Central Bank of Malta

Quarterly Review

December 2001 Vol. 34 No.4

The Quarterly Review is prepared and issued by the Economics Division of the Central Bank of Malta. Opinions expressed do not necessarily reflect the official views of the Bank. Articles appearing in this issue may be reprinted in whole or in part provided the source is quoted.

For copies of the Quarterly Review apply to:-

The Manager
External Relations Office
Central Bank of Malta
Castille Place
Valletta CMR 01
Malta

Telephone: (356) 21 247 480
Facsimile: (356) 21 243 051

Internet: www.centralbankmalta.com
e-mail: info@centralbankmalta.com

ISSN 0008-9273

Printed by Interprint Limited

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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.

ECONOMIC SURVEY

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.

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.

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.

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

	Real GDP % change			Inflation (Consumer prices) % change			Current account balance US$ billions		
	1999	2000	2001[1]	1999	2000	2001[1]	1999	2000	2001[1]
United States	4.1	4.1	1.0	2.2	3.4	2.9	-324.4	-444.7	-392.0
European Union	2.6	3.4	1.7	1.4	2.3	2.7	6.6	-28.0	0.9
Euro Area	2.6	3.4	1.5	1.1	2.4	2.7	26.1	-8.7	14.2
United Kingdom	2.1	2.9	2.3	2.3[3]	2.1[3]	2.3[3]	-30.9	-27.9	-24.3
Japan	0.7	2.2	-0.4	-0.3	-0.8	-0.7	106.8	116.9	90.8
Advanced countries	3.3	3.9	1.1	1.4	2.3	2.3	-139.5	-253.7	-199.6
Developing countries	3.9	5.8	4.0	6.8	5.9	6.0	-11.6	61.5	4.6
Countries in transition[2]	3.6	6.3	4.9	43.9	20.1	16.0	-2.1	27.0	13.2

[1] Forecasts
[2] Includes countries of Central and Eastern Europe and the former USSR.
[3] Retail price index excluding mortgage interest.
Source: IMF, *World Economic Outlook*, December 2001.

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.

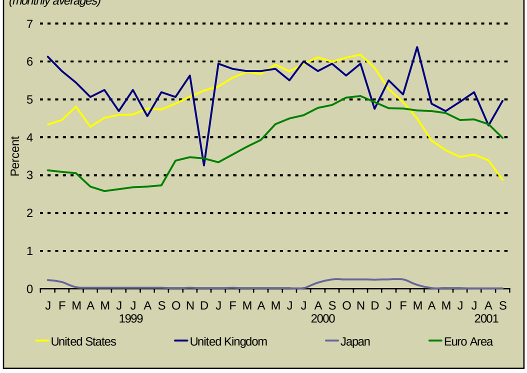
Meanwhile, in contrast to the general trend, the British economy grew at a much faster pace than expected during the quarter, defying the global slowdown and expanding by 0.5%, mainly due to a robust services sector. However, there was grim news from both the manufacturing and the industrial sectors. 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%.

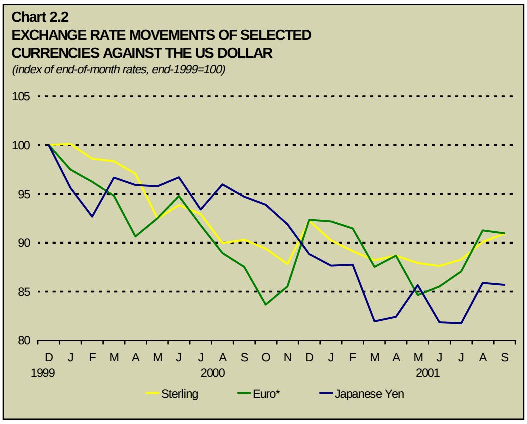
Concerned with the persisting deflation, the Bank of Japan provided ample liquidity to the money market, and even reduced its discount rate by 15 basis points to 0.1%. In turn, as Chart 2.1 shows, Japanese money market rates stood just above 0% throughout the quarter.

Chart 2.1
SHORT-TERM INTEREST RATES *
(monthly averages)



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 US, 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

Table 2.2

AVERAGE EXCHANGE RATES OF THE EURO, STERLING AND THE YEN AGAINST THE US DOLLAR DURING SEPTEMBER QUARTER 2001

	US$ per Euro	US$ per Stg	Yen per US$
Average for July	0.8603	1.4141	124.60
Average for August	0.9004	1.4367	121.61
Average for September	0.9106	1.4630	118.88
Average for the quarter	0.8904	1.4379	121.70
Closing rate on 28.09.01	0.9149	1.4723	119.17
Closing rate on 28.06.01	0.8601	1.4191	124.76
Lowest exchange rate during the quarter[1]	0.8366 (Jun. 06)	1.3970 (Jul. 17)	116.40 (Sept. 24)
Highest exchange rate during the quarter[1]	0.9275 (Sept. 20)	1.4774 (Sept. 12)	125.85 (Jul. 10)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 28.06.01 to closing rate on 28.09.01	6.4	3.7	4.5

[1] The low/high exchange rates are daily opening or closing rates of the relevant currencies.

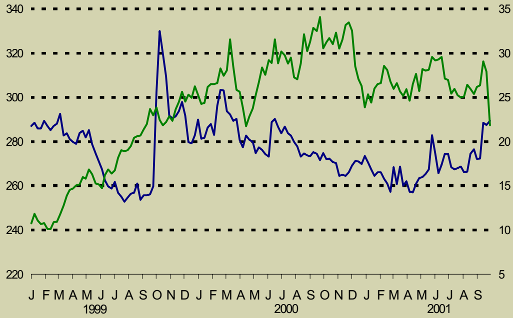
lost ground against the euro amid concerns of political risk, as Britain was emerging as the closest ally of the United States.

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.

Chart 2.3
COMMODITY PRICES



Source: The Economist; The Financial Times

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.

Box 1: DEVELOPMENTS IN INTERNATIONAL ECONOMIC CO-OPERATION

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 administrative and judicial capabilities up to the required level.

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 3.1

SOURCES OF GDP GROWTH AT FACTOR COST BY INDUSTRY[1]

(January - September)

%

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

[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.

nine months of 2001, the manufacturing sector's profitability fell by 7.5%, as the drop in the electronics sub-sector's profits more than offset the increase in the profitability of a number of other sub-sectors, such as electrical machinery and chemicals.

Signals on the state of domestic demand remained mixed. On the one hand, the construction industry expanded sharply during the period, with employment income and profits in the sector rising by 12% and 16%, respectively. Activity in the transport and communications and the private services sectors also improved substantially when compared with last year. On the other hand, factor incomes in the wholesale and retail trades grew at a slower pace, in part reflecting a contraction in the sector's work force.

Nominal GDP growth during the first nine months of 2001 slowed down to 4.4%, from 6.6% last year. 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 3.2

GDP GROWTH BY CATEGORY OF EXPENDITURE[1]

(January - September)

		%
	2000	2001
Growth in real GDP	**4.6**	**-0.3**
of which:		
Private consumption expenditure	4.1	1.6
Government consumption expenditure	0.7	0.6
Gross fixed capital formation	5.1	-3.7
Inventory changes	1.9	-3.5
Exports of goods and services	5.1	-6.7
Imports of goods and services [2]	-12.3	11.5
Growth in nominal GDP	**6.6**	**4.4**

[1] 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.

[2] Note that any growth in imports of goods and services reduces GDP, and vice versa.

Source: National Statistics Office

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 out-turn 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

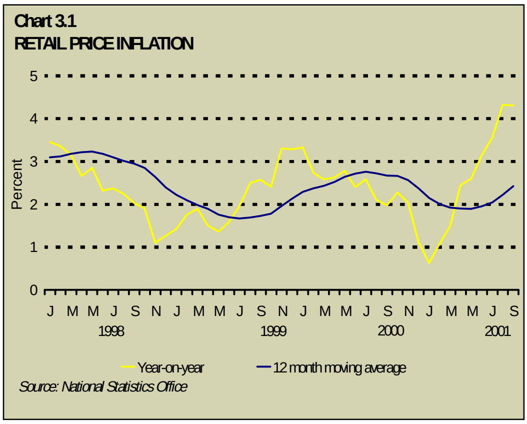
Table 3.3

THIRD QUARTER REAL GDP PERCENTAGE CHANGE BY CATEGORY OF EXPENDITURE

%

	Change over previous Qtr.	Change over previous year
Gross Domestic Product	**3.1**	**-1.3**
Private consumption expenditure	3.8	5.1
Government consumption expenditure	-0.5	7.4
Gross fixed capital formation	-0.8	-17.7
Exports of goods and services	7.0	-10.8
Imports of goods and services	5.0	-13.9

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)

	Sept. 2000	Jun. 2001	Sept. 2001
Food	1.4	2.2	4.3
Beverages and tobacco	5.4	3.6	4.0
Clothing and footwear	0.8	-2.1	-2.2
Housing	1.6	4.2	4.5
Fuel, light and power	4.8	2.8	1.1
Durable household goods	-0.4	-1.4	-0.9
Transport and communications	7.1	3.1	1.8
Personal health and care	3.3	3.4	3.1
Education, entertainment and recreation	1.4	3.0	3.3
Other goods and services	0.9	0.2	0.6
All items	**2.7**	**2.0**	**2.4**

Source: National Statistics Office

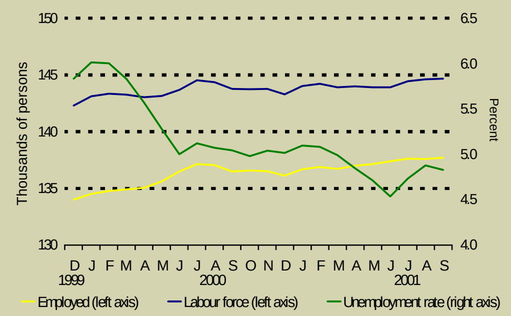
underlying inflation[1] also indicates that upward pressures on the general price level have intensified since the start of the year.

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%.

Chart 3.2
LABOUR MARKET TRENDS



Source: Employment and Training Corporation

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 "imprest 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.

Table 3.5
LABOUR MARKET DEVELOPMENTS
Number of persons

	Sept. 2001	Quarterly change	Annual change
Labour supply	**144,692**	**783**	**929**
Unemployed	**6,984**	**455**	**-269**
Unemployment rate (%)	**4.8**	**0.3**	**-0.2**
Gainfully occupied	**137,708**	**328**	**1,198**
of which:			
Private direct production	**37,882**	**-18**	**651**
including:-			
Agriculture & fisheries	2,198	11	14
Quarrying, construction & oil drilling	6,421	-28	256
Manufacturing	29,263	-1	381
Private market services	**50,182**	**224**	**-164**
including:-			
Wholesale & retail	15,177	-207	-363
Insurance & real estate	1,331	40	8
Transport, storage & communciations	6,197	48	-392
Hotels & catering establishments	9,402	-58	7
Community & business	10,787	108	483
Others	7,288	293	93
Public sector	**48,641**	**272**	**726**
including:-			
Government departments	30,839	163	125
Armed Forces, R.S.C. & Airport Co.	1,612	-8	-47
Government-controlled companies	7,974	54	517
Independent statutory bodies	8,216	63	131
Temporarily employed	**1,003**	**-150**	**-15**

Source: Employment and Training Corporation

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.

Table 3.6

MANUFACTURING PERFORMANCE - SELECTED INDICATORS

Lm millions

	January - September	
	2000	2001
Growth in exports	**183.9**	**-104.5**
of which:		
Radio, T.V., Telecom, etc.	183.5	-122.3
Electrical machinery	-0.9	9.8
Chemicals	0.3	3.5
Clothes	-5.9	-1.1
Other	6.8	5.6
Growth in local sales	**2.6**	**7.8**
of which:		
Tobacco	3.8	1.9
Furniture	-0.3	1.7
Food and beverages	0.3	6.4
Other non-metallic minerals	-1.1	0.5
Other	-0.2	-2.6
Growth in net investment	**34.5**	**-29.9**
of which:		
Radio, T.V., Telecom, etc.	35.8	-30.6
Food and beverages	0.0	1.8
Medical and precision equipment	0.5	0.9
Electrical machinery	-0.2	0.6
Other	-1.6	-2.6

Source: National Statistics Office

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 3.7

TOURIST ARRIVALS BY NATIONALITY

	July - August 2001			January - August 2001		
	Arrivals	Annual Growth (%)	Share (%)	Arrivals	Annual Growth (%)	Share (%)
UK	108,590	6.4	35.8	308,964	8.0	37.1
Italy	39,195	9.3	12.9	72,890	5.7	8.8
Germany	31,745	-19.9	10.5	110,786	-23.8	13.3
France	19,960	-4.0	6.6	61,612	9.0	7.4
Netherlands	13,687	-25.3	4.5	35,087	-21.4	4.2
Scandinavia[1]	10,482	1.1	3.5	33,358	5.0	4.0
Belgium	7,309	-21.1	2.4	16,703	-13.9	2.0
Libya	7,053	-25.2	2.3	21,675	-29.2	2.6
Switzerland	4,820	8.3	1.6	15,800	19.3	1.9
Austria	4,419	2.2	1.5	20,984	0.3	2.5
Others	56,194	4.8	18.5	134,569	8.5	16.2
Total	**303,454**	**-1.5**	**100**	**832,428**	**-1.1**	**100**

[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.

Box 2 : BUSINESS PERCEPTIONS SURVEY[1]

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.

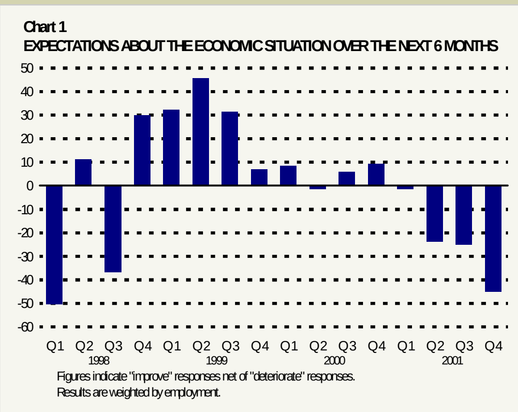
Business Sentiment and Short-term Expectations

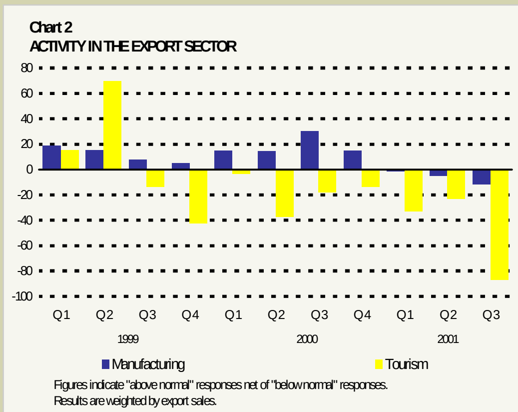
Business optimism appeared to be at its lowest level in three years, as, for the fourth consecutive quarter, an increasing number of respondents expressed the view that the Maltese economy was unlikely to recover before the international economic environment improved. The general pessimism, portrayed 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.

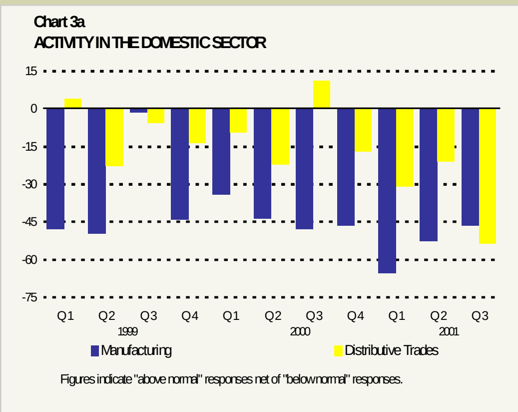
Locally-oriented Sectors

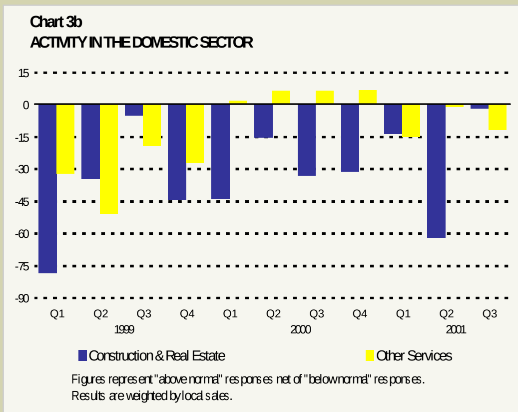
Locally-oriented firms, particularly those in the furniture, paper & printing and travel sectors, reported lower than expected sales during the third quarter. Responses on activity levels were mixed. As Chart 3a shows, while manufacturing firms generally continued to operate at levels significantly below normal, a marginal improvement was noted as some firms in the food and beverages sub-sector raised production back to normal levels[2]. 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





[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[1]

Lm millions

	July- Sept.			
	2000		2001	
	Credit	Debit	Credit	Debit
Current account balance		**5.3**	**6.6**	
Goods and services	431.7	441.7	363.8	356.4
Goods balance		62.8		54.1
Goods	273.7	336.5	204.3	258.4
Services balance	52.8		61.4	
Services	158.0	105.1	159.4	980.7
Transport	43.3	55.2	49.8	44.8
Travel	91.1	28.2	89.8	25.8
Other services	23.5	21.8	19.8	27.5
Income (net)	3.1		1.7	
Compensation of employees	0.9	0.7	0.8	0.7
Investment income	108.2	105.2	70.5	68.9
Current transfers (net)	1.6			2.4
Capital and financial account balance	**15.7**			**2.1**
Capital account balance		0.3		0.1
Financial account balance	16.0			2.0
Direct investment	24.6			19.3
Abroad		3.1		1.2
In Malta	27.7			18.1
Portfolio investment	49.4			139.6
Assets	50.4			143.2
Liabilities		1.0	3.6	
Other investment		64.4	201.7	
Assets		531.1	314.0	
Liabilities	466.7			112.4
Reserve assets	6.4			44.8
Net errors and omissions		10.5		4.5

[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[1]

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 sub-sector, 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)

Lm millions

	July- Sept. 2000	July- Sept. 2001	Change
Imports	**368.2**	**281.1**	**-87.1**
Consumer goods	65.1	69.4	4.3
Industrial supplies	218.4	135.9	-82.5
Capital goods and others	57.8	47.8	-10.0
Fuel and lubricants	26.9	28.0	1.1
Exports	**271.4**	**202.4**	**-69.0**
Domestic	247.0	174.8	-72.2
Re-exports	24.4	27.6	3.2
Trade balance	**-96.8**	**-78.7**	**18.1**

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[1]

Lm millions

	Jan. - Sept.			
	2000		2001	
	Credit	Debit	Credit	Debit
Current account balance		**89.8**		**33.6**
Goods and services	1160.8	1268.9	1059.9	1102.6
Goods balance		196.9		159.9
Goods	784.9	981.8	680.2	840.1
Services Balance	88.8		117.2	
Services	375.9	287.1	379.7	262.5
Transport	104.8	146.0	113.7	128.6
Travel	206.2	65.6	205.2	60.5
Other services	64.8	75.5	60.8	73.4
Income (net)	11.9		14.3	
Compensation of employees	2.9	2.3	1.9	2.1
Investment income	342.5	331.2	366.3	351.9
Current transfers (net)	6.4			5.2
Capital and financial account balance	**92.3**			**22.7**
Capital account balance	4.8			0.4
Financial account balance	87.6			22.3
Direct investment	66.5			93.3
Abroad		7.0		1.1
In Malta	73.6			92.2
Portfolio investment		14.5	126.9	
Assets		12.9	118.6	
Liabilities		1.5	8.3	
Other investment		9.4		8.5
Assets		323.3	1154.5	
Liabilities	313.8			1163.0
Reserve assets	45.0			47.3
Net errors and omissions		2.5	56.3	

[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 4.4
MERCHANDISE TRADE
(based on Customs data)

Lm millions

	Jan.- Sept. 2000	Jan.- Sept. 2001	Change
Imports	**1078.1**	**919.0**	**-159.1**
Consumer goods	200.7	203.3	2.6
Industrial supplies	623.4	484.4	-139.0
Capital goods and others	177.4	152.5	-24.9
Fuel and lubricants	76.6	78.8	2.2
Exports	**774.8**	**671.0**	**-103.8**
Domestic	702.6	601.3	-101.3
Re-exports	72.2	69.7	-2.5
Trade balance	**-303.3**	**-248.0**	**55.3**

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 4.5

EXCHANGE RATES OF THE MALTESE LIRA AGAINST SELECTED MAJOR CURRENCIES

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

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)[2] and the Real Effective Exchange Rate (REER)[3] 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.

Chart 4.1
EXCHANGE RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES
(index of end-of-month rates, end-1997 = 100)

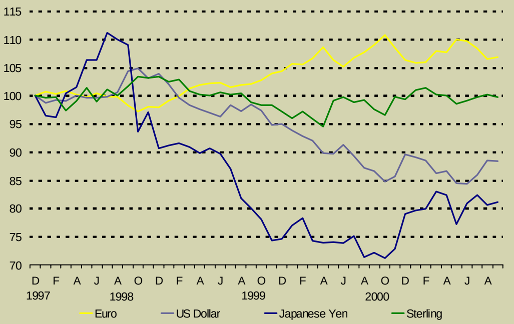
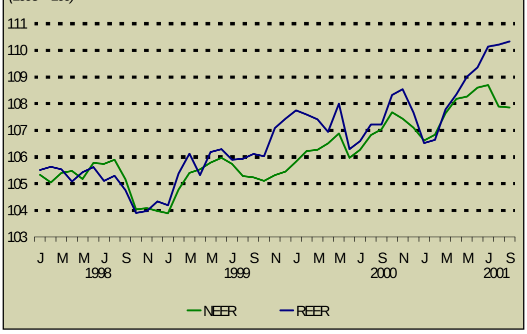


Chart 4.2
REAL AND NOMINAL EFFECTIVE EXCHANGE RATE INDICES FOR THE MALTESE LIRA
(1995 = 100)



[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

Table 5.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	2000 Qtr. 3	2001 Qtr. 3	2000 Qtr. 1-Qtr. 3	2001 Qtr. 1-Qtr. 3	Change 2000-2001 Qtr. 1-Qtr. 3 Amount	%
REVENUE	**133.5**	**143.6**	**402.7**	**424.8**	**22.1**	**5.5**
Direct tax	**67.5**	**74.4**	**177.9**	**192.5**	**14.6**	**8.2**
Income tax	40.1	45.2	104.5	133.4	8.9	8.5
Social security contributions[1]	27.4	29.2	73.4	79.1	5.7	7.8
Indirect tax	**58.4**	**60.9**	**170.5**	**174.3**	**3.8**	**2.2**
Value Added Tax	27.4	27.5	77.5	83.3	5.8	7.5
Customs and excise duties	14.4	13.7	41.7	38.9	-2.8	-6.7
Licences,taxes and fines	16.6	19.7	51.3	52.1	0.8	1.6
Non-tax revenue	**7.6**	**8.3**	**54.3**	**58.0**	**3.7**	**6.8**
Central Bank profits	0.0	0.0	27.1	25.9	-1.2	-4.4
Other[2]	7.6	8.3	27.2	32.1	4.9	18.0
RECURRENT EXPENDITURE[1]	**137.4**	**148.4**	**406.6**	**437.1**	**30.5**	**7.5**
Personal emoluments	43.0	48.7	127.8	145.5	17.7	13.8
Operational and maintenance	10.1	10.8	35.1	32.4	-2.7	-7.7
Programmes and initiatives	59.1	63.3	177.5	187.8	10.3	5.8
Contributions to entities	9.7	9.6	23.5	25.9	2.4	10.2
Interest payments	15.3	15.8	42.4	45.1	2.7	6.4
Other	0.2	0.2	0.3	0.4	0.1	33.3
CURRENT BALANCE[3]	**-3.9**	**-4.8**	**-3.9**	**-12.3**	**-8.4**	**-**
CAPITAL EXPENDITURE	**20.0**	**22.7**	**58.3**	**69.2**	**10.9**	**18.7**
TOTAL EXPENDITURE	**157.4**	**171.1**	**464.9**	**506.3**	**41.4**	**8.9**
FISCAL BALANCE[4]	**-23.9**	**-27.5**	**-62.2**	**-81.5**	**-19.3**	**-**

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

[2] Excludes revenue from sale of assets, sinking funds and converted loans.

[3] Revenue less recurrent expenditure.

[4] Revenue less total expenditure.

Source: *Ministry of Finance*

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

Lm millions

	2000		2001		
	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3
FISCAL BALANCE	**-23.8**	**-30.7**	**-31.7**	**-22.3**	**-27.5**
Financed by [1] :					
Increase in MGS outstanding	0.0	0.0	30.0	27.3	21.7
Increase in foreign loans	0.0	-3.2	-0.4	-1.8	-0.9
Grants	0.0	3.4	0.0	0.1	0.4
Proceeds from sale of assets	0.0	0.0	0.0	]	0.0
Sinking funds of converted loans	0.0	10.7	0.0	0.0	0.0
Increase in Treasury bills outstanding	19.5	28.0	4.8	-10.8	8.2
Decrease in Government deposits	17.7	14.5	-14.2	18.9	-12.0
Net cash movement and other funds [2]	-13.4	-22.7	11.5	-11.4	10.1
GROSS PUBLIC DEBT	**900.2**	**925.0**	**959.4**	**974.2**	**1003.2**
Malta Government Stocks	712.7	712.7	742.7	770.0	791.7
Treasury bills	145.0	173.0	177.8	167.1	175.3
Foreign loans	42.5	39.3	38.9	37.1	36.2

[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 6.1
THE MONETARY BASE AND ITS SOURCES

Lm millions

	June 2001	Sept.2001	Change
Currency in issue	429.7	429.4	-0.3
Banks' deposits with the Central Bank	129.4	138.4	9.0
MONETARY BASE	**559.1**	**567.8**	**8.7**
CENTRAL BANK ASSETS			
Foreign assets	647.9	692.6	44.7
Claims on Government	37.5	11.8	-25.7
Fixed and other assets	80.6	94.3	13.7
Less:			
REMAINING LIABILITIES			
Government deposits	51.9	61.9	9.9
Other deposits	10.1	13.7	3.6
Foreign liabilities	2.9	3.7	0.8
Other liabilities	52.9	62.4	9.6
Capital and reserves	89.1	89.1	0.0

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.

Chart 6.1
MONETARY AGGREGATES
(percentage changes on previous year)

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

Table 6.2
MONETARY AGGREGATES
(Changes on the previous quarter)

Lm millions

	2000				2001					
	Qtr. 3		Qtr. 4		Qtr. 1		Qtr. 2		Qtr. 3	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. NARROW MONEY	**27.1**	**4.7**	**-13.5**	**-2.2**	**16.4**	**2.8**	**15.5**	**2.5**	**14.1**	**2.2**
Currency in circulation	5.9	1.5	2.5	0.6	-0.7	-0.2	15.8	4.0	2.2	0.5
Demand deposits	21.2	11.0	-16.0	-7.5	17.1	8.6	-0.4	-0.2	11.9	5.5
2. QUASI-MONEY	**-7.0**	**-0.4**	**53.3**	**2.8**	**36.5**	**1.9**	**45.2**	**2.3**	**21.0**	**1.0**
Savings deposits	-17.5	-2.8	22.7	3.7	-5.5	-0.9	19.3	3.1	0.6	0.1
of which FCDs[1]	-8.0	-6.3	4.5	3.8	5.5	4.5	11.5	8.9	2.3	1.6
Time deposits	10.5	0.8	30.6	2.4	42.1	3.2	25.9	1.9	20.4	1.5
of which FCDs[1]	7.1	8.7	3.0	3.4	3.7	4.1	7.5	7.8	8.8	8.5
3. BROAD MONEY	**20.1**	**0.8**	**39.7**	**1.6**	**52.9**	**2.1**	**60.6**	**2.3**	**35.1**	**1.3**

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

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[1]. 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.

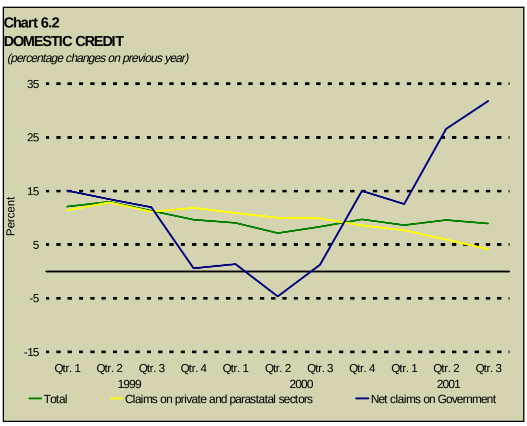
[1] As noted in the following Chapter, not all the interest due was charged to borrowers' loan accounts during the quarter.

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

Lm millions

	2000				2001					
	Qtr. 3		Qtr. 4		Qtr. 1		Qtr. 2		Qtr. 3	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY	**20.1**	**0.8**	**39.7**	**1.6**	**52.9**	**2.1**	**60.6**	**2.3**	**35.1**	**1.3**
1. DOMESTIC CREDIT	**57.5**	**2.8**	**47.7**	**2.2**	**77.3**	**3.5**	**16.8**	**0.7**	**48.5**	**2.1**
a) Net claims on Govt.	0.9	0.2	45.3	12.4	23.5	5.7	27.5	6.3	20.1	4.3
Gross claims on Govt.	-16.8	-3.6	30.8	6.8	37.7	7.8	8.6	1.7	32.1	6.1
Central Bank	0.4	5.5	2.2	30.9	8.4	91.8	19.9	113.1	-25.7	-68.6
Banks	-17.2	-3.7	28.6	6.4	29.3	6.2	-11.3	-2.2	57.8	11.8
Less:										
Government deposits[1]	-17.7	-17.4	-14.5	-17.3	14.2	20.4	-18.9	-22.5	12.0	18.5
Central Bank	-16.4	-19.4	-12.2	-17.9	13.8	24.6	-18.1	-25.8	9.9	19.2
Banks	-1.3	-7.4	-2.3	-14.7	0.4	3.1	-0.8	-5.8	2.1	15.8
b) Claims on private and parastatal sectors	56.7	3.3	2.4	0.1	53.7	3.0	-10.7	-0.6	28.4	1.6
2. NET FOREIGN ASSETS	**-9.7**	**-1.0**	**-2.8**	**-0.3**	**-109.6**	**-11.2**	**120.3**	**13.9**	**17.1**	**1.7**
Central Bank	-5.9	-0.8	-53.4	-7.7	-15.6	-2.4	16.4	2.6	43.9	6.8
Banks	-3.9	-1.4	50.6	18.1	-94.0	-28.5	103.9	44.0	-26.7	-7.9
Less:										
3. OTHER ITEMS (NET)	**27.7**	**4.7**	**5.2**	**0.9**	**-85.2**	**-13.7**	**76.5**	**14.3**	**30.5**	**5.0**

[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

Table 6.4
CREDIT TO SELECTED CATEGORIES OF BORROWER[1]

Lm millions

	2001 Qtr. 2	2001 Qtr. 3		
	Amount	Amount	Change	%
Energy and water	96.2	88.6	-7.6	-7.9
Transport, storage and communication	108.4	107.6	-0.8	-0.7
Agriculture and fisheries	10.6	11.8	1.2	11.7
Manufacturing	189.4	208.3	18.8	9.9
Building and construction	89.0	90.7	1.7	1.9
Tourism	240.4	240.2	-0.2	-0.1
Wholesale and retail	301.2	307.4	6.2	2.0
Personal	425.7	448.4	22.7	5.3
Other services	97.7	73.1	-24.6	-25.2
All other	167.3	178.9	11.6	6.9
TOTAL	**1725.9**	**1755.0**	**29.1**	**1.7**

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

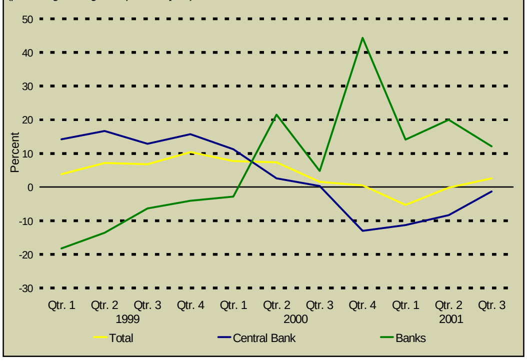
loans and advances, adding Lm18.8 million and Lm22.7 million, respectively, as Table 6.4 shows. At the same time, bank lending to the "other services" sector contracted by Lm24.6 million. [2]

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.

The surplus recorded on the balance of payments during the September quarter supported the recovery in the Central Bank's net foreign assets, which expanded for the second consecutive quarter, rising by Lm43.9 million, or 6.8%. Growth in the Bank's net foreign assets largely reflected net purchases of foreign exchange from the rest of the banking system. As a result, the annual rate of growth of the Central Bank's net foreign assets climbed by more than seven percentage points to –1.2% in September.

Conversely, the net foreign assets of the rest of

Chart 6.3
NET FOREIGN ASSETS
(percentage changes on previous year)



[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[3]. 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%.

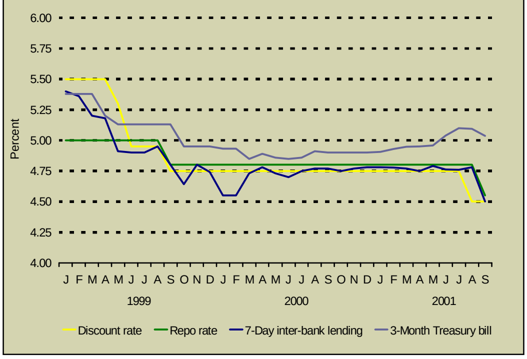
Other items (net)[4], continued to expand during the quarter reviewed, rising by Lm30.5 million, or 5%, largely as a result of an increase in bank profits and a drop in interest receivable. The latter, which took place in September, was matched by the charging of interest to loan accounts and the consequent 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

Chart 6.4
MONEY MARKET INTEREST RATES
(end of month)



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,

Chart 6.5
GOVERNMENT BOND YIELDS
(end of month)

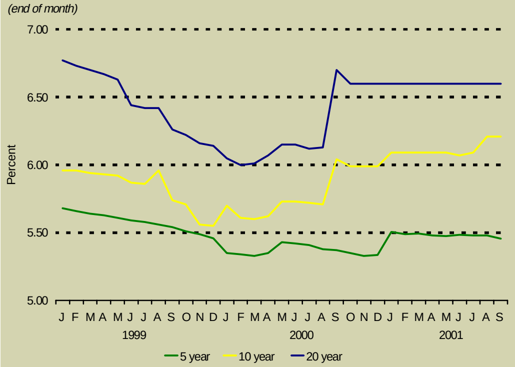
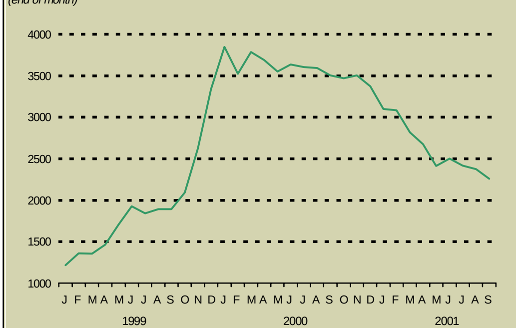


Chart 6.6
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)



Source: Malta Stock Exchange

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.

7. THE BANKING SYSTEM

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 7.1
DEPOSIT MONEY BANKS' BALANCE SHEET

Lm millions

	2000		2001		
	Sept.	Dec.	Mar.	June	Sept.
ASSETS					
Cash and deposits with CBM	172.2	152.7	157.7	145.4	159.8
Foreign assets	712.6	729.6	749.2	737.4	781.9
Loans and advances	1,593.0	1,608.0	1,793.0	1,815.8	1,850.6
Local investments	566.3	601.4	634.6	607.6	664.9
Fixed and other assets	131.3	150.7	124.5	161.7	158.4
LIABILITIES					
Capital and reserves	137.8	158.5	176.7	177.0	169.2
Foreign liabilities	396.4	404.7	417.1	382.6	584.1
Other domestic liabilities	559.0	566.7	690.3	691.2	613.2
Deposits	2,082.2	2,112.7	2,174.9	2,217.1	2,249.1
Time	1,273.1	1,296.7	1,343.0	1,368.6	1,392.1
Savings	601.5	623.7	619.3	639.0	639.5
Demand	207.6	192.2	212.6	209.4	217.6
AGGREGATE BALANCE SHEET	3,175.4	3,242.5	3,459.0	3,467.8	3,615.6

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.

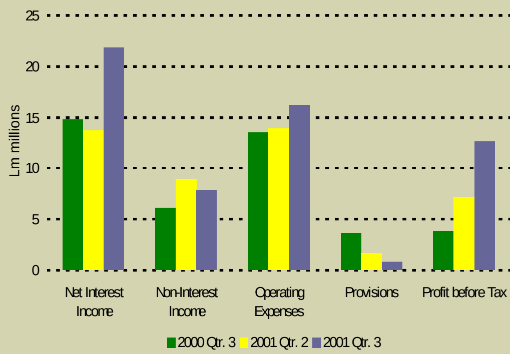
A Lm7.8 million drop in the banks' reserve funds caused the banks' capital and reserves to contract to Lm169.2 million at the end of September. This, however, reflected an accounting adjustment undertaken by one bank that involved the transfer of funds previously listed under reserves to its profit and loss account[1].

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.

Chart 7.1
DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE



[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.

Table 7.2
DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE STATEMENT

Lm millions

	2000	2001	
	Qtr. 3	Qtr. 2	Qtr. 3
Interest income	48.0	50.2	55.0
Interest expenses	33.2	36.6	33.2
Net interest income	**14.8**	**13.7**	**21.8**
Fees and commissions	2.5	4.3	2.6
Foreign exchange gains	2.3	3.0	3.3
Other non-interest income	1.4	1.6	1.9
Total non-interest income	**6.1**	**8.9**	**7.8**
GROSS INCOME	**20.9**	**22.6**	**29.6**
Wages	8.2	8.6	8.8
Rent and similar expenses	2.6	3.0	2.8
Other	2.8	2.2	4.7
Operating expenses	**13.5**	**13.9**	**16.2**
Provisions	**3.6**	**1.6**	**0.8**
PROFITS BEFORE TAX	**3.8**	**7.1**	**12.6**

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.

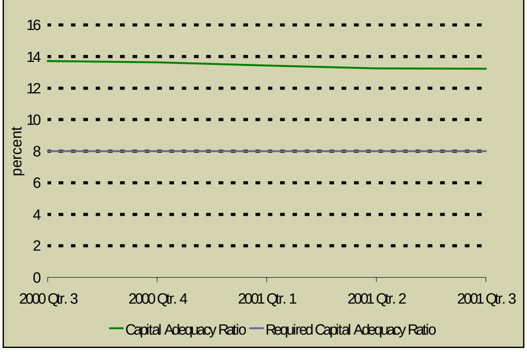
Capital Adequacy and Liquidity

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,

Chart 7.2
BANKS' CAPITAL ADEQUACY RATIO



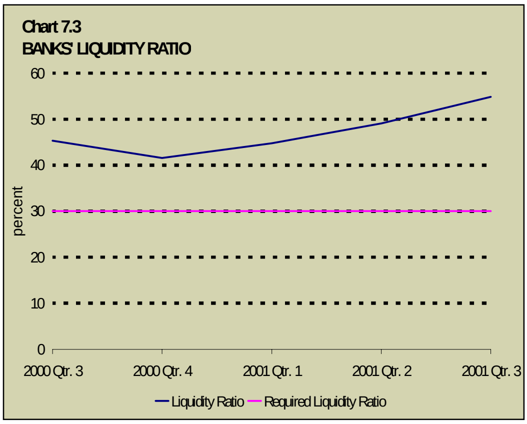


Chart 7.3
BANKS' LIQUIDITY RATIO

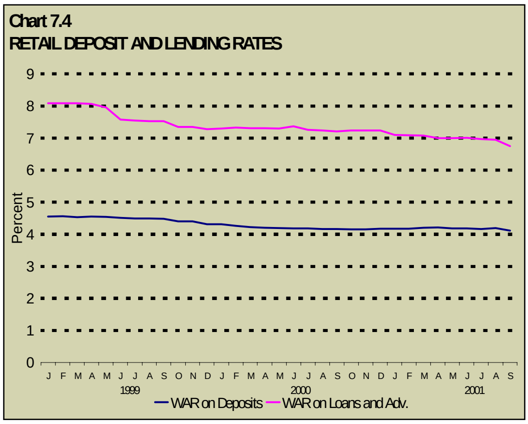


Chart 7.4
RETAIL DEPOSIT AND LENDING RATES

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.

Box 3 : THE INTERNATIONAL BANKS

During the third quarter of 2001 the total assets of the international banks[1] 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

Lm millions

		2000		2001	
	Sept.	Dec.	Mar.	Dec.	Mar.
ASSETS					
Cash and money at call	2.2	2.1	2.4	2.1	1.5
Foreign assets	**2,709.2**	**2,819.0**	**2,281.1**	**2,006.9**	**1,797.8**
Foreign securities	1,087.1	932.2	1,182.4	752.3	655.7
Loans and advances to non-residents	883.4	950.5	787.2	799.9	850.6
Other foreign assets	738.8	936.3	311.5	454.6	291.5
Loans to residents	7.0	6.1	7.7	7.3	7.0
Local investments	298.5	267.7	273.7	278.3	141.6
Other assets	35.1	11.3	11.9	17.4	13.3
LIABILITIES					
Capital and reserves	181.0	194.2	199.1	250.4	245.1
Foreign liabilities	**2,752.1**	**2,820.5**	**2,376.8**	**2,021.5**	**1,682.2**
Balances due to other banks abroad	1,002.0	877.2	1,000.0	807.8	621.1
Non-resident deposits	1,056.5	1,031.8	756.4	750.5	596.6
Other foreign liabilities	693.6	911.5	620.5	463.2	464.5
Resident deposits	26.2	32.3	32.9	33.4	32.7
Other domestic liabilities	92.7	59.1	(32.1)	6.7	1.4
AGGREGATE BALANCE SHEET	**3,052.0**	**3,106.1**	**2,576.7**	**2,312.0**	**1,961.3**

[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[2]

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 Lm3.7million, 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[1]

Lm millions

	2000	2001	
	Qtr. 3	Qtr. 2	Qtr. 3
Interest income	82.2	63.1	38.8
Interest expenses	60.3	53.4	26.7
Net interest income	21.8	9.7	12.2
Non-interest income	-2.4	80.8	3.7
Non-interest expense	7.2	4.0	8.7
Provisions	0.3	0.1	0.5
PROFIT BEFORE TAX	**12.0**	**86.4**	**6.6**

[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 ESTIMATES FOR 2002: AN OVERVIEW OF THE GOVERNMENT BUDGETARY OPERATIONS

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

Lm millions

	Original Estimates	Revised Estimates	Difference
Ordinary Revenue	**610.8**	**614.9**	**4.1**
Direct Tax	284.8	285.4	**0.6**
Indirect Tax	254.4	254.9	**0.5**
Non-Tax Revenue	71.6	74.6	**3.0**
Total Expenditure	**693.1**	**697.4**	**4.3**
Recurrent Expenditure	597.4	615.1	**17.7**
Capital Expenditure	95.7	82.3	**-13.4**
Current Balance	**13.4**	**-0.2**	**-13.6**
FISCAL BALANCE	**-82.3**	**-82.5**	**-0.2**

Source: Diskors 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 2
FISCAL PERFORMANCE IN 2001

Lm millions

	Estimated Changes
ORDINARY REVENUE	**51.2**
Direct Tax	**27.9**
Income Tax	17.9
Social Security Contributions[1]	10.0
Indirect Tax	**25.2**
Consumption Tax	11.9
Customs and Excise Duties	7.4
Licences, Taxes and Fines	5.9
Non- tax Revenue	**-1.9**
Central Bank Profits	-1.1
Other[2]	-0.8
RECURRENT EXPENDITURE[1]	**64.8**
Personal Emoluments	24.5
Operational and Maintenance	-4.2
Programmes and Initiatives	18.4
Contributions to Government Entities	21.8
Interest Payments	4.2
Other	0.1
CAPITAL EXPENDITURE	**-16.3**
TOTAL EXPENDITURE	**48.5**
CURRENT BALANCE	**-13.6**
FISCAL BALANCE	**2.7**

[1] Excludes Government contributions to the social security account.

[2] Excludes proceeds from sale of public assets.

Source: Diskors tal-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.

Table 3
FISCAL PERFORMANCE IN 2002

Lm millions

	Estimated Changes
ORDINARY REVENUE	**56.0**
Direct Tax	**29.8**
Income Tax	18.7
Social Security Contributions[1]	11.1
Indirect Tax	**25.5**
Consumption Tax	10.5
Customs and Excise Duties	5.3
Licences, Taxes and Fines	9.7
Non-tax Revenue	**0.6**
Central Bank Profits	0.3
Other[2]	0.3
RECURRENT EXPENDITURE[1]	**38.1**
Personal Emoluments	2.3
Operational and Maintenance Expenditure	-0.6
Programmes and Initiatives	14.6
Contributions to Government Entities	20.6
Interest Payments	1.2
Other	-0.1
CAPITAL EXPENDITURE	**13.1**
TOTAL EXPENDITURE	**51.2**
CURRENT BALANCE	**17.9**
FISCAL BALANCE	**4.8**

[1] Excludes Government contributions to the social security account.
[2] Excludes proceeds from sale of public assets.

Source: Diskors tal-Budget 2002
Financial Estimates 2002

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 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 re-branding 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.

A responsible fiscal policy approach is even more crucial for the credibility of an exchange rate peg when the economy is highly open. This can be illustrated by reference to recent experience. For a number of years Malta has run large fiscal deficits. Since Government expenditure largely takes the form of wages, salaries and transfer payments, it inevitably gives rise to substantial spending on imports. Unless the private sector compensates for excessive Government consumption by saving more, the fiscal deficit thus aggravates the current account deficit, leading to downward pressures on the Maltese lira. Clearly, therefore, an expansionary fiscal stance is not consistent with our monetary policy strategy, and would only serve to undermine the exchange rate peg and, consequently, also price stability.

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.

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:

	Weight	Portion
Euro	56.8%	1.2793
Pound Sterling	21.6%	0.3462
US Dollar	21.6%	0.5777

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 (Registred 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.

2000

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.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-Sept. 2001, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km^2	
CURRENCY UNIT	Lira - Exchange rates: Lm1 = US$2.2578	
	Lm1 = Euro2.4679	
CLIMATE	Average temperature (1991-1999): December - February	13.3° C
	June - August	25.9° C
	Average annual rainfall (1990 - 1999)	622.4mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices (Dec. 2000)	7.2%
	GDP per capita at current market prices (Dec. 2000)	US$9,112
	GDP per head in PPS relative to the EU-15 average (2000)	53
	Ratio of Gross Government Debt to GDP (Dec. 2000)	59.3%
	Ratio of adjusted Government Deficit[1] to GDP (Dec. 2000)	5.3%
	Retail Price Inflation	2.42%
	Ratio of Exports of Goods and Services to GDP (Dec. 2000)	100.7%
	Ratio of Current Account Deficit to GDP (Dec. 2000)	14.8%
	Gainfully Occupied	137,708
	Unemployment Rate	4.8%
POPULATION	Total (Dec. 2000)	391,415
	Males (Dec. 2000)	193,689
	Females (Dec. 2000)	197,726
	Age composition in percent of population (1999)	
	0 - 19	28%
	20 - 59	55%
	60 +	17%
	Average annual growth rate (1990 - 2000)	0.8%
	Density per km^2	1,238
HEALTH	Life expectancy at birth - Males (Dec. 1999)	75.1
	- Females (Dec. 1999)	79.3
	Crude birth rate, per 1000 inhabitants (Dec. 2000)	11.16
	Crude mortality rate, per 1000 inhabitants (Dec. 2000)	7.75
	Doctors (per 1000 inhabitants) (Dec. 2000)	3.2
EDUCATION	Number of schools (1999/2000)	331
	Number of teachers (1999/2000)	8,177
	Number of pupils/students (1999/2000)	100,052
	Teachers (per 1000 students)	82
LIVING STANDARDS	Telephone Lines (per 1000 inhabitants) (Mar. 2001)	533
	TV licences (per 1000 inhabitants)	563
	Motor vehicle licences (per 1000 inhabitants)	646

[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:

Deposit Money Banks
APS Bank Ltd.
Bank of Valletta plc
HSBC Bank Malta plc
Lombard Bank (Malta) plc
HSBC Home Loans (Malta) Bank Ltd.

International Banking Institutions
Akbank TAS
Demirbank TAS
Disbank Malta Ltd.
Ege Giyim Sanayicileri Bankasi AS
Erste Bank (Malta) Ltd.
Finansbank (Malta) Ltd.
First International Merchant Bank plc
HSBC Overseas Bank (Malta) Ltd.
Iktisat Bankasi AS
Investkredit International Bank Malta Ltd.
Izola Bank Ltd.
Raiffeisen Malta Bank plc
Sparkasse Bank Malta plc
Tekstil Bankasi AS
Turkiye Garanti Bankasi AS
Volksbank Malta Ltd.

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA[1]
Liabilities

Lm thousands

End of Period	Currency Notes and Coin Issued	IMF-Related Liabilities	Deposits				Capital and Reserves	Foreign Liabilities[3]	Other Liabilities
			Banks[2]	Government	Other	Total			
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	-	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	-	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	-	155,743
1993	364,013	24,620	67,173	2,437	37,349	106,959	4,500	-	163,740
1994	379,082	24,213	179,625	1,725	52,384	233,734	41,000	-	178,292
1995	367,444	22,553	80,026	20,194	21,502	121,722	41,000	-	187,134
1996	380,246	20,159	72,027	22,785	10,516	105,328	41,000	-	177,233
1997	384,655	20,079	100,511	24,503	10,941	135,955	41,000	-	135,780
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	-	35,265
1999	418,485	19,014	124,786	96,188	12,424	233,398	89,050	-	58,597
2000								-	
Jan.	396,341	19,014	145,330	83,271	10,013	238,614	89,050	-	68,853
Feb.	397,423	19,014	143,987	74,198	9,260	227,445	89,050	-	63,281
Mar.	396,223	19,014	133,109	88,442	6,608	228,158	89,050	-	57,401
Apr.	402,860	19,014	145,746	84,252	8,311	238,310	89,050	-	44,678
May	404,674	19,014	145,744	85,720	8,877	240,341	89,050	-	40,439
June	409,680	19,014	138,941	84,799	3,426	227,166	89,050	-	37,728
July	413,532	19,014	165,272	41,518	7,361	214,150	89,050	-	37,010
Aug.	413,856	19,014	134,252	54,570	10,448	199,270	89,050	-	44,067
Sept.	413,846	19,014	135,632	68,376	11,585	215,592	89,050	-	46,055
Oct.	415,901	19,014	140,232	64,120	10,020	214,373	89,050	-	43,206
Nov.	415,224	19,014	137,282	44,780	10,003	192,066	89,050	-	47,359
Dec.	423,188	18,574	141,270	56,161	10,393	207,825	89,050	-	48,837
2001									
Jan.	412,749	18,574	151,954	34,603	9,556	196,113	89,050	2,548	47,585
Feb.	413,863	18,574	154,375	62,982	9,617	226,974	89,050	4,274	34,017
Mar.	415,262	18,574	142,870	69,976	8,657	221,503	89,050	3,041	32,593
Apr.	421,757	18,574	150,629	51,821	9,651	212,101	89,050	2,803	29,204
May	426,201	18,574	157,537	53,558	11,009	222,103	89,050	1,486	32,187
June	429,727	18,574	129,375	51,908	10,145	191,429	89,050	2,863	34,295
July	434,373	18,574	147,841	50,620	10,537	208,998	89,050	1,100	36,185
Aug.	432,878	18,574	131,452	60,453	10,389	202,294	89,050	1,932	38,496
Sept.	429,428	18,574	138,417	61,852	13,726	213,995	89,050	3,698	43,864

[1] Reclassification of data from December 1998 reflects changes in the presentation of the Central Bank of Malta's financial statements.

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

[3] Data prior to 2001 were included with "Other Liabilities".

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES CENTRAL BANK OF MALTA[1]

Assets

Lm thousands

End of Period	External Reserves				IMF Currency Subscription	Malta Government Securities and Advances	Fixed and Other Assets	Total Assets/ Total Liabilities
	Gold [2]	IMF-Related Assets[3]	Convertible Currencies[4]	Total				
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	80,134	559,376
1992	9,101	30,061	435,856	475,018	21,720	62,305	88,687	647,730
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
1999	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000								
Jan.	747	35,457	696,386	732,590	34,955	5,880	38,446	811,872
Feb.	703	35,698	679,413	715,815	34,955	8,755	36,687	796,212
Mar.	743	36,168	672,023	708,934	34,955	7,858	38,099	789,846
Apr.	758	36,494	662,527	699,779	34,955	9,508	49,670	793,912
May	714	36,745	674,299	711,758	35,664	11,757	34,338	793,517
June	746	36,569	666,080	703,396	35,664	6,644	36,933	782,637
July	632	36,699	648,329	685,660	35,664	8,003	43,429	772,756
Aug.	742	37,647	648,026	686,414	35,664	5,863	37,316	765,256
Sept.	739	37,664	659,122	697,525	35,664	7,009	43,360	783,557
Oct.	713	38,040	651,102	689,856	35,664	6,834	49,190	781,543
Nov.	735	38,060	626,391	665,187	35,662	6,852	55,011	762,712
Dec.	452	36,940	606,752	644,144	35,222	9,178	98,930	787,474
2001								
Jan.	406	36,978	593,415	630,799	35,222	14,909	85,689	766,618
Feb.	525	37,352	588,841	626,717	35,222	16,154	104,385	782,478
Mar.	524	37,445	593,656	631,625	35,222	17,603	95,573	780,023
Apr.	435	37,426	602,438	640,300	35,222	9,830	88,137	773,488
May	533	38,340	614,350	653,223	35,372	41,062	59,945	789,601
June	489	38,100	609,264	647,853	35,372	37,512	45,200	765,937
July	531	37,808	637,088	675,427	35,372	30,507	46,974	788,279
Aug.	534	37,837	649,545	687,916	35,372	19,239	40,696	783,223
Sept.	566	37,812	654,187	692,564	35,372	11,789	58,883	798,608

[1] Reclassification of data from December 1998 reflects changes in Central Bank of Malta accounting policy.

[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 [1]

Liabilities

Lm thousands

End of period	Deposits [2]				Foreign Liabilities [3]	Capital and Reserves	Other Liabilities [3]
	Demand	Savings	Time	Total			
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
1999	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000							
Jan.	185,249	634,977	1,230,290	2,050,516	357,721	134,572	454,280
Feb.	185,122	636,432	1,235,465	2,057,019	363,167	137,539	469,567
Mar.	179,232	632,027	1,242,900	2,054,159	379,585	137,763	498,837
Apr.	181,370	631,505	1,253,497	2,066,372	373,234	137,762	531,091
May	198,017	619,243	1,263,245	2,080,505	390,789	137,762	533,851
June	193,457	620,728	1,264,408	2,078,593	405,417	137,762	550,139
July	198,660	615,581	1,268,922	2,083,163	400,159	137,762	529,192
Aug.	215,243	611,214	1,268,959	2,095,416	388,768	137,762	523,923
Sept.	207,565	601,461	1,273,144	2,082,170	396,424	137,762	559,008
Oct.	205,509	605,140	1,288,791	2,099,440	415,601	157,923	543,090
Nov.	206,625	611,430	1,297,263	2,115,318	420,615	158,303	537,760
Dec.	192,206	623,727	1,296,731	2,112,664	404,679	158,523	566,664
2001							
Jan.	205,665	624,893	1,321,837	2,152,395	407,805	177,039	672,988
Feb.	211,192	629,250	1,340,870	2,181,312	404,322	176,714	702,120
Mar.	212,583	619,316	1,343,006	2,174,905	417,137	176,714	690,255
Apr.	209,623	634,366	1,382,622	2,226,611	402,928	176,714	702,344
May	216,251	630,063	1,394,006	2,240,321	386,026	177,039	701,452
June	209,436	639,026	1,368,606	2,217,068	382,569	177,040	691,167
July	228,197	636,095	1,379,745	2,244,037	382,559	177,040	698,996
Aug.	214,351	650,004	1,389,291	2,253,646	394,763	177,040	747,367
Sept.	217,559	639,505	1,392,068	2,249,132	584,091	169,186	613,161

[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 [1]
Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets/ Total Liabilities
1990	58,349	197,787	458,246	100,284	32,334	847,000
1991	62,790	246,499	480,495	147,050	26,847	963,681
1992	93,816	330,111	539,405	147,048	32,488	1,142,868
1993	83,250	378,598	627,635	212,779	35,457	1,337,719
1994	194,501	417,411	707,355	210,540	46,545	1,576,352
1995	100,638	557,355	938,406	234,379	49,960	1,880,738
1996	96,777	588,571	1,079,552	263,194	114,236	2,142,330
1997	125,183	534,756	1,205,349	365,333	120,979	2,351,600
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000						
Jan.	181,324	622,306	1,471,461	574,457	147,541	2,997,089
Feb.	178,691	624,779	1,478,851	583,519	161,452	3,027,292
Mar.	162,346	653,737	1,537,667	592,581	124,013	3,070,344
Apr.	157,818	680,893	1,532,392	601,602	135,754	3,108,459
May	174,635	701,269	1,540,180	579,465	147,358	3,142,907
June	162,544	713,463	1,542,353	583,807	169,744	3,171,911
July	179,381	721,804	1,538,138	559,368	151,585	3,150,276
Aug.	157,982	720,846	1,533,560	573,450	160,031	3,145,869
Sept.	172,161	712,620	1,592,966	566,345	131,272	3,175,364
Oct.	160,963	751,665	1,585,294	588,183	129,949	3,216,054
Nov.	162,908	745,462	1,599,751	589,856	134,019	3,231,996
Dec.	152,739	729,614	1,608,023	601,427	150,727	3,242,530
2001						
Jan.	167,665	739,428	1,735,354	602,689	165,091	3,410,227
Feb.	176,144	751,847	1,739,911	634,330	162,236	3,464,468
Mar.	157,672	749,183	1,793,027	634,613	124,516	3,459,011
Apr.	171,652	765,611	1,823,589	614,562	133,183	3,508,597
May	177,617	758,695	1,815,942	599,360	153,223	3,504,837
June	145,437	737,380	1,815,792	607,585	161,650	3,467,844
July	162,532	719,853	1,811,155	641,158	167,934	3,502,632
Aug.	157,031	779,222	1,806,213	648,651	181,699	3,572,817
Sept.	159,761	781,876	1,850,629	664,875	158,429	3,615,570

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

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES
OTHER BANKING INSTITUTIONS [1]
Liabilities

Lm thousands

End of Period	Deposits[2]			Foreign Liabilities	Credits from Deposit Money Banks[3]	Capital and Reserves	Other Items (Net)[3]
	Savings	Time	Total				
1990	3,658	5,442	9,100	81,587	86,998	13,814	9,210
1991	-	-	-	83,435	62,167	17,252	73,468
1992	-	-	-	177,208	88,928	18,457	75,128
1993	-	-	-	198,215	106,321	19,840	72,762
1994	-	-	-	134,841	121,845	20,751	65,956
1995	-	-	-	-	72,429	15,184	63,585
1996	-	-	-	-	75,616	16,205	64,121
1997	-	-	-	-	67,904	21,414	63,322
1998	-	-	-	-	74,600	22,846	68,329
1999	-	-	-	198	60,392	20,568	72,540
2000							
Jan.				198	60,211	25,120	68,307
Feb.				198	60,380	25,120	68,591
Mar.				198	62,523	25,120	70,454
Apr.				198	61,414	25,120	68,304
May				198	62,052	25,120	68,471
June				198	65,216	25,120	68,700
July				198	65,121	25,120	68,452
Aug.				198	65,577	25,120	69,584
Sept.				198	67,581	25,120	72,052
Oct.				-	48,779	18,918	71,997
Nov.				-	50,214	18,918	71,552
Dec.				-	52,431	20,212	69,218

[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 l991, 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)".

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES OTHER BANKING INSTITUTIONS [1]

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Claims on				Total Assets/ Total Liabilities
			Government	Deposit Money Banks[2]	Private and Parastatal Sectors	Total	
1990	642	89,771	5,055	702	104,539	110,296	200,709
1991	7	98,099	-	6	138,210	138,216	236,322
1992	7	116,452	-	79,259	164,003	243,262	359,721
1993	7	118,603	-	96,772	181,756	278,528	397,138
1994	1	5,072	-	134,834	203,486	338,320	343,393
1995	140	3,876	142	-	147,040	147,182	151,198
1996	65	3,297	142	3,009	149,429	152,580	155,942
1997	94	7,047	842	2,487	142,170	145,499	152,640
1998	321	7,030	5,794	2,317	150,313	158,424	165,775
1999	368	6,545	4,555	3,013	139,217	146,785	153,698
2000							
Jan.	349	6,432	4,555	3,025	139,475	147,055	153,836
Feb.	307	6,449	4,555	3,029	139,949	147,533	154,289
Mar.	317	6,324	4,555	3,102	143,997	151,654	158,295
Apr.	325	6,307	1,863	2,952	143,589	148,404	155,036
May	323	6,475	1,871	2,958	144,214	149,043	155,841
June	326	6,561	1,871	3,074	147,402	152,347	159,234
July	332	6,534	1,879	3,054	147,092	152,025	158,891
Aug.	292	6,507	2,086	3,137	148,457	153,680	160,479
Sept.	303	6,608	2,091	3,159	152,790	158,040	164,951
Oct.	314	6,459	2,471	2,958	127,492	132,921	139,694
Nov.	302	6,692	2,480	3,044	128,166	133,690	140,684
Dec.	312	6,835	2,287	3,010	129,417	134,714	141,861

[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

Lm thousands

End of Period	Resident Deposits				Foreign Liabilities	Capital and Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999	4,027	10,203	7,093	21,323	2,460,629	188,740	40,418	2,711,110
2000								
Jan.	4,002	9,595	4,871	18,467	2,246,372	196,215	42,533	2,503,587
Feb.	4,595	11,611	5,313	21,519	2,224,277	196,408	48,364	2,490,568
Mar.	4,553	12,977	7,588	25,118	2,233,955	182,422	51,290	2,492,784
Apr.	4,344	13,369	7,646	25,359	2,258,627	182,665	59,069	2,525,721
May	4,831	12,818	8,733	26,382	2,409,834	179,076	79,602	2,694,894
June	5,281	11,273	9,716	26,270	2,275,687	184,060	75,195	2,561,212
July	5,266	11,980	9,822	27,068	2,436,195	182,806	75,595	2,721,665
Aug.	5,087	12,023	9,790	26,900	2,697,332	182,026	80,847	2,987,105
Sept.	4,684	11,699	9,802	26,185	2,752,139	180,975	92,666	3,051,965
Oct.	4,353	12,865	12,198	29,416	2,810,654	180,003	85,260	3,105,333
Nov.	4,236	12,339	15,702	32,277	2,901,786	181,558	75,393	3,191,015
Dec.	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
2001								
Jan.	4,178	12,848	15,678	32,704	2,118,901	227,026	23,149	2,401,781
Feb.	4,182	11,221	16,176	31,579	2,149,272	227,421	-53,189	2,355,084
Mar.	4,527	11,289	17,126	32,942	2,376,838	199,065	-32,104	2,576,742
Apr.	5,468	13,231	15,380	34,079	2,080,792	244,929	-64,355	2,295,445
May	4,900	12,454	15,784	33,138	2,154,427	243,043	8,398	2,439,006
June	5,484	11,714	16,206	33,405	2,021,493	250,363	6,696	2,311,957
July	5,169	11,144	16,096	32,409	1,865,588	251,354	9,484	2,158,835
Aug.	5,372	10,717	17,245	33,335	1,805,889	253,410	15,758	2,108,391
Sept.	5,466	11,135	16,057	32,658	1,682,173	245,114	1,351	1,961,296

TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES INTERNATIONAL BANKING INSTITUTIONS

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets
1995	712	241,121	157	161,931	3,825	407,746
1996	937	462,902	37	200,098	4,405	668,379
1997	867	817,949	598	217,221	5,249	1,041,884
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999	1,892	2,434,594	6,135	260,458	8,030	2,711,110
2000						
Jan.	2,248	2,187,697	7,123	277,348	29,172	2,503,587
Feb.	2,048	2,168,107	7,637	276,952	35,824	2,490,568
Mar.	2,078	2,160,660	7,019	275,193	47,835	2,492,784
Apr.	1,988	2,178,957	7,230	290,513	47,033	2,525,721
May	2,017	2,333,017	7,444	297,520	54,897	2,694,894
June	2,244	2,244,813	6,907	283,676	23,573	2,561,212
July	2,292	2,396,183	6,541	295,140	21,509	2,721,665
Aug.	2,241	2,662,484	7,034	293,428	21,918	2,987,105
Sept.	2,175	2,709,192	6,998	298,494	35,106	3,051,965
Oct.	2,126	2,762,508	7,498	301,417	31,784	3,105,333
Nov.	2,261	2,891,748	6,415	280,692	9,899	3,191,015
Dec.	2,078	2,819,021	6,128	267,663	11,256	3,106,146
2001						
Jan.	2,169	2,114,115	5,776	268,522	11,198	2,401,781
Feb.	1,887	2,059,090	6,819	276,347	10,940	2,355,084
Mar.	2,380	2,281,085	7,703	273,712	11,862	2,576,742
Apr.	2,194	1,993,143	8,231	279,991	11,886	2,295,445
May	2,302	2,129,162	7,983	286,874	12,685	2,439,006
June	2,103	2,006,877	7,261	278,348	17,368	2,311,957
July	2,360	1,847,609	6,655	284,848	17,362	2,158,835
Aug.	6,224	1,758,520	6,334	325,536	11,776	2,108,391
Sept.	1,469	1,797,836	7,002	141,641	13,348	1,961,296

TABLE 1.5 MONETARY SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money[5] (M1)	Quasi-Money[6]	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government[2]	Claims on Private & Parastatal Sectors[3]	Total	Central Bank of Malta	DMBs & IBIs[4]	Total				
1990	86,123	470,848	556,971	456,727	131,675	588,402	384,453	648,123	112,797	1,145,373
1991	119,535	548,041	667,576	439,857	154,388	594,245	406,690	726,031	129,100	1,249,763
1992	121,591	608,202	729,793	492,220	260,418	752,638	408,552	830,008	243,871	1,482,431
1993	137,329	697,769	835,098	549,490	267,609	817,099	425,064	941,503	285,630	1,652,197
1994	150,632	782,019	932,651	690,434	316,907	1,007,341	463,547	1,106,721	369,724	1,939,992
1995	179,754	1,024,801	1,204,555	580,700	228,369	809,069	436,760	1,253,054	323,810	2,013,624
1996	238,942	1,146,429	1,385,371	554,119	196,713	750,832	454,089	1,413,169	268,945	2,136,203
1997	320,627	1,276,804	1,597,431	561,668	166,502	728,170	479,899	1,565,848	279,854	2,325,601
1998	350,202	1,417,559	1,767,761	639,991	217,114	857,105	523,628	1,693,146	408,092	2,624,866
1999	353,539	1,586,815	1,940,354	740,339	201,594	941,933	581,175	1,854,927	446,186	2,882,287
2000										
Jan.	367,701	1,593,928	1,961,629	732,609	174,934	907,543	567,948	1,867,558	433,667	2,869,172
Feb.	388,626	1,602,100	1,990,726	715,834	173,909	889,743	567,107	1,877,018	436,343	2,880,468
Mar.	382,220	1,662,133	2,044,353	708,953	172,034	880,987	557,886	1,883,951	483,504	2,925,340
Apr.	394,252	1,656,692	2,050,945	699,798	191,274	891,071	569,486	1,891,843	480,687	2,942,016
May	374,381	1,668,209	2,042,590	711,777	197,376	909,153	587,552	1,891,614	472,577	2,951,744
June	363,748	1,678,711	2,042,459	703,415	241,023	944,438	581,079	1,891,683	514,134	2,986,896
July	383,919	1,674,366	2,058,286	685,679	239,819	925,498	593,031	1,892,439	498,314	2,983,784
Aug.	384,154	1,670,482	2,054,636	686,433	254,448	940,881	612,809	1,888,741	493,967	2,995,517
Sept.	364,425	1,732,618	2,097,043	697,544	238,613	936,157	608,224	1,883,223	541,753	3,033,200
Oct.	391,980	1,724,508	2,116,487	689,875	242,006	931,882	604,248	1,908,941	535,180	3,048,369
Nov.	407,362	1,740,287	2,147,649	665,206	266,156	931,362	603,770	1,927,163	548,079	3,079,012
Dec.	409,523	1,746,586	2,156,109	644,163	305,084	949,247	594,702	1,937,166	573,487	3,105,355

[1] 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).

[2] Consists of Malta Government Securities held by banks and bank advances to Government - netted of Government deposits.

[3] 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.

[4] 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.

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

[6] Excludes Malta Government deposits and balances belonging to non-residents.

TABLE 1.6 BANKING SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money [4] (M1)	Quasi-Money [5]	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government [2]	Claims on Private & Parastatal Sectors [3]	Total	Central Bank of Malta	All Banking Institutions	Total				
1990	91,177	486,841	578,018	444,763	139,860	584,623	384,438	657,223	120,980	1,162,641
1991	119,535	576,846	696,381	426,885	169,052	595,937	406,689	726,245	145,634	1,292,318
1992	121,591	638,078	759,669	492,230	198,759	690,989	408,551	830,231	211,866	1,450,658
1993	137,329	720,680	858,009	549,495	187,664	737,159	425,063	941,658	228,442	1,595,168
1994	150,632	816,586	967,218	690,434	187,106	877,540	463,547	1,106,721	274,490	1,844,758
1995	179,896	1,044,865	1,224,761	580,700	242,107	822,807	436,760	1,254,635	356,173	2,047,568
1996	239,084	1,190,485	1,429,569	554,119	208,331	762,450	454,089	1,414,215	323,715	2,192,019
1997	321,469	1,323,259	1,644,728	561,668	182,760	744,428	479,899	1,567,091	342,166	2,389,156
1998	355,996	1,459,815	1,815,811	639,991	238,447	878,438	523,628	1,698,959	471,662	2,694,249
1999	358,094	1,632,866	1,990,960	740,339	228,835	969,174	581,148	1,860,653	518,334	2,960,134
2000										
Jan.	372,256	1,634,295	2,006,551	732,609	212,144	944,753	567,902	1,873,635	509,768	2,951,304
Feb.	393,181	1,642,786	2,035,967	715,834	211,694	927,528	567,063	1,883,279	513,152	2,963,494
Mar.	386,775	1,695,651	2,082,426	708,953	206,983	915,936	557,843	1,890,114	550,406	2,998,362
Apr.	396,115	1,690,856	2,086,972	699,798	234,098	933,896	569,443	1,897,938	553,487	3,020,867
May	376,252	1,702,691	2,078,943	711,777	239,941	951,718	587,512	1,897,793	545,356	3,030,661
June	365,619	1,713,349	2,078,968	703,415	283,535	986,949	581,038	1,898,000	586,879	3,065,917
July	385,798	1,708,247	2,094,046	685,679	287,969	973,648	592,984	1,898,465	576,245	3,067,694
Aug.	386,240	1,705,220	2,091,460	686,433	303,538	989,972	612,778	1,896,201	572,453	3,081,432
Sept.	366,516	1,770,001	2,136,517	697,544	279,659	977,203	608,184	1,890,966	614,569	3,113,720
Oct.	394,451	1,751,625	2,146,075	689,875	294,377	984,252	604,198	1,916,965	609,165	3,130,327
Nov.	409,842	1,767,310	2,177,152	665,206	321,500	986,706	603,737	1,935,190	624,932	3,163,859
Dec.	411,810	1,772,432	2,184,242	644,163	330,271	974,434	594,660	1,944,221	619,795	3,158,676
2001										
Jan.	439,406	1,767,522	2,206,928	628,251	326,837	955,088	606,511	1,964,824	590,680	3,162,015
Feb.	441,098	1,774,453	2,215,551	622,443	257,343	879,786	607,904	1,988,101	499,332	3,095,337
Mar.	435,325	1,826,170	2,261,496	628,584	236,293	864,877	611,018	1,980,762	534,593	3,126,373
Apr.	442,556	1,828,686	2,271,242	637,496	275,034	912,531	616,331	2,035,578	531,864	3,183,773
May	456,814	1,816,842	2,273,656	651,737	347,405	999,142	627,624	2,042,228	602,945	3,272,798
June	462,820	1,815,505	2,278,325	644,990	340,195	985,186	626,485	2,025,935	611,090	3,263,510
July	489,148	1,809,220	2,298,368	674,327	319,316	993,643	646,991	2,032,706	612,315	3,292,012
Aug.	476,029	1,799,599	2,275,627	685,984	337,091	1,023,075	631,146	2,056,323	611,234	3,298,703
Sept.	482,907	1,843,898	2,326,805	688,866	313,448	1,002,314	640,547	2,046,957	641,616	3,329,120

[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

Lm thousands

End of Period	Monetary Base (M0)[1]			Broad Money (M3)[3]						
				Narrow Money(M1)			Quasi-Money			Total
	Currency Issued[2]	Banks' Deposits with the Central Bank	Total	Currency in Circulation	Demand Deposits[4]	Total	Savings Deposits	Time Deposits	Total	
1990	339,519	45,762	385,281	330,305	54,133	384,438	260,691	396,532	657,223	1,041,661
1991	354,513	52,867	407,380	344,342	62,347	406,689	310,302	415,943	726,245	1,132,934
1992	350,611	78,498	429,109	337,635	70,916	408,551	367,108	463,123	830,231	1,238,782
1993	364,013	67,173	431,186	353,258	71,805	425,063	415,292	526,366	941,658	1,366,721
1994	379,082	73,025	452,107	365,910	97,637	463,547	462,441	644,280	1,106,721	1,570,268
1995	367,444	80,026	447,470	351,779	84,981	436,760	510,842	743,793	1,254,635	1,691,395
1996	380,246	71,627	451,873	362,068	92,021	454,089	537,269	876,946	1,414,215	1,868,304
1997	384,655	100,511	485,166	363,765	116,134	479,899	574,125	992,966	1,567,091	2,046,990
1998	390,911	115,195	506,107	369,493	154,135	523,628	585,131	1,113,828	1,698,959	2,222,587
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000										
Jan.	396,341	145,330	541,671	376,844	191,057	567,902	640,057	1,233,578	1,873,635	2,441,536
Feb.	397,423	143,987	541,410	376,481	190,582	567,063	643,792	1,239,487	1,883,279	2,450,342
Mar.	396,223	133,109	529,332	375,782	182,060	557,843	641,146	1,248,968	1,890,114	2,447,957
Apr.	402,860	145,746	548,607	383,836	185,607	569,443	637,934	1,260,004	1,897,938	2,467,381
May	404,674	145,744	550,419	384,508	203,004	587,512	626,549	1,271,244	1,897,793	2,485,306
June	409,680	138,941	548,621	387,937	193,102	581,038	624,232	1,273,768	1,898,000	2,479,038
July	413,532	165,272	578,804	390,998	201,986	592,984	620,543	1,277,922	1,898,465	2,491,449
Aug.	413,856	134,252	548,108	391,655	221,122	612,778	617,484	1,278,717	1,896,201	2,508,979
Sept.	413,846	135,632	549,478	393,851	214,333	608,184	606,727	1,284,239	1,890,966	2,499,150
Oct.	415,901	140,232	556,133	394,076	210,122	604,198	610,716	1,306,249	1,916,965	2,521,163
Nov.	415,224	137,282	552,506	392,637	211,099	603,737	618,430	1,316,760	1,935,190	2,538,927
Dec.	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
2001										
Jan.	412,749	151,954	564,702	396,210	210,301	606,511	630,511	1,334,313	1,964,824	2,571,335
Feb.	413,863	154,375	568,239	393,154	214,750	607,904	634,277	1,353,824	1,988,101	2,596,005
Mar.	415,262	142,870	558,132	395,574	215,444	611,018	623,862	1,356,900	1,980,762	2,591,780
Apr.	421,757	150,629	572,385	402,297	214,034	616,331	640,897	1,394,681	2,035,578	2,651,909
May	426,201	157,537	583,738	405,512	222,112	627,624	635,547	1,406,681	2,042,228	2,669,853
June	429,727	129,375	559,102	411,395	215,090	626,485	643,177	1,382,758	2,025,935	2,652,420
July	434,373	147,841	582,214	413,360	233,631	646,991	639,827	1,392,879	2,032,706	2,679,697
Aug.	432,878	131,452	564,329	411,542	219,604	631,146	654,199	1,402,124	2,056,323	2,687,469
Sept.	429,428	138,417	567,844	413,554	226,993	640,547	643,754	1,403,203	2,046,957	2,687,503

[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 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS[1]

Analysis by Ownership and Type

Lm thousands

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal[2]	Corporate/ Business	Government	Public Sector[3]	Maltese Lira Deposits	Foreign Currency Deposits[4]			
1990	609,524	81,398	2,158	14,847	642,867	65,060	707,927	60,241	768,163
1991	681,830	84,192	1,815	14,722	702,698	79,861	782,559	78,584	861,143
1992	766,751	107,243	2,029	15,519	793,705	97,837	891,542	118,074	1,009,616
1993	877,873	109,876	2,704	20,254	904,531	106,176	1,010,707	139,558	1,150,265
1994	1,029,646	136,222	2,211	23,963	1,069,068	122,974	1,192,042	170,199	1,362,241
1995	1,170,640	151,510	6,744	24,214	1,196,977	156,131	1,353,108	236,180	1,589,288
1996	1,322,162	160,545	8,952	26,691	1,345,124	173,226	1,518,350	363,449	1,881,799
1997	1,466,011	190,603	10,000	30,148	1,513,978	182,784	1,696,762	578,884	2,275,646
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
1999	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000									
Jan.	1,703,847	328,097	14,003	38,070	1,879,444	204,573	2,084,017	1,026,177	3,110,195
Feb.	1,706,244	341,645	13,820	34,710	1,886,111	210,308	2,096,419	988,081	3,084,500
Mar.	1,709,700	344,161	13,413	32,590	1,890,022	209,842	2,099,864	1,108,481	3,208,345
Apr.	1,726,427	341,458	16,072	31,227	1,906,425	208,759	2,115,184	1,127,282	3,242,466
May	1,721,351	360,254	14,631	29,084	1,911,062	214,258	2,125,320	1,135,221	3,260,541
June	1,733,261	334,112	17,020	43,301	1,907,050	220,644	2,127,694	1,089,386	3,217,079
July	1,737,807	330,034	16,660	41,391	1,906,281	219,611	2,125,892	1,082,536	3,208,429
Aug.	1,739,345	335,241	16,281	48,885	1,915,407	224,345	2,139,752	1,138,971	3,278,723
Sept.	1,746,274	328,828	15,760	45,282	1,915,390	220,754	2,136,144	1,141,280	3,277,424
Oct	1,734,557	342,709	13,124	56,760	1,922,491	224,660	2,147,151	1,132,724	3,279,876
Nov.	1,752,394	341,662	12,701	58,666	1,934,709	230,714	2,165,423	1,134,761	3,300,184
Dec.	1,786,776	322,578	13,443	40,557	1,938,548	224,808	2,163,356	1,118,096	3,281,451
2001									
Jan.	1,799,723	335,256	13,085	51,100	1,972,683	226,481	2,199,164	1,113,275	3,312,439
Feb.	1,815,129	340,860	13,203	51,242	1,991,280	229,153	2,220,433	1,061,458	3,281,892
Mar.	1,819,987	340,129	13,859	47,762	1,982,213	239,522	2,221,735	840,501	3,062,236
Apr.	1,834,216	372,532	14,263	53,608	2,013,417	261,202	2,274,619	806,022	3,080,641
May	1,840,710	359,214	13,551	69,144	2,016,908	265,712	2,282,620	814,543	3,097,163
June	1,856,663	334,341	13,059	64,451	2,004,576	263,940	2,268,516	824,462	3,092,978
July	1,868,048	341,382	14,162	62,711	2,026,347	259,959	2,286,306	828,700	3,115,006
Aug.	1,872,982	342,209	14,998	67,980	2,015,181	282,992	2,298,173	820,812	3,118,985
Sept.	1,903,474	328,965	15,125	50,102	2,024,933	272,733	2,297,666	867,076	3,164,742

[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

Lm thousands

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System[2]	Currency in Circulation
	Notes[1]	Coins	Total		
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
1998	375,209	15,702	390,911	21,418	369,493
1999	401,999	16,486	418,485	33,893	384,593
2000					
Jan.	380,156	16,185	396,341	19,497	376,844
Feb.	381,217	16,206	397,423	20,942	376,481
Mar.	379,998	16,225	396,223	20,440	375,782
Apr.	386,497	16,364	402,860	19,025	383,836
May	388,135	16,539	404,674	20,166	384,508
June	392,960	16,720	409,680	21,743	387,937
July	396,579	16,953	413,532	22,534	390,998
Aug.	396,639	17,217	413,856	22,200	391,655
Sept.	396,599	17,247	413,846	19,995	393,851
Oct.	398,671	17,230	415,901	21,825	394,076
Nov.	398,061	17,163	415,224	22,586	392,637
Dec.	405,713	17,476	423,188	26,885	396,303
2001					
Jan.	395,514	17,235	412,749	16,539	396,210
Feb.	396,788	17,076	413,863	20,709	393,154
Mar.	398,183	17,079	415,262	19,688	395,574
Apr.	404,502	17,254	421,757	19,460	402,297
May	408,935	17,266	426,201	20,689	405,512
June	412,284	17,442	429,727	18,331	411,395
July	416,685	17,688	434,373	21,013	413,360
Aug.	415,014	17,864	432,878	21,336	411,542
Sept.	411,542	17,886	429,428	15,874	413,554

[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 1.10 DENOMINATIONS OF MALTESE CURRENCY ISSUED AND OUTSTANDING

Lm thousands

End of Period	Total Notes & Coins[1]	Currency Notes					
		Lm20	Lm10	Lm5	Lm2	Lm1	Total
1990	339,519	143,772	154,214	27,325	4,681	723	330,715
1991	354,513	147,013	165,736	26,666	4,833	685	344,933
1992	350,611	112,591	195,027	26,772	5,092	662	340,144
1993	364,013	118,509	202,241	26,036	5,170	634	352,590
1994	379,082	122,770	211,079	26,965	5,816	-	366,630
1995	367,444	121,395	201,474	25,510	5,730	-	354,109
1996	380,246	123,243	210,985	26,211	5,859	-	366,298
1997	384,655	118,144	219,736	25,853	6,099	-	369,832
1998	390,911	109,720	234,117	24,174	5,793	-	373,804
1999	418,485	108,626	259,366	27,738	6,270	-	402,000
2000							
Jan.	396,341	107,036	243,575	23,472	6,073	-	380,156
Feb.	397,423	107,004	244,423	23,681	6,109	-	381,217
Mar.	396,223	106,808	243,225	23,808	6,157	-	379,998
Apr.	402,860	107,257	247,761	25,176	6,303	-	386,497
May	404,674	107,454	249,123	25,113	6,446	-	388,136
June	409,680	108,020	252,728	25,716	6,496	-	392,960
July	413,532	108,501	254,810	26,783	6,485	-	396,579
Aug.	413,856	107,914	255,839	26,315	6,571	-	396,639
Sept.	413,846	107,650	255,864	26,460	6,625	-	396,599
Oct.	415,901	107,614	258,245	26,183	6,633	-	398,675
Nov.	415,224	107,585	258,238	25,741	6,497	-	398,061
Dec.	423,188	107,902	264,170	27,168	6,473	-	405,713
2001							
Jan.	412,749	107,317	256,896	24,959	6,342	-	395,514
Feb.	413,863	107,375	257,886	25,110	6,417	-	396,788
Mar.	415,262	107,553	258,584	25,533	6,513	-	398,183
Apr.	421,757	108,073	263,559	26,233	6,637	-	404,502
May	426,201	108,607	266,892	26,707	6,729	-	408,935
June	429,727	108,864	269,583	27,038	6,799	-	412,284
July	434,373	109,198	273,008	27,573	6,907	-	416,686
Aug.	432,878	108,898	271,722	27,488	6,906	-	415,014
Sept.	429,428	108,627	269,109	26,979	6,828	-	411,543

[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[1]

Lm thousands

End of Period	Liquid Assets						Ratios (%)		
	Actual		Required		Excess		Liquidity		Advances[2] to Deposits
	Total	Local	Total	Local	Total	Local	Total	Local	
1990	274,941	107,264	150,767	55,554	124,174	51,710	36.5	15.5	66.6
1991	287,661	132,913	171,073	62,197	116,588	70,716	33.6	17.1	62.8
1992	367,586	148,126	199,401	76,726	168,185	71,400	36.9	15.4	60.8
1993	364,351	183,054	240,800	88,897	123,551	94,157	30.3	16.5	62.6
1994	503,859	259,348	279,955	105,060	223,904	154,288	36.0	19.7	60.0

Period	Liquid Assets			Net Short-term Liabilities[3]	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to Deposits[2]
1995	396,803	307,172	89,631	1,023,907	38.8	70.3
1996	498,944	346,358	152,586	1,154,527	43.2	72.0
1997	526,117	362,841	163,276	1,209,469	43.5	71.0
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000						
Jan.	699,743	453,697	246,046	1,512,322	46.3	71.8
Feb.	696,179	453,569	242,610	1,511,896	46.0	71.9
Mar.	756,710	457,653	299,057	1,525,511	49.6	74.9
Apr.	718,435	457,262	261,173	1,524,208	47.1	74.2
May	731,493	455,400	276,093	1,518,001	48.2	74.0
June	751,182	464,301	286,881	1,547,671	48.5	74.2
July	669,797	461,318	208,479	1,537,726	43.6	73.8
Aug.	657,932	460,913	197,019	1,536,377	42.8	73.2
Sept.	701,167	464,329	236,838	1,547,763	45.3	76.5
Oct.	697,276	473,753	223,523	1,579,178	44.2	75.5
Nov.	696,475	480,465	216,010	1,601,551	43.5	75.6
Dec.	680,572	491,273	189,299	1,637,576	41.6	76.1
2001						
Jan.	666,449	482,163	184,286	1,607,211	41.5	80.6
Feb.	665,232	478,375	186,857	1,594,584	41.7	79.8
Mar.	680,293	455,222	225,071	1,517,408	44.8	82.4
Apr.	734,736	468,383	266,353	1,561,277	47.1	81.9
May	784,669	472,516	312,153	1,575,054	49.8	81.1
June	786,257	480,868	305,389	1,602,892	49.1	81.9
July	820,433	490,664	329,769	1,635,547	50.2	80.7
Aug.	813,630	506,823	306,807	1,689,409	48.2	80.1
Sept.	930,243	508,223	422,021	1,694,075	54.9	82.3

[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]

Lm thousands

End of Period	Cash and Deposits [2]		Other Specified Assets Maturing within 5 Years[3]		Total	
	Local	Foreign	Local	Foreign	Local	Foreign
1990	23,083	151,992	84,181	15,685	107,264	167,677
1991	24,153	122,743	108,760	32,005	132,913	154,748
1992	43,019	155,983	105,107	63,477	148,126	219,460
1993	26,353	71,611	156,701	109,686	183,054	181,297
1994	131,837	97,075	127,511	147,436	259,348	244,511

Period	Cash and Deposits with CBM[4]	Treasury Bills	Interbank Deposits	Marketable Debt Securities[5]	Total Liquid Assets
1995	21,565	30,142	61,887	283,209	396,803
1996	20,264	67,173	70,741	340,766	498,944
1997	26,359	26,791	55,462	417,505	526,117
1998	31,064	33,110	47,280	485,394	596,848
1999	50,995	75,929	67,768	499,837	694,529
2000					
Jan.	43,378	76,951	71,182	508,232	699,743
Feb.	39,335	87,366	62,985	506,493	696,179
Mar.	43,823	99,851	90,260	522,776	756,710
Apr.	27,797	113,753	50,524	526,361	718,435
May	55,437	89,894	69,613	516,549	731,493
June	35,538	102,799	87,481	525,364	751,182
July	22,378	73,046	63,685	510,688	669,797
Aug.	8,244	77,732	58,077	513,879	657,932
Sept.	38,408	102,460	64,933	495,366	701,167
Oct.	38,534	101,870	55,478	501,394	697,276
Nov.	35,818	96,012	66,731	497,914	696,475
Dec.	33,512	116,818	68,865	461,377	680,572
2001					
Jan.	45,789	81,676	56,772	482,212	666,449
Feb.	39,116	75,471	50,241	500,404	665,232
Mar.	30,541	83,762	72,165	493,825	680,293
Apr.	44,708	115,943	115,741	458,344	734,736
May	55,103	92,214	120,707	516,645	784,669
June	28,517	95,548	113,517	548,675	786,257
July	32,113	124,357	113,524	550,439	820,433
Aug.	32,962	129,387	90,447	560,834	813,630
Sept.	26,675	144,350	182,254	576,964	930,243

[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]

Lm thousands

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

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions[2]	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
1999	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000								
Jan.	104,711	75,572	49,128	10,742	194,719	95,706	209,042	265,286
Feb.	102,265	75,739	49,283	10,317	194,323	96,130	206,591	270,511
Mar.	101,866	73,341	60,499	10,726	202,848	98,220	219,814	278,165
Apr.	99,570	72,741	59,445	10,992	198,715	96,576	219,899	275,697
May	97,888	76,158	59,752	10,760	199,912	97,419	220,318	278,800
June	99,848	72,965	62,784	10,732	197,466	97,011	218,932	279,471
July	99,091	72,520	63,231	11,280	197,482	93,774	222,173	276,605
Aug.	97,153	71,364	63,739	11,175	199,329	94,785	219,560	274,643
Sept.	94,027	93,077	65,427	11,449	212,983	87,500	222,525	285,320
Oct.	98,746	92,928	50,395	19,048	203,803	88,513	233,388	283,980
Nov.	101,625	93,918	51,163	18,513	204,791	88,301	236,128	284,234
Dec.	104,677	96,476	53,591	19,004	201,442	99,103	233,861	285,419
2001								
Jan.	102,065	100,864	54,508	11,175	193,472	98,199	237,629	276,329
Feb.	100,473	110,364	55,872	11,191	191,111	99,610	238,119	278,111
Mar.	104,053	108,827	58,226	11,030	197,439	102,034	244,480	291,289
Apr.	106,945	108,787	89,220	11,116	192,089	96,102	243,093	292,366
May	100,741	109,067	93,910	10,359	188,492	89,947	239,858	296,435
June	96,136	107,868	95,179	10,546	187,612	88,963	240,246	295,911
July	92,374	105,968	96,650	10,563	184,333	86,171	239,862	295,232
Aug.	91,768	103,569	99,467	11,224	183,013	88,175	235,312	292,473
Sept.	88,592	107,127	101,027	11,781	205,509	90,685	240,053	302,352

[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]

Lm thousands

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Total
	House Purchases	Consumer Durable Goods	Other	Total				
1990	13,448	1,827	14,470	29,745	53,836	453,283	2,547	455,830
1991	12,626	2,296	28,086	43,008	67,727	472,195	8,116	480,311
1992	15,374	3,577	34,917	53,868	79,704	529,317	9,850	539,167

End of Period	Personal				Other[3] Services	All Other	Total Local Lending	Foreign Lending	Total
	House Purchases	Consumer Durable Goods[2]	Other	Total					
1993	16,055	3,539	38,791	58,385	16,612	62,787	626,677	5,925	632,602
1994	35,531	8,977	19,547	64,055	22,331	56,093	705,874	6,344	712,218
1995	46,424	22,882	21,951	91,256	36,670	82,438	935,659	13,546	949,205
1996	60,553	32,934	29,163	122,650	46,113	95,315	1,077,636	13,970	1,091,606
1997	78,443	35,966	25,988	140,397	54,456	113,555	1,187,172	14,340	1,201,512
1998	91,733	44,627	26,324	162,684	60,829	125,524	1,292,314	5,205	1,297,519
1999	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707
2000									
Jan.	117,017	49,454	39,395	205,866	80,460	142,241	1,433,473	7,135	1,440,608
Feb.	117,989	49,281	42,985	210,255	79,875	145,479	1,440,768	7,239	1,448,007
Mar.	135,396	52,443	52,042	212,041	88,653	152,646	1,498,819	7,177	1,505,996
Apr.	124,781	51,145	44,083	220,009	83,606	155,462	1,492,712	7,497	1,500,209
May	126,941	51,226	44,454	222,621	82,898	154,963	1,501,489	7,256	1,508,745
June	129,268	51,486	45,773	226,527	84,325	154,217	1,504,278	8,067	1,512,345
July	130,443	51,545	48,200	230,188	80,968	153,660	1,500,972	7,386	1,508,358
Aug.	132,064	51,412	48,764	232,240	80,675	152,910	1,497,573	7,443	1,505,016
Sept.	135,514	52,595	52,602	240,711	86,458	157,300	1,556,777	5,321	1,562,098
Oct.	136,045	51,794	47,283	235,122	83,634	160,355	1,549,912	7,893	1,557,805
Nov.	137,924	51,794	48,897	238,615	85,538	162,260	1,565,086	8,877	1,573,963
Dec.	133,312	51,423	52,028	236,763	82,427	161,179	1,573,942	8,956	1,582,898
2001									
Jan.	263,042	51,159	65,703	379,904	91,646	156,199	1,701,990	9,273	1,711,263
Feb.	261,723	52,918	61,243	375,884	93,021	154,077	1,707,833	10,727	1,718,560
Mar.	272,563	52,981	64,056	389,600	105,215	148,810	1,761,003	10,666	1,771,669
Apr.	274,074	52,832	65,040	391,946	108,218	152,519	1,792,401	11,883	1,804,284
May	277,255	52,241	67,858	397,354	101,151	158,300	1,785,615	8,728	1,794,343
June	281,761	51,256	70,253	403,270	97,280	163,178	1,786,189	11,894	1,798,083
July	285,560	50,718	71,103	407,381	99,681	163,723	1,781,938	12,232	1,794,170
Aug.	287,997	50,230	70,960	409,188	92,573	171,058	1,777,819	12,451	1,790,270
Sept.	295,721	49,842	81,582	427,145	72,700	175,626	1,822,597	13,309	1,835,906

[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 [1]

Lm thousands

End of Period	Public Utilities	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1990	-	-	471	14,102	-	14,797	1,595
1991	6,533	-	202	17,949	776	21,897	3,023
1992	13,539	-	182	20,418	1,428	27,114	3,520

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	-	23,534	-	302	23,590	-	33,816	5,723
1994	6,599	29,739	-	436	21,171	-	38,364	7,754
1995	-	17,213	-	379	9,629	539	25,040	2,622
1996	-	16,698	-	360	8,759	687	24,102	2,718
1997	-	9,496	-	463	8,088	612	20,385	2,526
1998	-	8,220	-	476	8,144	515	20,195	2,396
1999	-	4,409	2,074	460	8,084	373	16,655	1,945
2000								
Jan.	-	4,409	2,046	437	8,130	356	16,552	1,906
Feb.	-	4,381	2,043	433	8,120	355	16,535	1,933
Mar.	-	3,922	2,030	445	8,368	395	16,364	2,004
Apr.	-	3,922	1,992	383	7,765	394	15,879	1,993
May	-	3,922	2,035	379	7,992	392	15,788	1,958
June	-	5,203	2,051	379	7,991	373	15,726	1,926
July	-	3,891	2,025	379	7,600	372	15,522	1,882
Aug.	-	3,861	2,009	375	7,660	297	15,388	1,829
Sept.	-	3,962	1,992	385	7,458	262	15,209	1,871
Oct.	-	-	1,949	22	1,098	175	3,064	220
Nov.	-	-	1,982	23	1,094	175	3,020	226
Dec.	-	-	2,034	22	1,257	174	2,723	213

[1] This Table was discontinued as from January 2001.

TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR *(Continued)*[1]

Lm thousands

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Grand Total
	House[2] Purchases	Consumer Durable Goods	Other	Total				
1990	63,880	22	133	64,035	7,978	102,978	70,152	173,130
1991	71,801	16	139	71,956	15,026	137,362	81,114	218,476
1992	78,913	11	168	79,092	17,542	162,835	87,187	250,022

End of Period	Personal				Other[3] Services	All Other	Total Local Lending	Foreign Lending[4]	Grand Total
	House[2] Purchases	Consumer Durable Goods	Other	Total					
1993	82,830	16	120	82,966	2,712	7,063	179,706	79,287	258,993
1994	84,500	16	68	84,584	4,822	7,957	201,426	5,040	206,466
1995	86,135	38	72	86,245	1,841	3,272	146,937	86,619	233,556
1996	90,613	62	142	90,817	1,924	2,810	148,912	245,450	394,362
1997	95,247	52	130	95,429	1,987	3,103	142,089	447,503	589,592
1998	103,321	77	88	103,486	1,741	2,946	148,119	606,667	754,786
1999	103,070	92	190	103,352	1,504	4,767	143,623	815,458	959,081
2000									
Jan.	103,514	96	273	103,882	1,467	5,700	144,885	812,518	957,403
Feb.	104,021	91	415	104,527	1,369	6,190	145,886	812,948	958,834
Mar.	117,464	74	2,486	108,877	1,382	5,538	149,325	780,357	929,682
Apr.	108,934	91	816	109,841	1,352	5,617	149,138	800,690	949,828
May	109,547	88	1,074	110,709	1,283	5,506	149,964	807,963	957,927
June	111,388	84	1,386	112,858	1,262	4,856	152,625	728,149	880,774
July	112,442	80	1,683	114,204	1,242	4,898	152,015	893,479	1,045,494
Aug.	113,845	75	2,039	115,959	1,212	5,298	153,888	901,224	1,055,112
Sept.	117,464	74	2,486	120,024	1,219	5,515	157,897	883,621	1,041,518
Oct.	118,853	68	2,884	121,805	85	5,883	134,301	893,902	1,028,203
Nov.	119,376	66	3,103	122,545	84	4,742	133,891	930,404	1,064,294
Dec.	120,650	62	3,376	124,088	84	4,400	134,995	950,923	1,085,919

[1] This Table was discontinued as from January 2001.
[2] Includes also lending for the construction, modernisation or extention of dwellings.
[3] Includes professional, repair and maintenance services.
[4] As from January 1995, includes lending by International Banking Institutions.

TABLE 1.15 LOANS AND ADVANCES OUTSTANDING TO THE PRIVATE AND PUBLIC SECTORS BY CATEGORY[1]

Lm thousands

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	808	86,053	15,512	64,830	11,615	217	131,073	17,599
1997	928	97,177	17,045	61,622	11,030	188	131,061	21,707
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
1999	910	107,996	33,107	47,279	10,765	-	134,583	22,999
2000								
Mar.	966	100,900	31,858	45,405	11,171	-	141,533	21,800
June	469	99,379	31,332	46,836	11,111	-	137,041	22,307
Sept.	495	93,532	47,646	49,393	11,834	-	156,527	12,191
Dec.	492	104,185	44,425	52,051	19,026	-	147,156	8,646
2001								
Mar.	506	103,547	51,764	57,063	10,984	46	144,460	7,482
June	510	95,626	48,655	59,213	10,546	-	138,183	4,897
Sept.	703	87,889	50,535	56,592	11,781	-	155,147	4,835

End of Period	Shipbuilding and Shiprepair	Building and Construction		Hotel, Restaurant and Tourist Trades		Wholesale and Retail Trades	
	Private /Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	64,113	71,200	3,077	131,948	2,425	210,967	52
1997	60,460	69,231	2,974	171,964	2,525	226,681	6
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
1999	46,787	94,189	2,666	218,053	2,830	269,119	9
2000							
Mar.	47,883	95,911	2,704	232,041	4,137	280,159	10
June	46,109	94,776	2,608	230,240	4,418	281,376	21
Sept.	51,723	85,116	2,646	233,278	4,456	287,173	18
Dec.	46,897	96,727	2,550	231,633	4,951	285,615	17
2001							
Mar.	46,578	99,448	2,586	243,197	1,283	291,289	-
June	45,633	86,963	2,000	233,409	6,837	295,864	47
Sept.	46,587	90,685	-	233,417	6,636	301,718	634

End of Period	Personal	Other Services		All Other		Total Local Lending		
		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Total
1996	213,467	37,851	10,186	93,483	4,642	921,650	249,505	1,171,155
1997	235,826	47,722	8,721	111,191	5,467	1,026,212	257,314	1,283,526
1998	266,170	54,748	7,822	124,735	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,723	1,524,652
2000								
Mar.	320,918	79,972	10,063	154,739	3,496	1,350,976	234,690	1,585,666
June	339,385	75,401	10,186	155,746	3,327	1,359,824	232,244	1,592,068
Sept.	360,735	77,231	10,446	159,211	3,604	1,427,174	220,081	1,647,255
Dec.	360,851	76,597	5,914	161,904	3,675	1,428,049	225,263	1,653,312
2001								
Mar.	389,600	99,743	5,472	152,982	291	1,486,559	221,762	1,708,321
June	403,270	89,909	7,371	161,900	5,346	1,471,383	224,796	1,696,179
Sept.	427,145	65,111	7,589	166,470	12,367	1,505,219	220,622	1,725,841

[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[1]

Lm thousands

End of Period		Size of Loans and Advances [2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.62	7.46	6.66	7.09
1992	Amount	56,552	125,587	99,836	257,192	539,167
	Interest Rate	7.24	7.71	7.55	6.62	7.11
1993	Amount	62,835	134,049	117,056	318,662	632,602
	Interest Rate	7.49	7.92	7.79	6.53	7.15
1994	Amount	75,537	156,107	133,338	347,239	712,218
	Interest Rate	7.60	7.99	7.90	6.61	7.26
1995	Amount	97,779	213,428	210,382	427,616	949,205
	Interest Rate	7.89	8.06	7.96	6.89	7.49
1996	Amount	109,058	249,572	237,482	495,517	1,091,606
	Interest Rate	8.03	8.35	8.34	7.13	7.76
1997	Amount	99,412	279,695	254,113	568,291	1,201,512
	Interest Rate	7.95	8.40	8.47	7.32	7.87
1998	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
1999	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest Rate	7.33	7.62	7.66	6.55	7.16
2000						
Mar.	Amount	145,197	398,187	341,181	621,431	1,505,996
	Interest Rate	7.36	7.65	7.67	6.52	7.16
June	Amount	154,805	404,425	324,065	629,049	1,512,345
	Interest Rate	7.41	7.58	7.58	6.53	7.12
Sept.	Amount	158,947	414,316	324,357	664,467	1,562,098
	Interest Rate	7.42	7.58	7.61	6.44	7.09
Dec.	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest Rate	7.38	7.31	7.29	6.46	6.97
2001						
Mar.	Amount	260,229	492,134	342,367	676,939	1,771,669
	Interest Rate	7.28	7.54	7.72	6.56	7.16
June	Amount	219,371	471,836	348,323	758,553	1,798,083
	Interest Rate	7.14	7.38	7.64	6.06	6.84
Sept.	Amount	222,928	487,794	351,257	773,956	1,835,906
	Interest Rate	6.93	7.16	7.49	5.81	6.62

[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[1]

Lm thousands

End of Period		Size of Loans and Advances [2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	61,280	21,205	25,115	110,876	218,476
	Interest Rate	6.94	7.50	7.80	8.33	7.80
1992	Amount	67,581	25,883	25,648	130,910	250,022
	Interest Rate	6.96	7.57	7.68	7.53	7.39
1993	Amount	71,826	26,920	27,975	132,272	258,993
	Interest Rate	7.01	7.79	7.32	6.06	6.64
1994	Amount	72,419	26,430	23,598	84,019	206,466
	Interest Rate	7.01	7.83	7.99	7.27	7.33
1995	Amount	71,733	23,374	11,961	40,410	147,478
	Interest Rate	7.02	7.77	8.01	7.01	7.22
1996	Amount	72,239	27,013	11,213	38,914	149,379
	Interest Rate	7.01	7.83	8.14	7.01	7.24
1997	Amount	72,449	30,590	10,607	28,214	141,860
	Interest Rate	7.02	7.79	8.10	7.09	7.28
1998	Amount	73,437	37,087	11,131	25,775	147,430
	Interest Rate	7.03	7.72	8.10	7.15	7.31
1999	Amount	67,983	41,112	8,824	19,818	137,738
	Interest Rate	6.40	6.86	7.59	6.51	6.63
2000						
Mar.	Amount	68,399	45,874	8,578	19,639	142,491
	Interest Rate	6.40	6.80	7.58	6.53	6.62
June	Amount	68,215	49,517	8,402	19,759	145,893
	Interest Rate	6.41	6.73	7.51	6.51	6.59
Sept.	Amount	68,447	56,062	8,418	18,349	151,302
	Interest Rate	6.40	6.65	7.61	6.58	6.58
Dec.	Amount	68,040	57,032	1,660	2,607	129,366
	Interest Rate	6.40	6.52	8.37	7.33	6.50

[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

	1995	1996	1997	1998	1999	2000	2001 Mar.	2001 Jun.	2001 Sept.
INTEREST RATES [1]									
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 [2]	-	-	-	5.45	4.75	4.75	4.75	4.75	4.50
Repurchase Agreements									
Term Deposit Rate [3]	4.94	5.01	5.22	5.43	4.70	4.72	4.73	4.73	4.74
Repo Rate [3]	5.50	5.40	5.50	5.50	4.80	4.80	4.80	4.80	4.55
Standby (Collateralised) Loan Facility [4]	6.00	6.00	6.00	6.00	5.30	5.30	5.30	5.30	5.05
Overnight Deposit Facility [5]	2.50	-	-	-	1.80	1.80	1.80	1.80	1.55
Reserve Requirements Remuneration	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Interbank Market Offered Rates									
1 week	-	-	5.26	5.56	4.74	4.78	4.77	4.76	4.50
1 month	-	-	5.38	5.70	4.75	4.90	4.90	4.90	4.90
3 month	-	-	5.51	5.95	5.27	5.27	5.27	5.27	5.27
Deposit Money Banks [6]									
Weighted Average Deposit Rate	4.00	4.24	4.39	4.42	4.32	4.17	4.20	4.18	4.12
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 [7]									
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 [8]									
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	5.99	6.09	6.07	6.21
15 year		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

[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 [1]

Lm thousands

Period	Central Bank of Malta						Government & Parastatal Companies[4] (B)	Total (A+B)
	Foreign Assets				Foreign Liabilities	Net (A)		
	Gold [2]	Convertible Currencies	IMF-Related Assets [3]	Total Foreign Assets				
1990	12,979	380,527	33,618	427,124	-	427,124	17,639	444,763
1991	6,437	366,822	37,175	410,434	-	410,434	16,451	426,885
1992	9,101	435,857	30,061	475,019	-	475,019	17,211	492,230
1993	10,216	490,358	32,827	533,401	-	533,401	16,094	549,495
1994	7,314	577,501	32,829	617,644	-	617,644	72,790	690,434
1995	3,596	471,090	34,007	508,693	-	508,693	72,007	580,700
1996	3,646	468,523	36,408	508,577	-	508,577	45,542	554,119
1997	1,311	501,379	38,912	541,602	-	541,602	20,066	561,668
1998	688	598,874	40,429	639,991	-	639,991	-	639,991
1999	737	704,084	35,517	740,339	-	740,339	-	740,339
2000								
Jan.	747	696,405	35,457	732,609	-	732,609	-	732,609
Feb.	703	679,432	35,698	715,834	-	715,834	-	715,834
Mar.	743	672,042	36,168	708,953	-	708,953	-	708,953
Apr.	758	662,546	36,494	699,798	-	699,798	-	699,798
May	714	674,318	36,745	711,777	-	711,777	-	711,777
June	746	666,099	36,569	703,415	-	703,415	-	703,415
July	632	648,348	36,699	685,679	-	685,679	-	685,679
Aug.	742	648,045	37,647	686,433	-	686,433	-	686,433
Sept.	739	659,141	37,664	697,544	-	697,544	-	697,544
Oct.	713	651,121	38,041	689,875	-	689,875	-	689,875
Nov.	735	626,410	38,060	665,206	-	665,206	-	665,206
Dec.	452	606,771	36,940	644,163	-	644,163	-	644,163
2001								
Jan.	406	593,415	36,978	630,799	2,548	628,251	-	628,251
Feb.	525	588,841	37,352	626,717	4,274	622,443	-	622,443
Mar.	524	593,656	37,445	631,625	3,041	628,584	-	628,584
Apr.	435	602,438	37,426	640,300	2,803	637,496	-	637,496
May	533	614,350	38,340	653,223	1,486	651,737	-	651,737
June	489	609,264	38,100	647,853	2,863	644,990	-	644,990
July	531	637,088	37,808	675,427	1,100	674,327	-	674,327
Aug.	534	649,545	37,837	687,916	1,932	685,984	-	685,984
Sept.	566	654,187	37,812	692,564	3,698	688,866	-	688,866

[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)

Lm thousands

Period	Deposit Money Banks [2]			Total (A+B+C)	International Banking Institutions [2]			Grand Total (A+B+C+D)
	Assets	Liabilities	Net (C)		Assets	Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	566,204	341,373	224,831	805,531	236,148	218,872	17,276	822,807
1996	596,128	410,163	185,965	740,084	458,642	436,276	22,366	762,450
1997	544,672	413,917	130,755	692,423	815,080	763,075	52,005	744,428
1998	607,354	518,557	88,797	728,788	1,627,452	1,477,802	149,650	878,438
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000								
Jan.	673,434	630,662	42,772	775,381	2,143,001	1,973,629	169,372	944,753
Feb.	674,284	628,862	45,422	761,256	2,125,051	1,958,780	166,272	927,528
Mar.	705,890	650,652	55,238	764,191	2,114,831	1,963,086	151,745	915,936
Apr.	734,980	658,983	75,997	775,795	2,131,177	1,973,076	158,101	933,896
May	755,206	679,881	75,325	787,102	2,285,555	2,120,940	164,616	951,718
June	770,752	685,560	85,192	788,607	2,194,085	1,995,742	198,343	986,949
July	780,245	689,320	90,925	776,604	2,344,276	2,147,232	197,044	973,648
Aug.	782,679	678,107	104,572	791,005	2,607,158	2,408,191	198,966	989,972
Sept.	774,621	687,307	87,314	784,858	2,653,799	2,461,454	192,345	977,203
Oct.	821,380	713,366	108,014	797,889	2,699,252	2,512,889	186,363	984,252
Nov.	825,322	709,623	115,699	780,905	2,818,580	2,612,778	205,801	986,706
Dec.	816,746	690,013	126,733	770,896	3,055,387	2,851,857	203,530	974,426
2001								
Jan.	818,334	692,050	126,284	754,535	2,035,209	1,834,656	200,553	955,088
Feb.	830,697	695,791	134,906	757,349	1,980,240	1,857,803	122,437	879,786
Mar.	838,703	716,688	122,015	750,599	2,191,565	2,077,287	114,278	864,877
Apr.	855,136	707,105	148,031	785,527	1,903,618	1,776,615	127,003	912,531
May	852,812	700,611	152,202	803,938	2,035,045	1,839,842	195,203	999,142
June	833,667	693,126	140,541	785,531	1,910,590	1,710,936	199,654	985,186
July	810,241	692,997	117,244	791,571	1,757,221	1,555,150	202,072	993,643
Aug.	823,922	700,494	123,428	809,413	1,713,820	1,500,158	213,663	1,023,075
Sept.	822,067	715,148	106,919	795,785	1,757,645	1,551,116	206,529	1,002,314

[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

Lm thousands

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary[1]	Grants	Total	Ordinary[1]	Capital[2]	Total		Local Loans	Foreign Loans	Total	
1990	329,890	7,678	337,567	273,415	108,276	381,690	-44,123	34,200	13,841	48,041	3,918
1991	355,932	16,374	372,306	301,909	115,493	417,403	-45,097	30,375	9,110	39,485	-5,612
1992	341,766	16,392	358,158	330,014	58,017	388,032	-29,874	36,000	878	36,878	7,004
1993	388,179	8,428	396,607	368,624	59,673	428,297	-31,690	28,800	2,902	31,702	12
1994	416,068	12,853	428,921	410,365	62,340	472,705	-43,784	28,700	11,305	40,005	-3,779
1995	482,834	4,517	487,351	452,478	70,344	522,823	-35,472	32,500	655	33,155	-2,317
1996	447,470	20,805	468,275	505,195	73,527	578,722	-110,447	70,178	3,044	73,222	-37,225
1997[3]	504,415	9,809	514,224	538,276	103,392	641,668	-127,444	167,463	3,095	170,558	43,114
1998	539,070	10,043	549,113	569,150	96,846	665,997	-116,884	110,000	-	110,000	-6,884
1999	628,168	9,684	637,852	584,834	106,129	690,965	-53,113	54,530	-	54,530	1,417
2000	632,754	9,549	642,303	617,677	98,552	716,232	-73,929	-	-	-	-73,929
2000											
Jan.	29,283	-	29,283	42,101	6,247	48,348	-19,065	-	-	-	-19,065
Feb.	44,871	12	44,883	55,727	4,486	60,213	-15,330	-	-	-	-15,330
Mar.	54,337	-	54,337	65,515	5,683	71,199	-16,862	-	-	-	-16,862
Apr.	50,467	902	51,369	42,237	8,703	50,940	429	-	-	-	429
May	65,978	5,087	71,065	47,142	5,327	52,469	18,596	-	-	-	18,596
June	61,420	-	61,420	42,660	7,892	50,553	10,867	-	-	-	10,867
July	46,437	-	46,437	67,839	7,181	75,020	-28,583	-	-	-	-28,583
Aug.	49,063	-	49,063	43,745	5,208	48,953	110	-	-	-	110
Sept.	51,589	-	51,589	45,345	7,528	52,873	-1,284	-	-	-	-1,284
Oct.	51,665	-	51,665	49,566	9,468	59,034	-7,369	-	-	-	-7,369
Nov.	44,834	660	45,494	51,744	8,991	60,735	-15,241	-	-	-	-15,241
Dec	82,810	2,888	85,698	64,056	21,838	85,895	-197	-	-	-	-197
2001											
Jan.	40,114	-	40,114	56,414	7,010	63,423	-23,309	-	-	-	-23,309
Feb.	60,572	28	60,600	45,948	4,175	50,123	10,477	-	-	-	10,477
Mar.	44,769	-	44,769	53,047	10,475	63,522	-18,753	30,000	-	30,000	11,247
Apr.	63,608	16	63,624	59,471	9,788	69,259	-5,635	-	-	-	-5,635
May	49,160	4	49,164	55,172	11,402	66,574	-17,410	-	-	-	-17,410
June	49,855	31	49,886	52,128	3,668	55,796	-5,910	27,488	-	27,488	21,578
July	51,745	354	52,099	59,443	6,775	66,218	-14,119	21,571	-	21,571	7,452
Aug.	56,395	9	56,404	50,205	8,947	59,152	-2,748	-	-	-	-2,748
Sept.	50,217	14	50,231	53,496	6,979	60,475	-10,244	-	-	-	-10,244

[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

Lm thousands

Period	Tax Revenue						Non-Tax Revenue[3]	Ordinary Revenue[4]	Foreign Grants	Total Revenue
	Income Tax	National Insurance[1] Contributions	VAT & CET	Licences, Taxes & Fines[2]	Customs & Excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
2000	149,511	162,017	104,065	70,449	55,141	541,182	91,572	632,754	9,549	642,303
2000										
Jan.	8,197	4,722	8,348	4,858	1,686	27,810	1,473	29,283	-	29,283
Feb.	7,303	13,587	8,301	5,406	5,827	40,424	4,447	44,871	12	44,883
Mar.	8,745	13,909	8,358	6,021	4,881	41,914	12,423	54,337	-	54,337
Apr.	15,037	12,180	8,355	7,200	5,302	48,074	2,393	50,467	902	51,369
May	14,003	13,573	8,361	5,191	4,694	45,822	20,156	65,978	5,087	71,065
June	11,164	13,053	8,358	6,050	4,912	43,537	17,883	61,420	-	61,420
July	11,485	12,588	9,142	5,845	4,817	43,877	2,560	46,437	-	46,437
Aug.	13,618	14,591	9,229	4,800	4,858	47,096	1,967	49,063	-	49,063
Sept.	14,911	13,813	9,087	5,888	4,738	48,437	3,152	51,589	-	51,589
Oct.	15,042	12,993	9,395	6,118	4,671	48,219	3,446	51,665	-	51,665
Nov.	8,031	12,455	9,007	6,907	5,184	41,584	3,250	44,834	660	45,494
Dec.	21,975	24,553	8,124	6,165	3,571	64,388	18,422	82,810	2,888	85,698
2001										
Jan.	9,263	8,423	9,676	4,433	5,169	36,964	3,150	40,114	-	40,114
Feb.	7,083	12,057	9,651	4,163	3,247	36,201	24,371	60,572	28	60,600
Mar.	8,486	12,547	9,273	7,547	3,926	41,779	2,990	44,769	-	44,769
Apr.	19,984	15,645	9,018	5,415	4,614	54,676	8,932	63,608	16	63,624
May	10,753	15,966	9,384	5,762	3,958	45,823	3,337	49,160	4	49,164
June	12,650	12,117	8,759	5,075	4,314	42,915	6,940	49,855	31	49,886
July	13,083	13,583	9,450	8,149	4,113	48,378	3,367	51,745	354	52,099
Aug.	17,442	15,930	9,536	6,368	4,793	54,069	2,326	56,395	9	56,404
Sept.	14,703	14,285	8,569	5,213	4,803	47,573	2,644	50,217	14	50,231

[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.

Source: The Treasury.

TABLE 2.3 GOVERNMENT CAPITAL EXPENDITURE BY TYPE OF INVESTMENT[1]

Lm thousands

Period	Productive	Infrastructure	Social	Total
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997[2]	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
2000				
Jan.	4,671	768	808	6,247
Feb.	1,927	963	1,596	4,486
Mar.	1,640	2,196	1,847	5,683
Apr.	4,144	1,582	2,977	8,703
May	2,098	1,957	1,272	5,327
June	2,639	3,310	1,944	7,892
July	3,971	1,581	1,629	7,181
Aug.	1,549	1,770	1,888	5,208
Sept.	2,697	2,674	2,157	7,528
Oct.	2,854	3,573	3,040	9,468
Nov.	2,822	2,862	3,307	8,991
Dec	4,794	10,564	6,481	21,838
2001				
Jan.	3,946	818	2,246	7,010
Feb.	2,303	1,528	344	4,175
Mar.	3,984	2,521	3,970	10,475
Apr.	3,383	3,078	3,327	9,788
May	2,998	6,637	1,767	11,402
June	2,856	2,597	-1,785	3,668
July	4,571	1,630	573	6,775
Aug.	2,198	1,600	5,149	8,947
Sept.	1,905	3,065	2,010	6,979

[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

Lm thousands

End of Period	Domestic Debt			Foreign Loans	Total Government Debt	Government Guaranteed Debt [2]
	Treasury Bills	Malta Government Stocks [1]	Total			
1995	71,406	285,951	357,357	53,433	410,790	414,488
1996	108,935	356,119	465,054	51,789	516,843	489,663
1997	89,980	523,369	613,349	50,449	663,798	490,973
1998	83,713	633,369	717,082	46,513	763,595	491,768
1999						
Mar.	111,078	633,369	744,447	46,513	790,960	499,401
June	126,425	633,369	759,794	45,498	805,292	488,673
Sept.	102,254	712,184	814,438	43,965	858,403	486,408
Dec.	83,320	712,184	795,504	44,349	839,853	483,112
2000						
Mar.	114,263	712,184	826,447	44,006	870,453	490,091
June	125,540	712,729	838,269	42,514	880,783	481,197
Sept.	144,976	712,729	857,705	42,533	900,238	479,921
Dec.	172,987	712,729	885,716	39,250	924,966	469,678
2001						
Mar.	177,836	742,729	920,565	38,868	959,433	471,592
June	167,054	770,029	937,083	37,080	974,163	434,717
Sept.	175,295	791,654	966,949	36,226	1,003,175	421,433

[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]

Lm thousands

End of Period	Amount Maturing During Period	Amount Issued and Taken up by			Amount Outstanding[4] and held by		
		Banking System[2]	Non-Bank[3] Public	Total	Banking System[2]	Non-Bank[3] Public	Total
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2000							
Jan.	27,829	22,000	9,335	31,335	80,780	6,046	86,826
Feb.	9,072	16,939	9,602	26,541	91,941	12,354	104,295
Mar.	5,039	11,707	3,300	15,007	102,020	12,243	114,263
Apr.	13,214	23,900	14,419	38,319	117,084	22,284	139,368
May	52,691	22,800	1,838	24,638	97,270	14,045	111,315
June	15,007	21,497	7,735	29,232	106,844	18,696	125,540
July	42,423	11,000	47,841	58,841	85,104	56,854	141,958
Aug.	29,668	34,000	3,418	37,418	98,731	50,977	149,708
Sept.	32,732	22,168	5,832	28,000	107,802	37,174	144,976
Oct.	42,426	29,500	10,433	39,933	119,822	22,661	142,483
Nov.	30,918	26,000	12,351	38,351	116,952	32,964	149,916
Dec.	40,850	35,100	28,821	63,921	123,599	49,388	172,987
2001							
Jan.	39,096	28,601	12,513	41,114	125,245	49,759	175,004
Feb.	16,770	18,500	2,580	21,080	144,047	35,267	179,314
Mar.	44,277	17,000	25,799	42,799	137,821	40,015	177,836
Apr.	49,469	14,000	16,378	30,378	119,826	38,919	158,745
May	31,811	9,000	18,589	27,589	127,242	27,281	154,523
June	46,822	26,150	33,203	59,353	126,667	40,387	167,054
July	22,825	35,669	8,837	44,506	147,420	41,315	188,735
Aug.	35,085	21,500	4,179	25,679	141,811	37,518	179,329
Sept.	48,386	27,115	17,110	44,225	146,998	28,297	175,295

[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.

TABLE 3.3 MALTA GOVERNMENT STOCKS
(Outstanding as at end-September 2001)

Lm thousands

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Interest Dates	Held By		Amount
					Banking System	Non-Bank Public	
6.15 % MGS	2001 (V)	1998	100	19-May - 19 Nov.	21,610	990	22,600
6.50 % MGS	2001 (II)	1994	100	19-May - 19 Nov.	7,037	2,963	10,000
7.75 % MGS	2002	1992	100	3 Apr. - 3 Oct.	4,678	15,522	20,200
6.90 % MGS	2002 (II)	1995	100	10 Jun. - 10 Dec.	5,027	4,973	10,000
6.90 % MGS	2002 (III)	1995	100	30 Mar. - 30 Sept.	8,043	4,457	12,500
6.90 % MGS	2002 (IV)	1997	100	30 Mar. - 30 Sept.	20,180	3,570	23,750
7.00 % MGS	2003 [2]	1993	100	18 Feb. - 18 Aug.	12,097	15,970	28,067
7.00 % MGS	2003 (II)	1993	100	3 Jul. - 3 Jan.	9,142	11,691	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	9,635	9,065	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 Jul.	22,584	3,267	25,852
7.25 % MGS	2005	1997	100	10 Jun. - 10 Dec.	17,836	5,664	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	24,238	7,262	31,500
7.00 % MGS	2006 [2]	1994	100	19 May - 19 Nov.	1,418	8,582	10,000
7.00 % MGS	2006 (IV)	1996	100	20 Jan. - 20 Jul.	-	167	167
7.25 % MGS	2006 (II)	1995	100	28 Apr. - 01 Aug.	5,887	13,363	19,250
7.25 % MGS	2006 (III) [1]	1996	100	20 Jan. - 20 Jul.	7,250	7,750	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,383	8,368	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,887	1,113	9,999
5.60 % MGS	2007 (III)	2000	100	10 Jun. - 10 Dec.	7,151	2,849	10,000
7.20 % MGS	2008	1998	100	28 Feb. - 15 Jul.	6,720	3,281	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	19,203	10,797	30,000
7.00 % MGS	2009 [2]	1999	100	1 Mar. - 1 Sept.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,515	10,485	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	13,563	3,937	17,500
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	14,275	725	15,000
5.75 % MGS	2010 (II)	2000	100	10 Jun. - 10 Dec.	16,528	1,972	18,500
7.00 % MGS	2010 (III) [2]	2000	100	30 Jun. - 30 Dec.	-	545	545
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,509	7,491	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	19,869	20,131	40,000
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	14,566	19,934	34,500
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	12,061	22,189	34,250
6.60 % MGS	2014	2000	100	30 Mar. - 30 Sept.	724	9,776	10,500
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,523	22,477	30,000
6.10 % MGS	2015	2000	100	10 Jun. - 10 Dec.	7,275	22,726	30,000
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	2,948	27,001	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 Jul.	27,485	42,515	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	12,108	31,892	44,000
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 [1]

Lm thousands

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

[1] Refers to the maximum redemption period.

TABLE 3.5 GOVERNMENT EXTERNAL LOANS BY TYPE OF CREDITOR

Lm thousands

Period	Official Bilateral Entities [1]	Official Multilateral Organisations [2]	Private Commercial Banks [3]	Total
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001 [4]				
Mar.	22,690	13,657	2,521	38,868
June	21,729	13,310	2,041	37,080
Sept.	20,965	13,208	2,053	36,226

[1] Bilateral loans are loans from governments and their agencies (including central banks), and loans from autonom

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

[3] Commercial bank loans from private banks or financial institutions.

[4] Provisional.

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

TABLE 3.6 GOVERNMENT EXTERNAL LOANS BY CURRENCY

Lm thousands

Period	FFr	Stg	DM	Yen	Euro	US$	Lit	Others	Total
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001 [1]									
Mar.	-	-	1,638	2,521	8,278	6,918	18,379	1,134	38,868
June	-	-	1,460	2,041	7,860	15,727	8,837	1,155	37,080
Sept.	-	-	1,492	2,053	7,971	14,999	8,978	733	36,226

[1] Provisional.

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

TABLE 3.7 GOVERNMENT EXTERNAL LOANS BY REMAINING TERM TO MATURITY

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	-	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001 [1]							
Mar.	968	9,165	12,969	13,249	1,272	1,245	38,868
June	981	8,291	12,619	12,717	1,228	1,244	37,080
Sept.	575	8,255	12,063	12,847	1,255	1,231	36,226

[1] Provisional.

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

TABLE 4.1 MALTESE LIRA EXCHANGE RATES AGAINST MAJOR CURRENCIES[1]

End of Period Rates

End of Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.734	5.001	3.325	2.435	3769.61	17.007	5.636	103.271	451.190	4.261
1991	1.746	4.961	3.272	2.445	3759.17	16.952	5.590	102.181	408.460	4.437
1992	1.765	4.319	2.673	2.214	3940.60	14.731	4.851	88.663	332.990	3.907
1993	1.711	4.391	2.531	2.268	4326.57	14.917	4.912	91.327	283.320	3.748
1994	1.738	4.209	2.717	2.208	4410.43	14.511	4.714	86.484	270.860	3.562
1995	1.832	4.065	2.838	2.159	4496.45	13.898	4.552	83.513	292.690	3.266
1996	1.638	4.315	2.781	2.217	4244.37	14.542	4.843	88.873	323.120	3.747
1997	1.541	4.568	2.550	2.310	4485.89	15.284	5.146	94.213	331.790	3.712
1998	1.594	4.429	2.650	2.264	4382.63	14.870	4.990	91.360	300.710	3.645
1999	1.498	4.716	2.423	2.411	4669.13	15.818	5.314	97.276	247.640	3.870
2000	1.531	4.803	2.284	2.456	4755.26	16.110	5.412	99.070	262.250	3.738
2001										
Apr. 6	1.552	4.835	2.227	2.472	4786.93	16.217	5.448	99.730	276.559	3.781
13	1.539	4.873	2.209	2.491	4824.26	16.343	5.491	100.508	272.878	3.785
20	1.545	4.847	2.224	2.478	4798.90	16.257	5.462	99.980	272.356	3.790
27	1.548	4.839	2.228	2.474	4790.42	16.229	5.452	99.803	276.610	3.803
May 4	1.544	4.845	2.227	2.477	4796.51	16.249	5.459	99.930	268.951	3.825
11	1.544	4.888	2.189	2.499	4839.31	16.394	5.508	100.821	267.652	3.836
18	1.535	4.895	2.195	2.503	4845.89	16.417	5.515	100.958	270.997	3.839
25	1.525	4.943	2.166	2.527	4893.40	16.578	5.569	101.948	260.561	3.859
June 1	1.521	4.969	2.148	2.541	4919.49	16.666	5.599	102.492	255.280	3.862
8	1.548	4.941	2.140	2.526	4891.43	16.571	5.567	101.907	258.147	3.849
15	1.544	4.908	2.173	2.509	4858.76	16.460	5.530	101.226	263.213	3.829
22	1.529	4.946	2.158	2.529	4896.60	16.588	5.573	102.015	268.286	3.842
29	1.528	4.954	2.152	2.533	4904.19	16.614	5.582	102.173	268.589	3.851
July 6	1.525	4.963	2.137	2.545	4928.42	16.696	5.609	102.678	268.568	3.865
13	1.538	4.935	2.157	2.523	4886.03	16.553	5.561	101.795	268.562	3.818
20	1.532	4.898	2.195	2.504	4848.72	16.426	5.518	101.017	270.852	3.774
27	1.538	4.887	2.197	2.498	4837.63	16.389	5.506	100.786	271.953	3.767
Aug. 3	1.538	4.884	2.199	2.497	4835.53	16.382	5.503	100.743	272.421	3.765
10	1.554	4.846	2.215	2.478	4797.03	16.251	5.460	99.941	270.821	3.743
17	1.557	4.806	2.248	2.457	4757.64	16.118	5.415	99.120	270.792	3.733
24	1.556	4.814	2.242	2.461	4765.32	16.144	5.424	99.280	269.673	3.740
31	1.545	4.813	2.257	2.461	4764.42	16.141	5.423	99.261	267.611	3.732
Sept. 7	1.532	4.863	2.227	2.486	4813.92	16.308	5.479	100.292	269.934	3.758
14	1.536	4.813	2.268	2.461	4764.92	16.142	5.423	99.272	266.401	3.619
21	1.550	4.790	2.272	2.449	4742.49	16.066	5.398	98.804	264.221	3.606
28	1.537	4.826	2.255	2.467	4777.44	16.185	5.437	99.532	269.237	3.642

[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 4.2 MALTESE LIRA EXCHANGE RATES AGAINST MAJOR CURRENCIES[1]

Averages for the Period

Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	2.4741	4790.43	16.229	5.452	99.803	246.27	3.853
2000										
Jan.	1.4895	4.7109	2.4438	2.4087	4663.81	15.800	5.308	97.165	257.19	3.879
Feb.	1.4929	4.7533	2.3903	2.4303	4705.81	15.942	5.356	98.040	261.57	3.906
Mar.	1.4943	4.7799	2.3594	2.4439	4732.09	16.031	5.386	98.588	251.49	3.922
Apr.	1.4767	4.8261	2.3384	2.4675	4777.80	16.186	5.438	99.540	246.59	3.883
May	1.4990	4.8749	2.2595	2.4925	4826.16	16.350	5.493	100.547	244.47	3.880
June	1.5348	4.7677	2.3145	2.4377	4719.99	15.990	5.372	98.335	245.79	3.805
July	1.5265	4.7904	2.3029	2.4493	4742.45	16.066	5.397	98.803	248.52	3.798
Aug.	1.5120	4.8645	2.2510	2.4872	4815.81	16.315	5.481	100.332	243.14	3.857
Sept.	1.5265	4.9110	2.1911	2.5110	4861.92	16.471	5.533	101.292	234.13	3.844
Oct.	1.4979	4.9725	2.1750	2.5424	4922.75	16.677	5.603	102.560	235.85	3.847
Nov.	1.5191	4.9505	2.1665	2.5311	4900.96	16.603	5.578	102.106	235.90	3.851
Dec.	1.5262	4.8642	2.2332	2.4870	4815.55	16.314	5.481	100.326	250.57	3.764
2001										
Jan.	1.5494	4.7729	2.2897	2.4403	4725.15	16.008	5.378	98.443	267.58	3.732
Feb.	1.5547	4.7961	2.2602	2.4522	4748.13	16.085	5.404	98.922	262.59	3.766
Mar.	1.5510	4.8190	2.2435	2.4639	4770.82	16.162	5.430	99.394	271.99	3.784
Apr.	1.5446	4.8563	2.2166	2.4830	4807.76	16.287	5.472	100.164	274.45	3.769
May	1.5355	4.8990	2.1904	2.5048	4849.97	16.430	5.520	101.043	266.69	3.841
June	1.5373	4.9372	2.1557	2.5244	4887.86	16.559	5.563	101.833	263.57	3.844
July	1.5332	4.9283	2.1680	2.5198	4879.02	16.529	5.553	101.649	270.06	3.814
Aug.	1.5500	4.8372	2.2276	2.4732	4788.80	16.223	5.450	99.769	270.54	3.746
Sept.	1.5376	4.8306	2.2493	2.4699	4782.31	16.201	5.443	99.634	267.39	3.690

[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

Lm thousands

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,650	-362,710
1996	569,900	54,250	624,150	1,007,800	-383,650
1997	563,950	64,980	628,930	984,230	-355,300
1998	664,816	47,169	711,985	1,034,920	-322,935
1999	712,436	78,700	791,136	1,136,233	-345,097
2000	976,300	98,320	1,074,620	1,492,835	-418,215
2000					
Jan.	65,101	8,189	73,290	97,234	-23,944
Feb.	73,737	6,441	80,178	109,873	-29,695
Mar.	77,789	7,560	85,349	117,792	-32,443
Apr.	75,781	8,302	84,083	121,585	-37,502
May	82,989	9,681	92,670	129,519	-36,849
June	80,300	8,790	89,090	134,735	-45,645
July	79,330	8,549	87,879	127,747	-39,868
Aug.	73,144	8,468	81,612	119,349	-37,737
Sept.	94,902	7,746	102,648	121,346	-18,698
Oct.	91,680	7,290	98,970	156,590	-57,620
Nov.	96,050	10,020	106,070	138,922	-32,852
Dec.	85,500	7,280	92,780	118,143	-25,363
2001 [1]					
Jan.	74,794	5,700	80,494	109,970	-29,476
Feb.	68,007	5,815	73,822	102,558	-28,736
Mar.	80,807	6,858	87,665	120,186	-32,521
Apr.	62,513	7,249	69,762	98,656	-28,894
May	69,500	7,122	76,622	107,046	-30,424
June	71,446	8,890	80,336	103,862	-23,526
July	56,057	11,499	67,556	106,487	-38,931
Aug.	54,873	9,791	64,664	90,770	-26,106
Sept.	62,809	7,765	70,574	83,914	-13,340

[1] Provisional.

Source: National Statistics Office.

TABLE 4.4 DIRECTION OF TRADE - TOTAL EXPORTS

Lm thousands

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,946
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,913
1998	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,141
2000	78,681	36,349	103,087	86,170	54,977	15,443	293,857	406,096	1,074,620
2000									
Jan.	7,118	2,400	7,210	9,275	4,267	459	18,626	23,935	73,290
Feb.	6,416	3,528	9,783	7,754	4,806	2,698	19,611	25,582	80,178
Mar.	6,836	3,564	9,354	4,740	4,021	1,207	20,129	35,498	85,349
Apr.	6,659	3,252	9,179	5,570	5,163	814	22,233	31,213	84,083
May	5,800	3,209	9,508	7,463	4,299	765	26,284	35,342	92,670
June	4,836	3,653	8,625	9,004	3,884	643	28,240	30,205	89,090
July	6,603	2,700	8,790	5,282	4,296	927	25,184	34,097	87,879
Aug.	5,182	2,207	7,507	5,060	2,279	1,611	23,380	34,386	81,612
Sept.	6,511	3,388	7,979	8,439	4,544	2,632	28,832	40,323	102,648
Oct.	6,422	3,466	7,114	7,446	5,103	825	28,274	40,320	98,970
Nov.	10,161	2,770	10,726	7,481	6,611	2,070	26,488	39,763	106,070
Dec.	6,137	2,212	7,312	8,656	5,704	792	26,533	35,434	92,780
2001 [1]									
Jan.	4,761	2,246	8,804	7,574	4,526	427	21,783	30,373	80,494
Feb.	6,090	2,738	9,538	7,217	5,828	1,506	12,631	28,274	73,822
Mar.	8,048	2,459	10,232	9,326	5,751	950	19,250	31,649	87,665
Apr.	7,272	2,871	10,936	6,728	5,339	2,602	12,850	21,163	69,761
May	6,241	2,834	11,815	9,437	5,867	1,343	15,573	23,511	76,622
June	6,037	3,103	10,242	8,787	5,518	1,637	18,492	26,520	80,336
July	5,227	2,508	12,875	6,708	4,480	1,476	11,635	22,647	67,556
Aug.	6,135	1,727	9,710	4,613	4,853	2,601	10,636	24,389	64,664
Sept.	5,817	2,236	8,281	8,249	3,396	775	15,259	26,561	70,574

[1] Provisional.

Source: National Statistics Office.

TABLE 4.5 DIRECTION OF TRADE - IMPORTS

Lm thousands

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,234
2000	120,362	242,705	29,636	287,218	121,988	91,683	159,192	440,047	1,492,835
2000									
Jan.	7,813	17,390	1,758	16,116	7,916	5,588	8,188	32,465	97,234
Feb.	9,714	21,702	2,036	20,274	10,083	6,727	10,514	28,823	109,873
Mar.	10,987	21,919	2,456	21,671	10,544	7,404	11,065	31,745	117,791
Apr.	10,984	19,952	2,067	17,340	9,876	6,576	11,951	42,839	121,585
May	10,266	20,364	2,315	26,984	9,541	8,766	11,875	39,407	129,518
June	8,992	20,170	3,628	21,216	10,833	6,971	17,622	45,304	134,736
July	11,235	23,759	2,525	21,246	11,311	9,753	13,915	34,003	127,747
Aug.	8,746	16,712	2,644	25,498	9,265	7,430	12,361	36,693	119,349
Sept.	9,415	21,243	2,033	21,775	10,526	6,136	12,344	37,874	121,346
Oct.	11,759	20,330	2,958	33,626	12,054	9,757	17,812	48,291	156,587
Nov.	10,163	21,199	3,229	36,382	10,436	8,405	16,264	32,844	138,922
Dec.	10,288	17,965	1,987	25,090	9,603	8,170	15,281	29,759	118,143
2001 [1]									
Jan.	9,111	19,816	2,509	23,639	8,596	6,810	12,285	27,204	109,970
Feb.	8,762	25,696	2,384	15,263	9,167	7,093	9,276	24,917	102,558
Mar.	11,038	22,648	2,022	16,487	9,950	9,043	13,411	35,587	120,186
Apr.	9,771	20,215	2,209	14,053	8,600	6,880	10,865	26,063	98,656
May	11,084	22,631	2,472	12,928	9,759	8,449	13,307	26,416	107,046
June	9,723	21,621	2,030	13,866	9,086	7,814	12,282	27,440	103,862
July	10,999	20,917	2,404	14,895	10,077	9,703	12,250	25,242	106,487
Aug.	9,267	15,826	2,731	11,995	7,301	8,203	9,510	25,937	90,770
Sept.	9,433	17,274	2,103	15,340	7,278	6,612	8,628	17,246	83,914

[1] Provisional.

Source: National Statistics Office.

TABLE 4.6 DOMESTIC EXPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufac-tured Goods	Machinery and Transport Equipment	Manufac-tured Articles	Miscel-laneous	Total
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,723
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,932
1998	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,441
2000	17,210	3,538	2,123	-	-	12,975	54,107	736,639	149,600	147	976,342
2000											
Jan.	385	15	344	-	-	810	3,659	51,342	8,465	80	65,101
Feb.	965	97	357	-	-	941	5,317	53,454	12,600	6	73,737
Mar.	748	253	151	-	-	1,086	4,917	56,958	13,668	8	77,789
Apr.	1,604	302	71	-	-	863	4,362	56,549	12,029	1	75,781
May	1,970	459	186	-	-	706	4,628	62,897	12,126	16	82,989
June	1,368	402	189	-	-	1,094	4,873	61,272	11,095	7	80,300
July	1,565	283	162	-	-	1,161	4,652	56,966	14,541	-	79,330
Aug.	2,221	326	84	-	-	953	3,917	55,211	10,423	10	73,144
Sept.	2,426	228	123	-	-	1,470	4,289	72,514	13,851	-	94,901
Oct.	1,072	303	169	-	-	1,079	3,855	72,447	12,750	-	91,677
Nov.	1,867	586	208	-	-	1,540	6,226	69,151	16,470	-	96,047
Dec.	1,019	284	79	-	-	1,272	3,412	67,878	11,582	19	85,545
2001 [1]											
Jan.	1,742	291	111	-	-	1,668	4,112	55,175	11,686	9	74,794
Feb.	693	348	186	-	-	1,261	3,732	48,627	13,142	18	68,007
Mar.	610	505	116	-	-	1,439	4,948	59,804	13,346	39	80,807
Apr.	1,185	614	171	-	-	1,150	4,853	40,725	13,814	2	62,513
May	1,410	420	103	19	-	1,241	5,677	47,920	12,671	38	69,500
June	1,677	883	209	-	-	1,216	4,594	48,865	13,982	21	71,446
July	2,509	583	82	-	-	1,134	4,424	33,724	13,585	17	56,057
Aug.	3,308	468	159	-	-	1,632	3,457	34,726	11,113	10	54,873
Sept.	1,986	539	86	-	-	1,427	3,240	44,206	11,311	13	62,809

[1] Provisional.

Source: National Statistics Office.

TABLE 4.7 IMPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufac-tured Goods	Machinery and Transport Equipment	Manufac-tured Articles	Miscel-laneous	Total
1985	45,515	9,029	6,715	42,468	2,722	25,675	99,045	85,291	32,452	5,227	354,139
1986	39,027	9,857	6,858	20,953	1,418	27,908	101,589	96,466	38,540	5,497	348,113
1987	41,781	8,667	7,515	25,065	1,533	30,817	100,904	128,181	38,306	10,107	392,876
1988	46,779	8,736	8,817	20,346	1,620	34,705	104,787	166,198	45,423	10,021	447,432
1989	53,383	7,766	7,748	32,607	1,623	36,041	114,386	208,388	47,100	6,764	515,806
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,509
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,239
2000	103,942	18,993	13,597	104,733	2,239	92,757	144,997	853,261	147,926	10,385	1,492,835
2000											
Jan.	7,997	1,087	773	8,612	124	6,736	10,290	54,792	6,385	440	97,234
Feb.	7,659	709	1,453	6,708	345	7,309	11,906	61,226	11,865	692	109,873
Mar.	8,765	1,271	1,289	7,949	136	8,136	12,586	64,400	12,453	806	117,792
Apr.	8,805	1,727	913	10,546	213	7,344	11,492	66,016	13,707	823	121,585
May	9,015	1,247	1,199	5,861	196	8,077	14,945	75,592	12,053	1,334	129,519
June	7,177	1,559	1,343	10,028	198	7,966	12,363	81,719	11,762	620	134,736
July	7,247	2,362	995	9,972	145	7,719	12,734	71,578	14,173	821	127,747
Aug.	9,246	1,867	845	6,316	165	7,374	10,237	71,689	10,657	952	119,348
Sept.	8,820	2,032	1,140	10,692	111	7,548	10,254	69,100	10,727	920	121,346
Oct.	9,438	1,826	1,277	15,606	190	8,753	13,312	87,416	17,942	828	156,586
Nov.	10,243	1,682	1,178	7,300	296	8,388	14,237	79,488	14,610	1,501	138,922
Dec.	9,530	1,624	1,192	5,143	120	7,407	10,641	70,245	11,592	648	118,143
2001 [1]											
Jan.	6,473	957	916	8,751	161	8,995	11,833	61,450	9,496	938	109,970
Feb.	6,927	1,731	1,382	13,703	153	6,692	11,530	50,666	8,920	853	102,558
Mar.	9,184	2,332	1,077	11,821	171	7,841	13,330	61,921	11,504	1,005	120,186
Apr.	7,886	1,613	1,327	5,334	195	6,990	12,153	50,851	11,583	726	98,656
May	10,023	2,482	1,326	6,095	105	7,365	14,525	52,441	11,559	1,123	107,046
June	8,207	2,768	1,137	9,967	100	6,444	13,284	51,495	9,417	1,043	103,862
July	9,912	1,759	1,157	7,790	301	8,266	13,507	52,123	10,698	974	106,487
Aug.	9,544	1,878	1,166	13,428	185	7,299	9,708	38,520	8,311	731	90,770
Sept.	10,173	1,086	949	6,759	126	6,453	10,347	37,751	9,368	900	83,914

[1] Provisional

Source: National Statistics Office.

TABLE 5.1 GROSS NATIONAL PRODUCT

By Category of Expenditure at Current Market Prices

Lm thousands

Period	Consumers' Expenditure [1]	Government Consumption Expenditure [2]	Gross Fixed Capital Formation [3]	Inventory Changes [4]	Exports of Goods & Services	Total Final Expenditure	*Less* Imports of Goods & Services	**Gross Domestic Product**	Net Investment Income from Abroad [5]	**Gross National Product**
1985	333,239	84,309	125,871	7,883	345,155	896,457	420,475	475,982	38,785	514,767
1986	343,369	89,508	122,327	8,179	370,228	933,611	421,742	511,869	28,056	539,925
1987	351,187	98,249	153,453	-2,377	429,593	1,030,105	480,934	549,171	30,661	579,832
1988	387,567	105,185	166,405	8,150	480,024	1,147,331	540,880	606,451	28,343	634,794
1989	425,515	119,613	188,437	9,903	543,463	1,286,931	616,792	670,139	35,763	705,902
1990	460,845	129,153	232,611	12,668	626,415	1,461,692	726,947	734,745	55,017	789,762
1991	494,504	147,055	239,144	15,556	701,865	1,598,124	791,249	806,875	49,663	856,538
1992	531,530	164,335	240,874	145	804,056	1,740,760	866,010	874,750	41,695	916,445
1993	561,498	188,862	276,804	3,708	896,325	1,927,197	987,163	940,034	35,481	975,515
1994	608,288	209,519	305,388	9,957	994,410	2,127,562	1,099,028	1,028,534	19,331	1,047,865
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999	915,014	272,587	339,975	9,383	1,321,307	2,858,266	1,402,167	1,456,099	12,437	1,468,536
2000 [6]	996,046	291,083	412,149	33,919	1,603,955	3,337,152	1,776,569	1,560,583	-69,132	1,491,451
2000 [6]										
Mar.	230,792	72,254	93,384	19,666	342,762	758,858	391,138	367,720	12,197	379,917
June	253,402	71,808	111,618	-1,476	402,730	838,082	452,953	385,129	-3,835	381,294
Sept.	254,985	68,731	103,550	-13,826	438,896	852,336	451,320	401,016	2,906	403,922
Dec.	256,867	78,290	103,597	29,555	419,567	887,876	481,158	406,718	-80,400	326,318
2001 [6]										
Mar.	234,016	78,472	95,609	24,041	341,396	773,534	387,571	385,963	11,004	396,967
June	264,793	80,673	90,969	-29,686	369,436	776,185	374,318	401,867	1,900	403,767
Sept.	276,723	81,107	88,180	-32,801	365,727	778,936	361,590	417,346	-2,711	414,635

[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

Period	United Kingdom	Italy	North Africa[1]	Germany	Scandinavian Countries[2]	United States	All Others	Total
1990	450,002	64,039	38,881	130,203	29,444	9,934	149,273	871,776
1991	458,523	64,008	50,094	136,452	17,891	8,809	159,259	895,036
1992	525,629	76,045	43,882	153,531	21,851	9,302	172,142	1,002,382
1993	520,778	85,671	53,465	176,077	21,276	10,314	195,632	1,063,213
1994	530,385	98,746	45,337	200,281	29,920	11,973	259,581	1,176,223
1995	461,159	97,384	43,534	187,761	32,979	10,945	282,209	1,115,971
1996	398,899	89,439	56,958	184,110	33,338	11,969	279,075	1,053,788
1997	436,899	90,190	45,702	193,020	33,576	14,924	296,850	1,111,161
1998	448,763	90,558	44,508	203,199	35,414	17,641	342,157	1,182,240
1999	422,368	92,726	52,537	212,430	46,365	18,558	369,246	1,214,230
2000	428,780	92,522	52,273	204,749	46,273	19,269	371,846	1,215,712
2000								
Jan.	14,674	2,623	3,986	10,976	1,619	994	9,845	44,717
Feb.	21,473	2,545	3,650	11,978	1,806	1,032	13,003	55,487
Mar.	28,654	4,786	4,485	19,431	2,907	1,651	20,152	82,066
Apr.	36,082	8,108	3,146	24,858	4,791	1,503	39,152	117,640
May	40,982	5,502	4,175	19,489	5,073	1,924	35,657	112,802
June	42,050	9,507	4,754	19,054	5,213	2,053	38,072	120,703
July	49,278	13,329	6,026	21,446	6,319	2,002	54,363	152,763
Aug.	52,760	22,528	6,449	18,174	4,054	1,651	49,705	155,321
Sept.	48,321	8,857	4,826	19,021	6,128	1,740	43,633	132,526
Oct.	41,848	5,322	3,747	20,234	5,106	2,075	33,415	111,747
Nov.	29,048	3,373	3,849	11,055	2,062	1,559	17,121	68,067
Dec.	23,610	6,042	3,182	9,033	1,195	1,085	17,726	61,873
2001								
Jan.	18,983	2,838	3,046	6,635	1,313	1,142	10,096	44,053
Feb.	22,328	2,845	2,371	10,823	1,942	1,270	14,313	55,892
Mar.	33,631	5,044	3,126	14,474	3,690	1,755	23,388	85,108
Apr.	34,451	8,820	2,876	17,982	5,288	2,225	36,157	107,799
May	47,562	5,198	3,007	15,438	4,770	2,576	37,096	115,647
June	43,419	8,950	3,166	13,689	5,873	2,606	42,772	120,475
July	53,234	14,424	4,316	17,598	6,695	2,111	52,132	150,510
Aug.	55,356	24,771	5,489	14,147	3,787	1,665	47,729	152,944

[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

End of Period	Labour Supply			Gainfully Occupied			Unemployment[1]					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Amount	Percent[2]	Amount	Percent[3]	Amount	Percent
1990	96,306	31,153	127,459	91,692	30,331	122,023	4,614	4.8	822	2.6	5,436	4.3
1991	97,241	32,210	129,451	92,922	31,257	124,179	4,319	4.4	953	3.0	5,272	4.1
1992	98,921	33,024	131,945	94,084	31,898	125,982	4,837	4.9	1,126	3.4	5,963	4.5
1993	99,239	33,174	132,413	93,333	32,130	125,463	5,906	6.0	1,044	3.1	6,950	5.2
1994	100,092	34,020	134,112	94,587	33,081	127,668	5,505	5.5	939	2.8	6,444	4.8
1995	102,158	35,612	137,770	97,241	34,709	131,950	4,917	4.8	903	2.5	5,820	4.2
1996	103,323	36,944	140,267	97,493	35,702	133,195	5,830	5.6	1,242	3.4	7,072	5.0
1997	103,253	37,383	140,636	96,778	36,165	132,943	6,475	6.3	1,218	3.3	7,693	5.5
1998	102,895	38,039	140,934	96,120	36,904	133,024	6,775	6.6	1,135	3.0	7,910	5.6
1999	103,173	39,134	142,307	96,083	37,918	134,001	7,090	6.9	1,216	3.1	8,306	5.8
2000	103,048	40,257	143,305	96,906	39,211	136,117	6,142	6.0	1,046	2.6	7,188	5.0
2000												
Jan.	103,588	39,538	143,126	96,280	38,239	134,519	7,308	7.1	1,299	3.3	8,607	6.0
Feb.	103,700	39,663	143,363	96,413	38,347	134,760	7,287	7.0	1,316	3.3	8,603	6.0
Mar.	103,564	39,697	143,261	96,454	38,454	134,908	7,110	6.9	1,243	3.1	8,353	5.8
Apr.	103,334	39,701	143,035	96,513	38,554	135,067	6,821	6.6	1,147	2.9	7,968	5.6
May	103,341	39,822	143,163	96,865	38,739	135,604	6,476	6.3	1,083	2.7	7,559	5.3
June	103,490	40,205	143,695	97,357	39,149	136,506	6,133	5.9	1,056	2.6	7,189	5.0
July	103,810	40,721	144,531	97,656	39,471	137,127	6,154	5.9	1,250	3.1	7,404	5.1
Aug.	103,638	40,743	144,381	97,578	39,482	137,060	6,060	5.8	1,261	3.1	7,321	5.1
Sept.	103,331	40,432	143,763	97,196	39,314	136,510	6,135	5.9	1,118	2.8	7,253	5.0
Oct.	103,199	40,542	143,741	97,118	39,462	136,580	6,081	5.9	1,080	2.7	7,161	5.0
Nov.	103,299	40,479	143,778	97,107	39,424	136,531	6,192	6.0	1,055	2.6	7,247	5.0
Dec.	103,048	40,257	143,305	96,906	39,211	136,117	6,142	6.0	1,046	2.6	7,188	5.0
2001												
Jan.	103,599	40,424	144,023	97,341	39,342	136,683	6,258	6.0	1,082	2.7	7,340	5.1
Feb.	103,739	40,487	144,226	97,485	39,409	136,894	6,254	6.0	1,078	2.7	7,332	5.1
Mar.	103,463	40,444	143,907	97,324	39,401	136,725	6,139	5.9	1,043	2.6	7,182	5.0
Apr.	103,409	40,582	143,991	97,457	39,553	137,010	5,952	5.8	1,029	2.5	6,981	4.8
May	103,337	40,582	143,919	97,499	39,639	137,138	5,838	5.6	943	2.3	6,781	4.7
June	103,179	40,730	143,909	97,581	39,799	137,380	5,598	5.4	931	2.3	6,529	4.5
July	103,267	41,189	144,456	97,670	39,945	137,615	5,597	5.4	1,244	3.0	6,841	4.7
Aug.	103,365	41,266	144,631	97,632	39,943	137,575	5,733	5.5	1,323	3.2	7,056	4.9
Sept.	103,529	41,163	144,692	97,759	39,949	137,708	5,770	5.6	1,214	2.9	6,984	4.8

[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.

TABLE 5.4 BUILDING APPLICATIONS APPROVED BY PURPOSE AND FLOOR SPACE AREA

sq. m (thousands)

	Agricultural	Manufacturing	Tourism	Offices/Retail/ Warehousing	Dwellings	Parking	Recreational/ Social	Total
1993	10,057	26,158	5,065	65,912	143,286	80,219	25,848	356,545
1994	9,444	50,168	22,606	91,499	191,340	119,938	95,217	580,212
1995	13,690	66,548	38,549	86,630	283,814	208,562	62,396	760,189
1996	25,868	37,844	11,917	134,701	201,590	109,201	144,300	665,421
1997	9,020	74,589	12,244	124,755	273,158	178,582	19,397	691,745
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	50,873
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

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

Source: Planning Authority.

TABLE 5.6 INFLATION RATES[1]

(Base 1946 = 100)

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

[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 5.7 RETAIL PRICE INDEX[1]

(Base 1995 = 100)

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

[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.

(e) **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