

Central Bank of Malta



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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

After having left official interest rates unchanged throughout the third quarter, the Central Bank of Malta tightened its monetary policy stance in October, raising the central intervention rate by 25 basis points, to 3.75%.¹ This decision was taken against a background of a narrowing short-term interest rate differential in favour of the Maltese lira and amid expectations of a continuing tightening of monetary policy abroad. The rise in the central intervention rate aimed at reaffirming the importance of keeping the Maltese lira stable at its central parity rate within ERM II.

The Treasury bill three-month rate, which is the benchmark short-term domestic interest rate, increased during the third quarter, but its counterpart euro rate rose at a faster pace. Consequently, the short-term premium on the lira narrowed to 38 basis points in September. The general upward trend in interest rates persisted going into the fourth quarter, but, with domestic rates rising faster than foreign rates, the short-term premium on Maltese lira assets rose to 45 basis points at the end of November.

The Bank's net foreign assets, which during the second quarter were boosted by the sale of the Government's shares in a telecommunications company, rose further during the September quarter. This upswing mirrored seasonal trade patterns and special factors, such as net inflows related to the activities of companies engaged in international business operations. However, the increase in the Bank's net foreign assets began to unwind in the final quarter of the year.

The annual rate of growth of broad money rose

from 3.6% in June to 4.3% in September. Slower growth in narrow money was offset by faster expansion in deposits with an agreed maturity of up to two years, boosted by higher interest rates on term deposits. The latter induced savers to switch away from deposits withdrawable on demand and may have given further impetus to the trend decline in currency in circulation. Domestic credit, in turn, expanded at a faster pace during the September quarter, reflecting additional private sector credit mainly for housing and construction purposes. On the other hand, public sector credit remained below the previous year's level.

As in the first half of 2006, the economy continued to expand at just below 3% year-on-year during the September quarter. Real growth was mainly driven by the external sector, as exports rose faster than imports. Meanwhile, a pick-up in government consumption offset a slowdown in private consumption growth. However, lower outlays on public projects resulted in gross fixed capital formation falling below the previous year's level. In nominal terms, GDP expanded by 5.7% on a year earlier with growth fuelled by rising profits, particularly in the manufacturing, financial intermediation and construction sectors. The gaming sector also showed substantial year-on-year growth.

The Bank's latest Business Perceptions Survey, carried out between October and November, showed a fourth consecutive quarterly improvement in expectations about the general economic situation. Increased optimism was spread across both local and export-oriented firms.

Labour market indicators also point to a strengthening of the economic recovery. According to the LFS, growth in private sector

¹ On 25 January 2007, the Bank raised the central intervention rate by an additional 25 basis points to 4.00%.

employment during the third quarter offset the decline in public employment and brought about a reduction in the unemployment rate to 6.8%. Meanwhile, the figure for claimant unemployed compiled by the ETC remained stable throughout this period and into the fourth quarter.

Inflation developments continued to be dominated by the earlier spike in international energy prices, which resulted in higher water, electricity and fuel prices. Consequently, the twelve-month moving average RPI and HICP inflation measures both peaked, at 3.4% and 3.2%, respectively, in September. With the base effect of higher energy-related costs running its course in the following quarter, year-on-year inflation fell substantially by November.

In the external sector, the seasonal third quarter

surplus on the current account of the balance of payments narrowed due to a larger merchandise trade gap and lower net receipts from services. Overall, the current account deficit for the first nine months of the year widened from 6.1% of GDP in 2005 to 7.4% of GDP in 2006.

On the other hand, fiscal developments were more positive, with the position on the Consolidated Fund over the first ten months of the year indicating that the planned correction in the deficit for 2006 was on target. The narrowing of the deficit was mainly due to tax-driven revenues, which advanced at a faster pace than expenditures. According to figures provided in the Budget Speech, the general government deficit is set to fall from 3.2% of GDP in 2005 to 2.7% in 2006, with further consolidation targeted for the period 2007-2009.

2. THE INTERNATIONAL ENVIRONMENT

The world economy

Although the global economy continued its robust expansion in the third quarter of 2006 growth rates eased in various major economies. Thus, global growth is expected to slow down in 2007, with the OECD projecting GDP to rise by 2.4% in the US, and at 2.2% in the euro area. Meanwhile, inflation declined in most countries, mainly on account of falling energy prices.

Economic and monetary developments in the major economies

In the United States, economic activity slowed to 3.0% in the September quarter on a year-on-year basis, from 3.5% in the previous three months (see Table 2.1). Reduced residential investment and faster growth in imports contributed to the slowdown. At the same time, retail sales grew by 5.6% compared with 6.8% in the June quarter. Slower energy price increases led to a drop in the average inflation rate, to 3.3% during the third quarter, from 4.0% in the second (see Table 2.2). Meanwhile, labour

market activity eased slightly, with the unemployment rate rising by 0.1 percentage points to 4.7%.

The target for the federal funds rate was left unchanged at 5.25% during the third quarter of 2006 and into the fourth, marking a pause in a two-year pattern of increases (see Chart 2.1).

In the three months to September, year-on-year GDP growth in the euro area eased to 2.7% from 2.8% in the June quarter. Growth in household and government consumption remained practically unchanged over the previous quarter while exports grew at a slower pace. Annual inflation averaged 2.1%, down from 2.5% in the second quarter, as energy prices receded. Meanwhile, the unemployment rate remained stable at 7.8%.

The ECB maintained its target interest rate, the minimum bid rate on its main refinancing operations, unchanged at 2.75% in July, before raising it by a quarter of a percentage point in August to counter inflationary pressures. The rate was left unchanged throughout the rest of the third quarter, before being raised to 3.25% in October.

Table 2.1
REAL GDP

% change compared with the same quarter a year earlier

	2005		2006			
	Q3	Q4	Q1	Q2	Q3	Q4 ¹
United States	3.4	3.1	3.7	3.5	3.0	3.0
Euro area	1.7	1.8	2.2	2.8	2.7	3.0
United Kingdom	1.8	1.9	2.3	2.6	2.9	2.7
Japan	2.9	4.1	3.6	2.7	2.7	2.0

¹ 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			
	Q3	Q4	Q1	Q2	Q3	Q4 ¹
United States	3.8	3.7	3.7	4.0	3.3	2.0
Euro area	2.3	2.3	2.3	2.5	2.1	1.8
United Kingdom	2.4	2.1	1.9	2.2	2.4	2.5
Japan	-0.3	-0.5	-0.1	0.2	0.6	0.2

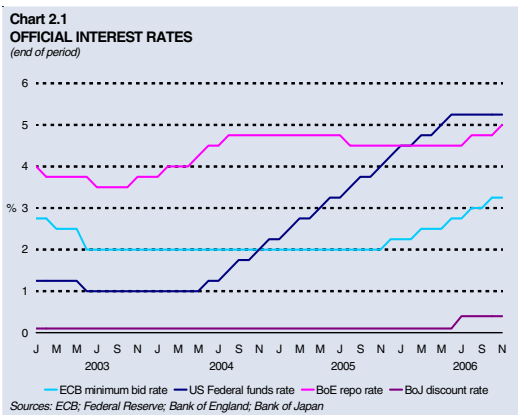
¹ Forecasts.

Sources: Consensus Forecasts; Eurostat; US Bureau of Labor Statistics; Bank of Japan.

In the third quarter, the British economy expanded by 2.9% on a year-on-year basis, against 2.6% in the previous three-month period. Investment was the main contributor to growth while consumer demand remained broadly unchanged. Unlike in other industrialised countries, inflation in the United Kingdom increased by 0.2 percentage points to 2.4% during the third quarter. In the labour market, unemployment increased during the July-September period, with the jobless rate edging up to 5.6%, 0.1 points higher than in the preceding quarter.

Against a background of higher inflation in the UK, the Bank of England raised the repo rate by 25 basis points to 4.75% in August. It left the rate unchanged in the following two months, before raising it further to 5.0% in November in response to rising inflationary expectations.

The Japanese economy continued to grow at 2.7% in the September quarter, the same rate as in the previous quarter, driven by exports and investment as domestic consumption was weak. Consumer price inflation averaged 0.6% during the quarter, as against 0.2% in the second quarter. On the labour front, unemployment was unchanged from the second quarter, at 4.1%.



In July the Bank of Japan raised the target rate for benchmark overnight call loans to 0.25% and for the first time in five years it also increased the official discount rate, from 0.1% to 0.4%. Rates were kept on hold for the rest of the third quarter and into the fourth.

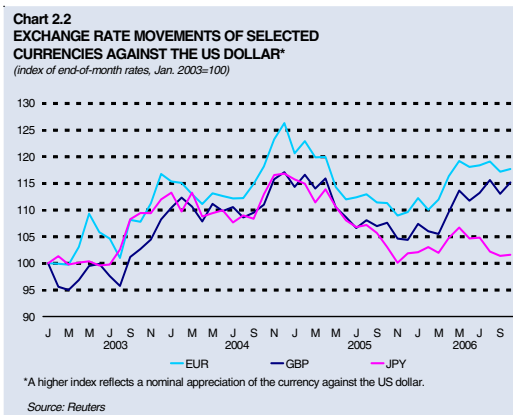
Foreign exchange markets

In July and August the US dollar continued to depreciate against the euro and the pound sterling in response to weaker than expected US economic

data and a narrowing of the interest rate differential (see Chart 2.2 and Table 2.3). In September, however, the decline in energy prices and the subsequently improved outlook for the US economy lent support to the dollar, which appreciated against both the euro and sterling. Over the quarter as a whole, the US dollar appreciated marginally by 0.7% versus the euro, while falling by 1.2% against the British pound.

Following the depreciation of the US dollar against the Japanese yen in the second quarter of the year, the dollar reversed course and gained 3.2% vis-à-vis the yen in the September quarter.

The euro depreciated by 1.9% against the British pound in the third quarter of the year, mainly because the unexpected rise in the Bank of England's repo rate in August led market participants to price in further policy tightening in the future (see Chart 2.3). Against the Japanese



unit, the euro appreciated by 2.5% as markets anticipated the gradual tightening of monetary policy.

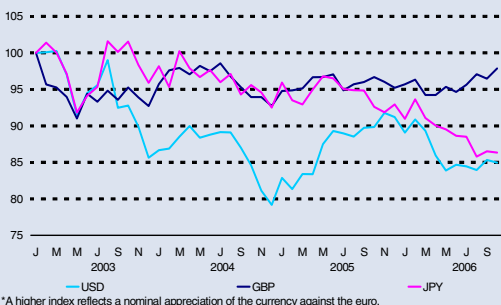
In October and November the US dollar fell sharply against all the other major currencies propelled by a slowing US economy. Meanwhile,

Table 2.3
EXCHANGE RATES OF SELECTED CURRENCIES
AGAINST THE US DOLLAR - THIRD QUARTER 2006

	USD/EUR	USD/GBP	JPY/USD
Average for July	1.2691	1.8446	115.61
Average for August	1.2814	1.8924	115.85
Average for September	1.2740	1.8872	117.08
Average for the quarter	1.2748	1.8747	116.18
Closing rate on 30.06.06	1.2747	1.8433	114.37
Closing rate on 29.09.06	1.2652	1.8647	118.07
Lowest exchange rate vs the US dollar during the quarter	1.2469 (19 July)	1.8197 (17 July)	118.07 (29 Sep.)
Highest exchange rate vs the US dollar during the quarter	1.2899 (09 Aug.)	1.9093 (09 Aug.)	114.03 (10 July)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from closing rate on 30.06.06 to closing rate on 29.09.06	-0.7	1.2	-3.2

Source: Reuters.

Chart 2.3
EXCHANGE RATE MOVEMENTS OF SELECTED
CURRENCIES AGAINST THE EURO*
(Index of end-of-month rates, Jan. 2003=100)



*A higher index reflects a nominal appreciation of the currency against the euro.

Source: Reuters

the euro generally continued to trade within a narrow range against the British unit, while strengthening against the yen.

Commodities

Oil

Oil prices generally rose in the first part of the third quarter, reaching a historical high of USD78.46 on 9 August (see Chart 2.4). Prices declined thereafter, reflecting an easing of Middle East tensions and a mild hurricane season in the US. The downward revision of expected growth

Chart 2.4
OIL (\$/BARREL)*
(end of week)



* Brent Blend
Source: Reuters

in oil demand for 2006 and 2007 also kept prices down. Oil closed the third quarter at USD58.49, 20.6% lower than at the end of the previous quarter. Going into the fourth quarter, prices hovered around the levels recorded in September.

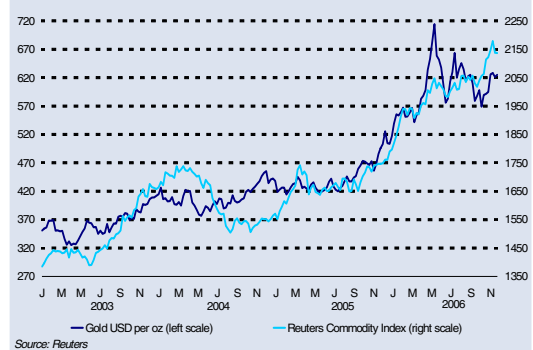
Gold

During the third quarter of 2006, gold prices retreated from the peak reached in the preceding quarter and traded around USD600 in July and August despite a weaker US dollar (see Chart 2.5). In September the price of bullion continued to fall, spurred by falling energy prices, hedge fund selling and fears that central banks would reduce their gold holdings. As a result, during the third quarter of 2006, the price of gold fell by 2.4% to USD597.80. In October and November, gold continued to trade around the USD600 mark.

Other commodities

The Reuters' Commodity Index rose by 1.9% over the third quarter, mainly supported by higher prices of major industrial metals and, to a lesser extent, food products (see Chart 2.5).¹ In October and November, non-energy commodity prices increased substantially as prices of industrial metals and food continued to rise.

Chart 2.5
COMMODITY PRICES
(end of week)



Source: Reuters

¹ The Reuters Commodity Index is a weighted index of the prices of seventeen commodities that include food, beverages, vegetable oils, agricultural raw materials and metals, but exclude gold.

3. MONETARY AND FINANCIAL DEVELOPMENTS

After having left official interest rates unchanged during the third quarter of 2006, the Central Bank of Malta tightened its monetary policy stance in October 2006, raising the central intervention rate by 25 basis points to 3.75%. The three-month Treasury bill rate rose during the third quarter, ahead of the increase in official interest rates, while the remaining money market rates were more or less stable. In the capital market, whereas 5-year and 10-year government bond yields increased slightly, the 15-year rate was stable. At the same time, corporate bond yields declined, while equity prices generally fell further.

During the third quarter, growth in broad money

(M3) accelerated, boosted by a rise in domestic credit that was driven entirely by lending to the non-bank private sector. A significant increase in the net foreign assets of the banking system was mainly reflected in a rise in the other counterparts of M3 and did not have a direct effect on monetary growth.

The monetary base

The monetary base contracted for the second quarter in a row, falling by Lm9.3 million, or 1.4%, during the third quarter of 2006 (see Table 3.1).¹ This drop was mainly driven by a contraction in bank deposits with the Central Bank of Malta, even though a decline in currency in issue also contributed.

The third quarter contraction in M0 largely

Table 3.1
THE MONETARY BASE AND ITS SOURCES

	2006		<i>Lm millions</i>	
	June	Sept.	Change Amount	%
Currency in issue	512.0	508.7	-3.3	-0.6
Bank deposits with the Central Bank of Malta ¹	139.2	133.1	-6.1	-4.3
MONETARY BASE (M0)	651.2	641.8	-9.3	-1.4
CENTRAL BANK OF MALTA ASSETS				
Foreign assets	976.1	1,018.4	42.2	4.3
Claims on central government	24.7	29.4	4.7	18.9
Fixed and other assets	16.2	16.4	0.2	1.1
<i>less</i>				
REMAINING LIABILITIES				
Government deposits	83.2	133.1	49.9	60.0
Other deposits	1.9	1.7	-0.2	-8.9
Foreign liabilities	39.9	36.5	-3.3	-8.4
Other liabilities	153.4	157.6	4.2	2.8
Shares and other equity	87.6	93.4	5.8	6.6

¹Excluding term deposits, which are shown with "other liabilities".

¹ The monetary base includes bank deposits with the Central Bank of Malta, except term deposits, and currency in issue, which comprises currency in circulation and holdings of national currency by the banks.

Table 3.2
MONETARY AGGREGATES

(Changes on the previous quarter)

Lm millions

	2005				2006					
	Q3		Q4		Q1		Q2		Q3	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
NARROW MONEY (M1)	6.6	0.4	22.3	1.4	-16.3	-1.0	19.3	1.2	-14.5	-0.9
Currency in circulation	1.8	0.4	1.7	0.3	-9.8	-2.0	0.8	0.2	-2.0	-0.4
Deposits withdrawable on demand	4.9	0.4	20.6	1.8	-6.4	-0.5	18.6	1.6	-12.4	-1.1
INTERMEDIATE MONEY (M2)	24.7	0.8	37.5	1.2	6.3	0.2	39.6	1.3	46.5	1.5
Narrow money (M1)	6.6	0.4	22.3	1.4	-16.3	-1.0	19.3	1.2	-14.5	-0.9
Deposits redeemable at notice up to 3 months	0.0	0.1	1.1	3.7	0.2	0.5	-0.6	-1.8	-0.7	-2.3
Deposits with agreed maturity up to 2 years	18.0	1.4	14.2	1.1	22.4	1.7	20.8	1.5	61.7	4.5
BROAD MONEY (M3)¹	24.7	0.8	37.5	1.2	6.3	0.2	39.6	1.3	46.5	1.5

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

mirrored a build up of government deposits with the Bank, which offset the positive impact on the monetary base of further growth in the Bank's foreign assets.

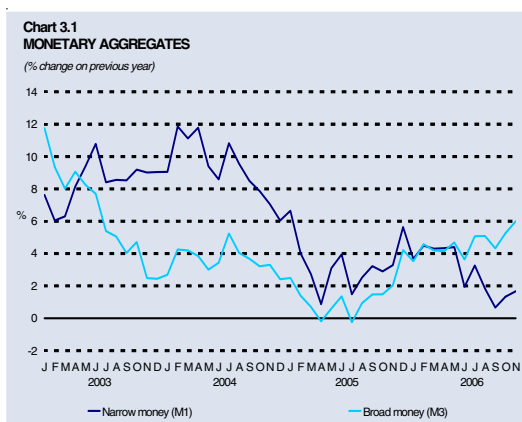
Monetary aggregates

After having gained 1.3% in the previous quarter, broad money (M3) expanded further during the third quarter of 2006, rising by Lm46.5 million, or

1.5% (see Table 3.2). The annual growth rate of M3 thus continued to accelerate, rising to 4.3% in September from 3.6% in June (see Chart 3.1).

Narrow money (M1) contracted by Lm14.5 million, or 0.9%, during the third quarter of 2006, partly reversing the increase registered in the preceding quarter. This drop mainly reflected a decline in deposits withdrawable on demand, which contracted by Lm12.4 million, or 1.1%, driven by lower Maltese lira balances held by non-bank financial intermediaries and households. Currency in circulation also declined, though to a lesser extent, falling by Lm2.0 million, or 0.4%. As a result, the year-on-year rate of growth of M1 decelerated further, reaching 0.7% in September from 1.9% in June (see Chart 3.1).

During the quarter under review, intermediate money (M2) expanded by Lm46.5 million, or 1.5%, as the contraction in M1 was outweighed by a substantial rise in deposits with an agreed maturity of up to two years. The latter put on Lm61.7 million, fuelled mainly by growth in



deposits belonging to private non-financial companies and households, most of which were denominated in Maltese lira. Depositors probably responded to a temporary rise in selected deposit rates during the quarter. Consequently, the annual rate of growth of deposits with an agreed maturity of up to two years accelerated to 9.0% in September, from 5.8% in June. Deposits redeemable at up to three months' notice decreased slightly during the quarter.

With official interest rates remaining unchanged, bank lending rates were stable during the third quarter of 2006, with the weighted average interest rate on Maltese lira loans remaining constant at 5.71% in September (see Chart 3.2). In contrast, the weighted average interest rate on all Maltese lira deposits rose by 9 basis points during the period, reaching 2.29% at end-September, as the delayed impact of the May increase in the central intervention rate – which would only have affected rates on new deposits – began to be felt. The average interest rate on time deposits went up to 3.14% in September from 3.03% in June. At the same time, while the average rate on savings deposits was stable, the average rate on demand deposits fell marginally, ending the quarter at 0.56% from 0.59% as at end-June.

Going into the following quarter, the annual growth

rates of M1 and M3 accelerated, reaching 1.7% and 6.0%, respectively, in November. Additionally, both the weighted average deposit rate and the corresponding lending rate increased, rising to 2.35% and 5.92% in November.

Counterparts of monetary expansion

An increase in credit to the non-bank private sector was the principal factor contributing to monetary growth in the third quarter of 2006. A sizeable rise in the net foreign assets of the banking system during the quarter was mostly mirrored in an increase in revaluation account balances, which boosted the other counterparts of M3 but had no direct impact on monetary aggregates.

Domestic credit expanded by Lm37.4 million, or 1.4%, during the September quarter, reflecting a significant rise in claims on other residents that was only partly offset by a contraction in net claims on central government (see Table 3.3). As a result, the year-on-year rate of growth of domestic credit accelerated to 4.2%, from 0.6% in June (see Chart 3.3).

Claims on other residents surged by Lm71.3 million, or 3.1%, during the period under review. Loans and advances, which account for almost all

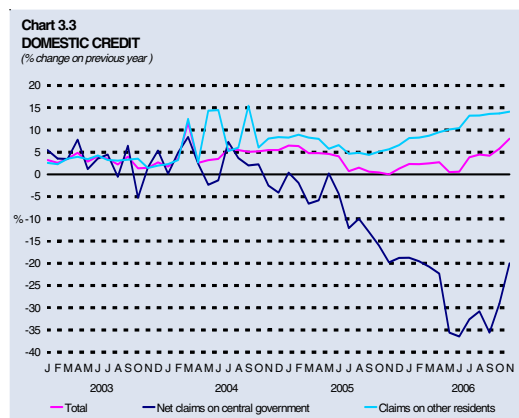
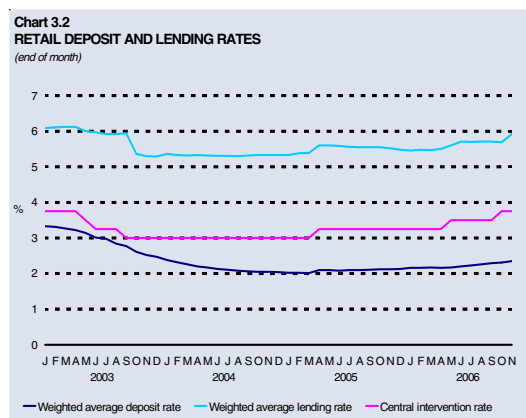


Table 3.3**COUNTERPARTS OF MONETARY GROWTH***(Changes on the previous quarter)**Lm millions*

	2005				2006					
	Q3		Q4		Q1		Q2		Q3	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY (M3)	24.7	0.8	37.5	1.2	6.3	0.2	39.6	1.3	46.5	1.5
DOMESTIC CREDIT	-56.4	-2.1	16.9	0.6	97.9	3.7	-41.6	-1.5	37.4	1.4
Net claims on central government	-60.0	-10.7	-57.3	-11.5	5.4	1.2	-92.2	-20.6	-33.9	-9.5
Claims on other residents	3.6	0.2	74.1	3.5	92.5	4.2	50.6	2.2	71.3	3.1
NET FOREIGN ASSETS	125.7	7.8	64.8	3.7	-43.2	-2.4	222.4	12.6	81.8	4.1
Central Bank of Malta	92.6	11.3	20.9	2.3	-60.8	-6.5	64.5	7.4	45.6	4.9
Banks	33.1	4.1	44.0	5.3	17.6	2.0	157.9	17.7	36.3	3.4
<i>less</i>										
OTHER COUNTERPARTS OF M3¹	44.6	3.4	44.2	3.2	48.5	3.5	141.2	9.7	72.8	4.6

¹ 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.

claims, increased by Lm69.3 million, or 3.1%, with demand for credit stemming entirely from the non-bank private sector (see Table 3.4). Credit increased significantly in July and August and was also boosted by the half-yearly debiting of accrued interest to borrowers' loan accounts in September. As a result, the annual rate of growth of claims on other residents extended its upward trend, rising to 13.6% in September from 10.4% in June.

Loans to the non-bank private sector rose by Lm71.8 million, or 3.4%, spread across all economic sectors, except manufacturing and tourism. Lending to households and individuals, most of which was intended for house purchases, and to the 'real estate, renting and business activities' sector together accounted for more than half of the quarterly rise. At the same time, loans to the public sector declined by Lm2.5 million, or 1.9%, reflecting a reclassification following the privatisation of Maltacom.

In contrast, net claims on central government contracted by Lm33.9 million, or 9.5%, during the third quarter, as government deposits with the Central Bank of Malta increased. As a result, the annual growth rate of net claims on central government remained broadly stable during the period, ending September at -35.6%.

The net foreign assets of the banking system expanded by Lm81.8 million, or 4.1%, during the September quarter, with the Central Bank of Malta contributing more than half of this rise. Nonetheless, the year-on-year growth rate of net foreign assets decelerated throughout the quarter, falling to 18.7% in September, from 22.8% in June (see Chart 3.4).

The net foreign assets of the Central Bank of Malta increased by Lm45.6 million, or 4.9%, during the period under review, predominantly on account of net purchases of foreign exchange from the rest of the banking system. Receipts of tax

Table 3.4
CLAIMS ON OTHER RESIDENTS¹

	2006		Lm millions	
	June	Sept.	Amount	Change %
TOTAL CLAIMS	2,337.2	2,408.5	71.3	3.1
Claims on the non-bank private sector	2,180.5	2,252.9	72.4	3.3
<i>of which loans and advances</i>	2,132.5	2,204.3	71.8	3.4
Claims on the non-bank public sector	156.0	154.9	-1.1	-0.7
<i>of which loans and advances</i>	130.0	127.4	-2.5	-1.9
Claims on other general government ²	0.7	0.7	0.0	0.0
<i>of which loans and advances</i>	0.7	0.7	0.0	0.0
TOTAL LOANS AND ADVANCES	2,263.2	2,332.5	69.3	3.1
Electricity, gas & water supply	76.0	76.9	0.9	1.2
Transport, storage & communication	128.8	133.5	4.8	3.7
Agriculture & fishing	9.4	9.7	0.3	3.6
Manufacturing	111.3	110.7	-0.6	-0.5
Construction	243.9	248.3	4.4	1.8
Hotels & restaurants	205.8	204.2	-1.6	-0.8
Wholesale & retail trade; repairs	299.5	304.4	4.9	1.7
Real estate, renting & business activities	217.7	235.6	17.8	8.2
Households & individuals	895.5	930.5	35.0	3.9
Other ³	75.5	78.6	3.2	4.2

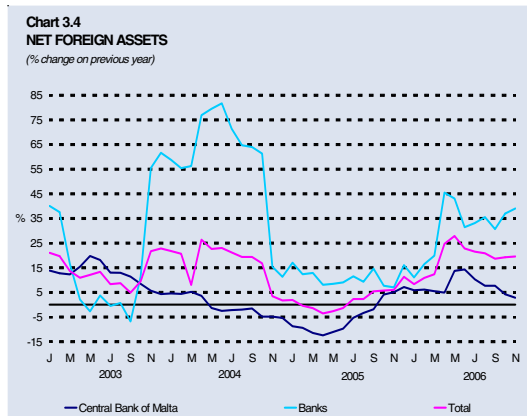
¹ Claims on other residents consist mainly of loans and advances and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies. Interbank claims are excluded.

² In Malta, this refers to the local councils.

³ 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.

from non-residents boosted the Bank's net foreign assets further. However, since the Bank's net foreign assets had risen considerably during the corresponding quarter of 2005 as a result of a foreign loan taken by a major non-financial public corporation, their annual rate of growth almost halved, declining from 14.3% in June to 7.7% in September.

During the September quarter, the net foreign assets of the rest of the banking system rose by Lm36.3 million, or 3.4%. Nonetheless, in the twelve months to September, the annual rate of



growth of the banks' net foreign assets slowed down slightly, reaching 30.7%, from 31.5% in June. International banks' holdings increased by Lm33.0 million, or 6.1%, mostly due to changes in the value of their stock of foreign assets that were mirrored in their revaluation reserves. At the same time, the net holdings of the deposit money banks rose by Lm3.3 million, or 0.6%, as net purchases of foreign exchange from their customers were dampened by the sales to the Bank mentioned earlier.

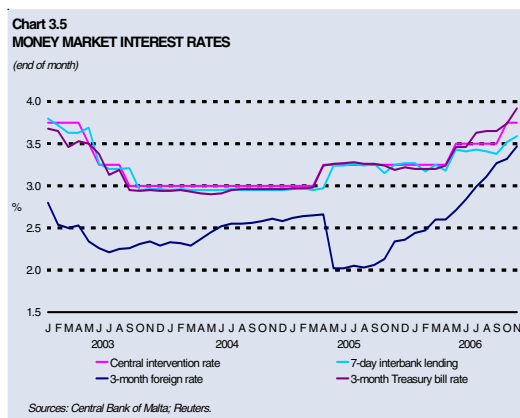
The other counterparts of M3 grew by Lm72.8 million, or 4.6%, during the quarter (see Table 3.3). This was mainly attributable to higher retained earnings as well as the above-mentioned increase in revaluation reserves.

Going into the fourth quarter, the annual rate of growth of domestic credit accelerated further, rising to 8.0% in November. At the same time, the annual growth rate of the net foreign assets of the banking system picked up again, rising to 19.6%.

The money market

The Central Bank of Malta tightened its monetary policy stance in October, raising the central intervention rate by 25 basis points to 3.75% after having left it unchanged throughout the previous quarter. During the third quarter of 2006 domestic money market rates were broadly stable, except for a rise in the three-month Treasury bill rate (see Chart 3.5).² The increase in the domestic three-month yield coincided with a more significant rise in the corresponding rate in the euro area, which led to a narrowing of the three-month premium on the Maltese lira.

Liquidity in the banking system during the third quarter of 2006 was substantially higher than in previous quarters. As a result, the amount of



funds that the Bank absorbed through weekly auctions of 7-day term deposits rose, with the average weekly level of deposits placed by the deposit money banks increasing to Lm151.8 million, from Lm91.7 million in the previous quarter. The interest rate paid on these deposits remained unchanged at 3.45% throughout the quarter.

Turnover in the interbank market increased during the third quarter, rising to Lm92.4 million from Lm61.5 million in the preceding quarter. The asymmetric distribution of liquidity among banks led to the increased use of the interbank market as a source of short-term funds, particularly in September. All interbank loans had a term to maturity of one week or less, with the interest rate on one-week loans declining slightly to 3.38% in September from 3.41% three months earlier.

The Treasury made more use of short-term financing in the September quarter, issuing Lm109.5 million worth of bills, as opposed to Lm67.1 million in the preceding quarter. At the same time, with the amount of maturing bills declining, the amount of bills outstanding rose to Lm153.6 million at end-September. The three-

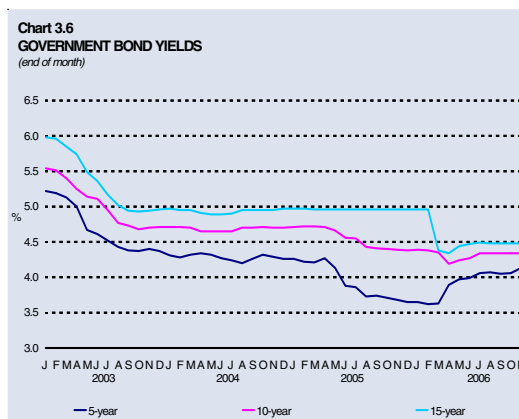
² The foreign interest rate shown in Chart 3.5 is computed as a basket-weighted average of the relevant interest rates on the euro, the pound sterling and the US dollar until April 2005. The secondary market rate on three-month euro area government securities is shown thereafter.

month bill accounted for almost three-fourths of the total amount issued, with most of the remaining bills being almost evenly split between six-month and one-year bills. Banks were the main participants in the primary market, buying around two-thirds of the total issued, while insurance companies took up most of the remainder. The yield on the three-month bill rose by 17 basis points in July, reflecting the Treasury's increased demand for short-term funds and market expectations of higher interest rates. It fluctuated marginally during the rest of the quarter, ending September at 3.65% (see Chart 3.5).

In the secondary market for Treasury bills, turnover dropped to Lm11.3 million in the third quarter of 2006, from Lm45.8 million in the previous quarter. Transactions involving the Bank amounted to Lm10.7 million, with purchases totalling Lm9.2 million, mainly from households and collective investment schemes. Deals outside the Bank amounted to Lm0.6 million. In line with primary market developments, secondary market rates moved upwards during the September quarter, with the yield on the three-month bill rising to 3.65%, from 3.46% three months earlier.

The three-month premium on the Maltese lira over the euro narrowed from 62 basis points in June to 38 basis points at end-September, as the rise in the three-month Treasury bill rate was coupled with an even stronger increase in the corresponding euro area rate.

By the end of November 2006, the primary market three-month Treasury bill yield rose to 3.90%, while the corresponding secondary market rate increased to 3.92%. The increase in the latter following the rise in the Bank's central intervention rate led to a widening in the interest rate premium on the lira, which reached 45 basis points.



The capital market

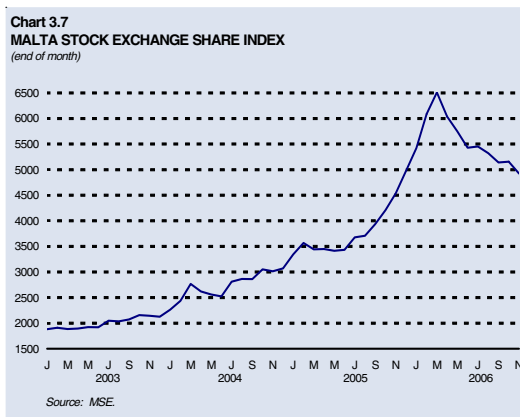
The Government continued to raise funds through bond issues during the third quarter of 2006, offering one fungible stock with a nominal value of Lm19.3 million in July. The stock, which is due to mature in 2014, was issued with a coupon rate of 5.1%. Retail investors bought Lm9.7 million worth of stocks at par, while the rest were auctioned, mainly to collective investment schemes, resulting in an effective yield to maturity of 4.3%. This issue was intended to refinance, in part, maturing debt after Lm34.3 million worth of government bonds were redeemed in August. No bonds were issued by the corporate sector during the period under review.

Turnover in the secondary market for government bonds fell to Lm21.6 million from Lm31.6 million in the second quarter of 2006. The Bank traded Lm17.0 million worth of stocks, with other investors accounting for the remainder. During the quarter, participants traded mainly in short-term and medium-term bonds. Yields on 5-year and 10-year government bonds rose slightly, ending the quarter at 4.05% and 4.34%, respectively. At the same time, the yield on 15-year bonds remained stable after a sharp fall in the March quarter (see Chart 3.6).

Activity in the secondary market for corporate bonds increased during the third quarter, with turnover rising to Lm1.4 million from Lm1.0 million in the second quarter. Trading was mostly concentrated in six major securities. On average, yields on corporate bonds declined during the quarter.

Turnover in the equity market declined for the second quarter in a row, falling to Lm9.4 million, from Lm25.7 million in the June quarter. Trading was mostly concentrated in bank equities, which accounted for more than two-thirds of the total. Equity prices declined further during the third quarter, resulting in a 5.3% drop in the MSE share index, though the decline appears to have levelled off (see Chart 3.7).

Going into the fourth quarter of 2006, yields on 5-



year government bonds increased marginally, while those on 10-year and 15-year government securities were constant. The MSE share index recovered slightly in October before falling again in November.

4. OUTPUT, EMPLOYMENT AND PRICES

Gross Domestic Product

Real GDP rose by 2.7% in the third quarter of 2006, the fifth consecutive quarterly increase in economic growth (see Chart 4.1). The latest expansion stemmed mainly from higher net exports and, to a lesser extent, higher consumption. Gross fixed capital formation, however, continued to decline (see Table 4.1).

The 6% rise in exports of goods and services contrasted sharply with the drop of 6.4% a year earlier. To a lesser extent, imports also rose, by 3.8%, compared with a 0.3% drop in the corresponding quarter of 2005. As a result, the contribution of net exports to growth was a positive 1.9 percentage points, a sharp turnaround from the 6.2 percentage point negative contribution a year earlier.

On the other hand, private consumption expenditure decelerated to 1.3% during the third



quarter, while growth in government consumption was buoyant at 3.1% compared with 0.5% in the second quarter of the year.

Expenditure on gross fixed capital formation dropped for the second consecutive quarter, contributing a negative 0.9 percentage points to GDP growth. The 5.0% decline reflected reduced public sector outlays on road construction and the new hospital, particularly as the latter neared completion.

Table 4.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

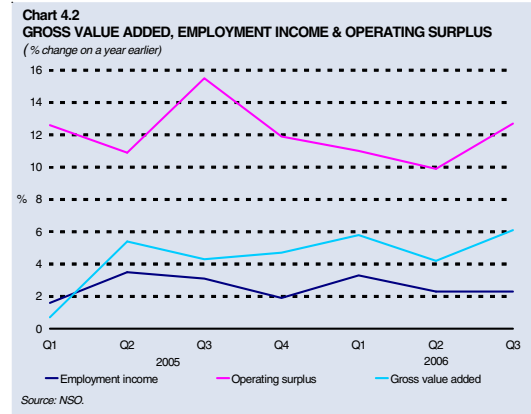
	Year-on-year growth (%)		Contribution to growth (percentage points)	
	Q3		Q3	
	2005	2006	2005	2006
Household & NPISH final consumption expenditure	4.7	1.3	3.1	0.8
Government final consumption expenditure	2.2	3.1	0.4	0.6
Gross fixed capital formation	-0.2	-5.0	-0.1	-0.9
Changes in inventories & net acquisitions of valuables	-	-	6.7	0.3
Domestic demand	10.4	0.7	10.2	0.8
Exports of goods & services	-6.4	6.0	-6.6	5.5
Imports of goods & services	-0.3	3.8	0.3	-3.6
Net exports	-	-	-6.2	1.9
GROSS DOMESTIC PRODUCT	3.9	2.7	3.9	2.7
GROSS DOMESTIC PRODUCT (MARKET PRICES)	6.7	5.7	-	-
GROSS NATIONAL INCOME (MARKET PRICES)	4.8	6.6	-	-

Source: NSO.

Meanwhile, inventory accumulation, which also incorporates the statistical residual, showed a marked fluctuation in its contribution to overall growth, 0.3 percentage points compared with 6.7 points a year earlier.

Generation of income

In nominal terms, GDP expanded by 5.7% during the third quarter, down from 6.7% a year earlier. Nominal GDP can be broken down into gross value added, which mainly includes factor incomes, and net taxation on production and imports. Following a deceleration in the previous quarter, growth in gross value added resumed its upward trend, rising by 6.1% year-on-year, driven primarily by higher profits. Indeed, operating surpluses rose by 12.7% from the year ago level, while employee compensation went up by 2.3%.



These two components together contributed 5.2 percentage points to nominal GDP growth, with the rest attributable to depreciation and net tax payments (see Chart 4.2).

Table 4.2
CONTRIBUTIONS TO NOMINAL GDP GROWTH BY SECTOR AND FACTOR INCOME¹

	2006 Q3		
	Gross value added	Compensation of employees	Operating surplus
Agriculture, hunting & forestry	0.0	0.0	0.0
Fishing	0.0	0.0	0.0
Mining & quarrying	0.0	0.0	0.0
Manufacturing	0.7	-0.1	0.6
Electricity, gas & water supply	-0.3	0.0	-0.3
Construction	0.6	0.1	0.5
Wholesale & retail trade	0.0	0.1	-0.1
Hotels & restaurants	-0.2	0.1	-0.3
Transport, storage & communication	0.4	-0.3	0.3
Financial intermediation	0.8	0.2	0.5
Real estate, renting & business activities	0.2	0.2	-0.1
Public administration	0.2	0.1	0.0
Education	0.1	0.1	0.0
Health & social work	0.2	0.2	0.0
Other community, social & personal services	2.5	0.2	2.3
Total economy	5.2	1.0	3.5

¹ Each entry represents the percentage-point contribution to the nominal GDP growth rate of 5.7%. Nominal GDP can be broken down into gross value added - which includes compensation of employees, operating surplus and depreciation - and net taxation on production and imports. This last component is not available by sector.

Source: NSO.

At the sectoral level, gross value added was boosted by strong activity in ‘other community, social & personal service activities’, reflecting to some extent growth in the thriving on-line gaming industry and resulting in a sharp increase in this sector’s operating surplus. Manufacturing, financial intermediation and construction also performed strongly. However, these gains were in part offset by a decline in the electricity, gas & water supply sector and in the hotels & restaurants segment (see Table 4.2).

The largest contributions to growth of employment income came from four sectors: financial intermediation, real estate, renting & business activities, health & social work and ‘other community, social & personal service activities’. At the same time, reduced employment income was reported in the transport, storage & communication sector as well as in manufacturing, the latter reflecting in part the closure of a number of manufacturing establishments.

Nevertheless, the operating surplus of the manufacturing sector rose significantly during the quarter. Important contributions to the total operating surplus were also reported in the financial intermediation, construction and transport, storage & communication sectors. By contrast, the hotels & restaurants sector recorded operating losses, reflecting the weak performance of the tourism industry.

Gross national income¹

Gross national income rose by 6.6% year-on-year, compared with 4.8% in the previous year. A slight fall in net payments of property income as well as increased subsidies from EU institutions contributed to this higher growth rate.

January-September 2006

With real GDP growth stable over the first three quarters of the year, it averaged below 3% for the nine months as a whole. Growth was mainly generated by domestic demand, in the form of consumption and inventory accumulation, in the first quarter of the year. In the second and third quarters, growth was mainly driven by net exports, as indicated above.

In nominal terms, the economy expanded by 6.2% over the nine-month period, underpinned mainly by higher business profits, especially in the ‘other community, social & personal services’ sector.

Manufacturing

In the three months to September the manufacturing sector reported increased sales for the third consecutive quarter. This was driven by higher exports that were partly offset by a decline in domestic sales. While employment levels were stable compared with the previous quarter, the gross wage bill rose marginally. This resulted in an acceleration in annual wage growth per employee to 7.7%, from 6.2% in the previous quarter (see Table 4.3).

Turnover during the quarter rose to Lm261.3 million, up by Lm17.8 million, or 7.3%, over the same period in 2005, driven by a significant rise in exports. The latter rose by Lm19.1 million, or 10.5%, year-on-year, largely reflecting strong growth in the radio, TV & telecommunications sub-sector. Substantially higher increases in export sales were also reported by the pharmaceuticals industry, while the printing & publishing sub-sector increased its exports by Lm3.7 million over a year earlier. On the other hand, the food, beverages & tobacco, the clothing, textiles & leather and the electrical

¹ Gross national income represents the total income receivable by residents of the domestic economy. It is equal to GDP plus net income receivable by residents from the rest of the world.

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

	2005		2006		
	Q3	Q4	Q1	Q2	Q3
Exports (Lm millions)	-14.4	-1.5	20.6	19.0	19.1
Radio, TV & communication equipment	-27.4	-7.0	25.8	16.5	26.3
Pharmaceuticals	8.6	7.1	5.6	5.4	3.7
Electrical machinery & apparatus	1.1	-3.2	-2.8	-1.6	-4.6
Food, beverages & tobacco	2.9	0.5	-0.6	2.9	-2.6
Printing & publishing	-2.8	3.1	-4.3	0.0	3.7
Clothing, textiles & leather	1.8	-1.5	-4.7	-3.9	-6.2
Other transport equipment	-0.1	0.0	-0.2	-0.2	-1.1
Other	1.5	-0.5	1.8	-0.1	-0.1
Local sales (Lm millions)	1.4	1.4	-1.1	-1.7	-1.3
Food, beverages & tobacco	-1.1	-2.8	-2.3	-1.8	-2.8
Machinery & equipment	0.3	0.5	-0.6	-0.6	-0.8
Medical & precision equipment	-0.4	0.0	-0.3	0.1	0.8
Other non-metallic minerals	1.7	1.5	0.3	0.2	0.6
Other	0.9	2.2	1.8	0.4	0.9
Investment (Lm millions)	1.1	1.9	5.4	4.3	0.8
Radio, TV & communication equipment	0.1	4.1	5.9	5.9	2.9
Printing & publishing	0.2	-0.5	-0.3	-0.8	-0.7
Food, beverages & tobacco	0.0	0.6	-0.3	-0.3	-0.6
Games & toys	0.3	-0.5	-0.2	-0.8	-0.7
Other	0.5	-1.8	0.3	0.3	-0.1
Employment	-405	-688	-1,266	-1,165	-998
Wages per employee (%)	1.2	1.1	6.0	6.2	7.7

Source: NSO.

machinery sub-sectors registered a drop in overseas sales.

Domestic sales by the manufacturing sector were Lm1.3 million below the year-ago level. As can be discerned in Table 4.3, the food, beverages & tobacco sub-sector, which is heavily dependent on local sales, continued to report a contraction in turnover. In contrast, the local sales of the medical & precision equipment and the other non-metallic minerals sub-sectors were higher than those registered a year earlier.

With regard to employment levels, these were broadly unchanged between the second and third

quarters. Thus, while job losses were observed mainly in the textiles, clothing & leather sub-sectors, these were compensated for by increased employment in the radio, TV & communication equipment, the pharmaceuticals and the other non-metallic minerals sub-sectors.

Over the year, employment in manufacturing was almost 1,000 lower than a year earlier. This notwithstanding, the gross wage bill rose marginally, possibly reflecting a shift toward higher skilled employment.

Investment by the sector in the third quarter was up by Lm0.8 million from the year-ago level, a

smaller rise than in the first half of the year. The radio, TV and communication equipment sub-sector reported a rise of Lm2.9 million, while most other sub-sectors reported a decline.

January – September 2006

In the first nine months of 2006, the manufacturing sector's turnover grew by 7.8% compared with the same period of the previous year. Export growth reached 11%, but was partly offset by a fall of 2.5% in domestic sales. Total wage payments were relatively stable despite the downsizing of some firms during the period, resulting in an average per-employee wage increase of 6.6%.

Tourism

During the third quarter tourists departing by air were 6.8% fewer than a year-ago, as the number of visitors from most core markets dropped (see Table 4.4). The holiday-making segment, which constitutes about four-fifths of the total, fell by

11.6%, although business and other travel visitors increased.

In parallel with the reduced tourist numbers, total nights stayed dropped by 2.1% compared with the third quarter of 2005. Three-star hotels were the most affected, with nights spent down by 11.2%. In contrast, the number of nights spent in five-star hotels rose by 13.7%.

Though the number of visitors declined during the quarter, tourist expenditure increased by 0.5% over its year-ago level. Spending on package holidays rose by 5.1%, while that on non-package holidays dropped by 10.6%.

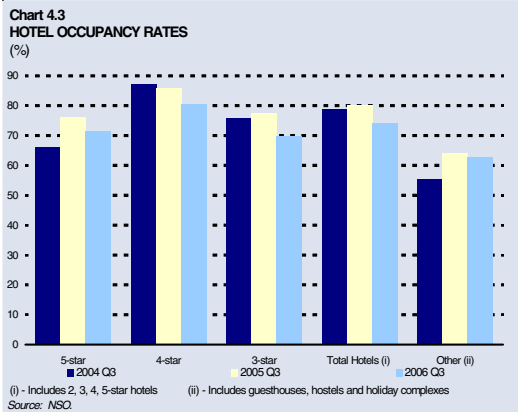
Overall, the average length of stay rose by 0.5 nights to 10.5 nights during the third quarter. All accommodation types benefited from longer average stays.

With regard to hotel occupancy, the NSO's

Table 4.4
TOURISM ACTIVITY

	<i>Year-on-year growth (%)</i>				
	2005			2006	
	Q3	Q4	Q1	Q2	Q3
Departures by air	3.3	0.9	-3.5	-1.8	-6.8
UK	15.9	2.1	-1.9	-5.8	-20.1
Germany	-4.8	0.8	0.8	-6.9	-15.7
France	-8.0	3.0	8.5	-8.6	-18.5
Italy	2.5	-5.3	-12.2	43.4	21.9
Other	-4.3	0.1	-7.3	-0.4	7.7
Expenditure	-4.1	2.2	-5.9	1.1	0.5
Package	-10.2	-11.4	-15.0	5.9	5.1
Non-package: airfares	17.5	32.4	1.2	-8.0	-12.7
Non-package: accommodation	18.9	42.7	19.8	-15.6	-7.3
Other	-3.9	4.8	-0.2	1.4	-0.6
Nights stayed	-0.9	2.4	-9.6	0.2	-2.1
Cruise passengers	-6.2	7.0	24.4	23.6	42.5

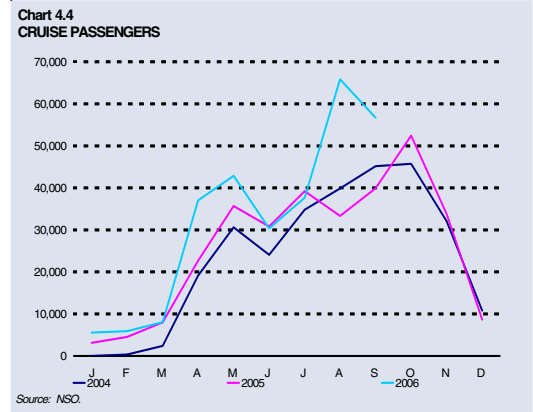
Source: NSO.



accommodation survey reported a 5.8 percentage point drop overall to 74.3% during the quarter, in part reflecting the expansion in bed stock over the year (see Chart 4.3). Three-star hotels experienced the largest drop, alongside smaller declines in the four and five-star categories.² The fall in occupancy rates in the other categories was less severe, down by 1.3 percentage points from the year-ago level.³

Industry surveys confirmed the decline in occupancy rates across all types of accommodation - the combined effect of reduced tourist arrivals and increased capacity. Nevertheless, average achieved room rates continued to rise across all hotel types, especially in the four-star category.⁴

A segment of the tourism industry that continued to register a positive performance was the cruise liner business. In fact, the number of cruise passengers in the third quarter of 2006 was up by 42.5% on its year-ago level, with the number almost doubling in August (see Chart 4.4). Thus, over the first nine months of 2006, cruise



passenger arrivals were up by 33.4% on a year-to-year basis.

January-September 2006

Third-quarter developments generally mirrored those observed in the previous two quarters. During the first nine months of 2006, tourist numbers were 4.5% lower than the year-ago level. Total expenditure was relatively stable, down by only 0.4%. Spending on non-package holidays fell by 7.7%, while spending on package and other categories increased by 1.3%. The number of nights stayed dropped by 2.9% from its year-ago level, even though nights spent in five-star hotels increased by 8.4%.

Labour market

Labour Force Survey

Labour market indicators based on LFS data pointed to generally buoyant employment conditions into the third quarter of 2006. The data show a rise of 2.7% in the employed population, along with a 3.3% reduction in the number of

² As at September the number of bed-places in four- and five-star hotels rose by 5.5% and 24.1%, respectively, on a year earlier.

³ This category includes guesthouses, holiday complexes and hostels.

⁴ *Malta Hotels and Restaurants Hotel Survey*, December 2006.

Table 4.5
LABOUR MARKET INDICATORS BASED ON THE LFS

	2005		2006	
	Q3	Q1	Q2	Q3
Labour force	161,155	163,755	164,679	164,821
Unemployed	11,504	12,737	12,726	11,129
Employed	149,651	151,018	151,953	153,692
<i>By type of employment:</i>				
Full-time	134,799	136,034	136,864	138,017
Full-time with reduced hours	1,496	1,806	1,724	1,696
Part-time	13,356	13,178	13,365	13,979
<i>By economic sector:</i>				
Private	102,275	102,948	103,652	107,954
Public	47,376	48,070	48,301	45,738
Activity rate (%)	58.4	58.9	58.9	59.6
Male	78.6	80.6	79.1	79.2
Female	37.8	36.8	38.5	39.7
Employment rate (%)	54.2	54.3	54.3	55.5
Male	73.4	74.9	73.9	74.3
Female	34.5	33.3	34.5	36.5
Unemployment rate (%)	7.1	7.8	7.7	6.8
Male	6.4	7.0	6.5	6.1
Female	8.7	9.5	10.3	8.1
Average annual gross salary (Lm)	5,179	5,294	5,360	5,383

Source: NSO.

unemployed. The jobless rate dropped to 6.8%, from 7.7% in the previous quarter and from 7.1% in the third quarter of 2005.⁵

LFS data showed a 5.6% rise in private sector employment and a 3.5% decline in the number of public sector employees. Growth was mainly recorded in full-time jobs, although part-time employment also increased. Both the employment and the activity rate were up on the previous quarter and on a year earlier.⁶

According to the LFS data, the average gross annual salary increased by 3.9% over a year

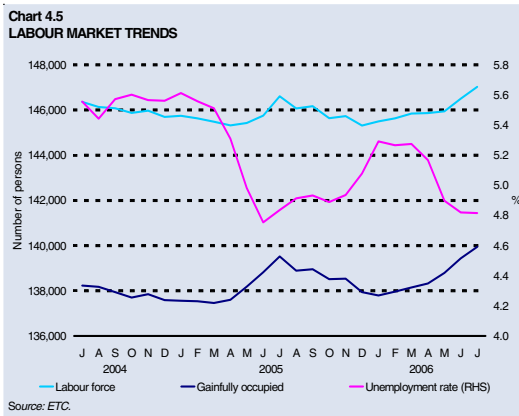
earlier. The acceleration was due to higher pay in the financial intermediation, real estate, renting & business activities sector and the transport, storage & communication sector.

Administrative records data

Parallel data based on the ETC's administrative records show a 0.3% gain in both the labour supply and the full-time gainfully occupied population during the year to July 2006. The number of part-time employees grew by 7.2% over the same period (see Table 4.6). Meanwhile, the unemployment rate was unchanged from the

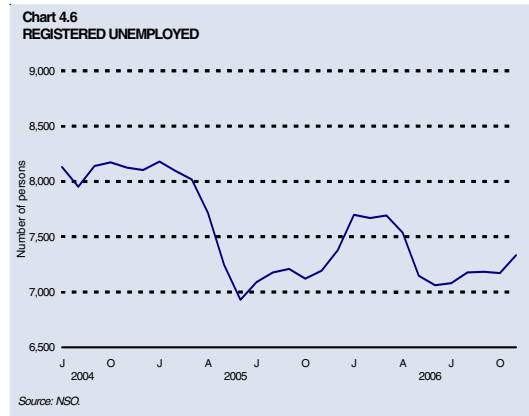
⁵ The cut-off date for LFS data was extended to 3 January 2007.

⁶ The employment rate and the activity rate represent the number of employed and the labour force, respectively, as a share of the population aged 15 years and over.



previous month, at 4.8%.

In August, however, the number of registered unemployed increased to 7,172 and then stayed largely unchanged over the next two



months before rising to 7,333 in November (see Chart 4.6).

The ETC employment figures show that private sector employment expanded by 3.2% in the year

**Table 4.6
LABOUR MARKET INDICATORS BASED ON ETC DATA¹**

		2005			2006	
	July	Dec.	Mar.	June	July	
Labour supply	146,610	145,316	145,842	146,498	147,023	
Gainfully occupied	139,519	137,937	138,149	139,437	139,943	
Registered unemployed	7,091	7,379	7,693	7,061	7,080	
Unemployment rate (%)	4.8	5.1	5.3	4.8	4.8	
Private sector	93,385	92,405	92,882	95,843	96,359	
Direct production	33,542	32,253	32,327	32,639	33,083	
Market services	59,843	60,152	60,555	63,204	63,276	
Public sector	45,221	44,964	44,726	43,070	43,033	
Temporary employed	913	568	541	524	551	
Part-time jobs	40,979	41,076	40,702	43,177	43,908	
Primary	23,209	22,711	22,424	24,386	24,894	
Secondary ²	17,770	18,365	18,278	18,791	19,014	

¹ Figures for August and September 2006 were not available at time of writing.

² This category includes employees holding both a part-time job and a full-time job.

Source: NSO.

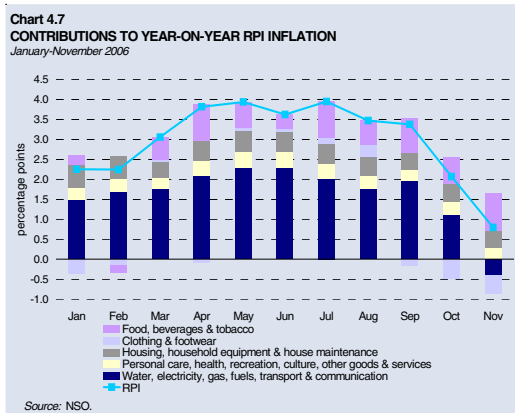
to July. Job growth was observed primarily in construction and in 'other business activities'. Meanwhile, public sector employment contracted by 4.8% over the same period, mainly as a result of the sale of the Government's majority shareholding in a telecommunications firm in May.

Consumer prices

Retail Price Index (RPI)

The year-on-year increase in the RPI stood at just under 4% in July but decelerated thereafter, to 3.4% in September. On average, year-on-year inflation rates throughout the third quarter were 0.2 percentage points below those recorded in the previous quarter. Meanwhile, the twelve-month moving average rate of inflation, which reacts with a lag to the latest changes in prices, continued to rise, reaching a peak of 3.4% in September.

Inflationary pressures were again generated by the spike in international energy prices during the last quarter of 2005. This factor continued to impact on the sub-indices affected, namely the water, electricity, gas & fuels sub-index and the transport & communications sub-index. Consequently, during the third quarter, the former sub-index rose by an average of over 30% while



the latter increased by an average of 4% (see Table 4.7). These two categories together contributed over a half of the recorded inflation, around 2.0 percentage points (see Chart 4.7). Meanwhile, higher food prices contributed a further 0.7 percentage points, while housing-related price increases accounted for a further 0.4 points. In contrast, clothing and footwear prices were stable and contributed virtually no inflation during the quarter.

Core inflation fell to 1.5% in September, from 2.2% in June. This measure excludes those RPI

Table 4.7

INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

	Year-on-year change (%)									Average change (%)		
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Q1	Q2	Q3
Food	0.5	-1.2	1.7	3.3	2.0	0.9	3.3	2.0	3.1	0.3	2.0	2.8
Beverages & tobacco	1.8	1.7	2.3	2.4	2.9	2.6	2.2	2.2	2.2	1.9	2.6	2.2
Clothing & footwear	-5.6	-2.2	0.9	-1.0	0.9	0.8	2.5	4.9	-2.3	-2.3	0.2	1.7
Housing	5.4	5.3	3.2	4.9	4.8	4.7	4.5	4.9	4.6	4.7	4.8	4.7
Water, electricity, gas & fuels	22.4	22.7	36.8	36.8	34.6	34.8	33.2	33.2	34.4	27.3	35.4	33.6
Household equipment & house	2.2	1.9	1.9	1.8	2.0	1.8	1.8	1.2	0.7	2.0	1.9	1.2
Transport & communications	3.9	4.8	3.6	5.0	6.1	6.0	4.8	3.8	4.5	4.1	5.7	4.4
Personal care & health	3.3	3.1	2.8	3.3	3.1	3.1	3.5	3.1	2.7	3.1	3.2	3.1
Recreation & culture	-0.8	-0.7	-0.7	-0.2	0.0	0.1	0.1	-0.1	-0.2	-0.7	0.0	-0.1
Other goods & services	2.1	2.8	2.4	2.5	2.9	2.8	2.2	2.0	2.0	2.5	2.8	2.0
RPI	2.3	2.3	3.1	3.8	3.9	3.6	4.0	3.5	3.4	2.5	3.8	3.6

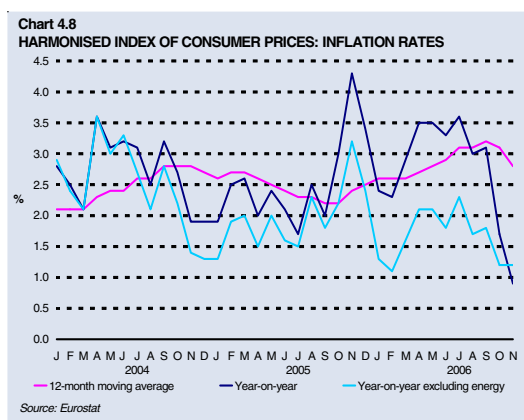
Source: NSO.

components that do not exhibit persistence, namely the two sub-components influenced by international energy prices along with clothing & footwear, food and beverages & tobacco.

The absence of major inflationary pressures, apart from those directly attributable to the revision in water and electricity prices and movements in fuel prices, was further evident in more recent data showing a sharp drop in the year-on-year inflation rate. This fell to 2.1% in October and 0.8% in November as energy prices continued to show a more stable trend and the base effect of the previous year was neutralised. Clothing & footwear also exerted downward pressure, so that the 12-month moving average rate fell to 3% in November.

Harmonised Index of Consumer Prices

Developments in the HICP broadly tracked those in the RPI, with the average annual increase in the July-September period rising to 3.2% (see Chart 4.8). Apart from the impact of energy prices, the increase in the HICP also reflected developments in the restaurants & hotels sub-index, which features in the HICP but not directly in the RPI. The latter increased by 1.9% over the same period of 2005. Meanwhile, the twelve-month moving average measure continued to rise, peaking at 3.2% in September.



In line with movements in the RPI, HICP inflation declined in subsequent months, with the year-on-year rate easing to 0.9% in November. Meanwhile, the twelve-month moving average declined to 2.8%.

Residential property prices

House price inflation decelerated sharply during the September quarter. Advertised residential property prices rose by an annual 2.0%, down from 7.8% in the previous quarter and 7.6% in the same period last year (see Chart 4.9).

This slowdown in house price inflation reflects unchanged asking prices for finished flats, which account for over 40% of sampled properties, as well as moderation in price increases for most of the other property types, particularly terraced houses. In the latter category, asking prices went up by 1.7% on a year earlier, as against a 24.9% rise in the corresponding quarter of 2005. At the same time, advertised prices for houses of character declined by 4.4%.

As regards properties in shell form, asking prices for maisonettes rose by 3.1%, after having declined in the previous two quarters, with asking prices for flats increasing by 12.5% on a year-on-year basis, a faster rate when compared to the June quarter and a year earlier.



Box 1: BUSINESS AND CONSUMER CONFIDENCE

The Bank regularly conducts a survey on business perceptions, the results of which are analysed in this Box. In addition, the Bank has access to surveys of industrial and consumer confidence carried out by other organisations, which are also being covered in this Box.

Business Perceptions Survey

The Bank's survey on business perceptions, which was carried out during the fourth quarter of 2006, revealed improved expectations about the general economic situation for the coming six months. However, overall, firms surveyed did not report an improvement in their order books/activity levels during the final quarter of 2006 and were anticipating only marginal improvements in their performance for the first quarter of 2007. At the sectoral level, export-oriented firms were expecting a modest rise in profitability but virtually stable sales and lower selling prices. Domestically-oriented firms were more optimistic about their sales and profitability. They also anticipated an expansion in their workforce and higher wage awards, leading to an increased wage bill.

General economic situation

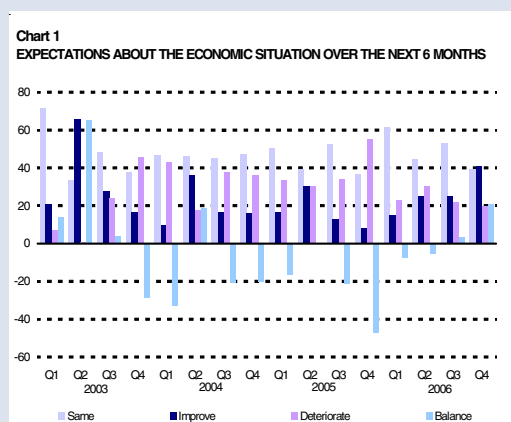
Survey results show an improvement in expectations about the economy in general over the following six months. On balance, sentiment was positive, with the number of participants anticipating an improvement rising to 41% from 25% in the previous survey. Concurrently, the proportion of respondents expecting stable economic conditions fell to 40% from 53%, while those foreseeing a worsening remained virtually unchanged (see Chart 1).

Sentiment improved significantly among domestically-oriented manufacturing firms, with

half of the respondents anticipating a more positive economic situation as against 23% in the previous survey. Firms in the food & beverages sub-sector reported a healthier outlook, as did those in the paper & printing and furniture sub-sectors, albeit to a lesser extent. Almost no manufacturers were anticipating the general economic situation to deteriorate.

In distribution, on balance, respondents shifted their expectations regarding the economy as a whole from a worsening to an improvement. At the same time, in construction & real estate, a larger majority of respondents was foreseeing better economic conditions.

Export-oriented manufacturing firms were also more optimistic about the economic situation. The share of respondents expecting an improvement rose by 13 percentage points from the previous survey to 40%, while those expecting a deterioration declined to 12% from 14%. This upswing was spread across almost all categories of manufacturing firms, but was especially pronounced in machinery & equipment, where 59% of the respondents were anticipating an improvement as against 35% in



the previous survey. In chemicals, almost all respondents were anticipating better conditions. In tourism, the comparable proportion of respondents rose to 58%, while the rest anticipated a 'no change' situation.

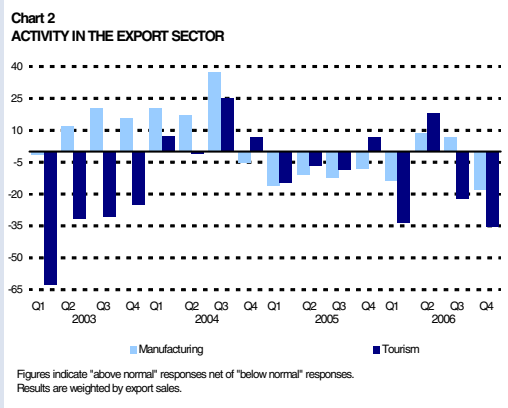
Order books/activity levels¹

Firms' optimism about the general economic situation did not seem to be based on their own recent performance, which was marked by deterioration in order books and activity levels during the fourth quarter of 2006. This was because the share of participants reporting above-normal levels dropped to 7% from 30% in the previous survey. Nevertheless, 76% reported normal order books/activity levels, up from 53% in the previous survey, while the proportion of firms reporting below-normal levels of activity remained virtually unchanged.

Export-oriented firms

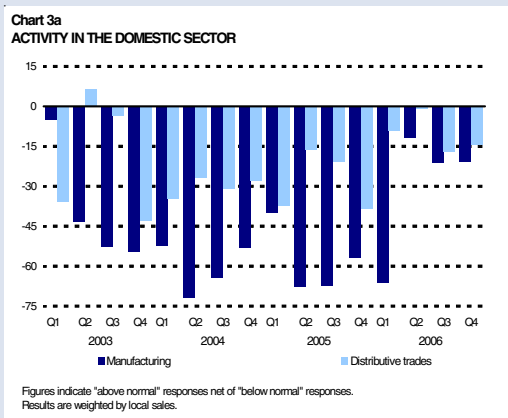
Compared to the previous survey, on balance, activity levels in export-oriented sectors of the economy worsened in the final quarter of 2006. The share of respondents reporting above-normal order books contracted to 4% from 29% in the previous survey, while those reporting below-normal levels of activity decreased marginally.

In manufacturing, activity levels dropped below normal, on balance, as fewer firms reported above-normal order books than in the previous quarter (see Chart 2). This shift was more pronounced in the two major sub-sectors: machinery & equipment and 'others'. Activity in the food & beverages category also declined further as a higher proportion of respondents registered below-normal order books than in the

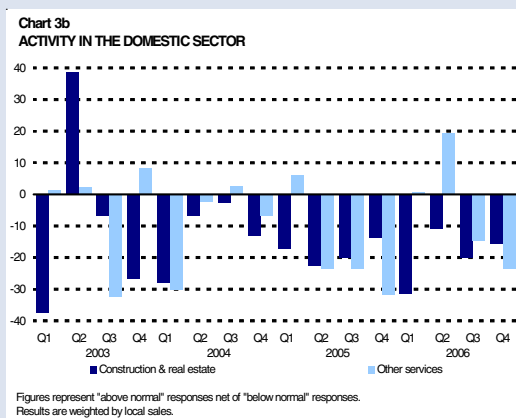


previous survey. In contrast, activity levels in the chemicals industry rose to normal from below normal in the previous survey, while in clothing & footwear order books improved, though they remained below normal on balance.

In tourism, the balance between respondents reporting above-normal levels of activity and those with below-normal levels deteriorated further as the share of respondents registering above-average performance dropped.



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



Domestically-oriented firms

In the locally-oriented sectors, activity levels remained below normal, with the balance being broadly unchanged compared with the previous survey. At the same time, the majority of respondents reported normal levels of activity.

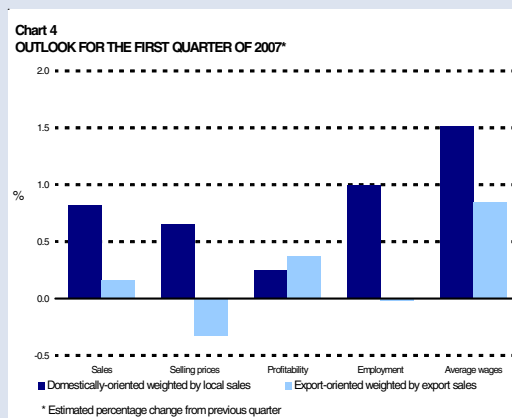
In manufacturing, order books remained stable, on balance. Increased activity levels in the clothing & footwear and furniture sub-sectors marginally outweighed a worsening in the food & beverages, paper & printing and chemicals sub-sectors (see Chart 3a).

In the distributive trades, activity levels improved, with the negative balance declining to -14%, from -17% in the previous survey.

Meanwhile, the majority of operators in construction & real estate reported normal levels of activity. Although, in net terms, activity levels remained below normal, the balance of replies improved when compared to the previous survey (see Chart 3b). In the 'other services' sector, however, respondents recorded a further deterioration in activity levels, particularly in finance & insurance.

Business outlook for the first quarter of 2007

Looking ahead, respondents were anticipating



higher sales during the first quarter of 2007. At the same time, both employment levels and wages per employee were foreseen to edge up. Profitability, however, was expected to remain relatively stable (see Chart 4).

In the export sector, manufacturers were projecting higher turnover but stable selling prices. Profitability was also anticipated to recover. Firms foresaw increased employment levels and higher average wages. By contrast, operators in the tourism industry were pessimistic, anticipating lower sales and selling prices but higher average wages. Consequently, profitability was expected to weaken.

On the domestic front, manufacturing firms were relatively more optimistic than their counterparts geared to the export market, anticipating improved sales and profitability. Similarly, respondents in construction & real estate expected sales and prices to increase and profitability to recover. Employment levels and average wages within the sector were expected to rise, especially in construction. Distributors, meanwhile, were foreseeing higher sales and selling prices but a downturn in profitability. Moreover, they were expecting higher average wages coupled with increased employment levels. The 'other services' sector, and, in particular, respondents from finance & insurance,

were expecting higher sales, rising selling prices and improved profitability.

Industrial confidence

According to data published by the European Commission, industrial confidence in Malta turned negative over the course of the third quarter of 2006. The seasonally-unadjusted indicator fell by 16 points from 8 in June to -8 in September 2006.² However, even at this level, it was still above its year-ago level (see Chart 5).

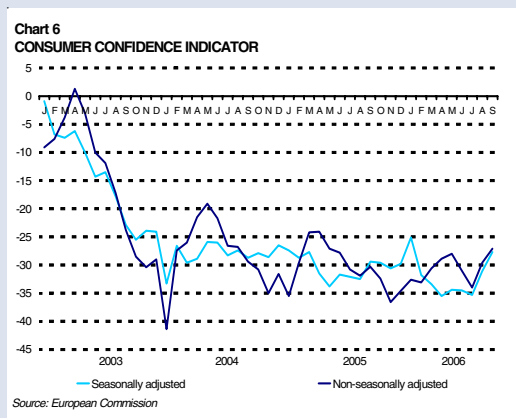
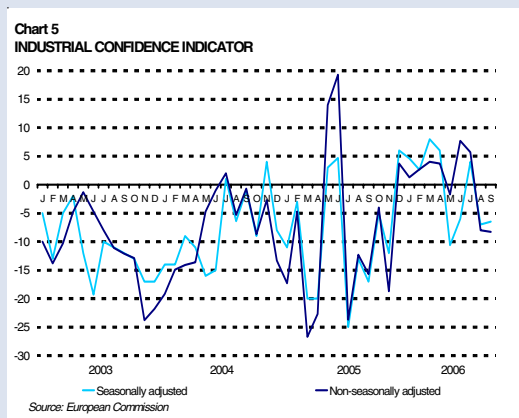
Confidence deteriorated across all the sub-sectors of manufacturing industry, but mostly in the consumer product sub-sector.³ The deterioration was mainly due to a reduced number of positive replies relating to firms' production expectations for the following three months. In addition, the assessment of current overall order books deteriorated. However, the number of firms

that reported above-normal stock levels was unchanged.

Consequently, the seasonally adjusted industrial confidence indicator stood at a negative 7 in September, down from a negative 6 at the end of the previous quarter.

Consumer confidence

The consumer confidence indicator provides an overview of current consumer sentiment and the future outlook.⁴ The seasonally unadjusted index has fluctuated between -22 and -37 since mid-2004. Although remaining in negative territory, confidence improved throughout the third quarter of 2006, climbing from -31 in June to -27 in September, above the level recorded a year earlier. However, this improvement was out of line with the usual seasonal pattern (see Chart 6).



² This survey, which is carried out by the Federation of Industry, monitors the activity, perceptions and outlook of the manufacturing sector. The industrial confidence indicator is derived from answers to three questions. These relate to production expectations for the subsequent three months, current order books and stocks of finished products.

³ The confidence indicators for the main industrial groupings are seasonally unadjusted. The main industrial groupings include the investment, the consumer and the intermediate-product sectors.

⁴ The consumer confidence indicator is derived from respondents' answers to four questions, as surveyed by a private firm. These relate to the financial situation of households and their saving, the general economic situation and unemployment expectations for the following twelve months.

The latest recovery in consumer sentiment reflected a significant improvement in the perceived ability to save during the following twelve months. To a lesser extent respondents reported an improved outlook for their own financial situation and general economic conditions. Expectations concerning

unemployment in the coming year were stable.

The seasonally adjusted index stabilised at -35 for most of the second quarter, dipping to a low of -36 in July. Subsequently the index improved to -28 in September, up by one point over a year earlier.

Notes on the Business Perceptions Survey

1. The Bank's Business Perceptions Survey was carried out between October and November among 141 firms. As far as possible, the same firms were sampled in successive quarters.
2. The surveyed firms employed 17,437 workers (around 18% of all private sector workers) and had an aggregate fourth quarter turnover of Lm611.7 million, of which more than half was exported.
3. The sample was composed of 53 manufacturing firms, 18 tourism-related enterprises, 31 operators in the distributive trades, 14 construction and real estate concerns, and 25 companies in 'other services'. Thus, the survey is more comprehensive in its 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 survey results may not be accurately indicative of the performance of 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 quarter when the Survey was carried out, and to make forecasts for the coming 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.

5. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

During the third quarter of 2006, the surplus on the current account of the balance of payments narrowed when compared to the corresponding period of 2005 due to a larger merchandise trade gap and lower net receipts from services. After excluding movements in reserve assets, net inflows on the capital and financial account were

substantially lower. Reserve assets continued to rise, albeit at a slower pace than a year earlier. Hence, during the first three quarters of the year the current account deficit widened, reflecting a larger trade gap, while net inflows on the capital and financial account, excluding reserves, decreased.

In line with the Maltese authorities' unilateral commitment to keep the exchange rate of the Maltese lira unchanged against the euro, the local currency remained at its central parity rate

Table 5.1
EXTERNAL BALANCES¹

Lm millions

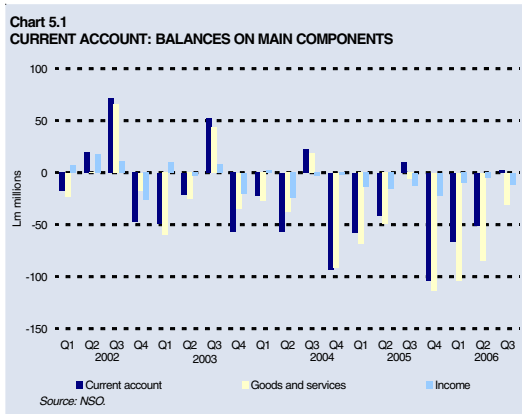
	Q3			
	2005		2006	
	credit	debit	credit	debit
Current account balance	9.9		2.6	
Goods and services	408.7	414.6	428.5	458.9
Goods balance		98.3		114.0
Goods	209.5	307.9	234.0	348.0
Services balance	92.5		83.5	
Services	199.2	106.8	194.5	111.0
Transport	40.3	24.6	38.8	22.7
Travel	108.8	26.5	108.8	31.3
Other services	50.1	55.6	46.9	57.0
Income (net)		12.6		11.2
Current transfers (net)	28.3		44.3	
Capital and financial account balance²	66.0		31.5	
Capital account balance	12.1		13.5	
Financial account balance	53.9		18.0	
Direct investment	35.5		72.4	
Portfolio investment		250.7	165.4	
Financial derivatives		2.3		5.3
Other investment	271.5			214.6
Movements in reserves³		97.3		39.2
Net errors and omissions	21.3		5.1	

¹ Provisional.

² Excludes movements in official reserves.

³ Excludes revaluation adjustments.

Source: NSO.



in ERM II of Lm0.4293 per euro throughout the third quarter of 2006. Hence, moving in tandem with the euro, the lira weakened against the US dollar and pound sterling during the quarter, while it continued to gain against the Japanese yen.

The current account

During the third quarter of 2006 the current account swung into surplus, in line with the usual seasonal pattern (see Chart 5.1). However, the positive balance on the current account was Lm7.2 million lower than a year earlier, as the merchandise trade deficit expanded and net inflows from services declined. In contrast, net inflows on the transfers account and a lower deficit on the income account contributed positively to the current account balance (see Table 5.1).¹

Goods

On the basis of balance of payments data, in the three-month period up to September 2006, the merchandise trade deficit widened by Lm15.7 million, or 15.9%, on a year earlier.² Imports rose by Lm40.1 million, or 13.0%, overshadowing an increase in exports of Lm24.5 million, or 11.7%.

Similarly, Customs data also show that the merchandise trade gap expanded, increasing by Lm17.8 million, or 15.8%, as import growth exceeded that in exports (see Table 5.2).

According to Customs data, imports continued to rise at a steady pace, adding Lm39.9 million, or 12.6%, over the same period in 2005. This was mainly spurred by imports of industrial supplies, which increased by Lm33.0 million, mirroring the expansion in exports of machinery and transport equipment. Meanwhile, imports of capital goods were higher, boosted by purchases of machinery in August, as did payments for fuel. On the other hand, purchases of consumer goods declined.

Exports continued on their upward trend, rising by Lm22.1 million, or 10.8%, on a year earlier. The increase was mainly attributable to higher sales of machinery and transport equipment, which added Lm23.1 million, reflecting the performance of the electronics sector. In addition, exports of chemicals continued to grow, albeit slightly, while exports of semi-manufactured goods and food fell.

In October the merchandise trade gap based on Customs data narrowed by Lm3.3 million, or 5.8%, as exports rose faster than imports.

¹ The latest NSO balance of payments data now cover remote gaming activities. These had a significant impact on the transfers account, where bets and wins are recorded, as well as on services.

² 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.

Table 5.2
MERCHANDISE TRADE
(based on Customs data)

	Q3			Lm millions	
	2005	2006 ¹	Amount	Change	%
Imports	316.9	356.8	39.9		12.6
Consumer goods	88.3	85.2	-3.1		-3.5
Industrial supplies	148.0	181.0	33.0		22.3
Capital goods & others	50.6	58.8	8.2		16.1
Fuel and lubricants	29.9	31.7	1.8		6.1
Exports	204.3	226.4	22.1		10.8
Trade deficit	112.6	130.4	17.8		15.8

¹ Provisional

Source: NSO.

Services, income and transfers

In the third quarter of 2006, the surplus on services fell by Lm8.9 million, or 9.7%, on a year earlier to Lm83.5 million. Lower net travel receipts accounted for around half of the decline, as expenditure by residents travelling abroad increased whereas non-resident spending in Malta remained unchanged. Higher net outflows in the other services category also contributed, mirroring higher payments for business services associated with the gaming industry.

In contrast, the deficit on the income account was down by Lm1.3 million on a year-on-year basis, to Lm11.2 million. Increased portfolio investment income outweighed larger outflows of profits due to non-residents from their direct investments in Malta as well as greater interest payments by residents on their overseas borrowing. Meanwhile, an increase in receipts from international trading companies registered in Malta and from the remote gaming industry boosted the positive balance on the current transfers account, which went up by Lm16.0 million on a year earlier to Lm44.3 million.

The capital and financial account

Between June and September 2006, after excluding movements in reserve assets, net inflows on the capital and financial account declined by Lm34.6 million compared to a year earlier. This was entirely attributable to developments in the financial account that were driven by the banks. Meanwhile, the capital account balance was up by Lm1.3 million, spurred by the receipt of funds from the EU.

Net inflows on the financial account decreased by Lm35.9 million on a year earlier. Sharp swings were recorded in portfolio and other investment flows, reflecting the operations of the banking sector, though the net impact on the financial account was much smaller. Thus, during the quarter reviewed the banks' activities resulted in net inflows in the portfolio investment account, as against net outflows a year earlier. At the same time, net outflows on the other investment category were recorded, in sharp contrast with net inflows in the corresponding period in 2005, when a public non-financial corporation had borrowed abroad. The positive balance on the direct

investment account grew significantly. This was partly due to a base effect: direct investment abroad by financial institutions was exceptionally high in the same period of 2005. In addition, however, during the quarter reviewed foreign direct investment in the transport sector was significant.

Against this backdrop, reserve assets put on Lm39.2 million, rising at a slower rate than a year earlier. Net errors and omissions declined to Lm5.1 million and remained positive.

Year-to-date developments

During the first nine months of 2006, the current account deficit widened by Lm25.8 million, or 29.1%, on a year earlier. A larger merchandise trade deficit and lower net receipts from services both contributed. At the same time, when excluding movements in reserves, net inflows on the financial account subsided. To a lesser extent, net inflows on the capital account also declined.

Between January and September 2006, according to balance of payments data, the merchandise

Table 5.3
EXTERNAL BALANCES¹

	<i>Lm millions</i>			
	2005		Q1-Q3 2006	
	credit	debit	credit	debit
Current account balance		88.7		114.5
Goods and services	1078.4	1202.1	1134.4	1353.1
Goods balance		281.8		338.7
Goods	626.7	908.5	705.3	1044.0
Services balance	158.1		120.0	
Services	451.7	293.6	429.1	309.1
Transport	107.6	67.0	95.0	64.2
Travel	210.1	65.5	210.3	72.7
Other services	134.1	161.1	123.8	172.2
Income (net)		42.1		26.2
Current transfers (net)	77.0		130.4	
Capital and financial account balance²	200.5		184.5	
Capital account balance	43.1		37.1	
Financial account balance	157.4		147.4	
Direct investment	179.8		489.8	
Portfolio investment		292.5		680.9
Financial derivatives		9.4		93.8
Other investment	279.5		432.3	
Movements in reserves³		44.3		54.6
Net errors and omissions		67.5		15.4

¹ Provisional.

² Excludes movements in official reserves.

³ Excludes revaluation adjustments.

Source: NSO.

trade deficit rose by Lm56.9 million, or 20.2%, on a year earlier. Imports were up by 14.9%, outpacing the rise of 12.5% in exports. Similarly, Customs data for the first three quarters of the year show that the merchandise trade gap expanded by Lm58.4 million, or 17.3%, over the same period of the previous year.

According to Customs data, imports increased by Lm137.3 million, or 14.6%, on a year earlier. All categories exhibited higher growth. Imports of industrial supplies accounted for more than half of the increase, rising by Lm82.1 million, as purchases of machinery and transport equipment continued to expand. At the same time, imports of capital goods added Lm31.6 million, reflecting imports of machinery and sea craft. Imports of fuel and lubricants put on Lm14.3 million, boosted by a significantly higher fuel bill in the first half of the year. Imports of consumer goods also expanded, albeit moderately.

Exports grew by Lm78.9 million, or 13.1%, spurred by a rise of Lm72.5 million in sales of machinery and transport equipment, which extended their upward trend. At the same time, sales of chemicals rose by Lm12.0 million, driven by

further expansion in the pharmaceuticals industry, while increased sales of farmed fish during the first quarter drove up food exports. Conversely, sales of miscellaneous manufactured goods fell by Lm8.8 million on account of lower exports of clothing.

In the period from January to September 2006, the positive balance on services fell by Lm38.1 million, or 24.1%, on a year earlier. More than half of the decline was driven by higher net payments on the other services category, which, in turn, partly reflected the activities of betting companies. At the same time, a decline in gross receipts and higher payments in respect of freight led to lower net receipts on the transport sub-component. Moreover, net travel income declined, as spending by residents travelling abroad increased while receipts remained stable.

The deficit on the income account contracted by Lm15.9 million, or 37.8%. This reflected increased earnings on residents' foreign portfolios, which outweighed a rise in interest paid on foreign borrowings. Profits due to non-resident shareholders in resident firms, which had been on an upward trend in recent years, were stable. In

Table 5.4
MERCHANDISE TRADE
(based on Customs data)

	Q1-Q3		<i>Lm millions</i>	
	2005	2006 ¹	Amount	Change %
Imports	940.3	1077.6	137.3	14.6
Consumer goods	256.8	265.7	8.9	3.5
Industrial supplies	432.6	514.7	82.1	19.0
Capital goods & others	163.3	194.9	31.6	19.4
Fuel and lubricants	87.6	101.9	14.3	16.3
Exports	602.1	681.0	78.9	13.1
Trade deficit	338.2	396.6	58.4	17.3

¹ Provisional

Source: NSO.

addition, the positive balance on the current transfers balance increased markedly, from Lm77.0 million to Lm130.4 million, boosted by net tax inflows relating to international trading companies registered in Malta as well receipts from betting activities.

Meanwhile, net inflows on the capital and financial account (excluding reserves) fell by Lm16.0 million, or 8.0%, compared to the same period in 2005. Net inflows on the financial account fell by Lm10.0 million, while net capital account receipts declined by Lm6.0 million during the period reviewed as official funds received from Italy and the EU were lower.

The drop in net inflows on the financial account reflected the operations of the banking sector. Investment abroad by international banks

increased on a year earlier, which boosted net portfolio investment outflows. Bank operations also led to greater outflows related to financial derivatives.³ These were only partly matched by foreign borrowing by international banks and an increase in the equity capital of foreign-owned banks. In contrast, net financial inflows to the rest of the economy rose, largely reflecting the privatisation of a telecommunications company in the second quarter of the year.

Errors and omissions fell significantly, declining by Lm52.1 million, though they remained negative. Reflecting these developments, reserve assets grew at a faster pace compared to the same period in 2005.

The Maltese lira

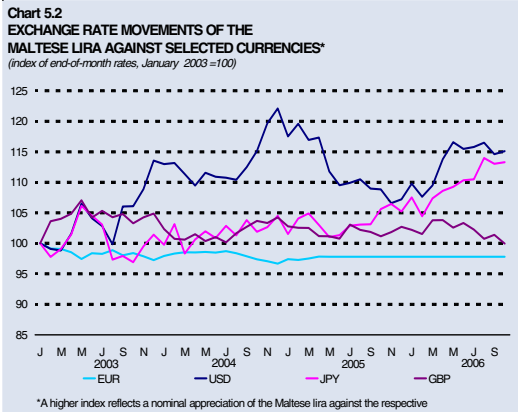
Throughout the third quarter of 2006, the Maltese

Table 5.5
MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES

Period	EUR ¹	USD	GBP	JPY
Average for Q3 2006	0.4293	2.9696	1.5842	345.0
Average for Q3 2005	0.4293	2.8403	1.5924	315.9
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.0	4.6	-0.5	9.2
Closing rate on 30.09.2006	0.4293	2.9471	1.5805	348.0
Closing rate on 30.06.2006	0.4293	2.9691	1.6108	339.6
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.0	-0.7	-1.9	2.5

¹ 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.

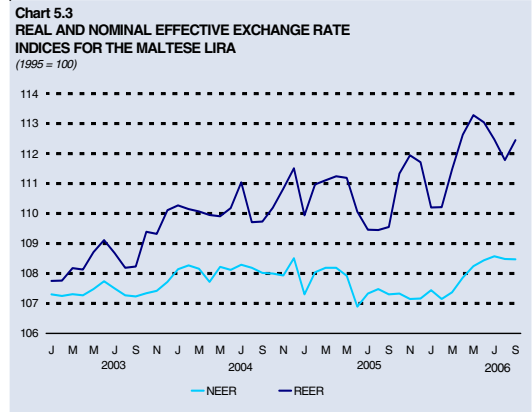
³ Financial derivatives are financial instruments the worth of which is derived from the value of some underlying asset, a reference interest rate, or an index. They are contracts involving rights and obligations related to purchases and sales of underlying assets, or relating to payments to be made 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.



lira remained unchanged in ERM II at the central parity rate of MTL/EUR 0.4293, in line with the Maltese authorities' policy commitment.

Moving in line with the euro, the lira lost ground against the pound sterling, falling by 1.9% during the quarter. The local unit also edged down against the US dollar, dropping by 0.7% after having appreciated in the previous quarter. Meanwhile, the lira continued to strengthen against the Japanese yen, appreciating by 2.5% (see Chart 5.2).

In October 2006 the lira continued to lose ground against sterling but gained against the



US dollar and the yen.

On average, over the year to September 2006 the lira strengthened against the US dollar and the yen, gaining 4.6% and 9.2%, respectively. On the other hand, it lost 0.5% on the same basis against the pound sterling (see Table 5.5).

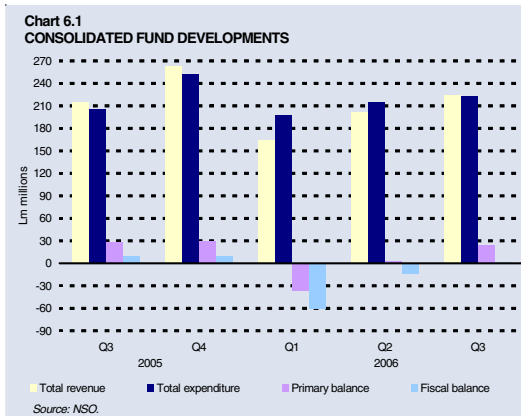
In the quarter ending September 2006, the nominal effective exchange rate (NEER) of the Maltese lira remained stable, while the real effective exchange rate (REER) dropped by 0.5%. This fall in the latter reflected lower inflation in Malta relative to its main trading partners and competitors (see Chart 5.3).

6. GOVERNMENT FINANCE

In the third quarter of 2006, the balance on the Consolidated Fund swung into surplus, though the positive balance was smaller than that recorded a year earlier.¹ Nevertheless, during the first nine months of the year, the deficit contracted, as revenue grew faster than expenditure. Gross government debt expanded during the quarter, with an increase in short-term financing outweighing a contraction in long-term debt outstanding.

Consolidated Fund developments

After having recorded a deficit in the previous two quarters, the balance on the Consolidated Fund swung into surplus during the third quarter of 2006, as revenue exceeded expenditure by Lm1.1 million (see Chart 6.1). However, the surplus was Lm8.4 million less than that recorded in the same period of 2005 as expenditure increased more rapidly than revenue. The year-on-year rise in expenditure was driven by a higher volume of



interest payments due to the increase in government debt, income tax refunds – which are heavily influenced by timing – and by pensions. Revenue growth was dampened by a drop in non-tax receipts, which were exceptionally strong a year earlier.

During the first nine months of 2006 the deficit on the Consolidated Fund narrowed by Lm12.4 million on a year earlier to Lm72.9 million, as revenue continued to grow at a faster pace than expenditure (see Table 6.1). The increase in revenue was entirely driven by higher tax proceeds, while lower capital outlays offset recurrent expenditure growth. Moreover, the primary deficit, which excludes interest payments from expenditure, fell to Lm10.0 million, indicating a tighter fiscal stance. Although the deficit for October widened compared with a year earlier, over the first ten months of the year the cumulative deficit was Lm8.8 million below that registered during the same period of 2005.

Revenue

During the first nine months of 2006, revenue grew by Lm21.0 million, or 3.7%, compared with the same period of 2005 (see Table 6.1). Whereas higher tax proceeds boosted revenue, their impact was dampened by a drop in non-tax receipts.

Direct taxes contributed most to the expansion in revenue, adding Lm19.9 million, or 8.7%, with receipts from income tax and social security contributions growing by 11.2% and 4.9%, respectively. The rise in income tax revenue was driven mainly by the corporate and capital gains categories, the latter reflecting the new tax measures regarding property transfers against a backdrop of rising property prices.²

¹ The Consolidated Fund captures most of the transactions of central government on a cash basis.

² In the 2006 Budget, Government announced that the capital gains tax of 35% on transfers of immovable property will be replaced by a withholding tax of 12% on the total value of the property.

Table 6.1
GOVERNMENT BUDGETARY OPERATIONS

	<i>Lm millions</i>					
	2005 Q3	2006 Q3	2005 Q1-Q3	2006 Q1-Q3	Change Amount	%
Revenue	215.0	223.8	568.7	589.7	21.0	3.7
Direct tax	95.7	108.0	227.5	247.4	19.9	8.7
Income tax	62.4	73.8	139.7	155.3	15.6	11.2
Social security contributions ¹	33.3	34.2	87.8	92.1	4.3	4.9
Indirect tax	86.1	88.7	234.3	249.8	15.5	6.6
Value Added Tax	44.8	44.3	121.5	125.2	3.7	3.0
Customs and excise duties	18.9	21.0	47.2	54.0	6.8	14.4
Licences, taxes and fines	22.4	23.4	65.6	70.7	5.1	7.8
Non-tax revenue	33.3	27.0	106.9	92.5	-14.4	-13.5
Central Bank of Malta profits	0.0	0.0	14.0	10.0	-4.0	-28.6
Other revenue ²	33.3	27.0	92.9	82.5	-10.4	-11.2
Expenditure	205.6	222.6	654.1	662.6	8.5	1.3
Recurrent expenditure ¹	179.1	194.9	561.0	582.9	21.9	3.9
Personal emoluments	46.2	47.0	139.4	141.2	1.8	1.3
Programmes and other operational expenditure ³	97.5	107.1	310.3	326.7	16.4	5.3
Contributions to entities	16.8	17.2	55.2	52.1	-3.1	-5.6
Interest payments	18.6	23.6	55.8	62.9	7.1	12.7
Other expenditure	0.1	0.0	0.3	0.0	-0.3	-100.0
Capital expenditure	26.5	27.7	93.1	79.7	-13.4	-14.4
Primary balance ⁴	28.0	24.8	-29.6	-10.0	19.5	65.9
Consolidated Fund balance ⁵	9.4	1.2	-85.4	-72.9	12.4	14.5

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

² Includes grants but excludes proceeds from sales of assets, sinking funds of converted loans and borrowings.

³ Includes programmes & initiatives and operational & maintenance expenditure.

⁴ Revenue less expenditure excluding interest payments.

⁵ Revenue less expenditure.

Source: NSO.

Indirect taxes yielded Lm15.5 million more than a year earlier, with customs and excise duties accounting for over two-fifths of the rise. The latter added Lm6.8 million, mainly on account of higher receipts from duties on petroleum, partly reflecting an increase in excise duty rates.³ The expansion in revenue from ‘licences, taxes and fines’ was primarily fuelled by differences in the timing of gaming tax receipts, though the doubling of the airport tax in August 2005 also contributed. At the same time, VAT yielded Lm3.7 million more, reflecting higher fuel prices and stronger personal consumption expenditure.

Meanwhile, non-tax revenue contracted by Lm14.4 million, mainly reflecting a decline in gains from the sale of Malta Government Stocks (MGS) above par in the primary market. In addition, the termination of the Investment Registration Scheme, which had boosted such revenue in 2005, and lower Central Bank of Malta profits also contributed.

Expenditure

During the first nine months of 2006, expenditure grew by Lm8.5 million, or 1.3%, compared to the same period of 2005. Recurrent expenditure continued to expand, though this was partly offset by lower capital outlays. The former rose by Lm21.9 million, with programmes and other operational expenditure accounting for three-fourths of the increase. In turn, this reflected higher outlays on social security benefits – mostly on retirement pensions – and increased spending on medical supplies and income tax refunds. Additional expenditure on street lighting also contributed. In contrast, Malta’s contribution to the EU budget and outlays on agricultural support schemes, which are also captured under this spending category, declined. However,

interest payments rose rapidly over the comparable period a year earlier, on account of the timing of coupon payments on debt issued in 2005. Spending on personal emoluments grew at a moderate pace as negotiated pay increases were partly offset by a decline in public service employment levels. On the other hand, lower subventions to the Water Services Corporation and the Malta Shipyards led to a drop in contributions to government entities.

Capital spending declined by Lm13.4 million over the comparable period of 2005. In the main, this was brought about by lower outlays on the new state hospital and lower spending on infrastructure projects financed by grants from Italy. A base effect due to large payments for the acquisition of land in the first quarter 2005 also contributed.

Government debt and financing operations

In spite of the surplus recorded on the Consolidated Fund during the quarter, gross government debt rose by Lm18.5 million to Lm1,378.7 million in September, with the Government adding to deposits with the banking system as a result. The increase in government debt was entirely driven by a Lm32.3 million rise in Treasury bills outstanding, which reversed the drop registered over the previous two quarters (see Table 6.2). On the other hand, Malta Government Stocks (MGS) outstanding declined by Lm13.7 million, which halted the upward trend in long-term financing evident since the first quarter of 2004. Direct borrowing from local banks remained stable, while repayments led to a small fall in foreign loans.

At the end of September 2006, MGS in issue

³ Excise duty rates on fuel were raised with effect from 1 April 2006.

Table 6.2
GOVERNMENT DEBT¹

Lm millions

	2005		2006		
	Q3	Q4	Q1	Q2	Q3
Consolidated Fund balance	9.4	10.1	-60.6	-13.4	1.2
<i>Changes in</i>					
Gross Government debt	-7.5	12.8	13.5	-58.9	18.4
Malta Government stocks	33.5	0.3	25.0	0.0	-13.7
Treasury bills	-40.8	15.7	-11.2	-57.7	32.3
Domestic loans ²	0.0	-1.8	0.0	-0.1	0.0
Foreign loans	-0.1	-1.5	-0.3	-1.2	-0.1
Memo item: privatisation proceeds³	2.7	22.3	0.0	94.4	0.0

¹ Excluding debt of extra-budgetary units and local government.

² 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.

³ These comprise proceeds received by the Consolidated Fund, Sinking Funds and the Treasury Clearance Fund.

Sources: NSO, Central Bank of Malta.

stood at Lm1,136.6 million, or 82.4% of the total outstanding debt. This was down by 2.2 percentage points from the previous quarter. Treasury bills totalled Lm153.6 million, with their

share rising to 11.1% from 8.9% at end-June. Borrowings from Maltese banks and foreign loans, which stood at Lm24.8 million and Lm63.6 million, respectively, accounted for the remainder.

Box 2: THE BUDGET ESTIMATES FOR 2007 - AN OVERVIEW

Information published with the Budget Estimates for 2007 indicate that the general government deficit is projected to fall below 3% of GDP in 2006 and to decline further between 2007 and 2009. The Consolidated Fund deficit is expected to narrow in 2006 and continue to decrease in 2007, as, despite tax cuts, revenue will again grow faster than expenditure.

General government

According to figures given in the Budget Speech, the general government deficit is set to fall to 2.7% of GDP in 2006, from 3.2% in the previous year. It is projected to fall to 2.3% in 2007 and to decline further in 2008 and 2009 (see Chart 1). These targets are expected to be attained as a result of a decline in capital expenditure, mainly because the new state hospital is completed.

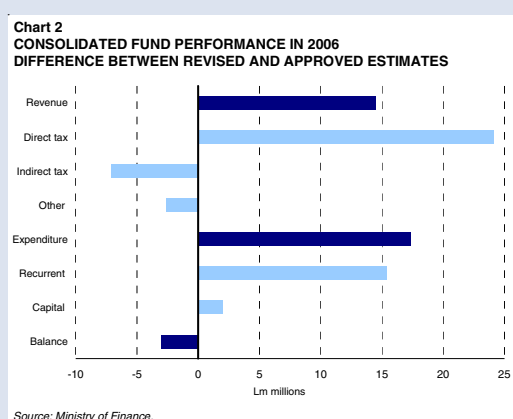
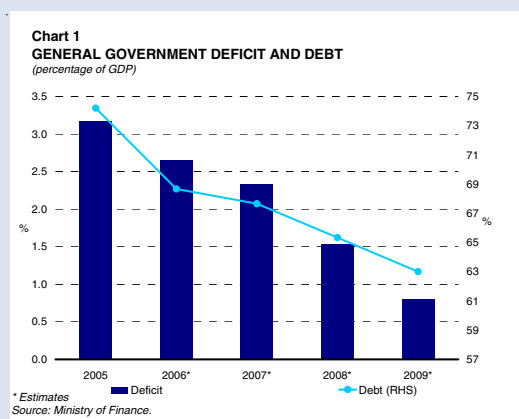
The debt-to-GDP ratio is expected to decline from 74.2% in 2005 to 68.7% in 2006, driven mainly by privatisation receipts. The debt ratio is expected to fall to 67.6% in 2007 and decline steadily to 63.0% in 2009. Although the stock of debt is projected to increase in absolute terms over these

years, a lower debt ratio will be achieved as a result of nominal GDP growth.

Consolidated Fund performance in 2006

The deficit on the Consolidated Fund is expected to fall from Lm75.3 million in 2005 to Lm57.8 million in 2006. This is Lm3.0 million more than the balance approved in the 2006 Budget, with unanticipated expenditure being only partly matched by higher-than-expected revenue. Expenditure is expected to exceed the approved estimates mainly because of increased spending on retirement pensions and on the state contribution to the social security account (see Chart 2). However, compared to the original estimates, direct tax revenue was boosted by additional proceeds from income tax and social security contributions. These are expected to offset a downward revision to indirect and non-tax revenue. In the case of the former, the revised estimates point to less rapid growth in VAT receipts, while lower-than-expected inflows from grants account for the latter.

During 2006, revenue is expected to expand by Lm69.6 million over the previous year, with direct



tax proceeds contributing more than half of the overall increase (see Table 1). Income tax receipts are expected to grow by 12.8%, partly reflecting higher yields from taxes on capital gains against a backdrop of rising property prices. In addition, social security contributions are projected to rise by 7.3%, reflecting rising employment incomes and increased efficiency in collection. Meanwhile, indirect tax revenues are expected to advance by 6.0%, partly on account of a higher projected intake from customs and excise duties following the rise in fuel prices. Revenues from licences, taxes and fines are also forecast to grow, reflecting higher yields from gaming taxes and duty on documents, while VAT

receipts are also expected to rise. Non-tax revenues are seen advancing by 4.8%, mainly on account of higher grants and receipts from the sale of land towards the end of the year. These higher receipts are expected to outweigh a drop in Central Bank of Malta profits and certain one-off receipts which, in 2005, included fees related to the Investment Registration Scheme.

Recurrent spending is expected to rise by 3.9% in 2006 and account for most of the increase in expenditure during the year. Social security benefits, interest payments and electricity costs are expected to be the main drivers of expenditure growth. A projected 2.0% increase in personal

Table 1
BALANCE ON THE CONSOLIDATED FUND 2005 - 2007

	<i>Lm millions</i>						
	2005 Actual	2006			2007		
		Revised estimate	Change Amount	%	Estimate	Change Amount	
Revenue	896.4	966.0	69.5	7.8	992.9	27.0	2.8
Direct tax	417.3	460.0	42.7	10.2	479.7	19.7	4.3
<i>Income tax</i>	221.8	250.2	28.5	12.8	257.7	7.5	3.0
<i>Social security contributions</i>	195.6	209.8	14.2	7.3	222.0	12.2	5.8
Indirect tax	323.0	342.3	19.3	6.0	371.5	29.2	8.5
<i>Value Added Tax</i>	168.3	174.3	6.0	3.5	180.9	6.6	3.8
<i>Customs and excise duties</i>	65.7	73.2	7.5	11.5	84.8	11.6	15.8
<i>Licences, taxes and fines</i>	89.0	94.8	5.9	6.6	105.8	11.0	11.6
Non-tax revenue	156.1	163.6	7.5	4.8	141.7	-21.9	-13.4
<i>Grants</i>	67.0	76.0	9.0	13.5	73.1	-2.8	-3.7
Expenditure	971.7	1,023.8	52.0	5.4	1,047.4	23.6	2.3
Recurrent expenditure	840.7	873.2	32.4	3.9	879.6	6.4	0.7
<i>Personal emoluments</i>	201.1	205.1	4.0	2.0	204.2	-1.0	-0.5
<i>Contributions to Govt. entities</i>	76.5	73.1	-3.4	-4.5	66.6	-6.5	-8.9
<i>Interest payments</i>	74.8	77.2	2.4	3.2	76.2	-1.0	-1.3
<i>Social security benefits</i>	220.8	231.7	10.8	4.9	243.3	11.6	5.0
<i>Other</i>	267.5	286.1	18.6	7.0	289.3	3.2	1.1
Capital expenditure	131.0	150.6	19.6	15.0	167.8	17.3	11.5
Balance	-75.3	-57.8	17.5	23.2	-54.5	3.4	5.8

Source: Ministry of Finance.

emoluments will also contribute. On the other hand, capital expenditure is forecast to grow by 15.0% due to higher outlays on the environment and information technology infrastructure, largely financed by foreign grants.

Budget estimates for 2007

In 2007, the deficit on the Consolidated Fund is expected to decline by Lm3.4 million to Lm54.5 million. The reduction in the fiscal imbalance is based on recurrent expenditure restraint. Despite tax cuts, greater efficiency in tax collection and increased economic activity are expected to boost revenue. The latter is again projected to rise at a faster pace than expenditure, though the growth rates of both are expected to decelerate compared to 2006.

In the Budget for 2007, the Government announced a revision to income tax bands, reducing the number of income tax brackets and raising their ceilings. These adjustments are expected to lower income tax receipts by Lm12.0 million.

The Government also announced that it will be entering into a public service obligation agreement with Enemalta, the state-owned energy corporation. Through this agreement, an increase in excise duties on fuel, which entered into effect in April 2006, will be matched by subsidies to

Enemalta for the generation of electricity and the costs involved in financing a voucher system to enable low-income families to pay utility bills.

In 2007, revenues are expected to expand by 2.8%, driven by higher tax proceeds. Despite the adjustments to income tax brackets, direct tax yields are expected to increase by 4.3% as nominal incomes rise. Indirect taxes are projected to advance by 8.5% as higher intakes from duties on petroleum and additional gaming tax revenues are expected to offset the effect of a reduction in the departure tax. Conversely, non-tax revenue is seen as falling by 13.4% due to lower foreign grants and the non-recurrence of sales of land.

Government expenditure is projected to expand by 2.3% in 2007, with capital expenditure taking up more than two-thirds of the increase. Although capital spending is set to grow at a slower pace than in the previous year, it is still expected to increase rapidly, putting on 11.5%. Outlays on education and roads are expected to account for most of the rise, outweighing lower spending on the new state hospital. In contrast, recurrent expenditure growth is expected to be contained to just 0.7%, as increases in social security benefits and subsidies related to electricity production are projected to be dampened by lower outlays on personal emoluments, interest and subsidies to public non-financial corporations.

POLICY CHALLENGES BEYOND THE EURO*

Michael C. Bonello

Governor of the Central Bank of Malta

I should first of all like to thank you, Mr President, and your Council for the opportunity to share my thoughts once again with such a distinguished audience. Before I do so, however, I would like to commend the Institute of Financial Services (IFS) for its admirable capacity to reinvent itself in response to the changing demands of the marketplace. This year, for example, the Institute has renamed itself as the IFS School of Finance. I have discovered that this apparently cosmetic change has a very significant meaning, in that the Institute in the UK is now empowered to award degrees. IFS Malta, on its part, has extended its reach beyond our shores and is cooperating with the Romanian Banking Institute in the delivery of one of its academic programmes in that soon-to-be EU member country. I am sure all your other guests will join me in wishing you and your Council every success in your continuing efforts to promote higher professional standards in the financial sector.

Since Malta joined the EU in 2004, and particularly since the Maltese lira entered ERM II last year, the Central Bank of Malta has been making the case for an early adoption of the euro. That goal now seems to be within reach, thanks in no small way to the Government's steadfast commitment to fiscal consolidation. The achievement of a political consensus on the euro is also a welcome development. The main remaining challenge is to meet the inflation criterion.

Tonight I shall argue that the euro is a necessary, but not a sufficient condition for faster growth. More specifically, unless we establish limits on

how much we consume and, within limits set by the economy's earning capacity, allocate a greater proportion of the national income to investment, the advantages of euro area membership cannot be fully realized. It is time for the country to disown an unfortunate legacy of its colonial past that is best reflected in the notion that it is possible to spend more without first producing more. To this day, political discourse contains frequent references to tax reductions and subsidies, when it should be rallying popular support for the need to strengthen the country's capacity to generate wealth on a sustainable basis.

The benefits of euro area membership

As I have said, the adoption of the euro should enhance the economy's potential to grow faster. The elimination of exchange rate risk and currency conversion costs should result in increased trade, while the lower interest rate and inflation environment of the euro area should make for reduced business costs and greater macroeconomic stability. Combined with the fiscal discipline associated with monetary union, this is expected to translate into higher credit ratings and better investment prospects.

From a central banker's viewpoint, moreover, a key benefit of euro area membership will be the elimination of the costs inherent in managing a small, vulnerable currency like the Maltese lira and their replacement by the greater security and credibility afforded by a strong international currency.

* Speech given at the Annual Dinner of the Malta Institute of Financial Services on 17 November 2006.

Euro adoption necessary but not sufficient

Viewed from this perspective, therefore, the euro is but one element in a continuum of changes necessary to enhance the international competitiveness of the Maltese economy. The benefits of the single currency will not suffice, especially in the presence of downside risks to global growth such as higher oil prices, a potentially disorderly unwinding of current account imbalances and the rise of protectionism. Although the ongoing preoccupation with the level of the external reserves will cease once we join the euro area, moreover, any imbalance between what we buy and sell abroad will continue to cause the depletion of assets or the accumulation of liabilities, and be reflected in the country's international investment position. Any loss of competitiveness, therefore, will still result in slower growth.

Raising productivity a key challenge

In setting out to overcome this challenge, a primary objective should be the correction of existing macroeconomic imbalances. Output growth must, therefore, match spending growth more closely, and a key element in bridging that gap is increased productivity.

Put differently, since we are price takers in the markets that matter, notably those for electronics and tourism, we must have a cost structure that does not discourage investment. Domestic inputs, particularly labour, must be competitively priced. And since the cost of labour in Malta is relatively high, we must increase the value of output per employee. Once again, the only way forward is through productivity growth.

In this regard, there is much room for

improvement. The level of productivity has remained roughly unchanged since 2001, while it is projected to increase at an annual rate of only 1% to 2% in 2007 and 2008. For a country that is highly dependent on exports, this is not good enough when many of our competitors are achieving faster productivity growth.

Faced with this situation, we would do well to reflect on the experience of others. In France, a recent McKinsey report showed how industrial productivity gains slowed sharply in the last five years, causing the country to miss the opportunity to create an estimated 700,000 jobs. As for the reasons, a report by the Camdessus expert group in 2005 identified two major obstacles to growth: first, not enough people work, and those who do work, do not work long enough, due in part to the introduction of a 35-hour working week; second, the heavy State has become a costly drag on the economy.

Malta faces a similar predicament for much the same reasons. For example, the labour participation rate is still low at 58% compared with an EU average of 70%; and the Maltese will have worked seven fewer days this year than the Dutch, who work longest, and three days fewer than the EU average, despite the abolition of the practice of compensation for a holiday that falls on the weekend. Since independence, moreover, successive governments have bequeathed a legacy of welfare schemes and free public services that have not only distorted incentives and encouraged waste and abuse, but are also largely unsustainable. It is no wonder, therefore, that the Government absorbs almost half of the GDP, the tenth highest percentage in the EU. The concept of value for money, moreover, does not always prevail in public sector procurement.¹

¹ A recent paper on public sector efficiency in the new EU Member States gives Malta a relatively high score in terms of public sector performance that measures outcomes. However, when performance is related to the inputs used to gauge the efficiency of the State, Malta ranks 21st in a pool of 24 countries including all 10 new Member States, Greece, Portugal, Ireland and a number of emerging market economies. Antonio Afonso, Ludger Schuknecht and Vito Tanzi, *Public Sector Efficiency: Evidence for New EU Member States and Emerging Markets*. ECB Working Paper No 581 (2006).

Let me mention just two examples of resource misallocation. The first is the absence of fees for government-supplied health care. One can, for example, obtain expensive medicines or have a heart by-pass operation for free, regardless of one's capacity to pay. Not surprisingly, the budgetary allocation for medicines and surgical materials alone is forecast to increase by 13% next year to Lm21.5 million. The sustainability of the public health system is imperiled by the very manner in which it is financed. Sooner or later, the ability to provide free services to those who truly deserve them will itself come under threat. In this context, the parallel commitments of the major political parties to the continued provision of free health services for all and to prudent fiscal policies are not easy to reconcile.

Much the same can be said of higher education, which is characterized by a student subsidy system that is probably unique. The University of Malta and MCAST have together been allocated Lm15.5 million for 2007, compared with no less than Lm8 million budgeted for students' maintenance grants. Funds that would permit these institutions to offer better quality programmes, and in the process hopefully raise the number of science and technology graduates from its current inadequate level, are instead paid to students regardless of their financial means.

Changes needed in the pattern of resource allocation

This generous approach to the management of public finances has meant that recurrent revenue, although higher year after year, has often not been able to keep up with recurrent expenditure. For example, in 2005 expenditure amounted to 41% of GDP, roughly matching revenue at 42%. As a result, the 6% of GDP allocated to capital spending had to be funded almost entirely by additional borrowing, which gives rise to further debt-servicing costs. Repeated year after year, this

pattern pushed the debt/GDP ratio steadily upwards to a peak of 75% in 2004.

This tendency for recurrent revenue to be matched by recurrent expenditure in the context of fiscal retrenchment has had a crowding-out effect on investment, and partly explains why the country's investment/GDP ratio has been static at best in recent years. A more telling indicator of the relatively small investment in productivity-enhancing activities is the share of GDP devoted to R&D, 0.6% in 2004, compared with an average EU ratio of about 2%.

It is doubtful whether the existing pattern of resource allocation is conducive to the desired improvement in Malta's international competitiveness. The latter can only be achieved by increasing the size, flexibility and skill level of the labour force, while simultaneously creating an institutional and physical infrastructure more likely to attract high value-added foreign direct investment. And since the State must play a leading role in this effort, the question of financing arises spontaneously.

Now in the context of a fiscal consolidation process that has not yet run its full course, increasing recurrent spending beyond the natural creep caused by existing commitments such as pensions is clearly not an option. Such spending is already equivalent to 47% of GDP. The same applies to taxation, which stands at 36% of GDP. The only way forward is to pursue the medium-term objective of a balanced budget over the business cycle by reducing recurrent expenditure, by redistributing the resources available and by making the most efficient use possible of both domestic and EU funds.

An additional advantage of lower spending commitments is that this would make further tax cuts possible that would, in turn, stimulate private initiative and investment.

The course of action I am suggesting, therefore, would bring the country's spending priorities more closely into line with its Lisbon Strategy goals. If Malta is to move up the value chain, it must acknowledge global realities. It is clear, for example, that there are increasing rewards from innovation; and that ICT has become a major driver of economic growth. A growing proportion of world manufactured products, moreover, are in the high-tech category, 28% in 2000, double the percentage twenty years earlier; and knowledge intensive services are the largest source of employment growth in the EU15, with over 7 million new jobs created between 1997 and 2002.² These trends should leave us in no doubt as to the direction in which the wind is blowing.

Financing the necessary investment

So where is the money to be found to promote improved higher education and ICT-related skills, entrepreneurship and innovation, or to be able to offer foreign investors custom-built premises at relatively short notice and of the standard they have come to expect, when almost 80% of recurrent Government expenditure goes on transfer payments and wages? As for the remainder, there is no room for discretionary cuts either: almost 9% represent interest payments on the public debt, and the balance is spent on essential supplies. Since EU funds alone will not be sufficient, the solution must encompass a further contraction of the public sector and a rethinking of the philosophy behind social spending programmes and other transfer payments.

Compensation of public sector employees has been stable at 36% of recurrent expenditure. As a proportion of GDP, it peaked at just over 15% in 2004 and is projected to decline to 13% in 2008, reflecting moderate wage increases and a declining

workforce. It is important that these trends continue.

As for transfer payments, these account for some 40% of total recurrent expenditure. Social spending alone absorbs a third of the total. Growth in this area over time has been driven by the perceived need to preserve the social fabric and by demographic pressures. In the process, however, sight has been lost of the original objective. We have to ask whether today's blanket approach to welfare, higher education and health is promoting a culture of reliance on the State rather than the encouragement of private initiative. Our system does not focus exclusively on those who are truly in need, but also provides a cushion for higher income earners, at the cost, however, of a heavier fiscal burden.

Social programmes must be sustainable

The time has, therefore, come for a radical reform that reconciles the objective of social cohesion with financial sustainability. Non-essential transfer payments should be reduced, especially those that are of a universal nature and do not address a proven need. The introduction of means testing must be seriously considered, accompanied by continued efforts to reduce tax evasion. The criteria for the granting of certain benefits should be tightened further. The underlying objective should be to promote a culture of self-help and efficiency.

In the field of higher education, for example, since an academic qualification enhances the student's income-earning potential, I believe a strong case can be made for at least the partial replacement of grants with loans for students from a better-off financial background, with a repayment schedule that provides for moratoria to suit the post-graduation realities of the particular student.

² Swedish Ministry of Finance and H. M. Treasury *Social Bridges: Meeting the Challenges of Globalisation*, London and Stockholm, April 2006.

What the typical student expects from higher education in terms of quality will increase once he or she is contributing to its financing, and higher expectations are known to be one of the drivers of an improvement in standards.

Anyone who perceives something sinister in these proposals might look up a recent study by economist Andre Sapir. Using a fairly well-established typology, Sapir grouped the EU15 into four main social models, the Continentals, Nordics, Mediterraneans and the Anglo-Saxons, and then estimated the efficiency and equity of each. He shows that there does not need to be a trade-off between efficiency and equity. Just as importantly, however, he underlines that efficiency is always necessary for sustainability.³

How do other countries approach this challenge? The experience of Singapore, which is twice as well off as Malta on a per capita GDP basis, is instructive. There, undergraduate education is heavily subsidized by the government, but the remaining cost is borne by the student. The student's annual contribution ranges from the equivalent of Lm1,300 for an engineering degree to Lm3,800 for a medical degree.

There are, however, means for the student to finance this co-payment through borrowing from the Central Provident Fund. This is a social security savings plan funded by contributions from employers and employees, and which go into three accounts. Let me mention two of them. One is the Ordinary Account, which can be drawn upon to pay for the family's educational expenses, or to buy a house. Another account, the Medisave Account, can be used for hospital and other medical expenses, or to participate in the MediShield insurance programme. Under this scheme the patient pays a deductible amount and is required to make a co-payment. The system encourages

efficiency, because medical practitioners and hospitals must compete for patients.

Other areas susceptible to reform

As these examples show, it only takes some imagination and a clear sense of purpose to devise mechanisms that promote a more efficient use of resources. But it is not just in the areas of welfare, higher education and health that a policy review is needed. Take transportation, for example. Restrictive practices at the harbour raise costs by pushing up the price of imports and lower our competitiveness by increasing the cost of exports. It is rather ironic that decades after the abolition of hereditary titles, and at a time when the merits of free markets and competition are widely acknowledged, Malta sanctions the inheritance of licences and protects monopolies not only in the harbour, but throughout the public transport system.

More generally, if investment is to be channelled to productive activities that generate the highest return, profit signals should not be distorted by monopolistic market structures, subsidies or protection.

The need for a consensual approach to reforms

Mr President, I am aware that the thrust of my remarks challenges the continued existence of what have come to be perceived as acquired rights. They might have been acquired, but they are often neither economically viable nor affordable. Trying to persuade public opinion to come to terms with such economic realities is, however, a central bank governor's responsibility. My concern is not without foundation, for the challenge to the sustainability of our current ways comes with a precise timeline. It is likely that Malta's eligibility for EU structural funds will decline after 2013, and the burden of an ageing

³ Sapir, A. "Globalisation and the reform of social models". Background document for a presentation at ECOFIN Informal Meeting in Manchester, 9 September 2005.

population in terms of health and pension expenditures will be much heavier than it is today. It will, therefore, be imperative to have invested massively and wisely in the meantime such that the economy will be generating sufficient wealth and, therefore, tax revenues to bridge any budgetary shortfall.

My conclusions are supported by both theory and experience. In the neo-classical growth model the rates of saving and investment are the fundamental determinants of living standards in the long run. In other words, countries that save or invest more than others will enjoy a higher per capita income. Newer growth theories go beyond this and distinguish between two types of capital, physical and human. Empirical evidence clearly shows that differences in living standards across countries can be explained by differences in investment in human capital. Unfortunately, advice on the importance of saving and investment often goes unheeded because higher saving entails lower consumption. In other words, prosperity tomorrow can only be achieved by making sacrifices today.

Even if this lesson is not fully taken on board, the need for continued fiscal prudence will ensure that choices between alternative uses of public funds will have to be made more frequently, and spending cuts made in sensitive areas. Such decisions would be taken much faster and more effectively if a bipartisan approach were adopted. Other countries in Europe have taken this road,

but there are precedents in Malta too. The financial services legislation, for example, was adopted unanimously by Parliament. The impressive growth of the financial sector indeed testifies to what a bipartisan approach to strategic economic choices can achieve. The national consensus on the adoption of the euro is another example. It would greatly strengthen the economy's capacity to benefit from membership of the euro area if this consensus were extended to a recognition of the need to increase the share of government revenue devoted to investment in the country's future.

Mr President, I make no claim to originality in voicing these concerns. In a recent letter to a local newspaper, a Mr V. Spiteri wrote, "*Vague promises and assurances that if we vote for one side instead of the other we can retain free medical care, retire at 61, afford to eat out more often, take at least one holiday abroad and drive a new car, is a dream we would do well to wake up from*".

How very true! Higher living standards cannot be created by politicians out of thin air. As one of my predecessors, Mr Lino Spiteri, wrote recently, "*They don't make magic wands that work any more.*" In the real world, a key precondition for prosperity is higher productivity. It should, therefore, be our common task, but particularly that of the political class, to promote policies and practices that are conducive to a more efficient use of the nation's scarce resources.

NEWS NOTES

LOCAL NEWS

Central Bank of Malta raises interest rates

On 31 October the Bank, responding to an increase in euro area interest rates and amid expectations of a continued tightening of monetary policy abroad, raised the central intervention rate by 25 basis points to 3.75%.¹

Malta: Update of Convergence Programme 2006-2009

In December Malta submitted an Update of its Convergence Programme for 2006-2009 to the European Commission. This document sets out the Government's objectives for macroeconomic and monetary and exchange rate policy and the medium term projections of the main macroeconomic variables. It also analyses the divergences between the current forecasts and those presented in the December 2005 Update of the Convergence Programme as well as the quality of the public finances. Finally, it reviews the main measures announced in the Budget for 2007.

ECB/EU Commission Convergence Reports

On 5 December the European Commission and the ECB published their respective 2006 Convergence Reports. These reports monitor the progress made by Member States with respect to the fulfilment of their obligations regarding the achievement of economic and monetary union.

With respect to Malta both entities made broadly similar remarks, namely that Malta fulfilled the long-term interest rate criterion but at that stage did not fulfil the other Maastricht criteria. Malta's inflation rate was above the reference value while fiscal data for 2005, the latest available, showed

levels above the stipulated benchmarks. In addition, although the Maltese lira had remained stable with respect to its central rate since it entered ERM II on 2 May 2005 and had not experienced severe tensions, Malta did not fulfil the exchange rate criterion because the required period of two years in ERM II had not yet been completed.

The National Reform Programme

On 24 October Malta's First Annual Progress Report for the National Reform Programme submitted to the EU Commission was made public. The Report focuses on the initiatives taken by the Maltese Government to achieve the targets set in the Lisbon Agenda.

In its assessment of the Report, published on 12 December, the European Commission observed that Malta was making good progress in implementing its National Reform Programme in most key areas. These included the sustainability of public finances and the implementation of significant measures in the environmental and education and training areas. More modest progress had been made in improving the business environment and on research and development and innovation.

World Economic Forum Lisbon Agenda Review

In mid-December the World Economic Forum published *The Lisbon Review 2006: Measuring Europe's Progress in Reform*, in which it ranked Malta nineteenth in the EU25 and sixth among the EU10 with regard to the overall progress made in achieving the Lisbon Strategy goals of economic and structural reforms. Overall Malta lost one place compared to 2004.

¹ On 25 January 2007, the Bank raised the central intervention rate by an additional 25 basis points to 4.00%.

The Budget for 2007

On 18 October 2006 the Prime Minister and Minister of Finance presented the Budget for 2007 to Parliament.

The main measures included:

- The income tax thresholds for low and middle-income earners were raised while a husband and/or wife working in a family enterprise can now be considered an employee for tax purposes.
- Part-timers working more than eight hours a week will be able to opt for a 10 per cent social security contribution rate, although this would entail an eventual proportionate reduction in their pension.
- The departure tax is to be halved to Lm10 as from June 2007.
- There will be tax relief of up to Lm400 for children in licensed childcare. In addition, childcare services at the workplace will no longer be considered a fringe benefit and will no longer be taxed.
- The cost of living increase for 2007 will be Lm2.25, which includes the Lm0.50 already announced in 2005. There were changes also to taxes relating to the inheritance of property.
- Moreover, in order to boost the number of properties offered for rent to social cases, a preferential tax rate of 5 per cent on the rental income from such properties will be applied for a 10-year period.
- Tax relief for parents of children attending private schools will be doubled while students following full-time courses in private institutions will get the same stipends as students at the University or the Malta College of Arts, Science and Technology (MCAST).

- Lm900,000 will go towards the setting up of a Venture Capital Fund.

Pension Reform

On 7 December Parliament enacted Act No. XIX of 2006 to further amend the Social Security Act. The principal amendments provide for the gradual raising of the pension age to 65 years, changes to the method by which the two-thirds pension will be calculated and the possibility of having two other additional pensions.

On 29 December Legal Notice 336 of 2006 was published. This sets out the dates at which various articles of the above-mentioned Act will come into force.

Double taxation agreements

On 3 October a double taxation treaty previously signed between Malta and Spain was brought into force by Legal Notice 234.

On 13 October Malta and Greece signed an agreement on the avoidance of double taxation and the prevention of fiscal evasion.

On 31 October a double taxation treaty previously signed between Malta and Iceland was brought into force by Legal Notice 261.

On 10 November a double taxation treaty between Malta and the Republic of San Marino was brought into force by Legal Notice 270.

Euro changeover

Usage and validity of Maltese lira-denominated stored value documents

On 17 October the National Euro Changeover Committee (NECC) published a new version, with minor revisions, of its draft Guidelines for the usage of Maltese lira-denominated stored value

documents. This latest version comes under the new title of Guidelines for the usage of Maltese lira denominated value documents and stamps.

Fair pricing

During the first week of December the NECC issued a publication entitled *Fit for Fair! Fair-Pricing Agreements in Retailing*. The publication explains what fair pricing agreements in retailing (FAIR) are and how businesses can participate in these agreements. FAIR aims at helping businesses in their dual-display obligations, seeks to instil confidence in, and increase familiarity with, pricing in the new currency and ensures fairness and transparency in pricing. This initiative is managed and monitored by the Euro Observatory on behalf of the Ministry of Finance.

Legislation related to banking and finance

Legal Notice 239 of 2006

This relates to the Investment Services Act (Performance Fees) Regulations, 2006. It prescribes the basis on which performance fees may be paid by collective investment schemes available to retail investors and specifies a number of disclosure requirements.

Legal Notice 240 of 2006

This relates to the Insurance Business (Companies Accounts) (Amendment) Regulations, 2006. It states that if a provision of these regulations is not compatible with the International Financial Reporting Standards, an insurance company's accounts shall be drawn up so as to give a true and fair view.

Legal Notice 241 of 2006

This contains the Companies Act (Investment Companies with Variable Share Capital) Regulations, 2006 and replaces Legal Notice 102

of 1996. It describes the operations and structure of SICAVs and sets out the rules governing them.

Legal Notice 255 of 2006

This contains the Insurance Business (Fees) (Amendments) Regulations, 2006 and amends the Insurance Business (Fees) Regulations, 1999.

Legal Notice 256 of 2006

This refers to the Insurance Intermediaries (Fees) Regulations, 2006 and provides for the payment of fees by persons applying for registration as insurance intermediaries or for enrolment in a list under the Insurance Intermediaries Act 2006.

Legal Notice 266 of 2006

This sets out the rules governing donations by companies, as defined in the Income Tax Act (Cap. 123), of not less than one thousand Maltese liri, either in cash or in the form of any other asset, excluding immovable property, to cultural and heritage organizations.

Legal Notice 313 of 2006

This refers to the Collective Investment Scheme (Investment Income) (Amendment) Regulations, 2006 and contains some revisions to the Collective Investment Scheme (Investment Income) Regulations, 2001.

Legal Notice 318 of 2006

This refers to the Investment Services Act (Amendment of the Second Schedule) Regulations, 2006 and contains some amendments to the Second Schedule to the Investment Services Act.

Legal Notices 319-322, 324 and 326 of 2006

These legal notices cover various aspects of

insurance businesses in Malta. They refer to the Insurance Intermediaries (Transitional Provisions) Regulations, 2006, the Repeal of Investment Services Act (Linked Long-Term Contracts of Insurance Statutory Notice) Regulations, 2006, the Insurance Business (Long-Term Business Contract Statutory Notice) (Amendment) Regulations, 2006, the Investment Services Act (Licence and Other Fees) Regulations, 2006, the Insurance Business (Insurers' Assets and Liabilities) (Amendments) Regulations, 2006 and the Insurance Intermediaries (Exemptions) Regulations, 2006.

Bank Holidays

Legal Notice 333 of 2006 announces that 7 April 2007 and 26 December 2007 shall be bank holidays, as declared by the Prime Minister and Minister of Finance after consultation with the MFSA and the Central Bank of Malta.

Surrender of licences by financial services institutions

On 19 October the MFSA announced the voluntary surrender of its licence by HSBC International Funds SICAV plc in respect of the Far East Equity Fund, the Pan American General Fund and the UK General Fund.

On 22 December the MFSA announced that Azzopardi Investment Management Limited had voluntarily surrendered its Category 2 Investment Services Licence.

Bank of Valletta ratings

On 15 December the Rating Agency Fitch reaffirmed Bank of Valletta's ratings at Long Term Issuer Default 'A-' with Stable Outlook, Short-Term Rating 'F2', Individual 'C' and Support '2'. The ratings reflect Bank of Valletta's improving profitability and sound capitalisation, and the progress achieved in reducing its impaired loans.

Overseas activities of local deposit money banks

On 8 November FIMBank p.l.c., the Malta-based trade finance bank, was granted a licence to operate as an Authorized Firm in the Dubai International Financial Centre in the United Arab Emirates. This will enable the bank to market its products in the United Arab Emirates and neighbouring regions.

Malta Venture Capital p.l.c.

On 7 December Malta Venture Capital p.l.c. was set up with an authorised capital of Lm10 million. The Government allocated Lm900,000 to the company as initial capital. Private investors are also expected to contribute to the capital subscription. The company's aim is to enable entrepreneurs to finance projects not easily financed by local financial institutions. The new company is expected to assist the private sector in higher risk ventures, especially where innovative processes and new technologies are involved.

Foreign investment in hotel company

On 5 December the Dubai based company, Istithmar Hotels, invested EUR178 million in new shares issued by International Hotel Investments (IHI), the Maltese hotel company owned by the Corinthia group. The funds will be used for the acquisition and development of landmark five-star hotels in Europe and beyond.

Private companies' activities in the capital market

On 16 October, Medserv p.l.c., a private company involved in servicing and supporting companies undertaking oil exploration or development off the North African coast, issued 2.5 million ordinary shares of Lm0.10 each at an offer price of Lm1.30 each. The issue represented 25 per cent of the share capital of the company. Issuing the shares enabled Medserv to obtain a listing on the MSE,

thus enhancing its marketability and its ability to finance future operations.

On 28 November AX Investments p.l.c., a local private sector company involved in tourism and property investment, launched an issue of bonds amounting to Lm5 million. These included 6.7% Bonds 2014-2016 and 4% Bonds 2013 (Lm1 million). The bonds were issued to fund the general corporate funding requirements of the company, the acquisition of property, and the acquisition of shares in a related company, Suncrest Hotels p.l.c.

INTERNATIONAL NEWS

ECOFIN Council

The ECOFIN Council met on four occasions during the fourth quarter of 2006. The main developments were as follows:

On 10 October it adopted an opinion on an updated convergence programme presented by Hungary and assessed action taken by the United Kingdom and Germany to correct their excessive deficits. In addition, it approved conclusions on reducing the administrative burden on business, the quality of public finances, and best use of the Single Euro Payment Area. It also discussed the renewal of the European Investment Bank's external lending mandate for the 2007-2013 period.

On 7 November it adopted a regulation on the tracing of fund transfers to counter the financing of terrorist groups. It authorised Member States to continue applying reduced VAT rates for certain labour-intensive services and adopted conclusions on statistical governance issues and

on the sustainability of public finances.

On 21 November it reached agreement on the EU's draft general budget for 2007 and asked the permanent representatives committee to continue negotiations on points that remained outstanding between the Council and the European parliament.

On 28 November it adopted a decision, under article 104(8) of the Treaty, establishing that action by Poland in response to a Council recommendation was inadequate for bringing that country's budget deficit below the threshold of 3% of GDP by next year. It also reached agreement on the mandates given to the European Investment Bank, under guarantee from the EU budget, for lending to projects outside the EU.

Future enlargement of the euro area

On 10 November the European Commission published the *Fourth Report on the practical preparations for the future enlargement of the euro area*. This report assesses the state of practical preparations at national and Community level for the future enlargement of the euro area. It discusses the national target dates for the adoption of the euro with reference to the respective non-euro area countries. It also reports on the state of public opinion in the recently acceded Member States.

EU Budget approved

On 14 December the European Parliament approved the EU's budget for 2007. This plans a record increase in spending for programmes that strengthen the sustainable growth, competitiveness and cohesion of the European economy.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

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

CAPITAL CITY	Valletta	
AREA	316 km ²	
CURRENCY UNIT	Maltese lira exchange rates: MTL 1 = USD 2.9471 ¹ 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 ECONOMIC STATISTICS	GDP growth at constant 2000 prices (2005) ²	2.2%
	GDP per inhabitant at current market prices (2005) ^{2,3}	USD14,067
	GDP per capita in PPS relative to the EU-25 average (2005) ²	70.4%
	Ratio of gross general government debt to GDP (2005) ²	73.6%
	Ratio of general government deficit to GDP (2005) ²	3.2%
	Retail Prices Index - inflation rate	3.4%
	Harmonised Index of Consumer Prices - inflation rate	3.2%
	Ratio of exports of goods and services to GDP (2005) ²	73.2%
	Ratio of current account deficit to GDP (2005) ²	9.8%
	Employment rate	55.5%
	Unemployment rate	6.8%
POPULATION	Total Maltese and foreigners (2005) ²	404,346
	Males	200,626
	Females	203,720
	Age composition in % of population (2005) ²	
	0 - 14	17%
	15 - 64	69%
	65 +	14%
	Average annual growth rate (1990-2005) ²	0.74%
Density per km ² (2005) ²	1,282	
HEALTH	Life expectancy at birth - Males (2005)	77.7
	- Females (2005)	81.4
	Crude birth rate, per 1,000 Maltese inhabitants (2005) ²	9.6
	Crude mortality rate, per 1,000 Maltese inhabitants (2005) ²	7.8
	Doctors (2005)	1,309
EDUCATION	Combined gross enrolment ratio % (2002/2003)	79
	Number of educational institutions (2004/2005) ²	214
	Teachers per 1,000 students (2004/2005) ²	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	85.3
	Private motor vehicle licences per 1,000 population	521
	Internet subscribers per 100 population	23.4

¹ End of period closing middle rate.

² Provisional.

³ 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 September 2006:

Deposit Money Banks

APS Bank Ltd
Bank of Valletta plc
BAWAG Malta Bank Ltd (from October 2003)
FIMBank plc
HSBC Bank Malta plc
Lombard Bank Malta plc
Volksbank Malta Ltd (from November 2002)

International Banking Institutions

Akbank T.A.S.
Commbank Europe Ltd (from September 2005)
Erste Bank (Malta) Ltd
Finansbank (Malta) Ltd (from July 2005)
Fortis Bank Malta Ltd
Investkredit International Bank plc
Izola Bank Ltd
Mediterranean Bank plc (from Jan 2006)
Raiffeisen Malta Bank plc
Sparkasse Bank Malta plc
Turkiye Garanti Bankasi A.S.

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GENERAL NOTES

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**TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES -
CENTRAL BANK OF MALTA¹**

liabilities

Lm thousands

End of period	Currency notes & coins issued	IMF-related liabilities	Deposits				Capital & reserves	Foreign liabilities	Other liabilities ³
			Banks ^{2,3}	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 ³
			Credit institutions ³	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
2005									
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
2006									
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
Apr.	510,727	32,032	206,121	73,581	9,466	289,168	78,137	11,878	7,718
May	509,906	31,069	226,724	138,615	9,722	375,061	79,092	7,107	8,779
June	511,959	31,069	286,215	82,473	10,134	378,821	77,358	4,311	9,422
July	511,991	31,069	279,961	106,113	8,197	394,272	78,552	-	10,500
Aug.	509,608	31,069	305,924	91,123	10,836	407,883	79,222	-	13,846
Sept.	508,700	31,069	284,656	132,954	9,255	426,865	79,928	-	13,354

¹ 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.

² Includes deposit money banks and international banking institutions.

³ From December 2001, term deposits by banks, previously classified as "other liabilities", are classified as bank deposits or deposits by credit institutions.

**TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES -
CENTRAL BANK OF MALTA¹**
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 ²	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 ²	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
2005								
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
2006								
Jan.	1,117	37,056	859,922	898,095	32,007	13,021	27,394	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
Apr.	1,439	36,598	815,694	853,731	32,007	15,569	28,353	929,661
May	780	36,506	887,429	924,715	31,045	25,432	29,823	1,011,014
June	724	36,492	891,969	929,184	31,045	24,697	28,014	1,012,941
July	1,614	36,502	895,068	933,183	31,045	34,792	27,365	1,026,384
Aug.	1,572	36,653	916,099	954,324	31,045	28,931	27,328	1,041,628
Sept.	1,129	36,945	934,488	972,563	31,045	29,377	26,932	1,059,916

¹ 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.

² 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 ¹				Foreign liabilities ²	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 ¹				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
2005								
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
2006								
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
Apr.	1,208,055	31,578	1,688,732	2,928,366	1,552,858	31,715	637,854	259,703
May	1,227,478	33,537	1,689,927	2,950,943	1,552,899	31,431	638,480	273,216
June	1,222,239	30,586	1,732,099	2,984,924	1,602,249	31,586	641,503	269,303
July	1,218,356	30,604	1,744,744	2,993,704	1,564,832	31,550	646,798	268,287
Aug.	1,210,117	30,637	1,785,797	3,026,551	1,715,048	31,461	641,479	269,357
Sept.	1,207,863	29,850	1,789,634	3,027,347	1,735,640	31,626	648,208	281,918

¹ 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 ¹	Loans	Securities other than shares	Shares & other equity ²	External assets ²	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
2005							
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
2006							
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
Apr.	224,763	2,269,018	569,453	31,091	2,065,913	250,249	5,410,496
May	249,228	2,286,501	544,287	31,595	2,078,643	256,706	5,446,970
June	309,587	2,309,481	508,611	32,354	2,112,813	256,718	5,529,564
July	298,548	2,328,396	515,325	32,400	2,089,379	241,123	5,505,170
Aug.	325,781	2,335,785	506,926	33,395	2,223,530	258,482	5,683,898
Sept.	308,211	2,379,430	511,945	33,441	2,249,459	242,253	5,724,740

¹ Includes holdings of cash.

² 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
2005								
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
2006								
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
Apr.	319	509	51	879	6,753,515	626,485	16,915	7,397,793
May	381	504	140	1,024	6,592,743	580,103	16,298	7,190,168
June	1,024	459	154	1,637	7,108,450	554,835	18,011	7,682,933
July	1,089	463	159	1,711	6,773,798	592,427	10,175	7,378,110
Aug.	1,243	463	162	1,869	7,101,131	599,425	11,414	7,713,839
Sept.	998	470	648	2,116	6,925,302	602,342	5,428	7,535,189

**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 ¹	External assets	Securities other than shares	Shares and other equity	Other assets	Total assets
2003	-	2,917,645	-	613	16,314	2,934,573
2004	-	3,775,464	-	647	26,933	3,803,045
2005						
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
2006						
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
Apr.	-	7,365,572	-	413	31,807	7,397,792
May	-	7,157,647	-	359	32,161	7,190,168
June	-	7,650,314	4	351	32,264	7,682,933
July	-	7,345,034	4	379	32,693	7,378,110
Aug.	-	7,680,917	3	387	32,531	7,713,839
Sept.	-	7,500,164	3	389	34,632	7,535,188

¹ Includes holdings of cash.

TABLE 1.4a BANKING SURVEY¹*Lm thousands*

End of period	Domestic credit			Net foreign assets			Narrow money ⁴ (M1)	Quasi-money ⁵	Other items (net)	Total assets/liabilities
	Net claims on government ²	Claims on private & parastatal sectors ³	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 SURVEY¹*Lm thousands*

End of period	Domestic credit ⁶			Net foreign assets ⁶			Broad money (M3)	Other counterparts to broad money (net)	Total assets/liabilities
	Net claims on central government ²	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
2005									
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
2006									
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
Apr.	440,142	2,296,538	2,736,680	854,581	1,125,112	1,979,693	3,049,757	1,666,628	4,716,373
May	359,560	2,314,090	2,673,651	931,172	1,090,648	2,021,820	3,068,782	1,626,671	4,695,471
June	355,884	2,337,135	2,693,019	936,279	1,052,411	1,988,689	3,087,457	1,594,270	4,681,708
July	359,588	2,355,542	2,715,130	944,352	1,095,783	2,040,135	3,113,155	1,642,111	4,755,265
Aug.	359,364	2,364,006	2,723,370	961,589	1,088,269	2,049,858	3,140,664	1,632,561	4,773,228
Sept.	321,976	2,408,453	2,730,430	981,835	1,088,681	2,070,516	3,133,908	1,667,037	4,800,945

¹ Includes Central Bank of Malta, deposit money banks and international banking institutions. All interbank transactions are excluded.

² Central government deposits held with MFIs are netted from this figure.

³ 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.

⁴ Excludes Malta Government deposits, balances belonging to non-residents and uncleared effects drawn on deposit money banks.

⁵ Excludes Malta Government deposits and balances belonging to non-residents.

⁶ 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)						
				Narrow money (M1)			Quasi-money			Total
	Currency issued	Bank deposits with Central Bank of Malta	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)								
				Intermediate money (M2)						Repurchase agreements /Debt securities with agreed maturity up to 2 years	Total (M3)	
	Narrow money (M1)			Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)						
							Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand	Total (M1)
			Demand	Savings								
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
2005												
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
2006												
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
Apr.	510,727	136,804	647,531	490,644	320,219	850,550	1,661,413	31,573	1,356,771	3,049,757	-	3,049,757
May	509,906	148,604	658,510	489,488	332,704	857,511	1,679,704	34,034	1,355,044	3,068,782	-	3,068,782
June	511,959	139,194	651,153	489,863	330,153	853,116	1,673,132	31,039	1,383,287	3,087,457	-	3,087,457
July	511,991	140,984	652,975	490,021	326,420	859,144	1,675,585	31,060	1,406,510	3,113,155	-	3,113,155
Aug.	509,608	126,103	635,711	487,411	329,712	847,457	1,664,580	31,094	1,444,989	3,140,664	-	3,140,664
Sept.	508,700	133,142	641,841	487,829	311,867	858,959	1,658,655	30,314	1,444,940	3,133,908	-	3,133,908

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

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos ¹			Marginal lending during the period ²	Term deposits ³			Overnight deposits ⁴
	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
2005								
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
2006								
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
Apr.	-	-	-	-	302,600	312,300	69,300	-
May	-	-	-	78	297,200	288,400	78,100	900
June	-	-	-	-	592,300	523,400	147,000	18,500
July	-	-	-	-	597,900	605,900	139,000	-
Aug.	-	-	-	-	638,700	597,900	179,800	6,300
Sept.	-	-	-	-	737,400	765,700	151,500	34,500

¹ 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.

² 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.

³ 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.

⁴ 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 INSTITUTIONS¹
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 ²	Corporate/business	Government	Public sector ³	Maltese lira deposits	Foreign currency deposits ⁴			
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
2005									
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
2006									
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
Apr.	77,297	6,391	90,651	463,222	2,291,683	2,851,948	2,929,245	2,007,939	4,937,183
May	77,612	5,588	91,339	477,871	2,299,557	2,874,355	2,951,967	1,782,572	4,734,539
June	100,860	4,682	93,930	471,357	2,315,732	2,885,701	2,986,561	1,603,533	4,590,094
July	91,707	6,297	97,268	465,973	2,334,169	2,903,708	2,995,415	1,605,837	4,601,252
Aug.	92,588	5,257	86,292	483,144	2,361,140	2,935,832	3,028,420	1,969,256	4,997,676
Sept.	92,794	4,667	72,657	487,244	2,372,102	2,936,669	3,029,463	2,048,986	5,078,449

¹ Includes deposit money banks and international banking institutions. For the purposes of this table, deposits include uncleared effects.

² Includes bearer deposits.

³ Public sector companies are entities that are subject to control by government, control being defined as the ability to determine general corporate policy.

⁴ Includes external Maltese lira deposits.

**TABLE 1.8 DEPOSITS HELD WITH OTHER
MONETARY FINANCIAL INSTITUTIONS¹**
analysis by currency

Lm thousands

End of period	Resident deposits					Non-resident deposits		Total deposits
	MTL	EUR	GBP	USD	Other	MTL	Other	
2002	2,293,881	77,068	115,339	111,574	22,939	35,579	872,847	3,529,227
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
2005								
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
2006								
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
Apr.	2,459,837	155,774	181,137	96,382	36,114	51,672	1,964,332	4,945,249
May	2,462,492	166,667	190,271	95,782	36,754	51,358	1,739,353	4,742,678
June	2,506,710	159,714	188,469	95,644	36,024	51,636	1,560,062	4,598,259
July	2,515,790	159,478	182,058	102,344	35,746	51,959	1,562,036	4,609,409
Aug.	2,534,871	166,171	186,886	103,584	36,908	52,953	1,918,439	4,999,812
Sept.	2,525,096	159,565	189,966	119,043	35,794	52,258	1,998,886	5,080,608

¹ 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 ¹	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
2005					
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
2006					
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
Apr.	490,732	19,995	510,727	20,083	490,644
May	489,848	20,058	509,906	20,417	489,488
June	491,598	20,361	511,959	22,096	489,863
July	491,331	20,660	511,991	21,970	490,021
Aug.	488,743	20,865	509,608	22,197	487,411
Sept.	487,966	20,734	508,700	20,871	487,829

¹ 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 ¹	Currency notes ²				
		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
2005						
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
2006						
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
Apr.	510,727	109,023	341,144	32,613	7,952	490,732
May	509,906	108,615	340,252	32,913	8,068	489,848
June	511,959	108,358	341,322	33,797	8,122	491,599
July	511,991	108,176	340,594	34,286	8,274	491,330
Aug.	509,608	107,309	339,191	34,041	8,203	488,744
Sept.	508,700	107,018	338,709	34,052	8,186	487,965

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

² 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 LIQUIDITY¹*Lm thousands*

Period	Liquid assets			Net short-term liabilities ³	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits ²
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
2005						
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
2006						
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
Apr.	1,164,962	709,544	455,418	2,365,146	49.3	77.6
May	1,214,032	717,942	496,090	2,393,141	50.7	77.4
June	1,245,093	753,555	491,538	2,511,850	49.6	77.4
July	1,226,267	710,545	515,722	2,368,482	51.8	77.5
Aug.	1,291,797	731,435	560,362	2,438,118	53.0	76.8
Sept.	1,280,183	731,042	549,141	2,436,806	52.5	78.3

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

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

³ 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 and deposits with Central Bank of Malta ¹	Treasury bills	Interbank deposits	Marketable debt securities ²	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
2005					
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
2006					
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
Apr.	88,301	111,184	206,556	758,921	1,164,962
May	110,467	96,578	241,790	765,197	1,214,032
June	169,450	61,992	253,990	759,661	1,245,093
July	157,539	77,051	243,494	748,183	1,226,267
Aug.	182,598	81,015	281,948	746,236	1,291,797
Sept.	213,032	92,547	235,120	739,484	1,280,183

¹ Excludes balances held as reserve deposits.

² 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 RATES¹**

Lm thousands

End of period		Size of loans ²				
		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
2005						
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
2006						
Mar.	Amount	276,077	843,885	436,440	1,261,621	2,818,023
June	Amount	281,131	853,541	425,295	1,312,164	2,872,131
Sept.	Amount	255,195	911,125	457,298	1,309,924	2,933,542

¹ 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.

² 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 ACTIVITY¹**

Lm thousands

End of Period	Energy & water	Transport, storage & communication	All banking institutions ²	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 ³	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
2005								
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
2006								
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
Apr.	75,008	128,818	25,256	8,869	111,668	232,396	207,849	298,281
May	74,075	128,376	22,329	9,017	111,868	240,036	208,067	297,253
June	75,976	128,758	23,674	9,375	112,960	243,928	205,776	299,489
July	75,824	130,140	16,492	9,314	112,698	245,618	206,438	292,816
Aug.	76,304	130,564	15,530	9,603	112,564	245,714	203,225	288,634
Sept.	76,917	133,545	15,965	9,697	112,393	248,359	204,222	304,437

¹ As from October 2003 includes bills discounted.

² As from January 1995 includes deposit money banks and international banking institutions.

³ Excluding related construction activities.

**TABLE 1.14 DEPOSIT MONEY BANK LOANS
OUTSTANDING BY ECONOMIC ACTIVITY¹ (continued)**

Lm thousands

End of period	Personal				Other services ³	All other	Total local lending	Foreign lending	Total
	House purchases ²	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) ³	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
2005									
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
2006									
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
Apr.	213,887	685,722	93,728	91,626	871,076	105,600	2,278,710	561,247	2,839,956
May	215,975	692,390	96,009	91,976	880,375	106,643	2,294,013	553,162	2,847,176
June	217,726	700,430	97,029	95,636	893,095	106,236	2,316,994	555,137	2,872,131
July	226,744	709,358	97,750	96,873	903,981	108,343	2,328,409	551,383	2,879,792
Aug.	229,498	718,319	99,233	97,894	915,446	108,801	2,335,882	552,400	2,888,282
Sept.	235,558	729,244	103,365	95,478	928,087	110,255	2,379,433	554,109	2,933,542

¹ As from October 2003 includes bills discounted.

² Includes lending for the construction, modernisation or extension of dwellings.

³ Includes mining & quarrying, public administration, education, health & social work, community & recreational and personal service activities, extraterritorial organisations and bodies.

**TABLE 1.15a LOANS OUTSTANDING
TO THE PRIVATE AND PUBLIC SECTORS BY CATEGORY¹**

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
2003								
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
2003							
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
2003								
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

¹ 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
2005										
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
2006										
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
Apr.	72,824	2,185	56,835	71,983	8,869	25,256	1,855	109,812	79	232,317
May	71,925	2,150	55,476	72,900	9,017	22,329	1,864	110,004	78	239,957
June	73,494	2,482	49,857	78,901	9,375	23,674	1,764	111,197	78	243,851
July	73,164	2,660	48,098	82,042	9,314	16,492	1,764	110,935	77	245,541
Aug.	72,971	3,332	45,584	84,980	9,603	15,530	1,764	110,799	76	245,638
Sept.	73,535	3,382	46,551	86,994	9,697	15,965	1,797	110,596	76	248,283

End of period	Hotels & restaurants		Wholesale & retail trade; repairs	Households & individuals	Real estate, renting & business activities		Other ¹		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
2005										
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
2006										
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
Apr.	2,034	205,815	298,281	871,076	1,021	212,866	50,390	55,211	185,047	2,093,662
May	2,056	206,011	297,253	880,375	1,021	214,954	50,495	56,147	182,916	2,111,097
June	2,041	203,735	299,489	893,095	1,021	216,704	50,962	55,274	179,227	2,137,767
July	2,088	204,350	292,816	903,981	1,021	225,722	51,288	57,056	177,500	2,150,909
Aug.	2,088	201,138	288,634	915,446	1,020	228,479	51,564	57,237	175,067	2,160,815
Sept.	2,142	202,080	304,437	928,087	1,025	234,532	52,353	57,902	177,479	2,201,954

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

**TABLE 1.16 NET FOREIGN ASSETS OF
THE MONETARY FINANCIAL INSTITUTIONS¹**

Lm thousands

End of period	Central Bank of Malta							Total (A)
	Foreign assets				Foreign liabilities	Net	Government & parastatal companies ⁴	
	Gold ²	Convertible currencies	IMF-related assets ³	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
2005						
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
2006						
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
Apr.	1,641	68,605	831,582	901,828	47,247	854,581
May	982	67,550	904,578	973,111	41,938	931,172
June	911	67,536	907,689	976,137	39,858	936,279
July	1,809	67,547	910,224	979,580	35,228	944,352
Aug.	1,764	67,698	931,567	1,001,029	39,440	961,589
Sept.	1,317	67,990	949,051	1,018,358	36,523	981,835

¹ On accrual basis.

² Includes small amounts of other precious metals.

³ Includes IMF reserve position and holdings of SDRs.

⁴ 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 INSTITUTIONS¹**
(continued)

Lm thousands

End of period	Deposit money banks ²			Total (A+B)	International banking institutions ²			Grand total (A+B+C)
	Assets ³	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
2005								
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
2006								
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
Apr.	2,065,913	1,552,858	513,055	1,367,636	7,365,572	6,753,515	612,057	1,979,693
May	2,078,643	1,552,899	525,744	1,456,916	7,157,647	6,592,743	564,904	2,021,820
June	2,112,814	1,602,249	510,565	1,446,844	7,650,296	7,108,450	541,845	1,988,689
July	2,089,379	1,564,832	524,547	1,468,899	7,345,034	6,773,798	571,236	2,040,135
Aug.	2,223,530	1,715,048	508,482	1,470,071	7,680,917	7,101,131	579,787	2,049,858
Sept.	2,249,459	1,735,640	513,819	1,495,654	7,500,164	6,925,302	574,862	2,070,516

¹ On accrual basis.

² 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.

³ 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.	June	Sept.
INTEREST RATES (%)											
Central Bank of Malta											
Central intervention rate	4.25	3.75	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.50	3.50
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	3.45	3.45
Reverse repo rate	4.29	3.80#	3.05#	3.05#	3.00	3.27	3.30#	3.30#	3.30#	3.55#	3.55#
Rate on standby (collateralised) loans	4.80	4.30	3.55	4.50	4.50	4.75	4.25	4.25	4.25	4.50	4.50
Rate on overnight deposits	1.30	0.80	0.30	1.50	1.50	1.75	2.25	2.25	2.25	2.50	2.50
Remuneration on required reserves	2.70	2.70	2.70	2.75	2.75	3.00	3.00	3.00	3.00	3.25	3.25
Interbank market offered rates											
Overnight	3.65	3.73*	2.95	2.95	2.95	3.21	3.24	3.18	3.15	3.38	3.35
1 week	4.25	3.76*	2.96	2.95	2.95	3.24	3.26	3.27*	3.25	3.41	3.38
1 month	4.58*	3.80*	2.98*	2.98	2.98	3.25	3.26	3.29*	3.32*	3.59*	3.59*
3 month	4.82*	3.90*	3.00*	3.01*	3.01*	3.29*	3.30*	3.32*	3.34	3.69*	3.73*
Deposit money banks											
Weighted average deposit rate	3.96	3.49	2.46	2.04	2.01	2.08	2.11	2.13	2.17	2.20	2.29
Current deposits	1.48	1.12	0.44	0.47	0.46	0.42	0.45	0.45	0.50	0.59	0.56
Savings deposits	2.22	1.80	1.01	0.95	0.95	1.17	1.17	1.17	1.17	1.17	1.18
Time deposits	4.98	4.39	3.45	2.87	2.84	2.90	2.94	2.97	3.00	3.03	3.14
Weighted average lending rate	6.50	6.07	5.29	5.33	5.39	5.59	5.55	5.48	5.47	5.71	5.71
Government securities											
Treasury bills (primary market)											
1 month	4.80	-	-	2.96	-	3.26	3.26	-	-	-	3.55
3 month	4.53	3.67	2.94	2.96	2.98	3.27	3.26	3.22	3.20	3.45	3.65
6 month	5.04	3.80	2.93	2.97	2.98	3.28	3.26	3.23	3.23	3.27	3.75
1 year	-	-	-	2.97	-	3.50	3.40	3.22	3.46	3.70	3.87
Treasury bills (secondary market)											
1 month	4.43	3.70	2.95	2.95	2.96	3.26	3.26	3.20	3.20	3.46	3.55
3 month	4.53	3.70	2.94	2.96	2.98	3.27	3.26	3.22	3.20	3.46	3.65
6 month	4.66	3.74	2.93	2.97	2.98	3.28	3.26	3.27	3.23	3.52	3.75
1 year	4.73	4.04	2.98	2.97	3.29	3.51	3.40	3.32	3.46	3.70	3.86
Malta Government stocks											
2 year	-	-	3.39	3.21	3.30	3.55	3.53	3.30	3.39	3.69	3.89
5 year	5.40	5.15	4.37	4.26	4.21	3.88	3.74	3.65	3.63	3.99	4.07
10 year	6.15	5.43	4.71	4.70	4.72	4.56	4.41	4.38	4.35	4.27	4.34
15 year	6.44	5.86	4.96	4.97	4.96	4.96	4.96	4.96	4.38	4.47	4.48
MSE SHARE INDEX	2,200	1,871	2,126	3,069	3,442	3,431	3,938	4,981	6,509	5,428	5,141

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 EXPENDITURE¹

Lm millions

Period	Revenue			Expenditure			Deficit(-)/ Surplus(+)	Financing			Residual
	Ordinary ^{2,3}	Foreign grants	Total	Recurrent ^{2,4}	Capital	Total		Local ⁵	Foreign ⁶	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
2005											
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
2006											
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
Apr.	65.8	5.0	70.8	63.3	3.6	66.6	4.2	-	-	-	4.2
May	65.3	4.0	69.3	70.2	6.2	76.4	-7.1	71.9	-4.2	67.7	60.6
June.	57.7	3.8	61.4	57.5	14.6	72.1	-10.6	-	-	-	-10.6
July	62.2	3.7	66.0	67.0	10.3	77.3	-11.3	-0.2	-	-0.2	-11.5
Aug.	79.1	6.3	85.4	62.1	7.1	69.2	16.2	-9.7	-	-9.7	6.5
Sept.	68.7	3.8	72.5	65.9	10.3	76.1	-3.7	-	-	-	-3.7

¹ Comprise government budgetary operations through the Consolidated Fund only.

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

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

⁴ Excludes loan capital repayments and contributions to sinking funds.

⁵ 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.

⁶ 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 SOURCES¹
Lm millions

Period	Tax revenue						Non-tax revenue ⁴	Ordinary revenue	Foreign grants	Total revenue
	Income tax	Social security contributions ²	VAT & CET ³	Licences, taxes & fines	Customs & excise duties	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
2005										
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
2006										
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
Apr.	22.9	10.9	14.0	7.9	5.4	61.0	4.8	65.8	5.0	70.8
May	19.0	11.5	11.8	8.2	6.0	56.6	8.7	65.3	4.0	69.3
June	14.1	10.1	14.6	8.4	6.5	53.7	3.9	57.7	3.8	61.4
July	17.6	9.8	15.3	8.4	7.0	58.0	4.2	62.2	3.7	65.9
Aug.	34.3	13.6	11.8	7.4	6.8	73.9	5.2	79.1	6.3	85.4
Sept.	21.9	10.8	17.3	7.6	7.2	64.8	3.8	68.7	3.8	72.5

¹ Excluding extra budgetary units.

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

³ Value added tax and, prior to 2000, includes customs and excise tax.

⁴ 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 GOVERNMENT¹ DEBT AND
GOVERNMENT GUARANTEED DEBT OUTSTANDING**

Lm millions

End of period	Domestic securities ¹			Loans ³	Total government debt	Government guaranteed debt ⁴
	Treasury bills	Malta Government stocks ²	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
2005						
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
2006						
Mar.	179.0	1,150.3	1,329.3	89.8	1,419.2	303.0
June	121.3	1,150.3	1,271.6	88.6	1,360.2	272.2
Sept.	153.6	1,136.6	1,290.2	88.5	1,378.7	282.5

¹ Not consolidated with holdings of debt instruments by the Malta Government Sinking Fund and extra budgetary units.

² Including local development registered stocks.

³ Includes domestic and foreign loans. Domestic loans consist of debt assumed by the Government following the restructuring of the Malta Drydocks and Malta Shipbuilding in 2003.

⁴ Represents outstanding balances on central government guaranteed debt. Excludes guarantees on the MIGA and IBRD positions. Also excludes foreign loans taken by the Central Bank of Malta on behalf of the Government since they already feature in the calculation of Government foreign debt. Includes guarantees on loans to the extra budgetary units and guarantees granted by the extra budgetary units.

Sources: MSE; Ministry of Finance; The Treasury.

TABLE 3.1b GENERAL GOVERNMENT CONSOLIDATED GROSS DEBT ¹*Lm millions*

End of period	General government						
	Central government					Local councils	Total general government debt ¹
	Treasury bills	Malta Government stocks	Loans ²	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	50.6	1,304.1	0.7	1,304.8
2004 ³	245.4	1,011.1	95.3	42.3	1,393.9	0.7	1,394.6
2005 ³	190.2	1,122.2	90.1	36.9	1,439.4	0.7	1,440.1

¹ 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.

² Includes domestic and foreign loans.

³ Half finalised.

Source: Eurostat.

TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING¹*Lm thousands*

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding ³ and held by		
		OMFIs	Others ²	Total	MFIs ²	Others ²	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
2005							
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
2006							
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
Apr	27,649	15,000	15,501	30,501	111,905	69,932	181,837
May	35,437	6,500	14,116	20,616	101,674	65,342	167,016
June	61,680	7,000	8,968	15,968	64,452	56,852	121,304
July	30,501	30,089	13,499	43,588	80,882	53,509	134,391
Aug.	28,539	22,000	9,653	31,653	87,837	49,668	137,505
Sept.	18,191	19,100	15,185	34,285	94,305	59,294	153,599

¹ Amounts are at nominal prices.² Includes the Malta Government Sinking Fund.³ 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 OUTSTANDING¹
as at end-September 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	2,108	7,892	10,000
7.35	2007	1997	100	18/04	-	18/10	14,395	10,355	24,750
5.90	2007 (II)	1999	100	23/04	-	23/10	9,025	975	10,000
5.60	2007 (III)	2000	100	10/06	-	10/12	23,204	12,046	35,250
7.20	2008	1998	100	10/06	-	10/12	9,334	666	10,000
7.20	2008 (II)	1998	100	28/02	-	28/08	21,143	8,857	30,000
7.00	2009	1999	100	30/06	-	30/12	-	65	65
5.90	2009 (II)	1999	100	01/03	-	01/09	14,382	10,618	25,000
5.90	2009 (III)	2000/2005	100/107.8	30/03	-	30/09	56,131	8,169	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	16,556	1,944	18,500
7.00	2010 (III) ²	2000	100	30/06	-	30/12	-	545	545
5.40	2010 (IV)	2003/2004	100/104.5	21/02	-	21/08	10,282	37,718	48,000
7.50	2011	1996	100	28/03	-	28/09	7,569	7,431	15,000
6.25	2011 (II)	2001	100	01/02	-	01/08	20,794	19,206	40,000
7.00	2011 (III) ²	2002	100	30/06	-	30/12	-	125	125
7.80	2012	1997	100	24/05	-	24/11	10,694	23,806	34,500
7.00	2012 (II) ²	2002	100	30/06	-	30/12	-	176	176
5.70	2012 (III) FI ³	2005	100/108/108.5/109.7	30/03	-	30/09	58,581	57,419	116,000
7.80	2013	1997	100	18/04	-	18/10	10,549	23,701	34,250
6.35	2013 (II)	2001	100	19/05	-	19/11	811	25,189	26,000
7.00	2013 (III)	2003	100	30/06	-	30/12	-	67	67
6.60	2014	2000	100	30/03	-	30/09	784	9,716	10,500
6.45	2014 (II)	2001	100	24/05	-	24/11	7,695	22,305	30,000
5.10	2014 (III)	2003/2004	100/103.25	06/01	-	06/07	10,295	36,705	47,000
7.00	2014 (IV) ²	2004	100	30/06	-	30/12	-	1,719	1,719
5.10	2014 (III) FI	2006	105.5	06/01	-	06/07	13	19,237	19,250
6.10	2015	2000	100	10/06	-	10/12	9,411	20,589	30,000
5.90	2015 (II) FI ³	2002/2003	100/102	09/04	-	09/10	657	39,543	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	2,797	27,203	30,000
4.80	2016 (II) FI ³	03/04/2006	100/101/104	26/05	-	26/11	14,988	65,012	80,000
7.00	2016 (III)	2006	100	30/06	-	30/12	-	1,456	1,456
7.80	2018	1998	100	15/01	-	15/07	16,195	53,805	70,000
6.60	2019	1999	100	01/03	-	01/09	11,812	32,188	44,000
5.00	2021 FI(I)FI ³	2004/2005	100	08/02	-	08/08	6,728	103,272	110,000
5.10	2022	2004	100	16/02	-	16/08	824	29,676	30,500
5.50	2023	2003	100	06/01	-	06/07	89	33,744	33,833
Total							381,508	755,114	1,136,622

¹ Amounts are at nominal prices.

² 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.

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

Source: MSE.

**TABLE 3.4 MALTA GOVERNMENT STOCKS OUTSTANDING
BY REMAINING TERM TO MATURITY¹**

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
2005						
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
2006						
Mar.	44,417	281,409	426,174	224,000	174,333	1,150,333
June	89,667	276,159	416,174	194,000	174,333	1,150,333
Sept.	55,250	291,159	420,424	305,456	64,333	1,136,622

¹ Calculations are based on the maximum redemption period of each stock. With respect to the quarterly statistics in this table, the remaining term to maturity classification is applicable as from the 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 ¹	Official multilateral organisations ²	Private commercial banks ³	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
2006⁴				
Mar.	9,308	55,653	-	64,961
June	8,393	55,395	-	63,788
Sept.	8,270	55,375	-	63,645

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

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

³ Commercial bank loans from private banks or financial institutions.

⁴ 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
2006 ¹	-	-	-	-	-	-	-	-	-
Mar.	-	123	-	415	59,887	4,399	-	137	64,961
June	-	116	-	368	59,360	3,807	-	137	63,788
Sept.	-	119	-	359	59,284	3,750	-	133	63,645

¹ 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 MATURITY¹

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
2006 ²	-	-	-	-	-	-	-
Mar.	8,208	3,068	8,218	44,369	137	961	64,961
June	8,160	2,526	7,671	44,333	137	961	63,788
Sept.	8,167	2,456	7,615	44,333	133	941	63,645

¹ With respect to the quarterly statistics in this table, the remaining term to maturity classification is applicable as from the current end-year.

² 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 CURRENCIES¹**
end of period closing middle rates

Period	EUR	USD	GBP	JPY	CHF	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
2006							
Apr. 7	0.4293	2.8416	1.6229	334.71	3.6703	3.8779	3.2580
13	0.4293	2.8161	1.6084	334.27	3.6598	3.8776	3.2409
21	0.4293	2.8717	1.6129	335.64	3.6707	3.8649	3.2637
28	0.4293	2.9256	1.6180	334.35	3.6585	3.8705	3.2846
May. 5	0.4293	2.9681	1.5980	336.55	3.6358	3.8501	3.2897
12	0.4293	3.0082	1.5858	329.87	3.6106	3.8661	3.3149
19	0.4293	2.9653	1.5836	331.33	3.6249	3.9320	3.3372
26	0.4293	2.9852	1.5973	334.11	3.6323	3.9309	3.3062
June 2	0.4293	3.0099	1.5997	336.83	3.6405	4.0085	3.3117
9	0.4293	2.9373	1.5982	335.37	3.6280	3.9258	3.2570
16	0.4293	2.9467	1.5900	338.50	3.6249	3.9792	3.2911
23	0.4293	2.9104	1.6033	338.55	3.6417	3.9796	3.2756
30	0.4293	2.9691	1.6108	339.59	3.6485	3.9923	3.2925
July 7	0.4293	2.9863	1.6146	340.89	3.6507	3.9760	3.3203
14	0.4293	2.9483	1.6021	342.07	3.6374	3.9128	3.3277
21	0.4293	2.9542	1.5900	342.31	3.6572	3.9187	3.3517
28	0.4293	2.9645	1.5900	340.89	3.6622	3.8813	3.3565
Aug. 4	0.4293	2.9787	1.5756	343.93	3.6753	3.9200	3.3689
11	0.4293	2.9754	1.5701	345.29	3.6788	3.8811	3.3545
18	0.4293	2.9868	1.5854	345.74	3.6844	3.9274	3.3478
25	0.4293	2.9743	1.5744	348.65	3.6830	3.9143	3.2892
Sept. 1	0.4293	2.9852	1.5683	350.27	3.6770	3.9061	3.3026
7	0.4293	2.9736	1.5814	344.97	3.6834	3.8993	3.2859
15	0.4293	2.9525	1.5681	347.02	3.7131	3.9223	3.3046
22	0.4293	2.9863	1.5695	346.87	3.6840	3.9632	3.3246
29	0.4293	2.9471	1.5805	347.97	3.6995	3.9596	3.2966

¹ 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 period¹

Period	EUR	USD	GBP	JPY	CHF	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
2005							
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
2006							
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
Apr.	0.4293	2.8576	1.6178	334.50	3.6687	3.8832	3.2739
May	0.4293	2.9753	1.5916	332.33	3.6253	3.8957	3.3029
June	0.4293	2.9488	1.5987	337.85	3.6330	3.9820	3.2821
July	0.4293	2.9561	1.6026	341.74	3.6538	3.9319	3.3340
Aug.	0.4293	2.9850	1.5774	345.80	3.6744	3.9108	3.3399
Sept.	0.4293	2.9677	1.5726	347.45	3.6891	3.9243	3.3100

¹ Calculated on 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 ¹	905,401	1,315,356	-409,955
2005 ¹	822,902	1,316,825	-493,923
2005¹			
Jan.	59,556	101,573	-42,017
Feb.	61,534	88,914	-27,380
Mar.	67,277	101,586	-34,309
Apr.	67,148	106,110	-38,962
May	71,916	120,744	-48,828
June	70,377	104,934	-34,557
July	64,933	111,053	-46,120
Aug.	65,168	99,090	-33,922
Sept.	74,221	106,731	-32,510
Oct.	71,969	129,232	-57,263
Nov.	84,532	138,352	-53,280
Dec.	64,271	108,506	-44,235
2006¹			
Jan.	72,816	95,354	-22,538
Feb.	61,464	123,075	-61,611
Mar.	83,889	129,178	-45,289
Apr.	75,741	119,605	-43,864
May	82,912	121,199	-38,297
June	77,751	132,397	-54,646
July	72,779	121,010	-48,231
Aug.	71,025	124,419	-53,394
Sept.	82,597	111,350	-28,753

¹ 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 ¹	102,872	27,012	97,469	140,605	65,820	31,893	141,847	297,883	905,401
2005 ¹	92,922	43,029	101,090	121,822	71,383	35,940	113,241	244,277	822,902
2005¹									
Jan.	6,616	2,154	6,743	10,983	5,335	1,530	8,182	18,013	59,556
Feb.	7,579	1,704	7,335	8,876	4,963	3,708	10,447	16,923	61,534
Mar.	9,457	2,048	7,696	9,554	6,216	3,291	10,427	18,587	67,277
Apr.	7,628	2,940	9,269	9,930	6,120	3,904	10,618	16,740	67,148
May	9,746	3,054	8,795	10,652	6,598	4,509	10,962	17,599	71,916
June	9,998	3,327	7,347	10,820	5,032	1,660	9,721	22,472	70,377
July	6,764	3,435	9,691	8,632	6,011	2,899	7,600	19,902	64,933
Aug.	7,097	2,269	8,971	8,871	5,097	3,344	7,497	22,021	65,168
Sept.	6,519	4,595	9,313	11,154	6,663	3,105	9,597	23,274	74,221
Oct.	7,160	4,452	9,206	10,784	6,592	2,772	9,047	21,957	71,969
Nov.	7,622	10,011	9,909	10,943	6,083	4,067	11,316	24,583	84,532
Dec.	5,936	3,040	6,815	10,623	6,673	1,151	7,827	22,206	64,271
2006¹									
Jan.	7,261	2,188	8,551	10,067	4,950	2,499	12,735	24,566	72,816
Feb.	7,628	2,386	8,650	10,156	5,581	633	8,768	17,662	61,464
Mar.	6,732	3,565	11,400	11,550	7,078	2,652	9,915	30,996	83,889
Apr.	7,134	2,885	9,312	12,016	7,616	3,330	10,199	23,248	75,741
May	9,427	3,607	10,620	12,178	9,185	3,098	9,969	24,828	82,912
June	8,409	2,905	8,461	11,559	10,857	2,337	8,469	24,754	77,751
July	7,746	2,850	9,741	11,482	8,462	1,883	7,684	22,930	72,779
Aug.	6,391	2,319	9,687	12,096	6,669	1,868	8,146	23,850	71,025
Sept.	6,636	2,933	11,615	12,766	7,454	2,317	10,431	28,444	82,597

¹ 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 ¹	157,409	335,878	45,909	171,350	116,387	124,779	69,855	293,789	1,315,356
2005 ¹	143,730	408,176	43,945	121,204	106,576	127,785	69,666	295,747	1,316,825
2005¹									
Jan.	12,486	29,891	3,432	10,385	8,645	9,457	4,201	23,101	101,573
Feb.	10,601	27,160	2,933	7,570	8,402	7,348	4,668	20,233	88,914
Mar.	10,536	30,982	3,214	10,502	9,905	8,790	4,066	23,596	101,586
Apr.	10,242	29,703	5,596	9,308	8,735	10,993	4,445	27,089	106,110
May	13,283	37,963	3,677	11,993	10,217	13,783	5,095	24,734	120,744
June	9,590	24,222	3,151	7,842	9,210	11,439	7,422	32,059	104,934
July	14,651	32,301	3,524	11,473	9,168	12,552	3,031	24,354	111,053
Aug.	11,760	29,412	3,710	11,149	6,946	9,490	4,666	21,958	99,090
Sept.	11,748	29,874	3,300	11,001	8,894	9,781	4,501	27,632	106,731
Oct.	14,331	51,532	4,181	11,963	8,577	12,664	4,956	21,028	129,232
Nov.	13,739	46,748	4,077	11,050	11,114	11,463	17,841	22,320	138,352
Dec.	10,763	38,388	3,150	6,968	6,763	10,025	4,774	27,675	108,506
2006¹									
Jan.	9,862	24,584	3,044	4,711	8,239	8,981	5,361	30,573	95,354
Feb.	9,582	35,486	2,949	11,691	11,640	11,918	13,204	26,604	123,075
Mar.	13,078	29,240	5,907	10,678	9,868	10,291	7,482	42,634	129,178
Apr.	11,502	41,354	3,425	11,862	8,116	13,565	5,925	23,856	119,605
May	12,156	34,029	5,096	10,152	10,974	12,295	7,346	29,152	121,199
June	9,881	47,451	6,603	11,176	8,070	12,386	6,311	30,519	132,397
July	14,533	36,705	3,777	13,269	8,820	12,325	4,933	26,649	121,010
Aug.	13,510	31,928	4,072	9,876	7,369	9,332	5,746	42,580	124,414
Sept.	10,711	32,297	4,196	12,458	8,059	8,694	5,845	29,090	111,350

¹ Provisional.

Source: NSO.

TABLE 4.6a DOMESTIC EXPORTS BY COMMODITY SECTIONS¹*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

¹ This table was discontinued as from January 2004.**TABLE 4.6b TOTAL EXPORTS BY COMMODITY SECTIONS²***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 ¹	30,914	14,169	3,235	39,243	12	23,886	50,589	575,191	167,769	391	905,399
2005 ¹	30,489	8,996	2,622	9,203	10	40,871	54,060	512,954	163,433	171	822,902
2005¹											
Jan.	1,406	579	204	330	-	1,508	4,706	37,969	12,854	-	59,556
Feb.	2,816	887	76	317	-	1,898	4,038	38,591	12,812	-	61,534
Mar.	1,680	418	556	418	-	3,267	4,697	40,496	15,730	16	67,277
Apr.	1,541	508	160	559	-	3,580	5,359	41,669	13,765	8	67,148
May	3,061	556	258	821	1	1,615	4,820	46,670	14,116	-	71,916
June	3,723	716	176	770	3	4,075	4,236	44,455	12,218	5	70,377
July	3,749	843	160	1,046	2	3,461	5,051	36,607	13,970	45	64,933
Aug.	2,486	1,091	127	1,082	-	5,188	3,942	39,269	11,976	8	65,168
Sept.	2,162	1,112	239	1,271	-	4,613	5,309	46,771	12,711	34	74,221
Oct.	2,234	1,255	216	1,006	-	4,306	4,736	42,860	15,332	25	71,969
Nov.	3,396	635	277	1,036	4	4,361	4,194	54,339	16,288	-	84,532
Dec.	2,235	396	173	547	-	2,999	2,972	43,258	11,661	29	64,271
2006¹											
Jan.	2,084	444	277	470	-	3,819	5,001	48,861	11,731	131	72,816
Feb.	685	515	266	508	-	2,728	3,211	43,601	9,936	13	61,464
Mar.	9,092	573	280	573	-	4,692	4,179	52,129	12,371	-	83,889
Apr.	2,681	474	271	830	-	5,147	3,691	52,381	10,215	52	75,741
May	4,016	1,337	613	889	-	5,838	4,479	51,455	14,247	38	82,912
June	4,090	532	183	1,017	-	3,395	4,537	50,824	13,136	38	77,751
July	1,950	390	469	1,442	-	5,557	3,752	46,067	13,051	102	72,779
Aug.	2,286	634	81	1,116	-	4,101	2,843	47,339	12,575	50	71,025
Sept.	2,561	1,040	297	1,151	-	5,905	5,134	52,384	14,094	30	82,597

¹ Provisional.² 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 ¹	122,987	22,585	11,706	107,520	3,009	111,297	147,342	626,073	155,730	7,099	1,315,356
2005 ¹	129,190	17,396	13,997	143,803	2,815	114,673	145,563	578,595	166,060	7,733	1,316,825
2005¹											
Jan.	8,733	1,001	745	11,163	223	8,874	8,854	51,187	9,528	1,265	101,573
Feb.	8,484	982	1,312	8,904	142	8,894	11,086	38,367	10,261	482	88,914
Mar.	9,436	1,038	891	5,663	198	9,539	12,619	47,401	14,258	542	101,586
Apr.	9,341	1,236	1,062	12,395	157	9,205	12,186	45,856	14,261	411	106,110
May	11,884	2,329	1,143	10,661	406	10,482	15,028	52,718	15,519	572	120,744
June	11,775	1,206	828	9,007	272	9,722	11,467	46,525	13,606	526	104,934
July	11,335	2,172	1,141	13,086	189	10,875	13,192	45,228	13,094	742	111,053
Aug.	11,353	1,755	1,843	5,366	226	9,806	10,990	45,001	12,237	513	99,090
Sept.	10,152	1,483	1,079	11,554	143	9,398	11,853	44,891	15,369	810	106,731
Oct.	12,749	1,488	1,282	16,458	226	9,424	13,383	55,588	18,098	537	129,232
Nov.	13,322	1,322	1,351	16,147	378	10,243	13,073	63,886	17,881	749	138,352
Dec.	10,626	1,384	1,320	20,399	255	8,211	11,832	41,947	11,948	584	108,506
2006¹											
Jan.	8,467	962	764	7,491	140	10,476	10,233	43,701	12,061	1,059	95,354
Feb.	8,753	781	1,371	16,580	248	9,181	10,710	60,632	13,959	860	123,075
Mar.	10,476	1,227	959	4,827	259	10,129	13,994	67,903	18,677	728	129,178
Apr.	9,345	1,092	1,111	16,173	195	10,586	11,028	53,744	15,424	906	119,605
May	11,355	1,804	1,226	3,234	388	11,467	14,444	55,062	21,241	979	121,199
June	12,862	2,054	853	22,006	402	10,252	13,854	54,723	14,716	675	132,397
July	10,980	1,843	1,311	12,242	199	10,684	11,543	56,097	14,692	1,419	121,010
Aug.	9,592	1,372	2,073	9,613	285	10,218	9,731	67,730	13,138	662	124,414
Sept.	11,017	1,357	1,107	9,889	177	10,039	10,200	53,042	13,330	1,193	111,350

¹ Provisional.

Source: NSO.

TABLE 5.1a GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS
IN LINE WITH ESA 95¹
at current market prices

Lm thousands

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption ²	General government consumption	Gross fixed capital formation	Changes in inventories ³	Total	Exports of goods and services	Imports of goods and services	Net balance		
2000	1,108,224	324,747	375,697	76,998	1,885,666	1,568,745	1,750,596	-181,851	1,703,815	1,653,463
2001	1,140,347	357,234	334,415	-9,946	1,822,050	1,402,012	1,490,839	-88,827	1,733,223	1,749,732
2002	1,138,623	376,602	282,515	-23,692	1,774,048	1,529,653	1,489,255	40,398	1,814,446	1,825,141
2003	1,184,758	396,466	358,958	-33,814	1,906,368	1,486,009	1,538,840	-52,831	1,853,537	1,848,607
2004	1,238,175	413,720	357,379	-13,720	1,995,554	1,482,273	1,608,840	-126,567	1,868,987	1,836,986
2005	1,297,627	418,826	394,058	31,937	2,142,448	1,491,291	1,675,914	-184,623	1,957,825	1,889,385
2005										
Mar.	298,352	99,712	84,148	11,755	493,967	321,278	370,606	-49,328	444,639	428,755
June	319,580	107,981	107,119	12,341	547,021	367,031	421,009	-53,978	493,043	475,894
Sept.	328,599	104,429	93,848	1,415	528,291	408,416	415,680	-7,264	521,027	506,198
Dec.	351,096	106,704	108,943	6,425	573,168	394,566	468,619	-74,053	499,115	478,537
2006										
Mar.	311,704	106,104	96,723	19,064	533,595	366,872	424,156	-57,284	476,311	464,508
June	334,777	110,430	98,766	22,174	566,147	435,747	480,113	-44,366	521,781	518,783
Sept.	351,379	109,508	93,309	2,898	557,094	453,249	459,410	-6,161	550,933	539,699

¹ Provisional.

² Consumption by households and NPISH.

³ Including acquisitions less disposals of valuables.

Source: NSO.

**TABLE 5.1b GROSS DOMESTIC PRODUCT AND EXPENDITURE COMPONENTS
IN LINE WITH ESA 95¹
at constant 2000 prices**

Lm thousands

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption ²	General government consumption	Gross fixed capital formation	Changes in inventories ³	Total	Exports of goods and services	Imports of goods and services	Net balance	
2000	1,108,224	324,747	375,698	76,998	1,885,667	1,568,745	1,750,596	-181,851	1,703,816
2001	1,113,336	326,793	322,771	-9,232	1,753,668	1,524,346	1,593,428	-69,082	1,684,586
2002	1,089,115	339,144	262,344	-22,443	1,668,160	1,616,835	1,567,858	48,977	1,717,137
2003	1,126,694	349,036	331,516	-31,321	1,775,925	1,579,017	1,677,390	-98,373	1,677,552
2004	1,148,529	353,402	326,996	-12,429	1,816,498	1,637,332	1,762,655	-125,323	1,691,175
2005	1,173,319	351,772	355,066	29,200	1,909,357	1,581,698	1,763,451	-181,753	1,727,605
2005									
Mar.	273,494	85,252	75,839	10,747	445,332	349,780	397,132	-47,352	397,980
June	288,094	90,313	96,548	11,283	486,238	398,423	454,145	-55,722	430,516
Sept.	299,967	87,317	84,519	1,293	473,096	418,983	436,130	-17,147	455,951
Dec.	311,764	88,889	98,160	5,875	504,688	414,513	476,044	-61,531	443,157
2006									
Mar.	280,106	88,011	84,650	16,914	469,681	378,653	438,736	-60,083	409,600
June.	293,434	90,747	85,636	19,502	489,319	450,907	497,481	-46,574	442,745
Sept.	303,717	90,067	80,261	2,527	476,572	444,125	452,552	-8,427	468,147

¹ Provisional.

² Consumption by households and NPISH.

³ Including acquisitions less disposals of valuables.

Source: NSO.

TABLE 5.2 TOURIST DEPARTURES BY NATIONALITY¹

Period	United Kingdom	Italy	France	Germany	Scandinavian countries ²	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	451,998	80,992	86,059	134,760	61,977	17,003	294,619	1,127,409
2005 ³	481,967	78,391	81,779	138,127	64,254	16,819	289,434	1,150,771
2005³								
Jan.	22,215	5,407	1,710	6,481	1,820	1,051	13,586	52,270
Feb.	21,935	3,089	2,842	5,476	1,722	451	8,794	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
2006³								
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
Apr.	36,262	11,731	8,480	12,824	5,351	1,318	21,158	97,124
May	38,632	6,005	10,733	10,142	6,250	1,607	28,571	101,940
June	43,682	7,000	7,628	14,033	6,538	1,596	26,571	107,048
July	41,462	12,798	9,316	10,212	11,047	2,591	42,179	129,605
Aug.	56,168	22,188	11,988	11,337	7,235	1,178	44,475	154,569
Sept.	45,054	8,753	5,277	14,410	8,011	1,607	36,523	119,635

¹ Based on the NSO's inbound tourism survey.

² Comprising Denmark, Norway and Sweden.

³ Provisional.

Source: NSO.

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

Period ¹	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% ²	Number	% ³	Number	% ⁴
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	103,086	42,671	145,757	97,239	41,072	138,311	5,847	5.7	1,599	3.7	7,446	5.1
2005												
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.	103,191	42,289	145,480	96,828	40,634	137,462	6,363	6.2	1,655	3.9	8,018	5.5
Apr.	103,105	42,214	145,319	96,968	40,635	137,603	6,137	6.0	1,579	3.7	7,716	5.3
May	103,124	42,304	145,428	97,352	40,831	138,183	5,772	5.6	1,473	3.5	7,245	5.0
June	103,185	42,561	145,746	97,681	41,135	138,816	5,504	5.3	1,426	3.4	6,930	4.8
July	103,567	43,043	146,610	98,067	41,452	139,519	5,500	5.3	1,591	3.7	7,091	4.8
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
2006												
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
Mar.	102,602	43,239	145,841	96,701	41,447	138,148	5,901	5.8	1,792	4.1	7,693	5.3
Apr.	102,683	43,179	145,862	96,872	41,453	138,325	5,811	5.7	1,726	4.0	7,537	5.2
May	102,687	43,254	145,941	97,134	41,660	138,794	5,553	5.4	1,594	3.7	7,147	4.9
June	102,985	43,513	146,498	97,473	41,964	139,437	5,512	5.4	1,549	3.6	7,061	4.8
July	103,089	43,934	147,023	97,670	42,273	139,943	5,419	5.3	1,661	3.8	7,080	4.8

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

¹ Annual figures reflect the average for the year. Data are provisional.

² As a percentage of male labour supply.

³ As a percentage of female labour supply.

⁴ As a percentage of total labour supply.

Source: ETC.

TABLE 5.4 LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY ¹

Period ²	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% ³	Number	% ⁴	Number	% ⁵
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	159,340	103,335	44,536	147,871	7,074	6.4	4,395	9.0	11,469	7.2
2005 ⁶	110,213	51,109	161,322	102,985	46,602	149,587	7,227	6.6	4,508	8.8	11,735	7.3
2006 ⁶												
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
June	111,374	53,305	164,679	104,133	47,820	151,953	7,241	6.5	5,485	10.3	12,726	7.7
Sept.	110,539	54,282	164,821	103,809	49,883	153,692	6,730	6.1	4,399	8.1	11,129	6.8

¹ 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.

² Annual figures reflect the average for the year.

³ As a percentage of male labour supply.

⁴ As a percentage of female labour supply.

⁵ As a percentage of total labour supply.

⁶ Data for quarters 2 and 3 of 2005 and all quarters of 2006 are based on a new weighting procedure and are thus not strictly comparable with other quarterly and annual data presented in the table.

Source: NSO.

TABLE 5.5 DEVELOPMENT PERMITS FOR COMMERCIAL, SOCIAL AND OTHER PURPOSES¹

Period	Commercial and Social							Total	Other permits ⁵	Total permits
	Agriculture	Manufacturing ²	Warehousing, retail & offices ³	Hotels & tourism related	Restaurants & bars	Social ⁴	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

¹ Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis. Excludes applications for dwellings and minor works on dwellings.

² Includes quarrying.

³ Including the construction of offices, shops and retail outlets, warehouses, mixed offices and retail outlets, mixed residential premises, offices and retail outlets, mixed residential premises and retail outlets.

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

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

Source: Malta Environment & Planning Authority.

TABLE 5.6 DEVELOPMENT PERMITS FOR DWELLINGS, BY TYPE¹

Period	Number of permits ²			Number of units ³				
	New dwellings ⁴	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

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

² Total for permits granted is irrespective of the number of units.

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

⁴ Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

TABLE 5.7 INFLATION RATES¹*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 ²	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

¹ The Index of Inflation (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.

² Following the revision of utility rates in November 1998, the index and the rate of inflation for the year 1997 were revised to 567.08 and 3.11% respectively. Consequently, the rate of inflation for 1998 would stand at 2.39%.

TABLE 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
2005	
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
2006	
Jan.	107.06
Feb.	107.70
Mar.	109.05
Apr.	110.32
May	110.89
June	110.52
July	109.95
Aug.	109.50
Sept.	110.19

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	94.9	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
2005														
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
2006														
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
Apr.	104.2	2.7	1.9	1.4	-0.9	10.2	2.5	4.9	4.2	3.9	1.5	2.0	1.1	2.9
May.	104.8	2.8	1.7	1.4	-0.8	10.5	2.5	4.7	4.6	2.4	1.5	2.1	1.5	3.0
June	104.6	2.9	1.5	1.3	-0.6	10.8	2.5	4.6	5.0	2.1	1.4	2.2	1.8	3.0
July	105.0	3.1	1.7	1.2	0.4	11.2	2.4	4.6	5.4	1.8	1.2	2.2	1.8	3.1
Aug.	104.7	3.1	1.9	1.1	0.8	11.5	2.3	4.6	5.7	1.5	0.9	2.3	1.6	3.0
Sept.	104.9	3.2	2.0	1.0	0.3	11.9	2.2	4.5	6.0	1.2	0.6	2.4	2.0	3.0

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, 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 returns in accordance with specific statistical requirements of the Bank.

Monetary data show 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 on 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 to 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 intermediaries and financial auxiliaries;
- (c) Insurance companies and pension funds;
- (d) General government;
- (e) Non-financial companies;
- (f) 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 intermediaries and financial auxiliaries:**

This sector 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.

(c) **Insurance companies and pension funds:**

This sector comprises of 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 groups 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.

(d) **General government:**

General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. 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.

(e) **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.

(f) **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.