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Notes: The cut-off date for information published in the Economic Survey is December 21, 2001. For figures published in the Statistical Tables, the cut-off date is also December 21, 2001. Figures in Tables may not add up due to rounding.
1. FOREWORD

During the third quarter of 2001, the Central Bank of Malta eased its monetary policy stance. At the end of August the Bank lowered both the central intervention rate and the discount rate by 25 basis points to 4.5%, while in September it reduced the reserve requirement ratio imposed on banks by one percentage point to 4% of their deposit liabilities, with effect from the middle of October. Official interest rates were cut by a further 25 basis points in November. These decisions were based on the Bank’s analysis of economic and financial developments in Malta and abroad and were consonant with the Bank’s monetary policy strategy of supporting the exchange rate peg.

The terrorist attacks on the United States on September 11 brought economic growth in America to a standstill. Hence, with Japan already in recession and key European economies slowing down, the International Monetary Fund’s latest forecasts, released in October, pointed to a sharp deceleration in world economic growth in 2001. These factors contributed to further cuts in official interest rates by major central banks. As a result, the interest rate premium on the Maltese lira continued to widen, prompting a further easing of Malta’s monetary policy stance.

The fiscal stance remained expansionary. In fact, the Government deficit widened during the third quarter and Government spending contributed to real GDP growth. Nevertheless, in the Budget Speech the Government indicated that the fiscal target for 2001 would be achieved and reiterated its commitment to fiscal consolidation.

The results of the Bank’s latest business perceptions survey, conducted between October and December, broadly tallied with the GDP data. In fact, respondents reported below-normal activity levels during the September quarter, as the international economic slowdown hit export-oriented manufacturers and the tourism sector. In general, locally-oriented firms also reported reduced activity levels, although there were indications of a pick-up in construction. The drop in output during the quarter did not, however, have a major impact on the labour market. Nevertheless, the claimant unemployment rate edged up to 4.8%, while the pace of job creation in the private sector decelerated. Monetary developments also pointed to a slowdown in economic activity, as the annual rate of growth of bank claims on the private and parastatal sectors dropped to its lowest level in ten years.

Developments in the domestic economy were also compatible with further monetary easing as worsening external demand conditions took their toll on output, hitting major export-oriented sectors of the economy in particular. Gross Domestic Product declined for the second consecutive quarter, contracting by 1.3% in real terms, mainly because exports of electronics dropped. Although the fall in exports was also reflected in lower imports, key firms also reduced their inventory levels, signalling lower levels of activity. At the same time, however, personal consumption continued to pick up, although it expanded less rapidly than in the corresponding period last year. In addition, despite an overall drop in gross fixed capital formation, investment in construction rose, boosting activity in this sector.

As in the previous quarter, weaker economic activity contributed to a further improvement in the balance of payments position during the September quarter. The current account moved into surplus as the merchandise trade gap narrowed and the positive balance on trade in
services widened. Imports, particularly of capital goods and industrial supplies, fell more than exports. At the same time, there were net inflows on the capital and financial account. These developments were reflected in a further rise in the official reserves. In fact, the Central Bank’s net foreign assets rose for the second consecutive quarter and continued to expand in October and November.

Despite the slowdown in economic activity, inflation accelerated further during the quarter. The twelve-month moving average measure rose to 2.4% in September, while the year-on-year inflation rate rose to 4.3% as prices of a wide range of goods and services increased. A surge in food prices, caused by a combination of supply-side factors, was the main cause of the increase, although upward pressures on the general price level appear to have intensified since the start of the year.

In view of the worsening international economic outlook, the deceleration in the pace of domestic economic activity during the first nine months of the year and indications from the Bank’s business perceptions survey, the Central Bank of Malta expects real GDP growth for 2001 to be lower than its revised estimate of 3.5%.
2. THE INTERNATIONAL ENVIRONMENT

The World Economy

During the third quarter the international economic environment deteriorated considerably, as the September 11 attacks on the United States brought world growth to a virtual standstill. Even before the attacks Japan was already in recession, the United States was heading the same way and Europe was teetering on the brink. Against this background the IMF was expecting global growth in 2001 to be no higher than 2.4%, just over half the 4.7% growth rate recorded in 2000. Against this gloomy scenario, most of the major economies where expected to achieve minimal growth rates, while the Japanese economy was expected to contract, as Table 2.1 shows.

Economic and Monetary Developments in the Major Economies

The United States economy contracted at an annual rate of 1.1% during the September quarter, undermined by unsold inventories, a sharp drop in business investment, and slower consumer spending. The quarter also saw the twelfth straight decline in monthly output from America’s factories, mines and utilities as industrial output slumped sharply, marking the longest slide since the end of World War II. Reflecting this development, U.S. exports of goods and services declined by 18.2% and 12.9%, respectively, during the quarter.

Against the backdrop of heightened uncertainty the Federal Reserve cut interest rates twice during the quarter: on August 21, and on September 17. These actions brought the Federal funds rate down to 3%, from 3.75%, whilst money market rates edged below the Fed’s benchmark rate in

Table 2.1
INTERNATIONAL ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>Real GDP % change</th>
<th>Inflation (Consumer prices) % change</th>
<th>Current account balance US$ billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>4.1</td>
<td>4.1</td>
<td>1.0</td>
</tr>
<tr>
<td>European Union</td>
<td>2.6</td>
<td>3.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Euro Area</td>
<td>2.6</td>
<td>3.4</td>
<td>1.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.1</td>
<td>2.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Japan</td>
<td>0.7</td>
<td>2.2</td>
<td>-0.4</td>
</tr>
<tr>
<td>Advanced countries</td>
<td>3.3</td>
<td>3.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Developing countries</td>
<td>3.9</td>
<td>5.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Countries in transition</td>
<td>3.6</td>
<td>6.3</td>
<td>4.9</td>
</tr>
</tbody>
</table>

1 Forecasts
2 Includes countries of Central and Eastern Europe and the former USSR.
3 Retail price index excluding mortgage interest.

response to generally downbeat news on the economy.

Concerned about a synchronised global slowdown, the IMF called for a change in the euro area’s fiscal policy while it revised its projections for growth in the euro area downward to 1.8%, from an earlier projection of 1.9%. In fact, the German economy, the euro area’s largest, contracted by 0.1% during the quarter, undermined by a drop in manufacturing orders, after registering a 0.6% annual growth in the previous quarter, while in Italy GDP growth slowed to 1.9%, from 2.0%. However, consumer price inflation in the euro area, which fell to 3% in June, continued to decline further, reaching 2.5% in September; but this was still above the European Central Bank’s (ECB) 2% target.

After taking into account the increased downside risks following the September 11 attacks on the US and the receding euro area inflationary pressures, the ECB cut its refinancing rate twice during the quarter: on August 30, and on September 17. This brought the Bank’s refinancing rate down to 3.75%. Nevertheless, euro area money market rates remained above the ECB’s benchmark rate.

Meanwhile, in contrast to the general trend, the British economy grew at a much faster pace than expected during the quarter, defying the global slowdown and expanding by 0.5%, mainly due to a robust services sector. However, there was grim news from both the manufacturing and the industrial sectors. In fact, UK manufacturing output fell 1.6% during the quarter, the biggest drop since May 1992, making for an annual decline of 3.7%, whilst industrial output contracted by 1.2%, or 3.0% when compared with a year ago. At the same time, headline inflation fell to 1.7% in September, from 1.9% in June, reflecting falling oil prices and lower wage rises.

Against this background, the Bank of England reduced its interest rates twice during the quarter: on August 2 when it cut its repo rate by 25 basis points to 5%, and on September 18, when it cut the rate by another 25 basis points to 4.75%. In the first two months of the quarter UK money market rates remained below the Bank’s repo rate, before closing slightly above the said rate at the end of the quarter.

Meanwhile, Japan’s GDP continued to shrink, with industrial output falling 2.9% in September, on a year-on-year basis, and exports to the United States, Japan’s largest trading partner, dropping by 11.9%. In addition, deflation persisted in the Japanese economy, with consumer prices falling for the twenty-fourth straight month, while the jobless rate climbed to a record level of 5.3%.

Concerned with the persisting deflation, the Bank of Japan provided ample liquidity to the money market, and even reduced its discount rate by 15 basis points to 0.1%. In turn, as Chart 2.1 shows, Japanese money market rates stood just above 0% throughout the quarter.

Foreign Exchange Markets

At the beginning of the quarter under review, the US dollar strengthened against the euro which was undermined by slowing economic growth and a euro area inflation rate running above the ECB’s
2% ceiling - which seemed to leave the ECB little room for interest rate cuts. The dollar also continued to register gains against the yen and sterling, as confidence in relative U.S. economic growth prospects gave the dollar an added boost.

Around mid-July, however, the euro and sterling recovered against the U.S. currency amid sentiment that a strong dollar, while supporting an influx of foreign investment into the U.S., threatened U.S. exports. Warnings from the Fed that the apparent economic recovery could be a mere deception also contributed to the dollar’s weakness at this stage. In fact, reports of falling manufacturing activity in the U.S. during August further weakened the dollar against the euro. Towards the end of the quarter the euro was still benefiting from repeated concerns over the U.S. economy, which was further depressed by a rise in unemployment.

Meanwhile, the Bank of England’s unexpected reduction in key interest rates weakened sterling against both the dollar and the euro. But the pound recovered steadily vis-a-vis the U.S. currency from then on, as worries over the state of the U.S. economy and the effects of the terrorist attacks intensified. Compared to the euro, the pound registered gains early in the quarter thanks to strong retail sales data and house price inflation. During September, however, the pound

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**Table 2.2**  

<table>
<thead>
<tr>
<th></th>
<th>US$ per Euro</th>
<th>US$ per Stg</th>
<th>Yen per US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average for July</td>
<td>0.8603</td>
<td>1.4141</td>
<td>124.60</td>
</tr>
<tr>
<td>Average for August</td>
<td>0.9004</td>
<td>1.4367</td>
<td>121.61</td>
</tr>
<tr>
<td>Average for September</td>
<td>0.9106</td>
<td>1.4630</td>
<td>118.88</td>
</tr>
<tr>
<td>Average for the quarter</td>
<td>0.8904</td>
<td>1.4379</td>
<td>121.70</td>
</tr>
<tr>
<td>Closing rate on 28.09.01</td>
<td>0.9149</td>
<td>1.4723</td>
<td>119.17</td>
</tr>
<tr>
<td>Closing rate on 28.06.01</td>
<td>0.8601</td>
<td>1.4191</td>
<td>124.76</td>
</tr>
<tr>
<td>Lowest exchange rate during the quarter$^1$</td>
<td>0.8366 (Jun. 06)</td>
<td>1.3970 (Jul. 17)</td>
<td>116.40 (Sept. 24)</td>
</tr>
<tr>
<td>Highest exchange rate during the quarter$^1$</td>
<td>0.9275 (Sept. 20)</td>
<td>1.4774 (Sept. 12)</td>
<td>125.85 (Jul. 10)</td>
</tr>
</tbody>
</table>

Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 28.06.01 to closing rate on 28.09.01  

- Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 28.06.01 to closing rate on 28.09.01

$^1$ The low/high exchange rates are daily opening or closing rates of the relevant currencies.
lost ground against the euro amid concerns of political risk, as Britain was emerging as the closest ally of the United States.

Meanwhile, there were growing concerns over the strength of the yen, which contrasted sharply with the weakness of the economic data emerging from Japan.

Gold
The demand for gold responded to both the global downturn and the terrorist attacks on the US during the quarter reviewed. Initially, the gold price remained fairly stable, around $267 an ounce. It was only when the dollar came under pressure following a warning from the IMF of a bleak U.S. economic outlook that the price began to move on an upward trend. This trend was reinforced by the increased global uncertainty following the terrorist attacks, which caused a rise in safe-haven buying. Thus, at the end of the quarter, the price of gold stood at $289 an ounce, up by 5% from the June quarter’s closing levels.

Oil
Early in the quarter oil prices fell in response to higher U.S. oil stock data. Subsequently, however, the price of oil remained relatively stable, hovering around $25 dollars a barrel. It was only after the events of September 11 and OPEC’s guarantee to provide adequate supplies at all times that prices plummeted, so that oil ended the quarter at $21.82 per barrel, down by 19.1% from end-June levels.
IMF and World Bank Meetings

Out of respect and sympathy for the families of those touched by the events of September 11, the World Bank Group and the International Monetary Fund (IMF), in consultation with the US authorities and other member governments, decided to cancel their Annual Meetings, originally scheduled to be held in Washington DC on September 29-30. On November 17-18, however, Finance Ministers and Central Bank Governors met in Ottawa, Canada, for the fourth meeting of the International Monetary and Financial Committee (IMFC) of the IMF and the sixty-fourth meeting of the Development Committee of the World Bank and the Fund.

The IMFC noted that the terrorist attacks on the United States had prolonged the slowdown in the world economy. The Committee warned that although bold policy options had already been taken to support a strong recovery during the 2002, the outlook remained subject to considerable uncertainty. Members stressed the fact that continuous vigilance was needed, and that it was essential that the international community stood ready to take timely action to maintain stability and revitalise growth. The Committee welcomed the recent easing of monetary policy in the United States, the euro area, and other advanced economies, pointing out that authorities should stand ready to take further action if necessary. In this regard, the Committee emphasised that the determined implementation of structural reforms to take advantage of the promise of technology to increase productivity was important to restore confidence and growth. Members also recognised the vital role that increased trade opportunities would play in the recovery and welcomed the outcome of the Doha meeting of the World Trade Organisation (WTO) and the Doha Development Agenda. They emphasised that all countries should stand firm against protectionist pressures and should improve access to their markets and reduce trade distorting subsidies, both for the benefit of their own citizens and to supply critical support for developing countries. They also expressed serious concern at the use of the international financial system to fund terrorist acts and to launder the proceeds of illegal activities. Accordingly, members were urged to freeze the assets of terrorists and their associates within their jurisdictions, close their entry to the international financial system, and, concordant with their laws, make public the list of terrorists whose assets were subject to freezing and the amount of assets frozen, if any, through monthly reports. The Committee invited the IMF to keep strengthening its surveillance and crisis prevention procedures through the implementation of standards and codes and stressed that these should remain key priorities. Members welcomed the progress on improving the effectiveness of conditionality through streamlining and enhancing the country ownership of IMF supported programs and said they would be looking forward to reviewing further progress in this area at their next meeting.

The Development Committee, which deals with the transfer of real resources to developing countries, discussed the impact of the September 11 events on low- and middle-income countries. Ministers recognised that poverty in many developing countries was likely to worsen as a result of these events, which had deepened the pre-existing global economic slowdown and had already led to weaker exports and commodity prices as well as to other more specific impacts - like increased refugee movements both within countries and across borders, reduced private investment flows and tourism revenues and
increased trade transaction costs. Ministers stressed the importance of the World Bank Group using its financial capacity and the flexibility of its available instruments to respond effectively and promptly to the current circumstances. They considered improved governance to be an important element in generating the conditions for investment, private sector growth, improved productivity, job creation and trade, and, as a result, for poverty reduction. Thus, they highlighted the need for the Bank and the Fund, in accordance with their respective mandates and comparative advantage, to pay more attention to governance-related issues and to help countries identify and address abuses such as money laundering and terrorist financing. Ministers also welcomed the progress made in implementing the Heavily Indebted Poor Countries (HIPC) Initiative and urged that the Committee should recognise the need to take into account the worsening global growth prospects and declines in terms of trade when updating HIPC initiative debt sustainability analysis.

Asia-Pacific Economic Co-operation (APEC) Ministerial Meeting

On October 17-18, leaders from the APEC countries gathered in China for their thirteenth annual summit. The APEC leaders reaffirmed the importance of promoting dialogue and co-operation with a view to achieving sustainable and common development. In addition, Ministers emphasised the importance of achieving the Bogor goals in accordance with the agreed timetables as a key element of APEC’s response to current economic conditions. They also stressed the importance of structural reform and sound domestic policies to create a more favourable macroeconomic environment for growth in the region. Leaders called on the parties concerned to demonstrate strong political will and flexibility in agreeing on a balanced and sufficiently broad-based agenda to launch the new round of multilateral trade negotiations. This should include further trade liberalisation and the strengthening of WTO rules, reflect the interests and concerns of all members, address the challenges of the twenty-first century, and support the goal of sustainable development. In this regard, ministers welcomed the outcome of the Eight APEC Finance Ministers’ process, and were encouraged by the efforts and contribution made by the Finance Ministers under the policy theme of “Growth with Restructuring, Stability, and Equity” in the year 2001. Ministers congratulated China on the successful conclusion of negotiations on its accession to the WTO and urged that its accession should be finalised at the forthcoming WTO Ministerial Conference.

European Council Meeting in Laeken

The European Council meeting in Laeken on December 14 - 15 provided fresh stimulus for the European Union to increase the momentum of its integration. Following the conclusions adopted in the Nice summit, the European Council approved the Laeken Declaration. This marked a decisive step towards the creation of a simpler Union, one that would be stronger in the pursuit of its essential objectives and more definitely present in the world. The prospective introduction of euro notes and coins on January 1, 2002 was seen as the culmination of a historic process of decisive importance for the construction of Europe. The Commission’s report, entitled “Making a Success of Enlargement”, along with the regular reports and the revised partnerships for accession, were seen as providing a solid framework for the success of the accession process. The Council agreed that considerable progress had been made in the negotiations and certain delays had been made good. The European Union was determined to bring the accession negotiations with the candidate countries that were ready to a successful conclusion by the end of 2002, so that these countries would be able to take part in the European Parliament elections in 2004. With this end in view, the Council urged the candidate countries to continue to pursue their efforts energetically, in particular to bring their
Besides agreeing on the Declaration, the Council discussed trends in the economic and social spheres and in sustainable development. Although the Union’s economy was experiencing a period of slower growth and uncertainty, the Council’s expectations were for a gradual recovery in the course of 2002. Disposable incomes in the region were improving, owing to diminishing inflation and tax cuts in several countries, while budgetary policy was gearing to maintain sound public finances. The Council also welcomed the outcome of the Ministerial Conference in Doha, which launched a new round of global trade negotiations based on an approach balanced equally between liberalisation and regulation, taking into account the interests of developing countries and promoting their capacity for development. The Union was determined to promote the social and environmental dimension of that round of negotiations.

**Council of EU Economics and Finance Ministers**

On December 14, the Council of Economics and Finance Ministers of the European Union meeting in Brussels, agreed unanimously on a proposed Directive to ensure effective taxation of interest income from cross-border investments within the community. Under this proposal, each member state would ultimately be expected to provide information to other member states on interest paid to individual savers resident in other member states. Only Belgium, Luxembourg and Austria were allowed a transitional period of seven years during which they would apply a withholding tax instead of providing information. This tax will be at a rate of 15% for the first 3 years and of 20% for the remainder of the period.

The Council also reached an orientation agreement on a proposed Directive on collateral that would create a uniform EU legal framework to limit credit risk in financial transactions through the provision of securities and cash as collateral. The Council will adopt a common position on this matter once it has received an opinion from the European Union. The Council also agreed a general orientation on proposed regulation that would require all EU companies listed on a regulated market, including banks and insurance companies, to prepare consolidated accounts in accordance with International Accounting Standards.
3. THE DOMESTIC ECONOMY

Official figures indicate that during the first nine months of 2001 the Maltese economy slowed down significantly, as certain segments of the export sector were negatively affected by the deterioration in the external environment. The electronics sub-sector, in particular, faced a sharp downturn in activity, a fact that was reflected in a fall in both exports and imports of industrial supplies, while firms across the rest of the manufacturing sector also cut back inventory levels. Taken together these developments resulted in a significant improvement in Malta’s balance of payments position. Meanwhile, the unemployment rate edged up to 4.8% in September, from 4.5% in June, although the full-time gainfully occupied population increased, while the headline rate of inflation rose to 2.4%, from 2.0% at the end of the June quarter.

Gross Domestic Product

The Gross Domestic Product (GDP) at factor cost, i.e. the sum of profits and employment income, grew by 4.4% during the first nine months of 2001, as against the 6.0% growth registered last year, with half of the growth being the result of the wide-scale upward revision in civil service salaries. In fact, private sector incomes rose at a more moderate pace of 2.9%, compared with 8.0% a year ago. This slowdown was primarily due to the performance of the manufacturing and the banking, insurance and real estate sub-sectors, which last year had reported an exceptional increase in profits. By contrast, during the first

<table>
<thead>
<tr>
<th>Table 3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOURCES OF GDP GROWTH AT FACTOR COST BY INDUSTRY¹</td>
</tr>
</tbody>
</table>

*(January - September)*

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at Factor Cost</td>
<td><strong>6.0</strong></td>
<td><strong>4.4</strong></td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and fisheries</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Construction and quarrying</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td><strong>3.2</strong></td>
<td><strong>-0.4</strong></td>
</tr>
<tr>
<td>Transport and communication</td>
<td>0.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Insurance, banking and real estate</td>
<td>1.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Government enterprises</td>
<td><strong>-0.7</strong></td>
<td><strong>-0.1</strong></td>
</tr>
<tr>
<td>Public administration</td>
<td>0.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Property income</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Private services</td>
<td>0.2</td>
<td>0.7</td>
</tr>
</tbody>
</table>

¹ The figures in the Table show the change in each component of GDP at factor cost as a percentage of the previous year’s GDP at factor cost. This shows the number of percentage points contributed by each sector of activity to the overall rate of growth in GDP at factor cost.

*Source: National Statistics Office.*
In real terms, however, the deceleration in growth was even more pronounced, indicating that during the second and third quarters the Maltese economy actually contracted. Nominal GDP growth was, in fact, boosted by the civil service pay rise.

Consumption increased at a more moderate pace compared with the same period last year. This was in line with the slower growth of household disposable income, which as a result of increased taxation, lower non-wage income (i.e. rents, dividends and interest) and wage moderation in the private sector, is reported to have gone up by just 1.4%. Since consumption grew at a faster rate, the household saving ratio dropped to 3.4%, from 6.6% last year.

Imports of goods and services declined by 11.5% in real terms, returning to their 1999 level. This development was primarily due to the slowdown

<table>
<thead>
<tr>
<th>Table 3.2</th>
<th>GDP GROWTH BY CATEGORY OF EXPENDITURE&lt;sup&gt;1&lt;/sup&gt; (January - September)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>2001</td>
<td></td>
</tr>
<tr>
<td>Growth in real GDP</td>
<td>4.6</td>
<td>-0.3</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private consumption expenditure</td>
<td>4.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Government consumption expenditure</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>5.1</td>
<td>-3.7</td>
</tr>
<tr>
<td>Inventory changes</td>
<td>1.9</td>
<td>-3.5</td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>5.1</td>
<td>-6.7</td>
</tr>
<tr>
<td>Imports of goods and services&lt;sup&gt;2&lt;/sup&gt;</td>
<td>-12.3</td>
<td>11.5</td>
</tr>
<tr>
<td>Growth in nominal GDP</td>
<td>6.6</td>
<td>4.4</td>
</tr>
</tbody>
</table>

<sup>1</sup>The figures in the Table show the change in each component of real GDP as a percentage of the previous year’s real GDP (expenditure-side). This shows the number of percentage points contributed by each expenditure component to the overall rate of growth in real GDP. The figures for 2000 have been revised; those for 2001 are provisional.

<sup>2</sup>Note that any growth in imports of goods and services reduces GDP, and vice versa.

<sup>Source: National Statistics Office</sup>
in the electronics sub-sector, as the sector’s imports of industrial supplies and capital goods dropped sharply. Maltese citizens also spent less on overseas travel, while imports of consumer goods remained virtually unchanged from last year’s level.

The deteriorating global economic scenario depressed export activity significantly. The electronics sub-sector registered a drop of around 25% in turnover, while tourism earnings also declined from their year-ago level. On the other hand, certain export-oriented manufacturing sub-sectors appear to have experienced a better outturn this year.

Though overall gross fixed capital formation declined, investment in construction rose by 6.5% in real terms, with the construction of the new hospital and the building of the Cirkewwa Terminal underpinning much of the increase. By contrast, Government current expenditure in real terms was more contained this year. This was partly on account of a smaller increase in civil service employment when compared with the same period of 2000.

**GDP – Third Quarter Performance**

Official GDP figures show that the Maltese economy continued to contract marginally during the third quarter, as the worsening external demand conditions took their toll on the electronics and tourism sectors. This deterioration in the economy’s performance was also confirmed by the results of the latest Business Perceptions Survey conducted by the Central Bank. Those manufacturing sub-sectors that in the previous two quarters had registered a significant upturn also showed signs of slowing down during the September quarter. On the other hand, construction activity remained buoyant, fuelled by higher Government capital expenditure and work on a number of infrastructure projects. Personal consumption also continued to pick up, though its growth in real terms remained below last year’s level.

**Retail Prices**

The twelve-month moving average measure of inflation edged up to 2.42% at the end of the third quarter of 2001, from 1.95% in June. The year-on-year inflation rate, which is a more timely indicator

<table>
<thead>
<tr>
<th>Table 3.3</th>
<th>THIRD QUARTER REAL GDP PERCENTAGE CHANGE BY CATEGORY OF EXPENDITURE</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Change over previous Qtr.</td>
<td>Change over previous year</td>
</tr>
<tr>
<td><strong>Gross Domestic Product</strong></td>
<td>3.1</td>
<td>-1.3</td>
</tr>
<tr>
<td>Private consumption expenditure</td>
<td>3.8</td>
<td>5.1</td>
</tr>
<tr>
<td>Government consumption expenditure</td>
<td>-0.5</td>
<td>7.4</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>-0.8</td>
<td>-17.7</td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>7.0</td>
<td>-10.8</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>5.0</td>
<td>-13.9</td>
</tr>
</tbody>
</table>

_Source: National Statistics Office_
of price movements, also continued to rise during the quarter, reaching 4.31%, the highest level since the first quarter of 1995.

The RPI, in fact, put on 1.65% between the second and third quarters of 2001, whereas in the same period last year the index had gone up by only 0.51%. Though higher food prices accounted for the bulk of the rise, prices seemed to be going up at a faster rate over a wide range of goods and services. The beverages and tobacco sub-index, in particular, rose by 2.3% during the quarter, compared with only 0.34% in the same quarter last year. The seasonal drop in the clothing and footwear sub-index was also significantly smaller this year.

The twelve-month moving average rate of inflation gradually absorbed the significant increase in the RPI registered at the start of the year. Nevertheless, as Table 3.4 indicates, inflationary pressures picked up in six sub-indices of the RPI during the quarter reviewed. Together, these sub-indices comprise nearly two-thirds of the RPI basket. The headline inflation rate, however, remained below that recorded during September 2000, as the twelve-month moving average measure of inflation was still reflecting the drop in the year-on-year rate registered during the last months of 2000.

By contrast, in September, the year-on-year rate of inflation was more than double that recorded in the same month last year. The spike in food prices caused by a combination of supply-side factors was the main factor behind this acceleration. However the Central Bank’s measure of

| Table 3.4 |
| INFLATION RATES OF COMMODITY SECTIONS IN THE RPI |
| 12-month moving average (percentage changes) |

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>1.4</td>
<td>2.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>5.4</td>
<td>3.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>0.8</td>
<td>-2.1</td>
<td>-2.2</td>
</tr>
<tr>
<td>Housing</td>
<td>1.6</td>
<td>4.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Fuel, light and power</td>
<td>4.8</td>
<td>2.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Durable household goods</td>
<td>-0.4</td>
<td>-1.4</td>
<td>-0.9</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>7.1</td>
<td>3.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Personal health and care</td>
<td>3.3</td>
<td>3.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Education, entertainment and recreation</td>
<td>1.4</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Other goods and services</td>
<td>0.9</td>
<td>0.2</td>
<td>0.6</td>
</tr>
<tr>
<td>All items</td>
<td><strong>2.7</strong></td>
<td><strong>2.0</strong></td>
<td><strong>2.4</strong></td>
</tr>
</tbody>
</table>

*Source: National Statistics Office*
underlying inflation also indicates that upward pressures on the general price level have intensified since the start of the year.

The twelve-month moving average measure of inflation is expected to rise further in the coming months, even though inflationary pressures could ease somewhat. Food prices seem to be stabilising, partly because inflation is falling in the countries from which Malta purchases most of its food imports. Domestically-generated price pressures, however, are not expected to pick up in the coming months, especially if claims for wage increases remain moderate. The slowdown in economic growth should also affect the pricing policies of the distributive sector, leading to a generally stable level of retail prices.

The Labour Market

Data compiled by the Employment and Training Corporation (ETC) indicate that the unemployment rate edged up to 4.8% during the third quarter of 2001, as the number of the gainfully occupied grew at a slower pace than the labour supply. In fact, the number of full-time employees rose by 0.2% during the quarter, while the labour supply increased by 0.5%.

Public sector employment generated a large part of the rise in the gainfully occupied population, both on a quarterly and on an annual basis. However, whereas during the previous three quarters there was a sharp increase in employment with state-owned firms, during the quarter under review Government departments accounted for most of the rise in public sector employment.

The pace of job creation in the private sector was substantially slower, especially when compared with last year. Employment in direct production declined slightly during the quarter, as the manufacturing sector began to feel the effects of the global recession and construction activity grew at a slower rate. However at the end of September the number of full-time jobs in private direct production was still 1.7% higher than a year ago. This was mainly because in the previous quarters there had been a surge in the demand for labour by the construction industry and by manufacturing establishments in the clothing sub-sector.

Employment in private market services on the other hand recovered during the September quarter, though not sufficiently to offset the drop recorded during the previous three quarters. In fact, during the twelve months to September, there was a significant contraction in employment in the wholesale and retail trades, due to the closure of a number of supermarkets, and in transport and communications, as former so-called “impret drivers” were officially recognised as Government employees. Firms in the banking, insurance and real estate sub-sector also shed part of their full-time labour force. At the same time, employment in hotels and catering establishments were unchanged from the year-ago level.

In June the NSO conducted another Labour Force Survey (LFS) which put the unemployment rate at

---

1 This measure smoothens the rise in the main seasonal sub-indices (namely the food and the clothing and footwear sub-indices) over a wider time span and adjusts the overall index for changes in indirect taxes.
6.8%, up from 6.1% in March. This rise occurred despite the fact that job creation accelerated significantly during the quarter. The Survey also indicates that whereas the unemployment rate was virtually unchanged from last year’s level, both the activity and the employment rates were lower\(^2\). In fact, during the twelve months to June 2001, the inactive population expanded at a faster pace than the active population, because of lower female participation. The LFS also indicated that gross annual salaries increased by 2.6% on average during this period.

### Manufacturing

The weaker performance of the electronics sub-sector was the main factor behind the substantial drop in manufacturing activity during the first nine

---

\(^2\) The activity rate is defined as the labour force (i.e. those willing to work, even if only on a part-time basis) as a percentage of the working age population (i.e. the 15-64 age group), while the employment rate is the percentage of the working age population actually in employment.
months of 2001. By contrast, other manufacturing sub-sectors, which last year had not grown, reported improved levels of activity, especially during the first and second quarters. The manufacturing sector’s sales to the local market also improved. These were the main trends indicated by the official data, which were based on a sample survey of 464 industrial enterprises.

As can be seen from Table 3.6, the overall drop in the manufacturing sector’s export turnover during the nine months to September was almost entirely the result of the downturn in the electronics sub-sector. Most other sub-sectors reported a higher export turnover during the period. Their export sales, in fact, increased by Lm17.8 million, in contrast with Lm0.4 million a year-ago. More than half of this improvement was attributable to the electrical machinery sub-sector. In fact, a number of firms in this sub-sector recently won a number of important contracts and announced expansion programmes. The chemicals sub-sector also reported a higher turnover during the period, while firms in the clothing sector registered a smaller decline than last year. On a quarterly basis,
however, most manufacturing sub-sectors registered a marked slowdown in export turnover during the September quarter. This development is reflected in the results of the Bank’s latest Business Perceptions Survey.

The manufacturing sector’s local sales grew by Lm7.8 million, a sharper rise than that recorded last year. However this result essentially reflected the improved performance of one particular sub-sector, namely food and beverages, whose domestic sales rose by Lm6.4 million compared with the slight increase reported in 2000.

As already stated previously, the drop in investment during the first nine months of the year was mostly due to the electronics sub-sector. Last year, the leading firm in the industry had conducted an extensive investment programme in order to upgrade its production capacity. Excluding this sub-sector, gross fixed capital formation in manufacturing industry was marginally below its 1999 level. There were, however, some firms, mainly in the food and beverages, medical and precision equipment and electrical machinery sub-sectors, which increased their net investment during the period.

**Tourism**

Official data on the performance on the tourist industry for the month of September were not yet available at the time of writing. Nevertheless, there were indications that the terrorist attacks on the US on September 11 had a negative effect on tourism activity during that month. The results of the Bank’s latest Business Perceptions Survey, published in another section of this Review, corroborate these indications.

Tourist arrivals during July and August were already down by 1.5% from year-ago levels. Arrivals from Germany, the Benelux countries and Libya continued to decline significantly, as can be

<table>
<thead>
<tr>
<th>Table 3.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOURIST ARRIVALS BY NATIONALITY</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>July - August 2001</th>
<th>January - August 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Arrivals</td>
<td>Annual Growth (%)</td>
</tr>
<tr>
<td>UK</td>
<td>108,590</td>
<td>6.4</td>
</tr>
<tr>
<td>Italy</td>
<td>39,195</td>
<td>9.3</td>
</tr>
<tr>
<td>Germany</td>
<td>31,745</td>
<td>-19.9</td>
</tr>
<tr>
<td>France</td>
<td>19,960</td>
<td>-4.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>13,687</td>
<td>-25.3</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>10,482</td>
<td>-21.1</td>
</tr>
<tr>
<td>Belgium</td>
<td>7,309</td>
<td>-21.1</td>
</tr>
<tr>
<td>Libya</td>
<td>7,053</td>
<td>-25.2</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4,820</td>
<td>8.3</td>
</tr>
<tr>
<td>Austria</td>
<td>4,419</td>
<td>2.2</td>
</tr>
<tr>
<td>Others</td>
<td>56,194</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>303,454</strong></td>
<td><strong>-1.5</strong></td>
</tr>
</tbody>
</table>

1 Scandinavian countries include Denmark, Norway and Sweden.

*Source: National Statistics Office*
seen from Table 3.7, while arrivals from France fell by 4.0% during these months, in contrast with the substantial increase in the number of French visitors reported during the first half of the year. These decreases were in part offset by higher arrivals from Italy and the UK. Despite the drop in overall arrivals, however, the number of days stayed continued to rise substantially, implying a longer average length of stay. In particular, three- and four-star hotels reported improved occupancy levels during the period.

Provisional data indicate that during the third quarter gross tourism earnings declined by Lm1.3 million, or 1.5%. These data, however, are based on transactions conducted through the local banking system, and usually reflect conditions prevailing up to a full quarter earlier. Thus the drop reported during the third quarter largely reflects the decline in activity during the second quarter.

Tourism activity during the first eight months of the year was broadly in line with that reported during July and August. Both arrivals and earnings were marginally lower than in the corresponding period of 2000. The German, Benelux and Libyan markets were responsible for a large part of the decline, and more than offset the increases in arrivals from Russia, the UK, France and Italy. At the same time, cruise passenger arrivals were up by more than 50% compared with the same period last year.

Accommodation data indicate that the average length of stay rose to 9.5 days during the period, up from 8.3 days during the corresponding period last year. The number of days stayed, in fact, increased by nearly a million, or 13%. Approximately half of this rise involved tourists staying in private residences. Three- and four-star hotels also registered a substantial improvement in occupancy levels, while five-star hotels, which reported a slowdown in activity in July and August, nevertheless reported that occupancy remained above last year’s level.
Central Bank of Malta, Quarterly Review, December 2001

Box 2: BUSINESS PERCEPTIONS SURVEY

Introduction
The Central Bank of Malta’s latest business perceptions survey points to a contraction in turnover during the third quarter of 2001, with respondents from all sectors reporting below normal activity levels for the third consecutive quarter. Overall, business sentiment has become increasingly negative as the deepening global slowdown takes its toll on the Maltese economy. Indeed, as the survey was conducted in the immediate aftermath of the terrorist attacks on the US, it is not surprising that respondents showed an increased pessimism in their outlook for the following six months.

Business Sentiment and Short-term Expectations
Business optimism appeared to be at its lowest level in three years, as, for the fourth consecutive quarter, an increasing number of respondents expressed the view that the Maltese economy was unlikely to recover before the international economic environment improved. The general pessimism, portrayed in Chart 1, followed disappointing performances by firms during the September quarter, when the unforeseeable developments in the international sphere resulted in worse out-turns than originally projected. Export-oriented businesses were the worst hit, but even locally-oriented firms increasingly faced adverse conditions from the knock-on effects of developments abroad. As a result, many respondents revised their expectations for the fourth quarter downwards.

Activity Levels – Third Quarter 2001
Export-oriented Sectors
The terrorist attacks on the US clearly exacerbated the international economic slowdown, postponing the recovery in Malta’s main export markets further. Thus, contrary to what firms had originally forecast, there was a drop in export sales which reduced the profitability of export-oriented businesses and led to an accumulation of unsold stocks. Firms in the electronics, clothing & footwear, and paper & printing sub-sectors reported lower-than-expected sales, while firms in the food & beverages and clothing & footwear sub-sectors reported a build-up of unsold stocks.

---

1 The survey was undertaken between October and December 2001. It covers a sample of 146 firms (including the leading firm in the electronics sector), employing 17,328 workers, with an aggregate annual turnover of Lm451 million. This includes Lm229 million in local sales and Lm222 million in export sales.
The proportion of exporters operating below normal levels during the September quarter was higher than in the June quarter. In fact, as can be seen from Chart 2, activity in the tourism sector slowed down sharply, while the export-oriented manufacturing sectors also reported below-normal activity levels. Firms in the electronics and chemical industries under-performed, and this was only partially offset by an increase in activity in other sub-sectors. Overall, therefore, the quarter was negative for the export-oriented sectors.

Nevertheless, firms were in general able to sustain employment levels in spite of weak external demand. As regards the fourth quarter, however, the export-oriented sectors remained concerned that subdued international demand may lead to further falls in sales and narrower profit margins, with some firms not excluding job cuts if the situation were to worsen further.

**Locally-oriented Sectors**

Locally-oriented firms, particularly those in the furniture, paper & printing and travel sectors, reported lower than expected sales during the third quarter. Responses on activity levels were mixed. As Chart 3a shows, while manufacturing firms generally continued to operate at levels significantly below normal, a marginal improvement was noted as some firms in the food and beverages sub-sector raised production back to normal levels. In contrast, activity in the distributive trades slowed down sharply, mainly reflecting a drop in imports of consumer goods. At the same time, as Chart 3b shows, there was some pick-up in construction activity, though this was probably magnified by the inclusion in the survey sample of a leading firm that had not participated in the previous survey. Meanwhile, lower activity in professional services was the main factor behind a fall in activity in the services sub-sector.

Responses to the survey suggested that locally-oriented businesses were not anticipating any turnaround during the fourth quarter. There were thus concerns regarding employment levels and these were highest among firms in the food & beverages, furniture, travel and financial services sectors. On the other hand, construction firms and suppliers of industrial services were planning to expand their labour force in view of sector-specific developments.

**Conclusion**

The results of the Bank’s latest business perceptions survey suggest that, in the short-term at least, the outlook for export-oriented

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2 The increase in output may, however, have led to the build-up of stocks noted earlier.
businesses, both in manufacturing and in tourism, is clouded by uncertainties as a result of adverse international economic conditions. Following the September events, moreover, fears that economic recovery abroad was likely to be further delayed appear to have intensified. As a result, most respondents were pessimistic about the business outlook and this had a negative impact on their investment and employment plans. Some domestically-oriented sectors, however, notably construction and industrial services, expected to go against the general negative trend as work on some major projects is expected to gather momentum.
4. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

The current account of the balance of payments moved into surplus during the September quarter, reflecting developments in both the merchandise trade and the services account. The overall balance also ended the quarter in surplus, resulting in an increase of Lm44.8 million in the official reserves.

### Table 4.1

**BALANCE OF INTERNATIONAL PAYMENTS**

<table>
<thead>
<tr>
<th></th>
<th>July- Sept.</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Credit</td>
<td>Debit</td>
<td>Credit</td>
</tr>
<tr>
<td><strong>Current account balance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and services</td>
<td>431.7</td>
<td>441.7</td>
<td>363.8</td>
</tr>
<tr>
<td>Goods balance</td>
<td>62.8</td>
<td></td>
<td>54.1</td>
</tr>
<tr>
<td>Goods</td>
<td>273.7</td>
<td>336.5</td>
<td>204.3</td>
</tr>
<tr>
<td>Services balance</td>
<td>52.8</td>
<td>61.4</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>158.0</td>
<td>105.1</td>
<td>159.4</td>
</tr>
<tr>
<td>Transport</td>
<td>43.3</td>
<td>55.2</td>
<td>49.8</td>
</tr>
<tr>
<td>Travel</td>
<td>91.1</td>
<td>28.2</td>
<td>89.8</td>
</tr>
<tr>
<td>Other services</td>
<td>23.5</td>
<td>21.8</td>
<td>19.8</td>
</tr>
<tr>
<td>Income (net)</td>
<td>3.1</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>0.9</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Investment income</td>
<td>108.2</td>
<td>105.2</td>
<td>70.5</td>
</tr>
<tr>
<td>Current transfers (net)</td>
<td>1.6</td>
<td></td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Capital and financial account balance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital account balance</td>
<td>0.3</td>
<td></td>
<td>0.1</td>
</tr>
<tr>
<td>Financial account balance</td>
<td>16.0</td>
<td></td>
<td>2.0</td>
</tr>
<tr>
<td>Direct investment</td>
<td>24.6</td>
<td></td>
<td>19.3</td>
</tr>
<tr>
<td>Abroad</td>
<td>3.1</td>
<td></td>
<td>1.2</td>
</tr>
<tr>
<td>In Malta</td>
<td>27.7</td>
<td></td>
<td>18.1</td>
</tr>
<tr>
<td>Portfolio investment</td>
<td>49.4</td>
<td></td>
<td>139.6</td>
</tr>
<tr>
<td>Assets</td>
<td>50.4</td>
<td></td>
<td>143.2</td>
</tr>
<tr>
<td>Liabilities</td>
<td>1.0</td>
<td></td>
<td>3.6</td>
</tr>
<tr>
<td>Other investment</td>
<td>64.4</td>
<td>201.7</td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>531.1</td>
<td>314.0</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td>466.7</td>
<td></td>
<td>112.4</td>
</tr>
<tr>
<td>Reserve assets</td>
<td>6.4</td>
<td></td>
<td>44.8</td>
</tr>
<tr>
<td>Net errors and omissions</td>
<td>10.5</td>
<td></td>
<td>4.5</td>
</tr>
</tbody>
</table>

1 Provisional

*Source: National Statistics Office*
Meanwhile, the Maltese lira’s appreciation against the euro during the first half of the year was reversed during the quarter. This reflected the foreign exchange market developments outlined earlier, which, during the quarter reviewed, also caused the lira to gain ground against the US dollar, sterling and the Japanese yen.

The Current Account

The current account ended the September quarter in surplus by Lm6.6 million, compared with a Lm5.3 million deficit in the same quarter of 2000. As can be seen from Table 4.1, this reflected both a narrowing of the merchandise trade gap and a widening of the surplus on the services account when compared with a year ago.

Merchandise Trade

During the quarter under review, the merchandise trade gap contracted by Lm8.8 million from the year-ago level, as imports declined by Lm78.2 million while exports were down by Lm69.4 million. These developments mainly reflected an inventory correction by local manufacturing firms, particularly those in the electronics subsector, in response to the current global economic slowdown. In fact, the decline in imports mainly reflected lower purchases of industrial supplies and capital goods – which more than offset a 6.6% rise in imports of consumer goods.

Services and Investments Income

The surplus on the services account rose by Lm8.5 million when compared with the same quarter of 2000. This was almost wholly attributable to a sharp improvement in the transportation account, which swung into a surplus of Lm5.1 million from the Lm11.8 million deficit recorded in the third quarter of 2000. This improvement, in turn, mainly reflected lower freight costs as a result of the decline in imports.

### Table 4.2

**MERCHANDISE TRADE**

*(based on Customs data)*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer goods</td>
<td>65.1</td>
<td>69.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Industrial supplies</td>
<td>218.4</td>
<td>135.9</td>
<td>-82.5</td>
</tr>
<tr>
<td>Capital goods and others</td>
<td>57.8</td>
<td>47.8</td>
<td>-10.0</td>
</tr>
<tr>
<td>Fuel and lubricants</td>
<td>26.9</td>
<td>28.0</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>247.0</td>
<td>174.8</td>
<td>-72.2</td>
</tr>
<tr>
<td>Re-exports</td>
<td>24.4</td>
<td>27.6</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Trade balance</strong></td>
<td>-96.8</td>
<td>-78.7</td>
<td>18.1</td>
</tr>
</tbody>
</table>

*Source: National Statistics Office*

1 Compiled on an accrual basis
although receipts in conjunction with an aircraft leasing agreement also contributed. The travel account also improved slightly, though this was almost entirely attributable to a decline in expenditure on foreign travel by Maltese residents. In contrast, other services recorded a deficit of Lm9.4 million during the quarter, as against a Lm1.7 million surplus in the comparable period of 2000. This was attributable to higher advertising outlays by the tourist industry and to

### Table 4.3

**BALANCE OF INTERNATIONAL PAYMENTS**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Credit</td>
<td>Debit</td>
</tr>
<tr>
<td><strong>Current account balance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and services</td>
<td>1160.8</td>
<td>1059.9</td>
</tr>
<tr>
<td>Goods balance</td>
<td>196.9</td>
<td>159.9</td>
</tr>
<tr>
<td>Goods</td>
<td>784.9</td>
<td>680.2</td>
</tr>
<tr>
<td>Services Balance</td>
<td>88.8</td>
<td>117.2</td>
</tr>
<tr>
<td>Services</td>
<td>375.9</td>
<td>379.7</td>
</tr>
<tr>
<td>Transport</td>
<td>104.8</td>
<td>113.7</td>
</tr>
<tr>
<td>Travel</td>
<td>206.2</td>
<td>205.2</td>
</tr>
<tr>
<td>Other services</td>
<td>64.8</td>
<td>60.8</td>
</tr>
<tr>
<td>Income (net)</td>
<td>11.9</td>
<td>14.3</td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>2.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Investment income</td>
<td>342.5</td>
<td>366.3</td>
</tr>
<tr>
<td>Current transfers (net)</td>
<td>6.4</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Capital and financial account balance</strong></td>
<td>92.3</td>
<td>22.7</td>
</tr>
<tr>
<td>Capital account balance</td>
<td>4.8</td>
<td>0.4</td>
</tr>
<tr>
<td>Financial account balance</td>
<td>87.6</td>
<td>22.3</td>
</tr>
<tr>
<td>Direct investment</td>
<td>66.5</td>
<td>93.3</td>
</tr>
<tr>
<td>Abroad</td>
<td>7.0</td>
<td>1.1</td>
</tr>
<tr>
<td>In Malta</td>
<td>73.6</td>
<td>92.2</td>
</tr>
<tr>
<td>Portfolio investment</td>
<td>14.5</td>
<td>26.9</td>
</tr>
<tr>
<td>Assets</td>
<td>12.9</td>
<td>118.6</td>
</tr>
<tr>
<td>Liabilities</td>
<td>1.5</td>
<td>8.3</td>
</tr>
<tr>
<td>Other investment</td>
<td>9.4</td>
<td>8.5</td>
</tr>
<tr>
<td>Assets</td>
<td>323.3</td>
<td>1154.5</td>
</tr>
<tr>
<td>Liabilities</td>
<td>313.8</td>
<td>1163.0</td>
</tr>
<tr>
<td>Reserve assets</td>
<td>45.0</td>
<td>47.3</td>
</tr>
<tr>
<td>Net errors and omissions</td>
<td>2.5</td>
<td>56.3</td>
</tr>
</tbody>
</table>

1 Provisional

*Source: National Statistics Office*
larger payments on royalties.

Partly offsetting the improvement in the merchandise trade and services accounts, the balances on income and current transfers deteriorated, by Lm1.4 million and Lm4 million, respectively. The drop in net income from abroad reflected lower net receipts of interest by financial institutions, while the shortfall in current transfers resulted from lower private inward transfers.

The Capital and Financial Account

After excluding movements in the official reserves, capital and financial account transactions resulted in a net inflow of Lm42.7 million during the September quarter, as against one of Lm9.3 million in the comparable quarter of 2000. Sales of assets by the monetary sector, which generated net inflows of Lm38.4 million, were mainly responsible for this development. The non-monetary sector, however, also contributed to the capital and financial account surplus, registering net receipts of Lm4.3 million, as against a net outflow of equal magnitude in the September quarter of 2000. This turnaround was wholly attributable to developments in trade credit, where domestic firms increased their claims on firms abroad while foreign firms reduced their indebtedness to local firms. Partly offsetting the net inflows from trade credit were higher direct investment outflows, reflecting a drop in reinvested earnings and in claims on parent companies by their local subsidiaries. Meanwhile, reflecting the surplus on the current account and the net inflows on the capital and financial account, the official reserves rose by Lm44.8 million during the quarter.

Year-to-Date Balance of Payments Developments

As Table 4.3 shows, the current account deficit narrowed to Lm33.6 million during the nine months to September, from Lm89.8 million in the corresponding period of 2000. The major factor behind the improved performance was the narrower merchandise trade gap, though an

<table>
<thead>
<tr>
<th>Table 4.4 MERCHANDISE TRADE (based on Customs data)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Imports</strong></td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>Consumer goods</td>
</tr>
<tr>
<td>1078.1</td>
</tr>
<tr>
<td>Industrial supplies</td>
</tr>
<tr>
<td>623.4</td>
</tr>
<tr>
<td>Capital goods and others</td>
</tr>
<tr>
<td>177.4</td>
</tr>
<tr>
<td>Fuel and lubricants</td>
</tr>
<tr>
<td>76.6</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
</tr>
<tr>
<td>774.8</td>
</tr>
<tr>
<td>Domestic</td>
</tr>
<tr>
<td>702.6</td>
</tr>
<tr>
<td>Re-exports</td>
</tr>
<tr>
<td>72.2</td>
</tr>
<tr>
<td><strong>Trade balance</strong></td>
</tr>
<tr>
<td>-303.3</td>
</tr>
</tbody>
</table>

Source: National Statistics Office
improved services balance also contributed.

Indeed, the merchandise trade gap narrowed by Lm37 million over the period, as lower purchases of industrial supplies and capital goods led to a 15% drop in imports which was only partly offset by lower exports.

Services also contributed significantly to the improved current account performance, though this too was linked to the drop in merchandise imports. Thus, the Lm28.4 million increase in net receipts from services recorded during the period largely reflected higher net receipts from transportation. This, in turn, mainly reflected lower freight costs on account of the decline in merchandise imports, though an increase in net receipts from other transportation services also contributed. The travel account registered an improvement of Lm4.1 million, as a decline in expenditure on foreign travel by Maltese residents outweighed a Lm1 million drop in earnings from incoming tourism. The improvement in the transportation and travel accounts was, however, partly offset by net payments for other services, which on their part reflected the third quarter developments noted above.

Meanwhile, after excluding movements in the official reserves, net inflows on the capital and financial account were down to Lm24.7 million. This drop was wholly attributable to the non-monetary sector, mainly to direct investment outflows in the form of an increase in claims by a domestic subsidiary on its overseas parent, though lower trade credits also contributed substantially. By contrast, the monetary sector recorded net inflows of Lm63.1 million – an increase of Lm41.5 million over the comparable period of the previous year.

At the same time, notwithstanding an overall balance of payments deficit of Lm8.9 million, the official reserves rose by Lm47.3 million during the nine months to September 2001, with most of the increase taking place during the third quarter. The discrepancy is accounted for by statistical errors and omissions.

<table>
<thead>
<tr>
<th>Period</th>
<th>Euro</th>
<th>US$</th>
<th>Stg</th>
<th>Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average for Qtr. 3 2001</td>
<td>2.4876</td>
<td>2.2150</td>
<td>1.5403</td>
<td>269.3</td>
</tr>
<tr>
<td>Average for Qtr. 3 2000</td>
<td>2.4825</td>
<td>2.2483</td>
<td>1.5217</td>
<td>241.9</td>
</tr>
<tr>
<td>% Change</td>
<td>0.2</td>
<td>-1.5</td>
<td>1.2</td>
<td>11.3</td>
</tr>
<tr>
<td>Closing rate on 28.09.2001</td>
<td>2.4673</td>
<td>2.2545</td>
<td>1.5368</td>
<td>269.2</td>
</tr>
<tr>
<td>Closing rate on 28.06.2001</td>
<td>2.5328</td>
<td>2.1525</td>
<td>1.5283</td>
<td>268.6</td>
</tr>
<tr>
<td>% change</td>
<td>-2.6</td>
<td>4.7</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td>High for Qtr. 3</td>
<td>2.5498</td>
<td>2.2753</td>
<td>1.5623</td>
<td>274.5</td>
</tr>
<tr>
<td>(July 06)</td>
<td>(Sept. 17)</td>
<td>(Aug. 14)</td>
<td>(Aug. 01)</td>
<td></td>
</tr>
<tr>
<td>% change from average</td>
<td>2.5</td>
<td>2.7</td>
<td>1.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Low for Qtr. 3</td>
<td>2.4493</td>
<td>2.1330</td>
<td>1.5194</td>
<td>262.0</td>
</tr>
<tr>
<td>(Sept. 20)</td>
<td>(July 06)</td>
<td>(July 03)</td>
<td>(Sept. 24)</td>
<td></td>
</tr>
<tr>
<td>% change from average</td>
<td>-1.5</td>
<td>-3.7</td>
<td>-1.4</td>
<td>-2.7</td>
</tr>
</tbody>
</table>
The Maltese Lira

During the quarter reviewed, movements in the Maltese lira’s exchange rate were characterised by a reversal of the trends observed during the June quarter, when the lira had strengthened against the euro and lost ground against the other major currencies. In fact, during the September quarter, the lira weakened by 2.6% against the euro and strengthened by 4.7%, 0.6% and 0.2% against the dollar, the pound sterling and the yen, respectively, as Table 4.5 shows. These movements mainly reflected the recovery of the European unit against the dollar on international currency markets.

Over the twelve months to September, however, the Maltese lira remained relatively stable against the euro, though it strengthened considerably against the yen and to a lesser extent against sterling. At the same time it lost 1.5% of its value against the persistently strong US dollar.

Chart 4.2 depicts developments in the Nominal Effective Exchange Rate (NEER) and the Real Effective Exchange Rate (REER) indices for the lira, which are indicators of external competitiveness. This shows that during the third quarter of 2001 the NEER index declined, while the REER index continued to rise. Indeed, whereas the NEER index declined by 0.69% on the previous quarter, the REER index rose by 0.89%.

The decline in the NEER index reflected the weakening of the Maltese lira against the euro during the quarter reviewed, whilst the further rise of the REER index reflected the higher rate of domestic inflation relative to Malta’s main trading partners and competitors.

Over the twelve months to September, the effect of higher domestic inflation on the REER index was even more pronounced, with the index rising by 2.9%. Over the same period, the NEER index rose by 0.75%, mainly reflecting the strengthening of the Maltese lira against the pound sterling.

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2 The NEER index is based on a trade-weighted average of changes in the exchange rate of the lira against the currencies of Malta’s major competitor countries, including its trading partners. A fall in the index represents a depreciation of the lira’s average exchange rate, and vice-versa.

3 The REER index is derived by adjusting the NEER index for relative movements in consumer prices. A fall in the index implies a gain in Malta’s competitiveness and vice-versa.
5. GOVERNMENT FINANCE

During the September quarter fiscal operations resulted in a deficit of Lm27.5 million, compared with Lm23.9 million in the same quarter of 2000. The fiscal deficit for the first nine months of 2001 thus reached Lm81.5 million, up by Lm19.3 million on the year-ago figure, as the increase in recurrent expenditure surpassed that of ordinary revenue while capital expenditure was also up from the previous year’s level.

Revenue

During the nine months to September, Government revenue rose by 5.5% to Lm424.8 million, as Table 5.1 shows. The increase resulted from a substantial rise in direct taxation receipts coupled with moderate increases in indirect tax and non-tax revenues.

Revenue from direct taxes, at Lm192.5 million, was Lm14.6 million higher than in the same period last year. This increase was brought about by higher income tax receipts and a rise in social security contributions, as the Table shows.

Indirect taxation contributed Lm174.3 million to the Government’s ordinary revenue during the period. Revenue from VAT, at Lm83.3 million, was 7.5%, higher than in the comparable period last year, while a Lm0.8 million increase was also recorded in revenue from licences, taxes and fines. These increases were, however, partly offset by a 6.7% decline in revenue from customs and excise duties, which was in part brought about by a delay in the payment of duty to the Government by Enemalta Corporation.

A Lm4.9 million increase in receipts from sources other than the Central Bank boosted non-tax revenue. This mainly reflected higher rents, fees of office and profits from the sale of lottery tickets.

Expenditure

Total Government expenditure during the nine months to September was up by Lm41.4 million, or 8.9%, from year-ago levels, with capital expenditure accounting for more than a quarter of the increase. Recurrent expenditure, at Lm437.1 million, was up by Lm30.5 million.

Expenditure on personal emoluments, which rose by Lm17.7 million, was the main factor behind the increase in outlays reported by those ministries with the larger payrolls – such as Education and Health. In contrast, expenditure on operations and maintenance was down by Lm2.7 million. The latter partly reflected lower costs of materials and supplies (mainly pharmaceuticals) and partly lower transport costs due to the change in the status of imprest drivers to regular employees with the civil service (a change which also contributed to the increase in expenditure on personal emoluments). Expenditure on programmes and initiatives went up by Lm10.3 million, or 5.8%, as higher outlays on welfare programmes outweighed the one-off payment in compensation for the removal of bread subsidies incurred last year. Contributions to Government entities rose by Lm2.4 million on year-ago levels, while interest payments were up by Lm2.7 million, or 6.4%, primarily because of higher Treasury bill servicing costs.

Capital expenditure rose by Lm10.9 million from the previous year’s level, with the greater part of the increase being channelled to the Health and Economic Services Ministries. Capital spending on health, in particular, rose by Lm4.4 million, driven mainly by expenditure on the new hospital, while the higher outlays by the Economic Services Ministry mainly reflected the incorporation of Malta Freeport’s debt servicing costs into the consolidated fund.

Government Debt and Financing Operations

During the September quarter, Government financing transactions included the issue of Lm21.7 million worth of stocks and Lm8.2 million
worth of Treasury bills. The Government also added Lm12 million to its deposits with the banking system and reduced its outstanding foreign debt by Lm0.9 million. As in the previous two quarters, no sales of public assets took place during the quarter reviewed.

At the end of September the Gross Public Debt stood at Lm1003.2 million, up by Lm103 million from the previous year’s level. Malta Government...
Stocks and Treasury bills accounted for 78.9% and 17.5% of the total debt, respectively, while foreign loans made up the remaining 3.6%.

Table 5.2
GOVERNMENT DEBT AND FINANCING OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th></th>
<th></th>
<th>2001</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Qtr. 3</td>
<td>Qtr. 4</td>
<td>Qtr. 1</td>
<td>Qtr. 2</td>
<td>Qtr. 3</td>
<td></td>
</tr>
<tr>
<td>Fiscal Balance</td>
<td>-23.8</td>
<td>-30.7</td>
<td>-31.7</td>
<td>-22.3</td>
<td>-27.5</td>
<td></td>
</tr>
<tr>
<td>Financed by¹:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in MGS outstanding</td>
<td>0.0</td>
<td>0.0</td>
<td>30.0</td>
<td>27.3</td>
<td>21.7</td>
<td></td>
</tr>
<tr>
<td>Increase in foreign loans</td>
<td>0.0</td>
<td>-3.2</td>
<td>-0.4</td>
<td>-1.8</td>
<td>-0.9</td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>0.0</td>
<td>3.4</td>
<td>0.0</td>
<td>0.1</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Sinking funds of converted loans</td>
<td>0.0</td>
<td>10.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Increase in Treasury bills outstanding</td>
<td>19.5</td>
<td>28.0</td>
<td>4.8</td>
<td>-10.8</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Decrease in Government deposits</td>
<td>17.7</td>
<td>14.5</td>
<td>14.2</td>
<td>18.9</td>
<td>-12.0</td>
<td></td>
</tr>
<tr>
<td>Net cash movement and other funds ²</td>
<td>-13.4</td>
<td>-22.7</td>
<td>11.5</td>
<td>-11.4</td>
<td>10.1</td>
<td></td>
</tr>
<tr>
<td>Gross Public Debt</td>
<td>900.2</td>
<td>925.0</td>
<td>959.4</td>
<td>974.2</td>
<td>1003.2</td>
<td></td>
</tr>
<tr>
<td>Malta Government Stocks</td>
<td>712.7</td>
<td>712.7</td>
<td>742.7</td>
<td>770.0</td>
<td>791.7</td>
<td></td>
</tr>
<tr>
<td>Treasury bills</td>
<td>145.0</td>
<td>173.0</td>
<td>177.8</td>
<td>167.1</td>
<td>175.3</td>
<td></td>
</tr>
<tr>
<td>Foreign loans</td>
<td>42.5</td>
<td>39.3</td>
<td>38.9</td>
<td>37.1</td>
<td>36.2</td>
<td></td>
</tr>
</tbody>
</table>

¹ Negative figures indicate an application of funds, meaning that Government would also have to finance these transactions in addition to the deficit during the quarter.

² This figure represents the difference between the fiscal balance and the sources of financing utilised during the quarter.

A positive figure indicates a shortfall in financing, while a negative figure indicates overfinancing during the quarter.

Source: The Treasury and Central Bank of Malta estimates
6. MONETARY AND FINANCIAL DEVELOPMENTS

During the September quarter the Central Bank of Malta eased its monetary policy stance, lowering official interest rates by a quarter of a percentage point and announcing a reduction in the reserve requirement ratio. The cut in official interest rates had an immediate impact on money market interest rates, though Treasury bill yields were initially unaffected. In the capital market, Government bond yields also remained stable, though equity prices continued to decline.

Broad money expanded less rapidly during the quarter, with the issue of Government stocks on the primary market denting monetary expansion. The net foreign assets of the banking system continued to recover, while domestic credit expanded further, mainly as a result of the debiting of interest charges to loan accounts. Underlying credit growth remained subdued.

The Monetary Base

The monetary base, M0, consists of currency in issue and banks’ deposits with the Central Bank, except term deposits. M0 increased for the second consecutive quarter, adding Lm8.7 million, or 1.6%, during the quarter reviewed, entirely as a result of increased reserve and overnight deposits with the Central Bank. Consequently, the annual rate of growth of the monetary base accelerated to 3.3% in September from 1.9% in June.

Table 6.1 shows movements in the Central Bank’s assets and in its remaining liabilities, which can be used to explain the change in the monetary base. All else being equal, an increase in the Bank’s assets brings about an expansion in M0, whereas an addition to the Bank’s remaining liabilities causes the monetary base to contract. During the quarter reviewed, the increase in the monetary base largely reflected the continued recovery in the Central Bank’s foreign assets, which expanded by Lm44.7 million. This rise outweighed a Lm35.6 million drop in the Bank’s net claims on

<table>
<thead>
<tr>
<th>Table 6.1</th>
<th>THE MONETARY BASE AND ITS SOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 2001</td>
</tr>
<tr>
<td>Currency in issue</td>
<td>429.7</td>
</tr>
<tr>
<td>Banks’ deposits with the Central Bank</td>
<td>129.4</td>
</tr>
<tr>
<td><strong>MONETARY BASE</strong></td>
<td><strong>559.1</strong></td>
</tr>
<tr>
<td>Foreign assets</td>
<td>647.9</td>
</tr>
<tr>
<td>Claims on Government</td>
<td>37.5</td>
</tr>
<tr>
<td>Fixed and other assets</td>
<td>80.6</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>REMAINING LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Government deposits</td>
<td>51.9</td>
</tr>
<tr>
<td>Other deposits</td>
<td>10.1</td>
</tr>
<tr>
<td>Foreign liabilities</td>
<td>2.9</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>52.9</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>89.1</td>
</tr>
</tbody>
</table>
Government, while changes in the Bank’s fixed and other assets and in its remaining liabilities broadly cancelled out.

**Monetary Aggregates**

Broad money, M3, expanded less rapidly during the September quarter, as the issue of Government stocks on the primary market in August offered savers an attractive alternative to monetary assets. In fact, as Table 6.2 shows, M3 rose by Lm35.1 million, or 1.3%, compared with 2.3% during the previous quarter. Whereas households continued to add to their holdings of bank deposits, public sector enterprises and private firms reduced theirs. Nevertheless, as Chart 6.1 shows, the annual rate of growth of broad money accelerated slightly, rising by half a percentage point to 7.5% in September.

Narrow money, M1, continued to expand, rising by Lm14.1 million, or 2.2%, during the quarter. However, this increase was smaller than that recorded during the corresponding quarter last year. As a result, the annual rate of growth of M1, which is shown in Chart 6.1, decelerated further, dropping from 7.8% in June to 5.3% in September.

Following a sharp gain during the June quarter, currency in circulation expanded at a more measured pace during the quarter reviewed, adding just Lm2.2 million, or 0.5%. Although the annual rate of growth of currency in circulation slowed down to 5% in September, it remained high by historical standards. Falling, or more volatile, expected returns on alternative assets might have raised the demand for cash since the beginning of the year. Demand deposits, which are the other component of M1, recovered after having registered a small fall during the previous quarter and accounted for most of the increase in narrow money during the quarter reviewed. In fact, demand deposits added Lm11.9 million, with both households and private firms building up their current account balances. Nevertheless, the quarter’s increase in such balances masked wide fluctuations, as they rose in July, fell in August – when Government stocks were issued on the primary market – and recovered in September.

Quasi-money expanded by Lm21 million, or 1%, during the quarter reviewed, which was less than half the increase recorded during the previous quarter. Nevertheless, as quasi-money had contracted during the corresponding quarter last year, its annual rate of growth accelerated further, as Chart 6.1 shows, rising from 6.7% in June to 8.2% in September. Foreign currency savings and time deposits rose by Lm2.3 million and Lm8.8 million, respectively, and between them accounted for over half the quarterly increase in quasi-money.

Despite recording the smallest quarterly rise of the year, time deposits accounted for almost the entire increase in quasi-money, expanding by Lm20.4 million, or 1.5%, during the quarter. Whereas households’ time deposits continued to expand at a faster pace, accounting for the entire quarterly addition, those belonging to private firms and public sector enterprises contracted, with the latter falling sharply. Deposits with a term to maturity of one year accounted for all the increase. In contrast with the rapid growth registered during the previous quarter, savings deposits hardly rose during the quarter reviewed, putting
on just Lm0.6 million as a drop in corporate deposits largely offset an increase in deposits belonging to households.

Counterparts to Monetary Growth

Domestic credit expanded by Lm48.5 million, or 2.1%, to Lm2,326.8 million during the quarter reviewed as both net claims on Government and claims on the private and parastatal sectors rose. Credit fluctuated considerably during the quarter, dropping in August when net claims on Government contracted and increasing in September, when banks charged six months’ interest to borrowers’ loan accounts. The annual rate of credit growth, which had accelerated during the previous quarter, fell back during the quarter reviewed, shedding more than half a percentage point to 8.9% in September.

Net claims on Government expanded for the fifth consecutive quarter, adding Lm20.1 million, or 4.3%. The increase, which was the smallest recorded this year, was driven by growth in banks’ holdings of Government securities, especially Treasury bills. The issue of Government stocks on the primary market in August boosted Government deposits with the Central Bank, dampening growth in net claims on Government. Nevertheless, the annual rate of growth of net claims on Government rose further, ending the quarter at 31.8%.

Although claims on the private and parastatal sectors recovered from the drop recorded during the June quarter, this reflected the interest charges referred to earlier. In fact, while claims on the private and parastatal sectors added Lm28.4 million, or 1.6%, as Table 6.3 shows, the entire rise came in September. Underlying credit growth remained weak, possibly reflecting the broader slowdown in economic activity. Thus, as Chart 6.2 shows, the annual rate of growth of claims on the private and parastatal sectors continued to decelerate, dropping to 4.2% in September, its lowest value in ten years.

1 i.e. Foreign currency deposits, including external Maltese lira deposits.

### Table 6.2

**MONETARY AGGREGATES**

(Changes on the previous quarter)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Qtr. 3</td>
<td>Qtr. 4</td>
</tr>
<tr>
<td></td>
<td>Amount %</td>
<td>Amount %</td>
</tr>
<tr>
<td>1. NARROW MONEY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency in circulation</td>
<td>5.9   1.5</td>
<td>2.5   0.6</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>21.2 11.0</td>
<td>-16.0 -7.5</td>
</tr>
<tr>
<td>2. QUASI-MONEY</td>
<td>-7.0 -0.4</td>
<td>53.3 2.8</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>-17.5 -2.8</td>
<td>22.7 3.7</td>
</tr>
<tr>
<td>of which FCDs¹</td>
<td>-8.0 -6.3</td>
<td>4.5 3.8</td>
</tr>
<tr>
<td>Time deposits</td>
<td>10.5  0.8</td>
<td>30.6 2.4</td>
</tr>
<tr>
<td>of which FCDs¹</td>
<td>7.1  8.7</td>
<td>3.0 3.4</td>
</tr>
<tr>
<td>3. BROAD MONEY</td>
<td>20.1  0.8</td>
<td>39.7 1.6</td>
</tr>
</tbody>
</table>

¹ i.e. Foreign currency deposits, including external Maltese lira deposits.

1 As noted in the following Chapter, not all the interest due was charged to borrowers’ loan accounts during the quarter.
Loans and advances, including discounted bills, accounted for the entire increase in claims on the private and parastatal sectors, rising by Lm29.1 million, or 1.7%. The data available indicate that credit to public sector enterprises declined during the quarter, despite interest charges, while credit to the private sector expanded. One bank’s reclassifications of its loan portfolio resulted in sharp swings in the reported breakdown of credit to the various categories of borrower. Bearing this caveat in mind, the data indicate that credit to manufacturing industry and to the personal sector accounted for much of the increase in total loans.

### Table 6.3
COUNTERPARTS TO MONETARY GROWTH
(Changes on the previous quarter)

<table>
<thead>
<tr>
<th></th>
<th>2000 Qtr. 3</th>
<th>2000 Qtr. 4</th>
<th>2001 Qtr. 1</th>
<th>2001 Qtr. 2</th>
<th>2001 Qtr. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
</tr>
<tr>
<td><strong>BROAD MONEY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1. DOMESTIC CREDIT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Net claims on Govt.</td>
<td>0.9</td>
<td>0.2</td>
<td>45.3</td>
<td>12.4</td>
<td>23.5</td>
</tr>
<tr>
<td>Central Bank</td>
<td>-16.8</td>
<td>-3.6</td>
<td>30.8</td>
<td>6.8</td>
<td>37.7</td>
</tr>
<tr>
<td>Banks</td>
<td>-17.2</td>
<td>-3.7</td>
<td>28.6</td>
<td>6.4</td>
<td>29.3</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government deposits¹</td>
<td>-17.7</td>
<td>-17.4</td>
<td>-14.5</td>
<td>-17.3</td>
<td>14.2</td>
</tr>
<tr>
<td>Central Bank</td>
<td>-16.4</td>
<td>-19.4</td>
<td>-12.2</td>
<td>-17.9</td>
<td>13.8</td>
</tr>
<tr>
<td>Banks</td>
<td>-1.3</td>
<td>-7.4</td>
<td>-2.3</td>
<td>-14.7</td>
<td>0.4</td>
</tr>
<tr>
<td>b) Claims on private and parastatal sectors</td>
<td>56.7</td>
<td>3.3</td>
<td>2.4</td>
<td>0.1</td>
<td>53.7</td>
</tr>
<tr>
<td><strong>2. NET FOREIGN ASSETS</strong></td>
<td>-9.7</td>
<td>-1.0</td>
<td>-2.8</td>
<td>-0.3</td>
<td>-109.6</td>
</tr>
<tr>
<td>Central Bank</td>
<td>-5.9</td>
<td>-0.8</td>
<td>-53.4</td>
<td>-7.7</td>
<td>-15.6</td>
</tr>
<tr>
<td>Banks</td>
<td>-3.9</td>
<td>-1.4</td>
<td>50.6</td>
<td>18.1</td>
<td>-94.0</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3. OTHER ITEMS (NET)</strong></td>
<td>27.7</td>
<td>4.7</td>
<td>5.2</td>
<td>0.9</td>
<td>-85.2</td>
</tr>
</tbody>
</table>

¹ Includes Sinking Fund and other Treasury Clearance Fund investments which are generally not readily available for liquidity purposes.

Loans and advances, including discounted bills, accounted for the entire increase in claims on the private and parastatal sectors, rising by Lm29.1 million, or 1.7%. The data available indicate that credit to public sector enterprises declined during the quarter, despite interest charges, while credit to the private sector expanded. One bank’s reclassifications of its loan portfolio resulted in sharp swings in the reported breakdown of credit to the various categories of borrower. Bearing this caveat in mind, the data indicate that credit to manufacturing industry and to the personal sector accounted for much of the increase in total loans.
loans and advances, adding Lm18.8 million and Lm22.7 million, respectively, as Table 6.4 shows. At the same time, bank lending to the “other services” sector contracted by Lm24.6 million.  

The net foreign assets of the banking system expanded further during the quarter reviewed, adding Lm17.1 million, or 1.7%, as the recovery in the Central Bank’s external reserves continued. As a result, the annual rate of growth of the banking system’s net foreign assets turned positive, as Chart 6.3 shows, swinging from just below zero in June to 2.6% in September.

Conversely, the net foreign assets of the rest of

<table>
<thead>
<tr>
<th>Table 6.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREDIT TO SELECTED CATEGORIES OF BORROWER</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Energy and water</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
</tr>
<tr>
<td>Agriculture and fisheries</td>
</tr>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Building and construction</td>
</tr>
<tr>
<td>Tourism</td>
</tr>
<tr>
<td>Wholesale and retail</td>
</tr>
<tr>
<td>Personal</td>
</tr>
<tr>
<td>Other services</td>
</tr>
<tr>
<td>All other</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

1 Including bills discounted. Comprises credit to private and public sector borrowers.

2 The September data shown in the Table take the reclassification of one bank’s loan portfolio into account. These reclassifications have not been incorporated in the June figures, as the information submitted was incomplete.
the banking system contracted by Lm26.7 million, or 7.9%, as can be seen in Table 6.3. Reflecting their transactions with the Central Bank referred to earlier, the net foreign assets of the domestic banks shed Lm33.6 million, or nearly a quarter. Movements in the domestic banks’ net foreign assets were also positively correlated with changes in residents’ foreign currency deposits during the quarter. Meanwhile, the net foreign assets of the international banks, which had fluctuated widely during the previous two quarters, added Lm6.9 million, or 3.4%.

Other items (net), continued to expand during the quarter reviewed, rising by Lm30.5 million, or 5%, largely as a result of an increase in bank profits and a drop in interest receivable. The latter, which took place in September, was matched by the charging of interest to loan accounts and the consequent increase in bank credit referred to earlier.

The Money Market

The Central Bank eased its monetary policy stance during the quarter reviewed. First, in August, it lowered both the discount rate and the central intervention rate by 25 basis points to 4.5%. In September, the Bank announced a further easing, reducing the reserve requirement from 5% of banks’ deposit liabilities to 4%, with effect from the middle of October. The official interest rate cut affected most money market interest rates immediately but had no significant impact on Treasury bill yields until the end of the quarter.

Following the reduction in the central intervention rate, the repo rate dropped by 25 basis points to 4.55% at the end of September, as Chart 6.4 shows. The Central Bank continued to use weekly auctions of fourteen-day repos to inject liquidity temporarily into the banking system. However, as the banks’ liquidity position continued to improve, the volume of funds injected through repos continued to decrease, dropping from Lm241.4 million during the June quarter to Lm180.2 million during the quarter reviewed. The Bank also absorbed Lm0.5 million through auctions of fourteen-day term deposits during the quarter.

The reduction in official interest rates was quickly transmitted to the interbank market, with the rate on one-week interbank loans dropping from 4.76% in June to 4.5% in September. But activity in this market remained limited, with the value of interbank loans dropping by Lm5.7 million to Lm42.2 million. As in previous quarters, most interbank loans were contracted with terms to maturity of one week or less.

The Treasury issued bills with terms to maturity ranging between one and six months to finance Government operations. The amount of bills issued, however, edged down from Lm117.3 million in the June quarter to Lm114.4 million during the quarter reviewed. The deposit money banks continued to participate actively in the

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3 For the purposes of this analysis, domestic banks include the international banking subsidiaries of the deposit money banks.

4 Other items (net) consist of the other, non-monetary, liabilities of the banking system, such as debt securities issued, accrued interest payable and capital and reserves, less its other assets, including fixed assets and accrued interest receivable.
primary Treasury bill market, subscribing to nearly three-quarters of the amount issued. Primary market Treasury bill yields remained largely unchanged over the quarter, despite the reduction in official interest rates, reflecting the Treasury’s sustained demand for funds and the limited number of investors participating in the market. Thus, the benchmark three-month rate rose from 5.04% in June to 5.1% in July before dropping back to 5.04% at the end of the quarter reviewed.

After having risen considerably during the second quarter, turnover in the secondary Treasury bill market nearly halved during the quarter reviewed, dropping to Lm31.3 million. The Central Bank, which had been a heavy net buyer of bills in the June quarter, turned net seller, selling Lm13.2 million and buying Lm3.9 million worth of bills during the quarter reviewed. The value of secondary market trades that did not involve the Central Bank fell further, to Lm14.1 million. Secondary market Treasury bill yields remained stable.

The Capital Market

In August, the Government continued to pursue its long-term borrowing programme, issuing Lm40 million worth of 6.25% Malta Government Stock maturing in 2011. Whereas retail investors subscribed to Lm14.1 million worth of stocks at par, the remainder was allotted to institutional investors by auction. Banks took up just over half the total amount issued, with non-profit-making entities and other institutional investors successfully bidding for the remainder. To a much lesser extent, the private sector also tapped the bond market to raise funds. In September, CC Car Parks plc, a car park operator, issued Lm1.5 million worth of five-year bonds offering a coupon rate of 6.5%.

Turnover in the secondary Government bond market increased for the third consecutive quarter, rising by Lm4.9 million to Lm41.4 million. Trades that did not involve the Central Bank continued to rise, reaching Lm34.9 million. At the same time, the Bank bought and sold Lm4.3 million and Lm2.3 million worth of stocks, respectively. Although activity was spread across a wide range of issues, three bonds, namely the 7.8% MGS 2012, the 7.2% MGS 2008 (II) and the 7.8% MGS 2013 accounted for nearly half the total turnover between them. With the exception of the ten-year bond, where yields rose in line with the primary market yield, Government bond yields remained generally stable during the quarter, as Chart 6.5 shows.

Trading in the secondary market for corporate bonds, including preference shares, which had climbed to Lm10.5 million during the June quarter, dropped back to Lm1.5 million during the quarter reviewed. In general, corporate bond prices rose,
with yields declining accordingly.

The decline in equity trading gathered pace during the quarter reviewed, with the value of shares traded on the Malta Stock Exchange declining from Lm5.3 million during the June quarter to Lm2.8 million. Share prices generally continued on their downward trend. The Malta Stock Exchange Share Index, which is shown in Chart 6.6, shed 9.7% to 2,257.5 in September.
During the September quarter the aggregate balance sheet of the deposit money banks reflected the Bank of Valletta plc’s decision to absorb the operations of its international banking subsidiary, Bank of Valletta International (BOVI) Ltd. This contributed to a marked expansion in the deposit money banks’ foreign liabilities. Meanwhile, an increase in the banks’ net interest income translated into higher profits for the sector. At the same time, the banks continued to show a healthy capital base and to consolidate their liquidity position.

Assets and Liabilities
As Table 7.1 shows, the deposit money banks’ portfolio of loans and advances expanded by Lm34.8 million during the quarter as interest due for the six-month period to September was charged to customers’ loan accounts. However, partly as a result of one bank’s decision to postpone charging some of the interest due to it to October, the 1.9% increase in this asset category was less than the 3.3% rise recorded in the corresponding quarter last year. Loans and advances continued to account for more than half the total value of assets held by the banks.

The banks’ investments in domestic securities stood at Lm664.9 million at the end of September, up by Lm57.3 million from the end-June level. In fact, while holdings of Treasury bills with maturities beyond 93 days were reduced by Lm14.1 million, holdings of bills with shorter maturities rose by Lm62.7 million. At the same time, the value of the banks’ portfolio of Malta Government stocks increased by Lm9.3 million.

Meanwhile, the banks’ foreign assets rose by Lm44.5 million, or 6%: claims on overseas banks and money at call abroad declined, but

<table>
<thead>
<tr>
<th>Table 7.1</th>
<th>DEPOSIT MONEY BANKS' BALANCE SHEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lm millions</td>
<td>2000</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits with CBM</td>
<td>172.2</td>
</tr>
<tr>
<td>Foreign assets</td>
<td>712.6</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>1,593.0</td>
</tr>
<tr>
<td>Local investments</td>
<td>566.3</td>
</tr>
<tr>
<td>Fixed and other assets</td>
<td>131.3</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>137.8</td>
</tr>
<tr>
<td>Foreign liabilities</td>
<td>396.4</td>
</tr>
<tr>
<td>Other domestic liabilities</td>
<td>559.0</td>
</tr>
<tr>
<td>Deposits</td>
<td>2,082.2</td>
</tr>
<tr>
<td>Time</td>
<td>1,273.1</td>
</tr>
<tr>
<td>Savings</td>
<td>601.5</td>
</tr>
<tr>
<td>Demand</td>
<td>207.6</td>
</tr>
<tr>
<td><strong>AGGREGATE BALANCE SHEET</strong></td>
<td>3,175.4</td>
</tr>
</tbody>
</table>

Central Bank of Malta, Quarterly Review, December 2001
investments in foreign securities grew by Lm72.8 million.

The deposit money banks’ fixed and other assets contracted by Lm3.3 million, or 2.0%, to Lm158.4 million during the quarter. This decline mainly reflected a Lm9.0 million drop in interest due and unreceived (the counterpart to the interest charged to loan accounts) and occurred notwithstanding a Lm4.2 million rise in interbank claims and a Lm2.0 million increase in the value of the banks’ premises and equipment.

The banks’ reserve assets rose by Lm14.4 million, or 9.9%, to Lm159.8 million, as an increase in deposits with the Central Bank more than offset a decline in cash holdings.

During the quarter under review, deposits with the banking system increased by Lm32.0 million, or 1.4%, compared with Lm3.6 million in the corresponding quarter of 2000. At the end of September 2001, the banks’ deposit liabilities stood at Lm2,249.1 million and financed 62.2% of their asset holdings. However, the September quarter growth was less than that recorded in the previous two quarters. Time deposits and demand deposits increased by Lm23.5 million and Lm8.2 million, respectively, but savings deposits rose by only Lm0.5 million.

The foreign liabilities of the domestic banks increased by an exceptional Lm201.5 million to Lm584.1 million during the quarter, reflecting Bank of Valletta’s take-over of its international banking subsidiary. The merger also explains the Lm78.0 million fall in the banks’ other domestic liabilities, as deposits by subsidiaries with the deposit money banks declined significantly.

A Lm7.8 million drop in the banks’ reserve funds caused the banks’ capital and reserves to contract to Lm169.2 million at the end of September. This, however, reflected an accounting adjustment undertaken by one bank that involved the transfer of funds previously listed under reserves to its profit and loss account1.

Profitability

During the September quarter, the deposit money banks’ profits before tax rose to Lm12.6 million, from Lm7.1 million in the June quarter and Lm3.8 million in the third quarter of 2000. The increase over the previous quarter resulted from a sharp rise in net interest income, which more than offset lower non-interest income and higher operating expenses.

As Table 7.2 shows, the banks’ interest income reached Lm55.0 million during the quarter – up by Lm4.8 million from the June quarter, with the entire amount being due to dividends on equity investments reported by one bank. Coupled with a decline in interest payable, primarily on account of a decline in interbank deposits, this contributed to a Lm8.1 million rise in the banks’ net interest income during the quarter. On the other hand, non-interest income, at Lm7.8 million, was down by Lm1.1 million over the June quarter, although, as can be seen from Chart 7.1, it was still higher than in the corresponding quarter last year.

1 The profit and loss account incorporates both retained profits from previous years and current profits. For statistical purposes, current profits are treated as part of “other liabilities”, whereas retained earnings are treated as part of capital and reserves.
The banks’ operating expenses, at Lm16.2 million, were up by Lm2.3 million, or 16.5%, from the previous quarter’s level, with a rise in fees and commissions payable accounting for most of the increase. On the other hand, provisions for bad and doubtful debts amounted to Lm0.8 million, as against Lm1.6 million in the previous quarter.

Capital Adequacy and Liquidity

The deposit money banks’ capital base remained strong and their liquidity position improved further during the quarter reviewed. Thus, the aggregate capital adequacy ratio, which is a measure of own funds relative to risk-weighted assets, stood at 13.2% at the end of September, practically unchanged from its end-June level. Furthermore, it remained well above the mandatory 8% minimum throughout the quarter, as Chart 7.2 shows. Meanwhile, the banks’ liquidity ratio, which is the ratio of liquid assets to net short-term liabilities, rose from 49.1% at the end of June to 54.9% at the end of September. In fact, following a deterioration late last year – when it remained far above the 30% statutory minimum nonetheless - the banks’ liquidity ratio recovered strongly thereafter, as can be seen from Chart 7.3.

Retail Lending and Deposit Rates

Chart 7.4 illustrates trends in the banks’ retail lending and deposit rates. The weighted average rate (WAR) of interest on bank loans and advances stood at 6.75% at the end of September,
down by 26 basis points from the rate prevailing at the end of June. In September alone, in fact, following the Central Bank’s decision to lower official interest rates by 25 basis points on August 31, the weighted average lending rate fell by 20 basis points. The weighted average interest rate on deposits, however, declined by only 6 basis points to 4.12% during the quarter.
During the third quarter of 2001 the total assets of the international banks continued to decline. The merger of Bank of Valletta International Ltd. with its parent bank contributed to this contraction, though a sharp drop in profits was also reported.

Assets and Liabilities
At the end of September 2001, the international banks’ assets amounted to nearly Lm2 billion, down by 15.2% from the end-June level. As Table 1 shows, this decline was largely accounted for by a Lm209 million fall in foreign assets, as a decrease in holdings of foreign securities and other foreign assets was only partially offset by a rise in loans and advances to non-residents. Moreover, during the quarter, the international banks’ portfolio of local investments shrank by Lm136.7 million, or 49.1%, as Bank of Valletta International Ltd ceased to exist as a separate company and, thus, no longer held claims on its parent bank.

The fall in the international banks’ assets was matched primarily by a decline in their foreign liabilities, which contracted by Lm339.3 million, or 16.8%, to Lm1.7 billion during the quarter. This followed a reduction of Lm186.7 million, or 23.1%, in deposits belonging to unrelated foreign banks and a Lm153.9 million fall in non-resident deposits. Meanwhile, the international banks’

### Table 1
INTERNATIONAL BANKING INSTITUTIONS’ BALANCE SHEET

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and money at call</td>
<td>2.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Foreign assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign securities</td>
<td>1,087.1</td>
<td>932.2</td>
</tr>
<tr>
<td>Loans and advances to non-residents</td>
<td>883.4</td>
<td>950.5</td>
</tr>
<tr>
<td>Other foreign assets</td>
<td>738.8</td>
<td>936.3</td>
</tr>
<tr>
<td>Loans to residents</td>
<td>7.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Local investments</td>
<td>298.5</td>
<td>267.7</td>
</tr>
<tr>
<td>Other assets</td>
<td>35.1</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>181.0</td>
<td>194.2</td>
</tr>
<tr>
<td>Foreign liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances due to other banks abroad</td>
<td>1,002.0</td>
<td>877.2</td>
</tr>
<tr>
<td>Non-resident deposits</td>
<td>1,056.5</td>
<td>1,031.8</td>
</tr>
<tr>
<td>Other foreign liabilities</td>
<td>693.6</td>
<td>911.5</td>
</tr>
<tr>
<td>Resident deposits</td>
<td>26.2</td>
<td>32.3</td>
</tr>
<tr>
<td>Other domestic liabilities</td>
<td>92.7</td>
<td>59.1</td>
</tr>
<tr>
<td><strong>AGGREGATE BALANCE SHEET</strong></td>
<td>3,052.0</td>
<td>3,106.1</td>
</tr>
</tbody>
</table>

1 The international banking sector consists of locally-based banks that carry out business almost exclusively with non-residents and in currencies other than the Maltese lira.
capital and reserves fell by Lm5.3 million to Lm245.1 million, mainly as a result of a decrease in their aggregate paid-up share capital as a result of the above-mentioned merger.

**Profitability**

As Table 2 shows, the international banks reported an aggregate profit before tax of Lm6.6 million for the September quarter, down by Lm79.8 million from the previous quarter’s level and Lm5.4 million less than in the September quarter of 2000. The sharp decline in profits from the June quarter was largely attributable to a fall in non-interest income. In fact, this category of income, which includes revenue from foreign exchange dealings, investments trading and the provision of other services, dropped by Lm77.1 million to Lm3.7 million, mainly as a result of reduced earnings from these sources reported by one bank. Net interest income rose by Lm2.5 million, as lower interest expenses outweighed a fall in gross interest income. Non-interest expenditure rose by Lm4.7 million following an increase in fees and commissions payable. Meanwhile, provision charges were marginally up from the June level.

Table 2

INTERNATIONAL BANKS’ INCOME AND EXPENDITURE STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2000 Qtr. 3</th>
<th>2001 Qtr. 2</th>
<th>2001 Qtr. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>82.2</td>
<td>63.1</td>
<td>38.8</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>60.3</td>
<td>53.4</td>
<td>26.7</td>
</tr>
<tr>
<td>Net interest income</td>
<td>21.8</td>
<td>9.7</td>
<td>12.2</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>-2.4</td>
<td>80.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Non-interest expense</td>
<td>7.2</td>
<td>4.0</td>
<td>8.7</td>
</tr>
<tr>
<td>Provisions</td>
<td>0.3</td>
<td>0.1</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>PROFIT BEFORE TAX</strong></td>
<td><strong>12.0</strong></td>
<td><strong>86.4</strong></td>
<td><strong>6.6</strong></td>
</tr>
</tbody>
</table>

1 Excludes banks registered under Malta Financial Services Centre Act 1988

2 The following profitability analysis does not cover the three international banks that are licensed in terms of the Malta Financial Services Centre Act. 1988
The Budget for 2002 aims at further reducing the fiscal deficit to more sustainable levels while improving Malta’s long-term growth prospects. Improved efficiency in tax collection, as well as the expansion of the tax base as a result of economic growth, should generate the projected rise in ordinary revenue. Meanwhile, the fact that the rise in personal emoluments experienced in 2001 will not be repeated in 2002, and better control on spending programmes should dampen expenditure growth. A series of structural reforms should also strengthen the supply-side of the economy and contribute to long-term economic development.

Fiscal Performance in 2001

The fiscal deficit for 2001 is expected to amount to Lm82.5 million, down by Lm2.7 million from the previous year. As a result, the fiscal deficit/GDP ratio is to be reduced by 0.5 percentage points to 5%. Meanwhile, during the Budget Speech, the Minister of Finance announced that, as from 2001, some items previously classified as capital expenditure but which did not add to the country’s productive potential, such as subsidies to public entities, would be classified as recurrent expenditure.

### Table 1

**THE FISCAL DEFICIT IN 2001**

<table>
<thead>
<tr>
<th></th>
<th>Original Estimates</th>
<th>Revised Estimates</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ordinary Revenue</strong></td>
<td>610.8</td>
<td>614.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Direct Tax</td>
<td>284.8</td>
<td>285.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Indirect Tax</td>
<td>254.4</td>
<td>254.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Non-Tax Revenue</td>
<td>71.6</td>
<td>74.6</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>693.1</td>
<td>697.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Recurrent Expenditure</td>
<td>597.4</td>
<td>615.1</td>
<td>17.7</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>95.7</td>
<td>82.3</td>
<td>-13.4</td>
</tr>
<tr>
<td><strong>Current Balance</strong></td>
<td>13.4</td>
<td>-0.2</td>
<td>-13.6</td>
</tr>
<tr>
<td><strong>FISCAL BALANCE</strong></td>
<td>-82.3</td>
<td>-82.5</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

*Source: Diskor tal-Budget 2002  
Financial Estimates 2002*
Comparison with Original Estimates

During 2001, higher-than-expected ordinary revenues are expected to be offset by unanticipated increases in expenditure, such that the fiscal deficit is expected to roughly equal the original projection, as Table 1 shows.

Ordinary revenue is expected to exceed original projections by Lm4.1 million, mainly on account of higher receipts from non-tax sources. The upward revision of court fees, as well as higher rental income, contributed significantly to the latter. Revenues from direct and indirect taxes were also higher, by some Lm0.5 million, over the respective original estimates. The increase in direct tax revenue is attributable to higher receipts from provisional taxes and the Final Settlement System. Receipts from indirect taxation also overshot their target, as the yield from duty on cigarettes exceeded expectations.

On the other hand, as a result of the expenditure reclassification exercise mentioned above, the revised estimates for recurrent and capital expenditure diverge significantly from the original figures. However, if the effects of this change in accounting practice on reported figures were to be excluded, recurrent expenditure would remain close to its original projected level. In contrast, capital expenditure would overshoot the original target by Lm3.6 million. Unforeseen increases in capital expenditure resulted primarily from additional expenditure on incentives to industry and increases in compensation paid by the Government for the expropriation of private property.

Comparison with 2000 Out-Turn

As shown in Table 2, ordinary revenue and recurrent expenditure are set to increase by Lm51.2 million and Lm64.8 million, respectively, over the year 2000 levels. The anticipated deterioration in the current balance should arise solely from the above-mentioned change in accounting policy.

During 2001, revenues from income tax and social security contributions, fuelled by nominal economic growth, the award of higher public sector wages and the progressiveness of the tax system, are set to rise by Lm17.9 million and Lm10

<table>
<thead>
<tr>
<th>Table 2</th>
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<tbody>
<tr>
<td><strong>FISCAL PERFORMANCE IN 2001</strong></td>
</tr>
<tr>
<td>Estimated Changes</td>
</tr>
<tr>
<td><strong>ORDINARY REVENUE</strong></td>
</tr>
<tr>
<td>Direct Tax</td>
</tr>
<tr>
<td>Income Tax</td>
</tr>
<tr>
<td>Social Security Contributions</td>
</tr>
<tr>
<td><strong>Indirect Tax</strong></td>
</tr>
<tr>
<td>Consumption Tax</td>
</tr>
<tr>
<td>Customs and Excise Duties</td>
</tr>
<tr>
<td>Licences, Taxes and Fines</td>
</tr>
<tr>
<td><strong>Non-tax Revenue</strong></td>
</tr>
<tr>
<td>Central Bank Profits</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>RECURRENT EXPENDITURE</strong></td>
</tr>
<tr>
<td>Personal Emoluments</td>
</tr>
<tr>
<td>Operational and Maintenance</td>
</tr>
<tr>
<td>Programmes and Initiatives</td>
</tr>
<tr>
<td>Contributions to Government Entities</td>
</tr>
<tr>
<td>Interest Payments</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>CAPITAL EXPENDITURE</strong></td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
</tr>
<tr>
<td><strong>CURRENT BALANCE</strong></td>
</tr>
<tr>
<td><strong>FISCAL BALANCE</strong></td>
</tr>
</tbody>
</table>

1 Excludes Government contributions to the social security account.
2 Excludes proceeds from sale of public assets.
Source: Diskors ta' Budget 2002 Financial Estimates 2002
million, respectively. VAT should also yield an additional Lm11.9 million. Despite higher receipts from lotteries, rents and fees of office, non-tax revenue is anticipated to fall by Lm1.9 million, however, as revenue from grants should decline following the expiry of the fourth financial protocol with Italy.

On the expenditure side, personal emoluments are anticipated to cost the Government Lm24.5 million more than in 2000, reflecting the implementation of the new civil service collective agreement. At the same time, pension increases and the larger number of retirees contributed to an Lm18.4 million rise in expenditure on programmes and initiatives. Contributions to Government entities are expected to go up by Lm21.8 million. The latter increase reflected the expenditure reclassification mentioned earlier, the inclusion under this category of part of Malta Freeport’s debt servicing costs (previously financed through the Treasury Clearance Fund), and an increase in funds passed on to the University and the Junior College. Public debt servicing costs rose by Lm4.2 million, reflecting the growing stock of public debt.

Projected Fiscal Performance in 2002
For 2002, the Government is projecting a further contraction of the fiscal deficit to Lm78 million. If nominal GDP grows at a rate of 5%, this would result in a drop of the fiscal deficit/GDP ratio to 4.5%.

Principal Measures for 2002
The Budget measures which were announced included:

- an increase in excise duty on tobacco products;
- the introduction of a scheme for the registration of foreign investments;
- a wage increase of Lm1.50 per week as compensation for the rise in the cost of living;
- an adjustment of tax bands for married couples submitting a joint declaration of income;
- the linking of domestic fuel prices to international prices. Higher retail prices for leaded petrol and diesel and lower prices for unleaded petrol and kerosene were also established;
- the launching of an agricultural sector support scheme;
- further measures to liberalise capital controls;
- a further dismantling of the import levy structure;
- an interest subsidy scheme on bank loans for hotel improvements;
- various measures aimed at facilitating the operations of small enterprises and assisting the self-employed.

Projected Ordinary Revenues, Recurrent and Capital Expenditures in 2002
During 2002, growth in ordinary revenue should exceed the forecast increase in recurrent expenditure by Lm17.9 million, as Table 3 shows, while capital expenditure is projected to go up by Lm13.1 million.

As in 2001, income tax is expected to generate the largest increase in ordinary revenue during 2002, up by Lm18.7 million over the previous year, while social security contributions are expected to yield an additional Lm11.1 million. These increases, which are expected to result mainly from nominal economic growth and improved tax compliance, are comparable to those projected for 2001. However, revenue from these two income items will be dampened by the widening of the income tax brackets for couples submitting a joint declaration of income as well as the fact that the effects, on these income items, of the wage increases awarded to public sector employees during 2001 will not be repeated in 2002.
The forecast increase in revenue from licences, taxes and fines is largely attributable to the inclusion of revenues from lotteries, previously listed under non-tax revenue, in this revenue component. The effect of the latter on the yield from non-tax sources will be more than offset by the expected earnings from the foreign investment registration scheme, as well as higher inflows of EU pre-accession funds in the form of grants.

Expenditure on personal emoluments is expected to rise by Lm2.3 million during 2002. Expenditure on programmes and initiatives, however, is projected to rise by Lm14.6 million, fuelled by increased spending on pensions, while contributions to Government entities are forecast to rise by Lm20.6 million. The latter will result mainly from the shifting of loans to the Drydocks and additional Malta Freeport debt servicing costs from the Treasury Clearance Fund to the Consolidated Fund.

Interest payments are expected to rise marginally from the 2001 level, although the stock of public debt is projected to fall by Lm79.4 million during 2002. This is because privatisation proceeds are not likely to be received before the later months of 2002. Meanwhile, most of the projected Lm13.1 million increase in capital expenditure will be devoted to the new hospital project.

### Economic Effects of the Budgetary Measures

The Budget for 2002 launches a series of structural reforms that should strengthen the supply-side of the economy. This reflects a recognition that, given the openness of Malta’s economy and a state of almost full employment, aggregate demand expansion no longer remains a viable option for promoting economic growth. Indeed, it would probably lead to balance of payments outflows and inflationary pressures. The expected effects of the announced measures on aggregate supply, aggregate demand and the Retail Price Index are analysed below.

#### Aggregate Supply

Supply-side measures are intended to improve the productive capability of the economy, and hence

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### Table 3

<table>
<thead>
<tr>
<th>FISCAL PERFORMANCE IN 2002</th>
<th>Lm millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated Changes</strong></td>
<td></td>
</tr>
<tr>
<td><strong>ORDINARY REVENUE</strong></td>
<td>56.0</td>
</tr>
<tr>
<td>Direct Tax</td>
<td>29.8</td>
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<tr>
<td>Income Tax</td>
<td>18.7</td>
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<tr>
<td>Social Security Contributions(^1)</td>
<td>11.1</td>
</tr>
<tr>
<td>Indirect Tax</td>
<td>25.5</td>
</tr>
<tr>
<td>Consumption Tax</td>
<td>10.5</td>
</tr>
<tr>
<td>Customs and Excise Duties</td>
<td>5.3</td>
</tr>
<tr>
<td>Licences, Taxes and Fines</td>
<td>9.7</td>
</tr>
<tr>
<td>Non-tax Revenue</td>
<td>0.6</td>
</tr>
<tr>
<td>Central Bank Profits</td>
<td>0.3</td>
</tr>
<tr>
<td>Other (^2)</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>RECURRENT EXPENDITURE</strong>(^1)</td>
<td>38.1</td>
</tr>
<tr>
<td>Personal Emoluments</td>
<td>2.3</td>
</tr>
<tr>
<td>Operational and Maintenance Expenditure</td>
<td>-0.6</td>
</tr>
<tr>
<td>Programmes and Initiatives</td>
<td>14.6</td>
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<tr>
<td>Contributions to Government Entities</td>
<td>20.6</td>
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<tr>
<td>Interest Payments</td>
<td>1.2</td>
</tr>
<tr>
<td>Other</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>CAPITAL EXPENDITURE</strong></td>
<td>13.1</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td>51.2</td>
</tr>
<tr>
<td><strong>CURRENT BALANCE</strong></td>
<td>17.9</td>
</tr>
<tr>
<td><strong>FISCAL BALANCE</strong></td>
<td>4.8</td>
</tr>
</tbody>
</table>

\(^1\) Excludes Government contributions to the social security account.

\(^2\) Excludes proceeds from sale of public assets.

its growth potential, by increasing the amount of available resources and by employing existing resources more efficiently. The principal supply-side measures announced in the Budget for 2002 are:

- the acceleration of the privatisation programme;
- extending the role of the price mechanism in the economy;
- support measures for small enterprises and the self-employed;
- initiatives aimed at facilitating the eventual overhaul of the social security system.

The Government announced its intention to proceed with the privatisation of a number of its commercial entities by the end of 2002. Receipts from the sale of public assets up to December 2002 should amount to Lm132 million. Experience in a number of countries suggests that the sale of public enterprises to private entrepreneurs results in significant efficiency gains in the privatised entities. Furthermore, when privatisation is accompanied by market liberalisation and the establishment of an adequate regulatory infrastructure, the whole economy benefits from better product quality and more competitive prices. Privatisation through the sale of assets to strategic partners, moreover, not only gives rise to an inflow of foreign capital but also improves access to innovative technology, managerial know-how and foreign markets. On the other hand, the sale of shares through public offerings contributes to the development of the local stock exchange.

The decision to link domestic fuel prices to prevailing international prices and the eventual removal of protective levies on agricultural and agro-industrial products should strengthen the role of the price mechanism in ensuring a more efficient allocation of resources. Competitive market prices reflect consumer preferences and production costs. Changes in consumer preferences or in the cost of factor inputs are reflected in movements of market prices and these, in turn, result in more rational consumption and a more efficient use of productive resources.

In anticipation of the removal of barriers to free trade, the Government has expressed its intention to promote the reform of the Maltese agricultural sector through the launching of a scheme costing more than Lm2 million in 2002 alone. If the proposed scheme succeeds in facilitating the restructuring of the agriculture industry, the sector’s contribution to GDP could improve. To this end, the scheme aims at improving productivity, as against the handing out of direct state subsidies. The removal of high levies on imports of agricultural products should also lead to lower consumer prices.

The Budget for 2002 also envisages a number of initiatives aimed at supporting the operations of the self-employed and small enterprises. The obligation for small enterprises to keep audited accounts as provided under the Companies Act, 1995 is to be waived. A scheme will also be launched by which small enterprises will have their compliance requirements for income tax and VAT purposes reduced. Small enterprises will also benefit from the speedier receipt of VAT refunds and from the deduction from profits, in the year in which they are incurred, of expenses on information technology. Furthermore, during the years from 2002 to 2004, small enterprises and the self-employed will be exempt from paying tax on profits that are reinvested in the business. This last measure should not only stimulate the investment component of aggregate demand in the short run, but also strengthen the supply-side over the medium term.

The Government also reiterated its commitment to reform the social security system. As a preliminary indicative step, the Budget proposes the channelling of revenue from social security contributions to finance expenditure on health care and pensions only. Contributions will be
directly apportioned to each of these two areas, and persons covered by a private approved health insurance scheme would in due time benefit from a reduction in, or exemption from, the contributions related to the provision of public health care.

Aggregate Demand
The Budget for 2002 also introduces a widening of the income tax bands for married couples submitting a joint declaration of income for tax purposes. This measure should lead to savings for taxpayers of around Lm3 million. The resulting increase in disposable income should raise consumption expenditure, but its impact on GDP growth will be limited on account of the small size of the tax cut and the relatively weak multiplier effect in Malta.

Prices
The announced changes in the prices of tobacco and fuel products will be reflected in the Retail Price Index (RPI). Estimates based on the current weights of the relevant products in the RPI basket indicate that the price changes will raise the index by around 0.4%. On the other hand, the continuation of the levy-reduction programme should not only contribute to lower retail prices of imported commodities but, by reinforcing competitive pressures, should also exert downward pressure on the prices of domestically-produced goods. The further dismantling of the levy structure should thus dampen the effect of the tobacco and fuel price increases on the RPI.

Medium Term Projections
The Budget for 2002 includes a revision of the financial projections laid out in the 1999 Budget Speech. According to the revised projections, the Government is targeting a fiscal deficit of Lm47.2 million, or 2.5% of GDP, for 2004. This is expected to be achieved primarily through greater efforts to restrain public expenditure growth rather than through raising revenue. In fact, a marked slowdown in the expansion of ordinary revenue, to less than 3% per annum, is being forecast for 2003 and 2004. Since nominal GDP growth is expected to accelerate to 5.5% during these two years, the anticipated deceleration in revenue growth may reflect plans to cut taxes.

The increase in recurrent expenditure is projected to average 1.5% per annum during 2003 and 2004, down from an average of 9% per annum in the preceding two years. Debt servicing costs are anticipated to decline, as the proceeds from the sale of public assets, expected to amount to some Lm225 million over the three years to 2004, should be partly used to redeem outstanding debt. In addition, capital expenditure should decline by around Lm10 million in 2003, and should settle at the same level in 2004, as the new hospital nears completion.

Conclusion
The fiscal strategy in the years ahead as outlined in the Budget for 2002 and indicated in the revised medium-term programme should significantly strengthen the macroeconomic fundamentals of the Maltese economy. In particular, the contraction of the fiscal deficit should lead to an improvement of the balance of payments. In turn, this should support the fixed exchange rate policy pursued by the Authorities and help maintain price stability. A tighter fiscal stance is an essential ingredient of a sound economic management strategy. It should thus contribute positively to the investment climate in Malta and act as a catalyst for foreign investment, which is widely acknowledged as a prerequisite for further economic development in the coming years.
PREREQUISITES FOR A VIABLE EXCHANGE RATE STRATEGY

by Michael C. Bonello
Governor of the Central Bank of Malta*

Mr President, Hon. Minister, Excellencies, Distinguished Guests, Ladies and Gentlemen.

I am honoured to be addressing this distinguished audience for the third time since my appointment. As a former President of this Institute, I should first of all like to congratulate Mr Charles Borg on his recent election as President and wish him a fruitful term and also thank his predecessor, Mr Paul Spiteri, for his sterling contribution to the Institute’s development. I would also like to commend the Institute for the initiatives it has recently launched, particularly the way it is rebranding itself as the Institute of Financial Services - Malta. This new name is an important symbol of the Institute’s response to the evolving financial services landscape. I have been made privy to some of its plans, I welcome them and I wish to assure you that the Central Bank will support them in so far as they respond to the educational and training needs of the financial services industry. I am confident that support will also be forthcoming from the other banks and financial institutions.

In my previous two appearances before you I elaborated on why a stable macroeconomic environment requires not only low inflation, but also a sound financial sector. This evening I would like to offer some reflections on another condition for the achievement of durable economic growth, a viable exchange rate. After setting out the rationale behind our exchange rate strategy, I will argue that its sustainability ultimately depends on the existence of strong macroeconomic fundamentals, including mutually supportive monetary and fiscal policies as well as the implementation of structural reforms designed to raise productivity further. I shall then map out the likely future evolution of the exchange rate strategy.

My starting point is a recent IMF report which concludes that Malta appears to be competitive at current exchange rates but warns that economic policies should remain firmly oriented toward supporting the exchange rate peg. An essential requisite in this respect is that inflation in Malta should not exceed that of the countries whose currencies are included in the basket to which the Maltese lira is pegged. The exchange rate peg itself serves to contain imported inflation, as the experience of the past three decades has shown. Fiscal, monetary and structural policies should complement and reinforce this tendency by restraining domestically-generated inflationary pressures.

Before elaborating on the policies which are required to support the exchange rate peg, however, it is worthwhile to assess the suitability of a pegged exchange rate arrangement for Malta. In theory countries have a wide choice of exchange rate regimes. Studies based on the recent experience of emerging market economies seem to indicate, however, that in practice only the two most extreme forms of exchange rate arrangements are viable, namely a credible hard peg, usually associated with a currency board system, or a freely floating regime.

In deciding on the appropriate exchange rate regime a number of factors should be considered. These mainly relate to the structural

* Address delivered at the Annual Dinner of the Malta Centre of the Chartered Institute of Bankers on November 23, 2001.
characteristics of the economy, though there are also institutional factors that have a bearing on the decision, particularly those that affect the workings of the labour and financial markets, as well as other factors that relate to economic policy priorities, normally characterised by the trade-off between the desire to control inflation or minimise unemployment.

With regard to the structural factors, the first is the size of the economy. This is relevant because if an economy is sufficiently large in relation to its share of export markets, then it can determine its international terms of trade. Such a country may be in a position to increase its foreign earnings by modifying relative prices via a change in the external value of its currency. This is certainly not the case with Malta whose GDP amounts to a mere 0.04% of the GDP of the European Union (EU), our main trading partners. This means that Malta is a price taker on international markets and would not gain by changing relative prices. On the basis of this factor alone, therefore, the adoption of a flexible exchange rate arrangement would not yield any gains.

A second, and perhaps more important criterion is the degree of openness of the economy to international trade. At one extreme is a closed economy for which the choice of an exchange rate regime is an irrelevant issue. For an open economy like Malta’s where the value of exports and imports of goods and services is twice as large as nominal GDP, the choice of regime is of critical importance. In this case, a regime which offers stability and reduces transactions costs would be the most appropriate. A fixed exchange rate regime clearly fulfils these conditions.

It is also true, however, that a fixed exchange rate exposes the economy to international price developments. An open economy is indeed more vulnerable to trade shocks with a fixed exchange rate because movements in prices overseas are immediately passed through to local prices. Thus, in the case of a country that is heavily dependent on one particular export commodity, the adoption of a flexible exchange rate arrangement may be more appropriate because it enables the country to respond quickly to exogenous changes and to mitigate spillover effects on other sectors of the economy. On the other hand, this vulnerability is reduced to the extent that a country’s production base and exports are sufficiently diversified. This is the case with Malta. In fact, although one firm accounts for a high proportion of merchandise exports, employment is much more evenly spread across the entire range of manufacturing activities.

The type of external shocks that an economy may face also influence the choice of exchange rate regime. A fixed exchange rate would be a feasible arrangement if the country has a similar economic structure to that of its major trading partners and if both face symmetric shocks. Such similarity exists between Malta and its major trading partner, the EU. In terms of the distribution of value added and employment, there are no striking divergences, except with regard to the share of public administration. This suggests that the Maltese lira could well be fixed to the European currency since external shocks that are simultaneously experienced by the EU and Malta would not have an asymmetrical impact.

From an operational point of view, the choice of exchange rate regime is also influenced by the stock of foreign currency reserves. For example, the adoption of a fixed exchange rate system implies the need to hold enough reserves to be able to smooth out volatile movements in the demand for foreign exchange. In this respect, Malta has always enjoyed a relatively healthy external reserves position. The official reserves are currently equivalent to over 130% of the monetary base and this ratio has hardly ever fallen below 100%.

On the basis of the tests applied here it would, therefore, appear that a fixed exchange rate policy is appropriate for Malta. It is also clear that there is no immediate threat to the currency. As I
recalled earlier, the IMF have only recently expressed the view that Malta appears to be competitive at the current exchange rate. Indeed, recent rumours that a devaluation was being actively considered as part of the Budget measures have now been exposed as uninformed speculation by the tabloid press. Devaluation has not been discussed essentially because there has been no reason to do so. The Maltese lira is not under pressure and there are no indications that the current weakness in some segments of external demand is due to uncompetitive export prices. Besides, there is every reason to believe that a devaluation would not deliver the desired results. Devaluation carries with it the real prospect of higher import prices and, therefore, a significant cut in real wages and wealth. The extent to which the benefits of improvements in cost competitiveness would be reaped in a situation where most of the export sector is already operating at high capacity levels is, moreover, also doubtful. At the same time, past experience suggests that a devaluation would be followed by a nationwide rise in wage levels as the partial wage indexation system came into play, and this would generate price inflation and erode competitiveness. It would also undermine Malta’s international credibility.

The ineffectiveness of changes in the nominal exchange rate has also been verified through econometric techniques. These have shown that following a devaluation, the Real Effective Exchange Rate Index, which is an important indicator of relative price competitiveness, reverts back to its original level within two years. In other words, the gains in relative prices are soon lost, suggesting that a devaluation is ultimately ineffective as a means of boosting external competitiveness. This does not mean that circumstances might not exist in which a devaluation would become inevitable, but that is not the point at issue. The point is that a devaluation is likely to impose immediate costs and leave no long-term benefits. It is for these reasons that changes in the exchange rate level should only be a last resort option for an economy like ours.

My original premise, as you will recall, is that the ability to preserve the Maltese lira’s currency basket peg depends on the simultaneous implementation of an appropriate mix of monetary and fiscal policies and of structural reforms.

Starting with monetary policy, the primary objective as I have explained on a number of occasions this past year, is price stability. The Central Bank pursues this objective by using the fixed exchange rate as its intermediate target or nominal anchor. The Bank is, therefore, constantly on the lookout for any signs of incipient pressures on the exchange rate in the form of persistent, large movements in its external reserves. Now since changes in the reserves reflect developments in the balance of payments, a situation which is characterised, for example, by high and continuing current account deficits, is usually indicative of an unsustainable balance of payments position. If this translates into downward pressure on the currency, the Bank must be ready to raise interest rates to defend it.

It is pertinent to mention here that as capital controls are gradually dismantled, the Bank’s ability to pursue an independent monetary policy is diminished. It must also be understood that as long as Malta follows a fixed exchange rate policy, and I believe that the positive experience of the past thirty years justifies this choice, monetary policy will be inevitably influenced by that of our trading partners, in other words the EU. The only way that an independent monetary policy can be pursued would be through the reimposition of capital controls to ensure that decisions on interest rates are not undermined by movements of capital in and out of the country. Such a course of action is not, however, feasible given our WTO commitments and the bipartisan decision to establish Malta as an international business and financial centre. The truth is that an independent monetary policy is incompatible with a fixed...
exchange rate regime and a commitment to remove capital controls. There would, therefore, be no autonomy left to lose should Malta join EMU, as some would have us believe.

Furthermore, even if it were possible to pursue an independent monetary policy it is doubtful how effective it would be as an instrument of economic management. For example, the claim that interest rate cuts can help to stimulate economic growth is based on the assumption that investment is highly sensitive to changes in interest rates. This does not appear to be the case in Malta. As for operational costs, changes in interest rates have a relatively minor impact on cost structures, which for most firms are largely determined in the labour market.

Apart from a flexible monetary policy, the adoption of a fixed exchange rate system within an environment of a liberalised capital account necessitates a prudent approach to fiscal policy. Sound fiscal policies are crucial for macroeconomic stability. Indeed, monetary policy by itself, irrespective of the nominal anchor variable selected, will inevitably fail to deliver low inflation in the absence of fiscal discipline.

The Government’s budget deficit reduction programme launched in 1998 is guided by these maxims of responsible macroeconomic management. Since then the progress achieved has exceeded expectations such that the deficit to GDP ratio has been more than halved to 5% this year. The Budget proposals presented by the Minister of Finance two days ago continue in this positive direction. In spite of the limited room for manoeuvre resulting from the fact that the major items of Government expenditure are structurally ingrained, and also from the need to create a more favourable business climate, the Minister aims to reduce the deficit further to 4.5% of GDP next year and 2.9% in 2003. Perhaps equally importantly, deficit reduction is now being pursued through measures aimed at seeking efficiency and stimulating economic activity by enhancing the productive capabilities of the economy rather than by boosting demand.

The attainment of the deficit targets will, of course, be conditioned by the depth and duration of the global economic downturn. It would, however, be presumptuous to hazard a guess about this impact given the extraordinary degree of uncertainty prevailing since September 11. As the Managing Director of the IMF said last week, “There is no real precedent for this situation, which makes forecasting based on previous experience look like trying to read the tea leaves.”

We must not, however, be deterred. For moving towards sustainable budget deficits is not an option, it is a must. The sooner that objective is reached, the greater the flexibility we will have to use the budget as a counter-cyclical instrument. Furthermore, the exercise of fiscal discipline – that is, living within our means as a nation – will be an imperative irrespectively of whether the Maltese people decide to seek to survive in today’s increasingly competitive global economy outside the EU or as a member. The credit rating agencies, for a start, would see to that. No amount of rhetoric can conceal this fact.
The evidence, therefore, suggests that both monetary and fiscal policy are on track to produce a more sustainable degree of internal and external balance that is required to sustain the exchange rate peg. But that does not necessarily mean that the overall policy framework is robust enough to guarantee durable economic growth. The latter also requires the implementation of structural policies aimed at raising the productivity of the economy, and hence its growth potential, at the same time as international competitiveness is improved.

In other words, the nominal convergence of Malta’s economy with that of its EU trading partners is a necessary, but not a sufficient condition for attaining real convergence. Other policies must be put in place for this purpose designed to bring our GDP per capita closer to the EU average from its current level of 53% by raising output and incomes.

Raising output can be achieved by increasing the amount of resources available in the economy, and by employing existing resources more efficiently. Neoclassical growth theories were essentially based on the concept of a production function that combined labour and physical capital to produce a given level of output in the economy. The bottom line of this growth model was that the rate of savings and investment were the fundamental determinants of living standards in the long run. In other words, countries that save or invest more than others would have a higher per capita income. Newer growth theories go beyond this and distinguish between two types of capital, namely physical and human.

Empirical evidence clearly shows that differences in living standards across countries could be explained by differences in investment in human capital through health and education. Unfortunately, the advice on savings and investment often goes unheeded because increasing savings entails lower consumption. In other words, a better standard of living tomorrow can only be achieved by making sacrifices today.

Empirical evidence also suggests that countries with a larger share of investment in GDP achieve higher per capita income growth. They also have sharply lower inflation rates and are more open to external trade. School enrolment rates are higher, population growth is lower and they have a history of political stability. In addition, government consumption appears to have a significantly negative relationship with growth in per capita GDP.

While Malta clearly possesses many of the characteristics that are conducive to economic growth, and this is borne out by the economy’s track record, some weaknesses persist. Stronger economic growth, for example, requires higher levels of investment in physical capital. This implies that the ongoing decline in the savings ratio needs to be reversed and more efforts need to be directed toward attracting export-oriented foreign direct investment. The need to increase savings moreover suggests that the focus of taxation policy should be more on consumption than on income or saving, while fiscal consolidation should preferably seek to reduce recurrent expenditure. The latest Budget responds positively to some of these needs.

Faster growth also requires actions aimed at increasing both the quantity and quality of human resources. In this regard, an increase in the labour supply should generate the potential for an expansion in output. Currently, around 54% of the working age population are economically active in Malta, compared with 63% in the EU. The difference is mainly attributable to the lower female participation rate in Malta. There is, therefore, significant potential for raising output. The economy also requires a boost in the quality of human capital. The educational system needs to respond more rapidly to changing market needs, in order to supply the skills that are most in demand.
In this regard the conclusions of the recent Global Competitiveness Report from the World Economic Forum are instructive. The Report emphasizes that the evolution from middle income to high income status involves the transition from a technology-importing to a technology-generating economy, and concludes that global competitiveness is critically linked to high rates of science-based learning and the ability to shift rapidly to new technologies.

A sound macroeconomic framework is also one in which resources are allocated to the most productive uses. There is much that can be done in this regard. The process of exposing more sectors to the forces of fair competition should be encouraged further. Monopolistic practices should be dismantled, while the privatisation programme needs to result in a more efficient allocation of resources. The same applies to the social welfare system. The practice of dispensing public goods and services free of charge, irrespective of income levels, should be reviewed. It is not equitable and, in any case, it is no longer affordable. Benefits need to be structured so that it pays to work and disincentives to work are removed. Pension and health care schemes are facing bankruptcy under the weight of an ageing population. Finally, in the current economic environment the social partners should support wage moderation if they also believe in the need to defend the economy’s competitiveness and employment levels.

Implementing the necessary reforms entails difficult decisions and therefore requires the cooperation of all sectors of society. On the other hand, it is equally clear that there is no painless way to enhance the country’s investment potential and place the economy on a higher growth path. During this phase of structural reform, monetary policy will continue to be oriented towards supporting the exchange rate peg. By allowing economic agents to take business decisions in a climate of price stability, this policy stance should contribute positively to investment and growth.

While the fixed exchange rate regime is not itself in question, the way it develops will clearly be conditioned by Malta’s eventual relationship with the EU. In this regard, two scenarios can be envisaged. The first scenario, EU membership, implies a commitment to participate in EMU and, therefore, to adopt the euro as the national currency. The period from accession to participation in EMU involves a three-stage process. The first comes into effect upon accession when the country’s exchange rate policy becomes a matter of common concern. The second entails an obligation to join the Exchange Rate Mechanism known as ERM II, though at a time of the country’s choosing.

Prior to joining ERM II, however, the exchange rate regime would have to evolve towards the establishment of a full link to the euro. Viewed in terms of Malta’s present exchange rate arrangement, this would imply removing the US dollar and the pound sterling from the currency basket. Once the Maltese lira is thus pegged entirely to the euro, the decision to join ERM II can be taken when it is felt that the relevant conditions can be met. Thus, for example, once in the mechanism, the lira would not be permitted to deviate from the chosen rate by more than +/-15%. Past experience suggests that this should not be a problem since the lira has practically always maintained a zero band in respect of the currency basket. I, therefore, believe that it should be our objective to implicitly maintain the exchange rate within a narrower band than the +/-15% allowed under ERM II, possibly one of +/-2.25%.

The third stage in the process would be full participation in EMU and adoption of the single currency after a period of at least two years of ERM II membership, on condition of course that Malta also fulfils the other nominal convergence criteria set by the Maastricht Treaty. On the basis of the current pace of negotiations and economic
trends, and should Malta decide to join the EU, a realistic date for adopting the euro could be early 2007.

Under the second scenario, that is if Malta does not join the EU, the overall exchange rate strategy need not necessarily differ substantially from the one currently prevailing and which seems to enjoy widespread support. The alternative policy to membership in fact also appears to emphasise a close economic relationship with the EU as it involves the establishment of an industrial free trade area. As a result, Malta’s economic ties with the EU are likely to strengthen further. This could imply a heavier weight for the euro in the Maltese lira currency basket.

Under both scenarios, therefore, a decision to increase the weight of the euro in the basket while reducing that of the other components, particularly the dollar, would be a logical step forward. Indeed, it is a decision we are actively considering. This would be based on a revised weighting methodology which better reflects the relative importance of the basket currencies in Malta’s foreign trade.

To sum up, therefore, the current exchange rate strategy makes a valuable contribution to the economy in the shape of stable prices and a predictable trading environment. Stability also enhances the country’s attraction as a centre for business and investment which, in turn, facilitates growth and a more rapid integration into the global economy. However, this exchange rate strategy cannot succeed if it is not supported by strong macroeconomic fundamentals. These can only be delivered by a monetary policy that is consistent with the exchange rate target and by a prudent fiscal stance. A final, but equally vital ingredient in the policy mix is the implementation of structural reforms designed to raise productivity levels throughout the economy and thus strengthen its competitive edge. Only in this way will the high levels of economic growth be achieved that alone will enable Malta to bridge the income gap with its more advanced trading partners and thus enjoy higher living standards.
NEWS NOTES

Reappointment of Central Bank Directors

On November 9 the Prime Minister confirmed Mr Saviour Falzon BSc (Econ), Dip. Int. Law, Dip Mgt (Studies) as Director of the Central Bank of Malta for a period of two years and Prof. Edward Scicluna PhD, MA, BA (Hons) Econ, DSS (Oxon.) for a period of one year, both with effect from November 15, 2001.

Central Bank Lowers Official Interest Rates

At its meeting of November 26, 2001 the Monetary Policy Council of the Central Bank of Malta lowered the Bank’s central intervention rate and the discount rate by 25 basis points to 4.25%. All other official interest rates quoted by the Central Bank were similarly reduced by 25 basis points.

The Council arrived at this decision after considering recent international and domestic economic and financial developments within the context of the objectives of the Bank’s monetary policy.

Reviewing international developments the Council noted that global economic conditions had continued to deteriorate. Growth forecasts for the industrial countries had again been revised downwards and official interest rates had been cut further. As a result, interest rate differentials in favour of the Maltese lira had continued to increase. Meanwhile, there had been an improvement in Malta’s balance of payments position and a steady inflow of external reserves. The Council, therefore, believed that a 25 basis point reduction in official interest rates would still leave Maltese lira interest rates at a level that was compatible with the sustainability of the exchange rate peg.

The Council also observed that this interest rate adjustment was appropriate in the light of the latest data on the domestic economy. The economic growth rate had slowed down in line with international trends and earlier concerns about the rising rate of inflation had been allayed by the latest figures and by indications that imported inflation was likely to decline due to the easing in price pressures overseas. The Council further took into account the fact that the fiscal target for the year would be achieved. It also noted the Government’s commitment to continue pursuing fiscal consolidation.

In considering the prospects for the Maltese economy, the Council emphasised the need to maintain the pace of structural reform in order to safeguard the economy’s long-term competitiveness. The Council said it would continue to monitor economic and financial developments, giving particular attention to interest rate trends abroad, the external reserves, the balance of payments and domestic price levels.

Government Stock Issues

On October 26 the Government announced the issue of Lm30 million worth of 5.9% Malta Government Stock 2009 (III) Fungibility Issue and Lm40 million worth of 6.35% Malta Government Stock 2013 (II). Applications for the 5.9% MGS 2009 were by auction for bids in multiples of Lm100,000 at a rate not less than the current market price. The 6.35% MGS 2013 was issued at par for amounts not exceeding Lm50,000 and by auction for bids exceeding this amount. This was the last issue in the calendar of four issues announced by the Government for the year 2001.

Malta Stock Exchange Issues Corporate Governance Code

On October 31 the Malta Stock Exchange published new bye-laws, which included the code of principles of good corporate governance
which the Exchange had issued on July 5 in draft form. Companies listed on the official list of the Exchange, as well as those on the alternative companies list, were encouraged to adopt the code. Listed companies will henceforth be required to include a “Statement of Compliance” in their annual reports explaining to what extent they are complying with these principles and the measures taken to ensure compliance. Auditors will also be required to report on these statements.

Double Taxation Agreements
On September 14 it was announced that a double taxation agreement between the Government of Malta and the Government of the Arab Republic of Egypt, signed on February 20, 1999, had entered into force on April 7, 2001.

On October 19 it was announced that a double taxation agreement between the Government of Malta and the Government of the Syrian Arab Republic, signed on February 22, 1999, had entered into force on October 16, 2000.

Competition (Amendment) Act, 2000
On October 2, the Minister for Economic Services, through Legal Notice 240, established October 1, 2001 as the date when the Competition (Amendment) Act, 2000, whose purpose is to regulate competition and provide for fair trading in Malta, came into force. On the same day, through Legal Notice 241, the Minister for Economic Services exempted a number of parastatal corporations or companies from the provisions of the said Act.

Appointment of Authorised Dealers and Revocation of Authorised Dealer Licence
On November 20 the Minister of Finance appointed Direct Foreign Exchange Service Ltd. and Travelex Financial Services Malta Ltd. as authorised dealers for the purposes of the Exchange Control Act, 1972. The overseas parent company of Travelex Financial Services Malta Ltd. had taken over the Thomas Cook group in the UK. Consequently, on the same date, the Minister of Finance revoked the appointment of Thomas Cook Financial Services Malta Ltd. as an authorised dealer for the purposes of the same Act.

Budget 2002
On November 21 the Minister of Finance presented the Budget Estimates for the year 2002 to Parliament. The Budget included a number of policy measures, among which:

- **Cost of living increase**: A weekly increase of Lm1.50 in wages and salaries as from January 1, 2002 to compensate for the rise in the cost of living during the year to September 2001.

- **Direct taxation**: A revision of the tax bands for married couples who file a joint declaration of their income, resulting in savings of up to Lm145 per annum in income tax. The fringe benefit value of commercial vans and vehicles used by salesmen will no longer be subject to tax.

- **Indirect taxation**: Excise duties on cigarettes increased. Levies on a number of imported industrial products to be scaled down further.

- **Linkage of the price of fuel to price movements in international markets**: As announced in last year’s budget, prices of oil products are to be linked to prices on international markets. Reflecting current prices, the price of leaded petrol and diesel was raised with immediate effect, while that of unleaded petrol and kerosene was lowered. As from April, these prices are to be reviewed every three months to reflect average prices on international markets in the previous three months.

- **Support scheme for the agriculture sector**: A support scheme for the agricultural sector is to be introduced as levies on agricultural imports are lifted.
Social security system reform: Social security contributions are to be applied only to healthcare and pensions. Contributions earmarked for healthcare are to be used exclusively to finance the cost of healthcare and care of the elderly, while those earmarked for pensions are to be used to finance contributory pensions and other related benefits only. All other benefits are to be provided for directly from the Consolidated Fund.

Liberalisation of exchange controls: Exchange controls were further liberalised and the relative procedures are to be speeded up. The measures include:

- An increase in the allowance for travel purposes from Lm10,000 per person per trip to Lm15,000.
- An increase in the amount of foreign currency that can be exported by residents travelling overseas to effect payment for merchandise.
- Quantitative restrictions on the amount that residents are permitted to invest in real estate overseas abolished.
- The allowance for foreign portfolio investment by residents raised from Lm30,000 per year to Lm50,000.
- Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are to be permitted to invest up to 10 per cent of such funds in foreign assets.
- The amount of foreign currency which a resident may retain in the form of cash or in a demand deposit account denominated in foreign currency with local credit institutions was raised from Lm10,000 to Lm15,000.
- The amount of foreign currency that may be placed with local credit institutions by corporate entities and retailers was raised from Lm10,000 to Lm15,000.
- Locally-registered fund management companies are to be permitted to seek a listing for their collective investment schemes on recognised international capital markets.
- Locally-registered financial and non-financial companies are to be permitted to seek a listing for their bonds and related securities on recognised international money/capital markets as long as the securities have a maturity period of at least one year.
- The granting of guarantees by residents in favour of non-residents is completely liberalised.
- All restrictions on the physical transfer overseas of certificates and other instruments denoting title to shares or securities have been removed.

Foreign investment registration scheme: Maltese residents having undeclared investments abroad as at September 1, 2001 are to be given the opportunity to regularise their position until December 31, 2002. Holders of such investments who register them within this period will be required to pay a one-time registration fee calculated as a percentage of the current market value of the registered investment.

Issue of Shares by Corinthia Group

On November 20 International Hotel Investments plc, a subsidiary of the Corinthia Group, announced that it would be offering for sale to eligible shareholders Lm8 million worth of ordinary shares at an offer price of Lm1 per share. On April 27, 2000 International Hotel Investments plc had already issued Lm10 million worth of shares.

Surrender and Revocation of Banking Licences

On November 15 EGS Bank AS voluntarily surrendered its licence to undertake the business of banking from Malta through the establishment of a branch, issued in terms of the Banking Act, 1994. This development was the result of a
strategic decision taken by the Bank’s Board of Directors.

On December 7 the Central Bank of Malta revoked the banking licence issued to Iktisat Bankasi TAS to operate a branch from Malta. The revocation of the licence with effect from 7 December 2001 was consequent to the withdrawal of the bank’s banking licence in Turkey by the Turkish regulatory authorities.

**European Investment Bank - Malta Sign Framework Agreement**

On December 14 the European Investment Bank and Malta signed a framework agreement in view of Malta’s prospective membership of the EU. The agreement, which is similar to bilateral agreements signed between sovereign states, is intended to broaden the scope of loans into social areas such as education and health. It is also aimed at increasing the level of co-operation between Malta and the European Investment Bank with a view to promoting investment in Malta.

**European Investment Bank Loan Agreement Signed**

On December 14 the European Investment Bank signed a loan agreement worth 25 million euros with the Bank of Valletta plc. The loan, which is to be used for the long-term financing of projects in a number of sectors in the Maltese economy, was made available within the Framework Agreement signed between the European Investment Bank and Malta on December 14, 2001.

**Prevention of Money Laundering Act, 1994 Amended**

On December 27 Parliament enacted the Prevention of Money Laundering (Amendment) Act, 2001. The Act provides for the setting up of a Financial Intelligence Analysis Unit to receive and analyse reports of transactions suspected to involve money laundering.

**Appointment of Competent Authority**

With effect from January 1, 2002, responsibility for banking supervision and regulation was transferred from the Central Bank of Malta to the Malta Financial Services Centre. To bring this decision into force, the Minister of Finance, on December 27, 2001, issued Legal Notices No 324 and 325, which appointed the Malta Financial Service Centre as the Competent Authority for the purposes of the Financial Institutions Act, 1994 and the Banking Act, 1994.
FINANCIAL POLICY CALENDAR

This calendar lists policy measures in the monetary, fiscal and exchange rate fields.

1998

February 2: Central Bank Raises Intervention Rates
The Monetary Policy Council of the Central Bank of Malta raises its reverse repo rate band from 5.20% - 5.30% to 5.30% - 5.40%. This decision reflects the Bank’s tightening monetary policy stance. In addition, as a result of this decision, the repo market rate band is narrowed from 5.20% - 5.50% to 5.30% - 5.50%. This is in line with the Bank’s aim of gradually aligning all domestic money market interest rates around one intervention rate.

April 28: Minister Issues Representative Offices Regulations
The Minister of Finance and Commerce, after consultation with the Competent Authority, issues the Representative Offices (Requirements and Activities) Regulations, 1998. The regulations define the range of activities that representative offices of non-Maltese banks may carry out in Malta. The regulations come into force as from May 12.

April 30: Central Bank Institutes Central Intervention Rate
The Monetary Policy Council of the Central Bank of Malta institutes a central intervention rate of 5.45% with a band of five basis points on either side. This decision completes a technical adjustment, begun in November 1997, aimed at narrowing the spread between the Central Bank’s injection rate and its absorption rate.

May 18: Malta Stock Exchange Starts Trading Daily
The Malta Stock Exchange starts trading on a daily basis. The Minister of Finance and Commerce says that the catalyst for daily trading was the partial privatisation of Maltacom plc and Malta International Airport plc.

June 26: Parliament Enacts Commercial Banks (Special Tax) Act
Parliament enacts the Commercial Banks (Special Tax) Act, 1998. This imposes a fifteen per cent tax on bank profits accrued during 1997. The Act applies to credit institutions licensed under the Banking Act, 1994, except those licensed to deal only in currencies other than the Maltese lira. Lohombus Bank Limited, a mortgage bank, is also excluded. As regards branches of foreign banks, the tax is to be paid on profits attributable to the operations of the branch or branches conducted in Malta only.

November 25: Measures Introduced in the 1999 Budget
The Minister of Finance, in presenting the Estimates for 1999 to Parliament, announces a number of policy measures. These include:-

1) Wages: A weekly wage increase of Lm1.75 is to be given to compensate for the rise in the cost of living
during the year to September 1998. An additional one-off increase of Lm13 is to be given in March.

2) **Social Benefits:** The wage increase is to be reflected in proportionate increases in pensions and other benefits in accordance with the Social Security Act, 1987. In addition, the children’s allowance for families having more than five children is to be improved. Single parents and widows are to be considered as married persons for income tax purposes.

3) **Social Security Contributions:** Employees’ social security contributions are to increase from 8.33% to 9% of the basic pay as from January 1, 1999, and to 10% as from January 1, 2000.

4) **Indirect Taxation:** The excise duty on cigarettes and petrol is to increase, while that on kerosene is to decrease.

5) **Value Added Tax:** Value Added Tax, at the rate of 15%, is to replace Customs and Excise Duty Tax as from January 1, 1999. Hotel accommodation, excluding inclusive package tours, is to be taxed at 5%.

6) **Privatisation:** An agency or division under the Ministry of Finance is to be set up to draft a long-term privatisation programme.

7) **Exchange Control:** A company registered or a person domiciled in Malta will be allowed to invest up to Lm300,000 in existing business or new business abroad. Investment allowances for individuals and non-financial companies will be raised from Lm5,000 per year to Lm8,000. Local exporters will be allowed to leave their receipts in foreign currency accounts for a period of six months.

**December 28: Central Bank Announces Changes to Maltese Lira Basket**

The Central Bank of Malta announces that the composition of the Maltese lira basket will be revised from January 4, 1999 to take into account the introduction of the euro. At the same time, the Bank emphasises that the review of the basket will not involve any change in the value of the currency.

The revision of the basket will entail the following changes:

1. The euro will be allocated the previous weight of the ECU component except for the sterling weight within the ECU.
2. The sterling weight within the ECU will be added to the sterling weight in the Maltese lira basket.
3. The weight of the US dollar will remain unchanged.

As a result, the three component currencies will have the following weights: euro 56.8%; sterling 21.6%; US dollar 21.6%. These weights will serve as the basis for the establishment of the portions of the currency components to be announced on January 4, 1999.

**December 29: Value Added Tax Reintroduced**

Parliament enacts the Value Added Tax Act, 1998, reintroducing Value Added Tax (VAT) with effect from January 1, 1999. The rate of tax on the supply of products and on the provision of services is set at 15%, while that on the supply of tourist accommodation is set at 5%. The Act also establishes thresholds below which small businesses are given the option to stay out of the VAT system and the related system of refunds.
Central Bank of Malta, Quarterly Review, December 2001

1999

January 4: Currency Portions of Maltese Lira Basket Announced
The Monetary Authorities announce the currency portions that are to make up the Maltese lira basket based on the weights that were allocated to the euro, the pound sterling and the US dollar as announced on December 28, 1998. The weights and portions of the three currencies are established as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Weight</th>
<th>Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro</td>
<td>56.8%</td>
<td>1.2793</td>
</tr>
<tr>
<td>Pound Sterling</td>
<td>21.6%</td>
<td>0.3462</td>
</tr>
<tr>
<td>US Dollar</td>
<td>21.6%</td>
<td>0.5777</td>
</tr>
</tbody>
</table>

January 21: Central Bank Lowers Intervention Rate
The Monetary Policy Council of the Central Bank of Malta lowers the Bank’s central intervention rate by ten basis points to 5.35%.

March 29: Central Bank Lowers Intervention Rate Again
The Monetary Policy Council of the Central Bank of Malta lowers the Bank’s central intervention rate by a further forty basis points to 4.95%.

In announcing the reductions in its intervention rate, the Bank says that its Monetary Policy Council had noted that the difference between official interest rates in Malta and those abroad had widened, as interest rates overseas had fallen. The Council had also noted that domestic demand remained subdued, inflation had declined, and pressures on the external reserves had eased. Nevertheless, the Bank says, the Council was still concerned about the level of the Government’s borrowing requirement and emphasised the need for continued fiscal discipline. The Central Bank also says that it will continue to pursue a monetary policy based on maintaining a fixed exchange rate for the Maltese lira and that it stood ready to adjust official interest rates as necessary.

March 29: Interest Rate Ceiling on Foreign Currency Lending Lifted
The Central Bank of Malta amends Central Bank of Malta Notice Number 1 on interest rates. By means of this amendment, all restrictions on interest rates on loans and advances denominated in foreign currency by credit and financial institutions are lifted.

May 6: Central Bank Lowers Discount Rate
The Monetary Policy Council of the Central Bank of Malta lowers the Bank’s discount rate by 25 basis points from 5.5% to 5.25%. The Bank’s central intervention rate is left unchanged at 4.95%. In announcing the reduction in the discount rate, the Bank notes that official interest rates overseas, particularly in Malta’s trading partner countries, had continued to fall, that domestic economic activity remained generally subdued, inflation had continued to fall, and the external reserves had remained stable. Nevertheless, the Bank also says that the Council remained concerned about the level of the Government’s
borrowing requirement, that it would continue to pursue a monetary policy based on maintaining a fixed exchange rate for the Maltese lira, and that it stood ready to adjust official interest rates as necessary.

**May 7 : Parliament Authorizes Government to Borrow Lm100 Million**
Parliament enacts Local Loan Act, 1999 which authorises the Government to raise, by way of loans from local sources, a sum not exceeding Lm100 million to meet both the deficit incurred in the Consolidated Fund in 1998 and the deficit which is expected to be incurred during 1999.

**May 7 : Obligation to Create Sinking Funds in Connection with Local Borrowing Abolished**
Parliament amends Local Loan (Registered Stock and Securities) Ordinance, 1957 through Act IV of 1999. This removes the obligation on Government to create sinking funds in connection with new local borrowing. The obligation to create sinking funds in connection with overseas borrowing is, however, retained.

**May 29 : Minister of Finance amends Malta Stock Exchange Regulations**
The Minister of Finance, through Legal Notice 91, amends Article 3 of the Statute of the Malta Stock Exchange. This amendment makes it possible for a stockbroker nominated by the Central Bank of Malta to execute transactions on behalf of the Government in quoted securities of companies or other entities owned wholly, or in part, by the Government, subject to certain conditions specified in the Malta Stock Exchange Act, 1990 itself.

**June 24 : Central Bank Lowers Discount Rate Again**
The Monetary Policy Council of the Central Bank of Malta lowers the Bank’s discount rate by 30 basis points from 5.25% to 4.95%. This is the second time that the Central Bank lowers its discount rate this year. The adjustment sets the discount rate equal to the Bank’s central intervention rate. The Central Bank also announces that, in future, any change in its intervention rate would automatically be matched by a similar change in the discount rate.

**August 2 : Central Bank Lowers Minimum Deposit Rate on Savings Accounts**
The Central Bank of Malta, in terms of Section 38 of the Central Bank of Malta Act, 1967, lowers the minimum rate of interest that credit institutions may pay on deposits denominated in Maltese lira, other than current accounts, from 3 % per annum to 2.5 % per annum.

**September 7 : Penalties for Offences Against Banking Act, 1994 Regulations Published**
The Minister of Finance, through Legal Notice 155 of 1999, publishes the Penalties for Offences Regulations 1999. These regulations specify the penalties, including fines and imprisonment terms, to be imposed on persons found guilty of having contravened specific provisions of the Banking Act, 1994. They also empower the Competent Authority to impose administrative penalties on persons who fail to comply with other provisions of the Banking Act, 1994. Such persons may appeal to the Tribunal for Financial Services against any decision imposing upon them an administrative penalty.
September 23: **Central Bank Lowers Intervention Rate and Discount Rate**
The Monetary Policy Council of the Central Bank of Malta lowers the Bank’s central intervention rate and its discount rate by 20 basis points from 4.95% to 4.75%. All the other official interest rates quoted by the Central Bank go down by 20 basis points. In announcing the reduction in rates the Bank comments on the weakness of domestic demand, the decline in inflation and the absence of pressure on the external reserves. The Bank also notes some improvement in Government finances but registers its continuing concern about the level of the Government’s borrowing requirement.

November 1: **Central Bank Removes Limits on Bank Deposit/Foreign Currency Interest Rates**
The Central Bank of Malta abolishes the minimum rate of interest that banks were obliged to pay on savings deposits, previously established in terms of section 38 of the Central Bank of Malta Act, 1967. As a result, credit institutions are allowed freely to determine the rate of interest payable on deposits made with them, not only in Maltese liri but in any currency. The Bank also removes the remaining limit on interest rates that banks are permitted to charge on loans in foreign currency.

October 19: **General Financial Regulations Amended**
The Minister of Finance, through Legal Notice 173 amends regulation 59 of the General Financial Regulations 1966. Through this amendment, which comes into effect immediately, the validity period of all cheques drawn by the Government is extended from two months to six in line with normal banking practice.

November 15: **Malta Ratifies European Convention on Money Laundering**
Malta ratifies the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime. The convention was signed on November 5, 1998 and is to enter into force on March 1, 2000.

November 9: **Malta Stock Exchange Introduces Alternative Companies List**
The Malta Stock Exchange announces the introduction of the Alternative Companies Listing. The rules applicable to the new listing are designed to give companies which do not have all the necessary qualifications to seek a listing on the current market, including non-Maltese companies, access to equity or loan capital, regardless of their size or past performance.

November 22: **Measures Introduced in the Budget for the Year 2000**
The Minister of Finance, in presenting the Budget Estimates for the year 2000 to Parliament, announces a number of policy measures. These include:

1) **Wages:** A weekly increase of Lm1 to compensate for the rise in the cost of living during the year to September 1999. An additional one-off increase of Lm10 per person to be given in January to compensate for the removal of the subsidy on local bread.
2) **Social Security Contributions:** As from January 1, 2000, employees’ social security contributions are to go up from 9% to 10% of their basic pay, while the different income bands previously used to calculate the contribution rate of the self-employed are to be abolished. The rate of contribution on all income earned by the self-employed is to be 15%.

3) **Direct Taxation:** Income tax bands are to be revised, while guidelines are to be issued by the Commissioner of Inland on the taxation of fringe benefits. A tax compliance unit is to be set up within the Department of Inland Revenue.

4) **Indirect Taxation:** Excise duty on cigarettes goes up, while locally processed alcoholic beverages are no longer to be exempt from the payment of such duties. At the same time, the duty on transfers of immovable property is to be reduced, while the duties payable on the allocation of shares and on medical insurance cover are to be abolished altogether.

5) **Value Added Tax:** Value Added Tax, at the rate of 15%, is introduced on petrol and diesel with immediate effect, and on telephony with effect from January 1. Telephone consumer tariffs, however, are set to rise by five per cent.

6) **Exchange Control:** A number of measures are to be introduced to further liberalise exchange control and speed up the relative bureaucratic and administrative procedures. Current restrictions on the amount that companies registered or domiciled in Malta are allowed to invest in businesses abroad are to be abolished, while the overseas investment allowances for individuals and non-financial companies is to be raised from Lm8,000 to Lm15,000. Export-oriented companies in the services sector will be allowed to leave their receipts in foreign currency accounts for up to six months, while retailers will be allowed to maintain foreign currency and time deposit accounts up to a limit of Lm2,500. Insurance companies will be allowed to invest funds abroad freely, subject to control by the Malta Financial Services Centre.

**December 31: Ways and Means Facility Abolished**

The Minister of Finance, through Legal Notice 224 of 1999, establishes January 1, 2000 as the date on which the provisions of Section 15 of the Central Bank of Malta (Amendment) Act, 1994 are to come into force. This effectively brings to an end the Government’s borrowing facility with the Central Bank of Malta, known as the Ways and Means Facility.

**December 31: Delegation of Exchange Control Authority to Malta Financial Services Centre**

The Minister of Finance, through Legal Notice 225 of 1999, appoints the Malta Financial Services Centre (MFSC) as an authorised dealer for the purposes of Sections 17, 18 and 32 of the Exchange Control Act, 1972 with effect from January 1, 2000. Through this legal notice, the responsibility for approving and vetting applications for the registration of companies with non-resident participation is transferred from the Central Bank of Malta to the Malta Financial Services Centre under delegated authority.
March 10: Malta Stock Exchange Bye-Laws Amended
The Council of the Malta Stock Exchange amends its bye-laws with regard to dealings made by directors and employees in possession of price sensitive information in the listed securities of their companies. The changes are made within the context of the review, undertaken by the Malta Stock Exchange, of market practices and compliance with internationally accepted regulatory standards.

March 29: Italian Financial Aid to Malta
Italy and Malta sign an agreement providing for the granting of over Lm5 million in Italian financial aid to Malta. This is to be made available under the Fourth Italo-Maltese Protocol on Financial, Economic and Technical Assistance, which covers the years 1996 - 2000.

April 12: Central Bank Abolishes Last Remaining Control on Interest Rates
The Central Bank of Malta amends Notice No 1 on Interest Rates to remove the provision relating to the maximum rate of interest that banks could charge on loans and advances for the purchase of one residential unit for the occupier’s own use. With this amendment, the last remaining control on interest rates is abolished, so that rates will now be determined solely by market conditions.

April 28: Bearer Accounts Phased Out
Following instructions by the Central Bank of Malta to the local banks, the Malta Commercial Banks’ Association announces that all bearer accounts are to be closed by June 30. This measure brings local banking practices in line with international practices and is intended to combat money laundering.

June 15: Malta Withdraws from Offshore Group of Banking Supervisors
Malta announces its withdrawal from the Offshore Group of Banking Supervisors (OGBS). Membership of the OGBS was deemed to be no longer appropriate for Malta in view of the decision, taken in 1996, to register no new offshore activities on the island and to phase out the existing ones.

July 14: Malta Stock Exchange Regulations Amended
The Minister of Finance, through Legal Notice No 124, amends the first schedule of the Malta Stock Exchange Regulations, 2000 allowing a “person” rather than an “individual” to obtain a stockbroking licence. The Legal Notice also replaces the existing Stock Exchange Committee with a College of Stockbroking Firms.

August 25: Prevention of Money Laundering Regulations Amended
The Minister of Finance, through Legal Notice 156, issues the Prevention of Money Laundering (Amendment) Regulations, 2000. These regulations amend the Prevention of Money Laundering Regulations, 1994. Amongst other things, the amended regulations introduce the concept of “reputable jurisdiction”. This allows for the recognition of other jurisdictions which adhere to international standards
in combating money laundering.

**November 21: Measures Introduced in the Budget for 2001**

The Minister of Finance, in presenting the Budget Estimates for the year 2001 to Parliament, announces a number of policy measures. These include:

1) **Cost of Living Increase:** A weekly increase in wages of Lm1.50 to compensate for the rise in the cost of living during the year to September 2000.

2) **Direct Taxation:** The Income Tax Act, 1948 is to be enforced with regard to certain fringe benefits attached to employment. The benefits to be taxed are listed in a separate document presented with the Budget.

3) **Indirect Taxation:** Value Added Tax on health and education are reclassified as exempt without credit while profits made by travel agents on tickets for travel abroad are to become taxable at the full rate. Catering establishments in factories, schools and industrial zones are to start charging Value Added Tax. Excise duty on cigarettes is increased while the duty on alcoholic beverages is henceforth to be calculated on the basis of the alcohol content of the beverage concerned. Levies on a number of imported industrial products are to be scaled down further, while income from collective investment schemes is to be subject to tax.

4) **Liberalisation of Exchange Controls:** Exchange controls are further liberalised and the relative administrative procedures are to be speeded up. The measures include:
   - An increase in the allowance for travel purposes from Lm5,000 to Lm10,000 per trip.
   - An increase in the limit for cash gifts from Lm5,000 to Lm10,000 per year.
   - An increase in the amount of foreign currency which can be exported to effect merchandise payments overseas.
   - An increase in the limits on imports and exports of local currency from Lm25 to Lm1,000.
   - The amount that residents are permitted to invest in real estate overseas is raised from Lm50,000 per year to Lm150,000.
   - The allowance for foreign portfolio investment by residents is raised from Lm15,000 per year to Lm30,000.
   - Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are permitted to invest in foreign assets up to a maximum of five per cent of the funds invested in a scheme.
   - The amount of foreign currency which a resident may retain in the form of cash or in a foreign currency (demand) account with local credit institutions is raised to Lm10,000 from Lm2,500.
   - The period during which export-oriented local companies are permitted to maintain export proceeds with local banks in foreign currency is extended to one year while other bodies corporate and local retail outlets are henceforth permitted to maintain demand, savings and time deposits in foreign currency accounts provided such deposits originate from business activities and the balance does not exceed Lm10,000.
· Lending and borrowing activities are liberalised completely, subject to the condition that such lending or borrowing is for maturity periods of over one year.
· The granting of guarantees by residents and vice versa is liberalised completely.
· All restrictions with regard to the amount of assets that emigrants may transfer abroad are removed.
· All restrictions on payments by residents in respect of endowments to *bona fide* foreign institutions, dowry payments and payments in connection with the settlement of debts by immigrants in their previous country of residence are removed.

The Minister also announces that, as from January 1, 2002, the prices of oil products in Malta are to be linked to price movements in international markets.

**December 5: Malta Stock Exchange Council Reviews Notice**

The Council of the Malta Stock Exchange revises Council Notice No 1, which deals with fees and other charges. One major change involves the brokerage fees/commissions charged by stockbrokers. These will no longer be fixed by the Exchange but will become subject to negotiation between investors and stockbrokers. The revised notice becomes effective as from January 1, 2001.

**2001**

**January 10: Malta Appointed to OECD Task Force on Harmful Tax Practices**

Malta, through its Minister of Finance, is appointed a member of a task force set up by the Organisation for Economic Co-operation and Development (OECD) to curb harmful tax practices in certain offshore financial centres. The task force, made up of 13 countries, was set up during an OECD meeting held in Barbados. Malta will also be representing Commonwealth countries on this task force.

**February 14: Malta Stock Exchange Introduces a Trade-Weighted Average Moving Price (TWAMP)**

The Malta Stock Exchange announces that, as from the trading session of February 19, it would commence the phasing in of a trade-weighted average moving price (TWAMP) based on the aggregate volume/value of the five trading sessions in which each security was last traded. As a result, the TWAMP would be based on at least five transactions. The Exchange’s trade ranges, share index and market capitalisation statistics would also be established in relation to the TWAMP.

**July 5: Malta Stock Exchange Issues Draft Corporate Governance Code**

The Malta Stock Exchange publishes a draft code of principles for good corporate governance which, it is recommended, should be observed on a voluntary basis by both listed and public companies. The code and recommendations were drafted by a working group set up by the Malta Stock Exchange towards the end of last year.

**August 31: Central Bank Lowers Official Interest Rates**

The Monetary Policy Council of the Central Bank of Malta lowers the Bank’s central intervention rate and the discount rate by 25 basis points to 4.5%. All other official interest rates quoted by the Central Bank are similarly lowered by 25 basis points.
September 27: Central Bank Lowers Reserve Requirement Ratio

The Monetary Policy Council of the Central Bank of Malta lowers the reserve requirement ratio imposed on banks by one percentage point to 4% of their deposit liabilities. The measure, which increases the banks’ liquidity and thus enables them to extend more credit, is to take effect from October 15.

November 26: Central Bank Lowers Official Interest Rates

The Monetary Policy Council of the Central Bank of Malta lowers the Bank’s central intervention rate and the discount rate by 25 basis points to 4.25%. All other official interest rates quoted by the Central Bank are similarly reduced by 25 basis points.

October 31: Malta Stock Exchange Issues Corporate Governance Code

The Malta Stock Exchange publishes new bye-laws which include the code of principles of good corporate governance which the Exchange had issued on July 5 in draft form. Companies listed on the official list of the Exchange, as well as those on the alternative companies list, are encouraged to adopt the code. Listed companies are henceforth required to include a “Statement of Compliance” in their annual reports explaining to what extent they are complying with these principles and the measures they have taken to ensure compliance. Auditors are also required to report on these statements.

November 21: Measures Introduced in the Budget for 2002

The Minister of Finance, in presenting the Budget Estimates for the year 2002 to Parliament, announces a number of policy measures. These include:

- **Cost of Living Increase**: A weekly increase of Lm1.50 in wages and salaries as from January 1, 2002 to compensate for the rise in the cost of living during the year to September 2001.

- **Direct Taxation**: A revision of the tax bands for married couples who file a joint declaration of their income, resulting in savings of up to Lm145 per annum in income tax. The fringe benefit value of commercial vans and vehicles used by salesmen are no longer to be subject to tax.

- **Indirect Taxation**: Excise duties on cigarettes increased. Levies on a number of imported industrial products to be scaled down further.

- **Linkage of the Price of Oil to Price Movements in International Markets**: As announced in last year’s budget, the prices of oil products are to be linked to prices on international markets. Reflecting current prices, the price of leaded petrol and diesel is raised with immediate effect, while that of unleaded petrol and kerosene is lowered. As from April, these prices are to be reviewed every three months to reflect average prices on international markets in the previous three months.
· **Support Scheme for the Agriculture Sector**: A support scheme for the agricultural sector is to be introduced as levies on agricultural imports are lifted.

· **Social Security System Reform**: Social security contributions are to be applied only to healthcare and pensions. Contributions earmarked for healthcare are to be used exclusively to finance the cost of healthcare and care of the elderly, while those earmarked for pensions are to be used to finance contributory pensions and related benefits only. All other benefits are to be provided for directly from the Consolidated Fund.

· **Liberalisation of Exchange Controls**: Exchange controls are further liberalised and the relative procedures are to be speeded up. The measures include:

  - An increase in the allowance for travel purposes from Lm10,000 per person per trip to Lm15,000.

  - An increase in the amount of foreign currency that can be exported by residents travelling overseas to effect payment for merchandise.

  - Quantitative restrictions on the amount that residents are permitted to invest in real estate overseas abolished.

  - The allowance for foreign portfolio investment by residents raised from Lm30,000 per year to Lm50,000.

  - Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are to be permitted to invest up to 10 per cent of such funds in foreign assets.

  - The amount of foreign currency which a resident may retain in the form of cash or in a demand deposit account denominated in foreign currency with local credit institutions is raised from Lm10,000 to Lm15,000.

  - The amount of foreign currency that may be placed with local credit institutions by corporate entities and retailers is raised from Lm10,000 to Lm15,000.

  - Locally registered fund management companies are to be permitted to seek a listing for their collective investment schemes on recognised international capital markets.
Locally registered financial and non-financial companies are to be permitted to seek a listing for their bonds and related securities on recognised international money/capital markets as long as the securities have a maturity period of at least one year.

The granting of guarantees by residents in favour of non-residents is completely liberalised.

All restrictions on the physical transfer overseas of certificates and other instruments denoting title to shares or securities are removed.

**Foreign Investment Registration Scheme:** Maltese residents having undeclared investments abroad as at September 1, 2001 are to be given the opportunity to regularise their position until December 31, 2002. Holders of such investments who register them within this period are required to pay a one-time registration fee calculated as a percentage of the current market value of the registered investment.

**December 14: European Investment Bank – Malta Sign Framework Agreement**

The European Investment Bank (EIB) and Malta sign a framework agreement in view of Malta’s prospective membership of the EU. The agreement, which is similar to bilateral agreements between sovereign states, is intended to broaden the scope of loans into social areas such as education and health. It is also aimed at increasing co-operation between Malta and the EIB with a view to promoting investment in Malta.

**December 27: Prevention of Money Laundering Act, 1994 Amended**

Parliament enacts the Prevention of Money Laundering (Amendment) Act 2001. The Act provides for the setting up of a Financial Intelligence Analysis Unit to receive and analyse reports of transactions suspected to involve money laundering.

**December 27: Appointment of Competent Authority**

The Minister of Finance, through Legal Notices Nos 324 and 325, appoints the Malta Financial Service Centre (MFSC) as the Competent Authority for the purposes of the Financial Institutions Act, 1994 and the Banking Act, 1994, with effect from January 1, 2002.
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THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS
(as at end-Sept. 2001, unless otherwise indicated)

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<td>AREA</td>
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<td>CURRENCY UNIT</td>
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<td>Lm1 = Euro2.4679</td>
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<td>CLIMATE</td>
<td>Average temperature (1991-1999): December - February 13.3°C</td>
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<td>June - August 25.9°C</td>
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<td></td>
<td>Average annual rainfall (1990 - 1999) 622.4mm</td>
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<td>SELECTED GENERAL</td>
<td>GDP growth at current market prices (Dec. 2000) 7.2%</td>
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<td>Retail Price Inflation 2.42%</td>
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<td>Gainfully Occupied 137,708</td>
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<td>Males (Dec. 2000) 193,689</td>
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<td>0 - 19 28%</td>
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<td>20 - 59 55%</td>
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<td></td>
<td>60 + 17%</td>
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<tr>
<td></td>
<td>Average annual growth rate (1990 - 2000) 0.8%</td>
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<td>Density per km² 1,238</td>
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<td></td>
<td>Number of teachers (1999/2000) 8,177</td>
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<td></td>
<td>Number of pupils/students (1999/2000) 100,052</td>
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¹ Deficit figures are adjusted for sale of shares, sinking funds of converted loans and capital repayments.

Source: Central Bank of Malta; National Statistics Office; Ministry of Finance; Eurostat.
List of banking institutions submitting financial information to the Central Bank of Malta for statistical reporting purposes, as at September 2001:

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<td>Bank of Valletta plc</td>
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<td>HSBC Bank Malta plc</td>
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<td>Lombard Bank (Malta) plc</td>
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### PART 1: MONEY AND BANKING

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<td>5.7</td>
<td>Retail Price Index (Base 1995=100)</td>
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### GENERAL METHODOLOGICAL NOTES

Central Bank of Malta, Quarterly Review, December 2001
### TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES

**CENTRAL BANK OF MALTA**

#### Liabilities

<table>
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<tr>
<th>End of Period</th>
<th>Currency Notes and Coin Issued</th>
<th>IMF-Related Liabilities</th>
<th>Deposits</th>
<th>Capital and Reserves</th>
<th>Foreign Liabilities</th>
<th>Other Liabilities</th>
</tr>
</thead>
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|               |                               | Banks 2 | Government | Other | Total | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousands | Lm thousand...
### TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
**CENTRAL BANK OF MALTA**

#### Assets

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<tr>
<th>End of Period</th>
<th>Gold 2</th>
<th>IMF-Related Assets 3</th>
<th>Convertible Currencies 4</th>
<th>Total</th>
<th>IMF Currency Subscription</th>
<th>Malta Government Securities and Advances</th>
<th>Fixed and Other Assets</th>
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<td>35,664</td>
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<td>19,239</td>
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<td>783,223</td>
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<td>37,808</td>
<td>631,102</td>
<td>675,427</td>
<td>35,664</td>
<td>30,507</td>
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<td>781,543</td>
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<tr>
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<td>602,438</td>
<td>640,300</td>
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<td>35,222</td>
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<td>16,154</td>
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<td>35,372</td>
<td>19,239</td>
<td>40,696</td>
<td>783,223</td>
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</table>

2. Includes small amounts of other precious metals.
3. Includes IMF Reserve Position and holdings of SDRs.
4. Valued according to the prevailing accounting policies as explained each year in the Notes to the Accounts in the Central Bank of Malta Annual Report.
### TABLE 1.2  STATEMENT OF ASSETS AND LIABILITIES

**DEPOSIT MONEY BANKS**

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<th>Liabilities</th>
<th>Lm thousands</th>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<tr>
<td><strong>Foreign Liabilities</strong></td>
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<tr>
<td><strong>Capital and Reserves</strong></td>
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<tr>
<td><strong>Other Liabilities</strong></td>
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<th>Demand</th>
<th>Savings</th>
<th>Time</th>
<th>Total</th>
<th>Foreign Liabilities</th>
<th>Capital and Reserves</th>
<th>Other Liabilities</th>
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<td>137,762</td>
<td>550,139</td>
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<td>1,297,263</td>
<td>2,115,318</td>
<td>420,615</td>
<td>158,303</td>
<td>537,670</td>
</tr>
<tr>
<td>Dec.</td>
<td>192,206</td>
<td>623,727</td>
<td>1,296,731</td>
<td>2,112,664</td>
<td>404,679</td>
<td>158,523</td>
<td>566,664</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>205,665</td>
<td>624,893</td>
<td>1,321,837</td>
<td>2,152,395</td>
<td>407,805</td>
<td>177,039</td>
<td>672,988</td>
</tr>
<tr>
<td>Feb.</td>
<td>211,192</td>
<td>629,250</td>
<td>1,340,870</td>
<td>2,181,312</td>
<td>404,322</td>
<td>176,714</td>
<td>702,120</td>
</tr>
<tr>
<td>Mar.</td>
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<td>619,316</td>
<td>1,343,006</td>
<td>2,174,905</td>
<td>417,137</td>
<td>176,714</td>
<td>690,255</td>
</tr>
<tr>
<td>Apr.</td>
<td>209,623</td>
<td>634,366</td>
<td>1,382,622</td>
<td>2,226,611</td>
<td>402,928</td>
<td>176,714</td>
<td>702,344</td>
</tr>
<tr>
<td>May</td>
<td>216,251</td>
<td>630,063</td>
<td>1,394,006</td>
<td>2,240,321</td>
<td>386,026</td>
<td>177,039</td>
<td>701,452</td>
</tr>
<tr>
<td>June</td>
<td>209,436</td>
<td>639,026</td>
<td>1,368,606</td>
<td>2,217,068</td>
<td>382,569</td>
<td>177,040</td>
<td>691,167</td>
</tr>
<tr>
<td>July</td>
<td>228,197</td>
<td>639,095</td>
<td>1,379,745</td>
<td>2,244,037</td>
<td>382,559</td>
<td>177,040</td>
<td>698,996</td>
</tr>
<tr>
<td>Aug.</td>
<td>214,351</td>
<td>650,004</td>
<td>1,389,291</td>
<td>2,253,646</td>
<td>394,763</td>
<td>177,040</td>
<td>747,367</td>
</tr>
<tr>
<td>Sept.</td>
<td>217,559</td>
<td>639,505</td>
<td>1,392,068</td>
<td>2,249,132</td>
<td>584,091</td>
<td>169,186</td>
<td>613,161</td>
</tr>
</tbody>
</table>

1 Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

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

3 As 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**<sup>1</sup>

#### Assets

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Cash and Deposits with Central Bank</th>
<th>Foreign Assets</th>
<th>Local Lending and Bills Discounted</th>
<th>Local Investments</th>
<th>Fixed and Other Assets</th>
<th>Total Assets/Total Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>58,349</td>
<td>197,787</td>
<td>458,246</td>
<td>100,284</td>
<td>32,334</td>
<td>847,000</td>
</tr>
<tr>
<td>1991</td>
<td>62,790</td>
<td>246,499</td>
<td>480,495</td>
<td>147,050</td>
<td>26,847</td>
<td>963,681</td>
</tr>
<tr>
<td>1992</td>
<td>93,816</td>
<td>330,111</td>
<td>539,405</td>
<td>147,048</td>
<td>32,488</td>
<td>1,142,868</td>
</tr>
<tr>
<td>1993</td>
<td>83,250</td>
<td>378,598</td>
<td>627,635</td>
<td>212,779</td>
<td>35,457</td>
<td>1,337,719</td>
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<tr>
<td>1994</td>
<td>194,501</td>
<td>417,411</td>
<td>707,355</td>
<td>210,540</td>
<td>46,545</td>
<td>1,576,352</td>
</tr>
<tr>
<td>1995</td>
<td>100,638</td>
<td>557,355</td>
<td>938,406</td>
<td>234,379</td>
<td>49,960</td>
<td>1,880,738</td>
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<tr>
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<td>96,777</td>
<td>588,571</td>
<td>1,079,552</td>
<td>263,194</td>
<td>114,236</td>
<td>2,142,330</td>
</tr>
<tr>
<td>1997</td>
<td>125,183</td>
<td>534,756</td>
<td>1,205,349</td>
<td>365,333</td>
<td>120,979</td>
<td>2,351,600</td>
</tr>
<tr>
<td>1998</td>
<td>140,172</td>
<td>575,077</td>
<td>1,324,629</td>
<td>477,853</td>
<td>128,861</td>
<td>2,646,592</td>
</tr>
<tr>
<td>1999</td>
<td>169,909</td>
<td>615,109</td>
<td>1,464,365</td>
<td>574,198</td>
<td>168,529</td>
<td>2,992,110</td>
</tr>
<tr>
<td><strong>2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>181,324</td>
<td>622,306</td>
<td>1,471,461</td>
<td>574,457</td>
<td>147,541</td>
<td>2,997,089</td>
</tr>
<tr>
<td>Feb.</td>
<td>178,691</td>
<td>624,779</td>
<td>1,478,851</td>
<td>583,519</td>
<td>161,452</td>
<td>3,027,292</td>
</tr>
<tr>
<td>Mar.</td>
<td>162,346</td>
<td>653,737</td>
<td>1,537,667</td>
<td>592,581</td>
<td>124,013</td>
<td>3,070,344</td>
</tr>
<tr>
<td>Apr.</td>
<td>157,818</td>
<td>680,893</td>
<td>1,532,392</td>
<td>601,602</td>
<td>135,754</td>
<td>3,108,459</td>
</tr>
<tr>
<td>May</td>
<td>174,635</td>
<td>701,269</td>
<td>1,540,180</td>
<td>579,465</td>
<td>147,358</td>
<td>3,142,907</td>
</tr>
<tr>
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<td>162,544</td>
<td>713,463</td>
<td>1,542,353</td>
<td>583,807</td>
<td>169,744</td>
<td>3,171,911</td>
</tr>
<tr>
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<td>179,381</td>
<td>721,804</td>
<td>1,538,138</td>
<td>559,368</td>
<td>151,585</td>
<td>3,150,276</td>
</tr>
<tr>
<td>Aug.</td>
<td>157,982</td>
<td>720,846</td>
<td>1,533,560</td>
<td>573,450</td>
<td>160,031</td>
<td>3,145,869</td>
</tr>
<tr>
<td>Sept.</td>
<td>172,161</td>
<td>712,620</td>
<td>1,592,966</td>
<td>566,345</td>
<td>131,272</td>
<td>3,175,364</td>
</tr>
<tr>
<td>Oct.</td>
<td>160,963</td>
<td>751,665</td>
<td>1,585,294</td>
<td>588,183</td>
<td>129,949</td>
<td>3,216,054</td>
</tr>
<tr>
<td>Nov.</td>
<td>162,908</td>
<td>745,462</td>
<td>1,599,751</td>
<td>589,856</td>
<td>134,019</td>
<td>3,231,996</td>
</tr>
<tr>
<td>Dec.</td>
<td>152,739</td>
<td>729,614</td>
<td>1,608,023</td>
<td>601,427</td>
<td>150,727</td>
<td>3,242,530</td>
</tr>
<tr>
<td><strong>2001</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>167,665</td>
<td>739,428</td>
<td>1,735,354</td>
<td>602,689</td>
<td>165,091</td>
<td>3,410,227</td>
</tr>
<tr>
<td>Feb.</td>
<td>176,144</td>
<td>751,847</td>
<td>1,739,911</td>
<td>634,330</td>
<td>162,236</td>
<td>3,464,468</td>
</tr>
<tr>
<td>Mar.</td>
<td>157,672</td>
<td>749,183</td>
<td>1,793,027</td>
<td>634,613</td>
<td>124,516</td>
<td>3,459,011</td>
</tr>
<tr>
<td>Apr.</td>
<td>171,652</td>
<td>765,611</td>
<td>1,823,589</td>
<td>614,562</td>
<td>133,183</td>
<td>3,508,597</td>
</tr>
<tr>
<td>May</td>
<td>177,617</td>
<td>758,695</td>
<td>1,815,942</td>
<td>599,360</td>
<td>153,223</td>
<td>3,504,837</td>
</tr>
<tr>
<td>June</td>
<td>145,437</td>
<td>737,380</td>
<td>1,815,792</td>
<td>607,585</td>
<td>161,650</td>
<td>3,467,844</td>
</tr>
<tr>
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<td>719,853</td>
<td>1,811,155</td>
<td>641,158</td>
<td>167,934</td>
<td>3,502,632</td>
</tr>
<tr>
<td>Aug.</td>
<td>157,031</td>
<td>779,222</td>
<td>1,806,213</td>
<td>648,651</td>
<td>181,699</td>
<td>3,572,817</td>
</tr>
<tr>
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<td>781,876</td>
<td>1,850,629</td>
<td>664,875</td>
<td>158,429</td>
<td>3,615,570</td>
</tr>
</tbody>
</table>

<sup>1</sup> Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.
## TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES

**OTHER BANKING INSTITUTIONS**

### Liabilities

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Deposits</th>
<th>Foreign Liabilities</th>
<th>Credits from Deposit Money Banks</th>
<th>Capital and Reserves</th>
<th>Other Items (Net)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Savings</td>
<td>Time</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
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<td>5,442</td>
<td>9,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>1994</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>1995</td>
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<td>1996</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>-</td>
<td>-</td>
<td>198</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>198</td>
<td>60,211</td>
<td>25,120</td>
<td></td>
<td>68,307</td>
</tr>
<tr>
<td>Feb.</td>
<td>198</td>
<td>60,380</td>
<td>25,120</td>
<td></td>
<td>68,591</td>
</tr>
<tr>
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<td>198</td>
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<td>25,120</td>
<td></td>
<td>70,454</td>
</tr>
<tr>
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<td>198</td>
<td>61,414</td>
<td>25,120</td>
<td></td>
<td>68,304</td>
</tr>
<tr>
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<td>198</td>
<td>62,052</td>
<td>25,120</td>
<td></td>
<td>68,471</td>
</tr>
<tr>
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<td>198</td>
<td>65,216</td>
<td>25,120</td>
<td></td>
<td>68,700</td>
</tr>
<tr>
<td>July</td>
<td>198</td>
<td>65,121</td>
<td>25,120</td>
<td></td>
<td>68,452</td>
</tr>
<tr>
<td>Aug.</td>
<td>198</td>
<td>65,577</td>
<td>25,120</td>
<td></td>
<td>69,584</td>
</tr>
<tr>
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<td>198</td>
<td>67,581</td>
<td>25,120</td>
<td></td>
<td>72,052</td>
</tr>
<tr>
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<td>-</td>
<td>48,779</td>
<td>18,918</td>
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<td>71,997</td>
</tr>
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<td>-</td>
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<td>71,552</td>
</tr>
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<td>-</td>
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<td>20,212</td>
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<td>69,218</td>
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</table>

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1. This Table was discontinued as from January 2001.
2. Excludes deposits belonging to non-residents. The latter are classified as foreign liabilities. As from January 1991, deposits belonging to residents have been classified under "Other Items (Net)". 
3. In April 1991, a local financial institution issued Lm60 million worth of bonds, with the proceeds being utilised to repay credits which it had previously received from Deposit Money Banks. These securities have been classified under "Other Items (Net)".

---

Central Bank of Malta, Quarterly Review, December 2001
### TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES
#### OTHER BANKING INSTITUTIONS ¹

**Assets**

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Cash and Deposits with Central Bank</th>
<th>Foreign Assets</th>
<th>Claims on</th>
<th>Total Assets/Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Government</td>
<td>Deposit Money Banks²</td>
</tr>
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<td>1991</td>
<td>7</td>
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<td>-</td>
<td>6</td>
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<tr>
<td>1992</td>
<td>7</td>
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<td>-</td>
<td>79,259</td>
</tr>
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<td>1993</td>
<td>7</td>
<td>118,603</td>
<td>-</td>
<td>96,772</td>
</tr>
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<td>1994</td>
<td>1</td>
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<td>-</td>
<td>134,834</td>
</tr>
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<td>140</td>
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<td>142</td>
<td>-</td>
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<tr>
<td>1996</td>
<td>65</td>
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<td>142</td>
<td>3,009</td>
</tr>
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<td>842</td>
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</tr>
<tr>
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<tr>
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<td>4,555</td>
<td>3,013</td>
</tr>
<tr>
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<td></td>
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<td></td>
</tr>
<tr>
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<td>4,555</td>
<td>3,029</td>
</tr>
<tr>
<td>Mar.</td>
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<td>6,324</td>
<td>4,555</td>
<td>3,102</td>
</tr>
<tr>
<td>Apr.</td>
<td>325</td>
<td>6,307</td>
<td>1,863</td>
<td>2,952</td>
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<tr>
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<td>292</td>
<td>6,507</td>
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<td>3,137</td>
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<td>6,608</td>
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<td>3,159</td>
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<tr>
<td>Oct.</td>
<td>314</td>
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<td>2,958</td>
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<td>2,287</td>
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</tr>
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</table>

¹ This Table was discontinued as from January 2001.

² From September 1992 up to December 1994, includes deposits of offshore subsidiaries of the Deposit Money Banks held with their parent institutions.
### TABLE 1.4  STATEMENT OF ASSETS AND LIABILITIES
INTERNATIONAL BANKING INSTITUTIONS

#### Liabilities

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Resident Deposits</th>
<th>Foreign Liabilities</th>
<th>Capital and Reserves</th>
<th>Other Liabilities</th>
<th>Total Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Demand</td>
<td>Savings</td>
<td>Time</td>
<td>Total</td>
<td>End of Period</td>
</tr>
<tr>
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<td>3,513</td>
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<td>9,734</td>
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<td>4,209</td>
<td>7,246</td>
<td>12,756</td>
<td>616,842</td>
</tr>
<tr>
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<td>4,871</td>
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<td>5,313</td>
<td>21,519</td>
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<td>12,577</td>
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<td>13,369</td>
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<td>25,359</td>
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<td>12,818</td>
<td>8,733</td>
<td>26,382</td>
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<td>11,727</td>
<td>9,716</td>
<td>26,270</td>
<td>2,275,687</td>
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<td>12,023</td>
<td>9,790</td>
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<td>11,699</td>
<td>9,802</td>
<td>26,185</td>
<td>2,752,139</td>
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<td>12,865</td>
<td>12,198</td>
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<td>32,277</td>
<td>2,901,786</td>
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<td>12,403</td>
<td>15,230</td>
<td>32,348</td>
<td>2,820,520</td>
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<td>31,579</td>
<td>2,149,272</td>
</tr>
<tr>
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<td>11,289</td>
<td>17,126</td>
<td>32,942</td>
<td>2,376,838</td>
</tr>
<tr>
<td>Mar.</td>
<td>5,468</td>
<td>13,231</td>
<td>15,380</td>
<td>34,079</td>
<td>2,080,792</td>
</tr>
<tr>
<td>Apr.</td>
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<td>12,454</td>
<td>15,784</td>
<td>33,138</td>
<td>2,154,427</td>
</tr>
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<td>11,714</td>
<td>16,206</td>
<td>33,405</td>
<td>2,021,493</td>
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<td>11,144</td>
<td>16,096</td>
<td>32,409</td>
<td>1,865,888</td>
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<td>10,717</td>
<td>17,245</td>
<td>33,335</td>
<td>1,805,889</td>
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<td>11,135</td>
<td>16,057</td>
<td>32,658</td>
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TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES
INTERNATIONAL BANKING INSTITUTIONS

Assets

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Cash and Deposits with Central Bank</th>
<th>Foreign Assets</th>
<th>Local Lending and Bills Discounted</th>
<th>Local Investments</th>
<th>Fixed and Other Assets</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>712</td>
<td>241,121</td>
<td>157</td>
<td>161,931</td>
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<td>407,746</td>
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<td>462,902</td>
<td>37</td>
<td>200,098</td>
<td>4,405</td>
<td>668,379</td>
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<td>817,949</td>
<td>598</td>
<td>217,221</td>
<td>5,249</td>
<td>1,041,884</td>
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<td>1,652,699</td>
<td>996</td>
<td>231,290</td>
<td>5,729</td>
<td>1,891,950</td>
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<td>2,434,594</td>
<td>6,135</td>
<td>260,458</td>
<td>8,030</td>
<td>2,711,110</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>7,637</td>
<td>276,952</td>
<td>35,824</td>
<td>2,490,568</td>
</tr>
<tr>
<td>Mar.</td>
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<td>2,160,660</td>
<td>7,019</td>
<td>275,193</td>
<td>47,835</td>
<td>2,492,784</td>
</tr>
<tr>
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<td>2,178,957</td>
<td>7,230</td>
<td>290,513</td>
<td>47,033</td>
<td>2,525,721</td>
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<td>2,333,017</td>
<td>7,444</td>
<td>297,520</td>
<td>54,897</td>
<td>2,694,894</td>
</tr>
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<td>2,244,813</td>
<td>6,907</td>
<td>283,676</td>
<td>23,573</td>
<td>2,561,212</td>
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<td>2,396,183</td>
<td>6,541</td>
<td>295,140</td>
<td>21,509</td>
<td>2,721,665</td>
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<td>293,428</td>
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<td>2,987,105</td>
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<td>6,998</td>
<td>298,494</td>
<td>35,106</td>
<td>3,051,965</td>
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<td>7,498</td>
<td>301,417</td>
<td>31,784</td>
<td>3,105,333</td>
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<td>280,692</td>
<td>9,899</td>
<td>3,191,015</td>
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<td>11,256</td>
<td>3,106,146</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>5,776</td>
<td>268,522</td>
<td>11,198</td>
<td>2,401,781</td>
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<td>2,059,090</td>
<td>6,819</td>
<td>276,347</td>
<td>10,940</td>
<td>2,355,084</td>
</tr>
<tr>
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<td>2,281,085</td>
<td>7,703</td>
<td>273,712</td>
<td>11,862</td>
<td>2,576,742</td>
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<td>1,993,143</td>
<td>8,231</td>
<td>279,991</td>
<td>11,886</td>
<td>2,295,445</td>
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<td>7,983</td>
<td>286,874</td>
<td>12,685</td>
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<td>7,261</td>
<td>278,348</td>
<td>17,368</td>
<td>2,311,957</td>
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<td>1,847,609</td>
<td>6,655</td>
<td>284,848</td>
<td>17,362</td>
<td>2,158,835</td>
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<td>1,758,520</td>
<td>6,334</td>
<td>325,536</td>
<td>11,776</td>
<td>2,108,391</td>
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<td>7,002</td>
<td>141,641</td>
<td>13,348</td>
<td>1,961,296</td>
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<tr>
<td>Year</td>
<td>Central Bank</td>
<td>DMBs &amp; IBIs&lt;sup&gt;4&lt;/sup&gt;</td>
<td>Total</td>
<td>Narrow Money&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Quasi-Money&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Other Items (Net)</td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
<td>--------------------------</td>
<td>-------</td>
<td>--------------------------</td>
<td>--------------------------</td>
<td>-------------------</td>
</tr>
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<td>1990</td>
<td>456,727</td>
<td>131,675</td>
<td>588,402</td>
<td>384,453</td>
<td>648,123</td>
<td>112,797</td>
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<td>406,690</td>
<td>726,031</td>
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<td>549,490</td>
<td>267,609</td>
<td>817,099</td>
<td>425,064</td>
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<td>285,630</td>
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<td>1,007,341</td>
<td>463,547</td>
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<td>567,948</td>
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<sup>1</sup> Includes Central Bank of Malta, Deposit Money Banks and International Banking Institutions. This Table was discontinued following a reclassification exercise. As from January 2001, figures can be accessed from the Banking Survey (Table 1.6).

<sup>2</sup> Consists of Malta Government Securities held by banks and bank advances to Government - netted of Government deposits.

<sup>3</sup> These claims include Deposit Money Bank domestic loans and overdrafts to private and parastatal bodies, investments in local non-Government securities, inland bills of exchange and promissory notes, and exclude interbank transactions.

<sup>4</sup> International Banking Institutions are included as from January 1995. As from September 1992, foreign assets of Deposit Money Banks and International Banking Institutions are netted of foreign interest due and not received. Foreign liabilities are netted of foreign interest and expenses accrued.

<sup>5</sup> Excludes Malta Government deposits, balances belonging to non-residents as well as uncleared effects drawn on Deposit Money Banks.

<sup>6</sup> Excludes Malta Government deposits and balances belonging to non-residents.
<table>
<thead>
<tr>
<th>End of Period</th>
<th>Domestic Credit</th>
<th>Net Foreign Assets</th>
<th>Narrow Money</th>
<th>Other Items</th>
<th>Total Assets/Liabilities</th>
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<td></td>
<td>Net Claims on Government</td>
<td>Claims on Private &amp; Parastatal Sectors</td>
<td>Total</td>
<td>Central Bank of Malta</td>
<td>All Banking Institutions</td>
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<td>576,846</td>
<td>696,381</td>
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<td>187,664</td>
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<td>187,664</td>
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<tr>
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<td>187,664</td>
</tr>
<tr>
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<td>2,177,152</td>
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<td>187,664</td>
</tr>
<tr>
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<td>187,664</td>
</tr>
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<td>187,664</td>
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<td>Mar.</td>
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<td>187,664</td>
</tr>
<tr>
<td>Apr.</td>
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<td>2,273,656</td>
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</tr>
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<td>2,298,368</td>
<td>1,146,815</td>
<td>187,664</td>
</tr>
<tr>
<td>July</td>
<td>476,029</td>
<td>1,799,599</td>
<td>2,275,627</td>
<td>1,146,815</td>
<td>187,664</td>
</tr>
<tr>
<td>Aug.</td>
<td>482,907</td>
<td>1,843,898</td>
<td>2,326,805</td>
<td>1,146,815</td>
<td>187,664</td>
</tr>
</tbody>
</table>

1 Includes Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995). All interbank transactions are excluded. From 1995, data are on an accrual basis.

2 Consists of Malta Government securities held by banks and bank advances to Government netted of Government deposits.

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 Excludes Malta Government deposits and balances belonging to non-residents.
### TABLE 1.7 MONETARY BASE AND MONETARY AGGREGATES

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Currency Issued</th>
<th>Banks' Deposits with the Central Bank</th>
<th>Total</th>
<th>Currency in Circulation</th>
<th>Demand Deposits</th>
<th>Total</th>
<th>Savings Deposits</th>
<th>Time Deposits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>339,519</td>
<td>45,762</td>
<td>385,281</td>
<td>330,305</td>
<td>54,133</td>
<td>384,438</td>
<td>260,691</td>
<td>396,532</td>
<td>657,223</td>
</tr>
<tr>
<td>1992</td>
<td>350,611</td>
<td>78,498</td>
<td>429,109</td>
<td>337,635</td>
<td>70,916</td>
<td>408,551</td>
<td>367,108</td>
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<td>379,082</td>
<td>73,025</td>
<td>452,107</td>
<td>365,910</td>
<td>97,637</td>
<td>463,547</td>
<td>412,929</td>
<td>526,366</td>
<td>941,658</td>
</tr>
<tr>
<td>1996</td>
<td>380,246</td>
<td>71,627</td>
<td>451,873</td>
<td>362,068</td>
<td>92,021</td>
<td>454,089</td>
<td>462,441</td>
<td>644,280</td>
<td>1,106,721</td>
</tr>
<tr>
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<td>384,655</td>
<td>100,511</td>
<td>485,166</td>
<td>363,765</td>
<td>116,134</td>
<td>479,899</td>
<td>574,125</td>
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<td>1,741,216</td>
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<tr>
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<td>124,786</td>
<td>543,271</td>
<td>384,593</td>
<td>196,555</td>
<td>581,148</td>
<td>637,402</td>
<td>1,223,251</td>
<td>1,860,653</td>
</tr>
<tr>
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<td>145,330</td>
<td>541,671</td>
<td>376,844</td>
<td>191,057</td>
<td>567,902</td>
<td>640,057</td>
<td>1,233,578</td>
<td>1,873,635</td>
</tr>
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<td>134,987</td>
<td>532,410</td>
<td>376,481</td>
<td>190,582</td>
<td>567,063</td>
<td>643,792</td>
<td>1,239,487</td>
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<td>133,109</td>
<td>529,332</td>
<td>375,782</td>
<td>182,060</td>
<td>557,843</td>
<td>641,464</td>
<td>1,248,968</td>
<td>1,890,114</td>
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<tr>
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<td>145,746</td>
<td>548,607</td>
<td>383,836</td>
<td>185,607</td>
<td>569,443</td>
<td>637,934</td>
<td>1,260,004</td>
<td>1,979,398</td>
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<td>404,674</td>
<td>145,744</td>
<td>550,419</td>
<td>384,508</td>
<td>203,004</td>
<td>587,512</td>
<td>626,549</td>
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<td>1,987,465</td>
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<tr>
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<td>138,941</td>
<td>548,621</td>
<td>387,937</td>
<td>193,102</td>
<td>581,039</td>
<td>624,232</td>
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<td>1,988,000</td>
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<td>165,272</td>
<td>588,044</td>
<td>390,998</td>
<td>201,986</td>
<td>592,984</td>
<td>620,543</td>
<td>1,277,922</td>
<td>1,991,449</td>
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<td>134,252</td>
<td>548,108</td>
<td>391,655</td>
<td>221,122</td>
<td>612,778</td>
<td>617,484</td>
<td>1,278,717</td>
<td>1,996,297</td>
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<td>415,901</td>
<td>142,870</td>
<td>558,770</td>
<td>395,574</td>
<td>214,333</td>
<td>608,184</td>
<td>606,727</td>
<td>1,284,239</td>
<td>1,999,501</td>
</tr>
<tr>
<td>Sept. 2001</td>
<td>415,224</td>
<td>137,282</td>
<td>552,506</td>
<td>392,637</td>
<td>211,099</td>
<td>603,737</td>
<td>618,430</td>
<td>1,316,760</td>
<td>2,033,291</td>
</tr>
<tr>
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<td>423,188</td>
<td>141,270</td>
<td>564,459</td>
<td>396,303</td>
<td>198,357</td>
<td>594,660</td>
<td>629,389</td>
<td>1,312,832</td>
<td>2,071,021</td>
</tr>
<tr>
<td>Nov. 2001</td>
<td>421,757</td>
<td>150,629</td>
<td>572,385</td>
<td>402,297</td>
<td>214,034</td>
<td>616,331</td>
<td>640,897</td>
<td>1,363,491</td>
<td>2,094,388</td>
</tr>
<tr>
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<td>426,201</td>
<td>157,537</td>
<td>583,738</td>
<td>405,512</td>
<td>222,112</td>
<td>627,624</td>
<td>635,547</td>
<td>1,406,811</td>
<td>2,042,228</td>
</tr>
<tr>
<td>Jan. 2002</td>
<td>429,727</td>
<td>139,375</td>
<td>568,102</td>
<td>411,395</td>
<td>215,090</td>
<td>626,485</td>
<td>643,177</td>
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<td>2,055,935</td>
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<td>147,841</td>
<td>582,214</td>
<td>413,360</td>
<td>233,631</td>
<td>646,991</td>
<td>639,827</td>
<td>1,392,879</td>
<td>2,072,706</td>
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<tr>
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<td>564,329</td>
<td>411,542</td>
<td>219,604</td>
<td>631,146</td>
<td>654,199</td>
<td>1,402,124</td>
<td>2,056,323</td>
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<td>138,417</td>
<td>567,844</td>
<td>413,554</td>
<td>226,993</td>
<td>640,547</td>
<td>643,754</td>
<td>1,403,203</td>
<td>2,046,957</td>
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</table>

1. Monetary Base (M0) comprises currency issued and the banks’ deposits with the Central Bank of Malta (excluding term deposits).
2. Currency issued comprises currency in circulation and holdings of national currency by the banks in their tills.
3. All categories of deposits included in the Broad Money (M3) figure as shown in this Table are netted of Malta Government deposits and balances belonging to non-residents.
4. Cheques and other items in the process of collection are deducted from demand deposits. Deposits of private and parastatal entities held with the Central Bank of Malta are included.
<table>
<thead>
<tr>
<th>End of Period</th>
<th>Resident Deposits by Owner</th>
<th>Resident Deposits by Type</th>
<th>Total Resident Deposits</th>
<th>Non-Resident Deposits</th>
<th>Total Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Personal²</td>
<td>Corporate/</td>
<td>Government</td>
<td>Public Sector³</td>
<td>Maltese Lira Deposits</td>
</tr>
<tr>
<td>1990</td>
<td>609,524</td>
<td>81,398</td>
<td>2,158</td>
<td>14,847</td>
<td>642,867</td>
</tr>
<tr>
<td>1991</td>
<td>681,830</td>
<td>84,192</td>
<td>1,815</td>
<td>14,722</td>
<td>702,698</td>
</tr>
<tr>
<td>1992</td>
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<td>107,243</td>
<td>2,029</td>
<td>15,519</td>
<td>793,705</td>
</tr>
<tr>
<td>1993</td>
<td>877,873</td>
<td>109,876</td>
<td>2,704</td>
<td>20,254</td>
<td>904,531</td>
</tr>
<tr>
<td>1994</td>
<td>1,029,646</td>
<td>136,222</td>
<td>2,211</td>
<td>23,963</td>
<td>1,069,068</td>
</tr>
<tr>
<td>1995</td>
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<td>151,510</td>
<td>6,744</td>
<td>24,214</td>
<td>1,196,977</td>
</tr>
<tr>
<td>1996</td>
<td>1,322,162</td>
<td>160,545</td>
<td>8,952</td>
<td>26,691</td>
<td>1,345,124</td>
</tr>
<tr>
<td>1997</td>
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<td>190,603</td>
<td>10,000</td>
<td>30,148</td>
<td>1,513,978</td>
</tr>
<tr>
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<td>206,658</td>
<td>11,839</td>
<td>32,590</td>
<td>1,674,107</td>
</tr>
<tr>
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<td>324,081</td>
<td>14,868</td>
<td>33,284</td>
<td>1,890,317</td>
</tr>
</tbody>
</table>

1 Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995). 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 1.9  CURRENCY IN CIRCULATION

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Currency Issued and Outstanding</th>
<th>Less Currency held by Banking System</th>
<th>Currency in Circulation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notes $^1$</td>
<td>Coins</td>
<td>Total</td>
</tr>
<tr>
<td>1990</td>
<td>330,715</td>
<td>8,804</td>
<td>339,519</td>
</tr>
<tr>
<td>1991</td>
<td>344,933</td>
<td>9,580</td>
<td>354,513</td>
</tr>
<tr>
<td>1992</td>
<td>340,144</td>
<td>10,467</td>
<td>350,611</td>
</tr>
<tr>
<td>1993</td>
<td>352,590</td>
<td>11,423</td>
<td>364,013</td>
</tr>
<tr>
<td>1994</td>
<td>366,630</td>
<td>12,452</td>
<td>379,082</td>
</tr>
<tr>
<td>1995</td>
<td>354,109</td>
<td>13,335</td>
<td>367,444</td>
</tr>
<tr>
<td>1996</td>
<td>366,297</td>
<td>13,949</td>
<td>380,246</td>
</tr>
<tr>
<td>1997</td>
<td>369,830</td>
<td>14,825</td>
<td>384,655</td>
</tr>
<tr>
<td>1998</td>
<td>375,209</td>
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<td>390,911</td>
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<tr>
<td>1999</td>
<td>401,999</td>
<td>16,486</td>
<td>418,485</td>
</tr>
<tr>
<td><strong>2000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>380,156</td>
<td>16,185</td>
<td>396,341</td>
</tr>
<tr>
<td>Feb.</td>
<td>381,217</td>
<td>16,206</td>
<td>397,423</td>
</tr>
<tr>
<td>Mar.</td>
<td>379,998</td>
<td>16,225</td>
<td>396,223</td>
</tr>
<tr>
<td>Apr.</td>
<td>386,497</td>
<td>16,364</td>
<td>402,860</td>
</tr>
<tr>
<td>May</td>
<td>388,135</td>
<td>16,539</td>
<td>404,674</td>
</tr>
<tr>
<td>June</td>
<td>392,960</td>
<td>16,720</td>
<td>409,680</td>
</tr>
<tr>
<td>July</td>
<td>396,579</td>
<td>16,953</td>
<td>413,532</td>
</tr>
<tr>
<td>Aug.</td>
<td>396,639</td>
<td>17,217</td>
<td>413,856</td>
</tr>
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<td>Sept.</td>
<td>396,599</td>
<td>17,247</td>
<td>413,846</td>
</tr>
<tr>
<td>Oct.</td>
<td>398,671</td>
<td>17,230</td>
<td>415,901</td>
</tr>
<tr>
<td>Nov.</td>
<td>398,061</td>
<td>17,163</td>
<td>415,224</td>
</tr>
<tr>
<td>Dec.</td>
<td>405,713</td>
<td>17,476</td>
<td>423,188</td>
</tr>
<tr>
<td><strong>2001</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>395,514</td>
<td>17,235</td>
<td>412,749</td>
</tr>
<tr>
<td>Feb.</td>
<td>396,788</td>
<td>17,076</td>
<td>413,863</td>
</tr>
<tr>
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<td>398,183</td>
<td>17,079</td>
<td>415,262</td>
</tr>
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<td>17,254</td>
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<td>412,284</td>
<td>17,442</td>
<td>429,727</td>
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<tr>
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<td>17,688</td>
<td>434,373</td>
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<tr>
<td>Aug.</td>
<td>415,014</td>
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<td>411,542</td>
<td>17,886</td>
<td>429,428</td>
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</table>

1 As 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 purpose of this classification, the banking system includes the Deposit Money Banks, Other Banking Institutions (up to December 2000) and the International Banking Institutions (as from January 1995).
<table>
<thead>
<tr>
<th>End of Period</th>
<th>Total Notes &amp; Coins</th>
<th>Lm20</th>
<th>Lm10</th>
<th>Lm5</th>
<th>Lm2</th>
<th>Lm1</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
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<td>4,681</td>
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<td>330,715</td>
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<tr>
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<td>147,013</td>
<td>165,736</td>
<td>26,666</td>
<td>4,833</td>
<td>685</td>
<td>344,933</td>
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<tr>
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<td>112,591</td>
<td>195,027</td>
<td>26,772</td>
<td>5,092</td>
<td>662</td>
<td>340,144</td>
</tr>
<tr>
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<td>118,509</td>
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<td>352,590</td>
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<td>366,630</td>
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<td>-</td>
<td>369,832</td>
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<td>234,117</td>
<td>24,174</td>
<td>5,793</td>
<td>-</td>
<td>373,804</td>
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<tr>
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<td>259,366</td>
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<td>6,270</td>
<td>-</td>
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</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>-</td>
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<td>23,808</td>
<td>6,157</td>
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<tr>
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<td>247,761</td>
<td>25,176</td>
<td>6,303</td>
<td>-</td>
<td>386,497</td>
</tr>
<tr>
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<td>107,454</td>
<td>249,123</td>
<td>25,113</td>
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<td>-</td>
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</tr>
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<td>25,716</td>
<td>6,496</td>
<td>-</td>
<td>392,960</td>
</tr>
<tr>
<td>July</td>
<td>413,532</td>
<td>108,501</td>
<td>254,810</td>
<td>26,783</td>
<td>6,485</td>
<td>-</td>
<td>396,579</td>
</tr>
<tr>
<td>Aug.</td>
<td>413,856</td>
<td>107,914</td>
<td>255,839</td>
<td>26,315</td>
<td>6,571</td>
<td>-</td>
<td>396,639</td>
</tr>
<tr>
<td>Sept.</td>
<td>413,846</td>
<td>107,650</td>
<td>255,864</td>
<td>26,460</td>
<td>6,625</td>
<td>-</td>
<td>396,599</td>
</tr>
<tr>
<td>Oct.</td>
<td>415,901</td>
<td>107,614</td>
<td>258,245</td>
<td>26,183</td>
<td>6,633</td>
<td>-</td>
<td>398,675</td>
</tr>
<tr>
<td>Nov.</td>
<td>415,224</td>
<td>107,585</td>
<td>258,238</td>
<td>25,741</td>
<td>6,497</td>
<td>-</td>
<td>398,061</td>
</tr>
<tr>
<td>Dec.</td>
<td>423,188</td>
<td>107,902</td>
<td>264,170</td>
<td>27,168</td>
<td>6,473</td>
<td>-</td>
<td>405,713</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>412,749</td>
<td>107,317</td>
<td>256,896</td>
<td>24,959</td>
<td>6,342</td>
<td>-</td>
<td>395,514</td>
</tr>
<tr>
<td>Feb.</td>
<td>413,863</td>
<td>107,375</td>
<td>257,886</td>
<td>25,110</td>
<td>6,417</td>
<td>-</td>
<td>396,788</td>
</tr>
<tr>
<td>Mar.</td>
<td>415,262</td>
<td>107,553</td>
<td>258,584</td>
<td>25,533</td>
<td>6,513</td>
<td>-</td>
<td>398,183</td>
</tr>
<tr>
<td>Apr.</td>
<td>421,757</td>
<td>108,073</td>
<td>263,559</td>
<td>26,233</td>
<td>6,637</td>
<td>-</td>
<td>404,502</td>
</tr>
<tr>
<td>May</td>
<td>426,201</td>
<td>108,607</td>
<td>266,892</td>
<td>26,707</td>
<td>6,729</td>
<td>-</td>
<td>408,935</td>
</tr>
<tr>
<td>June</td>
<td>429,727</td>
<td>108,864</td>
<td>269,583</td>
<td>27,038</td>
<td>6,799</td>
<td>-</td>
<td>412,284</td>
</tr>
<tr>
<td>July</td>
<td>434,373</td>
<td>109,198</td>
<td>273,008</td>
<td>27,573</td>
<td>6,907</td>
<td>-</td>
<td>416,868</td>
</tr>
<tr>
<td>Aug.</td>
<td>432,878</td>
<td>108,898</td>
<td>271,722</td>
<td>27,488</td>
<td>6,906</td>
<td>-</td>
<td>415,014</td>
</tr>
<tr>
<td>Sept.</td>
<td>429,428</td>
<td>108,627</td>
<td>269,109</td>
<td>26,979</td>
<td>6,828</td>
<td>-</td>
<td>411,543</td>
</tr>
</tbody>
</table>

1 The denominations of coins consist of Lml, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.
### TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY

<table>
<thead>
<tr>
<th>Period</th>
<th>Liquid Assets</th>
<th>Ratios (%)</th>
<th>Advances to Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of</td>
<td>Actual</td>
<td>Required</td>
<td>Excess</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Local</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Lm thousands</td>
<td>Lm thousands</td>
<td>Lm thousands</td>
</tr>
<tr>
<td>1990</td>
<td>274,941</td>
<td>107,264</td>
<td>150,767</td>
</tr>
<tr>
<td>1991</td>
<td>287,661</td>
<td>132,913</td>
<td>171,073</td>
</tr>
<tr>
<td>1992</td>
<td>367,586</td>
<td>148,126</td>
<td>199,401</td>
</tr>
<tr>
<td>1993</td>
<td>364,351</td>
<td>183,054</td>
<td>240,800</td>
</tr>
<tr>
<td>1994</td>
<td>503,859</td>
<td>259,348</td>
<td>279,555</td>
</tr>
</tbody>
</table>

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. As from 15 November 1994, Banking Directive No. 5 established a minimum of 30% liquid asset ratio, net of deductions. Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

2 Includes also 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 ¹

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Cash and Deposits ²</th>
<th>Other Specified Assets Maturing within 5 Years ³</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
<td>Foreign</td>
<td>Local</td>
</tr>
<tr>
<td>1990</td>
<td>23,083</td>
<td>151,992</td>
<td>84,181</td>
</tr>
<tr>
<td>1991</td>
<td>24,153</td>
<td>122,743</td>
<td>108,760</td>
</tr>
<tr>
<td>1992</td>
<td>43,019</td>
<td>155,983</td>
<td>105,107</td>
</tr>
<tr>
<td>1993</td>
<td>26,353</td>
<td>71,611</td>
<td>156,701</td>
</tr>
<tr>
<td>1994</td>
<td>131,837</td>
<td>97,075</td>
<td>127,511</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>Cash and Deposits with CBM ⁴</th>
<th>Treasury Bills</th>
<th>Interbank Deposits</th>
<th>Marketable Debt Securities ⁵</th>
<th>Total Liquid Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>21,565</td>
<td>30,142</td>
<td>61,887</td>
<td>283,209</td>
<td>396,803</td>
</tr>
<tr>
<td>1996</td>
<td>20,264</td>
<td>67,173</td>
<td>70,741</td>
<td>340,766</td>
<td>498,944</td>
</tr>
<tr>
<td>1997</td>
<td>26,359</td>
<td>26,791</td>
<td>55,462</td>
<td>417,505</td>
<td>526,117</td>
</tr>
<tr>
<td>1998</td>
<td>31,064</td>
<td>26,110</td>
<td>47,280</td>
<td>485,394</td>
<td>596,848</td>
</tr>
<tr>
<td>1999</td>
<td>50,995</td>
<td>75,929</td>
<td>67,768</td>
<td>499,837</td>
<td>694,529</td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>43,378</td>
<td>76,951</td>
<td>71,182</td>
<td>508,232</td>
<td>699,743</td>
</tr>
<tr>
<td>Feb.</td>
<td>39,335</td>
<td>87,366</td>
<td>62,985</td>
<td>506,493</td>
<td>696,179</td>
</tr>
<tr>
<td>Mar.</td>
<td>43,823</td>
<td>99,851</td>
<td>90,260</td>
<td>522,776</td>
<td>756,710</td>
</tr>
<tr>
<td>Apr.</td>
<td>27,797</td>
<td>113,753</td>
<td>50,524</td>
<td>526,361</td>
<td>718,435</td>
</tr>
<tr>
<td>May</td>
<td>55,437</td>
<td>89,894</td>
<td>69,613</td>
<td>516,549</td>
<td>731,493</td>
</tr>
<tr>
<td>June</td>
<td>35,538</td>
<td>102,799</td>
<td>87,481</td>
<td>525,364</td>
<td>751,182</td>
</tr>
<tr>
<td>July</td>
<td>22,378</td>
<td>73,046</td>
<td>63,685</td>
<td>510,688</td>
<td>669,797</td>
</tr>
<tr>
<td>Aug.</td>
<td>8,244</td>
<td>77,732</td>
<td>58,077</td>
<td>513,879</td>
<td>657,932</td>
</tr>
<tr>
<td>Sept.</td>
<td>38,408</td>
<td>102,460</td>
<td>64,933</td>
<td>495,366</td>
<td>701,167</td>
</tr>
<tr>
<td>Oct.</td>
<td>38,534</td>
<td>101,870</td>
<td>55,478</td>
<td>501,394</td>
<td>697,276</td>
</tr>
<tr>
<td>Nov.</td>
<td>35,818</td>
<td>96,012</td>
<td>56,731</td>
<td>497,914</td>
<td>696,475</td>
</tr>
<tr>
<td>Dec.</td>
<td>33,512</td>
<td>116,818</td>
<td>68,865</td>
<td>461,377</td>
<td>680,572</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>45,789</td>
<td>81,676</td>
<td>56,772</td>
<td>482,212</td>
<td>666,449</td>
</tr>
<tr>
<td>Mar.</td>
<td>30,541</td>
<td>83,762</td>
<td>72,165</td>
<td>493,825</td>
<td>680,293</td>
</tr>
<tr>
<td>Apr.</td>
<td>44,708</td>
<td>115,943</td>
<td>115,741</td>
<td>458,344</td>
<td>734,736</td>
</tr>
<tr>
<td>May</td>
<td>55,103</td>
<td>92,214</td>
<td>120,707</td>
<td>516,645</td>
<td>784,669</td>
</tr>
<tr>
<td>June</td>
<td>28,517</td>
<td>95,548</td>
<td>113,524</td>
<td>548,675</td>
<td>826,257</td>
</tr>
<tr>
<td>July</td>
<td>32,113</td>
<td>124,357</td>
<td>113,524</td>
<td>550,439</td>
<td>820,433</td>
</tr>
<tr>
<td>Aug.</td>
<td>32,962</td>
<td>129,387</td>
<td>90,447</td>
<td>560,834</td>
<td>813,630</td>
</tr>
<tr>
<td>Sept.</td>
<td>26,675</td>
<td>144,350</td>
<td>182,254</td>
<td>576,964</td>
<td>930,243</td>
</tr>
</tbody>
</table>

¹ Includes HSBC Home Loans (Malta) as from January 2001.

² Includes cash in hand, working balances with Central Bank of Malta, money at call, net balances, savings and time deposits with other banks and other foreign investments.

³ Includes Treasury bills and other Government securities maturing within five years, and eligible bills of exchange and promissory notes, netted of refinancing by the Central Bank of Malta.

⁴ Excludes balances held as reserve deposits.

⁵ 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 OUTSTANDING BY MAIN SECTOR \(^1\)

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Public Utilities</th>
<th>All Banking Institutions (^2)</th>
<th>Agriculture &amp; Fisheries</th>
<th>Manufacturing, Shiprepair/Shipbuilding</th>
<th>Building &amp; Construction</th>
<th>Hotel, Restaurant &amp; Tourist Trades</th>
<th>Wholesale &amp; Retail Trades</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>33,726</td>
<td>84,481</td>
<td>4,484</td>
<td>112,838</td>
<td>22,341</td>
<td>34,841</td>
<td>76,991</td>
</tr>
<tr>
<td>1991</td>
<td>42,597</td>
<td>59,455</td>
<td>5,872</td>
<td>115,657</td>
<td>24,802</td>
<td>28,557</td>
<td>84,520</td>
</tr>
<tr>
<td>1992</td>
<td>29,388</td>
<td>84,178</td>
<td>5,097</td>
<td>125,512</td>
<td>27,682</td>
<td>28,524</td>
<td>95,364</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Energy &amp; Water &amp; Transport, Storage &amp; Communication</th>
<th>All Banking Institutions (^2)</th>
<th>Agriculture &amp; Fisheries</th>
<th>Manufacturing, Shiprepair/Shipbuilding</th>
<th>Building &amp; Construction</th>
<th>Hotel, Restaurant &amp; Tourist Trades</th>
<th>Wholesale &amp; Retail Trades</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>30,367</td>
<td>22,872</td>
<td>108,896</td>
<td>5,571</td>
<td>149,018</td>
<td>28,071</td>
<td>113,810</td>
</tr>
<tr>
<td>1994</td>
<td>32,599</td>
<td>24,584</td>
<td>118,957</td>
<td>7,052</td>
<td>161,352</td>
<td>43,327</td>
<td>137,453</td>
</tr>
<tr>
<td>1995</td>
<td>80,818</td>
<td>65,563</td>
<td>8,560</td>
<td>188,815</td>
<td>65,489</td>
<td>79,242</td>
<td>181,810</td>
</tr>
<tr>
<td>1996</td>
<td>86,861</td>
<td>33,933</td>
<td>11,472</td>
<td>204,026</td>
<td>73,590</td>
<td>110,271</td>
<td>208,301</td>
</tr>
<tr>
<td>1997</td>
<td>98,105</td>
<td>75,685</td>
<td>10,755</td>
<td>205,140</td>
<td>71,593</td>
<td>154,104</td>
<td>224,161</td>
</tr>
<tr>
<td>1998</td>
<td>106,900</td>
<td>58,077</td>
<td>10,627</td>
<td>195,971</td>
<td>82,028</td>
<td>170,185</td>
<td>243,464</td>
</tr>
<tr>
<td>1999</td>
<td>108,906</td>
<td>43,186</td>
<td>10,305</td>
<td>196,285</td>
<td>96,482</td>
<td>204,228</td>
<td>267,183</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>End of Period</th>
<th>2000</th>
<th>Energy &amp; Water &amp; Transport, Storage &amp; Communication</th>
<th>All Banking Institutions (^2)</th>
<th>Agriculture &amp; Fisheries</th>
<th>Manufacturing, Shiprepair/Shipbuilding</th>
<th>Building &amp; Construction</th>
<th>Hotel, Restaurant &amp; Tourist Trades</th>
<th>Wholesale &amp; Retail Trades</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Jan.</td>
<td>104,711</td>
<td>75,572</td>
<td>49,128</td>
<td>10,742</td>
<td>194,719</td>
<td>95,706</td>
<td>209,042</td>
<td>265,286</td>
</tr>
<tr>
<td>2000 Feb.</td>
<td>102,265</td>
<td>75,739</td>
<td>49,283</td>
<td>10,317</td>
<td>194,323</td>
<td>96,130</td>
<td>206,591</td>
<td>270,511</td>
</tr>
<tr>
<td>2000 Mar.</td>
<td>101,866</td>
<td>73,341</td>
<td>60,499</td>
<td>10,726</td>
<td>202,848</td>
<td>98,220</td>
<td>219,814</td>
<td>278,165</td>
</tr>
<tr>
<td>2000 Apr.</td>
<td>97,153</td>
<td>71,364</td>
<td>63,739</td>
<td>11,175</td>
<td>199,329</td>
<td>94,785</td>
<td>219,560</td>
<td>274,643</td>
</tr>
<tr>
<td>2000 May</td>
<td>94,027</td>
<td>71,077</td>
<td>66,427</td>
<td>11,449</td>
<td>212,983</td>
<td>87,500</td>
<td>222,525</td>
<td>285,320</td>
</tr>
<tr>
<td>2000 June</td>
<td>98,746</td>
<td>72,928</td>
<td>62,321</td>
<td>11,280</td>
<td>197,482</td>
<td>93,774</td>
<td>222,173</td>
<td>276,605</td>
</tr>
<tr>
<td>2000 July</td>
<td>101,446</td>
<td>72,298</td>
<td>63,231</td>
<td>11,280</td>
<td>197,482</td>
<td>93,774</td>
<td>222,173</td>
<td>276,605</td>
</tr>
<tr>
<td>2000 Aug.</td>
<td>104,711</td>
<td>75,572</td>
<td>49,128</td>
<td>10,742</td>
<td>194,719</td>
<td>95,706</td>
<td>209,042</td>
<td>265,286</td>
</tr>
<tr>
<td>2000 Sept.</td>
<td>98,467</td>
<td>71,717</td>
<td>63,739</td>
<td>11,449</td>
<td>212,983</td>
<td>87,500</td>
<td>222,525</td>
<td>285,320</td>
</tr>
</tbody>
</table>

\(^1\) Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

\(^2\) Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995).
### TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR (Continued)\(^1\)

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Personal</th>
<th>All Other</th>
<th>Total Local Lending</th>
<th>Foreign Lending</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>House Purchases</td>
<td>Consumer Durable Goods</td>
<td>Other</td>
<td>Total</td>
<td>Other Services</td>
</tr>
<tr>
<td>1990</td>
<td>13,448</td>
<td>1,827</td>
<td>14,470</td>
<td>29,745</td>
<td>53,836</td>
</tr>
<tr>
<td>1991</td>
<td>12,626</td>
<td>2,296</td>
<td>28,086</td>
<td>43,008</td>
<td>67,727</td>
</tr>
<tr>
<td>1992</td>
<td>15,374</td>
<td>3,577</td>
<td>34,917</td>
<td>53,868</td>
<td>79,704</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>16,055</td>
<td>3,539</td>
<td>38,791</td>
<td>58,385</td>
<td>16,612</td>
</tr>
<tr>
<td>1994</td>
<td>35,531</td>
<td>8,977</td>
<td>19,547</td>
<td>64,055</td>
<td>22,331</td>
</tr>
<tr>
<td>1995</td>
<td>46,424</td>
<td>22,882</td>
<td>21,951</td>
<td>91,256</td>
<td>36,670</td>
</tr>
<tr>
<td>1996</td>
<td>60,553</td>
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<td>44,627</td>
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<td>52,028</td>
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<td>82,427</td>
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</table>

1 Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.
2 Includes also lending for the construction, modernisation or extension of dwellings.
3 Includes professional, repair and maintenance services.
### TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Public Utilities</th>
<th>All Banking Institutions</th>
<th>Agriculture &amp; Fisheries</th>
<th>Manufacturing, Shiprepair/Shipbuilding</th>
<th>Building &amp; Construction</th>
<th>Hotel, Restaurant &amp; Tourist Trades</th>
<th>Wholesale &amp; Retail Trades</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>-</td>
<td>-</td>
<td>471</td>
<td>14,102</td>
<td>-</td>
<td>14,797</td>
<td>1,595</td>
</tr>
<tr>
<td>1991</td>
<td>6,533</td>
<td>-</td>
<td>202</td>
<td>17,949</td>
<td>776</td>
<td>21,897</td>
<td>3,023</td>
</tr>
<tr>
<td>1992</td>
<td>13,539</td>
<td>-</td>
<td>182</td>
<td>20,418</td>
<td>1,428</td>
<td>27,114</td>
<td>3,520</td>
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<table>
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<th>Energy &amp; Water</th>
<th>Transport, Storage &amp; Communication</th>
<th>All Banking Institutions</th>
<th>Agriculture &amp; Fisheries</th>
<th>Manufacturing, Shiprepair/Shipbuilding</th>
<th>Building &amp; Construction</th>
<th>Hotel, Restaurant &amp; Tourist Trades</th>
<th>Wholesale &amp; Retail Trades</th>
</tr>
</thead>
<tbody>
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<td>1993</td>
<td>-</td>
<td>23,534</td>
<td>-</td>
<td>302</td>
<td>23,590</td>
<td>-</td>
<td>33,816</td>
<td>5,723</td>
</tr>
<tr>
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<td>6,599</td>
<td>29,739</td>
<td>-</td>
<td>436</td>
<td>21,171</td>
<td>-</td>
<td>38,364</td>
<td>7,754</td>
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<tr>
<td>1995</td>
<td>-</td>
<td>17,213</td>
<td>-</td>
<td>379</td>
<td>9,629</td>
<td>539</td>
<td>25,040</td>
<td>2,622</td>
</tr>
<tr>
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<td>-</td>
<td>16,698</td>
<td>-</td>
<td>360</td>
<td>8,759</td>
<td>687</td>
<td>24,102</td>
<td>2,718</td>
</tr>
<tr>
<td>1997</td>
<td>-</td>
<td>9,496</td>
<td>-</td>
<td>463</td>
<td>8,088</td>
<td>612</td>
<td>20,385</td>
<td>2,526</td>
</tr>
<tr>
<td>1998</td>
<td>-</td>
<td>8,220</td>
<td>-</td>
<td>476</td>
<td>8,144</td>
<td>515</td>
<td>20,195</td>
<td>2,396</td>
</tr>
<tr>
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<td>-</td>
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<td>2,074</td>
<td>460</td>
<td>8,084</td>
<td>373</td>
<td>16,655</td>
<td>1,945</td>
</tr>
<tr>
<td><strong>2000</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>-</td>
<td>4,409</td>
<td>2,046</td>
<td>437</td>
<td>8,130</td>
<td>356</td>
<td>16,552</td>
<td>1,906</td>
</tr>
<tr>
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<td>-</td>
<td>4,381</td>
<td>2,043</td>
<td>433</td>
<td>8,120</td>
<td>355</td>
<td>16,535</td>
<td>1,933</td>
</tr>
<tr>
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<td>-</td>
<td>3,922</td>
<td>2,030</td>
<td>445</td>
<td>8,368</td>
<td>395</td>
<td>16,364</td>
<td>2,004</td>
</tr>
<tr>
<td>Apr.</td>
<td>-</td>
<td>3,922</td>
<td>1,992</td>
<td>383</td>
<td>7,765</td>
<td>394</td>
<td>15,879</td>
<td>1,993</td>
</tr>
<tr>
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<td>-</td>
<td>3,922</td>
<td>2,035</td>
<td>379</td>
<td>7,992</td>
<td>392</td>
<td>15,788</td>
<td>1,958</td>
</tr>
<tr>
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<td>-</td>
<td>5,203</td>
<td>2,051</td>
<td>379</td>
<td>7,991</td>
<td>373</td>
<td>15,726</td>
<td>1,926</td>
</tr>
<tr>
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<td>-</td>
<td>3,891</td>
<td>2,025</td>
<td>379</td>
<td>7,600</td>
<td>372</td>
<td>15,522</td>
<td>1,882</td>
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<td>-</td>
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<td>2,009</td>
<td>375</td>
<td>7,660</td>
<td>297</td>
<td>15,388</td>
<td>1,829</td>
</tr>
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<td>-</td>
<td>3,962</td>
<td>1,992</td>
<td>385</td>
<td>7,458</td>
<td>262</td>
<td>15,209</td>
<td>1,871</td>
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<tr>
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<td>-</td>
<td>-</td>
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<td>22</td>
<td>1,098</td>
<td>175</td>
<td>3,064</td>
<td>220</td>
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<tr>
<td>Nov.</td>
<td>-</td>
<td>-</td>
<td>1,982</td>
<td>23</td>
<td>1,094</td>
<td>175</td>
<td>3,020</td>
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<tr>
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<td>-</td>
<td>-</td>
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<td>22</td>
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<td>174</td>
<td>2,723</td>
<td>213</td>
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</table>

1 This Table was discontinued as from January 2001.
### TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR (Continued)\(^1\)

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Personal</th>
<th>Other</th>
<th>All Other</th>
<th>Total Local Lending</th>
<th>Foreign Lending</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>House(^2) Purchases</td>
<td>Consumer Durable Goods</td>
<td>Other</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
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<td>133</td>
<td>64,035</td>
<td>7,978</td>
<td>102,978</td>
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<td>16</td>
<td>139</td>
<td>71,956</td>
<td>15,026</td>
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<td>78,913</td>
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<td>168</td>
<td>79,092</td>
<td>17,542</td>
<td>162,835</td>
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</table>

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Personal</th>
<th>Other</th>
<th>All Other</th>
<th>Total Local Lending</th>
<th>Foreign Lending</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
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<td>120</td>
<td>82,966</td>
<td>2,712</td>
<td>7,063</td>
</tr>
<tr>
<td>1994</td>
<td>84,500</td>
<td>16</td>
<td>68</td>
<td>84,584</td>
<td>4,822</td>
<td>7,957</td>
</tr>
<tr>
<td>1995</td>
<td>86,135</td>
<td>38</td>
<td>72</td>
<td>86,245</td>
<td>1,841</td>
<td>3,272</td>
</tr>
<tr>
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<td>90,613</td>
<td>62</td>
<td>142</td>
<td>90,817</td>
<td>1,924</td>
<td>2,810</td>
</tr>
<tr>
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<td>95,247</td>
<td>52</td>
<td>130</td>
<td>95,429</td>
<td>1,987</td>
<td>3,103</td>
</tr>
<tr>
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<td>77</td>
<td>88</td>
<td>103,486</td>
<td>1,741</td>
<td>2,946</td>
</tr>
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<td>92</td>
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<td>1,504</td>
<td>4,767</td>
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<td></td>
</tr>
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<td>74</td>
<td>2,486</td>
<td>108,877</td>
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<td>5,538</td>
</tr>
<tr>
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<td>816</td>
<td>109,841</td>
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<td>5,617</td>
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<td>88</td>
<td>1,074</td>
<td>110,709</td>
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<td>5,506</td>
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<td>1,262</td>
<td>4,856</td>
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<tr>
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<td>1,683</td>
<td>114,204</td>
<td>1,242</td>
<td>4,898</td>
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<td>75</td>
<td>2,039</td>
<td>115,959</td>
<td>1,212</td>
<td>5,298</td>
</tr>
<tr>
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<td>74</td>
<td>2,486</td>
<td>120,024</td>
<td>1,219</td>
<td>5,515</td>
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<tr>
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<td>68</td>
<td>2,884</td>
<td>121,805</td>
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<td>5,883</td>
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<td>122,545</td>
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<td>4,742</td>
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<td>3,376</td>
<td>124,088</td>
<td>84</td>
<td>4,400</td>
</tr>
</tbody>
</table>

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1. This Table was discontinued as from January 2001.  
2. Includes also lending for the construction, modernisation or extension of dwellings.  
3. Includes professional, repair and maintenance services.  
4. As from January 1995, includes lending by International Banking Institutions.
<table>
<thead>
<tr>
<th>End of Period</th>
<th>Energy and Water</th>
<th>Transport, Storage and Communication</th>
<th>Agriculture and Fisheries</th>
<th>Manufacturing</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Private Sector</td>
<td>Public Sector</td>
<td>Private Sector</td>
<td>Public Sector</td>
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<td>17,045</td>
<td>61,622</td>
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<tr>
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<td>1,080</td>
<td>105,820</td>
<td>31,877</td>
<td>52,368</td>
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<td></td>
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</tr>
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<td>46,836</td>
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<td>47,646</td>
<td>49,393</td>
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<td>51,764</td>
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</tr>
<tr>
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<td>95,626</td>
<td>48,655</td>
<td>59,213</td>
</tr>
<tr>
<td>Sept.</td>
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<td>87,889</td>
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<td>56,592</td>
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<td><strong>2002</strong></td>
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<td>232,041</td>
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<td>4,418</td>
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<td>231,197</td>
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<td>90,685</td>
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<td>6,363</td>
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1. Loans and advances extended by Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as 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 1.16 DEPOSIT MONEY BANK LOANS AND ADVANCES CLASSIFIED BY SIZE AND INTEREST RATES

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Size of Loans and Advances</th>
<th>Amount</th>
<th>Over 10,000 to 100,000</th>
<th>Over 100,000 to 500,000</th>
<th>Over 500,000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Up to 10,000</td>
<td>Over 10,000</td>
<td>107,285</td>
<td>90,773</td>
<td>232,005</td>
<td>480,311</td>
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<td>Interest Rate</td>
<td>7.25</td>
<td>7.46</td>
<td>6.66</td>
<td>7.09</td>
</tr>
<tr>
<td>1991</td>
<td>Amount</td>
<td>Over 10,000</td>
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<td>99,836</td>
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<td>Interest Rate</td>
<td>Interest Rate</td>
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<td>7.55</td>
<td>6.62</td>
<td>7.11</td>
</tr>
<tr>
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<td>Amount</td>
<td>Over 10,000</td>
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<tr>
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<td>Amount</td>
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<td>133,338</td>
<td>347,239</td>
<td>712,218</td>
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<td>Amount</td>
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<td>427,616</td>
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<td>7.96</td>
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<td>1995</td>
<td>Amount</td>
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<td>Amount</td>
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<td>Amount</td>
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<td>8.51</td>
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<td>1998</td>
<td>Amount</td>
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<td>334,746</td>
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<td>7.66</td>
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<td>2000</td>
<td>Amount</td>
<td>Over 10,000</td>
<td>398,187</td>
<td>341,181</td>
<td>621,431</td>
<td>1,505,996</td>
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<td>7.67</td>
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<td>404,425</td>
<td>324,065</td>
<td>629,049</td>
<td>1,512,345</td>
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<td>Interest Rate</td>
<td>Interest Rate</td>
<td>7.41</td>
<td>7.58</td>
<td>6.53</td>
<td>7.12</td>
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<td>Amount</td>
<td>Over 10,000</td>
<td>414,316</td>
<td>324,357</td>
<td>664,467</td>
<td>1,562,098</td>
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<td>7.61</td>
<td>6.44</td>
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<td>Amount</td>
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<td>426,915</td>
<td>335,629</td>
<td>642,687</td>
<td>1,582,898</td>
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<tr>
<td>Mar.</td>
<td>Interest Rate</td>
<td>Interest Rate</td>
<td>7.38</td>
<td>7.29</td>
<td>6.46</td>
<td>6.97</td>
</tr>
<tr>
<td>June</td>
<td>Amount</td>
<td>Over 10,000</td>
<td>492,134</td>
<td>342,367</td>
<td>676,939</td>
<td>1,771,669</td>
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<td>Interest Rate</td>
<td>Interest Rate</td>
<td>7.28</td>
<td>7.72</td>
<td>6.56</td>
<td>7.16</td>
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<td>Amount</td>
<td>Over 10,000</td>
<td>471,836</td>
<td>348,323</td>
<td>758,553</td>
<td>1,798,083</td>
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<td>Interest Rate</td>
<td>Interest Rate</td>
<td>7.14</td>
<td>7.64</td>
<td>6.06</td>
<td>6.84</td>
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<td>June</td>
<td>Amount</td>
<td>Over 10,000</td>
<td>487,794</td>
<td>351,257</td>
<td>773,956</td>
<td>1,835,906</td>
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<tr>
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<td>Interest Rate</td>
<td>Interest Rate</td>
<td>6.93</td>
<td>7.49</td>
<td>5.81</td>
<td>6.62</td>
</tr>
</tbody>
</table>

1 For the purpose 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. Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

2 Figures quoted in heading are actual figures, while those in the rest of the Table are in Lm thousands as indicated.
### TABLE 1.17 OTHER BANKING INSTITUTION LOANS AND ADVANCES CLASSIFIED BY SIZE AND INTEREST RATES

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Size of Loans and Advances</th>
</tr>
</thead>
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<td>Up to 10,000</td>
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<td>1991 Amount</td>
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</tr>
<tr>
<td>Interest Rate</td>
<td>6.94</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>6.96</td>
</tr>
<tr>
<td>1993 Amount</td>
<td>71,826</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>7.01</td>
</tr>
<tr>
<td>1994 Amount</td>
<td>72,419</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>7.01</td>
</tr>
<tr>
<td>1995 Amount</td>
<td>71,733</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>7.02</td>
</tr>
<tr>
<td>1996 Amount</td>
<td>72,239</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>7.01</td>
</tr>
<tr>
<td>1997 Amount</td>
<td>72,449</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>7.02</td>
</tr>
<tr>
<td>1998 Amount</td>
<td>73,437</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>7.03</td>
</tr>
<tr>
<td>1999 Amount</td>
<td>67,983</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>6.40</td>
</tr>
<tr>
<td>2000</td>
<td></td>
</tr>
<tr>
<td>Mar. Amount</td>
<td>68,399</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>6.40</td>
</tr>
<tr>
<td>June Amount</td>
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</tr>
<tr>
<td>Interest Rate</td>
<td>6.41</td>
</tr>
<tr>
<td>Sept. Amount</td>
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</tr>
<tr>
<td>Interest Rate</td>
<td>6.40</td>
</tr>
<tr>
<td>Dec. Amount</td>
<td>68,040</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>6.40</td>
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</tbody>
</table>

1 This Table was discontinued as from January 2001. For the purpose 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 headings are actual figures, while those in the rest of the Table are in Lm thousands as indicated.
TABLE 1.18 FINANCIAL MARKET INDICATORS

|------|------|------|------|------|------|------|

**INTEREST RATES**

**Central Bank**
- Discount Rate: 5.50, 5.50, 5.50, 5.50, 4.75, 4.75, 4.75, 4.75, 4.50
- Central Intervention Rate: - - - 5.45, 4.75, 4.75, 4.75, 4.75, 4.50

**Repurchase Agreements**
- Term Deposit Rate: 4.94, 5.01, 5.22, 5.43, 4.70, 4.72, 4.72, 4.73, 4.74
- Repo Rate: 5.50, 5.40, 5.50, 5.50, 4.80, 4.80, 4.80, 4.80, 4.55

**Standby (Collateralised) Loan Facility**
- Rate: 6.00, 6.00, 6.00, 6.00, 5.30, 5.30, 5.30, 5.30, 5.05

**Overnight Deposit Facility**
- Rate: 2.50, - - - 1.80, 1.80, 1.80, 1.80, 1.55

**Reserve Requirements Remuneration**
- Rate: 2.50, 2.70, 2.70, 2.70, 2.70, 2.70, 2.70, 2.70, 2.70

**Interbank Market Offered Rates**
- 1 week: - - - 4.74, 4.78, 4.78, 4.77, 4.76, 4.50
- 1 month: - - - 4.94, 5.01, 5.00, 5.19, 5.43, 5.05
- 3 month: - - - 5.16, 5.30, 5.30, 5.30, 5.50

**Deposit Money Banks**
- Weighted Average Deposit Rate
  - Current: 0.16, 0.42, 1.37, 1.49, 1.11, 1.32, 1.33, 1.11, 0.90
  - Savings: 3.00, 3.01, 3.02, 3.04, 2.81, 2.52, 2.58, 2.59, 2.47
  - Time: 5.01, 5.29, 5.35, 5.35, 5.43, 5.25, 5.25, 5.26, 5.25

**Weighted Average Lending Rate**
- 7.49, 7.93, 8.04, 8.08, 7.28, 7.23, 7.08, 7.01, 6.75

**Government Securities**
- Treasury Bills
  - 1 month: - - - 5.00, 5.19, 5.43, 5.05, 4.85, 4.86, 4.86, 4.85
  - 3 month: 4.94, 5.01, 5.25, 5.49, 4.95, 4.90, 4.95, 5.04, 5.04
  - 6 month: 5.16, 5.30, 5.30, 5.50, 4.97, 4.94, 5.02, 5.08, 5.09
  - 1 year: 5.34, 5.40, 5.40, 5.50, 5.12, 5.03, 5.06, 5.08, 5.08

**Government Stocks**
- 1 year: 5.00, - - - - 4.99, 5.06, 5.01, 5.04
- 5 year: 6.60, 6.65, 6.82, 5.80, 5.46, 5.33, 5.50, 5.49, 5.46
- 10 year: 7.08, 7.23, 7.26, 6.00, 5.55, 5.59, 5.99, 6.09, 6.07
- 15 year: 7.49, 7.49, 7.62, 6.47, 6.03, 6.39, 6.44, 6.49, 6.49
- 20 year: - - - 6.86, 6.14, 6.60, 6.60, 6.60, 6.60

**MALTA STOCK EXCHANGE SHARE INDEX**
- 1000, 1004, 1050, 1211, 3278, 3376, 2818, 2500, 2257

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1 End of period rates in percentage 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.
4 Offered in terms of Section 15(i)k of the Central Bank of Malta Act 1967.
5 As 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 Rates on resident Maltese lira deposits and loans extended to residents in local currency.
7 Treasury bill primary market weighted average yields. Treasury bills are classified by original maturity.
8 Gross redemption yields on indicative stocks. Periods specified refer to remaining term to maturity.
**TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM**

*lm thousands*

<table>
<thead>
<tr>
<th>Period</th>
<th>Central Bank of Malta</th>
<th>Foreign Assets</th>
<th>Total Foreign Assets</th>
<th>Foreign Liabilities</th>
<th>Net (A)</th>
<th>Government &amp; Parastatal Companies (B)</th>
<th>Total (A+B)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gold ^2</td>
<td>Convertible Currencies</td>
<td>IMF-Related Assets ^3</td>
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<td></td>
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<td>33,618</td>
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<td>37,175</td>
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<td>435,857</td>
<td>30,061</td>
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<td>-</td>
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<td>32,827</td>
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<td>549,495</td>
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<td>32,829</td>
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<td>34,007</td>
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<td>-</td>
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<td>-</td>
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<td>-</td>
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<td></td>
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<td>35,457</td>
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<td>-</td>
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<td>35,698</td>
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<td>-</td>
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<td>36,168</td>
<td>708,953</td>
<td>-</td>
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<td>36,494</td>
<td>699,978</td>
<td>-</td>
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<td>699,798</td>
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<tr>
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<td>714</td>
<td>674,318</td>
<td>36,745</td>
<td>711,777</td>
<td>-</td>
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</tr>
<tr>
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<td>36,569</td>
<td>703,415</td>
<td>-</td>
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<td>703,415</td>
</tr>
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<td>648,348</td>
<td>36,699</td>
<td>685,679</td>
<td>-</td>
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<tr>
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<td>648,045</td>
<td>37,647</td>
<td>686,433</td>
<td>-</td>
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<td>659,141</td>
<td>37,664</td>
<td>697,444</td>
<td>-</td>
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<td>713</td>
<td>651,121</td>
<td>38,041</td>
<td>689,875</td>
<td>-</td>
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<tr>
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<td>735</td>
<td>626,410</td>
<td>38,060</td>
<td>665,206</td>
<td>-</td>
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<td>665,206</td>
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<tr>
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<td>606,771</td>
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<td>644,163</td>
<td>-</td>
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<td>644,163</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>630,799</td>
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<td>628,251</td>
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<td>631,625</td>
<td>3,041</td>
<td>628,584</td>
<td>628,584</td>
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<tr>
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<td>37,426</td>
<td>640,300</td>
<td>2,803</td>
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<tr>
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<td>38,340</td>
<td>653,223</td>
<td>1,486</td>
<td>651,737</td>
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<td>609,264</td>
<td>38,100</td>
<td>647,364</td>
<td>2,863</td>
<td>644,990</td>
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</tr>
<tr>
<td>July</td>
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<td>637,088</td>
<td>37,808</td>
<td>675,277</td>
<td>1,100</td>
<td>674,327</td>
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<tr>
<td>Aug.</td>
<td>534</td>
<td>649,545</td>
<td>37,837</td>
<td>687,916</td>
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<tr>
<td>Sept.</td>
<td>566</td>
<td>654,187</td>
<td>37,812</td>
<td>692,564</td>
<td>3,698</td>
<td>688,866</td>
<td>688,866</td>
</tr>
</tbody>
</table>

---

1 On accrual basis.
2 Includes small amounts of other precious metals.
3 Include IMF reserve position and holdings of SDRs.
4 Customers’ foreign currency deposits and sinking funds are held with the Central Bank of Malta, while other official funds are held with the Treasury.
### TABLE 1.19  NET FOREIGN ASSETS OF THE BANKING SYSTEM ¹
(Continued)

<table>
<thead>
<tr>
<th>Period</th>
<th>Deposit Money Banks ²</th>
<th>International Banking Institutions ²</th>
<th>Grand Total (A+B+C+D)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
<td>Net (C)</td>
</tr>
<tr>
<td>1990</td>
<td>287,558</td>
<td>147,699</td>
<td>139,859</td>
</tr>
<tr>
<td>1991</td>
<td>344,598</td>
<td>175,546</td>
<td>169,052</td>
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<tr>
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<td>658,983</td>
<td>75,997</td>
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<tr>
<td>2000</td>
<td>770,752</td>
<td>685,560</td>
<td>85,192</td>
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<tr>
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<tr>
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<tr>
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<tr>
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<tr>
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<tr>
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<td>692,997</td>
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<tr>
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<td>715,148</td>
<td>106,919</td>
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¹ As from 1995, data are on accrual basis.
² For the purposes of this Table only, the amounts of HSBC Overseas Bank (Malta) Ltd. and Bank of Valletta International Ltd., 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 2.1 GOVERNMENT REVENUE AND EXPENDITURE

<table>
<thead>
<tr>
<th>Period</th>
<th>Revenue</th>
<th>Expenditure</th>
<th>Deficit (-) or Surplus</th>
<th>Borrowing</th>
<th>Residual</th>
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<td>Ordinary</td>
<td>Grants</td>
<td>Total</td>
<td>Ordinary</td>
<td>Capital</td>
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<td>337,567</td>
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<td>108,276</td>
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<tr>
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<td>16,392</td>
<td>358,158</td>
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<td>59,017</td>
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<td>8,428</td>
<td>396,607</td>
<td>368,624</td>
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</tr>
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<td>505,195</td>
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<td>9,809</td>
<td>514,224</td>
<td>538,276</td>
<td>103,392</td>
</tr>
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<td>49,063</td>
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<td>50,231</td>
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</table>

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.

2. As from 1992, excludes capital expenditure incurred by the Public Authorities/Corporations.

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

Source: The Treasury.
### TABLE 2.2 GOVERNMENT REVENUE BY MAJOR SOURCES

<table>
<thead>
<tr>
<th>Period</th>
<th>Income Tax</th>
<th>National Insurance Contributions</th>
<th>VAT &amp; CET</th>
<th>Licences, Taxes &amp; Fines</th>
<th>Customs &amp; Excise</th>
<th>Total</th>
<th>Non-Tax Revenue</th>
<th>Ordinary Revenue</th>
<th>Foreign Grants</th>
<th>Total Revenue</th>
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</thead>
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<td>1990</td>
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<td>71,234</td>
<td>-</td>
<td>23,993</td>
<td>67,279</td>
<td>219,798</td>
<td>110,092</td>
<td>329,890</td>
<td>7,678</td>
<td>337,567</td>
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<td>-</td>
<td>29,448</td>
<td>83,541</td>
<td>263,580</td>
<td>78,186</td>
<td>341,766</td>
<td>16,392</td>
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<td>83,541</td>
<td>296,105</td>
<td>92,074</td>
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<td>396,607</td>
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<td>69,608</td>
<td>504,415</td>
<td>9,809</td>
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<td>60,678</td>
<td>52,698</td>
<td>432,221</td>
<td>108,367</td>
<td>539,070</td>
<td>10,043</td>
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<td>144,274</td>
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<td>72,628</td>
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<td>481,037</td>
<td>147,131</td>
<td>628,168</td>
<td>9,684</td>
<td>637,852</td>
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<td>85,023</td>
<td>72,628</td>
<td>55,426</td>
<td>481,037</td>
<td>147,131</td>
<td>628,168</td>
<td>9,684</td>
<td>637,852</td>
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<td>55,141</td>
<td>541,182</td>
<td>91,572</td>
<td>632,754</td>
<td>9,549</td>
<td>642,303</td>
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**Source:** The Treasury.

---

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

3 Includes mainly Central Bank of Malta profits, privatisation receipts, sinking funds of converted loans and other miscellaneous receipts.

4 As from 1992, excludes the contribution by the Public Corporations/Authorities towards their own capital programme.
### TABLE 2.3 GOVERNMENT CAPITAL EXPENDITURE BY TYPE OF INVESTMENT

<table>
<thead>
<tr>
<th>Period</th>
<th>Productive</th>
<th>Infrastructure</th>
<th>Social</th>
<th>Total</th>
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</thead>
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<td>14,646</td>
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<td>16,675</td>
<td>58,017</td>
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<td>1993</td>
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<td>10,870</td>
<td>59,673</td>
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<td>13,993</td>
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<td>50,256</td>
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</tr>
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<td>52,480</td>
<td>27,515</td>
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</tr>
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<td></td>
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<tr>
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<td>4,486</td>
</tr>
<tr>
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<td>7,181</td>
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<td>1,770</td>
<td>1,888</td>
<td>5,208</td>
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</table>

1 As from 1992, excludes capital expenditure incurred by Public Corporations/Authorities.
2 Including a loan to Malta Drydocks amounting to Lm24.6m.

Source: The Treasury.
### TABLE 3.1 GROSS GOVERNMENT DEBT AND GOVERNMENT GUARANTEED DEBT OUTSTANDING

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<th>End of Period</th>
<th>Domestic Debt</th>
<th>Foreign Loans</th>
<th>Total Government Debt</th>
<th>Government Guaranteed Debt 2</th>
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</tr>
<tr>
<td><strong>1999</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
<td>111,078</td>
<td>633,369</td>
<td>744,447</td>
<td>46,513</td>
</tr>
<tr>
<td>June</td>
<td>126,425</td>
<td>633,369</td>
<td>759,794</td>
<td>45,498</td>
</tr>
<tr>
<td>Sept.</td>
<td>102,254</td>
<td>712,184</td>
<td>814,438</td>
<td>43,965</td>
</tr>
<tr>
<td>Dec.</td>
<td>83,320</td>
<td>712,184</td>
<td>795,504</td>
<td>44,349</td>
</tr>
<tr>
<td><strong>2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
<td>114,263</td>
<td>712,184</td>
<td>826,447</td>
<td>44,006</td>
</tr>
<tr>
<td>June</td>
<td>125,540</td>
<td>712,729</td>
<td>838,269</td>
<td>42,514</td>
</tr>
<tr>
<td>Sept.</td>
<td>144,976</td>
<td>712,729</td>
<td>857,705</td>
<td>42,533</td>
</tr>
<tr>
<td>Dec.</td>
<td>172,987</td>
<td>712,729</td>
<td>885,716</td>
<td>39,250</td>
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<td><strong>2001</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
<td>177,836</td>
<td>742,729</td>
<td>920,565</td>
<td>38,868</td>
</tr>
<tr>
<td>June</td>
<td>167,054</td>
<td>770,029</td>
<td>937,083</td>
<td>37,080</td>
</tr>
<tr>
<td>Sept.</td>
<td>175,295</td>
<td>791,654</td>
<td>966,949</td>
<td>36,226</td>
</tr>
</tbody>
</table>

1. Includes Local Development Registered Stocks.
2. Represents outstanding balances on Government guaranteed debt. Excludes guarantees on the MIGA and IBRD positions. Excludes also Government guarantees on foreign loans taken by the Central Bank of Malta on behalf of Malta Government since they already feature in the calculation of Government foreign debt.

Source: Malta Stock Exchange; The Treasury; Ministry of Finance.
TABLE 3.2  TREASURY BILLS ISSUED AND OUTSTANDING\(^1\)  

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Amount Maturing During Period</th>
<th>Amount Issued and Taken up by</th>
<th>Amount Outstanding(^4) and held by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Banking System(^2)</td>
<td>Non-Bank(^3)</td>
</tr>
<tr>
<td>1990</td>
<td>50,000</td>
<td>59,960</td>
<td>40</td>
</tr>
<tr>
<td>1991</td>
<td>105,000</td>
<td>104,516</td>
<td>484</td>
</tr>
<tr>
<td>1992</td>
<td>120,000</td>
<td>117,415</td>
<td>2,585</td>
</tr>
<tr>
<td>1993</td>
<td>120,000</td>
<td>115,624</td>
<td>4,376</td>
</tr>
<tr>
<td>1994</td>
<td>120,000</td>
<td>117,845</td>
<td>2,155</td>
</tr>
<tr>
<td>1995</td>
<td>133,156</td>
<td>164,449</td>
<td>10,113</td>
</tr>
<tr>
<td>1996</td>
<td>296,171</td>
<td>164,584</td>
<td>169,116</td>
</tr>
<tr>
<td>1997</td>
<td>351,191</td>
<td>83,790</td>
<td>248,446</td>
</tr>
<tr>
<td>1998</td>
<td>255,783</td>
<td>44,300</td>
<td>205,216</td>
</tr>
<tr>
<td>1999</td>
<td>364,314</td>
<td>202,100</td>
<td>161,821</td>
</tr>
<tr>
<td>2000</td>
<td>341,869</td>
<td>276,611</td>
<td>154,925</td>
</tr>
</tbody>
</table>

2000

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Amount Maturing During Period</th>
<th>Amount Issued and Taken up by</th>
<th>Amount Outstanding(^4) and held by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>27,829</td>
<td>22,000</td>
<td>9,335</td>
</tr>
<tr>
<td>Feb.</td>
<td>9,072</td>
<td>16,939</td>
<td>9,602</td>
</tr>
<tr>
<td>Mar.</td>
<td>5,039</td>
<td>11,707</td>
<td>3,300</td>
</tr>
<tr>
<td>Apr.</td>
<td>13,214</td>
<td>23,900</td>
<td>14,419</td>
</tr>
<tr>
<td>May</td>
<td>52,691</td>
<td>22,800</td>
<td>1,838</td>
</tr>
<tr>
<td>June</td>
<td>15,007</td>
<td>21,497</td>
<td>7,735</td>
</tr>
<tr>
<td>July</td>
<td>42,423</td>
<td>11,000</td>
<td>47,841</td>
</tr>
<tr>
<td>Aug.</td>
<td>29,668</td>
<td>34,000</td>
<td>3,418</td>
</tr>
<tr>
<td>Sept.</td>
<td>32,732</td>
<td>22,168</td>
<td>5,832</td>
</tr>
<tr>
<td>Oct.</td>
<td>42,426</td>
<td>29,500</td>
<td>10,433</td>
</tr>
<tr>
<td>Nov.</td>
<td>30,918</td>
<td>26,000</td>
<td>12,351</td>
</tr>
<tr>
<td>Dec.</td>
<td>40,850</td>
<td>35,100</td>
<td>28,821</td>
</tr>
</tbody>
</table>

2001

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Amount Maturing During Period</th>
<th>Amount Issued and Taken up by</th>
<th>Amount Outstanding(^4) and held by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>39,096</td>
<td>28,601</td>
<td>12,513</td>
</tr>
<tr>
<td>Feb.</td>
<td>16,770</td>
<td>18,500</td>
<td>2,580</td>
</tr>
<tr>
<td>Mar.</td>
<td>44,277</td>
<td>17,000</td>
<td>25,799</td>
</tr>
<tr>
<td>Apr.</td>
<td>49,469</td>
<td>14,000</td>
<td>16,378</td>
</tr>
<tr>
<td>May</td>
<td>31,811</td>
<td>9,000</td>
<td>18,589</td>
</tr>
<tr>
<td>June</td>
<td>46,822</td>
<td>26,150</td>
<td>33,203</td>
</tr>
<tr>
<td>July</td>
<td>22,825</td>
<td>35,669</td>
<td>8,837</td>
</tr>
<tr>
<td>Aug.</td>
<td>35,085</td>
<td>21,500</td>
<td>4,179</td>
</tr>
<tr>
<td>Sept.</td>
<td>48,386</td>
<td>27,115</td>
<td>17,110</td>
</tr>
</tbody>
</table>

\(^1\) 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).

\(^3\) Including the Malta Government Sinking Fund.

\(^4\) On 1 December 1987, the House of Representatives raised the maximum amount of permissible outstanding bills from Lm2.5 million to Lm30 million. On 10 January 1995, the House of Representatives approved a motion empowering the Government to increase the issue of Treasury Bills from Lm30 million to Lm100 million. On 16 December 1996, the maximum amount of outstanding bills was raised from Lm100 million to Lm200 million.

Central Bank of Malta, Quarterly Review, December 2001
## TABLE 3.3 MALTA GOVERNMENT STOCKS
(Outstanding as at end-September 2001)

<table>
<thead>
<tr>
<th>Stock</th>
<th>Year of Maturity</th>
<th>Year of Issue</th>
<th>Issue Price Lm</th>
<th>Interest Dates</th>
<th>Held By Bank System</th>
<th>Held By Non-Bank Public</th>
<th>Amount Lm thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.15 % MGS</td>
<td>2001 (V)</td>
<td>1998</td>
<td>100</td>
<td>19-May - 19 Nov.</td>
<td>21,610</td>
<td>990</td>
<td>22,600</td>
</tr>
<tr>
<td>6.50 % MGS</td>
<td>2001 (II)</td>
<td>1994</td>
<td>100</td>
<td>19-May - 19 Nov.</td>
<td>7,037</td>
<td>2,963</td>
<td>10,000</td>
</tr>
<tr>
<td>7.75 % MGS</td>
<td>2002</td>
<td>1992</td>
<td>100</td>
<td>3 Apr. - 3 Oct.</td>
<td>4,678</td>
<td>15,522</td>
<td>20,200</td>
</tr>
<tr>
<td>6.90 % MGS</td>
<td>2002 (II)</td>
<td>1995</td>
<td>100</td>
<td>10 Jun. - 10 Dec.</td>
<td>5,027</td>
<td>4,973</td>
<td>10,000</td>
</tr>
<tr>
<td>6.90 % MGS</td>
<td>2002 (III)</td>
<td>1995</td>
<td>100</td>
<td>30 Mar. - 30 Sept.</td>
<td>8,043</td>
<td>4,457</td>
<td>12,500</td>
</tr>
<tr>
<td>6.90 % MGS</td>
<td>2002 (IV)</td>
<td>1997</td>
<td>100</td>
<td>30 Mar. - 30 Sept.</td>
<td>20,180</td>
<td>3,570</td>
<td>23,750</td>
</tr>
<tr>
<td>7.00 % MGS</td>
<td>2003</td>
<td>1993</td>
<td>100</td>
<td>18 Feb. - 18 Aug.</td>
<td>12,097</td>
<td>15,970</td>
<td>28,067</td>
</tr>
<tr>
<td>7.00 % MGS</td>
<td>2003 (II)</td>
<td>1993</td>
<td>100</td>
<td>3 Jul. - 3 Jan.</td>
<td>9,142</td>
<td>11,691</td>
<td>20,833</td>
</tr>
<tr>
<td>6.70 % MGS</td>
<td>2004</td>
<td>1994</td>
<td>100</td>
<td>23 Apr. - 23 Oct.</td>
<td>9,635</td>
<td>9,065</td>
<td>18,700</td>
</tr>
<tr>
<td>7.25 % MGS</td>
<td>2005</td>
<td>1997</td>
<td>100</td>
<td>10 Jun. - 10 Dec.</td>
<td>17,836</td>
<td>5,664</td>
<td>23,500</td>
</tr>
<tr>
<td>5.60 % MGS</td>
<td>2005 (II)</td>
<td>1999</td>
<td>100</td>
<td>1 Feb. - 1 Aug.</td>
<td>24,238</td>
<td>7,262</td>
<td>31,500</td>
</tr>
<tr>
<td>7.00 % MGS</td>
<td>2006</td>
<td>1994</td>
<td>100</td>
<td>19 May - 19 Nov.</td>
<td>1,418</td>
<td>8,582</td>
<td>10,000</td>
</tr>
<tr>
<td>7.00 % MGS</td>
<td>2006 (II)</td>
<td>1996</td>
<td>100</td>
<td>20 Jan. - 20 Jul.</td>
<td>-</td>
<td>167</td>
<td>167</td>
</tr>
<tr>
<td>7.25 % MGS</td>
<td>2006 (III)</td>
<td>1995</td>
<td>100</td>
<td>28 Apr. - 01 Aug.</td>
<td>5,887</td>
<td>13,363</td>
<td>19,250</td>
</tr>
<tr>
<td>7.25 % MGS</td>
<td>2006 (III)</td>
<td>1996</td>
<td>100</td>
<td>20 Jan. - 20 Jul.</td>
<td>7,250</td>
<td>7,750</td>
<td>15,000</td>
</tr>
<tr>
<td>7.35 % MGS</td>
<td>2007</td>
<td>1997</td>
<td>100</td>
<td>18 Apr. - 18 Oct.</td>
<td>16,383</td>
<td>8,368</td>
<td>24,750</td>
</tr>
<tr>
<td>5.90 % MGS</td>
<td>2007 (II)</td>
<td>1999</td>
<td>100</td>
<td>23 Apr. - 23 Oct.</td>
<td>8,887</td>
<td>1,113</td>
<td>9,999</td>
</tr>
<tr>
<td>5.60 % MGS</td>
<td>2007 (III)</td>
<td>2000</td>
<td>100</td>
<td>10 Jun. - 10 Dec.</td>
<td>7,151</td>
<td>2,849</td>
<td>10,000</td>
</tr>
<tr>
<td>7.20 % MGS</td>
<td>2008</td>
<td>1998</td>
<td>100</td>
<td>28 Feb. - 15 Jul.</td>
<td>6,720</td>
<td>3,281</td>
<td>10,000</td>
</tr>
<tr>
<td>7.20 % MGS</td>
<td>2008 (II)</td>
<td>1998</td>
<td>100</td>
<td>30 Mar. - 30 Sept.</td>
<td>19,203</td>
<td>10,797</td>
<td>30,000</td>
</tr>
<tr>
<td>7.00 % MGS</td>
<td>2009</td>
<td>1999</td>
<td>100</td>
<td>1 Mar. - 1 Sept.</td>
<td>-</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>5.90 % MGS</td>
<td>2009 (II)</td>
<td>1999</td>
<td>100</td>
<td>1 Mar. - 1 Sept.</td>
<td>14,515</td>
<td>10,485</td>
<td>25,000</td>
</tr>
<tr>
<td>5.90 % MGS</td>
<td>2009 (III)</td>
<td>2000</td>
<td>100</td>
<td>30 Mar. - 30 Sept.</td>
<td>13,563</td>
<td>3,937</td>
<td>17,500</td>
</tr>
<tr>
<td>5.90 % MGS</td>
<td>2010</td>
<td>1999</td>
<td>100</td>
<td>19 May - 19 Nov.</td>
<td>14,275</td>
<td>725</td>
<td>15,000</td>
</tr>
<tr>
<td>5.75 % MGS</td>
<td>2010 (II)</td>
<td>2000</td>
<td>100</td>
<td>10 Jun. - 10 Dec.</td>
<td>16,528</td>
<td>1,972</td>
<td>18,500</td>
</tr>
<tr>
<td>7.00 % MGS</td>
<td>2010 (III)</td>
<td>2000</td>
<td>100</td>
<td>30 Jun. - 30 Dec.</td>
<td>-</td>
<td>545</td>
<td>545</td>
</tr>
<tr>
<td>7.50 % MGS</td>
<td>2011</td>
<td>1996</td>
<td>100</td>
<td>28 Mar. - 28 Sept.</td>
<td>7,509</td>
<td>7,491</td>
<td>15,000</td>
</tr>
<tr>
<td>6.25 % MGS</td>
<td>2011 (II)</td>
<td>2001</td>
<td>100</td>
<td>1 Aug. - 1 Feb.</td>
<td>19,869</td>
<td>20,131</td>
<td>40,000</td>
</tr>
<tr>
<td>7.80 % MGS</td>
<td>2012</td>
<td>1997</td>
<td>100</td>
<td>24 May - 24 Nov.</td>
<td>14,566</td>
<td>19,934</td>
<td>34,500</td>
</tr>
<tr>
<td>7.80 % MGS</td>
<td>2013</td>
<td>1997</td>
<td>100</td>
<td>18 Apr. - 18 Oct.</td>
<td>12,061</td>
<td>22,189</td>
<td>34,250</td>
</tr>
<tr>
<td>6.60 % MGS</td>
<td>2014</td>
<td>2000</td>
<td>100</td>
<td>30 Mar. - 30 Sept.</td>
<td>724</td>
<td>9,776</td>
<td>10,500</td>
</tr>
<tr>
<td>6.45 % MGS</td>
<td>2014 (II)</td>
<td>2001</td>
<td>100</td>
<td>24 May - 24 Nov.</td>
<td>7,523</td>
<td>22,477</td>
<td>30,000</td>
</tr>
<tr>
<td>6.10 % MGS</td>
<td>2015</td>
<td>2000</td>
<td>100</td>
<td>10 Jun. - 10 Dec.</td>
<td>7,275</td>
<td>22,726</td>
<td>30,000</td>
</tr>
<tr>
<td>6.65 % MGS</td>
<td>2016</td>
<td>2001</td>
<td>100</td>
<td>28 Mar. - 28 Sept.</td>
<td>2,948</td>
<td>27,001</td>
<td>30,000</td>
</tr>
<tr>
<td>7.80 % MGS</td>
<td>2018</td>
<td>1998</td>
<td>100</td>
<td>15 Jan. - 15 Jul.</td>
<td>27,485</td>
<td>42,515</td>
<td>70,000</td>
</tr>
<tr>
<td>6.60 % MGS</td>
<td>2019</td>
<td>1999</td>
<td>100</td>
<td>1 Mar. - 1 Sept.</td>
<td>12,108</td>
<td>31,892</td>
<td>44,000</td>
</tr>
</tbody>
</table>

Total: 405,956 385,522 791,528

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

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

*Source: Malta Stock Exchange.*
### TABLE 3.4 MALTA GOVERNMENT STOCKS BY REMAINING TERM TO MATURITY

<table>
<thead>
<tr>
<th>Period</th>
<th>1 yr</th>
<th>2-5 yrs</th>
<th>6-10 yrs</th>
<th>11-15 yrs</th>
<th>Over 16 yrs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>3,500</td>
<td>93,285</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>106,785</td>
</tr>
<tr>
<td>1991</td>
<td>5,500</td>
<td>106,285</td>
<td>25,400</td>
<td>-</td>
<td>-</td>
<td>137,185</td>
</tr>
<tr>
<td>1992</td>
<td>1,000</td>
<td>125,285</td>
<td>41,400</td>
<td>-</td>
<td>-</td>
<td>167,685</td>
</tr>
<tr>
<td>1993</td>
<td>49,885</td>
<td>84,367</td>
<td>90,300</td>
<td>-</td>
<td>-</td>
<td>224,552</td>
</tr>
<tr>
<td>1994</td>
<td>37,900</td>
<td>95,352</td>
<td>110,000</td>
<td>10,000</td>
<td>-</td>
<td>253,252</td>
</tr>
<tr>
<td>1995</td>
<td>7,000</td>
<td>158,651</td>
<td>120,300</td>
<td>-</td>
<td>-</td>
<td>285,951</td>
</tr>
<tr>
<td>1996</td>
<td>15,800</td>
<td>213,302</td>
<td>112,017</td>
<td>15,000</td>
<td>-</td>
<td>356,119</td>
</tr>
<tr>
<td>1997</td>
<td>48,452</td>
<td>279,800</td>
<td>111,367</td>
<td>83,750</td>
<td>-</td>
<td>523,369</td>
</tr>
<tr>
<td>1998</td>
<td>46,750</td>
<td>255,650</td>
<td>177,219</td>
<td>83,750</td>
<td>70,000</td>
<td>633,369</td>
</tr>
<tr>
<td>1999</td>
<td>79,000</td>
<td>221,202</td>
<td>199,232</td>
<td>98,750</td>
<td>114,000</td>
<td>712,184</td>
</tr>
<tr>
<td>2000</td>
<td>53,800</td>
<td>214,902</td>
<td>205,777</td>
<td>124,250</td>
<td>114,000</td>
<td>712,729</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
<td>120,250</td>
<td>192,869</td>
<td>176,359</td>
<td>139,250</td>
<td>114,000</td>
<td>742,729</td>
</tr>
<tr>
<td>June</td>
<td>117,550</td>
<td>192,869</td>
<td>176,359</td>
<td>169,250</td>
<td>114,000</td>
<td>770,029</td>
</tr>
<tr>
<td>Sept.</td>
<td>99,050</td>
<td>192,869</td>
<td>216,359</td>
<td>169,250</td>
<td>114,000</td>
<td>791,528</td>
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</table>

1 Refers to the maximum redemption period.

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

<table>
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<tr>
<th>Period</th>
<th>Official Bilateral Entities 1</th>
<th>Official Multilateral Organisations 2</th>
<th>Private Commercial Banks 3</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>1990</td>
<td>30,446</td>
<td>7,029</td>
<td>-</td>
<td>37,475</td>
</tr>
<tr>
<td>1991</td>
<td>31,806</td>
<td>12,901</td>
<td>-</td>
<td>44,707</td>
</tr>
<tr>
<td>1992</td>
<td>32,727</td>
<td>15,671</td>
<td>-</td>
<td>48,398</td>
</tr>
<tr>
<td>1993</td>
<td>34,383</td>
<td>16,097</td>
<td>-</td>
<td>50,480</td>
</tr>
<tr>
<td>1994</td>
<td>37,496</td>
<td>18,768</td>
<td>-</td>
<td>56,264</td>
</tr>
<tr>
<td>1995</td>
<td>30,268</td>
<td>15,150</td>
<td>8,015</td>
<td>53,433</td>
</tr>
<tr>
<td>1996</td>
<td>32,371</td>
<td>13,850</td>
<td>5,568</td>
<td>51,789</td>
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<tr>
<td>1997</td>
<td>30,200</td>
<td>15,666</td>
<td>4,583</td>
<td>50,449</td>
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<td>27,115</td>
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<tr>
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<td>28,101</td>
<td>12,344</td>
<td>3,904</td>
<td>44,349</td>
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<td>22,964</td>
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<td>2,631</td>
<td>39,250</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
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<td>13,657</td>
<td>2,521</td>
<td>38,868</td>
</tr>
<tr>
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<td>21,729</td>
<td>13,310</td>
<td>2,041</td>
<td>37,080</td>
</tr>
<tr>
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<td>20,965</td>
<td>13,208</td>
<td>2,053</td>
<td>36,226</td>
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</tbody>
</table>

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

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

3 Commercial bank loans from private banks or financial institutions.

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### TABLE 3.6 GOVERNMENT EXTERNAL LOANS BY CURRENCY

<table>
<thead>
<tr>
<th>Period</th>
<th>FFr</th>
<th>Stg</th>
<th>DM</th>
<th>Yen</th>
<th>Euro</th>
<th>US$</th>
<th>Lit</th>
<th>Others</th>
<th>Total</th>
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<td>252</td>
<td>3,777</td>
<td>4,811</td>
<td>-</td>
<td>7,024</td>
<td>4,953</td>
<td>7,731</td>
<td>8,947</td>
<td>37,495</td>
</tr>
<tr>
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<td>200</td>
<td>3,686</td>
<td>4,515</td>
<td>-</td>
<td>12,901</td>
<td>4,431</td>
<td>9,833</td>
<td>9,140</td>
<td>44,706</td>
</tr>
<tr>
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<td>170</td>
<td>1,250</td>
<td>4,816</td>
<td>-</td>
<td>15,671</td>
<td>4,774</td>
<td>12,033</td>
<td>9,683</td>
<td>48,397</td>
</tr>
<tr>
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<td>1,283</td>
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<td>-</td>
<td>16,097</td>
<td>4,356</td>
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<td>58</td>
<td>235</td>
<td>4,181</td>
<td>-</td>
<td>16,267</td>
<td>3,546</td>
<td>22,694</td>
<td>9,281</td>
<td>50,449</td>
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<td>22,309</td>
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<td>-</td>
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<td>-</td>
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<td>4,146</td>
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<td>6,474</td>
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<td>3,904</td>
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<td>6,945</td>
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<td>2,631</td>
<td>8,477</td>
<td>6,660</td>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
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<td>1,638</td>
<td>2,521</td>
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<td>6,918</td>
<td>18,379</td>
<td>1,134</td>
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<td>7,860</td>
<td>15,727</td>
<td>8,837</td>
<td>1,155</td>
<td>37,080</td>
<td></td>
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<tr>
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<td>-</td>
<td>1,492</td>
<td>2,053</td>
<td>7,971</td>
<td>14,999</td>
<td>8,978</td>
<td>733</td>
<td>36,226</td>
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1 Provisional.


### TABLE 3.7 GOVERNMENT EXTERNAL LOANS BY REMAINING TERM TO MATURITY

<table>
<thead>
<tr>
<th>Period</th>
<th>1 yr</th>
<th>2-5 yrs</th>
<th>6-10 yrs</th>
<th>11-15 yrs</th>
<th>16-20 yrs</th>
<th>Over 20 yrs</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>1990</td>
<td>105</td>
<td>7,154</td>
<td>6,732</td>
<td>12,096</td>
<td>7,731</td>
<td>3,676</td>
<td>37,495</td>
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<tr>
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<td>4,960</td>
<td>14,229</td>
<td>9,833</td>
<td>3,774</td>
<td>44,707</td>
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<tr>
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<td>276</td>
<td>12,575</td>
<td>8,673</td>
<td>10,045</td>
<td>12,033</td>
<td>4,795</td>
<td>48,397</td>
</tr>
<tr>
<td>1993</td>
<td>15,200</td>
<td>5,766</td>
<td>9,232</td>
<td>15,596</td>
<td>4,687</td>
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<td>3,579</td>
<td>16,591</td>
<td>12,180</td>
<td>12,286</td>
<td>3,237</td>
<td>56,264</td>
</tr>
<tr>
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<td>206</td>
<td>2,142</td>
<td>23,486</td>
<td>11,662</td>
<td>12,529</td>
<td>3,408</td>
<td>53,433</td>
</tr>
<tr>
<td>1996</td>
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<td>831</td>
<td>21,024</td>
<td>12,087</td>
<td>14,129</td>
<td>3,252</td>
<td>51,789</td>
</tr>
<tr>
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<td>-</td>
<td>6,402</td>
<td>21,426</td>
<td>14,440</td>
<td>2,801</td>
<td>1,443</td>
<td>46,513</td>
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<td>-</td>
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<td>13,353</td>
<td>2,693</td>
<td>1,346</td>
<td>44,349</td>
</tr>
<tr>
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<td>-</td>
<td>10,561</td>
<td>12,654</td>
<td>13,456</td>
<td>1,293</td>
<td>1,286</td>
<td>39,250</td>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar.</td>
<td>968</td>
<td>9,165</td>
<td>12,969</td>
<td>13,249</td>
<td>1,272</td>
<td>1,245</td>
<td>38,868</td>
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<tr>
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<td>981</td>
<td>8,291</td>
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<td>12,717</td>
<td>1,228</td>
<td>1,244</td>
<td>37,080</td>
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<tr>
<td>Sept.</td>
<td>575</td>
<td>8,255</td>
<td>12,063</td>
<td>12,847</td>
<td>1,255</td>
<td>1,231</td>
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1 Provisional.

TABLE 4.1 MALTESE LIRA EXCHANGE RATES
AGAINST MAJOR CURRENCIES

<table>
<thead>
<tr>
<th>End of Period</th>
<th>Stg</th>
<th>DM</th>
<th>US$</th>
<th>Euro</th>
<th>Lit</th>
<th>FFr</th>
<th>NLG</th>
<th>Bfr</th>
<th>Yen</th>
<th>Sfr</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1.734</td>
<td>5.001</td>
<td>3.325</td>
<td>2.435</td>
<td>3769.61</td>
<td>17.007</td>
<td>5.636</td>
<td>103.271</td>
<td>451.190</td>
<td>4.261</td>
</tr>
<tr>
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<td>1.711</td>
<td>4.391</td>
<td>2.531</td>
<td>2.268</td>
<td>4326.57</td>
<td>14.917</td>
<td>4.912</td>
<td>91.327</td>
<td>283.320</td>
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1 Closing Central Bank of Malta midpoint rate. The Maltese lira's exchange rate is determined on the basis of a basket of currencies which currently includes the euro, the US dollar and the pound sterling.
2 The euro replaced the ECU as from January 1, 1999.
<table>
<thead>
<tr>
<th>Period</th>
<th>Stg</th>
<th>DM</th>
<th>US$</th>
<th>Euro1</th>
<th>Lit</th>
<th>FFr</th>
<th>NLG</th>
<th>Bfr</th>
<th>Yen</th>
<th>Sfr</th>
</tr>
</thead>
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<td>5.0852</td>
<td>3.1527</td>
<td>2.4733</td>
<td>3769.83</td>
<td>17.135</td>
<td>5.730</td>
<td>105.132</td>
<td>453.01</td>
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<td>1.7526</td>
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<td>3.1002</td>
<td>2.4979</td>
<td>3831.59</td>
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<td>5.777</td>
<td>103.531</td>
<td>446.50</td>
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<td>5.521</td>
<td>100.964</td>
<td>398.43</td>
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<td>251.49</td>
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<td>100.326</td>
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<td>98.922</td>
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<td>5.520</td>
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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 January 1, 1999.
## TABLE 4.3 MALTA'S FOREIGN TRADE

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1 Provisional.

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1 Provisional.
Source: National Statistics Office.
### TABLE 4.5 DIRECTION OF TRADE - IMPORTS

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1 Provisional.

Source: National Statistics Office.
TABLE 4.6 DOMESTIC EXPORTS BY COMMODITY SECTIONS

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1 Provisional.

Source: National Statistics Office.
### TABLE 4.7 IMPORTS BY COMMODITY SECTIONS

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<th>Chemicals</th>
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**Source:** National Statistics Office.

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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: National Statistics Office.
# Table 5.2 Tourist Arrivals by Nationality

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<th>Italy</th>
<th>North Africa(^1)</th>
<th>Germany</th>
<th>Scandinavian Countries(^2)</th>
<th>United States</th>
<th>All Others</th>
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### Notes

1. North African countries include Algeria, Egypt, Libya, Morocco and Tunisia.

2. Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office.
### TABLE 5.3 LABOUR MARKET

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<td>97,493</td>
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<tr>
<td>1997</td>
<td>103,253</td>
<td>37,383</td>
<td>140,636</td>
<td>96,778</td>
</tr>
<tr>
<td>1998</td>
<td>102,895</td>
<td>38,039</td>
<td>140,934</td>
<td>96,120</td>
</tr>
<tr>
<td>1999</td>
<td>103,173</td>
<td>39,134</td>
<td>142,307</td>
<td>96,083</td>
</tr>
<tr>
<td>2000</td>
<td>103,048</td>
<td>40,257</td>
<td>143,305</td>
<td>96,906</td>
</tr>
</tbody>
</table>

#### Notes

1 Figures of unemployment exclude recruitment in the Emergency Labour Corps (set up in May 1972), the Pioneer Corps (set up in June 1973) and DIM (set up in February 1975).

2 As a percentage of male labour supply.

3 As a percentage of female labour supply.

Source: Employment and Training Corporation.

Central Bank of Malta, Quarterly Review, December 2001
### TABLE 5.4 BUILDING APPLICATIONS APPROVED BY PURPOSE AND FLOOR SPACE AREA

<table>
<thead>
<tr>
<th>Year</th>
<th>Agricultural sq. m (thousands)</th>
<th>Manufacturing sq. m (thousands)</th>
<th>Tourism sq. m (thousands)</th>
<th>Offices/Retail/Warehousing sq. m (thousands)</th>
<th>Dwellings sq. m (thousands)</th>
<th>Parking sq. m (thousands)</th>
<th>Recreational/Social sq. m (thousands)</th>
<th>Total sq. m (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>10,057</td>
<td>26,158</td>
<td>5,065</td>
<td>65,912</td>
<td>143,286</td>
<td>80,219</td>
<td>25,848</td>
<td>356,545</td>
</tr>
<tr>
<td>1994</td>
<td>9,444</td>
<td>50,168</td>
<td>22,606</td>
<td>91,499</td>
<td>191,340</td>
<td>119,938</td>
<td>95,217</td>
<td>580,212</td>
</tr>
<tr>
<td>1995</td>
<td>13,690</td>
<td>66,548</td>
<td>38,549</td>
<td>86,630</td>
<td>283,814</td>
<td>208,562</td>
<td>62,396</td>
<td>760,189</td>
</tr>
<tr>
<td>1996</td>
<td>25,868</td>
<td>37,844</td>
<td>11,917</td>
<td>134,701</td>
<td>273,158</td>
<td>201,590</td>
<td>144,300</td>
<td>665,421</td>
</tr>
<tr>
<td>1997</td>
<td>9,020</td>
<td>74,589</td>
<td>12,244</td>
<td>143,286</td>
<td>208,562</td>
<td>178,582</td>
<td>69,745</td>
<td>580,212</td>
</tr>
</tbody>
</table>

1996

| Mar.  | 5,512                      | 19,163                         | 10,935                   | 57,340                                       | 98,760                     | 60,831                    | 93,739                               | 346,280                |
| June  | 7,123                      | 15,583                         | 982                      | 62,399                                       | 67,215                     | 36,629                    | 40,891                               | 230,822                |
| Sept. | 12,121                     | 952                            | -                        | 4,796                                        | 10,472                     | 6,308                      | 2,797                                | 37,446                 |
| Dec.  | 1,112                      | 2,146                          | -                        | 10,166                                       | 25,143                     | 5,433                      | 6,873                                | 37,446                 |

1997

| Mar.  | 1,037                      | 7,080                          | 176                      | 32,499                                       | 55,573                     | 35,086                    | 11,223                               | 142,674                |
| June  | 3,002                      | 11,329                         | 7,350                    | 31,004                                       | 68,512                     | 38,043                    | 3,116                                | 162,356                |
| Sept. | 4,388                      | 27,363                         | 7,350                    | 31,340                                       | 96,511                     | 56,814                    | 3,078                                | 226,844                |
| Dec.  | 593                        | 28,817                         | 4,718                    | 29,912                                       | 52,562                     | 48,639                    | 1,980                                | 167,221                |

Source: Planning Authority.

### TABLE 5.5 DWELLING UNITS GRANTED DEVELOPMENT PERMISSION, BY TYPE

<table>
<thead>
<tr>
<th>Year</th>
<th>Apartments</th>
<th>Maisonettes</th>
<th>Terraced Houses</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>1,192</td>
<td>651</td>
<td>1,016</td>
<td>114</td>
<td>2,973</td>
</tr>
<tr>
<td>1994</td>
<td>1,095</td>
<td>476</td>
<td>488</td>
<td>44</td>
<td>2,103</td>
</tr>
<tr>
<td>1995</td>
<td>1,910</td>
<td>1,064</td>
<td>1,094</td>
<td>161</td>
<td>4,229</td>
</tr>
<tr>
<td>1996</td>
<td>1,601</td>
<td>1,183</td>
<td>495</td>
<td>72</td>
<td>3,351</td>
</tr>
<tr>
<td>1997</td>
<td>1,656</td>
<td>1,060</td>
<td>570</td>
<td>125</td>
<td>3,411</td>
</tr>
<tr>
<td>1998</td>
<td>1,742</td>
<td>790</td>
<td>339</td>
<td>133</td>
<td>3,004</td>
</tr>
<tr>
<td>1999</td>
<td>1,452</td>
<td>473</td>
<td>271</td>
<td>77</td>
<td>2,273</td>
</tr>
<tr>
<td>2000</td>
<td>1,473</td>
<td>583</td>
<td>246</td>
<td>67</td>
<td>2,369</td>
</tr>
</tbody>
</table>

Source: Planning Authority.
### TABLE 5.6 INFLATION RATES
(Base 1946 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>Inflation Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>100.00</td>
<td>-</td>
</tr>
<tr>
<td>1947</td>
<td>104.90</td>
<td>4.90</td>
</tr>
<tr>
<td>1948</td>
<td>113.90</td>
<td>8.58</td>
</tr>
<tr>
<td>1949</td>
<td>109.70</td>
<td>-3.69</td>
</tr>
<tr>
<td>1950</td>
<td>116.90</td>
<td>6.56</td>
</tr>
<tr>
<td>1951</td>
<td>130.10</td>
<td>11.29</td>
</tr>
<tr>
<td>1952</td>
<td>140.30</td>
<td>7.84</td>
</tr>
<tr>
<td>1953</td>
<td>139.10</td>
<td>-0.86</td>
</tr>
<tr>
<td>1954</td>
<td>141.20</td>
<td>1.51</td>
</tr>
<tr>
<td>1955</td>
<td>138.80</td>
<td>-1.70</td>
</tr>
<tr>
<td>1956</td>
<td>142.00</td>
<td>2.31</td>
</tr>
<tr>
<td>1957</td>
<td>145.70</td>
<td>2.61</td>
</tr>
<tr>
<td>1958</td>
<td>148.30</td>
<td>1.78</td>
</tr>
<tr>
<td>1959</td>
<td>151.10</td>
<td>1.89</td>
</tr>
<tr>
<td>1960</td>
<td>158.80</td>
<td>5.10</td>
</tr>
<tr>
<td>1961</td>
<td>164.84</td>
<td>3.80</td>
</tr>
<tr>
<td>1962</td>
<td>165.16</td>
<td>0.19</td>
</tr>
<tr>
<td>1963</td>
<td>168.18</td>
<td>1.83</td>
</tr>
<tr>
<td>1964</td>
<td>172.00</td>
<td>2.27</td>
</tr>
<tr>
<td>1965</td>
<td>174.70</td>
<td>1.57</td>
</tr>
<tr>
<td>1966</td>
<td>175.65</td>
<td>0.54</td>
</tr>
<tr>
<td>1967</td>
<td>176.76</td>
<td>0.63</td>
</tr>
<tr>
<td>1968</td>
<td>180.42</td>
<td>2.07</td>
</tr>
<tr>
<td>1969</td>
<td>184.71</td>
<td>2.38</td>
</tr>
<tr>
<td>1970</td>
<td>191.55</td>
<td>3.70</td>
</tr>
<tr>
<td>1971</td>
<td>196.00</td>
<td>2.32</td>
</tr>
<tr>
<td>1972</td>
<td>202.52</td>
<td>3.33</td>
</tr>
<tr>
<td>1973</td>
<td>218.26</td>
<td>7.77</td>
</tr>
</tbody>
</table>

(Continued)

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>Inflation Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>234.16</td>
<td>7.28</td>
</tr>
<tr>
<td>1975</td>
<td>254.77</td>
<td>8.80</td>
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<tr>
<td>1976</td>
<td>256.20</td>
<td>0.56</td>
</tr>
<tr>
<td>1977</td>
<td>281.84</td>
<td>10.01</td>
</tr>
<tr>
<td>1978</td>
<td>295.14</td>
<td>4.72</td>
</tr>
<tr>
<td>1979</td>
<td>316.21</td>
<td>7.14</td>
</tr>
<tr>
<td>1980</td>
<td>366.06</td>
<td>15.76</td>
</tr>
<tr>
<td>1981</td>
<td>408.16</td>
<td>11.50</td>
</tr>
<tr>
<td>1982</td>
<td>431.83</td>
<td>5.80</td>
</tr>
<tr>
<td>1983</td>
<td>428.06</td>
<td>-0.87</td>
</tr>
<tr>
<td>1984</td>
<td>426.18</td>
<td>-0.44</td>
</tr>
<tr>
<td>1985</td>
<td>425.17</td>
<td>-0.24</td>
</tr>
<tr>
<td>1986</td>
<td>433.67</td>
<td>2.00</td>
</tr>
<tr>
<td>1987</td>
<td>435.47</td>
<td>0.42</td>
</tr>
<tr>
<td>1988</td>
<td>439.62</td>
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<td>1989</td>
<td>443.39</td>
<td>0.86</td>
</tr>
<tr>
<td>1990</td>
<td>456.61</td>
<td>2.98</td>
</tr>
<tr>
<td>1991</td>
<td>468.21</td>
<td>2.54</td>
</tr>
<tr>
<td>1992</td>
<td>475.89</td>
<td>1.64</td>
</tr>
<tr>
<td>1993</td>
<td>495.59</td>
<td>4.14</td>
</tr>
<tr>
<td>1994</td>
<td>516.06</td>
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<td>536.61</td>
<td>3.98</td>
</tr>
<tr>
<td>1996</td>
<td>549.95</td>
<td>2.49</td>
</tr>
<tr>
<td>1997</td>
<td>567.95</td>
<td>3.27</td>
</tr>
<tr>
<td>1998</td>
<td>580.61</td>
<td>2.23</td>
</tr>
<tr>
<td>1999</td>
<td>593.00</td>
<td>2.13</td>
</tr>
<tr>
<td>2000</td>
<td>607.07</td>
<td>2.37</td>
</tr>
</tbody>
</table>

---

1 The Index of Inflation (Base 1946=100) is compiled by the National Statistics Office on the basis of the Retail Price Index in terms of Section 10C of the Housing (Decontrol) (Amendment) Act 1979.

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>
<thead>
<tr>
<th>Period</th>
<th>All Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>84.73</td>
</tr>
<tr>
<td>1991</td>
<td>86.88</td>
</tr>
<tr>
<td>1992</td>
<td>88.30</td>
</tr>
<tr>
<td>1993</td>
<td>91.96</td>
</tr>
<tr>
<td>1994</td>
<td>95.76</td>
</tr>
<tr>
<td>1995</td>
<td>99.57</td>
</tr>
<tr>
<td>1996</td>
<td>102.05</td>
</tr>
<tr>
<td>1997</td>
<td>105.39</td>
</tr>
<tr>
<td>1998</td>
<td>107.74</td>
</tr>
<tr>
<td>1999</td>
<td>110.04</td>
</tr>
<tr>
<td>2000</td>
<td>112.65</td>
</tr>
<tr>
<td><strong>2000</strong></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>112.24</td>
</tr>
<tr>
<td>Feb.</td>
<td>112.05</td>
</tr>
<tr>
<td>Mar.</td>
<td>112.28</td>
</tr>
<tr>
<td>Apr.</td>
<td>111.78</td>
</tr>
<tr>
<td>May</td>
<td>112.69</td>
</tr>
<tr>
<td>June</td>
<td>112.23</td>
</tr>
<tr>
<td>July</td>
<td>112.32</td>
</tr>
<tr>
<td>Aug.</td>
<td>112.44</td>
</tr>
<tr>
<td>Sept.</td>
<td>112.80</td>
</tr>
<tr>
<td>Oct.</td>
<td>113.35</td>
</tr>
<tr>
<td>Nov.</td>
<td>114.09</td>
</tr>
<tr>
<td>Dec.</td>
<td>113.51</td>
</tr>
<tr>
<td><strong>2001</strong></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>112.95</td>
</tr>
<tr>
<td>Feb.</td>
<td>113.26</td>
</tr>
<tr>
<td>Mar.</td>
<td>113.94</td>
</tr>
<tr>
<td>Apr.</td>
<td>114.52</td>
</tr>
<tr>
<td>May</td>
<td>115.62</td>
</tr>
<tr>
<td>June</td>
<td>115.75</td>
</tr>
<tr>
<td>July</td>
<td>116.31</td>
</tr>
<tr>
<td>Aug.</td>
<td>117.30</td>
</tr>
<tr>
<td>Sept.</td>
<td>117.66</td>
</tr>
</tbody>
</table>

1 The New Retail Price Index, which has an "All Items" reading only, is based on the Household Budgetary Survey carried out in 1994-95. As it has a different weighting structure, reflecting the changed expenditure patterns that emerged from the survey, it is not continuous with the old (1991=100) index.

Source: National Statistics Office.
GENERAL METHODOLOGICAL NOTES

General Standards
The methodology underlying the compilation of monetary and banking statistics is consistent with internationally agreed statistical and economic concepts, definitions, and classifications as published in the International Monetary Fund’s (IMF) “A Guide to Money and Banking Statistics in International Financial Statistics” (1984).

Release of Monetary and Banking Statistics
Monthly monetary and banking statistics are posted on the Central Bank’s 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 Statistical Release on Monetary Aggregates and their Counterparts and in the Central Bank’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 in the institutional sectors may either be residents or non-residents of Malta, a transactor being that 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’. Thus, a transactor is considered to be a resident of Malta when it is engaged in a significant amount of production of goods and/or services in Malta or when it owns or rents land or buildings located in the country. The enterprise must maintain at least one production establishment over a period of at least one year (in economic activities and transactions on a significant scale). The economic territory includes free enterprise zones and bonded warehouses or factories operated by offshore enterprises under customs control. Transactors not meeting the above-mentioned criteria are considered to be non-resident units, ie. units that have their ‘centre of economic interest’ in other countries. Most offshore companies which are registered in Malta are treated as non-resident units since they do not have a centre of economic interest in Malta. Furthermore, diplomatic bodies, embassies, consulates and other entities of a foreign government located in Malta are considered as residents of the country they are representing and not of Malta.

Sector Classification of the Maltese Economy
The sectors of the Maltese economy, for statistical reporting purposes, are currently broken down by their primary activity into:

(a) Banking Institutions
(b) General/Central Government
(c) Private Corporate/Business (non-bank) enterprises
(d) Public Corporations and Authorities
(e) Personal (or Households)
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) As from January 2001, the **Banking Institutions** are divided into three subsectors:

(i) Central Bank of Malta  
(ii) Deposit Money Banks (DMB)  
(iii) International Banking Institutions (IBI)

The **Central Bank of Malta** is a distinct corporate body having specialised functions. It is assigned the responsibilities normally assigned to the monetary authority of a country, which include the issuing of notes and coin, holding the external reserves of the country, ensuring monetary stability, and the safeguarding of a sound financial system. **Deposit Money Banks (DMB)** are those banking institutions that offer deposits payable on demand, transferable by cheque, or otherwise usable for making payments to non-bank enterprises and households. **International Banking Institutions (IBI)** are those banks that offer international banking facilities mainly to non-residents and accept deposits primarily from non-residents. Since international banking institutions are permitted to offer demand deposits to their customers, their assets and liabilities are consolidated with those of the deposit money banks in order to derive the statistical data for the **Banking Survey** (shown in the Quarterly Review’s Statistical Tables annex). The consolidated data of the IBI sector do not distinguish between those institutions that are registered under the Banking Act 1994 and those that are registered under the Malta Financial Services Centre Act, 1988.

(b) The principal function of **General/Central Government** is to carry out public policy through the production of non-market services, primarily for collective consumption, and the transfer of income, financed mainly by taxes on units in other sectors of the economy. For statistical reporting purposes only one level of government exists in Malta, namely the central government, which implies that all central government operations also constitute the operations of general government. Thus, central government currently includes the local councils and the public non-profit institutions (such as government appointed commissions, boards, agencies, foundations etc). Public corporations and authorities, often referred to as non-financial public institutions (NFPIs), are not included in this sector (see section d).

(c) The **Private Corporate/Business Sector** comprises resident non-bank corporations under private ownership or control which are principally engaged in the production of market goods and non-bank services. These entities are collectively owned by shareholders that have the authority to appoint directors responsible for general management and may be a source of profit or other financial gain to their owners.

(d) **Public Corporations and Authorities** include non-bank corporations/authorities (also referred to as the parastatal sector or the non-financial public institutions) that are subject to control by government. ‘Control’ is defined as the ability to determine general corporate policy. Such public corporations and authorities are normally involved in the production of industrial and commercial goods or the provision
of services for individual or collective consumption on a large scale.

(c) The Personal Sector (or Household Sector) include both resident individuals and unincorporated enterprises. A household may be defined as a group of persons who share accommodation, pool their income and wealth and who consume certain types of goods and services collectively. The latter are those involved in small-scale production that provides employment and income for individuals or their families.

Measures of Money

The Central Bank of Malta compiles data on three main monetary aggregates, namely Narrow Money (M1), Quasi-Money and Broad Money (M3). Narrow Money (M1) includes the most liquid components of Broad Money namely currency in circulation and demand deposits. Quasi-money comprises the residents’ savings and time deposits. Broad money comprises the resident non-bank sector’s holdings of bank notes and coin in circulation, and the resident non-bank deposits irrespective of denomination and maturity. Thus, Broad Money (M3) is broken down as follows:

- Notes and Coin in circulation outside the banking system
- Deposits (non-bank), including:
  - Demand (current)
  - Savings
  - Time (fixed) deposits

The Monetary Base (M0) is defined as currency in issue and banks’ deposits with the Central Bank, excluding term deposits.

Compilation Process

Monetary and banking statistics are based on a consolidation of the monthly financial statements provided by the three subsectors of the local banking system. Figures for the Central Bank of Malta are obtained from the Bank’s monthly balance sheet. The banking institutions have to submit data to the Central Bank of Malta no later than fifteen days following the end of the reporting month or quarter. Branches, agencies and offices of banking institutions operating in Malta and which are not incorporated in Malta are also obliged to submit financial information in the requested schedules. The institutions compile monthly financial information in line with the international accounting norms as issued from time to time by the International Accounting Standards Committee. The monthly financial data of the international banking institutions regulated by the Malta Financial Services Centre Act, 1988 are submitted directly to the Central Bank by the Malta Financial Services Centre.

Basis of Calculation

Generally, monetary data show stock positions, i.e. outstanding balances on a particular date (end-month, end-quarter or end-year). Monetary data aggregates are consolidated, thus all identifiable interbank transactions are eliminated. Assets and liabilities which are denominated in foreign currencies are converted into Maltese Liri (Lm) at the middle exchange rate in effect at the end of the reporting period.
Valuation

Assets and liabilities are reported at book value. Thus, investments such as securities and deposits are shown netted of any premium and accretion of discount. Loans and advances include overdrafts but exclude bills discounted, and are reported before adjustments for specific and general provisions for bad and doubtful debts. Interest in suspense is included in the reported loans and advances. Monetary figures are shown on an accrual basis.

Official External Reserves

The external reserves concept is in line with the International Monetary Fund’s Balance of Payments Manual (Fifth Edition): 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.

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 in percentages per annum. The repurchase agreement/term deposit rates represent the prevailing rates as at the end of the month quoted from the last repurchase agreements session and the rates offered by the Central Bank. The interbank market offered rates are the prevailing rates in dealings between the banks in the official interbank market.

The average weighted deposits on current, savings and time deposits pertain to the Deposit Money Banks’ interest rates on resident Maltese lira deposits. These 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 average weighted lending rate is calculated by multiplying the amount of each loan or advance 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 are obtained from the official rates quoted by the Treasury. These are weighted averages of the rates attached to the bills that are taken up by the bidders at the weekly auction. 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 Malta Stock Exchange Share Index measures movements in the price of all ordinary shares listed in the Official List of the Malta Stock Exchange. It is a market capitalisation index which weights the price and the number of shares of each listed firm. The index has a base of 1000 initiating on 27th December 1995.
Sources of other economic data:

**Government Finance**
The Treasury

**Public Debt**
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 Malta Stock Exchange. 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 on behalf of government: These loans already feature in the calculation of government external debt.

**External Transactions**
Exchange Rates – Central Bank of Malta
Foreign Trade – National Statistics Office

**Real Economy**
Gross Domestic Product – National Statistics Office
Tourist Arrivals – National Statistics Office
Labour Market – Employment and Training Corporation
Building and Construction – Planning Authority
Inflation – National Statistics Office