

# Central Bank of Malta



## Quarterly Review

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# CONTENTS

## ECONOMIC SURVEY

<b>1. Foreword</b>	<b>5</b>
<b>2. The International Environment</b>	<b>7</b>
<b>3. Monetary and Financial Developments</b>	<b>12</b>
<b>4. Output, Employment and Prices</b>	<b>20</b>
<b>Box 1: Business Perceptions Survey</b>	<b>32</b>
<b>Box 2: Consumer and Industrial Confidence Surveys</b>	<b>36</b>
<b>5. The Balance of Payments and the Maltese Lira</b>	<b>39</b>
<b>6. Government Finance</b>	<b>44</b>
<b>NEWS NOTES</b>	<b>47</b>
<b>STATISTICAL TABLES</b>	<b>51</b>

## ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ecu	euro currency unit
EEA	European Economic Area
EMU	Economic and Monetary Union
ERM II	exchange rate mechanism II
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
ETC	Employment and Training Corporation
EU	European Union
FI	fungibility issue
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
LFS	Labour Force Survey
MIGA	Multilateral Investment Guarantee Agency
MFI	Monetary Financial Institution
MFSA	Malta Financial Services Authority
MSE	Malta Stock Exchange
NACE Rev. 1	Statistical classification of economic activities in the European Community
NPISH	Non-Profit Institutions Serving Households
NSO	National Statistics Office
OECD	Organisation for Economic Co-Operation and Development
OMFI	Other Monetary Financial Institution
OPEC	Organisation of Petroleum Exporting Countries
RPI	Retail Prices Index
UNDP	United Nations Development Programme
WTO	World Trade Organisation

# ECONOMIC SURVEY

## 1. FOREWORD

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The Central Bank of Malta left the central intervention rate unchanged at 3.25% throughout the first quarter of 2006, judging that it provided adequate support to the exchange rate even though interest rate differentials in favour of the Maltese lira narrowed during this period as euro area yields rose. In the following quarter, however, the Bank tightened its policy stance, raising the central intervention rate by 25 basis points to 3.50% on 25 May 2006. Concerns about the underlying downward trend in the external reserves and a further narrowing of the interest rate differential were the main reasons for the Bank's decision, though the rapid growth of imports of consumer goods and an acceleration in inflation were also taken into account. The Bank left the central intervention rate unchanged for the remainder of the second quarter.

Throughout this period, the Maltese lira remained stable against the euro at its central parity rate of MTL/EUR0.4293, in line with the commitment made by the Maltese authorities upon entry into ERM II.<sup>1</sup>

The Central Bank of Malta's net foreign assets contracted during the first quarter of 2006 as a result of net sales of foreign exchange to the rest of the banking system, partly driven by strong demand for foreign exchange to pay for oil imports, and the transfer of government deposits denominated in foreign currency from the Bank to credit institutions. In May, however, the Bank's net foreign assets increased sharply due to the receipt of privatisation proceeds.

Domestic money market interest rates remained

largely unchanged during the first quarter of 2006. However, the increase in the central intervention rate in May had an immediate impact on domestic short-term interest rates, with the three-month Treasury bill yield rising to 3.45% by the end of the month. As a result, the three-month premium on the Maltese lira, which had narrowed from 86 basis points in December to 60 basis points in March as a result of rising euro area interest rates, widened again to 74 basis points at the end of May.

After having gained 1.2% between September and December, broad money (M3) expanded at a slower pace during the March quarter, increasing by 0.2%. Growth was driven mainly by additional lending to the private sector, which was largely offset by a drop in the net foreign assets of the banking system. Within the M3 aggregate, deposits with an agreed maturity of up to two years rose, while narrow money (M1) contracted, partly due to the strong response of the public to the issue of government bonds on the primary market.

Economic activity gathered pace during the first quarter of 2006, with real GDP expanding by 3.1%, year-on-year, up from 2.4% in the previous quarter. Growth was driven by domestic demand and, in particular, by investment, which rose by 14.9% on an annual basis. Private consumption and government consumption also contributed to the rise in aggregate demand, increasing by 2.8% and 4.6%, respectively, on a year earlier. Exports of goods and services recovered, but their positive impact on GDP growth was outweighed by a strong rise in imports.

In nominal terms, GDP rose by 6.5% on a year earlier, with compensation of employees and

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<sup>1</sup> The Maltese lira entered ERM II on 2 May 2005. The exchange rate is quoted in terms of units of Maltese lira per euro.

operating surplus – the major components of gross value added – going up by 4.2% and 6.7%, respectively, on a year earlier. Financial intermediation made a major contribution to the increase, mainly because of a sharp expansion in operating surpluses. The fishing industry and manufacturing also contributed significantly, driven in the latter case by an improved performance in the chemicals and other non-metallic minerals sub-sectors. Gross value added rose across most other sectors of the economy, but remained stable in the hotels and restaurants sector, mirroring lower tourism activity. In contrast, it fell marginally in agriculture and in the electricity, gas & water supply sector, which continued to be hit by rising oil prices.

Responses to the Bank's latest Business Perceptions Survey, carried out in April and May 2006, also point to a recovery in economic activity. The majority of respondents indicated an improvement both in order books and in activity levels. Furthermore, firms' expectations about the general economic situation over the next six months continued to improve, though only marginally. Survey results also suggested that firms were expecting higher turnover and improved profitability during the second quarter of 2006.

Labour market indicators show a pick-up in unemployment early in 2006. According to LFS data for the first quarter, both the employed population and the number of unemployed rose. The unemployment rate stood at 7.8%, up from 7.3% in the previous quarter and 6.7% a year earlier. Administrative records compiled by the ETC show an increase in the number of registered unemployed in January 2006, mainly as a result of job losses in manufacturing. As a result, the unemployment rate based on these records went

up to 5.3%, from 5.1% in December, though it remained below the rate recorded a year earlier.

Inflation eased during the first quarter of 2006. The year-on-year inflation rate as measured using the RPI dropped from 3.6% in December to 3.1% in March. This was because of slower annual increases in the prices of water, electricity, gas & fuels and transport & communication. In contrast, food prices rose at a faster pace. Similarly, the year-on-year inflation rate measured on the basis of the HICP slowed down to 2.9% in March from 3.4% three months earlier. In April, however, both measures of inflation accelerated, reflecting higher food prices and increased transport costs.

During the first quarter of 2006, the deficit on the current account of the balance of payments widened by Lm8.2 million on a year earlier. This reflected a swing from a surplus to a deficit on the income account and an expansion of the merchandise trade gap as imports rose faster than exports. These factors were only partly offset by a shift into surplus on the transfers account and a more favourable balance on services. Meanwhile, net inflows on the capital and financial account, excluding movements in reserves, decreased by Lm6.1 million, mainly because of lower receipts of EU funds and official grants from Italy.

As regards fiscal developments, the deficit on the Consolidated Fund reached Lm60.6 million in the first quarter of 2006, slightly less than in the corresponding quarter of 2005. Revenue continued to grow more rapidly than expenditure, driven mainly by indirect taxes. During the first four months of the year, however, the deficit narrowed by Lm13.4 million. Overall, this suggests that the deficit targeted for this year will be achieved.

## 2. THE INTERNATIONAL ENVIRONMENT

### The world economy

In the first quarter of 2006, the global economy continued to expand at a strong pace, although disparities in growth rates persisted. The United States and China continued to stand out as fast-growing economies while Japan's economic recovery gained further momentum. Although the outlook for overall economic growth remains healthy, high energy prices and the persistence of global imbalances continue to pose downside risks to the world economy.

### Economic and monetary developments in the major economies

Economic activity in the United States rebounded during the first quarter of 2006 following a slowdown in the previous quarter. Real GDP expanded by 3.6% on a year-on-year basis, up from 3.2% in the previous quarter (see Table 2.1).

Growth was supported by personal consumption expenditure and an upturn in government spending but net exports continued to contribute negatively. The average rate of inflation, at 3.7% in the first quarter, was unchanged from the preceding quarter (see Table 2.2). Meanwhile, the unemployment rate continued to follow a downward trend, falling by 0.2 percentage points to 4.7% during the quarter.

The Federal Reserve continued to tighten its monetary policy stance during the quarter, raising the federal funds rate target by 25 basis points twice to 4.75% by end-March (see Chart 2.1). Subsequently, the rate was raised by a further quarter of a percentage point to 5.0% in May.

In the euro area economic activity gathered pace in the first quarter of 2006, with annual real GDP growth accelerating to 1.9% from 1.7% in the preceding quarter. The expansion in economic activity was primarily driven by household consumption, though net exports also had a positive impact. Meanwhile, the annual inflation rate remained stable at 2.3%. At the same time the

**Table 2.1**  
**REAL GDP**

*% change compared with the same quarter a year earlier*

	2005				2006	
	Q1	Q2	Q3	Q4	Q1	Q2 <sup>1</sup>
United States	3.6	3.6	3.6	3.2	3.6	3.4
Euro area	1.2	1.1	1.6	1.7	1.9	2.1
EU - 25	1.5	1.4	1.8	1.9	2.2	n/a
United Kingdom	1.9	1.7	1.9	1.8	2.2	2.3
Japan	1.1	2.7	2.7	4.0	3.0	2.8

<sup>1</sup> Forecasts.

Sources: Bank of Japan; Bureau of Economic Analysis, US; Consensus Forecasts; Eurostat; National Statistics, UK.

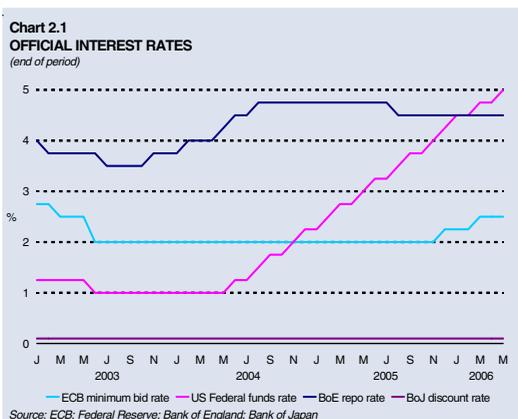
**Table 2.2****CONSUMER PRICES***Average change compared with the same quarter a year earlier (%)*

	2005				2006	
	Q1	Q2	Q3	Q4	Q1	Q2 <sup>1</sup>
United States	3.0	2.9	3.8	3.7	3.7	3.3
Euro area	2.0	2.1	2.3	2.3	2.3	2.0
United Kingdom	1.7	1.9	2.4	2.1	1.9	2.1
Japan	-0.2	-0.1	-0.3	-0.5	0.4	0.3

<sup>1</sup> Forecasts.*Sources: Consensus Forecasts; Eurostat; US Bureau of Labor Statistics; Bank of Japan.*

unemployment rate continued to fall, averaging 8.2% over the three months to March, compared with 8.3% in the previous quarter.

After maintaining an unchanged monetary policy stance in January and February, the European Central Bank raised the minimum bid rate on its main refinancing operations by a quarter of a percentage point to 2.5% in March to counter renewed inflationary pressures. The bid rate was again raised by 25 basis points in June.



The British economy grew robustly in the March quarter, with annual growth accelerating to 2.2% from 1.8% in the December quarter. On a yearly basis, household expenditure increased by 1.7%, while government expenditure rose by 4.6%. Annual inflation averaged 1.9% during the quarter, a decline of 0.2 percentage points from the December quarter. The unemployment rate, at 5.2% in March, was up over the same quarter a year earlier.

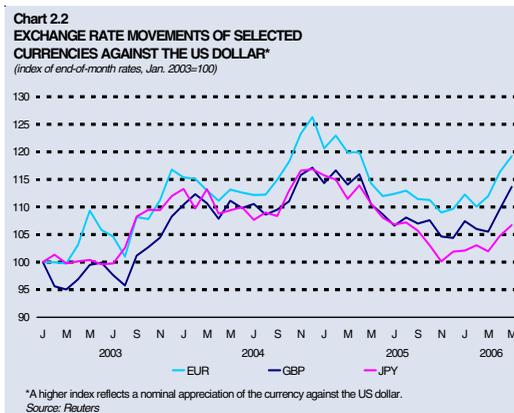
The Bank of England maintained the repo rate unchanged at 4.5% throughout the first quarter of 2006 and into the second quarter.

In Japan real GDP grew by 3.0% in the first quarter of 2006, compared with 4.0% in the fourth quarter of 2005. The economy was boosted by a further rise in domestic demand. Meanwhile, consumer price inflation turned positive in January and then continued to increase moderately over the remainder of the first quarter. As a result, the annual inflation rate averaged 0.4% over the quarter. The unemployment rate averaged 4.2% in the first three months of 2006, 0.3 percentage points lower than in the final quarter of 2005.

The Bank of Japan maintained its policy of monetary easing throughout the first two months of 2006. In March, however, the Bank announced the end of its quantitative easing policy, which aimed at injecting liquidity into the banking system, and set a target for the uncollateralised overnight call rate, its benchmark short-term interest rate, at effectively zero. Going into the June quarter, the Bank of Japan retained an unchanged target for the uncollateralised call rate.

### Foreign exchange markets

After strengthening throughout 2005, the US dollar depreciated against the other major currencies in the first quarter of 2006 (see Chart 2.2 and Table 2.3). The weakness of the dollar was mainly attributed to uncertainty in the market



regarding the future course of monetary policy in the United States and concern about the size of the US current account deficit. The dollar declined by 2.1% against the euro as the latter

**Table 2.3**

### EXCHANGE RATES OF SELECTED CURRENCIES AGAINST THE US DOLLAR - FIRST QUARTER 2006

	USD/EUR	USD/GBP	JPY/USD
Average for January	1.2121	1.7665	115.41
Average for February	1.1945	1.7485	117.85
Average for March	1.2017	1.7444	117.24
Average for the quarter	1.2028	1.7531	116.83
Closing rate on 30.12.05	1.1836	1.7218	117.50
Closing rate on 30.03.06	1.2087	1.7403	117.41
Lowest exchange rate vs the US dollar during the quarter	1.1849 (27 Feb.)	1.7256 (13 Mar.)	119.18 (13 Mar.)
Highest exchange rate vs the US dollar during the quarter	1.2277 (23 Jan.)	1.7882 (25 Jan.)	113.79 (12 Jan.)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from closing rate on 30.12.05 to closing rate on 30.03.06	2.1	1.1	0.1

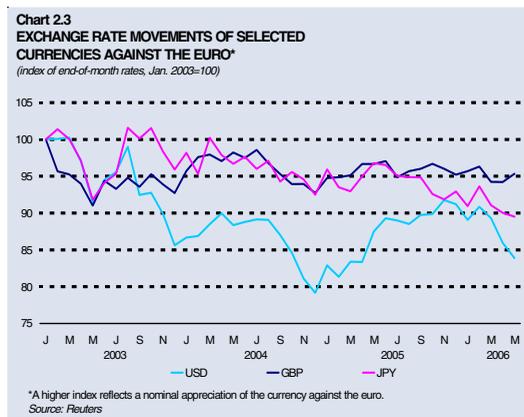
Source: Reuters.

strengthened on an improved outlook for the euro area economy. Against the pound sterling the dollar shed 1.1% over the three-month period.

Following its appreciation against the Japanese yen in December, the US dollar lost some of its gains in January. Later, though, indications that Japanese interest rates would remain low led to an appreciation of the US dollar vis-à-vis the Japanese currency. In March, however, the US dollar weakened against the yen. Over the quarter as a whole, the US unit depreciated by 0.1% against the Japanese currency.

The euro fluctuated within a narrow range against the pound sterling during the March quarter (see Chart 2.3). Markets expected the Bank of England to keep its official interest rates unchanged while, in contrast, they expected the ECB to raise official rates further. As a result, the euro gained 1.0% against sterling during the quarter. The euro also strengthened against the Japanese yen, gaining 2.0%.

In April and May the dollar generally weakened against the euro and the pound sterling, but in terms of the Japanese yen it appreciated over the two-month period. Meanwhile, the euro declined



against the UK currency but appreciated vis-à-vis the yen.

## Commodities

### Oil

The general upward trend in oil prices persisted during the first quarter of 2006. Thus, at end-March the price of Brent crude oil was USD66.31 per barrel, 13.0% higher than its end-year level (see Chart 2.4). The continued rise in crude oil prices was driven by concerns over the security of future oil supplies and by a deterioration in the geopolitical environment. Oil prices continued to rise in April and May, reaching a new all-time high of USD75.0 per barrel on 2 May.

### Gold

Concerns about oil supplies, as well as worries about inflation, influenced the gold market, with investors turning to gold as a safe haven. In January, geopolitical tensions boosted the price of gold, which rose to USD568.50 at the end of the month. In February and March the price of the metal fluctuated within a narrow range but by end-March the price of bullion surged to USD583.20 as investors sought strong returns in

commodity markets on the basis of expected increases in prices, switching away from financial instruments and foreign exchange. Consequently, during the first quarter of 2006, the price of gold increased by 12.8% (see Chart 2.5). In April and May, gold prices continued to rise sharply, hitting the USD600 mark in April and peaking at above USD700 in mid-May.

### Other commodities

During the March quarter, prices of non-energy commodities rose significantly, driven by strong global demand for industrial raw materials and food. These developments were reflected in the Reuters Commodity Index, which went up by 8.6% over the quarter (see Chart 2.5).<sup>1</sup> In April and May non-energy commodity prices increased



further as metal prices posted strong gains, underpinned by limited production growth, heavy demand and low levels of inventories.

<sup>1</sup> The Reuters Commodity Index is a weighted index of the prices of seventeen commodities including food, beverages, vegetable oils, agricultural raw materials and metals, excluding gold.

### 3. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank of Malta raised the central intervention rate by 25 basis points to 3.50% in May, the first change since April 2005. Prior to the increase, domestic money market rates had remained largely unchanged, while in the capital market, 5-year and 10-year government bond yields declined marginally and those on 15-year government securities dropped more significantly. Corporate bond yields also continued to move downwards, while equity prices generally extended their upward trend.

The pace of monetary growth during the first quarter decelerated as a rise in domestic credit was largely offset by a drop in the net foreign

assets of the banking system. Growth in domestic credit was mainly driven by increased lending to the non-bank private sector, while the decline in net foreign assets was attributable to a drop in Central Bank of Malta holdings. Meanwhile, a rise in the other counterparts of broad money (M3), which mainly reflected an increase in the share capital of credit institutions and the debiting of accrued interest on outstanding loans, had no direct impact on monetary aggregates.

#### The monetary base

The monetary base (M0) increased by Lm6.3 million, or 1.0%, during the first quarter (see Table 3.1), slightly less than the rise recorded during the previous three months. Of the base components, credit institutions' deposits with the Central Bank of Malta rose by Lm15.5 million, whereas

**Table 3.1**  
**THE MONETARY BASE AND ITS SOURCES**

	2006		<i>Lm millions</i>	
	Dec.	Mar.	Change Amount	%
Currency in issue	520.0	510.9	-9.2	-1.8
Bank deposits with the Central Bank of Malta <sup>1</sup>	135.5	151.0	15.5	11.4
<b>MONETARY BASE (M0)</b>	<b>655.6</b>	<b>661.9</b>	<b>6.3</b>	<b>1.0</b>
<b>CENTRAL BANK OF MALTA ASSETS</b>				
Foreign assets	970.3	911.6	-58.7	-6.1
Claims on central government	9.1	20.2	11.1	121.9
Fixed and other assets	16.0	15.9	-0.2	-0.9
<i>less</i>				
<b>REMAINING LIABILITIES</b>				
Government deposits	148.0	71.4	-76.5	-51.7
Other deposits	0.8	1.3	0.5	55.5
Foreign liabilities	37.7	39.8	2.1	5.5
Other liabilities	53.1	85.1	32.0	60.3
Shares and other equity	100.3	88.3	-12.1	-12.0

<sup>1</sup>Excluding term deposits, which are shown with "other liabilities".

currency in issue contracted by Lm9.2 million.<sup>1</sup> The drop in the latter was partly seasonal, as demand for currency notes normally falls in the first few months following the festive season. Despite the quarterly rise, the annual growth rate of M0 turned negative, declining from 0.6% in December to -2.7% in March.

The first quarter increase in M0 was driven by a drawing down in government deposits with the Bank. This expansionary impact was dampened by a sizeable decline in the Bank's foreign assets coupled with an increase in other liabilities. The latter primarily reflected a rise in outstanding term deposits with the Bank, implying an absorption of liquidity from the banking system.

### Monetary aggregates

Broad money expanded by Lm6.3 million, or 0.2%, during the first quarter of 2006, after having

gained 1.2% during the previous quarter (see Table 3.2). M3 fluctuated during the period, increasing significantly in February before contracting in March, when households and non-bank financial intermediaries withdrew funds from bank accounts to subscribe to Government bonds issued on the primary market. The annual growth rate of M3 stood at 4.2% in March, broadly unchanged when compared to December (see Chart 3.1).

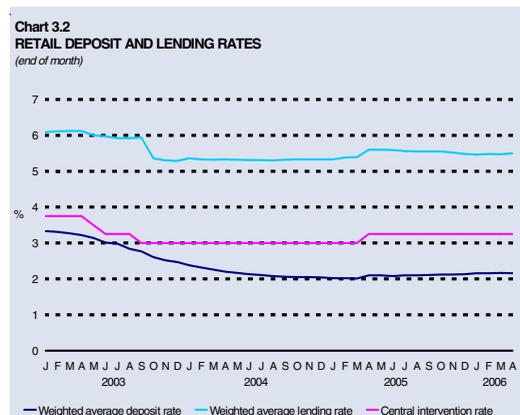
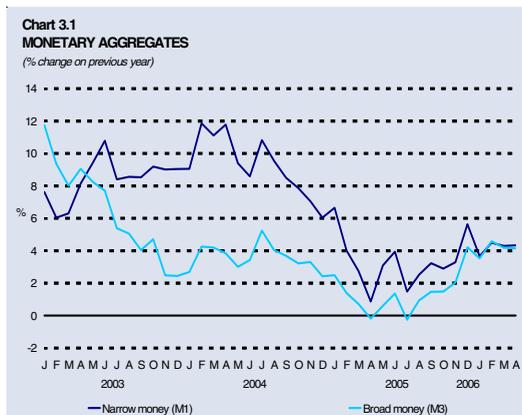
Narrow money (M1) contracted by Lm16.3 million, or 1.0%, during the quarter, partly reversing the previous quarter's rise. Currency in circulation declined by Lm9.8 million, or 2.0%, while deposits withdrawable on demand contracted by Lm6.4 million, or 0.5%, driven by a drop in households' deposits denominated in Maltese lira that was related to the bond issue referred to earlier. As a result, the annual growth rate of M1 fell from 5.6% in December to 4.3% in March (see Chart 3.1).

**Table 3.2**  
**MONETARY AGGREGATES**  
(Changes on the previous quarter)

	<i>Lm millions</i>									
	2005								2006	
	Q1		Q2		Q3		Q4		Q1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>NARROW MONEY (M1)</b>	<b>4.7</b>	<b>0.3</b>	<b>55.5</b>	<b>3.5</b>	<b>6.6</b>	<b>0.4</b>	<b>22.3</b>	<b>1.4</b>	<b>-16.3</b>	<b>-1.0</b>
Currency in circulation	-1.4	-0.3	10.8	2.2	1.8	0.4	1.7	0.3	-9.8	-2.0
Deposits withdrawable on demand	6.1	0.6	44.7	4.1	4.9	0.4	20.6	1.8	-6.4	-0.5
<b>INTERMEDIATE MONEY (M2)</b>	<b>7.0</b>	<b>0.2</b>	<b>54.1</b>	<b>1.9</b>	<b>24.7</b>	<b>0.8</b>	<b>37.5</b>	<b>1.2</b>	<b>6.3</b>	<b>0.2</b>
Narrow money (M1)	4.7	0.3	55.5	3.5	6.6	0.4	22.3	1.4	-16.3	-1.0
Deposits redeemable at notice up to 3 months	0.1	0.3	0.2	0.7	0.0	0.1	1.1	3.7	0.2	0.5
Deposits with agreed maturity up to 2 years	2.2	0.2	-1.6	-0.1	18.0	1.4	14.2	1.1	22.4	1.7
<b>BROAD MONEY (M3)<sup>1</sup></b>	<b>7.0</b>	<b>0.2</b>	<b>54.1</b>	<b>1.9</b>	<b>24.7</b>	<b>0.8</b>	<b>37.5</b>	<b>1.2</b>	<b>6.3</b>	<b>0.2</b>

<sup>1</sup> Since the amount of marketable instruments issued by the MFI sector is negligible, at present M2 is almost equal to M3.

<sup>1</sup> Currency in issue comprises currency in circulation and holdings of national currency by the banks in their tills.



During the quarter reviewed, intermediate money (M2) expanded by Lm6.3 million, or 0.2%, as the contraction in M1 was outweighed by a substantial increase in deposits with an agreed maturity of up to two years, which put on Lm22.4 million. The latter mainly reflected growth in corporate deposits denominated in Maltese lira, though a rise in foreign currency deposits also contributed. As a result, the annual rate of growth of deposits with an agreed maturity of up to two years accelerated to 4.0% in March from 2.5% in December. Deposits redeemable at up to three months' notice increased marginally during the quarter.

With official interest rates remaining unchanged, bank deposit and lending rates were stable during the first quarter. The weighted average interest rate on Maltese lira deposits rose slightly, reaching 2.17% in March (see Chart 3.2). Average interest rates on time and demand deposits increased marginally, rising to 3.0% and 0.50%, respectively, from 2.97% and 0.45% in December. At the same time, the average interest rate on savings deposits remained stable at 1.17%. Likewise, the weighted average lending rate was broadly stable during the quarter, ending March at 5.47%.

Going into the following quarter, the annual growth

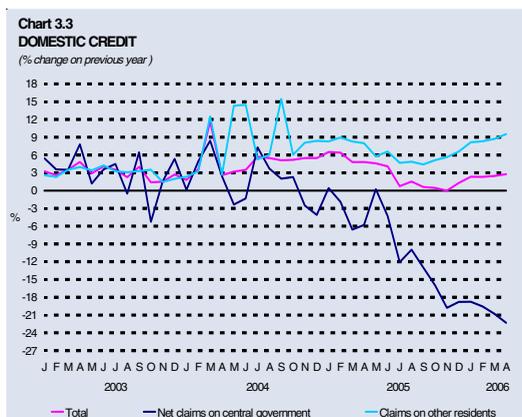
rates of M1 and M3 remained stable, at 4.3% and 4.2% respectively in April. The weighted average deposit rate declined marginally during the month, whereas the corresponding lending rate rose by 3 basis points to 5.5%.

### Counterparts of monetary expansion

Monetary expansion during the first quarter of 2006 reflected an increase in domestic credit, particularly to the private sector. Simultaneously, a decline in the net foreign assets of the banking system had a contractionary impact on monetary growth.

Domestic credit expanded by Lm97.9 million, or 3.7%, as a sizeable increase in claims on other residents was accompanied by a moderate rise in net claims on central government (see Table 3.3). As a result, the annual rate of credit growth, which amounted to 1.3% in December, picked up, reaching 2.5% in March. This upward movement reflected faster growth in claims on other residents, as net claims on central government fell sharply on a year earlier (see Chart 3.3).

The strong rise in claims on other residents emanated from the non-bank private sector, as



loans and advances were augmented by the half-yearly debiting of accrued interest to borrowers' loan accounts in March (see Table 3.4). Consequently, claims on other residents expanded by 8.7% during the year to March, compared with 6.6% in December.

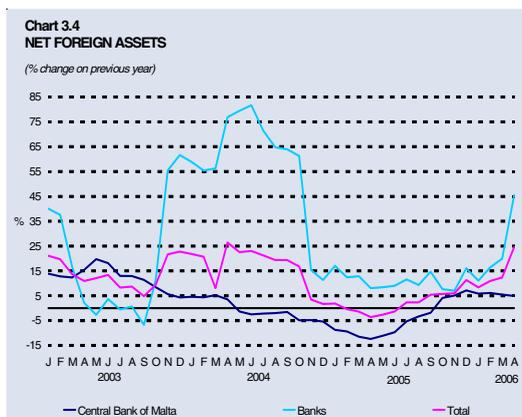
Loans to the non-bank private sector expanded by Lm75.5 million, or 3.7%. In absolute terms, this was fuelled mainly by further lending to households and individuals – mostly for house purchases – and to the 'real estate, renting and business activities' sector – largely for property development. Lending to the construction sector also increased substantially. At the same time, loans to the public sector rose by 11.4%, driven mostly by additional credit to the 'electricity, gas and water supply' sector.

Net claims on central government added Lm5.4 million, or 1.2%, during the first quarter of 2006, after having declined during the previous three quarters. This was entirely due to a sharp contraction in government deposits with the Central Bank of Malta, which more than offset a sizeable drop in Treasury bills held by the banks. Nevertheless, the annual growth rate of net claims on central government extended its downward

**Table 3.3**  
**COUNTERPARTS OF MONETARY GROWTH**  
(Changes on the previous quarter)

	<i>Lm millions</i>									
	Q1		2005				Q4		2006	
			Q2		Q3				Q1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>BROAD MONEY (M3)</b>	7.0	0.2	54.1	1.8	24.7	0.8	37.5	1.2	6.3	0.2
<b>DOMESTIC CREDIT</b>	65.3	2.5	7.8	0.3	-56.4	-2.1	16.9	0.6	97.9	3.7
Net claims on central government	20.5	3.8	-5.6	-1.0	-60.0	-10.9	-57.3	-11.5	5.4	1.2
Claims on other residents	44.8	2.2	13.4	0.6	3.6	0.2	74.1	3.5	92.5	4.2
<b>NET FOREIGN ASSETS</b>	-53.6	-3.3	46.9	3.0	125.7	7.8	64.8	3.7	-43.2	-2.4
Central Bank of Malta	-44.1	-5.1	-7.1	-0.9	92.6	11.3	20.9	2.3	-60.8	-6.5
Banks	-9.6	-1.3	54.0	7.2	33.1	4.1	44.0	5.3	17.6	2.0
<i>less</i>										
<b>OTHER COUNTERPARTS OF M3<sup>1</sup></b>	4.7	0.4	0.6	0.0	44.6	3.4	44.2	3.2	48.5	3.5

<sup>1</sup> Other counterparts of M3 include the capital base of the MFI sector, deposits with terms to maturity exceeding two years, longer-term financial liabilities, provisions, interest accrued and unpaid and other liabilities, less fixed and other assets. They are equal to the difference between M3 and the sum of domestic credit and net foreign assets.



trend during the quarter, ending March at -20.8%.

The net foreign assets of the banking system shed Lm43.2 million, or 2.4%, during the March quarter, after having grown considerably in the preceding three quarters. A significant decline in the net foreign assets of the Central Bank of Malta was partly offset by an increase in those of the rest of the banking system. Nonetheless, on a year-on-year basis, the banking system's net foreign assets were up by 12.4% in March, compared with an increase of 11.3% in the year to December (see Chart 3.4).

**Table 3.4**  
**CLAIMS ON OTHER RESIDENTS<sup>1</sup>**

	<i>Lm millions</i>			
	2006		Change	
	Dec.	Mar.	Amount	%
<b>TOTAL CLAIMS</b>	<b>2,194.0</b>	<b>2,286.5</b>	<b>92.5</b>	<b>4.2</b>
Claims on the non-bank private sector	2,043.7	2,119.2	75.5	3.7
<i>of which loans and advances</i>	2,001.6	2,072.1	70.5	3.5
Claims on the non-bank public sector	149.6	166.6	17.0	11.4
<i>of which loans and advances</i>	119.2	138.0	18.8	15.8
Claims on other general government <sup>2</sup>	0.7	0.7	0.0	0.0
<i>of which loans and advances</i>	0.7	0.7	0.0	0.0
<b>TOTAL LOANS AND ADVANCES</b>	<b>2,121.4</b>	<b>2,210.7</b>	<b>89.3</b>	<b>4.2</b>
Electricity, gas & water supply	61.1	76.1	15.0	24.5
Transport, storage & communication	123.2	129.5	6.3	5.1
Agriculture & fishing	8.7	8.7	0.0	0.0
Manufacturing	106.6	110.0	3.4	3.2
Construction	215.6	229.8	14.2	6.6
Hotels & restaurants	203.8	208.7	4.9	2.4
Wholesale & retail trade; repairs	296.7	300.6	3.9	1.3
Real estate, renting & business activities	190.7	211.3	20.6	10.8
Households & individuals	838.9	861.7	22.8	2.7
Other <sup>3</sup>	76.1	74.3	-1.8	-2.4

<sup>1</sup> Claims on other residents consist mainly of loans and advances and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies. Interbank claims are excluded.

<sup>2</sup> In Malta, this refers to the local councils.

<sup>3</sup> Includes mining and quarrying, public administration, education, health and social work, community recreation and personal activities, extra-territorial organisations and bodies and non-bank financial institutions.

The net foreign assets of the Central Bank of Malta dropped by Lm60.8 million, or 6.5%, during the first quarter of 2006, mainly as a result of substantial net foreign exchange sales to the rest of the banking system and the transfer of government foreign currency deposits to credit institutions in January. As a result, the annual rate of growth of the Bank's net foreign assets slowed down to 5.5% in March, from 7.2% three months earlier.

The net foreign assets of the rest of the banking system increased by Lm17.6 million, or 2.0%, during the first quarter. Over the year to March, they expanded by 19.9%, up from 16.1% in the year to December. The holdings of international banks surged by Lm26.6 million, or 8.0%, mainly on account of equity capital inflows to two of the banks. However, this increase was partly offset by a drop of Lm9.0 million, or 1.7%, in the holdings of the deposit money banks. These fell, despite substantial purchases of foreign currency from the Central Bank of Malta, as a result of strong demand for foreign exchange for import payments, particularly for fuel, and the payment of dividends to foreign shareholders.

The other counterparts of M3 increased by Lm48.5 million, or 3.5%, during the first three months of 2006. This was mainly attributable to two factors mentioned above, namely, a large inflow of share capital to international banks and the debiting of customer loans and advances with half-yearly accrued interest, which contributed to a reduction in the deposit money banks' other assets, in March.

Domestic credit increased further going into the second quarter of 2006, with its annual growth rate reaching 2.8% in April. During that month the annual growth rate of net claims on central government persisted on its downward trend,

while that of claims on other residents kept on rising. At the same time, the annual growth rate of the net foreign assets of the banking system rose sharply, to 24.7%.

### **The money market**

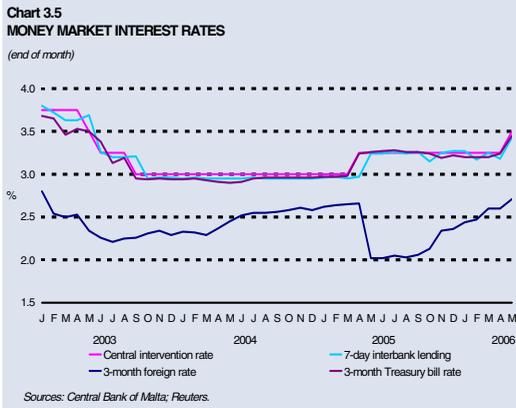
The increase in the central intervention rate by 25 basis points to 3.50% in May was the first change in official rates since April 2005 (see Chart 3.5). During the first quarter of 2006 domestic money market rates were broadly stable as the central intervention rate remained unchanged. However, the premium on Maltese lira short-term assets narrowed significantly as money market rates abroad rose over the quarter.<sup>2</sup>

During the first three months of 2006 liquidity in the banking system rose. As a result, the Bank continued to absorb funds from the rest of the banking system through weekly auctions of 7-day term deposits. The amount of funds absorbed rose for the third quarter in a row, with the average level of term deposits held by the deposit money banks with the Bank per week increasing to Lm98.9 million, from Lm76.0 million in the previous three-month period. The interest rate on these deposits remained unchanged at 3.20%.

Turnover in the interbank market declined to Lm50.4 million during the quarter, from Lm66.2 million in the previous quarter. Liquidity within the banking sector was asymmetrically distributed, with three banks accounting for more than 90% of total trading. More than three-fourths of interbank loans had a term to maturity of one week or less, while most of the rest were struck with a tenor of more than three months. The interest rate on one-week interbank loans was more or less stable, edging down by 2 basis points, to 3.25% in March.

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<sup>2</sup> The survey was carried out between January and February 2006.



The Treasury relied less on short-term financing in the first quarter of 2006, issuing Lm121.9 million worth of bills as opposed to Lm130.9 million in the preceding quarter. Three-month bills accounted for almost two-thirds of the total issued during the quarter, with the rest consisting mainly of one-year and, to a lesser extent, six-month bills. Banks bought slightly less than half of the total bills issued, while collective investment schemes and insurance companies took up most of the remainder. The yield on the three-month bill remained broadly stable during the quarter, declining by just two basis points from the end-December level to 3.20% in March.

In the secondary market for Treasury bills turnover declined to Lm23.3 million, from Lm32.6 million during the preceding quarter. Transactions involving the Bank amounted to Lm23.2 million and consisted almost entirely in purchases from collective investment schemes. Secondary market yields moved in tandem with those in the primary market, with those on three-month bills, for instance, declining marginally to 3.20% in March, from 3.22% in December.

During the first quarter of 2006, the three-month premium on the Maltese lira over the euro narrowed by 26 basis points to 60 basis points, as a marginal decline in the domestic yield was

coupled with a rise in the three-month euro rate (see Chart 3.5).

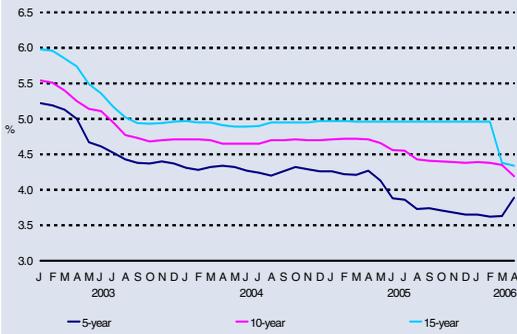
Three-month Treasury bill yields in the secondary market rose to 3.45% by the end of May in response to the increase in official interest rates towards the end of the month. Consequently, the three-month premium on the Maltese lira widened again, to 74 basis points.

### The capital market

Issuance activity in the primary bond market during the first quarter of 2006 was driven by the Government, which launched Lm25.0 million worth of stocks in March. This issue, maturing in 2016 and carrying a coupon rate of 4.8%, was mostly purchased at par by retail investors, mainly households, who took up slightly more than half of the total issue. Collective investment schemes and insurance companies took up the bulk of the remainder, which was allotted on an auction basis, and which resulted in an effective yield to maturity of 4.1%. With regard to corporate securities, International Hotel Investments plc, a hotel company, issued Lm5.4 million worth of euro denominated bonds carrying a coupon rate of 6.5%, redeemable between 2012 and 2014.

Turnover in the secondary market for government bonds amounted to Lm6.7 million during the quarter, slightly less than in the previous quarter. The Bank traded Lm2.4 million, with other investors accounting for the remainder. Unlike previous quarters, participants were active mostly in the short-term and long-term ends of the market. Medium-term securities contributed only one-fifth of the total turnover. Yields on 5-year and 10-year government bonds declined marginally from the end-December level, ending the quarter at 3.63% and 4.35%, respectively. At the same time, the 15-year yield dropped more sharply, falling from 4.96% in December to 4.38% in March (see Chart 3.6).

**Chart 3.6**  
**GOVERNMENT BOND YIELDS**  
*(end of month)*



**Chart 3.7**  
**MALTA STOCK EXCHANGE SHARE INDEX**  
*(end of month)*



In the secondary market for corporate bonds, turnover increased slightly, from Lm1.1 million in the fourth quarter to Lm1.2 million in the first quarter of 2006, with trading mostly concentrated in five major securities. In general, yields on corporate bonds declined over the quarter.

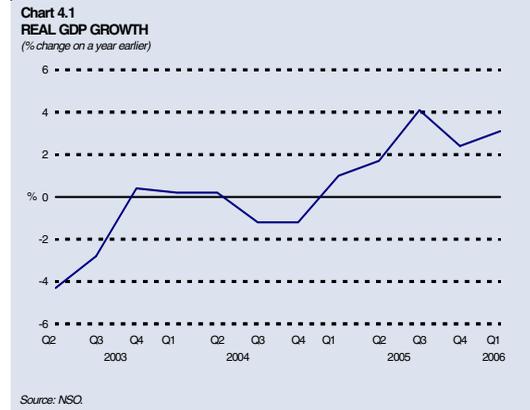
Turnover in the equity market expanded further in the first quarter of 2006, reaching Lm43.7 million compared with Lm24.0 million in the previous quarter. However, trading was almost entirely concentrated in the shares of the banks,

Maltacom plc and Malta International Airport plc. The buoyancy of the equity market boosted the MSE share index, which rose by 30.7% when compared to its end-December level. On a year-on-year basis, the index registered an 89.1% rise, ending the quarter at 6,508.7 (see Chart 3.7).

In April, the yield on the 5-year government bond increased by 26 basis points to 3.89%. Yields on 10- and 15-year bond yields declined, however. Equity prices also retreated, with the MSE share index dropping by 7.2% over the month.

## 4. OUTPUT, EMPLOYMENT AND PRICES

The rate of economic growth accelerated to 3.1% during the first quarter of 2006, underpinned by higher investment and personal consumption expenditure. In the manufacturing sector, both turnover and capital expenditure rose when compared to the corresponding period in 2005, in part reflecting improvements in the electronics industry. On the other hand, tourist activity declined further, with a contraction in overall tourist expenditure, though this may have reflected the timing of Easter, which fell in April this year. Over the quarter, annual inflation edged down to 2.9% in March from 3% in December, with slower increases in fuel and energy prices being the main contributing factors. In the labour market, the LFS measure of the unemployment rate rose to 7.8% from 7.3% in the previous quarter.



### Gross Domestic Product

The 3.1% increase in GDP over the year to March 2006 was faster than the annual growth of 2.4% recorded in the previous quarter and well above the 1% growth rate reported a year earlier (see Chart 4.1). Following several quarters of negative or slow growth since 2003, recent quarters have now shown positive and generally accelerating growth.

**Table 4.1**  
**GROSS DOMESTIC PRODUCT (CONSTANT PRICES)<sup>1</sup>**

	Year-on-year growth (per cent)		Contribution to growth (percentage points)	
	1st Quarter 2005	2006	1st Quarter 2005	2006
Household & NPISH final consumption expenditure	-0.8	2.8	-0.5	1.9
Government final consumption expenditure	-2.5	4.6	-0.6	1.0
Gross fixed capital formation	5.6	14.9	1.0	2.9
Changes in inventories & net acquisitions of valuables	+	5.1	9.6	0.3
<b>Domestic demand</b>	<b>9.0</b>	<b>5.4</b>	<b>9.5</b>	<b>6.1</b>
Exports of goods & services	-10.0	2.6	-9.1	2.1
Imports of goods & services	-0.6	5.4	-0.6	-5.1
<b>Net exports</b>	<b>-</b>	<b>-</b>	<b>-8.5</b>	<b>-3.0</b>
<b>GROSS DOMESTIC PRODUCT</b>	<b>1.0</b>	<b>3.1</b>	<b>1.0</b>	<b>3.1</b>
GDP deflator	-0.6	3.3	-	-
<b>GROSS DOMESTIC PRODUCT (MARKET PRICES)</b>	<b>0.4</b>	<b>6.5</b>	<b>0.4</b>	<b>6.5</b>
<b>GROSS NATIONAL INCOME (MARKET PRICES)</b>	<b>2.2</b>	<b>2.5</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Except where otherwise stated.

'+' indicates a percentage change that exceeds +/- 100%.

Source: NSO.

Expansion in the first quarter came mostly from domestic demand, largely investment. Higher construction activity and spending on machinery contributed to real investment growth of 14.9% on an annual basis, which contributed 2.9 percentage points to the overall GDP growth rate.

Consumption expenditure regained momentum, with the private component increasing by 2.8% compared with a 1.8% rise in the previous quarter and a 0.8% decline in the same quarter a year ago. Similarly, government consumption rose by 4.6% in contrast to the contraction recorded in the first quarter of 2005.

Exports of goods and services also recovered in the first quarter of 2006. Having declined in each of the previous four quarters, exports rose by 2.6% in real terms, compared with a 10% drop in the same quarter of 2005. On the other hand, imports, which had declined by 0.6% in the first quarter of 2005, grew by 5.4% year-on-year in the same quarter of 2006. As a result of these movements, the net contribution of the external sector to GDP growth, while negative, narrowed to -3.0% of GDP from -8.5% a year earlier.

The GDP deflator rose by 3.3%, up from 2.8% in the December quarter and -0.6% a year earlier. While the prices of capital goods and inventories remained stable, the price deflator for private consumption rose by 2.2% on an annual basis, a slower rate than both in the previous quarter and a year-ago. At the same time, the terms of trade improved significantly, as the 10% increase in the export deflator outstripped the 7.1% rise in the import deflator. Consequently, in nominal terms, GDP rose at an annual rate of 6.5% during the quarter.

### **Gross national income**

Gross national income, which includes net income received from abroad, rose by 2.5% during the first quarter of 2006. Gross national income

increased more slowly than nominal GDP on account of higher net property income paid abroad during the quarter.

### **Generation of nominal income**

Data on the nominal value added by the productive sectors are shown in Table 4.2. Employee compensation and operating surplus, the two key components of value added, rose in aggregate by 4.2% and 6.7%, respectively, on a year earlier. Together they contributed 4.1 percentage points to the overall growth rate of 5.2% in value added, with the rest being attributable to depreciation and net tax payments.

Total value added was boosted significantly by the financial intermediation sector, which contributed 1.7 percentage points to the total increase of 5.2%. A 0.6 percentage-point contribution by the fishing sector in part reflected a base effect, due to the fact that in 2005 fish exports were delivered in different quarters of the year. A similar contribution came from the manufacturing sector, as the chemicals and the other non-metallic minerals sectors boosted their value added.

The largest increment in employment income was registered in the transport, storage & communication sector (see Table 4.2), where a rise in employee compensation contributed one percentage point to the overall increase. The education and hotels & restaurants sectors each contributed a further 0.6 percentage points to the overall growth in employment income. Similarly, financial intermediation, public administration and health & social work each added 0.5 percentage points to the total.

A surge in business profits in the financial intermediation sector contributed 5.4 percentage points to the 6.7% rise in operating surplus. Other significant contributions were reported by the manufacturing and fishing industries. By

**Table 4.2**  
**GENERATION OF INCOME**

*percentage points*

	2006 Q1		
	Contribution to growth on a year earlier		
	Gross value added <sup>1</sup>	Compensation of employees	Operating surplus
<b>TOTAL ECONOMY</b>	<b>5.2</b>	<b>4.2</b>	<b>6.7</b>
Agriculture, hunting & forestry	-0.1	0.0	-0.7
Fishing	0.6	0.0	2.4
Mining & quarrying	0.0	0.0	0.0
Manufacturing	0.6	0.1	1.1
Electricity, gas & water supply	-0.4	-0.1	-1.0
Construction	0.3	0.2	0.8
Wholesale & retail trade	0.5	0.0	1.5
Hotels & restaurants	0.0	0.6	-1.8
Transport, storage & communication	0.2	1.0	-2.5
Financial intermediation	1.7	0.5	5.4
Real estate, renting & business activities	0.4	0.2	0.6
Public administration	0.5	0.5	0.0
Education	0.3	0.6	-0.1
Health & social work	0.4	0.5	0.1
Other services	0.2	-0.1	0.9

<sup>1</sup> Gross value added is the summation of compensation of employees, operating surplus, net taxes on production as well as consumption of fixed capital.

Source: NSO.

contrast, sectors which reported reduced profitability included the transport, storage & communication, hotels & restaurants, education, and the electricity, gas & water supply sectors. In the aggregate, these sectors' contribution to operating surplus was a negative 5.4 percentage points.

### Manufacturing

In the spring quarter of 2006, manufacturing sales rose for the first time in two years, on the strength of a sharp growth in exports and ongoing moderate gains in domestic sales. Total turnover

was Lm19.5 million, or 9%, above that of the same quarter of the previous year. On the other hand, further employment losses in various sub-sectors reflected the continuing process of industrial restructuring, partly indicating a loss of international competitiveness in some of the more labour intensive sub-sectors.

The increase in manufacturing turnover came from a rise of Lm18.5 million in exports. Exports of semi-conductors and other related products were up by Lm25.8 million, the first quarterly increase since the third quarter of 2004.<sup>1</sup> The pharmaceutical sector

<sup>1</sup> Semiconductors are included in the "Radio, TV, telecom, etc." category in Table 4.3.

**Table 4.3****SELECTED MANUFACTURING INDICATORS***Changes from the same quarter of the previous year*

	2005				2006
	Q1	Q2	Q3	Q4	Q1
<b>Turnover (Lm millions)</b>	<b>-35.7</b>	<b>-6.7</b>	<b>-14.4</b>	<b>-0.8</b>	<b>19.5</b>
<b>Exports (Lm millions)</b>	<b>-34.4</b>	<b>-7.6</b>	<b>-16.3</b>	<b>-2.3</b>	<b>18.5</b>
Radio, TV, telecom etc	-31.5	-20.6	-27.4	-7.0	25.8
Pharmaceuticals	-1.1	2.8	8.6	7.1	5.3
Other chemicals	0.2	0.6	0.1	0.2	-0.1
Electrical machinery	2.5	4.3	1.1	-3.2	-2.8
Medical & precision equipment	0.1	0.4	-0.9	0.9	-0.4
Plastic & rubber products	-0.4	0.6	-0.9	-0.6	-0.1
Games & toys	-2.3	1.6	0.4	-1.1	2.0
Clothes	-3.5	-2.7	0.0	-1.9	-0.6
Printing & publishing	0.3	2.0	-2.8	3.1	-4.3
Textiles	1.2	2.2	2.3	1.3	-3.4
Food	0.7	0.2	2.8	0.6	-0.7
Other	-0.6	1.0	0.4	-2.3	-2.2
<b>Local sales (Lm million)</b>	<b>-1.3</b>	<b>0.9</b>	<b>1.9</b>	<b>1.4</b>	<b>1.1</b>
Food	-2.7	-0.6	0.2	-0.7	0.3
Beverages	-0.5	-0.6	-0.2	-0.4	-0.5
Tobacco	0.8	-1.0	-1.1	-1.6	-1.5
Paper	-0.3	0.0	-0.3	0.0	0.3
Printing & publishing	0.1	0.5	0.6	0.3	0.2
Pharmaceuticals	0.0	-0.2	-0.1	0.0	0.0
Other chemicals	-0.2	-0.2	-0.4	0.0	-0.1
Other non-metallic minerals	1.6	1.8	1.8	1.5	1.1
Fabricated metal products	0.8	0.9	0.7	0.9	0.6
Furniture	0.2	0.6	0.6	0.9	0.5
Jewellery & other related articles	0.0	0.0	0.0	0.1	0.2
Other	-0.9	-0.3	0.0	0.4	0.0
<b>Investment (Lm million)</b>	<b>-6.2</b>	<b>0.1</b>	<b>1.1</b>	<b>1.9</b>	<b>4.4</b>
Radio, TV, telecom etc	-1.1	0.4	0.1	4.1	5.5
Pharmaceuticals	-3.1	0.3	0.0	-0.6	0.0
Other chemicals	0.0	0.0	0.0	0.2	0.0
Printing & publishing	-3.3	0.8	0.2	-0.5	-0.5
Electrical machinery	0.5	-0.5	-0.4	-0.1	-0.6
Plastic & rubber products	0.1	0.2	-0.3	-0.3	-0.3
Textiles	0.5	-0.3	0.3	-0.4	0.9
Food	0.5	-0.4	-0.3	-0.2	-0.3
Others	-0.3	-0.5	1.5	-0.3	-0.3
<b>Employment</b>	<b>-22</b>	<b>-407</b>	<b>-405</b>	<b>-688</b>	<b>-1,338</b>
Food	-128	-95	-10	83	96
Radio, TV, telecom etc	56	-37	-131	-47	40
Pharmaceuticals	23	95	102	86	128
Other chemicals	-46	-59	-50	-27	-31
Clothing	-28	-313	-128	-161	-346
Textiles	137	93	14	-338	-625
Plastic & rubber	118	6	-157	-223	-252
Others	-154	-97	-45	-61	-348
<b>Wages per employee (%)</b>	<b>-2.1</b>	<b>2.4</b>	<b>1.2</b>	<b>1.1</b>	<b>4.9</b>

*Source: NSO.*

reported its fourth consecutive gain, an increase of Lm5.3 million, while sales by games & toys makers rose by Lm2.0 million. Across all other sectors, there was an aggregate net reduction of Lm14.6 million in exports.

The stability of home-market sales observed since the second quarter of 2005 persisted into the first quarter of 2006, with an increase of Lm 1.1 million, compared with a decline of Lm1.3 million in the same period of 2005. Despite continued shrinkage in the sales of the beverages, the tobacco and the non-pharmaceutical chemicals sub-sectors, the increase in local sales was spread across a broad range of other sub-sectors.

Employment contracted by 1,338 over the year to March 2006. Total lay-offs in the clothing, textiles and plastic & rubber sectors numbered 1,223. In contrast, operators in the food, pharmaceuticals and electronics sectors added to their workforce.

At 4.9%, the rate of wage growth per employee

was the largest since the fourth quarter of 2003. Employment fell faster than the wage bill, implying productivity gains from industry consolidation.

On an annual basis, investment rose by more than a third to Lm4.4 million. This was mainly due to higher expenditure by the electronics and textiles sectors. In contrast, as Table 4.3 shows, most other sectors reported smaller investment outlays during the quarter.

### Tourism

The volume of tourism activity contracted during the first quarter of 2006, though the 3.5% decline in tourist numbers in part reflected the timing of Easter, which fell in April this year. In fact, the drop was mostly in the leisure segment since business tourism was up by more than a third. Tourism data also showed a fall in the number of nights stayed and a 5.9% decline in overall tourist expenditure to Lm53.0 million.

Tourists from Malta's core market, the UK,

**Table 4.4**  
**TOURISM ACTIVITY**

	2005				2006
	Q1	Q2	Q3	Q4	Q1
<b>Year-on-year % change in departures by air</b>	<b>1.5</b>	<b>1.6</b>	<b>3.3</b>	<b>0.9</b>	<b>-3.5</b>
UK	0.6	2.5	15.9	2.1	-1.9
Germany	-2.4	16.8	-4.8	0.8	0.8
France	-11.2	-2.8	-8.0	3.0	8.5
Italy	-6.0	-10.2	2.5	-5.3	-12.2
Other	9.9	-1.0	-4.3	0.1	-7.3
<b>Year-on-year % change in expenditure</b>	<b>0.4</b>	<b>0.6</b>	<b>-4.1</b>	<b>2.2</b>	<b>-5.9</b>
Package	6.6	-5.3	-10.2	-11.4	-15.0
Non-package: airfares	-9.1	19.0	17.5	32.4	1.2
Non-package: accommodation	-15.0	40.5	18.9	42.7	19.8
Other	-0.8	-2.5	-3.9	4.8	-0.2
<b>Year-on-year % change in cruise passengers</b>	<b>+</b>	<b>20.9</b>	<b>-6.2</b>	<b>7.0</b>	<b>24.4</b>

Source: NSO.

'+' indicates a percentage change that exceeds +/- 100%.

declined by 1.9%, while those from Italy fell by a substantial 12.2%. In addition, tourist numbers in the “others” category, which includes visitors from Austria, Denmark, Sweden, Switzerland and Russia, contracted by 7.3%. In contrast, the French market improved for the second quarter in a row, with arrivals rising by 8.5% year-on-year. Tourism from Germany also expanded, with arrivals rising by 0.8% year-on-year (see Table 4.4).

During the quarter under review, the number of tourist nights stayed was 9.6% lower than in the corresponding quarter in 2005. As the nights stayed declined faster than the tourist numbers, the average length of stay dropped to 9.6 nights from 10.3 nights a year earlier. All accommodation establishments except for furnished premises experienced a drop in bed nights. The NSO survey of accommodation establishments showed that occupancy rates fell, with the sharpest drop being recorded in 4-star hotels while the 5-star category appeared to register a more limited decline (see Chart 4.2). Conversely, occupancy rates increased significantly at the

lower end of the accommodation spectrum, in particular in the guesthouses and hostel segments. However, because of the small relative share of the latter grouping, the overall occupancy rate declined by 4.7 percentage points to 34% from the level recorded in 2005.

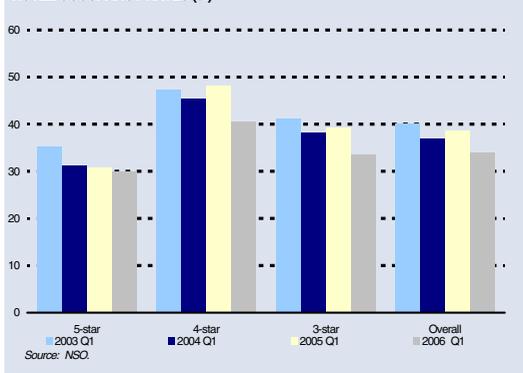
During the quarter total tourist expenditure contracted year-on-year, as higher spending on non-package holidays failed to compensate for reduced outlays on package holidays (see Table 4.4).

A survey conducted by the industry shows that average achieved room rates continued to increase across all hotel categories.<sup>2</sup> The highest increase, 12.3%, was recorded in the 5-star sector, as the closing down of two older 5-star hotels was offset by the subsequent opening of a larger hotel. Despite the higher room rates, the contraction in occupancy rates pushed down the revenue per available room in 3-star and 4-star hotels by 21.9% and 1.1%, respectively.<sup>3</sup> However, 5-star hotels reported an annual gain of 15%.

Cruise liner activity picked up strongly during the first quarter of 2006. In fact, the number of passengers rose by 24.4% on an annual basis, as an increase in the number of visitors from Italy, Germany and the UK more than made up for a contraction in the number of tourists from Spain and France.

In April, the NSO reported that tourist departures by air rose by 11.1% year-on-year, while the number of nights stayed increased substantially compared to the same month in 2005. In turn, tourist expenditure grew by 7.3% to Lm33.9 million. Cruise passenger arrivals went up by 14,363, or 63.4%, on a year earlier.

Chart 4.2  
HOTEL OCCUPANCY RATES (%)



<sup>2</sup> See Malta Hotels and Restaurants Association Hotel Survey, June 2006.

<sup>3</sup> Revenue per available room is total revenue divided by available room nights.

## Labour market<sup>4</sup>

The Labour Force Survey (LFS) for the first quarter of 2006 points to a considerable increase in both the unemployed and the employed population. As a result, the labour force rose by 2.0% over its year-ago level (see Table 4.5).<sup>5</sup>

The unemployment rate rose to 7.8% from 6.7% a year earlier and from 7.3% in the previous quarter.<sup>6</sup> In particular, the female unemployment rate rose by 1.6 percentage points from year-ago levels, to 9.5%.

The total employment rate, which increased for the second quarter in a row, was still 0.3 percentage points below its year-ago level, with

reduced female employment being the main factor behind this decline.<sup>7</sup>

The total activity rate, which had declined for three quarters in a row, increased significantly in the first quarter, rising by 0.3 percentage points on a year earlier to 58.9%. Whereas male activity was up by 1.1 percentage points, the female activity rate dropped by 0.7 percentage points, widening the disparity between the genders.

The ETC's administrative records show that during January 2006 the labour supply was marginally smaller than in the same month of 2005. On the other hand, the gainfully occupied population rose slightly over the same twelve months. As a result, the unemployment rate was

**Table 4.5**  
**LABOUR MARKET INDICATORS BASED ON THE LFS**

	2005				2006
	Q1	Q2	Q3	Q4	Q1
<b>Labour force</b>	<b>160,574</b>	<b>160,959</b>	<b>159,349</b>	<b>159,986</b>	<b>163,755</b>
Unemployed	10,838	12,626	11,614	11,757	12,737
Employed	149,736	148,333	147,735	148,229	151,018
<b>Total activity rate (%)</b>	<b>58.6</b>	<b>58.2</b>	<b>57.7</b>	<b>57.7</b>	<b>58.9</b>
Male	79.5	79.3	77.9	77.9	80.6
Female	37.5	37.1	37.0	37.0	36.8
<b>Total employment rate (%)</b>	<b>54.6</b>	<b>53.6</b>	<b>53.5</b>	<b>53.7</b>	<b>54.3</b>
Male	74.5	73.5	72.8	74.1	74.9
Female	34.5	33.6	33.7	32.8	33.3
<b>Total unemployment rate (%)</b>	<b>6.7</b>	<b>7.8</b>	<b>7.3</b>	<b>7.3</b>	<b>7.8</b>
Male	6.2	7.2	6.5	6.5	7.0
Female	7.9	9.3	9.1	9.2	9.5

Source: NSO.

<sup>4</sup> Labour market data based on the LFS differ from those based on ETC records. Whereas the former are based on survey results and definitions laid down by the International Labour Organisation and Eurostat, the latter are based on administrative records and are compiled according to local definitions. In this analysis 'labour force' is associated with LFS data and 'labour supply' with ETC data.

<sup>5</sup> The cut-off date for labour market data is 30 June 2006.

<sup>6</sup> The unemployment rate is defined as the proportion of the labour force that is unemployed.

<sup>7</sup> The employment rate and the activity rate represent the number of employed and the labour force, respectively, as a share of the population aged between 15 and 64 years.

**Table 4.6****LABOUR MARKET INDICATORS BASED ON ETC DATA**

	2005			2006
	Jan.	June	Dec.	Jan. <sup>1</sup>
<b>Labour supply</b>	<b>145,741</b>	<b>145,130</b>	<b>145,316</b>	<b>145,494</b>
Gainfully occupied	137,561	138,200	137,937	137,795
Registered unemployed	8,180	6,930	7,379	7,699
<b>Unemployment rate (%)</b>	<b>5.6</b>	<b>4.8</b>	<b>5.1</b>	<b>5.3</b>
<b>Private sector</b>	<b>91,555</b>	<b>92,661</b>	<b>92,820</b>	<b>92,808</b>
Direct production	32,833	33,075	32,253	32,254
Market services	58,100	58,972	60,152	60,149
Temporary employed	622	614	415	405
<b>Public sector</b>	<b>46,006</b>	<b>45,539</b>	<b>45,117</b>	<b>44,987</b>
<b>Part-time jobs</b>	<b>37,292</b>	<b>40,425</b>	<b>41,076</b>	<b>40,860</b>
Part-time as a primary job	20,516	22,744	22,711	22,746
Part-time as a secondary job <sup>2</sup>	16,776	17,681	18,365	18,114

<sup>1</sup> Figures for February and March 2006 were not available at time of writing.

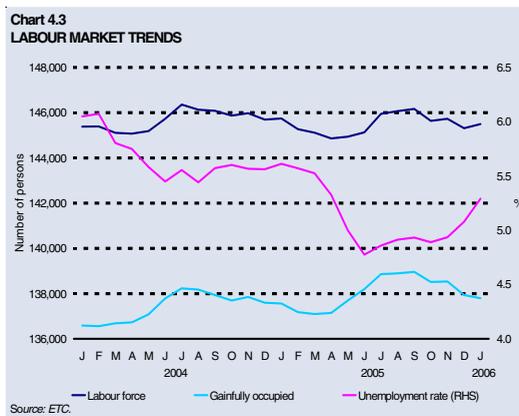
<sup>2</sup> This category includes employees holding both a part-time job and a full-time job.

Source: NSO.

0.3 percentage points lower, at 5.3% (see Chart 4.3). Job losses in the textiles sub-sector boosted the number of unemployed during the month. These increased from 7,379 in December to 7,699 in January, pushing the unemployment rate by up 0.2 percentage points over the month (see Table 4.6).

Private and public sector employment followed the same diverging trends of recent months. A 2.2% contraction in public sector employment reflected ongoing government policies aimed at reducing the size of the public sector workforce through public-enterprise restructuring, the privatisation programme, voluntary retirement schemes and restraints on non-essential recruitment.<sup>8</sup> Private sector employment

continued to expand, with an increase of 1.4%. Developments in the sector continued to be

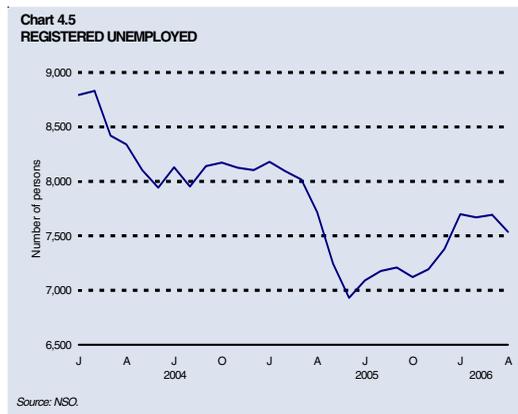
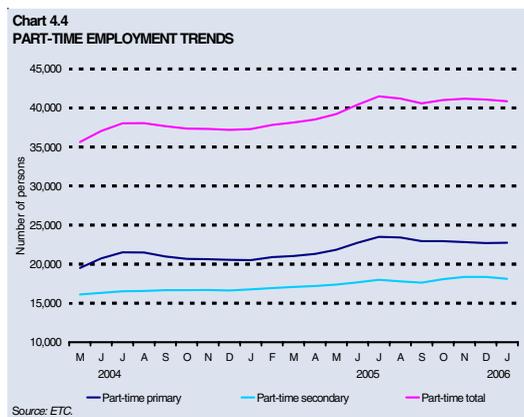


<sup>8</sup> The decrease in public sector employment includes around 150 employees previously employed with Sea Malta.

characterised by a shift from direct production to market services.

In fact, private sector employment in market services increased by 3.5% from the previous year, with the wholesale trade and recreational, cultural & sporting activities playing the largest roles. Jobs in private direct production fell by 1.8%, with losses being registered in the manufacturing sector, more specifically in the clothing & textiles and footwear & rubber sub-sectors. These losses were partly offset by an expansion of employment in construction, which increased by 6.5%.

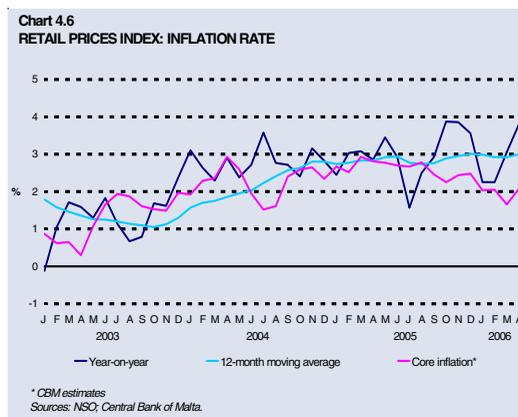
Part-time employment increased by 9.6% over the previous year, reflecting continuing structural changes in the labour market (see Chart 4.4). The number of individuals who worked only as part-timers increased by 10.9% in the year to January 2006. Those with part-time activity as a secondary occupation rose by 8% from a year earlier, although they declined by 1.4% from the previous month. On a year-on-year basis, sectors that registered increases in part-time employment included hotels and restaurants, health, and the retail and wholesale trades.



Over the months of February and March the number of persons on the unemployment register remained stable and then fell to stand at 7,537 in April 2006 (see Chart 4.5).<sup>9</sup>

### Retail Prices Index (RPI)

The year-on-year rate of increase in the RPI fell to 3.1% in March from 3.6% at the end of the previous quarter. Similarly, the twelve-month moving average change in the RPI eased from 3.0% in December to 2.9% in March (see Chart 4.6).



<sup>9</sup> While the ETC statistics on the number of registered unemployed persons are issued rapidly, other ETC statistics, such as the unemployment rate, require additional data inputs and are therefore available after a longer lag.

The decline in the inflation rate during the quarter under review mainly reflected developments in local energy prices. Thus, the sub-indices which incorporate energy-related products and services rose less rapidly over the first quarter of the year. In particular, the annual rate of change of the transport & communications index decreased from 4.9% in December to 3.6% in March, reflecting slower annual rates of growth in fuel prices, transport and telephone charges (see Table 4.7). For example, the 15.6% year-on-year increase in the price of diesel was below the 18.9% rise recorded three months earlier. Similarly, the annual increase in the water, electricity, gas & fuels sub-index, though still considerable, moderated from 45.4% in December to 36.8% in March. This was mainly because the annual increase in the surcharge in electricity and water rates in the year to March was relatively smaller than the rise in the twelve months to December 2005. Consequently, the contribution of the water, electricity, gas & fuels category to the 3.1% overall annual inflation rate dropped to 0.9 percentage points, whereas that

of the transport & communication sub-index was marginally lower, at 0.8 percentage points.

Another significant contributor to price inflation was the food sub-index, which rose by 1.7% on a year-on-year basis compared with 0.9% three months earlier, and as a result contributed a net 0.4 percentage points. The pick-up in the food sub-index was partly attributable to higher prices of vegetables. By contrast, price reductions in the recreation & culture category reduced the inflation rate by 0.1 percentage points.

In April 2006 the annual rate of inflation rose to 3.8%, with higher prices of food and of transport & communications being the main contributing factors.

The Central Bank of Malta's core inflation measure, which tracks persistence in retail price inflation, fell to 1.7% in March from 2.5% three months earlier. Slower inflation in the recreation & culture and the other goods & services sub-

**Table 4.7**

**INFLATION RATES OF COMMODITY SECTIONS IN THE RPI**

	Weight	Year-on-year percentage changes			Contribution to inflation <sup>1</sup>
		2005		2006	2006
		Mar.	Dec.	Mar.	Mar.
Food	23.8	0.7	0.9	1.7	0.4
Beverages & tobacco	6.1	1.7	3.0	2.3	0.1
Clothing & footwear	8.2	1.0	0.0	0.9	0.1
Housing	7.6	6.8	4.2	3.3	0.3
Water, electricity, gas & fuels	2.3	18.4	45.4	36.8	0.9
Household equipment & house maintenance cost	7.7	1.8	1.9	1.9	0.1
Transport & communications	23.1	4.6	4.9	3.6	0.8
Personal care & health	6.2	3.7	3.9	2.8	0.2
Recreation & culture	8.8	1.1	1.2	-0.7	-0.1
Other goods & services	6.2	3.9	2.9	2.4	0.2
<b>RPI</b>	<b>100.0</b>	<b>3.1</b>	<b>3.6</b>	<b>3.1</b>	<b>3.1</b>

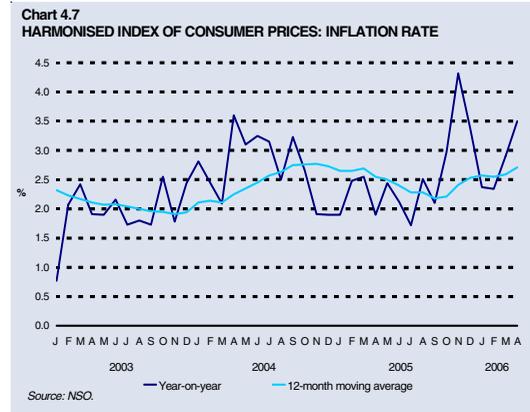
<sup>1</sup> This represents the contribution in percentage points to the year-on-year inflation rate in March 2006.

Source: NSO.

indices were mainly responsible for the slowdown.<sup>10</sup>

### Harmonised index of consumer prices (HICP)

In parallel with the path followed by the RPI, the year-on-year growth in the HICP slowed to 2.9% in March from 3.4% in December (see Chart 4.7).<sup>11</sup> Nevertheless, the twelve-month moving average HICP inflation rate edged up from 2.5% in December 2005 to 2.6% in March 2006. As with the RPI, HICP inflation was driven mainly by energy related sub-indices. Thus, the reduced rate of growth in the two major energy related sub-indices and a decline in the recreation & culture sub-index moderated the year-on-year HICP inflation rate.



The annual rate of change of transport prices slowed down to 4.4%, while the increase in the

**Table 4.8**

### INFLATION RATES OF COMMODITY SECTIONS IN THE HICP

	Year-on-year percentage changes				Contribution to year-on-year inflation <sup>1</sup>	
	Weights	2005		2006	2006	
		Mar.	Dec.	Mar.	Mar.	
Food & non-alcoholic beverages	17.4	0.6	1.0	1.6	0.3	
Alcoholic beverages & tobacco	4.7	1.5	2.0	0.8	0.0	
Clothing & footwear	7.0	1.1	0.0	0.8	0.1	
Housing, water, electricity, gas & fuels	7.3	9.7	14.2	11.9	0.9	
Furniture, household equipment & routine	9.3	2.1	2.3	2.4	0.2	
Health	2.8	6.0	5.7	3.4	0.1	
Transport	14.4	3.2	5.8	4.4	0.6	
Communications	2.4	20.9	3.2	0.0	0.0	
Recreation & culture	10.3	1.7	2.5	-0.2	0.0	
Education	1.0	0.5	2.0	2.0	0.0	
Restaurants & hotels	18.2	-0.4	1.5	2.7	0.5	
Miscellaneous goods & services	5.3	3.2	3.1	2.7	0.1	
<b>HICP</b>	<b>100.0</b>	<b>2.6</b>	<b>3.4</b>	<b>2.9</b>	<b>2.9</b>	

<sup>1</sup> This represents the contribution in percentage points to the year-on-year inflation in March 2006.

Source: NSO.

<sup>10</sup> In 2006 the components of the core inflation index are the housing, household equipment & house maintenance, personal care & health, recreation & culture and other goods & services sub-indices. These components were included because they have shown persistent price increases in recent years.

<sup>11</sup> Whereas the weights of the sub-indices of the RPI measure the relative expenditure by private households only, those of the HICP include also expenditure by institutional households and by tourists. The inclusion of the latter leads to the considerable weight of the restaurants & hotels sub-index in the HICP.

housing, water, electricity, gas & other fuels sub-index decelerated to 11.9%. The slowdown in HICP inflation also resulted from a drop in the recreation & culture sub-index, which was 0.2% lower than a year earlier (see Table 4.8). However, inflation in the food and restaurants & hotels sub-indices accelerated during the first quarter of 2006, contributing 0.3 and 0.5 percentage points to the overall HICP inflation rate, respectively. In addition, price increases in the clothing & footwear sub-index pushed HICP inflation up by 0.1 points.

The first-quarter slowdown in the HICP inflation rate was not sustained in April, when the year-to-year rate rose to 3.5%. Higher prices of food & non-alcoholic beverages and of transport were mainly responsible.

### Residential property prices

In the March quarter the rate of increase in advertised residential property prices, as measured by the Central Bank of Malta's index,

slowed to 4.1% year-on-year, considerably less than the 10% rate registered in the previous quarter and the 18.5% rate recorded in the same period last year (see Chart 4.8).<sup>12</sup>

The slowdown in house price inflation in part reflects lower asking prices for finished flats, maisonettes in shell form and townhouses, which together account for almost half of the sampled properties. These declined by 1.5%, 3.2% and 3.1%, respectively. At the same time, the prices of terraced houses remained stable during the period under review, compared with the double-digit growth reported in the same period last year.

Meanwhile, advertised prices for maisonettes in finished form rose by 8.7%, well below the increase of 18.9% recorded in the first quarter of 2005. Asking prices for flats in shell form and for houses of character rose by 10.5% and 15.2%, respectively, while prices for villas rose sharply, by 19.6%.

### NSO property price index

In June 2006 the NSO published an index of property price movements.<sup>13</sup> This index covers three property types, namely apartments, maisonettes and terraced houses, both in shell and in finished form, across Malta and Gozo. According to the NSO index, residential property prices rose by 14.2% in the year to March. The residential price indices compiled by the NSO and the Bank are not strictly comparable due to differences in both coverage and methodology. Thus, while both indices noted a drop in prices from the previous quarter but higher prices than a year-ago, the degree of price change as measured by the two indices differs significantly.



<sup>12</sup> The Bank's House Price Index tracks changes in median prices of advertised properties. It is computed on a quarterly basis and uses a chained Fisher index.

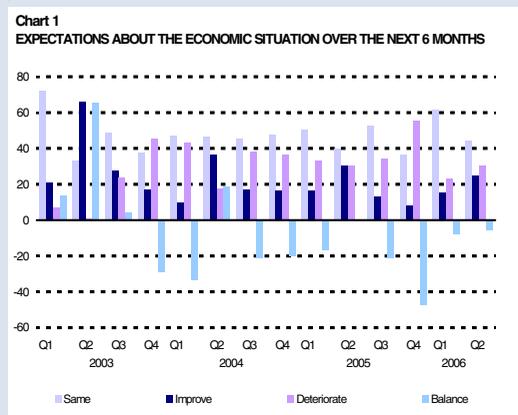
<sup>13</sup> NSO, Property Prices Index: March 2006, 14 June 2006.

## Box 1: BUSINESS PERCEPTIONS SURVEY

The Bank's latest Business Perceptions Survey, carried out in April and May 2006, contains various signs of recovery in economic activity. In fact, the majority of respondents indicated an improvement in their order books and activity levels. Furthermore, firms' expectations about the general economic situation over the next six months continued to improve, though only marginally. Survey results also suggested that, concerning their own particular performance, both export-oriented and locally-oriented firms were expecting higher turnover and improved profitability during the second quarter of 2006.

### General economic sentiment

As shown in Chart 1, the survey revealed an improvement in businesses' expectations concerning the broader economic situation. While on balance sentiment remained negative, it improved marginally, by 2 percentage points, from the previous survey to -6%. The proportion of participants anticipating an improvement grew



by 10 percentage points to 25%. Concurrently, the ratio of surveyed firms expecting the economic situation to deteriorate went up by 8 percentage points to 31%. Conversely, the share of respondents expecting the economic situation to remain unchanged narrowed to 44%, from 62% in the March survey.

Domestically-oriented manufacturers shifted from a negative to a positive outlook for the economy in general. The improved scenario in the food & beverages sub-sector balanced a worsening one for furniture makers, while almost all respondents in the paper & printing business expected an unchanged situation. Similarly, operators in the distributive trades swung from a mildly pessimistic outlook to a slightly optimistic one. At the same time, two-thirds of respondents in real estate & construction anticipated the economic situation to improve whereas the rest expected it to remain stable. In the "other services" sector a higher proportion of respondents, particularly in finance and insurance, was expecting the economic situation to worsen when compared to the previous survey. Nevertheless, on balance the outlook remained optimistic for firms within this category and in "other services" as a whole.

Sentiment also improved in export-oriented manufacturing firms and in the tourism-related sectors.

### Order books/activity levels<sup>1</sup>

On the firms' assessment of their order books and activity levels, the survey suggests that in the second quarter these improved considerably.

<sup>1</sup> In the overall assessment, replies regarding order books/activity levels are weighted by employment. In the sectoral analysis, however, replies provided by firms in the export-oriented sectors and the domestically-oriented sectors are weighted by their shares in export sales and domestic sales, respectively. The responses refer to the period when the survey was carried out.

The proportion of firms reporting above-normal activity rates rose to 28%, up from 18% in the previous survey, while only 17% reported their activity levels to be below normal, as against 26% in the March survey. As a result, activity levels improved on balance.

### Export-oriented firms

Export-oriented firms reported a recovery in their order books/activity levels (see Chart 2). In fact, on balance, activity levels were above normal, up from the below-normal levels reported in the March survey. In aggregate, manufacturing firms moved from below-normal to above-normal levels of activity.<sup>2</sup> A number of firms in the “others” category reported a pick-up in their order books/activity levels. Although in net terms activity levels in these firms remained below normal, the gap narrowed from the previous survey. By contrast, the bulk of respondents in the chemicals sub-sector reported normal levels of activity as against the above normal activity levels reported in the previous survey. Hence, on balance, activity levels in this sector turned negative.

Meanwhile, in the tourism industry (see Chart 2) the balance between respondents reporting

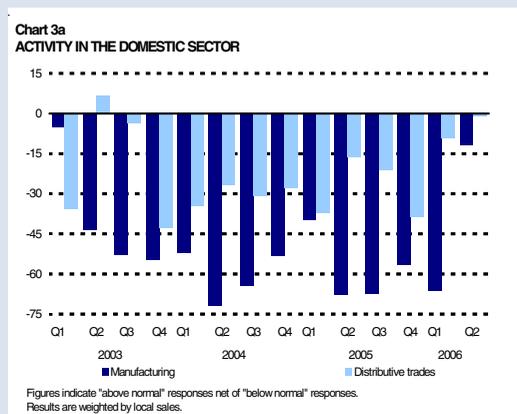
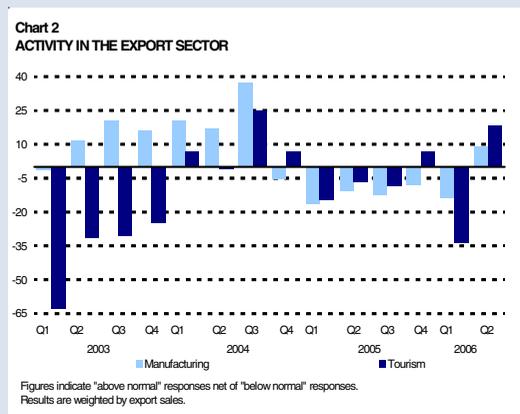
above-normal levels of activity and those with below-normal levels turned positive, possibly denoting the impact of the seasonal upswing.

### Domestically-oriented firms

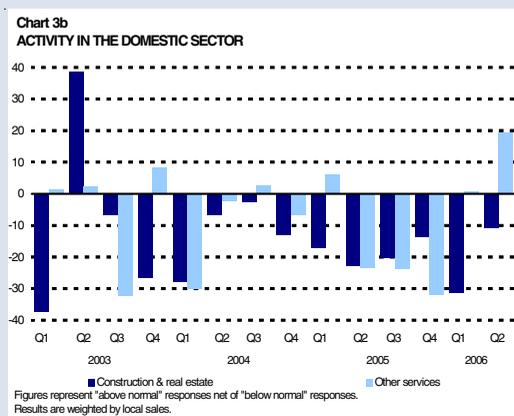
Activity levels in the locally-oriented sectors recovered, with the net balance of order books/activity levels moving to slightly above normal from below-normal in the previous survey.

In manufacturing, activity levels improved significantly. Compared to the previous survey, a higher proportion of respondents reported above-normal activity levels, although the net balance remained below normal (see Chart 3a). This upturn mainly reflected improvements in the food & beverages sub-sector, where the share of respondents registering below-normal activity levels dropped sharply to 21.8%, from 92.7% in the March survey. Similarly, operators in the distributive trades reported a pick-up in their order books, although on balance their activity level remained below normal.

Respondents in the construction & real estate sectors reported improved activity levels, though on a net basis they remained below normal (see Chart 3b). This improvement was concentrated in



<sup>2</sup> The comparison between the first and second quarter may have been influenced by the closure of a number of firms.



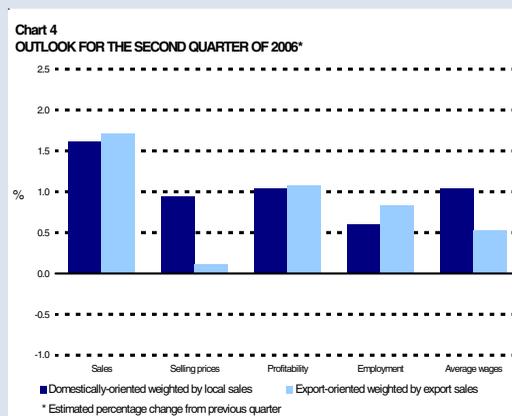
the construction industry where the share of respondents with below-normal levels of activity contracted to 18%, from 37% in the previous survey, while those reporting above-normal levels rose to 6% from zero. Meanwhile, in real estate, 93% of respondents reported normal levels of activity, which suggests continued buoyancy in the market.

In contrast to the previous survey, respondents in the "other services" sector reported higher activity levels, particularly in the finance & insurance and in the professional services categories.

### Business outlook for the second quarter of 2006

At the aggregate level, the anticipation of a pick-up in activity during the second quarter of 2006, in terms of turnover as well as profitability, was shared by both export-oriented and locally-oriented firms. Labour market conditions were also expected to tighten, with the widespread anticipation of rising wages (see Chart 4).

In the export sector, manufacturing firms were projecting higher sales but lower selling prices.



Wage costs were expected to rise moderately on account of additions to the workforce. However, profitability was still seen as improving. Also within the export sector, operators in the tourism industry were more optimistic about their prospects for the second quarter, envisaging a pick-up in both sales and profitability. Their workforce was also anticipated to rise as they geared up for the summer period, and likewise their wage bill.

Manufacturing firms catering to the domestic market were more upbeat than they were in the previous survey. Respondents indicated rising turnover and selling prices. While their labour complement was expected to contract, they were anticipating higher average wages per employee. Overall, their profitability was expected to improve. In the distributive trades, operators were foreseeing higher sales and selling prices, but the higher wage costs were expected to dampen profitability. Meanwhile, respondents from the construction & real estate and from the "other services" sectors were relatively optimistic, anticipating better sales, rising selling prices and improved profitability.

## Methodological Notes

1. The results presented in this Box are derived from a survey carried out between April and May among 143 firms. As much as possible, the sample of respondents is kept unchanged between quarters.
2. The surveyed firms employed 18,339 workers (around 20% of all private sector workers) and had an aggregate annual turnover of Lm593.8 million (around 17% of the total output of the Maltese economy), of which almost half was exported.
3. The sample was composed of 58 manufacturing firms, 17 tourism-related enterprises, 31 operators in the distributive trades, 13 construction and real estate concerns, and 24 companies in the “other services” sector, which includes finance and insurance, professional services and industrial services. Thus, the survey has a more comprehensive coverage of the manufacturing sector relative to other areas of the economy.
4. Replies are weighted according to three different factors - the respondents’ relative share of employment, local sales and export sales.
5. To ensure that the overall results do not simply reflect the replies of the largest business concerns, the weight given to any particular firm in terms of turnover is capped at Lm20 million.
6. The survey is somewhat biased towards medium-sized and large firms, with approximately half of all respondents employing more than 50 workers. Thus it may not be indicative of trends affecting smaller firms.
7. Participants are asked about their perceptions of the prospects for the Maltese economy over the next six months and the current state of their activity levels/order books. They are also asked to indicate the approximate percentage change in employment, profitability, sales, imports, finished stocks, average cost of labour, and selling prices registered during the previous quarter, and to make forecasts for the current one.
8. At six-monthly intervals, firms are asked about their short-term expectations for inflation and unemployment, and whether they consider the current period to be appropriate to initiate new developments. They are also asked to identify their present level of capacity utilisation/occupancy and whether they intend to invest during the following twelve months. In addition, participants indicate the two most important factors limiting investment and to what extent they think a change in the cost of finance would affect them.

## Box 2: CONSUMER AND INDUSTRIAL CONFIDENCE SURVEYS

*Business and Consumer Survey Results*, published monthly by the European Commission's Directorate General for Economic and Financial Affairs, measures economic sentiment in the European Union as a whole as well as in the individual member countries. Maltese data began to be published from January 2006, going back to November 2002.

Since these data are collected directly from economic operators and individuals, the results are available relatively fast. Business and consumer perceptions may be easily influenced by special events such as strikes, elections or inclement weather. Perceptions may also be affected by regular events such as festivities or public holidays. The EU Commission uses the Dainties method to produce seasonally adjusted statistics.

### Consumer Confidence Monitor for Malta

The consumer confidence monitor, carried out in the first two weeks of each month, provides an overview of current consumer sentiment and future outlook. The survey covers a sample of the population, the latter including individuals aged 16 and over, randomly selected from Maltese households. It is conducted through a telephone survey of 1,000 households.

The questions asked of the respondents fall into three categories –

- Overview of the past 12 months: past trends in the general economic situation, the respondents' own financial situation and perceived inflation over the year.
- Perception of the respondents' current

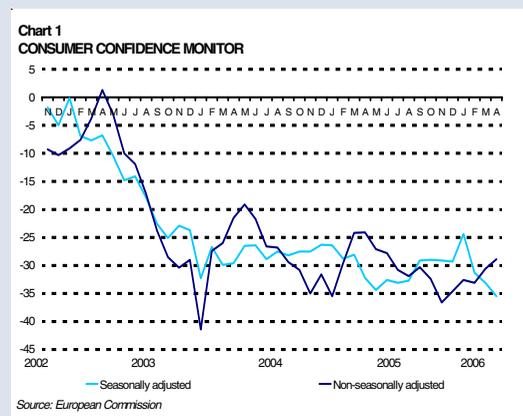
financial position, including the ability to save and make major purchases.

- Outlook for the next year, covering respondents' perception of expected economic developments, including unemployment and inflation and households' expected developments in their financial situation, their expected savings and expenditure behaviour.<sup>1</sup>

The composite consumer confidence indicator is compiled as an arithmetic average of the balances of answers to four questions relating to the financial situation of households and savings, and the general economic situation and unemployment expectations, all over the next 12 months.

### Survey results

Consumer confidence in Malta was negative throughout the surveyed period (with the exception of April 2003), reaching its lowest level in January 2004 (see Chart 1). There is an



<sup>1</sup> Expenditure behaviour questions are included only on a quarterly basis.

observable seasonal pattern, with the index gradually increasing in the first four or five months of the year and declining in the following months, reaching a low in November. Results for the consumer confidence monitor for the first quarter of 2006, although still negative, improved in line with yearly trends.

Similarly, the consumer confidence monitor measured on a seasonally-adjusted basis recorded negative values since inception. Results for the first quarter of 2006 show an improvement in January but a subsequent deterioration through April.

### Industrial Confidence Monitor for Malta

The Industrial Survey monitors the activity, perceptions and outlook of manufacturing industry. In Malta, the industrial survey, which consists of a questionnaire conducted via mail, fax or email during the first three weeks of each month, covers a regular panel of over 600 companies.<sup>2</sup>

The questionnaire comprises seven monthly questions with nine extra questions added every quarter. The basic questionnaire includes responses on:

- Production development over the *past* three months
- *Current* situation in the total and export order book and the stock of finished products
- *Expectations* concerning production, selling prices and employment.

Survey responses are weighted by employment in each category. In Malta the balance of replies are aggregated according to the respondents'

NACE codes and then weighted according to the employment of the respondents within the NACE code. Apart from the NACE categories, the replies are categorised in Main Industrial Groupings.<sup>3</sup>

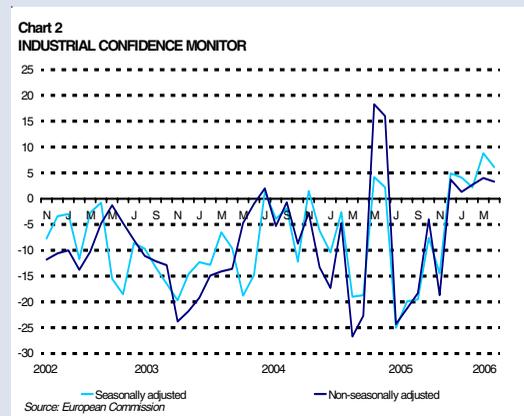
Subsequently, the composite industrial confidence indicator is computed on a monthly basis as an average of the balances of answers to three questions relating to the firms' current overall order books, stock of finished goods and production expectations for the following three months.

### Survey results

Results for this indicator for Malta, shown in Chart 2, indicate that sentiment improved significantly in the first quarter of 2006, reaching the highest level ever at a positive 9 points on a seasonally adjusted basis in March. This contrasted with the record low point registered in the summer of 2005.

### Conclusion

It should be pointed out that currently Malta



<sup>2</sup> The sample represents 80% of the total employment in the manufacturing industry.

<sup>3</sup> Main Industrial Groupings are groupings of NACE categories related to particular sections. These include consumer, durable consumer, non-durable consumer, food & beverage, investment and intermediate goods.

participates in only two of the five monthly surveys conducted by the European Commission. Other surveys cover construction, the retail trade, and services. An overall economic indicator is compiled on the basis of the five individual surveys. In addition, the Commission publishes a biennial harmonised investment survey.

Measures of consumer and business sentiment are useful in the study of cyclical developments. Their usefulness in such conjunctural analyses is a result of their timeliness and high frequency. With the eventual availability of a long time series, the data can also be used to forecast major turning points in the business cycle.

## 5. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

During the first quarter of 2006, the deficit on the current account of the balance of payments widened when compared to the corresponding period of 2005. A negative balance on the income account and a larger merchandise trade gap accounted for the rise in the deficit. Meanwhile, net inflows on the capital and financial account,

excluding movements in reserve assets, decreased, almost entirely as a result of lower grant receipts. Reflecting these developments, reserve assets fell after having increased during the previous two quarters.

In line with the unilateral commitment of the Maltese monetary authorities, the MTL/EUR exchange rate remained unchanged at its central parity value in ERM II of MTL/EUR0.4293 throughout the first quarter of 2006. Moving in line with the European currency, the Maltese lira

**Table 5.1**  
**EXTERNAL BALANCES<sup>1</sup>**

*Lm millions*

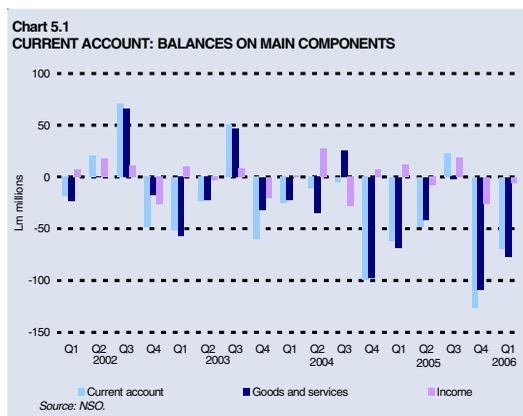
	Q1			
	2005		2006	
	credit	debit	credit	debit
<b>Current account balance</b>		<b>61.4</b>		<b>69.5</b>
Goods and services	278.4	346.7	314.3	391.1
Goods balance		87.6		100.2
Goods	193.5	281.2	225.2	325.3
Services balance	19.3		23.3	
Services	84.9	65.5	89.1	65.8
Transport	29.6	22.5	23.8	19.9
Travel	33.4	19.9	32.6	17.7
Other services	21.9	23.2	32.7	28.2
Income (net)	11.9			5.6
Current transfers (net)		5.0	13.0	
<b>Capital and financial account balance<sup>2</sup></b>	<b>57.8</b>		<b>51.7</b>	
Capital account balance	16.8		11.1	
Financial account balance	40.9		40.5	
Direct investment	35.0		65.8	
Portfolio investment		109.2		140.7
Financial derivatives		7.2	6.7	
Other investment	122.3		108.7	
<b>Movements in reserves<sup>3</sup></b>	<b>35.4</b>		<b>55.8</b>	
<b>Net errors and omissions</b>		<b>31.8</b>		<b>38.0</b>

<sup>1</sup> Provisional.

<sup>2</sup> Excludes movements in official reserves.

<sup>3</sup> Excludes revaluation adjustments.

Source: NSO.



appreciated against the US dollar, the Japanese yen and the pound sterling.

### The current account

The current account deficit widened by Lm8.2 million, or 13.3%, on a year earlier to Lm69.5

million, although it narrowed significantly on a quarter-on-quarter basis (see Chart 5.1). The year-on-year deterioration reflected a swing in the income account from a surplus to a deficit and a widening of the merchandise trade gap. These factors were partly offset by a surplus on the transfers account and a larger positive balance on services (see Table 5.1).

### Goods

On the basis of balance of payments data for the first quarter of 2006, the merchandise trade deficit widened by Lm12.5 million, or 14.3%, on a year earlier, to Lm100.2 million.<sup>1</sup> Imports rose by Lm44.1 million, or 15.7%, overshadowing an increase in export receipts, which rose by Lm31.6 million, or 16.3%.

According to Customs data, the merchandise trade gap also expanded compared to the same

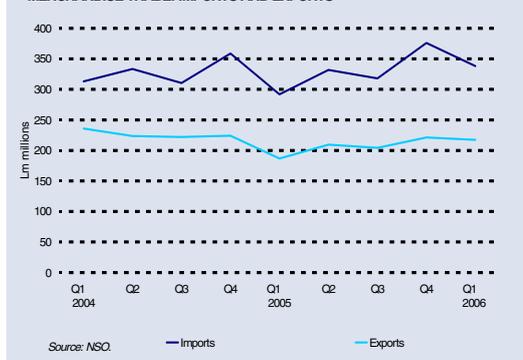
**Table 5.2**  
**MERCHANDISE TRADE**  
(based on Customs data)

	Q1		Lm millions	
	2005	2006 <sup>1</sup>	Amount	Change %
<b>Imports</b>	<b>292.0</b>	<b>338.1</b>	<b>46.1</b>	<b>15.8</b>
Consumer goods	76.1	83.4	7.3	9.6
Industrial supplies	139.6	150.8	11.2	8.0
Capital goods & others	50.5	74.9	24.4	48.3
Fuel and lubricants	25.8	29.0	3.2	12.4
<b>Exports</b>	<b>186.7</b>	<b>217.3</b>	<b>30.6</b>	<b>16.4</b>
<b>Trade deficit</b>	<b>105.3</b>	<b>120.8</b>	<b>15.5</b>	<b>14.7</b>

<sup>1</sup> Provisional  
Source: NSO.

<sup>1</sup> Balance of payments data on trade in goods differ from Customs data. The latter are recorded on a cost, insurance and freight basis and are then adjusted in the compilation of balance of payments statistics to cater for differences in coverage, valuation and timing. For example, balance of payments data on exports also include ship repair and shipbuilding carried out in Malta, which are not captured in Customs data. In addition, insurance and freight are allocated to the services account. As a result, the figures for imports and exports of goods shown in Table 5.1 do not tally with those in Table 5.2.

**CHART 5.2**  
**MERCHANDISE TRADE: IMPORTS AND EXPORTS**



period in 2005, increasing by Lm15.5 million, or 14.7%, to Lm120.8 million despite a substantial increase in exports (see Table 5.2). However, the trade gap narrowed substantially on a quarter-on-quarter basis as imports declined markedly while exports increased for the second consecutive quarter (see Chart 5.2).

Customs data show that in the first quarter of 2006 imports rose by Lm46.1 million, or 15.8% on a year earlier. This reflected significantly higher imports of capital goods, which grew by Lm24.4 million, or 48.3%, reflecting the purchase of machinery for installation on vessels at the shipyards and of sea craft. Imports of industrial supplies rose by Lm11.2 million, reflecting a pick-up in exports, after these had declined during the same period of the previous year. Imports of consumer goods and fuel added Lm7.3 million and Lm3.2 million, respectively, with the latter being influenced significantly by rising oil prices.

Exports were up markedly during the quarter, by Lm30.6 million, or 16.4%, mostly reflecting an expansion in sales of machinery and transport equipment, which includes semi-conductors. Exports of food added Lm6.6 million, driven by higher fish exports, while those of chemicals increased by Lm4.5 million as export activity in the pharmaceuticals sector gained further

momentum. By contrast, foreign sales of miscellaneous manufactured articles and semi-manufactured goods declined.

The merchandise trade gap based on Customs data narrowed by Lm2.8 million during April 2006 compared with a year earlier, with a rise in exports of Lm5.7 million exceeding a Lm2.9 million increase in imports.

### *Services, income and transfers*

During the first quarter of 2006 the surplus on services grew by Lm4.0 million, or 20.6%, to Lm23.3 million. This was mainly driven by higher net income from other services, namely merchanting and other trade-related services. Higher net receipts from travel also contributed, as expenditure by Maltese travelling abroad declined.

In contrast, the surplus of Lm11.9 million on the income account turned into a deficit of Lm5.6 million as a result of significantly higher dividends due to non-resident shareholders declared by the banking sector. Meanwhile, the balance on the current transfers account improved, shifting from a deficit of Lm5.0 million to a surplus of Lm13.0 million mirroring higher tax receipts from international trading companies registered in Malta.

### *The capital and financial account*

Net inflows on the capital and financial account (excluding movements in reserve assets) fell by Lm6.1 million, or 10.6%, on a year earlier to Lm51.7 million. The bulk of the decline was attributable to lower net inflows of Lm5.7 million on the capital account, which reflected lower receipts of EU funds and a fall in official grants from Italy.

Meanwhile, the positive balance on the financial account also narrowed slightly, declining by Lm0.4 million. However, this masked significant

movements in the various components of the account that were principally driven by financial intermediation. Net portfolio investment outflows grew by Lm31.5 million to Lm140.7 million as banks increased their holdings of foreign bonds and notes. At the same time, net inflows of “other investment” declined by Lm13.6 million to Lm108.7 million. Gross outflows on this account increased considerably, reflecting a substantial rise in bank lending to non-residents and a reduction in non-residents’ holdings of currency and deposits in Malta. These additional outflows were only partly matched by increased inflows, which mainly resulted from short-term loans taken out by banks from non-residents.

On the other hand, direct investment inflows

almost doubled to Lm65.8 million spurred by an increase of Lm44.1 million in direct investment in Malta that mainly reflected an expansion in the equity capital of the international banking sub-sector. At the same time, the financial derivatives account swung from a deficit of Lm7.2 million to a surplus of Lm6.7 million.<sup>2</sup>

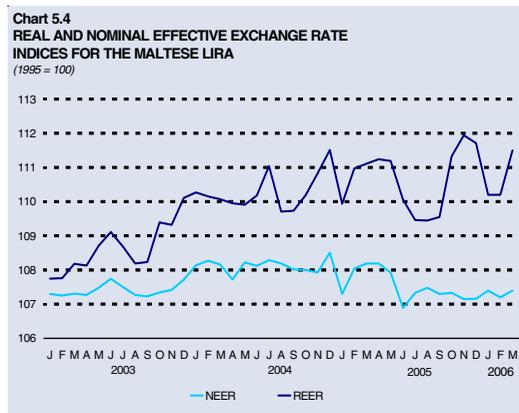
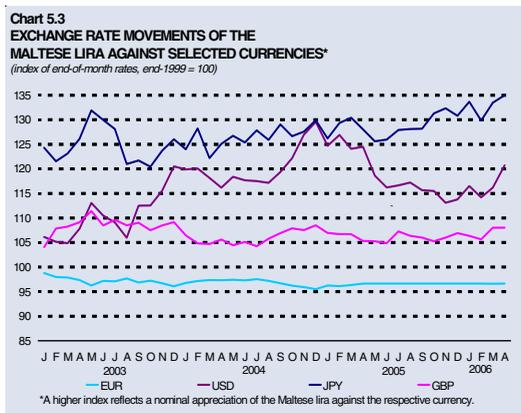
During the quarter, net errors and omissions, which were positive in the previous three quarters, turned negative. Compared to the corresponding quarter of 2005, net errors and omissions rose by Lm6.2 million. Against this backdrop, reserve assets, which were on an upward trend during the previous two quarters, dropped by Lm55.8 million, a larger fall than that recorded during the corresponding quarter of 2005.

**Table 5.3**  
**MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES**

Period	EUR <sup>1</sup>	USD	GBP	JPY
Average for Q1 2006	0.4293	2.8017	1.5981	327.3
Average for Q1 2005	0.4317	3.0400	1.6072	317.4
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.6	-7.8	-0.6	3.1
Closing rate on 30.03.2006	0.4293	2.8154	1.6178	330.6
Closing rate on 30.12.2005	0.4293	2.7570	1.6012	324.0
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.0	2.1	1.0	2.0

<sup>1</sup> As from 1 April 2005, the Central Bank of Malta started to quote the Maltese lira against the euro exclusively in terms of units of Maltese lira per euro. As a result, an increase in the MTL/EUR exchange rate implies a depreciation of the Maltese lira against the euro and vice-versa. The other currencies, ie USD, GBP and JPY are quoted per one Maltese lira.

<sup>2</sup> Financial derivatives are financial instruments the worth of which is derived from the value of some underlying asset, a reference interest rate, or an index. They are contracts involving rights and obligations related to purchases and sales of underlying assets, or relating to payments to be made in respect of movements in indices. Derivative instruments include options, traded financial futures and currency and interest rate swaps. In Malta, derivative instruments are mainly traded by banks.



## The Maltese lira

Throughout the first quarter of 2006, the Maltese lira remained stable in ERM II at the central parity rate of Lm0.4293. Moving in tandem with the euro, the local unit gained 2.1% against the dollar, partly reversing the depreciation recorded during 2005. At the same time, it strengthened against sterling for the third consecutive quarter, gaining 1.0%, and rose further against the Japanese yen (see Chart 5.3).

In April, the lira rose with the euro against the dollar and the Japanese yen, gaining 3.9% and 1.1%, respectively. Meanwhile, over the same period, it was broadly stable against the British pound.

In the first three months of 2006, the average exchange rate of the Maltese lira was 0.6% higher against the euro compared to the corresponding

quarter in 2005. This appreciation reflected developments in the MTL/EUR rate prior to the entry of the lira into ERM II in May 2005. On average, over the year to March 2006 the local unit weakened against the US dollar and the pound sterling, shedding 7.8% and 0.6%, respectively. But it strengthened against the yen, gaining 3.1% (see Table 5.3).

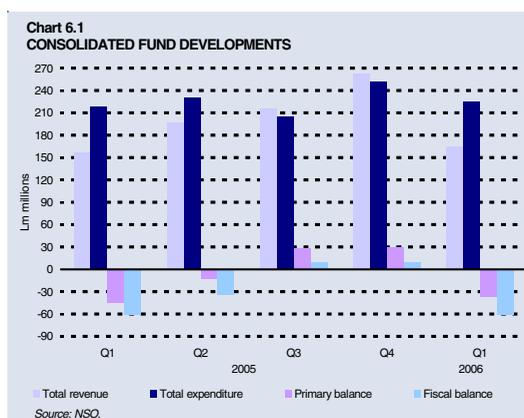
Between end-December 2005 and end-March 2006, the nominal effective exchange rate (NEER) of the Maltese lira gained 0.2% as a result of the appreciation of the Maltese lira against the US dollar and sterling. By contrast, the real effective exchange rate (REER) of the Maltese lira, which had risen in the previous quarter, fell by 0.2% (see Chart 5.4). This reflected inflation differentials, as prices in Malta rose less rapidly than those in its main trading partners and competitors.

## 6. GOVERNMENT FINANCE

The shortfall in the Consolidated Fund amounted to Lm60.6 million in the first quarter of 2006 and was Lm0.6 million less than that recorded in the same period last year (see Chart 6.1). Revenues continued to grow at a faster pace than expenditure, driven mainly by indirect tax receipts. The primary deficit, which excludes interest payments from expenditure, contracted by Lm7.7 million, indicating a tighter fiscal stance during the quarter. Data covering the first four months place the Consolidated Fund deficit at Lm56.4 million, or Lm13.4 million less than in the same period of 2005. Overall, this suggests that the Government is on course to meet the targeted reduction of Lm21.0 million in the Consolidated Fund deficit this year.

### Revenue

Revenue for the first quarter of 2006 rose by Lm7.3 million, or 4.6%, when compared to the corresponding period a year earlier, reaching Lm164.4 million (see Table 6.1). This increase was due to higher tax proceeds, but was dampened by a drop in non-tax revenue.



Indirect tax receipts expanded by Lm9.4 million, or 13.7%, with growth being shared across the main components. The expansion in revenue from licences, taxes and fines primarily reflected differences in the timing of gaming tax receipts, though the increased airport tax also contributed.<sup>1</sup> Customs and excise duties added Lm2.9 million, mostly on account of higher receipts from duties on cigarettes and petroleum. At the same time, additional VAT intakes amounted to Lm2.9 million, possibly reflecting higher nominal consumption growth in the second half of 2005 and tighter enforcement.

Revenue from direct taxes increased by Lm4.2 million. Income tax proceeds, which accounted for three-fourths of the rise, were boosted by growth in nominal incomes and the timing of receipts. Social security contributions added Lm1.0 million, or 4.1%.

Meanwhile, non-tax revenue contracted by Lm6.3 million, mainly because official grants from the EU and Italy declined. The reduction in the former was due to the timing of payments, while the drop in the latter reflected the expiry of the final financial protocol between the two countries. In addition, Central Bank of Malta profits were lower.

### Expenditure

When compared to the same period a year earlier, expenditure grew by Lm6.6 million, or 3.0%, reaching Lm224.9 million. This increase was entirely driven by recurrent expenditure, which rose by Lm7.3 million, or 3.8%, mainly on account of higher interest payments. These reflected the timing of coupon payments on debt issued during 2005.

Spending on personal emoluments and on programmes & other operational expenditure also increased. In the case of the latter, higher outlays

<sup>1</sup> The airport tax was increased from Lm10 to Lm20 as from 1 August 2005.

**Table 6.1**  
**GOVERNMENT BUDGETARY OPERATIONS**

	<i>Lm millions</i>			
	2005 Q1	2006 Q1	Change	
			Amount	%
<b>Revenue</b>	<b>157.1</b>	<b>164.4</b>	<b>7.3</b>	<b>4.6</b>
<b>Direct tax</b>	<b>46.7</b>	<b>50.9</b>	<b>4.2</b>	<b>9.0</b>
Income tax	22.3	25.5	3.2	14.3
Social security contributions <sup>1</sup>	24.4	25.4	1.0	4.1
<b>Indirect tax</b>	<b>68.8</b>	<b>78.2</b>	<b>9.4</b>	<b>13.7</b>
Value Added Tax	37.5	40.4	2.9	7.7
Customs and excise duties	12.1	15.0	2.9	24.0
Licences, taxes and fines	19.2	22.7	3.5	18.2
<b>Non-tax revenue</b>	<b>41.6</b>	<b>35.3</b>	<b>-6.3</b>	<b>-15.1</b>
Central Bank of Malta profits	11.0	10.0	-1.0	-9.1
Other revenue <sup>2</sup>	30.6	25.3	-5.3	-17.3
<b>Expenditure</b>	<b>218.3</b>	<b>224.9</b>	<b>6.6</b>	<b>3.0</b>
<b>Recurrent expenditure</b> <sup>1</sup>	<b>189.8</b>	<b>197.1</b>	<b>7.3</b>	<b>3.8</b>
Personal emoluments	46.0	47.4	1.4	3.0
Programmes and other operational expenditure <sup>3</sup>	110.2	111.4	1.2	1.1
Contributions to entities	17.1	14.9	-2.2	-12.9
Interest payments	16.4	23.5	7.1	43.3
Other expenditure	0.1	0.0	-0.1	-
<b>Capital expenditure</b>	<b>28.5</b>	<b>27.9</b>	<b>-0.6</b>	<b>-2.1</b>
<b>Primary balance</b> <sup>4</sup>	<b>-44.8</b>	<b>-37.1</b>	<b>7.7</b>	<b>17.2</b>
<b>Consolidated Fund balance</b> <sup>5</sup>	<b>-61.2</b>	<b>-60.6</b>	<b>0.6</b>	<b>1.0</b>

<sup>1</sup> Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both revenue and expenditure.

<sup>2</sup> Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

<sup>3</sup> Includes programmes & initiatives and operational & maintenance expenditure.

<sup>4</sup> Revenue less expenditure excluding interest payments.

<sup>5</sup> Revenue less expenditure.

Source: NSO.

on social security benefits, mostly retirement pensions, offset a decline in Malta's contributions to the EU budget. Lower transfers to the Water Services Corporation led to a drop in contributions to government entities.

Capital spending declined by Lm0.6 million over the comparable period of 2005. In part, this reflects lower spending on infrastructure projects

financed by official grants from Italy and a base effect due to large payments for the acquisition of land in the first quarter of 2005. These factors offset increased expenditure on the new state hospital.

### Government debt and financing operations

The fiscal imbalance for the first quarter of 2006

**Table 6.2**  
**GOVERNMENT DEBT<sup>1</sup>**

	<i>Lm millions</i>				
	2005				2006
	Q1	Q2	Q3	Q4	Q1
<b>Consolidated Fund balance</b>	<b>-61.2</b>	<b>-33.6</b>	<b>9.4</b>	<b>10.1</b>	<b>-60.6</b>
<i>Changes in</i>					
<b>Gross Government debt</b>	<b>33.5</b>	<b>11.6</b>	<b>-7.5</b>	<b>12.8</b>	<b>13.5</b>
Malta Government stocks	40.0	36.8	33.5	0.3	25.0
Treasury bills	-6.0	-24.0	-40.8	15.7	-11.2
Domestic loans <sup>2</sup>	0.0	0.0	0.0	-1.8	0.0
Foreign loans	-0.5	-1.2	-0.1	-1.5	-0.3

<sup>1</sup> Excluding debt of extra-budgetary units and local government.

<sup>2</sup> Domestic loans consist of the debts, in the form of loans from the banking system, assumed by the Government following the restructuring of the shipyards in 2003.

Sources: NSO, Central Bank of Malta.

was partly financed through additional long-term borrowing and by drawings on government deposits with the Central Bank of Malta. Gross government debt increased by Lm13.5 million during the quarter, reaching Lm1,419.2 million. A new issue of Malta Government Stocks (MGS), amounting to Lm25.0 million, accounted for the entire rise (see Table 6.2). However, this was dampened by a decline in short-term borrowing, with the amount of Treasury bills outstanding contracting by Lm11.2 million. Furthermore, foreign loans declined marginally, due to repayments and

favourable exchange rate movements.

Consequently, the trend shift in financing away from short-term borrowing towards long-term debt continued. At the end of March 2006, MGS in issue amounted to Lm1,150.3 million, or 81.1% of the total outstanding debt. This was up by one percentage point from the previous quarter. Debt in the form of Treasury bills totalled Lm179.0 million, or 12.6% of the total, while domestic and foreign loans stood at Lm24.9 million and Lm65.0 million, respectively.

## NEWS NOTES

### LOCAL NEWS

#### **Central Bank of Malta raises the central intervention rate**

On 25 May 2006 the Central Bank of Malta raised the central intervention rate by 25 basis points from 3.25% to 3.50%. The decision was taken in the light of an underlying downward trend in the Bank's external reserves that was associated with a narrowing of the interest rate differential in favour of the Maltese lira. Higher interest rates were also considered appropriate given the rapid growth in imports of consumer goods as well as the acceleration in the rate of inflation.

#### **Legislation related to banking and finance**

##### ***Rome Convention on Contractual Obligations (Ratification) Act (Cap. 482)***

Through this Act Malta acceded to the 1980 Rome Convention on the law applicable to contractual obligations. The convention stipulates the manner in which the law is to be applied in cases where more than one jurisdiction is concerned and the governing law is not specified.

##### ***Securitisation Act (Cap. 484)***

This Act provides a framework for the securitisation of assets, that is the conversion of receivables or other assets into securities that can be placed and traded in capital markets. The law provides that issued securities, collateralised by a pool of assets, can be transferred to a separate entity, the special purpose vehicle (SPV). The SPV can take the form of an investment company, a partnership, a trust and any other legal structure permitted by law. Investors in an SPV enjoy a first-ranking privilege over the securitised assets and their proceeds. The Act caters for three types of securitisation:

asset securitisation, synthetic securitisation and loan securitisation.

##### ***Insurance Business Act (Cap 403), Insurance Business (Long Term Business Contract Statutory Notice) (Amendment) Regulations, 2006***

These regulations amend LN 106 of 2000 by extending the 'cooling-off period' in respect of long-term insurance contracts from 15 days to 30 days. The cooling-off period is a means of protecting consumers by allowing parties to an insurance policy to reconsider a contract validly entered into with an insurer and to withdraw from it within a specific period without giving any reason and without incurring any penalty. This Legal Notice came into force on 1 August 2006 (Legal Notice 115 of 2006).

##### ***Investment Services Act (Cap. 370), Investment Services Act (Linked Long Term Contracts of Insurance Statutory Notice) (Amendment) Regulations, 2006***

These regulations amend LN 354 of 2002 and extend the 'cooling-off period' applicable in the case of linked long-term insurance contracts from 15 days to 30 days. The amendments also clarify that "linked long term contracts of insurance" exclude distance contracts. This Legal Notice came into force on 1 August 2006 (Legal Notice 117 of 2006).

##### ***Malta Financial Services Authority (Cap. 330), Distance Selling (Retail Financial Services) (Amendment) Regulations, 2006***

These regulations amend LN 36 of 2005. For the purposes of EC Regulation 2006/2004 on consumer protection co-operation, the MFSA has been established as the national competent authority responsible to enforce the laws that

protect consumers' interests in the field of financial services. The Legal Notice came into force on 1 August 2006 (Legal Notice 116 of 2006).

## **Euro changeover**

### ***Information campaign***

On 5 May 2006 the Government of Malta and the European Commission signed an agreement to fund an information campaign on the euro changeover to be carried out by the National Euro Changeover Committee (NECC). On 8 June the NECC officially launched its campaign with the principal theme being '*The euro - in our common interest*'.

### ***Euro coin design***

On 29 May the Central Bank of Malta and the NECC launched the final public consultation process for the selection of the designs for the national side of Malta's euro coin set. The public was to choose three out of four designs which were based on the themes chosen in an earlier consultation process held in January. The NECC announced the results of this latest consultation process on 10 June. The three designs selected represent the Maltese cross, the national coat of arms and a neolithic temple altar.

### ***Conversion of company share capital***

On 29 May the MFSA through the NECC issued the *Guidelines on the conversion of company share capital from the Maltese lira into euro*. These set out the manner in which company share capital denominated in Maltese lira is to be converted into euro.

### ***Redenomination of Maltese lira financial instruments***

On 29 May the MSE through the NECC issued the *Guidelines on the redenomination and*

*redenomination of Maltese lira denominated listed financial instruments converted into euro*. These guidelines set overall principles and direction on the redenomination into euro of listed financial instruments denominated in Maltese lira. Redenomination procedures cover the conversion of the nominal value of equity from the Maltese lira into euro.

### ***Updated master plan for the euro changeover***

On 9 June the NECC issued the *Second Updated Master Plan for the Euro Changeover in Malta*. This relates to the management of the changeover, the timetable for euro adoption, the cash changeover and financial services as well as the communication strategy. Furthermore, it identifies ways to foster consumer confidence and to facilitate the change for business. The plan also addresses issues related to education and training, legislation and contingency planning.

## **Co-operation agreement between Malta and Saudi Arabia**

On 25 April 2006 Malta and the Kingdom of Saudi Arabia signed a general agreement on co-operation covering the economy, trade, investment, science & technology, culture, youth and sport. The Agreement provides that Malta and Saudi Arabia should do their utmost to encourage trade expansion and diversification between the two countries, to facilitate investments by their nationals in all areas and to guarantee the freedom of transfer of funds between the two countries.

## **International ratings for Malta**

On 31 May 2006 Moody's Investors Service confirmed Malta's investor grade rating for long-term foreign currency bonds at A3. This rating partly reflects Malta's relatively high development and prosperity. Malta also enjoys relatively low inflation and unemployment, while

EU membership has led to a strengthening of Malta's economic and social institutions, enhancing the economy's flexibility and resilience. Further gains would be made from the adoption of the euro, with the 2008 adoption target appearing "achievable" if the Government remained committed to its programme of fiscal consolidation.

On 6 June Standard & Poor's published a Banking Industry Country Risk Assessment (BICRA). This reflects the strengths and weaknesses of a country's banking system relative to those of other countries. The rating agency placed the Maltese banking system in Group 5 of a total of 10 groups ranging from the strongest banking systems in Group 1 to the weakest in Group 10.

#### **GlobalCapital bond issue**

On 10 May 2006 GlobalCapital plc, a financial services firm, launched a EUR10 million bond carrying an over-allotment option of an additional EUR7 million on the domestic primary market. The bond, which offers a coupon rate of 5.6%, matures in 2016 and is subject to an early redemption option, at the company's discretion, in 2014 or 2015. The public offering closed on 11 May, with the over-allotment option being exercised. The net proceeds of the bond will be used for the firm's general financing needs.

#### **Maltacom p.l.c. privatisation**

On 19 May 2006 the Government of Malta sold its 60% shareholding in Maltacom p.l.c, a telecommunications company, to Emirates International Telecommunications (Malta) Limited, a company which forms part of the Tecom Investments group, for the price of Lm94.4 million, or Lm1.554 per share.

#### **Issue of Malta Government Stock**

On 30 June 2006 the Government of Malta issued

Lm1,455,600 7% MGS 2016(III) Malta Government Stock allotted to the Foundation for Church Schools at par. The securities were issued in terms of the 1991 Agreement between the Holy See and Malta on the transfer of Church property.

### **INTERNATIONAL NEWS**

#### **EU Budget approved**

On 17 May 2006 the European Parliament approved the EU's budget for the period from 2007 to 2013, but underlined the need to resolve a number of shortcomings, including funding, during the budget review in 2009. Following the Parliament's approval, the Budget – amounting to EUR864.3 billion – was signed into law.

#### **ECOFIN Council**

On 7-8 April 2006 the ECOFIN Council noted that the global economic recovery will continue in 2006. In Europe the 2006 economic outlook points to growth rates of 2.2% for the EU-25 and 1.9% for the euro area. There was broad agreement among Ministers that the current economic recovery should be used by Member States to implement structural reforms and to strengthen fiscal consolidation efforts. Ministers also concluded that risks, such as global imbalances and oil price developments, persist and must be closely monitored.

On 5 May the Council adopted conclusions on financial supervision, on the regulatory framework for cross-border mergers and acquisitions in financial services and on the Commission's white paper on financial services policy for the 2005-10 period. It also debated proposals on VAT arrangements for businesses.

On 7 June the Council debated reports by the Commission and the ECB on progress made by Lithuania and Slovenia on convergence criteria as regards European economic and monetary

union. The Council proposed allowing Slovenia to adopt the euro as its currency as from 1 January 2007. The Council also agreed on the renewal of arrangements that require the levying of VAT on the provision of e-commerce services from third countries. It also approved new capital adequacy requirements for banks and investment firms intended to ensure financial stability and to strengthen confidence in the financial system.

### **IMF and World Bank spring meetings**

On 22 April 2006 the International Monetary and Financial Committee (IMFC) of the IMF noted the continued strong expansion of the global economy, despite higher oil prices. Meanwhile, inflation and inflationary expectations remain well contained. The IMFC emphasized the importance of an ambitious and successful outcome to the Doha Round of trade negotiations by the end of 2006 for global growth and poverty reduction. It also called for continued actions by all countries to develop strong programmes on anti-money laundering and combating the financing of terrorism.

The IMFC reiterated that action for the orderly resolution of global imbalances is a shared responsibility and proposed a new focus of the Fund's surveillance on multilateral issues. The IMF was expected to begin a round of

multilateral consultations on addressing global imbalances, which should complement the regular bilateral consultations that the Fund carries out with its members.

The Development Committee of the IMF and the World Bank welcomed the recent progress made in reducing poverty, reflecting both a favourable global economic environment and improved economic management in many countries. However, it recognised the lack of access to energy as an acute problem in many low-income countries and agreed to explore ways to help developing countries enhance their access to affordable, sustainable and reliable modern energy services.

### **EBRD annual meeting**

On 21 and 22 May 2006 the EBRD held its annual meeting in London in which its strategy for the next five years was approved. The strategy allocates more of the Bank's resources to Russia, South-Eastern Europe, the Caucasus and Central Asia. The Governors noted the successful transition of countries in Central and Eastern Europe to full market economies. They agreed that the Central and Eastern European countries that joined the EU in 2004 should graduate from EBRD countries of operation by the end of 2010.

# STATISTICAL TABLES



## THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-March 2006, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Maltese lira exchange rates: MTL 1 = USD 2.8154 <sup>1</sup> EUR 1 = MTL 0.4293	
CLIMATE	Average temperature (1990-2005): Dec. - Feb.	13.2° C
	June - Aug.	26.1° C
	Average annual rainfall (1990-2005)	466.1 mm
SELECTED GENERAL	GDP growth at constant 2000 prices <sup>2</sup> (2005)	2.4%
ECONOMIC STATISTICS	GDP per inhabitant at current market prices <sup>2,3</sup> (2005)	USD13,818
	GDP per capita in PPS relative to the EU-25 average <sup>2</sup> (2005)	69.3%
	Ratio of gross general government debt to GDP <sup>2</sup> (2005)	74.5%
	Ratio of general government deficit to GDP <sup>2</sup> (2005)	3.3%
	Retail Prices Index - inflation rate	2.9%
	Harmonised Index of Consumer Prices - inflation rate	2.6%
	Ratio of exports of goods and services to GDP <sup>2</sup> (2005)	69.6%
	Ratio of current account deficit to GDP <sup>2</sup> (2005)	11.0%
	Employment rate	54.3%
	Unemployment rate	7.8%
	POPULATION	Total Maltese and foreigners <sup>2</sup> (2005)
Males <sup>2</sup>		200,715
Females <sup>2</sup>		203,324
Age composition in % of population <sup>2</sup> (2005)		
0 - 14 <sup>2</sup>		17%
15 - 64 <sup>2</sup>		69%
65 + <sup>2</sup>		13%
Average annual growth rate (1990-2005) <sup>2</sup>		0.69%
Density per km <sup>2</sup> (2005) <sup>2</sup>		1,279
HEALTH	Life expectancy at birth - Males (2005)	77.7
	- Females (2005)	81.4
	Crude birth rate, per 1,000 Maltese inhabitants <sup>2</sup> (2005)	9.6
	Crude mortality rate, per 1,000 Maltese inhabitants <sup>2</sup> (2005)	7.7
	Doctors (2005)	1,309
EDUCATION	Combined gross enrolment ratio % (2002/2003)	79
	Number of educational institutions (2004/2005) <sup>2</sup>	214
	Teachers per 1,000 students (2004/2005) <sup>2</sup>	94
	Adult literacy rate: % age 10+ - Males (Dec. 2004)	86.9%
	- Females (Dec. 2004)	89.6%
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2003)	32
	Mobile phone subscriptions per 100 population	80.5
	Private motor vehicle licences per 1,000 population	513
	Internet subscribers per 100 population	22.1

<sup>1</sup> End of period closing middle rate.

<sup>2</sup> Provisional.

<sup>3</sup> Based on Eurostat estimate of GDP at current market prices in euro per inhabitant.

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

**The monetary and financial statistics shown in the 'Statistical Tables' annex are compiled from information submitted to the Central Bank of Malta by the following credit institutions, as at March 2006:**

**Deposit Money Banks**

APS Bank Ltd  
Bank of Valletta plc  
BAWAG Malta Bank Ltd (from October 2003)  
FIMBank plc (from May 2005)  
HSBC Bank Malta plc  
HSBC Home Loans Bank (Malta) Ltd (from January 2001)  
Lombard Bank Malta plc  
Volksbank Malta Ltd (from November 2002)

**International Banking Institutions**

Akbank T.A.S.  
Commbank Europe Ltd (from August 2005)  
Erste Bank (Malta) Ltd  
Finansbank (Malta) Ltd (from June 2005)  
Fortis Bank Malta Ltd (from November 2005)  
Investkredit International Bank plc  
Izola Bank Ltd  
Mediterranean Bank plc (from 14 July 2005)  
Raiffeisen Malta Bank plc  
Sparkasse Bank Malta plc  
Turkiye Garanti Bankasi A.S.

**PART 1: MONEY, BANKING AND FINANCIAL MARKETS**

Table 1.1	Statement of Assets and Liabilities - Central Bank of Malta	56
Table 1.2	Statement of Assets and Liabilities - Deposit Money Banks	58
Table 1.3	Statement of Assets and Liabilities - International Banking Institutions	60
Table 1.4a	Banking Survey	62
Table 1.4b	Monetary Financial Institutions Survey	62
Table 1.5	Monetary Base and Monetary Aggregates	63
Table 1.6	Monetary Policy Operations of the Central Bank of Malta	64
Table 1.7a	Deposits with All Banking Institutions (analysis by ownership and type)	65
Table 1.7b	Deposits held with Other Monetary Financial Institutions (analysis by sector)	65
Table 1.8	Deposits held with Other Monetary Financial Institutions (analysis by currency)	66
Table 1.9	Currency in Circulation	67
Table 1.10	Denominations of Maltese Currency Issued and Outstanding	68
Table 1.11	Deposit Money Bank Liquidity	69
Table 1.12	Deposit Money Bank Liquid Assets	70
Table 1.13	Deposit Money Bank Loans Classified by Size and Interest Rates	71
Table 1.14	Deposit Money Bank Loans Outstanding by Economic Activity	72
Table 1.15a	Loans Outstanding to the Private and Public Sectors by Category	74
Table 1.15b	Deposit Money Bank Loans to Residents (analysis by economic activity and by sector)	75
Table 1.16	Net Foreign Assets of the Monetary Financial Institutions	76
Table 1.17	Financial Markets	78

**PART 2: GOVERNMENT FINANCE**

Table 2.1	Central Government Revenue and Expenditure	79
Table 2.2	Central Government Revenue by Major Sources	80

**PART 3: PUBLIC DEBT**

Table 3.1a	Gross Central Government Debt and Government Guaranteed Debt Outstanding	81
Table 3.1b	Gross General Government Debt Outstanding	82
Table 3.2	Treasury Bills Issued and Outstanding	83
Table 3.3	Malta Government Stocks Outstanding	74
Table 3.4	Malta Government Stocks by Remaining Term to Maturity	85
Table 3.5	Central Government External Loans by Type of Creditor	85
Table 3.6	Central Government External Loans by Currency	86
Table 3.7	Central Government External Loans by Remaining Term to Maturity	86

**PART 4: EXCHANGE RATES, EXTERNAL TRANSACTIONS AND POSITIONS**

Table 4.1	Maltese Lira Exchange Rates against Major Currencies (end of period closing middle rates)	87
Table 4.2	Maltese Lira Exchange Rates against Major Currencies (averages for the period)	88
Table 4.3	Malta's Foreign Trade	89
Table 4.4	Direction of Trade - Total Exports	90
Table 4.5	Direction of Trade - Imports	91
Table 4.6a	Domestic Exports by Commodity Sections	92
Table 4.6b	Total Exports by Commodity Sections	92
Table 4.7	Imports by Commodity Sections	93

**PART 5: REAL ECONOMY INDICATORS**

Table 5.1a	Gross National Income and Expenditure Components in line with ESA 95 (at current market prices)	94
Table 5.1b	Gross Domestic Product and Expenditure Components in line with ESA 95 (at constant 2000 prices)	95
Table 5.2	Tourist Departures by Nationality	96
Table 5.3	Labour Market Indicators based on Administrative Records	97
Table 5.4	Labour Market Indicators based on the Labour Force Survey	98
Table 5.5	Development Permits for Commercial, Social and Other Purposes	99
Table 5.6	Development Permits for Dwellings, by Type	99
Table 5.7	Inflation Rates (base 1946 = 100)	100
Table 5.8	Retail Prices Index (base December 2002 = 100)	101
Table 5.9	Main Categories of Harmonised Index of Consumer Prices (base 1996 = 100)	102

**GENERAL NOTES**

103

**TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES -  
CENTRAL BANK OF MALTA<sup>1</sup>**  
*liabilities*

*Lm thousands*

End of period	Currency notes & coins issued	IMF-related liabilities	Deposits				Capital & reserves	Foreign liabilities	Other liabilities <sup>3</sup>
			Banks <sup>2,3</sup>	Government	Other	Total			
1999	418,485	34,980	124,786	96,188	12,424	233,398	89,050	-	42,631
2000	423,188	35,246	141,270	56,161	10,393	207,825	89,050	3,655	28,509
2001	441,829	35,103	146,789	69,080	7,644	223,513	95,069	-	31,827
2002	461,247	33,495	255,558	42,961	7,595	306,114	95,341	6,987	32,758

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities <sup>3</sup>
			Credit institutions <sup>3</sup>	Central government	Other residents	Total			
2003	485,373	31,456	242,162	83,198	8,456	333,815	88,225	25,497	28,651
2004	506,406	30,568	166,318	115,661	11,147	293,126	86,016	-	20,028
<b>2005</b>									
Jan.	499,631	30,568	200,150	73,437	12,779	286,366	85,095	4,301	15,257
Feb.	501,987	30,568	175,810	91,829	10,651	278,289	83,816	4,307	11,329
Mar.	505,049	30,568	185,245	87,119	11,185	283,549	84,207	4,296	11,424
Apr.	507,076	30,568	140,268	88,900	11,380	240,547	86,051	2,219	9,562
May	510,621	31,066	185,983	73,032	8,983	267,997	86,946	-	14,751
June	517,006	31,066	147,017	81,492	11,010	239,520	87,826	-	14,108
July	517,836	31,066	165,179	87,117	7,768	260,063	86,812	-	12,306
Aug.	518,168	31,066	190,735	96,909	8,740	296,384	87,123	-	13,156
Sept.	518,304	31,066	210,852	94,990	8,228	314,070	85,951	-	14,469
Oct.	516,749	31,066	235,252	109,386	8,552	353,190	83,867	-	17,157
Nov.	516,338	31,066	223,291	111,938	9,925	345,153	83,268	2,262	17,244
Dec.	520,044	32,032	182,336	147,461	9,511	339,309	84,290	-	15,309
<b>2006</b>									
Jan.	512,296	32,032	243,155	77,221	8,840	329,215	83,053	2,198	11,723
Feb.	509,795	32,032	256,706	69,818	11,223	337,747	82,382	-	9,508
Mar.	510,860	32,032	230,040	70,921	8,624	309,585	80,164	4,510	6,806

<sup>1</sup> Figures are reported according to the prevailing accounting policies as explained each year in the 'Notes to the Accounts' in the *Annual Report* of the Central Bank of Malta.

<sup>2</sup> Includes Deposit Money Banks and International Banking Institutions.

<sup>3</sup> From December 2001, term deposits by banks, previously classified as "Other Liabilities", are classified as "Deposits by Credit institutions".

**TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES -  
CENTRAL BANK OF MALTA<sup>1</sup>**  
*assets*

*Lm thousands*

End of period	External reserves				IMF currency subscription	Malta Government securities & advances	Fixed & other assets	Total assets/liabilities
	Gold	IMF-related assets <sup>2</sup>	Convertible currencies	Total				
1999	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000	452	36,940	606,752	644,144	35,222	9,178	98,930	787,474
2001	629	37,863	721,936	760,428	35,078	5,773	26,062	827,340
2002	473	37,512	842,862	880,847	33,470	4,289	17,335	935,942

End of period	External Assets				IMF currency subscription	Central government securities	Other assets	Total assets/liabilities
	Gold	IMF- related assets <sup>2</sup>	Other	Total				
2003	497	35,686	899,365	935,547	31,431	7,772	18,266	993,016
2004	497	35,136	824,921	860,554	30,543	21,338	23,708	936,143
<b>2005</b>								
Jan.	498	35,743	815,051	851,292	30,543	15,038	24,344	921,217
Feb.	505	35,534	813,914	849,953	30,543	5,704	24,095	910,296
Mar.	504	35,791	784,154	820,450	30,543	20,711	47,388	919,092
Apr.	510	35,860	768,188	804,558	30,543	8,423	32,499	876,023
May	513	36,767	771,432	808,712	31,042	17,907	53,721	911,382
June	553	37,064	773,155	810,772	31,042	16,474	31,239	889,526
July	540	36,810	805,808	843,159	31,042	7,709	26,174	908,084
Aug.	541	37,001	840,970	878,512	31,042	8,314	28,029	945,898
Sept.	601	37,246	859,405	897,252	31,042	8,111	27,456	963,861
Oct.	599	37,195	895,201	932,994	31,042	10,112	27,882	1,002,030
Nov.	641	37,609	890,042	928,293	31,042	9,082	26,915	995,331
Dec.	664	37,514	884,860	923,038	32,007	9,118	26,821	990,984
<b>2006</b>								
Jan.	1,117	37,056	859,922	898,095	32,007	13,021	27,387	970,518
Feb.	1,323	37,744	862,275	901,342	32,007	12,375	25,739	971,464
Mar.	1,349	37,243	825,700	864,292	32,007	20,236	27,422	943,958

<sup>1</sup> Figures are reported according to the prevailing accounting policies as explained each year in the 'Notes to the Accounts' in the *Annual Report* of the Central Bank of Malta.

<sup>2</sup> Includes IMF Reserve Position and holdings of SDRs.

**TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES -  
DEPOSIT MONEY BANKS**

*liabilities*

*Lm thousands*

End of period	Deposits <sup>1</sup>				Foreign liabilities <sup>2</sup>	Capital & reserves	Other liabilities
	Demand	Savings	Time	Total			
1999	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000	192,206	623,727	1,296,731	2,112,664	404,679	158,523	566,664
2001	212,877	667,301	1,432,338	2,312,516	600,963	190,915	566,193
2002	245,190	714,116	1,648,268	2,607,574	1,038,562	272,793	414,820

End of period	Resident deposits <sup>1</sup>				External liabilities	Debt securities issued	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	1,047,817	28,782	1,599,172	2,675,772	1,077,630	46,638	599,911	350,272
2004	1,111,768	29,726	1,588,425	2,729,919	1,353,387	48,880	658,932	351,684
<b>2005</b>								
Jan.	1,134,267	30,241	1,590,581	2,755,088	1,340,362	48,858	640,397	340,751
Feb.	1,127,062	30,300	1,595,555	2,752,917	1,352,177	48,600	645,785	338,561
Mar.	1,128,061	29,778	1,597,230	2,755,069	1,325,303	49,708	639,108	358,757
Apr.	1,133,853	29,817	1,594,574	2,758,244	1,296,132	49,604	645,533	338,387
May	1,149,564	29,682	1,585,337	2,764,583	1,345,978	50,195	650,353	376,084
June	1,179,791	29,806	1,602,632	2,812,229	1,356,496	32,214	655,025	351,648
July	1,159,523	31,511	1,612,758	2,803,791	1,337,873	32,187	661,937	336,556
Aug.	1,171,827	29,801	1,625,267	2,826,895	1,379,868	32,065	656,570	343,702
Sept.	1,186,522	29,837	1,631,879	2,848,238	1,425,463	32,249	652,068	340,575
Oct.	1,180,106	29,656	1,629,360	2,839,123	1,491,350	32,212	656,175	358,162
Nov.	1,182,677	30,171	1,627,112	2,839,960	1,468,992	32,504	662,439	330,980
Dec.	1,201,907	30,913	1,646,131	2,878,951	1,530,313	32,449	654,700	317,693
<b>2006</b>								
Jan.	1,198,123	30,766	1,690,722	2,919,610	1,511,319	32,168	659,306	307,122
Feb.	1,204,430	31,124	1,711,067	2,946,622	1,500,169	32,410	666,912	307,998
Mar.	1,201,615	31,614	1,697,266	2,930,496	1,478,641	32,208	665,477	323,819

<sup>1</sup> Includes Malta Government and private sector deposits but excludes deposits belonging to non-residents (which are classified as foreign liabilities). Demand deposits are netted of uncleared effects drawn on local banks (i.e. items in the process of collection).

**TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES -  
DEPOSIT MONEY BANKS**  
*assets*

*Lm thousands*

End of period	Cash & deposits with Central Bank of Malta	Foreign assets	Local lending & bills discounted	Local investments	Fixed & other assets	Total assets/liabilities
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000	152,739	729,614	1,608,023	601,427	150,727	3,242,530
2001	180,312	791,844	1,866,440	663,006	168,985	3,670,587
2002	294,778	1,299,603	1,899,173	667,087	173,107	4,333,748

End of period	Balances held with Central Bank of Malta <sup>1</sup>	Loans	Securities other than shares	Shares & other equity <sup>2</sup>	External assets <sup>2</sup>	Other assets	Total assets/liabilities
2003	260,873	1,909,932	622,093	35,081	1,587,136	335,107	4,750,222
2004	192,578	2,029,380	657,326	32,814	1,894,746	335,959	5,142,801
<b>2005</b>							
Jan.	217,326	2,030,714	646,267	21,596	1,896,610	312,944	5,125,456
Feb.	195,737	2,049,098	677,904	21,583	1,882,912	310,808	5,138,040
Mar.	202,118	2,078,525	662,915	21,132	1,859,182	304,071	5,127,944
Apr.	164,264	2,068,907	682,810	21,182	1,856,744	293,990	5,087,898
May	209,273	2,071,270	654,240	20,978	1,915,337	316,094	5,187,192
June	169,162	2,084,875	666,501	20,984	1,948,314	317,777	5,207,612
July	187,706	2,051,029	655,536	21,042	1,943,201	313,832	5,172,346
Aug.	211,651	2,056,540	655,283	21,036	1,963,671	330,917	5,239,099
Sept.	232,289	2,099,269	621,755	24,504	2,009,405	311,371	5,298,593
Oct.	255,605	2,113,959	619,172	24,791	2,048,393	315,102	5,377,021
Nov.	247,410	2,126,733	602,637	26,102	2,021,500	310,491	5,334,874
Dec.	209,269	2,171,417	618,343	26,268	2,073,993	314,815	5,414,105
<b>2006</b>							
Jan.	264,756	2,198,080	592,121	26,275	2,037,601	310,690	5,429,524
Feb.	276,830	2,212,986	586,526	31,413	2,030,317	316,039	5,454,111
Mar.	252,487	2,258,463	570,443	31,303	2,013,313	304,632	5,430,640

<sup>1</sup> Includes holdings of cash.

<sup>2</sup> A re-classification exercise, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the monetary data as from that date. This resulted in an increase in the deposit money banks' external assets and a decrease in shares and other equity.

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES -  
INTERNATIONAL BANKING INSTITUTIONS**  
*liabilities*

*Lm thousands*

End of period	Resident deposits				Foreign liabilities	Capital & reserves	Other liabilities	Total liabilities
	Demand	Savings	Time	Total				
1999	4,027	10,203	7,093	21,323	2,453,948	188,740	39,045	2,703,056
2000	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
2001	5,426	11,259	16,153	32,838	2,348,815	256,729	17	2,638,400
2002	28	5,227	1,125	6,380	2,297,394	157,981	14,774	2,476,529

End of period	Resident deposits				External liabilities	Capital & reserves	Other liabilities	Total liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	464	0	491	955	2,748,650	182,443	2,526	2,934,574
2004	27	310	304	642	3,561,382	236,763	4,257	3,803,045
<b>2005</b>								
Jan.	107	321	261	689	3,585,654	241,773	4,255	3,832,371
Feb.	49	316	270	635	3,588,293	237,861	3,568	3,830,357
Mar.	26	336	272	634	3,738,429	235,537	3,798	3,978,398
Apr.	123	338	65	526	3,820,149	236,124	3,806	4,060,605
May	28	354	53	435	4,049,831	216,365	4,398	4,271,029
June	108	503	64	675	4,130,079	231,388	4,722	4,366,864
July	85	502	97	684	4,254,489	236,392	5,640	4,497,205
Aug.	667	498	112	1,278	4,564,874	237,328	5,040	4,808,520
Sept.	232	509	100	841	5,490,470	268,487	4,077	5,763,874
Oct.	53	531	97	680	5,475,948	273,458	4,655	5,754,741
Nov.	666	540	95	1,301	5,239,821	277,161	4,836	5,523,118
Dec.	231	542	53	826	5,895,677	358,206	5,794	6,260,502
<b>2006</b>								
Jan.	417	528	56	1,001	6,147,230	356,715	10,386	6,515,332
Feb.	273	538	65	875	6,489,945	363,234	6,138	6,860,192
Mar.	331	529	45	904	6,700,287	383,595	7,873	7,092,659

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES -  
INTERNATIONAL BANKING INSTITUTIONS**  
*assets*

*Lm thousands*

End of period	Cash & deposits with Central Bank of Malta	Foreign assets	Local lending & bills discounted	Local investments	Fixed & other assets	Total assets
1999	1,892	2,417,710	6,135	260,458	16,860	2,703,056
2000	2,078	2,819,021	6,128	267,663	11,256	3,106,146
2001	1,355	2,481,053	5,855	137,161	12,976	2,638,400
2002	1,141	2,456,089	6,426	8,860	4,013	2,476,529

End of period	Balances held with Central Bank of Malta <sup>1</sup>	External assets	Securities other than shares	Shares and other equity	Other assets	Total assets
2003	-	2,917,645	-	613	16,314	2,984,573
2004	-	3,775,464	-	647	26,933	3,803,045
<b>2005</b>						
Jan.	-	3,804,711	-	415	27,245	3,832,372
Feb.	-	3,802,836	-	421	27,099	3,830,357
Mar.	-	3,950,433	-	422	27,544	3,978,399
Apr.	-	4,032,978	-	412	27,214	4,060,605
May	-	4,242,944	-	444	27,640	4,271,029
June	-	4,338,105	-	455	28,304	4,366,864
July	-	4,472,005	-	464	24,735	4,497,205
Aug.	-	4,784,113	-	462	23,943	4,808,519
Sept.	-	5,739,469	-	472	23,932	5,763,874
Oct.	-	5,723,684	-	478	30,578	5,754,741
Nov.	-	5,491,945	-	420	30,751	5,523,117
Dec.	-	6,228,893	-	423	31,185	6,260,502
<b>2006</b>						
Jan.	-	6,482,262	-	422	32,649	6,515,333
Feb.	-	6,827,643	-	435	32,115	6,860,192
Mar.	-	7,060,118	-	422	32,118	7,092,658

<sup>1</sup> Includes holdings of cash.

**TABLE 1.4a BANKING SURVEY<sup>1</sup>***Lm thousands*

End of period	Domestic credit			Net foreign assets			Narrow money <sup>4</sup> (M1)	Quasi-money <sup>5</sup>	Other items (net)	Total assets/liabilities
	Net claims on Government <sup>2</sup>	Claims on private & parastatal sectors <sup>3</sup>	Total	Central Bank of Malta	All banking institutions	Total				
1999	358,094	1,632,866	1,990,960	740,339	228,835	969,174	581,148	1,860,653	518,334	2,960,134
2000	411,810	1,772,432	2,184,242	644,163	330,271	974,434	594,660	1,944,221	619,795	3,158,676
2001	475,109	1,853,194	2,328,303	760,428	323,119	1,083,546	635,487	2,117,464	658,898	3,411,850
2002	497,959	1,908,189	2,406,148	873,860	419,737	1,293,596	680,121	2,357,951	661,672	3,699,744

**TABLE 1.4b MONETARY FINANCIAL INSTITUTIONS SURVEY<sup>1</sup>***Lm thousands*

End of period	Domestic credit <sup>6</sup>			Net foreign assets <sup>6</sup>			Broad money (M3)	Other counterparts to broad money (net)	Total assets/liabilities
	Net claims on central government <sup>2</sup>	Claims on other residents	Total	Central Bank of Malta	OMFIs	Total			
2003	568,436	1,898,951	2,467,386	919,841	678,502	1,598,342	2,849,244	1,216,486	4,065,729
2004	545,113	2,058,031	2,603,144	870,293	755,441	1,625,734	2,918,320	1,310,557	4,228,878
<b>2005</b>									
Jan.	565,119	2,052,243	2,617,362	856,284	775,304	1,631,588	2,936,569	1,312,382	4,248,950
Feb.	568,407	2,071,034	2,639,441	855,690	745,277	1,600,968	2,934,369	1,306,041	4,240,408
Mar.	565,591	2,102,844	2,668,436	826,212	745,882	1,572,093	2,925,283	1,315,245	4,240,529
Apr.	566,433	2,096,643	2,663,076	814,591	773,442	1,588,033	2,928,150	1,322,961	4,251,108
May	558,294	2,101,628	2,659,922	818,568	762,472	1,581,040	2,931,434	1,309,528	4,240,962
June	560,030	2,116,236	2,676,266	819,114	799,845	1,618,959	2,979,359	1,315,865	4,295,225
July	533,623	2,080,431	2,614,054	856,347	822,844	1,679,191	2,962,716	1,330,528	4,293,245
Aug.	519,399	2,087,454	2,606,853	892,979	803,042	1,696,021	2,988,587	1,314,288	4,302,874
Sept.	499,992	2,119,835	2,619,827	911,712	832,941	1,744,653	3,004,044	1,360,435	4,364,479
Oct.	486,967	2,136,185	2,623,152	944,477	804,779	1,749,256	2,997,663	1,374,746	4,372,408
Nov.	466,042	2,151,149	2,617,191	936,375	804,633	1,741,008	3,001,774	1,356,427	4,358,199
Dec.	442,706	2,193,972	2,636,677	932,598	876,897	1,809,495	3,041,584	1,404,588	4,446,172
<b>2006</b>									
Jan.	459,099	2,219,690	2,678,789	906,430	861,315	1,767,744	3,040,374	1,406,152	4,446,533
Feb.	457,420	2,243,180	2,700,599	907,869	867,845	1,775,714	3,068,899	1,407,413	4,476,313
Mar.	448,094	2,286,504	2,734,598	871,808	894,503	1,766,311	3,047,841	1,453,068	4,500,908

<sup>1</sup> Includes Central Bank of Malta, Deposit Money Banks and International Banking Institutions. All interbank transactions are excluded.

<sup>2</sup> Central government deposits held with MFIs are netted from this figure.

<sup>3</sup> These claims include domestic loans and overdrafts to private and parastatal bodies, investments in local non-government securities, inland bills of exchange and promissory notes.

<sup>4</sup> Excludes Malta Government deposits, balances belonging to non-residents and uncleared effects drawn on Deposit Money Banks.

<sup>5</sup> Excludes Malta Government deposits and balances belonging to non-residents.

<sup>6</sup> A re-classification exercise on monetary data, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the counterparts of broad money as from that date. This resulted in an increase in the monetary financial institutions' net foreign assets and a decrease in domestic credit.

**TABLE 1.5 MONETARY BASE AND MONETARY AGGREGATES**

*Lm thousands*

End of period	Monetary base (M0)			Broad money (M3)						
	Currency issued	Bank deposits with Central Bank of Malta	Total	Narrow money (M1)			Quasi-money			Total
				Currency in circulation	Demand deposits	Total	Savings deposits	Time deposits	Total	
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
2001	441,829	125,789	567,618	418,887	216,600	635,487	671,449	1,446,015	2,117,464	2,752,951
2002	461,247	151,558	612,805	436,831	243,290	680,121	712,788	1,645,163	2,357,951	3,038,072

End of period	Monetary base (M0)			Broad money (M3)								
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Intermediate money (M2)							Repurchase agreements /Debt securities with agreed maturity up to 2 years	Total (M3)
				Currency in circulation	Deposits withdrawable on demand		Total (M1)	Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)		
					Demand	Savings						
2003	485,373	137,885	623,258	460,424	273,666	756,858	1,490,948	28,778	1,329,492	2,849,218	26	2,849,244
2004	506,406	145,298	651,703	485,993	300,848	794,103	1,580,944	30,031	1,307,345	2,918,320	-	2,918,320
<b>2005</b>												
Jan.	499,631	170,323	669,954	482,964	312,306	802,873	1,598,143	30,556	1,307,869	2,936,569	-	2,936,569
Feb.	501,987	146,783	648,770	484,476	304,414	803,649	1,592,539	30,611	1,311,219	2,934,369	-	2,934,369
Mar.	505,049	175,232	680,281	484,636	302,470	798,558	1,585,664	30,108	1,309,511	2,925,283	-	2,925,283
Apr.	507,076	140,250	647,326	488,981	297,672	805,802	1,592,455	30,149	1,305,545	2,928,150	-	2,928,150
May	510,621	178,960	689,581	490,486	306,377	812,121	1,608,984	30,031	1,292,419	2,931,434	-	2,931,434
June	517,006	146,000	663,006	495,454	314,418	831,301	1,641,173	30,304	1,307,881	2,979,359	-	2,979,359
July	517,836	137,681	655,517	498,601	305,550	818,556	1,622,707	32,008	1,308,000	2,962,716	-	2,962,716
Aug.	518,168	146,415	664,584	497,807	317,103	819,787	1,634,696	30,294	1,323,596	2,988,587	-	2,988,587
Sept.	518,304	130,333	648,637	497,228	319,416	831,157	1,647,800	30,340	1,325,904	3,004,044	-	3,004,044
Oct.	516,749	149,530	666,278	496,940	314,836	830,107	1,641,884	30,182	1,325,598	2,997,663	-	2,997,663
Nov.	516,338	148,973	665,311	494,204	317,532	832,338	1,644,074	30,706	1,326,994	3,001,774	-	3,001,774
Dec.	520,044	135,540	655,584	498,921	312,115	859,026	1,670,062	31,449	1,340,074	3,041,584	-	3,041,584
<b>2006</b>												
Jan.	512,296	142,435	654,731	491,737	315,440	849,610	1,656,787	30,761	1,352,826	3,040,374	-	3,040,374
Feb.	509,795	135,687	645,482	491,189	320,883	852,016	1,664,087	31,119	1,373,693	3,068,899	-	3,068,899
Mar.	510,860	151,021	661,881	489,079	312,344	852,365	1,653,788	31,609	1,362,444	3,047,841	-	3,047,841

**TABLE 1.6 MONETARY POLICY OPERATIONS OF THE CENTRAL BANK OF MALTA**
*Lm thousands*

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos <sup>1</sup>			Marginal lending during the period <sup>2</sup>	Term deposits <sup>3</sup>			Overnight deposits <sup>4</sup>
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900	180,200	64,700	500	271,600	283,600	-	97,662
2001	859,000	918,700	5,000	8,550	77,200	56,200	21,000	120,200
2002	-	5,000	-	-	2,399,400	2,316,400	104,000	175,665
2003	-	-	-	1,000	3,519,200	3,518,900	104,300	106,400
2004	-	-	-	-	108,220	143,520	21,000	3,700
<b>2005</b>								
Jan.	-	-	-	-	89,900	81,100	29,800	15,000
Feb.	-	-	-	-	89,200	90,000	29,000	3,700
Mar.	23,000	-	23,000	-	44,700	63,700	10,000	6,300
Apr.	9,000	23,000	9,000	-	40,900	50,900	-	58,600
May	34,300	16,300	27,000	-	23,700	16,700	7,000	-
June	6,000	27,000	6,000	-	41,200	47,200	1,000	23,300
July	7,300	13,300	-	-	38,700	12,200	27,500	25,900
Aug.	-	-	-	-	66,350	49,550	44,300	-
Sept.	-	-	-	-	215,000	178,800	80,500	50,550
Oct.	-	-	-	-	276,700	271,500	85,700	3,600
Nov.	-	-	-	2	339,400	350,800	74,300	30,100
Dec.	-	-	-	11	372,000	399,500	46,800	15,900
<b>2006</b>								
Jan.	-	-	-	228	367,900	314,000	100,700	1,100
Feb.	-	-	-	23	443,500	423,200	121,000	52,450
Mar.	-	-	-	160	473,700	515,700	79,000	12,800

<sup>1</sup> The Central Bank of Malta injects liquidity into the banking system through an auction of reverse repos in the event of a liquidity shortage. With effect from 15th September 2005, the maturity period of reverse repos is 7 days.

<sup>2</sup> The Central Bank of Malta provides a marginal lending facility to credit institutions in order to satisfy their liquidity needs arising from normal banking business.

<sup>3</sup> The Central Bank of Malta accepts placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity from the banking system. Up to 14th September 2005 the maturity period of these term deposits was 14 days. Thereafter the maturity period was reduced to 7 days.

<sup>4</sup> The Central Bank of Malta provides an overnight deposit facility to credit institutions to absorb temporary liquidity excesses that could not be taken up by the market.

**TABLE 1.7a DEPOSITS WITH ALL BANKING INSTITUTIONS<sup>1</sup>**  
*analysis by ownership and type*

*Lm thousands*

End of period	Resident deposits by owner				Resident deposits by type		Total resident deposits	Non-resident deposits	Total deposits
	Personal <sup>2</sup>	Corporate/business	Government	Public sector <sup>3</sup>	Maltese lira deposits	Foreign currency deposits <sup>4</sup>			
1999	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000	1,786,776	322,578	13,443	40,557	1,938,548	224,808	2,163,356	1,118,099	3,281,454
2001	1,955,817	351,655	12,521	31,759	2,065,730	286,021	2,351,751	946,220	3,297,971
2002	2,121,567	426,933	14,189	58,112	2,279,244	341,557	2,620,801	908,426	3,529,227

**TABLE 1.7b DEPOSITS HELD WITH OTHER MONETARY FINANCIAL INSTITUTIONS**  
*analysis by sector*

*Lm thousands*

End of Period	Central government	Other sectors					Resident deposits	Non-resident deposits	Total deposits
		Other general government	Financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total			
2003	19,216	6,852	51,299	419,019	2,180,340	2,657,511	2,676,727	850,927	3,527,654
2004	21,367	7,191	55,223	414,530	2,232,250	2,709,194	2,730,560	1,077,942	3,808,503
<b>2005</b>									
Jan.	24,974	6,397	57,802	431,558	2,235,046	2,730,803	2,755,778	1,013,712	3,769,490
Feb.	24,362	5,343	55,751	419,076	2,249,019	2,729,189	2,753,552	1,018,502	3,772,054
Mar.	30,811	4,478	55,465	428,521	2,236,427	2,724,891	2,755,702	1,150,927	3,906,629
Apr.	32,555	6,126	51,449	424,155	2,244,483	2,726,214	2,758,769	1,152,308	3,911,077
May	36,306	5,362	58,921	417,900	2,246,529	2,728,712	2,765,018	1,066,408	3,831,426
June	37,045	4,774	67,638	433,032	2,270,414	2,775,859	2,812,904	1,195,977	4,008,881
July	36,072	6,410	59,940	437,487	2,264,567	2,768,404	2,804,476	1,276,600	4,081,076
Aug.	38,411	5,723	54,476	456,575	2,272,987	2,789,762	2,828,173	1,275,415	4,103,587
Sept.	41,114	5,026	62,998	456,989	2,282,952	2,807,965	2,849,079	1,456,257	4,305,335
Oct.	38,071	6,851	61,712	455,488	2,277,681	2,801,732	2,839,803	1,518,769	4,358,572
Nov.	37,610	6,070	65,093	456,478	2,276,009	2,803,650	2,841,261	1,446,262	4,287,523
Dec.	42,944	7,835	79,672	447,713	2,301,612	2,836,833	2,879,777	1,938,593	4,818,370
<b>2006</b>									
Jan.	75,890	6,940	92,621	446,623	2,298,539	2,844,722	2,920,612	1,956,989	4,877,601
Feb.	75,239	5,835	99,461	460,031	2,306,932	2,872,258	2,947,497	1,792,417	4,739,914
Mar.	76,727	5,004	90,997	467,221	2,291,451	2,854,673	2,931,400	1,938,828	4,870,228

<sup>1</sup> Includes Deposit Money Banks and International Banking Institutions. For the purposes of this Table, deposits include uncleared effects.

<sup>2</sup> Includes bearer deposits.

<sup>3</sup> Public sector companies are entities that are subject to control by Government, control being defined as the ability to determine general corporate policy.

<sup>4</sup> Includes external Maltese lira deposits.

**TABLE 1.8 DEPOSITS HELD WITH OTHER  
MONETARY FINANCIAL INSTITUTIONS<sup>1</sup>**  
*analysis by currency*

*Lm thousands*

End of period	Resident deposits					Non-resident deposits		Total deposits
	MTL	EUR	GBP	USD	Other	MTL	Other	
2003	2,319,822	103,928	130,196	98,049	25,352	47,978	809,676	3,535,001
2004	2,344,529	108,373	151,142	96,978	29,546	50,770	1,027,172	3,808,510
<b>2005</b>								
Jan.	2,354,358	113,397	154,332	99,966	34,298	50,265	963,447	3,770,062
Feb.	2,361,041	110,804	153,446	97,928	30,688	49,838	968,665	3,772,411
Mar.	2,353,226	113,748	155,641	101,702	31,385	50,741	1,100,186	3,906,629
Apr.	2,349,477	119,312	157,139	99,795	33,047	51,609	1,100,699	3,911,077
May	2,348,673	119,521	159,552	102,753	34,518	52,315	1,014,094	3,831,426
June	2,378,145	122,335	169,498	107,166	35,760	55,034	1,140,942	4,008,881
July	2,381,876	122,738	165,192	99,342	35,328	53,844	1,222,757	4,081,076
Aug.	2,398,102	122,372	169,578	102,275	35,845	53,724	1,224,262	4,106,158
Sept.	2,419,176	121,992	169,777	102,156	35,978	51,485	1,410,918	4,311,481
Oct.	2,407,078	118,154	171,116	111,176	32,279	52,111	1,472,823	4,364,736
Nov.	2,408,206	116,369	172,334	111,878	32,474	51,197	1,399,871	4,292,328
Dec.	2,439,823	122,046	181,620	102,291	33,997	51,335	1,892,004	4,823,116
<b>2006</b>								
Jan.	2,469,116	131,716	185,390	96,982	37,408	52,275	1,912,854	4,885,741
Feb.	2,480,958	144,258	186,304	97,662	38,356	51,962	1,748,638	4,748,138
Mar.	2,467,932	145,615	175,021	107,798	35,034	50,117	1,896,856	4,878,373

<sup>1</sup> As from October 2003 also includes loans granted to the reporting MFIs.

**TABLE 1.9 CURRENCY IN CIRCULATION***Lm thousands*

End of period	Currency issued and outstanding			Less currency held by banking system <sup>1</sup>	Currency in circulation
	Notes	Coins	Total		
1999	402,000	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,834	17,994	441,829	22,942	418,887
2002	443,905	17,343	461,247	24,416	436,831
2003	467,097	18,275	485,373	24,949	460,424
2004	487,165	19,240	506,406	20,412	485,993
<b>2005</b>					
Jan.	480,630	19,000	499,631	16,667	482,964
Feb.	483,075	18,912	501,987	17,512	484,476
Mar.	486,140	18,908	505,049	20,413	484,636
Apr.	488,028	19,048	507,076	18,095	488,981
May	491,377	19,244	510,621	20,134	490,486
June	497,523	19,483	517,006	21,553	495,454
July	497,996	19,840	517,836	19,235	498,601
Aug.	498,105	20,063	518,168	20,361	497,807
Sept.	498,305	20,000	518,304	21,076	497,228
Oct.	496,704	20,045	516,749	19,808	496,940
Nov.	496,281	20,057	516,338	22,134	494,204
Dec.	499,934	20,110	520,044	21,123	498,921
<b>2006</b>					
Jan.	492,406	19,890	512,296	20,559	491,737
Feb.	489,977	19,818	509,795	18,607	491,189
Mar.	491,022	19,838	510,860	21,782	489,079

<sup>1</sup> For the purposes of this classification, the banking system includes Deposit Money Banks and International Banking Institutions.

**TABLE 1.10 DENOMINATIONS OF MALTESE CURRENCY  
ISSUED AND OUTSTANDING**

*Lm thousands*

End of period	Total notes & coins <sup>1</sup>	Currency notes <sup>2</sup>				
		Lm20	Lm10	Lm5	Lm2	Total
1999	418,485	108,626	259,366	27,738	6,270	402,000
2000	423,188	107,902	264,170	27,168	6,473	405,713
2001	441,829	108,832	280,699	27,647	6,656	423,834
2002	461,247	109,560	298,664	28,784	6,897	443,905
2003	485,373	109,703	319,411	30,818	7,165	467,097
2004	506,406	110,318	337,551	31,904	7,392	487,165
<b>2005</b>						
Jan.	499,631	109,748	333,103	30,509	7,270	480,630
Feb.	501,987	109,973	335,328	30,531	7,244	483,075
Mar.	505,049	110,134	337,312	31,365	7,329	486,140
Apr.	507,076	110,654	338,318	31,585	7,472	488,028
May	510,621	111,150	340,419	32,211	7,598	491,377
June	517,006	111,928	344,343	33,445	7,807	497,523
July	517,836	112,561	344,193	33,352	7,890	497,996
Aug.	518,168	112,485	344,324	33,414	7,883	498,105
Sept.	518,304	112,248	344,963	33,198	7,896	498,305
Oct.	516,749	111,594	344,727	32,559	7,823	496,704
Nov.	516,338	111,048	344,969	32,505	7,758	496,281
Dec.	520,044	110,549	348,618	32,979	7,788	499,934
<b>2006</b>						
Jan.	512,296	109,987	342,936	31,820	7,663	492,406
Feb.	509,795	109,366	341,333	31,617	7,662	489,978
Mar.	510,860	109,125	341,994	32,099	7,804	491,022

<sup>1</sup> The denominations of coins consist of Lm1, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.

<sup>2</sup> The (3rd series) Lm1 banknote ceased to be legal tender in 1993. It remained exchangeable up to April 2003.

**TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY<sup>1</sup>**

*Lm thousands*

Period	Liquid assets			Net short-term liabilities <sup>3</sup>	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits <sup>2</sup>
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000	680,572	491,273	189,299	1,637,576	41.6	76.1
2001	899,098	524,456	374,642	1,748,188	51.4	80.7
2002	983,291	588,529	394,762	1,961,762	50.1	72.8
2003	984,411	609,245	375,166	2,030,816	48.5	73.6
2004	1,073,540	692,378	381,162	2,307,928	46.5	75.9
<b>2005</b>						
Jan.	1,082,611	700,958	381,653	2,336,527	46.3	75.1
Feb.	1,090,706	700,333	390,373	2,334,444	46.7	75.8
Mar.	1,059,157	702,664	356,493	2,342,212	45.2	76.8
Apr.	1,047,300	689,285	358,015	2,297,616	45.6	76.2
May	1,226,539	702,789	523,750	2,342,630	52.4	76.1
June	1,217,994	716,038	501,956	2,386,793	51.0	75.3
July	1,195,557	651,331	544,226	2,171,102	55.1	74.7
Aug.	1,258,594	660,701	597,893	2,202,335	57.1	74.3
Sept.	1,247,446	671,978	575,468	2,239,927	55.7	75.2
Oct.	1,262,037	694,138	567,899	2,313,792	54.5	75.9
Nov.	1,194,329	685,943	508,386	2,286,478	52.2	76.3
Dec.	1,238,543	701,968	536,575	2,339,893	52.9	76.8
<b>2006</b>						
Jan.	1,241,867	697,000	544,867	2,323,334	53.5	76.5
Feb.	1,244,066	696,476	547,590	2,321,588	53.6	76.3
Mar.	1,185,208	689,957	495,251	2,299,856	51.5	78.2

<sup>1</sup> From 15 November 1994, Banking Directive No. 5 established a minimum 30% liquid asset ratio, net of deductions.

<sup>2</sup> Includes inland and foreign bills of exchange and promissory notes. Local uncleared effects are deducted from deposits.

<sup>3</sup> These consist of all short-term liabilities to banks and customers net of loans received under repurchase agreements against liquid assets, deposits pledged as security and 50% of items in course of collection.

**TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS***Lm thousands*

Period	Cash & deposits with Central Bank of Malta <sup>1</sup>	Treasury bills	Interbank deposits	Marketable debt securities <sup>2</sup>	Total liquid assets
1999	50,995	75,929	67,768	499,837	694,529
2000	33,512	116,818	68,865	461,377	680,572
2001	59,754	135,845	115,894	587,605	899,098
2002	120,981	156,950	135,072	570,288	983,291
2003	129,234	183,902	101,688	569,587	984,411
2004	45,160	190,461	155,583	682,336	1,073,540
<b>2005</b>					
Jan.	61,166	176,034	170,229	675,182	1,082,611
Feb.	54,545	205,363	149,182	681,616	1,090,706
Mar.	57,340	184,857	158,289	658,671	1,059,157
Apr.	21,523	205,889	149,742	670,146	1,047,300
May	54,167	170,656	168,254	833,462	1,226,539
June	33,366	185,575	168,387	830,666	1,217,994
July	46,269	172,212	157,094	819,982	1,195,557
Aug.	69,635	164,942	174,241	849,776	1,258,594
Sept.	98,075	145,082	177,281	827,008	1,247,446
Oct.	123,452	143,089	186,760	808,736	1,262,037
Nov.	105,117	131,528	154,779	802,905	1,194,329
Dec.	74,527	147,511	219,542	796,963	1,238,543
<b>2006</b>					
Jan.	128,942	122,786	192,380	797,759	1,241,867
Feb.	138,732	116,466	194,885	793,983	1,244,066
Mar.	113,140	102,867	178,980	790,221	1,185,208

<sup>1</sup> Excludes balances held as reserve deposits.

<sup>2</sup> Includes securities issued or guaranteed by governments, supranational or other institutions, discounted on the basis of credit risk and remaining term to maturity.

**TABLE 1.13 DEPOSIT MONEY BANK LOANS  
CLASSIFIED BY SIZE AND INTEREST RATES<sup>1</sup>**

*Lm thousands*

End of period		Size of loans <sup>2</sup>				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1999	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest Rate	7.33	7.62	7.66	6.55	7.16
2000	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest Rate	7.38	7.31	7.29	6.46	6.97
2001	Amount	222,816	497,299	351,893	788,641	1,860,625
	Interest Rate	6.70	6.87	7.22	5.50	6.33
2002	Amount	231,568	554,682	358,287	1,001,883	2,146,420
	Interest Rate	6.21	6.02	6.68	5.04	5.69
2003	Amount	235,875	681,763	369,381	1,060,829	2,347,849
2004	Amount	241,926	736,447	394,321	1,227,685	2,600,378
<b>2005</b>						
Mar.	Amount	238,180	766,116	411,344	1,212,150	2,627,789
June	Amount	245,446	765,875	446,582	1,174,249	2,632,152
Sept.	Amount	274,386	785,092	413,106	1,210,274	2,682,858
Dec.	Amount	245,850	813,559	422,661	1,259,127	2,741,199
<b>2006</b>						
Mar.	Amount	276,077	843,885	436,440	1,261,621	2,818,023

<sup>1</sup> For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Interest rates are weighted averages of each size group. Data on interest rates by size of loan are available only up to September 2003.

<sup>2</sup> Figures quoted in the heading are actual figures, while those in the rest of the Table are in Lm thousands, as indicated.

**TABLE 1.14 DEPOSIT MONEY BANK LOANS  
OUTSTANDING BY ECONOMIC ACTIVITY<sup>1</sup>**

*Lm thousands*

End of Period	Energy & water	Transport, storage & communication	All banking institutions <sup>2</sup>	Agriculture & fisheries	Manufacturing & shiprepair/shipbuilding	Building & construction	Hotel, restaurant & tourist trades	Wholesale & retail trades
1999	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000	101,083	98,396	53,591	19,004	210,971	98,362	235,703	285,419
2001	95,225	107,097	101,419	10,374	202,597	85,169	245,567	295,397
2002	93,590	132,831	84,376	10,321	190,941	91,168	254,872	294,935

End of period	Electricity, gas & water supply	Transport, storage & communication	Financial intermediation	Agriculture & fishing	Manufacturing	Construction	Hotels & restaurants <sup>3</sup>	Wholesale & retail trade; repairs
2003	83,891	135,506	74,835	9,237	184,823	201,132	206,872	288,171
2004	92,136	126,950	63,500	9,923	153,730	217,001	205,569	290,297
<b>2005</b>								
Jan.	88,121	127,198	56,429	9,681	150,703	214,544	209,168	288,927
Feb.	90,793	127,455	56,784	9,684	149,270	217,239	209,351	288,468
Mar.	91,825	129,415	56,247	9,897	142,648	214,177	215,878	297,455
Apr.	90,001	129,252	52,570	9,674	141,674	217,377	214,381	294,723
May	91,342	124,363	54,736	9,093	143,115	207,609	212,267	293,365
June	91,472	121,548	49,152	9,196	140,758	202,428	209,584	294,596
July	53,148	124,504	60,299	9,262	139,276	199,281	206,918	290,232
Aug.	54,307	120,448	64,322	9,181	133,740	200,778	186,552	286,295
Sept.	54,395	122,229	64,740	8,461	135,201	201,244	202,718	296,756
Oct.	58,311	121,322	63,478	8,565	132,104	204,259	203,417	294,701
Nov.	59,033	120,076	63,022	8,551	132,357	207,378	201,765	294,949
Dec.	61,101	123,245	62,311	8,702	131,453	215,637	203,846	296,678
<b>2006</b>								
Jan.	74,310	125,271	60,386	8,766	131,030	218,973	200,789	292,842
Feb.	75,939	126,502	58,684	8,762	133,773	218,537	203,456	290,529
Mar.	76,077	129,472	56,556	8,739	112,256	229,853	208,748	300,647

<sup>1</sup> As from October 2003 includes bills discounted.

<sup>2</sup> As from January 1995 includes Deposit Money Banks and International Banking Institutions.

<sup>3</sup> Excluding related construction activities.

**TABLE 1.14 DEPOSIT MONEY BANK LOANS  
OUTSTANDING BY ECONOMIC ACTIVITY<sup>1</sup> (continued)**

*Lm thousands*

End of period	Personal				Other services <sup>3</sup>	All other	Total local lending	Foreign lending	Total
	House purchases <sup>2</sup>	Consumer durable goods	Other	Total					
1999	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707
2000	137,293	52,959	53,582	243,833	65,828	161,752	1,573,942	8,956	1,582,898
2001	306,722	48,704	87,016	442,442	75,556	179,338	1,840,181	20,444	1,860,625
2002	367,124	43,302	97,897	508,323	81,977	137,594	1,880,928	265,492	2,146,420

End of period	Real estate, renting & business activities	Households & individuals				Other (residual) <sup>3</sup>	Total lending to residents	Lending to non-residents	Total
		Lending for house purchase	Consumer credit	Other lending	Total				
2003	118,472	442,245	36,142	131,568	609,955	60,788	1,973,681	374,168	2,347,849
2004	137,956	539,092	80,882	98,450	718,424	62,113	2,077,600	522,778	2,600,378
<b>2005</b>									
Jan.	142,739	546,866	81,204	97,449	725,518	63,015	2,076,045	505,497	2,581,542
Feb.	143,091	568,520	81,422	89,352	739,294	61,396	2,092,824	516,375	2,609,199
Mar.	151,727	579,093	81,437	87,984	748,514	63,100	2,120,882	506,907	2,627,789
Apr.	145,779	585,148	82,222	85,292	752,662	62,420	2,110,514	496,576	2,607,090
May	137,456	592,975	83,559	87,330	763,864	74,443	2,111,653	508,352	2,620,006
June	153,720	601,913	84,428	88,402	774,743	77,387	2,124,583	507,569	2,632,152
July	154,983	609,848	85,151	90,032	785,031	79,168	2,102,103	512,793	2,614,896
Aug.	175,511	617,183	86,229	90,448	793,860	81,631	2,106,624	513,757	2,620,381
Sept.	182,658	623,023	85,663	91,703	800,389	79,814	2,148,606	534,252	2,682,858
Oct.	182,684	632,316	87,773	93,316	813,405	79,153	2,161,399	538,014	2,699,413
Nov.	183,058	642,772	89,465	90,724	822,960	79,974	2,173,124	535,542	2,708,666
Dec.	190,703	653,136	91,317	92,116	836,569	85,832	2,216,078	525,121	2,741,199
<b>2006</b>									
Jan.	200,956	660,254	91,618	91,615	843,487	84,439	2,241,249	522,493	2,763,743
Feb.	203,839	670,083	90,679	91,955	852,718	82,068	2,254,807	524,752	2,779,559
Mar.	211,253	679,970	92,440	87,050	859,460	106,265	2,299,326	518,697	2,818,024

<sup>1</sup> As from October 2003 includes bills discounted.

<sup>2</sup> Includes lending for the construction, modernisation or extension of dwellings.

<sup>3</sup> Includes mining and quarrying, public administration, education, health and social work, community recreational and personal activities, extra-territorial organisations and bodies.

**TABLE 1.15a LOANS OUTSTANDING  
TO THE PRIVATE AND PUBLIC SECTORS BY CATEGORY<sup>1</sup>**

*Lm thousands*

End of period	Energy & water		Transport, storage & communication		Agriculture & fisheries		Manufacturing	
	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector
1999	910	107,996	33,107	47,279	10,765	-	134,461	22,999
2000	492	100,591	46,358	52,038	19,026	-	154,127	11,204
2001	931	94,294	48,637	58,460	10,357	17	136,204	23,421
2002	679	92,911	46,121	86,710	10,298	23	124,959	22,485
<b>2003</b>								
Mar.	1,000	92,883	46,791	79,837	9,726	7	127,729	18,766
June	325	87,199	47,983	78,960	9,737	10	123,398	16,374
Sept.	383	85,814	43,863	78,259	9,586	2	122,191	19,550

End of period	Shipbuilding & shiprepair	Building & construction		Hotel, restaurant & tourist trades		Wholesale & retail trades	
		Private sector	Public sector	Private sector	Public sector	Private sector	Public sector
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
1999	46,909	94,189	2,666	218,053	2,830	269,119	9
2000	46,897	95,986	2,550	234,173	4,253	285,627	5
2001	43,221	85,169	-	241,877	3,690	295,002	395
2002	44,462	91,161	7	249,129	5,743	294,697	238
<b>2003</b>							
Mar.	44,679	96,670	-	246,340	3,291	297,243	205
June	47,258	100,006	-	240,349	3,357	296,002	274
Sept.	44,383	97,468	1,600	232,089	3,466	289,304	12

End of period	Personal	Other services		All other		Total local lending		
		Private sector	Public sector	Private sector	Public sector	Private sector	Public sector	Total
1998	266,170	54,748	7,822	124,735	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,800	1,524,729
2000	367,921	60,861	5,051	163,447	2,705	1,431,641	221,671	1,653,312
2001	442,442	65,936	9,620	174,853	5,778	1,503,702	236,602	1,740,304
2002	508,323	72,382	9,595	133,771	5,666	1,533,481	265,879	1,799,347
<b>2003</b>								
Mar.	516,722	84,877	7,563	143,728	6,237	1,572,950	251,344	1,824,294
June	533,690	75,609	11,049	148,946	6,227	1,579,639	247,114	1,826,753
Sept.	572,338	81,363	11,142	156,686	2,171	1,604,550	247,120	1,851,670

<sup>1</sup> Loans extended by Deposit Money Banks and International Banking Institutions. Public sector companies comprise entities that are subject to control by Government, control being defined as the ability to determine general corporate policy. Table discontinued as from October 2003.

**TABLE 1.15b DEPOSIT MONEY BANK LOANS TO RESIDENTS**

*analysis by economic activity and by sector*

*Lm thousands*

End of period	Electricity, gas & water supply		Transport, storage & communication		Agriculture & fishing	Financial intermediation	Manufacturing		Construction	
	Public Sector	Private Sector	Public Sector	Private Sector			Public Sector	Private Sector	Public Sector	Private Sector
2003	82,882	1,009	60,071	75,435	9,237	74,835	61,434	123,388	3,900	197,232
2004	91,328	808	58,010	68,941	9,923	63,500	33,719	120,011	3,735	213,266
<b>2005</b>										
Jan.	87,343	778	60,557	66,641	9,681	56,429	32,579	118,124	3,735	210,809
Feb.	90,074	719	59,047	68,408	9,684	56,784	31,988	117,282	3,735	213,504
Mar.	91,084	741	60,803	68,612	9,897	56,247	27,982	114,666	0	214,177
Apr.	89,289	713	60,498	68,754	9,674	52,570	27,232	114,442	57	217,320
May	90,666	677	56,059	68,304	9,093	54,736	27,248	115,867	56	207,552
June	90,249	1,224	54,712	66,836	9,196	49,152	27,210	113,548	61	202,367
July	52,036	1,112	57,493	67,011	9,262	60,299	27,073	112,204	68	199,213
Aug.	53,216	1,091	54,196	66,251	9,181	64,322	27,044	106,696	70	200,707
Sept.	52,743	1,652	54,618	67,611	8,461	64,740	27,650	107,551	71	201,173
Oct.	55,524	2,788	53,400	67,922	8,565	63,478	25,637	106,467	70	204,188
Nov.	56,283	2,750	52,574	67,501	8,551	63,022	25,506	106,851	72	207,306
Dec.	58,073	3,028	55,451	67,793	8,702	62,311	25,008	106,445	72	215,566
<b>2006</b>										
Jan.	72,195	2,115	56,198	69,073	8,766	60,386	24,944	106,086	71	218,902
Feb.	73,804	2,135	56,921	69,581	8,762	58,684	24,960	108,813	70	218,467
Mar.	73,909	2,168	57,977	71,495	8,739	56,556	2,420	109,836	70	229,783

End of period	Hotels & restaurants		Wholesale & retail trade; repairs	Households & individuals	Real estate, renting & business activities		Other <sup>1</sup>		Total lending to residents	
	Public Sector	Private Sector			Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector
2003	2,893	203,979	288,171	609,955	1,138	117,334	11,278	49,510	225,129	1,748,552
2004	2,286	203,283	290,297	718,424	12,572	125,384	9,821	52,293	211,572	1,866,028
<b>2005</b>										
Jan.	2,284	206,884	288,927	725,519	12,845	129,894	11,201	51,813	210,608	1,865,437
Feb.	2,359	206,993	288,468	739,294	12,821	130,270	10,146	51,250	210,178	1,882,646
Mar.	2,305	213,573	297,455	748,514	16,997	134,730	11,396	51,704	210,578	1,910,304
Apr.	2,311	212,070	294,723	752,662	16,128	129,651	10,894	51,526	206,418	1,904,095
May	2,301	209,966	293,365	763,864	4,574	132,882	22,394	52,049	203,310	1,908,343
June	2,181	207,403	294,596	774,743	4,732	148,988	23,696	53,691	202,862	1,921,721
July	2,141	204,777	290,232	785,031	4,658	150,326	23,160	56,008	166,656	1,935,447
Aug.	2,086	184,465	286,295	793,860	4,582	170,930	25,793	55,837	167,010	1,939,614
Sept.	2,107	200,611	296,756	800,389	4,001	178,657	26,130	53,684	167,334	1,981,272
Oct.	1,943	201,474	294,701	813,405	3,836	178,847	26,160	52,993	166,575	1,994,824
Nov.	1,966	199,799	294,949	822,960	3,801	179,257	26,093	53,882	166,306	2,006,818
Dec.	1,945	201,901	296,678	836,569	1,058	189,645	30,599	55,233	172,207	2,043,871
<b>2006</b>										
Jan.	1,198	199,590	292,842	843,487	1,774	199,183	30,568	53,871	186,949	2,054,301
Feb.	1,246	202,210	290,529	852,718	1,773	202,066	27,814	54,254	186,600	2,068,207
Mar.	1,296	207,452	300,647	859,460	1,792	209,461	51,237	55,028	188,700	2,110,626

<sup>1</sup> Includes loans to mining and quarrying, public administration, education, health and social work, community and recreational and personal service activities and to extraterritorial bodies and organisations.

**TABLE 1.16 NET FOREIGN ASSETS OF  
THE MONETARY FINANCIAL INSTITUTIONS<sup>1</sup>**

*Lm thousands*

End of period	Central Bank of Malta							Total (A)
	Foreign Assets				Foreign liabilities	Net	Government & parastatal companies <sup>4</sup>	
	Gold <sup>2</sup>	Convertible currencies	IMF-related assets <sup>3</sup>	Total foreign assets				
1999	737	704,084	35,517	740,339	-	740,339	-	740,339
2000	452	606,771	36,940	644,163	3,655	640,508	-	640,508
2001	629	721,936	37,863	760,428	-	760,428	-	760,428
2002	473	842,862	37,512	880,847	6,987	873,860	-	873,860

End of period	Central Bank of Malta					
	Foreign Assets				Foreign Liabilities	Net Foreign Assets (A)
	Gold	IMF-related assets	Other	Total		
2003	624	67,117	910,851	978,592	58,751	919,841
2004	604	65,679	837,691	903,974	33,681	870,293
<b>2005</b>						
Jan.	607	66,286	828,657	895,550	39,266	856,284
Feb.	617	66,077	826,961	893,655	37,965	855,690
Mar.	615	66,334	797,672	864,621	38,410	826,212
Apr.	640	66,403	782,833	849,875	35,284	814,591
May	627	67,809	788,557	856,993	38,425	818,568
June	688	68,106	790,320	859,115	40,001	819,114
July	673	67,852	823,086	891,611	35,263	856,347
Aug.	673	68,043	859,726	928,442	35,464	892,979
Sept.	747	68,287	877,842	946,876	35,164	911,712
Oct.	756	68,237	912,623	981,616	37,140	944,477
Nov.	809	68,651	908,370	977,829	41,454	936,375
Dec.	837	69,522	899,953	970,311	37,714	932,598
<b>2006</b>						
Jan.	1,302	69,063	875,453	945,819	39,389	906,430
Feb.	1,509	69,751	875,482	946,742	38,873	907,869
Mar.	1,540	69,251	840,791	911,581	39,773	871,808

<sup>1</sup> On accrual basis.

<sup>2</sup> Includes small amounts of other precious metals.

<sup>3</sup> Includes IMF reserve position and holdings of SDRs.

<sup>4</sup> Comprises customers' foreign currency deposits and sinking funds held with the Central Bank of Malta and other official funds held with the Treasury.

**TABLE 1.16 NET FOREIGN ASSETS OF  
THE MONETARY FINANCIAL INSTITUTIONS<sup>1</sup>**

*(continued)*

*Lm thousands*

End of period	Deposit money banks <sup>2</sup>			Total (A+B)	International banking institutions <sup>2</sup>			Grand total (A+B+C)
	Assets <sup>3</sup>	Liabilities	Net (B)		Assets	Liabilities	Net (C)	
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000	816,746	690,013	126,733	770,896	2,738,724	2,535,186	203,538	974,434
2001	828,701	722,868	105,833	866,261	2,444,196	2,226,910	217,286	1,083,546
2002	1,299,603	1,038,562	261,041	1,134,901	2,456,089	2,297,394	158,695	1,293,596
2003	1,587,136	1,077,630	509,506	1,429,347	2,917,645	2,748,650	168,995	1,598,342
2004	1,894,746	1,353,387	541,359	1,411,652	3,775,464	3,561,382	214,082	1,625,734
<b>2005</b>								
Jan.	1,896,610	1,340,362	556,248	1,412,531	3,804,711	3,585,654	219,057	1,631,588
Feb.	1,882,912	1,352,177	530,734	1,386,424	3,802,836	3,588,293	214,543	1,600,968
Mar.	1,859,182	1,325,303	533,879	1,360,090	3,950,433	3,738,429	212,003	1,572,093
Apr.	1,856,744	1,296,132	560,612	1,375,203	4,032,978	3,820,149	212,829	1,588,033
May	1,915,337	1,345,978	569,359	1,387,927	4,242,944	4,049,831	193,113	1,581,040
June	1,948,314	1,356,496	591,818	1,410,932	4,338,105	4,130,079	208,026	1,618,959
July	1,943,201	1,337,873	605,328	1,461,675	4,472,005	4,254,489	217,516	1,679,191
Aug.	1,963,671	1,379,868	583,804	1,476,782	4,784,113	4,564,874	219,239	1,696,021
Sept.	2,009,405	1,425,463	583,942	1,495,653	5,739,469	5,490,470	248,999	1,744,653
Oct.	2,048,393	1,491,350	557,043	1,501,520	5,723,684	5,475,948	247,736	1,749,256
Nov.	2,021,500	1,468,992	552,509	1,488,884	5,491,945	5,239,821	252,124	1,741,008
Dec.	2,073,993	1,530,313	543,681	1,476,279	6,228,893	5,895,677	333,216	1,809,495
<b>2006</b>								
Jan.	2,037,601	1,511,319	526,283	1,432,712	6,482,262	6,147,230	335,032	1,767,744
Feb.	2,030,317	1,500,169	530,148	1,438,017	6,827,643	6,489,945	337,698	1,775,714
Mar.	2,013,313	1,478,641	534,672	1,406,480	7,060,118	6,700,287	359,831	1,766,311

<sup>1</sup> On accrual basis.

<sup>2</sup> For the purposes of this Table only, the amounts of HSBC Overseas Bank (Malta) Ltd (up to November 2002) and Bank of Valletta International Ltd (up to August 2001), i.e. the offshore subsidiaries of HSBC Bank Malta plc and Bank of Valletta plc, respectively, are classified with the Deposit Money Banks and not with the International Banking Institutions, as in other Tables.

<sup>3</sup> A re-classification exercise, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the monetary data as from that date. This resulted in an increase in the deposit money banks' net foreign assets.

**TABLE 1.17 FINANCIAL MARKETS**

	2001	2002	2003	2004	2005				2006
					Mar.	June	Sept.	Dec.	Mar.
<b>INTEREST RATES (%)</b>									
<b>Central Bank of Malta</b>									
Central intervention rate	4.25	3.75	3.00	3.00	3.00	3.25	3.25	3.25	3.25
Money market intervention rates:									
Term deposit rate	4.22	3.70	2.95	2.95	2.95	3.20	3.20	3.20	3.20
Reverse repo rate	4.29	3.80#	3.05#	3.05#	3.00	3.27	3.30#	3.30#	3.30#
Rate on standby (collateralised) loans	4.80	4.30	3.55	4.50	4.50	4.75	4.25	4.25	4.25
Rate on overnight deposits	1.30	0.80	0.30	1.50	1.50	1.75	2.25	2.25	2.25
Remuneration on required reserves	2.70	2.70	2.70	2.75	2.75	3.00	3.00	3.00	3.00
<b>Interbank market offered rates</b>									
Overnight	3.65	3.73*	2.95	2.95	2.95	3.21	3.24	3.18	3.15
1 week	4.25	3.76*	2.96	2.95	2.95	3.24	3.26	3.27*	3.25
1 month	4.58*	3.80*	2.98*	2.98	2.98	3.25	3.26	3.29*	3.32*
3 month	4.82*	3.90*	3.00*	3.01*	3.01*	3.29*	3.30*	3.32*	3.34
<b>Deposit Money Banks</b>									
Weighted average deposit rate	3.96	3.49	2.46	2.04	2.01	2.08	2.11	2.13	2.17
Current deposits	1.48	1.12	0.44	0.47	0.46	0.42	0.45	0.45	0.50
Savings deposits	2.22	1.80	1.01	0.95	0.95	1.17	1.17	1.17	1.17
Time deposits	4.98	4.39	3.45	2.87	2.84	2.90	2.94	2.97	3.00
Weighted average lending rate	6.50	6.07	5.29	5.33	5.39	5.59	5.55	5.48	5.47
<b>Government securities</b>									
Treasury bills (Primary Market)									
1 month	4.80	-	-	2.96	-	3.26	3.26	-	-
3 month	4.53	3.67	2.94	2.96	2.98	3.27	3.26	3.22	3.20
6 month	5.04	3.80	2.93	2.97	2.98	3.28	3.26	3.23	3.23
1 year	-	-	-	2.97	-	3.50	3.40	3.22	3.46
Treasury bills (Secondary Market)									
1 month	4.43	3.70	2.95	2.95	2.96	3.26	3.26	3.20	3.20
3 month	4.53	3.70	2.94	2.96	2.98	3.27	3.26	3.22	3.20
6 month	4.66	3.74	2.93	2.97	2.98	3.28	3.26	3.27	3.23
1 year	4.73	4.04	2.98	2.97	3.29	3.51	3.40	3.32	3.46
Malta Government stocks									
2 year	-	-	3.39	3.21	3.30	3.55	3.53	3.30	3.39
5 year	5.40	5.15	4.37	4.26	4.21	3.88	3.74	3.65	3.63
10 year	6.15	5.43	4.71	4.70	4.72	4.56	4.41	4.38	4.35
15 year	6.44	5.86	4.96	4.97	4.96	4.96	4.96	4.96	4.38
<b>MSE SHARE INDEX</b>	<b>2,200</b>	<b>1,871</b>	<b>2,126</b>	<b>3,069</b>	<b>3,442</b>	<b>3,431</b>	<b>3,938</b>	<b>4,981</b>	<b>6,509</b>

Note: # denotes the corridor linked to the central intervention rate.

\* denotes Central Bank of Malta fixing rate average.

- denotes that no transactions occurred during the quarter.

**TABLE 2.1 CENTRAL GOVERNMENT REVENUE AND EXPENDITURE<sup>1</sup>**

*Lm millions*

Period	Revenue			Expenditure			Deficit(-)/ Surplus(+)	Financing			Residual
	Ordinary <sup>2,3</sup>	Foreign Grants	Total	Recurrent <sup>2,4</sup>	Capital	Total		Local <sup>5</sup>	Foreign <sup>6</sup>	Total	
1999	504.6	9.7	514.3	522.1	106.1	628.2	-113.9	149.0	-4.2	144.8	30.9
2000	554.1	9.5	563.7	550.3	98.6	648.9	-85.2	15.6	-4.4	11.3	-73.9
2001	607.6	1.4	608.9	613.6	80.6	694.2	-85.3	113.7	2.4	116.1	30.8
2002	656.7	2.7	659.5	649.5	97.7	747.1	-87.7	33.7	5.6	39.3	-48.4
2003	673.9	2.5	676.4	677.9	104.0	781.9	-105.4	95.7	25.8	121.5	16.1
2004	719.5	30.3	749.8	739.2	104.6	843.8	-94.0	89.2	-7.2	82.0	-12.0
2005	764.3	67.0	831.3	775.6	131.0	906.6	-75.3	128.7	-6.9	121.8	46.5
<b>2005</b>											
Jan.	42.2	3.7	45.9	75.3	9.4	84.7	-38.8	-	-	-	-38.8
Feb.	43.4	5.8	49.1	52.6	4.4	56.9	-7.8	-	-	-	-7.8
Mar.	54.5	7.6	62.0	62.0	14.7	76.7	-14.7	40.0	-	40.0	25.3
Apr.	64.8	0.2	65.0	64.1	9.5	73.6	-8.6	-	-	-	-8.6
May	58.8	6.0	64.8	73.4	14.7	88.1	-23.3	37.8	-3.5	34.3	11.1
June	63.0	3.9	66.9	54.6	14.0	68.6	-1.7	-	-	-	-1.7
July	60.5	4.2	64.7	63.1	6.1	69.2	-4.5	1.1	-	1.1	-3.4
Aug.	76.6	3.8	80.4	58.8	13.4	72.2	8.2	33.5	-	33.5	41.7
Sept.	64.7	5.2	69.9	57.2	7.0	64.2	5.7	-	-	-	5.7
Oct.	66.0	7.9	73.8	63.6	6.8	70.4	3.4	-	-	-	3.4
Nov.	53.1	6.6	59.7	61.9	9.2	71.1	-11.4	16.5	-3.4	13.1	1.6
Dec.	116.9	12.1	129.0	89.0	21.9	110.9	18.1	-0.2	-	-0.2	17.9
<b>2006</b>											
Jan.	45.9	3.7	49.6	65.8	8.0	73.9	-24.2	-	-	-	-24.2
Feb.	48.2	3.8	52.0	62.2	5.5	67.7	-15.8	-	-	-	-15.8
Mar.	59.0	3.8	62.8	69.0	14.4	83.4	-20.6	25.0	-	25.0	4.4

<sup>1</sup> Comprise government budgetary operations through the Consolidated Fund only.

<sup>2</sup> Government contributions to the social security account in terms of the Social Security Act, 1987 are excluded.

<sup>3</sup> Excludes foreign loans, revenues from sales of stocks and shares and from the sinking fund of converted loans.

<sup>4</sup> Excludes loan capital repayments and contributions to sinking funds.

<sup>5</sup> Includes revenues from sales of stocks and shares and from the sinking funds of converted loans less contributions to sinking funds and repayment of domestic loans.

<sup>6</sup> Includes foreign loans less contributions to the sinking fund and repayment of foreign loans.

Source: *Financial Report, Comparative Return of Revenue and Expenditure, The Treasury.*

**TABLE 2.2 CENTRAL GOVERNMENT REVENUE BY MAJOR SOURCES<sup>1</sup>***Lm millions*

Period	Tax revenue						Non-tax revenue <sup>4</sup>	Ordinary revenue	Foreign grants	Total revenue
	Income tax	National insurance contributions <sup>2</sup>	VAT & CET <sup>3</sup>	Licences, taxes & fines	Customs & excise	Total				
1999	128.4	96.2	85.0	68.0	55.4	433.0	71.6	504.6	9.7	514.3
2000	149.5	108.1	104.1	70.4	55.1	487.2	66.9	554.1	9.5	563.7
2001	166.3	119.4	114.7	72.8	60.9	534.1	73.5	607.6	1.4	608.9
2002	190.2	120.8	117.5	86.0	59.8	574.3	82.4	656.7	2.7	659.5
2003	205.2	125.6	123.9	89.2	61.6	605.5	68.4	673.9	2.5	676.4
2004	211.2	126.5	141.6	97.3	62.3	638.8	80.7	719.5	30.3	749.8
2005	221.8	130.4	168.3	89.0	65.7	675.2	89.2	764.3	67.0	831.3
<b>2005</b>										
Jan.	6.3	5.7	11.9	6.4	2.9	33.2	9.0	42.2	3.7	45.9
Feb.	7.6	8.4	10.4	4.8	3.3	34.4	9.0	43.4	5.8	49.1
Mar.	8.4	10.2	15.3	8.1	5.9	47.9	6.6	54.5	7.6	62.0
Apr.	21.7	10.1	12.9	8.3	5.6	58.7	6.1	64.8	0.2	65.0
May	15.1	10.2	10.7	6.4	5.4	47.7	11.1	58.8	6.0	64.8
June	18.2	9.9	15.7	9.2	5.3	58.3	4.7	63.0	3.9	66.8
July	14.7	8.8	14.3	7.2	6.5	51.5	9.0	60.5	4.2	64.7
Aug.	29.1	13.0	13.0	7.0	6.4	68.5	8.1	76.6	3.8	80.4
Sept.	18.6	11.5	17.4	8.2	6.0	61.7	3.1	64.7	5.2	69.9
Oct.	16.8	10.3	16.7	7.5	6.8	58.0	7.9	66.0	7.9	73.8
Nov.	12.7	11.0	12.6	7.0	5.8	49.1	4.0	53.1	6.6	59.7
Dec.	52.5	21.3	17.6	8.9	6.0	106.2	10.6	116.9	12.1	129.0
<b>2006</b>										
Jan.	7.0	5.4	14.5	7.8	4.7	39.4	6.5	45.9	3.7	49.6
Feb.	8.5	10.0	9.5	6.7	5.0	39.7	8.5	48.2	3.8	52.0
Mar.	10.0	10.0	16.4	8.3	5.4	50.0	9.0	59.0	3.8	62.8

<sup>1</sup> Excluding Extra Budgetary Units.<sup>2</sup> Government contributions to the social security account in terms of the Social Security Act, 1987 are excluded.<sup>3</sup> Value Added Tax, Customs & Excise Tax.<sup>4</sup> Includes fees of office, Central Bank of Malta profits, reimbursements, rents, dividends on investments and miscellaneous receipts.*Source: Financial Report, Comparative Return of Revenue and Expenditure, The Treasury.*

**TABLE 3.1a GROSS CENTRAL GOVERNMENT<sup>1</sup> DEBT AND  
GOVERNMENT GUARANTEED DEBT OUTSTANDING**

*Lm millions*

End of period	Domestic securities <sup>1</sup>			Loans <sup>3</sup>	Total government debt	Government guaranteed debt <sup>4</sup>
	Treasury bills	Malta Government stocks <sup>2</sup>	Total			
1999	83.3	712.2	795.5	44.3	839.9	456.5
2000	173.0	712.7	885.7	39.3	925.0	445.2
2001	159.5	812.9	972.3	40.4	1,012.7	394.7
2002	218.8	813.0	1,031.9	45.1	1,077.0	355.5
2003	232.3	913.0	1,145.3	114.5	1,259.8	272.6
2004	245.4	1,014.7	1,260.1	95.2	1,355.3	302.9
<b>2005</b>						
Mar.	239.3	1,054.7	1,294.0	94.8	1,388.8	299.2
June	215.3	1,091.5	1,306.8	93.6	1,400.4	297.0
Sept.	174.5	1,125.0	1,299.5	93.4	1,392.9	326.7
Dec.	190.2	1,125.3	1,315.6	90.1	1,405.7	307.9
<b>2006</b>						
Mar.	179.0	1,150.3	1,329.3	89.8	1,419.2	303.0

<sup>1</sup> Not consolidated with holdings of debt instruments by the Malta Government Sinking Fund and Extra Budgetary Units.

<sup>2</sup> Including local development registered stocks.

<sup>3</sup> Includes domestic and foreign loans.

<sup>4</sup> Represents outstanding balances on government guaranteed debt. Excludes guarantees on the MIGA and IBRD positions. Also excludes government guarantees on foreign loans taken by the Central Bank of Malta on behalf of the Malta Government since they already feature in the calculation of government foreign debt. Excludes state guarantees on ex-Malta Drydocks and ex-Malta Shipbuilding loans but includes guarantees on loans to Extra Budgetary Units.

Sources: MSE; Ministry of Finance; The Treasury.

**TABLE 3.1b GROSS GENERAL GOVERNMENT DEBT OUTSTANDING<sup>1</sup>***Lm millions*

End of period	General government						
	Central government					Local councils	Total general government debt <sup>1</sup>
	Treasury bills <sup>2</sup>	Malta Government stocks <sup>2</sup>	Loans <sup>3</sup>	Extra budgetary units	Central government debt		
1999	79.1	704.9	44.2	56.7	885.0	0.3	885.3
2000	140.5	696.3	40.2	73.1	950.1	0.3	950.4
2001	156.0	805.9	40.5	70.1	1,072.5	0.4	1,072.9
2002	189.9	805.6	45.2	59.3	1,100.0	0.5	1,100.5
2003	232.3	906.7	114.5	50.5	1,304.0	0.7	1,304.7
2004 <sup>4</sup>	245.4	1,011.1	95.3	42.3	1,394.0	0.7	1,394.7
2005 <sup>4</sup>	190.2	1,121.6	90.1	37.1	1,439.1	0.7	1,439.8

<sup>1</sup> In line with the Maastricht convergence criteria, which define general government debt as the total gross debt at nominal value outstanding at the end of the year and consolidated between and within all sectors of general government.

<sup>2</sup> Consolidated with the Malta Government Sinking Fund and other sectors within the general government sector.

<sup>3</sup> Includes domestic and foreign loans.

<sup>4</sup> Half finalised.

Source: Eurostat.

**TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING<sup>1</sup>***Lm thousands*

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs	Others <sup>2</sup>	Total	MFIs <sup>2</sup>	Others <sup>2</sup>	Total
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2001	470,335	317,377	160,304	477,681	137,423	22,036	159,459
2002	644,964	554,354	165,914	720,268	159,689	59,142	218,831
2003	712,638	607,680	124,413	732,093	198,271	34,015	232,286
2004	595,730	502,298	106,501	608,799	200,373	44,982	245,355
<b>2005</b>							
Jan.	40,000	14,820	14,141	28,961	184,001	50,315	234,316
Feb.	47,000	61,000	9,797	70,797	208,530	49,583	258,113
Mar.	36,520	8,151	9,562	17,713	202,683	36,623	239,306
Apr.	33,203	33,418	3,382	36,800	210,650	32,253	242,903
May	48,697	10,000	2,015	12,015	184,067	22,154	206,221
June	51,480	58,500	2,066	60,566	197,308	17,999	215,307
July	64,810	39,522	14,687	54,209	175,090	29,616	204,706
Aug.	32,006	17,774	3,647	21,421	167,592	26,529	194,121
Sept.	48,267	21,000	7,626	28,626	147,514	26,966	174,480
Oct.	49,339	38,782	16,218	55,000	147,786	32,355	180,141
Nov.	34,471	17,621	9,717	27,338	134,900	38,108	173,008
Dec.	31,394	36,146	12,463	48,609	150,906	39,317	190,223
<b>2006</b>							
Jan.	52,000	19,400	13,627	33,027	129,568	41,682	171,250
Feb.	35,338	18,996	24,656	43,652	122,413	57,151	179,564
Mar.	45,848	20,327	24,942	45,269	114,718	64,267	178,985

<sup>1</sup> Amounts are at nominal prices.<sup>2</sup> Includes the Malta Government Sinking Fund.<sup>3</sup> On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million, and on 27 November 2002 this was raised further to Lm300 million.

**TABLE 3.3 MALTA GOVERNMENT STOCKS OUTSTANDING<sup>1</sup>**  
*as at end-March 2006*

*Lm thousands*

Coupon rate	Year of maturity	Year of issue	Issue price (Lm)	Interest dates	Held by		Amount
					MFI's	Others	
7.00 %	2006	1994	100	19/05 - 19/11	2,063	7,937	10,000
7.00 %	2006 (IV) <sup>2</sup>	1996	100	30/06 - 30/12	-	167	167
7.25 %	2006 (II)	1996	100	01/02 - 01/08	7,665	11,585	19,250
7.25 %	2006 (III)	1996	100	20/01 - 20/07	8,336	6,664	15,000
7.35 %	2007	1997	100	18/04 - 18/10	17,304	7,446	24,750
5.90 %	2007 (II)	1999	100	23/04 - 23/10	9,021	979	10,000
5.60 %	2007 (III)	2000	100	10/06 - 10/12	23,073	12,177	35,250
7.20 %	2008	1998	100	10/06 - 10/12	8,820	1,180	10,000
7.20 %	2008 (II)	1998	100	28/02 - 28/08	20,766	9,234	30,000
7.00 %	2009	1999	100	30/06 - 30/12	-	65	65
5.90 %	2009 (II)	1999	100	01/03 - 01/09	14,305	10,695	25,000
5.90 %	2009 (III)	2000/2005	100/107.8	30/03 - 30/09	55,492	8,808	64,300
5.90 %	2010	1999	100	19/05 - 19/11	13,662	1,338	15,000
5.75 %	2010 (II)	2000	100	10/06 - 10/12	16,547	1,953	18,500
7.00 %	2010 (III) <sup>2</sup>	2000	100	30/06 - 30/12	-	545	545
5.40 %	2010 (IV)	2003/2004	100/104.5	21/02 - 21/08	9,930	38,070	48,000
7.50 %	2011	1996	100	28/03 - 28/09	7,468	7,532	15,000
6.25 %	2011 (II)	2001	100	01/08 - 01/02	20,722	19,278	40,000
7.00 %	2011 (III) <sup>2</sup>	2002	100	30/06 - 30/12	-	125	125
7.80 %	2012	1997	100	24/05 - 24/11	10,888	23,612	34,500
7.00 %	2012 (II) <sup>2</sup>	2002	100	10/06 - 30/12	-	176	176
5.70 %	2012 (III) FI <sup>3</sup>	2005	100/108/108.5/109.7	30-31/03 - 30-31/09	60,374	55,626	116,000
7.80 %	2013	1997	100	18/04 - 18/10	10,663	23,587	34,250
6.35 %	2013 (II)	2001	100	19/05 - 19/11	687	25,313	26,000
7.00 %	2013 (III)	2003	100	30/06 - 30/12	-	67	67
6.60 %	2014	2000	100	30/03 - 30/09	932	9,568	10,500
5.10 %	2014 (III)	2003/2004	100/103.25	06/01 - 06/07	10,415	36,585	47,000
6.45 %	2014 (II)	2001	100	24/05 - 24/11	7,753	22,247	30,000
7.00 %	2014 (IV) <sup>2</sup>	2004	100	30/06 - 30/12	-	1,719	1,719
6.10 %	2015	2000	100	10/06 - 10/12	9,490	20,510	30,000
5.90 %	2015 (II) FI <sup>3</sup>	2002/2003	100/102	09/04 - 09/10	777	39,423	40,200
7.00 %	2015 (III)	2005	100	30/06 - 30/12	-	291	291
7.00 %	2015	2005	100	03/05 - 03/11	-	345	345
6.65 %	2016	2001	100	28/03 - 28/09	2,888	27,112	30,000
4.80 %	2016 (II) FI <sup>3</sup>	2006	104	26/05 - 26/11	1,697	23,303	25,000
4.80 %	2016 (II) FI <sup>3</sup>	2003/2004	100/101	26/05 - 26/11	15,093	39,907	55,000
7.80 %	2018	1998	100	15/01 - 15/07	16,301	53,699	70,000
6.60 %	2019	1999	100	01/03 - 01/09	11,880	32,120	44,000
5.00 %	2021 FI(I)FI <sup>3</sup>	2004/2005	100	08-09/02 - 08-09/08	6,867	103,133	110,000
5.10 %	2022	2004	100	16/02 - 16/08	970	29,530	30,500
5.50 %	2023	2003	100	06/01 - 06/07	227	33,606	33,833
Total					403,076	747,257	1,150,333

<sup>1</sup> Amounts are at nominal prices.

<sup>2</sup> Coupons are reviewable every 2 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 Lm110 per Lm100 nominal.

<sup>3</sup> Fungible. That is, the Accountant General reserves the right to issue, in future, additional tranches of the present stock. In the event of such future issues, these would be amalgamated with the existing stock.

Source: MSE.

**TABLE 3.4 MALTA GOVERNMENT STOCKS OUTSTANDING  
BY REMAINING TERM TO MATURITY<sup>1</sup>**

*Lm thousands*

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
1999	79,000	221,202	199,232	98,750	114,000	712,184
2000	53,800	214,902	205,777	124,250	114,000	712,729
2001	66,450	192,869	244,285	195,250	114,000	812,854
2002	48,900	213,969	255,211	180,950	114,000	813,030
2003	44,552	209,417	310,528	270,700	77,833	913,030
2004	55,000	243,782	342,382	269,200	104,333	1,014,697
<b>2005</b>						
Mar.	99,417	281,410	350,537	199,000	124,333	1,054,697
June	75,917	281,410	385,537	199,000	149,333	1,091,197
Sept.	44,417	281,409	425,828	199,000	174,333	1,124,987
Dec.	44,417	281,409	426,174	199,000	174,333	1,125,333
<b>2006</b>						
Mar.	44,417	281,409	426,174	224,000	174,333	1,150,333

<sup>1</sup> 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 current end-year.

Sources: Central Bank of Malta; MSE.

**TABLE 3.5 CENTRAL GOVERNMENT EXTERNAL LOANS  
BY TYPE OF CREDITOR**

*Lm thousands*

End of period	Official bilateral entities <sup>1</sup>	Official multilateral organisations <sup>2</sup>	Private commercial banks <sup>3</sup>	Total
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001	20,037	18,915	1,426	40,378
2002	16,504	28,130	465	45,099
2003	13,595	59,021	-	72,616
2004	11,206	57,365	-	68,571
2005	9,535	55,703	-	65,238
<b>2006<sup>4</sup></b>				
Mar.	9,308	55,653	-	64,961

<sup>1</sup> Bilateral loans are loans from governments and their agencies (including central banks) and loans from autonomous bodies.

<sup>2</sup> Multilateral organisations include the World Bank, regional development banks and other multilateral and inter-governmental agencies.

<sup>3</sup> Commercial bank loans from private banks or financial institutions.

<sup>4</sup> Provisional.

Note: Converted into Maltese liri using the closing Central Bank of Malta midpoint rate as at the end of the reference period.

Sources: Central Bank of Malta; The Treasury.

**TABLE 3.6 CENTRAL GOVERNMENT EXTERNAL LOANS  
BY CURRENCY**

*Lm thousands*

End of period	FFR	GBP	DM	JPY	EUR	USD	LIT	Others	Total
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001	-	-	1,310	1,426	14,184	14,181	8,530	747	40,378
2002	-	-	-	465	39,734	4,764	-	136	45,099
2003	-	289	-	917	63,789	7,485	-	136	72,616
2004	-	185	-	611	62,369	5,277	-	129	68,571
2005	-	124	-	424	59,964	4,582	-	144	65,238
<b>2006</b> <sup>1</sup>	-	-	-	-	-	-	-	-	-
Mar.	-	123	-	415	59,887	4,399	-	137	64,961

<sup>1</sup> Provisional.

Note: Converted into Maltese liri using the closing Central Bank of Malta midpoint rate as at the end of the reference period.

Sources: Central Bank of Malta; The Treasury.

**TABLE 3.7 CENTRAL GOVERNMENT EXTERNAL LOANS  
BY REMAINING TERM TO MATURITY<sup>1</sup>**

*Lm thousands*

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001	586	13,356	11,759	12,249	1,207	1,221	40,378
2002	514	13,172	6,851	22,160	1,194	1,208	45,099
2003	464	11,257	6,582	53,111	-	1,202	72,616
2004	647	12,396	8,658	45,708	129	1,033	68,571
2005	7,298	4,146	8,299	44,369	144	982	65,238
<b>2006</b> <sup>2</sup>	-	-	-	-	-	-	-
Mar.	8,208	3,068	8,218	44,369	137	961	64,961

<sup>1</sup> With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the current end-year.

<sup>2</sup> Provisional.

Note: Converted into Maltese liri using the closing Central Bank of Malta midpoint rate as at the end of the reference period.

Sources: Central Bank of Malta; The Treasury.

**TABLE 4.1 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**  
*end of period closing middle rates*

Period	EUR	USD	GBP	JPY	SFR	AUD	CAD
2002	0.4182	2.5074	1.5553	297.66	3.4748	4.4398	3.9531
2003	0.4317	2.9197	1.6351	312.16	3.6104	3.8859	3.7692
2004	0.4343	3.1393	1.6252	321.71	3.5536	4.0301	3.7866
2005	0.4293	2.7570	1.6012	323.95	3.6230	3.7588	3.2072
<b>2005</b>							
Oct	7 0.4293	2.8206	1.6006	321.07	3.6150	3.7264	3.3323
	14 0.4293	2.8025	1.5950	321.01	3.6141	3.7214	3.3168
	21 0.4293	2.8028	1.5782	323.61	3.6005	3.7297	3.3055
	28 0.4293	2.8204	1.5850	325.40	3.5997	3.7464	3.3043
Nov.	4 0.4293	2.7929	1.5779	327.95	3.5950	3.7763	3.2827
	11 0.4293	2.7259	1.5664	321.54	3.5832	3.7256	3.2496
	18 0.4293	2.7294	1.5922	325.32	3.6048	3.7286	3.243
	25 0.4293	2.7414	1.5929	327.41	3.6031	3.718	3.203
Dec.	2 0.4293	2.7320	1.5741	329.71	3.5981	3.6641	3.1731
	9 0.4293	2.7485	1.5678	331.06	3.5856	3.6585	3.1864
	16 0.4293	2.7888	1.5772	324.60	3.6049	3.7552	3.2261
	23 0.4293	2.7662	1.5915	322.14	3.6250	3.7893	3.2264
	30 0.4293	2.7570	1.6012	323.95	3.6230	3.7588	3.2072
<b>2006</b>							
Jan.	6 0.4293	2.8352	1.6061	325.40	3.5955	3.7742	3.3077
	13 0.4293	2.8105	1.5875	321.81	3.6085	3.7370	3.2577
	20 0.4293	2.8170	1.5967	324.03	3.6123	3.7579	3.2622
	27 0.4293	2.8464	1.5939	331.28	3.6141	3.7788	3.2745
Feb.	3 0.4293	2.7955	1.5818	333.08	3.6232	3.7303	3.2102
	9 0.4293	2.7909	1.6023	330.48	3.6258	3.7738	3.2016
	17 0.4293	2.7665	1.5935	327.95	3.6394	3.7596	3.1975
	24 0.4293	2.7717	1.5851	323.75	3.6369	3.7445	3.1944
Mar.	3 0.4293	2.8040	1.5959	326.28	3.6396	3.7607	3.1792
	10 0.4293	2.7732	1.6028	329.02	3.6525	3.7789	3.2256
	17 0.4293	2.8376	1.6166	328.92	3.6655	3.8883	3.2792
	24 0.4293	2.7874	1.6075	329.47	3.6742	3.9373	3.2541
	30 0.4293	2.8154	1.6178	330.56	3.6702	3.9515	3.2831

<sup>1</sup> All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the euro, for which the rate denotes units of Maltese lira per one euro.

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES**  
*averages for the period<sup>1</sup>*

Period	EUR	USD	GBP	JPY	SFR	AUD	CAD
2002	0.4087	2.3100	1.5378	288.87	3.5899	4.2473	3.6261
2003	0.4261	2.6543	1.6237	307.39	3.5683	4.0806	3.7134
2004	0.4279	2.9061	1.5853	314.19	3.6085	3.9469	3.7801
2005	0.4299	2.8959	1.5910	318.35	3.6015	3.7978	3.5121
<b>2005</b>							
Jan.	0.4323	3.0375	1.6163	313.64	3.5787	3.9668	3.7166
Feb.	0.4310	3.0233	1.6008	317.03	3.5965	3.8701	3.7441
Mar.	0.4317	3.0590	1.6044	321.60	3.5885	3.8929	3.7222
Apr.	0.4299	3.0101	1.5884	322.99	3.5995	3.8944	3.7178
May	0.4293	2.9564	1.5930	315.30	3.5989	3.8604	3.7147
June	0.4293	2.8337	1.5579	307.93	3.5848	3.6956	3.5206
July	0.4293	2.8055	1.6016	313.98	3.6293	3.7285	3.4338
Aug.	0.4293	2.8623	1.5970	316.96	3.6178	3.7612	3.4541
Sept.	0.4293	2.8532	1.5788	316.88	3.6099	3.7292	3.3657
Oct.	0.4293	2.7997	1.5877	321.52	3.6085	3.7127	3.2952
Nov.	0.4293	2.7471	1.5828	325.25	3.5991	3.7355	3.2487
Dec.	0.4293	2.7631	1.5829	327.09	3.6070	3.7263	3.2118
<b>2006</b>							
Jan.	0.4293	2.8233	1.5983	325.81	3.6082	3.7644	3.2703
Feb.	0.4293	2.7825	1.5913	327.91	3.6302	3.7514	3.1988
Mar.	0.4293	2.7992	1.6047	328.18	3.6541	3.8470	3.2380

<sup>1</sup> Calculated on the basis of the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates. All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the euro, for which the rate denotes units of Maltese lira per one euro.

**TABLE 4.3 MALTA'S FOREIGN TRADE***Lm thousands*

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
1999	791,136	1,136,233	-345,097
2000	1,072,444	1,492,377	-419,933
2001	880,684	1,226,421	-345,737
2002	961,140	1,227,534	-266,394
2003	928,312	1,281,279	-352,967
2004 <sup>1</sup>	905,401	1,315,356	-409,955
2005 <sup>1</sup>	821,983	1,318,189	-496,206
<b>2004<sup>1</sup></b>			
Jan.	70,760	91,423	-20,663
Feb.	75,797	94,503	-18,706
Mar.	89,199	126,954	-37,755
Apr.	76,460	125,966	-49,506
May	73,987	103,493	-29,506
June	73,077	103,842	-30,765
July	68,968	115,430	-46,462
Aug.	74,483	99,784	-25,301
Sept.	78,442	95,233	-16,791
Oct.	77,569	113,280	-35,711
Nov.	78,730	121,955	-43,225
Dec.	67,929	123,493	-55,564
<b>2005<sup>1</sup></b>			
Jan.	59,556	101,581	-42,025
Feb.	60,017	88,884	-28,867
Mar.	67,271	101,571	-34,300
Apr.	67,079	106,111	-39,032
May	72,018	120,774	-48,756
June	70,394	104,950	-34,556
July	64,864	111,066	-46,202
Aug.	65,362	100,141	-34,779
Sept.	74,072	106,913	-32,841
Oct.	72,593	129,878	-57,285
Nov.	84,503	138,201	-53,698
Dec.	64,254	108,119	-43,865
<b>2006<sup>1</sup></b>			
Jan.	72,708	95,552	-22,844
Feb.	61,294	120,410	-59,116
Mar.	83,338	122,119	-38,781

<sup>1</sup> Provisional.

Source: NSO.

**TABLE 4.4 DIRECTION OF TRADE - TOTAL EXPORTS***Lm thousands*

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,136
2000	78,038	36,092	102,898	85,873	54,808	15,585	293,413	405,737	1,072,444
2001	76,310	30,304	115,132	82,197	59,865	21,835	174,370	320,670	880,684
2002	112,307	32,676	93,505	120,028	63,871	32,223	159,393	347,137	961,140
2003	109,021	31,496	95,235	120,195	55,118	22,115	134,202	360,930	928,312
2004 <sup>1</sup>	102,872	27,012	97,469	140,605	65,820	31,893	141,847	297,883	905,401
2005 <sup>1</sup>	92,288	42,960	101,007	121,804	71,364	36,187	113,245	243,128	821,983
<b>2004<sup>1</sup></b>									
Jan.	9,226	2,534	7,325	9,556	5,090	1,694	12,907	22,428	70,760
Feb.	9,217	1,828	7,891	11,004	5,605	1,955	12,486	25,811	75,797
Mar.	8,569	3,091	9,082	13,243	6,246	2,954	11,961	34,053	89,199
Apr.	9,883	3,137	10,128	11,090	4,900	1,804	10,811	24,707	76,460
May	7,111	1,901	7,333	12,869	5,162	2,204	11,417	25,990	73,987
June	7,100	1,920	7,509	11,178	5,923	2,323	10,887	26,237	73,077
July	10,225	2,170	8,933	11,596	5,629	1,371	9,994	19,050	68,968
Aug.	6,722	1,087	6,544	10,496	4,547	4,725	15,390	24,972	74,483
Sept.	11,740	2,884	8,219	13,163	5,491	3,918	12,919	20,108	78,442
Oct.	7,996	2,236	9,249	12,468	6,090	4,576	11,331	23,623	77,569
Nov.	9,228	2,076	9,432	13,096	6,103	1,998	12,325	24,472	78,730
Dec.	5,855	2,148	5,824	10,846	5,034	2,371	9,419	26,432	67,929
<b>2005<sup>1</sup></b>									
Jan.	6,616	2,154	6,743	10,983	5,335	1,530	8,182	18,013	59,556
Feb.	7,579	1,704	7,406	8,876	4,990	3,708	10,447	15,307	60,017
Mar.	9,457	2,048	7,690	9,554	6,216	3,291	10,427	18,588	67,271
Apr.	7,628	2,871	9,269	9,930	6,119	3,904	10,618	16,740	67,079
May	9,746	3,054	8,795	10,652	6,706	4,509	10,956	17,600	72,018
June	10,004	3,327	7,367	10,820	5,032	1,660	9,721	22,463	70,394
July	6,764	3,435	9,626	8,615	6,012	2,899	7,611	19,902	64,864
Aug.	7,096	2,269	8,920	8,871	5,097	3,591	7,497	22,021	65,362
Sept.	6,490	4,595	9,299	11,154	6,557	3,105	9,597	23,275	74,072
Oct.	7,357	4,452	9,190	10,784	6,586	2,772	9,046	22,406	72,593
Nov.	7,615	10,011	9,892	10,942	6,078	4,067	11,316	24,582	84,503
Dec.	5,936	3,040	6,810	10,623	6,636	1,151	7,827	22,231	64,254
<b>2006<sup>1</sup></b>									
Jan.	7,261	2,134	8,526	10,067	4,921	2,499	12,735	24,565	72,708
Feb.	7,613	2,332	8,577	10,152	5,557	633	8,768	17,662	61,294
Mar.	6,719	3,181	11,388	11,546	6,941	2,652	9,915	30,996	83,338

<sup>1</sup> Provisional.

Source: NSO.

**TABLE 4.5 DIRECTION OF TRADE - IMPORTS***Lm thousands*

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,233
2000	119,673	249,744	29,661	281,877	122,113	91,778	158,474	439,057	1,492,377
2001	123,100	244,409	28,401	184,030	107,409	92,707	141,822	304,544	1,226,422
2002	127,736	271,794	28,563	205,137	98,474	93,034	115,258	287,538	1,227,534
2003	118,638	294,411	29,696	218,900	100,990	104,713	103,927	310,004	1,281,279
2004 <sup>1</sup>	157,409	335,878	45,909	171,350	116,387	124,779	69,855	293,789	1,315,356
2005 <sup>1</sup>	143,488	408,320	43,772	121,230	106,435	127,743	69,666	297,535	1,318,189
<b>2004<sup>1</sup></b>									
Jan.	8,756	16,172	2,182	16,412	6,332	7,610	6,624	27,335	91,423
Feb.	11,152	20,735	1,989	14,535	9,227	10,598	6,549	19,718	94,503
Mar.	17,390	33,928	7,507	17,977	9,132	9,801	7,419	23,800	126,954
Apr.	16,910	27,924	3,085	16,469	13,523	13,833	7,501	26,721	125,966
May	12,978	26,983	2,225	13,098	6,581	8,647	4,983	27,998	103,493
June	13,130	32,140	3,665	11,287	10,118	11,008	3,202	19,292	103,842
July	12,790	32,506	5,920	12,599	7,910	11,562	7,209	24,934	115,430
Aug.	10,256	29,824	3,972	13,425	13,932	8,793	2,092	17,490	99,784
Sept.	13,432	23,433	3,940	13,768	9,452	11,079	4,262	15,867	95,233
Oct.	13,856	35,998	3,577	11,943	12,297	10,674	3,477	21,458	113,280
Nov.	13,747	28,809	4,086	15,685	9,192	12,654	9,165	28,617	121,955
Dec.	13,012	27,426	3,761	14,152	8,691	8,520	7,372	40,559	123,493
<b>2005<sup>1</sup></b>									
Jan.	12,486	29,912	3,426	10,385	8,640	9,461	4,201	23,101	101,612
Feb.	10,544	27,159	2,931	7,570	8,402	7,396	4,668	20,233	88,903
Mar.	10,463	30,981	3,209	10,497	9,898	8,795	4,066	23,672	101,581
Apr.	10,242	29,700	5,593	9,308	8,739	10,996	4,445	27,088	106,111
May	13,276	38,022	3,652	11,993	10,217	13,786	5,095	24,733	120,774
June	9,632	24,277	3,143	7,843	9,226	11,477	7,422	32,059	105,079
July	14,630	32,281	3,511	11,473	9,144	12,474	3,031	24,517	111,061
Aug.	11,752	29,408	3,685	11,222	7,510	9,474	4,666	22,424	100,141
Sept.	11,728	29,823	3,285	11,001	8,874	9,752	4,501	27,949	106,913
Oct.	14,312	51,709	4,163	11,963	7,938	12,633	4,965	22,222	129,896
Nov.	13,702	46,678	4,045	11,050	11,094	11,471	17,841	22,320	138,201
Dec.	10,721	38,370	3,129	6,925	6,753	10,028	4,774	27,419	108,119
<b>2006<sup>1</sup></b>									
Jan.	9,767	24,472	3,015	4,688	8,151	8,922	5,361	31,176	95,552
Feb.	9,444	35,255	2,946	11,635	11,527	9,804	13,204	26,595	120,410
Mar.	12,677	27,915	5,855	7,657	9,408	10,165	7,482	40,960	122,119

<sup>1</sup> Provisional.

Source: NSO.

**TABLE 4.6a DOMESTIC EXPORTS BY COMMODITY SECTIONS<sup>1</sup>***Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,436
2000	17,116	3,538	2,198	-	-	13,027	53,913	736,076	151,263	404	977,535
2001	20,809	5,197	2,013	19	-	16,003	50,701	537,944	156,945	407	790,038
2002	36,371	4,088	2,191	133	52	13,519	47,865	519,452	170,214	393	794,300
2003	33,148	1,959	2,480	218	4	14,849	44,735	549,538	169,664	133	816,730

<sup>1</sup> This Table was discontinued as from January 2004.**TABLE 4.6b TOTAL EXPORTS BY COMMODITY SECTIONS<sup>2</sup>***Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
2004 <sup>1</sup>	30,914	14,169	3,235	39,243	12	23,886	50,589	575,191	167,769	391	905,399
2005	28,997	8,995	2,721	9,652	10	40,870	54,178	513,123	163,266	171	821,983
<b>2004<sup>1</sup></b>											
Jan.	1,184	1,085	355	2,571	-	1,843	3,937	44,374	15,367	44	70,760
Feb.	1,047	1,012	138	4,615	-	3,835	3,601	47,492	13,962	95	75,797
Mar.	2,637	1,473	275	6,736	-	2,267	5,193	54,935	15,649	34	89,199
Apr.	1,886	730	160	4,082	-	2,532	3,670	48,547	14,851	-	76,460
May	2,738	961	156	3,829	-	2,371	4,158	49,629	10,124	20	73,987
June	3,278	501	303	3,333	-	1,443	3,627	47,729	12,815	47	73,077
July	1,494	1597	88	1,723	-	1,574	3,780	45,012	13,666	35	68,968
Aug.	2,273	1915	268	4,112	-	1,165	3,575	49,389	11,772	14	74,483
Sept.	2,070	1,696	179	812	-	1,236	5,208	50,498	16,733	9	78,442
Oct.	2,215	880	514	5,285	-	2,382	5,264	46,614	14,401	14	77,569
Nov.	1,694	1,645	199	1,778	1	1,604	4,770	50,446	16,593	-	78,730
Dec.	8,398	674	600	367	11	1,634	3,806	40,526	11,836	79	67,929
<b>2005<sup>1</sup></b>											
Jan.	1,406	579	204	330	-	1,508	4,706	37,969	12,854	-	59,556
Feb.	1,200	887	176	317	-	1,898	4,038	38,629	12,872	-	60,017
Mar.	1,680	418	556	418	-	3,267	4,697	40,496	15,724	16	67,271
Apr.	1,541	508	160	559	-	3,580	5,359	41,599	13,765	9	67,079
May	3,055	556	258	821	1	1,615	4,928	46,670	14,116	-	72,018
June	3,723	715	176	770	3	4,075	4,262	44,455	12,209	5	70,394
July	3,760	843	160	1,046	2	3,461	5,035	36,607	13,905	45	64,864
Aug.	2,483	1,091	126	1,082	-	5,188	3,942	39,515	11,927	8	65,362
Sept.	2,139	1,112	239	1,271	-	4,612	5,309	46,743	12,613	34	74,072
Oct.	2,426	1,255	216	1,455	-	4,306	4,736	42,843	15,332	25	72,593
Nov.	3,367	635	277	1,036	4	4,361	4,194	54,339	16,288	-	84,503
Dec.	2,217	396	173	547	-	2,999	2,972	43,258	11,661	29	64,254
<b>2006<sup>1</sup></b>											
Jan.	2,084	444	277	470	-	3,763	5,003	48,828	11,709	131	72,708
Feb.	655	515	251	508	-	2,728	3,217	43,534	9,872	13	61,294
Mar.	8,824	569	280	573	-	4,691	4,181	52,029	12,191	-	83,338

<sup>1</sup> Provisional.<sup>2</sup> Includes domestic exports and re-exports.

Source: NSO.

**TABLE 4.7 IMPORTS BY COMMODITY SECTIONS**

*Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,233
2000	103,644	18,785	13,597	106,476	2,239	92,470	144,994	852,574	146,821	10,774	1,492,377
2001	108,773	21,936	14,101	101,992	1,931	89,218	147,722	608,194	121,512	11,040	1,226,421
2002	115,208	22,784	12,906	102,929	2,347	96,730	150,822	591,354	122,022	10,454	1,227,534
2003	116,191	24,778	12,103	102,071	2,546	103,148	145,433	621,261	142,992	10,757	1,281,279
2004 <sup>1</sup>	122,987	22,585	11,706	107,520	3,009	111,297	147,342	626,073	155,730	7,099	1,315,356
2005 <sup>1</sup>	129,919	17,577	13,972	143,109	2,801	114,582	146,117	577,176	165,902	7,733	1,318,189
<b>2004<sup>1</sup></b>											
Jan.	7,825	1,431	768	14,245	187	7,807	9,121	41,750	7,714	575	91,423
Feb.	6,831	1,023	1,154	8,814	127	8,965	10,136	44,989	11,347	1,116	94,503
Mar.	6,625	2,432	1,012	7,397	196	10,151	12,517	70,585	12,944	1,093	126,954
Apr.	11,471	1,717	822	12,735	573	11,836	14,995	58,750	12,173	892	125,966
May	7,584	1,683	961	9,098	167	6,603	10,967	52,865	12,711	854	103,493
June	9,247	2,273	800	10,162	258	8,950	13,104	40,258	18,373	416	103,842
July	11,077	2,857	910	7,413	294	9,696	14,412	54,173	14,357	242	115,430
Aug.	11,877	1,962	1,382	9,382	218	8,176	10,467	45,245	10,982	92	99,784
Sept.	10,578	2,279	942	6,905	242	9,775	10,989	40,150	12,385	987	95,233
Oct.	13,548	1,753	1,136	9,395	219	9,547	13,391	49,900	14,297	93	113,280
Nov.	13,014	1,640	881	9,174	354	11,531	13,664	56,937	14,451	309	121,955
Dec.	11,310	1,535	938	2,800	174	8,260	13,579	70,471	13,996	430	123,493
<b>2005<sup>1</sup></b>											
Jan.	8,729	1,001	745	11,163	223	8,869	8,875	51,182	9,530	1,265	101,581
Feb.	8,470	982	1,312	8,904	142	8,892	11,084	38,367	10,249	482	88,884
Mar.	9,436	1,038	891	5,738	198	9,534	12,619	47,316	14,258	542	101,571
Apr.	9,341	1,236	1,062	12,395	157	9,203	12,190	45,856	14,261	411	106,111
May	11,941	2,329	1,143	10,661	406	10,485	15,029	52,683	15,524	572	120,774
June	11,816	1,207	828	9,022	272	9,740	11,483	46,417	13,638	526	104,950
July	11,265	2,172	1,138	13,248	189	10,872	13,175	45,174	13,091	742	111,066
Aug.	11,346	1,829	1,843	5,832	212	9,806	11,562	45,025	12,174	513	100,141
Sept.	10,133	1,482	1,078	11,871	143	9,357	11,834	44,860	15,345	810	106,913
Oct.	12,805	1,595	1,261	17,651	226	9,405	13,371	54,991	18,037	537	129,878
Nov.	13,322	1,322	1,351	16,146	378	10,224	13,073	63,769	17,865	749	138,201
Dec.	10,615	1,384	1,320	20,478	255	8,195	11,822	41,536	11,930	584	108,119
<b>2006<sup>1</sup></b>											
Jan.	8,396	962	757	7,607	140	10,451	10,631	43,544	12,003	1,059	95,552
Feb.	8,598	778	1,364	16,624	242	9,230	10,645	58,352	13,717	860	120,410
Mar.	10,257	1,227	925	4,816	253	10,047	13,653	62,056	18,157	728	122,119

<sup>1</sup> Provisional.

Source: NSO.

**TABLE 5.1a GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS**  
**IN LINE WITH ESA 95<sup>1</sup>**  
*at current market prices*

*Lm thousands*

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net balance		
2000	1,116,692	326,088	373,507	80,370	1,896,657	1,567,403	1,750,596	-183,193	1,713,464	1,663,112
2001	1,148,242	358,631	332,799	6,255	1,845,927	1,395,448	1,490,839	-95,391	1,750,536	1,767,045
2002	1,146,065	378,103	280,364	-9,729	1,794,803	1,515,694	1,489,255	26,439	1,821,242	1,831,936
2003	1,190,006	398,254	363,062	-41,445	1,909,877	1,461,294	1,526,044	-64,750	1,845,127	1,840,261
2004	1,227,995	415,981	363,089	-31,348	1,975,717	1,401,125	1,529,404	-128,279	1,847,438	1,851,142
2005	1,287,549	425,372	400,469	40,066	2,153,456	1,345,765	1,565,980	-220,215	1,933,241	1,922,575
<b>2004</b>										
Mar.	288,619	106,352	80,570	-18,858	456,683	316,694	338,419	-21,725	434,958	436,735
June	299,407	103,678	95,394	-2,933	495,546	357,753	392,680	-34,927	460,619	486,997
Sept.	307,500	100,662	94,100	-44,310	457,952	400,413	374,958	25,455	483,407	453,006
Dec.	332,469	105,289	93,025	34,753	565,536	326,265	423,347	-97,082	468,454	474,404
<b>2005</b>										
Mar.	293,479	102,080	86,507	22,953	505,019	278,403	346,724	-68,321	436,698	446,518
June	318,040	109,401	108,116	-10,556	525,001	346,959	387,984	-41,025	483,976	474,580
Sept.	327,046	106,210	95,277	-6,880	521,653	385,225	387,439	-2,214	519,439	536,353
Dec.	348,984	107,681	110,569	34,550	601,784	335,178	443,833	-108,655	493,129	465,125
<b>2006</b>										
Mar.	308,405	110,051	99,403	24,119	541,978	314,260	391,128	-76,868	465,110	457,847

<sup>1</sup> Provisional.

<sup>2</sup> Consumption by households and NPISH.

<sup>3</sup> Including acquisitions less disposals of valuables.

Source: NSO.

**TABLE 5.1b GROSS DOMESTIC PRODUCT AND EXPENDITURE COMPONENTS  
IN LINE WITH ESA 95<sup>1</sup>  
at constant 2000 prices**

*Lm thousands*

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net balance	
2000	1,116,692	326,088	373,506	80,370	1,896,656	1,567,403	1,750,596	-183,193	1,713,463
2001	1,121,279	328,173	321,221	6,540	1,777,213	1,522,510	1,593,428	-70,918	1,706,295
2002	1,096,752	340,615	260,490	-9,265	1,688,592	1,615,001	1,567,858	47,143	1,735,735
2003	1,132,269	350,770	335,579	-38,375	1,780,243	1,576,101	1,665,276	-89,175	1,691,068
2004	1,140,779	358,688	332,415	-28,397	1,803,485	1,580,944	1,702,616	-121,672	1,681,813
2005	1,165,423	360,726	360,758	36,634	1,923,541	1,483,164	1,685,355	-202,191	1,721,350
<b>2004</b>									
Mar.	270,965	90,370	73,803	-17,083	418,055	358,740	380,606	-21,866	396,189
June	278,526	89,108	87,235	-2,657	452,212	398,041	433,239	-35,198	417,014
Sept.	286,441	86,091	86,223	-40,139	418,616	435,905	418,340	17,565	436,181
Dec.	304,848	93,120	85,154	31,482	514,604	388,257	470,431	-82,174	432,430
<b>2005</b>									
Mar.	268,792	88,066	77,945	20,986	455,789	322,847	378,360	-55,513	400,276
June	287,183	92,404	97,424	-9,652	467,359	382,964	426,286	-43,322	424,037
Sept.	298,972	89,692	85,788	-6,291	468,161	404,815	418,756	-13,941	454,220
Dec.	310,477	90,564	99,602	31,590	532,233	372,537	461,953	-89,416	442,817
<b>2006</b>									
Mar.	276,440	92,152	89,573	22,052	480,217	331,300	398,665	-67,365	412,852

<sup>1</sup> Provisional.

<sup>2</sup> Consumption by households and NPISH.

<sup>3</sup> Including acquisitions less disposals of valuables.

Source: NSO.

**TABLE 5.2 TOURIST DEPARTURES BY NATIONALITY<sup>1</sup>**

Period	United Kingdom	Italy	France	Germany	Scandinavian Countries <sup>2</sup>	United States	All Others	Total
2001	465,635	78,515	78,739	165,812	45,339	12,671	298,455	1,145,166
2002	466,251	69,806	79,758	147,712	36,002	11,382	285,918	1,096,829
2003	471,899	78,361	77,027	124,769	41,361	13,895	281,775	1,089,087
2004 <sup>3</sup>	451,998	80,992	86,059	134,760	61,977	17,003	294,619	1,127,409
2005 <sup>3</sup>	481,968	78,391	81,779	138,127	64,254	16,819	289,433	1,150,771
<b>2004<sup>3</sup></b>								
Jan.	20,183	6,880	1,613	5,966	1,346	885	11,947	48,821
Feb.	25,030	3,284	3,852	5,219	1,900	726	10,889	50,900
Mar.	31,369	4,312	3,253	10,159	2,584	971	12,371	65,019
Apr.	36,985	7,370	8,589	11,181	4,565	1,578	20,607	90,875
May	38,795	5,574	10,792	10,695	7,217	2,018	28,181	103,272
June	47,020	6,272	10,815	12,134	5,546	879	29,848	112,514
July	43,004	10,818	8,982	13,015	10,838	2,483	41,062	130,202
Aug.	61,686	17,696	13,798	15,121	6,098	1,134	47,377	162,910
Sept.	49,359	6,495	12,671	16,680	5,202	1,689	34,306	126,402
Oct.	49,069	6,376	6,794	19,739	10,216	2,419	33,457	128,070
Nov.	30,048	3,089	3,000	11,037	4,237	1,280	14,743	67,434
Dec.	19,450	2,826	1,900	3,814	2,228	941	9,831	40,990
<b>2005<sup>3</sup></b>								
Jan.	22,215	5,407	1,710	6,481	1,820	1,051	13,586	52,270
Feb.	21,936	3,089	2,842	5,476	1,722	451	8,793	44,309
Mar.	32,859	5,117	3,193	8,875	4,003	862	15,653	70,562
Apr.	31,807	5,792	11,035	11,734	6,492	1,298	19,275	87,433
May	41,881	5,407	12,118	16,701	5,998	2,095	27,801	112,001
June	52,173	6,054	6,211	11,303	5,783	1,864	28,789	112,177
July	47,319	10,807	12,419	12,308	10,597	2,386	38,739	134,575
Aug.	71,209	18,759	12,075	13,247	6,205	1,864	44,255	167,614
Sept.	59,969	6,320	8,137	17,124	5,513	1,501	32,653	131,217
Oct.	53,899	5,635	7,941	18,416	10,018	1,449	31,448	128,806
Nov.	30,751	3,601	1,905	10,207	4,678	1,340	17,045	69,527
Dec.	15,950	2,403	2,193	6,255	1,425	658	11,396	40,280
<b>2006</b>								
Jan.	23,344	4,547	2,852	4,596	1,087	821	12,845	50,092
Feb.	23,814	3,294	2,517	6,810	1,064	723	9,041	47,263
Mar.	28,415	4,117	3,033	9,601	2,845	1,299	14,708	64,018

<sup>1</sup> Based on the NSO's inbound tourism survey.

<sup>2</sup> Comprising Denmark, Norway and Sweden.

<sup>3</sup> Provisional.

Source: NSO.

**TABLE 5.3 LABOUR MARKET INDICATORS  
BASED ON ADMINISTRATIVE RECORDS**

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>3</sup>	Number	% <sup>4</sup>
2002	104,240	41,090	145,330	98,039	39,710	137,749	6,201	5.9	1,380	3.4	7,581	5.2
2003	103,942	41,708	145,650	97,692	40,141	137,833	6,250	6.0	1,567	3.8	7,817	5.4
2004	103,641	42,032	145,673	97,046	40,372	137,418	6,595	6.4	1,660	3.9	8,255	5.7
2005	102,882	42,608	145,490	97,033	41,008	138,041	5,849	5.7	1,600	3.8	7,449	5.1
<b>2004</b>												
Jan.	103,696	41,683	145,379	96,754	39,831	136,585	6,942	6.7	1,852	4.4	8,794	6.0
Feb.	103,626	41,765	145,391	96,655	39,906	136,561	6,971	6.7	1,859	4.5	8,830	6.1
Mar.	103,447	41,658	145,105	96,769	39,916	136,685	6,678	6.5	1,742	4.2	8,420	5.8
Apr.	103,394	41,676	145,070	96,719	40,012	136,731	6,675	6.5	1,664	4.0	8,339	5.7
May	103,424	41,762	145,186	96,882	40,200	137,082	6,542	6.3	1,562	3.7	8,104	5.6
June	103,755	41,977	145,732	97,321	40,469	137,790	6,434	6.2	1,508	3.6	7,942	5.4
July	104,045	42,315	146,360	97,514	40,715	138,229	6,531	6.3	1,600	3.8	8,131	5.6
Aug.	103,851	42,279	146,130	97,505	40,672	138,177	6,346	6.1	1,607	3.8	7,953	5.4
Sept.	103,792	42,285	146,077	97,287	40,650	137,937	6,505	6.3	1,635	3.9	8,140	5.6
Oct.	103,612	42,257	145,869	97,094	40,603	137,697	6,518	6.3	1,654	3.9	8,172	5.6
Nov.	103,592	42,381	145,973	97,104	40,744	137,848	6,488	6.3	1,637	3.9	8,125	5.6
Dec.	103,439	42,256	145,695	96,928	40,664	137,592	6,511	6.3	1,592	3.8	8,103	5.6
<b>2005</b>												
Jan.	103,465	42,276	145,741	96,942	40,619	137,561	6,523	6.3	1,657	3.9	8,180	5.6
Feb.	103,339	42,293	145,632	96,920	40,618	137,538	6,419	6.2	1,675	4.0	8,094	5.6
Mar.	102,907	42,205	145,112	96,544	40,550	137,094	6,363	6.2	1,655	3.9	8,018	5.5
Apr.	102,728	42,130	144,858	96,591	40,551	137,142	6,137	6.0	1,579	3.7	7,716	5.3
May	102,735	42,206	144,941	96,963	40,733	137,696	5,772	5.6	1,473	3.5	7,245	5.0
June	102,727	42,403	145,130	97,223	40,977	138,200	5,504	5.4	1,426	3.4	6,930	4.8
July	103,073	42,878	145,951	97,573	41,287	138,860	5,500	5.3	1,591	3.7	7,091	4.9
Aug.	103,115	42,954	146,069	97,544	41,348	138,892	5,571	5.4	1,606	3.7	7,177	4.9
Sept.	103,141	43,027	146,168	97,570	41,388	138,958	5,571	5.4	1,639	3.8	7,210	4.9
Oct.	102,666	42,972	145,638	97,149	41,368	138,517	5,517	5.4	1,604	3.7	7,121	4.9
Nov.	102,682	43,050	145,732	97,108	41,431	138,539	5,574	5.4	1,619	3.8	7,193	4.9
Dec.	102,387	42,929	145,316	96,672	41,265	137,937	5,715	5.6	1,664	3.9	7,379	5.1
<b>2006</b>												
Jan.	102,445	43,049	145,494	96,529	41,266	137,795	5,916	5.8	1,783	4.1	7,699	5.3
Feb.	102,492	43,139	145,631	96,625	41,337	137,962	5,867	5.7	1,802	4.2	7,669	5.3

Note: The breakdown of labour supply between males and females is not available before 2002.

<sup>1</sup> Annual figures reflect the average for the year. Data are provisional.

<sup>2</sup> As a percentage of male labour supply.

<sup>3</sup> As a percentage of female labour supply.

<sup>4</sup> As a percentage of total labour supply.

Source: ETC.

**TABLE 5.4 LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY <sup>1</sup>**

Period <sup>2</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>3</sup>	Number	% <sup>4</sup>	Number	% <sup>5</sup>
2001	110,147	45,987	156,134	103,306	42,776	146,082	6,841	6.2	3,212	7.0	10,053	6.4
2002	109,326	49,262	158,588	102,109	45,462	147,571	7,217	6.6	3,800	7.7	11,017	6.9
2003	110,057	49,856	159,913	102,279	45,536	147,815	7,778	7.1	4,320	8.7	12,098	7.6
2004	110,409	48,931	159,339	103,335	44,536	147,871	7,074	6.4	4,395	9.0	11,469	7.2
2005	110,503	50,422	160,925	103,118	45,892	149,010	7,385	6.7	4,529	9.0	11,914	7.4
<b>2004</b>												
Mar.	111,734	48,449	160,183	104,061	44,594	148,655	7,673	6.9	3,855	8.0	11,528	7.2
June	110,596	46,977	157,573	102,943	43,101	146,044	7,653	6.9	3,876	8.3	11,529	7.3
Sept.	110,207	50,256	160,463	103,536	45,146	148,682	6,671	6.1	5,110	10.2	11,781	7.3
Dec.	109,098	50,040	159,138	102,801	45,301	148,102	6,297	5.8	4,739	9.5	11,036	6.9
<b>2005</b>												
Mar.	109,583	50,991	160,574	102,777	46,959	149,736	6,806	6.2	4,032	7.9	10,838	6.7
June	110,004	50,955	160,959	102,108	46,225	148,333	7,896	7.2	4,730	9.3	12,626	7.8
Sept.	108,796	50,553	159,349	101,745	45,990	147,735	7,051	6.5	4,563	9.0	11,614	7.3
Dec.	110,934	49,052	159,986	103,698	44,531	148,229	7,236	6.5	4,521	9.2	11,757	7.3
<b>2006</b>												
Mar.	113,197	50,558	163,755	105,261	45,757	151,018	7,936	7.0	4,801	9.5	12,737	7.8

<sup>1</sup> The Labour Force Survey is carried out on a quarterly basis using a random sample of private households. As from March 2004, data are based on a weekly survey carried out throughout the reference quarter.

<sup>2</sup> Annual figures reflect the average for the year.

<sup>3</sup> As a percentage of male labour supply.

<sup>4</sup> As a percentage of female labour supply.

<sup>5</sup> As a percentage of total labour supply.

Source: NSO.

**TABLE 5.5 DEVELOPMENT PERMITS FOR COMMERCIAL, SOCIAL AND OTHER PURPOSES<sup>1</sup>**

Period	Commercial and Social							Total	Other Permits <sup>5</sup>	Total Permits
	Agriculture	Manufacturing <sup>2</sup>	Warehousing, Retail & Offices <sup>3</sup>	Hotels & Tourism Related	Restaurants & bars	Social <sup>4</sup>	Parking			
1999	122	104	183	22	29	72	124	656	2,402	3,058
2000	108	77	228	19	33	74	175	714	2,690	3,404
2001	124	46	235	26	34	51	162	678	2,540	3,218
2002	281	69	282	13	49	119	154	967	3,430	4,397
2003	242	26	181	15	24	91	134	713	2,685	3,398
2004	261	31	192	8	25	49	105	671	2,583	3,254
2005	293	33	217	16	25	43	103	730	2,980	3,710

<sup>1</sup> 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.

<sup>2</sup> Includes quarrying.

<sup>3</sup> 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.

<sup>4</sup> Including the construction of premises related to the provision of community and health, recreational and educational services.

<sup>5</sup> Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works and others.

Source: Malta Environment & Planning Authority.

**TABLE 5.6 DEVELOPMENT PERMITS FOR DWELLINGS, BY TYPE<sup>1</sup>**

Period	Number of Permits <sup>2</sup>			Number of Units <sup>3</sup>				
	New Dwellings <sup>4</sup>	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2000	1,408	705	2,113	2,552	949	384	85	3,970
2001	1,299	483	1,782	2,657	774	203	546	4,180
2002	1,422	595	2,017	3,420	910	135	1,016	5,481
2003	1,321	517	1,838	4,548	1,085	414	81	6,128
2004	1,378	435	1,813	5,265	966	353	123	6,707
2005	1,852	570	2,422	7,539	1,058	363	121	9,081

<sup>1</sup> Changes to the data are mainly due to the Malta Environment & Planning Authority's Policy of reassessing permit applications on a continuous basis.

<sup>2</sup> Total for permits granted is irrespective of the number of units.

<sup>3</sup> Data comprise the actual number of units (e.g. a block of apartments may consist of several units).

<sup>4</sup> Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

**TABLE 5.7 INFLATION RATES<sup>1</sup>***base 1946 = 100*

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
1946	100.00	-	<i>(continued)</i>		
1947	104.90	4.90	1976	256.20	0.56
1948	113.90	8.58	1977	281.84	10.01
1949	109.70	-3.69	1978	295.14	4.72
1950	116.90	6.56	1979	316.21	7.14
1951	130.10	11.29	1980	366.06	15.76
1952	140.30	7.84	1981	408.16	11.50
1953	139.10	-0.86	1982	431.83	5.80
1954	141.20	1.51	1983	428.06	-0.87
1955	138.80	-1.70	1984	426.18	-0.44
1956	142.00	2.31	1985	425.17	-0.24
1957	145.70	2.61	1986	433.67	2.00
1958	148.30	1.78	1987	435.47	0.42
1959	151.10	1.89	1988	439.62	0.95
1960	158.80	5.10	1989	443.39	0.86
1961	164.84	3.80	1990	456.61	2.98
1962	165.16	0.19	1991	468.21	2.54
1963	168.18	1.83	1992	475.89	1.64
1964	172.00	2.27	1993	495.59	4.14
1965	174.70	1.57	1994	516.06	4.13
1966	175.65	0.54	1995	536.61	3.98
1967	176.76	0.63	1996	549.95	2.49
1968	180.42	2.07	1997 <sup>2</sup>	567.95	3.27
1969	184.71	2.38	1998	580.61	2.23
1970	191.55	3.70	1999	593.00	2.13
1971	196.00	2.32	2000	607.07	2.37
1972	202.52	3.33	2001	624.85	2.93
1973	218.26	7.77	2002	638.54	2.19
1974	234.16	7.28	2003	646.84	1.30
1975	254.77	8.80	2004	664.88	2.79
			2005	684.88	3.01

<sup>1</sup> The Index of Inflation (Base 1946 = 100) is compiled by the NSO on the basis of the Retail Prices Index in terms of Article 13 of the Housing (Decontrol) Ordinance, Cap. 158.

<sup>2</sup> 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 5.8 RETAIL PRICES INDEX

*base December 2002 = 100*

Period	All items
1999	92.36
2000	94.55
2001	97.32
2002	99.45
2003	100.75
2004	103.56
2005	106.67
<b>2004</b>	
Jan.	102.20
Feb.	102.23
Mar.	102.66
Apr.	103.32
May	103.13
June	103.62
July	104.14
Aug.	103.25
Sept.	103.56
Oct.	104.36
Nov.	104.96
Dec.	105.27
<b>2005</b>	
Jan.	104.70
Feb.	105.33
Mar.	105.82
Apr.	106.27
May	106.69
June	106.65
July	105.77
Aug.	105.83
Sept.	106.59
Oct.	108.40
Nov.	109.01
Dec.	109.02
<b>2006</b>	
Jan.	107.06
Feb.	107.70
Mar.	109.05

Note: The New Retail Prices Index is based on the Household Budgetary Survey carried out by the NSO during 2000 and 2001. Annual figures prior to 2003 were rebased using the linking coefficient of 1.1914 specified in NSO News Release No. 58/2003.

Sources: NSO; Central Bank of Malta estimates for the period prior to December 2002.

**TABLE 5.9 MAIN CATEGORIES OF HARMONISED INDEX OF CONSUMER PRICES**

*base 2005 = 100*

%

Period	Index 00	12-month moving average rates												
		00	01	02	03	04	05	06	07	08	09	10	11	12
2000	88.6	3.0	1.0	8.3	0.3	0.9	-1.2	4.2	3.3	2.8	0.2	4.2	7.6	1.4
2001	90.8	2.5	4.0	4.5	-1.3	2.2	0.3	3.5	0.1	1.3	3.3	6.7	4.0	2.0
2002	93.1	2.6	2.1	7.6	-0.7	2.3	0.5	2.4	0.6	0.6	2.2	10.1	4.5	3.0
2003	95.0	1.9	2.0	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
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
<b>2004</b>														
Jan.	94.3	2.1	2.4	2.3	-6.0	2.2	-0.1	5.8	2.2	-0.5	1.1	3.0	7.2	2.6
Feb.	94.3	2.1	2.2	3.4	-5.3	2.4	0.1	6.6	2.3	-0.6	0.9	2.8	6.7	2.9
Mar.	94.7	2.1	1.9	4.6	-5.3	2.7	0.3	7.2	2.3	-0.7	0.7	2.6	6.3	3.3
Apr.	98.7	2.3	1.8	5.7	-5.2	2.9	0.7	8.0	2.4	-0.7	0.4	3.0	6.2	3.8
May	98.9	2.4	1.5	6.8	-4.6	3.1	1.0	7.8	2.4	-0.6	0.2	3.2	6.0	4.3
June	99.2	2.4	1.3	8.0	-4.0	2.8	1.2	7.5	2.4	0.8	0.1	3.4	5.8	4.8
July	99.6	2.6	1.5	9.1	-3.1	2.5	1.3	7.4	2.8	2.2	-0.1	3.6	5.0	5.0
Aug.	99.2	2.6	1.5	10.2	-1.9	2.3	1.6	7.4	2.9	3.8	-0.3	3.8	4.1	5.1
Sept.	99.6	2.8	1.3	11.4	-1.4	2.4	1.8	7.3	3.0	5.3	-0.3	4.0	3.8	5.3
Oct.	99.6	2.8	0.6	12.5	-1.7	2.5	2.2	7.2	3.4	6.9	-0.3	3.7	3.4	5.5
Nov.	95.7	2.8	0.2	13.6	-2.1	2.7	2.5	7.1	3.7	8.5	0.0	3.3	2.9	5.7
Dec.	96.6	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
<b>2005</b>														
Jan.	96.1	2.6	-0.7	11.9	-2.6	3.2	2.9	6.8	4.1	11.8	0.4	2.7	2.4	5.5
Feb.	96.7	2.7	-0.6	10.8	-2.4	3.6	2.9	6.4	4.1	13.7	0.6	2.4	2.2	5.2
Mar.	97.1	2.7	-0.6	9.7	-2.0	4.2	2.9	6.1	4.2	15.5	0.8	2.1	2.0	5.0
Apr.	100.7	2.6	-0.5	8.7	-1.9	4.7	2.8	5.7	4.2	17.1	1.0	1.9	1.3	4.6
May.	101.3	2.5	-0.1	7.6	-1.9	5.2	2.7	5.9	4.2	18.6	1.1	1.7	0.6	4.3
June	101.3	2.4	0.3	6.6	-2.0	5.8	2.7	6.0	4.2	17.3	1.2	1.6	-0.1	3.9
July	101.4	2.3	0.3	5.7	-2.8	6.4	2.8	5.8	3.8	16.0	1.3	1.5	-0.1	3.7
Aug.	101.7	2.3	0.2	4.7	-2.6	7.0	2.8	5.7	3.6	14.8	1.5	1.4	0.2	3.6
Sept.	101.7	2.2	0.6	3.7	-1.9	7.3	2.7	5.6	3.4	13.6	1.6	1.2	-0.4	3.5
Oct.	102.6	2.2	1.3	2.8	-1.2	7.7	2.6	5.5	3.4	12.4	1.8	1.4	-0.9	3.3
Nov.	99.8	2.4	1.5	1.9	-0.7	8.5	2.5	5.4	3.5	11.2	1.8	1.5	-0.2	3.1
Dec.	99.9	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
<b>2006</b>														
Jan.	98.3	2.6	1.9	1.7	-0.7	9.5	2.4	5.4	3.6	8.8	1.8	1.7	0.2	2.9
Feb.	98.9	2.6	1.6	1.6	-0.8	9.6	2.4	5.2	3.8	7.1	1.7	1.9	0.5	2.9
Mar.	100.0	2.6	1.7	1.5	-0.8	9.8	2.5	5.0	3.9	5.4	1.5	2.0	0.7	2.9

COICOP/HICP Code:

00.	All-items	06.	Health
01.	Food & non-alcoholic beverages	07.	Transport
02.	Alcoholic beverages & tobacco	08.	Communications
03.	Clothing & footwear	09.	Recreation & culture
04.	Housing, water, electricity, gas & other fuels	10.	Education
05.	Furnishings, household equipment & routine maintenance of the house	11.	Restaurants & hotels
		12.	Miscellaneous goods & services

Source: Eurostat.

# GENERAL NOTES

## INSTITUTIONAL BALANCE SHEETS

The balance sheets published in Tables 1.1, 1.2 and 1.3 are based on accounting principles. Consequently, data in these Tables might differ from data shown in other Tables compiled using statistical concepts and methodology.

## MONEY AND BANKING STATISTICS

Since October 2003, the compilation of monetary statistics has been consistent with internationally agreed statistical concepts and methodology as published in the IMF's *Monetary and Financial Statistics Manual* (2000), ECB Regulation 2001/13 concerning the consolidated balance sheet of the Monetary Financial Institutions (MFI) sector and the European System of Accounts (ESA 1995). Prior to October 2003, the compilation of monetary statistics was in line with the IMF's *A Guide to Money and Banking Statistics in International Financial Statistics* of December 1984.

### Measures of money

The Bank compiles data on three main monetary aggregates - narrow money (M1), intermediate money (M2) and broad money (M3).

**Narrow money (M1)** includes the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. Demand deposits exclude uncleared effects drawn on deposit money banks and cheques and other items in the process of collection, but include non-government deposits with the Central Bank of Malta.

**Intermediate money (M2)** comprises M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years.

**Broad money (M3)** comprises M2 and the banks' repurchase agreements with the non-bank sector and banks' debt securities issued with an agreed maturity of up to and including two years. It therefore includes the resident non-bank sector's holdings of bank notes and coins in circulation, the resident non-bank and non-government deposits irrespective of denomination, the banks' repurchase agreements with the non-bank sector and the banks' issues of debt securities, all with an agreed maturity of up to and including two years.

**The Monetary Base (M0)** is defined as currency issued and the credit institutions' deposits with the Central Bank of Malta. Currency issued comprises currency in circulation and holdings of national currency by the banks in their tills. Credit institutions' deposits with the Central Bank of Malta exclude term deposits.

### Compilation and valuation principles

Monetary statistics are based on a consolidation (or aggregation where indicated) of the monthly

financial statements provided by the local credit institutions and the Central Bank of Malta. The credit institutions must submit data to the Bank no later than twelve calendar days following the end of the reporting month or quarter. Branches and subsidiaries of credit institutions operating in Malta but with head offices/parent companies abroad are also obliged to submit similar financial information. The reporting institutions compile monthly financial information in line with international accounting norms as issued by the International Accounting Standards Committee. In certain instances, credit institutions are required to submit the returns in accordance with specific statistical requirements of the Bank.

Monetary data show the stock positions, which are outstanding balances on a particular date (end-month, end-quarter or end-year). Monetary aggregates are consolidated for the MFI sector, thus all identifiable interbank transactions are eliminated. Assets and liabilities are generally reported at market or fair value and on accrual basis. 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. Within this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by the other. Instruments are reported in accordance with their maturity at issue, that is, by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed.

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 at their book value and gross of all related provisions, both general and specific. Financial assets and liabilities that have demonstrable value - as well as non-financial assets - are considered as on-balance sheet items. Other financial instruments which are conditional on the occurrence of uncertain future events, such as contingent instruments, are not given on-balance sheet recognition. Only the gains and losses on the latter instruments are treated as on-balance sheet.

Transactions in foreign currency are recorded in the reporting currency using the exchange rate at the date of the transaction. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted into Maltese liri at the exchange rate in effect at the end of the reporting period.

### **Release of monetary statistics**

Monthly provisional consolidated monetary statistics are posted on the Central Bank of Malta website by the end of the month following the reference month. Subsequently, such detailed provisional monetary data together with related analytical information are released in the press through the Bank's monthly 'Statistical release on monetary aggregates and their counterparts' and 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. Before major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

### **Determination of 'residence'**

Monetary data are based on the classification of transactions by the residence of the transactors. The transactors may either be residents or non-residents of Malta, a transactor being 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' indicates that there exists some location within the 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). Those companies solely undertaking international business activities, including shipping activities, which have a physical presence and undertake a significant degree of economic activity in Malta, are considered as resident units.

Transactors not meeting the above-mentioned criteria are considered to be non-resident units, that is, units that have their 'centre of economic interest' in other countries. Diplomatic bodies, embassies, consulates and other entities of a foreign government located in Malta are considered as residents of the country they are representing and not of Malta.

### **Sector classification of the Maltese economy**

The main sectors of the Maltese economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

- (a) Monetary financial institutions (MFIs);
- (b) Other financial institutions (including insurance companies);
- (c) General government;
- (d) Non-financial companies;
- (e) Households and non-profit institutions.

In addition to the above, there are those transactors that are considered to be non-residents (also referred to as the 'external sector' or the 'rest of the world').

(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 and whose principal function is to issue currency, to maintain the internal and external value of the currency and to hold all or part of the international reserves of the country.

ii. The **Other Monetary Financial Institutions** (OMFIs) which, in Malta, consist predominantly of credit institutions. The business of credit institutions 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 Banking Co-ordination Directives of December 1977 and December 1989 (77/780/EEC and 89/646/EEC), 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".

This sector is also subdivided into deposit money banks (DMBs) and international banking institutions (IBIs), the latter as from January 1995. DMBs are credit institutions that accept deposits and grant loans to both residents and non-residents. IBIs are credit institutions that accept deposits and grant loans predominantly to non-residents. Other banking institutions (OBIs), comprising mainly long-term lending institutions, were included with the banking sector category up to December 2000.

(b) **Other financial institutions** consist of:

i. **Other financial intermediaries and financial auxiliaries, except insurance companies and pension funds** - this subsector consists of non-monetary financial companies (excluding insurance companies and pension funds) principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than MFIs. Financial auxiliaries consist of companies which are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediators themselves.

ii. **Insurance companies and pension funds**, which comprise non-monetary financial companies principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance companies 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 group of units. Pension funds included in this sector are those that are constituted as separate from the units that created them. They are established for the purposes of providing retirement benefits for specific groups of employees.

(c) **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. For statistical reporting purposes, the sector general government in Malta comprises the central government sector and the other general government sector, the latter comprising solely the local government sector.

i. **Central government** includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory. It thus includes departments, ministries, and offices of government located in the country and embassies, consulates, military establishments and other institutions of government located outside the country. Also included in this sector are the extra-budgetary units (also termed as public non-market units). These comprise those institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or involved in the redistribution of national income and wealth. These units/entities do not charge “economically significant” prices and/or did not cover at least 50% of their production costs in sales over the last years.

ii. **Other general government** in Malta comprises solely the local government sector. Local government includes administrative departments, councils or agencies whose competence covers only a restricted part of the economic territory of a country.

iii. The **Public Sector** comprises the general government sector and the public companies, the latter being companies that are owned or subject to control by government.

(d) **Non-financial companies:**

This sector comprises companies not engaged in any form of financial intermediation but 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. This sector includes public non-financial companies, that is, companies that are owned or subject to control by government, and private non-financial companies, that is, companies controlled by non-government resident or non-resident units.

(e) **Households and non-profit institutions serving households (NPISH):**

This sector comprises individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively intended for their own final consumption. Included in this sector are non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households.

### **Classification of economic activities**

The classification of economic activities follows the standards of Regulation (EEC) No 3037/90 entitled “Nomenclature générale des activités économiques dans les Communautés européennes” (General industrial classification of economic activities within the European Communities), known by the acronym NACE Rev.1.

### **Financial market indicators**

The statutory interest rates used by the Central Bank of Malta and other indicative benchmark money market rates are given as end-of-period rates as a percentage per annum. The repurchase agreement/term deposit rates are the prevailing rates actually dealt in at the end of the month or the rates offered by the Central Bank of Malta. The interbank market offered rates shown are the prevailing rates of the last dealings between banks in the official interbank market during the last month of the period reported. When no deals are transacted the Central Bank of Malta fixing rate average is used.

The weighted average deposit rates on current, savings and time deposits pertain to the deposit money banks’ interest rates applicable on resident Maltese lira deposits. The weighted average rate on time deposits is calculated on time deposits with a one year maturity. These rates are calculated by multiplying each amount by the different rates in each type of deposit and dividing by the total amount of each type of deposit. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents in local currency by the interest rate applied thereto, and dividing by the total amount.

The primary market Treasury Bill rates are the interest rates applicable on Government Treasury bills, which are obtained from the official rates quoted by the Treasury. These are weighted averages of the rates attached to the bills that are taken up by the bidders at the weekly auction. Treasury bills are classified by original maturity. A “-” sign implies that no transactions occurred during the last quarter.

Meanwhile, the wholesale secondary market yields represent the selling rates quoted by the Central Bank of Malta on a daily basis for trading in Malta Government Treasury Bills for reasonable amounts over Lm50,000 nominal in each respective tenor. The indicative yields shown in the Table are yields for fixed periods on which yields for each tenor are based. Interest rates on Malta Government stocks represent average ISMA (International Securities Market Association) redemption yields on applicable stocks with periods specified referring to remaining term to maturity. ISMA Yields, are quoted with an annual compounding period, irrespective of how many coupon periods per annum the stock has.

The MSE share index measures movements in the price of all ordinary shares listed in the official list of the MSE. It is a market capitalisation index which weights the price and number of shares of each listed firm. The index has a base of 1,000 initiating on 27 December 1995.

## **PUBLIC DEBT STATISTICS**

Gross government debt comprises the total amount of government debt outstanding denominated in domestic and in foreign currency. The source for data on Treasury bills and government external debt is the Central Bank of Malta, while the source for Malta Government stocks is the MSE. Also shown are data on debt guaranteed by government, which mainly relates to the non-financial public sector companies. 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 - these loans already feature in the calculation of government external debt.

## **STATISTICS ON EXTERNAL TRANSACTIONS**

Tables 4.1 and 4.2 show the end-of-period and average exchange rates of the Maltese lira against other main currencies, respectively. The Maltese lira average exchange rates are calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates. The Bank also releases further related information on its website.

## **GOVERNMENT FINANCE AND REAL ECONOMY INDICATORS**

Public finance, trade, national accounts and other general economic statistics are obtained from the NSO and the Ministry of Finance. Further details may be obtained from the website of the NSO. Statistics on building and construction are obtained from the Malta Environment and Planning Authority.