

CONVERSION OF DATA IN MALTESE LIRA INTO EURO

As from 1 January 2008, when the euro becomes Malta's legal tender currency, all official statistics relating to time periods after that date will be expressed in euro. For ease of comparison with 2008 and later data, earlier economic and financial data will also have to be expressed in euro.

The Maltese lira entered the European Exchange Rate Mechanism (ERM II) in May 2005. Since then the Lm/euro exchange rate has not deviated from its central parity rate of 0.4293, which was confirmed on 10 July 2007 as the conversion rate at which Malta will adopt the euro as its legal currency. As the Lm/euro rate had already been highly stable at that level in the year prior to May 2005, all statistical series for the period between January 2004 and December 2007 will be converted from Maltese lira into euro at the conversion rate of 0.4293.

As the likeliest use of statistics is to follow their development over time, for many purposes it is appropriate to convert data referring to the period before January 2004 into euro also at 0.4293. This is because multiplying them by a fixed amount in no way changes their characteristics (except the units in which they are expressed). An analysis of their development over time, including beyond January 2008, whether individually or with other domestic series, is not affected.

Where, however, data expressed in Maltese lira referring to the period prior to the adoption of

the euro have to be used for cross-border comparisons, or in compiling international aggregates, conversion into euro will be based on market exchange rates at the time to which the data relate. This is the recommended way for linking amounts expressed in one currency to amounts expressed in another for comparison or aggregation over periods in which exchange rates have varied significantly. Consequently, exchange rates for the Maltese lira covering the period from January 1990 up to end-December 2007 will continue to be published. This will enable the conversion of past Maltese lira data to an international benchmark currency and thus facilitate cross-border comparisons of specific economic and financial data.

To summarise, all Maltese lira amounts will be converted into euro at the fixed rate of 0.4293 in official statistical publications. In addition, for the convenience of users who want to use statistics from January 1990 to December 2007 for cross-border comparison or aggregation, the NSO and the Central Bank of Malta will publish end-of-period and average monthly and annual Lm/euro market exchange rates from January 1999 (when the euro came into existence), and Lm/ECU rates as a proxy for Lm/euro rates for those periods when the euro was not yet in existence.

This note relates to economic and financial statistics published by the NSO and the Bank. It does not pre-judge the treatment of other data.