

## ERRATUM

*In the paper “House Prices in Malta – An Economic Analysis”, by Joseph Falzon, Wendy Zammit and Denis H. Camilleri, Central Bank of Malta Quarterly Review 38 2005:1, pp. 52-70, there was an inadvertent error in Table 8, p. 66 in the calculation of the gross value of the 1995 Census Housing Stock. Table 8 with the correct values is being reproduced hereunder. This correction will reappear together with an article on the results of an econometric analysis of house prices in the next issue of the Quarterly Review.*

TABLE 8: VALUE OF 1995 CENSUS HOUSING STOCK					
<i>Lm thousands</i>					
	Housing stock gross value	2nd Qtr house loans	Housing stock net value	Nominal GDP	Ratio of housing net stock value to GDP
1995	5,691,425	125,646	5,565,779	1,226,453	4.54
1996	6,014,655	141,916	5,872,739	1,286,229	4.57
1997	6,991,330	161,320	6,830,010	1,379,225	4.95
1998	7,293,571	184,442	7,109,129	1,458,488	4.87
1999	7,410,902	206,751	7,204,151	1,558,832	4.62
2000	8,016,631	240,656	7,775,975	1,668,141	4.66
2001	8,498,962	281,761	8,217,201	1,694,283	4.85
2002	9,188,691	333,271	8,855,420	1,741,573	5.08
2003	10,590,130	379,540	10,210,590	1,796,270	5.68
2004	12,766,284	491,037	12,275,247	1,854,263	6.62

*Sources: Authors' estimates; Central Bank of Malta; 1995 Census of Population; NSO*

The net monetary value of 1995 housing stock stood at Lm5.6 billion. By 2004, this value at market prices rose to Lm12.3 billion. In 1995, the ratio of net monetary value of housing stock to nominal GDP was 4.54 and was broadly stable throughout the years till 2001 (average 4.72), but increased to 6.62 by 2004.



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**Address**

Castille Place  
Valletta CMR 01  
Malta

**Telephone**

(+356) 2550 0000

**Fax**

(+356) 2550 2500

**Website**

<http://www.centralbankmalta.com>

**E-mail**

[info@centralbankmalta.com](mailto:info@centralbankmalta.com)

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*Mosta, Malta*

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## **ABBREVIATIONS**

ECB	European Central Bank
EBRD	European Bank for Reconstruction and Development
ESCB	European System of Central Banks
EMU	Economic Monetary Union
ERM II	exchange rate mechanism II
ETC	Employment and Training Corporation
EU	European Union
GDP	gross domestic product
IMF	International Monetary Fund
MFSA	Malta Financial Services Authority
MSE	Malta Stock Exchange
NSO	National Statistics Office
OECD	Organisation for Economic Co-Operation and Development
OPEC	Organisation of Petroleum Exporting Countries
WTO	World Trade Organisation

# ECONOMIC SURVEY

## 1. FOREWORD

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On 2 May 2005, in a major development in the conduct of monetary and exchange rate policy in Malta, the Maltese lira entered the Exchange Rate Mechanism II (ERM II) of the European Union at a central parity rate of MTL/EUR 0.4293. In order to retain the benefits of a fixed exchange rate regime enjoyed in the past, the Maltese authorities decided to maintain the MTL/EUR exchange rate at the central parity rate in ERM II, eschewing the use of the permitted fluctuation bands. This change in the peg did not affect the level of the exchange rate of the Maltese lira.

Throughout the first quarter of 2005, the Central Bank of Malta left the central intervention rate unchanged at 3%. On 8 April, however, the Bank raised the rate by 25 basis points to 3.25%, the first change since September 2003. The rate rise followed a decline in the Bank's net foreign assets during the final quarter of 2004 that continued in the following quarter. Although the loss of reserves continued to reflect a change in consumption patterns following the total liberalisation of trade, a higher fuel import bill and increased capital outflows in the early part of the year also contributed. The Bank recognised that pressures on the balance of payments were being compounded by strong growth in credit to the personal sector. Hence, the increase in interest rates was intended to curb excessive credit growth, dampen inflationary pressures and help correct the existing imbalance between saving and spending.

During the remainder of the second quarter, the Bank left the central intervention rate unchanged. The entry of the Maltese lira into ERM II and the commitment of the Monetary Authorities to maintain the exchange rate for the lira against the euro at the agreed central parity rate had a positive

impact on financial market sentiment and the level of the Bank's external reserves stabilised. At the same time, the increased interest rate differential in favour of the Maltese lira resulting from the removal of the pound sterling and the US dollar – which carried relatively high interest rates – from the currency basket upon ERM II entry, highlighted the attractiveness of Maltese lira assets. Therefore, at their current levels, official interest rates provided adequate support to the exchange rate in ERM II.

Domestic money market interest rates remained stable during the first quarter of 2005, but they rose in line with official rates in April. As a result, and despite a small rise in three-month yields abroad, the premium on Maltese lira short-term rates compared with the corresponding synthetic rates widened by 21 basis points to 58 basis points between the end of December and end-April. Over the same period, the ten-year premium on the Maltese lira continued to widen, reaching around 130 basis points, reflecting both stability in domestic government bond yields and falling long-term rates abroad.

After having contracted during the previous quarter, broad money (M3) expanded by a modest 0.2% during the first quarter of 2005. The weakness of monetary growth partly reflects portfolio shifts into alternative assets. Further growth in domestic credit, which was partly driven by an underlying expansion of lending to the household sector in connection with housing, was largely offset by a drop in the net foreign assets of the banking system. Broad money continued to rise moderately in April, despite a fall in domestic credit, as the net foreign assets of the banking system increased during that month.

The recovery in economic activity recorded during the second half of 2004 stalled during the first quarter of 2005, with real GDP contracting by 0.1%

on a year-on-year basis. Net exports contributed negatively to growth as exports of goods and services fell sharply compared to the same quarter of 2004. However, this negative contribution was almost entirely matched by increased domestic demand stemming from significant additions to inventories and, to a lesser extent, from higher investment. In contrast, both private and government consumption declined in real terms.

Nominal GDP grew at a slower pace during the first quarter of 2005, rising by 1% on a year-on-year basis. Although gross operating surplus & mixed income recovered after having contracted from year-ago levels during the previous three quarters, growth in compensation of employees slowed down. Gross value added continued to rise, albeit moderately, mainly driven by the financial intermediation and the real estate, renting & business activities sectors. In contrast, gross value added in manufacturing fell further, while higher fuel costs led to a drop in gross value added in the electricity, gas and water supply sector.

Meanwhile, responses to the Bank's latest business perceptions survey show that business confidence recovered during the second quarter of 2005.<sup>1</sup> Firms' expectations about the general economic situation were neutral, with the share of respondents expecting an improvement rising to match those foreseeing a deterioration. From a sectoral perspective, firms in the real estate sector and in manufacturing were more optimistic than before, while most respondents from the services sector and the construction industry expected the situation to remain virtually unchanged. Turning to firms' views about their own performance, respondents were generally expecting turnover and profitability to pick up during the second quarter of 2005.

According to the latest Labour Force Survey, the labour force expanded by 0.2% during the first quarter of 2005 compared with the corresponding

period of the previous year. Employment increased – reflecting the take-up of additional part-time jobs – while the number of unemployed fell further. Consequently, the unemployment rate dropped to 6.7% from 7.2% a year earlier.

Although the twelve-month moving average rate of inflation, based on the Retail Prices Index, stabilised at 2.8% during the first quarter of 2005, upward pressures on prices persisted. The year-on-year inflation rate picked up to 3.1% in March, from 2.8% three months earlier. During the year to March prices rose across all categories of commodities, with developments in international oil prices having a significant impact on fuel costs and on water and electricity charges. Inflation continued to rise going into the second quarter, with the twelve-month moving average rate edging up to 2.9% in May.

The deficit on the current account of the balance of payments widened again during the first quarter of 2005, rising to Lm60.8 million from Lm25.4 million a year earlier. This resulted entirely from a significantly larger merchandise trade gap that outweighed an increased surplus on services and net receipts on the income account. After excluding movements in international reserves, net inflows on the capital and financial account rose by Lm6.1 million to Lm45.5 million, reflecting the receipt of official funds from the EU and Italy. Data for April show a narrowing of the merchandise trade gap, however, with imports falling faster than exports.

As for the fiscal position, the deficit on the Consolidated Fund widened by Lm3 million to Lm61.2 million during the quarter, as the increase in government expenditure exceeded that in revenue. The deficit continued to rise in April. Gross government debt added a further Lm33.5 million between end-December and end-March, reflecting the issue of Malta Government stocks on the primary market.

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<sup>1</sup> The survey was carried out between April and May 2005.



## 2. THE INTERNATIONAL ENVIRONMENT

### The world economy

The first quarter of 2005 was characterised by a slowdown in the major economies, although disparities in growth rates remained. Lacklustre activity in the euro area and in Japan contrasted with still brisk activity in the United States, the United Kingdom and other Asian countries. This uneven scenario seemed to have exacerbated current account imbalances among the larger economies which, it was feared, could hurt aggregate world demand. In the meantime, the OECD was projecting a moderation in the total growth rate for the industrialised economies in 2005, attributable mainly to the US.

### Economic and monetary developments in the major economies

Economic activity in the United States expanded by 3.7% in the first quarter, down from 3.9% in the

previous quarter (see Table 2.1). Growth was supported by personal consumption expenditure and vibrant investment activity but was weighed down by declining government expenditure and strong import growth. In fact, the US current account deficit continued to widen, chiefly on account of the worsening trade deficit. The vigorous expansion in activity continued to be reflected in the declining trend in the unemployment rate, which stood at 5.2% in March, down from 5.6% in December 2004. At the same time, inflation stabilised, falling to 3% during the quarter, from 3.4% in the fourth quarter of 2004 (see Table 2.2).

The Federal Reserve continued to tighten its monetary policy, raising its target for the federal funds rate by 25 basis points twice during the quarter, bringing it up to 2.75% by end-March (see Chart 2.1). In May it increased by a further quarter point to 3%, in response to a pick-up in inflationary pressures.

The euro area economy continued to slow down in the first quarter of 2005, with annual GDP

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

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

	2003		2004			2005	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2 <sup>1</sup>
United States	4.4	5.0	4.8	4.0	3.9	3.7	3.6
Euro area	0.8	1.6	2.1	1.8	1.5	1.3	1.2
EU - 25	1.2	1.9	2.4	2.2	1.9	1.6	n/a
United Kingdom	2.7	3.0	3.6	3.1	2.9	2.7	2.3
Japan	1.7	4.5	3.2	2.6	0.6	1.3	1.0

<sup>1</sup> Forecasts.

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

**Table 2.2**  
**CONSUMER PRICE INDEX**

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

	2003		2004		2005		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2 <sup>1</sup>
United States	1.9	1.8	2.9	2.7	3.4	3.0	2.9
Euro area	2.1	1.7	2.3	2.2	2.3	2.0	2.0
United Kingdom	1.4	1.3	1.4	1.2	1.4	1.7	1.9
Japan	-0.3	-0.1	-0.3	-0.1	0.5	-0.2	-0.1

<sup>1</sup> Forecasts.

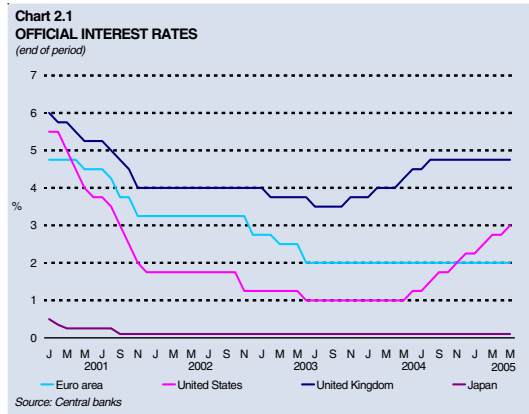
Sources: Consensus Forecasts; Eurostat; US Bureau of Labor Statistics; Bank of Japan.

growth easing to 1.3%, from 1.5% in the previous quarter. The sluggish activity was reflected in both the domestic and external demand components, with import growth decreasing more rapidly than exports. Moreover, year-on-year production growth turned negative in March. On the other hand, towards the end of the quarter, the volume of retail trade improved significantly compared to last year, after having declined in January. However, economic sentiment was further weakened when the unemployment rate in the area edged up to 8.9% in March from 8.8% in the first two months of the year. At the same time, euro area inflation eased to 2% during the quarter, down from 2.3% in the fourth quarter of 2004.

The ECB left the minimum bid rate on its main refinancing operations unchanged at 2% during the first quarter and in the first months of the second quarter of 2005, amidst contained short-term inflationary pressures that largely reflected oil price volatilities. Nonetheless, the ECB still believed that the high level of liquidity in the euro area could pose risks to price stability over the medium term. This notwithstanding, senior government spokesmen in some euro area Member States urged the ECB to reduce interest

rates, as the area continued to be plagued by negative data on economic performance. In response to these pressures, the Bank reiterated its position that interest rates in the euro area were already at a historic low, and any further easing could lead to second-round effects in wage and price setting throughout the area.

In the UK, GDP growth dropped to 2.7% during the first quarter of 2005, from 2.9% in the fourth quarter of 2004. A considerable slowdown in household consumption, which accounts for a



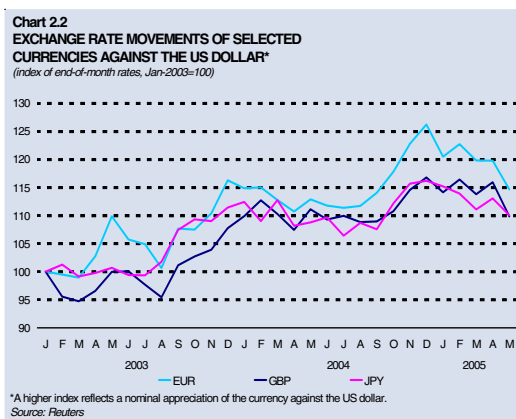
significant share of domestic demand, led to reduced economic momentum even though government expenditure remained significant. The volume of output in the production industries declined, but the value added of the service industries increased by 3.6% over the year. The unemployment rate, at 4.7%, was unchanged from the previous quarter but lower than in the same quarter a year ago. Meanwhile, consumer price inflation edged up to 1.7%, from 1.4% in the previous quarter.

Despite mounting inflationary pressures, the Bank of England left its repo rate unchanged at 4.75% during the first quarter of the year. Further signs of a slowdown in economic activity in the second quarter encouraged market expectations of a cut in official interest rates but the Bank of England left rates unchanged.

In Japan, real GDP growth in the first quarter accelerated to 1.3%, supported mainly by domestic demand, after having slowed to 0.6% in the fourth quarter of 2004. Investment expenditure, in particular, soared by 5.5%, from a modest 0.8% in the previous period. Unemployment stood at 4.6% during the quarter, but fell further in April. Nevertheless, the slowdown in its major foreign markets dampened Japan's export-oriented industry's prospects somewhat, as trading activity decelerated during the quarter. Meanwhile, consumer prices, which had risen in the fourth quarter of 2004, fell again, by 0.2%, during the quarter under review. This led the Bank of Japan to maintain its current stance of monetary easing.

### Foreign exchange markets

During the first quarter of 2005 the US dollar appreciated against the other major currencies, most notably the euro (see Chart 2.2). In early January the dollar appreciated sharply against the European unit after declarations by senior US government officials indicating that they were



determined to address the large fiscal deficit, which had been associated with a worsening of the US external imbalance. The dollar was also supported by positive US economic data and prospects of further interest rate hikes. In early February the euro was trading at around USD1.28, down by 6.5% from its end-December levels. The upward trend in the US currency was interrupted during most of February and the first half of March following news that some Asian central banks were thinking of diversifying their foreign reserves held in dollars. In the second half of March, however, the dollar rallied once more in anticipation of further interest rate hikes by the Federal Reserve to counter mounting inflationary pressures.

The euro-dollar exchange rate stabilised by mid-April, but it subsequently declined, with the euro continuing to lose ground well into June, as growth projections for the euro area were revised downwards.

Meanwhile, the pound sterling rose steadily against the dollar in February after positive UK manufacturing and trade data boosted expectations of further increases in UK interest rates. The pound then fell sharply in mid-March before recovering slightly at the end of the month, when it traded at around USD1.88 (see Table 2.3).

**Table 2.3**  
**EXCHANGE RATES OF SELECTED CURRENCIES**  
**AGAINST THE US DOLLAR - FIRST QUARTER 2005**

	USD/EUR	USD/GBP	JPY/USD
Average for January	1.3129	1.8791	103.29
Average for February	1.3030	1.8883	104.87
Average for March	1.3212	1.9074	105.15
Average for the quarter	1.3124	1.8916	104.43
Opening rate on 30.03.05	1.2954	1.8797	107.23
Opening rate on 31.12.04	1.3645	1.9295	102.53
Lowest exchange rate during the quarter <sup>1</sup>	1.2764 (8 Feb.)	1.8563 (8 Feb.)	102.15 (17 Jan.)
Highest exchange rate during the quarter <sup>1</sup>	1.3475 (03 Jan.)	1.9290 (9 Mar.)	107.23 (30 Mar.)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from opening rate on 31.12.04 to opening rate on 30.03.05	-5.1	-2.6	-4.6

<sup>1</sup> The high/low exchange rates are daily opening rates of the relevant currencies.

Source: Reuters.

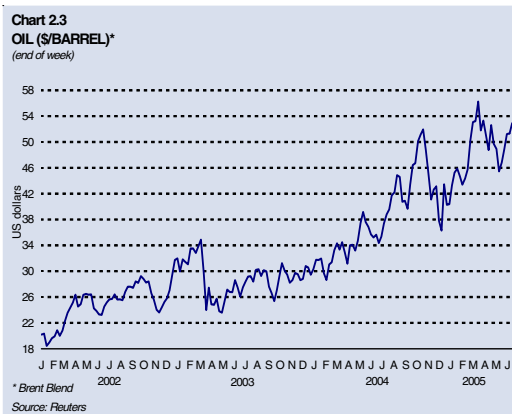
The upturn was sustained during most of April, but in May the pound trended downwards, coming under pressure from economic data that fuelled speculation of a UK interest rate cut.

The Japanese yen lost ground against the dollar until February, but after stabilising somewhat it continued to decline towards the end of March. Thus by the end of the first quarter the yen had depreciated by 4.6% against the US unit. The yen/dollar exchange rate then continued to fluctuate well into the second quarter, affected by news of a possible revaluation of the Chinese currency, which would support the yen against the dollar.

### Commodities

During the first quarter of 2005 the price of crude oil rose, driven by limited spare capacity and buoyant demand (see Chart 2.3). In January

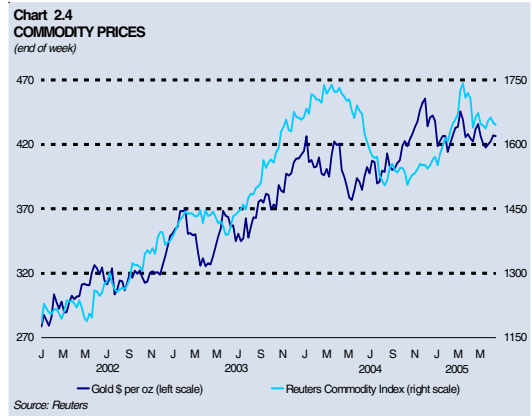
concerns over the security of supplies drove oil prices higher, although diffused fears after the election in Iraq led to a decrease in prices in early February. Later that month oil prices rebounded as cold weather in the northern hemisphere and strong global demand underpinned the market. In



late March, Brent crude prices reached new highs of around USD56 per barrel, before easing towards the USD45 per barrel mark in May as demand pressures from China and the US abated. During the second half of May and the first half of June, however, the price of Brent oil rose again, so that by 6 June it had reached USD52 per barrel.

The Reuters Commodity Index rose by 9.3% during the first quarter of 2005, reflecting both higher food prices and higher prices of industrial raw materials (see Chart 2.4). The index of non-energy commodities reached a peak in mid-March, after which it declined on account of lower prices of food and beverages, before stabilising in April and May.

In January the gold price recovered somewhat from its end-December level, but by early February it was undermined by news that the International Monetary Fund might use its gold holdings to provide debt relief to poor countries (see Chart 2.4). Moreover, reduced tensions in the Middle East caused demand for gold as a safe haven asset to fall. In the second week of February, however, the gold price rallied again, and it



continued to rise until mid-March, boosted by concerns that central banks might diversify their foreign reserves from dollars to other assets, including gold. The price of the metal subsequently eased again as the dollar began to strengthen, ending the quarter at USD428 per ounce, down by nearly 4% from the end-December level. In the first three weeks of April gold recovered somewhat, but towards the end of that month and throughout May the price of the metal retreated, ending that month at USD417 per ounce.

### 3. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank of Malta kept the central intervention rate unchanged at 3% during the first quarter of 2005, but raised it by 25 basis points to 3.25% in April, the first change since September 2003. The interest rates applied by the Bank in its open market operations were adjusted accordingly.<sup>1</sup> Similarly, interest rates on instruments traded in the money market remained stable during the first quarter, but rose in April. In the capital market, corporate bond yields moved generally lower during the first quarter, but rebounded in April, while long-term government bond yields remained unchanged throughout the

four-month period. Equity prices continued to climb higher, with the MSE share index posting a strong gain during the first quarter, before levelling off in April.

Monetary growth remained weak during the first quarter, with broad money (M3) increasing by just 0.2%, as depositors continued to adjust their financial asset portfolios. Thus monetary growth continued to move more or less in line with economic activity. With regard to the counterparts of M3, domestic credit continued to increase during the quarter, driven mainly by growth in loans to the private sector, but the net foreign assets of the banking system contracted further. By contrast, while M3 continued to rise moderately in April, the net foreign assets moved higher but domestic credit contracted.

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

	<i>Lm millions</i>			
	2004 Dec.	2005 Mar.	Change	
			Amount	%
Currency in issue	506.4	505.1	-1.3	-0.3
Bank deposits with the Central Bank of Malta <sup>1</sup>	145.3	175.2	29.9	20.6
<b>MONETARY BASE (M0)</b>	<b>651.7</b>	<b>680.3</b>	<b>28.6</b>	<b>4.4</b>
<b>CENTRAL BANK OF MALTA ASSETS</b>				
Foreign assets	904.0	864.6	-39.4	-4.4
Claims on central government	21.3	20.7	-0.6	-2.9
Fixed and other assets	15.9	39.2	23.3	146.5
<i>less</i>				
<b>REMAINING LIABILITIES</b>				
Government deposits	115.7	87.2	-28.5	-24.6
Other deposits	4.1	3.7	-0.4	-9.7
Foreign liabilities	33.7	38.4	4.7	14.0
Other liabilities	30.4	18.6	-11.8	-38.8
Shares and other equity	105.6	96.4	-9.2	-8.7

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

<sup>1</sup> See "Changes in the Monetary Policy Operational Framework Used by the Central Bank of Malta", *Central Bank of Malta Quarterly Review* 37:2 (2004), pp. 20-21.

## The monetary base

The monetary base (M0) increased by Lm28.6 million, or 4.4%, during the first quarter, reversing the previous quarter's drop (see Table 3.1).<sup>2</sup> Bank deposits with the Central Bank of Malta rose by Lm29.9 million, whereas currency in issue contracted by Lm1.3 million, reflecting the seasonal decline in the demand for currency notes following the festive season. The annual growth rate of M0 rose from 4.6% in December to 7.4% in March, before falling to 3.5% in April.

The first quarter increase in M0 was driven by a drop in government deposits with the Bank and the injection of liquidity by means of reverse repos (classified under the "fixed and other assets" category). Growth in M0 was also fuelled by maturing term deposits, which reduced the Bank's other liabilities. On the other hand, a

decline in the Bank's foreign assets, resulting from foreign currency sales to the rest of the banking system, exerted a dampening effect on M0, whereas the drop in shares and other equity issued reflected the transfer of profits from the Bank to the Government.

## Monetary aggregates

Broad money increased by just Lm7 million, or 0.2%, during the first quarter of the year, as further growth in domestic credit was largely offset by a decrease in the net foreign assets of the banking system (see Tables 3.2 and 3.3).<sup>3</sup> In addition, portfolio shifts into government bonds that were issued in March dampened monetary growth. The annual growth rate of M3 thus continued to decelerate, falling from 2.4% in December to 0.7% in March, before turning marginally negative in April (see Chart 3.1). The decline in the annual

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

	<i>Lm millions</i>									
	2004								2005	
	Q1		Q2		Q3		Q4		Q1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>NARROW MONEY (M1)</b>	<b>52.4</b>	<b>3.5</b>	<b>35.7</b>	<b>2.3</b>	<b>17.3</b>	<b>1.1</b>	<b>-15.3</b>	<b>-1.0</b>	<b>4.7</b>	<b>0.3</b>
Currency in circulation	7.1	1.5	14.1	3.0	2.5	0.5	2.0	0.4	-1.4	-0.3
Deposits withdrawable on demand	45.3	4.4	21.6	2.0	14.8	1.4	-17.3	-1.6	6.1	0.6
<b>INTERMEDIATE MONEY (M2)</b>	<b>55.5</b>	<b>2.0</b>	<b>34.5</b>	<b>1.2</b>	<b>21.1</b>	<b>0.7</b>	<b>-42.1</b>	<b>-1.4</b>	<b>7.0</b>	<b>0.2</b>
Narrow money (M1)	52.4	3.5	35.7	2.3	17.3	1.1	-15.3	-1.0	4.7	0.3
Deposits redeemable at notice up to 3 months	0.9	3.1	-0.3	-0.9	0.3	0.9	0.4	1.2	0.1	0.3
Deposits with agreed maturity up to 2 years	2.3	0.2	-0.9	-0.1	3.6	0.3	-27.2	-2.0	2.2	0.2
<b>BROAD MONEY (M3)<sup>1</sup></b>	<b>55.5</b>	<b>2.0</b>	<b>34.5</b>	<b>1.2</b>	<b>21.1</b>	<b>0.7</b>	<b>-42.1</b>	<b>-1.4</b>	<b>7.0</b>	<b>0.2</b>

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

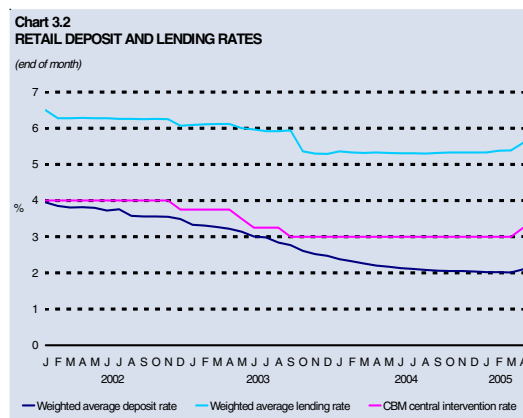
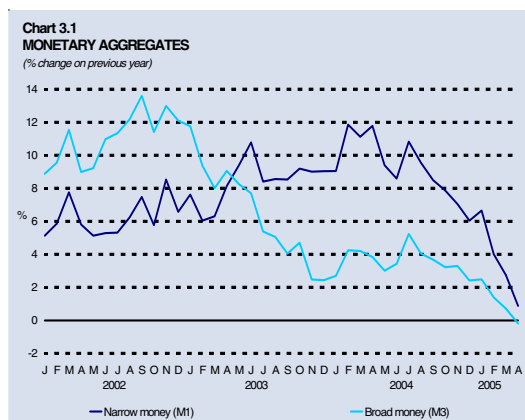
<sup>2</sup> M0 is a measure of the Central Bank of Malta's monetary liabilities and consists of currency in issue and bank deposits with the Bank, excluding term deposits.

<sup>3</sup> Broad money consists of M2 and the banks' repurchase agreements with the non-bank sector and debt securities issued with a term of less than two years. Given that the last two items are extremely small, M2 and M3 were almost identical during the period reviewed.

growth rate of M3 observed since mid-2004 may have partly reflected shifts from bank deposits into alternative assets, although the running down of deposits for consumption purposes probably also contributed.

Narrow money (M1) rose by Lm4.7 million, or 0.3%, during the first quarter, reversing part of the previous quarter's drop. Deposits withdrawable on demand added Lm6.1 million, or 0.6%, driven by an increase in foreign currency deposits. Currency in circulation, on the other hand, fell by Lm1.4 million, or 0.3%. The annual growth rate of M1 fell from 6% in December to 2.7% in March, and further to 0.9% in April (see Chart 3.1). The recent declines in the annual growth rate of M1 occurred despite the continuously low level of interest rates, which had driven the growth rate higher during 2003 and up to mid-2004. This was probably due to both an ongoing preference for alternative assets and to increased expenditure on imports.

During the quarter reviewed the increase in M1 was accompanied by a rise in deposits with an agreed maturity of up to two years (see Table 3.2).<sup>4</sup>



The rise in these deposits reflected additions to household deposits denominated in foreign currency. Deposits with an agreed maturity of up to two years continued to decline on an annual basis, dropping by 1.7% in the year to March, partly reflecting portfolio shifts.

The weighted average interest rate on Maltese lira deposits fell to 2.01% during the quarter before rising to 2.1% in April, following the increase in official interest rates (see Chart 3.2).<sup>5</sup> Average interest rates on current and savings deposits remained unchanged during the quarter, at 0.47% and 0.95%, respectively, before rising to 0.58% and 1.17% in April. In contrast, the average interest rate on time deposits was stable at around 2.85% throughout the four months to end-April, as interest rates on time deposits adjust more slowly to changes in official rates. The weighted average lending rate ended the quarter at 5.39%, up from 5.33% in December, before rising further to 5.6% in April.

### Counterparts of monetary expansion

An increase in domestic credit was the main factor contributing to monetary growth in the first

<sup>4</sup> Deposits with a term to maturity greater than two years are excluded from broad money and included with other counterparts of M3.

<sup>5</sup> The average interest rate on Maltese lira deposits captures all resident deposits, including those that do not form part of M3, excluding deposits belonging to monetary financial institutions (MFIs).



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

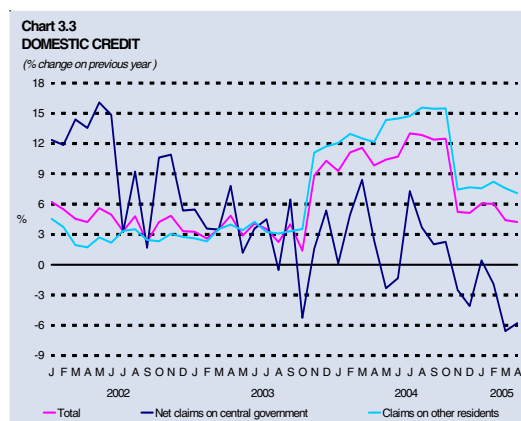
	<i>Lm millions</i>									
	Q1		Q2		Q3		Q4		2005 Q1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>BROAD MONEY (M3)</b>	<b>55.5</b>	<b>1.9</b>	<b>34.5</b>	<b>1.2</b>	<b>21.1</b>	<b>0.7</b>	<b>-42.1</b>	<b>-1.4</b>	<b>7.0</b>	<b>0.2</b>
<b>DOMESTIC CREDIT</b>	<b>76.6</b>	<b>2.9</b>	<b>24.8</b>	<b>0.9</b>	<b>33.3</b>	<b>1.2</b>	<b>1.9</b>	<b>0.1</b>	<b>60.7</b>	<b>2.2</b>
Net claims on central government	37.0	6.5	-20.0	-3.3	-12.3	-2.1	-27.9	-4.9	20.5	3.8
Claims on other residents	39.7	1.9	44.8	2.1	45.6	2.1	29.8	1.3	40.2	1.8
<b>NET FOREIGN ASSETS</b>	<b>-2.4</b>	<b>-0.2</b>	<b>47.0</b>	<b>3.3</b>	<b>13.4</b>	<b>0.9</b>	<b>-31.3</b>	<b>-2.1</b>	<b>-51.7</b>	<b>-3.6</b>
Central Bank of Malta	13.2	1.4	-26.2	-2.8	21.8	2.4	-58.4	-6.3	-44.1	-5.1
Banks	-15.7	-3.2	73.2	15.2	-8.4	-1.5	27.0	4.9	-7.6	-1.3
<i>less</i>										
<b>OTHER COUNTERPARTS OF M3<sup>1</sup></b>	<b>18.7</b>	<b>1.5</b>	<b>37.2</b>	<b>3.0</b>	<b>25.6</b>	<b>2.0</b>	<b>12.7</b>	<b>1.0</b>	<b>2.1</b>	<b>0.2</b>

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

quarter of 2005 (see Table 3.3). This was despite the fact that the addition of six-months' accrued interest to borrowers' loan accounts in March, which does not influence M3, contributed around half of the increase in domestic credit. The net foreign assets of the banking system, on the other hand, continued to decline, dampening monetary growth. M3 expanded further in April, driven by a partial recovery in the net foreign assets of the banking system, which offset a decrease in domestic credit.

Domestic credit expanded by Lm60.7 million, or 2.2%, during the first quarter, reflecting increases in both net claims on central government and claims on other residents. The annual rate of domestic credit growth, even when adjusted for the base effects associated with the exceptional increase in claims on the private sector in November 2003, had been trending upwards since

2002, and had been exerting a growing impact on monetary growth.<sup>6</sup> During the first quarter of 2005, however, the annual growth rate of domestic credit fell slightly, to 4.4%, before declining further to 4.2% in April (see Chart 3.3).



<sup>6</sup> The exceptional increase in claims on the non-bank private sector recorded in November 2003 was related to the activities of a foreign-owned bank operating in Malta.

Claims on other residents increased by Lm40.2 million, or 1.8%, during the quarter, as an increase in loans and advances more than offset a decline in bank holdings of shares and other equity. The drop in the latter, amounting to just over Lm16 million, mainly reflected lower portfolio valuations as a result of an accounting change that led to a downward adjustment to the value of one bank's holdings of shares in a subsidiary. Loans and advances, on the other hand, increased by Lm52

million, or 2.6%, partly reflecting the debiting of interest to loan accounts mentioned earlier. However, there was also strong growth in underlying loans to the household sector, mainly related to housing, and to the hotels and restaurants sector. Loans to the manufacturing industry, in contrast, continued to decline, while an increase in loans to the real estate, renting & business activities sector (see Table 3.4) was partly due to reclassifications.

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

	<i>Lm millions</i>			
	2004 Dec.	2005 Mar.	Change Amount	%
Claims on the non-bank private sector	2057.7	2094.9	37.2	1.8
<i>of which loans and advances</i>	1820.2	1870.4	50.2	2.8
Claims on the non-bank public sector	181.8	184.8	3.0	1.7
<i>of which loans and advances</i>	159.2	161.0	1.8	1.1
Claims on other general government <sup>2</sup>	0.7	0.7	0	0
<i>of which loans and advances</i>	0.7	0.7	0	0
<b>TOTAL CLAIMS</b>	<b>2240.2</b>	<b>2280.4</b>	<b>40.2</b>	<b>1.8</b>
<i>of which loans and advances</i>				
Electricity, gas & water supply	95.3	95.2	-0.2	-0.2
Transport, storage & communication	125.5	129.4	3.9	3.1
Agriculture & fishing	9.9	9.9	0	0
Manufacturing	121.9	115.3	-6.6	-5.4
Construction	217.0	214.2	-2.8	-1.3
Hotels & restaurants	205.6	215.9	10.3	5.0
Wholesale & retail trade; repairs	290.3	297.5	7.2	2.5
Real estate, renting & business activities	125.4	136.1	10.7	8.6
Households & individuals	720.6	750.7	30.1	4.2
Other <sup>3</sup>	68.7	68.0	-0.7	-1.1
<b>TOTAL LOANS AND ADVANCES</b>	<b>1,980.1</b>	<b>2,032.1</b>	<b>52.0</b>	<b>2.6</b>

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

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

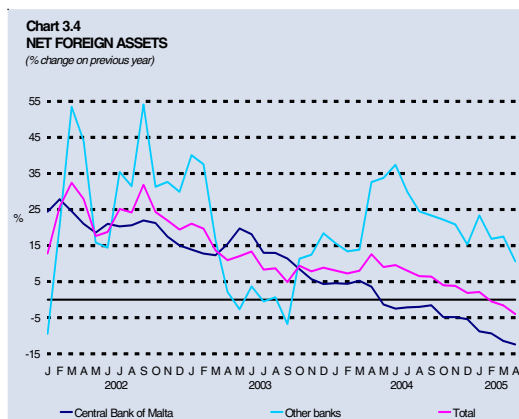
<sup>3</sup> Includes mining and quarrying, public administration, education, health and social work, community recreation and personal activities, extra-territorial organisations and bodies and non-bank financial institutions.

The annual growth rate of claims on other residents had been trending upwards over the past three years, supported by growth in loans and advances. But it ended the March quarter at 7.6%, down from 7.7% in December, and continued to weaken in April (see Chart 3.3). The real cost of borrowing rose only slightly during the quarter, but it accelerated in April, as nominal lending rates followed official rates upwards (see Chart 3.2), while inflation remained stable.<sup>7</sup>

Net claims on central government added Lm20.5 million, or 3.8%, during the first quarter of 2005 (see Table 3.3), after having declined in the previous three quarters. This was almost entirely due to a contraction in government deposits with the Bank. The annual growth rate of net claims on central government continued to fluctuate widely, rising in January before falling back sharply in the following months, and ending April at -5.8% (see Chart 3.3).

The net foreign assets of the banking system shed Lm51.7 million, or 3.6%, during the first quarter of 2005, after having contracted by 2.1% in the previous quarter (see Table 3.3). This drop mainly reflected the continuing demand for foreign currency to fund imports. In the twelve months to end-March the banking system's net foreign assets fell by 1.6%, compared with an increase of 1.9% in the year to December, and their annual growth rate fell further in April (see Chart 3.4). Over the past three years the growth rate has declined steadily, reflecting both a deterioration in the current account of the balance of payments and a deceleration in capital inflows.

The net foreign assets of the Central Bank of Malta contracted by Lm44.1 million, or 5.1%, during the first quarter of 2005, mainly as a result of net sales of foreign exchange to the rest of the



banking system. On an annual basis, the net foreign assets of the Bank shed 11.5%, with this trend persisting in April.

The net foreign assets of the rest of the banking system fell by Lm7.6 million, or 1.3%, during the first quarter. Nevertheless, their annual growth rate rose to 17.5% in March, but fell to 10.6% in April. The deposit money banks' holdings shed Lm5.5 million, or 1.5%, with foreign currency sales to customers, most notably those in the wholesale & retail trades and in the energy sector, outweighing foreign exchange purchases from the Bank. To a lesser extent, the deposit money banks' holdings were also reduced by dividends distributed to foreign shareholders. The international banks' net foreign assets fell slightly, reflecting dividends distributed during the quarter, as well as revaluations of portfolio holdings.

Other counterparts of M3 added Lm2.1 million, or 0.2%, during the first quarter of 2005 (see Table 3.3). There were large, partly offsetting movements within this component over the quarter. On the one hand, the other counterparts of M3 were boosted by the debiting of accrued interest to outstanding loans referred to previously, which reduced the deposit money

<sup>7</sup> Inflation is measured as the annual change in the 12-month moving average Harmonized Index of Consumer Prices (HICP).

banks' other assets. On the other hand, they were reduced by the dividend distributions and portfolio revaluations mentioned above.

### The money market

The Central Bank of Malta kept the central intervention rate unchanged at 3% during the first quarter of 2005, but raised it by 25 basis points to 3.25% in April. This was the first change in official interest rates since September 2003 (see Chart 3.5). Short-term money market rates remained stable during the first three months of the year, before moving up in tandem with official rates in April.

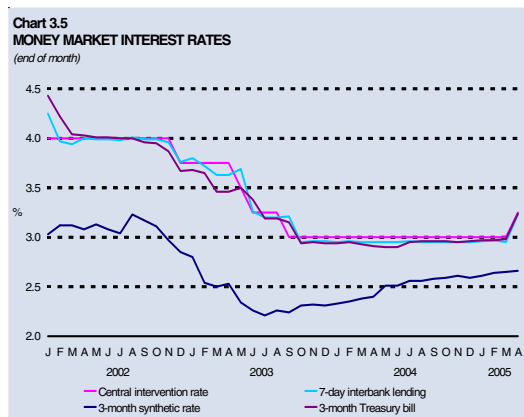
During the first quarter of 2005 liquidity in the banking system continued to decline. In fact, for the first time since December 2001 the Bank had to inject liquidity into the system through reverse repos. At the same time, the amount of funds absorbed by the Bank in its weekly auctions of 14-day term deposits continued to decrease. Thus, the average amount of term deposits held with the Bank during the quarter halved, falling to Lm38.1 million. The interest rate paid on term deposits remained unchanged at 2.95% throughout the first quarter, before rising to 3.2% (which is the current floor) in April, while the

reverse repo rate rose from 3% to 3.26%, which is just below the ceiling of 3.3%.

Turnover in the interbank market rose to Lm72 million during the first quarter of 2005, from Lm70.5 million in the last quarter of 2004. Trading continued to be dominated by a few participants, with just two banks accounting for more than four-fifths of the total. Two-thirds of interbank loans had a term to maturity of two weeks or less, while the rest had a longer term, of up to a month. The interest rate on one-week interbank loans was stable at 2.95% during the first quarter, but rose to 3.23% in April.<sup>8</sup>

The Treasury issued Lm117.5 million worth of Treasury bills during the first quarter of 2005, slightly less than the Lm123.5 million worth of maturing bills. Thus, the amount of bills outstanding declined by Lm6 million to Lm239.3 million. The three-month bill accounted for around half of the total issued during the quarter, with the rest consisting mainly of six-month bills and, to a lesser extent, of nine-month bills. Banks purchased almost four-fifths of the total bills issued, while collective investment schemes and insurance companies took up most of the remainder. The yield on the three-month bill rose marginally to 2.98% during the quarter, before advancing to 3.24% in April following the change in official interest rates.

Turnover in the secondary market for Treasury bills increased to Lm46.8 million in the first quarter of 2005, from Lm32.3 million in the previous quarter. The Bank made purchases of Lm21.1 million, mainly from collective investment schemes, which needed the liquidity to subscribe to the government bond issues. The Bank also sold Lm7.1 million worth of bills, mostly to the rest of the banking system. Trading outside the Bank amounted to Lm18.6 million, as banks traded among themselves and with other financial



<sup>8</sup> The figure for April refers to the official fixing rate, the only available end-of-month rate.

institutions. Secondary market yields moved in tandem with those in the primary market, with the yield on the three-month bill, for instance, remaining stable during the first quarter, before rising to 3.26% in April.

The synthetic three-month yield, which is a weighted average of money market yields on the currencies that made up the Maltese lira basket, continued to rise during the first quarter and increased further in April, ending the month at 2.66%, up from 2.59% at the end of December (see Chart 3.5). The spread between the domestic and synthetic three-month yields fell slightly to 33 basis points during the first quarter, before rising to 58 basis points in April as a result of the increase in the domestic yield.

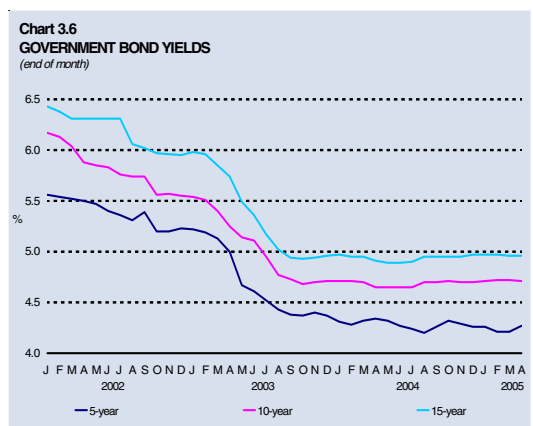
### The capital market

The Government continued to raise funds through bond issues during the first quarter of 2005, offering two fungible stocks with a combined nominal value of Lm40 million, after having sold Lm29.5 million worth of bonds in the previous quarter. The bonds were offered to investors in March, and the response was positive with both offerings being oversubscribed. One issue consisted of Lm20 million worth of debt securities maturing in 2021 and carrying a coupon rate of 5%. Households purchased most of these bonds at par, while collective investment schemes took up most of the rest at auction, resulting in an effective yield to maturity of 4.72%. The second stock issue, consisting of Lm20 million in stock maturing in 2012 and carrying a coupon rate of 5.7%, was offered to wholesale investors at a minimum bid price of Lm108. This bond was purchased mainly by collective investment schemes and, to a lesser extent, by banks with the allotment being determined by auction. As the bond was sold at a weighted average price of Lm109.70, the resulting

primary market yield was 4.18%. No corporate debt securities were issued during the quarter, in line with the trend observed in 2004.

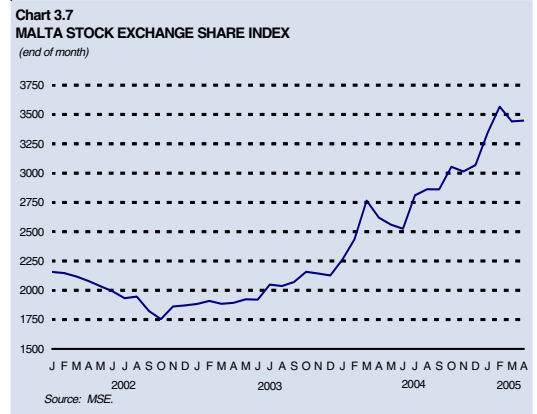
Turnover in the secondary market for government bonds amounted to Lm23.6 million in the first quarter, slightly more than double the previous quarter's turnover. In its role as market-maker, the Bank transacted Lm9 million almost entirely in the form of sales, while other investors accounted for the remaining turnover. As in recent quarters, participants traded mainly in medium and long-term bonds. The benchmark 5-year government bond yield fell slightly during the quarter, before recovering to 4.27% in April (see Chart 3.6). Longer-term bond yields remained practically unchanged during the four months to end-April, with the 10-year government bond yield, for instance, ending the period at 4.71%.

The value of corporate bonds traded in the secondary market rose to Lm3.7 million during the quarter, from Lm2.3 million in the fourth quarter of 2004. More than half of the total turnover involved just three bonds, with the rest being mainly concentrated in a handful of the remaining bonds. Yields on corporate bonds generally moved lower during the first quarter of the year, but rebounded in April, following the



increase in official rates.

Turnover in the equity market continued to rise, reaching Lm10.6 million in the first quarter of 2005, up from Lm8.6 million in the previous quarter. Trading was almost entirely concentrated in the largest three listed equities. The MSE share index rose by 12.2% during the quarter, compared with growth of 44.4% in 2004 as a whole, driven by price increases in most equities. During this period a number of companies reported financial results for 2004. The MSE share index levelled off at 3,447.4 in April (see Chart 3.7).



## 4. OUTPUT, EMPLOYMENT AND PRICES

Following two consecutive quarters of growth, in the first three months of 2005 the Maltese economy contracted marginally year-on-year as a result of weak export activity, particularly in the electronics sector. Meanwhile, the tourism sector failed to provide a significant boost to growth. Nevertheless, some improvement was reported in the labour market, with higher employment and a decline in both the unemployment rate and the number of those registering for work. Although the rising trend in the official inflation rate moderated, upward pressures on prices persisted, as developments in international oil prices exerted a direct influence on fuel costs and, indirectly, on utility prices.

The Bank's latest business perceptions survey suggests a possible improvement in economic conditions for the rest of the year. In fact, the balance between positive and negative replies shifted to neutral after having been negative for the previous three surveys.

### Gross domestic product

The modest recovery in economic activity recorded during the second half of 2004 came to a halt in the first three months of 2005 as real GDP contracted by 0.1% on a year-on-year basis (see Table 4.1). Meanwhile, real GDP growth for 2004 was revised downwards from 1.5% to 1%.

During the quarter reviewed, the small fall in real GDP was mainly due to weak export activity, which depressed net exports compared to the same quarter of 2004. Large additions to inventories, a component of GDP which includes

**Table 4.1**  
**GROSS DOMESTIC PRODUCT AND GROSS NATIONAL INCOME (JAN.-MAR.)**

	<i>Lm millions</i>			Year-on-year growth		Contribution to growth	
	2003	2004	2005	<i>percent</i>		<i>percentage points</i>	
	2003	2004	2005	2004	2005	2004	2005
<i>Constant 2000 prices</i>							
Household & NPISH final consumption expenditure	257.8	254.0	251.7	-1.5	-0.9	-1.0	-0.6
Government final consumption expenditure	92.3	88.6	83.6	-4.1	-5.6	-1.0	-1.3
Gross fixed capital formation	81.5	79.5	86.7	-2.4	8.9	-0.5	1.8
Changes in inventories & net acquisitions of valuables	9.5	-3.7	31.9	-	-	-3.4	9.0
<b>Domestic demand</b>	<b>441.2</b>	<b>418.4</b>	<b>453.9</b>	-	-	<b>-5.9</b>	<b>8.9</b>
Exports of goods & services	343.4	365.6	313.9	6.5	-14.1	5.8	-13.0
Imports of goods & services	399.1	387.4	371.4	-2.9	-4.1	3.0	4.0
<b>Net exports</b>	<b>-55.7</b>	<b>-21.8</b>	<b>-57.5</b>	-	-	<b>8.8</b>	<b>-9.0</b>
<b>GROSS DOMESTIC PRODUCT</b>	<b>385.5</b>	<b>396.6</b>	<b>396.4</b>	<b>2.9</b>	<b>-0.1</b>	<b>2.9</b>	<b>-0.1</b>
GDP deflator (2000 = 100)	107.4	110.3	111.4	2.7	1.1	-	-
<i>Market prices</i>							
<b>GROSS DOMESTIC PRODUCT</b>	<b>413.9</b>	<b>437.3</b>	<b>441.7</b>	<b>5.7</b>	<b>1.0</b>	-	-
Net income received from the rest of the world	14.5	-2.5	4.5	-	-	-	-
<b>GROSS NATIONAL INCOME</b>	<b>428.4</b>	<b>434.8</b>	<b>446.2</b>	<b>1.5</b>	<b>2.6</b>	-	-

Source: NSO.

statistical adjustments, and strong growth in investment boosted real GDP growth, so that the overall drop in output was marginal.<sup>1</sup>

Exports declined by 14.1% compared to the same quarter of 2004, reflecting a drop in manufacturing activity, particularly in the electronics sector. Moreover, the tourism sector failed to provide a significant boost to output. With export prices relatively stable, the decline in export volumes was therefore tantamount to lower nominal export earnings. Although imports also dropped in real terms, the slide was limited to 4.1%. Higher import prices, however, more than offset the decline in import volumes, pushing nominal imports up by

around 1%. Thus, adverse developments in the terms of trade, in conjunction with weak export activity, resulted in a wider deficit on the goods and services balance of the current account.

Weak economic developments conditioned employment incomes during the period (see Table 4.2). These rose at a slower pace than inflation, and exerted a negative impact on consumption expenditure. In real terms, private consumption expenditure went down by 0.9%, a less pronounced drop than that recorded in the same quarter of 2004. Government consumption also dropped by 5.6%, which resulted from lower expenditure on materials and supplies, particularly

**Table 4.2**

**COMPENSATION OF EMPLOYEES AND OPERATING SURPLUS (JAN.-MAR.)**

*Lm millions*

	Compensation of employees			Operating surplus		
	2004	2005	% Change	2004	2005	% Change
<b>TOTAL ECONOMY</b>	<b>215.3</b>	<b>218.3</b>	<b>1.4</b>	<b>97.2</b>	<b>102.8</b>	<b>5.8</b>
<i>of which:</i>						
Manufacturing	41.9	41.6	-0.6	25.3	21.9	-13.5
Electricity, gas and water supply	5.3	5.2	-0.5	-0.4	-1.8	+
Construction	9.8	9.7	-1.2	7.7	8.6	11.8
Wholesale and retail trade	16.6	17.4	4.8	23.9	24.0	0.6
Hotels and restaurants	16.4	16.6	1.8	-2.2	-2.5	11.6
Transport, storage and communication	19.9	19.6	-1.5	8.4	10.5	25.7
Financial intermediation	12.6	13.9	9.7	8.7	10.8	23.9
Real estate, renting and business activities	10.7	11.7	9.5	29.1	30.4	4.6
Public administration	26.9	26.9	0.2	0	0	-
Education	23.9	24.2	1.2	0.9	0.7	-25.3
Health and social work	19.4	19.5	0.6	1.2	1.3	7.2

+ Indicates a change greater than 100% in absolute terms

Source: NSO.

<sup>1</sup> The statistical adjustment is necessary to reconcile the expenditure-based GDP with that derived from the income approach.



in the health sector, during the first quarter. Government consumption overall had contracted during the corresponding quarter of 2004, before recovering in the second half of the year. In contrast, strong growth in gross fixed capital formation was reported, rising by almost 9% annually. This increase reflected the work in progress on government capital projects, but was probably also supported by additional investment by the private sector.

Meanwhile, the GDP deflator rose by 1.1% on an annual basis, fuelling the whole 1% rise in nominal GDP. National income in nominal terms advanced at a faster pace, up by 2.6% year-on-year as net income flows from abroad were positive, in contrast with the situation prevailing in the first quarter of 2004.

### Incomes and gross value added

The computation of GDP in nominal terms based on the income approach shows that the total compensation of employees grew by 1.4% year-on-year (see Table 4.2). Performance was uneven across sectors. The manufacturing sector, which contributes close to a fifth of overall wages and salaries in the economy, experienced a reduction of 0.6% in employment income. Employment income in public administration, representing around one-eighth of the total, remained flat. On the other hand, higher employment incomes were noted in real estate, renting & business activities and financial intermediation, reflecting strong growth in activity in these two sectors. Employment income also rose in the wholesale and retail sector.

Aggregate operating surplus advanced at a faster

**Table 4.3**  
**GROSS VALUE ADDED (JAN.-MAR.)**

	2004			2005			Year-on-year % change in Gross Value Added
	Output	Intermediate consumption	Gross Value Added	Output	Intermediate consumption	Gross Value Added	
<b>TOTAL ECONOMY</b>	<b>777.7</b>	<b>398.1</b>	<b>379.6</b>	<b>767.9</b>	<b>385.8</b>	<b>382.1</b>	<b>0.6</b>
<i>of which:</i>							
Manufacturing	278.6	198.2	80.4	249.5	173.5	76.0	-5.5
Electricity, gas and water supply	21.2	12.1	9.1	27.3	20.6	6.6	-27.1
Construction	33.5	14.6	18.9	35.4	15.7	19.7	4.4
Wholesale and retail trade	59.1	16.0	43.1	61.2	17.0	44.2	2.5
Hotels and restaurants	38.3	20.9	17.4	38.4	21.0	17.5	0.4
Transport, storage and communication	71.5	37.2	34.3	75.8	40.3	35.5	3.7
Financial intermediation	34.7	11.5	23.2	37.8	11.3	26.5	14.4
Real estate, renting and business activities	76.7	23.6	53.1	80.0	24.4	55.6	4.7
Public administration	45.4	12.8	32.6	43.7	10.7	33.0	1.3
Education	32.9	4.1	28.9	32.5	3.3	29.1	0.9
Health and social work	31.8	7.0	24.8	31.2	6.0	25.3	2.0

Source: NSO.

pace than employment income, up by almost 6% compared to the same quarter of 2004.<sup>2</sup> This overall improvement took place in spite of a disappointing performance in the manufacturing sector, whose profits went down by 13.5%, and greater losses among tourism-related firms. Public utilities also registered losses, mainly due to higher oil prices. In contrast, other sectors experienced significant improvements in profitability. Financial intermediaries and firms in transport, storage and communications reported strong growth in profits, both in the region of 25%. Construction and the real estate, renting & business activities sector enjoyed an increase in operating surplus of almost 12% and 5%, respectively.

Using the production approach, in terms of nominal gross value added the economy expanded from Lm379.6 million to Lm382.1 million, up by 0.6% on a year earlier (see Table 4.3). Intermediate consumption fell more than output, entailing greater domestic value added. Value added in financial intermediation and, to a lesser extent, real estate, renting & business activities expanded strongly, going up by around 14% and 5%, respectively. Public administration also yielded higher value-added, despite lower output, reflecting a bigger reduction in intermediate consumption.

However, gross value added by manufacturing firms, which contributes close to one fifth of the total, dropped. In the latter case, the reduction in output, estimated at around Lm29 million, was not fully offset by lower intermediate consumption. Meanwhile, higher oil prices boosted the intermediate consumption of the electricity, gas and water sector and, since it was not fully matched by a rise in output, this had a negative

impact on the sector's gross value added.

## **Manufacturing**

The NSO's survey on manufacturing indicates that the decline in the industry's performance continued. Respondents reported lower turnover in the first quarter of 2005, down by Lm35.6 million, or 14%, compared to the same quarter of 2004. This was mainly due to a drop in export proceeds, particularly for the radio, TV and communication equipment sub-sector, although domestic sales also fell. Overall, both average wages and employment declined on an annual basis.

For the fourth consecutive quarter, export sales contracted year-on-year, with the annual drop reaching almost 17%, or Lm34.5 million, as key sectors faced growing international competition (see Table 4.4). A significant downturn in the export performance of the radio, TV & communication equipment sub-sector, which includes the semiconductors business, accounted for most of the overall drop. Exports of clothing also continued to decline. Although foreign sales of chemicals were down compared to the same period last year, the decline appears to be bottoming out. In contrast, exports of textiles and electrical machinery expanded.

Although the drop in domestic sales persisted, on a year-on-year basis it moderated to Lm1.1 million, or 2.2%. The food and beverages sub-sector continued to report negative results, with domestic sales falling by Lm3 million, or 13.5%, on account of strong competition from imports following the removal of remaining levies in May 2004. On the other hand, the value of sales by the tobacco industry continued to rise on account of

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<sup>2</sup> In the computation of nominal GDP from the income side, depreciation is added to operating surplus to arrive at gross operating surplus & mixed income. Nominal GDP is then the sum of compensation of employees and gross operating surplus & mixed income, plus taxes on production & imports less subsidies.

**Table 4.4****MANUFACTURING PERFORMANCE: SELECTED INDICATORS<sup>1</sup>**

	2004				2005
	Q1	Q2	Q3	Q4	Q1
<b>Change in turnover (Lm millions)</b>	<b>10.4</b>	<b>-3.9</b>	<b>-5.5</b>	<b>-13.8</b>	<b>-35.6</b>
<b>Change in exports (Lm millions)</b>	<b>14.2</b>	<b>-0.7</b>	<b>-3.4</b>	<b>-9.8</b>	<b>-34.5</b>
Chemicals	1.1	-1.9	-3.8	-3.8	-0.8
Clothing	-3.0	-3.4	-4.0	-4.1	-3.5
Food & beverages	0.7	1.1	-2.6	-0.4	0.7
Medical & precision equipment	2.5	1.7	2.6	1.5	0.1
Electrical machinery	1.8	-1.8	2.6	5.4	2.5
Radio, TV, telecom, etc.	5.0	4.5	2.6	-13.0	-31.6
Textiles	3.9	2.7	2.7	4.4	1.2
Other	2.2	-3.6	-3.5	0.4	-3.1
<b>Change in domestic sales (Lm millions)</b>	<b>-3.8</b>	<b>-3.2</b>	<b>-2.1</b>	<b>-4.0</b>	<b>-1.1</b>
Clothing	0.5	0.7	1.0	0.7	-0.4
Food & beverages	0.2	-2.1	-3.1	-1.6	-3.0
Tobacco	-0.4	0.7	1.5	1.6	0.8
Other	-4.1	-2.5	-1.5	-4.7	1.5
<b>Change in new investment (Lm millions)</b>	<b>7.5</b>	<b>-1.3</b>	<b>-1.7</b>	<b>-0.1</b>	<b>-7.9</b>
Chemicals	3.9	0.7	-0.1	-1.0	-3.1
Food & beverages	-0.8	-0.4	-0.2	-1.9	0.6
Textiles	0.2	0.6	0.3	1.7	-0.2
Printing & publishing	3.9	-1.6	0.3	0	-3.6
Radio, TV, telecoms, etc.	1.7	-0.8	-0.6	0.4	-1.1
Other	-1.3	0.3	-1.5	0.8	-0.5
<b>Change in employment</b>	<b>-1,620</b>	<b>-989</b>	<b>-676</b>	<b>-427</b>	<b>-142</b>
<b>Change in wage bill (Lm millions)</b>	<b>-1.0</b>	<b>-0.9</b>	<b>-0.6</b>	<b>0.1</b>	<b>-0.6</b>
<b>Change in wages per employee (%)</b>	<b>4.8</b>	<b>1.7</b>	<b>1.5</b>	<b>2.5</b>	<b>-1.2</b>

<sup>1</sup> Figures in this Table represent the change from the same period of the previous year.

Source: NSO.

higher excise duties. Local sales of non-metallic minerals, captured under the “others” category, also increased significantly.

With regard to employment, losses in manufacturing firms continued to moderate with the year-on-year reduction being limited to 142 workers. Compared with a year earlier, job losses were reported in the food & beverages and the clothing & leather sub-sectors, but these were

partly compensated for by gains in the textile sub-sector and in the making of plastic & rubber products. Overall, the industry’s gross wage bill thus declined by Lm0.6 million, or 2%, year-on-year, with average wages shedding 1.2%.

Survey data also indicate that expenditure on capital goods by manufacturing firms declined further. Thus, during the first quarter of 2005 nominal outlays on investment were almost Lm8

million less than in the same period of the previous year. Producers of chemicals and printing & publishing firms were mainly responsible for this drop, although firms in the radio, TV & communication equipment sub-sector also reported a decline. In contrast, firms in the food & beverages sub-sector stepped up their investment.

### Tourism

In the first quarter of 2005 activity in the tourism sector was generally weak. Although compared with a year earlier the number of tourists visiting Malta was up by 1.5%, the first quarter figures were boosted by the timing of Easter, which fell in March this year. In fact, data for the first four months of the year, which are not affected by the timing of Easter, show a small decline in tourist arrivals this year and in their average length of stay.

The lull in tourism activity during the first quarter is corroborated by a 0.2% decline in the number of

bed-nights sold, as higher tourist numbers were offset by a lower average length of stay.

The increase in tourist arrivals during the first quarter of the year was mainly driven by the smaller markets, such as Sweden and Denmark. The volume of tourists from Malta's core market, the UK, was also slightly higher on a year earlier. On the other hand, the pick-up among German tourists noted in the second half of 2004 appeared to lose momentum, with visitors from Germany declining by 2.4% (see Table 4.5). The French market also continued to report negative results, shedding 11.2% over the corresponding quarter of 2004.

The average stay of tourists declined marginally to 10.3 nights. All hotel categories except five-star hotels registered shorter stays.<sup>3</sup> Nevertheless, tourist expenditure during the first three months of the year remained stable at just over Lm56 million, as an increase in spending on package holidays outweighed a decline by non-package tourists. Between January and April, however,

**Table 4.5**  
**TOURISM ACTIVITY**

	2004				2005
	Q1	Q2	Q3	Q4	Q1
<b>Year-on-year % change in total departures</b>	<b>-3.2</b>	<b>2.2</b>	<b>4.3</b>	<b>9.1</b>	<b>1.5</b>
UK	-2.9	-1.2	-7.8	-3.1	0.6
Germany	-4.8	-7.9	22.8	19.5	-2.4
France	-2.4	9.5	24.0	-2.0	-11.2
Italy	21.1	3.8	-6.2	16.3	-6.0
Others	-9.1	8.4	13.1	24.8	9.9
<b>Year-on-year % change in expenditure</b>	<b>-9.8</b>	<b>-3.2</b>	<b>3.6</b>	<b>6.8</b>	<b>0.4</b>
Package	-11.6	-1.1	4.3	15.8	6.6
Non-package: airfares	-0.8	-10.6	7.5	-4.4	-9.1
Non-package: accommodation	2.0	-12.0	-16.3	-16.3	-15.0
Other	-12.9	-2.2	5.7	4.2	-0.8

Source: NSO.

<sup>3</sup> Hotels account for around three-quarters of bed nights sold.

**Table 4.6**  
**HOTEL OCCUPANCY AND AVERAGE ACHIEVED ROOM RATE**

	2004	2005	Annual
	Q1	Q1	growth
<b>Hotel occupancy</b>			
		%	percentage points
5-star	43.4	43.8	0.4
4-star	54.3	59.1	4.8
3-star	67.2	69.2	2.0
Average <sup>1</sup>	54.4	57.3	2.9
<b>Average achieved room rate</b>		Lm	%
5-star	27.03	26.30	-2.7
4-star	7.90	7.95	0.8
3-star	5.69	5.67	-0.4
Average <sup>2</sup>	10.00	10.20	4.2

<sup>1</sup>Represents the weighted average of all categories of hotels based on the number of participating rooms in each category.

<sup>2</sup> CBM estimates, weighted by number of nights stayed.

Sources: MHRA Hotel Survey June 2005; NSO.

tourist expenditure rose by 1.8% on a year earlier, driven by higher spending on package holidays.

Respondents to the MHRA's latest hotel survey reported higher room occupancy rates during the first quarter of 2005 over a year earlier. These increased across all types of hotels, with four-star hotels reporting the best results, though the improvement could have been influenced by a drop in the number of rooms available, as some hotels that used to take part in the survey closed down. Average achieved room rates increased marginally in the four-star category but fell in three and five-star hotels, with the reported drop being more pronounced in the latter category.<sup>4</sup> Yet the overall average achieved room rate across hotel categories in the sample rose by an estimated 4.2% to Lm10.30 (see Table 4.6). Increased occupancy and higher achieved rates

pushed up total revenue per available room by 7.9% in the four-star category. Total revenue per available room rose by 4.1% in the three-star bracket, but fell by 0.6% in five-star hotels.

Cruise passenger arrivals more than quadrupled to reach almost 15,700 in the first three months of 2005 as this segment of the industry recovered from a particularly weak performance during the same period of 2004, when port calls by cruise liners were especially low. The recovery partly reflects growth in cruise liner activity in the Mediterranean and greater marketing efforts aimed at attracting operators to Malta. The bulk of the increase originated from the German and Spanish markets, although the number of passengers from France and Italy also rose considerably. More recent data up to April confirm this overall pattern.

<sup>4</sup> Average achieved room rates represent accommodation revenue net of VAT per room-night sold.

**Table 4.7****KEY LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY**

	2004				2005
	Q1	Q2	Q3	Q4	Q1
	<i>number of persons</i>				
Labour force	160,183	157,573	160,390	159,138	160,574
Unemployed	11,528	11,529	11,781	11,036	10,838
Employed	148,655	146,044	148,609	148,102	149,736
<i>By type:</i>					
Full-time	135,468	134,224	135,460	134,804	135,219
Full-time with reduced hours	2,168	1,275	1,359	1,519	1,581
Part-time	11,019	10,545	11,790	11,779	12,936
<i>By economic sector:</i>					
Private sector	99,285	98,354	99,484	98,275	99,684
Public sector	49,370	47,690	49,125	49,827	50,052
Average annual gross salary (Lm)	5,100	5,044	5,061	5,008	5,174
	<i>percent</i>				
Male activity rate	81.5	80.7	79.9	78.9	79.5
Female activity rate	35.7	34.5	36.7	37.0	37.5
Total employment rate	54.4	53.4	54.0	54.0	54.6
Total unemployment rate	7.2	7.3	7.3	6.9	6.7

Source: NSO.

**The labour market<sup>5</sup>**

Labour force survey results for the first quarter of 2005 indicate some improvement in employment as the number of employed rose by 0.7% on a year earlier (see Table 4.7).<sup>6</sup> There appears to be greater flexibility in work practices as this rise was entirely driven by greater recourse to part-time work, which outweighed declines among those holding a full-time job. Since the increase in

employment outpaced the rise in the labour force (the number of people willing to work), unemployment fell below the 11,000 mark to 6.7% of the labour force, the lowest rate in the last one-and-a-half years.

Whereas the male activity rate dropped by two percentage points to just below 80%, female activity rates picked up for the third consecutive

<sup>5</sup> The cut-off date for information included in this section is 21 June 2005. Except for data on the registered unemployed, no information on the labour market compiled on the basis of ETC data was available at the time of writing.

<sup>6</sup> Quarterly changes in survey results must be treated with caution as they may be purely attributable to sampling variation rather than actual changes in the population. For example, although the LFS point estimate for employment for the first quarter of 2005 stands at 149,736, the population employment statistic may lie anywhere within the range of 147,235 and 152,237, on account of a coefficient of variation in the sample of 1.67%.

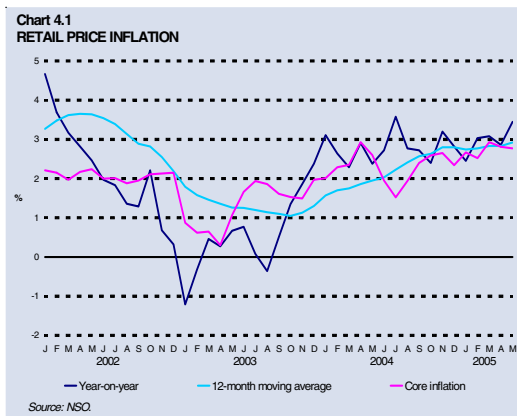
quarter, surpassing 37% and standing almost two percentage points higher than in the same quarter of last year.<sup>7</sup> This resulted in a broadly stable economy-wide activity rate, while the overall employment rate edged up closer to 55%.

According to the survey, both the public and private sectors contributed to the rise in employment. At the same time, the average gross annual salary reached Lm5,174, up by 1.5% year-on-year, in line with the rise in employment income reported in the national accounts data. At a sectoral level, a robust increase was reported in employees' salaries in real estate, renting and business activities. Average wages in financial intermediation were also up significantly, while those in public administration and manufacturing were almost unchanged. Average wages in hotels and restaurants were, however, below those reported last year.

Meanwhile, data on the number of registered unemployed issued by the ETC confirm the decline in unemployment recorded in the labour force survey. The number of registered unemployed, which stood at around 8,100 in December 2004, went down to just above 8,000 in March. Further drops were recorded in the second quarter, with the number of unemployed falling to 7,245 in May.

### Consumer prices<sup>8</sup>

The upward trend in the official inflation rate observed during 2004 moderated during the first quarter of 2005. However, inflation picked up again going into the second quarter of the year. The Bank's measure of core inflation and the Harmonised Index of Consumer Prices (HICP) also show that inflationary pressures have persisted since the beginning of the year.



### Retail Prices Index

The twelve-month moving average rate of change in the Retail Prices Index (RPI), which is the official measure of inflation, was stable during the quarter. The headline rate stood at 2.8% in March, unchanged from its end-December level. More recent data indicate that headline inflation rose slightly to 2.9% in May (see Chart 4.1). The year-on-year change in the RPI, a more timely indicator of price inflation, went up from 2.8% in December to 3.1% in March. Although the year-on-year inflation rate declined in April, it increased again to 3.5% in May.

During the year to March 2005, all sub-indices of the RPI contributed to the acceleration in the year-on-year inflation rate. Developments in international oil prices had a major influence on inflation through their direct impact on fuel costs and, indirectly, on utility charges. The largest contributor to year-on-year inflation was the transport and communications index, which accounts for around a quarter of the RPI basket and which rose by 4.6% from March last year. This sub-index contributed 1.1 percentage points towards the overall inflation rate, mainly on account of higher fuel prices, and costlier

<sup>7</sup> Activity rates compare the labour force aged 15-64 to the population in the same age bracket. Employment rates show the proportion of the population of those aged between 15 and 64 who are employed.

<sup>8</sup> The cut-off date for information contained in this section is 17 June 2005.

**Table 4.8**  
**INFLATION RATES OF COMMODITY SECTIONS IN THE RPI**

	Year-on-year percentage changes			Weights	Sources of growth in percentage points <sup>1</sup>
	2004		2005		
	Mar.	Dec.	Mar.		
Food	1.0	-0.7	0.7	23.82	0.2
Beverages & tobacco	10.3	4.3	1.7	6.11	0.1
Clothing & footwear	-4.8	-2.5	1.0	8.24	0.1
Housing	4.2	4.8	6.8	7.57	0.5
Water, electricity, gas & fuels	0.4	4.8	18.4	2.25	0.4
Household equipment & house maintenance cost	1.4	3.3	1.8	7.65	0.1
Transport & communications	1.5	6.4	4.6	23.13	1.1
Personal care & health	6.8	4.4	3.7	6.22	0.2
Recreation & culture	0.2	1.3	1.1	8.84	0.1
Other goods & services	9.2	6.0	3.9	6.17	0.2
<b>Retail Prices Index</b>	<b>2.3</b>	<b>2.8</b>	<b>3.1</b>	<b>100.0</b>	<b>3.1</b>

<sup>1</sup> This represents the contribution in percentage points to the year-on-year inflation in March 2005.

Source: NSO.

telephone services (see Table 4.8). The price of diesel went up by 27.3% in the year to March, while prices for unleaded and lead replacement petrol rose by 5.3% and 4.9%, respectively. The acceleration in the water, electricity, gas & fuels index pushed inflation up by 0.4 percentage points, reflecting the surcharge on consumption of water and electricity that was introduced in January.

Meanwhile, the housing index also increased significantly, contributing 0.5 percentage points to the year-on-year inflation rate due to higher average prices for dwelling maintenance and repair services. In addition, clothing & footwear and food prices rose at a faster annual rate, contributing 0.1 and 0.2 percentage points to the overall inflation rate, respectively.

The Central Bank of Malta's core inflation

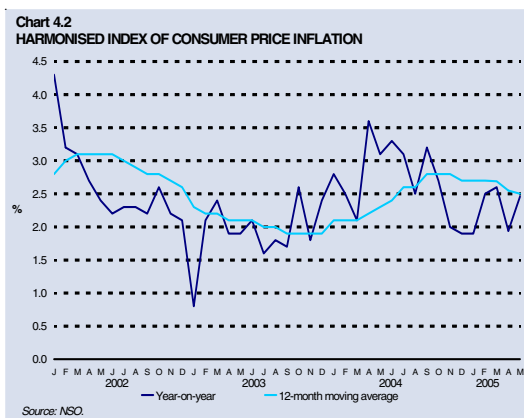
measure, which tracks persistence in retail price inflation, rose from 2.3% in December to 2.9% in March. The pick-up in the housing and in the household equipment & maintenance costs indices, as well as the growth in the recreation and culture sub-index, were mainly responsible for the rise in the core inflation rate. Core inflation remained broadly unchanged at 2.8% in May (see Chart 4.1).

### *Harmonised Index of Consumer Prices*

On a twelve-month moving average basis, inflation measured by the HICP remained stable at 2.7% during the first quarter of 2005.<sup>9</sup> The twelve-month moving average inflation rate declined moderately going into the second quarter, reaching 2.5% in May. The year-on-year HICP inflation rate showed much greater volatility. After having fallen sharply during the previous

<sup>9</sup> The HICP is computed according to EU rules. Although the compilation methodology is similar to that used in computing the RPI, it differs in that, besides from private households, it also takes into account institutional households and foreign visitors to Malta. In addition, HICP weights are not fixed, but are revised annually, and the classification of commodity groups varies.





quarter it rebounded, rising by 0.7 percentage points from end-December to 2.6% in March (see Chart 4.2).

Movements in the RPI and HICP differ mainly on account of developments in the restaurants & hotel index, which has a much larger weight in the

HICP basket. During the year to March, this sub-index dropped by 0.4% which, in turn, reduced the aggregate HICP year-on-year inflation rate by 0.1 percentage points (see Table 4.9). This was not enough to outweigh the increases registered across the other commodity groups, which broadly mirrored developments in the various RPI sub-indices. The largest contributor to the increase in the year-on-year rate of HICP inflation was the housing, water, electricity, gas and other fuels sub-index, which accounted for 0.7 percentage points of the overall rise. At the same time, price increases in the transport and communications sub-indices each contributed 0.5 percentage points to the overall HICP inflation.

The twelve-month moving average HICP inflation rate in March stood at 2.7%, 0.5 percentage points above the EU average. The year-on-year inflation rate in March was also half a percentage point higher than the EU average.

**Table 4.9**

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

	Year-on-year percentage changes			Sources of growth in percentage points <sup>1</sup>
	2004		2005	
	Mar.	Dec.	Mar.	
Food & non-alcoholic beverages	0.5	-1.4	0.5	0.1
Alcoholic beverages & tobacco	14.0	3.6	1.5	0.1
Clothing & footwear	-4.8	-2.5	1.1	0.1
Housing, water, electricity, gas & other fuels	3.1	4.5	9.7	0.7
Furniture, household equipment & routine	2.3	3.6	2.1	0.2
Health	9.9	5.0	6.0	0.2
Transport	2.5	5.6	3.3	0.5
Communications	-0.2	18.3	20.9	0.5
Recreation & culture	-1.1	1.1	1.7	0.2
Education	4.2	0.4	0.4	0
Restaurants & hotels	2.0	-1.4	-0.4	-0.1
Miscellaneous goods & services	6.3	5.0	3.2	0.2
<b>All items</b>	<b>2.1</b>	<b>1.9</b>	<b>2.6</b>	<b>2.6</b>

<sup>1</sup> This represents the contribution in percentage points to the year-on-year inflation in March 2005.

Source: NSO.

## Box 1: BUSINESS PERCEPTIONS SURVEY - SECOND QUARTER 2005

### Introduction

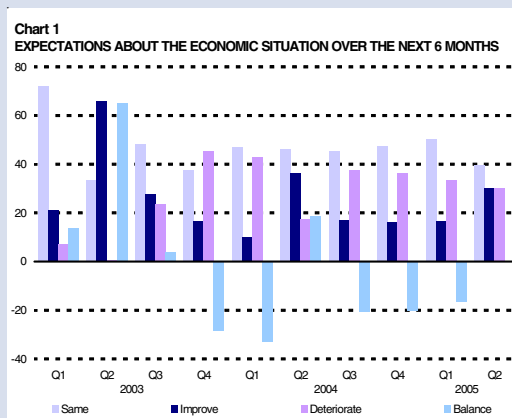
The Central Bank of Malta's latest business perceptions survey conducted in April and May 2005 shows that after three successive quarters in which sentiment was negative on balance, there was a recovery in business confidence during the second quarter of the year. This resulted from renewed optimism in both export- and domestically-oriented firms. The survey results also indicate that during the first quarter the bulk of export-oriented firms recorded normal levels of activity/order books, but the performance of the domestically-oriented sectors was somewhat mixed.

Overall, most respondents anticipated an upturn in activity in the short term. While most locally-oriented manufacturing firms were expecting their profitability to decline, exporters were, however, anticipating a recovery in profitability. Meanwhile, labour market conditions were generally expected to improve and average wages to rise.

### Business sentiment – second quarter 2005

During the second quarter of 2005 there was a recovery in business sentiment, with the number of respondents expecting an improvement in the economic situation over the next six months being virtually equal to the number expecting a deterioration. At the same time, 39.5% of respondents still expected no major turnaround in activity (see Chart 1). Thus, on balance, business sentiment had improved since the previous survey.

At the sectoral level, operators in the real estate sector and in manufacturing indicated the strongest turnaround in sentiment, while most of the respondents from the services sector and those from the construction industry expected the situation to remain virtually unchanged.

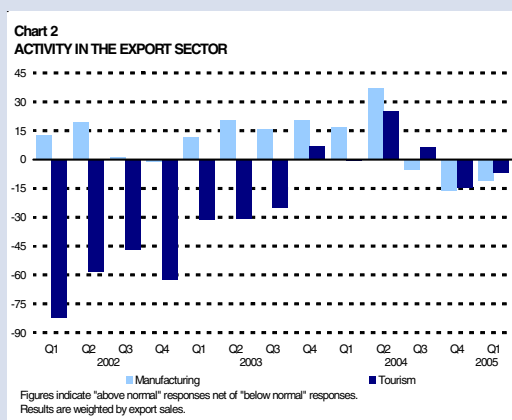


### Activity levels – first quarter 2005

#### Export-oriented sectors

The survey results indicate that most export-oriented firms recorded normal levels of activity/order books during the first quarter. When compared to the previous survey, however, a higher proportion of respondents reported above-normal activity levels. At the same time, the (negative) balance of responses between those expecting an improvement in activity and those anticipating below-normal activity levels narrowed.

Manufacturing exporters, with the exception of



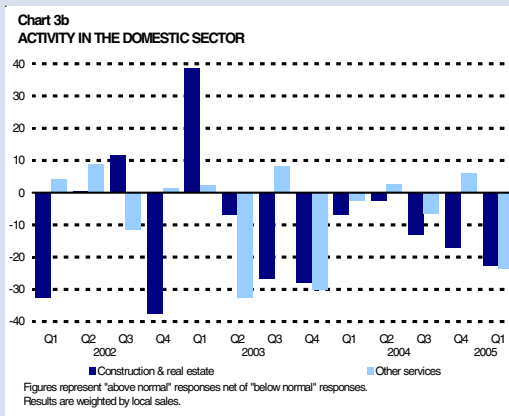
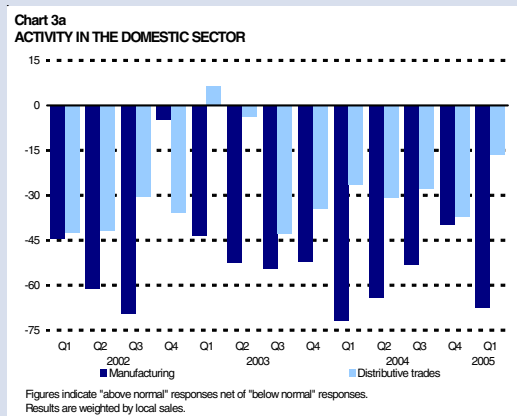
those in the clothing, the printing & publishing and the machinery & equipment sub-sectors, reported both higher sales and selling prices. But they also reported a rise in labour costs, despite a contraction in their labour complement (see Chart 2). As a result, profitability declined.

In contrast to the previous survey, on aggregate respondents from the tourism industry reported an increase in activity, which remained below normal and could have been related to the timing of Easter. This notwithstanding, operators in the industry reported lower sales, declining average selling prices and a rising wage bill, which impacted negatively on their profitability.

### Domestically-oriented sectors

Activity in the domestically-oriented sectors, overall, remained below normal with a higher proportion of respondents recording below normal activity compared with the previous quarter (see Charts 3a and 3b). In spite of this, domestically-oriented firms reported increased turnover and stable selling prices overall. Meanwhile, although these sectors' labour costs also edged up on account of rising employment levels, their profitability also rose.

The performance of domestically-oriented manufacturing firms was mixed. While the clothing & footwear and the food & beverages



sub-sectors reported lower sales, firms in the chemicals, printing & publishing, furniture and "other manufacturing" sub-sectors recorded more positive results. Meanwhile, operators in the distributive trades reported an improvement in activity levels (see Chart 3a), although their profitability contracted marginally on account of rising labour costs. By contrast, activity levels in construction declined, while those in the real estate sector remained stable. Meanwhile, in the financial sector, which accounts for the greater part of the 'other services' sector, activity levels were reported to be below normal. Nevertheless, these firms indicated increased turnover and higher selling prices, which contributed to greater profitability notwithstanding rising employment levels and labour costs.

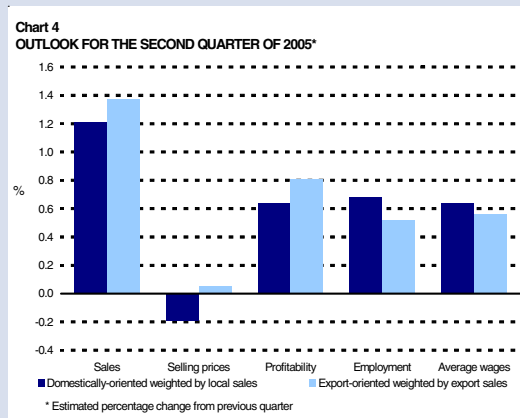
### Outlook – second quarter 2005

Most respondents were expecting a pick-up in activity during the second quarter of 2005. Respondents from both export- and locally-oriented firms were anticipating a recovery, both in terms of turnover and of profitability. Labour market conditions were also expected to improve and average wages were generally expected to increase as a result (see Chart 4).

In the export sector, manufacturing firms were anticipating higher sales and rising wage costs

on account of additions to their workforce. Profitability was also expected to rise. Meanwhile, respondents from the travel & tourism sector were expecting downward pressure on prices and lower sales. In spite of this, they were also expecting their wage bill to rise on account of the hiring of additional employees, possibly in anticipation of the summer season.

On the domestic front, manufacturing firms generally expected an increase in turnover and selling prices, but higher wage costs were expected to dent profitability. Meanwhile, respondents from the construction & real estate and from the other services sectors were



relatively optimistic, anticipating higher sales, rising selling prices and improved profitability.

### Methodological Notes

1. The results presented in this Box are derived from a survey carried out between April and May among 143 companies. As much as possible, the sample is kept unchanged between quarters.
2. The surveyed firms employed 16,799 workers (around a quarter of all private sector workers) and had an aggregate annual turnover of Lm566.1 million (around 30% of Malta's GDP), of which just over half was exported.
3. The sample was composed of 54 manufacturing firms, 17 tourism-related enterprises, 32 operators in the distributive trades, 13 construction and real estate concerns and 27 services companies covering finance, professional services, and industrial services. Thus, the survey has a more comprehensive coverage of the manufacturing sector relative to other areas of the economy.
4. Replies are weighted according to three different factors - the respondents' relative share of employment, local sales and export sales.
5. To ensure that the overall results do not simply reflect the replies of the largest business concerns, the weight given to any particular firm in terms of turnover is capped at Lm20 million.
6. The survey is somewhat biased towards medium-sized and large firms, with approximately half of all respondents employing more than 50 workers. Thus it may not be indicative of trends affecting smaller firms.
7. Participants are asked about their perceptions of the prospects for the Maltese economy over the next six months and the current state of their activity levels/order books. They are also asked to indicate the approximate percentage change in employment, profitability, sales, imports, finished stocks, average cost of labour and selling prices registered during the previous quarter, and to make forecasts for the current one.
8. At six-monthly intervals, firms are asked about their short-term expectations for inflation and unemployment, and whether they consider the current period to be appropriate to initiate new developments. They are also asked to identify their present level of capacity utilisation/occupancy and whether they intend to invest during the following twelve months. In addition, participants indicate the two most important factors limiting investment and to what extent they think a change in the cost of finance would affect them.

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

During the first quarter of 2005 the deficit on the current account of the balance of payments continued to widen as the merchandise trade gap increased considerably, outweighing a larger surplus on services and a shift into surplus on the income account. At the same time, the positive balance on the capital and financial account (excluding movements in reserves) rose, while the official reserves fell.

Meanwhile, the Maltese lira appreciated marginally against the euro and the Japanese yen but lost ground against the US dollar and the pound sterling. Going into the second quarter of the year, the lira gained further ground against the euro while it continued to depreciate against sterling and quite sharply against the dollar.

### The current account

During the quarter under review, the deficit on the current account of the balance of payments rose to Lm60.8 million, from Lm25.4 million a year ago

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

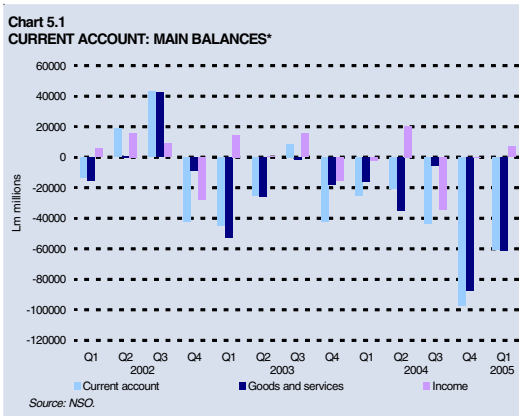
	<i>Lm millions</i>			
	Q1			
	2004		2005	
	credit	debit	credit	debit
<b>Current account balance</b>		<b>25.4</b>		<b>60.8</b>
Goods and services	327.4	343.3	285.3	346.4
Goods balance		34.7		86.1
Goods	237.4	272.1	191.5	277.6
Services balance	18.8		25.0	
Services	90.0	71.1	93.8	68.8
Transport	22.5	29.2	29.9	29.2
Travel	46.3	17.9	45.5	19.9
Other services	21.1	24.1	18.4	19.7
Income (net)		2.5	6.9	
Current transfers (net)		6.9		6.6
<b>Capital and financial account balance<sup>2</sup></b>	<b>39.4</b>		<b>45.5</b>	
Capital account balance	0.1		16.8	
Financial account balance	39.3		28.7	
Direct investment	20.4		32.3	
Portfolio investment		198.8		116.9
Financial derivatives	5.8			4.5
Other investment	211.9		117.8	
<b>Movements in reserves<sup>3</sup></b>	<b>2.3</b>		<b>36.4</b>	
<b>Net errors and omissions</b>		<b>16.3</b>		<b>21.1</b>

<sup>1</sup> Provisional.

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

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

Source: NSO.



(see Table 5.1). This was entirely due to a sharp fall in the value of exports, which caused the merchandise trade gap to widen significantly. At the same time, a larger surplus was recorded on services, while the income account swung from a deficit to a surplus (see Chart 5.1).

## Goods

According to balance of payments data, the deficit on merchandise trade widened to Lm86.1 million, from Lm34.7 million in the first quarter of 2004.<sup>1</sup> Export growth remained negative, with the value of foreign sales dropping by Lm45.9 million, or 19.3%. At the same time, the value of imports increased by Lm5.5 million, or 2%.

According to Customs data, however, the value of imports dropped during the quarter (see Table 5.2). This divergence between the Customs and the balance of payments data is mainly attributable to a registration scheme for yachts launched during the first quarter of 2004, when yachts registered under the scheme were recorded as imports of capital goods in the Customs data set but not in the balance of payments data.<sup>2</sup>

More than half of the drop in the value of exports reflected a decline in the value of foreign sales of

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

	<i>Lm millions</i>			
	Q1		Change	
	2004	2005 <sup>1</sup>	Amount	%
<b>Imports</b>	<b>312.9</b>	<b>294.2</b>	<b>-18.7</b>	<b>-6.0</b>
Consumer goods	71.2	76.1	4.9	6.9
Industrial supplies	141.2	139.1	-2.1	-1.5
Capital goods & others	70.1	53.2	-16.9	-24.1
Fuel and lubricants	30.4	25.8	-4.6	-15.1
<b>Exports</b>	<b>235.8</b>	<b>185.0</b>	<b>-50.8</b>	<b>-21.5</b>
<b>Trade balance</b>	<b>-77.1</b>	<b>-109.2</b>	<b>-32.1</b>	<b>41.6</b>

<sup>1</sup> Provisional

Source: NSO.

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

<sup>2</sup> The scheme involved the lowering of the VAT rate charged on yachts and other vessels for pleasure to 5% between 1 December 2003 and 15 April 2004.

machinery and transport equipment, which was down by Lm30.7 million, or 20.9%, partly reflecting the drop in the price of electronic components, although exports of fuels and lubricants, miscellaneous manufactured articles and chemicals, which include pharmaceuticals, were also down. The cessation of oil bunkering activity, during 2004, by one firm brought about a drop in both exports and imports of fuels and lubricants. The decline in foreign sales of chemicals, however, reflected exceptionally high exports in the first quarter of 2004.

The drop in imports, on the other hand, mainly reflected the registration of yachts in the same quarter a year before, as explained above. This had resulted in an exceptional increase in imports of capital goods during the first quarter of 2004 and a corresponding fall during the first quarter of 2005. Purchases of fuels and lubricants were also down from the previous year's levels, reflecting the decline in bunkering activity, as were imports of industrial supplies. However, imports of consumer goods, particularly food and beverages and durable goods, continued to increase.

The Customs data indicate that during April the trade gap narrowed, as imports fell at a faster pace than exports. This was partly due to a drop in imports of industrial supplies and capital goods, with the latter still reflecting the impact on the data of last year's registration of yachts. But imports of consumer goods, which had increased persistently throughout the second half of 2004 and early 2005, also declined during the month.

Meanwhile, the downward trend in foreign sales of machinery and transport equipment persisted, leading to a further drop in the value of exports, although most of the other categories of exports also registered a decline.

### ***Services, income and transfers***

After having contracted in the previous three

quarters, the surplus on services rose by Lm6.2 million to Lm25 million during the first quarter. This was mainly attributable to higher receipts from other transport services and freight, which turned a deficit on the transport account to a surplus. By contrast, net travel receipts were down by Lm2.8 million as payments made by Maltese travelling abroad continued to increase, rising by 11.2% to Lm19.9 million, while travel receipts were down by Lm0.8 million to Lm45.5 million.

At the same time, payments for professional, technical and other miscellaneous services provided by non-residents were also down when compared to the same quarter last year, contributing to the higher surplus on services.

Meanwhile, the income account swung from a deficit of Lm2.5 million in the first quarter of 2004 to a surplus of Lm6.9 million. This shift was partly due to a drop in profits registered by foreign-owned companies operating from Malta as well as higher net interest income received by financial institutions. At the same time, the deficit on current transfers narrowed, albeit only marginally, when compared to the same quarter last year.

### **The capital and financial account**

Excluding movements in reserves, net inflows of Lm45.5 million were recorded on the capital and financial account during the first quarter, up by Lm6.1 million from the previous year's level. The increase was entirely due to higher inflows on the capital account, as net inflows on the financial account were smaller than in the same quarter last year. Inflows on the capital account, however, rose by Lm16.7 million to Lm16.8 million, although the increase mainly reflected the receipt of funds by way of official transfers from the EU and Italy.

In contrast, net financial inflows were down by Lm10.6 million to Lm28.7 million. The decline was mainly due to lower 'other investment' inflows,

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

Period	MTL/EUR <sup>1</sup>	USD/MTL	GBP/MTL	JPY/MTL
Average for Q1 2005	0.4316	3.0399	1.6072	317.4
Average for Q1 2004	0.4283	2.9212	1.5869	313.4
% change	0.8	4.1	1.3	1.3
Closing rate on 30.03.2005	0.4305	3.0065	1.5981	323.0
Closing rate on 31.12.2004	0.4343	3.1392	1.6252	321.7
% change	-0.9	-4.2	-1.7	0.4

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

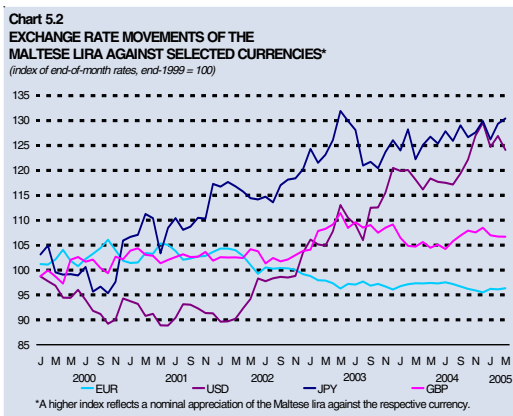
which fell by Lm94.1 million to Lm117.8 million, reflecting slower growth in the banking sector's foreign liabilities. At the same time, large trade credits received by the non-monetary sector in the first quarter of 2004 were not repeated to the same extent during the first three months of 2005. Moreover net inflows from trade in financial derivatives, which include transactions in swaps, options and futures, swung to net outflows.

On the other hand, net portfolio outflows dropped by Lm81.9 million to Lm116.9 million, as the banking sector moderated its investment in foreign bonds and notes. In addition, net direct investment inflows were up from the previous year's level, as 'other capital' outflows, which include inter-company loans, contracted.

As a result of these developments, reserve assets continued to decline, albeit at a slower pace than in the fourth quarter of 2004. Net errors and omissions, which contrary to previous quarters were recorded on the debit side, were larger than those registered during the corresponding quarter of 2004.

**The Maltese lira**

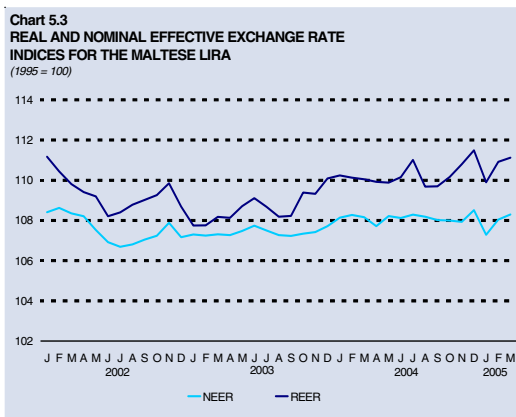
During the first quarter of 2005, the Maltese lira appreciated by 0.9% against the euro, reversing the previous trend. This was due to a sudden appreciation of the US dollar against the euro in late December 2004, which persisted throughout the quarter. As a result, the Maltese lira also lost ground against the dollar and sterling, against which it dropped by 4.2% and 1.7%, respectively. On the other hand, the lira continued to appreciate





against the Japanese yen, albeit at a slower pace than in the previous three quarters (see Chart 5.2). On average, however, when compared to the first quarter of 2004, the Maltese lira depreciated against the euro and continued to appreciate against the US dollar and the yen (see Table 5.1). At the same time, after having weakened throughout 2004, the lira was, on average, stronger against the British pound in the first quarter of 2005.

Between December 2004 and March 2005, the NEER and REER of the Maltese lira both declined, by 0.2% and 0.3%, respectively.<sup>3</sup> The drop in the NEER was mainly due to the depreciation of the Maltese lira against the US dollar and sterling, while that of the REER reflected this nominal depreciation coupled with



lower inflation in Malta than in its main trading partners and competitors during the quarter (see Chart 5.3).

<sup>3</sup> The index covers 25 countries and uses double weights, allowing for the importance of competitor countries in foreign markets. Consumer price indices are used as a measure of prices.

## Box 2: MALTA'S ENTRY INTO ERM II

On 29 April 2005, the euro area members, the ECB and the monetary authorities of Denmark, Estonia, Lithuania and Slovenia<sup>1</sup> – the current participants – approved the entry of Malta (together with Cyprus and Latvia) into ERM II as from 2 May 2005. Malta's decision to apply for entry into ERM II was taken by the Prime Minister and Minister of Finance on the recommendation of the Governor of the Central Bank of Malta. The decision was taken against the background of a comprehensive assessment of the Maltese economy and consultations with the European Commission, the Economic and Financial Committee and the ECB.

ERM II was established by a Resolution of the European Council of 16 June 1997<sup>2</sup> in order to link the currencies of EU Member States outside the euro area to the euro. It acts as an arrangement for managing exchange rates between the currencies of Member States participating in the mechanism and the euro. The mechanism thus helps to ensure that participating EU Member States outside the euro-area orient their policies to stability, foster convergence and prepare to eventually adopt the euro as their national currency.

In order to adopt the euro, Malta has to achieve a high degree of sustainable economic convergence with the rest of the euro area. This is to be assessed by the EU Council on the basis of reports produced by the Commission and the ECB on the degree of Malta's fulfilment of the Maastricht convergence criteria relating to price

stability, fiscal performance, interest rate levels and exchange rate stability.<sup>3</sup> In the case of the latter, therefore, participation in ERM II is a necessary condition before Malta can qualify to adopt the euro as its national currency. In fact, when assessing compliance with the exchange rate stability criterion, the emphasis will be placed on the exchange rate staying close to its central rate against the euro without severe tensions for a period of at least two years, while factors that may have led to an appreciation of the exchange rate will also be considered.

ERM II is based on central rates against the euro, with participating currencies allowed a standard fluctuation band of plus or minus 15% around their central rate. At the same time, all parties to the agreements on central rates, including the ECB, have the right to initiate a confidential procedure aimed at reconsidering a participating currency's central rate should they deem this to be inappropriate.<sup>4</sup>

The Maltese lira entered ERM II with a central parity rate of MTL/EUR 0.429300, which was the exchange rate prevailing at the close of business on Friday, 29 April 2005.<sup>5</sup> In order to retain the stability and benefits of a fixed exchange rate regime enjoyed in the past, however, the Maltese Authorities simultaneously made a unilateral commitment to keep the exchange rate of the lira against the euro unchanged at the central rate throughout the ERM II phase. In effect this means that upon entry into the mechanism, the Maltese lira was simply re-pegged from a three-

<sup>1</sup> Denmark, Estonia, Lithuania and Slovenia were then the non-euro area Member States participating in ERM II.

<sup>2</sup> Resolution of the European Council on the establishment of an exchange-rate mechanism in the third stage of economic and monetary union, Amsterdam, 16 June 1997 (OJ C 236, 2.8.1997).

<sup>3</sup> The Maastricht convergence criteria are set out in Article 121 of the Treaty establishing the European Community.

<sup>4</sup> Paragraph 2.3 of the Amsterdam Resolution of the European Council, 1997 (see footnote 3).

<sup>5</sup> The requirement for mutual agreement on the decisions on central rates between all the parties concerned is specified in Article 2.3 of the Amsterdam Resolution of the European Council of 16 June 1997.

currency basket to a single currency, the euro.<sup>6</sup> A notable feature of this arrangement is that it eliminates all exchange rate fluctuations with Malta's biggest trading partner, the euro area. Simultaneously, however, movements against the other two currencies previously making up the currency basket, sterling and the US dollar, may become more marked than previously.

The credibility of this arrangement will to a large extent depend on the pursuit of stability-oriented policies and the convergence of economic fundamentals to euro-area levels. For these reasons, the Maltese Authorities have committed themselves to pursue sound fiscal policies, including the containment of current government expenditure and the reduction of the high debt

level. This should help preserve macroeconomic stability, contain the deficit on the current account of the balance of payments, and ensure the sustainability of the convergence process.

Entry into ERM II does not affect the right of the Central Bank of Malta to set monetary policy in Malta. In fact, throughout the ERM II phase, and as long as Malta remains outside the euro area, the Central Bank of Malta will continue to determine official interest rates in Malta. The right to conduct monetary policy will only be relinquished when Malta adopts the euro as its national currency. Until then, the Maltese lira will remain Malta's sole national and legal tender currency and the euro will remain, and continue to be treated as, a foreign currency.

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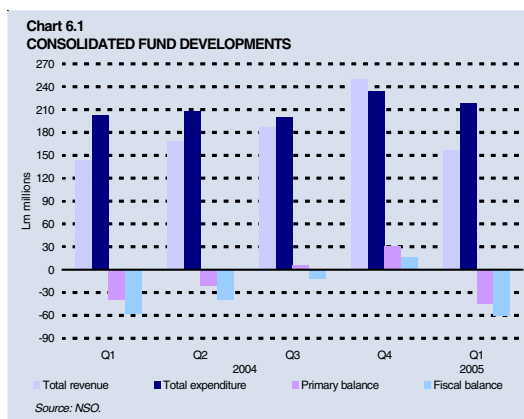
<sup>6</sup> Since the Maltese lira is now pegged to the euro, its value against other currencies will vary according to how the euro itself moves against these currencies on international foreign exchange markets.

## 6. GOVERNMENT FINANCE

In the first quarter of 2005 the balance on the Consolidated Fund swung back into deficit, in line with the usual seasonal pattern. Compared with the first three months of 2004, the fiscal imbalance widened by Lm3 million, reaching Lm61.2 million (see Chart 6.1). In absolute terms, government expenditure growth exceeded that in revenue. In the comparable quarter of 2004 Malta had not yet acceded to the EU and so the noticeable shifts in revenue and expenditure patterns following accession in May had not taken place. Thus, in the first quarter of this year, EU grants boosted revenue considerably, while contributions to the EU budget accounted for a significant rise in expenditure. Data for April indicate that the deficit on the Consolidated Fund continued to widen.

### Revenue

Revenue for the first quarter of 2005 rose by Lm13.1 million, or 9.1%, when compared to the corresponding period a year earlier, reaching Lm157.1 million (see Table 6.1). This increase was entirely driven by higher non-tax revenue, but was dampened by a drop in both direct and indirect taxes, with the latter mainly reflecting the impact of one-off licence receipts during the same period of 2004.



Non-tax revenue increased by Lm19.9 million, fuelled mainly by EU grants – which became available after accession – and funds received under the Fifth Italian Financial Protocol. However, these inflows were partly offset by a Lm4 million drop in Central Bank of Malta profits transferred to government.

Indirect tax revenue dipped by Lm6.3 million, as lower yields from duties and licences, taxes & fines outweighed additional VAT inflows. Revenue from licences, taxes and fines decreased mainly on account of the one-time licence payment by the new private sector operators of the national lottery in 2004, which had amounted to Lm5 million. However, this drop was accentuated by a decline in receipts from levies on imports from the EU, which were removed upon accession. At the same time, inflows from Customs and Excise also decreased, as higher receipts from duties on mobile telephony, kerosene, cigarettes and other tobacco products – as a result of measures introduced in the latest Budget – were neutralised by the removal of the remaining duties on EU products on 1 May 2004. In contrast, VAT receipts rose by almost Lm4 million, partly resulting from higher nominal private consumption but also because of the increase in the standard VAT rate that took place in January 2004, which did not have its full impact immediately since payments are made in arrears.

At the same time, direct tax revenue declined by Lm0.5 million, as a drop in income tax proceeds exceeded the rise in social security contributions.

### Expenditure

Expenditure during the first quarter of 2005 grew by Lm16.1 million, or 8%, from the corresponding period of the previous year, reaching Lm218.3 million. Around two-thirds of this rise reflected higher recurrent spending, while capital outlays accounted for the remaining third.

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

	<i>Lm millions</i>			
	2004 Q1	2005 Q1	Change	
			Amount	%
<b>Revenue</b>	<b>144.0</b>	<b>157.1</b>	<b>13.1</b>	<b>9.1</b>
<b>Direct tax</b>	<b>47.2</b>	<b>46.7</b>	<b>-0.5</b>	<b>-1.2</b>
Income tax	24.4	22.3	-2.1	-8.7
Social security contributions <sup>1</sup>	22.8	24.4	1.6	7.0
<b>Indirect tax</b>	<b>75.1</b>	<b>68.8</b>	<b>-6.3</b>	<b>-8.3</b>
Value Added Tax	33.6	37.5	3.9	11.6
Customs & excise duties	14.5	12.1	-2.5	-16.9
Licences, taxes & fines	27.0	19.2	-7.7	-28.6
<b>Non-tax revenue</b>	<b>21.6</b>	<b>41.6</b>	<b>19.9</b>	<b>92.1</b>
Central Bank of Malta profits	15.0	11.0	-4.0	-26.7
Other revenue <sup>2</sup>	6.6	30.6	23.9	+
<b>Expenditure</b>	<b>202.2</b>	<b>218.3</b>	<b>16.1</b>	<b>8.0</b>
<b>Recurrent expenditure<sup>1</sup></b>	<b>179.2</b>	<b>189.8</b>	<b>10.7</b>	<b>6.0</b>
Personal emoluments	47.4	46.0	-1.4	-2.9
Programmes and other operational expenditure <sup>3</sup>	95.2	110.2	15.0	15.7
Contributions to entities	18.2	17.1	-1.1	-5.8
Interest payments	18.2	16.4	-1.8	-9.9
Other expenditure	0.1	0.1	0	-24.8
<b>Capital expenditure</b>	<b>23.0</b>	<b>28.5</b>	<b>5.4</b>	<b>23.6</b>
<b>Primary balance<sup>4</sup></b>	<b>-40.0</b>	<b>-44.8</b>	<b>-4.8</b>	<b>-12.0</b>
<b>Consolidated Fund balance<sup>5</sup></b>	<b>-58.2</b>	<b>-61.2</b>	<b>-3.0</b>	<b>-5.1</b>

+ indicates a value exceeding +/- 100%

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

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

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

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

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

Source: NSO.

Recurrent expenditure rose by Lm10.7 million, driven entirely by higher spending on programmes and other operational expenditure.<sup>1</sup> The latter mainly reflected Malta's contributions to the EU budget, which began to fall due after accession, and an increase in social security benefits – mostly retirement pensions. At the same time, interest payments dropped by Lm1.8 million, probably due to the timing of recording of payments of dividends on public long-term debt. Although maturing government stocks were rolled over at a lower interest rate, gross government debt outstanding increased. Lower spending was also registered in the remaining categories. A decline in the government's wage bill partly reflected one-off payments to employees to compensate for the rise in the standard VAT rate in 2004, while contributions to entities decreased following lower transfers to Malta Investment Management Co. Ltd. (MIMCOL) and the Water Services Corporation.

Capital outlays increased by Lm5.4 million, boosting expenditure growth. Higher spending on roads, equipment and the acquisition of property was partly offset by a drop in outlays on the new hospital.

### Government debt and financing operations

The fiscal imbalance for the first quarter of 2005 was partly financed through a new issue of Malta Government stocks (MGS), amounting to Lm40 million, (see Table 6.2) and by drawings on government deposits with the Central Bank of Malta. This rise was, however, dampened by a drop in short-term borrowing, with the amount of Treasury bills outstanding declining by Lm6 million. Furthermore, foreign loans also declined marginally, partly because of repayments and partly because of favourable exchange rate movements.

Hence, gross government debt increased by

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

	2004				2005
	Q1	Q2	Q3	Q4	Q1
<b>Balance on the Consolidated Fund</b>	<b>-58.2</b>	<b>-39.2</b>	<b>-12.4</b>	<b>15.8</b>	<b>-61.2</b>
<i>Changes in</i>					
<b>Gross government debt</b>	<b>19.9</b>	<b>53.5</b>	<b>15.3</b>	<b>5.9</b>	<b>33.5</b>
Malta Government stocks	0	48.0	22.4	29.5	40.0
Treasury bills	20.7	6.8	-7.3	-7.2	-6.0
Domestic loans <sup>2</sup>	0	0	0	-14.4	0
Foreign loans	-0.8	-1.3	0.1	-2.0	-0.5

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

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

Source: Central Bank of Malta.

<sup>1</sup> As from January 2005, spending on medicines and surgical supplies, which accounted for around one-third of government spending on operations and maintenance in 2004, was reclassified under the programmes and initiatives category. For the purpose of this analysis, both categories of expenditure have been combined as 'programmes and other operational expenditure'.

Lm33.5 million over the previous quarter, reaching Lm1,387.6 million. MGS amounted to Lm1,052.8 million, or 75.9% of total outstanding debt, while Treasury bills totalled Lm239.3

million, or 17.2%. Domestic and foreign loans, which stood at Lm27.4 million and Lm68.1 million, respectively, accounted for the remainder.

## NEWS NOTES

### LOCAL NEWS

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

On 8 April the Central Bank of Malta raised the central intervention rate by 25 basis points to 3.25%. The decision was taken by the Governor at the end of the Monetary Policy Advisory Council meeting. The Governor noted that, in a domestic financial environment that was otherwise stable, the external reserves resumed their decline in March and early April. Although this continued to reflect a number of structural factors, including the liberalisation of trade and capital movements and the rise in the fuel import bill, the resulting pressures on the balance of payments were compounded by strong growth in bank lending to the personal sector, which was accentuating the shift in consumption towards imports seen in previous months.

The decision to raise interest rates aimed to curb excessive credit growth, dampen resulting inflationary pressures and help to correct the existing imbalance between saving and spending, which was not sustainable in the medium-term. It also echoed the Council's view that concerns over this imbalance outweighed concerns about the possible impact of higher interest rates on economic activity.

#### **Entry of the Malta lira into the Exchange Rate Mechanism II (ERM II)**

On 29 April the euro area members, the ECB and the monetary authorities of Denmark, Estonia, Lithuania and Slovenia – the current participants in ERM II – approved the entry of Cyprus, Latvia and Malta in ERM II as from 2 May 2005. Malta's decision to apply for entry to ERM II was taken by the Prime Minister and Minister of Finance on

the recommendation of the Central Bank of Malta. It was taken against the background of a comprehensive economic assessment and consultations with the European Commission, the Economic and Financial Committee and the ECB. The Maltese lira entered ERM II with a central parity rate of MTL/EUR 0.429300. In order to retain the same stability and benefits of a fixed exchange rate regime enjoyed in the past, the Maltese authorities decided unilaterally to maintain the MTL/EUR rate unchanged during the ERM II phase.

The decision with regard to the central parity rate was consistent with the recommendation made by the Central Bank of Malta in response to a request from the Government of Malta in accordance with Article 40 of the Central Bank of Malta Act. The recommendation was made on the assumption that the fiscal targets set in the Government's Convergence Programme 2004-2007 would be assiduously pursued and that a steady pace of structural reform would be maintained. These commitments were necessary to endow the economy with the necessary flexibility that would enable it to respond to any unfavourable economic developments, improve Malta's international competitiveness and achieve a more favourable balance of payments position. Fiscal discipline and structural reform are critical for attaining the high degree of exchange rate stability implied by the Bank's recommendation.

The Communiqué issued by the European Commission following the meeting of 29 April stated that the Maltese Authorities and the EU will monitor closely Malta's progress towards the fiscal targets set out in the Convergence Programme of the Government to ensure that any slippages are promptly detected and corrected. They will also monitor wage developments to



ensure that these continue to reflect productivity developments. This, as well as the continuation of structural reforms, will be necessary to preserve the economy's capacity to adapt to external developments and its competitiveness.

### **Quotation and publication of exchange rate**

On 1 April banks in Malta began quoting and publishing the exchange rate of the Maltese lira against the euro solely in terms of units of Maltese lira per EUR 1.00, thus conforming with the market convention for quotations of the euro against other currencies. All dealings in euro against the Maltese lira started being transacted at the day's applicable exchange rate quoted on this basis. As regards the exchange rate of the Maltese lira against all other currencies, the rate continues to be quoted in terms of number of units of foreign currency per one Maltese lira.

### **Malta joins the International Finance Corporation (IFC)**

On 7 June Malta signed the Articles of Agreement of the IFC and thus became the 178<sup>th</sup> Member of the IFC, an affiliate of the World Bank Group. This signifies that Maltese entities can partner the IFC in financing private sector projects in developing countries.

### **New set of current Maltese decimal coins issued**

On 15 June the Central Bank of Malta announced the issue of a new decimal coin set dated 2005. The set consists of the seven current Maltese coins of the Second Series (Lm1, 50c, 25c, 10c, 5c, 2c, and 1c) and a 2mils coin of the First Series. The coins were struck at the Royal Mint of the UK, with a minting limit of 17,500 sets. The designs on the obverse and reverse sides of the coins remain unchanged.

### **Malta Government Securities issued**

On 6 May the Government of Malta issued the

following securities, announced through LNs 134 and 135. As the stocks were oversubscribed, the Accountant General exercised the right to increase the sum of money to be raised and the amounts issued were raised by a further Lm20 million, as follows:

- Lm25 million worth of 5% MGS 2021 (Fungibility Issue). This stock was issued at par for amounts not exceeding Lm50,000 and by auction for bids exceeding this amount.
- Lm35 million worth of 5.7% MGS 2014 (Third Issue) (Fungibility Issue). This stock was issued by auction for bids exceeding Lm50,000 at not less than Lm108 per Lm100 nominal.

### **Legal Notices on banking and financial issues**

- **External Transactions Act (Cap. 223), Investment Registration Scheme Regulations 2005, issued on 22 April 2005 through LN 121.** The scope of these regulations is to provide for the establishment of the Investment Registration Scheme, whereby residents of Malta who held assets outside Malta without the necessary exchange control authorisation, and/or without declaring the relevant income (including capital gains) for the purposes of the Income Tax Act, may regularise their position under the External Transactions Act, the Income Tax Act and other relevant laws. This was the third time that the Government launched an Investment Registration Scheme.
- **European Union Act (Act V of 2003), Implementation of Directive 2005/1/EC (to establish a new organisational structure for financial services committees) Order 2005, issued on 26 April 2005 through LN 124.** This implements Directive 2005/1/EC, which establishes a new organisational structure for

financial services committees. In this Order, the Directive means the provisions of Council Directive 2005/1/EC of the European Parliament and of the Council of 9 March 2005, amending Council Directives 73/239/EEC, 85/611/EEC, 91/675/EEC, 92/49/EEC, and 93/6/EEC, and Directives 94/19/EC, 98/78/EC, 2000/12/EC, 2001/34/EC, 2002/83/EC and 2002/87.

### **S&P merges Malta's long-term ratings**

On 12 May the credit ratings agency Standards and Poor announced that it had converged Malta's long-term local and foreign currency sovereign credit ratings at A. Previously, the long-term local and foreign currency ratings on Malta were A+ and A, respectively. The agency explained that this convergence reflects its expectation that Malta will join the European Monetary Union as early as 2008, following the country's entry into ERM II on 2 May 2005.

### **FIMBank signs USD 30 million syndicated trade finance loan**

On 14 June Standard Bank and SanPaolo IMI, as Mandated Arrangers for a syndicate consisting of 15 lenders from 12 countries, signed a USD 30 million syndicated trade finance facility on behalf of FIMBank plc. The transaction was FIMBank's first appearance on the Euroloan market and was 100% oversubscribed from an initial launch amount of USD 15 million. The proceeds of this transaction, which is for a duration of 12 months, are to be used to support the bank's global trade finance activities.

### **FIMBank signs loan agreement with World Bank**

On 30 June FIMBank plc announced it had signed a USD 10 million convertible loan agreement with the International Finance Corporation (IFC), a subsidiary of the World Bank Group. The bank said that in terms of the

mandate letter signed between both parties on 7 April, IFC was authorised to perform services for the appraisal of a proposed project. This consists of an IFC investment in the company by way of a subordinated long-term convertible loan of up to USD 10 million and participation by the company in IFC's global trade finance facility for up to USD 5 million. This loan will be utilised to finance the expansion of the Group's operations through the establishment of specialised trade finance institutions in IFC member countries.

## **INTERNATIONAL NEWS**

### **ECOFIN meetings**

The ECOFIN Council met twice during the second quarter.

On 12 April the Council gave its Opinion on the measures taken by Greece to put an end to its excessive deficit situation by 2006, and concluded that no further steps in the excessive deficit procedure were needed at the present time. The Council also took note of the state of play as regards the signing and ratification of agreements on taxation of savings with Andorra, Liechtenstein, Monaco, San Marino, Switzerland and ten dependent and associated territories of the Member States, and agreed on certain issues relating to the application of the EU Savings Tax Directive. All these measures entered into force on 1 July 2005.

On 7 June the Council approved a Directive designed to prevent money laundering, in particular for the purposes of funding terrorism, and a general approach on a draft Directive reinforcing the transparency obligations relating to company accounts. It also concluded the excessive deficit procedure initiated last year for the Netherlands.

### **IMF - World Bank 2005 Spring Meetings**

On 16-17 April, the joint World Bank and IMF Development Committee and the IMF's International Monetary and Financial Committee held meetings to discuss progress on the work of the Bank and the Fund.

The IMFC welcomed the continuing global recovery and improved resilience of the international financial system, but expressed its concern about rising oil prices and the persistence of macroeconomic imbalances in countries that are major economic players, as well

as the lack of progress in achieving the Millennium Development Goals by 2015.

The Development Committee called upon the international community to deliver on its commitments to increase financing for development and facilitate market access. It welcomed the positive growth record of developing and emerging economies, but cautioned against the downside risks that continue to impinge on future prospects in many low-income countries, particularly those with a high-debt burden.



# STATISTICAL TABLES



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

(as at end-March 2005, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km <sup>2</sup>		
CURRENCY UNIT	Maltese lira exchange rates: MTL1 = USD 3.0065 MTL1 = EUR 0.4305		
CLIMATE	Average temperature (1990-2004): Dec. - Feb.	13.2° C	
	June - Aug.	26.1° C	
	Average annual rainfall (1990-2004)	603.75mm	
SELECTED GENERAL	GDP growth at constant 2000 prices <sup>1</sup> (2004)	1%	
ECONOMIC STATISTICS	GDP per inhabitant at current market prices <sup>1,2</sup> (2004)	USD 13,306	
	GDP per capita in PPS relative to the EU-25 average <sup>1</sup> (2004)	71.1%	
	Ratio of gross general government debt to GDP <sup>1,3</sup> (2004)	75.9%	
	Ratio of general government deficit to GDP <sup>1,3</sup> (2004)	5.2%	
	Retail Price Index - inflation rate	2.8%	
	Harmonised Index of Consumer Prices - inflation rate	2.7%	
	Ratio of exports of goods and services to GDP <sup>1</sup> (2004)	76.3%	
	Ratio of current account deficit to GDP <sup>1</sup> (2004)	10.1%	
	Employment rate	54.6%	
	Unemployment rate	6.7%	
	POPULATION	Total Maltese and foreigners (Dec. 2004)	402,668
		Males	199,580
Females		203,088	
Age composition in % of population (Dec. 2004)			
0 - 14		18%	
15 - 64		69%	
65 +		13%	
Average annual growth rate (1990-2004)	0.78%		
Density per km <sup>2</sup> (Dec. 2004)	1,274		
HEALTH	Life expectancy at birth - Males (Dec. 2004)	76.4	
	- Females (Dec. 2004)	80.4	
	Crude birth rate, per 1,000 Maltese inhabitants (Dec. 2004)	9.7	
	Crude mortality rate, per 1,000 Maltese inhabitants (Dec. 2004)	7.47	
	Doctors (2004)	1,170	
EDUCATION	Combined gross enrolment ratio % (2001/2002)	77	
	Number of educational institutions (2003/2004)	289	
	Teachers per 1,000 students (2003/2004)	85	
	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 (2002)	31	
	Mobile phone subscriptions per 100 population	78.5	
	Private motor vehicle licences per 1,000 population	511	
	Internet subscribers per 100 population	21.7	

<sup>1</sup> Provisional.

<sup>2</sup> Based on Eurostat estimate of GDP at current market prices in euro per inhabitant.

<sup>3</sup> Source: Excessive Deficit Procedure Notification.

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

**The monetary and financial statistics shown in the 'Statistical Tables' annex are compiled from information submitted to the Central Bank of Malta by the following credit institutions, as at March 2005:**

**Deposit Money Banks**

APS Bank Ltd.

Bank of Valletta plc

HSBC Bank Malta plc

Lombard Bank (Malta) plc

HSBC Home Loans (Malta) Ltd. (from January 2001)

Volksbank Malta Ltd. (from November 2002)

BAWAG Malta Bank Ltd. (from October 2003)

First International Merchant Bank plc (from October 2003)

**International Banking Institutions**

Akbank TAS

Disbank Malta Ltd.

Erste Bank (Malta) Ltd.

Investkredit International Bank Ltd.

Izola Bank Ltd.

Raiffeisen Malta Bank plc

Sparkasse Bank Malta plc

Turkiye Garanti Bankasi AS



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

*Liabilities*

*Lm thousands*

End of period	Currency notes & coins issued	IMF-related liabilities	Deposits				Capital & reserves	Foreign liabilities <sup>3</sup>	Other liabilities <sup>4</sup>
			Banks <sup>2,4</sup>	Government	Other	Total			
1999	418,485	34,980	124,786	96,188	12,424	233,398	89,050	-	42,631
2000	423,188	35,246	141,270	56,161	10,393	207,825	89,050	3,655	28,509
2001	441,829	35,103	146,789	69,080	7,644	223,513	95,069	-	31,827
2002	461,247	33,495	255,558	42,961	7,595	306,114	95,341	6,987	32,758

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	485,373	31,456	242,162	83,198	8,456	333,815	88,225	25,497	28,651
<b>2004</b>									
Jan.	477,011	31,456	292,241	70,700	7,245	370,186	87,943	14,013	16,868
Feb.	480,596	31,456	290,852	74,211	7,379	372,442	89,304	13,661	16,930
Mar.	486,005	31,456	282,376	70,448	7,666	360,490	89,658	7,800	12,712
Apr.	491,230	31,456	274,074	72,064	7,380	353,518	87,098	6,285	13,080
May	493,617	31,871	230,188	106,799	10,679	347,665	85,728	2,290	10,930
June	502,342	31,871	228,512	84,338	11,643	324,494	85,004	1	12,428
July	501,806	31,871	267,939	50,940	16,045	334,923	84,832	2,209	13,456
Aug.	503,876	31,871	234,958	94,891	16,428	346,278	85,341	5,326	14,896
Sept.	503,787	31,871	247,315	93,469	16,522	357,306	84,971	5,287	15,818
Oct.	503,769	31,871	231,992	82,895	14,618	329,505	85,137	5,314	17,155
Nov.	500,637	31,871	208,842	88,473	15,553	312,869	85,369	-	18,955
Dec.	506,406	30,568	166,318	115,661	11,147	293,126	86,016	-	20,028
<b>2005</b>									
Jan.	499,631	30,568	200,150	73,437	12,779	286,366	85,095	4,301	15,257
Feb.	501,987	30,568	175,810	91,829	10,651	278,289	83,816	4,307	11,329
Mar.	505,049	30,568	185,245	87,119	11,185	283,549	84,207	4,296	11,424

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

<sup>2</sup> Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995).

<sup>3</sup> Data prior to 2001 were included with "Other Liabilities".

<sup>4</sup> From December 2001, term deposits by banks previously classified as "Other Liabilities" are classified as "Bank Deposits".

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

*Assets*

*Lm thousands*

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

End of period	External Assets				IMF currency subscription	Central government securities	Other assets	Total assets/ Total liabilities
	Gold	IMF- related assets <sup>2</sup>	Other	Total				
2003	497	35,686	899,365	935,547	31,431	7,772	18,266	993,016
<b>2004</b>								
Jan.	492	35,745	908,614	944,851	31,431	5,908	15,286	997,476
Feb.	481	35,765	913,786	950,032	31,431	7,618	15,308	1,004,389
Mar.	523	36,228	896,106	932,858	31,431	8,329	15,504	988,122
Apr.	492	36,265	890,780	927,536	31,431	6,628	17,071	982,667
May	491	36,110	879,582	916,183	31,846	6,312	17,761	972,101
June	491	36,259	864,180	900,931	31,846	6,482	16,880	956,139
July	489	36,104	869,581	906,175	31,846	14,893	16,182	969,096
Aug.	512	36,411	888,356	925,279	31,846	13,429	17,033	987,587
Sept.	512	35,934	892,037	928,482	31,846	20,453	18,258	999,040
Oct.	512	35,824	868,019	904,355	31,846	16,922	19,628	972,750
Nov.	524	35,455	847,666	883,645	31,846	14,425	19,784	949,700
Dec.	497	35,136	824,921	860,554	30,543	21,338	23,708	936,143
<b>2005</b>								
Jan.	498	35,743	815,051	851,292	30,543	15,038	24,344	921,217
Feb.	505	35,534	813,914	849,953	30,543	5,704	24,095	910,296
Mar.	504	35,791	784,154	820,450	30,543	20,711	47,388	919,092

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

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

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

*Liabilities*

*Lm thousands*

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

End of period	Resident deposits <sup>1</sup>				External liabilities	Debt securities issued	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	1,047,817	28,782	1,599,172	2,675,772	1,077,630	46,638	599,911	350,272
<b>2004</b>								
Jan.	1,060,800	29,375	1,596,415	2,686,590	1,095,935	46,598	600,927	353,314
Feb.	1,089,949	29,356	1,591,050	2,710,355	1,189,417	46,564	603,897	339,199
Mar.	1,094,169	29,668	1,592,750	2,716,588	1,207,806	49,817	601,543	340,872
Apr.	1,120,871	31,997	1,585,467	2,738,334	1,184,591	50,097	649,104	344,013
May	1,101,281	29,380	1,590,064	2,720,725	1,206,292	49,889	652,127	346,613
June	1,116,388	29,414	1,595,115	2,740,917	1,208,629	49,915	655,746	330,304
July	1,136,678	29,837	1,605,164	2,771,679	1,237,404	49,934	660,607	322,273
Aug.	1,126,367	29,407	1,608,871	2,764,645	1,213,159	49,962	653,030	323,003
Sept.	1,132,442	29,475	1,605,685	2,767,602	1,333,436	49,711	653,317	331,161
Oct.	1,135,545	30,371	1,601,534	2,767,450	1,326,208	49,458	654,567	336,104
Nov.	1,128,026	28,916	1,594,997	2,751,940	1,340,872	49,046	664,323	342,456
Dec.	1,111,768	29,726	1,588,425	2,729,919	1,353,387	48,880	658,932	351,684
<b>2005</b>								
Jan.	1,134,267	30,241	1,590,581	2,755,088	1,340,362	48,858	640,397	340,731
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

<sup>1</sup> Includes Malta Government and private sector deposits but excludes deposits belonging to non-residents (these 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/ total liabilities
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000	152,739	729,614	1,608,023	601,427	150,727	3,242,530
2001	180,312	791,844	1,866,440	663,006	168,985	3,670,587
2002	294,778	1,299,603	1,899,173	667,087	173,107	4,333,748

End of period	Balances held with Central Bank of Malta <sup>1</sup>	Loans	Securities other than shares	Shares & other equity	External assets	Other assets	Total assets/ total liabilities
2003	260,873	1,909,932	622,093	216,477	1,405,740	335,107	4,750,222
<b>2004</b>							
Jan.	312,047	1,902,808	607,539	215,368	1,406,513	339,089	4,783,362
Feb.	307,741	1,905,858	628,275	214,980	1,495,175	337,404	4,889,433
Mar.	298,278	1,947,956	649,840	211,193	1,500,755	308,603	4,916,626
Apr.	295,735	1,939,989	657,379	209,856	1,542,336	320,845	4,966,140
May	249,406	1,955,450	680,574	210,607	1,550,744	328,834	4,975,616
June	247,127	1,964,152	675,661	210,762	1,576,363	311,448	4,985,513
July	287,482	1,965,875	657,162	210,187	1,606,035	315,156	5,041,897
Aug.	255,095	1,974,645	666,967	210,823	1,569,054	327,214	5,003,797
Sept.	268,144	2,017,036	656,712	211,999	1,688,383	292,954	5,135,227
Oct.	253,636	2,004,395	669,438	213,281	1,694,696	298,341	5,133,788
Nov.	227,690	2,011,774	675,385	214,141	1,706,541	313,108	5,148,638
Dec.	192,578	2,029,380	657,326	214,966	1,712,594	335,959	5,142,801
<b>2005</b>							
Jan.	217,326	2,030,714	646,267	201,556	1,716,561	313,023	5,125,446
Feb.	195,737	2,049,098	677,904	201,896	1,702,599	310,808	5,138,040
Mar.	202,118	2,078,525	662,915	198,703	1,678,984	306,698	5,127,944

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

**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	-	491	955	2,748,650	182,443	2,526	2,934,574
<b>2004</b>								
Jan.	366	-	258	624	2,811,509	185,362	2,847	3,000,343
Feb.	415	-	281	696	2,778,925	190,700	3,300	2,973,622
Mar.	255	-	285	539	2,893,122	201,506	3,477	3,098,645
Apr.	669	-	288	957	2,995,185	192,016	3,180	3,191,337
May	135	-	287	422	3,018,477	192,800	3,420	3,215,119
June	201	-	286	487	2,984,665	199,220	3,586	3,187,957
July	227	87	280	593	2,995,279	204,883	3,726	3,204,481
Aug.	361	113	287	761	3,325,764	215,068	3,682	3,545,275
Sept.	213	202	286	701	3,318,199	214,450	2,582	3,535,932
Oct.	138	327	273	739	3,354,721	217,843	3,699	3,577,001
Nov.	135	320	273	729	3,322,900	218,409	3,942	3,545,980
Dec.	27	310	304	642	3,561,382	236,763	4,257	3,803,045
<b>2005</b>								
Jan.	107	321	261	689	3,585,654	241,773	4,255	3,832,371
Feb.	49	316	270	635	3,588,293	237,861	3,568	3,830,357
Mar.	26	336	272	634	3,738,429	235,537	3,798	3,978,398

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES**  
**INTERNATIONAL BANKING INSTITUTIONS**  
*Assets*

*Lm thousands*

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

End of period	Balances held with Central Bank of Malta <sup>1</sup>	External assets	Securities other than shares	Shares and other equity	Other assets	Total assets
2003	-	2,917,645	0	613	16,314	2,934,573
<b>2004</b>						
Jan.	-	2,983,356	0	629	16,358	3,000,342
Feb.	-	2,956,685	0	633	16,303	2,973,622
Mar.	-	3,081,612	0	633	16,400	3,098,644
Apr.	-	3,174,201	0	629	16,507	3,191,338
May	-	3,198,105	0	624	16,389	3,215,118
June	-	3,171,551	0	620	15,785	3,187,957
July	-	3,185,702	0	632	18,148	3,204,482
Aug.	-	3,525,363	0	645	19,265	3,545,274
Sept.	-	3,509,511	0	639	25,781	3,535,932
Oct.	-	3,552,439	0	639	23,923	3,577,001
Nov.	-	3,527,014	0	644	18,323	3,545,981
Dec.	-	3,775,464	0	647	26,933	3,803,045
<b>2005</b>						
Jan.	-	3,804,711	0	415	27,245	3,832,372
Feb.	-	3,802,836	0	421	27,099	3,830,357
Mar.	-	3,950,433	0	422	27,544	3,978,399

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

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

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

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

End of period	Domestic credit			Net foreign assets			Broad money (M3)	Other counterparts to broad money (net)	Total assets/liabilities
	Net claims on central government <sup>2</sup>	Claims on other residents	Total	Central Bank of Malta	Other Monetary Financial Institutions	Total			
2003	568,436	2,080,347	2,648,782	919,841	497,106	1,416,946	2,849,244	1,216,487	4,065,729
<b>2004</b>									
Jan.	562,778	2,075,065	2,637,844	938,451	482,425	1,420,876	2,865,097	1,193,624	4,058,720
Feb.	579,392	2,080,089	2,659,480	944,205	483,518	1,427,723	2,894,167	1,193,037	4,087,203
Mar.	605,394	2,119,969	2,725,363	933,078	481,439	1,414,517	2,904,751	1,235,130	4,139,880
Apr.	601,279	2,119,975	2,721,254	929,852	536,761	1,466,613	2,933,596	1,254,270	4,187,867
May	565,803	2,156,714	2,722,517	920,605	524,081	1,444,685	2,914,066	1,253,136	4,167,202
June	585,382	2,164,778	2,750,161	906,856	554,620	1,461,477	2,939,288	1,272,347	4,211,637
July	606,953	2,166,226	2,773,179	904,183	559,054	1,463,236	2,970,160	1,266,255	4,236,415
Aug.	576,834	2,169,484	2,746,318	923,751	555,494	1,479,244	2,960,696	1,264,869	4,225,563
Sept.	573,062	2,210,356	2,783,418	928,657	546,259	1,474,916	2,960,436	1,297,898	4,258,334
Oct.	579,520	2,212,922	2,792,442	907,152	566,205	1,473,357	2,954,055	1,311,745	4,265,799
Nov.	581,027	2,218,028	2,799,055	890,747	569,783	1,460,530	2,941,838	1,317,747	4,259,585
Dec.	545,113	2,240,183	2,785,296	870,293	573,289	1,443,582	2,918,320	1,310,557	4,228,878
<b>2005</b>									
Jan.	565,119	2,232,203	2,797,322	856,284	595,255	1,451,539	2,936,569	1,312,292	4,248,861
Feb.	568,407	2,251,347	2,819,754	855,690	564,964	1,420,655	2,934,381	1,306,029	4,240,408
Mar.	565,591	2,280,415	2,846,007	826,212	565,684	1,391,895	2,925,295	1,312,606	4,237,902

<sup>1</sup> Includes Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995). All interbank transactions are excluded.

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

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

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

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



**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	MFI balances with Central Bank	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
<b>2004</b>												
Jan.	477,011	143,258	620,269	461,806	266,693	769,945	1,498,444	29,371	1,337,256	2,865,072	25	2,865,097
Feb.	480,596	151,271	631,867	464,226	275,150	791,753	1,531,128	29,352	1,333,687	2,894,167	-	2,894,167
Mar.	486,005	147,696	633,702	467,489	289,094	786,758	1,543,341	29,664	1,331,746	2,904,751	-	2,904,751
Apr.	491,230	134,088	625,318	472,514	305,138	801,086	1,578,738	31,992	1,322,867	2,933,596	-	2,933,596
May	493,617	152,351	645,968	476,693	300,935	782,932	1,560,560	29,375	1,324,132	2,914,066	-	2,914,066
June	502,342	144,286	646,628	481,560	306,566	790,863	1,578,989	29,409	1,330,890	2,939,288	-	2,939,288
July	501,806	154,925	656,731	483,457	314,267	801,352	1,599,076	29,918	1,341,166	2,970,160	-	2,970,160
Aug.	503,876	150,143	654,019	483,028	325,647	785,769	1,594,444	29,514	1,336,738	2,960,696	-	2,960,696
Sept.	503,787	159,502	663,288	484,035	323,859	788,343	1,596,237	29,672	1,334,526	2,960,436	-	2,960,436
Oct.	503,769	147,874	651,643	484,511	317,707	793,406	1,595,624	30,693	1,327,737	2,954,055	-	2,954,055
Nov.	500,637	152,522	653,158	480,486	321,976	789,170	1,591,633	29,231	1,320,973	2,941,838	-	2,941,838
Dec.	506,406	145,298	651,703	485,993	300,848	794,103	1,580,944	30,031	1,307,345	2,918,320	-	2,918,320
<b>2005</b>												
Jan.	499,631	170,323	669,954	482,964	312,306	802,873	1,598,143	30,556	1,307,869	2,936,569	-	2,936,569
Feb.	501,987	146,783	648,770	484,476	304,414	803,649	1,592,539	30,611	1,311,219	2,934,369	12	2,934,381
Mar.	505,049	175,232	680,281	484,636	302,470	798,558	1,585,664	30,108	1,309,511	2,925,283	12	2,925,295

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

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos <sup>1</sup>			Marginal lending facility during the period <sup>2</sup>	Term deposits <sup>3</sup>			Overnight deposit facility <sup>4</sup>
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900 <sup>5</sup>	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	104,800	106,400
<b>2004</b>								
Jan.	-	-	-	2,300	296,000	251,300	149,000	-
Feb.	-	-	-	-	285,600	295,000	139,600	5,350
Mar.	-	-	-	100	292,500	297,400	134,700	-
Apr.	-	-	-	-	287,300	282,000	140,000	5,900
May	-	-	-	-	206,600	268,800	77,800	11,300
June	-	-	-	-	171,100	164,700	84,200	15,600
July	-	-	-	1,900	257,000	228,200	113,000	500
Aug.	-	-	-	1,500	196,550	224,750	84,800	4,500
Sept.	-	-	-	4	200,400	197,400	87,800	12,500
Oct.	-	-	-	-	231,400	235,100	84,100	26,000
Nov.	-	-	-	-	164,200	192,000	56,300	1,500
Dec.	-	-	-	-	108,220	143,520	21,000	3,700
<b>2005</b>								
Jan.	-	-	-	-	89,900	81,100	29,800	15,000
Feb.	-	-	-	-	89,200	90,000	29,000	3,700
Mar.	23,000	-	23,000	6,300	44,700	63,700	10,000	-

<sup>1</sup>The Central Bank of Malta injects liquidity into the banking sector through an auction of reverse repos in the event of a liquidity shortage. The maturity period of reverse repos is 14 days.

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

<sup>3</sup>The Central Bank of Malta accepts placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity in the banking sector. The maturity period of these term deposits is 14 days. Up to February 1997 excess liquidity in the banking system was absorbed using repos.

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

<sup>5</sup>Includes Lm28 million bilateral repos.

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

*Lm thousands*

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

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

*Lm thousands*

End of Period	Resident deposits by owner						Resident deposits	Non-resident deposits	Total deposits
	Central government	Other sectors							
		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
<b>2004</b>									
Jan.	20,115	6,623	53,119	415,606	2,191,751	2,667,099	2,687,215	964,582	3,651,796
Feb.	20,034	5,951	62,967	419,984	2,202,116	2,691,018	2,711,051	1,018,570	3,729,621
Mar.	19,829	7,740	51,740	427,765	2,210,052	2,697,298	2,717,127	1,024,388	3,741,515
Apr.	21,148	6,175	55,969	434,283	2,221,717	2,718,144	2,739,291	1,043,975	3,783,266
May	23,130	5,328	57,776	428,514	2,206,398	2,698,017	2,721,148	1,029,411	3,750,558
June	22,096	4,564	58,965	437,579	2,218,200	2,719,308	2,741,404	936,286	3,677,690
July	23,122	6,098	63,228	452,103	2,227,721	2,749,151	2,772,273	957,807	3,730,079
Aug.	24,027	5,461	63,311	449,419	2,223,188	2,741,379	2,765,407	1,011,903	3,777,309
Sept.	27,898	4,742	61,861	445,562	2,228,239	2,740,404	2,768,303	1,064,674	3,832,976
Oct.	26,907	6,170	55,154	448,862	2,231,096	2,741,281	2,768,188	1,033,791	3,801,979
Nov.	24,051	5,231	60,712	446,720	2,215,956	2,728,619	2,752,669	1,081,033	3,833,703
Dec.	21,367	7,191	55,223	414,530	2,232,250	2,709,194	2,730,560	1,077,942	3,808,503
<b>2005</b>									
Jan.	24,974	6,397	57,802	431,558	2,235,046	2,730,803	2,755,778	1,013,712	3,769,490
Feb.	24,362	5,343	55,751	419,076	2,249,019	2,729,189	2,753,552	1,018,502	3,772,054
Mar.	30,811	4,478	55,465	428,521	2,236,427	2,724,891	2,755,702	1,150,927	3,906,629

<sup>1</sup> Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1998). For the purposes of this Table, deposits include uncleared effects.

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

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

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

**TABLE 1.8 DEPOSIT LIABILITIES OF THE OTHER  
MONETARY FINANCIAL INSTITUTIONS<sup>1</sup>**  
*analysis by currency*

*Lm thousands*

End of period	Resident deposits					Non-resident deposits		Total deposits
	MTL	EUR	GBP	USD	Other	MTL	Other	
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
<b>2004</b>								
Jan.	2,328,490	103,466	129,467	99,393	27,849	47,662	921,353	3,657,680
Feb.	2,345,358	97,888	137,062	104,184	28,012	47,683	975,293	3,735,480
Mar.	2,351,784	96,968	137,613	103,986	27,707	50,269	974,119	3,742,446
Apr.	2,364,993	102,721	136,037	109,986	27,114	50,440	993,535	3,784,826
May	2,343,312	102,392	141,405	108,529	26,036	50,390	979,021	3,751,085
June	2,358,372	104,971	144,237	106,241	27,583	50,900	885,386	3,677,690
July	2,379,940	106,311	145,485	111,466	29,148	51,530	906,277	3,730,158
Aug.	2,372,551	108,550	145,155	110,729	28,724	51,448	960,454	3,777,611
Sept.	2,377,863	109,686	146,952	105,459	28,934	50,429	1,014,244	3,833,569
Oct.	2,381,115	107,526	145,782	105,495	28,309	50,213	983,577	3,802,018
Nov.	2,360,214	113,655	149,885	100,904	28,012	51,122	1,029,911	3,833,703
Dec.	2,344,529	108,373	151,142	96,978	29,546	50,770	1,027,172	3,808,510
<b>2005</b>								
Jan.	2,354,358	113,397	154,332	99,966	34,298	50,265	963,447	3,770,062
Feb.	2,361,041	110,804	153,446	97,928	30,688	49,838	968,665	3,772,411
Mar.	2,353,226	113,748	155,641	101,702	31,385	50,741	1,100,186	3,906,629

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

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

End of period	Currency issued and outstanding			Less currency held by banking system <sup>2</sup>	Currency in circulation
	Notes <sup>1</sup>	Coins	Total		
1999	401,999	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,835	17,994	441,829	22,942	418,887
2002	443,905	17,343	461,247	24,416	436,831
2003	467,098	18,275	485,373	24,949	460,424
<b>2004</b>					
Jan.	458,965	18,046	477,011	15,205	461,806
Feb.	462,682	17,914	480,596	16,371	464,226
Mar.	468,052	17,954	486,005	18,516	467,489
Apr.	473,087	18,143	491,230	18,716	472,514
May	475,363	18,254	493,617	16,925	476,693
June	483,772	18,571	502,342	20,782	481,560
July	483,008	18,798	501,806	18,349	483,457
Aug.	484,795	19,081	503,876	20,848	483,028
Sept.	484,754	19,033	503,787	19,752	484,035
Oct.	484,697	19,072	503,769	19,258	484,511
Nov.	481,549	19,088	500,637	20,150	480,486
Dec.	487,165	19,240	506,406	20,412	485,993
<b>2005</b>					
Jan.	480,630	19,000	499,631	16,667	482,964
Feb.	483,075	18,912	501,987	17,512	484,476
Mar.	486,140	18,908	505,049	20,413	484,636

<sup>1</sup> From December 1998, the Notes figure in the Central Bank of Malta balance sheet, which is also shown in this Table, includes demonetised notes. As a result it differs from the Notes figure in Table 1.10.

<sup>2</sup> For the purposes of this classification, the banking system includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995).

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

*Lm thousands*

End of period	Total notes & coins <sup>1</sup>	Currency notes <sup>2</sup>				
		Lm20	Lm10	Lm5	Lm2	Total
1999	418,485	108,626	259,366	27,738	6,270	402,000
2000	423,188	107,902	264,170	27,168	6,473	405,713
2001	441,829	108,832	280,699	27,647	6,656	423,834
2002	461,247	109,560	298,664	28,784	6,897	443,905
2003	485,373	109,703	319,411	30,818	7,165	467,097
<b>2004</b>						
Jan.	477,011	109,411	313,683	28,854	7,016	458,965
Feb.	480,596	109,974	316,423	29,279	7,006	462,682
Mar.	486,005	110,176	320,918	29,847	7,111	468,052
Apr.	491,230	110,777	324,839	30,253	7,218	473,087
May	493,617	111,172	326,069	30,823	7,300	475,364
June	502,342	112,254	332,185	31,848	7,485	483,772
July	501,806	112,446	331,235	31,871	7,456	483,008
Aug.	503,876	112,355	332,498	32,406	7,536	484,795
Sept.	503,787	112,384	332,738	32,191	7,441	484,754
Oct.	503,769	111,376	334,107	31,759	7,455	484,697
Nov.	500,637	110,657	332,655	30,931	7,306	481,549
Dec.	506,406	110,318	337,551	31,904	7,392	487,165
<b>2005</b>						
Jan.	499,631	109,748	333,103	30,509	7,270	480,630
Feb.	501,987	109,973	335,328	30,531	7,244	483,075
Mar.	505,049	110,134	337,312	31,365	7,329	486,140

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

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

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

*Lm thousands*

Period	Liquid assets			Net short-term liabilities <sup>3</sup>	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits <sup>2</sup>
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000	680,572	491,273	189,299	1,637,576	41.6	76.1
2001	899,098	524,456	374,642	1,748,188	51.4	80.7
2002	983,291	588,529	394,762	1,961,762	50.1	72.8
2003	984,411	609,245	375,166	2,030,816	48.5	73.6
<b>2004</b>						
Jan.	1,039,118	615,294	423,824	2,050,979	50.7	72.8
Feb.	1,149,454	612,935	536,519	2,043,116	56.3	72.3
Mar.	1,050,575	638,508	412,067	2,128,359	49.4	73.5
Apr.	1,055,676	655,572	400,104	2,185,239	48.3	72.7
May	1,027,172	667,041	360,131	2,223,471	46.2	73.7
June	1,049,939	669,409	380,530	2,231,363	47.1	73.3
July	1,118,486	655,632	462,854	2,185,441	51.2	72.6
Aug.	1,026,798	656,753	370,045	2,189,176	46.9	73.2
Sept.	1,117,748	702,965	414,783	2,343,217	47.7	74.6
Oct.	1,106,236	711,206	395,030	2,370,686	46.7	74.1
Nov.	1,182,304	755,285	427,019	2,508,462	47.0	74.8
Dec.	1,073,540	692,378	381,162	2,307,928	46.5	75.9
<b>2005</b>						
Jan.	1,082,611	700,958	381,653	2,336,527	46.3	75.1
Feb.	1,090,706	700,333	390,373	2,334,444	46.7	75.8
Mar.	1,059,157	702,664	356,493	2,342,212	45.2	76.8

<sup>1</sup> Up to September 1990, Deposit Money Banks were required to hold an amount equivalent to 25% of their total deposit liabilities in the form of specified liquid assets. In October 1990, the required minimum total liquidity ratio was reduced to 20%. Consequently, the required minimum local liquidity ratio was reduced from 12.5% to 8% of local deposit liabilities. From 15 November 1994, Banking Directive No. 5 established a minimum of 30% liquid asset ratio, net of deductions.

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

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

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

Period	Cash & deposits with Central Bank of Malta <sup>1</sup>	Treasury bills	Interbank deposits	Marketable debt securities <sup>2</sup>	Total liquid assets
1999	50,995	75,929	67,768	499,837	694,529
2000	33,512	116,818	68,865	461,377	680,572
2001	59,754	135,845	115,894	587,605	899,098
2002	120,981	156,950	135,072	570,288	983,291
2003	129,234	183,902	101,688	569,587	984,411
<b>2004</b>					
Jan.	174,472	169,978	137,682	556,986	1,039,118
Feb.	167,646	186,681	240,744	554,383	1,149,454
Mar.	157,458	207,875	128,455	556,787	1,050,575
Apr.	154,327	219,720	145,405	536,224	1,055,676
May	97,936	224,641	142,509	562,086	1,027,172
June	106,098	221,610	167,860	554,371	1,049,939
July	143,825	225,959	209,045	539,657	1,118,486
Aug.	103,137	213,828	161,215	548,618	1,026,798
Sept.	119,501	206,378	156,794	635,075	1,117,748
Oct.	110,659	219,661	145,106	630,810	1,106,236
Nov.	79,735	209,270	200,133	693,166	1,182,304
Dec.	45,160	190,461	155,583	682,336	1,073,540
<b>2005</b>					
Jan.	61,166	176,034	170,229	675,182	1,082,611
Feb.	54,545	205,363	149,182	681,616	1,090,706
Mar.	57,340	184,857	158,289	658,671	1,059,157

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

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



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

*Lm thousands*

End of period		Size of loans and advances <sup>2</sup>				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1999	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest Rate	7.33	7.62	7.66	6.55	7.16
2000	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest Rate	7.38	7.31	7.29	6.46	6.97
2001	Amount	222,816	497,299	351,893	788,641	1,860,625
	Interest Rate	6.70	6.87	7.22	5.50	6.33
2002	Amount	231,568	554,682	358,287	1,001,883	2,146,420
	Interest Rate	6.21	6.02	6.68	5.04	5.69
2003	Amount	235,875	681,763	369,381	1,060,829	2,347,849
	Interest Rate	-	-	-	-	-
<b>2004</b>						
Mar.	Amount	245,023	716,245	388,237	1,119,282	2,468,787
	Interest Rate	-	-	-	-	-
June	Amount	237,478	693,152	371,638	1,240,970	2,543,237
	Interest Rate	-	-	-	-	-
Sept.	Amount	240,521	716,616	383,594	1,212,677	2,553,407
	Interest Rate	-	-	-	-	-
Dec.	Amount	241,926	736,447	394,321	1,227,685	2,600,378
	Interest Rate	-	-	-	-	-
<b>2005</b>						
Jan.	Amount	242,565	742,357	394,310	1,202,310	2,581,542
	Interest Rate	-	-	-	-	-
Feb.	Amount	243,134	752,532	399,854	1,213,680	2,609,199
	Interest Rate	-	-	-	-	-
Mar.	Amount	238,180	766,116	411,344	1,212,150	2,627,789
	Interest Rate	-	-	-	-	-

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

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

**TABLE 1.14 DEPOSIT MONEY BANK LOANS AND ADVANCES  
OUTSTANDING BY MAIN SECTOR<sup>1</sup>**

*Lm thousands*

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

End of period	Electricity, gas & water supply	Transport, storage & communication	Financial intermediation	Agriculture & fishing	Manufacturing	Construction	Hotels & restaurants <sup>3</sup>	Wholesale & retail trade; repairs
2003	83,891	135,506	74,835	9,237	184,823	201,132	206,872	288,171
<b>2004</b>								
Jan.	80,976	140,987	77,924	9,190	178,308	197,512	205,727	281,635
Feb.	79,769	140,647	73,201	9,279	179,335	193,346	204,739	281,182
Mar.	78,217	139,378	71,518	9,318	181,459	200,700	209,504	293,256
Apr.	78,372	136,338	70,037	9,394	180,116	198,014	207,194	291,978
May	85,869	135,904	68,835	9,275	178,368	200,980	206,525	288,889
June	86,142	132,425	68,682	9,300	177,088	202,392	204,555	288,781
July	91,166	129,508	68,825	9,460	174,752	199,610	204,492	283,234
Aug.	92,064	127,667	70,641	9,255	174,675	202,530	203,098	278,700
Sept.	92,432	128,004	74,108	9,578	169,353	209,037	205,819	290,425
Oct.	90,849	127,387	71,331	9,362	153,348	209,796	203,327	288,492
Nov.	89,694	125,443	72,858	9,656	153,286	214,248	204,796	287,478
Dec.	92,136	126,950	63,500	9,923	153,730	217,001	205,569	290,297
<b>2005</b>								
Jan.	88,121	127,198	56,429	9,681	150,703	214,544	209,168	288,927
Feb.	90,793	127,455	56,784	9,684	149,270	217,239	209,351	288,468
Mar.	91,825	129,415	56,247	9,897	142,648	214,177	215,878	297,455

<sup>1</sup> Includes bills discounted as from October 2003.

<sup>2</sup> Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995).

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

**TABLE 1.14 DEPOSIT MONEY BANK LOANS AND ADVANCES  
OUTSTANDING BY MAIN SECTOR<sup>1</sup> (continued)**

*Lm thousands*

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

End of period	Real estate, renting & business activities	Households & individuals				Other (residual) <sup>3</sup>	Total lending to residents	Lending to non-residents	Total
		Lending for house purchase	Consumer credit	Other lending	Total				
2003	118,472	442,245	36,142	131,568	609,955	60,788	1,973,681	374,168	2,347,849
<b>2004</b>									
Jan.	117,389	448,937	35,811	131,522	616,270	59,463	1,965,382	371,927	2,337,309
Feb.	118,687	454,386	35,463	134,809	624,657	61,664	1,966,507	359,769	2,326,276
Mar.	121,620	466,190	35,473	138,769	640,431	61,610	2,007,011	461,775	2,468,786
Apr.	121,657	467,771	35,540	141,467	644,778	61,430	1,999,307	506,508	2,505,815
May	121,601	486,499	51,881	117,719	656,099	60,891	2,013,236	501,265	2,514,501
June	120,503	497,039	66,660	104,641	668,339	60,238	2,018,445	524,792	2,543,237
July	121,966	502,715	66,993	105,879	675,587	61,622	2,020,223	506,430	2,526,653
Aug.	126,096	507,381	69,264	106,243	682,888	61,774	2,029,388	485,601	2,514,989
Sept.	136,141	512,072	71,598	111,882	695,552	60,594	2,071,043	482,365	2,553,407
Oct.	137,195	518,153	72,198	113,721	704,071	60,747	2,055,904	472,454	2,528,358
Nov.	136,185	531,303	78,246	99,257	708,806	61,618	2,064,066	470,329	2,534,395
Dec.	137,956	536,720	80,882	100,822	718,424	62,113	2,077,600	522,778	2,600,378
<b>2005</b>									
Jan.	142,739	544,165	81,204	100,149	725,519	63,015	2,076,045	505,497	2,581,542
Feb.	143,091	565,537	81,422	92,334	739,294	61,396	2,092,824	516,375	2,609,199
Mar.	151,727	575,707	81,437	91,370	748,514	63,100	2,120,882	506,907	2,627,789

<sup>1</sup> Includes bills discounted as from October 2003.

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

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

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

*Lm thousands*

End of period	Energy & water		Transport, storage & communication		Agriculture & fisheries		Manufacturing	
	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
1999	910	107,996	33,107	47,279	10,765	-	134,461	22,999
2000	492	100,591	46,358	52,038	19,026	-	154,127	11,204
2001	931	94,294	48,637	58,460	10,357	17	136,204	23,421
2002	679	92,911	46,121	86,710	10,298	23	124,959	22,485
<b>2003</b>								
Mar.	1,000	92,883	46,791	79,837	9,726	7	127,729	18,766
June	325	87,199	47,983	78,960	9,737	10	123,398	16,374
Sept.	383	85,814	43,863	78,259	9,586	2	122,191	19,550

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

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

<sup>1</sup> Loans and advances extended by Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995). Public sector companies comprise entities that are subject to control by the Government, control being defined as the ability to determine general corporate policy.

**TABLE 1.15b DEPOSIT MONEY BANK LOANS  
AND ADVANCES TO RESIDENTS**  
*analysis by sector and category*

*Lm thousands*

End of period	Electricity, gas & water supply		Transport, storage & communication		Agriculture & fishing	Financial intermediation	Manufacturing		Construction	
	General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other			General govt. & public non-financial cos.	Other	General govt. & public non-financial cos.	Other
<b>2003</b>	82,882	1,009	60,071	75,435	9,237	74,835	61,434	123,388	3,900	197,232
<b>2004</b>										
Jan.	79,956	1,020	62,188	78,799	9,190	77,924	60,662	117,646	1,400	196,112
Feb.	78,776	993	61,537	79,110	9,279	73,201	58,318	121,018	1,400	191,945
Mar.	77,284	932	62,381	76,997	9,318	71,518	60,642	120,816	3,933	196,767
Apr.	77,446	926	59,308	76,948	9,394	70,037	59,654	120,461	3,900	194,114
May	85,135	733	60,886	74,936	9,275	68,836	59,613	118,754	4,150	196,830
June	85,493	649	58,365	74,059	9,300	68,681	58,903	118,185	4,150	198,242
July	90,478	688	56,017	73,491	9,460	68,826	58,163	116,589	4,150	195,460
Aug.	91,115	949	57,105	69,084	9,255	70,641	57,779	116,897	4,150	198,380
Sept.	91,690	742	55,252	71,275	9,578	74,107	49,362	119,991	4,150	204,887
Oct.	90,077	772	57,404	69,983	9,362	71,331	33,746	119,602	3,950	205,846
Nov.	88,937	757	56,537	68,906	9,656	72,858	33,753	119,533	3,950	210,298
Dec.	91,328	808	58,010	68,941	9,923	63,500	33,719	120,011	3,735	213,266
<b>2005</b>										
Jan.	87,343	778	60,557	66,641	9,681	56,429	32,579	118,124	3,735	210,809
Feb.	90,074	719	59,047	68,408	9,684	56,784	31,988	117,282	3,735	213,504
Mar.	91,084	741	60,803	68,612	9,897	56,247	27,982	114,666	0	214,177

End of period	Hotels & restaurants		Wholesale and retail trade; repairs	Households & individuals	Real estate, renting & business activities		Other		Total lending to residents of Malta	
	General govt. & public non-financial cos.	Other			General govt. & Public non-financial cos.	Other	General govt. & Public non-financial cos.	Other	General govt. & Public non-financial cos.	Other
<b>2003</b>	2,893	203,979	288,171	609,955	1,138	117,334	11,278	49,510	225,129	1,748,552
<b>2004</b>										
Jan.	2,862	202,865	281,635	616,270	1,038	116,351	11,405	48,058	220,920	1,744,462
Feb.	2,933	201,806	281,186	624,657	1,041	117,647	12,875	48,789	218,188	1,748,319
Mar.	2,711	206,792	293,256	640,431	1,051	120,569	11,540	50,070	220,853	1,786,157
Apr.	2,695	204,499	291,978	644,778	951	120,706	11,477	49,953	215,970	1,783,336
May	2,723	203,803	288,889	656,099	950	120,651	11,144	49,747	225,147	1,788,089
June	2,608	201,947	288,781	668,339	954	119,550	10,965	49,274	221,837	1,796,608
July	2,591	201,900	283,234	675,587	1,159	120,807	11,161	50,461	224,120	1,796,103
Aug.	2,570	200,528	278,699	682,888	5,425	120,670	11,459	50,315	231,486	1,797,902
Sept.	2,488	203,331	290,425	695,552	13,437	122,704	9,190	51,404	231,757	1,839,286
Oct.	2,361	200,966	288,492	704,071	12,825	124,370	8,786	51,961	213,543	1,842,361
Nov.	2,388	202,408	287,477	708,806	12,633	123,553	9,363	52,254	211,977	1,852,089
Dec.	2,286	203,283	290,297	718,424	12,572	125,384	9,821	52,293	211,572	1,866,028
<b>2005</b>										
Jan.	2,284	206,884	288,927	725,519	12,845	129,894	11,201	51,813	210,608	1,865,437
Feb.	2,359	206,993	288,468	739,294	12,821	130,270	10,146	51,250	210,178	1,882,646
Mar.	2,305	213,573	297,455	748,514	16,997	134,730	11,396	51,704	210,578	1,910,304

**TABLE 1.16 NET FOREIGN ASSETS OF THE BANKING SYSTEM<sup>1</sup>**
*Lm thousands*

End of period	Central Bank of Malta <sup>2</sup>							Total (A+B)
	Foreign Assets				Foreign liabilities	Net (A)	Government & parastatal companies <sup>5</sup> (B)	
	Gold <sup>3</sup>	Convertible currencies	IMF-related assets <sup>4</sup>	Total foreign assets				
1999	737	704,084	35,517	740,339	-	740,339	-	740,339
2000	452	606,771	36,940	644,163	3,655	640,508	-	640,508
2001	629	721,936	37,863	760,428	-	760,428	-	760,428
2002	473	842,862	37,512	880,847	6,987	873,860	-	873,860

End of period	Central Bank of Malta <sup>2</sup>					
	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
<b>2004</b>						
Jan.	619	67,177	918,004	985,800	47,348	938,451
Feb.	606	67,196	923,240	991,042	46,837	944,205
Mar.	657	67,660	905,841	974,158	41,080	933,078
Apr.	602	67,696	901,241	969,539	39,687	929,852
May	674	67,956	891,114	959,744	39,139	920,605
June	656	68,106	874,440	943,202	36,345	906,856
July	628	67,951	879,190	947,769	43,586	904,183
Aug.	625	68,257	898,963	967,845	44,095	923,751
Sept.	625	67,780	903,851	972,256	43,599	928,657
Oct.	625	67,670	881,283	949,578	42,426	907,152
Nov.	639	67,301	861,398	929,337	38,590	890,747
Dec.	604	65,679	837,691	903,974	33,681	870,293
<b>2005</b>						
Jan.	607	66,286	828,657	895,550	39,266	856,284
Feb.	617	66,077	826,961	893,655	37,965	855,690
Mar.	615	66,334	797,672	864,621	38,410	826,212

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

<sup>2</sup> Up to 1998 this comprised the position of the monetary authorities, including the Central Bank of Malta and small amounts of Treasury balances. From 1998 it comprised only the foreign assets of the Central

<sup>3</sup> Includes small amounts of other precious metals.

<sup>4</sup> Includes IMF reserve position and holdings of SDRs.

<sup>5</sup> Comprises customers' foreign currency deposits and sinking funds held with the Central Bank of Malta, and other official funds held with the Treasury.

**TABLE 1.16 NET FOREIGN ASSETS OF THE BANKING SYSTEM<sup>1</sup>***(continued)**Lm thousands*

End of period	Deposit money banks <sup>2</sup>			Total (A+B)	International banking institutions <sup>2</sup>			Grand total (A+B+C)
	Assets	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	1,405,740	1,077,630	328,110	1,247,951	2,917,645	2,748,650	168,995	1,416,946
<b>2004</b>								
Jan.	1,406,513	1,095,935	310,578	1,249,029	2,983,356	2,811,509	171,847	1,420,876
Feb.	1,495,175	1,189,417	305,758	1,249,963	2,956,685	2,778,925	177,760	1,427,723
Mar.	1,500,755	1,207,806	292,949	1,226,027	3,081,612	2,893,122	188,490	1,414,517
Apr.	1,542,336	1,184,591	357,745	1,287,597	3,174,201	2,995,185	179,016	1,466,613
May	1,550,744	1,206,292	344,453	1,265,057	3,198,105	3,018,477	179,628	1,444,685
June	1,576,363	1,208,629	367,733	1,274,590	3,171,551	2,984,665	186,887	1,461,477
July	1,606,035	1,237,404	368,631	1,272,813	3,185,702	2,995,279	190,423	1,463,236
Aug.	1,569,054	1,213,159	355,895	1,279,645	3,525,363	3,325,764	199,599	1,479,244
Sept.	1,688,383	1,333,436	354,947	1,283,604	3,509,511	3,318,199	191,312	1,474,916
Oct.	1,694,696	1,326,208	368,488	1,275,640	3,552,439	3,354,721	197,718	1,473,357
Nov.	1,706,541	1,340,872	365,669	1,256,416	3,527,014	3,322,900	204,114	1,460,530
Dec.	1,712,594	1,353,387	359,207	1,229,500	3,775,464	3,561,382	214,082	1,443,582
<b>2005</b>								
Jan.	1,716,561	1,340,362	376,199	1,232,482	3,804,711	3,585,654	219,057	1,451,539
Feb.	1,702,599	1,352,177	350,421	1,206,111	3,802,836	3,588,293	214,543	1,420,655
Mar.	1,678,984	1,325,303	353,681	1,179,892	3,950,433	3,738,429	212,003	1,391,895

<sup>1</sup> From 1995, data are on accrual basis.<sup>2</sup> For the purposes of this Table only, the amounts of HSBC Overseas Bank (Malta) Ltd. (up to November 2002) and Bank of Valletta International Ltd. (up to August 2001), i.e. the offshore subsidiaries of HSBC Bank Malta plc and Bank of Valletta plc, respectively, are classified with the Deposit Money Banks and not with the International Banking Institutions, as shown in other Tables. Includes data belonging to the Other Banking Institutions sector up to December 2000.

**TABLE 1.17 FINANCIAL MARKET RATES**

%

	2000	2001	2002	2003	2004				2005
					Mar.	June	Sept.	Dec.	Mar.
<b>INTEREST RATES</b>									
<b>Central Bank of Malta</b>									
Central intervention rate	4.75	4.25	3.75	3.00	3.00	3.00	3.00	3.00	3.00
Money market interventions									
Term deposit rate	4.72	4.22	3.70	2.95	2.95	2.95	2.95	2.95	2.95
Reverse repo rate	4.80	4.29	3.80#	3.05#	3.05#	3.05#	3.05#	3.05#	3.00
Standby (collateralised) loan facility	5.30	4.80	4.30	3.55	4.50	4.50	4.50	4.50	4.50
Overnight deposit facility	1.80	1.30	0.80	0.30	1.50	1.50	1.50	1.50	1.50
Reserve requirements remuneration	2.70	2.70	2.70	2.70	2.75	2.75	2.75	2.75	2.75
<b>Interbank market offered rates</b>									
Overnight	4.75	3.65	3.73*	2.95	2.95	2.90	2.90	2.95	2.95
1 week	4.78	4.25	3.76*	2.96	2.95*	2.95	2.95*	2.95	2.95
1 month	4.90	4.58*	3.80*	2.98*	2.82	2.96*	2.97*	2.98	2.98
3 month	4.92*	4.82*	3.90*	3.00*	2.99*	2.98*	3.01*	3.01*	3.01*
<b>Deposit Money Banks</b>									
Weighted average deposit rate	4.17	3.96	3.49	2.46	2.26	2.13	2.06	2.04	2.01
Current	1.32	1.48	1.12	0.44	0.45	0.43	0.47	0.47	0.46
Savings	2.52	2.22	1.80	1.01	0.99	1.00	0.96	0.95	0.95
Time	5.25	4.98	4.39	3.45	3.17	3.00	2.90	2.87	2.84
Weighted average lending rate	7.23	6.50	6.07	5.31	5.32	5.31	5.32	5.33	5.39
<b>Government securities</b>									
Treasury bills									
1 month	4.85	4.80	-	-	-	-	2.96	2.96	-
3 month	4.90	4.53	3.67	2.94	2.93	2.90	2.96	2.96	2.98
6 month	4.94	5.04	3.80	2.93	2.92	2.91	2.94	2.97	2.98
1 year	-	-	-	-	2.92	2.95	2.97	2.97	-
Government stocks									
2 year	-	-	-	3.39	3.12	3.21	3.30	3.21	3.30
5 year	5.33	5.40	5.15	4.37	4.32	4.27	4.26	4.26	4.21
10 year	5.99	6.15	5.43	4.71	4.70	4.65	4.70	4.70	4.72
15 year	6.39	6.44	5.86	4.96	4.95	4.89	4.95	4.97	4.96
<b>MALTA STOCK EXCHANGE SHARE INDEX</b>	3376	2200	1871	2126	2765	2524	2861	3069	3442

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

\* denotes Central Bank of Malta fixing rate average.

"-" sign implies that no transactions occurred during the preceding quarter.



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

*Lm thousands*

Period	Revenue			Expenditure			Deficit(-)/ Surplus(+)	Financing			Residual
	Ordinary <sup>2,3</sup>	Foreign grants	Total	Recurrent <sup>2,4</sup>	Capital <sup>5</sup>	Total		Local <sup>7</sup>	Foreign <sup>8</sup>	Total	
1990	325,917	7,677	333,594	269,721	108,276	377,997	-44,403	37,266	11,054	48,319	3,917
1991	349,649	16,374	366,023	297,825	115,493	413,318	-47,295	35,217	6,467	41,684	-5,611
1992	341,413	16,392	357,805	325,999	58,017	384,016	-26,211	34,819	-1,603	33,216	7,005
1993	387,531	8,429	395,960	364,793	59,673	424,466	-28,506	27,772	747	28,519	13
1994	403,410	12,852	416,262	405,127	62,340	467,467	-51,205	38,911	8,514	47,425	-3,780
1995	468,248	4,517	472,765	446,628	70,344	516,972	-44,207	44,624	-2,733	41,891	-2,316
1996	447,467	20,804	468,271	498,020	73,527	571,547	-103,276	66,505	-449	66,056	-37,220
1997 <sup>6</sup>	504,297	9,811	514,108	529,403	103,392	632,295	-118,687	162,342	-1,042	161,300	42,613
1998	503,683	10,043	513,726	556,930	96,846	653,776	-140,050	137,854	-4,688	133,166	-6,884
1999	552,651	9,683	562,334	570,133	106,129	676,262	-113,928	148,969	-4,152	144,817	30,889
2000	608,104	9,549	617,653	604,277	98,552	702,829	-85,176	15,623	-4,373	11,250	-73,926
2001	667,228	1,392	668,620	673,286	80,627	753,913	-85,293	113,695	2,360	116,055	30,762
2002	717,084	2,720	719,804	709,806	97,671	807,476	-87,672	33,683	5,625	39,308	-48,364
2003	736,704	2,517	739,221	740,697	103,969	844,666	-105,445	95,699	25,828	121,527	16,082
2004	782,717	30,310	813,027	802,426	104,620	907,045	-94,018	89,184	-7,200	81,984	-12,034
<b>2004</b>											
Jan.	48,208	319	48,527	59,025	9,398	68,413	-19,887	-	-	-	-19,887
Feb.	52,363	-	52,363	56,494	7,137	63,631	-11,268	-	-	-	-11,268
Mar.	50,326	-	50,326	70,908	6,508	77,416	-27,090	-	-	-	-27,090
Apr.	76,979	6	76,985	71,046	7,531	78,577	-1,592	-	-	-	-1,592
May	53,924	3,383	57,307	71,931	11,290	83,221	-25,914	49,215	-	49,215	23,301
June	47,245	3,097	50,342	55,408	6,627	62,035	-11,692	-2,740	-3,600	-6,340	-18,032
July	55,835	5,921	61,756	64,625	15,346	79,972	-18,216	5,985	-	5,985	-12,231
Aug.	71,184	217	71,401	62,664	5,833	68,497	2,904	24,148	-	24,148	27,052
Sept.	66,208	3,000	69,209	60,349	5,972	66,321	2,888	-	-	-	2,888
Oct.	63,953	6,228	70,181	72,057	9,045	81,103	-10,922	-14,419	-	-14,419	-25,340
Nov.	56,800	2,951	59,750	58,274	9,812	68,085	-8,335	29,500	-3,600	25,900	17,565
Dec.	139,691	5,187	144,879	99,644	10,130	109,774	35,105	-2,505	-	-2,505	32,600
<b>2005</b>											
Jan.	42,189	3,730	45,919	75,298	9,373	84,671	-38,752	-	-	-	-38,752
Feb.	46,205	5,788	51,993	55,417	4,357	59,774	-7,781	-	-	-	-7,781
Mar.	58,632	7,560	66,193	66,147	14,741	80,888	-14,695	40,000	-	40,000	25,305

<sup>1</sup> Comprise government budgetary operations through the Consolidated Fund. Excluding operations of the Extra Budgetary Units.

<sup>2</sup> Includes the Government's contributions to the National Insurance Fund (both its contributions as employer, and its contribution in terms of the Social Security Act, 1987).

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

<sup>5</sup> From 1992, excludes capital expenditure incurred by the public authorities/ corporations.

<sup>6</sup> A loan to the Malta Drydocks Corporation amounting to Lm24.6 million is included under capital expenditure.

<sup>7</sup> Includes revenues from sale of MGS, receipts from sale of shares and from the sinking funds of converted loans less contributions to sinking funds and repayment of domestic loans.

<sup>8</sup> Includes foreign loans less contributions to the sinking fund and repayment of foreign loans.

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

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

Period	Tax revenue						Non-tax revenue <sup>5</sup>	Ordinary revenue <sup>6</sup>	Foreign grants	Total revenue
	Income tax	National insurance contributions <sup>2</sup>	VAT & CET <sup>3</sup>	Licences, taxes & fines <sup>4</sup>	Customs & excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	106,119	325,917	7,677	333,594
1991	61,637	72,041	-	27,017	75,951	236,647	113,002	349,649	16,374	366,023
1992	71,353	80,469	-	29,448	82,310	263,580	77,833	341,413	16,392	357,805
1993	85,113	97,004	-	30,447	83,541	296,105	91,426	387,531	8,429	395,960
1994	87,852	101,663	-	46,127	72,059	307,701	95,709	403,410	12,852	416,262
1995	99,758	115,480	78,108	54,556	32,595	380,497	87,751	468,248	4,517	472,765
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,753	447,467	20,804	468,271
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,490	504,297	9,811	514,108
1998	110,561	135,656	72,628	60,678	52,698	432,221	71,462	503,683	10,043	513,726
1999	128,354	144,274	85,023	67,960	55,426	481,037	71,614	552,651	9,683	562,334
2000	149,511	162,017	104,065	70,449	55,141	541,182	66,921	608,103	9,549	617,652
2001	166,302	179,064	114,669	72,814	60,886	593,735	73,493	667,228	1,392	668,620
2002	190,175	181,142	117,505	86,047	59,811	634,679	82,404	717,084	2,720	719,804
2003	205,218	188,427	123,910	89,160	61,576	668,291	68,413	736,704	2,517	739,221
2004	211,177	189,657	141,570	97,292	62,309	702,005	80,712	782,717	30,310	813,027
<b>2004</b>										
Jan.	7,184	6,505	10,319	7,575	4,754	36,337	11,871	48,208	319	48,527
Feb.	9,404	11,284	11,867	11,775	4,746	49,077	3,286	52,363	-	52,363
Mar.	7,843	12,244	11,421	7,604	5,041	44,153	6,173	50,326	-	50,326
Apr.	24,685	17,873	15,791	7,079	4,126	69,553	7,426	76,979	6	76,985
May	12,671	16,417	8,324	6,583	4,539	48,534	5,390	53,924	3,383	57,307
June	15,678	13,476	5,885	7,174	3,155	45,368	1,877	47,245	3,097	50,342
July	14,009	11,240	11,327	11,035	5,059	52,671	3,165	55,835	5,921	61,756
Aug.	26,883	19,348	9,477	6,459	5,804	67,971	3,213	71,184	217	71,401
Sept.	15,536	16,408	13,162	8,042	5,197	58,345	7,863	66,208	3,000	69,209
Oct.	14,091	13,640	15,064	7,964	5,893	56,652	7,301	63,953	6,228	70,181
Nov.	11,839	13,893	11,688	7,061	5,973	50,454	6,345	56,800	2,951	59,750
Dec.	51,352	37,328	17,245	8,943	8,022	122,890	16,801	139,691	5,187	144,879
<b>2005</b>										
Jan.	6,332	5,704	11,869	6,416	2,915	33,237	8,952	42,189	3,730	45,919
Feb.	7,560	11,250	10,386	4,765	3,265	37,226	8,980	46,205	5,788	51,993
Mar.	8,405	14,417	15,265	8,056	5,909	52,052	6,581	58,632	7,560	66,193

<sup>1</sup> Excluding Extra Budgetary Units.

<sup>2</sup> Includes the Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987).

<sup>3</sup> Value Added Tax, Customs & Excise Tax.

<sup>4</sup> Includes revenues from death and donation duties up to December 1994.

<sup>5</sup> Includes mainly Central Bank of Malta profits.

<sup>6</sup> From 1992, excludes the contribution by the public corporations/ authorities towards their own capital programme.

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

**TABLE 2.3 CENTRAL GOVERNMENT CAPITAL EXPENDITURE  
BY TYPE OF INVESTMENT<sup>1,2</sup>**

*Lm thousands*

Period	Productive	Infrastructure	Social	Total
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997 <sup>3</sup>	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
2001	26,400	26,872	27,355	80,627
2002	31,526	27,391	38,753	97,671
2003	28,372	34,095	41,501	103,969
2004	27,036	41,693	35,891	104,620
<b>2004</b>				
Jan.	1,762	1,045	6,581	9,389
Feb.	2,917	889	3,331	7,137
Mar.	1,775	1,874	2,858	6,508
Apr.	635	2,727	4,168	7,531
May	3,237	5,229	2,824	11,290
June	838	2,602	3,187	6,627
July	4,264	7,560	3,522	15,346
Aug.	1,597	1,862	2,374	5,833
Sept.	833	3,400	1,739	5,972
Oct.	3,985	3,188	1,872	9,045
Nov.	493	7,339	1,980	9,812
Dec.	4,700	3,976	1,454	10,130
<b>2005</b>				
Jan.	2,929	3,336	3,109	9,373
Feb.	562	1,858	1,937	4,357
Mar.	5,341	4,209	5,191	14,741

<sup>1</sup> Excluding Extra Budgetary Units.

<sup>2</sup> As from 1992, excludes capital expenditure incurred by public corporations/authorities.

<sup>3</sup> Includes a loan to Malta Drydocks amounting to Lm24.6 million.

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

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

*Lm thousands*

End of period	Domestic securities <sup>1</sup>			Loans <sup>3</sup>	Total government debt	Government guaranteed debt <sup>4</sup>
	Treasury bills	Malta Government stocks <sup>2</sup>	Total			
1995	71,406	285,952	357,358	53,433	410,791	414,488
1996	108,935	356,119	465,054	51,789	516,843	489,663
1997	89,980	523,369	613,349	50,449	663,798	490,973
1998	83,713	633,369	717,082	46,513	763,595	463,867
1999	83,320	712,184	795,504	44,349	839,853	456,494
2000	172,987	712,729	885,716	39,250	924,966	445,227
2001	159,459	812,854	972,313	40,378	1,012,691	395,333
2002	218,831	813,030	1,031,861	45,100	1,076,961	356,155
2003	232,286	913,029	1,145,315	114,462	1,259,777	273,312
<b>2004</b>						
Mar.	253,000	913,029	1,166,029	113,650	1,279,679	265,722
June	259,834	961,048	1,220,882	112,308	1,333,190	304,261
Sept.	252,512	985,196	1,237,708	112,400	1,350,108	305,034
Dec.	245,355	1,014,696	1,260,051	95,999	1,356,050	303,534
<b>2005</b>						
Mar.	239,306	1,054,696	1,294,002	95,524	1,389,527	299,907

<sup>1</sup> Extra Budgetary Units are not included. Not consolidated with the Malta Government Sinking Fund.

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

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

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

Sources: *Malta Stock Exchange; Ministry of Finance; The Treasury.*

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

*Lm thousands*

End of period	General government						
	Central government					Local councils	Total general government debt <sup>1</sup>
	Treasury bills <sup>2</sup>	Malta Government stocks <sup>2</sup>	Loans <sup>3</sup>	Extra budgetary units <sup>4</sup>	Central government debt		
1997	54,767	523,369	50,501	34,564	663,202	146	663,348
1998	55,534	633,319	46,512	39,978	775,343	102	775,445
1999	79,082	704,937	44,186	56,747	884,952	346	885,298
2000	140,464	696,325	40,189	73,097	950,075	324	950,399
2001	156,029	805,915	40,494	70,069	1,072,506	419	1,072,925
2002	189,930	805,573	45,154	59,339	1,099,996	545	1,100,541
2003 <sup>5</sup>	232,286	906,831	114,527	49,775	1,303,419	696	1,304,115
2004 <sup>6</sup>	245,355	1,011,391	95,253	48,568	1,400,567	732	1,401,299

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

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

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

<sup>4</sup> Extra Budgetary Units are publicly owned entities whose revenues, over a period of time, cover less than half their production costs.

<sup>5</sup> Half finalized.

<sup>6</sup> Estimate.

Sources: *Excessive Deficit Procedure Notifications; Eurostat.*

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

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding <sup>4</sup> and held by		
		Banking system <sup>2</sup>	Non-bank public <sup>3</sup>	Total	Banking system <sup>2</sup>	Non-bank public <sup>3</sup>	Total
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
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
<b>2004</b>							
Jan.	51,000	23,354	9,646	33,000	171,226	43,060	214,286
Feb.	38,186	50,293	2,707	53,000	188,691	40,409	229,100
Mar.	36,100	52,044	7,956	60,000	211,258	41,742	253,000
Apr.	70,000	68,823	17,177	86,000	221,686	47,314	269,000
May.	33,000	28,755	1,079	29,834	226,220	39,614	265,834
June	60,000	51,762	2,238	54,000	223,591	36,243	259,834
July	85,000	82,830	12,170	95,000	236,536	33,298	269,834
Aug.	38,150	19,954	3,910	23,864	220,165	35,383	255,548
Sept.	41,000	15,397	22,567	37,964	212,296	40,216	252,512
Oct.	63,196	67,224	8,913	76,137	221,532	43,921	265,453
Nov.	47,098	27,385	5,615	33,000	211,542	39,813	251,355
Dec.	33,000	14,477	12,523	27,000	200,373	44,982	245,355
<b>2005</b>							
Jan.	40,000	14,820	14,141	28,961	184,001	50,315	234,316
Feb.	47,000	61,000	9,797	70,797	208,530	49,583	258,113
Mar.	36,520	8,151	9,562	17,713	202,683	36,623	239,306

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

<sup>2</sup> Includes Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995).

<sup>3</sup> Includes the Malta Government Sinking Fund.

<sup>4</sup> On 10 January 1995, the House of Representatives approved a motion empowering the Government to increase the issue of permissible outstanding Treasury bills from Lm30 million to Lm100 million. On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million and, subsequently, to Lm300 million on 27 November 2002.

Source: Central Bank of Malta.

**TABLE 3.3 MALTA GOVERNMENT STOCKS**  
(Outstanding as at end-March 2005)<sup>1</sup>

*Lm thousands*

Stock	Year of maturity	Year of issue	Issue price Lm	Interest dates	Held by		Amount
					Banking system	Others <sup>2</sup>	
7.25 % MGS	2005	1997	100	24 May - 24 Nov.	18,334	5,166	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	29,023	2,477	31,500
7.00 % MGS	2006	1994	100	19 May - 19 Nov.	1,713	8,287	10,000
7.00 % MGS	2006 (IV) <sup>3</sup>	1996	100	30 June - 30 Dec.	-	167	167
7.25 % MGS	2006 (II)	1996	100	1 Feb. - 01 Aug.	6,879	12,371	19,250
7.25 % MGS	2006 (III)	1996	100	20 Jan. - 20 July	8,104	6,896	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,519	8,231	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	9,003	997	10,000
5.60 % MGS	2007 (III)	2000	100	10 June - 10 Dec.	22,788	12,462	35,250
7.20 % MGS	2008	1998	100	10 June - 10 Dec.	8,814	1,186	10,000
7.20 % MGS	2008 (II)	1998	100	28 Feb. - 28 Aug.	20,408	9,592	30,000
7.00 % MGS	2009	1999	100	30 June - 30 Dec.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,143	10,857	25,000
5.90 % MGS	2009 (III)	2000/2005	100/107.8	30 Mar. - 30 Sept.	55,386	8,914	64,300
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,660	1,340	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,542	1,958	18,500
7.00 % MGS	2010 (III) <sup>3</sup>	2000	100	30 June - 30 Dec.	-	545	545
5.40 % MGS	2010 (IV)	2003/2004	100/104.5	21 Feb. - 21 Aug.	9,825	38,175	48,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,449	7,551	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	20,659	19,341	40,000
7.00 % MGS	2011 (III) <sup>3</sup>	2002	100	30 June - 30 Dec.	-	125	125
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	13,992	20,508	34,500
7.00 % MGS	2012 (II) <sup>3</sup>	2002	100	10 June - 30 Dec.	-	176	176
5.70 % MGS	2012 (III)	2002	100	30 Mar. - 30 Sept.	2,038	18,962	21,000
5.70 % MGS	2012 (III) FI	2005	108	30 Mar. - 30 Sept.	5,500	14,500	20,000
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	12,158	22,092	34,250
6.35 % MGS	2013 (II)	2001	100	19 May. - 19 Nov.	530	25,470	26,000
7.00 % MGS	2013 (III)	2003	100	30 June - 30 Dec.	-	67	67
6.60 % MGS	2014	2000	100	30 Mar. - 30 Sept.	915	9,585	10,500
5.10 % MGS	2014 (III)	2003/2004	100/103.25	6 Jan. - 6 July	12,334	34,666	47,000
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,736	22,264	30,000
7.00 % MGS	2014 (IV) <sup>3</sup>	2004	100	30 June - 30 Dec.	-	1,719	1,719
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	10,500	19,500	30,000
5.90 % MGS	2015 (II) FI	2002/2003	100/102	9 Apr. - 9 Oct.	1,221	38,979	40,200
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	3,117	26,883	30,000
4.80 % MGS	2016 (II)FI	2003/2004	100/101	26 May - 26 Nov.	15,044	39,956	55,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	16,283	53,717	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	11,867	32,133	44,000
5.00 % MGS	2021	2004	100	8 Feb. - 8 Aug.	6,824	33,176	40,000
5.00 % MGS	2021 FI	2005	100	8 Feb. - 8 Aug.	15	19,985	20,000
5.10 % MGS	2022	2004	100	16 Feb. - 16 Aug.	951	29,549	30,500
5.50 % MGS	2023	2003	100	6 Jan. - 6 July	443	33,390	33,833
<b>Total</b>					<b>400,717</b>	<b>653,979</b>	<b>1,054,696</b>

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

<sup>2</sup> Include non-resident banks.

<sup>3</sup> Coupons are reviewable every 2 years and will be set one percentage point less than the normal maximum lending rate allowed at law subject to a minimum of 7%. Redemption proceeds are payable at Lm110 per Lm100 nominal.

Source: MSE.

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

*Lm thousands*

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
1990	3,500	93,285	10,000	-	-	106,785
1991	5,500	106,285	25,400	-	-	137,185
1992	1,000	125,285	41,400	-	-	167,685
1993	49,885	84,367	90,300	-	-	224,552
1994	37,900	95,352	110,000	10,000	-	253,252
1995	7,000	158,651	120,300	-	-	285,951
1996	15,800	213,302	112,017	15,000	-	356,119
1997	48,452	279,800	111,367	83,750	-	523,369
1998	46,750	255,650	177,219	83,750	70,000	633,369
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
<b>2004</b>						
Mar.	99,552	224,782	310,663	244,200	33,833	913,030
June	80,852	224,782	312,382	269,200	73,834	961,050
Sept.	55,000	224,782	342,382	269,200	93,834	985,198
Dec.	55,000	243,782	342,382	269,200	104,333	1,014,697
Mar.	99,417	281,410	350,537	199,000	124,333	1,054,697

<sup>1</sup> Calculations are based on the maximum redemption period of the Malta Government stock. With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the current end-year.

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

*Lm thousands*

End of period	Official bilateral entities <sup>1</sup>	Official multilateral organisations <sup>2</sup>	Private commercial banks <sup>3</sup>	Total
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
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
<b>2005<sup>4</sup></b>				
Mar.	11,186	56,911	-	68,097

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

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

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

<sup>4</sup> Provisional.

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

Sources: Central Bank of Malta (from end-1999); Financial Report, The Treasury.



**TABLE 3.6 GOVERNMENT EXTERNAL LOANS  
BY CURRENCY**

*Lm thousands*

End of period	FFR	GBP	DM	JPY	EUR	USD	LIT	Others	Total
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
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
<b>2005<sup>1</sup></b>									
Mar.	-	188	-	609	61,742	5,428	-	130	68,097

<sup>1</sup> Provisional.

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

Sources: Central Bank of Malta (as from end-1999); Financial Report, The Treasury.

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

*Lm thousands*

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	-	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
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
<b>2005<sup>2</sup></b>							
Mar.	7,963	5,126	9,307	44,567	130	1,004	68,097

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

<sup>2</sup> Provisional.

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

Sources: Central Bank of Malta (as from end-1999); Financial Report, The Treasury.

**TABLE 4.1 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**

*end of period closing middle rates*

End of period	GBP	DM	USD	EUR <sup>2</sup>	LIT	FFR	NLG	BFR	JPY	SFR
1990	1.7335	5.0006	3.3249	0.4107	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	0.4090	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	0.4518	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	0.4410	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	0.4528	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	0.4633	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	0.4510	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	0.4329	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	0.4417	4382.63	14.870	4.990	91.360	300.71	3.645
1999	1.4983	4.7163	2.4230	0.4147	4669.13	15.818	5.314	97.276	247.64	3.870
2000	1.5305	4.8033	2.2843	0.4072	4755.26	16.110	5.412	99.070	262.25	3.738
2001	1.5258	4.8874	2.2121	0.4002	4838.52	16.392	5.507	100.805	290.44	3.696
2002	1.5553	-	2.5074	0.4182	-	-	-	-	297.66	3.475
2003	1.6351	-	2.9197	0.4317	-	-	-	-	312.16	3.610
2004	1.6252	-	3.1393	0.4343	-	-	-	-	321.71	3.554
<b>2004</b>										
Oct. 1	1.6098	-	2.8884	0.4295	-	-	-	-	318.39	3.607
8	1.6089	-	2.8863	0.4294	-	-	-	-	317.52	3.615
15	1.6086	-	2.8981	0.4295	-	-	-	-	316.04	3.586
22	1.6075	-	2.9317	0.4300	-	-	-	-	315.63	3.577
29	1.6163	-	2.9597	0.4311	-	-	-	-	313.66	3.549
Nov. 5	1.6170	-	2.9739	0.4313	-	-	-	-	315.98	3.551
12	1.6214	-	2.9879	0.4319	-	-	-	-	317.24	3.523
19	1.6230	-	3.0166	0.4324	-	-	-	-	311.29	3.499
26	1.6167	-	3.0571	0.4326	-	-	-	-	314.74	3.503
Dec. 3	1.5975	-	3.0884	0.4317	-	-	-	-	317.45	3.535
10	1.6022	-	3.0580	0.4316	-	-	-	-	323.47	3.556
17	1.5903	-	3.0749	0.4310	-	-	-	-	321.45	3.566
24	1.6201	-	3.1212	0.4337	-	-	-	-	323.31	3.565
31	1.6252	-	3.1393	0.4343	-	-	-	-	321.71	3.554
<b>2005</b>										
Jan. 7	1.6211	-	3.0524	0.4328	-	-	-	-	317.90	3.578
14	1.6200	-	3.0268	0.4324	-	-	-	-	310.62	3.586
21	1.6106	-	3.0080	0.4314	-	-	-	-	311.93	3.591
28	1.6049	-	3.0297	0.4313	-	-	-	-	312.36	3.586
Feb. 4	1.5960	-	3.0077	0.4304	-	-	-	-	312.46	3.623
11	1.6023	-	2.9895	0.4305	-	-	-	-	316.17	3.612
18	1.6000	-	3.0302	0.4310	-	-	-	-	320.02	3.590
25	1.5993	-	3.0592	0.4314	-	-	-	-	321.80	3.575
Mar. 4	1.5962	-	3.0553	0.4311	-	-	-	-	321.21	3.593
11	1.6115	-	3.0987	0.4328	-	-	-	-	322.50	3.579
18	1.6059	-	3.0743	0.4321	-	-	-	-	322.41	3.587
24	1.6091	-	3.0117	0.4314	-	-	-	-	320.31	3.603

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

<sup>2</sup> The euro replaced the ECU as from 1 January 1999.

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**

*averages for the period*

Period	GBP	DM	USD	EUR <sup>2</sup>	LIT	FFR	NLG	BFR	JPY	SFR
1990	1.7701	5.0852	3.1527	0.4043	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	0.4003	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	0.4117	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	0.4475	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	0.4485	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	0.4615	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	0.4576	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	0.4363	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	0.4356	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	0.4261	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	0.4042	4790.43	16.229	5.452	99.803	246.27	3.853
2001	1.5430	4.8533	2.2226	0.4030	4804.77	16.277	5.468	100.102	269.97	3.749
2002	1.5378	-	2.3100	0.4087	-	-	-	-	288.87	3.590
2003	1.6237	-	2.6543	0.4261	-	-	-	-	307.39	3.568
2004	1.5853	-	2.9061	0.4279	-	-	-	-	314.19	3.609
<b>2004</b>										
Jan.	1.6084	-	2.9341	0.4301	-	-	-	-	312.06	3.642
Feb.	1.5800	-	2.9518	0.4283	-	-	-	-	314.60	3.673
Mar.	1.5723	-	2.8775	0.4266	-	-	-	-	313.54	3.676
Apr.	1.5641	-	2.8210	0.4250	-	-	-	-	303.43	3.658
May	1.5772	-	2.8207	0.4260	-	-	-	-	315.88	3.616
June	1.5608	-	2.8537	0.4253	-	-	-	-	312.22	3.570
July	1.5634	-	2.8818	0.4260	-	-	-	-	314.93	3.584
Aug.	1.5707	-	2.8586	0.4261	-	-	-	-	315.67	3.610
Sept.	1.5928	-	2.8579	0.4277	-	-	-	-	314.66	3.608
Oct.	1.6091	-	2.9068	0.4297	-	-	-	-	316.51	3.590
Nov.	1.6176	-	3.0068	0.4319	-	-	-	-	315.06	3.524
Dec.	1.6075	-	3.1022	0.4326	-	-	-	-	321.73	3.551
<b>2005</b>										
Jan.	1.6163	-	3.0375	0.4323	-	-	-	-	313.64	3.579
Feb.	1.6008	-	3.0233	0.4310	-	-	-	-	317.03	3.597
Mar.	1.6044	-	3.0590	0.4317	-	-	-	-	321.60	3.588

<sup>1</sup> 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.

<sup>2</sup> The euro replaced the ECU as from 1 January 1999.

**TABLE 4.3 MALTA'S FOREIGN TRADE**

*Lm thousands*

Period	Exports (f.o.b.) <sup>1</sup>			Imports (c.i.f.)	Balance of trade
	Domestic	Re-exports	Total		
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,376	490,902	747,770	-256,868
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,657	-362,717
1996	569,901	54,250	624,151	1,007,796	-383,645
1997	563,950	64,980	628,930	984,231	-355,300
1998	664,816	47,169	711,985	1,034,921	-322,936
1999	712,436	78,700	791,136	1,136,233	-345,097
2000	977,535	94,909	1,072,444	1,492,377	-419,933
2001	790,038	90,646	880,684	1,226,421	-345,737
2002	794,300	166,840	961,140	1,227,534	-266,394
2003 <sup>2</sup>	816,389	112,102	928,491	1,279,832	-351,341
2004 <sup>2</sup>	-	-	909,320	1,316,927	-407,607
<b>2003<sup>2</sup></b>					
Jan.	61,218	11,490	72,708	93,989	-21,281
Feb.	58,938	9,792	68,730	103,820	-35,090
Mar.	72,677	6,901	79,578	107,714	-28,136
Apr.	65,698	11,615	77,313	116,978	-39,665
May	63,641	11,502	75,143	107,847	-32,704
June	69,870	11,212	81,082	108,472	-27,390
July	69,110	9,253	78,363	117,050	-38,687
Aug.	64,494	6,275	70,769	95,207	-24,438
Sept.	74,406	6,516	80,922	107,262	-26,340
Oct.	67,787	9,294	77,081	112,342	-35,261
Nov.	71,086	8,068	79,154	101,905	-22,751
Dec.	77,464	10,184	87,648	107,246	-19,598
<b>2004<sup>2</sup></b>					
Jan.	64,343	6,417	70,760	91,427	-20,667
Feb.	66,338	9,459	75,797	94,503	-18,706
Mar.	76,207	12,992	89,199	126,954	-37,755
Apr.	63,037	13,423	76,460	125,966	-49,506
May	-	-	74,190	103,571	-29,381
June	-	-	74,021	99,368	-25,347
July	-	-	69,000	115,387	-46,387
Aug.	-	-	75,971	101,187	-25,216
Sept.	-	-	82,452	95,867	-13,415
Oct.	-	-	77,469	114,534	-37,065
Nov.	-	-	79,513	123,410	-43,897
Dec.	-	-	64,489	124,753	-60,264
<b>2005<sup>2</sup></b>					
Jan.	-	-	59,242	100,895	-41,653
Feb.	-	-	58,833	88,577	-29,744
Mar.	-	-	66,578	100,524	-33,946

<sup>1</sup> As from May 2004 data on exports sub-classified into domestic exports and re-exports are not available.

<sup>2</sup> Provisional.

Source: NSO.

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

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,889
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,422
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,940
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,930
1998	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
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 <sup>1</sup>	109,020	31,494	95,235	120,195	55,250	22,115	134,202	360,980	928,491
2004 <sup>1</sup>	109,731	28,194	97,463	140,600	65,594	33,113	141,765	293,221	909,320
<b>2003<sup>1</sup></b>									
Jan.	9,522	2,748	7,384	10,561	4,581	1,855	8,717	27,340	72,708
Feb.	8,657	2,875	8,147	8,630	5,020	1,591	8,068	25,742	68,730
Mar.	10,119	2,937	8,738	11,764	5,016	1,373	9,610	30,022	79,579
Apr.	8,570	2,594	7,048	10,359	5,758	3,935	10,595	28,454	77,313
May	8,336	2,704	9,013	9,078	5,853	2,082	9,223	28,854	75,143
June	8,835	4,420	8,202	10,254	5,546	1,294	9,801	32,729	81,081
July	8,874	2,249	8,296	9,047	5,608	1,439	10,574	32,276	78,363
Aug.	6,996	1,774	5,911	8,604	3,081	1,895	12,307	30,201	70,769
Sept.	10,838	2,243	8,115	11,060	3,525	1,180	13,219	30,741	80,921
Oct.	8,814	2,396	7,211	11,513	3,801	2,283	13,357	27,706	77,081
Nov.	10,305	2,111	8,170	9,770	3,422	1,470	13,767	30,139	79,154
Dec.	9,154	2,443	9,000	9,555	4,039	1,718	14,964	36,776	87,649
<b>2004<sup>1</sup></b>									
Jan.	9,226	2,534	7,325	9,556	5,095	1,694	12,906	22,424	70,760
Feb.	9,217	1,828	7,891	11,004	5,605	1,955	12,484	25,813	75,797
Mar.	8,569	3,091	9,082	13,243	6,246	2,954	11,961	34,053	89,199
Apr.	9,883	3,137	10,128	11,090	4,900	1,804	10,809	24,709	76,460
May	7,172	1,903	7,333	12,869	5,160	2,204	11,412	26,137	74,190
June	7,843	1,938	7,509	11,178	6,103	2,323	10,884	26,243	74,021
July	10,235	2,198	8,928	11,596	5,627	1,371	9,986	19,059	69,000
Aug.	6,613	2,053	6,536	10,496	4,547	4,731	15,390	25,605	75,971
Sept.	15,611	3,001	8,215	13,163	5,491	3,919	12,910	20,142	82,452
Oct.	7,761	2,249	9,246	12,468	6,051	4,576	11,320	23,798	77,469
Nov.	9,076	2,083	9,422	13,099	5,824	3,211	12,292	24,506	79,513
Dec.	8,165	2,179	5,848	10,838	4,945	2,371	9,411	20,732	64,489
<b>2005<sup>1</sup></b>									
Jan.	6,569	2,070	6,585	10,983	5,302	1,530	8,182	18,021	59,242
Feb.	6,991	1,640	6,914	8,876	4,939	3,708	10,446	15,319	58,833
Mar.	9,235	1,962	7,305	9,554	6,217	3,291	10,413	18,601	66,578

<sup>1</sup> Provisional.

Source: NSO.

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

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
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 <sup>1</sup>	118,638	294,408	29,696	218,912	100,988	104,719	102,364	310,106	1,279,831
2004 <sup>1</sup>	154,827	275,634	40,622	210,867	111,966	123,105	76,842	323,064	1,316,927
<b>2003<sup>1</sup></b>									
Jan.	9,119	20,842	2,244	17,705	5,339	6,427	10,603	21,710	93,989
Feb.	8,751	23,937	2,533	17,432	8,848	8,906	8,498	24,915	103,820
Mar.	9,944	25,557	2,531	17,691	11,043	7,929	7,215	25,804	107,714
Apr.	9,346	27,288	2,414	19,564	10,166	9,439	10,087	28,674	116,978
May	10,574	24,643	2,134	18,241	8,238	9,064	9,306	25,647	107,847
June	10,259	24,799	2,208	15,788	8,440	10,642	10,234	26,101	108,471
July	10,373	31,082	3,012	19,470	8,882	8,714	8,412	27,105	117,050
Aug.	10,011	17,715	2,720	16,373	6,870	7,971	6,397	27,150	95,207
Sept.	11,324	22,222	2,441	17,314	7,861	8,245	8,826	29,029	107,262
Oct.	10,700	25,609	2,978	19,763	9,077	9,119	7,587	27,509	112,342
Nov.	8,970	27,222	2,338	18,149	8,625	9,163	5,496	21,942	101,905
Dec.	9,267	23,492	2,143	21,422	7,599	9,100	9,703	24,520	107,246
<b>2004<sup>1</sup></b>									
Jan.	8,755	16,172	2,182	16,412	6,332	7,611	6,624	27,339	91,427
Feb.	11,152	20,735	1,989	14,535	9,227	10,589	6,549	19,718	94,503
Mar.	17,390	33,928	7,507	17,977	9,132	9,801	7,419	23,800	126,954
Apr.	16,910	27,924	3,085	16,469	13,523	13,833	7,499	26,723	125,966
May	11,689	19,708	1,853	19,338	6,074	7,593	5,748	31,568	103,571
June	12,083	20,504	2,830	17,057	9,564	11,112	3,262	22,956	99,368
July	12,761	24,291	5,101	17,504	7,737	11,239	8,589	28,165	115,387
Aug.	10,246	20,582	3,196	20,170	12,969	8,851	3,497	21,676	101,187
Sept.	12,947	18,553	2,967	16,276	8,898	11,142	5,081	20,003	95,867
Oct.	14,058	26,584	2,978	18,562	11,845	10,457	4,460	25,590	114,534
Nov.	13,904	25,730	3,553	17,337	8,388	12,443	9,942	32,113	123,410
Dec.	12,932	20,923	3,381	19,230	8,277	8,425	8,172	43,413	124,753
<b>2005<sup>1</sup></b>									
Jan.	12,451	29,828	3,421	10,385	8,091	9,417	4,201	23,101	100,895
Feb.	10,524	27,117	2,927	7,569	8,155	7,384	4,668	20,233	88,577
Mar.	10,427	30,908	3,200	10,442	9,043	8,766	4,066	23,673	100,524

<sup>1</sup> Provisional.

Source: NSO.

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

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,720
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,950
1998	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
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	33,140	1,959	2,457	218	4	14,846	44,733	549,219	169,664	133	816,389

<sup>1</sup> This table was discontinued as from December 2003.**TABLE 4.6b TOTAL EXPORTS BY COMMODITY SECTIONS<sup>2</sup>***Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
2004 <sup>1</sup>	25,376	14,166	3,232	39875	11	23,886	50,569	580,996	170,814	391	909,320
<b>2004<sup>1</sup></b>											
Jan.	1,184	1,082	355	2570	-	1,843	3,937	44,380	15,364	44	70,760
Feb.	1,047	1,012	138	4615	-	3,835	3,601	47,492	13,962	95	75,797
Mar.	2,637	1,473	275	6736	-	2,267	5,193	54,935	15,649	34	89,199
Apr.	1,886	730	160	4082	-	2,532	3,670	48,547	14,851	-	76,460
May	2,738	961	156	3829	-	2,371	4,158	49,629	10,328	20	74,190
June	3,458	501	303	3333	-	1,443	3,627	47,762	13,547	47	74,021
July	1,494	1597	88	1723	-	1,574	3,780	44,709	14,001	35	69,000
Aug.	2,273	1915	268	4745	-	1,165	3,575	49,987	12,029	14	75,971
Sept.	2,070	1,696	179	812	-	1,236	5,208	54,353	16,887	9	82,451
Oct.	2,215	880	513	5285	-	2,382	5,264	-	14,675	14	77,469
Nov.	1,694	1,645	198	1778	-	1,604	4,765	50,160	17,668	-	79,513
Dec.	2,680	674	599	367	11	1,634	3,791	42,802	11,853	79	64,489
<b>2005<sup>1</sup></b>											
Jan.	1,405	579	204	330	-	1,342	4,714	37,845	12,823	-	59,242
Feb.	1,200	887	176	317	-	1,461	4,050	37,940	12,804	-	58,833
Mar.	1,679	418	556	418	-	2,889	4,697	40,189	15,717	14	66,578

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

Source: NSO.

**TABLE 4.7 IMPORTS BY COMMODITY SECTIONS**
*Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,510
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
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 <sup>1</sup>	116,764	24,788	12,101	102,070	2,548	103,155	145,434	619,221	142,993	10,756	1,279,831
2004 <sup>1</sup>	122,044	22,578	11,661	104,878	3,010	111,194	147,304	624,383	162,826	7,133	1,316,927
<b>2003</b>											
Jan.	8,006	1,854	728	8,803	197	7,477	10,732	47,404	7,849	939	93,989
Feb.	9,063	2,312	1,162	9,923	262	7,729	12,319	48,734	10,755	1,561	103,820
Mar.	8,534	1,678	1,139	8,237	172	7,664	12,261	55,743	11,333	953	107,714
Apr.	11,273	1,912	1,122	7,602	241	8,923	13,330	58,773	13,033	769	116,978
May	8,957	2,313	1,164	8,277	173	8,562	12,600	49,711	15,248	842	107,847
June	7,936	1,820	1,075	7,527	140	8,426	12,969	55,406	12,561	612	108,471
July	9,613	3,360	926	13,723	237	10,842	13,720	52,275	11,662	692	117,050
Aug.	10,677	1,926	835	10,038	181	7,953	10,038	43,385	9,169	1,004	95,207
Sept.	11,673	2,019	827	7,758	339	8,987	11,468	51,296	12,006	888	107,262
Oct.	10,683	1,759	997	7,415	246	9,532	12,860	52,603	15,495	752	112,342
Nov.	10,028	1,837	943	7,008	186	8,578	12,264	47,770	12,429	862	101,905
Dec.	10,321	1,998	1,183	5,759	174	8,482	10,873	56,121	11,453	882	107,246
<b>2004<sup>1</sup></b>											
Jan.	7,824	1,435	768	14,245	187	7,807	9,121	41,750	7,714	575	91,427
Feb.	6,831	1,023	1,154	8,814	127	8,965	10,136	44,989	11,347	1,116	94,503
Mar.	8,625	2,432	1,012	7,397	196	10,151	12,517	70,585	12,944	1,093	126,954
Apr.	11,471	1,717	822	12,735	574	11,836	14,995	58,750	12,173	892	125,966
May	7,569	1,683	959	9,098	167	6,558	10,930	52,848	12,905	854	103,571
June	9,246	2,266	800	7,518	258	8,950	13,104	38,355	18,422	450	99,368
July	10,865	2,857	910	7,413	294	9,674	14,409	54,169	14,553	242	115,387
Aug.	11,899	1,961	1,382	9,382	218	8,170	10,514	46,046	11,521	92	101,187
Sept.	10,419	2,279	918	6,905	242	9,775	10,989	40,142	13,212	987	95,867
Oct.	13,496	1,753	1,132	9,395	219	9,547	13,387	49,985	15,616	93	114,534
Nov.	12,758	1,637	870	9,176	354	11,517	13,643	56,949	16,199	309	123,410
Dec.	11,041	1,535	934	2,800	174	8,244	13,559	69,815	16,220	430	124,753
<b>2005<sup>1</sup></b>											
Jan.	8,756	1,001	736	11,163	223	8,874	8,850	50,522	9,503	1,265	100,895
Feb.	8,453	982	1,305	8,904	142	8,889	11,076	38,108	10,234	482	88,577
Mar.	9,427	1,040	888	5,738	197	9,503	12,602	46,352	14,232	542	100,524

<sup>1</sup> Provisional.

Source: NSO.



**TABLE 5.1 a GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS  
IN LINE WITH ESA 1995<sup>1</sup>  
at current market prices**

*Lm thousands*

Period	Domestic demand				Total	External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>		Exports of goods and services	Imports of goods and services	Net balance		
2000	1,073,360	323,830	374,254	61,632	1,833,076	1,572,823	1,740,099	-167,276	1,665,800	1,612,706
2001	1,093,133	354,188	326,139	-16,697	1,756,763	1,419,830	1,487,633	-67,803	1,688,960	1,700,067
2002	1,100,300	373,450	259,189	-11,875	1,721,064	1,492,598	1,473,608	18,990	1,740,054	1,742,608
2003	1,130,655	392,990	357,100	10,850	1,891,595	1,419,565	1,517,883	-98,318	1,793,277	1,808,695
2004	1,177,125	408,120	383,525	22,849	1,991,619	1,408,798	1,553,227	-144,429	1,847,190	1,824,834
<b>2003</b>										
Mar.	264,881	103,604	87,909	10,401	466,795	310,951	363,861	-52,910	413,885	428,354
June	275,845	101,210	96,132	2,624	475,811	362,128	387,962	-25,834	449,977	450,568
Sept.	295,506	93,066	85,323	-1,774	472,121	384,932	386,386	-1,454	470,667	486,343
Dec.	294,423	95,110	87,736	-402	476,867	361,554	379,674	-18,120	458,747	443,429
<b>2004</b>										
Mar.	266,671	103,946	86,736	-4,094	453,259	327,351	343,274	-15,923	437,336	434,787
June	286,500	102,480	97,829	82	486,891	358,636	394,000	-35,364	451,527	470,562
Sept.	315,623	98,405	97,663	-23,576	488,115	378,268	383,650	-5,382	482,733	445,955
Dec.	308,331	103,289	101,297	50,438	563,355	344,543	432,303	-87,760	475,595	473,531
<b>2005</b>										
Mar.	273,979	97,707	96,206	34,920	502,812	285,278	346,405	-61,127	441,685	446,230

<sup>1</sup> Provisional.

<sup>2</sup> Including Non-Profit Institutions Serving Households (NPISH).

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

Source: NSO.

**TABLE 5.1b GROSS DOMESTIC PRODUCT AND EXPENDITURE COMPONENTS  
IN LINE WITH ESA 1995<sup>1</sup>  
at constant 2000 prices**

*Lm thousands*

Period	Domestic demand				Total	External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>		Exports of goods and services	Imports of goods and services	Net balance	
2000	1,073,360	323,830	374,253	61,632	1,833,075	1,572,823	1,740,099	-167,276	1,665,799
2001	1,075,534	324,283	314,860	-15,940	1,698,737	1,550,472	1,590,363	-39,891	1,658,846
2002	1,065,711	336,899	242,351	-11,278	1,633,683	1,595,218	1,553,005	42,213	1,675,896
2003	1,087,038	346,547	330,791	9,917	1,774,293	1,531,991	1,662,012	-130,021	1,644,272
2004	1,094,928	348,763	351,148	20,699	1,815,538	1,581,723	1,736,261	-154,538	1,661,000
<b>2003</b>									
Mar.	257,839	92,348	81,473	9,502	441,162	343,447	399,143	-55,696	385,466
June	265,414	89,228	88,872	2,428	445,942	388,404	427,059	-38,655	407,287
Sept.	282,759	81,533	79,128	-1,644	441,776	407,839	421,620	-13,781	427,995
Dec.	281,026	83,439	81,316	-369	445,412	392,301	414,190	-21,889	423,523
<b>2004</b>									
Mar.	254,042	88,554	79,548	-3,708	418,436	365,618	387,425	-21,807	396,629
June	265,033	87,835	89,521	74	442,463	398,949	436,144	-37,195	405,268
Sept.	291,640	83,937	89,401	-21,357	443,621	416,042	430,136	-14,094	429,527
Dec.	284,214	88,436	92,677	45,691	511,018	401,115	482,557	-81,442	429,576
<b>2005</b>									
Dec.	251,725	83,576	86,655	31,929	453,885	313,937	371,432	-57,495	396,390

<sup>1</sup> Provisional.

<sup>2</sup> Including Non-Profit Institutions Serving Households (NPISH).

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

Source: NSO.

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

Period	United Kingdom	Italy	France	Germany	Scandinavian Countries <sup>2</sup>	United States	All Others	Total
2001	465,635	78,515	78,739	165,812	45,339	12,671	298,455	1,145,166
2002	466,005	69,885	79,770	147,765	35,986	11,389	286,027	1,096,827
2003 <sup>3</sup>	471,898	78,366	77,029	124,773	41,369	13,896	281,775	1,089,089
2004 <sup>3</sup>	451,997	80,991	86,061	134,758	61,976	17,001	294,619	1,127,407
<b>2004<sup>3</sup></b>								
Jan.	20,183	6,880	1,613	5,966	1,346	885	11,947	48,820
Feb.	25,030	3,284	3,852	5,219	1,900	726	10,889	50,900
Mar.	31,369	4,312	3,253	10,159	2,584	971	12,371	65,019
Apr.	36,985	7,370	8,589	11,181	4,565	1,578	20,607	90,875
May	38,795	5,574	10,792	10,695	7,217	2,018	28,181	103,272
June	47,020	6,272	10,815	12,134	5,546	879	29,848	112,514
July	43,004	10,818	8,982	13,015	10,838	2,483	41,062	130,202
Aug.	61,686	17,696	13,798	15,121	6,098	1,134	47,377	162,910
Sept.	49,359	6,495	12,671	16,680	5,202	1,689	34,306	126,402
Oct.	49,069	6,376	6,794	19,739	10,216	2,419	33,457	128,070
Nov.	30,048	3,089	3,000	11,037	4,237	1,280	14,743	67,434
Dec.	19,450	2,826	1,900	3,814	2,228	941	9,831	40,990
<b>2005<sup>3</sup></b>								
Jan.	22,215	5,407	1,710	6,481	1,820	1,051	13,586	52,270
Feb.	21,936	3,089	2,842	5,476	1,722	451	8,793	44,309
Mar.	32,859	5,117	3,193	8,875	4,003	862	15,653	70,562

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

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

<sup>3</sup> Provisional.

Source: NSO.

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

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	% <sup>2</sup>	Amount	% <sup>3</sup>	Amount	% <sup>4</sup>
1995	102,628	36,423	139,050	98,215	35,637	133,852	4,412	4.3	785	2.2	5,198	3.7
1996	104,096	37,571	141,666	99,374	36,590	135,963	4,722	4.5	981	2.6	5,703	4.0
1997	104,467	38,588	143,055	98,697	37,479	136,176	5,770	5.5	1,109	2.9	6,878	4.8
1998	104,134	38,936	143,070	97,949	37,897	135,847	6,185	5.9	1,040	2.7	7,224	5.1
1999	104,649	40,011	144,660	97,966	38,818	136,783	6,684	6.4	1,193	3.0	7,877	5.4
2000	103,763	40,123	143,886	97,272	38,960	136,232	6,492	6.3	1,163	2.9	7,654	5.3
2001	104,439	40,801	145,240	98,490	39,661	138,151	5,949	5.7	1,140	2.8	7,089	4.9
2002	104,015	41,112	145,127	97,814	39,732	137,546	6,202	6.0	1,379	3.4	7,581	5.2
2003	103,888	41,749	145,637	97,639	40,182	137,820	6,250	6.0	1,567	3.8	7,817	5.4
2004	103,366	42,006	145,372	96,771	40,347	137,117	6,595	6.4	1,659	4.0	8,254	5.7
<b>2003</b>												
Jan.	104,245	41,409	145,654	97,853	39,922	137,775	6,392	6.1	1,487	3.6	7,879	5.4
Feb.	104,169	41,496	145,665	97,932	40,026	137,958	6,237	6.0	1,470	3.5	7,707	5.3
Mar.	104,081	41,419	145,500	97,930	40,006	137,936	6,151	5.9	1,413	3.4	7,564	5.2
Apr.	104,080	41,463	145,543	98,020	40,043	138,063	6,060	5.8	1,420	3.4	7,480	5.1
May	103,758	41,511	145,269	97,848	40,100	137,948	5,910	5.7	1,411	3.4	7,321	5.0
June	103,813	41,783	145,596	97,933	40,425	138,358	5,880	5.7	1,358	3.3	7,238	5.0
July	104,308	42,399	146,707	98,133	40,660	138,793	6,175	5.9	1,739	4.1	7,914	5.4
Aug.	103,927	42,165	146,092	97,676	40,364	138,040	6,251	6.0	1,801	4.3	8,052	5.5
Sept.	103,877	41,806	145,683	97,612	40,129	137,741	6,265	6.0	1,677	4.0	7,942	5.5
Oct.	103,763	41,978	145,741	97,240	40,252	137,492	6,523	6.3	1,726	4.1	8,249	5.7
Nov.	103,342	41,897	145,239	96,798	40,164	136,962	6,544	6.3	1,733	4.1	8,277	5.7
Dec.	103,298	41,656	144,954	96,692	40,087	136,779	6,606	6.4	1,569	3.8	8,175	5.6
<b>2004<sup>5</sup></b>												
Jan.	103,246	41,607	144,853	96,304	39,755	136,059	6,942	6.7	1,852	4.5	8,794	6.1
Feb.	103,315	41,716	145,031	96,344	39,857	136,201	6,971	6.7	1,859	4.5	8,830	6.1
Mar.	103,143	41,623	144,766	96,465	39,881	136,346	6,678	6.5	1,742	4.2	8,420	5.8
Apr.	103,266	41,723	144,989	96,591	40,059	136,650	6,675	6.5	1,664	4.0	8,339	5.8
May	103,298	41,814	145,112	96,756	40,252	137,008	6,542	6.3	1,562	3.7	8,104	5.6
June	103,485	42,005	145,490	97,051	40,497	137,548	6,434	6.2	1,508	3.6	7,942	5.5
July	103,816	42,394	146,210	97,285	40,794	138,079	6,531	6.3	1,600	3.8	8,131	5.6
Aug.	103,605	42,337	145,942	97,259	40,730	137,989	6,346	6.1	1,607	3.8	7,953	5.4
Sept.	103,554	42,294	145,848	97,049	40,659	137,708	6,505	6.3	1,635	3.9	8,140	5.6
Oct.	103,266	42,173	145,439	96,748	40,519	137,267	6,518	6.3	1,654	3.9	8,172	5.6
Nov.	103,258	42,269	145,527	96,770	40,632	137,402	6,488	6.3	1,637	3.9	8,125	5.6
Dec.	103,135	42,117	145,252	96,624	40,525	137,149	6,511	6.3	1,592	3.8	8,103	5.6

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

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

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

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

<sup>5</sup> Provisional.

Sources: ETC; NSO.

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

Period <sup>2</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	% <sup>3</sup>	Amount	% <sup>4</sup>	Amount	% <sup>5</sup>
2001	110,147	45,987	156,134	103,306	42,776	146,082	6,841	6.2	3,212	7.0	10,052	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	7.0
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	110,391	48,931	159,321	103,317	44,536	147,853	7,074	6.4	4,395	9.0	11,469	7.2
<b>2004</b>												
Mar.	111,734	48,449	160,183	104,061	44,594	148,655	7,673	6.9	3,855	8.0	11,528	7.2
June	110,596	46,977	157,573	102,943	43,101	146,044	7,653	6.9	3,876	8.3	11,529	7.3
Sept.	110,134	50,256	160,390	103,463	45,146	148,609	6,671	6.1	5,110	10.2	11,781	7.3
Dec.	109,098	50,040	159,138	102,801	45,301	148,102	6,297	5.8	4,739	9.5	11,036	6.9
<b>2005</b>												
Mar.	109,583	50,991	160,574	102,777	46,959	149,736	6,806	6.2	4,032	7.9	10,838	6.7

<sup>1</sup> The Labour Force Survey is carried out on a quarterly basis using a random sample of private households. As from Q1 of 2004, this figure was compiled on an evenly spread survey throughout the 13 weeks of the quarter and not on one specific reference week representing the whole quarter.

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

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

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

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

Source: NSO.

**TABLE 5.5 NUMBER OF APPROVED PERMIT APPLICATIONS FOR  
COMMERCIAL, SOCIAL AND OTHER PURPOSES<sup>1</sup>**

Period	Commercial and social							Total	Other permits <sup>5</sup>	Total permits
	Agriculture	Manufacturing <sup>2</sup>	Warehousing, retail & offices <sup>3</sup>	Hotels & tourism related	Restaurants & bars	Social <sup>4</sup>	Parking			
1994	82	37	222	21	-	61	171	594	1,559	2,153
1995	133	65	281	15	-	116	224	834	1,932	2,766
1996	145	65	204	19	5	106	139	683	2,402	3,085
1997	116	37	197	16	14	79	132	591	2,465	3,056
1998	135	43	209	21	17	98	143	666	2,956	3,622
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

<sup>1</sup> Changes to the data are mainly due to the policy adopted by the Malta Environment & Planning Authority to reassess permit applications on a continuous basis. Excludes applications for dwellings and minor works on dwellings.

<sup>2</sup> Includes mineral working.

<sup>3</sup> Consists of offices, shops and retail services, warehousing, mixed office and retail, mixed residential office and retail, mixed residential and retail applications.

<sup>4</sup> Includes community and health services, recreational and educational applications.

<sup>5</sup> Mainly includes satellite dishes, private swimming pools, advertisements, demolitions and alterations, change of use, minor new works (not on dwellings) and other unidentified applications.

Source: Malta Environment & Planning Authority.

**TABLE 5.6 DWELLING PERMITS AND UNITS GRANTED  
DEVELOPMENT PERMISSION, BY TYPE <sup>1</sup>**

Period	Dwelling permits <sup>2</sup>			Dwelling units <sup>3</sup>				
	New dwellings <sup>4</sup>	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
1994	1953	934	2887	1095	476	488	44	2103
1995	2413	1082	3495	1910	1064	1094	161	4229
1996	1784	1085	2869	1601	1183	495	72	3351
1997	1805	1149	2954	1656	1060	570	125	3411
1998	1698	909	2607	1742	790	339	133	3004
1999	1257	689	1946	1452	473	271	77	2273
2000	1408	705	2113	1473	583	246	67	2369
2001	1299	483	1782	2657	774	203	546	4180
2002	1422	595	2017	3420	910	135	1016	5481
2003	1321	517	1838	4548	1085	414	81	6128
2004	1378	435	1813	5265	966	353	123	6707

<sup>1</sup> Changes to the data are mainly due to the policy adopted by the Malta Environment & Planning Authority to reassess permit applications on a continuous basis.

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

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

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

*Source: Malta Environment & Planning Authority.*

**TABLE 5.7 INFLATION RATES<sup>1</sup>**

(Base 1946 = 100)

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

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

<sup>2</sup> Following the revision of the 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 PRICE INDEX

(Base December 2002 = 100)

Period	All items
1995	83.58
1996	85.66
1997	88.33
1998	90.43
1999	92.36
2000	94.55
2001	97.32
2002	99.45
2003	100.75
2004	103.56
<b>2004</b>	
Jan.	102.20
Feb.	102.23
Mar.	102.66
Apr.	103.32
May	103.13
June	103.62
July	104.14
Aug.	103.25
Sept.	103.56
Oct.	104.36
Nov.	104.96
Dec.	105.27
<b>2005</b>	
Jan.	104.70
Feb.	105.33
Mar.	105.82

Note: The New Retail Price 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 the NSO News Release No. 58/2003.

Source: NSO.



**TABLE 5.9 MAIN CATEGORIES OF HARMONISED INDEX OF CONSUMER PRICES (HICP)**

(12-month moving average rates - Base 1996=100)<sup>1</sup>

Period	00		01	02	03	04	05	06	07	08	09	10	11	12	%
	Index	12-month moving average													
1998	107.8	3.7	2.2	10.1	1.4	0.6	0.5	4.4	4.1	0.2	2.1	5.0	6.8	4.8	
1999	110.2	2.3	-0.1	10.0	-0.7	1.4	2.9	3.4	3.2	0.0	0.5	4.1	3.2	2.1	
2000	113.6	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	116.4	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	119.5	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	121.8	1.9	2.0	1.2	-6.8	2.0	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3	
2004	125.1	2.7	-0.2	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8	
<b>2004</b>															
Jan.	120.9	2.1	2.4	2.3	-6.0	2.2	-0.1	5.8	2.2	-0.5	1.1	3.0	7.2	2.6	
Feb.	121.0	2.1	2.2	3.4	-5.3	2.4	0.1	6.6	2.3	-0.6	0.9	2.8	6.7	2.9	
Mar.	121.5	2.1	1.9	4.6	-5.3	2.7	0.3	7.2	2.3	-0.7	0.7	2.6	6.3	3.3	
Apr.	126.6	2.3	1.8	5.7	-5.2	2.9	0.7	8.0	2.4	-0.7	0.4	3.0	6.2	3.8	
May	126.8	2.4	1.5	6.8	-4.6	3.1	1.0	7.8	2.4	-0.6	0.2	3.2	6.0	4.3	
June	127.2	2.4	1.3	8.0	-4.0	2.8	1.2	7.5	2.4	0.8	0.1	3.4	5.8	4.8	
July	127.8	2.6	1.5	9.1	-3.0	2.5	1.4	7.4	2.8	2.2	-0.1	3.6	5.0	5.0	
Aug.	127.2	2.6	1.6	10.2	-1.9	2.2	1.6	7.3	2.9	3.8	-0.3	3.8	4.1	5.1	
Sep.	127.8	2.8	1.3	11.4	-1.4	2.3	1.9	7.3	3.0	5.3	-0.3	4.0	3.8	5.3	
Oct.	127.8	2.8	0.6	12.5	-1.7	2.5	2.2	7.2	3.4	6.9	-0.4	3.6	3.4	5.5	
Nov.	122.7	2.8	0.2	13.7	-2.1	2.7	2.5	7.1	3.7	8.5	0.0	3.3	2.9	5.7	
Dec.	123.9	2.7	-0.2	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8	
<b>2005</b>															
Jan.	123.2	2.7	-0.6	12.0	-2.6	3.2	2.9	6.8	4.1	11.8	0.4	2.7	2.4	5.5	
Feb.	124.0	2.7	-0.6	10.8	-2.5	3.6	2.9	6.4	4.1	13.7	0.6	2.4	2.2	5.2	
Mar.	124.6	2.7	-0.6	9.7	-2.0	4.2	2.8	6.1	4.2	15.5	0.8	2.1	2.0	5.0	

<sup>1</sup> Provisional data.

COICOP/HICP Code:

00.	HICP (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).

### Measures of money

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

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

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

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

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

### Compilation and valuation principles

Monetary statistics are based on a consolidation (or aggregation where indicated) of the monthly financial statements provided by the local credit institutions and the Central Bank of Malta. The credit institutions must submit data to the Bank no later than twelve calendar days following the end of the

reporting month or quarter. Branches and subsidiaries of credit institutions operating in Malta but with head offices/parent companies abroad are also obliged to submit similar financial information. The reporting institutions compile monthly financial information in line with international accounting norms as issued by the International Accounting Standards Committee. In certain instances, credit institutions are required to submit the returns in accordance with specific statistical requirements of the Bank.

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

All financial assets and liabilities are reported on a gross basis. Loans - which include overdrafts, bills discounted and any other facility whereby funds are lent - are reported at their book value and gross of all related provisions, both general and specific. Financial assets and liabilities that have demonstrable value - as well as non-financial assets - are considered as on-balance sheet items. Other financial instruments which are conditional on the occurrence of uncertain future events, such as contingent instruments, are not given on-balance sheet recognition. Only the gains and losses on the latter instruments are treated as on-balance sheet.

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

### **Release of monetary statistics**

Monthly provisional consolidated monetary statistics are posted on the Central Bank of Malta website by the end of the month following the reference month. Subsequently, such detailed provisional monetary data together with related analytical information are released in the press through the Bank's monthly 'Statistical release on monetary aggregates and their counterparts' and in the Central Bank of Malta's *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. Before major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

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

Monetary data are based on the classification of transactions by the residence of the transactors. The transactors may either be residents or non-residents of Malta, a transactor being an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. The internationally agreed residence criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'.

The term ‘centre of economic interest’ indicates that there exists some location within the economic territory on or from which a unit engages, and intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). Those companies solely undertaking international business activities, including shipping activities, which have a physical presence and undertake a significant degree of economic activity in Malta, are considered as resident units.

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

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

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

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

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

- (a) **Monetary financial institutions** (MFIs) consist of:

- i. The **central bank**, which is the national financial institution that exercises control over key aspects of the financial system and whose principal function is to issue currency, to maintain the internal and external value of the currency and to hold all or part of the international reserves of the country.

- ii. The **credit institutions**, whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. Credit institutions licensed in Malta comprise banks licensed by the competent authority under the Banking Act (Cap. 371). In accordance with the Banking Co-ordination Directives of December 1977 and December 1989 (77/780/EEC and 89/646/EEC), a credit institution is “an undertaking whose business is to receive deposits or other repayable funds from the public - including the proceeds arising from the sales of bank bonds to the public - and to grant credit for its own account”.

This sector is also subdivided into deposit money banks (DMBs) and international banking institutions (IBIs), the latter as from January 1995. DMBs are credit institutions that accept deposits and grant loans to both residents and non-residents. IBIs are credit institutions that accept deposits and grant loans predominantly to non-residents. Other banking institutions (OBIs),

comprising mainly long-term lending institutions, were included with the banking sector category up to December 2000.

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

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

ii. **Insurance companies and pension funds**, which comprise non-monetary financial companies principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance companies consist of incorporated mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or group of units. Pension funds included in this sector are those that are constituted as separate from the units that created them. They are established for the purposes of providing retirement benefits for specific groups of employees.

(c) **General government:**

General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. For statistical reporting purposes, the sector general government in Malta comprises the central government sector and the other general government sector, the latter comprising solely the local government sector.

i. **Central government** includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory. It thus includes departments, ministries, and offices of government located in the country and embassies, consulates, military establishments and other institutions of government located outside the country. Also included in this sector are the 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.

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

This sector comprises companies not engaged in any form of financial intermediation but engaged

principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities. This sector includes public non-financial companies, that is, companies that are subject to control by government units, and private non-financial companies, that is, companies controlled by non-government resident or non-resident units.

(e) **Households and non-profit institutions:**

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 principally engaged in the production of non-market goods and services intended for particular sections of households.

### **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 in dealings between banks in the official interbank market.

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 interest rates applicable on Government Treasury bills, which are obtained from the official rates quoted by the Treasury, are primary market weighted average yields. 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. Interest rates on Malta Government stocks represent weighted average gross redemption yields on applicable stocks with periods specified referring to remaining term to maturity.

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 and Economic Affairs. 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.