowing. A total of €268.7 million

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

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

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

worth of Treasury bills were issued during the first quarter of 2014, €34.2 million less than in the previous quarter.

The majority consisted of six-month paper followed closely by three-month instruments. Resident banks participated actively in the auctions and bought more than 85% of the total. The remainder was acquired entirely by money market funds.

Meanwhile, no turnover was recorded in the secondary market for Treasury bills during the first quarter of 2014. Turnover in this market has been weak in recent periods as owners tend to hold their bills till maturity.

The secondary market yield on German government three-month securities, which serves as a benchmark for the euro area, fell by 2 basis points, ending March at 0.00%. Similarly, the corresponding domestic yield quoted by the Central Bank of Malta continued on the downward trend seen since September 2012, falling by 3 basis points to 0.37% at end-March. As a result, the spread over the euro area benchmark narrowed by 2 basis points to 37 points at end-March (see Chart 6.8).

The capital market

Government primary market issues oversubscribed

During the first quarter of 2014, there were three government issues in the capital market. In February, a total of €100 million worth of Malta Government Stocks were launched, subject to an over-allotment option for an additional €60 million. The issue attracted bids for a total of €232.7 million and the over-allotment option was exercised in full. The bonds had terms to maturity of five, ten and 18 years, and offered coupon rates of 3.20%, 3.30% and 4.45%, respectively.

More than 90% of the total amount issued was purchased at fixed prices by retail investors, mainly resident households and nominees, who were allowed to bid up to a maximum of €100,000. The Treasury accepted in full all retail applications. The remainder was acquired by auction by resident credit institutions and collective investment schemes. The share taken up by non-resident investors was small.

Turnover in the secondary market for government bonds went up by almost 30% during the March quarter, rising by €44.2 million to €202.7 million. This was attributable to a higher volume of trading in medium-term and long-term securities. Trading in short-term bonds declined in the period under consideration.[7] Transactions involving the Central Bank of Malta as market-maker accounted for more than 90% of the value traded.

Meanwhile, in the corporate bond market, AX Investments plc., a firm active in the hospitality business, issued €40 million worth of bonds, offering a coupon of 6.00% and maturing in 2024. This issue was also oversubscribed.

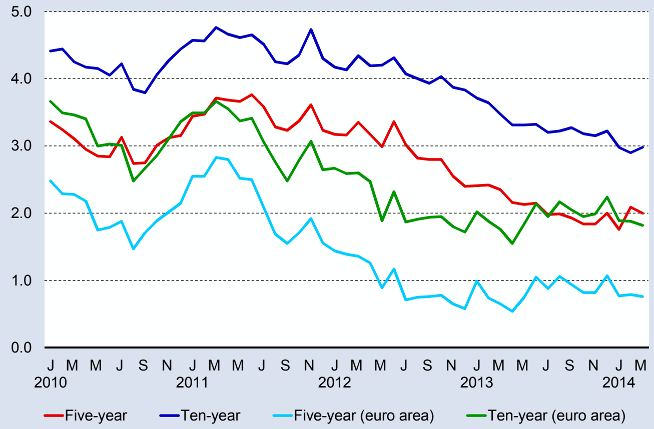
Government bond yields generally decline

Yields on five-year domestic government bond yields remained unchanged during the quarter, ending March at 2.00%. On the other hand, the yield on ten-year domestic bonds fell by 24

[7] Short-term bonds are those with a residual maturity of up to five years, medium-term bonds have a residual term to maturity of between five and ten years, while long-term bonds are those with a residual term to maturity exceeding ten years.

basis points over the same period, reaching 2.98% (see Chart 6.9). The equivalent benchmark yields for the euro area declined by 31 and 42 basis points, respectively, as demand for safe-haven bonds soared on the back of heightened concerns related to emerging markets, among other factors.[8] As a result, the spread on five-year domestic bonds widened by 31 basis points to 124 points, while the ten-year differential increased by 18 basis points to 116 points.

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



Sources: Central Bank of Malta; ECB.

In the secondary corporate bond market, trading during the March quarter fell to €6.7 million. Around 40% of trading was concentrated around securities issued by the financial sector, with securities by the construction, hospitality and property development sectors accounting for most of the remainder.

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

Source: MSE.

MSE share index falls

Activity in the domestic equity market declined during the first quarter of 2014, with turnover easing to €14.8 million from €15.4 million recorded in the previous quarter. The upward trend in the MSE share price index seen since the beginning of 2012 was halted, with the index shedding 7.1% from its end-December level to end March at 3,424.0 (see Chart 6.10).

[8] Euro area yields are based on AAA-rated central government bonds.

7. ECONOMIC PROJECTIONS FOR 2014 AND 2015

Outlook for the Maltese economy[1]

The Bank's latest projections indicate that the economic recovery seen in 2013 is expected to be sustained in 2014 and 2015. Compared with the Bank's previous projections, which were concluded in March 2014, the latest exercise foresees higher growth in 2015.[2] Thus, real gross domestic product (GDP) growth is set to ease marginally from 2.4% in 2013 to 2.3% in 2014, but should rise again to 2.6% by 2015 (see Table 7.1).

The Bank's projection for GDP growth in 2014 is similar to that of the previous exercise, as a downward revision in investment was counterbalanced by an upward revision in net exports. With regard to net exports, although both exports and imports have been revised downwards compared with the previous exercise, the revision to exports was smaller in view of new data showing that the tourism sector remained buoyant in the early months of 2014 and in light of announcements about new airline routes. This offsets a slight downward revision to the expected growth of exports of manufactured goods.

The upward revision to GDP growth in 2015 is mainly prompted by the inclusion in the latest exercise of the expected reduction in commercial utility tariffs from March of next year. It is assumed that this reduction will be partly reflected in lower export and consumer prices. The resulting improvement in external competitiveness and in households' spending power is expected to have an upward impact on exports and private consumption, which, in turn, would also boost private investment.

Domestic demand

The Bank expects growth in 2014 and 2015 to be driven by domestic demand, particularly private consumption and investment, as government consumption is projected to grow at a modest rate over the forecast horizon. To a lesser extent, net exports are also set to support growth over the projection period. Changes in inventories, which include the statistical discrepancy, are assumed to remain broadly constant as a proportion of GDP.

Private consumption growth is expected to rise from 1.8% in 2013 to 2.2% in 2014 and stabilise at that level in 2015, supported by continued, if moderating, growth in real disposable income. The household saving ratio is projected to rise over the forecast horizon as households are expected to continue replenishing their savings.

Following a 0.2% drop in 2013, government consumption is set to increase by 1.3% this year and by 0.2% in 2015. These relatively modest growth rates reflect the Bank's expectation that the Government will restrain recurrent expenditure as it aims to reduce the deficit. Moreover, growth in this component, which is largely composed of intermediate consumption and salaries paid to government employees, is set to be partly offset by expected intakes from the Individual Investor Programme.[3]

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[1] The Bank's outlook for the Maltese economy is based on information available up to 21 May 2014 and is conditional on the technical assumptions shown in Table 7.1.

[2] See *Annual Report 2013*, Central Bank of Malta, pp. 67-70.

[3] Intakes from the Individual Investor Programme are expected to be classified as receipts from sales of government output, which offset government consumption expenditure.

Table 7.1
PROJECTIONS FOR THE MAIN MACROECONOMIC AGGREGATES FOR MALTA

	2012(1)	2013(1)	2014(2)	2015(2)
Real economic activity (% change)				
GDP	0.6	2.4	2.3	2.6
Private consumption expenditure	-0.2	1.8	2.2	2.2
Government consumption expenditure	5.4	-0.2	1.3	0.2
Gross fixed capital formation	-2.0	-3.8	3.3	7.4
Inventories (% of GDP)	-1.5	0.9	0.8	0.8
Exports of goods & services	8.6	-5.6	1.8	3.4
Imports of goods & services	6.2	-5.2	1.6	3.4
Contribution to real GDP growth (in percentage pts)(3)				
Final domestic demand	0.7	0.4	2.0	2.4
Net exports	2.6	-0.7	0.3	0.3
Changes in inventories	-2.6	2.6	0.0	-0.1
Real disposable household income(4)	1.6	3.2	3.1	2.7
Household saving ratio(4)	6.9	8.1	8.9	9.3
Balance of payments (% of GDP)				
Goods and services balance	6.0	5.6	5.6	5.6
Current account balance	2.0	1.4	1.4	1.4
Labour market (% change)				
Total employment	2.5	3.1	1.8	1.5
Unemployment rate (% of labour force)	6.4	6.5	6.4	6.4
Prices and costs (% change)				
RPI	2.4	1.4	1.0	1.5
Overall HICP	3.2	1.0	1.1	1.7
HICP excluding energy	3.1	1.1	1.9	2.1
Compensation per employee	2.1	0.6	1.0	2.0
ULC	4.0	1.3	0.5	0.9
Public finances (% of GDP)				
General government balance	-3.3	-2.8	-2.7	-2.7
General government debt	70.8	73.0	73.1	72.6
Technical assumptions				
EUR/USD exchange rate	1.29	1.33	1.38	1.38
Oil price (USD per barrel)	112.0	108.8	107.2	102.2

(1) Data on GDP were sourced from NSO *News Release* 047/2014 published on 11 March 2014. Data on the current account balance were sourced from NSO *News Release* 053/2014.

(2) Central Bank of Malta projections.

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

(4) Data for 2012 and 2013 are Central Bank of Malta estimates.

After contracting for the third consecutive year in 2013, private investment is set to expand by 2.6% in 2014 and by 8.8% in 2015. These projections continue to be conditioned by the Bank's expectations with regard to investment in the energy sector, particularly the new gas power plant. Investment in this area is expected to begin in 2014 and to reach a significantly higher level in 2015. As in the previous exercise, both the electricity interconnector between Malta and Sicily and the Valletta City Gate project should be completed in 2014. The remaining categories of private investment are set to return to positive growth this year and to accelerate more strongly next year, supported by non-residential construction, a pick-up in housing investment and by ongoing growth in investment in information technology. At the same time, underlying growth in equipment investment is set to recover slightly in 2014, and more steadily in 2015, as firms respond to increased demand. Additionally, the reduction in commercial utility tariffs should spur capital investment, partly in response to increased sales resulting from the pass-through of the tariff reduction to consumers.

Government investment is set to expand by 6.3% in 2014, after the drop recorded in 2013, reflecting the Bank's assessment that some outlays that did not materialise last year will be carried forward, to be financed by EU funds available to Malta under the 2007-2013 EU Financial Programme. In 2015 government investment is set to grow at a slower rate of 1.9%, as the utilisation of funds under the 2014-2020 financial programme is foreseen to be low in the initial stage of the budgetary period.

Net exports

Net exports, which fell in 2013, are set to grow in 2014 and 2015 as exports outpace imports. In 2014 exports are set to partially recover from the previous year's decline. The increase is projected to be driven by service exports, notably tourism, and, to a lesser extent, by exports of semiconductors. Activity in the tourism industry is set to continue to expand, supported by the opening of new airline routes and by additional capacity in hotels. Semiconductor exports are expected to benefit from an improvement in the outlook for the industry.

In 2015 export growth is set to accelerate further. While semiconductor exports are set to contribute, faster export growth in 2015 also reflects a recovery in exports of other manufacturing goods. These are expected to benefit from an improvement in price competitiveness, as export-oriented sectors that operate in the manufacturing sector pass on the reduction in commercial tariffs to their clients abroad to attract foreign demand.

Imports are set to accelerate up to 2015, growing broadly in line with the foreseen recovery in private consumption, investment and exports.

The balance of payments

Over the forecast horizon, the surplus on the goods and services balance is expected to remain stable around its 2013 level of 5.6%, as a widening in the deficit on goods is set to be counterbalanced by an increase in the surplus on services.[4]

The current account balance is expected to remain in surplus over the projection period, with the ratio to GDP remaining at a similar level to that recorded in 2013.

The labour market

Following a strong increase in 2013, employment is projected to grow at slower rates over the two years to 2015. In 2014 private firms are expected to add jobs at a slower pace than in the previous year. Moreover, the number of employees in the general government sector, which is

[4] Data on the trade balance used in this Chapter are consistent with NSO *News Release* 047/2014 and with projections for real exports and imports reported in Table 7.1. The current account projections are based on balance of payments data published in NSO *News Release* 053/2014.

estimated to have increased sharply in 2013, is assumed to fall slightly. Employment growth is set to moderate further in 2015.

In 2013 compensation per employee increased by a moderate 0.6%. Coupled with a drop in productivity that year, this pushed up unit labour costs (ULC) by 1.3%.

In 2014 productivity growth is set to turn positive following three consecutive annual declines. The favourable effect of increased productivity on ULCs, however, is partly offset by faster growth in average wages. Consequently, ULCs are set to increase by 0.5%, less than in the previous year. With GDP continuing to outpace employment, a further gain in productivity is foreseen in 2015. At the same time, however, compensation per employee is set to outpace productivity. As a result, ULCs are expected to increase by 0.9%.

Following a small rise in 2013, the unemployment rate is set to stabilise at 6.4% in 2014 and 2015.[5]

Fiscal developments

Recent data released since the previous exercise confirm that the general government deficit-to-GDP ratio fell below 3% in 2013. This improvement mainly reflected strong increases in direct taxes and receipts from sale of output on the revenue side. At the same time, on the expenditure side, a drop in intermediate consumption and the pension reform programme also helped limit outlays on social benefits.

The deficit ratio is expected to narrow slightly further to 2.7% in 2014, and remain at that level in 2015.

The narrowing in the deficit ratio in 2014 is largely driven by the Bank's expectation that employment in the government sector will be restrained following the exceptional increase recorded in 2013. At the same time, capital transfers to the national airline are set to be substantially lower. Increases in excise taxes announced in the Budget 2014 are also set to contribute to the narrowing of the deficit ratio this year.

In 2015 the impact of inflows from the Individual Investor Programme announced in the 2014 Budget is projected to be broadly offset by an expected increase in capital transfers to the national airline.

Inflation

Inflation is set to accelerate over the forecast horizon, while remaining moderate, at below 2.0% throughout.

The inflation projections are influenced by the technical assumptions reported in Table 7.1, which include a decline in the price of oil in dollars and a strong euro. During the forecast horizon, inflation in Malta is also expected to be dampened by a reduction in utility tariffs for consumers in 2014 and, to a lesser extent, the pass-through to domestic consumer prices of the announced reduction in commercial tariffs in 2015. Weak price pressures abroad also contribute.

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

Thus, the average annual rate of inflation, as measured by the Harmonised Index of Consumer Prices (HICP), is projected to accelerate marginally from 1.0% in 2013 to 1.1% in 2014. This modest increase reflects offsetting developments in the main HICP components. Services inflation is expected to turn positive and non-energy industrial goods prices are set to pick up somewhat. However, food price inflation is expected to moderate substantially. Moreover, as in the previous exercise, energy prices are set to decline, reflecting the reduction in electricity tariffs introduced earlier this year.

HICP inflation is set to reach 1.7% by 2015, reflecting a further pick-up in services price inflation and in non-energy industrial goods prices.

Risks to the projections

Risks to the GDP growth projections are balanced. Downside risks relate to the fragility of the global economic recovery. In particular, a weaker than expected expansion in the euro area economy would weigh on external demand for Maltese exports. Investment could also be weaker than expected if major infrastructure projects under way are delayed and underlying private investment takes longer to recover than envisaged. Upside risks relate to the possibility that the pass-through of the reduction in commercial electricity rates to prices is stronger than embedded in the Bank's projections. This would have a positive effect on exports and, indirectly, on private consumption. Exports could also surprise on the upside, given that the Bank's export projections are more conservative than projections for external demand.

With regard to prices, risks are slightly on the downside. Such risks relate to the possibility of weaker than expected price pressures in Malta's trading partners and a stronger pass-through of the expected cut in commercial electricity rates to domestic prices.

INTEREST RATE PASS-THROUGH IN MALTA

Brian Micallef and Tiziana Gauci[1]

Introduction

The transmission of changes in the policy rates set by central banks to retail bank rates applied to loans and deposits is an essential link in the monetary policy transmission mechanism. This is especially important in Malta where the overwhelming majority of businesses are small and medium-sized enterprises (SME), which are typically more dependent on bank financing than larger firms.[2]

This article presents econometric estimates of the pass-through from changes in official interest rates to retail bank lending and deposit rates in Malta between 2000 and 2012. Prior to 2008, the Central Bank of Malta was responsible for the conduct of monetary policy, with a pegged exchange rate serving as the nominal anchor. Following Malta's entry into the euro area on 1 January 2008, monetary policy is set by the Governing Council of the European Central bank (ECB) with the primary objective of maintaining price stability in the euro area as a whole over the medium term.

A number of studies have investigated the role of structural variables in determining the strength of the interest rate pass-through mechanism. Most of these studies document a high degree of heterogeneity across countries, with a generally higher pass-through in advanced economies than in emerging or low income ones. The literature finds that both an economy's financial framework and other structural characteristics, like regulatory institutions and exchange rate regime, influence the speed and magnitude of the interest rate pass-through.[3] In the banking sector, low asset quality (measured by the share of non-performing loans in total assets), high concentration in the banking sector and banks' holdings of ample liquidity are found to be important factors that limit the transmission of policy to retail rates. A weak regulatory environment and a high share of foreign currency loans in total loans also tend to weaken the pass-through. In addition, countries with fixed exchange rates and small island states are inclined to have weak pass-through compared with countries with a flexible exchange rate regime and with larger, more developed economies.[4]

Although the immediate pass-through of market interest rates to bank retail rates is incomplete in the euro area, in the long run the pass-through is higher.[5] The pass-through differs across bank products, as well as across euro area countries, even prior to the financial crisis. One study finds that bank rates on corporate loans appear to adjust more fully, followed by rates on mortgage

[1] The authors work in the Modelling and Research Department and Economic and Monetary Analysis Department of the Central Bank of Malta. Any errors, as well as the views expressed in this article, are the authors' sole responsibility.

[2] Bonello, M., "Financing the small business sector: constraints and opportunities", *Speech* delivered at a seminar of the European Federation of Ethical and Alternative Banks and Financiers on Microcredit as a Tool of Ethical Financing for Sustainable Development, April 2010.

[3] Saborowski, W. and Weber, S., "Assessing the determinants of interest rate transmission through conditional impulse response function", *Working Paper* WP/13/23, IMF, 2013, and Gigineishvili, N., "Determinants of interest rate pass-through: Do macroeconomic conditions and financial market structure matter?", *Working Paper* 11/176, IMF, 2011.

[4] See references in footnote 3.

[5] De Bondt, G., "Retail bank interest rate pass-through: new evidence at the euro area level", *Working Paper* 136, ECB, 2002, and "Recent developments in the retail bank interest rate pass-through in the euro area", *Monthly Bulletin*, ECB, August 2009.

loans and time deposits. On the contrary, the adjustment of rates on consumer loans and on current account deposits seems to work less efficiently.[6]

The financial crisis has led to a fragmentation of financial markets in the euro area, driving retail rates in stressed economies above those in unstressed countries. The transmission from policy to money market rates in some countries has been weakened owing to increases in risk premia. These also had an adverse impact on the pass-through to rates on retail bank products.[7] In addition, interest rates on loans to non-financial corporations (NFC) were found to be more affected by changes in the interbank rate than loans to households, both in times of high volatility and in normal market conditions.[8]

The relatively few studies about Malta suggest that interest rate pass-through is incomplete. For instance, the International Monetary Fund (IMF) points out that the transmission of ECB policy rates to domestic housing interest rates is sluggish and incomplete.[9] According to the Central Bank of Malta's macro-econometric model, the long-run pass-through from policy rates to lending rates ranges from around 60% to 70%.[10]

The contribution of this article is twofold. First, we present econometric evidence of pass-through from policy rates to bank lending and deposit rates for households and NFCs in Malta. To do this, we develop a monthly database of policy, money market and retail domestic bank lending and deposit rates from 2000. In this database, we use both retail interest rates published by the Central Bank of Malta and those harmonised among the euro area countries - monetary financial institutions' interest rates.[11] For Malta, the latter set of statistics is only available since 2008; the series was extended backwards using information about retail rates published by the Bank, which, in some cases, extend to 1999.

We find evidence of incomplete pass-through in Malta, even in the long run. Estimates point to a reduction in the pass-through for deposit rates and lending rates to NFCs since the onset of the financial crisis. The long-run pass-through from policy to household lending rates was, however, hardly affected by the crisis.

Only around 60% of the interest rate cuts by the ECB since September 2008 were passed on to lending rates to NFCs and households by the end of 2012. The pass-through to deposit rates ranges from 40% to 80%, though it has slightly declined after 2010, reflecting also a drop in the responsiveness of local deposit rates to the monetary easing by the ECB in 2012.

Second, we compare developments in the domestic pass-through to retail rates since the onset of the financial crisis with those in other euro area countries. Cross-country comparisons reveal

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6 Sorensen, C.K. and Werner, T., "Bank interest rate pass-through in the euro area: A cross country comparison", *Working Paper* No. 580, ECB, 2006.

7 Hristov, N., Hülsewig, O. and Wollmershäuser, T., "The interest rate pass-through in the euro area during the global financial crisis", *CESifo Working Paper Series* 3964, 2012.

8 Aristei, D and Gallo, M., "Interest rate pass-through in the euro area during the financial crisis: a multivariate regime-switching approach", *Working Paper* 107, University of Perugia, 2012.

9 "Malta: 2013 Article IV Consultation", *Country Report* No. 13/2013, IMF, 2013.

10 Grech, O., Micallef, B., Rapa, N., Grech, G. A. and Gatt, W., "A structural macro-econometric model of the Maltese economy", *Working Paper* WP/02/2013, Central Bank of Malta, 2013.

11 Monetary financial institutions' interest rates (MIR) statistics on outstanding amounts are used in the analysis. This is because statistics on new business exhibit a high degree of volatility in the case of monetary financial institutions (MFI) resident in Malta. Interest rates on outstanding amounts cover resident MFI euro-denominated deposits belonging to households and NFCs resident in Malta and loans extended to them. The household sector includes also non-profit institutions serving households.

a substantial degree of heterogeneity in terms of the pass-through since the onset of the financial crisis.

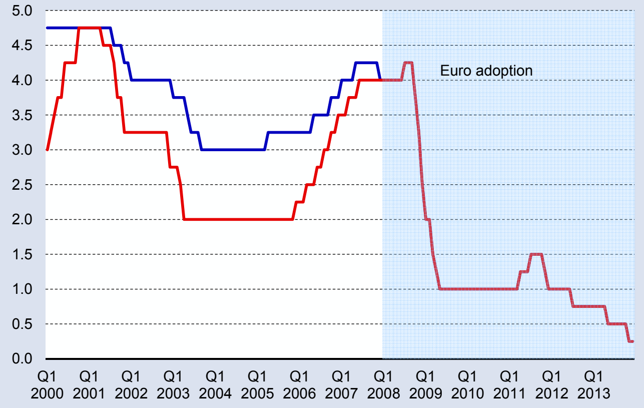


Chart 1
POLICY INTEREST RATES
(percentages per annum)

Source: Central Bank of Malta.

Domestic interest rate developments between 2000 and 2013

Chart 1 shows the policy rates set by the Central Bank of Malta and the ECB since 2000. Within the context of the fixed exchange rate regime prior to the adoption of the euro, the central intervention rate in Malta was set at a premium compared with the rate on the main refinancing operations (MRO) set by the ECB. In the run-up to euro adoption, the spread between the two gradually narrowed. From 2008 onwards, official interest rates were set by the Governing Council of the ECB.

Following the collapse of Lehman Brothers in the latter half of 2008, the ECB, among other measures, cut interest rates sharply. It lowered the MRO rate by 325 basis points to 1.00% by May 2009. By mid-2012, the ECB had reduced it to 0.75%, with two further cuts in 2013 taking the rate down to 0.25% by the end of the year.

The money market plays an important role in the transmission of policy rates to retail rates, particularly because of the role of the interbank market in the allocation of funds. In normal times changes in the policy rate are transmitted, almost one-to-one, to money market rates, such as the EONIA and the EURIBOR (see Chart 2).[12] Money market rates in Malta for pre-2008 are based on interbank market offered rates. In the pre-euro period, the interbank market in Malta was characterised by thin trading, with interbank rates set by the Central Bank of Malta on the basis of quotes received from the participating banks. From January 2008 onwards, the

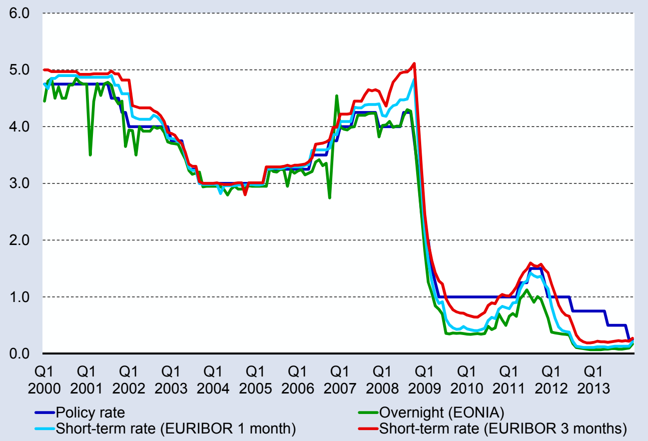


Chart 2
MONEY MARKET INTEREST RATES
(percentages per annum)

Source: Central Bank of Malta.

[12] EONIA is the benchmark interbank reference rate computed on the basis of interest rates applied to the overnight transactions denominated in euro between banks in the European Union and European Free Trade Association countries. EURIBOR is calculated for interbank deposits, with a maturity ranging from one week and 12 months, as the average of the daily offer rates of a representative panel of prime banks.

overnight, one-month and three-month rates consist of the EONIA, one-month EURIBOR and three-month EURIBOR, respectively.

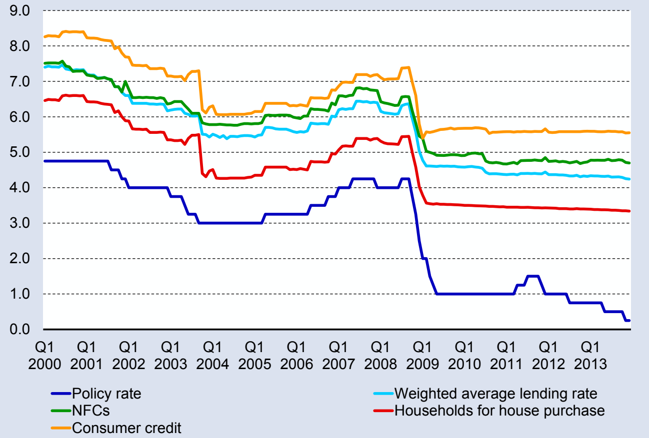
The widening spread between official rates and EURIBOR from mid-2007 onward indicates the loss of confidence in the banking system within the euro area, with banks becoming more reluctant to lend to each other in the interbank market. The ECB responded to these market tensions by injecting liquidity into the markets through conventional and unconventional measures.[13] In particular, the ECB provided longer-term liquidity in the amounts required by bidding banks at exceptionally low costs in an attempt to facilitate the transmission of credit to the real economy. Reflecting this high level of liquidity, money market rates tended to be lower than the policy rate.

Given the thinness of the interbank market in Malta and in the light of the collapse of interbank activity across the euro area during the crisis, this article will shift focus away from money market rates, and instead study the relationship between policy rates, on the one hand, and retail bank rates on the other. Changes in policy rates ultimately affect interest rates that are relevant for households and businesses, which eventually, and along with a number of other channels, influence consumption, savings and investment decisions of economic agents.[14] In turn, these decisions affect aggregate demand and, eventually, consumer prices.

Chart 3 illustrates the policy rate and four different lending rates in Malta. The latter include the bank lending rate to NFCs, to households for house purchases, to households for consumer credit and a weighted average lending rate covering all lending to corporates and households. Since 2008, these rates are represented by MFI interest rates. The series was extended backwards prior to 2008, using the corresponding bank lending rates compiled by the Central Bank of Malta.

Retail lending rates in Malta tend to move in line with the policy rate set by the central bank. During the period reviewed, the lending rates charged by resident banks to households for house purchases were always the lowest among the various lending rates, followed by lending to NFCs and consumer credit rates. Since the start of the financial crisis and the associated monetary easing by the ECB, the spread between the policy rate and various bank lending rates has widened significantly, suggesting a weakening in the transmission mechanism.

Chart 3
RETAIL LENDING RATES IN MALTA
(percentages per annum)



Source: Central Bank of Malta.

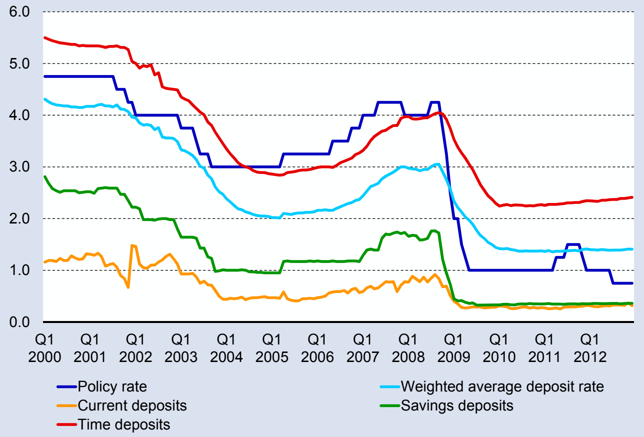
The spread between the lending rate to NFCs and that on

[13] The ECB's initial response to the financial crisis is documented in the article entitled "The ECB's response to the financial crisis", *Monthly Bulletin*, ECB, October 2010.

[14] Other channels include the exchange rate, credit and asset price channels and the formation of expectations. The ECB report entitled "The monetary policy of the ECB", published in 2004, summarises the key features of the monetary policy transmission mechanism and the ECB's monetary policy strategy. The article referred to in footnote 13 describes how some of these channels may have become impaired during the financial crisis.

consumer credit, which was relatively stable at around 30 basis points between 2004 and 2007, increased to around 80 basis points since 2008, suggesting that banks have reassessed upwards the risks associated with consumer credit to households compared with lending to NFCs.

Chart 4
RETAIL DEPOSIT RATES IN MALTA
(percentages per annum)



Source: Central Bank of Malta.

Chart 4 illustrates the policy rate and four different deposit rates in Malta. The retail rates refer to those on current deposits, savings deposits, time deposits and a weighted average of these three rates.[15] These rates are extracted from the Bank's retail interest rate statistics.[16] Like lending rates, deposit rates tend to move in line with the policy rate, though to a somewhat lesser extent.

Chart 4 shows that in the pre-crisis period, the weighted average deposit rate in Malta was always below the policy rate. Since 2009, however, the weighted average deposit rate has been above the policy rate (with the exception of a short period of time in 2011), and this is mainly owing to the evolution of the rate on time deposits. The spread between the rate on time deposits and the policy rate has widened to an average of 140 basis points since 2009, compared with a slightly negative spread in the three years preceding the financial crisis. On the contrary, the rates on current and savings deposits have remained below the official policy rate throughout the entire period. The spread between the rates offered on current and savings deposits, which averaged around 70 basis points between 2004 and 2007, closed by the end of 2012.

Econometric estimates of interest rate pass-through

The previous section has shown that retail rates tend to move with the policy rate but not necessarily proportionally. In this section, we investigate this claim in more detail, focusing on the post-financial crisis period for which evidence suggests that banks in Malta have responded to policy rate changes in a different manner compared with the pre-crisis period.

Empirical studies on the transmission from changes in the policy or money market rates to retail rates are usually based on a marginal cost pricing model equation:

$$rr = \beta_0 + \beta_1 pr$$

[15] Current deposits refer to deposits which are convertible into currency and/or which are transferable on demand without significant delay, restriction or penalty. Savings deposits refer to balances placed without a fixed maturity that can be withdrawn only subject to prior notice or the imposition of a penalty. Time deposits refer to fixed-term deposits that cannot be withdrawn prior to maturity unless a penalty is incurred.

[16] The collection of these deposit rates was terminated by the Central Bank of Malta in December 2012. Published interest rates are since referring to MFI interest rates. Contrary to lending rates, it is not straightforward to disentangle backwards MFI deposit rates in order to distinguish between households and NFCs. Whereas MFI interest rates, both on lending and on deposits, are categorized between households and NFCs, only the lending rates of the Bank's retail rates follow this classification. The Central Bank of Malta's deposit rates are classified according to whether they are current, savings or time deposits. From this classification, it is very difficult to identify an appropriate deposit rate to households and NFCs from the Bank's statistics for the pre-2008 period.

where *rr* and *pr* stand for retail and policy rates, respectively. The equation indicates that changes in policy rates are transmitted to retail rates. The long-run pass-through coefficient is represented by β_1 and β_0 refers to a mark-up. Pass-through would be complete if β_1 = 1. This, however, would require full information and perfect competition in the banking sector as well as risk-neutral banks. Empirical studies typically find that the pass-through is incomplete, i.e. $\beta_1 < 1$, implying that banks have some degree of market power and the demand for bank products is inelastic with respect to retail rates. That is, a reduction, say, in deposit rates brings about a less than proportionate drop in deposits. This could result, for instance, from asymmetric information costs and the existence of switching costs, which make it harder for bank customers to move their business from one bank to another.[17]

The above equation refers to the long-run equilibrium relationship. However, the short-run relationship between policy rates and market rates is subject to lags relating to rigidities. The latter could be related to adjustment costs or to the uncertainty faced by banks about the future development of market interest rates. The dynamic adjustment is usually described by an error correction process, or alternatively, by an autoregressive distributed lag (ARDL) model. This paper applies the latter method and the results are applied to the estimation of the pass-through. Our estimates of interest rate pass-through are based on an ARDL model presented by Cottarelli and Kourelis, which takes the following form:

$$rr_t = \alpha + \sum_{j=1}^{j^*} \varphi_j \, rr_{t-j} + \sum_{k=0}^{k^*} \gamma_k \, pr_{t-k} + \varepsilon_t$$

where *rr* and *pr* stand for retail and policy rates, respectively; j^* and k^* indicate the optimal lag lengths, α is the constant term, γ_0 measures the short-term pass-through and ε_t is the error term.[18] According to this model, retail rates are determined by their own past values and by contemporaneous and lagged values of the policy rate. A value less than 1 for γ_0 indicates a sluggish adjustment. The coefficients φ_j and γ_k can be used to compute the long-run pass-through:

$$\beta = \sum_{k=0}^{k^*} \gamma_k \Big/ \left(1 - \sum_{j=1}^{j^*} \varphi_j\right)$$

with β measuring the long-run pass-through. The long-run pass-through will be complete if β =1, implying that changes in the policy rate are fully transmitted to retail rates.

Since all interest rate series are integrated of order 1, the model is estimated in first differences to avoid spurious estimates. The data set includes monthly observations from January 2000 to December 2012.[19] We consider four different lending rates: those charged to NFCs, to households for mortgages, to households for consumer credit and a weighted average lending rate. Data on MFI deposit rates distinguish between households and NFCs and also include a weighted average series. In addition, we also consider four different bank rates: on current deposits, savings deposits, time deposits along with a weighted average of those three rates.

[17] Aristei, D and Gallo, M., "Interest rate pass-through in the euro area during the financial crisis: a multivariate regime-switching approach", *Working Paper* 107, University of Perugia, 2012.

[18] See Cottarelli, C. and Kourelis, A., "Financial structure, bank lending rates and the transmission mechanism of monetary policy", *Working Paper,* IMF, 1994.

[19] The estimation is based on "Outstanding Amounts" statistics. While "New Business" statistics are in several respects more appropriate, they exhibit a high degree of volatility, which would adversely affect the estimation of the pass-through coefficients.

Table 1
ESTIMATION RESULTS
EXPLANATORY VARIABLE: POLICY RATE

	Full sample 2000-2012		Pre-crisis period 2000-2007	
	Impact(1)	Long-run	Impact	Long-run
MFI interest rates on loans				
Weighted average	0.31	0.55	0.27	0.58
NFCs	0.21	0.46	0.34	0.70
Mortgages	0.26	0.50	0.22	0.47
Consumer credit	0.31	0.44	0.22	0.47
MFI interest rates on deposits				
Weighted average	0.07	0.37	0.12	0.63
Households	0.06	0.37	0.12	0.63
NFCs	0.12	0.39	0.14	0.58
Central Bank of Malta deposit rates				
Weighted average	0.09	0.41	0.09	0.72
Current	0.17	0.17	0.24	0.49
Savings	0.17	0.36	0.23	0.56
Time	0.06	0.46	0.07	0.57

(1) The impact multiplier estimates the short-term pass-through. For example, an impact multiplier of 0.5, implies that if the policy rate changes by 1 percentage point, the bank retail rate will change by 0.5 percentage point within the same month (i.e. a pass-through of 50%).

Note: MFI deposit rates in the pre-crisis period were extended backwards using the average weighted deposit rate published by the Central Bank of Malta.

The use of the policy rate as the explanatory variable in the estimation is more appropriate than the money market rate. This follows from thin trading in the Maltese interbank market during the pre-2008 period (as already mentioned), with published interbank rates not always representing actual transactions.

The equations are estimated using ordinary least squares and the number of lags is chosen to ensure the absence of serial correlation in the residuals.[20] The results are summarized in Table 1.

To assess the possible impact of the financial crisis on the pass-through, the equations are estimated over two different samples, one covering the full period and another restricted to the pre-crisis period (i.e. until end-2007). Estimates are presented for both the impact and the long-run multiplier. A coefficient equal to 1 implies that all changes in the policy rate are transmitted fully to the retail rate.

The econometric analysis indicates that the long-run pass-through is less than 1 in both periods. This is consistent with the literature, which finds that small countries with fixed exchange rate regimes, high banking sector concentration and ample liquidity in the banking system tend to have a lower pass-through.[21] As expected, the pass-through from policy to retail rates is not instantaneous, with impact multipliers being lower than the long-run multipliers in all cases.

Impact multipliers are generally higher for lending rates than for deposit rates. This result could be driven by institutional factors, because domestic loans are normally contracted at variable rates,

20 Dummy variables were inserted in a number of equations to capture possible breaks in the series mostly in 2002 and 2003.
21 See references in footnote 3.

whereas term deposit rates can only be altered for new business or when existing deposits are renewed.

We observe a decline in the pass-through to NFCs with regard to lending rates when the financial crisis is included in the sample. This applies both to the impact and the long-run pass-through coefficients. The long-run pass-through declined from 70% in the pre-crisis period to less than 50% in the full sample. The long-run pass-through from policy to household lending rates, both for house purchases and consumer credit, was almost unaffected by the financial crisis. For these categories, the long-run pass-through is estimated between 40% and 50%.

Turning to deposit rates, the long-run pass-through also declined when post-2008 data were included in the sample. This was valid for all three categories of deposits considered. Impact multipliers for deposit rates are generally quite low, standing around 10% to 20%.

The long-run pass-through to deposit rates depends on the maturity: deposits with longer maturities tend to exhibit a higher pass-through than those with shorter maturities. Before the financial crisis, the long-term pass-through to savings and time deposits was around 60% but declined to around 40% in the full sample. The corresponding pass-through for current deposits dropped from around 50% to 20%. Given that interest rates on current deposits were already low, there was little room for them to fall further in response to the decline in the policy rate.

The decline in the long-run pass-through of bank deposits can be partly explained by the behaviour of time deposits, which have not only been less responsive in the 2008-2009 monetary easing compared with previous monetary cycles but then rose despite the monetary easing by the ECB. This behaviour could be driven by the practice of some domestic banks to offer higher deposit rates in their bid to attract deposits.

Comparison with other euro area countries after the financial crisis

We now compare developments in interest rate pass-through in Malta since the start of the financial crisis with those in other euro area countries. We compare two different estimates of pass-through: the first calculates the pass-through on bank lending and deposit rates from September 2008, when the MRO rate stood at 4.25%, until December 2010, by which time the rate had been standing at 1.00% for 20 months. The second comparison calculates the pass-through until December 2012, thus encompassing the 50 basis point tightening in 2011 and the subsequent reversal that brought the MRO rate down to 0.75%. The choice of this time period is intended to cover a sufficient length of time for changes in policy rates to be transmitted to retail rates.

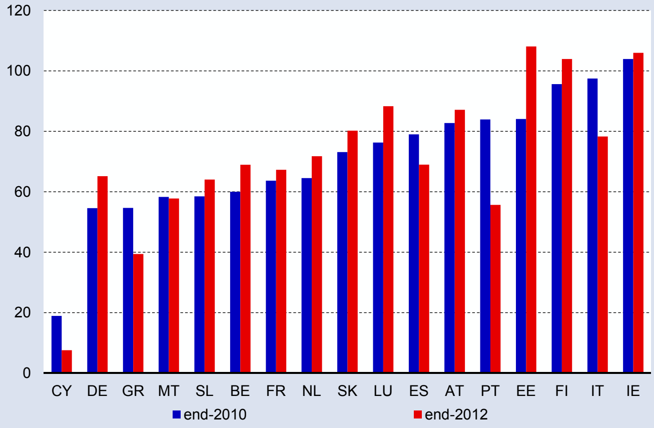
The pass-through coefficients in this section are calculated by comparing the change in the relevant retail rate from September 2008 until end-2010 and end-2012, respectively, with the change in the policy rate during the same period. For example, the domestic lending rate to NFCs on outstanding amounts was reduced by 189 basis points between September 2008 until the end of 2010, compared with a 325 basis point reduction in the policy rate. In this case, the pass-through is equal to 0.58 or 58.0%.

As expected, we observe a high degree of heterogeneity among euro area countries, as many factors could have influenced cross-country differences in interest rates.[22] Hence, the identifica-

[22] Cross-country differences may arise from different collateral practices, non-interest expenses and differences in the fiscal and regulatory frameworks. For more details, see the report entitled "Differences in MFI interest rates across euro area countries", *ECB publication*, 2006.

tion of a limited set of factors explaining these differences is not straightforward. This is important to keep in mind when making cross-country comparisons. Moreover, the analysis in this article is only limited to the pass-through from the policy rate to retail rates. A more in-depth treatment of the subject would also focus on and compare the level of retail interest rates charged in each country. For instance, as at end-2010, interest rates on outstanding amounts to NFCs charged by banks in Slovenia and Belgium stood at 4.5% and 3.5%, respectively, despite these two countries having broadly similar pass-through estimates.[23]

Chart 5
PASS-THROUGH TO BANK LENDING RATES TO NFCs
(per cent transmitted from September 2008 to end 2010/2012)



Sources: ECB SDW; authors' calculations.

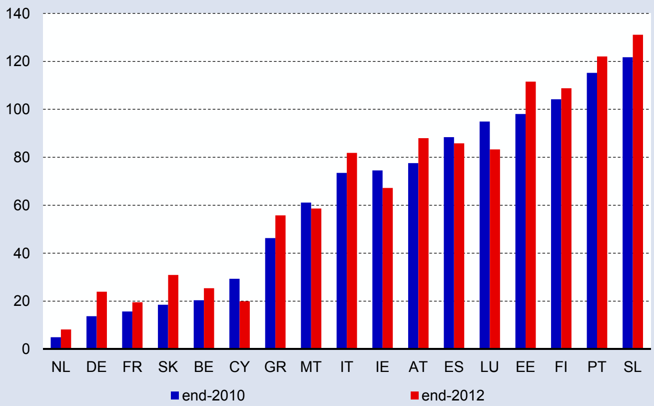
Charts 5 to 9 are based on MFI interest rates on total outstanding amounts across euro area countries. These rates cover MFI interest rates on deposits from, and loans to, euro area residents. Data were obtained from the ECB's Statistical Data Warehouse.

Chart 5 compares the proportion of the change in the MRO that was transmitted to the rates charged on loans to NFCs. The figure shows an estimated pass-through of slightly less than 60% for Malta. Though not directly comparable, this is broadly in line with the econometric results presented in the previous section, with the pass-through being lower post-2008 compared with that prevailing before the crisis. The pass-through for Malta stands out as being one of the lowest in the euro area.

Pass-through estimates for the stressed economies, including Cyprus, Italy, Greece, Portugal and Spain were found to be lower when computed for the period ending in 2012 as compared with the period ending in 2010, suggesting that the ECB rate cuts in 2012 were not transmitted to NFCs.

Chart 6 plots the pass-through for the lending rate to households for mortgages. Again, the pass-through in Malta stands at around 60%, broadly in line with

Chart 6
PASS-THROUGH TO BANK LENDING RATES FOR HOUSEHOLD MORTGAGES
(per cent transmitted from September 2008 to end 2010/2012)



Sources: ECB SDW; authors' calculations.

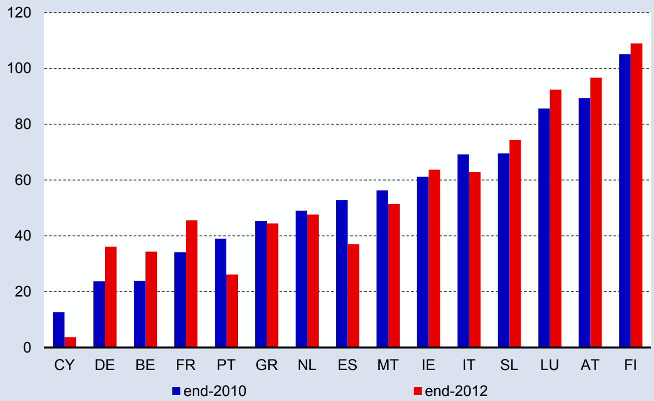
[23] A deeper analysis on this subject is available in Bonnici, J., "Achieving Malta's growth potential in challenging times", *Speech* delivered at the annual dinner of IFS Malta on 29 November 2013.

the median for the euro area countries. This Chart reveals substantially more heterogeneity among euro area countries, highlighting possible differences in the housing market. These include varying preferences for owner-occupancy against renting, or the nature of mortgages offered, like fixed versus floating rates. On one hand, the pass-through to mortgage interest rates in countries like Germany, France and the Netherlands was very sluggish, standing at less than 20%. This is to be expected given that most mortgages are of a fixed rate nature in these countries.[24] At the other end of the spectrum, the pass-through in countries like Finland, Portugal and Slovenia exceeded 100%.

Chart 7 plots the pass-through from policy rates to lending for consumer credit. As in the previous case, the pass-through in Malta stands at slightly less than 60%, broadly in the middle of the range for euro area countries. Again, pass-through in this lending category exhibits significant heterogeneity among euro area countries, with Cyprus and Finland standing at the extremes, with a pass-through below 20% and exceeding 100%, respectively.

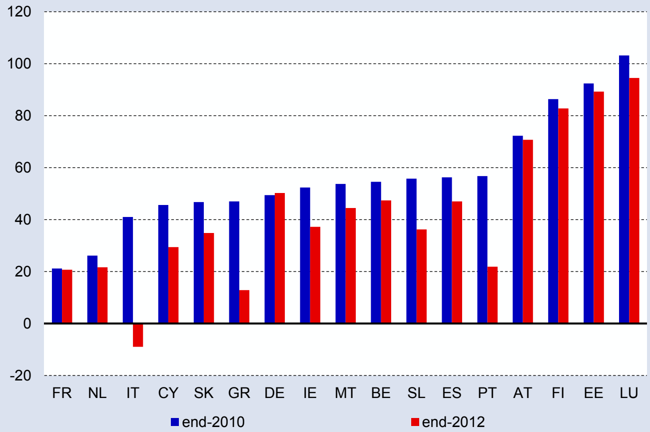
Charts 8 and 9 plot the pass-through to rates on bank deposits belonging to households and NFCs, respectively. As with lending rates, we observe a substantial degree of heterogeneity among euro area countries. In Malta's case, the pass-through

Chart 7
PASS-THROUGH TO BANK LENDING RATES FOR CONSUMER CREDIT[(1)]
(per cent transmitted from September 2008 to end 2010/2012)



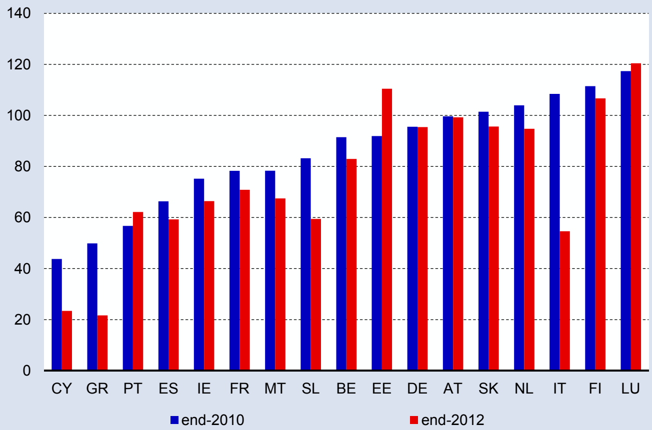
[(1)] SK and EE are excluded due to changes in interest rates related to euro adoption.
Sources: ECB SDW; authors' calculations.

Chart 8
PASS-THROUGH TO BANK DEPOSIT RATES TO HOUSEHOLDS
(per cent transmitted from September 2008 to end 2010/2012)



Sources: ECB SDW; authors' calculations.

Chart 9
PASS-THROUGH TO BANK DEPOSIT RATES TO NFCs
(per cent transmitted from September 2008 to end 2010/2012)



Sources: ECB SDW; authors' calculations.

[24] Lea, M., "International comparison of mortgage product offerings", *Special Report*, Research Institute for Housing America, 2010.

from the policy rate to the deposit rates amounted to around 54% for households and 78% for NFCs, when calculated until the end of 2010. However, we observe a slight decline in the pass-through in both rates when the sample is extended to the end of 2012, suggesting a drop in the responsiveness of domestic deposit rates to monetary easing by the ECB in 2012.

The pass-through to deposit rates in stressed economies declined considerably when calculated until the end of 2012. For instance, the pass-through to the deposit rate to NFCs halved in Greece, Cyprus and Italy. More pronounced changes were witnessed in rates paid on households' deposits. In Italy the pass-through was even negative, implying that the deposit rate to households at the end of 2012 was higher than in September 2008, despite the monetary easing by the ECB. Large reductions in the pass-through were also seen in Greece and Portugal and, to a lesser extent, in Slovenia and Ireland. It is likely that, in spite of falling policy rates, banks in these countries had to raise deposit rates to limit outflows and to secure a stable source of funding, as wholesale funding became more difficult to obtain.

Conclusion

The pass-through constitutes an essential link in the monetary policy transmission mechanism through which changes in policy rates set by central banks affect economic activity, and ultimately prices. This article has presented econometric estimates of the pass-through from policy rates to bank lending and deposit rates in Malta.

We found evidence of incomplete pass-through from policy to retail rates in Malta, both in the short and long run. As expected, this pass-through takes time and impact multipliers were lower than the long-run multipliers. Impact multipliers were generally higher for lending rates than for deposit rates, reflecting institutional factors. Econometric estimates point to a reduction in the interest rate pass-through when the financial crisis period is included in the sample for deposit rates as well as for lending rates charged to NFCs. The long-run pass-through to household lending rates, however, was hardly affected.

Comparison across euro area countries revealed a substantial degree of heterogeneity in the pass-through of policy changes to retail rates after the onset of the financial crisis. In Malta only around 60% of rate cuts by the ECB since September 2008 were transmitted to lending rates to NFCs and households by the end of 2012.

Focusing on lending rates charged to NFCs, the estimated pass-through for Malta is one of the lowest in the euro area. The sluggish pass-through both for small and large business loans, and the relatively high borrowing costs for domestic NFCs, could adversely affect the borrowing and investment decisions of firms, notably SMEs, for which bank lending constitutes an important funding source. The pass-through for household mortgage loans, as well as consumer credit, is broadly in line with the median for the euro area countries.

The pass-through for deposit rates was higher for NFCs than households, although there were indications of a slight decline when extending the sample to the end of 2012, suggesting a drop in the responsiveness of deposit rates to the monetary easing of the ECB in 2012. The latter behaviour is, however, not restricted solely to Malta but is observed in almost all euro area countries, being especially pronounced in stressed economies. Overall, the pass-through to deposit rates in Malta was close to the median in the euro area.

Further research in this area is warranted. An interesting avenue would be to control for additional factors, for instance, structural features of the banking sector or the balance sheets of credit institutions and of borrowing firms. These considerations could influence the strength and degree of interest rate pass-through. They could also help to explain the reduction in the interest rate pass-through during the financial crisis and, more generally, the observed heterogeneity in the pass-through in euro area countries.

NEWS NOTES

ECB monetary policy decisions

On 5 June the European Central Bank (ECB) introduced a package of measures to provide additional monetary accommodation and support lending to the real economy. The measures are expected to contribute to a return of inflation rates in the euro area to levels closer to 2% in the medium term.

The ECB decided to lower the interest rate on the main refinancing operations (MRO) of the Eurosystem by 10 basis points to 0.15%. In addition, the rates on the marginal lending facility and on the deposit facility were lowered to 0.40% and -0.10% respectively, with the latter moving into negative territory for the first time. As a result, a symmetric corridor of ±25 basis points around the MRO rate was restored.

In order to spur lending, the ECB also announced two four-year targeted longer-term refinancing operations (TLTRO) to be conducted in September and December 2014. Through these operations, banks will be entitled to borrow an initial amount worth 7% of the total value of their loans to the euro area non-financial private sector, excluding mortgage loans, at favourable rates. In addition, from March 2015 to June 2016, banks will be able to take out further loans in relation to their net lending to the euro area non-financial private sector. The interest rate on the TLTROs will be fixed over the life of each operation.

The ECB also decided that MROs will be conducted as fixed rate tender procedures with full allotment for as long as necessary, and at least until December 2016. The three-month longer-term refinancing operations (LTRO) to be allotted before the end of the reserve maintenance period ending in December 2016 will also be conducted as fixed rate tender procedures with full allotment. Furthermore, the Governing Council extended the existing eligibility of additional assets as collateral.

The weekly fine-tuning operation sterilising the liquidity injected under the Securities Markets Programme was suspended.

Appointment of Central Bank of Malta as designate authority

On 24 January, through Legal Notice 29 of 2014, the Government, on the basis of Article 60(2) of the Central Bank of Malta Act, appointed the Central Bank of Malta as the Designate Authority to, among other responsibilities, set the systemic risk buffer and identify the sets of institutions to which the risk buffer applies, to identify changes in the intensity of macro-prudential or systemic risk in the financial system, and to draft national measures intended to mitigate such risk. Through this Legal Notice some provisions of Directive 2013/36/EU, known as the Capital Requirements Directive (CRDIV), and Regulation (EU) No. 575/2013, known as the Capital Requirements Regulation (CRR), were implemented.

Central Bank of Malta announcements

Issue of numismatic coins

On 12 February the Bank issued a numismatic coin under the Europa Programme 2014, "European Composers". The reverse of the coin, which is available in both gold and silver, features a portrait of Maltese composer Charles Camilleri, with its obverse showing the emblem of Malta and the year of issue, 2014. The coins were struck at the Royal Dutch Mint, with the gold coin having a face value of €50 and the silver coin having a face value of €10.

On 25 March the Bank issued a numismatic gold coin depicting the *zecchino*. The *zecchino* was introduced and minted in Malta by the Knights of St. John. The reverse of the coin features a *zecchino*, as issued by the first Grand Master of the Order of St John to rule over Malta, Phillippe Villiers de l' Isle Adam. Its obverse shows the emblem of Malta and the year of issue, 2014. The coin, which has a face value of €5, was minted at the Royal Dutch Mint.

Bi-annual information on banknote counterfeiting

On 14 January the Bank published information on euro banknote counterfeiting in Malta covering the second half of 2013. During this period, the number of counterfeit euro notes reported to the Bank amounted to 874, bringing the total number of counterfeits withdrawn from circulation during 2013 to 1,751, a 5.2% increase on the previous year's level. This amount remains insignificant when compared with the estimated number of genuine euro banknotes in circulation.

Extension of SEPA migration end dates

On 1 April the Bank announced that, following the decision taken at European level to extend the Single Euro Payments Area (SEPA) migration deadline for national credit transfer and direct debit schemes, it decided to extend the local migration deadlines. The deadline for credit transfers was extended by three months to 1 May 2014, and that for direct debits by six months to 1 August 2014. SEPA was designed as a market-oriented project, enabling credit transfers and direct debits in euro to take place without any distinction between national and cross-border transactions.

Fiscal and economic policy developments

Macroeconomic Imbalance Procedure

On 5 March the European Commission released the results of its in-depth review of macroeconomic imbalances in Malta. The Commission concluded that the macroeconomic challenges in Malta no longer constitute substantial risks from the perspective of the Macroeconomic Imbalances Procedure. According to the Commission, the Maltese financial sector does not appear to pose imminent risks to macro-financial stability. Although short-term risks to public debt are contained, the long-term sustainability of public finances remains a concern owing to rising age-related budgetary costs and high contingent liabilities. Meanwhile, the Commission found private sector indebtedness to be adjusting in an orderly fashion, while it also commented favourably on the success of Malta's export performance.

Establishment of Individual Investor Programme

On 4 February, Legal Notice 27 of 2014 established the Individual Investor Programme for Malta. This Programme allows for the granting of citizenship by a certificate of naturalisation to foreign individuals, and their families, who contribute to the economic development of Malta. The Regulations of the Programme lay out the general requirements and eligibility criteria of the scheme, while establishing a National Development and Social Fund into which the majority of contributions received under the programme shall be paid.

Credit ratings

Standard & Poor's maintains Malta's BBB+ rating

On 17 January ratings agency Standard & Poor's affirmed Malta's BBB+ rating with a stable outlook. This reflected a generally positive economic performance and the initiation of several reforms, particularly in the energy sector. However, the high government debt burden remains a matter of concern.

Fitch affirms Malta's A rating

On 14 March Fitch Ratings affirmed Malta's A rating with a stable outlook. This reflected the ongoing economic recovery, with GDP growth outperforming that of the euro area, employment rising and the unemployment rate low and stable. On the other hand, the rating agency's report highlights public finances as a drag on Malta's credit rating.

Capital market developments

Issue of Malta Government Stocks

On 14 February the Government, through Legal Notice 61 of 2014, announced the issue of three Malta Government Stocks (MGS) for a total amount of €100 million, subject to an over-allotment option of €60 million. The Treasury received bids totalling €232.7 million and exercised the over-allotment option in full. It allotted €7.2 million to the 3.2% MGS 2019 (V) (Fungibility Issue), €24.1 million to the 3.3% MGS 2024 (I), and €128.7 million to the 4.45% MGS 2032 (II).

On 25 March the Government, through Legal Notice 89 of 2014, announced the issue of two MGS for a total amount of €35 million, subject to an over-allotment option of €20 million. The Treasury received bids totalling €122.4 million and exercised the over-allotment option in full. It allotted €30.5 million to the 3.2% MGS 2019 (V) (Fungibility Issue) and €24.5 million to the 4.45% MGS 2032 (II) (Fungibility Issue).

Corporate bonds

On 3 February AX Investments plc announced the issue at par of €40 million bonds, maturing in 2024 with a 6.00% coupon rate. The issue was fully subscribed and the bonds were listed on the Malta Stock Exchange on 17 March.

Banking and finance legislation

Legal Notice 5 of 2014, dated 14 January, and Legal Notices 9, 10, and 11 of 2014, dated 17 January, set the application fees and the supervisory fees payable by investment, financial and credit institutions to the Malta Financial Services Authority (MFSA) as from 1 January 2014. Meanwhile, Legal Notices 53 and 54 of 2014, dated 7 February, set the application fees and supervisory fees payable by companies carrying on the business of insurance and insurance intermediation to the MFSA as from 1 January 2014.

Legal Notice 13 of 2014, dated 17 January, amends the Commercial Code. This Legal Notice stipulates that, in the case of late payment, a creditor shall be legally entitled to interest without having to issue a reminder to the debtor.

Legal Notices 30, 31, and 32 of 2014, dated 24 January, establish the MFSA as the competent authority in Malta for implementing the CRDIV and the CRR, which relate to prudential requirements and supervision of credit institutions and investment firms. These Legal Notices also lay down rules for consolidated supervision, the establishment of significant branches, and the supervision of mixed activity holding companies and their subsidiaries, and of mixed financial holding companies. Meanwhile, Legal Notice 103 of 2014, dated 28 March, amends the Financial Conglomerates Regulations to bring them in line with the provisions of the CRR and the CRDIV.

Legal Notice 104 of 2014, dated 28 March, amends the Insurance Business Regulations to define how the yield on an asset is to be calculated for a variable interest investment that is an equity share in a company.

Legal Notices 105 and 106 of 2014, dated 28 March, implement Regulation (EU) No 345/2013 on European Venture Capital Funds and Regulation (EU) No 346/2013 on European Social Entrepreneurship Funds, designating the MFSA as the competent authority to implement the provisions of these Regulations.

Double taxation agreements

Legal Notice 65 of 2014, dated 18 February, refers to a double taxation agreement between the Government of Malta and the Principality of Liechtenstein. It declares relief from double taxation in relation to personal income tax, corporation tax, corporate income tax, real estate capital gains tax, coupon tax and wealth tax imposed by the Principality of Liechtenstein. The Agreement will come into effect at a later date to be agreed upon by the two parties.

Exchange of tax information

Legal Notice 56 of 2014, dated 7 February, lays down the arrangements made by the Government of Malta with the Government of the Cayman Islands to prevent fiscal evasion through the exchange of tax information between the two countries. The Agreement will enter into force as from a later date to be agreed upon by the parties.

Legal Notice 78 of 2014, dated 7 March, lays down the arrangements made by the Government of Malta with the Government of the United States of America to prevent fiscal evasion through the exchange of tax information between the two countries, in relation to the Foreign Account Tax Compliance Act (FATCA) enacted in the United States. 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 28 January the Economic and Financial Affairs (ECOFIN) Council adopted a directive aimed at creating a single market for mortgage credits within the European Union. The directive seeks to establish a high level of protection while addressing irresponsible lending and borrowing. It establishes regulatory and supervisory principles, ensuring a high degree of professionalism amongst creditors and credit intermediaries, as well as setting out principles for marketing and advertising, and transparency of information on the part of both the creditor and the consumer.

On 18 February the ECOFIN Council postponed the SEPA migration deadline by six months to 1 August 2014 to allow more time for the migration rate to reach its required level.

On 11 March the ECOFIN Council established the Pericles 2020 programme, which is aimed at protecting the euro against counterfeiting and related fraud.

On 24 March the ECOFIN Council adopted a directive aimed at strengthening EU rules on the exchange of information concerning the taxation of savings income. The new directive builds on earlier legislation, reflecting changes to savings products and developments in investor behaviour. It thus covers new types of savings income and products, including life insurance contracts, and broadens coverage of investment funds. Tax authorities will be required to take steps to identify who is benefiting from interest payments.

European Council Summit

On 21-22 March the European Council held its quarterly summit, focusing mainly on the European Semester, industrial competitiveness, energy policy and the geopolitical situation in the Ukraine.

The Council put particular emphasis on policies promoting competitiveness and job creation, and on improving the functioning of labour markets. The Council also called for an intensification of efforts to reach the Europe 2020 objectives. It emphasised a strong and competitive industrial base as a key driver for economic growth and jobs, exploiting the potential of both the internal and international market through an ambitious trade and investment agenda. The Council also held a policy debate on the framework for climate and energy for the period 2020 to 2030, underlining the importance of affordable energy prices, industrial competitiveness, security of supply and the achievement of set energy targets.

Political agreement on Single Resolution Mechanism

On 27 March the Council and the European Parliament agreed on a regulation establishing a single resolution mechanism (SRM) for failing banks. The SRM incorporates a central decision-making board and a single resolution fund. This should ensure the orderly resolution of failing banks and reduce the dependence of banks on the creditworthiness of their sovereigns. The SRM is a key element of the banking union in Europe.

Latvia adopts the euro

On 1 January Latvia became the 18th country to adopt the euro as its national currency. As a result, the Bank of Latvia became a member of the Eurosystem.

The Group of Twenty (G20)

On 22-23 February the G20 finance ministers and central bank governors met in Sydney, Australia. The main topics discussed were recent developments in the world economy and the global outlook. The participants undertook to develop policies to maintain fiscal sustainability and financial sector stability, increase global growth and jobs, as well as create an environment that fosters higher investment. Moreover, they pledged to further strengthen their domestic macroeconomic, structural and financial policy frameworks. In 2014 efforts will be focused on promoting stability within the financial system and certainty in the regulatory environment.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

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

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates[1]:	EUR 1 = USD 1.3791	
		EUR 1 = GBP 0.8337	
CLIMATE	Average temperature (2013):	Jan. - Mar.	13.6°C
	Average temperature (2013):	July - Sep.	26.4°C
	Annual rainfall (2013)		479.6mm
SELECTED GENERAL	GDP growth at constant 2000 prices[2]		2.2%
ECONOMIC STATISTICS	GDP per capita at current market prices[2]		EUR17,000
	GDP per capita in PPS relative to the EU-27 average (2012)		86.0%
	Ratio of gross general government debt to GDP[2] (2013)		73.0%
	Ratio of general government deficit to GDP[2] (2013)		2.8%
	RPI inflation rate (12-month moving average)		1.4%
	HICP inflation rate (12-month moving average)		1.0%
	Ratio of exports of goods and services to GDP[2]		87.4%
	Ratio of current account deficit to GDP[2]		2.4%
	Employment rate[3]		61.1%
	Unemployment rate[3]		6.4%
	Long term government bond yield		2.9%
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 (2013)		2,383
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		137.9
	Internet subscribers per 100 population		33.9
	Private motor vehicle licences per 100 population		58.9

[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 December 2013:

Akbank T.A.S.
AgriBank p.l.c. (from February 2013)
APS Bank Ltd.
Banif Bank Malta p.l.c.
Bank of Valletta p.l.c.
BAWAG Malta Bank Ltd.
Credit Europe NV (from March 2007)
Commbank Europe Ltd. (from September 2005)
Deutsche Bank Malta Ltd. (from March 2010)
Erste Bank (Malta) Ltd.
FCM Bank Limited (from November 2011)
Ferratum Bank Limited (from February 2013)
FIMBank p.l.c. (from August 2011)
HSBC Bank Malta p.l.c.
IIG Bank (Malta) Ltd. (from October 2010)
Investkredit International Bank p.l.c.
Izola Bank Ltd.
Lombard Bank Malta p.l.c.
Mediterranean Bank p.l.c. (from January 2006)
NBG Bank Malta Ltd. (from July 2005)
Nemea Bank Ltd (from December 2009)
Raiffeisen Malta Bank p.l.c.
Saadgroup Bank Europe Ltd. (from January 2009)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Novum Bank Limited (from October 2010)
Volksbank Malta Ltd.

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

As from *Quarterly Review 2013:1* , the Central Bank of Malta discontinued to publish the weighted average deposit and lending rates in Table 1.21 - Other rates and indicators. Interest rates paid and charged by MFIs in Malta reported according to harmonised definition established by the ECB are shown in Table 1.18 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Residents of Malta', and Table 1.19 - 'Monetary Financial Institutions Interest Rates on Deposits and Loans to Euro Area Residents'.

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

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

EUR millions

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/ liabilities
	Gold	IMF-related assets[2]	Other[3]	Total				
2005	1.5	87.4	2,061.2	2,150.1	74.6	21.2	62.5	2,308.4
2006	2.7	84.8	2,123.6	2,211.1	70.5	70.5	62.3	2,414.4
2007	8.8	83.9	2,434.4	2,527.2	66.3	203.6	74.4	2,871.5

EUR millions

End of period	Gold and gold receivables	Claims in euro		Claims in foreign currency		Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
		Claims on euro area residents	Claims on non-euro area residents	Claims on euro area residents	Claims on non-euro area residents				
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
2010	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011	10.3	1,382.9	182.3	276.7	387.0	498.2	51.0	769.8	3,558.2
2012									
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
Oct.	14.2	1,450.1	483.5	110.3	407.4	206.7	453.3	763.4	3,889.1
Nov.	14.2	1,435.3	488.8	110.2	433.7	201.7	191.6	807.3	3,682.7
Dec.	12.5	1,451.0	607.2	137.5	418.8	200.1	52.2	730.8	3,610.1

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.
[2] Includes IMF reserve position and holdings of SDRs.
[3] Mainly includes cash and bank balances, placements with banks and securities.
[4] Including items in course of settlement.

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

EUR millions

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2005	1,211.4	74.6	424.7	343.5	22.2	790.4	196.3	-	35.7
2006	1,173.9	70.5	660.8	248.2	41.0	950.0	181.0	-	38.9
2007	677.8	66.4	1,433.5	387.2	75.7	1,896.4	189.9	-	41.0

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations		Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
		Total	(of which): Minimum Reserve Requirements	Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008	693.1	483.5	474.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	447.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010	701.2	501.2	470.4	410.9	97.0	96.5	0.0	110.4	1,329.7	116.2	280.7
2011	737.6	1,101.1	431.6	438.6	86.5	122.5	0.0	113.2	557.9	103.1	297.1
2012											
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
Oct.	776.4	985.7	241.7	400.3	758.5	75.0	298.3	108.4	38.1	121.2	327.2
Nov.	779.1	1,097.7	255.6	369.7	735.8	75.1	33.9	108.4	37.0	118.3	327.6
Dec.	803.2	1,144.0	327.3	340.0	1.8	61.1	0.0	106.7	709.8	115.7	327.6

[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										
July	0.3	6.4	323.4	329.8	2,020.9	990.9	290.5	3,302.3	394.9	4,027.3
Aug.	0.3	6.4	326.7	333.1	2,101.0	1,002.8	297.2	3,401.1	382.0	4,116.4
Sep.	0.3	6.6	326.2	332.8	2,089.5	996.7	294.0	3,380.3	302.0	4,015.4
Oct.	0.3	6.7	329.2	335.9	2,018.2	994.3	287.0	3,299.5	315.4	3,951.0
Nov.	0.3	6.7	333.1	339.7	1,769.1	1,048.4	286.5	3,104.0	303.2	3,747.2
Dec.	0.3	6.6	331.8	338.4	1,673.8	1,146.2	291.5	3111.5	308.4	3,758.5

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

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										
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
Oct.	831.0	391.6	25.0	416.5	0.0	76.6	1,035.8	1,112.4	495.9	1,095.2
Nov.	834.1	374.4	25.0	399.4	0.0	76.8	733.1	809.9	494.4	1,209.3
Dec.	858.5	331.6	24.7	356.3	673.3	74.4	38.1	785.8	492.0	1,265.9

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast).
[2] If the Central Bank of Malta issues less, or more, currency than the amount attributed to it under the banknote allocation key, the shortfall, or excess, will be reflected in intra-Eurosystem claims, or liabilities, respectively.
[3] Includes resident interbank transactions.
[4] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury. For 2008, the remaining outstanding Maltese lira banknotes and coins are included.
[5] For the purposes of this table deposits withdrawable on demand include deposits redeemable at notice.

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

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
2008	600.6	7,150.4	1,342.9	115.3	6,153.2	25,468.7	847.3	32,469.1	797.8	42,476.2
2009	674.9	7,677.1	1,690.3	132.2	6,186.2	23,631.2	631.9	30,449.3	876.8	41,500.6
2010	599.6	8,075.5	1,781.1	141.9	9,366.9	28,681.7	650.4	38,699.0	909.3	50,206.4
2011	1,179.9	8,438.6	1,946.1	169.0	10,111.8	27,921.1	665.8	38,698.7	914.9	51,347.1
2012										
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	8,119.1	32,187.2	606.5	40,912.8	878.0	53,846.3
July	1,279.0	8,503.4	2,108.3	178.4	8,152.6	32,723.3	698.2	41,574.0	884.3	54,527.5
Aug.	1,204.6	8,528.7	2,195.6	178.9	8,435.2	33,337.8	805.4	42,578.4	967.8	55,653.9
Sep.	1,120.1	8,532.9	2,280.2	180.3	7,527.8	33,648.7	764.4	41,940.9	924.8	54,979.1
Oct.	1,084.0	8,519.8	2,214.3	181.3	7,097.5	32,147.8	717.4	39,962.7	929.9	52,891.9
Nov.	1,232.7	8,529.9	2,176.0	181.4	7,326.5	30,160.7	716.3	38,203.5	953.6	51,277.0
Dec.	1,259.9	8,542.2	2,081.2	182.3	7,230.7	29,316.6	740.2	37,287.6	979.1	50,332.3

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

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

EUR millions

End of period	Deposits from residents of Malta[2]				External liabilities				Debt securites issued[4]	Capital & reserves	Other liabilities[2]
	Withdraw-able on demand	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											
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	7,292.5	14,292.1	10,168.1	31,752.7	412.0	9,407.9	1,626.5
July	5,434.4	142.9	5,157.2	10,734.4	7,845.1	14,304.6	10,295.1	32,444.7	411.9	9,377.0	1,559.5
Aug.	5,565.7	148.0	5,176.8	10,890.5	7,747.3	15,998.6	9,843.4	33,589.3	411.9	9,148.7	1,613.4
Sep.	5,575.6	150.5	5,223.8	10,949.9	7,821.7	15,289.8	9,583.9	32,695.4	411.8	9,334.4	1,587.9
Oct.	5,743.4	156.2	5,239.2	11,138.8	7,472.6	15,272.9	9,583.5	32,329.0	382.4	7,506.4	1,535.7
Nov.	5,882.5	159.0	5,281.2	11,322.7	5,971.8	15,217.4	9,474.5	30,663.8	350.1	7,400.3	1,540.4
Dec.	5,842.0	169.3	5,334.3	11,345.6	5,623.5	14,755.6	9,583.6	29,962.7	350.1	7,140.4	1,533.6

[1] Based on the instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 figures also include liabilities of the MMFs.

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

[3] Includes inter-bank deposits.

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

Table 1.4a Monetary base and monetary aggregates

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							Total (M3)[1]
				Narrow money (M1)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)	
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)				
					Demand	Savings					
2005	1,211.4	315.7	1,527.1	1,162.2	727.0	2,001.0	3,890.2	73.3	3,121.5	7,085.0	7,085.0
2006	1,173.9	412.2	1,586.1	1,112.9	726.5	2,020.0	3,859.4	71.8	3,520.6	7,451.7	7,451.7
2007	677.8	1,110.0	1,787.8	610.2	806.3	2,278.9	3,695.4	105.3	4,474.6	8,275.3	8,275.3

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

EUR millions

End of period	Broad money (M3)								
	Intermediate money (M2)							M3-M2[4]	Total (M3)[5]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]			
	Currency issued[2]	Overnight deposits[3]							
		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents		
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
2010	674.4	4,225.1	99.5	123.5	0.7	3,848.1	157.5	241.6	9,370.5
2011	710.6	4,590.9	124.1	122.5	2.6	3,693.1	228.2	204.3	9,676.3
2012	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	11,053.9
Oct.	762.4	5,651.8	188.9	109.5	0.0	3,699.5	685.9	202.7	11,300.8
Nov.	763.0	5,788.9	183.4	109.8	0.0	3,732.7	674.5	159.7	11,412.0
Dec.	778.7	5,771.0	176.0	113.0	0.0	3,784.6	838.4	165.4	11,627.3

[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	8,665.6	1,484.0	2,577.2	15,233.0	34,047.7	23,641.2	10,406.5	15,038.0
July	10,854.0	2,486.8	8,633.2	1,472.1	2,552.7	15,144.8	34,674.4	23,759.0	10,915.4	15,206.1
Aug.	11,029.4	2,579.6	8,656.7	1,441.3	2,381.7	15,059.2	35,410.4	24,919.4	10,491.0	14,520.7
Sep.	11,053.9	2,665.5	8,660.7	1,438.1	2,348.6	15,112.9	35,657.8	23,550.8	12,107.0	16,166.1
Oct.	11,300.8	2,603.3	8,647.9	1,417.3	2,370.0	15,038.5	34,109.5	23,422.8	10,686.7	14,424.5
Nov.	11,412.0	2,571.3	8,655.7	1,286.3	2,051.6	14,565.0	32,180.2	23,001.0	9,179.2	12,332.3
Dec.	11,627.3	2,478.0	8,666.2	1,295.3	1,993.8	14,433.3	31,465.6	21,898.5	9,567.1	12,373.1

[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
Oct.	776.4	54.6	-	68.5	762.4	38.1
Nov.	779.1	55.0	-	71.1	763.0	37.0
Dec.	803.2	55.3	-	79.8	778.7	37.4

[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
Dec.	42.8	6.8	20.8	8.0	7.1	42.8

[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
Dec.	-15.7	-18.4	273.5	356.2	-146.5	77.7	313.8	840.6

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB) 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
Dec.	0.2	0.7	1.7	2.7	4.6	6.9	10.9	27.5	55.3

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	8,980.8	22,127.7	42,348.8
July	220.8	525.2	201.8	270.6	2,095.2	7,946.0	11,259.6	9,427.2	22,202.0	42,888.8
Aug.	234.1	515.0	233.7	272.8	2,147.8	8,002.0	11,405.4	9,432.8	23,302.3	44,140.6
Sep.	233.0	430.7	264.7	282.3	2,134.1	8,035.7	11,380.5	9,882.8	22,009.7	43,273.0
Oct.	237.2	407.6	258.6	332.0	2,216.2	8,094.8	11,546.4	9,684.3	21,817.5	43,048.2
Nov.	238.1	410.4	285.4	332.9	2,313.6	8,152.8	11,733.1	8,101.4	21,667.7	41,502.2
Dec.	206.2	446.4	317.8	326.0	2,274.4	8,221.2	11,792.0	7,841.8	21,330.1	40,963.9

[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		4,965.4	4,015.3	22,127.7	42,348.8
July		10,221.5	470.5	444.8	122.8		5,198.8	4,228.4	22,202.0	42,888.8
Aug.		10,306.0	485.1	479.3	135.1		5,425.8	4,007.0	23,302.3	44,140.6
Sep.		10,319.3	496.7	453.9	110.6		5,296.5	4,586.3	22,009.7	43,273.0
Oct.		10,444.1	479.2	514.3	108.9		5,092.9	4,591.4	21,817.5	43,048.2
Nov.		10,581.6	507.6	503.8	140.1		3,854.1	4,247.3	21,667.7	41,502.2
Dec.		10,636.5	515.6	480.4	159.5		3,623.0	4,218.7	21,330.1	40,963.9

[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
Oct.	756.1	3,679.6	1,979.4	11,898.4	18,313.5
Nov.	757.1	3,691.6	1,934.7	11,373.3	17,756.6
Dec.	757.4	3,694.2	1,892.7	10,688.5	17,032.8

[1] For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Loans exclude 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	909.0	460.8	794.5	452.9	3,224.0	383.5	297.8	3,905.3	922.7	794.5	7,739.1
Oct.	294.0	484.1	294.2	899.1	455.4	791.7	456.8	3,244.3	381.5	297.9	3,923.6	921.5	795.2	7,725.2
Nov.	293.6	480.7	295.0	890.1	459.5	790.8	459.3	3,261.2	382.4	298.8	3,942.5	918.5	790.9	7,739.1
Dec.	293.1	478.0	297.3	894.7	462.5	782.2	455.4	3,278.4	382.4	298.6	3,959.4	922.1	792.0	7,752.6

[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	3,746.2	4,241.9	9,637.7	5,009.2	18,308.8	32,955.7
Oct.	139.3	1,079.0	6.9	400.3	3,714.2	4,259.1	9,598.7	4,650.5	17,381.3	31,630.5
Nov.	140.9	1,225.4	3.7	399.5	3,710.3	4,275.5	9,755.4	5,069.1	16,413.2	31,237.7
Dec.	142.8	1,248.1	2.4	397.2	3,711.0	4,288.9	9,790.3	4,940.9	15,740.4	30,471.5

[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.			954.2	2,683.6	67.3	41.2			257.8	3,977.9	2.7	3.5		1,608.2	41.4	9,637.7
Oct.			933.7	2,670.7	69.6	40.1			256.7	3,996.3	2.6	3.4		1,600.3	25.2	9,598.7
Nov.			940.5	2,664.5	65.0	40.3			256.5	4,013.0	2.6	3.5		1,733.5	36.0	9,755.4
Dec.			947.6	2,655.4	71.1	36.8			255.4	4,027.5	2.5	3.5		1,748.1	42.3	9,790.3

[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
Dec.	50.4	11.3	376.5	24.7	168.7	205.2	4.1	841.0

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
Dec.	0.2	809.8	29.3	1.7	841.0

[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
Dec.	298.2	525.0	213.4	1,050.3	342.3	2,429.2

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
Dec.	5.2	335.1	1,971.3	50.6	67.0	2,429.2

[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
Q4	4,859.0	620.3	442.5	5,921.8	-214.8	-47.8	0.0	-262.6	2.9

[1] Amounts are at nominal prices.

[2] As from March 2012 debt securities issued by holding companies have been reclassified from Non-Financial Corporations to Financial Corporations in terms of NACE Rev 2.

[3] Net valuation changes reflect exchange rate changes.

Sources: Central Bank of Malta; MSE.

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

EUR millions

End of period	Outstanding amounts as at end of period			Net issues during period			Net valuation changes[2]
	Financial corporations	Non-financial 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
Q4	1,861.4	1,346.7	3,208.1	0.0	0.1	0.1	229.2

[1] Amounts are at market prices.

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

Sources: Central Bank of Malta; MSE.

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

% per annum	2008	2009	2010	2011	2012	2013					
						July	Aug.	Sep.	Oct.	Nov.	Dec.
NEW BUSINESS											
Deposits	**3.04**	**1.74**	**2.10**	**2.55**	**2.11**	**1.97**	**1.97**	**1.94**	**1.93**	**1.90**	**1.94**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.23	2.50	2.85	2.38	2.13	2.12	2.12	2.11	2.08	2.11
up to 1 year	3.06	1.95	2.03	1.99	1.91	1.88	1.85	1.84	1.84	1.82	1.84
over 1 and up to 2 years	4.60	3.00	3.00	3.41	3.49	3.06	3.08	3.04	3.06	3.02	2.66
over 2 years	4.77	3.44	3.86	3.65	3.80	3.41	3.53	3.29	3.24	3.24	3.14
Non-financial corporations											
Time deposits with agreed maturity	2.60	0.85	1.51	1.93	1.72	1.70	1.60	1.61	1.61	1.61	1.60
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.49**	**4.71**	**4.10**	**4.22**	**4.16**	**4.51**	**4.04**	**4.78**	**4.49**	**3.77**
Households and NPISH	4.88	4.49	4.20	3.82	4.00	3.83	3.74	3.87	3.86	3.76	3.54
Lending for house purchase	3.84	3.51	3.43	3.38	3.40	3.17	3.16	3.18	3.16	3.05	3.03
Consumer credit	6.12	6.02	5.81	5.04	5.66	5.28	5.59	5.50	5.43	5.39	5.32
Other lending	6.44	5.56	5.86	5.60	5.61	5.61	5.80	5.63	6.06	5.65	5.21
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.68	3.71	3.74	3.65	3.65	3.52
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.39	3.40	3.38	3.37	3.31	3.28
Consumer credit	6.25	6.10	5.89	5.12	5.64	5.30	5.63	5.35	5.47	5.43	5.34
Non-financial corporations											
Loans	5.50	4.95	4.86	4.28	4.26	4.42	5.23	4.16	5.46	5.14	3.89
OUTSTANDING AMOUNTS											
Deposits	**2.60**	**1.46**	**1.38**	**1.41**	**1.42**	**1.42**	**1.41**	**1.41**	**1.41**	**1.40**	**1.41**
Households and NPISH	2.74	1.57	1.50	1.54	1.56	1.58	1.57	1.57	1.57	1.57	1.57
Overnight deposits[3]	0.57	0.30	0.28	0.31	0.32	0.35	0.35	0.35	0.35	0.35	0.35
Savings deposits redeemable at notice[3,4]	2.05	1.68	1.59	1.51	1.54	1.81	1.83	1.85	1.89	1.91	1.93
up to 3 months	2.09	1.70	1.69	1.61	1.60	1.56	1.55	1.54	1.54	1.54	1.55
Time deposits with agreed maturity	3.82	2.35	2.30	2.38	2.47	2.50	2.50	2.50	2.50	2.50	2.52
up to 2 years	3.90	2.22	2.08	2.05	2.07	2.07	2.06	2.05	2.06	2.05	2.07
over 2 years	3.19	3.06	3.16	3.21	3.42	3.50	3.53	3.53	3.52	3.52	3.55
Non-financial corporations	1.73	0.86	0.81	0.84	0.79	0.71	0.70	0.70	0.71	0.70	0.72
Overnight deposits[3]	0.64	0.23	0.24	0.30	0.28	0.28	0.27	0.28	0.29	0.30	0.30
Time deposits with agreed maturity	3.38	1.99	2.09	2.09	2.11	2.13	2.12	2.10	2.07	2.05	2.04
up to 2 years	3.39	1.89	1.97	2.00	1.99	2.00	1.99	1.97	1.94	1.92	1.91
over 2 years	3.26	3.35	3.24	3.13	3.06	3.11	3.12	3.15	3.14	3.15	3.12
Loans	**5.03**	**4.58**	**4.38**	**4.44**	**4.32**	**4.30**	**4.30**	**4.30**	**4.29**	**4.25**	**4.24**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.90	3.89	3.89	3.88	3.87	3.86
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.36	3.36	3.36	3.35	3.35	3.34
Consumer credit and other lending[5]	5.80	5.67	5.58	5.66	5.59	5.59	5.59	5.57	5.58	5.54	5.55
Non-financial corporations[5]	5.43	4.96	4.67	4.85	4.73	4.76	4.77	4.79	4.78	4.71	4.70
Revolving loans and overdrafts											
Households and NPISH	7.16	6.44	5.75	6.12	5.84	5.86	5.87	5.86	5.87	5.78	5.78
Non-financial corporations	5.30	5.08	5.03	5.07	5.26	5.32	5.28	5.31	5.28	5.19	5.18

[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					
						July	Aug.	Sep.	Oct.	Nov.	Dec.
NEW BUSINESS											
Deposits	**2.72**	**1.90**	**1.65**	**2.57**	**2.13**	**1.85**	**2.34**	**2.04**	**2.33**	**1.95**	**2.47**
Households and NPISH											
Time deposits with agreed maturity	3.31	2.24	2.44	2.83	2.38	2.14	2.13	2.15	2.11	2.08	2.10
up to 1 year	3.05	1.97	1.96	1.99	1.93	1.90	1.87	1.89	1.84	1.83	1.83
over 1 and up to 2 years	4.60	3.00	3.01	3.41	3.49	3.09	3.09	3.05	3.06	3.02	2.68
over 2 years	4.77	3.44	3.86	3.65	3.80	3.43	3.53	3.29	3.24	3.24	3.14
Non-financial corporations											
Time deposits with agreed maturity	2.06	1.44	1.11	2.17	1.80	1.43	2.37	1.87	2.53	1.74	2.67
Loans (excluding credit card debt, revolving loans & overdrafts)	**4.88**	**4.48**	**4.45**	**4.09**	**4.15**	**4.25**	**4.32**	**3.92**	**4.65**	**4.20**	**3.51**
Households and NPISH	4.88	4.48	4.20	3.81	4.00	3.83	3.74	3.84	3.82	3.71	3.48
Lending for house purchase	3.84	3.51	3.42	3.38	3.40	3.17	3.16	3.18	3.16	3.07	3.05
Consumer credit	6.12	6.01	5.81	5.04	5.66	5.28	5.49	5.25	5.00	4.82	4.40
Other lending	6.43	5.56	5.86	5.60	5.61	5.61	5.80	5.63	6.06	5.65	5.13
APRC[2] for loans to households and NPISH	4.63	4.05	3.94	3.78	3.82	3.68	3.71	3.70	3.61	3.59	3.45
Lending for house purchase	4.35	3.70	3.63	3.60	3.56	3.39	3.41	3.39	3.37	3.33	3.30
Consumer credit	6.25	6.09	5.89	5.12	5.64	5.30	5.53	5.11	5.04	4.85	4.41
Non-financial corporations											
Loans	4.93	4.42	4.52	4.20	4.18	4.45	4.77	3.96	5.04	4.50	3.53
OUTSTANDING AMOUNTS											
Deposits	**2.62**	**1.47**	**1.37**	**1.41**	**1.43**	**1.43**	**1.41**	**1.42**	**1.41**	**1.40**	**1.39**
Households and NPISH	2.74	1.58	1.49	1.54	1.56	1.58	1.58	1.57	1.57	1.57	1.57
Overnight deposits[3]	0.57	0.30	0.28	0.30	0.32	0.35	0.35	0.34	0.35	0.34	0.35
Savings deposits redeemable at notice[3,4]	2.09	1.70	1.69	1.63	1.61	1.87	1.92	1.93	1.99	2.00	2.04
up to 3 months	2.09	1.70	1.69	1.63	1.61	1.56	1.55	1.54	1.54	1.54	1.55
Time deposits with agreed maturity	3.82	2.36	2.29	2.39	2.48	2.51	2.51	2.51	2.51	2.51	2.52
up to 2 years	3.89	2.21	2.08	2.05	2.09	2.08	2.07	2.06	2.07	2.06	2.08
over 2 years	3.24	3.10	3.16	3.22	3.44	3.52	3.54	3.54	3.53	3.53	3.56
Non-financial corporations	2.00	0.92	0.84	0.90	0.85	0.87	0.80	0.82	0.81	0.80	0.77
Overnight deposits[3]	0.65	0.23	0.25	0.30	0.29	0.29	0.29	0.30	0.30	0.31	0.30
Time deposits with agreed maturity	3.56	2.04	1.88	2.02	2.06	2.12	1.92	2.06	1.91	1.85	1.55
up to 2 years	3.57	1.93	1.71	1.93	1.96	2.05	1.83	1.98	1.82	1.76	1.45
over 2 years	3.28	3.13	3.33	2.99	2.95	2.80	2.81	2.83	2.83	2.83	2.81
Loans	**4.94**	**4.29**	**4.32**	**4.38**	**4.19**	**4.22**	**4.25**	**4.24**	**4.24**	**4.22**	**4.19**
Households and NPISH	4.57	4.15	4.06	4.02	3.95	3.90	3.90	3.89	3.88	3.87	3.86
Lending for house purchase	4.03	3.51	3.46	3.43	3.40	3.37	3.37	3.36	3.35	3.35	3.34
Consumer credit and other lending[5]	5.79	5.67	5.58	5.66	5.59	5.59	5.59	5.56	5.57	5.53	5.53
Non-financial corporations[5]	5.20	4.40	4.54	4.66	4.39	4.51	4.56	4.57	4.58	4.56	4.51
Revolving loans and overdrafts											
Households and NPISH	7.16	6.45	5.76	6.12	5.84	5.86	5.87	5.86	5.87	5.78	5.79
Non-financial corporations	5.14	5.08	5.02	5.07	5.25	5.29	5.26	5.30	5.27	5.18	5.16

[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.	Dec.
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	0.75
Main refinancing operations - minimum bid rate	2.50	1.00	1.00	1.00	0.75	0.75	0.50	0.50	0.25
Deposit facility	2.00	0.25	0.25	0.25	0.00	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	0.12
Rates for fixed term deposits (EURIBOR)									
1 month	4.27	0.90	0.57	1.18	0.33	0.12	0.12	0.13	0.16
3 months	4.63	1.23	0.81	1.39	0.57	0.21	0.21	0.22	0.24
6 months	4.72	1.44	1.08	1.64	0.83	0.34	0.31	0.34	0.35
1 year	4.81	1.62	1.35	2.01	1.11	0.57	0.51	0.54	0.53
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	0.39
6 month	2.75	1.52	1.10	1.33	1.15	0.77	0.75	0.55	0.44
1 year	-	-	-	-	-	-	-	-	-
Treasury bills (secondary market)									
1 month	2.64	1.36	0.77	0.85	0.94	0.78	0.59	0.49	0.40
3 month	2.64	1.40	0.94	0.97	1.00	0.78	0.60	0.49	0.40
6 month	2.65	1.46	1.23	0.99	1.05	0.81	0.63	0.52	0.54
1 year	2.73	1.69	1.28	1.26	1.26	0.93	0.71	0.63	0.70
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	0.89
5 year	4.01	3.66	3.05	3.48	3.01	2.41	2.20	2.00	1.90
10 year	4.53	4.54	4.19	4.49	4.13	3.66	3.34	3.24	3.21
15 year	4.76	4.96	n/a	n/a	n/a	n/a	4.38	4.33	4.35
MALTA STOCK EXCHANGE SHARE INDEX	3,208	3,461	3,781	3,095	3,212	3,323	3,417	3,418	3,686

[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	**86,008**	**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.

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]

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	2,258.5	47.0	2,305.5	2,383.6	195.7	2,579.2	-273.7	-87.1
2009	2,248.9	63.8	2,312.7	2,348.2	183.5	2,531.7	-219.0	-35.6
2010	2,319.2	114.7	2,433.9	2,438.1	219.5	2,657.6	-223.7	-37.6
2011	2,465.7	117.7	2,583.4	2,554.0	213.0	2,767.0	-183.6	17.0
2012	2,592.2	150.5	2,742.7	2,722.5	244.9	2,967.4	-224.7	-11.4
2013	2,798.3	152.2	2,950.5	2,859.0	294.5	3,153.5	-203.0	14.2
2013								
Q1	645.6	21.8	667.3	687.1	87.5	774.6	-107.3	-51.3
Q2	683.8	32.1	715.9	702.9	48.4	751.3	-35.4	17.7
Q3	642.6	39.3	681.9	710.0	66.6	776.6	-94.7	-37.5
Q4	826.3	59.0	885.3	758.9	92.0	850.9	34.4	85.4

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
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	833.3	432.0	153.4	70.4	26.6	2,258.5	15.1	31.9	47.0	2,305.5	2,023.1
2009	795.4	811.5	434.9	116.9	69.3	20.9	2,248.9	14.0	49.8	63.8	2,312.7	2,055.8
2010	807.8	846.5	456.5	102.7	84.4	21.3	2,319.2	14.7	100.0	114.7	2,433.9	2,125.5
2011	849.4	907.0	486.7	121.5	79.4	21.6	2,465.7	14.8	102.9	117.7	2,583.4	2,257.9
2012	934.9	918.2	504.3	111.9	89.9	33.0	2,592.2	16.1	134.4	150.5	2,742.7	2,373.6
2013	1043.3	967.7	524.8	133.4	96.1	33.0	2,798.3	12.7	139.5	152.2	2,950.5	2,548.5
2013												
Q1	246.6	203.3	122.3	30.6	34.8	8.0	645.6	2.7	19.1	21.8	667.3	574.8
Q2	278.2	228.7	125.8	26.9	17.3	6.9	683.8	3.1	29.0	32.1	715.9	635.8
Q3	203.5	261.0	121.1	31.1	17.2	8.7	642.6	2.3	37.0	39.3	681.9	587.9
Q4	315.0	274.7	155.7	44.6	26.8	9.5	826.3	4.6	54.4	59.0	885.3	750.0

[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	99.9	2,383.6	139.1	48.3	195.7	2,579.2
2009	830.3	809.4	183.4	347.8	64.0	113.2	2,348.2	137.2	58.8	183.5	2,531.7
2010	841.9	845.1	186.1	376.3	66.9	121.9	2,438.1	134.2	81.0	219.5	2,657.6
2011	871.4	882.7	200.6	414.6	65.1	119.6	2,554.0	166.1	50.4	213.0	2,767.0
2012	912.8	929.7	213.2	461.5	76.9	128.4	2,722.5	206.9	67.0	244.9	2,967.4
2013	970.9	972.6	217.2	454.0	79.5	164.9	2,859.0	195.6	92.8	294.5	3,153.5
2012											
Q1	221.6	218.9	54.8	115.6	15.9	34.0	660.9	33.7	30.2	68.9	729.8
Q2	229.1	247.0	53.0	104.9	20.9	23.5	678.4	56.9	12.0	32.3	710.7
Q3	227.4	202.4	53.9	110.6	21.5	30.4	646.2	44.0	12.3	59.8	706.0
Q4	234.7	261.3	51.6	130.4	18.5	40.5	737.0	72.4	12.5	83.8	820.9
2013											
Q1	237.1	231.4	56.0	110.7	17.0	34.8	687.1	40.6	47.2	87.5	774.6
Q2	240.5	256.4	53.0	98.4	20.0	34.7	702.9	42.9	5.9	48.4	751.3
Q3	248.6	242.1	57.2	109.8	20.7	31.6	710.0	49.9	14.3	66.6	776.6
Q4	244.6	242.6	50.9	135.2	21.8	63.8	758.9	62.2	25.4	92.0	850.9

[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	351.6	35.6	80.3	319.4	93.2	33.6	315.7	31.6	295.9	772.8	2,329.6
2008	398.6	38.1	86.1	434.5	94.4	40.2	322.9	36.4	311.7	816.3	2,579.2
2009	434.7	53.9	89.6	289.0	96.5	16.9	315.3	43.0	321.4	871.3	2,531.7
2010	404.0	50.4	92.4	299.3	128.4	17.4	346.7	50.0	362.3	906.6	2,657.6
2011	439.0	56.0	94.6	317.1	87.4	19.7	369.5	56.9	381.7	945.2	2,767.0
2012	456.5	50.7	102.2	356.9	100.5	28.0	397.7	63.4	405.4	1006.2	2,967.4

[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	361.7	1,610.9	31.2	3,662.9	284.1	535.3	4,513.4	-2,902.5
2009	577.6	0.0	29.5	797.8	377.0	1,781.9	37.2	3,994.2	237.4	531.6	4,800.5	-3,018.5
2010	589.2	0.0	63.1	855.5	440.1	1,947.9	41.0	4,307.5	237.4	549.9	5,135.8	-3,187.9
2011	656.0	0.0	147.9	843.8	522.0	2,169.7	45.8	4,625.0	260.2	638.8	5,569.8	-3,400.1
2012												
Mar.	665.0	0.0	192.0	851.0	678.4	2,386.4	45.2	4,789.0	305.7	666.2	5,806.1	-3,419.7
June	733.4	0.0	236.2	891.1	710.6	2,571.3	47.0	4,933.7	341.4	702.6	6,024.7	-3,453.4
Sep.	624.2	0.0	239.2	832.5	694.2	2,389.9	48.9	4,880.3	344.8	721.4	5,995.4	-3,605.5
Dec.	427.5	0.0	268.1	1,100.0	701.4	2,497.0	50.4	4,889.6	345.9	704.5	5,990.5	-3,493.5
2013												
Mar.	545.3	0.0	279.8	1,104.2	757.5	2,686.7	50.8	5,242.7	350.7	671.8	6,316.1	-3,629.3
June	616.5	0.0	300.5	1,117.8	792.3	2,827.1	52.3	5,370.1	365.4	729.8	6,517.7	-3,690.5
Sep.	662.6	0.0	304.2	1,138.4	770.4	2,875.6	54.3	5,486.0	368.6	713.6	6,622.4	-3,746.8
Dec.	415.1	0.0	313.9	1,160.6	758.2	2,647.8	55.3	5,294.1	375.9	654.1	6,379.5	-3,731.6

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

Sources: Eurostat; NSO.

Table 2.6 General government deficit-debt adjustment[1,2]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2005	106.0	-142.1	93.0	-0.1	0.0	-55.4	-23.4	-50.0	-36.0
2006	-101.7	-140.9	67.3	-2.8	0.0	-219.4	-1.2	-86.7	-242.7
2007	131.4	-128.4	60.3	1.1	0.0	-32.1	-7.8	-18.3	3.0
2008	247.5	-273.7	-5.9	5.3	0.0	-5.1	20.3	-40.9	-26.3
2009	330.0	-219.0	135.8	-3.3	0.0	-0.9	-1.0	-19.6	111.0
2010	295.1	-223.7	52.1	33.5	0.0	-0.8	0.2	-13.7	71.4
2011	349.6	-183.6	70.3	84.8	0.0	16.1	5.1	-10.3	165.9
2012	264.0	-224.7	-231.5	120.2	0.0	44.0	-0.7	107.3	39.3
2013	371.9	-203.0	-9.1	45.8	0.0	23.2	2.6	106.3	168.9
2013									
Q1	300.0	-107.3	119.0	11.7	0.0	-1.6	-4.8	68.4	192.7
Q2	124.4	-35.4	73.3	20.7	0.0	11.9	3.8	-20.7	89.0
Q4	113.4	-94.7	46.1	3.7	0.0	0.3	-2.6	-28.8	18.7
Q3	-165.8	34.4	-247.4	9.8	0.0	12.7	6.2	87.4	-131.4

[1] Based on ESA95 methodology. Data are provisional.
[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt[1]	Government guaranteed debt[2]
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2005	-	443.1	2,614.4	3,057.5	76.8	221.1	297.9	3,355.3	612.4
2006	-	373.8	2,617.4	2,991.2	24.5	238.0	262.4	3,253.6	555.1
2007	8.3	354.9	2,753.3	3,108.3	31.0	237.5	268.5	3,385.1	602.8
2008	31.2	365.8	2,954.4	3,320.2	70.4	210.7	281.1	3,632.5	684.8
2009	37.2	474.1	3,216.4	3,690.5	34.8	200.1	234.9	3,962.6	857.8
2010	41.0	377.8	3,603.6	3,981.4	40.7	194.7	235.4	4,257.7	991.1
2011	45.8	257.1	4,046.3	4,303.5	51.3	206.6	257.9	4,607.3	1,068.9
2012	50.4	154.1	4,322.8	4,476.9	79.0	264.9	343.9	4,871.2	1,186.0
2013									
Mar.	50.8	288.6	4,483.1	4,771.7	77.7	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	5,295.5	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
Dec.	55.3	248.1	4,565.6	4,813.7	83.2	290.9	374.1	5,243.1	1,192.8

[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
Oct.	98.4	120.2	0.0	120.2	384.0	60.5	444.5
Nov.	212.1	96.0	0.0	96.0	284.5	43.9	328.4
Dec.	166.9	86.3	0.4	86.7	217.0	31.1	248.1

[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-December 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/Jul/2013	03/Jan/2014	0.685	N/A	20.0	0.0	20.0	0.0	20.0
12/Jul/2013	10/Jan/2014	0.669	0.285	16.8	0.0	7.0	9.8	16.8
18/Oct/2013	17/Jan/2014	0.466	0.332	17.2	0.0	14.0	3.2	17.2
26/Jul/2013	24/Jan/2014	0.605	0.380	2.0	0.0	0.0	2.0	2.0
01/Nov/2013	31/Jan/2014	0.483	0.400	11.0	0.0	10.0	1.0	11.0
08/Nov/2013	07/Feb/2014	0.477	0.400	1.0	0.0	0.0	1.0	1.0
30/Aug/2013	28/Feb/2014	0.551	0.400	5.0	0.0	5.0	0.0	5.0
06/Dec/2013	07/Mar/2014	0.426	0.400	27.3	0.4	26.5	1.2	27.7
12/Dec/2013	14/Mar/2014	0.400	0.400	5.0	0.0	5.0	0.0	5.0
20/Dec/2013	21/Mar/2014	0.390	0.400	1.0	0.0	1.0	0.0	1.0
27/Dec/2013	28/Mar/2014	0.385	0.400	33.5	0.0	33.5	0.0	33.5
27/Sep/2013	28/Mar/2014	0.550	0.400	0.5	0.0	0.5	0.0	0.5
04/Oct/2013	04/Apr/2014	0.608	0.406	17.5	0.0	9.5	8.0	17.5
11/Oct/2013	11/Apr/2014	0.570	0.416	2.0	0.0	2.0	0.0	2.0
02/Aug/2013	02/May/2014	0.645	0.447	35.0	0.0	30.0	5.0	35.0
09/Aug/2013	09/May/2014	0.663	0.458	25.0	0.0	25.0	0.0	25.0
06/Sep/2013	06/Jun/2014	0.599	0.499	3.0	0.0	3.0	0.0	3.0
20/Dec/2013	20/Jun/2014	0.436	0.520	9.0	0.0	9.0	0.0	9.0
25/Oct/2013	25/Jul/2014	0.604	0.555	5.5	0.0	5.5	0.0	5.5
12/Dec/2013	12/Sep/2014	0.584	0.593	10.5	0.0	10.5	0.0	10.5
Total				247.7	0.4	217.0	31.1	248.1

[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-December 2013)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[2]	ISMA Yield (%)[5]	Interest dates	Held by: MFIs[6]	Held by: Others	Amount
6.60	2014 (I)[4]	2000	100	N/A	30/03 - 30/09	9.8	14.6	24.5
6.45	2014 (II)[4]	2001	100	0.75	24/05 - 24/11	42.4	27.5	69.9
5.10	2014 (III)[4]	03/04/06/07/08	100/103.25/103.64/ 105.5	0.63	06/01 - 06/07	58.4	180.5	238.9
7.00	2014 (IV)[3]	2004	100	0.80	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	0.84	10/06 - 10/12	36.0	33.9	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	0.92	09/04 - 09/10	39.3	77.2	116.5
7.00	2015 (III)[3]	2005	100	0.94	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	0.94	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI)[4]	2010	100	0.93	03/06 - 03/12	76.4	55.2	131.5
6.65	2016 (I)[4]	2001	100	1.02	28/03 - 28/09	11.1	58.8	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	1.27	26/05 - 26/11	77.4	109.0	186.4
7.00	2016 (III)[3]	2006	100	1.31	30/06 - 30/12	0.0	3.4	3.4
4.30	2016 (IV)[3]	2011	100.93	1.17	16/02 - 16/08	132.1	26.1	158.1
3.75	2017 (IV)[4]	2012	102	1.63	20/02 - 20/08	41.3	30.7	72.0
7.00	2017 (I)[3]	2007	100	1.76	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	1.76	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	1.70	06/05 - 06/11	160.4	103.4	263.9
3.85	2018 (V)[4]	2012	105.26	1.89	18/04 - 18/10	116.1	5.3	121.4
7.80	2018 (I)	1998	100	2.00	15/01 - 15/07	77.3	85.7	163.1
7.00	2018 (II)[3]	2008	100	2.19	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	2.19	30/06 - 30/12	0.0	6.5	6.5
3.20	2019 (V)[4]	2013	105.1205	2.38	31/01 - 31/07	66.5	17.3	83.7
6.60	2019 (I)	1999	100	2.41	01/03 - 01/09	45.4	57.1	102.5
3.00	2019 (III)	2013	100	2.43	22/03 - 22/09	48.9	34.0	83.0
3.00	2019 (III) FI R[4]	2013	103.75	2.43	22/03 - 22/09	10.0	5.0	15.0
3.00	2019 (III) FI I[4]	2013	104.15	2.43	22/03 - 22/09	23.0	1.5	24.5
7.00	2019 (II)[3]	2009	100	2.50	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	2.61	10/06 - 10/12	11.7	40.7	52.4
4.60	2020 (II)[4]	2009	100	2.58	25/04 - 25/10	66.2	92.2	158.3
3.35	2020 (IV)[4]	2013	105.0564	2.65	31/01 - 31/07	64.0	0.0	64.0
7.00	2020 (III)[3]	2010	100	2.76	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	2.92	08/02 - 08/08	156.9	301.9	458.8
7.00	2021 (II)[4]	2011	100	3.02	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[4]	2011	100	3.02	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	3.15	16/02 - 16/08	10.9	60.1	71.0
4.30	2022 (II)[4]	2012	100.31	3.12	15/05 - 15/11	123.9	116.3	240.2
7.00	2022 (III)[3]	2012	100	3.18	01/09 - 01/03	0.0	1.3	1.3
5.50	2023 (I)[4]	2003	100	3.22	06/01 - 06/07	19.4	59.4	78.8
7.00	2023 (II)[3]	2013	100	3.32	18/05 - 18/11	0.0	2.4	2.4
4.80	2028 (I)	2012	101.04	4.30	11/03 - 11/09	20.9	86.1	107.0
4.50	2028 (II)	2013	100	4.32	25/04 - 25/10	30.9	255.8	286.7
5.10	2029 (I)[4]	2012	101.12/101	4.30	01/04 - 01/10	16.0	63.2	79.1
5.25	2030 (I)[4]	2010	100	4.38	23/06 - 23/12	110.5	329.7	440.2
5.20	2031 (I)[4] I	2011	102.88	4.43	16-03 - 16/09	25.8	175.6	201.3
4.65	2032 (I)[4] R	2013	100.25	4.55	22/01 - 22/07	0.0	135.0	135.0
4.65	2032 (I)[4] I	2013	101.24	4.55	22/01 - 22/07	5.0	0.5	5.5
F.R. 6-mth Euribor[7]	2014 (V)[4]	2011	100.28	0.766[8], 37.12[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], 28.73[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], 69.30[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], 84.72[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], 85.65[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], 99.01[9]	25/03 - 25/09	34.8	6.0	40.8
Total						1,888.0	2,722.9	4,610.9

[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
Dec.	361.3	1,500.6	1,494.3	393.7	861.1	4,610.9

[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
Dec.	0.0	216.6	0.0	0.4	0.0	0.2	217.2

[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
Oct.	1.3641	0.8502	133.99	1.2333	1.4353	1.4251
Nov.	1.3611	0.8328	139.21	1.2298	1.4934	1.4394
Dec.	1.3791	0.8337	144.72	1.2276	1.5423	1.4671

[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
2013	1.3281	0.8493	129.66	1.2311	1.3777	1.3684
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
Oct.	1.3635	0.8472	133.32	1.2316	1.4328	1.4128
Nov.	1.3493	0.8378	134.97	1.2316	1.4473	1.4145
Dec.	1.3704	0.8364	141.68	1.2245	1.5243	1.4580

[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	2,929.2	1,825.2	2,212.8	2,374.3	902.6	909.1	-297.8	32.4	11.6
2009[1]	2,030.2	3,127.9	2,817.5	1,836.4	1,653.4	2,088.7	1,428.3	1,387.9	-511.6	80.8	9.1
2010[1]	2,607.0	3,774.0	3,248.2	2,096.3	1,633.9	2,060.5	1,295.2	1,255.4	-402.1	150.0	25.6
2011[1]	2,944.6	4,046.6	3,628.3	2,277.2	1,657.4	1,990.7	892.8	863.1	-54.6	98.9	21.8
2012[1]	3,311.9	4,266.8	3,822.9	2,372.7	1,844.7	2,267.6	949.3	885.0	136.7	141.4	6.8
2012[1]											
Q1	812.0	973.7	802.8	547.6	466.5	608.8	211.3	224.0	-61.6	17.9	1.6
Q2	889.7	1,207.0	975.8	597.9	490.9	579.6	256.8	221.3	7.4	29.8	1.8
Q3	785.5	1,074.4	1,151.0	631.0	467.1	552.8	236.1	219.6	161.8	32.6	1.8
Q4	824.7	1,011.8	893.2	596.1	420.2	526.4	245.2	220.1	29.0	61.0	1.6
2013[1]											
Q1	754.6	987.7	794.1	564.0	433.2	556.5	259.1	235.4	-102.6	18.2	1.8
Q2	696.9	923.3	968.9	591.3	414.2	517.0	228.3	206.0	70.7	29.4	1.6
Q3	797.0	1,097.3	1,151.3	614.6	426.3	494.7	214.2	206.9	175.2	39.8	1.6
Q4	695.1	923.0	886.4	589.3	391.6	539.6	230.9	195.3	-43.0	62.3	1.6

EUR millions

Period	Financial account [1]										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2005[2]	16.6	543.5	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	299.8	-35.1
2006[2]	-23.8	1,469.6	-1,965.1	-15.3	40.5	-15.6	-3,291.2	4,199.4	-83.0	315.5	36.0
2007[2]	-5.0	557.0	366.0	-0.2	-127.9	251.1	-7,617.8	7,101.8	-326.5	198.6	-44.4
2008[2]	-312.0	644.0	201.6	167.0	27.9	-372.2	-4,416.4	4,170.2	108.7	218.7	58.3
2009[2]	-98.2	296.3	-1,906.6	-25.7	-6.7	-112.1	4,093.2	-2,253.4	-2.4	-15.6	455.5
2010[1]	-98.1	697.8	-3,212.0	1.8	-40.0	67.8	550.9	1,769.1	-23.6	-286.3	563.9
2011[1]	-3.1	198.5	-3,104.0	-0.4	-13.3	37.6	1,502.1	1,072.5	52.9	-257.3	234.8
2012[1]	33.0	3.2	-1,611.7	11.0	-19.1	44.4	18.2	1,057.4	-121.4	-585.0	313.7
2012[2]											
Q1	-7.1	-90.8	154.4	-4.0	56.8	-6.3	-421.1	271.9	-126.1	-172.3	217.6
Q2	-7.6	-28.1	-712.5	-0.4	-44.0	55.1	-99.3	804.2	-18.3	-50.8	15.3
Q3	55.3	88.1	-464.1	10.7	-32.2	13.9	-359.4	533.9	24.5	-129.2	-63.4
Q4	-7.7	34.0	-589.6	4.7	0.4	-18.3	897.9	-552.6	-1.6	-232.6	144.2
2013[2]											
Q1	-7.0	-60.2	-481.7	45.7	28.3	-12.0	-931.0	1,346.5	45.8	-25.7	111.8
Q2	18.4	102.0	-1,754.8	2.7	21.4	5.0	165.8	1,454.6	15.2	30.2	-128.7
Q3	-5.8	193.1	-1,751.2	10.2	-152.5	59.3	-700.8	2,177.3	0.9	-169.4	-44.0
Q4	-0.3	-1,816.3	1,629.6	2.5	13.7	-26.5	2,614.1	-2,160.0	-23.1	233.7	-251.4

[1] A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.
[2] Provisional.
Source: NSO.

Exchange Rates, External Transactions and Positions

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]	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
Oct.	12.4	100.9	57.0	8.6	241.3	4.8	425.0
Nov.	11.6	100.9	57.1	49.3	233.8	1.1	453.9
Dec.	11.1	100.1	57.7	32.2	230.0	4.3	435.4

[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	25,887.8	30,709.6	268.3	282.1
2009[1]	1,209.9	6,286.0	12,441.5	502.2	138.2	177.8	21,675.6	28,124.2	373.7	748.9
2010[1]	1,283.6	12,122.1	15,577.4	506.2	217.3	307.6	27,008.6	31,031.0	404.9	525.0
2011[1]	1,084.5	11,946.5	17,169.4	472.0	301.4	377.3	25,730.0	31,421.8	395.9	463.4
2012[1]	1,108.3	12,356.1	20,040.0	475.5	302.9	455.1	25,635.3	32,607.8	533.8	1,725.8
2013[1]										
Mar.	1,117.0	12,206.3	20,524.1	545.3	272.1	434.0	26,843.4	34,414.4	486.7	1,643.3
June	1,086.0	11,423.3	20,876.1	548.9	228.5	379.9	26,047.4	34,694.6	449.3	1,640.7

[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.	Dec.
General Government	393.8	376.7	420.5	592.8	634.6	679.1	645.5	652.6
Short-term	193.4	185.1	222.4	276.8	276.2	302.8	266.3	265.3
Money market instruments	31.4	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	0.0
Trade credits	162.0	185.1	222.4	276.8	276.2	302.8	266.3	265.3
Other debt liabilities	0.0	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	387.3
Bonds and notes	98.1	103.9	106.6	116.9	154.0	158.7	158.3	162.9
Loans	102.3	87.7	90.1	197.9	203.3	216.6	219.9	223.5
Trade credits	0.0	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	0.9
Monetary Authorities	826.3	1,228.9	426.0	206.0	766.0	929.7	899.7	674.6
Short-term	826.3	1,228.9	426.0	206.0	766.0	929.7	899.7	674.6
Money market instruments	0.0	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	0.0
Currency and deposits (incl. repos)	826.3	1,228.9	426.0	206.0	766.0	929.7	899.7	674.6
Other debt liabilities	0.0	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	0.0
OMFIs[3]	25,835.3	28,068.4	29,077.6	30,059.4	31,185.2	31,355.3	32,270.2	29,595.0
Short-term	20,616.8	21,558.3	22,525.7	24,315.0	24,990.8	25,663.1	26,377.8	24,747.2
Money market instruments	3.4	0.0	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	7,218.7	7,027.2
Currency and deposits	13,181.4	16,623.0	15,544.7	17,499.2	17,458.6	17,050.9	18,911.9	17,422.4
Other debt liabilities	132.1	181.6	115.2	128.2	109.1	138.0	247.2	297.6
Long-term	5,218.5	6,510.1	6,551.9	5,744.4	6,193.7	5,692.2	5,892.4	4,847.8
Bonds and notes	13.9	14.9	4.0	4.5	4.3	4.3	5.1	6.8
Loans	5,111.1	6,495.2	6,548.0	5,739.8	6,189.4	5,687.8	5,887.3	4,841.0
Currency and deposits	0.0	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	0.0
Other Sectors[4]	1,428.1	1,622.6	1,742.8	1,952.9	2,069.9	2,152.4	2,184.1	2,245.0
Short-term	728.6	868.6	972.0	1,214.5	1,303.6	1,359.8	1,405.0	1,461.2
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	30.7	14.1	18.3	25.7	30.7	30.1	31.8	35.1
Currency and deposits	112.0	112.9	123.2	133.8	136.4	139.1	141.7	144.4
Trade credits	585.9	741.6	830.5	1,055.0	1,136.5	1,190.6	1,231.5	1,281.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	699.6	754.1	770.8	738.3	766.2	792.6	779.2	783.9
Bonds and notes	210.6	212.4	218.6	217.1	220.4	216.8	218.9	213.2
Loans	453.9	527.9	542.2	505.5	528.7	556.8	539.2	545.8
Currency and deposits	0.0	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	21.1	24.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,485.0	1,718.6	1,981.3	2,301.0	2,453.4	2,551.2	2,645.1	2,758.9
Debt liabilities to affiliated enterprises	92.8	112.5	128.8	137.7	142.1	147.6	151.0	156.3
Debt liabilities to direct investors	1,392.2	1,606.0	1,852.5	2,163.3	2,311.3	2,403.6	2,494.1	2,602.7
Gross External Debt	**29,968.6**	**33,015.2**	**33,648.2**	**35,112.0**	**37,109.0**	**37,667.8**	**38,644.5**	**35,926.2**
of which: OMFIs	**25,835.3**	**28,068.4**	**29,077.6**	**30,059.4**	**31,185.2**	**31,355.3**	**32,270.2**	**29,595.0**
Gross External Debt excluding OMFIs' debt liabilities	**4,133.3**	**4,946.8**	**4,570.6**	**5,052.6**	**5,923.8**	**6,312.5**	**6,374.3**	**6,331.2**

[1] Gross external debt illustrates only a fraction of the overall International Investment Position of Malta with other countries. Gross external debt data do not comprise Malta's claims vis-à-vis other countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found in Table 3.4. Moreover, Malta's net external debt position is shown in Table 3.5b.

[2] Provisional.

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

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

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

EUR millions

	2009[2]	2010[2]	2011[2]	2012[2]	2013[2] Mar.	2013[2] June	2013[2] Sep.	2013[2] Dec.
General Government	369.0	288.3	294.8	246.4	320.4	320.5	270.6	259.7
Short-term	168.6	129.9	177.2	153.7	190.4	205.5	155.9	154.5
Money market instruments	31.4	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	0.0
Currency and deposits	-0.1	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.2
Trade credits	137.2	130.2	177.4	153.8	190.5	205.6	156.0	154.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	200.4	158.4	117.6	92.8	130.0	115.1	114.8	105.1
Bonds and notes	98.1	103.9	106.6	116.9	154.0	158.7	158.3	162.9
Loans	102.3	67.9	23.9	11.3	11.2	3.1	3.0	0.3
Currency and deposits	0.0	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	-9.7
Other Debt Liabilities	0.0	0.0	-0.3	-24.5	-24.6	-36.4	-36.6	-48.4
Monetary Authorities	-678.4	-754.8	-1,942.8	-2,394.5	-2,258.7	-1,959.7	-2,033.0	-2,056.4
Short-term	557.2	968.6	119.4	-19.3	12.9	446.1	330.8	382.1
Money market instruments	0.0	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	0.0
Currency and deposits (incl. repos)	557.2	968.6	119.4	-19.3	12.9	446.1	330.8	382.1
Other debt liabilities	0.0	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	-2,438.5
Bonds and notes	-1,222.3	-1,709.2	-2,045.8	-2,359.5	-2,256.2	-2,390.4	-2,348.1	-2,422.9
Loans	0.0	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	0.0
Other debt liabilities	-13.2	-14.2	-16.3	-15.8	-15.3	-15.5	-15.8	-15.6
OMFIs	-4,047.9	-9,690.0	-8,388.6	-9,451.3	-9,220.3	-8,812.6	-8,760.4	-6,775.4
Short-term	14,057.2	18,525.1	19,594.0	19,950.5	19,985.7	19,318.1	19,490.1	17,877.6
Money market instruments	-198.8	-173.3	-2.0	-0.1	-0.1	-0.1	-2.1	-20.2
Loans	6,049.5	-1,084.3	1,525.5	1,004.7	-436.8	-490.4	-612.7	605.2
Currency and deposits	8,167.8	19,706.5	18,004.1	18,909.6	20,381.7	19,729.5	19,940.1	17,082.5
Other debt liabilities	38.7	76.3	66.4	36.3	40.9	79.1	164.9	210.1
Long-term	-18,105.1	-28,215.2	-27,982.6	-29,401.8	-29,206.1	-28,130.7	-28,250.5	-24,653.1
Bonds and notes	-9,535.1	-12,141.3	-13,568.9	-16,079.8	-16,385.7	-16,789.5	-17,519.9	-15,497.2
Loans	-8,598.3	-16,073.8	-14,413.7	-13,322.0	-12,820.3	-11,341.2	-10,730.6	-9,155.8
Currency and deposits	0.0	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	0.0
Other Sectors[3]	-707.5	-490.7	-583.3	-648.5	-610.7	-533.7	-521.3	-392.8
Short-term	-553.0	-360.4	-409.1	-353.6	-336.1	-301.9	-282.4	-296.6
Money market instruments	-0.8	-0.9	0.0	0.0	-0.8	-0.9	-0.1	0.0
Loans	-15.2	-20.7	-29.8	-33.7	-16.2	-17.6	-7.8	-15.6
Currency and deposits	-550.9	-569.1	-625.0	-658.2	-707.8	-701.5	-715.8	-736.2
Trade credits	13.8	230.3	245.7	338.4	388.8	418.2	441.4	455.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	-154.5	-130.3	-174.2	-294.9	-274.7	-231.8	-238.9	-96.2
Bonds and notes	-560.1	-585.8	-641.4	-731.1	-732.6	-719.7	-711.6	-582.4
Loans	377.2	450.3	464.7	427.8	448.3	476.3	459.1	468.9
Currency and deposits	0.0	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	24.0
Other debt liabilities	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6
Direct Investment: Intercompany Lending	**167.4**	**249.4**	**396.6**	**253.7**	**404.8**	**529.9**	**558.4**	**587.8**
Debt Liabilities to affiliated enterprises	**-369.3**	**-367.2**	**-228.0**	**-244.3**	**-242.3**	**-224.4**	**-237.2**	**-232.9**
Debt Liabilities to direct investors	**536.7**	**616.6**	**624.6**	**498.0**	**647.1**	**754.3**	**795.5**	**820.7**
Net External Debt	**-4,897.4**	**-10,397.8**	**-10,223.3**	**-11,994.2**	**-11,364.4**	**-10,455.6**	**-10,485.7**	**-8,377.1**
of which: OMFIs	**-4,047.9**	**-9,690.0**	**-8,388.6**	**-9,451.3**	**-9,220.3**	**-8,812.6**	**-8,760.4**	**-6,775.4**
Net External Debt Excluding OMFIs	**-849.5**	**-707.8**	**-1,834.7**	**-2,542.9**	**-2,144.1**	**-1,642.9**	**-1,725.3**	**-1,601.7**

[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	1,959.1	3,117.2	(1,158.1)
2006	2,499.9	3,537.1	(1,037.2)
2007	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	3,475.2	(1,387.8)
2010[2]	2,809.3	4,330.3	(1,520.9)
2011[2]	3,819.0	5,339.4	(1,520.4)
2012[2]	4,438.6	6,187.2	(1,748.6)
2013[2]	3,906.9	5,657.0	(1,750.1)
2012[2]			
Jan.	316.6	444.7	(128.1)
Feb	410.0	505.0	(95.0)
Mar.	298.4	420.0	(121.5)
Apr.	310.9	441.8	(130.9)
May	391.2	597.3	(206.1)
June	349.7	625.9	(276.2)
July	437.4	783.7	(346.4)
Aug.	420.3	530.2	(110.0)
Sep.	410.7	467.9	(57.3)
Oct.	337.9	405.9	(68.0)
Nov.	388.3	563.0	(174.6)
Dec.	367.2	401.8	(34.6)
2013[2]			
Jan.	300.8	413.5	(112.8)
Feb.	321.7	417.1	(95.3)
Mar.	377.8	454.1	(76.2)
Apr.	365.1	654.6	(289.5)
May	343.3	512.8	(169.6)
June	263.5	454.1	(190.6)
July	294.5	593.0	(298.5)
Aug.	303.3	453.4	(150.1)
Sep.	404.7	461.6	(57.0)
Oct.	243.5	412.2	(168.7)
Nov.	355.0	374.3	(19.3)
Dec.	333.6	456.2	(122.6)

[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	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
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
2013[2]	237.1	347.5	154.0	196.1	934.7	107.5	184.2	1,226.4	1,060.7	170.0	1,449.8	3,906.9
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.	22.1	24.9	9.2	22.5	78.7	8.6	5.8	93.2	76.1	14.9	116.5	300.8
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	89.5	9.6	12.3	111.3	91.5	14.1	160.9	377.8
Apr.	16.9	32.2	9.0	21.8	79.9	7.7	13.2	100.8	67.4	30.0	166.9	365.1
May	21.2	33.7	9.4	32.0	96.2	8.5	16.8	121.5	117.7	12.2	91.7	343.3
June	19.6	28.8	16.1	9.2	73.8	7.4	13.3	94.4	71.7	13.9	83.4	263.5
July	25.1	31.3	8.5	25.3	90.2	9.4	15.9	115.5	56.5	10.8	111.7	294.5
Aug.	17.9	23.2	5.6	6.4	53.1	9.8	25.4	88.3	86.9	13.0	115.1	303.3
Sep.	23.0	45.7	7.5	7.9	84.1	6.9	14.6	105.6	91.4	14.1	193.5	404.7
Oct.	18.5	25.7	8.3	5.9	58.4	9.1	9.8	77.2	51.2	12.7	102.4	243.5
Nov.	16.9	29.3	10.4	14.8	71.5	13.2	13.8	98.5	137.8	10.0	108.8	355.0
Dec.	14.1	17.0	47.7	10.1	89.0	6.5	28.4	123.9	88.0	10.6	111.2	333.6

[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 3.8 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	291.3	280.1	956.7	334.8	1,862.9	335.9	67.1	2,266.0	417.6	162.3	271.3	3,117.2
2006	405.9	263.2	1,015.2	370.2	2,054.5	344.5	72.6	2,471.6	635.0	179.5	250.9	3,537.1
2007	420.1	290.5	902.7	375.3	1,988.6	499.6	103.4	2,591.6	597.2	206.5	208.6	3,603.9
2008[2]	381.4	267.6	1,027.5	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	861.3	463.3	1,936.0	380.3	109.6	2,425.8	457.7	124.7	467.0	3,475.2
2010[2]	338.5	295.2	1,066.2	495.2	2,195.1	359.7	161.8	2,716.6	611.7	92.8	909.2	4,330.3
2011[2]	376.1	317.6	1,445.9	525.5	2,665.2	362.6	329.7	3,357.5	641.9	225.3	1,114.7	5,339.4
2012[2]	369.1	319.8	1,987.1	659.3	3,335.4	372.6	241.9	3,949.9	769.9	134.1	1,333.3	6,187.2
2013[2]	282.1	318.5	1,399.4	661.5	2,661.4	305.3	295.7	3,262.4	827.6	187.9	1,379.1	5,657.0
2012[2]												
Jan.	17.8	27.5	93.5	29.8	168.6	20.6	9.9	199.1	140.9	10.4	94.2	444.7
Feb	27.7	27.5	269.2	29.9	354.3	29.3	7.4	390.9	36.9	22.6	54.6	505.0
Mar.	36.8	34.9	131.2	50.8	253.7	47.8	30.3	331.8	45.0	4.4	38.8	420.0
Apr.	29.0	26.7	179.7	45.6	281.0	25.1	20.4	326.5	47.4	4.4	63.5	441.8
May	46.1	29.7	167.1	47.0	289.9	51.9	26.9	368.6	57.6	4.6	166.4	597.3
June	21.9	24.9	123.3	104.9	274.9	40.6	9.4	324.9	93.2	6.8	201.1	625.9
July	37.5	29.4	220.8	60.1	347.8	27.1	34.2	409.1	59.9	26.2	288.6	783.7
Aug.	22.9	24.3	213.7	89.4	350.3	26.0	43.9	420.3	66.3	9.4	34.2	530.2
Sep.	20.4	22.6	170.1	74.9	288.1	23.8	7.4	319.2	70.0	20.6	58.1	467.9
Oct.	33.1	25.1	111.8	55.2	225.2	34.9	12.2	272.4	46.5	17.1	70.0	405.9
Nov.	38.3	27.6	159.4	34.4	259.6	25.2	22.4	307.2	63.5	4.2	188.1	563.0
Dec.	37.6	19.6	147.2	37.4	241.9	20.4	17.5	279.8	42.9	3.3	75.8	401.8
2013[2]												
Jan.	24.5	37.3	85.1	28.0	174.9	22.0	12.4	209.4	60.7	6.3	137.2	413.5
Feb	20.1	25.4	79.6	31.4	156.4	23.6	13.3	193.2	68.1	11.6	144.2	417.1
Mar.	23.4	25.9	132.1	57.8	239.1	26.4	21.6	287.1	59.7	4.3	103.0	454.1
Apr.	22.3	32.1	122.2	132.0	308.6	31.8	34.8	375.2	158.8	10.6	110.1	654.6
May	18.3	27.6	189.0	51.6	286.6	35.3	14.4	336.3	43.9	16.2	116.4	512.8
June	32.8	23.3	130.5	44.7	231.3	19.1	8.0	258.5	66.3	14.1	115.2	454.1
July	38.0	26.9	167.2	50.0	282.0	28.2	35.9	346.1	67.1	5.1	174.7	593.0
Aug.	20.7	20.6	132.5	51.7	225.4	21.0	48.2	294.6	58.2	12.7	87.9	453.4
Sep.	20.6	24.5	115.6	60.9	221.6	26.3	48.4	296.3	94.3	5.7	65.4	461.6
Oct.	24.6	23.7	77.2	46.7	172.1	24.5	21.2	217.8	66.3	5.8	122.3	412.2
Nov.	20.1	24.4	85.5	46.5	176.4	24.0	18.7	219.2	42.7	42.7	69.7	374.3
Dec.	16.8	26.9	83.0	60.2	186.9	23.1	18.7	228.6	41.7	52.9	133.0	456.2

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

[2] Provisional.

Source: NSO.

Table 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	3,847.7	1,290.7	1,287.4	38.1	6,464.0	5,855.2	5,870.4	-15.2	6,448.8	6,022.0
2011	4,010.6	1,353.6	1,008.7	71.9	6,444.8	6,572.8	6,323.8	249.0	6,693.9	6,354.4
2012	4,083.6	1,453.3	1,036.0	-106.3	6,466.6	7,053.3	6,639.5	413.8	6,880.4	6,456.1
2013	4,190.4	1,492.2	1,042.1	57.1	6,781.8	6,615.0	6,210.3	404.6	7,186.4	6,738.4
2013										
Q1	1,006.7	366.9	253.1	72.7	1,699.4	1,533.6	1,551.6	-18.1	1,681.3	1,557.5
Q2	1,027.1	366.4	250.4	17.3	1,661.2	1,650.7	1,514.6	136.1	1,797.3	1,690.7
Q3	1,079.1	375.3	241.4	-31.2	1,664.5	1,905.7	1,672.5	233.3	1,897.8	1,826.0
Q4	1,077.5	383.7	297.2	-1.7	1,756.7	1,525.0	1,471.6	53.4	1,810.1	1,664.2

[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	3,089.6	935.8	927.6	27.8	4,980.9	4,821.3	4,875.2	-53.9	4,927.0
2011	3,191.2	974.9	686.0	51.8	4,903.8	5,054.4	4,953.2	101.2	5,005.1
2012	3,185.0	1,027.2	672.0	-77.8	4,806.5	5,490.2	5,259.1	231.1	5,037.5
2013	3,241.1	1,025.6	646.3	45.2	4,958.3	5,182.3	4,984.4	197.9	5,156.1
2013									
Q1	791.6	254.3	159.1	56.9	1,262.0	1,213.8	1,276.6	-62.9	1,199.1
Q2	788.7	250.8	158.8	13.2	1,211.5	1,283.5	1,221.1	62.4	1,273.9
Q3	824.9	255.7	152.2	-23.7	1,209.1	1,482.6	1,338.3	144.3	1,353.4
Q4	835.9	264.8	176.2	-1.2	1,275.7	1,202.4	1,148.4	54.1	1,329.8

[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	103.7	134.4	201.6	213.1	652.8	438.7	116.7	1,208.2	206.8	1,415.0
2012	107.9	137.5	202.2	205.4	653.1	441.3	132.3	1,226.7	216.8	1,443.4
2013	116.5	147.1	233.8	210.3	707.7	454.6	154.4	1,316.7	265.4	1,582.2
2012										
Jan.	3.0	6.6	11.6	7.8	29.0	16.7	4.5	50.2	11.1	61.4
Feb.	3.4	7.1	6.9	8.1	25.5	22.4	3.3	51.2	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	16.0	17.2	58.1	54.5	16.7	129.3	22.5	151.8
Nov.	6.6	11.0	10.3	10.9	38.8	28.0	5.9	72.7	12.8	85.5
Dec.	3.4	6.0	11.0	7.9	28.4	19.4	2.8	50.5	10.9	61.4
2013										
Jan.	3.7	7.9	12.1	7.1	30.9	18.3	4.1	53.3	11.6	64.9
Feb.	2.6	7.7	9.9	5.9	26.1	21.9	2.9	51.0	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
Oct.	11.2	19.2	17.8	20.6	68.8	51.6	21.6	142.0	31.3	173.3
Nov.	5.9	11.6	13.8	11.2	42.5	30.6	8.4	81.5	18.4	99.9
Dec.	3.8	5.5	13.1	6.3	28.8	19.1	3.7	51.5	13.8	65.3

[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	54.0	159.1	99.8	52.5	152.3	5.3	5.0	1.5	2.8	6.8	4.3
2013[3]	106.4	57.1	163.5	100.7	55.4	156.1	5.6	5.3	1.8	3.1	7.4	4.5
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.	105.5	54.8	160.2	100.2	53.2	153.3	5.3	5.0	1.6	2.9	6.9	4.3
Oct.	104.8	54.5	159.4	99.4	52.9	152.3	5.4	5.1	1.6	3.0	7.0	4.4
Nov.	105.1	54.8	159.9	99.6	53.2	152.8	5.5	5.2	1.6	3.0	7.1	4.4
Dec.	104.6	54.8	159.5	99.4	53.3	152.7	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
Sep.	107.3	58.0	165.3	101.6	56.1	157.7	5.7	5.3	1.9	3.3	7.6	4.6
Oct.	106.8	58.0	164.8	101.0	56.2	157.2	5.7	5.4	1.9	3.2	7.6	4.6
Nov.	107.1	58.2	165.3	101.3	56.4	157.6	5.8	5.4	1.8	3.1	7.6	4.6
Dec.	106.9	58.2	165.1	101.3	56.4	157.7	5.6	5.3	1.8	3.0	7.4	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
2013[3]	118.7	70.7	189.4	111.0	66.2	177.2	7.8	6.5	4.5	6.3	12.3	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
Q4	119.3	71.1	190.4	111.7	66.5	178.2	7.6	6.3	4.6	6.4	12.1	6.4

[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
2013	173.7	175.1	184.5	193.0	179.7
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
Q4	180.1	176.7	188.5	206.3	201.0

[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
2013	123	33	266	15	49	43	47	576	964	1,540

[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
2013	1,004	808	1,812	2,062	350	209	84	2,705

[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
(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
2013	821.34	1.38

[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
2013	108.1	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5
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
Oct.	108.5	1.8	5.5	3.9	0.2	1.1	0.0	1.3	-1.5	2.2	2.2	1.2
Nov.	108.6	1.5	5.1	3.9	0.4	1.1	-0.2	1.3	-2.0	2.2	2.2	0.9
Dec.	109.5	1.4	4.8	4.2	0.4	1.1	-0.5	1.4	-2.3	2.3	2.2	0.5

[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
2013	120.1	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-0.9	-8.8	2.2	4.4	-1.0	1.7
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
Oct.	121.2	1.4	5.2	5.1	0.8	0.6	2.1	2.0	0.1	-9.2	2.4	3.5	-0.1	1.7
Nov.	118.5	1.1	4.8	5.3	1.0	0.7	1.9	1.9	-0.4	-9.7	2.3	3.9	-0.7	1.8
Dec.	118.8	1.0	4.4	6.1	0.9	0.6	1.8	1.8	-0.9	-8.8	2.2	4.4	-1.0	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.