

Central Bank of Malta



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ABBREVIATIONS

ECB	European Central Bank
ESCB	European System of Central Banks
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

ECONOMIC SURVEY

1. FOREWORD

During the fourth quarter of 2003 and the first quarter of 2004 the Central Bank of Malta left the central intervention rate unchanged at 3%. The Bank's policy stance reflected its assessment of economic and financial developments in Malta and abroad and was consonant with its monetary policy strategy, which is based on pegging the Maltese lira to a basket of major currencies.

The Bank's decision to maintain the central intervention rate unchanged was influenced by a number of considerations. The Bank's net foreign assets, which had been on a general upward trend throughout the first three quarters of the year, declined during the final quarter, reflecting a weakening performance in Malta's export-oriented sectors. At the same time, the domestic economic environment continued to be characterised by a low rate of inflation, subdued activity and rising unemployment.

The decline in the Bank's net foreign assets was stemmed during the first quarter of 2004. A pick-up in inflation at the beginning of the year reflected the impact of the increase in indirect taxes, so that underlying price pressures were unlikely to build up. The information available from money and credit aggregates, as well as from the labour market, pointed to subdued economic activity. In these circumstances, the Bank left its monetary policy stance unchanged.

Domestic money market rates moved lower in October, in line with the cut in the central intervention rate at the end of September, and remained stable going into 2004. With short-term interest rates abroad rising during the period, the

premium on Maltese lira short-term rates narrowed to 60 basis points. Domestic Government bond yields were broadly unchanged during the final quarter of 2003 and into 2004.

Broad money (M3) contracted by 0.2% in the December quarter, after having slowed down considerably in the previous quarter, as investors showed an increasing preference for holding bonds rather than monetary assets. Growth in the net foreign assets of the banking system, as well as a sharp increase in domestic credit, largely reflected exceptional transactions that had a neutral impact on broad money.

According to data released by the NSO in April, the economy contracted during the final quarter of 2003, with GDP falling by 1.3% in real terms year-on-year. The fall in output reflected a substantial deterioration in the external balance on goods and services, as imports increased and exports declined. In contrast, domestic demand picked up, with private and Government consumption expenditure rising and investment spending increasing further. To the extent that consumer spending accelerated in anticipation of the announced rise in VAT in January 2004, the pick-up in demand is likely to be temporary.

The Bank's latest business perceptions survey indicates a further decline in business confidence, with most respondents expecting the performance of the Maltese economy to worsen rather than improve over the coming months.¹ The survey responses suggest that activity in the export sector increased slightly, whereas locally-oriented firms reported below-normal activity levels. The results also point to brighter prospects for export-oriented sectors of the economy in 2004, whereas the outlook for firms serving the domestic market

¹ The survey was carried out between January and February 2004.

remained somewhat negative. However, a growing number of participating firms said that investment would increase over the coming twelve months.

Labour market indicators were mixed. Data compiled by the ETC showed that the unemployment rate continued to rise from 5.5% in September to 5.7% in November, as the gainfully occupied population declined further. The number of registered unemployed had increased again by February 2004. Meanwhile, the results of the latest Labour Force Survey, carried out in December, show that unemployment dropped to 7.9% in December from 8.2% three months earlier. However, both the activity rate and the employment rate declined from their previous year's level.

The downward trend in inflation in evidence since the second half of 2002 was halted during the fourth quarter of 2003. The twelve-month moving average rate of inflation rose from 1.1% in September to 1.3% in December, largely reflecting higher prices of food and of clothing & footwear. The increase in the standard VAT rate at the beginning of 2004 also had an impact on inflation, which continued rising to 1.7% in February 2004. Similarly, the year-on-year inflation rate rose from

0.5% at the end of September to 2.4% three months later and reached 2.6% in February.

In line with the usual seasonal pattern, the current account of the balance of payments swung back into deficit during the fourth quarter of 2003. The deficit was marginally wider than in the corresponding quarter of 2002, as a narrower deficit on the income account was outweighed by larger imbalances on merchandise trade and current transfers, as well as lower net receipts on services. After excluding movements in the international reserves, net inflows on the capital and financial account - which had been partly reversed during the previous quarter - resumed at a faster pace than that recorded in the corresponding quarter of the previous year.

On the fiscal front, the balance on the Consolidated Fund swung into surplus during the final quarter of 2003, largely because of a substantial increase in revenue, as expenditure remained relatively stable. Nevertheless, over the year as a whole, the Fund deficit increased. Moreover, the general Government deficit, which gives a more comprehensive view of fiscal operations, widened sharply, although this largely resulted from a one-off adjustment related to the restructuring of the shipyards.

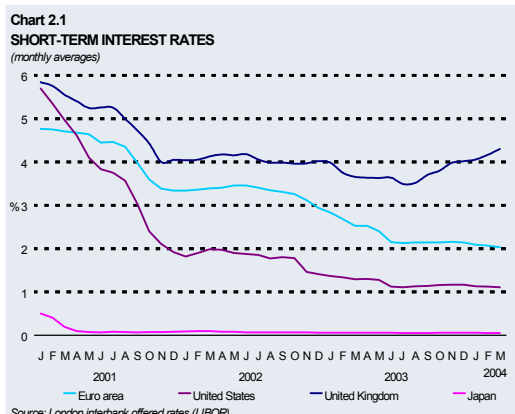
2. THE INTERNATIONAL ENVIRONMENT

The world economy

From the middle of 2003 the global economy registered a notable recovery, starting 2004 with considerable momentum. The United States continued to grow at a solid pace, while the outlook for the British economy became increasingly bullish. The recovery in Japan became more broadly based, with fourth quarter growth outstripping that of all other major industrialised countries except the US. In the euro area, however, weakness persisted as the euro's strength hurt exports (see Table 2.1).

Economic and monetary developments in the major economies

The United States economy grew by 4.3% during the final quarter of 2003, driven by robust expansion in investment and consumption expenditure. This represented a pick-up from the 3.6% growth rate of the third quarter. At the same



time, consumer price inflation slowed down further, to 1.9% (see Table 2.2), despite a weakening dollar and higher commodity prices. Nevertheless, the US economy still faced fiscal and current account deficits and weak job creation.

Throughout the fourth quarter of 2003 and the first few months of 2004, the Federal Reserve maintained an unchanged monetary policy stance, leaving the federal funds rate at 1%. As a result,

Table 2.1
REAL GDP

% change compared with the same period a year earlier

	2002		2003			2004
	Q4	Q1	Q2	Q3	Q4	Q1 ¹
United States	2.8	2.1	2.4	3.6	4.3	4.9
European Union	1.2	0.9	0.4	0.6	0.9	1.3
Euro area	1.1	0.7	0.1	0.3	0.6	1.0
United Kingdom	2.0	2.0	2.3	2.3	2.8	3.1
Japan	2.5	2.7	2.4	2.0	3.4	3.5

¹ Forecasts.

Sources: Consensus Forecasts; Eurostat; Reuters.

Table 2.2**Inflation***% change compared with the same period a year earlier*

	2002		2003			2004
	Q4	Q1	Q2	Q3	Q4	Q1 ¹
United States	2.2	2.9	2.2	2.2	1.9	1.6
Euro area	2.3	2.3	2.0	2.0	2.1	1.7
United Kingdom	1.6	1.5	1.3	1.4	1.4	1.5
Japan	-0.5	-0.2	-0.3	-0.2	-0.3	-0.2

¹ Forecasts.*Sources: Consensus Forecasts; Reuters.*

money market interest rates in the US remained relatively stable throughout the period (see Chart 2.1). According to statements released by the Federal Open Market Committee, which is responsible for taking monetary policy decisions, the combination of an accommodative monetary policy stance and growth in productivity was supporting economic activity. Yet despite strong growth, weak job creation appeared to be keeping it from raising interest rates from forty-year lows, in spite of market concerns that these could drive up prices in the capital and real estate markets.

In contrast with the US, the euro area economy expanded at an anaemic 0.6%, year on year, during the final quarter of 2003. This represented a slight pick-up from the previous quarter, as domestic demand strengthened following a rise in government expenditure. There was concern, however, that the weakness of the German economy - which in 2003 recorded its first year of recession in a decade - would spill over and affect the entire region. Furthermore, unemployment in the area remained high at 8.8% while, in response to higher commodity prices, inflation edged up to 2.1%.

In spite of subdued economic activity and the euro's strength, the ECB did not ease monetary policy throughout the fourth quarter of 2003 and into early 2004, citing signs of an incipient recovery. Consequently, the minimum bid rate remained unchanged at 2%.

The British economy grew by 2.8% during the fourth quarter of 2003, with private consumption remaining the main driver of growth. Labour market conditions in the UK remained benign, with modest upside risks to inflation. Consumer price inflation remained stable at 1.4% during the quarter, but buoyant activity in the housing market put additional upward pressure on property prices in the first months of 2004.

During the fourth quarter of 2003, the Bank of England responded to inflationary pressures by tightening monetary policy. It raised the repo rate by 25 basis points to 3.75% and by a further 25 points to 4% in February 2004. Recent data suggested that the effect of the two rate hikes on household borrowing was minimal, so that further increases might be considered necessary even if inflation generally remained low. Meanwhile, UK

money market rates tended to rise, as the markets anticipated a further tightening of the monetary policy stance (see Chart 2.1).

In the fourth quarter of 2003 the Japanese economy grew by 3.4%, one of its strongest growth rates in years, largely reflecting buoyant private domestic demand. Expectations for the Japanese economy remained optimistic, mainly due to the support being provided by foreign demand and investment. Yet Japan continued to experience mild deflation.

The Bank of Japan continued with its virtually zero interest rate policy, confirming expectations that the current stance would be left unchanged for some time. Meanwhile it kept up its policy of quantitative easing, which aims at increasing liquidity in the financial system. Hence, it raised the target range for the outstanding balance of current accounts held with it by private financial institutions, implying faster growth in the monetary base.

Foreign exchange markets

During the last quarter of 2003 the US dollar experienced a broad-based depreciation amid concerns over the financing of the US current account and budget deficits. The US dollar remained broadly stable against the euro during the first two months of 2004, but appreciated against the European currency towards the end of the first quarter.

In October the foreign exchange markets were heavily influenced by the G-7 declaration, which called for more flexible exchange rates. The US dollar stabilised before strengthening in early November following the publication of positive US labour market data. Yet the rise in the US dollar proved short-lived as investors turned their attention once again to the euro, which was underpinned by improved economic data for the

euro area as a whole. Towards the end of the quarter, the US dollar lost further ground against the euro amid market concerns about the US fiscal and current account deficits and fears of new terrorist attacks (see Chart 2.2).

Following erratic movements during the first half of October, the pound sterling appreciated against the US dollar on expectations of a rise in UK interest rates. The pound sterling registered a broad-based appreciation through the rest of the quarter as a result of favourable interest rate differentials and buoyant UK economic conditions.

During the December quarter, movements in the US dollar/yen rate were influenced by the Bank of Japan's intervention in the foreign exchange market. Following an initial appreciation, the yen stabilised against the US currency as Japanese GDP growth figures for the third quarter were revised downwards. Towards the end of the quarter, the yen appreciated significantly against the US currency in spite of the Bank of Japan's active intervention in foreign exchange markets to prevent such an appreciation.

Over the quarter, the US dollar fell by 8%, 6.6% and 3.6% against the euro, sterling and the yen, respectively (see Table 2.3).

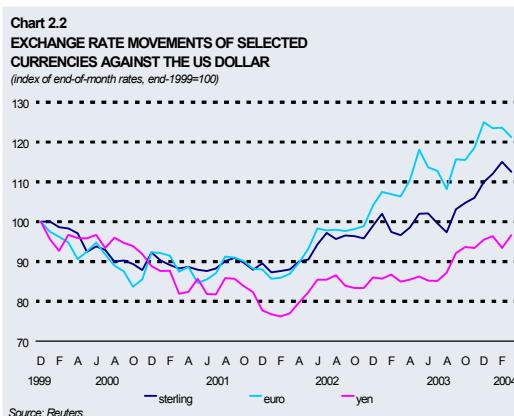


Table 2.3**EXCHANGE RATES OF SELECTED CURRENCIES
AGAINST THE US DOLLAR - FOURTH QUARTER 2003**

	US\$/euro	US\$/stg	yen/US\$
Average for October	1.1702	1.6765	109.55
Average for November	1.1706	1.6898	109.20
Average for December	1.2274	1.7494	107.83
Average for the quarter	1.1894	1.7052	108.86
Opening rate on 31.12.03	1.2570	1.7802	106.92
Opening rate on 30.09.03	1.1636	1.6703	110.87
Lowest exchange rate during the quarter ¹	1.1418 (07 Nov.)	1.6565 (14 Oct.)	106.92 (31 Dec.)
Highest exchange rate during the quarter ¹	1.2570 (31 Dec.)	1.7802 (31 Dec.)	111.25 (01 Oct.)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from opening rate on 30.09.03 to opening rate on 31.12.03	8.0	6.6	3.6

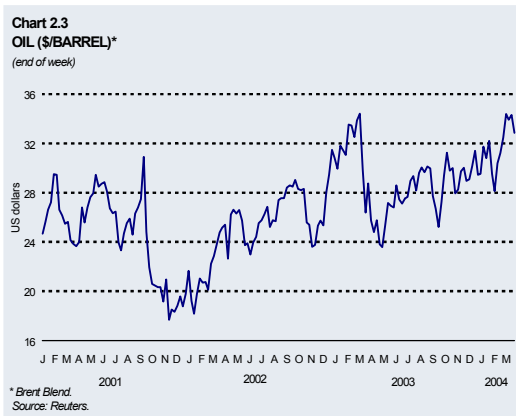
¹ The high/low exchange rates are daily opening rates of the relevant currencies.

Source: Reuters.

Commodities

During the fourth quarter, the price of Brent oil moved erratically within the range of \$27 and \$32 per barrel, rising by 7.9% on balance over the quarter (see Chart 2.3).¹ OPEC's unexpected production cut at the end of September triggered an immediate increase in oil prices that rose above \$31 a barrel for the first time since the Iraq war. During late October and early November, prices fell considerably on positive expectations about future oil stocks. But in subsequent weeks prices rose again on fears of insufficient inventories in both the US and the euro area and expectations of another OPEC production cut in December. At the end of November, prices fell sharply following speculative action by investors, but the economic

recovery in the US and strong Chinese demand supported the market in December, especially as

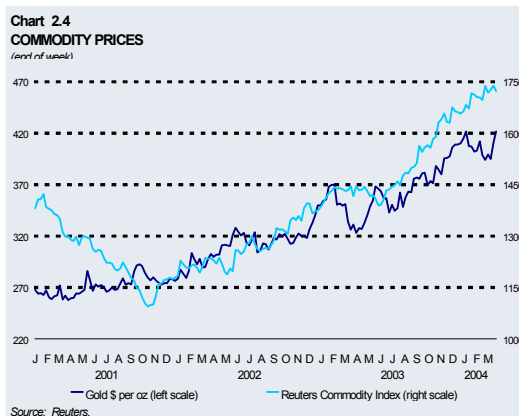


¹ Brent blend is a North Sea crude oil that serves as a benchmark grade and is widely traded on the New York Mercantile Exchange.

OPEC unexpectedly kept production levels unchanged. Towards the end of the quarter, however, oil prices eased again to close the year at just over \$30 per barrel.

Strong demand from the US and Asia supported oil prices during the first few weeks of 2004. At the end of January, however, prices slipped following a surprise increase in US oil stocks, before rising again in March on account of OPEC's plans to cut production again. Responding to the terrorist bombings in Spain and turmoil in the Middle East, oil prices rose to substantial highs towards the end of March amid fears that future attacks could disrupt energy supplies. At the end of the first quarter of 2004, oil prices stood at \$32.38.

The bullish trend in commodity prices in evidence since the end of 2001 continued in the fourth quarter of 2003, supported mainly by stronger global demand (see Chart 2.4). Over the quarter the



Reuters Commodity Index rose by 6.1%.² Similarly, the price of gold rose by 7.7%, reaching \$414.8 per ounce. The main factors supporting the price of gold remained the weakness of the US dollar, investors' speculative behaviour and improved global economic conditions.

² The Reuters Commodity Index is a weighted index of the prices of seventeen commodities including food, beverages, vegetable oils, agricultural raw materials and metals, excluding gold.

3. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank of Malta kept its monetary policy stance unchanged during the final quarter of 2003. Meanwhile, money market interest rates moved lower in October - in line with the cut in the official rate at the end of September - and then remained stable throughout the four months to February. In the capital market, yields on Government bonds remained broadly unchanged, but equity prices gained further ground.

Broad money (M3) contracted slightly during the fourth quarter, after having slowed down considerably in the previous quarter. This mainly reflected a shift by investors from monetary

assets into bonds. A further expansion of the net foreign assets of the banking system, together with an extraordinary increase in domestic credit, both largely reflected exceptional transactions that also boosted the other counterparts of M3, thus having a broadly neutral impact on broad money. In the first two months of 2004, however, broad money recovered strongly, driven by further growth in both domestic credit and the net foreign assets of the banking system.

The monetary base¹

The monetary base (M0), which consists of currency in issue and bank deposits with the Central Bank (excluding term deposits), expanded by Lm16.3 million, or 2.7%, in the fourth quarter (see Table 3.1). Currency in issue

Table 3.1
THE MONETARY BASE AND ITS SOURCES

	2003		<i>Lm millions</i>	
	Sept.	Dec.	Change Amount	%
Currency in issue	475.8	485.4	9.6	2.0
Bank deposits with the Central Bank of Malta ¹	131.2	137.9	6.7	5.1
MONETARY BASE	607.0	623.3	16.3	2.7
CENTRAL BANK OF MALTA ASSETS				
Foreign assets	988.0	980.0	-8.0	-0.8
Claims on Government	3.2	7.8	4.6	143.8
Fixed and other assets	9.8	9.9	0.1	1.0
<i>less</i>				
REMAINING LIABILITIES				
Government deposits	67.9	83.3	15.4	22.7
Other deposits	2.2	2.4	0.2	9.1
Foreign liabilities	44.8	60.9	16.1	35.9
Other liabilities	168.0	115.4	-52.6	-31.3
Capital and reserves	111.1	112.2	1.1	1.0

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

¹ As from September 2003, the data on the monetary base and its counterparts are compiled on the basis of statistical standards set by the ECB.

continued to increase steadily, adding Lm9.6 million, or 2%, while bank deposits held with the Bank rose by Lm6.7 million, or 5.1%. Bank deposits with the Central Bank continued to fluctuate considerably, pulling the annual growth rate of M0 down to 1.7%, from 9% three months earlier.

The main counterpart to the rise in M0 was a contraction in the Bank's other liabilities, which reflected a drop in outstanding term deposits with the Bank. While this exerted an expansionary effect on the monetary base, an increase in Government deposits dampened growth in M0. A rise in the Bank's foreign liabilities reflected a sale and repurchase agreement entered into in December, which simultaneously boosted the Bank's foreign assets and thus exerted a neutral impact on M0.

Monetary aggregates²

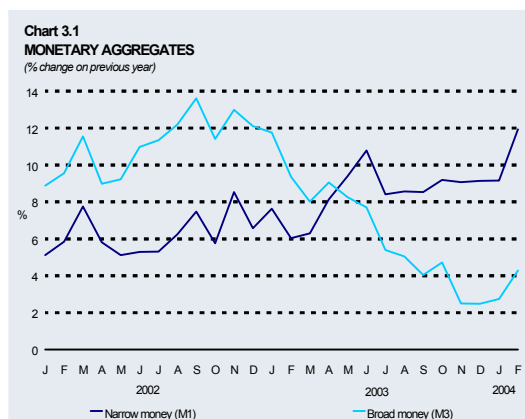
After having expanded modestly in the previous quarter (see Table 3.2), broad money contracted by Lm4.8 million, or 0.2%, during the December quarter. The drop in M3 was to a large extent due to investors moving into corporate and Government bonds amid buoyant issuance activity in the primary bond market. As a result the annual growth rate of M3 extended the downward trend that began towards the end of 2002, falling to 2.5% in December (see Chart 3.1). While the weakness in monetary growth over this period mainly reflected portfolio shifts, it was also consistent with the rather weak pace of economic growth and subdued inflation. In the beginning of 2004, however, monetary growth picked up, fuelled by an increase in liquid assets, and pushed the annual growth rate of M3 up to 4.3% in February.

Table 3.2
MONETARY AGGREGATES
(Changes on the previous quarter)

	<i>Lm millions</i>									
	2002				2003					
	Q4		Q1		Q2		Q3		Q4	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
NARROW MONEY (M1)	11.8	0.9	21.6	1.6	65.2	4.7	17.1	1.2	21.2	1.4
Currency in circulation	-1.2	-0.3	4.2	1.0	11.3	2.6	4.1	0.9	4.0	0.9
Deposits withdrawable on demand	13.0	1.4	17.4	1.9	53.9	5.7	13.0	1.3	17.2	1.7
INTERMEDIATE MONEY (M2)	37.0	1.4	6.2	0.2	54.2	1.9	13.6	0.5	-4.8	-0.2
Narrow money (M1)	11.8	0.9	21.6	1.6	65.2	4.7	17.1	1.2	21.2	1.4
Deposits redeemable at notice up to 3 months	0.5	1.7	0.6	2.3	0.9	3.1	0.3	1.0	-1.0	-3.4
Deposits with agreed maturity up to 2 years	24.7	1.8	-16.0	-1.2	-11.9	-0.9	-3.8	-0.3	-25.0	-1.9
BROAD MONEY (M3)¹	37.0	1.4	6.2	0.2	54.2	1.9	13.6	0.5	-4.8	-0.2

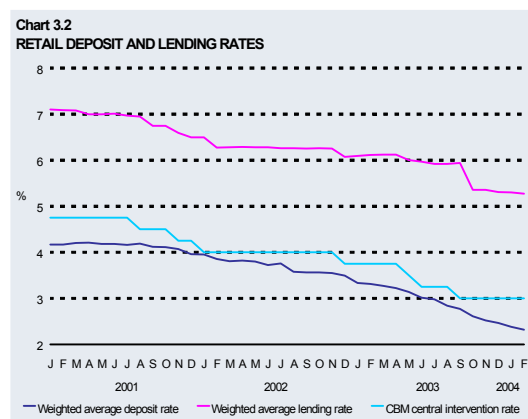
¹ Since the amount of marketable instruments issued by the MFI sector is negligible, at present M2 is equal to M3.

² In October 2003, the Central Bank of Malta revised its definitions of the main monetary aggregates and their counterparts to bring them in line with the standards laid down in ECB Regulation 2001/13. Data shown in this chapter for the period before October 2003 are estimates based on these standards. For further information see "Changes in the Compilation of Money and Banking Statistics in Malta", *Central Bank of Malta Quarterly Review* 36:3 (September 2003): 53-60.



The strong growth in narrow money (M1) observed in previous quarters continued in the December quarter, when this aggregate expanded by a further Lm21.2 million, or 1.4%. Deposits withdrawable on demand added Lm17.2 million, while currency in circulation grew by Lm4 million. During 2003, demand for M1 instruments increased as low interest rates on alternative assets reduced the opportunity cost of holding these liquid instruments that mainly serve as a means of payment. Accordingly, the annual growth rate of M1 remained relatively high, ending December at 9.1%, and rising sharply to 11.9% in February.

Intermediate money (M2), which consists of M1 and short-term deposits other than those withdrawable on demand, contracted by Lm4.8 million, or 0.2%, during the fourth quarter of 2003 (see Table 3.2). Time deposits with an agreed maturity of up to two years fell by Lm25 million, with most of the drop occurring in November as investors subscribed to new Government bond issues. Similar portfolio shifts had also led to a contraction in these deposits over the first three quarters of the year, resulting in a steady decline in the annual rate of growth of M2, which fell to 2.5% at the end of 2003 from over 12% a year earlier.



Following the quarter-point cut in the central intervention rate in September, banks continued to reduce interest rates offered on deposits (see Chart 3.2). Thus, the weighted average interest rate on Maltese lira deposits fell from 2.77% at the end of September to 2.46% three months later. Government bond yields were broadly stable during the same period (see Chart 3.6), so that the spread between Government bond rates and deposit rates widened. This probably contributed to the shift from monetary assets into debt securities observed during the fourth quarter.

Counterparts of monetary expansion

Domestic credit rose by an exceptional Lm174 million, or 7%, (see Table 3.3) during the fourth quarter of 2003, pushing the annual rate of credit growth up sharply (see Chart 3.3). This reflected an extraordinary rise in claims on other residents, as a foreign-owned bank broadened its equity base through an injection of foreign capital and subsequently re-invested the funds in a subsidiary company. The annual rate of credit growth was relatively stable in the first two months of 2004, and ended February at 11.2%.

Net claims on central Government contracted by Lm2.3 million, or 0.4%, during the December quarter. However, they still accounted for around

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

	2002		Q1		2003		Q3		Q4	
	Q4				Q2					
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY (M3)	37.0	1.4	6.2	0.2	54.2	1.9	13.6	0.5	-4.8	-0.2
DOMESTIC CREDIT	20.8	0.9	41.0	1.7	41.7	1.7	-7.9	-0.3	174.0	7.0
Net claims on central Government	11.8	2.2	18.9	3.5	34.9	6.3	-31.6	-5.3	-2.3	-0.4
Claims on other residents	9.0	0.5	22.1	1.2	6.8	0.4	23.6	1.3	176.3	9.2
NET FOREIGN ASSETS	-20.5	-1.6	8.0	0.6	24.1	1.8	52.7	4.0	30.0	2.2
Central Bank of Malta	34.8	4.1	5.0	0.6	43.1	4.9	13.5	1.5	-24.1	-2.6
Banks	-55.3	-11.6	3.0	0.7	-19.1	-4.5	39.3	9.7	54.2	12.2
<i>less</i>										
OTHER COUNTERPARTS OF M3¹	-36.8	-3.8	42.9	4.7	11.5	1.2	31.2	3.2	208.8	20.7

¹ Other counterparts of M3 include the capital base of the MFI sector, 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.

a fifth of domestic credit at the end of 2003. The liquidation of two shipyards towards the end of the year led to the Government assuming all their assets and liabilities. This resulted in a simultaneous drop in bank claims on public non-financial companies and an increase in net claims on Government. But the latter was offset by a

substantial drop in bank holdings of Treasury bills and an increase in Government deposits with the Bank as the Government's cash position improved at the end of the year.

Claims on other residents jumped by Lm176.3 million, or 9.2%, during the quarter, mainly reflecting a surge in bank holdings of shares and other equity due to the investment by the foreign-owned bank referred to above. On the other hand, claims on other residents in the form of loans and advances expanded by only Lm5.3 million, or 0.3% (see Table 3.4).

Loans and advances to public non-financial companies contracted by Lm42.1 million, or 20.2%, largely as a result of the shift in debt to the Government mentioned earlier. Loans and advances to the non-bank private sector increased by Lm47.4 million, or 2.9%, as buoyant activity in the housing market contributed to

Chart 3.3
DOMESTIC CREDIT
(% change on previous year)

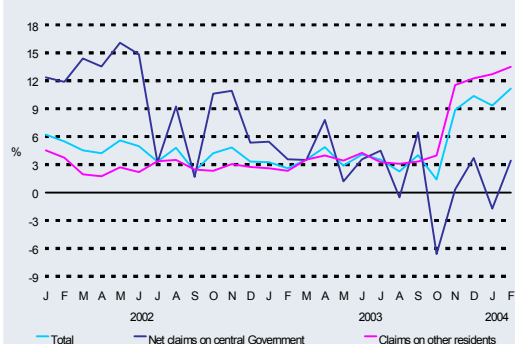


Table 3.4
CLAIMS ON OTHER RESIDENTS¹

	<i>Lm millions</i>			
	2003		Change	
	Sept.	Dec.	Amount	%
Claims on the non-bank private sector	1,680.8	1,900.3	219.5	13.1
<i>of which loans and advances</i>	1,619.5	1,666.9	47.4	2.9
Claims on public non-financial companies	233.0	189.9	-43.1	-18.5
<i>of which loans and advances</i>	208.2	166.1	-42.1	-20.2
Claims on other general Government ²	0.6	0.6	0	0
<i>of which loans and advances</i>	0.6	0.6	0	0
TOTAL CLAIMS	1,914.5	2,090.8	176.3	9.2
<i>of which loans and advances</i>	1,828.3	1,833.6	5.3	0.3

¹ 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. Inter-bank claims are excluded.

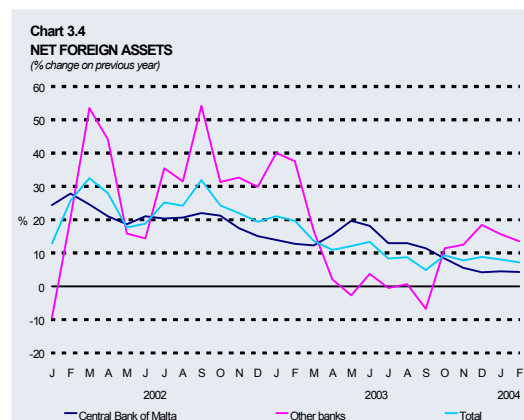
² In Malta, other general Government consists of the local councils.

further growth in loans to the personal sector. During 2003 such lending led to a gradual recovery in the annual growth rate of loans and advances to the non-bank private sector, which edged up to 7.4% in December, from 5% in September. The decline in nominal lending rates (see Chart 3.2) combined with a slight pick-up in inflation pushed real lending rates lower during the fourth quarter, reducing borrowing costs.

The net foreign assets of the banking system continued to move higher, rising by Lm30 million, or 2.2%, during the fourth quarter (see Table 3.3). While the Central Bank's holdings declined, those of the rest of the banking system expanded strongly as the inclusion of a new foreign-owned bank boosted the sector's holdings. The Investment Registration Scheme, which was in effect between September and November, may

also have contributed to the rise in the net foreign assets of the banking system during the quarter.³

After having declined from over 20% at the end of 2002 to 4.9% in September, the annual growth rate



³ The Investment Registration Scheme, which was reactivated between 1 September 2003 and 15 November 2003, allowed Maltese residents who had undeclared investments abroad to regularise their position by declaring them and paying a one-time fee. Repatriation was optional.

of the net foreign assets of the banking system recovered slightly in the December quarter, ending the year at 8.8% (see Chart 3.4). But it moved lower again in January and February 2004. This slower pace of growth over recent quarters may have reflected the deficit on the current account of the balance of payments and net portfolio investment outflows by the non-monetary sector. The latter could have been influenced by the recovery in equity markets abroad and the narrowing of the interest rate differential between domestic and foreign assets.

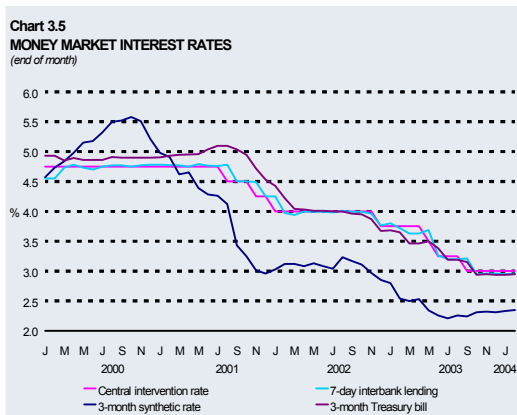
The net foreign assets of the Central Bank - which account for around two-thirds of the net foreign asset holdings of the banking system - contracted by Lm24.1 million, or 2.6%, in the final quarter of 2003. This drop was mainly due to net sales of foreign exchange to the rest of the banking system. But apart from this factor, the net foreign assets of the rest of the banking system were boosted considerably by the inclusion of the new bank mentioned previously during the quarter.

The other counterparts to M3 climbed by Lm208.8 million, or 20.7%, during the December quarter. This was mainly due to the setting up of the new bank and the increase in bank capital associated with the investment made by the same bank referred to earlier.

The money market

After easing its monetary policy stance further towards the end of September, the Bank kept the central intervention rate unchanged at 3% during the December quarter. Thus, interest rates on domestic money market instruments fell in October as a result of the September easing, but over the following four-month period to end-February they remained stable (see Chart 3.5).

During the fourth quarter, the Bank continued to absorb excess liquidity from the rest of the banking system through weekly auctions of 14-



day term deposits. Term deposits outstanding averaged Lm133.7 million during the quarter reviewed, slightly less than in the previous quarter, when they averaged Lm139.8 million. Banks received interest of 2.95% on these deposits, which was the floor of the interest rate band within which auctions were conducted. Reverse repos, which were last used in December 2001 to inject funds into the banking system, were not availed of during the quarter under review.

Turnover in the interbank market rose sharply to Lm49.6 million, from Lm18.8 million in the third quarter, with most deals occurring in December. The maturity period of interbank loans was longer than in previous quarters, ranging from 3 days to one month, although loans with a maturity of two weeks or less remained the most popular. The interest rate on one-week interbank loans declined by 26 basis points to 2.95% in October, but remained broadly unchanged over the following four months.

The Treasury issued Lm83.3 million worth of Treasury bills during the final quarter of 2003, which is around half the amount auctioned in the previous quarter. The three-month bill continued to be the most popular, accounting for over 90% of the total amount issued, with the rest consisting of six-month bills. Banks purchased

over four-fifths of these issues, with other investors subscribing to the rest. The yield on the three-month bill fell from 3.15% in September to 2.94% in October, remaining unchanged thereafter until the end of February.

The value of Treasury bills traded in the secondary market during the fourth quarter amounted to Lm39.8 million, up from Lm32 million in the previous three months. Just over half of the total involved the Bank which, as market maker, transacted mainly with the rest of the banking system. The banks also traded amongst themselves and, to a lesser extent, with other financial institutions. Yields in the secondary market moved lower during the period under review, in line with those in the primary market.

The synthetic three-month yield, which is a weighted average of money market yields on the three currencies that make up the Maltese lira basket, rose from 2.24% in September to 2.35% in February (see Chart 3.5). Since the yield on domestic three-month Treasury bills declined during this period, the differential between the two yields narrowed by 31 basis points to 0.6%. The levelling out in foreign interest rates over recent months followed considerable declines since the end of 2002, and reflected, among other things, a general improvement in the global economic outlook.

The capital market

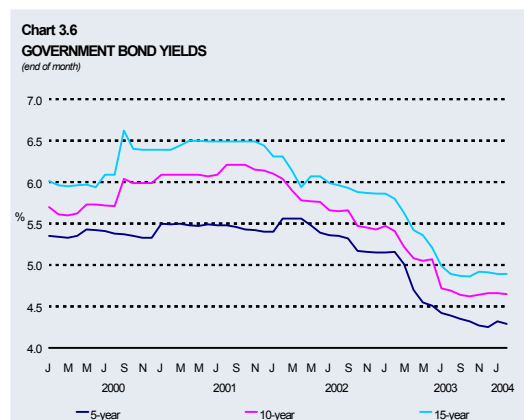
Net corporate and Government bond issues amounted to Lm36.2 million in the December quarter, compared with Lm48.6 million in the previous quarter. Bond issuance continued to be supported by low interest rates and robust demand by investors for fixed income securities. While the Government was once again the main issuer in the primary market, issuance by the corporate sector remained buoyant.

Towards the end of October two private firms

raised a total of Lm9.7 million in the corporate bond market, Lm3.5 million of which were used to redeem maturing bonds. Gasan Finance plc sold Lm5 million worth of bonds carrying a coupon rate of 6.4% and maturing between 2008 and 2011. Dolmen Properties plc issued Lm4.7 million worth of bonds, redeemable from 2010 to 2013 and offering a coupon rate of 6%. Both issues were heavily oversubscribed.

In November the Government issued Lm30 million worth of bonds, maturing in 2016 and carrying a coupon rate of 4.8%. As in the case of other recent issues the bonds were oversubscribed, reflecting continued investor demand for relatively safe assets. Households took up just over half of the bonds, while most of the remainder were allotted to banks and other financial institutions such as insurance companies and collective investment schemes.

The value of Government bonds traded on the secondary market rose by about a third to Lm20.4 million during the final quarter of 2003, with the Bank accounting for nearly a quarter of total turnover. As in the previous quarter, activity was mainly concentrated in a relatively small number of bonds at the longer end of the market. Bond yields, particularly on longer maturities, levelled out during the December quarter and into



February, after having declined steadily since the end of 2001 (see Chart 3.6). The benchmark rate for the 10-year Government bond stood at 4.66% at the end of February.

Turnover in the secondary market for corporate bonds increased slightly to Lm2.4 million, from Lm2.3 million in the previous quarter. Volume was spread rather evenly among the listed securities, which included the recently issued bonds referred to earlier. In general, corporate bond yields were stable during the five months to February 2004, mirroring developments in the Government bond market.

The volume of shares traded on the equity market climbed to Lm5.4 million in the December quarter, from Lm3.8 million in the previous quarter, although trading was once again concentrated in

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



a few equities. Share prices - as measured by the MSE share index - gained 2.6% during this period, extending the upward trend that began towards the end of 2002 (see Chart 3.7). Equity prices continued to rise in January and February.

4. OUTPUT, PRICES AND EMPLOYMENT

Revised GDP data for the first three quarters of 2003 and provisional data for the last three months of the year show a substantial contraction of the Maltese economy¹. In the fourth quarter, this contraction was mainly brought about by a further deterioration in the external balance, with real imports rising in response to an increase in private consumption, and exports declining. Nevertheless, gross fixed capital formation continued to increase, while there was a significant rise in Government current expenditure.

The rise in private consumption - the highest since the third quarter of 2002 - may have been prompted by the Government's decision to raise value added tax (VAT) at the beginning of 2004. In fact, imports of consumer goods rose at a faster pace than income during the quarter, while sales of domestically-produced manufactured goods also grew. Movements in inventories, which partly reflect a statistical error, remained significant and had a negative impact on GDP growth during the quarter.

The weakness in external demand and ongoing restructuring in the manufacturing industry contributed to a further rise in the number of

Table 4.1
SOURCES OF GDP GROWTH BY INDUSTRY¹

	2002		2003			%
	Q4	Q1	Q2	Q3	Q4	
GDP at factor cost	4.3	0.2	2.7	3.0	-0.4	
<i>of which:</i>						
Agriculture & fisheries	1.3	0.4	0.3	0.2	-1.0	
Construction & quarrying	0.4	0	-0.1	0	0	
Manufacturing	1.8	-0.2	-0.2	1.8	0	
Transport & communication	0.7	-1.6	-0.1	-1.2	-0.5	
Wholesale & retail	0	0.7	0.2	0.2	0.9	
Insurance, banking & real estate	-1.1	0.1	0.4	2.4	2.0	
Government enterprises	0.8	-0.1	0.8	-0.1	-2.6	
Public administration	0.3	0.9	0.7	0.3	1.0	
Property income	-0.7	-0.9	-0.3	-1.1	-1.0	
Private services	0.8	0.8	1.0	0.5	0.8	
GDP at current market prices	2.6	-0.4	2.1	2.5	1.9	

¹ The figures in the Table show the change in each component of GDP at factor cost as a percentage of the corresponding quarter's GDP in the previous year. This shows the contribution of each sector of activity to the overall rate of growth in GDP at factor cost.

Source: NSO.

¹ On the basis of data published on 8 April 2004. Previously published data had shown GDP rising gradually throughout the previous three quarters.

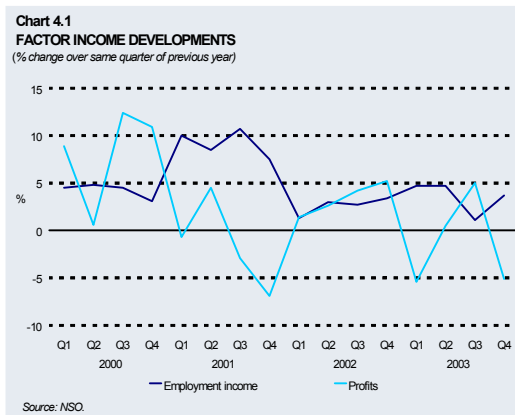
registered job seekers, so that by November the unemployment rate had edged up to 5.7% - from 5.4% in the corresponding month of 2002. Meanwhile, the downward trend in the twelve-month moving average rate of inflation in evidence since the second half of 2002 was halted during the quarter, reflecting higher prices of food and of clothing & footwear.

Gross Domestic Product²

Provisional data compiled by the NSO indicate that the Maltese economy contracted by 1.3% in real terms in the fourth quarter of 2003, following a 0.3% decrease in the previous quarter. While domestic demand accelerated, the deficit on goods and services expanded sharply during the quarter, fuelled by higher imports of consumer goods and a decline in exports. At the same time, an increase in the negative value of the physical change in stocks, work-in-progress and the residual error was reported compared with the corresponding period of 2002.³

GDP at factor cost - the sum of profits and employment income earned across the entire economy - contracted slightly compared with the same quarter a year ago (see Table 4.1). This reflected a sharp turnaround in profitability, as overall profits fell by 5.1% from the previous year's level, wiping away the gains registered in the preceding quarter. By contrast, growth in employment income picked up, moving towards the levels registered in the first and second quarters of 2003 (see Chart 4.1). This increase was mostly registered in the insurance, banking & real estate and public administration sectors, whereas the wage bill of manufacturing and transport & communication was cut back.

The decline in factor income was mainly concentrated in the Government enterprises



sector, and was due to a large drop in the profits of one particular firm. At the same time, income from transport & communication and property income continued to decline, the latter on the back of lower interest rates, while lower fish exports coupled with adverse weather conditions dented earnings in the agriculture & fisheries sector. Although the profitability of manufacturing establishments rose compared with the same quarter of 2002, the increase was significantly smaller than that registered in the third quarter, and was offset by the drop in the sector's wage bill. By contrast, the performance of the private services and the wholesale & retail sectors improved sharply, while profits in insurance, banking & real estate remained on an upward path.

Private consumption expenditure recovered significantly in the last quarter of 2003, after having declined in the previous two quarters. As stated above, this increase appeared to be motivated by the announcement in November of a three percentage point increase in the standard VAT rate at the start of 2004. This may have led households to anticipate purchases, as evidenced by a 7% rise in imports of consumer goods during

² This is the last commentary on the GDP compiled according to the System of National Accounts (SNA) 1953. As from the next release, covering the first quarter of 2004, the NSO will present data compiled in accordance with the European System of National and Regional Accounts (ESA) 1995.

³ This component includes the statistical discrepancy between income and expenditure side GDP.

Table 4.2
GDP GROWTH BY CATEGORY OF EXPENDITURE

	2002		2003			%
	Q4	Q1	Q2	Q3	Q4	
% changes at constant market prices						
Private consumption expenditure	-1.5	0.7	-0.3	-1.0	1.8	
Government consumption expenditure	-6.0	11.7	3.5	-2.5	11.2	
Gross fixed capital formation	-3.8	12.2	76.1	3.8	9.5	
Exports of goods & services	12.1	-0.3	-5.8	0.2	-2.4	
Imports of goods & services	1.4	12.4	3.8	7.5	2.8	
Growth in real GDP¹	1.5	-3.9	-1.6	-0.3	-1.3	
<i>of which:</i>						
Private consumption expenditure	-1.0	0.4	-0.2	-0.6	1.1	
Government consumption expenditure	-1.1	2.3	0.7	-0.4	2.0	
Gross fixed capital formation	-0.9	2.7	11.5	0.8	2.1	
Inventory changes	-4.1	1.5	-4.5	6.1	-1.9	
Exports of goods & services	9.8	-0.2	-5.5	0.2	-2.1	
Imports of goods & services ²	-1.3	-10.6	-3.5	-6.4	-2.5	

¹ These figures show the change in each component of real GDP as a percentage of the corresponding quarter's real GDP (expenditure-side) in the previous year. This shows the contribution of each expenditure component to the overall rate of growth of real GDP.

² Growth in imports of goods & services reduces GDP, and vice versa.

Source: NSO.

the fourth quarter. The domestic sales of the manufacturing sector also increased slightly, halting the negative trend observed in previous quarters. After having decelerated sharply in the middle part of the year, Government consumption expenditure returned to the rate of growth registered in the first quarter of 2003 (see Table 4.2). However, it should be noted that the sharp increase recorded during the quarter under review partly reflected the substantial (and extraordinary) contraction reported in the fourth quarter of 2002.

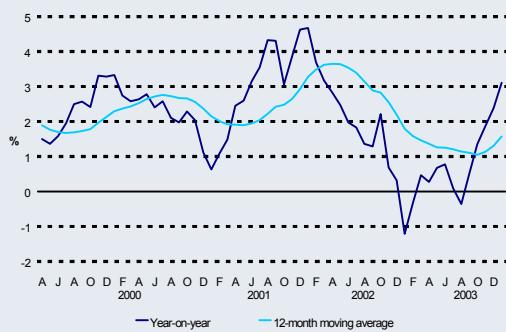
Gross fixed capital formation also accelerated in the last quarter of 2003. Investment in machinery

continued to expand, while expenditure on construction works rebounded following the decline registered in the preceding quarter.

The external deficit on goods and services widened further during the quarter under review, reducing real GDP growth by 4.6 percentage points. Re-exports of goods and tourism activity both declined substantially while imports of consumer goods and industrial supplies rose. The terms of trade, however, improved significantly as the price of exports fell at a slower pace than that of imports.⁴ The NSO also reported that the rundown of stocks continued for

⁴ The price of exports and imports is compiled by the NSO on the basis of unit value indices. An improvement in the terms of trade implies that due to relative price changes fewer exports are needed to purchase a given amount of imports.

Chart 4.2
RETAIL PRICE INFLATION



the third consecutive year, with inventory changes reported at -4.2% of real GDP for the whole of 2003, virtually the same rate of depletion as in the previous year.

Retail prices

The downward trend in the twelve-month moving average rate of inflation in evidence since the second half of 2002 was halted in the fourth

quarter of 2003 (see Chart 4.2). This rate, which is the official inflation rate in Malta, rose by 20 percentage points during the quarter, to reach 1.3% in December 2003. Similarly, the year-on-year change in the Retail Prices Index (RPI), a more timely indicator of inflation trends, rose from 0.5% at the end of September to 2.4% at the end of December.

The main factors behind the increase in inflation during the fourth quarter were higher prices of food and of clothing & footwear, which contributed to around 86% of the rise. The year-on-year change in the food sub-index, which has a 23.8% weight in the RPI basket, rose by 3.6 percentage points during the quarter (see Table 4.3). To a large extent, this reflected an increase in the prices of fresh fruit and vegetables brought about by lower local production volumes, as torrential rain in September led to widespread flooding. As a result, the volume of domestic agricultural produce traded through the wholesale market was down by 18.1% from the previous year's level. In addition, the Maltese lira's

Table 4.3
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

Year-on-year % changes

	Dec. 2002	Sept. 2003	Dec. 2003
Food	-2.7	0.6	4.2
Beverages & tobacco	5.4	5.9	7.4
Clothing & footwear	-6.0	-8.2	1.4
Housing	3.2	2.6	3.0
Water, electricity, gas & fuels	5.1	0.1	0
H/hold equip. & house maint. cost	-0.2	-0.9	-0.8
Transport & communication	1.6	0.1	0.2
Personal care & health	2.7	4.1	4.1
Recreation & culture	3.8	-1.3	-0.5
Other goods & services	2.8	5.7	6.4
All items	0.3	0.5	2.4

Source: NSO.

depreciation against the euro and higher inflation overseas may have pushed up the prices of imported foodstuffs.

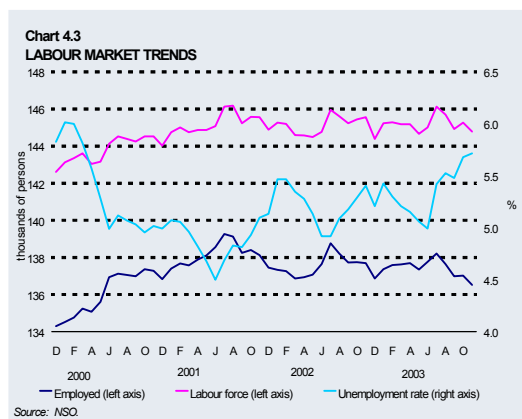
The year-on-year change in the clothing & footwear sub-index turned positive after having been negative since September 2002. This development may have been due to differences in the measurement frequency between the new RPI introduced in 2003 and the one used previously. Another possible reason for the sharp rise in this highly seasonal sub-index was that in the fourth quarter of 2002 it had registered an exceptionally large year-on-year drop.

The remaining components of the RPI showed larger annual percentage increases than in the previous quarter. This led the Bank's measure of underlying inflation - which focuses on those sub-indices that tend to show persistent changes and which had been on the low side during the first half of 2003 - to rise during the last three months of 2003.

Following the rise in the standard VAT rate to 18% and the increase in the price of cigarettes announced in the Budget for 2004 in November, inflation continued on its upward trend. In February 2004 - the most recent month for which data are available - the twelve-month moving average inflation rate edged up to 1.7%, while the year-on-year rate rose to 2.6%.

The labour market⁵

Labour market data compiled by the ETC show that between September and November 2003 the labour supply contracted by 132 while the gainfully occupied population fell by 467. As a result, the number of the unemployed rose by 335, pushing the unemployment rate up to 5.7% (see Chart 4.3).



The contraction in the gainfully occupied population between September and November 2003 was due to job losses in the public sector and in direct production, which more than offset a small increase in employment in market services (see Table 4.4). The number of the temporarily employed remained virtually unchanged over the period.

The decline in public sector employment was due to lower employment in public-controlled companies while, once again, the contraction in employment in private direct production was due to job losses in manufacturing. On the other hand, the increase in employment in private services was mainly due to increases in the wholesale & retail, insurance & real estate, and community & business sub-sectors. Together, these offset job losses in hotels & catering establishments and in the transport, storage & communications sub-sector.

On a year-on-year basis, the labour supply was down by 764 while the number of the gainfully occupied declined by 1,175. As a result, the number of the unemployed rose by 411 and the

⁵ Statistics on the gainfully occupied population for December 2003 were not available at the time of writing.

Table 4.4
LABOUR MARKET DEVELOPMENTS

Number of persons

	Nov. 2003	Change over Sept.	Annual change
Labour supply	144,790	-132	-764
Unemployed	8,277	335	411
Unemployment rate (%)	5.7	0.2	0.3
Gainfully occupied	136,513	-467	-1,175
<i>of which:</i>			
Private direct production	36,705	-113	-1,344
<i>including:</i>			
Agriculture & fisheries	2,283	-9	55
Quarrying, construction & oil drilling	6,868	24	13
Manufacturing	27,554	-128	-1,412
Private market services	52,200	23	1,280
<i>including:</i>			
Wholesale & retail	16,064	71	313
Insurance & real estate	1,312	11	27
Transport, storage & communications	5,966	-39	-139
Hotels & catering establishments	9,008	-124	-26
Community & business	12,702	87	1,011
Others	7,148	17	94
Public sector	46,622	-378	-1,018
<i>including:</i>			
Government departments	30,285	203	-57
Armed Forces, R.S.C. & Airport Co.	1,656	3	59
Government-controlled companies	6,309	-890	-1,422
Independent statutory bodies	8,372	306	402
Temporarily employed	986	1	-93
Memorandum item:			
Self-employed	15,653	8	148

Source: NSO.

unemployment rate added 0.3 percentage points compared to a year earlier (see Table 4.4). The contraction in the gainfully occupied population over the year to November 2003 was primarily due

to job losses in manufacturing and in public-controlled companies, in each of which employment was down by over 1,400. Conversely, employment in private market services rose. This

- apart from the privatisation of Malta International Airport towards the end of 2002, which boosted employment in the community & business sub-sector - was also attributable to job creation in the wholesale & retail trades. Meanwhile, the number of self-employed persons increased by 148 from the previous year's level.

ETC data for February 2004 show that the number of people registering for work at the end of that month stood at 8,830, up by 553 from the November level and by 1,123 from the February 2003 reading. Both male and female unemployment rose during the period, and all age groups were affected, but the number of the long-term unemployed fell further. All skill categories reported higher unemployment except for technological & professional workers.

The results of the Labour Force Survey (LFS) carried out by the NSO in the first week of December show that unemployment had fallen to 7.9% in December 2003, from 8.2% in September. Compared with the year-ago level, however, the unemployment rate in December 2003 was 1.1 percentage points higher. Both the employment rate and the activity rate were down from their previous year's level.

While the employment rate was lower for both men and women, the activity rate fell for women but increased marginally in the case of men. The male unemployment rate rose, while female unemployment remained stable. At the same time the number of women taking up part-time employment rose further, offsetting a decline in the number of women working reduced hours. An increase in the number of women working as senior officials and managers led to a further narrowing of the gender pay gap.

Manufacturing

During the fourth quarter of 2003, activity in the manufacturing sector continued to expand, albeit

at slower pace. Turnover stood at Lm262.2 million, up by 3.4% over the same quarter of the previous year as foreign demand for electronic components recovered further from the severe downturn experienced in 2001. Investment in manufacturing decreased substantially, while despite the decline in overall employment in the sector, its quarterly wage bill remained almost unchanged from the year-ago level.

More than half the growth in the manufacturing sector's export turnover was generated by the radio, television & telecoms sub-sector (see Table 4.5), whose export sales rose by Lm4.6 million during the quarter, following the Lm17.4 million increase reported in the third quarter. Exports of chemicals, other transport equipment, medical & precision goods, furniture and machinery & equipment (grouped together under the "other" category in the Table) also increased. By contrast, exports of clothing, textiles & leather goods continued to decline, albeit at a slower pace than in the previous quarter.

Domestic sales by manufacturing firms increased by 1.1%, in contrast to the drops reported in the previous six months. This improvement was mainly driven by higher sales of food & beverages, although other smaller sub-sectors also contributed. Nevertheless the rebound was moderated by a contraction in local sales of textiles.

Despite the increase in manufacturing activity, employment in the sector fell further, dropping by 6.6% on a year-on-year basis to 20,082. Yet the sector's quarterly wage bill remained unchanged at Lm30.4 million. Firms in the textiles, clothing and leather sub-sectors, which are facing intense competition from low-cost producers elsewhere, were mainly responsible for the shedding of workers, although significant layoffs were also reported by the plastic & rubber industry.

Table 4.5**MANUFACTURING PERFORMANCE - SELECTED INDICATORS¹***Lm millions*

	2002		2003		
	Q4	Q1	Q2	Q3	Q4
Change in exports	15.7	6.9	11.6	10.0	8.0
<i>of which:</i>					
Radio, TV, telecoms, etc.	14.4	3.2	3.1	17.4	4.6
Electrical machinery	-1.3	-0.5	-0.1	-1.2	-0.3
Printing & publishing	3.0	2.3	-0.2	3.0	0.3
Clothing	-0.6	0.6	-0.8	-5.5	-1.9
Other	0.2	1.3	9.6	-3.7	5.3
Change in local sales	-0.7	1.8	-1.6	-0.9	0.7
<i>of which:</i>					
Textiles	1.0	-0.2	-0.5	-1.6	-1.2
Clothes	-0.4	-0.2	-0.8	0.2	0.2
Food & beverages	0.3	0.8	1.2	2.0	0.8
Other	-1.6	1.4	-1.5	-1.5	0.9
Change in net investment	1.4	0.3	1.4	-0.3	-2.6
<i>of which:</i>					
Food & beverages	0.1	0.8	1.7	0.7	0.1
Printing & publishing	0.2	0.1	0.1	-1.0	0
Furniture	1.1	0.5	-0.2	0.9	-0.5
Chemicals	1.4	0.1	0.1	-0.7	-1.6
Other	-1.4	-1.2	-0.3	-0.2	-0.6

¹ Figures in this Table represent the change over the same period of the previous year.

Source: NSO.

During the quarter under review, net investment by manufacturing firms was sharply down from the year-ago level, partly due to a notable drop in investment by firms in the chemicals sub-sector. In the remaining sub-sectors, investment spending either remained stable or declined.

For 2003 as a whole, turnover in the manufacturing industry grew by 3.7% in comparison to the marginal increase of 0.1% reported last year, driven by the recovery in exports of electronic components. Yet

investment by manufacturing firms was significantly lower than in 2002. At the beginning of the year investment slowed down, probably on account of the uncertainty prevailing prior to the EU referendum and the general elections, before picking up during the second quarter. But a contraction in the second half of the year more than outweighed the marginal increases reported in the first half. At the same time, although employment in manufacturing contracted, over the year wages and salaries rose by 4%.

Table 4.6
TOURIST ARRIVALS BY NATIONALITY

	2002		2003		
	Q4	Q1	Q2	Q3	Q4
Year-on-year change					
in total arrivals	15,240	-5,689	20,534	-5,309	-16,749
<i>of which:</i>					
UK	9,326	5,061	9,914	8,905	-8,650
Germany	-60	-1,675	-1,886	-10,538	-2,196
France	1,219	-1,152	367	-989	-1,943
Italy	2,214	-2,039	31	-4,810	118
Netherlands	-634	-317	-346	-1,827	-1,095
Scandinavia ¹	-1,015	-480	1,355	1,934	1,636
Austria	280	-950	4,649	656	-387
Belgium	-128	-9	1,012	-875	-422
Switzerland	92	920	739	782	-706
Libya	-1,970	-1,749	-481	-14	-321
Others	5,916	-3,299	5,180	1,467	-2,783

¹Denmark, Finland, Norway and Sweden.

Source: NSO.

Tourism

During the fourth quarter of 2003, the number of tourist arrivals fell by 7.2% from the previous year's level, but gross earnings from tourism grew by 2.7% to Lm64.7 million. Meanwhile, cruise liner activity remained buoyant, with passenger arrivals rising by 14% to 96,317. The bulk of the increase came from the British and American markets.

Over the year as a whole, tourist arrivals declined only marginally as the recovery observed in the first half of the year partly mitigated the drops experienced in the second half. Annual gross receipts from tourism grew by 6.2% to Lm260.9 million. An extremely warm summer in northern Europe coupled with weak global economic conditions and geo-political uncertainty may have encouraged domestic tourism, thus explaining the decline in arrivals in the second half of the year.

By contrast, cruise passenger arrivals rose by 11.6% over the year, although the increase was significantly smaller than that registered in 2002.

Tourist arrivals from all source markets, with the exception of Italy and Scandinavia, were down in the fourth quarter (see Table 4.6). Arrivals from Italy, which accounted for about 7% of the total, were marginally up compared with the fourth quarter of 2002 as the rise in the number of Italian visitors in December outweighed the decline of the previous two months. The positive trend in the British market, a key source of growth during the previous quarters, was reversed during the quarter under review, when UK arrivals fell by 8.6%. Meanwhile, arrivals from Germany, Malta's second most important market, continued to decline - although at a significantly slower pace than in the third quarter.

The NSO's monthly survey on tourist departures suggests that the average length of stay increased by 5%, year-on-year, to 9.65 bed-nights during the quarter. Additional information in this regard, obtained from the latest survey of the Malta Hotels and Restaurants Association (MHRA), indicates that in the fourth quarter of 2003 hotel occupancy rates declined in the 5- and 3-star categories but increased marginally in 4-star hotels. The sharpest drop was recorded by 5-star hotels, as growth in the bed stock more than offset the increase in the number of room-nights sold by this hotel category. At the same time, a number of 4-star hotels closed down, resulting in a reduction of over 550 rooms in this category. Average achieved room rates (AARR), which represent the revenue from accommodation as a proportion of the number of room-nights sold, declined across all hotel categories, with the sharpest dilution

reported by hotels in the 4-star category. The latter occurred as a result of lower occupancy rates and the continuing reduction of rack rates by hoteliers in order to attract more guests. Survey results also show that a number of 4-star hotels compete in the same price bracket as hotels in the 3-star category.

Provisional data for the first two months of 2004 show that the number of tourist arrivals declined by 1.7%, while cruise liner passengers fell sharply. A fall in the number of visits by cruise ships to Malta is anticipated as duty-free facilities will no longer be available once Malta joins the EU.⁶ However, the completion of the new cruise liner terminal in 2005 and the promotion of Malta as a fly-cruise destination, are expected to boost the number of port calls and cruise passengers in the future.

⁶ Under EU tax protocol, cruise ships are allowed to operate tax-free concessions only if their route includes a port of call outside the EU.

Box 1: BUSINESS PERCEPTIONS SURVEY - FIRST QUARTER 2004

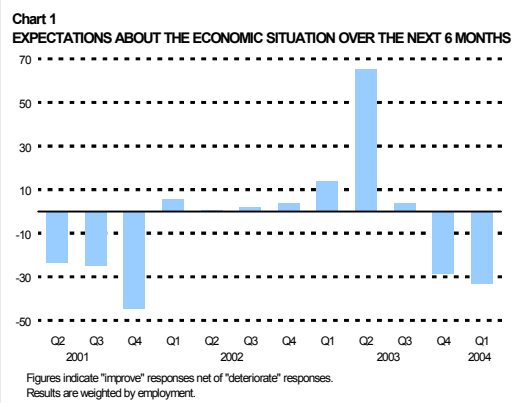
Introduction

The business perceptions survey carried out by the Bank in January and February 2004 indicates a further decline in business confidence since the previous survey. This mainly resulted from increased pessimism regarding the short-term prospects for the Maltese economy amongst export-oriented manufacturers. Yet, paradoxically, the survey responses also suggest there has been a pickup in activity in exporting firms, with turnover improving in the last quarter of 2003. This improvement, moreover, was expected to continue over the following three months, suggesting that exporters' increased pessimism was more related to domestic demand conditions than to uncertainty about the international environment.

On the other hand, locally-oriented firms were uncertain about the prospects for the first quarter of 2004, with real estate and professional services firms expecting turnover to contract significantly. The majority of firms believed that inflation and unemployment would rise in the first half of the year. Nevertheless, most respondents said they intended to increase their investment in machinery and equipment over the coming twelve months.

Business sentiment – first quarter 2004

Business sentiment deteriorated further in the first quarter of 2004 (see Chart 1), as the proportion of firms expecting the economic situation to worsen over the coming six months remained virtually unchanged since the previous survey while the number projecting an improvement continued to decline. This deterioration was mainly attributable to export-oriented manufacturers in the clothing & footwear, printing & publishing and machinery &



equipment sub-sectors. At the same time, locally-oriented establishments remained pessimistic about the prospects for the Maltese economy. The expectations of participating firms from the services sector (particularly real estate and professional services) turned negative, while sentiment amongst operators in the distributive trades deteriorated further. By contrast, construction firms were much more optimistic than in the previous survey.

Regarding the likely trend of inflation and unemployment over the next six months, the large majority of respondents were pessimistic, expecting both to rise. Yet the number of firms reporting that they would be increasing investment in machinery and equipment during the year also rose. Similarly, slightly more firms than six months ago thought it was the right time to initiate important developments within their company. Demand conditions, both the prevailing weakness and uncertainty about the future, remained the main factor limiting investment plans. There was also more concern than previously about possible industrial action (especially in firms in the food & beverages and the machinery & equipment sub-sectors) and the

cost of finance (mainly in the tourism and construction industries).

Activity levels – fourth quarter 2003

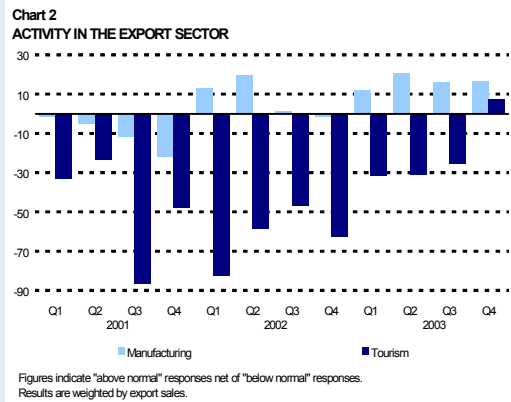
The deterioration in sentiment during the quarter was only partly linked to a slowdown in activity/orders. On the export side, the majority of firms were operating at above their normal level. By contrast, during the last quarter of 2003 a higher proportion of locally-oriented establishments, particularly in services, reported below-normal activity/orders.

Export-oriented sectors

The survey suggests that the performance of the export-oriented sectors improved during the last quarter of 2003 (see Chart 2). The number of manufacturing firms reporting above-normal order books increased slightly, while respondents from the tourism sector said that activity continued to improve.

Export-oriented manufacturers said that turnover growth rose slightly to 1% in the fourth quarter. As a result, capacity utilisation rose to 87% - the highest level since the third quarter of 2001. Sales in the machinery & equipment sub-sector grew at a faster pace, while the drop in turnover in the clothing & footwear sub-sector moderated. Manufacturers of food & beverages also reported a slight acceleration in export sales. On the other hand, the export performance of the chemicals, paper & printing and other manufacturing sub-sectors worsened. Despite growth in sales, profitability declined during the quarter, as the downward trend in selling prices persisted. At the same time, average labour costs rose, although the overall wage bill remained virtually unchanged as the majority of establishments continued to shed workers.

Respondents from the tourism industry reported lower sales during the fourth quarter of 2003. As



a result, tourism firms reduced their labour complement. But overall labour costs still rose, while selling prices dropped, squeezing operating margins, so that the sector's profitability declined accordingly.

Locally-oriented sectors

All locally-oriented sectors reported that activity/orders were below normal during the last quarter of 2003 (see Charts 3a & 3b).

Manufacturing establishments catering for the domestic market reported a slight pick-up in turnover, leading to an increase in capacity

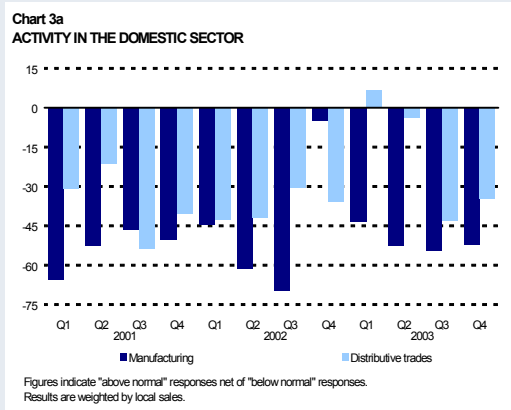
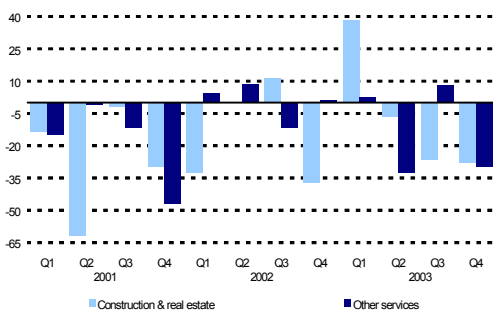


Chart 3b
ACTIVITY IN THE DOMESTIC SECTOR



Figures represent "above normal" responses net of "below normal" responses. Results are weighted by local sales.

utilisation to 77%. Yet profits still declined over the quarter. Selling prices continued to fall while the overall payroll of the sector expanded, despite the fact that firms trimmed their labour force. A rise in average salaries, particularly in the food & beverages sub-sector, offset the decline in the number of employees. Employment contracted in most of the other locally-oriented sectors, with the exception of finance and insurance. Profitability also fell across the board, although real estate firms managed to record a slight increase on the back of higher selling prices. Turnover weakened considerably during the quarter, with operators in real estate and professional services reporting a negative turnabout in activity levels.

Outlook - first quarter 2004

Despite increased pessimism about the prospects for the Maltese economy, export-oriented manufacturers expected an improvement in their own performance in the first quarter of 2004. Turnover growth was projected to accelerate slightly, with firms in the paper & printing and chemicals sub-sectors predicting a recovery in export sales. Consequently, profits were set to recover part of the contraction registered in the last quarter of 2003, although firms were

projecting a further drop in selling prices. Employment was expected to rise, fuelled by increased demand for labour by food & beverages manufacturers. Tourism firms made similar projections, anticipating a recovery in sales and profits and a higher intake of workers. According to respondents, selling prices were also set to rise.

By contrast, operators in the domestically-oriented sectors were still quite downbeat about the prospects. Manufacturing firms, particularly those in the food & beverages, furniture and chemicals sub-sectors, expected their sales to drop in the first quarter of 2004. Consequently, they were planning to reduce their labour complement. Participants from the distributive trades, services and construction also projected a decline in sales during the quarter. Real estate and professional services firms, in particular, were quite pessimistic. Profits were expected to contract across all locally-oriented sectors, with the exception of real estate where prices were projected to rise further. Employment was expected to decline, although finance and insurance firms said they would again be adding to their labour complement during the quarter.

Overall, replies to the latest survey indicate that while prospects for the export-oriented sectors may be brightening, locally-oriented operators expected a decline in activity. Labour market conditions were expected to remain weak, as the rise in the demand for labour by exporters would not be sufficient to offset anticipated redundancies in the locally-oriented sectors. While wage inflation was projected to persist, selling prices were expected to recover slightly, resulting in an improvement in profitability in some sectors. At the same time, most respondents indicated that investment would increase over the coming twelve months.

Methodological Notes

1. The results presented in this Box are derived from a survey carried out among 144 companies between January and February 2004. This periodic exercise has been conducted since 1995. As much as possible, the sample is kept unchanged between quarters.
2. The surveyed firms employed 16,861 workers (nearly a quarter of all private sector workers), and had an aggregate annual turnover of Lm527.8 million (equivalent to a third of Malta's GDP), of which nearly half was exported.
3. The sample was composed of 56 manufacturing firms, 17 tourism-related enterprises, 32 operators in the distributive trades, 14 construction and real estate concerns, and 25 services companies. 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. The weight given to any particular firm in terms of turnover is capped at Lm20 million to ensure that the overall results do not simply reflect the replies of the largest business concerns.
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 small 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 during the previous quarter, and to make forecasts for the current one.
8. Every six months, firms are asked about their short-term expectations for inflation and unemployment, and whether they consider the current period to be appropriate to initiate new developments. They are also asked to identify their present level of capacity utilisation/occupancy and whether they intend to invest during the following twelve months. In addition, participants indicate the two most important factors limiting investment and to what extent they think a change in the cost of finance would affect them.

Box 2: DIFFERENCES IN THE ESTIMATES OF GDP GROWTH FOR 2003

The Central Bank of Malta's Annual Report for 2003 included estimates for GDP growth and its expenditure components for that year on the basis of information available until February 2004. In early April, the National Statistics Office (NSO) published provisional GDP data for 2003 and revised the data for 2002 and for the first three quarters of 2003, which had originally been published in late November of last year. Table 1 presents the growth rates for GDP and its components at constant 1995 prices, as published by the NSO and the Bank, together with the respective nominal growth rates of GDP.

Table 1 shows a minimal difference between the Bank's and the NSO's estimates of nominal GDP growth for 2003, at 1.7% and 1.6%, respectively.

However, whereas growth in real terms (that is on the basis of nominal GDP converted at constant 1995 prices) is estimated by the Bank to have increased by 0.7%, the NSO figures show that this contracted by 1.7% during 2003. The Bank's estimates for 2003 were mainly based on official data on GDP growth and its components issued by the NSO in November 2003 and covering the first nine months of that year.

There were essentially two factors that led to this difference between the estimates of real GDP growth. First, in the case of private consumption the Bank had forecast higher growth than the NSO, on the basis of the initial data released by the NSO in November, which had shown private consumption growing by 1% over the nine-month

Table 1
PERCENTAGE CHANGES IN GROSS DOMESTIC PRODUCT
(by category of expenditure)

	2003			
	Jan. - Sept.		Jan. - Dec.	
	NSO	Revised NSO	NSO	CBM
GDP (at current market prices)	1.0	1.5	1.6	1.7
GDP (at constant 1995 prices)	0.3	-1.9	-1.7	0.7
<i>of which:</i>				
Private consumption	1.0	-0.2	0.3	1.3
Government consumption	7.9	4.3	6.0	6.4
Investment	22.8	25.8	21.2	16.2
Inventory changes ¹	-5.4	-4.0	-4.2	-4.0
Exports	-1.6	-2.1	-2.2	-1.1
Imports	4.3	7.7	6.4	3.7

¹ % of GDP

period. When the NSO released revised GDP data for 2003 in April 2004, however, the figure for private consumption was adjusted downwards, such that the growth rate of this component over the nine-month period was estimated at a negative 0.2%.

The second factor contributing to the divergence between the Bank and the NSO estimates of GDP growth relates to the external balance. In nominal terms, the estimates for exports of goods and services differ by just 0.1%, while the difference with respect to imports is almost negligible. However, the estimates of these components in real terms differ substantially. The NSO put the rate of growth of imports at 6.4%, while the Bank's estimate stood at 3.7%. In the case of exports the difference is less marked (see Table 1). The divergence is almost entirely attributable to different estimates of the import and export implicit price deflators, which are applied to the nominal external trade figures to derive the related data in real terms. Furthermore, since the NSO applies the same price deflator, computed for the year as a whole, to each of the four quarters of that year, this effectively resulted in a revision of the real data for each of the first three quarters of 2003 that had been published in November 2003.

As shown in Table 2, while both institutions

estimated a decline in international prices over the year, in the case of the export price deflator, the Bank's estimate for 2003 stood at -0.8% while that of the NSO is a more significant -1.3%. Although, all else being equal, this difference should have resulted in a sharper drop in the Bank's estimate of exports than that given by the NSO, the latter made a significant upward revision to nominal exports in the previous year. This was sufficiently large to generate a sharper drop in exports during 2003 than that estimated by the Bank, as can be seen in Table 1. Meanwhile, the divergence in the import price deflator was even sharper as the NSO's estimate showed a drop in import prices of 3.8%, while the Bank estimated a negative 0.7%. As in the case of exports, this annual estimate of the implicit price deflator for imports was simultaneously applied to each of the quarters of the year. This annual deflator contrasted sharply with the one previously estimated for the first nine months of 2003, which had stood at a negative 0.3%. As a result, the growth in imports during the first three quarters of 2003 was significantly revised upwards by the NSO from 4.3% to 7.7%.

There are also differences in the growth estimates of real gross fixed capital formation. These are almost entirely attributable to variances in the value of the implicit investment

Table 2
PERCENTAGE CHANGES IN IMPLICIT PRICE DEFLATORS

	2003		
	Jan. - Sept.	Jan. - Dec.	
	NSO	NSO	CBM
GDP	0.7	3.4	1.0
Private consumption	0.5	1.0	1.1
Government consumption	1.4	1.8	2.3
Investment	1.9	-1.4	2.0
Exports	-1.0	-1.3	-0.8
Imports	-0.3	-3.8	-0.7

deflator used by the two institutions. This deflator is heavily influenced by the import price deflator, which is used to deflate imports of capital equipment, which account for almost two-thirds of investment expenditure. Thus, while the Bank estimated this to have increased by 2%, the NSO data show that this dropped by 1.4%. The latter shows a substantial change from the deflator used in the calculation for the first nine months of the year, which was estimated to have increased by 1.9%.

In Malta, the deflators applied to merchandise trade data are the *Imports Unit Value Index* and the *Exports Unit Value Index*. Virtually all the remaining components of GDP are deflated by a specific price index. While unit value indices may be currently the best available price deflators as a measure of price movements from one period to another, they exhibit a number of deficiencies and should be applied with caution if there is an insufficient level of detail of item specifications or varieties. Although customs documents are used in many countries as a source of information for both values and quantities in a transaction, these

often lack the necessary detail to compile an adequate price index. This approach generally leads to a less precise computation of implicit import price deflators as against export price deflators, because over the short term the type of goods exported varies less than in the case of imports, where a wide and constantly changing range of products is involved. This problem is particularly acute in small countries. In addition, in Malta the shortcomings of unit value indices are likely to impinge to an even greater degree on imports rather than on exports. This is because merchandise imports account for about 80% of total imports of goods and services, while the share of merchandise exports represents only two-thirds of the total.

In summary, the differences that have emerged between the estimates of real GDP growth for 2003 derived by the NSO and the Central Bank of Malta appear to be mainly attributable to the import price deflator. This had a direct impact on imports of goods and services in real terms and also significantly affected the gross fixed capital formation component in real terms.

5. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

The current account of the balance of payments swung into deficit in the last quarter of 2003, in line with the normal seasonal pattern, but the deficit widened only marginally compared to the corresponding period of 2002. After excluding movements in the international reserves, inflows on the capital and financial account, which had been partly reversed during the previous quarter,

resumed at a faster pace than that recorded in the corresponding quarter of 2002. On the other hand, the upward trend in the official reserves was halted during the fourth quarter of 2003, with reserves dropping marginally.

During the final quarter of 2003, the Maltese lira remained broadly stable against the euro and the pound sterling but appreciated considerably against the US dollar. However, going into 2004 these trends were partly reversed, as the lira recovered moderately against the euro and depreciated against sterling and the US dollar.

Table 5.1
EXTERNAL BALANCES¹

	<i>Lm millions</i>			
			Q4	
	2002		2003	
	Credit	Debit	Credit	Debit
Current account balance		42.6		42.8
Goods and services	375.3	384.4	361.8	380.4
Goods balance		48.6		55.6
Goods	253.0	301.6	247.1	302.7
Services balance	39.5		37.0	
Services	122.3	82.8	114.7	77.7
Transport	34.3	39.3	26.7	33.5
Travel	63.0	16.9	64.7	21.4
Other services	24.9	26.6	23.3	22.8
Income (net)		28.1		15.4
Current transfers (net)		5.4		8.8
Capital and financial account balance²	52.8		62.6	
Capital account balance	1.5		0.2	
Financial account balance	51.3		62.4	
Direct investment		93.8	123.0	
Portfolio investment		28.6		98.9
Other investment	173.7		38.4	
Movements in reserves³		40.9	7.7	
Net errors and omissions	30.7			27.5

¹ Provisional.

² Excluding movements in official reserves.

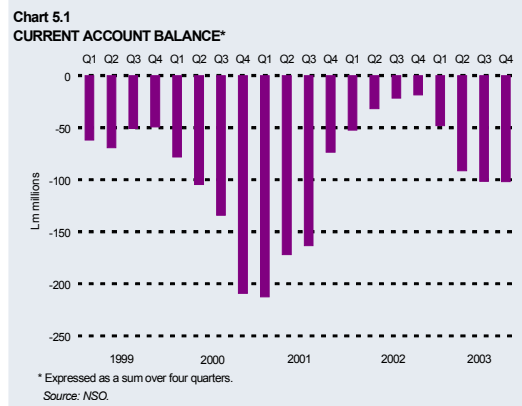
³ Excludes revaluation adjustments.

Source: NSO.

The current account

The current account shifted into deficit in the final quarter of the year, which corresponds to the usual seasonal fluctuations. At Lm42.8 million, the deficit was marginally wider than that registered over the corresponding period of 2002. This minor increase masked significant movements in the major components of the current account. Thus, a narrower deficit on the income account was outweighed by larger negative imbalances on merchandise trade and current transfers as well as lower net receipts on services (see Table 5.1).

Chart 5.1 shows the current account deficit as a moving sum over four quarters. This deficit continued to widen over 2003, after having reached a record low in 2002 that reflected exceptionally high export receipts linked to the



sale of aircraft by the national airline company. The Chart also shows that the four-quarter sum, which had been widening during the first three quarters of the year, stabilised in the final quarter.

Table 5.2
MERCHANDISE TRADE
(based on Customs data)

	<i>Lm millions</i>			
	Q4		Change	
	2002	2003 ¹	Amount	%
Imports	321.2	321.6	0.4	0.1
Consumer goods	80.4	86.0	5.6	7.0
Industrial supplies	161.5	165.1	3.6	2.2
Capital goods & others	50.4	50.3	-0.1	-0.2
Fuel & lubricants	28.9	20.2	-8.7	-30.1
Exports	248.5	246.1	-2.4	-1.0
Domestic	216.8	216.8	0	0
Re-exports	31.7	29.3	-2.4	-7.6
Trade balance	-72.7	-75.5	-2.8	-3.9

¹ Provisional.

Source: NSO.

Merchandise trade¹

Customs data indicate that the shortfall on merchandise trade increased in the fourth quarter of 2003, rising by Lm2.8 million, or 3.9%, compared with the same quarter of 2002 (see Table 5.2). This was almost entirely due to a drop in re-export receipts, which fell from Lm31.7 million to Lm29.3 million, with the decline spread across a wide range of goods.

Domestic exports stagnated in the fourth quarter of 2003, reflecting weak demand in the EU, Malta's largest export market. Growth in exports of chemicals and machinery & transport equipment, which includes semi-conductors, was offset by lower exports of miscellaneous manufactured articles, which include clothing, and food. The drop in food exports was significantly influenced by a reduction in foreign sales of fish.

Imports, which had expanded during the first three quarters of the year, also stalled in the final quarter when they added just Lm0.4 million. Higher imports of industrial supplies and consumer goods outweighed a lower import bill on fuels and lubricants, which probably reflected the strengthening of the Maltese lira against the US dollar. Imports of consumer goods continued to expand at a faster pace than private consumption, in line with the trend observed throughout 2003, implying a shift in consumers' preferences towards foreign-made goods as trade liberalisation proceeds.

Services and income and transfers

Compared to the corresponding quarter of 2002, the surplus on services narrowed by Lm2.5 million to Lm37 million in the fourth quarter of 2003. This was attributable to a drop in net

receipts on travel and a larger deficit on transport, that outweighed a small shift to surplus on other services.

Net travel receipts decreased by Lm2.9 million, or 6.3%, when compared to the fourth quarter of 2002. Travel receipts rose by 2.7% despite a fall in tourist traffic in the fourth quarter of 2003. However, this increase was offset by a substantial rise in travel payments, which continued to expand rapidly over the three-month period. The negative balance on transport also widened by Lm1.9 million, as a drop in receipts related to freight and other transport services was greater than the reduction in payments. In contrast, the negative balance on 'other services' moved into a small surplus as payments for miscellaneous business services decreased.

The deficit on current transfers widened by Lm3.4 million to Lm8.8 million, driven by higher outlays. As a result, the general downward trend in the balance on this account, that reflects growing net private transfers to non-residents, persisted.

Conversely, the deficit on the income account narrowed by Lm12.7 million to Lm15.4 million due to the combined effect of a rise in interest receipts and a drop in interest payments made by international banks registered in Malta. This offset an increase in profits accruing to non-resident shareholders in resident firms.

The capital and financial account

Net inflows on the capital and financial account, after excluding movements in international reserves, resumed during the fourth quarter, increasing by Lm9.8 million compared with the corresponding quarter of 2002 to Lm62.6 million.

¹ Customs data are recorded on a cost, insurance and freight basis. These data are then adjusted in the compilation of balance of payments statistics to cater 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 shown in Table 5.2.

The increase in net capital and financial inflows was entirely due to inward direct investment.

The balance on direct investment shifted from net outflows of Lm93.8 million in the fourth quarter of 2002 - as a result of higher repayments of inter-company loans made by residents - to net inflows of Lm123 million. Direct investment inflows during the final quarter of 2003 partly reflected the opening of a subsidiary of an Austrian bank in Malta as well as a loan taken by a resident non-bank firm from its foreign parent.

On the other hand, net portfolio outflows persisted, reaching Lm98.9 million as residents, particularly banks, invested in foreign debt securities. Although net outflows picked up compared to the same quarter of 2002, they moderated with respect to the previous two quarters. Moreover, net inflows on the other investment component dropped by Lm135.3 million to Lm38.4 million, as banks' liabilities to non-residents increased at a slower pace. The repatriation of foreign assets by the non-monetary sector under the Investment Registration Scheme may have also contributed to the inflows recorded on the capital and financial account during the quarter reviewed.²

Net errors and omissions amounting to Lm27.5 million were registered on the debit side of the balance of payments, implying an underestimation of the deficit on the current account or an overstatement of net inflows on the capital and financial account, or both. This runs counter to the pattern seen over the previous five quarters, when net errors and omissions were positive.

As a result of these developments, the upward trend in the official reserves recorded in previous quarters was arrested in the final quarter of 2003, with the official reserves dropping by Lm7.7 million.

The Maltese lira

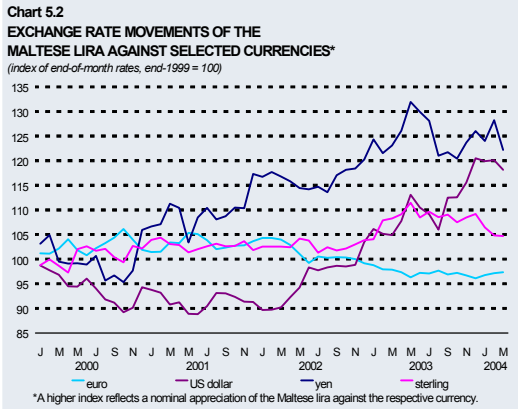
During the quarter under review, the Maltese lira fluctuated narrowly against the euro and the pound sterling, though it made significant gains against the US dollar and the Japanese yen, largely reflecting the strong appreciation of the euro on international financial markets. The lira registered a slight decline of 0.8% against the euro and a marginal increase of 0.1% against sterling during the quarter (see Table 5.3). The relative stability of the euro/Lm rate can be attributed to the large weight allocated to the euro in the

Table 5.3

MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES

Period	euro/Lm	US\$/Lm	stg/Lm	yen/Lm
Average for Q4 2003	2.3329	2.7747	1.6269	302.0
Average for Q4 2002	2.4125	2.4129	1.5352	295.5
% change	-3.3	15.0	6.0	2.2
Closing rate on 31.12.2003	2.3163	2.9197	1.6351	312.2
Closing rate on 30.09.2003	2.3351	2.7259	1.6334	301.4
% change	-0.8	7.1	0.1	3.6

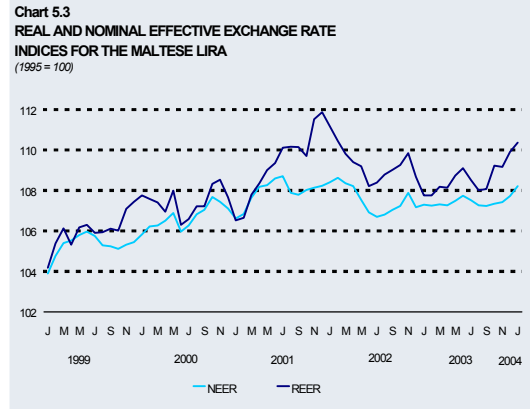
² See fn.3, p.16.



Maltese currency basket. In contrast, the lira appreciated significantly against the US dollar and the yen, rising by 7.1% and 3.6%, respectively (see Chart 5.2).

When compared to the fourth quarter of 2002, on average the lira weakened by 3.3% against the euro. On the same basis it appreciated strongly against the US dollar and, to a lesser extent, against the pound sterling and the Japanese yen.

The trends observed during the final quarter of 2003 were partly reversed in the first quarter of 2004. The lira strengthened against the euro and depreciated against the pound sterling and the



US dollar as the dollar rallied on international foreign exchange markets.

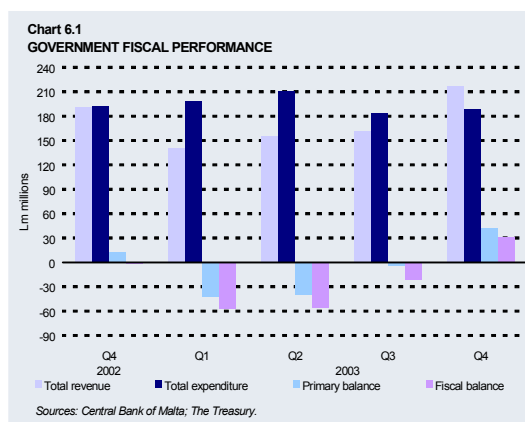
The nominal effective exchange rate of the Maltese lira (NEER) ended December 0.5% higher compared to its end-September rate. This strengthening reflected the appreciation of the Maltese lira, particularly against the US dollar. The real effective exchange rate (REER) also edged upwards, gaining 1.7% (see Chart 5.3).³ The pick-up in domestic inflation relative to that in Malta's trading partners and competitors accounts for the greater part of the increase in the REER. In January, both the NEER and REER rose further.

³ The index covers twenty-five 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.

6. GOVERNMENT FINANCE

In the fourth quarter of 2003 a surplus of Lm30.6 million on the Consolidated Fund was recorded.¹ This contrasts with a small deficit in the same quarter a year earlier and the negative balances recorded during the first three quarters of 2003. Nevertheless, the annual deficit on the Consolidated Fund increased by almost Lm18 million over the previous year and reached Lm105.3 million. Consequently, the deficit ended the year at 5.8% of GDP, up from 4.9% in 2002.²

The fiscal retrenchment in the fourth quarter was largely the result of a substantial increase in revenue, although expenditure also declined (see Chart 6.1). The primary surplus, which excludes interest payments from expenditure, widened by Lm30 million, indicating a significant fiscal tightening during the quarter. Fiscal data for the first two months of 2004 suggest a further consolidation, mainly due to a drop in expenditure,



with the deficit on the Consolidated Fund narrowing by almost Lm10 million over the same period of the previous year.

Revenue

Revenue is estimated to have risen by around 13.3% during the fourth quarter to Lm216.4 million, one-third of the year's total. This increase was almost entirely driven by direct and indirect taxes, up by an estimated Lm13.1 million and Lm10.9 million, respectively.

The 12.9% rise in direct tax revenue is mainly the result of an anticipated surge in income tax receipts, which are estimated to have grown by Lm13.8 million over the same quarter of the previous year, reflecting the payment of tax arrears (see Table 6.1). However, social security contributions are thought to have declined marginally, reflecting the reduction in the gainfully occupied population. On the other hand, indirect tax revenues are estimated to have risen by around Lm11 million. Around half of this increase reflects higher revenues from value-added tax (VAT), in line with rising consumption expenditure. Higher customs and excise revenues are also projected, on account of the increase in duties on cigarettes that entered into effect in January 2003. Revenue from licences, taxes and fines is also expected to have risen by around Lm3.6 million.

An additional Lm1.4 million in revenues from non-tax sources is projected, as fees collected through the Investment Registration Scheme and higher receipts from sundry sales and reimbursements

¹ Whereas the balance on the Consolidated Fund was available at the cut-off date for this publication, further details on the fourth quarter of 2003 were not. Government revenue and expenditure for the period were derived from the revised estimates for the whole year, published by the Ministry of Finance and Economic Affairs in November 2003 by subtracting the actual values relating to the first nine months of the year. As a result, there is a small discrepancy between the balance on the Consolidated Fund for the fourth quarter and the difference between revenue and expenditure.

² GDP data referred to in this chapter are based on ESA 1995 methodology.

Table 6.1**GOVERNMENT BUDGETARY OPERATIONS¹***Lm millions*

	2002	2003	Change	
	Q4	Q4	Amount	%
Revenue	191.0	216.4	25.4	13.3
Direct tax	101.3	114.3	13.1	12.9
Income tax	64.6	78.4	13.8	21.3
Social security contributions ²	36.7	35.9	-0.7	-1.9
Indirect tax	71.3	82.2	10.9	15.3
Value Added Tax	34.3	38.9	4.7	13.6
Customs and excise duties	15.7	18.4	2.7	17.4
Licences, taxes and fines	21.3	24.9	3.6	16.7
Non-tax revenue	18.5	19.9	1.4	7.6
Central Bank of Malta profits	0	0	0	-
Other ³	18.5	19.9	1.4	7.6
Expenditure	193.1	188.2	-4.9	-2.5
Recurrent expenditure²	166.4	166.1	-0.3	-0.2
Personal emoluments	49.3	50.0	0.7	1.3
Operational and maintenance	7.2	9.0	1.8	25.7
Programmes and initiatives	73.1	76.8	3.7	5.0
Contributions to entities	21.9	15.8	-6.1	-27.8
Interest payments	14.6	14.3	-0.3	-1.8
Other	0.2	0.2	-0.1	-33.3
Capital expenditure	26.7	22.1	-4.6	-17.2
Primary balance⁴	12.5	42.5	30.0	+
CONSOLIDATED FUND BALANCE⁵	-2.1	30.6	32.7	+

¹ Government revenue and expenditure for the period were derived from the revised estimates for the whole year. As a result, there is a small discrepancy between the balance on the Consolidated Fund for the fourth quarter and the difference between revenue and expenditure.

² Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both revenue and expenditure.

³ Includes grants but excludes revenue from sale of assets and sinking funds of converted loans.

⁴ Revenue less expenditure excluding interest payments.

⁵ Revenue less expenditure.

Note: A '+' sign indicates a percentage change that exceeds +/- 100.

Sources: Central Bank of Malta; The Treasury.

more than offset lower intakes from other non-tax revenue items.³

Expenditure

Total expenditure is anticipated to have reached Lm188.2 million in the fourth quarter - Lm4.9 million less than in 2002 - with the annual growth rate decelerating to 4.7% from 7.2% registered in the first three quarters of 2003. Lower capital outlays are the main factor behind this drop, although recurrent expenditure probably also decreased slightly.

In the fourth quarter of 2003, capital expenditure is expected to have dropped by Lm4.6 million. This is mainly because substantial outlays related to the construction of the new hospital were recorded in the last quarter of 2002, whereas in 2003 related payments were mainly effected in the first half of the year. However, higher subsidies for public transport contained the drop in capital expenditure for the quarter.

Recurrent expenditure is expected to have remained stable at around Lm166.1 million as a result of offsetting factors. Personal emoluments

are likely to have risen only marginally since a drop in the number of Government employees offset wage increases awarded under the civil service collective agreement. Meanwhile, operational and maintenance expenditure is expected to have increased slightly as a result of higher expenditure on water, electricity and other services, and medical supplies. Higher outlays on social security benefits boosted spending on programmes and initiatives. However, these expenditure increases were largely offset by lower contributions to entities, which are projected to have dropped by Lm6.1 million, and by lower interest payments as a result of falling interest rates.

Government debt and financing operations

In spite of the surplus recorded on the Consolidated Fund, gross Government debt rose by Lm50.7 million (see Table 6.2) as the latter is influenced by Government operations that are not captured in the Consolidated Fund. During the fourth quarter, a large part of the increase in Government debt reflected a Lm39.4 million rise in outstanding loans. These increased on account of transactions related to the restructuring of the shipyards, whereby these enterprises'

Table 6.2
GOVERNMENT DEBT

	2002		2003			<i>Lm millions</i>
	Q4	Q1	Q2	Q3	Q4	
Balance on the Consolidated Fund	-2.1	-57.6	-56.1	-22.1	30.6	
<i>Changes in</i>						
Gross Government debt	34.2	56.9	53.4	21.9	50.7	
Malta Government stocks	0	27.0	0	43.0	30.0	
Treasury bills	26.4	29.9	23.4	-21.1	-18.7	
Loans	7.9	0	30.0	0	39.4	

Sources: Central Bank of Malta; Ministry of Finance and Economic Affairs.

³ See fn.3, p.16.

outstanding debts were taken on by the Government. These transactions had no impact on the Consolidated Fund. The Government also issued bonds amounting to Lm30 million, while Treasury bills in issue declined by Lm18.7 million.

Gross Government debt outstanding at the end of the fourth quarter totalled Lm1,259.8 million.

Malta Government stocks, which accounted for the bulk of the debt, stood at Lm913 million and represented 72.5% of total Government debt. On the other hand, Treasury bills amounted to Lm232.3 million, or 18.4% of outstanding debt. Domestic and foreign borrowings, which reached Lm41.8 million and Lm72.6 million, respectively, together accounted for the remaining 9.1%.

Box 3: GENERAL GOVERNMENT DEFICIT AND DEBT

As a member of the EU, Malta is expected to fulfil a number of economic and financial obligations.¹ In the fiscal domain, the Maastricht Treaty obliges Member States to avoid “excessive government deficits”. The Treaty’s provisions are amplified in the Protocol on the excessive deficit procedure and in the Stability and Growth Pact. This body of EU legislation regulates the steps to be taken when the particular reference values for the general Government budget deficit and nominal outstanding debt, set at 3% and 60% of GDP, respectively, are exceeded. An exception is provided when these ratios are declining and approaching the prescribed reference values. The Stability and Growth Pact also obliges Member States to regularly submit

data on Government deficits and debt to the European Commission. In order to ensure that national data are comparable, they have to be compiled in accordance with the prescribed standards.²

Malta submitted its fiscal data to the Commission in March 2004. These data, which are to be submitted in March and September each year, capture fiscal operations of the general Government sector, which includes the Consolidated Fund and other Government accounts, as well as the balances of local councils and extra-budgetary units (EBUs). The latter are public non-financial companies with less than 50% of their production costs covered by

Table 1
GENERAL GOVERNMENT DEFICIT AND DEBT

	<i>Lm millions</i>			
	2000	2001	2002	2003
Deficit on Consolidated Fund	-94.7	-85.3	-87.7	-105.3
Net borrowing of EBUs	-17.1	-14.3	-17.8	-22.1
Other adjustments to the Consolidated Fund	2.4	-11.9	2.3	-48.6
Net borrowing of central Government	-109.5	-111.5	-103.2	-176.0
Net lending of local Government	1.0	0.9	0.5	0.5
Net borrowing of general Government	-108.5	-110.6	-102.7	-175.6
<i>as % of GDP</i>	-6.5	-6.4	-5.7	-9.7
General Government debt	954.5	1,076.7	1,108.3	1,309.3
<i>as % of GDP</i>	57.1	61.8	61.7	72.0

Source: NSO.

¹ See “Practical and Policy Issues Related to Economic and Monetary Union”, *Central Bank of Malta Quarterly Review* 36 (June 2003): 57-66.

² These standards are laid down in the European System of Accounts (ESA 1995) and in the ESA95 *Manual on Government Deficit and Debt*.

market sales. These data thus provide a more complete picture of the Government's operations.

In 2003 the general Government deficit widened to Lm175.6 million, or 9.7% of GDP (see Table 1). The deficit on the Consolidated Fund increased by Lm17.6 million, or 1% of GDP. The general Government deficit was mainly boosted by a one-off adjustment of Lm53 million, or 2.9% of GDP, related to the restructuring of the shipyards. The Government took over the aggregate liabilities of the Malta Drydocks and Malta Shipbuilding Company Limited, net of the value of their fixed assets and realisable debts. EBUs recorded a deficit of Lm22.1 million, compared to a shortfall

of Lm17.8 million in 2002. Local Government had a marginal impact on general Government finances.

As the Table also shows, the general Government's nominal gross debt outstanding, consolidated between and within the sectors of general Government, was therefore equivalent to 72% of GDP at the end of 2003, an increase of around ten percentage points over the previous year. The impact of the restructuring of the shipyards on the Government's debt position was contained to Lm42 million, representing the companies' outstanding bank loans and overdrafts, as the rest of their debts were owed to Government and hence netted off.

NEWS NOTES

LOCAL NEWS

Appointment of Director

Charles J. Falzon was appointed as Director of the Central Bank of Malta under the Central Bank of Malta Act for a period of five years with effect from 7 February 2004. An economist and management consultant, Mr Falzon is currently a Senior Lecturer in the Faculty of Economics, Management and Accountancy at the University of Malta.

Changes in the monetary policy operational framework

On 15 January the Bank effected changes in its monetary policy operational framework. The overnight deposit rate was set at 150 basis points below the central intervention rate (CIR), while the marginal lending rate was set at 150 basis points above the CIR. The remuneration rate on reserve deposits held with the Bank was linked to the CIR at a discount of 25 basis points, while that on reserve deposits held by credit institutions operating in foreign currency was linked at a discount of 25 basis points to the policy rate of their base currency.

Issue of commemorative coin to mark Malta's accession to the EU

On 27 April the Bank issued a gold coin in Proof version as legal tender. The coin has a fineness of 916.7, weighs 3.994g and has a diameter of 19.3mm. The reverse shows the flags of Malta and the EU, the date of Malta's accession to the EU - 1 May 2004 - and the face value of Lm25. The obverse side depicts the

coat-of-arms of the Republic of Malta and the year of issue.

Bond issue in Maltese liri launched by the European Investment Bank (EIB)

On 27 February the EIB - the EU's long-term financing institution - launched a bond issue in Maltese liri for the amount of Lm10 million maturing in 2009. The EIB is thereby the first supranational institution to have launched a bond denominated in Maltese liri on the Malta Stock Exchange. The issue was open to both institutional and retail investors, carried a coupon of 3.8% per annum, and was underwritten by the Bank of Valletta. The bonds were oversubscribed.

Fitch assigns credit ratings to First International Merchant Bank (FIMBank)

On 6 January, Fitch credit rating agency assigned FIMBank ratings of Long-term 'BB', Individual 'D' and Support '5'. The outlook for the Long-term rating was Stable.

FIMBank acquires a major shareholding in an overseas export financing company

On 8 April, FIMBank plc announced the acquisition of a 38.5% stake in Global Trade Finance Private Ltd (GTF) for \$4.58 million, making FIMBank the second-largest shareholder in GTF. GTF is an Indian joint venture company specialising in export financing for small and medium-sized Indian exporters. The offer is funded from the bank's own resources and is subject to regulatory approval by the MFSA, the Reserve Bank of India, and the outcome of a due diligence exercise on GTF.

INTERNATIONAL NEWS

ECOFIN meetings¹

The ECOFIN council held three meetings during the first three months of this year, on 20 January, 10 February and 9 March. The council agreed that reforms should be stepped up to achieve the targets set in the Lisbon Agenda in order to have a positive impact on confidence and increase growth and employment in the medium term.² The council also welcomed the view of the Economic Policy Committee (EPC) on the Report of the Employment Task Force, suggesting policy measures aimed at higher employment creation in a context of sound and sustainable public finances. The council broadly agreed on priorities for policy action to meet the objectives set out in the Broad Economic Policy guidelines (BEPGs). These priorities include promoting growth through investment, innovation and competitiveness; increasing flexibility in the labour market; and speeding up the process of reform to ensure sustainable public finances. The council concluded that the 2005 budget should provide sufficient resources

to implement the various policies of the EU effectively, maintaining overall budget discipline.

European Council meetings

At its meeting in Brussels on 12-13 December 2003 the European Council endorsed the European Action for Growth which covers investment on innovation, research and development and on the trans-European network infrastructure. At the Spring meeting of the Council on 25-26 March, heads of state discussed the economic, social and environmental situation in the EU with particular reference to the Lisbon Agenda.

G-7 meeting³

The G-7 meeting held at Boca Raton in Florida on 6-7 February reaffirmed the commitment of the seven most developed nations to more flexibility in exchange rates. They confirmed the strengthening of the global economy as a result of fiscal and monetary policy stimulus while noticing the uneven pace of growth of their economies.

¹ ECOFIN is a council of the EU whose members are the ministers responsible for economic and financial affairs of the Member States.

² The Lisbon Agenda was launched at the 2000 EU summit in Lisbon. It aims to increase the rate of sustainable economic growth and enable Europe to become the most dynamic and competitive knowledge-based economy in the world by 2010.

³ Meeting of the finance ministers and central bank governors of the most developed economies, including the United States, Japan, Germany, France, Britain, Italy and Canada.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-December 2003, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km ²	
CURRENCY UNIT	Maltese lira exchange rates: Lm1 = US\$2.9197 Lm1 = euro 2.3163	
CLIMATE	Average temperature (1990-2003): Dec. - Feb.	13.2° C
	June - Aug.	26.2° C
	Average annual rainfall (1990-2002)	613.9mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices	1.6%
	GDP per capita at current market prices	US\$11,704
	GDP per head in PPS relative to the EU-15 average ¹	68.9%
	Ratio of gross general government debt to GDP ²	72%
	Ratio of general government deficit to GDP ²	9.7%
	Retail price inflation	1.3%
	Ratio of exports of goods and services to GDP	83%
	Ratio of current account deficit to GDP	6%
	Employment rate ³	53.7%
	Unemployment rate ³	7.9%
POPULATION	Total Maltese and foreigners (Sept. 2003)	398,985
	Males	197,734
	Females	201,251
	Age composition in % of population (Dec. 2002)	
	0 - 19	26%
	20 - 59	57%
	60 +	17%
	Average annual growth rate (1990-2002)	0.8%
Density per km ²	1,263	
HEALTH	Life expectancy at birth - Males (Dec. 2002)	75.8
	- Females (Dec. 2002)	80.5
	Crude birth rate, per 1,000 Maltese inhabitants	7.2
	Crude mortality rate, per 1,000 Maltese inhabitants	6.3
	Doctors per 1,000 inhabitants (Dec. 2002)	3
EDUCATION	Combined gross enrolment ratio % (2000/2001)	76%
	Number of schools (2001/2002)	303
	Teachers per 1,000 students (2001/2002)	86
	Adult literacy rate: % age 15 and above (2001)	92%
LIVING STANDARDS	Human Development Index (HDI): rank out of 175 countries	33
	Mobile phone subscriptions	289,992
	Private motor vehicle licences	201,924
	Internet subscribers	76,814

¹ Provisional.

² Estimated data in the Excessive Deficit Procedure Notification (March 2004).

³ Labour Force Survey, NSO.

Sources: Central Bank of Malta; Eurostat; Ministry of Finance and Economic Affairs; 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 December 2003:

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

PART 1: MONEY AND BANKING

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TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA

Liabilities

Lm thousands

End of period	Currency notes & coins issued	IMF-related liabilities	Deposits				Capital & reserves	Foreign liabilities ²	Other liabilities ¹
			Banks ¹	Government	Other	Total			
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	-	35,265
1999	418,485	19,014	124,786	96,188	12,424	233,398	89,050	-	58,597
2000	423,188	18,574	141,270	56,161	10,393	207,825	89,050	-	48,837
2001	441,829	18,281	146,789	69,080	7,644	223,513	95,069	-	48,649
2002	461,247	16,676	255,558	42,961	7,595	306,114	95,341	6,987	49,577
2003									
Jan.	450,395	16,676	282,620	49,124	7,508	339,252	100,211	2,291	35,960
Feb.	452,689	16,676	268,964	65,531	7,463	341,958	95,243	2,910	43,066
Mar.	456,791	16,676	250,596	74,451	7,196	332,243	95,789	5,838	30,137
Apr.	465,032	16,676	260,883	59,482	15,549	335,914	95,671	1,955	31,483
May	465,814	15,922	297,630	61,162	7,226	366,018	95,470	2,680	34,060
June	471,111	15,922	282,003	65,191	8,870	356,064	96,058	4,774	34,526
July	471,576	15,922	261,529	84,406	8,361	354,296	96,091	2,499	36,211
Aug.	472,417	15,922	289,896	67,959	7,731	365,586	96,192	5,386	37,413
Sept.	475,795	15,922	289,866	67,763	8,276	365,905	90,689	7,624	39,067

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central Government	Other residents	Total			
Oct.	475,818	15,922	301,884	65,194	8,489	375,567	90,682	2,395	39,848
Nov.	474,370	15,922	261,164	94,206	10,633	366,003	90,653	4,819	41,156
Dec.	485,373	14,639	242,162	83,198	8,456	333,815	88,225	25,497	45,468

¹ Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995). From December 2001, term deposits by banks previously classified as "Other Liabilities" are classified as "Bank Deposits".

² Data prior to 2001 were included with "Other Liabilities".

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA

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 ¹	Convertible currencies ²	Total				
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
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
2003								
Jan.	510	36,978	854,421	891,909	33,470	2,119	17,285	944,784
Feb.	759	37,335	862,145	900,239	33,470	2,633	16,200	952,543
Mar.	723	37,316	845,994	884,034	33,470	2,639	17,330	937,473
Apr.	461	36,800	853,834	891,095	33,470	4,288	17,878	946,731
May	474	36,035	891,189	927,699	32,715	2,268	17,283	979,964
June	458	36,453	889,371	926,283	32,715	2,421	17,036	978,454
July	480	36,682	882,228	919,389	32,715	8,464	16,026	976,595
Aug.	515	37,470	903,181	941,166	32,715	2,941	16,092	992,914
Sept.	503	36,620	906,154	943,277	32,715	3,153	15,856	995,001

End of period	External Assets				IMF currency subscription	Central Government securities	Other assets	Total assets/ Total liabilities
	Gold	IMF- related assets ²	Other	Total				
Oct.	504	36,673	910,671	947,847	32,715	3,744	15,925	1,000,231
Nov.	507	36,319	895,535	932,361	32,715	11,819	16,028	992,922
Dec.	497	35,686	899,365	935,547	31,431	7,772	18,266	993,016

¹ Includes IMF Reserve Position and holdings of SDRs.

² Valued 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.

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

Liabilities

Lm thousands

End of period	Deposits ¹				Foreign liabilities ²	Capital & reserves	Other liabilities
	Demand	Savings	Time	Total			
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
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
2003							
Jan.	251,185	724,204	1,657,386	2,632,775	1,049,620	297,128	380,431
Feb.	251,491	714,989	1,648,298	2,614,778	1,034,531	297,128	375,880
Mar.	249,459	731,118	1,628,213	2,608,790	1,029,180	297,127	390,435
Apr.	254,647	735,794	1,642,450	2,632,891	1,032,584	297,163	386,260
May	263,970	748,382	1,635,936	2,648,288	1,021,480	297,127	381,808
June	278,620	755,702	1,623,632	2,657,954	1,043,193	297,127	401,387
July	281,553	742,923	1,619,020	2,643,496	1,046,568	297,127	406,127
Aug.	280,262	755,188	1,628,766	2,664,216	1,063,210	297,127	411,457
Sept.	283,638	765,827	1,620,026	2,669,491	1,022,531	302,118	411,314

End of period	Resident deposits ¹				External liabilities	Debt securities issued	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
Oct.	1,040,829	29,344	1,622,654	2,692,827	1,056,493	31,834	414,591	354,223
Nov.	1,046,820	28,235	1,599,771	2,674,826	1,059,350	31,690	596,394	371,642
Dec.	1,047,817	28,782	1,599,172	2,675,771	1,077,630	46,638	599,982	350,120

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

² From September 1992, the bulk of foreign liabilities belonging to a Deposit Money Bank was transferred to its offshore bank subsidiary.

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES
DEPOSIT MONEY BANKS

Assets

Lm thousands

End of period	Cash & deposits with Central Bank of Malta ¹	Foreign assets	Local lending & Bills discounted	Local investments	Fixed & other assets	Total assets/ total liabilities
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
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
2003						
Jan.	304,093	1,307,320	1,890,261	700,389	157,890	4,359,953
Feb.	284,217	1,294,386	1,876,815	706,001	160,897	4,322,316
Mar.	272,104	1,283,624	1,919,127	720,555	130,121	4,325,531
Apr.	282,147	1,266,474	1,925,836	736,349	138,092	4,348,898
May	308,692	1,238,948	1,922,318	732,738	146,008	4,348,703
June	301,037	1,273,046	1,919,728	754,824	151,027	4,399,661
July	277,958	1,302,899	1,912,632	744,518	155,312	4,393,318
Aug.	312,372	1,329,512	1,903,063	721,744	169,318	4,436,009
Sept.	314,116	1,283,146	1,938,457	728,874	140,862	4,405,455

End of period	Balances held with Central Bank of Malta ¹	Loans	Securities other than shares	Shares & other equity	External assets	Other assets	Total Assets/ total liabilities
Oct.	322,345	1,878,803	651,510	35,403	1,352,794	309,114	4,549,969
Nov.	279,929	1,890,275	659,820	214,854	1,357,872	331,149	4,733,901
Dec.	260,873	1,909,892	622,093	216,477	1,405,740	335,064	4,750,141

¹ 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	2,460,629	188,740	40,418	2,711,110
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
2003								
Jan.	294	5,571	1,336	7,201	2,161,655	162,453	10,417	2,341,726
Feb.	316	5,302	768	6,386	2,233,730	169,440	11,592	2,421,148
Mar.	312	3,848	789	4,949	2,250,377	169,477	14,479	2,439,283
Apr.	498	4,323	784	5,605	2,273,457	169,688	16,769	2,465,519
May	344	2,618	947	3,909	2,243,020	170,129	21,350	2,438,409
June	969	2,262	1,057	4,288	2,303,399	169,717	20,932	2,498,336
July	596	2,457	1,064	4,117	2,513,736	169,733	20,914	2,708,500
Aug.	680	3,544	454	4,678	2,872,514	169,782	25,978	3,072,951
Sept.	2,916	915	836	4,667	2,789,117	170,848	28,181	2,992,813

End of period	Resident deposits				External liabilities	Capital & reserves	Other liabilities	Total liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
Oct.	903	-	240	1,143	2,653,619	180,378	2,706	2,837,846
Nov.	1,049	-	242	1,290	2,561,798	185,528	3,213	2,751,829
Dec.	464	-	491	955	2,748,650	182,445	2,555	2,934,605

**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
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999	1,892	2,434,594	6,135	260,458	8,030	2,711,110
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
2003						
Jan.	1,179	2,321,045	6,200	8,712	4,590	2,341,726
Feb.	1,223	2,400,272	5,753	8,767	5,133	2,421,148
Mar.	1,270	2,418,695	6,386	8,815	4,117	2,439,283
Apr.	1,214	2,444,223	7,759	8,635	3,687	2,465,519
May	1,212	2,417,272	7,940	8,405	3,580	2,438,409
June	1,156	2,477,243	7,385	8,556	3,996	2,498,336
July	1,222	2,687,743	7,020	8,571	3,943	2,708,500
Aug.	1,354	3,052,321	6,688	8,589	3,999	3,072,951
Sept.	1,382	2,971,456	6,685	8,580	4,710	2,992,813

End of period	Balances held with Central Bank of Malta ¹	External assets	Loans	Securities other than shares	Shares and other equity	Other assets	Total assets
Oct.	-	2,820,718	128	-	623	16,377	2,837,845
Nov.	-	2,734,717	126	-	662	16,324	2,751,829
Dec.	-	2,917,645	121	-	613	16,225	2,934,604

¹ Includes holdings of cash.

TABLE 1.4a BANKING SURVEY¹*Lm thousands*

End of period	Domestic credit			Net foreign assets			Narrow money ⁴ (M1)	Quasi-money ⁵	Other items (net)	Total assets/liabilities
	Net claims on Government ²	Claims on private & parastatal sectors ³	Total	Central Bank of Malta	All banking institutions	Total				
1998	355,996	1,459,815	1,815,811	639,991	238,447	878,438	523,628	1,698,959	471,662	2,694,249
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	640,508	330,271	970,779	594,660	1,944,221	616,140	3,155,021
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
2003										
Jan.	522,170	1,896,269	2,418,439	889,618	417,091	1,306,709	677,963	2,375,357	671,828	3,725,148
Feb.	513,157	1,884,676	2,397,833	897,328	426,398	1,323,726	680,993	2,357,297	683,269	3,721,559
Mar.	519,247	1,927,805	2,447,052	878,196	422,762	1,300,958	685,794	2,353,109	709,107	3,748,009
Apr.	547,764	1,934,365	2,482,128	889,141	404,656	1,293,796	705,490	2,369,144	701,291	3,775,925
May	540,748	1,929,776	2,470,523	925,019	391,719	1,316,738	710,003	2,371,979	705,280	3,787,261
June	554,868	1,934,429	2,489,297	921,508	403,697	1,325,205	729,233	2,368,868	716,401	3,814,502
July	527,842	1,931,288	2,459,131	916,890	430,338	1,347,228	731,401	2,350,408	724,550	3,806,359
Aug.	518,377	1,920,329	2,438,706	935,781	446,110	1,381,890	730,944	2,373,156	716,496	3,820,596
Sept.	523,298	1,962,161	2,485,460	935,653	442,953	1,378,606	738,817	2,374,408	750,841	3,864,066

TABLE 1.4b MONETARY FINANCIAL INSTITUTIONS (MFIs) SURVEY¹*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 ²	Claims on other residents	Total	Central Bank of Malta	Other Monetary Financial Institutions	Total			
Oct.	558,529	1,924,263	2,482,792	952,444	463,400	1,415,844	2,862,027	1,036,609	3,898,636
Nov.	588,584	2,072,355	2,660,938	934,950	471,441	1,406,391	2,848,795	1,218,535	4,067,330
Dec.	559,456	2,090,738	2,650,195	919,029	497,106	1,416,135	2,850,695	1,215,637	4,066,330

¹ 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. Data are on an accrual basis.

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

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

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

⁵ 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			
	Currency issued	Bank deposits with Central Bank of Malta	Total	Currency in circulation	Demand deposits	Total	Savings deposits	Time deposits	Total	
1998	390,911	115,195	506,107	369,493	154,135	523,628	585,131	1,113,828	1,698,959	2,222,587
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
2003										
Jan.	450,395	113,620	564,015	431,459	246,504	677,963	721,974	1,653,383	2,375,357	3,053,320
Feb.	452,689	138,964	591,653	433,321	247,672	680,993	713,379	1,643,918	2,357,297	3,038,290
Mar.	456,791	136,096	592,887	441,041	244,753	685,794	729,258	1,623,851	2,353,109	3,038,903
Apr.	465,032	131,883	596,916	446,294	259,196	705,490	733,117	1,636,027	2,369,144	3,074,634
May	465,814	144,630	610,444	448,999	261,004	710,003	743,195	1,628,784	2,371,979	3,081,982
June	471,111	136,503	607,614	452,335	276,898	729,233	751,905	1,616,963	2,368,868	3,098,101
July	471,576	139,529	611,105	452,458	278,943	731,401	737,987	1,612,421	2,350,408	3,081,809
Aug.	472,417	112,896	585,313	454,221	276,722	730,944	751,513	1,621,643	2,373,156	3,104,100
Sept.	475,795	131,166	606,961	456,444	282,373	738,817	759,693	1,614,715	2,374,408	3,113,225

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)			Currency in circulation	Deposits withdrawable on demand		Total (M1)	Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years				Total (M2)
	Currency issued	MFI balances with Central Bank	Total (M0)		Demand	Savings							
Oct.	475,818	137,887	613,706	456,084	289,164	733,905	1,479,153	29,340	1,353,508	2,862,002	25	-	2,862,027
Nov.	474,370	150,668	625,038	456,987	293,018	737,625	1,487,630	28,181	1,332,958	2,848,769	26	-	2,848,795
Dec.	485,373	137,885	623,258	460,424	273,666	758,308	1,492,398	28,778	1,329,492	2,850,668	26	-	2,850,695

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

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos ¹			Marginal lending facility ²	Term deposits ³			Overnight deposit facility ⁴
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
1998	241,300	237,300	4,000	-	173,000	173,000	-	-
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900 ⁵	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								
Jan.	-	-	-	-	321,600	256,600	169,000	11,300
Feb.	-	-	-	-	242,500	281,500	130,000	7,000
Mar.	-	-	-	-	243,800	259,300	114,500	3,000
Apr.	-	-	-	-	253,300	238,800	129,000	7,400
May	-	-	-	-	332,500	308,500	153,000	25,300
June	-	-	-	-	297,800	305,300	145,500	10,200
July	-	-	-	-	242,200	265,700	122,000	29,100
Aug.	-	-	-	1,000	339,000	284,000	177,000	1,500
Sept.	-	-	-	-	333,900	352,220	158,700	1,000
Oct.	-	-	-	-	362,500	357,200	164,000	6,100
Nov.	-	-	-	-	268,400	321,900	110,500	4,500
Dec.	-	-	-	-	281,700	287,900	104,300	-

¹The 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.

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

³The 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.

⁴The 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.

⁵Includes Lm28 million bilateral repos.

TABLE 1.7a DEPOSITS WITH ALL BANKING INSTITUTIONS
analysis by ownership and type

Lm thousands

End of period	Resident deposits by owner				Resident deposits by type		Total resident deposits	Non-resident deposits	Total deposits
	Personal ²	Corporate/business	Government	Public sector ³	Maltese lira deposits	Foreign currency deposits ⁴			
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
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
2003									
Jan.	2,120,956	455,044	19,168	56,896	2,307,613	344,451	2,652,064	862,586	3,514,650
Feb.	2,109,743	451,060	17,590	53,672	2,294,497	337,568	2,632,065	860,486	3,492,551
Mar.	2,114,017	446,341	17,008	50,520	2,281,775	346,111	2,627,886	838,378	3,466,264
Apr.	2,131,526	450,777	19,724	46,803	2,309,409	339,421	2,648,830	877,061	3,525,891
May	2,139,655	450,920	20,603	52,908	2,321,773	342,313	2,664,086	832,339	3,496,425
June	2,136,304	460,819	19,441	55,588	2,340,337	331,815	2,672,152	816,393	3,488,545
July	2,116,196	456,710	20,707	63,213	2,321,043	335,783	2,656,826	815,921	3,472,747
Aug.	2,129,058	451,262	20,694	78,513	2,327,898	351,629	2,679,527	842,895	3,522,422
Sept.	2,144,306	438,268	19,740	81,311	2,334,424	349,201	2,683,625	905,119	3,588,744

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			
Oct.	19,942	6,484	44,901	446,355	2,176,288	2,674,028	2,693,971	893,003	3,586,974
Nov.	18,906	5,766	52,077	425,964	2,173,403	2,657,210	2,676,116	861,834	3,537,950
Dec.	17,766	6,852	51,299	420,469	2,180,340	2,658,961	2,676,726	850,927	3,527,653

¹ 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.

² Includes bearer deposits.

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

⁴ Includes external Maltese lira deposits.

TABLE 1.8 DEPOSIT LIABILITIES OF THE OTHER MONETARY FINANCIAL INSTITUTIONS ¹
analysis by currency

Lm thousands

End of period	Resident deposits					Non resident deposits		Total deposits
	Maltese lira	euro	sterling	US dollar	Other	Maltese lira	Other	
2002	2,293,881	77,068	115,339	111,574	22,939	35,579	872,847	3,529,227
2003								
Jan.	2,322,673	79,410	121,466	109,991	18,524	36,182	826,404	3,514,650
Feb.	2,309,612	78,730	118,707	106,892	18,124	36,856	823,630	3,492,551
Mar.	2,296,684	79,749	123,098	111,742	16,613	46,957	791,421	3,466,264
Apr.	2,324,302	96,210	116,828	96,251	15,239	44,758	832,303	3,525,891
May	2,339,021	96,019	120,441	93,238	15,366	44,488	787,851	3,496,425
Jun.	2,357,660	90,946	115,508	88,915	19,123	52,948	763,445	3,488,545
July	2,338,447	98,371	114,938	85,632	19,437	52,085	763,836	3,472,747
Aug.	2,345,289	102,146	118,127	91,103	22,862	51,380	791,515	3,522,422
Sept.	2,351,781	99,823	118,216	90,836	22,708	51,650	853,469	3,588,744
Oct.	2,345,891	115,277	127,052	84,819	22,221	49,362	896,237	3,640,860
Nov.	2,336,049	107,952	127,904	82,355	22,783	47,907	866,588	3,591,539
Dec.	2,319,822	103,928	130,196	98,049	25,352	47,978	809,676	3,535,001

¹ As from October 2003 includes also 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 ²	Currency in circulation
	Notes ¹	Coins	Total		
1998	375,209	15,702	390,911	21,418	369,493
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					
Jan.	433,272	17,123	450,395	18,936	431,459
Feb.	435,652	17,037	452,689	19,369	433,321
Mar.	439,707	17,084	456,791	15,749	441,041
Apr.	447,809	17,223	465,032	18,738	446,294
May	448,445	17,369	465,814	16,815	448,999
June	453,582	17,529	471,111	18,776	452,335
July	453,611	17,964	471,576	19,118	452,458
Aug.	454,236	18,181	472,417	18,196	454,221
Sept.	457,673	18,122	475,795	19,350	456,444
Oct.	457,701	18,117	475,818	19,734	456,084
Nov.	456,331	18,039	474,370	17,383	456,987
Dec.	467,098	18,275	485,373	24,949	460,424

¹ 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.

² 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 ¹	Currency notes					
		Lm20	Lm10	Lm5	Lm2	Lm1	Total
1998	390,911	109,720	234,117	24,174	5,793	-	373,804
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							
Jan.	450,395	108,876	291,267	26,391	6,739	-	433,273
Feb.	452,689	108,761	293,500	26,595	6,797	-	435,653
Mar.	456,791	109,065	296,674	27,116	6,851	-	439,706
Apr.	465,032	109,948	302,588	28,287	6,986	-	447,809
May	465,814	110,115	302,817	28,473	7,040	-	448,445
June	471,111	110,570	306,974	28,899	7,139	-	453,582
July	471,576	110,120	306,761	29,489	7,241	-	453,611
Aug.	472,417	109,884	307,666	29,481	7,205	-	454,236
Sept.	475,795	109,754	310,593	30,071	7,255	-	457,673
Oct.	475,818	109,526	311,236	29,733	7,206	-	457,701
Nov.	474,370	109,309	310,891	29,055	7,076	-	456,331
Dec.	485,373	109,703	319,411	30,818	7,165	-	467,097

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY¹

Lm thousands

Period	Liquid assets			Net short-term liabilities ³	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits ²
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
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						
Jan.	1,024,617	586,688	437,929	1,955,628	52.4	71.8
Feb.	1,039,716	570,377	469,340	1,901,255	54.7	71.8
Mar.	1,066,884	569,323	497,561	1,897,743	56.2	73.6
Apr.	1,093,560	571,750	521,810	1,905,832	57.4	73.1
May	1,063,269	584,021	479,248	1,946,737	54.6	72.6
June	1,096,464	585,938	510,527	1,953,125	56.1	72.2
July	1,073,066	578,819	494,247	1,929,398	55.6	72.4
Aug.	1,127,699	597,035	530,664	1,990,118	56.7	71.4
Sept.	1,057,229	589,718	467,511	1,965,726	53.8	72.6
Oct.	1,082,194	598,670	483,524	1,995,568	54.2	69.8
Nov.	1,021,931	615,716	406,215	2,052,386	49.8	70.7
Dec.	984,411	609,245	375,166	2,030,816	48.5	71.4

¹ 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.

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

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

TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS*Lm thousands*

Period	Cash & deposits with Central Bank of Malta ¹	Treasury bills	Interbank deposits	Marketable debt securities ²	Total liquid assets
1998	31,064	33,110	47,280	485,394	596,848
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					
Jan.	87,954	146,026	93,367	574,375	901,722
Feb.	98,555	158,674	102,891	558,701	918,821
Mar.	95,008	154,141	100,071	578,076	927,296
Apr.	102,057	151,428	108,269	559,560	921,314
May	118,898	151,395	91,780	568,177	930,250
June	95,934	165,667	99,732	563,972	925,305
July	93,230	174,952	93,026	563,637	924,845
Aug.	98,914	157,303	96,609	559,828	912,654
Sept.	94,113	170,272	120,130	552,728	937,243
Oct.	88,399	186,430	116,453	561,107	952,389
Nov.	152,702	171,859	111,893	562,683	999,137
Dec.	120,981	156,950	135,072	570,288	983,291
2003					
Jan.	153,795	183,519	132,431	554,872	1,024,617
Feb.	106,557	202,352	177,932	552,875	1,039,716
Mar.	112,774	218,173	175,576	560,361	1,066,884
Apr.	134,493	233,548	170,919	554,600	1,093,560
May	150,676	224,942	134,562	553,089	1,063,269
June	163,023	238,860	147,647	546,934	1,096,464
July	134,067	233,858	150,657	554,484	1,073,066
Aug.	190,650	212,998	173,203	550,848	1,127,699
Sept.	174,016	217,201	128,608	537,404	1,057,229
Oct.	189,383	277,799	122,692	542,320	1,082,194
Nov.	126,748	221,450	98,778	574,955	1,021,931
Dec.	129,234	183,902	101,688	569,587	984,411

¹ Excludes balances held as reserve deposits.² 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 RATES¹**

Lm thousands

End of period		Size of loans and advances ²				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1998	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
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						
Mar.	Amount	232,765	579,593	354,363	993,850	2,160,571
	Interest Rate	6.17	5.97	6.72	4.53	5.45
June	Amount	235,457	588,418	358,575	980,178	2,162,628
	Interest Rate	5.59	5.25	6.11	3.98	4.85
Sept.	Amount	235,904	606,023	357,995	990,225	2,190,147
	Interest Rate	5.43	4.91	6.15	3.98	4.75
Oct.	Amount	216,626	607,909	326,060	937,414	2,088,009
	Interest Rate	-	-	-	-	-
Nov.	Amount	221,816	637,921	345,371	950,740	2,155,848
	Interest Rate	-	-	-	-	-
Dec.	Amount	221,568	640,370	346,975	996,480	2,205,392
	Interest Rate	-	-	-	-	-

¹ 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.

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

**TABLE 1.14 DEPOSIT MONEY BANK LOANS AND ADVANCES
OUTSTANDING BY MAIN SECTOR ¹**

Lm thousands

End of Period	Energy & water	Transport, storage & communication	All banking institutions ²	Agriculture & fisheries	Manufacturing & shiprepair/shipbuilding	Building & construction	Hotel, restaurant & tourist trades	Wholesale & retail trades
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
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
2003								
Jan.	90,782	126,746	82,918	9,700	188,361	95,344	251,531	289,993
Feb.	92,064	125,109	80,923	9,526	186,417	94,627	245,148	285,913
Mar.	93,883	126,628	80,868	9,733	190,217	96,670	249,631	297,448
Apr.	93,133	127,805	83,564	9,387	188,565	97,503	250,463	296,660
May	88,110	127,732	83,664	9,268	186,040	100,269	247,837	296,975
June	87,524	126,943	81,153	9,747	185,961	100,006	243,706	296,276
July	87,230	122,334	79,105	9,367	177,443	94,842	232,150	288,460
Aug.	85,220	118,983	77,806	9,347	179,917	95,670	232,532	281,970
Sept.	86,197	122,122	74,923	9,588	185,132	99,068	235,555	289,316

End of period	Electricity, gas & water supply	Transport, storage & communication	Financial intermediation	Agriculture	Fishing	Manufacturing	Construction	Hotels & restaurants ³	Wholesale & retail trade; repairs
Oct.	85,857	138,148	83,681	7,225	2,265	181,670	169,719	212,883	292,491
Nov.	86,660	136,199	79,238	7,211	2,253	182,747	171,839	209,285	290,814
Dec.	83,891	135,507	74,873	7,247	1,989	184,823	201,132	206,872	288,171

¹ Includes bills discounted as from October 2003.

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

³ Excluding related construction activities.

**TABLE 1.14 DEPOSIT MONEY BANK LOANS AND ADVANCES
OUTSTANDING BY MAIN SECTOR¹ (continued)**

Lm thousands

End of period	Personal				Other services ³	All other	Total local lending	Foreign lending	Total
	House purchases ²	Consumer durable goods	Other	Total					
1998	91,733	44,627	26,324	162,684	60,829	125,524	1,292,314	5,205	1,297,519
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
2003									
Jan.	372,665	39,445	94,847	506,957	86,875	143,614	1,872,821	267,796	2,140,617
Feb.	382,540	41,406	121,031	507,895	89,965	142,391	1,859,978	258,905	2,118,883
Mar.	372,824	42,007	101,891	516,722	92,440	148,175	1,902,415	258,156	2,160,571
Apr.	377,770	40,830	104,848	523,448	89,875	149,244	1,909,647	255,718	2,165,365
May	382,000	40,344	105,753	528,097	85,339	153,209	1,906,540	257,233	2,163,773
June	382,540	41,406	109,744	533,690	86,658	152,513	1,904,177	258,451	2,162,628
July	410,993	40,392	96,820	548,205	102,918	155,247	1,897,301	258,747	2,156,048
Aug.	413,110	40,906	98,713	552,729	99,574	154,510	1,888,258	261,472	2,149,730
Sept.	424,054	40,395	107,889	572,338	92,505	156,820	1,923,564	266,583	2,190,147

End of period	Real estate, renting & business activities	Households & individuals				Other (residual) ³	Total lending to residents	Lending to non-residents	Total
		Lending for house purchase	Consumer credit	Other lending	Total				
Oct.	125,872	427,720	35,059	128,965	591,744	58,233	1,949,788	291,669	2,241,457
Nov.	124,141	437,303	35,317	129,885	602,505	62,995	1,955,887	288,420	2,244,307
Dec.	122,798	447,624	36,142	126,151	609,917	56,461	1,973,681	374,130	2,347,811

¹ Includes bills discounted as from October 2003.

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

³ 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 CATEGORY¹**

Lm thousands

End of period	Energy & water		Transport, storage & communication		Agriculture & fisheries		Manufacturing	
	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector
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
2003								
Mar.	1,000	92,883	46,791	79,837	9,726	7	127,729	18,766
June	325	87,199	47,983	78,960	9,737	10	123,398	16,374
Sept.	383	85,814	43,863	78,259	9,586	2	122,191	19,550

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

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

¹ Loans 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 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
Im thousands

End of period	Electricity, gas & water supply		Transport, storage & communication			Agriculture			Fishing		
	General government & public non-financial companies	Other	General Government	Public-non financial companies	Other	General Government	Public-non financial companies	Other	General Government	Public-non financial companies	Other
Oct.	23,780	875	79	77,482	60,586	48	-	7,177	-	-	2,265
Nov.	23,570	839	81	75,584	60,534	53	-	7,158	-	-	2,253
Dec.	22,745	1,009	82	79,989	55,435	60	-	7,187	-	-	1,989

End of period	Manufacturing		Construction			Hotels & restaurants			Wholesale and retail trade; repairs		
	General Government & public non-financial companies	Other	General Government	Public-non financial companies	Other	General Government	Public-non financial companies	Other	General Government	Public-non financial companies	Other
Oct.	3,307	119,877	-	1,400	168,319	-	3,035	209,848	4	140	292,347
Nov.	3,248	121,020	-	1,400	170,439	-	2,926	206,360	4	-	290,809
Dec.	3,132	123,388	-	3,900	197,232	-	2,893	203,979	4	161	288,006

End of period	Households & individuals	Real estate, renting & business activities			Other			Total lending to residents of Malta		
		General government	Public-non financial companies	Other	General Government	Public-non financial companies	Other	General Government	Public-non financial companies	Other
Oct.	591,744	1,106	-	124,765	9,784	1,635	130,496	38,108	203,380	1,708,300
Nov.	602,505	1,110	-	123,031	10,226	1,592	130,415	38,291	202,232	1,715,364
Dec.	609,917	1,138	-	121,660	11,201	1,385	118,749	38,361	206,768	1,728,552

TABLE 1.16 NET FOREIGN ASSETS OF THE BANKING SYSTEM¹
Lm thousands

End of period	Central Bank of Malta ²							Total (A+B)
	Foreign Assets				Foreign liabilities	Net (A)	Government & parastatal companies ⁵ (B)	
	Gold ³	Convertible currencies	IMF-related assets ⁴	Total foreign assets				
1998	688	598,874	40,429	639,991	-	639,991	-	639,991
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
2003								
Jan.	510	854,421	36,978	891,909	2,291	889,618	-	889,618
Feb.	759	862,145	37,335	900,239	2,910	897,328	-	897,328
Mar.	723	845,994	37,316	884,034	5,838	878,196	-	878,196
Apr.	461	853,834	36,800	891,095	1,955	889,141	-	889,141
May	474	891,189	36,035	927,699	2,680	925,019	-	925,019
June	458	889,371	36,453	926,283	4,774	921,508	-	921,508
July	480	882,228	36,682	919,389	2,499	916,890	-	916,890
Aug.	515	903,181	37,470	941,166	5,386	935,781	-	935,781
Sept.	503	906,154	36,620	943,277	7,624	935,653	-	935,653

End of period	Central Bank of Malta ²					
	External assets				External liabilities	Net external assets (A)
	Gold	IMF-related assets	Other	Total		
Oct.	633	36,673	954,687	991,993	39,549	952,444
Nov.	636	36,319	939,420	976,376	41,426	934,950
Dec.	624	35,686	943,648	979,957	60,928	919,029

¹ On accrual basis.

² 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 Bank of Malta.

³ Includes small amounts of other precious metals.

⁴ Includes IMF reserve position and holdings of SDRs.

⁵ 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 SYSTEM¹
(continued)

Lm thousands

End of period	Deposit money banks ²			Total (A+B)	International banking institutions ²			Grand total (A+B+C)
	Assets	Liabilities	Net (B)		Assets	Liabilities	Net (C)	
1998	607,354	518,557	88,797	728,788	1,627,452	1,477,802	149,650	878,438
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	767,241	2,738,724	2,535,186	203,538	970,779
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								
Jan.	1,307,320	1,049,620	257,701	1,147,319	2,321,045	2,161,655	159,390	1,306,709
Feb.	1,294,386	1,034,531	259,856	1,157,184	2,400,272	2,233,730	166,542	1,323,726
Mar.	1,283,624	1,029,180	254,445	1,132,640	2,418,695	2,250,377	168,317	1,300,958
Apr.	1,266,474	1,032,584	233,890	1,123,030	2,444,223	2,273,457	170,766	1,293,796
May	1,238,948	1,021,480	217,468	1,142,486	2,417,272	2,243,020	174,251	1,316,738
June	1,273,046	1,043,193	229,853	1,151,361	2,477,243	2,303,399	173,844	1,325,205
July	1,302,899	1,046,568	256,331	1,173,221	2,687,743	2,513,736	174,007	1,347,228
Aug.	1,329,512	1,063,210	266,302	1,202,083	3,052,321	2,872,514	179,807	1,381,890
Sept.	1,283,146	1,022,531	260,614	1,196,267	2,971,456	2,789,117	182,339	1,378,606
Oct.	1,352,794	1,056,493	296,301	1,248,745	2,820,718	2,653,619	167,099	1,415,844
Nov.	1,357,872	1,059,350	298,522	1,233,472	2,734,717	2,561,798	172,919	1,406,391
Dec.	1,405,740	1,077,630	328,110	1,247,140	2,917,645	2,748,650	168,995	1,416,135

¹ From 1995, data are on accrual basis.

² For the purposes of this Table only, the amounts of HSBC Overseas Bank (Malta) Ltd. (up to November 2002) and Bank of Valletta International Ltd. (up to August 2001), i.e. the offshore subsidiaries of HSBC Bank Malta plc and Bank of Valletta plc, respectively, are being 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

	1995	1996	1997	1998	1999	2000	2001	2002	2003			
									Mar.	June	Sept.	Dec.
INTEREST RATES¹												
Central Bank of Malta												
Discount rate	5.50	5.50	5.50	5.50	4.75	4.75	4.25	3.75	3.75	3.25	3.00	3.00
Central intervention rate ²	-	-	-	5.45	4.75	4.75	4.25	3.75	3.75	3.25	3.00	3.00
Money market interventions												
Term deposit rate ³	4.94	5.01	5.22	5.43	4.70	4.72	4.22	3.70	3.70	3.20	2.95	2.95
Reverse repo rate ³	5.50	5.40	5.50	5.50	4.80	4.80	4.29	3.80#	3.80#	3.30#	3.05#	3.05#
Standby (collateralised) loan facility ⁴	6.00	6.00	6.00	6.00	5.30	5.30	4.80	4.30	4.30	3.80	3.55	3.55
Overnight deposit facility ⁵	2.50	-	-	-	1.80	1.80	1.30	0.80	0.80	0.30	0.30	0.30
Reserve requirements remuneration	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Interbank market offered rates⁶												
Overnight	-	-	4.95	5.50	4.75	4.75	3.65	3.73*	3.69	3.23*	3.20	2.95
1 week	-	-	5.26	5.56	4.74	4.78	4.25	3.76*	3.63*	3.26*	3.21	2.96
1 month	-	-	5.38	5.70	4.75	4.90	4.58*	3.80*	3.73*	3.27*	3.00*	2.98*
3 month	-	-	5.51	5.95	5.27	4.92*	4.82*	3.90*	3.76*	3.34*	3.03*	3.00*
Deposit Money Banks⁷												
Weighted average deposit rate	4.00	4.24	4.39	4.42	4.32	4.17	3.96	3.49	3.27	3.01	2.77	2.46
Current	0.16	0.42	1.37	1.49	1.11	1.32	1.48	1.12	0.93	0.75	0.71	0.44
Savings	3.00	3.01	3.02	3.04	2.81	2.52	2.22	1.80	1.64	1.43	1.23	0.99
Time	5.01	5.29	5.35	5.35	5.43	5.25	4.98	4.39	4.23	4.06	3.77	3.45
Weighted average lending rate	7.49	7.93	8.04	8.08	7.28	7.23	6.50	6.07	6.12	5.97	5.94	5.31
Government securities												
Treasury bills ⁸												
1 month	-	5.00	5.19	5.43	5.05	4.85	4.80	4.00	4.00	4.00	4.00	4.00
3 month	4.94	5.01	5.25	5.49	4.95	4.90	4.53	3.67	3.46	3.38	3.15	2.94
6 month	5.16	5.30	5.30	5.50	4.97	4.94	5.04	3.80	3.57	3.35	3.11	2.93
1 year	5.34	5.40	5.40	5.50	5.12	5.03	5.08	4.40	4.40	3.52	3.13	3.13
Government stocks ⁹												
2 year	-	-	-	-	-	-	-	-	3.91	3.55	3.64	3.39
5 year	6.60	6.65	6.82	5.80	5.46	5.33	5.40	5.15	5.13	4.61	4.38	4.37
10 year	7.08	7.23	7.26	6.00	5.55	5.99	6.15	5.43	5.40	5.11	4.73	4.71
15 year		7.49	7.62	6.47	6.03	6.39	6.44	5.86	5.85	5.36	4.94	4.96
MALTA STOCK EXCHANGE SHARE INDEX	1000	1004	1050	1211	3278	3376	2200	1871	1885	1920	2071	2126

¹ End of period rates in percentages per annum.

² Instituted on 30 April 1998 with a maximum injection ceiling and an absorption floor of +5 and -5 basis points, respectively. As from June 1999, any change in the central intervention rate is automatically matched by a similar change in the discount rate.

³ From July 1999 the tenor of instruments auctioned by the Bank was increased from 7 days to 14 days. Until April 2002, the Central Bank of Malta injected rate was referred to as repo rate. As from May 2002, it is referred to as reverse repo rate. These rates are based on the actual rates dealt in at the end of the month. When no auctions of reverse repos or term deposits are held, rates indicated by # reflect the corridor (plus or minus 5 basis points) linked to the central intervention rate.

⁴ Offered in terms of Article 15(1)(e) of the Central Bank of Malta Act, Cap. 204.

⁵ From 15 July 1996, the Central Bank of Malta ceased paying interest on overnight call account balances. An overnight deposit facility was reintroduced on 9 September 1999.

⁶ In the absence of dealing in the interbank market, rates indicated by an asterisk (*) represent the average of fixing rates compiled by the Central Bank of Malta. These are the rates at which credit institutions are prepared to deal in the local interbank market.

⁷ Rates on resident Maltese lira deposits and loans extended to residents in local currency. The weighted average rate on time deposits is calculated on time deposits with a one year maturity.

⁸ Treasury bill primary market weighted average yields. Treasury bills are classified by original maturity.

⁹ Gross redemption yields on indicative stocks. Periods specified refer to remaining term to maturity. ISMA yields are quoted for 2003 figures.

TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE
Lm thousands

Period	Revenue			Expenditure			Deficit (-) or surplus	Borrowing			Residual
	Ordinary ¹	Grants	Total	Ordinary ^{1,2}	Capital ³	Total		Local loans ⁵	Foreign loans	Total	
1990	329,890	7,678	337,567	273,415	108,276	381,690	-44,123	34,200	13,841	48,041	3,918
1991	355,932	16,374	372,306	301,909	115,493	417,403	-45,097	30,375	9,110	39,485	-5,612
1992	341,766	16,392	358,158	330,014	58,017	388,032	-29,874	36,000	878	36,878	7,004
1993	388,179	8,428	396,607	368,624	59,673	428,297	-31,690	28,800	2,902	31,702	12
1994	416,068	12,853	428,921	410,365	62,340	472,705	-43,784	28,700	11,305	40,005	-3,779
1995	482,834	4,517	487,351	452,478	70,344	522,823	-35,472	32,500	655	33,155	-2,317
1996	447,470	20,805	468,275	505,195	73,527	578,722	-110,447	70,178	3,044	73,222	-37,225
1997 ⁴	504,415	9,809	514,224	538,276	103,392	641,668	-127,444	167,463	3,095	170,558	43,114
1998	539,070	10,043	549,113	569,150	96,846	665,997	-116,884	110,000	-	110,000	-6,884
1999	628,168	9,684	637,852	584,834	106,129	690,965	-53,113	84,000	-	84,000	30,887
2000	632,754	9,549	642,303	617,677	98,552	716,232	-73,929	-	-	-	-73,929
2001	667,228	1,392	668,620	686,031	80,627	766,658	-98,038	121,977	6,823	128,800	30,762
2002	717,084	2,720	719,804	721,652	97,671	819,324	-99,520	40,591	10,563	51,155	-48,365
2002											
Jan.	49,311	25	49,336	56,539	3,136	59,675	-10,339	-	-	-	-10,339
Feb.	52,107	5	52,112	52,300	8,087	60,387	-8,275	-	-	-	-8,275
Mar.	51,031	213	51,244	53,388	11,121	64,509	-13,265	-	-	-	-13,265
Apr.	62,072	510	62,582	72,863	11,135	83,998	-21,416	-	-	-	-21,416
May	54,711	159	54,870	63,085	10,477	73,563	-18,693	-	-	-	-18,693
June	48,324	166	48,490	55,956	4,656	60,612	-12,122	-	-	-	-12,122
July	74,872	56	74,928	59,288	10,082	69,369	5,559	19,048	-	19,048	24,607
Aug.	54,751	25	54,776	54,607	6,419	61,026	-6,250	-	-	-	-6,250
Sept.	57,203	13	57,216	58,273	5,850	64,122	-6,906	-	-	-	-6,906
Oct.	57,224	9	57,233	58,455	5,525	63,980	-6,747	-	-	-	-6,747
Nov.	50,280	49	50,329	62,637	5,442	68,079	-17,750	11,077	-	11,077	-6,673
Dec.	105,198	1,490	106,688	74,261	15,742	90,003	16,685	10,466	10,563	21,030	37,715
2003											
Jan.	44,263	282	44,545	59,018	12,282	71,300	-26,755	-	-	-	-26,755
Feb.	55,284	5	55,289	59,745	9,625	69,370	-14,080	24,126	-	24,126	10,046
Mar.	49,216	102	49,318	55,535	10,561	66,096	-16,778	-	-	-	-16,778
Apr.	61,911	60	61,972	74,519	9,791	84,311	-22,339	-	-	-	-22,339
May	51,849	931	52,780	66,098	11,749	77,847	-25,068	-	32,196	32,196	7,128
June	54,909	143	55,052	64,924	4,989	69,912	-14,860	3,520	-	3,520	-11,340
July	57,735	100	57,836	59,064	12,821	71,885	-14,049	44,424	-	44,424	30,375
Aug.	64,378	416	64,794	56,208	7,045	63,253	1,541	-	-	-	1,541
Sept.	54,921	76	54,997	59,303	5,316	64,619	-9,621	-	-	-	-9,621
Oct.	64,321	14	64,335	62,339	6,146	68,484	-4,149	-	-	-	-4,149
Nov.	59,838	-	59,838	54,246	7,278	61,524	-1,687	26,913	-	26,913	25,226

¹ 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). As from 1992, Ordinary Revenue excludes the contribution by the public authorities/corporations to their own capital programme; includes privatisation receipts and sinking funds of converted loans up to 2000.

² Includes total public debt servicing.

³ From 1992, excludes capital expenditure incurred by the public authorities/corporations.

⁴ A loan to the Malta Drydocks Corporation amounting to Lm24.6 million is included under capital expenditure.

⁵ From 2001 includes privatisation receipts and sinking funds of converted loans.

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

TABLE 2.2 GOVERNMENT REVENUE BY MAJOR SOURCES
Lm thousands

Period	Tax revenue						Non-tax revenue ⁴	Ordinary revenue ⁵	Foreign grants	Total revenue
	Income tax	National insurance contributions ¹	VAT & CET ²	Licences, taxes & fines ³	Customs & excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
2000	149,511	162,017	104,065	70,449	55,141	541,182	91,572	632,754	9,549	642,303
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
2002										
Jan.	8,630	7,943	9,661	6,259	4,593	37,086	12,225	49,311	25	49,336
Feb.	8,025	11,242	8,726	7,622	3,810	39,425	12,682	52,107	5	52,112
Mar.	9,869	12,071	9,297	5,283	4,810	41,330	9,701	51,031	213	51,244
Apr.	18,050	15,952	9,982	7,592	4,700	56,276	5,796	62,072	510	62,582
May	12,368	15,966	11,013	7,158	5,231	51,736	2,975	54,711	159	54,870
June	13,621	13,041	7,759	5,952	4,331	44,704	3,620	48,324	166	48,490
July	18,244	14,186	10,961	11,053	5,586	60,030	14,842	74,872	56	74,928
Aug.	18,001	15,719	7,997	6,727	4,700	53,144	1,607	54,751	25	54,776
Sept.	18,733	15,155	7,825	7,075	6,374	55,162	2,041	57,203	13	57,216
Oct.	16,080	14,148	13,665	6,602	4,408	54,903	2,321	57,224	9	57,233
Nov.	8,618	15,809	10,249	7,354	4,991	47,021	3,259	50,280	49	50,329
Dec.	39,936	29,910	10,370	7,370	6,277	93,862	11,335	105,198	1,490	106,688
2003										
Jan.	5,015	7,714	9,856	5,553	4,229	32,366	11,897	44,263	282	44,545
Feb.	10,277	12,510	8,372	8,091	4,668	43,919	11,366	55,284	5	55,289
Mar.	7,065	12,633	9,333	4,975	4,748	38,754	10,463	49,216	102	49,318
Apr.	21,029	15,508	10,654	6,886	4,816	58,893	3,018	61,911	60	61,972
May	11,954	15,360	9,522	7,318	4,997	49,151	2,698	51,849	931	52,780
June	16,944	15,686	8,159	5,926	5,297	52,012	2,897	54,909	143	55,052
July	12,069	15,173	12,051	8,577	5,257	53,128	4,607	57,735	100	57,836
Aug.	24,387	16,055	9,421	7,306	5,395	62,563	1,815	64,378	416	64,794
Sept.	16,261	15,329	8,695	6,993	5,535	52,811	2,110	54,921	76	54,997
Oct.	16,503	15,768	13,246	9,482	5,808	60,806	3,515	64,321	14	64,335
Nov.	17,141	14,266	11,180	7,768	5,411	55,766	4,072	59,838	-	59,838

¹ 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).

² Value Added Tax, Customs & Excise Tax.

³ Includes revenues from death and donation duties up to December 1994.

⁴ Includes mainly Central Bank of Malta profits, privatisation receipts (up to 2000), sinking funds of converted loans (up to 2000) and other miscellaneous receipts.

⁵ 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 GOVERNMENT CAPITAL EXPENDITURE
BY TYPE OF INVESTMENT¹**

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 ²	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
2002				
Jan.	1,740	1,128	268	3,136
Feb.	3,515	2,056	2,516	8,087
Mar.	4,192	3,162	3,767	11,121
Apr.	3,236	3,317	4,582	11,135
May	4,382	2,110	3,985	10,477
June	959	2,019	1,679	4,656
July	4,886	4,168	1,028	10,082
Aug.	1,673	1,712	3,033	6,419
Sept.	1,863	2,029	1,958	5,850
Oct.	1,130	1,790	2,605	5,525
Nov.	2,189	1,965	1,288	5,442
Dec.	1,761	1,937	12,044	15,742
2003				
Jan.	1,703	2,774	7,805	12,282
Feb.	2,899	3,426	3,300	9,625
Mar.	3,810	2,543	4,208	10,561
Apr.	2,167	1,989	5,635	9,791
May	3,018	3,801	4,931	11,749
June	2,174	2,375	440	4,989
July	4,778	3,034	5,009	12,821
Aug.	1,913	1,486	3,646	7,045
Sept.	976	2,185	2,155	5,316
Oct.	1,029	3,708	1,409	6,146
Nov.	2,918	3,090	1,270	7,278

¹ As from 1992, excludes capital expenditure incurred by public corporations/authorities.

² Includes a loan to Malta Drydocks amounting to Lm24.6 million.

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

**TABLE 3.1 GROSS GOVERNMENT DEBT AND
GOVERNMENT GUARANTEED DEBT OUTSTANDING**

Ln thousands

End of period	Domestic securities ¹			Loans ³	Total Government debt	Government guaranteed debt ⁴
	Treasury bills	Malta Government stocks ²	Total			
1995	71,406	285,951	357,357	53,433	410,790	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	315,023
2002						
Mar.	193,078	812,854	1,005,932	39,908	1,045,839	394,481
June	198,871	812,854	1,011,725	37,923	1,049,648	376,640
Sept.	192,409	813,030	1,005,439	37,227	1,042,666	366,145
Dec.	218,831	813,030	1,031,861	45,100	1,076,961	356,155
2003						
Mar.	248,740	839,963	1,088,703	45,103	1,133,806	344,159
June	272,060	839,963	1,112,023	75,101	1,187,124	325,480
Sept.	251,007	883,029	1,134,036	75,051	1,209,087	324,085
Dec.	232,286	913,029	1,145,315	114,462	1,259,777	315,023

¹ Not consolidated with the MGSF.

² Including local development registered stocks.

³ Includes local and foreign loans.

⁴ 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. Data were revised as from 1998 to exclude a letter of guarantee covering a hedging agreement between a state-owned company and the Central Bank of Malta, which covers the foreign loans of the company already secured by a Sovereign guarantee. Includes state guarantees on ex-Malta Drydocks and ex-Malta shipbuilding loans.

Sources: MSE; Ministry of Finance and Economic Affairs; The Treasury.

TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING¹*Lm thousands*

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding ⁴ and held by		
		Banking system ²	Non-bank public ³	Total	Banking system ²	Non-bank public ³	Total
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
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	491,209	317,377	160,304	477,681	137,423	22,036	159,459
2002	660,896	554,354	165,914	720,268	159,689	59,142	218,831
2002							
Jan.	58,954	58,606	6,394	65,000	141,095	24,410	165,505
Feb.	28,517	43,385	7,118	50,503	159,200	28,291	187,491
Mar.	57,681	46,354	16,914	63,268	156,224	36,854	193,078
Apr.	56,307	39,936	21,064	61,000	152,447	45,324	197,771
May	64,503	45,009	20,594	65,603	164,344	34,527	198,871
June	43,245	31,164	12,081	43,245	169,017	29,854	198,871
July	60,000	55,230	4,770	60,000	176,984	21,887	198,871
Aug.	77,603	52,936	6,713	59,649	158,500	22,417	180,917
Sept.	34,768	37,555	8,705	46,260	171,434	20,975	192,409
Oct.	59,000	45,305	7,695	53,000	163,315	23,094	186,409
Nov.	59,649	61,163	11,077	72,240	172,440	26,560	199,000
Dec.	60,669	37,711	42,789	80,500	159,689	59,142	218,831
2003							
Jan.	82,000	84,723	12,277	97,000	184,390	49,441	233,831
Feb.	43,240	32,736	12,004	44,740	203,743	31,588	235,331
Mar.	69,591	72,579	10,421	83,000	219,859	28,881	248,740
Apr.	82,000	89,635	7,365	97,000	236,886	26,854	263,740
May	79,740	59,987	16,073	76,060	226,041	34,019	260,060
June	71,000	73,213	9,787	83,000	240,022	32,038	272,060
July	52,000	39,095	2,937	42,032	241,040	21,052	262,092
Aug.	76,060	41,280	15,695	56,975	214,733	28,274	243,007
Sept.	61,000	44,964	24,036	69,000	219,180	31,827	251,007
Oct.	34,007	31,994	5,006	37,000	218,979	35,021	254,000
Nov.	21,000	21,276	910	22,186	227,287	27,899	255,186
Dec.	47,000	16,198	7,902	24,100	198,271	34,015	232,286

¹ Amounts are at nominal prices.² Includes Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995).³ Includes the Malta Government Sinking Fund.⁴ 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.

TABLE 3.3 MALTA GOVERNMENT STOCKS
(Outstanding as at end-December 2003)¹

Lm thousands

Stock	Year of maturity	Year of issue	Issue price Lm	Interest dates	Held by		Amount
					Banking system	Others ²	
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	10,468	8,232	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	22,759	3,093	25,852
7.25 % MGS	2005	1997	100	24 May - 24 Nov.	18,253	5,247	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	28,987	2,513	31,500
7.00 % MGS	2006 ³	1994	100	19 May - 19 Nov.	1,671	8,329	10,000
7.00 % MGS	2006 (IV)	1996	100	30 June - 30 Dec.	-	167	167
7.25 % MGS	2006 (II)	1995	100	1 Feb. - 01 Aug.	6,306	12,944	19,250
7.25 % MGS	2006 (III) ⁴	1996	100	20 Jan. - 20 July	7,350	7,650	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,586	8,165	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	9,008	992	10,000
5.60 % MGS	2007 (III)	2000	100	10 June - 10 Dec.	22,647	12,603	35,250
7.20 % MGS	2008	1998	100	10 June - 10 Dec.	9,316	684	10,000
7.20 % MGS	2008 (II)	1998	100	28 Feb. - 28 Aug	21,556	8,444	30,000
7.00 % MGS	2009 ³	1999	100	30 June - 30 Dec.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	19,468	5,532	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	43,478	1,822	45,300
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,785	1,215	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,716	1,784	18,500
7.00 % MGS	2010 (III) ³	2000	100	30 June - 30 Dec.	-	545	545
5.40 % MGS	2010 (IV)	2003	100	21 Feb. - 21 Aug.	10,030	24,970	35,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	8,031	6,969	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	20,591	19,409	40,000
7.00 % MGS	2011 (III)	2002	100	30 June - 30 Dec.	-	125	125
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	16,841	17,659	34,500
7.00 % MGS	2012 (II)	2002	100	10 June - 30 Dec.	-	176	176
5.70 % MGS	2012 (III)	2002	100	30 Mar. - 30 Sept.	3,382	17,618	21,000
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	17,025	17,225	34,250
6.35 % MGS	2013 (II)	2002	100	19 May. - 19 Nov.	970	25,030	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.	3,050	7,450	10,500
5.10 % MGS	2014	2003	100	6 Jan. - 6 July	5,994	24,006	30,000
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,839	22,161	30,000
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	15,966	14,034	30,000
5.90 % MGS	2015 (II) FI	2002/2003	100/102	9 Apr. - 9 Oct.	9,660	30,540	40,200
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	3,179	26,821	30,000
4.80 % MGS	2016 (II)	2003	100	26 May - 26 Nov	3,655	26,345	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	30,787	39,213	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	15,389	28,611	44,000
5.50 % MGS	2023	2003	100	6 Jan. - 6 July	2,472	31,361	33,833
Total					443,214	469,816	913,030

¹ Latest available data.

² Include non-resident banks.

³ 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.

⁴ Interest is payable on 20 January and 20 July except for the last coupon payment which is payable on the redemption date.

Source: MSE.

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

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 years 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						
Mar.	65,385	209,417	310,461	210,700	44,000	839,963
June	65,385	209,417	310,461	210,700	44,000	839,963
Sept.	44,552	209,417	310,528	240,700	77,833	883,030
Dec.	44,552	209,417	310,528	270,700	77,833	913,030

¹ 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 ¹	Official multilateral organisations ²	Private commercial banks ³	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
2003⁴				
Mar.	16,357	28,293	453	45,103
June	15,102	59,999	-	75,101
Sept.	14,868	60,182	-	75,050
Dec.	13,595	59,021	-	72,616

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

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

³ Commercial bank loans from private banks or financial institutions.

⁴ Provisional.

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

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

**TABLE 3.6 GOVERNMENT EXTERNAL LOANS
BY CURRENCY**

Lm thousands

End of period	FFr	stg	DM	yen	euro	US\$	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
2003¹									
Mar.	-	390	-	1,666	32,276	10,630	-	141	45,103
June	-	341	-	1,021	63,929	9,665	-	145	75,101
Sept.	-	339	-	1,090	64,080	9,401	-	140	75,050
Dec.	-	289	-	917	63,789	7,485	-	136	72,616

¹ 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 MATURITY¹**

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
2003²							
Mar.	1,568	12,855	8,270	21,203	-	1,207	45,103
June	1,036	12,270	7,501	53,076	-	1,218	75,101
Sept.	1,017	12,300	7,349	53,187	-	1,197	75,050
Dec.	464	11,257	6,582	53,111	-	1,202	72,616

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

² Provisional.

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

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

**TABLE 4.1 MALTESE LIRA EXCHANGE RATES
AGAINST MAJOR CURRENCIES¹**

end of period rates

End of period	stg	DM	US\$	euro ²	Lit	FFr	NLG	Bfr	yen	Sfr
1990	1.7335	5.0006	3.3249	2.4349	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	2.4448	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	2.2136	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	2.2678	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	2.2083	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	2.1586	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	2.2173	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	2.3101	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	2.2640	4382.63	14.870	4.990	91.360	300.71	3.645
1999	1.4983	4.7163	2.4230	2.4114	4669.13	15.818	5.314	97.276	247.64	3.870
2000	1.5305	4.8033	2.2843	2.4559	4755.26	16.110	5.412	99.070	262.25	3.738
2001	1.5258	4.8874	2.2121	2.4989	4838.52	16.392	5.507	100.805	290.44	3.969
2002	1.5553	-	2.5074	2.3910	-	-	-	-	297.66	3.475
2003	1.6351	-	2.9197	2.3163	-	-	-	-	312.16	3.610
2003										
July	4	1.6125	-	2.6900	2.3468	-	-	-	317.74	3.638
	11	1.6229	-	2.6504	2.3470	-	-	-	312.15	3.638
	18	1.6480	-	2.6226	2.3406	-	-	-	312.65	3.598
	25	1.6578	-	2.6825	2.3307	-	-	-	318.35	3.607
Aug	1	1.6349	-	2.6199	2.3458	-	-	-	315.63	3.596
	8	1.6445	-	2.6526	2.3387	-	-	-	315.56	3.597
	14	1.6422	-	2.6397	2.3409	-	-	-	315.63	3.623
	22	1.6291	-	2.5682	2.3539	-	-	-	302.72	3.632
	29	1.6257	-	2.5676	2.3552	-	-	-	299.64	3.619
Sept.	5	1.6257	-	2.5731	2.3546	-	-	-	300.58	3.625
	12	1.6441	-	2.6334	2.3409	-	-	-	308.25	3.645
	19	1.6292	-	2.6526	2.3444	-	-	-	304.19	3.653
	26	1.6195	-	2.6894	2.3441	-	-	-	301.22	3.621
Oct.	3	1.6300	-	2.7106	2.3380	-	-	-	300.77	3.615
	10	1.6475	-	2.7492	2.3276	-	-	-	298.27	3.605
	17	1.6228	-	2.7097	2.3408	-	-	-	297.36	3.636
	24	1.6240	-	2.7568	2.3356	-	-	-	301.78	3.613
	31	1.6101	-	2.7272	2.3438	-	-	-	298.28	3.635
Nov.	7	1.6119	-	2.6743	2.3486	-	-	-	295.16	3.690
	14	1.6278	-	2.7425	2.3355	-	-	-	297.47	3.660
	21	1.6281	-	2.7778	2.3319	-	-	-	302.32	3.605
	28	1.6249	-	2.7994	2.3311	-	-	-	306.29	3.608
Dec.	5	1.6341	-	2.8191	2.3258	-	-	-	304.53	3.620
	12	1.6286	-	2.8440	2.3255	-	-	-	306.71	3.605
	19	1.6317	-	2.8824	2.3208	-	-	-	310.39	3.610
	26	1.6296	-	2.8808	2.3218	-	-	-	309.21	3.620

¹ Closing Central Bank of Malta midpoint rate. The Maltese lira exchange rate is determined on the basis of a basket of currencies which currently includes the euro, the US dollar and the pound sterling.

² The euro replaced the ECU as from 1 January 1999.

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES
AGAINST MAJOR CURRENCIES¹**

averages for the period

Period	stg	DM	US\$	euro ²	Lit	FFr	NLG	Bfr	yen	Sfr
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	2.4741	4790.43	16.229	5.452	99.803	246.27	3.853
2001	1.5430	4.8533	2.2226	2.4815	4804.77	16.277	5.468	100.102	269.97	3.749
2002	1.5378	-	2.3100	2.4468	-	-	-	-	288.88	3.590
2003	1.6237	-	2.6543	2.3470	-	-	-	-	307.39	3.568
2002										
Jan.	1.5381	-	2.2034	2.4953	-	-	-	-	292.17	3.679
Feb.	1.5345	-	2.1832	2.5096	-	-	-	-	291.63	3.708
Mar.	1.5403	-	2.1908	2.5009	-	-	-	-	287.00	3.672
Apr.	1.5324	-	2.2098	2.4955	-	-	-	-	289.11	3.659
May	1.5455	-	2.2560	2.4607	-	-	-	-	285.16	3.585
June	1.5594	-	2.3140	2.4216	-	-	-	-	285.43	3.564
July	1.5345	-	2.3869	2.4035	-	-	-	-	281.63	3.515
Aug.	1.5364	-	2.3622	2.4154	-	-	-	-	281.23	3.535
Sept.	1.5270	-	2.3751	2.4214	-	-	-	-	286.71	3.548
Oct.	1.5256	-	2.3763	2.4219	-	-	-	-	294.36	3.548
Nov.	1.5362	-	2.4146	2.4117	-	-	-	-	293.45	3.539
Dec.	1.5437	-	2.4479	2.4039	-	-	-	-	298.66	3.528
2003										
Jan.	1.5667	-	2.5330	2.3831	-	-	-	-	300.80	3.485
Feb.	1.5881	-	2.5548	2.3717	-	-	-	-	304.89	3.480
Mar.	1.6121	-	2.5554	2.3620	-	-	-	-	302.91	3.469
Apr.	1.6247	-	2.5580	2.3568	-	-	-	-	306.75	3.527
May	1.6603	-	2.6956	2.3285	-	-	-	-	316.15	3.528
June	1.6400	-	2.7228	2.3331	-	-	-	-	322.26	3.593
July	1.6387	-	2.6613	2.3400	-	-	-	-	315.87	3.621
Aug.	1.6392	-	2.6124	2.3451	-	-	-	-	310.37	3.612
Sept.	1.6341	-	2.6344	2.3446	-	-	-	-	302.66	3.629
Oct.	1.6298	-	2.7328	2.3358	-	-	-	-	299.35	3.617
Nov.	1.6203	-	2.7373	2.3390	-	-	-	-	298.95	3.647
Dec.	1.6306	-	2.8539	2.3239	-	-	-	-	307.65	3.613

¹ Calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta midpoint rates.

² The euro replaced the ECU as from 1 January 1999.

TABLE 4.3 MALTA'S FOREIGN TRADE

Lm thousands

Period	Exports (f.o.b.)			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 ¹	794,300	166,840	961,140	1,227,534	-266,394
2003 ¹	816,389	112,102	928,491	1,279,832	-351,341
2002¹					
Jan.	52,836	11,303	64,139	88,496	-24,357
Feb.	67,212	9,112	76,324	86,902	-10,578
Mar.	67,973	8,565	76,538	100,770	-24,232
Apr.	59,141	50,650	109,791	107,591	2,200
May	65,948	10,585	76,533	108,698	-32,165
June	65,591	8,871	74,462	106,001	-31,539
July	70,408	11,155	81,563	117,848	-36,285
Aug.	64,691	13,103	77,794	94,088	-16,294
Sept.	66,929	8,425	75,354	95,913	-20,559
Oct.	67,109	14,457	81,566	114,184	-32,618
Nov.	63,429	10,837	74,266	110,810	-36,544
Dec.	83,034	9,776	92,810	96,233	-3,423
2003¹					
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

¹ Provisional.

Source: NSO.

TABLE 4.4 DIRECTION OF TRADE - TOTAL EXPORTS
Lm thousands

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
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 ¹	112,307	32,676	93,505	120,028	63,871	32,223	159,393	347,137	961,140
2003 ¹	109,020	31,494	95,235	120,195	55,250	22,115	134,202	360,980	928,491
2002¹									
Jan.	7,543	2,561	5,748	9,323	4,145	1,434	8,826	24,559	64,139
Feb.	9,763	4,308	9,762	9,830	5,769	2,742	10,111	24,039	76,324
Mar.	7,405	2,307	7,672	10,605	5,240	1,478	12,073	29,758	76,538
Apr.	8,042	2,669	7,557	7,682	5,294	4,603	50,593	23,351	109,791
May	8,839	3,145	6,810	9,899	5,531	2,983	11,100	28,226	76,533
June	8,030	2,260	6,367	11,421	4,360	2,793	10,177	29,054	74,462
July	12,043	3,039	10,303	8,627	6,988	4,559	8,027	27,977	81,563
Aug.	11,045	2,496	7,778	8,876	5,554	1,961	8,152	31,932	77,794
Sept.	9,406	2,315	8,254	11,328	5,189	3,021	9,266	26,575	75,354
Oct.	9,916	1,954	7,803	11,387	4,824	2,830	11,036	31,816	81,566
Nov.	9,488	2,814	8,134	9,533	5,436	1,983	9,703	27,175	74,266
Dec.	10,787	2,808	7,317	11,517	5,541	1,836	10,329	42,675	92,810
2003¹									
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

¹ Provisional.

Source: NSO.

TABLE 4.5 DIRECTION OF TRADE - IMPORTS

Lm thousands

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
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 ¹	127,736	271,794	28,563	205,137	98,474	93,034	115,258	287,538	1,227,534
2003 ¹	118,638	294,408	29,696	218,912	100,988	104,719	102,364	310,106	1,279,831
2002¹									
Jan.	9,112	16,411	2,123	15,270	7,106	6,920	9,905	21,649	88,496
Feb.	8,819	16,856	2,254	14,397	7,683	6,622	9,071	21,200	86,902
Mar.	10,589	20,641	2,366	18,310	8,330	7,805	11,481	21,248	100,770
Apr.	11,753	22,914	2,226	18,769	8,928	7,779	10,211	25,011	107,591
May	13,523	24,858	2,184	18,823	8,574	7,594	9,837	23,305	108,698
June	9,949	24,424	2,557	18,625	8,800	8,383	7,362	25,901	106,001
July	11,921	29,743	3,093	19,351	9,011	9,663	9,648	25,418	117,848
Aug.	9,170	18,873	1,894	16,727	7,425	6,528	8,266	25,205	94,088
Sept.	9,011	22,993	2,133	15,059	8,447	7,007	8,914	22,349	95,913
Oct.	12,744	26,964	2,655	16,000	8,746	8,925	11,052	27,098	114,184
Nov.	12,115	23,228	2,580	17,219	8,036	8,015	11,174	28,443	110,810
Dec.	9,030	23,889	2,498	16,587	7,388	7,793	8,337	20,711	96,233
2003¹									
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

¹ Provisional.

Source: NSO.

TABLE 4.6 DOMESTIC EXPORTS 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	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 ¹	36,371	4,088	2,191	133	52	13,519	47,865	519,452	170,214	393	794,300
2003 ¹	33,140	1,959	2,457	218	4	14,846	44,733	549,219	169,664	133	816,389
2002¹											
Jan.	896	138	123	6	-	888	3,796	35,685	11,303	-	52,836
Feb.	1,096	164	339	16	27	1,075	5,228	43,725	15,417	124	67,212
Mar.	1,185	90	131	33	23	1,102	4,042	49,014	12,351	2	67,973
Apr.	1,619	618	259	12	-	1,225	3,926	37,499	13,901	62	59,141
May	1,909	671	64	-	-	1,508	3,554	45,811	12,417	14	65,948
June	833	1,326	168	12	-	807	3,436	46,371	12,637	-	65,591
July	2,821	244	220	35	-	1,459	4,284	41,213	20,079	55	70,408
Aug.	3,261	249	220	16	-	1,348	4,166	39,531	15,882	18	64,691
Sept.	2,373	244	140	-	2	1,358	3,404	44,323	15,045	40	66,929
Oct.	1,664	69	136	3	-	693	4,318	45,625	14,522	78	67,109
Nov.	1,258	187	266	-	-	940	4,403	43,049	13,326	-	63,429
Dec.	17,456	88	125	-	-	1,116	3,308	47,606	13,334	-	83,034
2003¹											
Jan.	1,224	140	248	7	-	729	3,771	41,678	13,411	-	61,218
Feb.	878	128	113	14	-	672	3,231	40,324	13,579	-	58,938
Mar.	1,204	70	326	19	2	811	4,239	48,830	17,079	96	72,677
Apr.	1,376	121	182	9	-	574	3,656	46,091	13,688	-	65,698
May	2,616	17	189	33	-	804	4,942	42,043	12,996	-	63,641
June	2,400	147	180	20	-	1,363	3,850	47,161	14,748	-	69,870
July	3,114	190	144	27	-	1,519	3,792	43,683	16,640	-	69,110
Aug.	2,481	463	217	19	-	1,134	2,017	47,366	10,787	10	64,494
Sept.	2,526	156	156	15	2	2,256	3,477	49,818	15,971	27	74,406
Oct.	2,100	270	224	8	-	520	3,591	48,802	12,272	-	67,787
Nov.	1,908	111	226	29	-	2,488	4,312	48,683	13,329	-	71,086
Dec.	11,313	146	252	18	-	1,976	3,855	44,740	15,164	-	77,464

¹ Provisional.

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 ¹	115,208	22,784	12,906	102,929	2,347	96,730	150,822	591,354	122,022	10,454	1,227,534
2003 ¹	116,764	24,788	12,101	102,070	2,548	103,155	145,434	619,221	142,993	10,756	1,279,831
2002¹											
Jan.	8,889	1,053	962	9,628	371	7,034	11,670	41,214	6,835	840	88,496
Feb.	7,902	1,743	1,013	7,812	184	7,011	11,231	41,403	7,871	733	86,902
Mar.	8,844	2,435	1,007	7,267	117	8,234	12,328	49,586	10,288	664	100,770
Apr.	8,594	1,911	1,095	7,221	254	8,627	13,756	52,690	12,265	1,178	107,591
May	9,454	2,110	1,094	5,450	99	8,164	15,397	53,669	12,187	1,075	108,698
June	10,191	2,210	977	9,694	188	7,490	14,221	51,401	9,014	615	106,001
July	13,903	2,827	1,066	9,689	199	9,984	14,746	54,354	10,090	991	117,848
Aug.	7,954	2,135	918	8,872	149	7,784	9,536	47,828	8,077	835	94,088
Sept.	9,058	1,483	1,308	8,296	152	7,240	10,606	45,207	11,584	978	95,913
Oct.	10,716	1,763	1,266	7,953	281	9,496	14,117	53,626	13,722	1,245	114,184
Nov.	11,425	1,668	1,175	13,901	185	7,742	12,848	50,566	10,510	789	110,810
Dec.	8,278	1,446	1,025	7,146	168	7,924	10,366	49,810	9,559	511	96,233
2003¹											
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

¹ Provisional.

Source: NSO.

TABLE 5.1 GROSS NATIONAL PRODUCT
by category of expenditure at current market prices

Lm thousands

Period	Consumers' expenditure ¹	Government consumption expenditure ²	Gross fixed capital formation ³	Inventory changes ⁴	Exports of goods & services	Total final expenditure	Less imports of goods & services	Gross Domestic Product	Net investment income from abroad ⁵	Gross National Product
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999	915,014	272,587	339,975	9,383	1,321,307	2,858,266	1,402,167	1,456,099	12,437	1,468,536
2000	994,273	289,430	409,475	33,400	1,604,256	3,330,834	1,772,601	1,558,233	-54,255	1,503,978
2001 ⁶	1,041,866	326,641	379,506	-39,289	1,428,122	3,136,846	1,506,473	1,630,373	11,742	1,642,115
2002 ⁶	1,079,361	339,927	350,648	-74,996	1,497,659	3,192,600	1,506,973	1,685,627	2,558	1,688,185
2003 ⁶	1,092,792	366,861	419,242	-69,910	1,446,747	3,255,732	1,543,567	1,712,165	29,423	1,726,052
2002⁶										
Mar.	250,755	85,835	90,176	-11,082	322,708	738,392	342,637	395,755	5,676	401,431
June	272,253	87,859	65,548	-5,973	397,001	816,688	396,128	420,560	15,698	436,258
Sept.	288,723	83,011	95,547	-46,325	396,122	817,078	378,369	438,709	9,195	447,904
Dec.	267,630	83,222	99,377	-11,616	381,828	820,441	389,839	430,602	-28,011	402,591
2003⁶										
Mar.	254,921	97,613	99,706	-5,243	317,734	764,731	370,673	394,058	14,268	408,326
June	274,024	92,603	114,732	-25,369	369,169	825,159	395,697	429,462	70	429,532
Sept.	288,704	82,422	97,676	-19,261	391,840	841,381	391,490	449,891	15,085	464,976
Dec.	275,143	94,223	107,128	-20,037	368,004	824,461	385,707	438,754	-15,536	423,218

¹ Expenditure on consumption of goods and services by persons and non-profit making bodies.

² Excludes transfer payments (social security benefits, subsidies and grants) and capital expenditure.

³ Expenditure on fixed capital assets by the Government as well as the private and parastatal sectors.

⁴ Increase in the quantity of stocks and work in progress held by the Government and trading enterprises. This is obtained as a residual and therefore contains the error term.

⁵ Income from foreign investments held by private individuals and corporations, the Government and the banking sector, less interest payments by local banks to non-resident deposit holders, dividends payable to non-resident shareholders, as well as undistributed profits of non-resident owned companies.

⁶ Provisional.

Source: NSO.

TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY

Period	United Kingdom	Italy	North Africa ¹	Germany	Scandinavian countries ²	United States	All others	Total
1995	461,159	97,384	43,534	187,761	38,531	10,945	276,657	1,115,971
1996	398,899	89,439	56,958	184,110	40,420	11,969	271,993	1,053,788
1997	436,899	90,190	45,702	193,020	39,248	14,924	291,178	1,111,161
1998	448,763	90,558	44,508	203,199	39,997	17,641	337,574	1,182,240
1999	422,368	92,726	52,537	212,430	50,607	18,558	365,004	1,214,230
2000	428,780	92,522	52,275	204,749	52,075	19,268	366,044	1,215,713
2001	451,530	93,564	39,167	160,262	52,334	19,986	363,302	1,180,145
2002	444,335	100,875	31,676	142,106	43,257	20,080	351,485	1,133,814
2003 ³	459,565	94,175	-	125,811	47,702	20,657	378,691	1,126,601
2002								
Jan.	16,029	3,134	2,512	3,412	1,429	1,146	9,663	37,325
Feb.	21,854	3,494	2,214	8,051	1,999	1,527	14,200	53,339
Mar.	32,478	6,152	2,416	15,388	3,413	1,774	23,577	85,198
Apr.	33,435	6,611	2,023	12,845	3,825	1,574	30,828	91,141
May	38,813	6,576	2,166	13,964	3,764	2,193	38,584	106,060
June	42,019	10,041	2,544	12,273	5,329	2,024	34,891	109,121
July	52,656	15,300	3,522	13,096	6,555	1,883	49,475	142,487
Aug.	55,470	26,895	4,363	12,083	3,573	1,813	47,885	152,082
Sept.	50,736	7,584	3,077	20,784	4,128	1,593	37,418	125,320
Oct.	48,050	5,978	2,422	18,487	5,113	2,180	31,936	114,166
Nov.	29,489	3,973	1,705	6,974	2,646	1,292	16,417	62,496
Dec.	23,306	5,137	2,712	4,749	1,483	1,081	16,611	55,079
2003³								
Jan.	20,602	2,439	-	3,821	1,816	1,266	10,908	40,852
Feb.	26,679	3,431	-	6,815	1,972	1,231	15,611	55,739
Mar.	28,141	4,871	-	14,540	2,573	1,668	21,789	73,582
Apr.	37,870	6,755	-	14,810	4,402	1,685	37,219	102,741
May	40,584	6,992	-	12,425	4,256	2,289	42,202	108,748
June	45,727	9,512	-	9,961	5,615	2,606	41,946	115,367
July	58,470	13,809	-	11,119	6,784	2,108	53,559	145,849
Aug.	55,854	23,521	-	12,760	3,963	1,616	51,322	149,036
Sept.	53,443	7,639	-	11,546	5,443	1,867	39,757	119,695
Oct.	42,444	4,827	-	15,477	6,021	1,683	31,407	101,859
Nov.	27,552	3,611	-	7,449	3,242	1,560	15,039	58,453
Dec.	22,199	6,768	-	5,088	1,615	1,078	17,932	54,680

¹ The collection of this data was discontinued. From January 2003 these statistics are included in the "All Others" category.

² Scandinavian countries include Denmark, Norway, Sweden and Finland.

³ Provisional

Source: NSO.

TABLE 5.3 LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS

End of period	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent ¹	Amount	Percent ²	Amount	Percent ³
1995	102,158	35,612	137,770	97,241	34,709	131,950	4,917	4.8	903	2.5	5,820	4.2
1996	103,323	36,944	140,267	97,493	35,702	133,195	5,830	5.6	1,242	3.4	7,072	5.0
1997	103,540	37,294	140,834	97,065	36,076	133,141	6,475	6.3	1,218	3.3	7,693	5.5
1998	103,235	37,951	141,186	96,460	36,816	133,276	6,775	6.6	1,135	3.0	7,910	5.6
1999	103,568	39,040	142,608	96,478	37,824	134,302	7,090	6.8	1,216	3.1	8,306	5.8
2000	103,831	40,185	144,016	97,689	39,139	136,828	6,142	5.9	1,046	2.6	7,188	5.0
2001	104,094	40,791	144,885	97,933	39,519	137,452	6,161	5.9	1,272	3.1	7,433	5.1
2002	103,338	41,041	144,379	97,164	39,699	136,863	6,174	6.0	1,342	3.3	7,516	5.2
2002												
Jan.	104,449	40,818	145,267	97,918	39,409	137,327	6,531	6.3	1,409	3.5	7,940	5.5
Feb.	104,398	40,799	145,197	97,840	39,416	137,256	6,558	6.3	1,383	3.4	7,941	5.5
Mar.	103,877	40,710	144,587	97,497	39,365	136,862	6,380	6.1	1,345	3.3	7,725	5.3
Apr.	103,844	40,728	144,572	97,485	39,450	136,935	6,359	6.1	1,278	3.1	7,637	5.3
May	103,702	40,788	144,490	97,498	39,569	137,067	6,204	6.0	1,219	3.0	7,423	5.1
June	103,802	40,955	144,757	97,872	39,764	137,636	5,930	5.7	1,191	2.9	7,121	4.9
July	104,312	41,640	145,952	98,601	40,174	138,775	5,711	5.5	1,466	3.5	7,177	4.9
Aug.	104,047	41,575	145,622	98,157	40,053	138,210	5,890	5.7	1,522	3.7	7,412	5.1
Sept.	103,854	41,387	145,241	97,780	39,941	137,721	6,074	5.8	1,446	3.5	7,520	5.2
Oct.	104,075	41,370	145,445	97,843	39,911	137,754	6,232	6.0	1,459	3.5	7,691	5.3
Nov.	104,154	41,400	145,554	97,779	39,909	137,688	6,375	6.1	1,491	3.6	7,866	5.4
Dec.	103,338	41,041	144,379	97,164	39,699	136,863	6,174	6.0	1,342	3.3	7,516	5.2
2003												
Jan.	103,943	41,298	145,241	97,551	39,811	137,362	6,392	6.1	1,487	3.6	7,879	5.4
Feb.	103,870	41,423	145,293	97,633	39,953	137,586	6,237	6.0	1,470	3.5	7,707	5.3
Mar.	103,791	41,392	145,183	97,640	39,979	137,619	6,151	5.9	1,413	3.4	7,564	5.2
Apr.	103,772	41,409	145,181	97,712	39,989	137,701	6,060	5.8	1,420	3.4	7,480	5.2
May	103,289	41,368	144,657	97,379	39,957	137,336	5,910	5.7	1,411	3.4	7,321	5.1
June	103,372	41,624	144,996	97,492	40,266	137,758	5,880	5.7	1,358	3.3	7,238	5.0
July	103,865	42,264	146,129	97,690	40,525	138,215	6,175	5.9	1,739	4.1	7,914	5.4
Aug.	103,587	42,102	145,689	97,336	40,301	137,637	6,251	6.0	1,801	4.3	8,052	5.5
Sept.	103,233	41,689	144,922	96,968	40,012	136,980	6,265	6.1	1,677	4.0	7,942	5.5
Oct.	103,373	41,893	145,266	96,850	40,167	137,017	6,523	6.3	1,726	4.1	8,249	5.7
Nov.	102,965	41,825	144,790	96,421	40,092	136,513	6,544	6.4	1,733	4.1	8,277	5.7

¹ As a percentage of male labour supply.

² As a percentage of female labour supply.

³ As a percentage of total labour supply.

Sources: ETC; NSO.

TABLE 5.4 LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY¹

End of period	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent ²	Amount	Percent ³	Amount	Percent
2000	109,059	46,295	155,354	101,431	43,772	145,203	7,628	7.0	2,523	5.4	10,151	6.5
2001	110,233	45,518	155,751	103,607	41,980	145,587	6,626	6.0	3,538	7.8	10,164	6.5
2002	108,835	50,443	159,278	102,120	46,283	148,403	6,715	6.2	4,160	8.2	10,875	6.8
2003	109,661	49,977	159,638	101,159	45,883	147,042	8,502	7.8	4,094	8.2	12,596	7.9
2002												
Mar.	108,363	47,505	155,868	99,948	43,937	143,885	8,415	7.8	3,568	7.5	11,983	7.7
June	109,727	50,355	160,082	102,855	46,178	149,033	6,872	6.3	4,177	8.3	11,049	6.9
Sept.	110,379	48,743	159,122	103,512	45,450	148,962	6,867	6.2	3,293	6.8	10,160	6.4
Dec.	108,835	50,443	159,278	102,120	46,283	148,403	6,715	6.2	4,160	8.2	10,875	6.8
2003												
Mar.	109,800	49,584	159,384	102,613	46,185	148,798	7,187	6.5	3,399	6.9	10,586	6.6
June	110,729	50,134	160,863	103,638	45,180	148,818	7,091	6.4	4,954	9.9	12,045	7.5
Sept.	110,038	49,730	159,768	101,706	44,896	146,602	8,332	7.6	4,834	9.7	13,166	8.2
Dec.	109,661	49,977	159,638	101,159	45,883	147,042	8,502	7.8	4,094	8.2	12,596	7.9

¹ The Labour Force Survey is carried out on a quarterly basis using a random sample of private households.

² As a percentage of male labour supply.

³ As a percentage of female labour supply.

Source: NSO.

**TABLE 5.5 NUMBER OF APPROVED COMMERCIAL
PROPERTY APPLICATIONS, BY PURPOSE¹**

Period	Agriculture	Manufacturing	Warehousing/retail/ offices ²	Hotel/ tourism	Recreational/ social ³	Parking	Minor new works/ change of use	Other	Total
1993	168	64	400	26	70	176	666	1,350	2,920
1994	245	71	775	45	363	287	1,404	264	3,454
1995	293	69	924	27	434	188	1,731	411	4,077
1996	234	37	827	21	352	154	1,632	611	3,868
1997	248	49	545	28	362	169	1,594	949	3,944
1998	273	97	564	47	770	193	1,729	971	4,644
1999	231	112	858	29	378	205	1,600	740	4,153
2000	270	104	790	36	588	236	1,486	1,010	4,520
2001	312	58	1,019	24	485	214	1,095	1,491	4,698
2002 ⁴	283	58	378	13	168	154	1,141	1,760	3,955

¹ This Table replaces the previous Table 5.4, which showed building applications approved by purpose and floor space area, as data on the latter are no longer available.

² Including applications for advertisements and for mixed residential and retail purposes.

³ Including applications for restaurants and café bars.

⁴ Provisional.

Source: Malta Environment & Planning Authority.

**TABLE 5.6 DWELLING UNITS GRANTED DEVELOPMENT PERMISSION,
BY TYPE¹**

Period	Apartments	Maisonettes	Terraced Houses	Other	Total
1993	1,192	651	1,016	114	2,973
1994	1,095	476	488	44	2,103
1995	1,910	1,064	1,094	161	4,229
1996	1,601	1,183	495	72	3,351
1997	1,656	1,060	570	125	3,411
1998	1,742	790	339	133	3,004
1999	1,452	473	271	77	2,273
2000	1,473	583	246	67	2,369
2001 ²	2,657	774	203	546	4,180
2002 ²	3,420	910	135	1,016	5,481

¹ 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.

² Provisional.

Source: Malta Environment & Planning Authority.

TABLE 5.7 INFLATION RATES¹
(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 ²	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

¹ 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.

² 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
2002	
Jan.	99.24
Feb.	98.57
Mar.	98.67
Apr.	98.83
May	99.44
June	99.07
July	99.41
Aug.	99.80
Sept.	100.03
Oct.	100.22
Nov.	100.13
Dec.	100.00
2003	
Jan.	99.12
Feb.	99.60
Mar.	100.36
Apr.	100.40
May	100.73
June	100.88
July	100.54
Aug.	100.47
Sept.	100.82
Oct.	101.91
Nov.	101.75
Dec.	102.38

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.

Sources: Central Bank of Malta; NSO.

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 issues 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 headquartered 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 consolidated monetary statistics are posted on the Central Bank of Malta website by the end of the month following the reference month. Subsequently, detailed 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*.

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, however, 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 it 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 it 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 bench-mark 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. 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.

International reserves

The international reserves concept is in line with the IMF's *Balance of Payments Manual* (BPM5). It is based on a balance sheet framework and calculated on a gross basis. The types of external reserves covered in this measure comprise convertible currencies, IMF-related assets and holdings of gold. Convertible currencies comprise cash and bank balances denominated in foreign currency, placements with non-resident banks, the portfolio of non-resident investment securities and other foreign currency assets. IMF-related assets comprise holdings of special drawing rights allocated to Malta or acquired in accordance with IMF requirements and the reserve tranche position with the IMF.

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. These Maltese lira exchange rates are calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta midpoint 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.