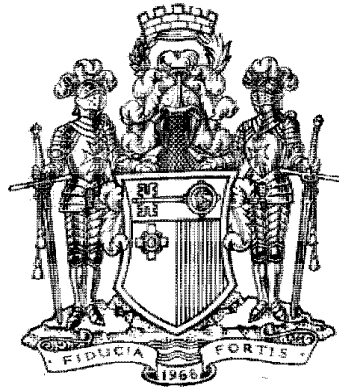


# Central Bank of Malta



## Quarterly Review

December 2000

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Note: The cut-off date for information published in the Economic Survey is December 11, 2000.  
For figures published in the Statistical Tables, the cut-off date is December 18, 2000.



# ECONOMIC SURVEY

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## 1. GENERAL OVERVIEW

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The rate of economic growth accelerated somewhat during the first nine months of 2000, in the main reflecting an improved performance by the major manufacturing exporters. The electronics sub-sector, in particular, reported a substantial increase in both output and investment. Growth in the services sector, however, and particularly in tourism, was less pronounced. Domestic demand remained generally subdued, although some signs of an incipient recovery became apparent in the construction and in the wholesale and retail sectors. Due to the less expansionary stance of fiscal policy, however, a strong recovery in domestic demand was not expected. Meanwhile, the negative supply shock associated with the increase in oil prices on international markets was absorbed by the public utilities, which sheltered the rest of the economy from an increase in resource costs.

The subdued domestic demand, lower imported inflation and an increased degree of competition in domestic markets all contributed to restrain underlying inflationary pressures. The “headline” average inflation rate, however, increased steadily during the first half of the year, peaking at 2.8%, before easing in later months. While underlying inflationary pressures currently give no cause for concern, a relatively high headline inflation rate could dent competitiveness through the wage-indexation process.

According to official labour market data, the unemployment rate stood at 4.4% in September 2000, down from over 5% towards the end of 1999. The number of new jobs reported to have been created during the first nine months of 2000 was around four times that for the whole of 1999.

Revised estimates for Government’s financial position in 2000 indicate a decline in the fiscal deficit/GDP ratio from 8.5% to 6%. Ordinary revenue rose strongly during the year, reflecting the new tax measures and improved methods of tax collection. Concurrently, growth in recurrent expenditure was more contained, while capital expenditure declined.

The deficit on the external current account widened perceptibly during the first nine months of the year, in the main reflecting the increase in oil prices as well as imports of capital goods by manufacturing exporters. Thus, the current account deficit reflected in good part an increase in productive investment rather than a drop in domestic saving. To this extent it is deemed to be reversible, as investment should increase productive export capacity while oil prices are expected to return to more normal levels in coming months.

Broad money growth slowed down considerably during the first nine months of 2000, as investor interest was increasingly attracted by non-monetary forms of financial investment. The slowdown in monetary growth also reflected a drop in net foreign assets. The Central Bank kept its intervention rate unchanged during the period as, in spite of the increase in short term interest rates abroad, long term rates in Malta became more competitive. Furthermore, the Bank considered that outflows of capital remained moderate and were due more to changes in the financial infrastructure than to interest rate differentials. Underlying inflationary pressures, moreover, remained subdued, and the widening of the current account deficit was not attributable to excessive domestic demand.

The Budget for 2001 incorporated a number of efficiency-improvement goals intended to further

reduce the fiscal deficit to around 5% of GDP, in line with Government's six-year strategy to bring the deficit down to between 3% and 4% of GDP by 2004. This is expected to be achieved in spite of the substantial increase in recurrent expenditure arising from the implementation of the current Civil Service collective agreement.

The reduction in the fiscal deficit could continue to have a dampening effect on economic growth in the short run, particularly by curbing domestic demand, but this effect is expected to be much less pronounced in 2001. In the long run, however, it is expected to promote growth by improving the allocation of resources, allowing more scope for private sector development and encouraging productive investment. A healthier budget balance would also improve Malta's credit rating and bring its economy more in line with that of its major trading partners.

Taken together, the currently available indicators point to a somewhat stronger rate of GDP growth in 2001 than in 2000. Growth in 2001 could to a larger extent be driven by domestic demand as work on major capital projects begins and

Government expenditure increases. An excessive rebounding of domestic demand is however not expected, as the fiscal stance will essentially be tighter. Export growth is expected to benefit from the investment undertaken in 2000, but could be dented by a negative performance in the tourism sector which will be affected by increased competition and a restructuring of subsidy schemes.

Inflation is expected to continue on a general downward trend, though this may be moderated by a recovery of domestic demand and a possible rise in imported inflation.

In these circumstances, the Central Bank, in implementing its monetary policy, will continue to strive to promote long-term balance in Malta's macroeconomic environment, particularly with respect to price stability and the sustainability of the balance of payments. The Bank will also continue to monitor closely, and actively participate in, the processes involved in Malta's transition towards EU membership, particularly where the further liberalisation and development of the financial sector is concerned.

## 2. THE INTERNATIONAL ENVIRONMENT

### The World Economy

During the third quarter of 2000, global economic conditions continued to improve, supported by the strength of the US economy, a robust expansion in Europe and a nascent, albeit fragile, recovery in Japan. Nevertheless, imbalances in the three main currency areas remained large while higher oil prices became an increasing concern. Against this background, the IMF was projecting world-output growth of 4.7% in 2000, up from 3.4% in 1999.

Economic indicators for the **advanced industrial countries** during the quarter pointed to a moderation in activity towards more sustainable levels in the US and a probable peak in growth in the euro zone. Although headline inflation rates

rose in response to higher energy prices, underlying inflation in most advanced economies remained subdued. Accordingly, most central banks kept official interest rates unchanged during the quarter. The IMF projected the overall GDP growth of the advanced industrial countries to rise to 4.2% in 2000 from 3.2% in 1999.

In the **developing countries**, growth was expected to accelerate to 5.6% in 2000, up from 3.8% in 1999. Southeast Asia continued to recover strongly, helped by rising domestic demand and higher exports, while Latin America was expected to post relatively strong growth, fuelled by buoyant exports and rising investment and consumer spending.

Economic activity in most of the **countries in transition** continued to improve during the quarter. The Russian economy continued to recover from the financial crisis of 1998. Moreover, it benefited from higher world-oil prices

**Table 2.1**

### INTERNATIONAL ECONOMIC INDICATORS

|                                      | Real GDP<br>% change |      |                   | Inflation<br>(Consumer prices)<br>% change |      |                   | Current account balance<br>US\$ billions |      |                   |
|--------------------------------------|----------------------|------|-------------------|--|------|-------------------|--|------|-------------------|
|                                      | 1998                 | 1999 | 2000 <sup>1</sup> | 1998                                       | 1999 | 2000 <sup>1</sup> | 1998                                     | 1999 | 2000 <sup>1</sup> |
| Canada                               | 3.3                  | 4.5  | 4.7               | 1.0  | 1.7  | 2.3               | -11                                      | -2   | 10                |
| United States                        | 4.4                  | 4.2  | 5.2               | 1.6  | 2.2  | 3.2               | -217                                     | -331 | -419              |
| Japan                                | -2.5                 | 0.2  | 1.4               | 0.6  | -0.3 | -0.2              | 121                                      | 107  | 121               |
| France                               | 3.2                  | 2.9  | 3.5               | 0.7  | 0.6  | 1.5               | 39                                       | 39   | 36                |
| Germany                              | 2.1                  | 1.6  | 2.9               | 0.6  | 0.7  | 1.7               | -5                                       | -20  | -4                |
| Italy                                | 1.5                  | 1.4  | 3.1               | 1.7  | 1.7  | 2.5               | 20                                       | 8    | 11                |
| United Kingdom                       | 2.6                  | 2.1  | 3.1               | 2.7  | 2.3  | 2.0               | -1                                       | -18  | -21               |
| Advanced countries                   | 2.4                  | 3.2  | 4.2               | 1.5  | 1.4  | 2.3               | 51                                       | -134 | -176              |
| Developing countries                 | 3.5                  | 3.8  | 5.6               | 10.1                                       | 6.6  | 6.2               | -94                                      | -24  | 21                |
| Countries in transition <sup>2</sup> | -0.8                 | 2.4  | 4.9               | 21.8                                       | 43.8 | 18.3              | -26                                      | -4   | 7                 |

<sup>1</sup> Forecasts

<sup>2</sup> Includes countries of Central and Eastern Europe and the former USSR.

SOURCE: IMF, *World Economic Outlook*, September 2000

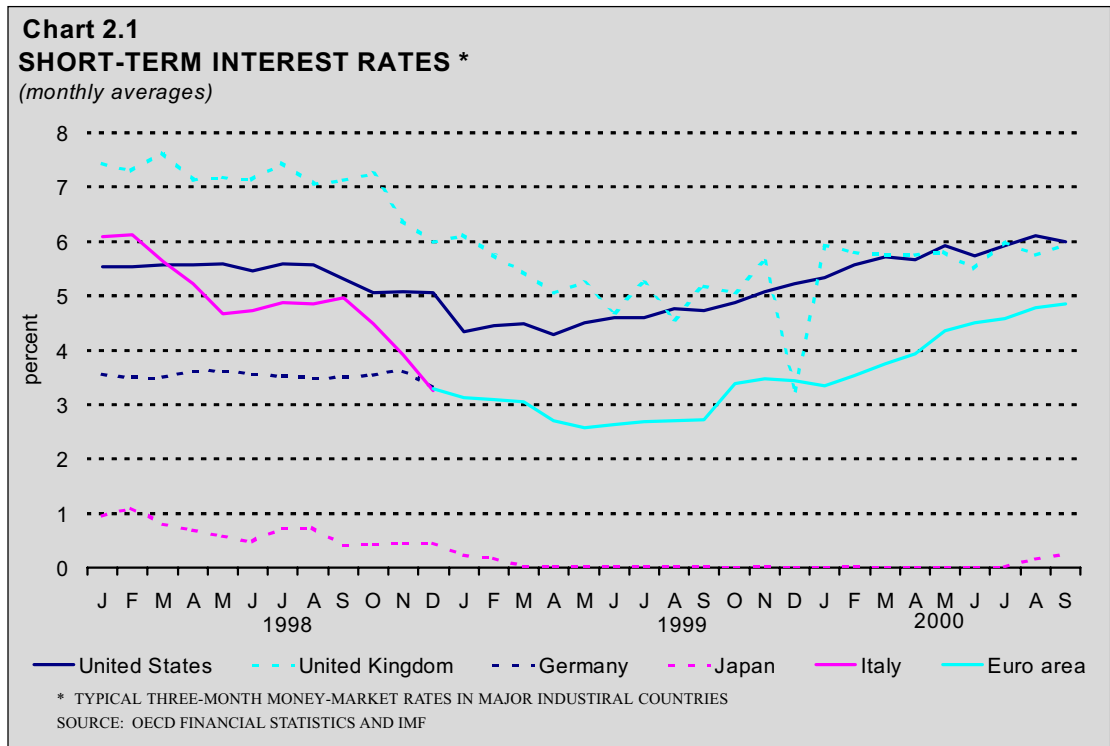
and a competitive exchange rate. Meanwhile, stronger-than-expected Russian domestic demand and higher energy prices provided support for the rest of the Commonwealth of Independent States. Thus, the combined GDP of the countries in transition was projected to grow by 4.9% in 2000, up from 2.4% in 1999.

### Economic and Monetary Developments in the Major Economies

Economic growth in the **United States** slowed down significantly in the third quarter of 2000, with GDP growing at a weaker-than-expected 5.3%, year-on-year, down from 6.1% in the previous quarter. As a result, firms scaled back their inventory building and moderated their spending on new equipment. Meanwhile, the rate of growth of industrial production fell sharply when compared with the previous quarter. The US merchandise-trade deficit widened to a record \$115.42 billion in the September quarter, mainly on

account of a notable rise in imports, reflecting higher oil prices and inventory building ahead of Christmas. In spite of the slow-down in growth, consumer spending rose by 4.5% during the quarter, up from 3.1% in the second quarter, while construction spending rose by 2.4% in September, up from 1.8% in August. Moreover, productivity, meaning the hourly output of workers outside the farm sector, rose by 5.0% year-on-year during the quarter, nearly the same as in the previous quarter. Thus, although labour-market conditions tightened further, with unemployment falling to 3.9% in September, unit-labour costs were up by a mere 0.1% on an annual basis. On the fiscal side, the US budget surplus soared to a record \$237 billion in fiscal year 2000 which ended on September 30, nearly twice the \$124 billion surplus posted in the preceding tax year.

Against this background of strong growth in labour productivity, the Federal Reserve left





official interest rates unchanged during the quarter. Thus, the target for the Federal Funds rate remained at 6.5%. Money-market rates rose modestly in July and August but fell slightly in September. Nevertheless, they stood below the Federal Funds rate throughout the quarter.

Economic growth in the **euro area** slowed down in the September quarter, with GDP estimated to have grown by 3.6% year-on-year, down from 3.7% in the second quarter. This deceleration was mainly a consequence of higher euro-zone interest rates and a decline in manufacturing-sector optimism. In fact, manufacturing activity slowed down for the fifth consecutive month in September. Meanwhile, the services sector also signalled an easing in the rate of expansion. Labour-market rigidities continued to prevent unemployment from falling significantly, with the jobless rate still at 9.0% in September, only slightly below 9.1% in June. Meanwhile, the Euro-zone's merchandise trade balance turned into a 1.0 billion-euro deficit in August, from a 2.6 billion-euro surplus a year earlier, mainly on account of higher oil prices.

In **Germany**, GDP growth slowed down to 2.8% year-on-year during the quarter, from 3.1% in the June quarter. Industrial-output growth slowed down to 4.8% in September, from 5.4% in August. Although the services sector grew for the seventeenth consecutive month in September, firms reported mounting concern over pressure on their profit margins from sharply rising fuel costs and ecological taxes. In contrast, consumer spending remained robust, with retail sales rising by 3.2% year-on-year in September. Unemployment continued to fall albeit at a slow pace, with the jobless rate standing at 9.4% in September. Meanwhile, **French** economic growth moderated slightly, with GDP growing by 3.1% year-on-year during the quarter, down from 3.4% in the second quarter. France's consumer confidence fell considerably in September. This occurred against the backdrop of a slow-down in job creation and widespread discontent over

rising fuel prices. In contrast, industrial activity rebounded strongly. **Italy's** GDP grew by a lower-than-expected 2.5% year-on-year during the quarter. Growth was mainly generated by foreign demand, as domestic demand remained weak. Both the manufacturing and the services sectors registered a moderation in growth in September. In contrast, the positive trend in employment was confirmed in July, with the jobless rate falling to 10.5%, down from 10.7% in April.

Against the background of rising inflation expectations in the euro area, the European Central Bank (ECB) raised its three leading interest rates by a further 25bps on August 31. Accordingly, the Bank's main refinancing rate reached 4.5%. Meanwhile, money-market rates rose further, standing above the ECB's refinancing rate during the quarter.

In the **United Kingdom**, GDP growth slowed down to 3.0% year-on-year in the third quarter, from 3.5% in the previous quarter. This mainly reflected a moderation in growth in the services sector, the main contributor to Britain's economic growth. In contrast, industrial output was estimated to have grown in all sectors during the September quarter. The average-earnings growth rate rose to 4.1% year-on-year during the quarter, from 4.0% in the three months to August, as labour-market conditions tightened further and the unemployment rate fell to 5.4%. The UK's merchandise-trade deficit narrowed to 2.3 billion pounds in August, from 3.0 billion pounds in July, as an increase in imports was outweighed by a larger increase in exports.

Against signs of a slow-down in British economic growth and a muted inflation environment, the Bank of England kept its repo rate unchanged, at 6%, during the quarter. Meanwhile, UK money-market rates tended to fluctuate around the repo rate.

The **Japanese** economy continued to move gradually towards a self-sustaining recovery, led

by business-sector activity, which generated rising profits and capital spending, and helped by an accommodating macroeconomic policy. Accordingly, Japanese business sentiment improved in the third quarter. Nevertheless, the recovery remained fragile as consumer demand remained weak in view of cost-cutting measures by firms, high unemployment and worries about pensions. Moreover, corporate bankruptcies rose for the tenth consecutive month in August and marked the second-highest figure for the year. Japan's trade surplus fell for the third successive month in September, as imports increased by more than exports, mainly on account of rising oil prices.

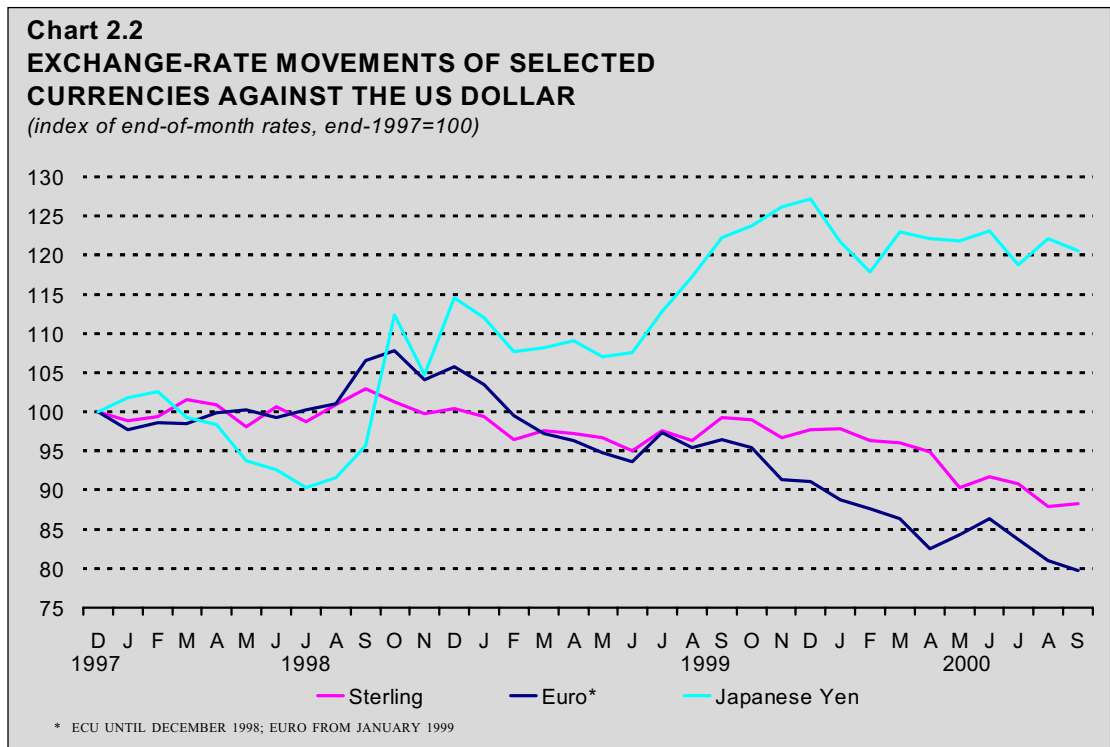
The Bank of Japan maintained an accommodating monetary policy during the quarter in order to support the recovery. Nevertheless, on August 11, the Bank raised its overnight-call-rate target to 0.25% from 0%. In so doing, the Bank asserted its independence in its monetary-policy management.

Consequently, Japanese money-market rates rose during the quarter.

### Foreign-Exchange Markets

The dollar tended to rise against the other major currencies during the September quarter, supported by strong economic fundamentals in the US relative to other countries. In contrast, the euro tended to fall across the board, undermined by structural rigidities in the euro area and a continued flow of capital out of the euro area to the US.

In early July, the dollar tended to rise against both the pound and the yen. The pound was undermined by weak economic data, which reinforced expectations that British interest rates were near to their peak. Meanwhile, the yen suffered from uncertainty about Japan's economic recovery. In contrast, the dollar fell modestly against the euro, which was supported by



**Table 2.2**  
**AVERAGE EXCHANGE RATES OF THREE MAJOR CURRENCIES**  
**AGAINST THE US DOLLAR DURING SEPTEMBER QUARTER 2000**

|  | US\$ per EURO        | US\$ per STG         | Yen per US\$         |
|--|----------------------|----------------------|----------------------|
| Average for July   | 0.9409               | 1.5092               | 107.86               |
| Average for August   | 0.9061               | 1.4893               | 108.00               |
| Average for September  | 0.8722               | 1.4347               | 106.82               |
| Average for the quarter  | 0.9064               | 1.4777               | 107.56               |
| Closing rate on 30.09.00   | 0.8804               | 1.4624               | 107.79               |
| Closing rate on 30.06.00   | 0.9532               | 1.5196               | 105.56               |
| Lowest exchange rate during the quarter <sup>1</sup>   | 0.8494<br>(Sept. 20) | 1.3993<br>(Sept. 18) | 105.75<br>(Sept. 06) |
| Highest exchange rate during the quarter <sup>1</sup>  | 0.9561<br>(July 11)  | 1.5193<br>(July 26)  | 109.36<br>(Aug. 01)  |
| Percentage appreciation (+)/depreciation (-)<br>of the currency vs the dollar from closing<br>rate on 30.06.00 to closing rate on 30.09.00 | -7.6                 | -3.8                 | -2.1                 |

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

expectations of higher interest rates in the euro area. Shortly afterwards, however, the dollar rebounded against a broadly weak euro. After some fluctuations, the dollar rose across the board, supported by comments from Fed Chairman Greenspan indicating that US worker productivity remained strong. Around mid-July, the dollar rose sharply against the yen, which was depressed by the collapse of department-store operator Sogo Co Ltd. Against the euro, the dollar firmed further despite the enactment of long-awaited tax reforms in Germany. Subsequently, however, the dollar fell against both the pound and the euro as financial markets revised their expectations of monetary tightening in the US after Mr. Greenspan stated that the economy appeared to be slowing down.

Meanwhile, the pound rose across the board, as Chancellor of the Exchequer Brown announced plans to increase government spending. Moreover, a rise in mortgage lending in May

together with robust retail sales in June and buoyant GDP growth in the second quarter reinforced the view that the British economy might not be slowing down as sharply as expected earlier.

Towards the end of July, however, the dollar rebounded against the European currencies while it continued to rise against the yen, mainly on the back of stronger-than-expected US economic fundamentals. In contrast, a rather negative UK industrial-trends report depressed the pound while weaker-than-expected euro-zone money supply data for June undermined the euro. On its part, the yen continued to weaken across the board amid doubts about Japan's economic recovery and concerns about further business failures.

In August, the dollar tended to strengthen against both the euro and the pound, supported by expectations of solid economic growth and tame inflation, which would keep funds flowing into US

assets. Nevertheless, the dollar fell against the yen mainly on account of technical factors and renewed expectations that the Bank of Japan could soon end its near-zero interest-rate policy. Meanwhile, the pound fell almost continuously against the dollar and fluctuated against the euro, following indications of a relatively subdued inflation outlook and expectations of merger-related flows from the UK to the euro area.

The dollar started September on a weaker footing against both the yen and the euro, after softer-than-expected US employment and manufacturing data reinforced expectations of an economic slowdown in the US. Shortly afterwards, however, the dollar resumed its upward trend against the euro, which was depressed by heavy speculative sales. The dollar also strengthened against the yen as the markets realised that Japan's GDP figures were not strong enough to encourage a large enough volume of yen buying.

After mid-September, however, the dollar fell against both the yen and the pound. The yen benefited from seasonal factors while the pound was supported by a positive industrial-trends survey, which contrasted with an earlier rumour of a worsening trend. Nevertheless, the dollar strengthened further against the euro, following a report indicating further mergers and acquisitions of American companies by European firms. Then, towards the end of the month, central-bank intervention caused the dollar to weaken against the European currency. In contrast, sterling strengthened against the euro, mainly on account of merger-and acquisition-related flows from the euro area into the UK.

## Commodities

During the third quarter of 2000 the price of **gold** fell by around 3.2%, ending September at US\$274.75 per ounce. Gold was undermined by speculative-fund selling, sales by central banks

(including the Bank of England, the Swiss National Bank and the Central Bank of Canada), high oil prices and a strong US dollar. At the same time, the weakness of the Asian currencies depressed physical demand from Asia.

The prices of **base metals** rose by nearly 5.5% during the quarter. The price of copper on the London Metal Exchange reached US\$2000 a tonne for the first time in nearly three years. This reflected a sharp rise in demand brought about by both speculative and physical buying, particularly from China. Meanwhile, the prices of lead and zinc also rose, mainly on account of a significant supply shortage. In contrast, the price of nickel fell in August and September, undermined by a large increase in supplies of stainless-steel scrap<sup>1</sup>.

Meanwhile, the price of **oil** rose by around 1.2% to US\$30.54 per barrel during the quarter. In July, oil prices tended to ease on expectations that OPEC was likely to increase output substantially. Nevertheless, world-oil prices rebounded sharply in early August, following the publication of a report by the American Petroleum Institute that indicated a surprisingly big drop in US crude inventories. Oil prices continued to rise through August and most of September on doubts whether Saudi Arabia would stick to its plan to raise production. Concerns about low oil supplies were exacerbated by mechanical problems at some US refineries and indications that OPEC was eager to increase oil-export revenues. On September 10, OPEC members agreed to raise output by 800,000 bpd as from October 1. This decision, however, garnered only a lukewarm response from major consuming nations. By mid-September oil prices rose further amid fears of supply disruptions in the wake of escalating tensions in the Middle East. Towards the end of September, however, oil prices receded somewhat after the US decided to release oil from its emergency reserve.

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<sup>1</sup> Nickel and stainless-steel scrap are close substitutes.

During the quarter, **food** prices fell by 3.3% from their end-June levels. This mainly reflected lower prices for coffee, soyabean oil and sugar. In contrast, the prices of soyabean, corn and wheat rose during the quarter. Coffee prices fell almost continuously, mainly on account of an oversupply in world markets, expectations that a global coffee-retention plan would be ineffective, and fund selling. Sugar prices continued to rise in July, on the back of heavy buying from speculators and robust demand from importing countries, but fell in August and September. In contrast, soyabean prices rebounded in July and rose steadily through August, as forecasts for more hot and dry weather in the Midwest encouraged substantial speculative buying. Similarly, corn and wheat prices rebounded sharply in September.

Meanwhile, the prices of **non-food agricultural commodities** fell by 1.6% during the quarter. Rubber prices were depressed by the prospect of further sales by the International Natural Rubber Organisation (INRO), which was expected to continue to implement its stockpile-liquidation plan. Moreover, demand was rather weak as leading consumers shut facilities for a summer break. Lumber prices also fell, mainly on account of oversupplies. In contrast, the prices of both cotton and wool tended to rise during the quarter. Cotton stocks continued to contract but demand rose, as cotton prices were more competitive than the prices of synthetic fibres. Meanwhile, the demand for wool strengthened, mainly on the back of restocking by mills, while Australian production continued to decline.

## Box 1: DEVELOPMENTS IN INTERNATIONAL ECONOMIC CO-OPERATION

### IMF and World Bank Annual Meetings

On September 24-25, Finance Ministers and Central Bank Governors met in Prague for the fifty-fifth Annual Meetings of the International Monetary Fund and the World Bank. The plenary sessions were preceded by meetings of the International Monetary and Financial Committee (IMFC) and the Development Committee.

The **International Monetary and Financial Committee (IMFC)**, which as from April 2000 replaced the Interim Committee as the IMF's principal advisory body, welcomed the strengthening of global economic growth but remained mindful of the risks associated with the continuing economic and financial imbalances in the global economy. The Committee welcomed the gradual improvement in the terms and conditions of market access for emerging-market countries and strongly supported the objective of making globalisation work for the benefit of all. In this regard, the Committee called upon the IMF and the international community to continue to strengthen their efforts to avoid crises and, when crises do occur, to reduce their spillover effects. With regard to the reform of the IMF, the Committee welcomed the agreement reached on modifications that were intended to enhance the precautionary nature of the Contingent Credit Lines (CCL) and to preserve the revolving nature of the IMF's resources. The Committee agreed that IMF surveillance should be strengthened further and welcomed the recent initiatives in a range of areas, particularly the continuing efforts to improve the IMF's understanding of its members' economies. In the context of ongoing efforts to enhance the transparency and openness of the Fund, the Committee welcomed the Executive Board's agreement to adopt a general policy of voluntary publication of Article IV and use of IMF resources staff reports and other country papers. The Committee also endorsed the report by the Managing Director on the

involvement of the private sector in crisis prevention and management and strongly welcomed the Executive Board's decision to establish an independent evaluation office (EVO) to help the Fund improve its future operations and enhance its accountability.

The **Development Committee**, which deals with matters related to the transfer of real resources to developing countries, focused on the benefits and risks of globalisation. Ministers re-emphasised their commitment to strengthen the World Bank, the IMF, and other multilateral institutions as allies in an effort to reduce global poverty. Accordingly, they endorsed a number of areas of Bank involvement in co-operation with relevant international organisations. These included facilitating the international movement of goods, services, and factors of production; fostering a broad inclusion in the benefits of globalisation and mitigating major economic and social problems; preserving and protecting the environment; and creating and sharing knowledge relevant to development. Ministers noted the Bank's valuable role, in partnership with the IMF and other international agencies, in strengthening the international-financial architecture. This included helping to develop appropriate standards and codes, taking account of the developing-country perspective in areas important to financial resilience and integration into the global financial system, and assisting countries to strengthen their related institutions and policies. Ministers also pointed to the importance for all nations of increased national and international efforts to combat cross-border financial abuse, such as money laundering. They urged the Bank to expand its program of technical and advisory support as a significant contribution to greater participation by developing countries in a more open and equitable world trading system. Ministers welcomed the Bank's overall approach for low-income countries and its proposals for

achieving greater coherence among various program documents and instruments. They also welcomed the progress achieved in implementing the HIPC (Heavily Indebted Poor Countries) Initiative and urged that all appropriate steps be taken to further strengthen the process.

### **Asia-Europe Meeting (ASEM 3)**

On October 19-20, Heads of Government of 25 European and Asian nations attended the third Asia-Europe Meeting (ASEM 3) in Seoul. During the meeting, leaders discussed the situation on the Korean Peninsula within the context of encouraging developments in relations between the Republic of Korea (South Korea) and the Democratic People's Republic of Korea (North Korea). Leaders shared the view that peace and stability on the Korean Peninsula were closely linked to those of both the Asia-Pacific region and the world as a whole. Accordingly, they adopted the "Seoul Declaration for Peace on the Korean Peninsula". Leaders also committed themselves to promote and protect human rights. Country-members agreed to intensify efforts to launch a new round of world-trade liberalisation talks at the earliest opportunity. Moreover, leaders planned to focus on several other issues, which included closer co-operation against money laundering, the smuggling of immigrants and other forms of international crime.

### **Asia-Pacific Economic Co-operation (APEC) Forum**

On November 15-16, leaders of APEC countries gathered in Brunei for their eighth annual summit. The APEC leaders reaffirmed their vision of a community of open and interdependent economies as a means to strengthen their ability to grow in the global market. As the process of globalisation had a strong potential to generate higher living standards, country-members discussed ways how their nations could benefit from globalisation. Leaders

committed themselves to continue to participate in international forums in order to help shape the global economy and create a more secure and stable financial environment. In this regard, leaders welcomed the efforts of the G-20 Countries, the Financial Stability Forum of the IMF, the international financial institutions and other forums to strengthen the international financial architecture. They also asked their ministers to develop systems of good governance and strong institutional frameworks. Subsequently, country-members reiterated the need to launch a new World Trade Organisation (WTO) round in 2001, which would benefit all WTO members, particularly the least-developed and developing economies. Accordingly, leaders welcomed the progress made to develop the strategic APEC plan on building capacity to implement WTO agreements. Leaders also welcomed the progress that had been made during the past year in the WTO accession negotiations for China and urged rapid completion of these negotiations.

### **European Union Finance Ministers' Meeting**

On November 27, EU Finance Ministers, meeting in Brussels, agreed to curb tax evasion within the Union. The Ministers agreed to lift several tax breaks for firms and to share information on individuals' savings income so that it could be taxed in their country of origin. However, for a seven-year transition period, countries opposed to this swapping of information would be able to impose a withholding tax on income from savings instead. The Ministers also agreed to streamline the way decisions should be taken on technical aspects of Economic and Monetary Union (EMU). Moreover, they reviewed the progress made in speeding the adoption of new financial-services legislation as part of a drive to make the EU more competitive. Without debate, the Ministers also agreed on technical amendments to legislation on the common currency to take account of Greece's planned membership of the euro zone as from January 1, 2001.

## European Union Nice Summit

On December 7-11, EU Heads of State met in Nice for their biannual European Summit. The summit, which ended the six-month French Presidency, agreed on a new treaty, to be known as the Treaty of Nice, which incorporated institutional reforms in view of EU enlargement. The Leaders agreed on a method for limiting the future size of the European Commission and on increasing its president's powers. In this regard, they accepted a proposal whereby the five big EU member-states would give up their second commissioner in 2005, when the current executive's term expires. Each new member-state would receive one commissioner until the Union numbered 27 nations, at which point EU leaders would set a permanent ceiling of fewer than 27 commissioners, to be appointed by rotation among member-states. The summit agreed to extend majority voting to 29 policy areas and six personnel appointments that previously required unanimity. The Leaders also agreed that groups of eight or more states could proceed with closer integration in chosen areas, provided other states would be free to join them at a later date.

With regard to the voting scheme, the qualified majority was set at 258 votes out of 342, with 89 votes required for a blocking minority. When the EU would have reached 27 member states, the blocking minority would increase to 91 votes.

Any decision taken under treaty provisions on the basis of a proposal by the European Commission would require 258 votes from a simple majority of member-states. All other decisions would require 258 votes and at least two-thirds of member-states - a higher threshold than before. In addition, any member-state could invoke a clause requiring a check that the coalition supporting a majority decision represented at least 62% of the total EU population. The Treaty of Nice was expected to be formally signed early in 2001 and ratified by all 15 EU national parliaments and the European Parliament by 2002.

Besides agreeing on the Treaty, the EU Leaders formally endorsed a Charter of Fundamental Rights, which though not legally binding, enshrined basic political, economic and religious freedoms. The Summit adopted a proposal entitled "Declaration on the Future of the Union" and agreed to hold a new conference in 2004 in order to define the division of powers between the EU and member-states. The conference would also discuss the status of the Charter of Fundamental Rights, the role of national parliaments in EU affairs and ways to simplify EU treaties. Finally, leaders approved plans for an EU defence initiative and proposals for future relations with NATO that would give the EU access to NATO assets for crisis-management operations where the Alliance as a whole was not involved.



### 3. THE DOMESTIC ECONOMY

During the first nine months of the current year, the Maltese economy grew at a slightly faster pace than in the same period in 1999. This acceleration was largely driven by the continued expansion of the electronics industry, both in terms of exports and investment. The latter factor was enough to offset a marked drop in the profits of the State-owned energy utility resulting from the rise in international oil prices. Domestic demand does not appear to have recovered significantly, and growth in consumption expenditure continued to be channelled primarily towards imported goods. This notwithstanding, unemployment continued to decline, falling to 4.4% in September. At the same time, headline

inflation stabilised at 2.7%, as the lagged effects of the changes in indirect taxes introduced in the November 1999 Budget appeared to have been fully absorbed.

#### Gross Domestic Product

Provisional data published by the Central Office of Statistics (COS) indicate that during the nine months to September 2000 GDP grew by 4.3% in real terms. This was a faster rate of expansion than the revised 3.3% growth rate for the comparable period of 1999. Growth in 2000 was conditioned by the negative impact of higher oil prices on the profits of a number of State enterprises. The economy continued to be driven by the export-oriented sector, but gross fixed capital formation also increased during the period,

**Table 3.1**

#### **SOURCES OF GDP GROWTH AT FACTOR COST BY INDUSTRY<sup>1</sup>**

*(January - September)*

|                                    | 1999       | 2000       | % |
|------------------------------------|------------|------------|---|
| Agriculture and Fisheries          | -0.1       | 0.0        |   |
| Construction and Quarrying         | -0.3       | 0.1        |   |
| Manufacturing                      | 0.6        | 3.2        |   |
| Transport and Communication        | 0.1        | 0.6        |   |
| Wholesale and Retail               | 0.2        | 0.6        |   |
| Insurance, Banking and Real Estate | 0.5        | 1.6        |   |
| Government Enterprises             | 0.3        | -1.1       |   |
| Public Administration              | 0.8        | 0.6        |   |
| Property Income                    | 1.4        | 0.4        |   |
| Private Services                   | 1.0        | 0.6        |   |
| <b>GDP at Factor Cost</b>          | <b>4.4</b> | <b>6.5</b> |   |

<sup>1</sup> 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.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

contributing positively to economic growth.

According to the COS data, GDP at factor cost, which is the sum of gross wages and profits earned by different economic sectors, grew by 6.5% during the first nine months of 2000, compared with 4.4% in the same period last year. As Table 3.1 shows, the manufacturing sector, which includes the electronics industry, generated around half of this expansion and was chiefly responsible for the moderate acceleration in growth. This, in spite of the fact that a number of sub-sectors of manufacturing industry, particularly those producing for the local market, were facing reduced demand and in the process of restructuring their operations. The growth in consumption registered during the period was not directed towards domestically produced goods, as a survey carried out by the Department of Industry (the results of which are outlined below) shows.

About a third of the overall growth in factor earnings was generated by the improved

performance of the insurance, banking and real estate and the wholesale and retail sectors. The rise in the earnings of the financial sector, however, appears to have been confined to the banking sub-sector. At the same time, the increase in the contribution of the distributive trades was underpinned by a significant rise in employment within this sector and higher profits from sales of imported goods. Meanwhile, despite the impact of rising fuel costs on the profits of the national airline, the transport and communication sector also contributed significantly to GDP growth.

On the other hand, as the Table shows, there was a slowdown in the growth rate of the private services sector, public administration and property income. In particular, the contribution to growth of property income, which consists mainly of interest on holdings of Government securities and bank deposits, declined by a full percentage point when compared with the same period last year. This was attributable to two factors: the slower rate of growth of the public debt; and lower

**Table 3.2**

**SOURCES OF GDP GROWTH AT CONSTANT MARKET PRICES BY CATEGORY OF EXPENDITURE<sup>1</sup>**

*(January - September)*

|                                    | %          |            |
|------------------------------------|------------|------------|
|                                    | 1999       | 2000       |
| <b>Growth in real GDP</b>          | <b>3.3</b> | <b>4.3</b> |
| of which:                          |            |            |
| Private Consumption Expenditure    | 3.3        | 3.6        |
| Government Consumption Expenditure | 0.5        | 0.6        |
| Gross Fixed Capital Formation      | 0.1        | 4.2        |
| Inventory Changes                  | -0.4       | 3.5        |
| Exports of Goods and Services      | 5.1        | 5.2        |
| Imports of Goods and Services      | -5.3       | -12.8      |

<sup>1</sup> The figures for 1999 have been revised; those for 2000 are provisional.

*SOURCE: Central Office of Statistics*

domestic interest rates. In the private services sector, the main factor behind the deceleration was the weaker performance of the tourism industry, though other domestically-oriented services also continued to be affected by the persistent weakness of domestic demand.

Meanwhile the rise in the international price of oil and its impact on the profits of Enemalta, together with the implementation of a voluntary early retirement scheme by a State-owned telecommunications firm, led to a drop of Lm10.5 million in the contribution to GDP of the Government enterprises sector. As a result, the sector's contribution to growth during the period was negative, as the Table shows.

Economic growth can be analysed further in terms of developments in expenditure-side GDP, both in nominal and in real terms. An analysis in real terms, moreover, has the advantage of removing the effects of price changes, and thus provides a clearer picture of the effective growth of the Maltese economy when compared with earlier periods. Such an analysis is provided by Table 3.2, which gives a breakdown of the sources of GDP growth at constant market prices by category of expenditure.

As the Table shows, real GDP during the first nine months of 2000 grew at a significantly faster rate than in the same period last year. However, as can also be seen from the Table, a significant part of this growth was generated by inventory investment, which is a statistical discrepancy between income-side GDP and the main expenditure components. At the same time, on account of the high import content of these expenditure components, the combined growth of private consumption, exports and gross fixed capital formation barely exceeded the growth in imports of goods and services.

The rate of growth of consumer's expenditure in real terms accelerated slightly, to 5.8%, during the first nine months of 2000, up from 5.4% in the

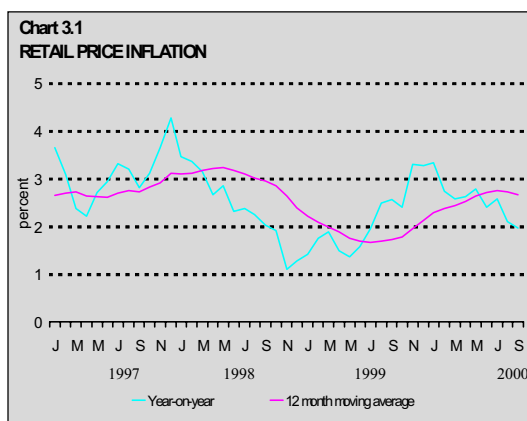
same period last year. This occurred despite the fact that household disposable income grew by only 1.6% in real terms during the period, implying that the increased consumption was financed by a reduction in household saving. Furthermore, a large part of the increased consumption was directed towards imports, particularly motor vehicles, as the domestic sales of manufacturing establishments were reported to have dropped for the second consecutive year.

Similarly, the increase in gross fixed capital formation was matched by a rise in imports of capital goods. In fact, investment in construction, where the import content is low, dropped by 3.7% in real terms, despite the stepping up of work on the new hospital. Investment in machinery, however, expanded by 30.1%, reflecting the sizeable expansion programme undertaken by the leading electronics firm reported in another section of this Review.

The growth in exports also reflected the buoyant activity in the electronics sector, and resulted in a commensurate rise in imports of industrial supplies and capital goods - though the import bill was also boosted by rising oil prices. At the same time, the drop in tourism earnings adversely affected the rate of growth in services.

### **Retail Prices**

The headline rate of inflation stabilised at 2.7% during the third quarter of 2000, as the twelve-month moving average measure started to be influenced by the lack of inflationary pressures during the first nine months of the year. In fact, as can be seen from Chart 3.1, the year-on-year measure of inflation, which is a more timely indicator of price movements, has been consistently below the headline rate throughout the last four months. On its part, the twelve-month moving average measure appears to have fully absorbed the effects of the indirect tax measures introduced in the November 1999 Budget. Nevertheless, as can be seen from the



Chart, the headline rate of inflation at the end of September 2000 was up by nearly a full percentage point from its year-ago level.

Table 3.3 shows the changes in the different sub-indices of the RPI on a twelve-month moving average basis. This confirms that the main impetus to inflation during the September quarter came from the fuel, light and power, the housing and the transport and communications sub-indices, reflecting the previously mentioned indirect tax measures. The twelve-month moving

average change in the clothing and footwear sub-index also continued to rise, though this was mainly due to a spike in prices during May. On the other hand, the rate of inflation of the food sub-index decreased when compared with the previous quarter. The latter development reflected the lower seasonal increase in the prices of food items during the summer months. Meanwhile, the prices of durable household goods fell on average during the last twelve months, as the Table shows.

The headline rate of inflation should remain subdued in the coming months, in the absence of any further indirect tax measures impinging on the RPI. On the one hand, imported inflation is expected to remain broadly stable, particularly if price levels benefit from the drop in the Maltese lira value of imports from the euro-zone area. Furthermore, the rate of inflation in Malta's main trading partners is not expected to increase substantially, provided fuel prices stabilise. At the same time, the gradual removal of import levies is exerting downward pressure on retail price inflation, as local producers adjust their prices to reflect the more competitive market situation. Domestically-generated inflationary pressures are

**Table 3.3**

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

*12-month moving average (% changes)*

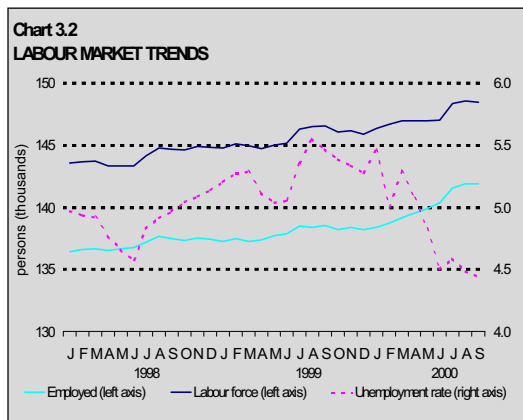
|   | Sept. 1999 | June 2000  | Sept. 2000 |
|---|------------|------------|------------|
| Food                                    | 0.2        | 1.8        | 1.4        |
| Beverages and tobacco                   | 8.2        | 6.6        | 5.4        |
| Clothing and footwear                   | -0.2       | 0.7        | 0.8        |
| Housing                                 | 0.3        | 0.9        | 1.6        |
| Fuel, light and power                   | 0.0        | 3.1        | 4.8        |
| Durable household goods                 | 2.3        | 0.8        | -0.4       |
| Transport and communications            | 2.2        | 6.0        | 7.1        |
| Personal health and care                | 3.1        | 3.0        | 3.3        |
| Education, entertainment and recreation | 1.7        | 0.9        | 1.4        |
| Other goods and services                | 2.2        | 1.9        | 0.9        |
| <b>All items</b>                        | <b>1.7</b> | <b>2.7</b> | <b>2.7</b> |

*SOURCE: Central Office of Statistics*

also expected to remain weak in the short-term, though they might increase later due to tightening labour market conditions and the rise in civil service salaries as from the beginning of January 2001.

### The Labour Market

The unemployment rate dropped by 0.1 percentage points to 4.4% during the third quarter of 2000, its lowest level in more than three years. This was also the first time since 1994 that the unemployment rate declined during the third quarter of the year, when the influx of school leavers into the labour market boosts the labour supply. The latter, in fact, rose by nearly 1460 during the quarter, the largest quarterly rise since 1997<sup>1</sup>. The rate of job creation, however, also accelerated sharply during the quarter, with the net increase in employment reaching 1473 – once again the largest gain on record since 1997. Excluding temporary employment, in order to eliminate the break in series due to the 1998 revision in labour data, the rise registered during this quarter would emerge as the second largest increase ever recorded in the gainfully occupied population<sup>2</sup>.



As can be seen from Table 3.4, the higher demand for labour was experienced by all the main sectors of the economy during the quarter, though the private services sector accounted for nearly two-thirds of the overall increase. Private direct production registered nearly 400 new jobs, with the bulk of the increase occurring in the electronics sub-sector. The construction industry also increased its workforce significantly<sup>3</sup>, reflecting the acceleration of work on the new hospital. Employment in most manufacturing sub-sectors slowed down when compared to earlier quarters, though this may be a seasonal phenomenon as the summer months are characterised by the temporary shutdown of many manufacturing establishments.

The number of the gainfully occupied in private market services expanded by nearly 914 during the quarter reviewed. About 40% of this increase was attributable to the tourism industry, as employment in hotels and catering establishments and in the transport, storage and communications sub-sector (which includes tourist guides) rose seasonally during the quarter. Another 20% of the rise in employment was generated by the wholesale and retail trades. Community and business services accounted for more than 230 of the new jobs during the quarter. Public sector employment rose by 160 during the third quarter of 2000, as firms with majority government shareholding increased their demand for labour.

Meanwhile, as Table 3.5 shows, part-time employment rose by around 1780, or 5.1%, to 36,680 between July and September 2000. This was a significantly larger increase than that recorded during the same quarter in 1999, when part-time employment had risen by 1028, or 3.2%. The number of persons employed primarily on a part-time basis, in fact, grew at a faster pace

<sup>1</sup> Prior to 1998, labour data included student workers during the third quarter. This factor boosted both the labour supply and the gainfully occupied population by nearly 2000 persons.  
<sup>2</sup> The largest quarterly growth in employment occurred during the first quarter of 1995, as the introduction of VAT led a number of previously unregistered workers to disclose their status.  
<sup>3</sup> For the fourth consecutive quarter.

**Table 3.4**  
**LABOUR MARKET DEVELOPMENTS**

*Number of persons*

|  | Sept. 2000     | Quarterly change | Annual change |
|--|----------------|------------------|---------------|
| <b>Labour supply</b>                   | <b>148,451</b> | <b>1,458</b>     | <b>1,926</b>  |
| <b>Unemployed</b>                      | <b>6,594</b>   | <b>-15</b>       | <b>-1,417</b> |
| <b>Unemployment rate (%)</b>           | <b>4.4</b>     | <b>-0.1</b>      | <b>-1.0</b>   |
| <b>Gainfully occupied</b>              | <b>141,857</b> | <b>1,473</b>     | <b>3,343</b>  |
| of which:                              |                |                  |               |
| <b>Private direct production</b>       | <b>38,255</b>  | <b>399</b>       | <b>1,280</b>  |
| including:-                            |                |                  |               |
| Agriculture & fisheries                | 2,605          | 14               | 93            |
| Quarrying, construction & oil drilling | 5,758          | 127              | 617           |
| Manufacturing                          | 29,892         | 258              | 570           |
| <b>Private market services</b>         | <b>51,051</b>  | <b>914</b>       | <b>1,887</b>  |
| including:-                            |                |                  |               |
| Wholesale & retail                     | 15,957         | 188              | 585           |
| Insurance & real estate                | 1,339          | -3               | -65           |
| Transport, storage & communications    | 6,555          | 71               | 632           |
| Hotels & catering establishments       | 9,594          | 306              | 199           |
| Community & business                   | 10,229         | 235              | 75            |
| Others                                 | 7,377          | 117              | 461           |
| <b>Public sector</b>                   | <b>47,901</b>  | <b>160</b>       | <b>210</b>    |
| including:-                            |                |                  |               |
| Government departments                 | 30,714         | 8                | 141           |
| Armed Forces, R.S.C. & Airport Co.     | 1,659          | -4               | 51            |
| Government-controlled companies        | 7,457          | 149              | 114           |
| Independent statutory bodies           | 8,071          | 7                | -96           |
| <b>Temporarily employed</b>            | <b>4,650</b>   | <b>0</b>         | <b>-34</b>    |

*SOURCE: Employment and Training Corporation*

during the third quarter of 2000, when their number rose by 1480. In contrast, the increase in the number of persons having both a full-time and a part-time job, at 303, was only slightly larger than that recorded the year before.

Despite the large rise in the gainfully occupied population, the number of persons on the unemployment register fell only slightly during the quarter. This means that the increase in the number of new jobs was only slightly larger than the rise in the labour supply. Furthermore, during

the September quarter, there was a slight reversal of the prevailing trend - namely, the ever-increasing proportion of unemployed persons aged over 50 and of the long-term unemployed. The number of persons in these categories in fact dropped slightly, whereas the number of unemployed persons aged under 30 years, and who have been registering for less than 20 weeks, increased. This may point to a further drop in unemployment in the coming months, as school leavers are gradually absorbed by the labour market.

**Table 3.5**  
**PART-TIME EMPLOYMENT**

*Number of persons*

|  | September 2000 | Change in number of persons |                 |
|--|----------------|-----------------------------|-----------------|
|  |                | Previous quarter            | Year-ago period |
| Part-time employees holding full-time jobs | 17,582         | 303                         | 820             |
| Part-time employment as primary job        | 19,105         | 1,480                       | 2,930           |
| <b>Total part-time employment</b>          | <b>36,687</b>  | <b>1,783</b>                | <b>3,750</b>    |

*SOURCE: Employment and Training Corporation.*

### Manufacturing

Although the COS data indicate that the manufacturing sector generated nearly half the increase in factor incomes during the first nine months of 2000, a detailed sectoral breakdown of the value-added by manufacturing is not yet available. The performance of each sub-sector of manufacturing industry can, however, be gauged by analysing its export turnover, domestic sales and net investment, compared to the same period of 1999. It should be borne in mind, however, that the data used for this purpose is at current market prices, and is based on a survey conducted by the Department of Industry, which does not cover the entire manufacturing sector.

Subject to this qualification, the results of this survey, summarised in Table 3.6, confirm that the bulk of manufacturing sector activity was accounted by the communication equipment and apparatus sub-sector, which in turn is dominated by a single foreign-owned electronics firm. The latter increased its operations in Malta substantially during the first nine months of 2000. In fact, the export turnover of the communication equipment and apparatus sub-sector rose by Lm183.2 million compared with the same period of 1999, while net investment in the sub-sector rose to Lm35.8 million, from Lm2.7 million last year. It may be useful to exclude this special factor in order to analyse the underlying trend in the rest of the manufacturing sector. Once this adjustment is

made, it can be seen that the sales of the remainder of the manufacturing sector were up by only Lm0.2 million during the first nine months of 2000, against Lm7.3 million in the same period last year.

Export turnover during the nine months to September 2000 rose marginally, by Lm0.4 million, if the communication equipment and apparatus sub-sector is excluded. This result, however, masks pronounced sub-sectoral differences. In particular, the furniture and other manufacturing sub-sector registered a positive turnaround in export sales during 2000. The food and beverages sub-sector also recorded a larger increase than in the corresponding period of 1999. Conversely, the wearing apparel and the printing and publishing sub-sectors saw their export sales drop by a combined Lm8.2 million during the period, compared with an increase of Lm6.4 million during the corresponding period in 1999.

The local sales of the manufacturing sector continued to drop during 2000, albeit at a slower rate than last year. However this result essentially reflected the improved performance of the tobacco industry, whose domestic sales rose by Lm3.8 million as against a slight drop in 1999. The furniture and other manufacturing sub-sector also recorded a smaller year-to-year drop in sales.

As stated previously, the communication

**Table 3.6****MANUFACTURING PERFORMANCE - SELECTED INDICATORS**

(based on a survey of representative firms conducted by the Department of Industry)

*Lm millions*

|                                       | January - September |              |
|---------------------------------------|---------------------|--------------|
|                                       | 1999                | 2000         |
| <b>Growth in exports</b>              | <b>37.1</b>         | <b>183.6</b> |
| <i>of which:</i>                      |                     |              |
| Communication equipment and apparatus | 26.2                | 183.2        |
| Furniture and other manufacturing     | -0.7                | 4.3          |
| Plastic and rubber                    | 2.5                 | 2.9          |
| Food and beverages                    | 1.4                 | 2.1          |
| Other                                 | 7.7                 | -8.9         |
| <b>Growth in local sales</b>          | <b>-3.6</b>         | <b>-0.2</b>  |
| <i>of which:</i>                      |                     |              |
| Tobacco                               | -0.4                | 3.8          |
| Furniture and other manufacturing     | -1.3                | -0.3         |
| Other non-metallic minerals           | -1.9                | -1.1         |
| Printing and publishing               | 1.1                 | 0.2          |
| Other                                 | -1.1                | -2.8         |
| <b>Net investment</b>                 | <b>8.0</b>          | <b>30.4</b>  |
| <i>of which:</i>                      |                     |              |
| Communication equipment and apparatus | 2.7                 | 35.8         |
| Plastic and rubber                    | 2.8                 | -2.9         |
| Chemicals                             | 1.9                 | -1.3         |
| Printing and publishing               | 1.1                 | -0.9         |
| Other                                 | -0.5                | -0.3         |

*SOURCE: Department of Industry*

apparatus and other equipment sub-sector accounted for the bulk of net manufacturing investment during the first nine months of 2000. If this sub-sector were to be excluded, net investment in manufacturing would have dropped by Lm5.4 million when compared with the same period of 1999. The plastic and rubber, the chemicals, and the paper and printing sub-sectors all cut down on investment during 2000. At the same time, the results of the Department of Industry's survey indicate that most manufacturing enterprises, particularly those

producing for the local market, are under-investing. Excluding the communication equipment and other apparatus sub-sector, net investment by the remainder of the manufacturing industry would amount to 2.7% of overall turnover, that is below the level of the previous two years.

**Tourism**

During the third quarter of 2000 tourist arrivals were up by 0.6% when compared with the same



**Table 3.7****TOURIST ARRIVALS BY NATIONALITY**

| Nationality              | July-September 2000 |                   |            | January - September 2000 |                   |            |
|--------------------------|---------------------|-------------------|------------|--------------------------|-------------------|------------|
|                          | Arrivals            | Annual Growth (%) | Share (%)  | Arrivals                 | Annual Growth (%) | Share (%)  |
| UK                       | 150,359             | 6.4               | 34.2       | 334,274                  | -0.3              | 34.3       |
| Germany                  | 58,641              | -2.9              | 13.3       | 164,427                  | 0.9               | 16.9       |
| Italy                    | 44,714              | -6.2              | 10.1       | 77,785                   | -1.1              | 8.0        |
| France                   | 28,802              | 1.1               | 6.5        | 64,562                   | 1.6               | 6.6        |
| Netherlands              | 26,939              | 1.6               | 6.1        | 53,271                   | -1.3              | 5.5        |
| Scandinavia <sup>1</sup> | 16,501              | 5.3               | 3.7        | 37,910                   | 2.1               | 3.9        |
| Libya                    | 13,560              | -7.6              | 3.2        | 34,737                   | 6.4               | 3.6        |
| Belgium                  | 12,543              | -1.0              | 2.8        | 22,685                   | -5.4              | 2.3        |
| Switzerland              | 7,529               | 12.3              | 1.7        | 16,328                   | -7.5              | 1.7        |
| Austria                  | 6,517               | -19.4             | 1.5        | 23,111                   | -2.5              | 2.3        |
| Others                   | 74,505              | -1.7              | 16.9       | 144,935                  | 0.6               | 14.9       |
| <b>Total</b>             | <b>440,610</b>      | <b>0.6</b>        | <b>100</b> | <b>974,025</b>           | <b>0.1</b>        | <b>100</b> |

<sup>1</sup> Scandinavian countries include Denmark, Norway and Sweden.  
Note: Figures may not add up due to rounding.  
SOURCE: Central Office of Statistics.

period last year, while arrivals during the first nine months of the year were up by 0.1%. Gross earnings from tourism during the nine months to September, however, were down by Lm4.9 million, or 2.3%, from their 1999 level. Meanwhile, cruise passenger arrivals were also significantly below the level recorded during the first nine months of 1999.

As can be seen from Table 3.7, which gives a breakdown of arrivals by nationality, tourism from the UK continued to recover during the quarter reviewed, with arrivals from this source rising by 6.4%. Increased arrivals were also recorded from a number of other source markets, such as Russia (included in the “others” category), the Scandinavian countries, the Netherlands and Switzerland. Nevertheless, Malta’s improved penetration of these markets was offset by the negative results achieved in other, larger markets. Thus, arrivals from Germany, Malta’s second

largest source market, were down by 2.9% during the September quarter, after having grown at a relatively slow rate in the previous quarters. Arrivals from Italy and Austria were also sharply down. A significant drop in arrivals from the countries grouped in the ‘others’ category was also registered.

Tourist arrivals during the nine months to September were practically unchanged from 1999 levels. Nevertheless, data on the average length of stay indicate a substantial drop, explaining the decline in gross earnings during the same period.

The industry’s overall performance was undoubtedly conditioned by trends in a number of important source markets. Thus, the increase in arrivals from the UK reported in the second and third quarters was not large enough to completely offset the drop that had been registered during the

first quarter of the year. As a result, UK arrivals during the nine months to September were down by 0.3%. This was, however, a marked improvement compared with the same period of 1999.

On the other hand, the results obtained in several other European source markets showed a deterioration. Thus, fewer arrivals were registered from Belgium, the Netherlands, Austria and Switzerland. At the same time, arrivals from Scandinavia and Germany, which had both been major sources of growth during 1999, were up by

a negligible amount during 2000. By contrast, a significant improvement was recorded in arrivals from France, while arrivals from Russia were up by 16.7% when compared with the same period last year.

Cruise passenger activity was again subdued during the third quarter of 2000, with arrivals falling by 17%. This was the second consecutive quarterly drop, and, as a result, the number of cruise passengers visiting Malta during the first nine months of the year was down by 14% from last year's level.

## Box 2 : BUSINESS PERCEPTIONS SURVEY : FOURTH QUARTER 2000

### Introduction

The Central Bank's latest business perceptions survey suggests that during the September quarter economic growth continued to be generated primarily by export-oriented manufacturing firms. On the other hand, in the tourism sector respondents reported a below-normal level of activity. The survey also presents mixed evidence on the state of domestic demand during the quarter. Whereas the distributive trades appear to have experienced an upturn in activity, the domestically-oriented manufacturing and services sectors showed relatively little change from the previous quarter. Meanwhile, the construction sector reported a decline in activity.

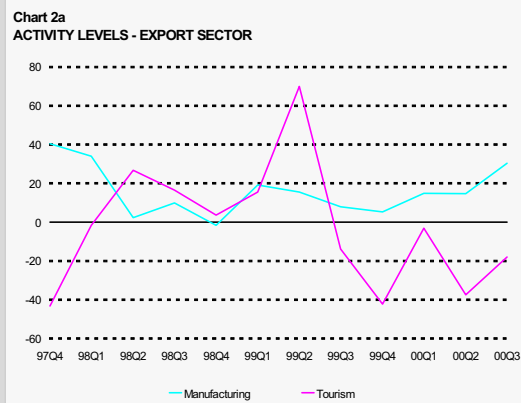
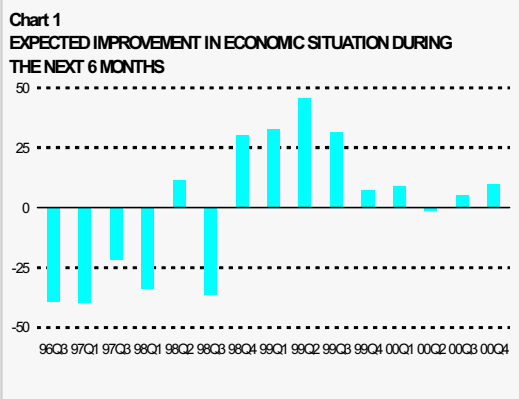
### Business Optimism and Medium Term Expectations

In the Bank's survey, the level of business optimism is gauged on the basis of the number of respondents expecting an improvement rather than a worsening of the economic situation over the next six months. As can be seen from Chart 1, there has been a gradual recovery in optimism since the second quarter of 2000.

The slight improvement in the level of business

optimism during the September quarter was mainly attributable to the manufacturing sector. The latter was, in turn, underpinned by the positive sentiment of firms in the machinery and other equipment sub-sector. Respondents from the manufacturing sector had been pessimistic about economic prospects throughout the previous four quarters. Sentiment amongst export-oriented firms has, however, steadily improved. By contrast, firms producing for the domestic market remain concerned about their future prospects. On their part, operators in the distributive trades expressed a more optimistic view.

The latter positive outlook may to some extent reflect the expected seasonal boom in consumption during the Christmas season. Underlying domestic demand conditions are not expected to improve significantly in the coming months. Respondents from the construction sector showed a reduced degree of optimism, and sentiment in this sector remained far below historical levels. Meanwhile, a significant majority of operators in the services sector were expecting a deterioration in economic activity levels in the coming six months. Respondents from the tourism sector expressed the same medium-term expectation.

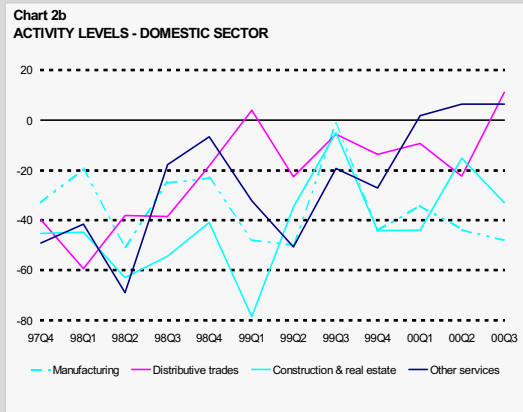


### Activity Levels – Third Quarter 2000

Though some improvement was recorded during the third quarter of 2000, a number of sectors continued to report below normal levels of activity. Furthermore, the higher activity level reported by the manufacturing export industry appears to have occurred mainly in the machinery and other equipment sub-sector, which includes electronics. In fact, the leading firm within this sub-sector is currently expanding its production capacity. Meanwhile, however, export turnover in a number of sub-sectors, such as clothing and footwear and furniture, was lower during the quarter. As can be seen from Chart 2a, operators in the tourism sector continued to report a below normal level of activity for the sixth quarter in a row. This is broadly in line with the slowdown in tourist arrivals and the drop in bednights stayed reported during the period.

Most domestically-oriented firms continued to operate below their normal level of activity during the third quarter of 2000, with the only exceptions being firms in the distributive trades and in the financial and professional services sub-sectors. Manufacturing firms producing for the local market reported that they were operating substantially below their capacity during the quarter. At the same time, firms in the construction and real estate sector indicated that their overall turnover remained below the 1999 level.

The services sector, whose performance had been steadily improving since the second quarter of 1999, also appears to be slowing down. The industrial services sub-sector continued to register lower levels of activity, probably reflecting the state of the domestically-oriented manufacturing sector. At the same time, activity in the financial and professional services sub-sectors decelerated, in line with the reduction in turnover on the Malta Stock Exchange during the



period. By contrast, surveyed firms in the distributive trades reported a substantial increase in activity when compared with the June quarter, as can be seen from Chart 2b. The improved performance in this sector is in line with the rise in private consumption mentioned in an earlier section of this Review.

### Conclusion

In terms of short- to medium-term expectations, the prospects for export activity would, therefore appear to be positive, driven by the electronics sub-sector. The latter is expected to expand at a rate that should be more than sufficient to offset the weak performance of the tourism industry. Domestic demand is also expected to pick up as a result of the Christmas season, though it is yet unclear whether there is also an incipient underlying recovery under way. As a result the prospects for domestically-oriented manufacturing firms remain unclear. Operators in the services and construction sectors are also becoming increasingly cautious in their expectations, suggesting that domestic demand might not increase substantially in the near future. Nevertheless the responses to the latest survey indicate that the level of employment should continue to grow at a healthy pace, and inflation is expected to remain broadly stable.

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

The across-the-board weakening in Malta's current account noted in the first half of the year continued during the September quarter, but was more noticeable in the services balance. On a year-on-year basis, the current account balance swung from a surplus of Lm30.3 million in 1999 to a deficit of Lm2 million. Meanwhile, the Maltese lira resumed its upward trend against the euro after this had been interrupted by a brief recovery

of the European currency in June. Against the US dollar and the Japanese yen, however, the Maltese lira continued to lose ground, while against sterling its losses were more contained.

### The Current Account<sup>1</sup>

#### Merchandise Trade

The merchandise trade gap widened further during the quarter, continuing the trend observed in the first two quarters of the year. In fact, from Lm57 million in the September quarter last year, the

**Table 4.1**  
**BALANCE OF INTERNATIONAL PAYMENTS**

|  | <i>Lm millions</i> |             |             |             |
|--|--------------------|-------------|-------------|-------------|
|  | July-Sept.         |             |             |             |
|  | 1999               |             | 2000        |             |
|  | Credit             | Debit       | Credit      | Debit       |
| <b>CURRENT ACCOUNT BALANCE</b>                     | <b>30.3</b>        |             |             | <b>2.0</b>  |
| <b>Goods, services and income</b>                  | <b>25.5</b>        |             |             | <b>4.6</b>  |
| <b>Goods and services</b>                          | <b>13.8</b>        |             |             | <b>8.9</b>  |
| <b>Merchandise trade balance</b>                   |                    | <b>56.8</b> |             | <b>62.3</b> |
| Merchandise f.o.b.                                 | 190.8              | 247.6       | 274.4       | 336.7       |
| <b>Services balance (net)</b>                      | <b>70.6</b>        |             | <b>53.4</b> |             |
| Transportation                                     | 45.9               | 44.9        | 48.4        | 55.1        |
| Travel   | 95.1               | 24.5        | 88.2        | 25.7        |
| Other services                                     | 20.4               | 21.4        | 21.2        | 23.6        |
| <b>Income (net)</b>                                | <b>11.7</b>        |             | <b>4.3</b>  |             |
| Compensation of Employees                          | 1.5                | 0.7         | 0.9         | 0.7         |
| Investment Income                                  | 132.5              | 121.7       | 108.8       | 104.7       |
| <b>Current Transfers</b>                           | 11.8               | 7.0         | 10.0        | 7.4         |
| <b>CAPITAL AND FINANCIAL ACCOUNT BALANCE (Net)</b> |                    | <b>15.4</b> | <b>24.0</b> |             |
| <b>CAPITAL ACCOUNT BALANCE</b>                     | <b>4.4</b>         |             |             | <b>0.4</b>  |
| <b>FINANCIAL ACCOUNT BALANCE</b>                   |                    | <b>19.8</b> | <b>24.3</b> |             |
| Direct investment                                  | 50.2               |             | 23.9        |             |
| Portfolio investment                               |                    | 86.5        | 52.3        |             |
| Other investment                                   | 25.7               |             |             | 58.3        |
| Reserve Assets                                     |                    | 9.2         | 6.4         |             |

<sup>1</sup> Compiled on an accruals basis.

**Table 4.2**  
**MERCHANDISE TRADE**

(based on Customs Data)

|                                 | July-Sept.   |              | Change       |
|---------------------------------|--------------|--------------|--------------|
|                                 | 1999         | 2000         |              |
| <b>Imports</b>                  | <b>270.9</b> | <b>368.3</b> | <b>97.4</b>  |
| <b>Industrial supplies</b>      | <b>158.1</b> | <b>218.6</b> | <b>60.5</b>  |
| <b>Capital goods and others</b> | <b>38.9</b>  | <b>57.5</b>  | <b>18.6</b>  |
| <b>Consumer goods</b>           | <b>62.3</b>  | <b>65.2</b>  | <b>2.9</b>   |
| Food and beverages              | 21.8         | 22.4         | 0.6          |
| Durable goods                   | 26.0         | 26.8         | 0.8          |
| Others                          | 14.5         | 16.0         | 1.5          |
| <b>Fuel and lubricants</b>      | <b>11.6</b>  | <b>27.0</b>  | <b>15.4</b>  |
| <b>Exports</b>                  | <b>187.8</b> | <b>272.2</b> | <b>84.4</b>  |
| Domestic                        | 167.2        | 247.4        | 80.2         |
| Re-exports                      | 20.6         | 24.8         | 4.2          |
| <b>Trade balance</b>            | <b>-83.1</b> | <b>-96.1</b> | <b>-13.0</b> |

SOURCE: Central Office of Statistics

trade gap widened to Lm62.3 million during the quarter under review. Both exports and imports were up from 1999 levels: while in percentage terms exports increased at a faster rate than imports, the increase in imports outweighed the rise in exports in value terms.

However, as Table 4.2 shows, imports of industrial supplies and capital goods were mainly responsible for the increase in imports. This, in turn, mainly reflected investment outlays – and increased activity - undertaken by a leading electronics firm, though investment related to the provision of mobile telephony services and the rise in oil prices also contributed. In fact, the value of oil imports more than doubled, to Lm27 million, during the quarter. If re-exports of oil were to be excluded, however, the net addition to the quarter's trade deficit on account of higher oil prices would amount to Lm8.4 million.

### Services and Investment Income

The surplus on the services account contracted further during the September quarter, falling by just over Lm17 million from the corresponding year-ago level. In part, this deterioration was linked to the rise in imports, which pushed up transportation costs. In fact, the balance on the transportation account swung from a surplus of Lm1 million in the third quarter of 1999 to a deficit of Lm6.7 million this year. The surplus on the travel account also contracted, by around Lm8 million, during the quarter. In part, this reflected the relatively weak performance of the tourism sector, but a 5% rise in expenditure by Maltese nationals travelling abroad also contributed. Meanwhile, the negative balance on other services widened by Lm1.4 million. This mainly reflected higher payments for insurance and business services, the latter mainly connected with the setting up

of a second firm providing mobile telephony services.

Net investment income from abroad was down by Lm7.4 million during the quarter. This was due to a reduction in interest income on foreign assets, which was only partly offset by a drop in reinvested earnings and undistributed profits of foreign owned firms operating in Malta.

Meanwhile, net current transfers from abroad declined further, falling by Lm2.2 million, reflecting a drop in inward private transfers.

### The Capital and Financial Account

The capital and financial account was in surplus by Lm24 million during the quarter. This contrasted with the Lm15.4 million deficit recorded in the September quarter of 1999. Even if movements in the official reserves were to be excluded, the financial account would have shown a substantial, though smaller, improvement. This turnaround, however, was entirely attributable to the monetary sector, particularly the international banking institutions, which reported an increase in net inflows of about Lm38 million. In contrast, the non-monetary sectors recorded an increase in net outflows of

**Table 4.3**  
**BALANCE OF INTERNATIONAL PAYMENTS**

|  | <i>Lm millions</i> |              |              |              |
|--|--------------------|--------------|--------------|--------------|
|  | Jan-Sept.          |              |              |              |
|  | 1999               |              | 2000         |              |
|  | Credit             | Debit        | Credit       | Debit        |
| <b>CURRENT ACCOUNT BALANCE</b>                     | <b>9.7</b>         |              |              | <b>85.0</b>  |
| <b>Goods, services and income</b>                  |                    | <b>3.5</b>   |              | <b>94.3</b>  |
| <b>Goods and services</b>                          |                    | <b>23.3</b>  |              | <b>105.1</b> |
| <b>Merchandise trade balance</b>                   |                    | <b>146.8</b> |              | <b>196.2</b> |
| Merchandise f.o.b.                                 | 585.5              | 732.3        | 786.2        | 982.4        |
| <b>Services balance (net)</b>                      | <b>123.5</b>       |              | <b>91.1</b>  |              |
| Transportation                                     | 98.9               | 121.9        | 109.9        | 146.0        |
| Travel   | 208.5              | 59.2         | 203.6        | 62.3         |
| Other services                                     | 60.0               | 62.8         | 63.1         | 77.2         |
| <b>Income (net)</b>                                | <b>19.8</b>        |              | <b>10.8</b>  |              |
| Compensation of Employees                          | 3.3                | 2.3          | 2.7          | 2.3          |
| Investment Income                                  | 344.9              | 326.1        | 342.8        | 332.4        |
| <b>Current Transfers</b>                           | 36.6               | 23.4         | 34.0         | 24.7         |
| <b>CAPITAL AND FINANCIAL ACCOUNT BALANCE (Net)</b> | <b>5.6</b>         |              | <b>101.3</b> |              |
| <b>CAPITAL ACCOUNT BALANCE</b>                     | <b>10.3</b>        |              | <b>4.8</b>   |              |
| <b>FINANCIAL ACCOUNT BALANCE</b>                   |                    | <b>4.7</b>   | <b>96.5</b>  |              |
| Direct investment                                  | 192.7              |              | 67.1         |              |
| Portfolio investment                               |                    | 210.9        |              | 6.8          |
| Other investment                                   | 67.5               |              |              | 8.8          |
| Reserve Assets                                     |                    | 54.0         | 45.0         |              |

around Lm14 million. This was partly attributable to a Lm5 million drop in capital transfers to Government and partly to a Lm4.5 million decline in net foreign direct investment inflows, mainly on account of an increase in direct investment abroad by residents. Net portfolio investment outflows were also up - by about Lm1 million - while other investment outflows, mainly trade credits - rose by just over Lm4 million.

As a result of these developments, the balance of payments (excluding movements in reserves) ended the quarter with an overall surplus of Lm15.6 million. Nevertheless, the official reserves declined by Lm6.4 million during the quarter. Accounting adjustments and errors and omissions, particularly with regard to capital flows, account for this discrepancy.

#### Year-to-Date Developments in the Balance of Payments

During the first nine months of the year, the current account swung from a surplus of around

Lm9.7 million in 1999 to a deficit of Lm85 million in 2000. The merchandise trade gap widened by around Lm50 million, with the greater part of the increase being attributable to imports of capital goods and industrial supplies and a further Lm20 million to higher oil prices. At the same time, the surplus on the services account was down by Lm32.4 million, as the rise in imports pushed up transportation costs, causing the deficit in the transportation account to widen by around Lm13 million. The surplus on the travel account was down by Lm8 million, reflecting the developments during the third quarter outlined above, while the shortfall in receipts from other services, at Lm14.1 million, was mainly attributable to higher insurance payments and fees for business services. Net receipts from investment income were down by Lm9 million, while the balance on current inward transfers contracted by almost Lm4 million.

Meanwhile, net inflows on the capital and financial account, excluding movements in the

**Table 4.4**  
**MERCHANDISE TRADE**  
(based on Customs Data)

|                                 | <i>Lm millions</i> |                    |        |
|---------------------------------|--------------------|--------------------|--------|
|                                 | 1999               | Jan.-Sept.<br>2000 | Change |
| <b>Imports</b>                  | <b>804.6</b>       | <b>1,078.7</b>     | 274.1  |
| <b>Industrial supplies</b>      | <b>462.3</b>       | <b>623.9</b>       | 161.6  |
| <b>Capital goods and others</b> | <b>119.3</b>       | <b>177.1</b>       | 57.8   |
| <b>Consumer goods</b>           | <b>187.4</b>       | <b>200.8</b>       | 13.4   |
| Food and beverages              | 62.7               | 66.1               | 3.4    |
| Durable goods                   | 82.0               | 87.2               | 5.2    |
| Others                          | 42.7               | 47.5               | 4.8    |
| <b>Fuel and lubricants</b>      | <b>35.6</b>        | <b>76.8</b>        | 41.2   |
| <b>Exports</b>                  | <b>573.6</b>       | <b>776.0</b>       | 202.4  |
| Domestic                        | 517.1              | 703.2              | 186.1  |
| Re-exports                      | 56.5               | 72.8               | 16.3   |
| <b>Trade balance</b>            | <b>-231.0</b>      | <b>-302.7</b>      | -71.7  |

*SOURCE: Central Office of Statistics*



official reserves, were down by Lm3.3 million during the period. The non-monetary sector recorded a drop in net inflows of almost Lm31 million, partly because the 1999 figures had been boosted by the proceeds of the sale of Mid-Med Bank to the HSBC Group. This was partly offset by a Lm27.5 million increase in net receipts by the monetary sector.

Thus, the Lm85 million current account deficit recorded during the first three quarters of the year was financed by capital inflows amounting to Lm56 million and a Lm45 million reduction in the official reserves. The discrepancy is due to accounting adjustments and statistical errors and omissions.

### Foreign Exchange Transactions<sup>2</sup>

Foreign exchange transactions effected through the local banking system during the third quarter of the year 2000 confirmed the trends in the accruals-based balance of payments outlined above. Thus, the overall balance swung from a Lm37 million surplus during the third quarter of 1999 to a net outflow of Lm35.6 million in the corresponding quarter of the year. In line with this trend, current transactions resulted in net payments of Lm30 million, as against net receipts of around Lm25 million in 1999. This was mainly attributable to a significant rise in payments connected with merchandise trade, though a decline in net receipts from services, broadly reflecting the developments highlighted earlier, also contributed.

The balance on capital account transactions similarly swung from a net inflow of Lm11.5 million to a loss of Lm5.6 million, mostly reflecting an increase in portfolio investment outflows. Meanwhile, the net foreign assets of the banking system declined by around Lm17 million, with the difference between this and the overall balance being mainly attributable to revaluation and

**Table 4.5**  
**BALANCE OF PAYMENTS BASED ON BANKING TRANSACTIONS<sup>1</sup>**

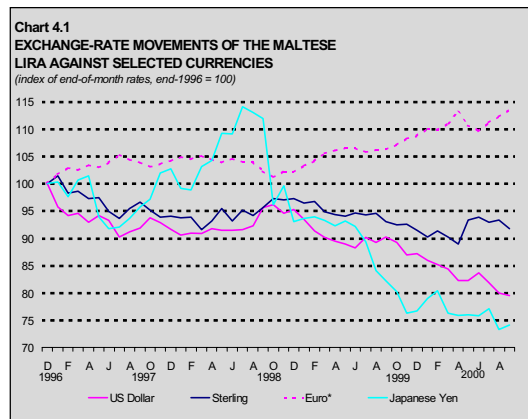
|                               | <i>Lm millions</i> |             |
|-------------------------------|--------------------|-------------|
|                               | 3rd Qtr            |             |
|                               | 1999               | 2000        |
| Current account               | 7.4                | 21.2        |
| Capital and financial account | 47.0               | 17.8        |
| <b>Overall balance</b>        | <b>54.3</b>        | <b>39.1</b> |

Note: Figures may not add up due to rounding.  
<sup>1</sup> Provisional. Compiled from data based on transactions effected through the local banking system.

accounting adjustments, particularly those arising from the transactions of international banking institutions.

### The Maltese Lira

During the third quarter of the year 2000 the euro resumed the downward path against the US dollar in evidence since its launch. This followed a brief recovery towards the end of the previous quarter. As a result, the Maltese lira once again



<sup>2</sup> Between residents and non-residents, and on a cash settlement basis effected through the local banking system.

**Table 4.6****EXCHANGE RATES OF THE MALTESE LIRA AGAINST SELECTED MAJOR CURRENCIES**

| Period                     | EURO <sup>1</sup> | US\$       | STG        | YEN        |
|----------------------------|-------------------|------------|------------|------------|
| Average for 3rd Qtr. 2000  | 2.4825            | 2.2483     | 1.5217     | 241.9      |
| Average for 3rd Qtr. 1999  | 2.3590            | 2.4737     | 1.5449     | 280.3      |
| % Change                   | 5.2               | -9.1       | -1.5       | -13.7      |
| Closing rate on 29.09.2000 | 2.5171            | 2.2090     | 1.5037     | 239.4      |
| Closing rate on 30.06.2000 | 2.4300            | 2.3263     | 1.5372     | 245.0      |
| % change                   | 3.6               | -5.0       | -2.2       | -2.3       |
| High for 3rd Qtr.          | 2.5378            | 2.3256     | 1.5437     | 252.1      |
|                            | (Sept. 20)        | (July 11)  | (Sept. 13) | (July 26)  |
| % change from average      | 2.2               | 3.4        | 1.4        | 4.2        |
| Low for 3rd Qtr.           | 2.4320            | 2.1515     | 1.4957     | 229.2      |
|                            | (July 06)         | (Sept. 20) | (Aug. 09)  | (Sept. 12) |
| % change from average      | -2.0              | -4.3       | -1.7       | -5.2       |

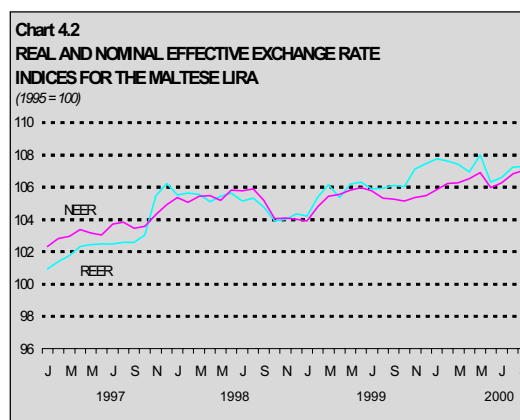
<sup>1</sup> EURO replaced the ECU as from January 1, 1999.

appreciated against the euro and lost ground against the other major currencies.

The latest developments in Malta's external competitiveness in terms of the Nominal Effective Exchange Rate (NEER)<sup>3</sup> and the Real Effective Exchange Rate Index (REER)<sup>4</sup> indices for the Maltese lira, as computed by the Central Bank of Malta, are illustrated in Chart 4.2. As the Chart shows, both indices followed an upward trend during the quarter.

Following the dip registered in June, the NEER index resumed its gradual upward trend during each month of the quarter under review, rising by 1% between June and September. This sustained rise was entirely linked to the renewed depreciation of the euro. On average, the NEER

index during the third quarter of the year 2000 was 1.2% higher than in the corresponding quarter of 1999.



<sup>3</sup> 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.

<sup>4</sup> 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 external competitiveness and vice-versa.

Similarly, the REER index rose by 0.9% between June and September. This increase entirely reflected the rise of the NEER index, as Malta's rate of inflation relative to that of competitor countries – whose inflation rates accelerated on account of higher oil prices - continued to decline<sup>5</sup>. Furthermore, domestic inflation began to decline during the quarter, as the effects of

the budgetary measures introduced at the turn of the year began to wear off. On average, the REER index during the third quarter of the year 2000 stood 1% higher than in the same quarter in 1999. This mainly reflected the persistent weakness of the euro and the developments in price inflation, both domestically and abroad, highlighted above.

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<sup>5</sup> Domestically, the rise in oil prices was not passed on to consumers.

## 5. GOVERNMENT FINANCE

Fiscal trends during the third quarter of 2000 continued to suggest that the deficit reduction target for the year would be met. In fact, during the first nine months of the year the fiscal deficit narrowed by nearly Lm22 million to around Lm62 million. This improvement in Government finances

reflected a buoyant tax revenue performance that outpaced expenditure growth.

### Ordinary Revenue

Tax revenues surged by almost Lm40 million, or 13%, between January and September 2000, but a Lm3 million drop in revenues from non-tax sources – in particular Central Bank profits –

**Table 5.1**  
**GOVERNMENT BUDGETARY OPERATIONS**

|  | <i>Lm millions</i> |                 |                 |                 |       |
|--|--------------------|-----------------|-----------------|-----------------|-------|
|  | 2000               | 1999            | 2000            | Change          |       |
|  | Qtr. 3             | Qtr. 1 - Qtr. 3 | Qtr. 1 - Qtr. 3 | Qtr. 1 - Qtr. 3 | %     |
| <b>ORDINARY REVENUE</b>                    | 133.5              | <b>366.0</b>    | <b>402.7</b>    | 36.7            | 10.0  |
| <b>Direct tax</b>                          | 67.5               | <b>154.4</b>    | <b>177.8</b>    | 23.4            | 15.2  |
| Income tax                                 | 40.1               | 90.3            | 104.5           | 14.2            | 15.7  |
| Social security contributions <sup>1</sup> | 27.4               | 64.1            | 73.3            | 9.2             | 14.4  |
| <b>Indirect tax</b>                        | 58.4               | <b>154.3</b>    | <b>170.5</b>    | 16.2            | 10.5  |
| Consumption tax                            | 27.4               | 63.6            | 77.5            | 13.9            | 21.9  |
| Customs and excise duties                  | 14.4               | 40.9            | 41.7            | 0.8             | 2.0   |
| Licences, taxes and fines                  | 16.6               | 49.8            | 51.3            | 1.5             | 3.0   |
| <b>Non-tax revenue</b>                     | 7.6                | <b>57.3</b>     | <b>54.4</b>     | -2.9            | -5.1  |
| Central Bank profits                       | 0.0                | 30.2            | 27.1            | -3.1            | -10.3 |
| Other <sup>2</sup>                         | 7.6                | 27.1            | 27.3            | 0.2             | 0.7   |
| <b>RECURRENT EXPENDITURE<sup>1</sup></b>   | 137.3              | <b>385.6</b>    | <b>406.6</b>    | 21.0            | 5.4   |
| Social security benefits <sup>3</sup>      | 50.7               | 149.4           | 152.4           | 3.0             | 2.0   |
| Interest payments                          | 15.3               | 38.5            | 42.6            | 4.1             | 10.6  |
| Other                                      | 71.3               | 197.7           | 211.6           | 13.9            | 7.0   |
| <b>CURRENT BALANCE</b>                     | -3.8               | <b>-19.6</b>    | <b>-3.9</b>     | 15.7            | -     |
| <b>CAPITAL EXPENDITURE</b>                 | 20.0               | <b>64.3</b>     | <b>58.3</b>     | -6.0            | -9.3  |
| <b>TOTAL EXPENDITURE</b>                   | 157.3              | <b>449.9</b>    | <b>464.9</b>    | 15.0            | 3.3   |
| <b>FISCAL BALANCE</b>                      | -23.8              | <b>-83.9</b>    | <b>-62.2</b>    | 21.7            | -     |

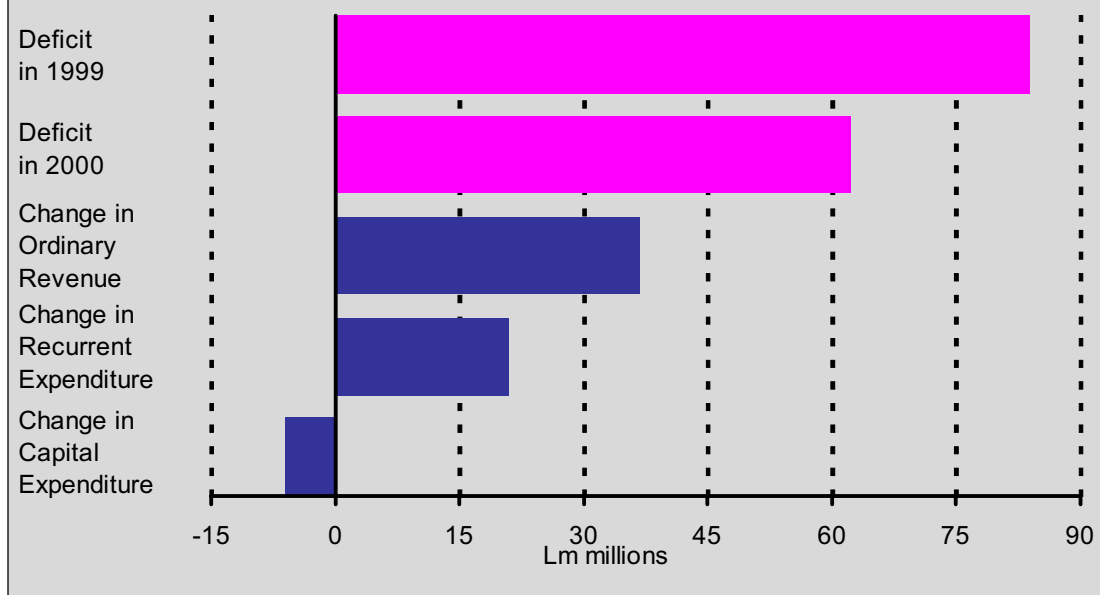
<sup>1</sup> Excludes Government contributions to the social security account.

<sup>2</sup> Excludes sale of shares.

<sup>3</sup> Includes social security benefits, family and social welfare, care of the elderly and treasury pensions.

SOURCE: *The Treasury*

**Chart 5.1**  
**GOVERNMENT FISCAL PERFORMANCE**  
**(JANUARY - SEPTEMBER 2000)**



dampened ordinary revenue growth. A more efficient tax collection process and the measures introduced in the budget for 2000 were the main factors that boosted Government revenues. As can be seen from Table 5.1, income tax and VAT each contributed Lm14 million more than in 1999, whereas social security contributions rose by Lm9 million. The year-to-date increase in income tax revenues decelerated slightly during the third quarter, as the increases noted in the first six months of the year were in part due to the anticipated collection of provisional taxes. Nonetheless, the increase in income tax revenues during the nine months to September surpassed that indicated for the whole of 2000 in the budget estimates. Meanwhile, revenues from VAT continued to grow steadily. In fact, when compared to last year, VAT brought in close to Lm5 million more in every quarter, with the extension of the tax base to petrol and telephony services providing half the increase. Hence, as

with direct taxes, VAT performance surpassed expectations.

### Expenditure

As Chart 5.1 shows, during the nine months to September 2000 recurrent expenditure advanced at a slower pace than ordinary revenues. Overall expenditure growth was further moderated by a drop in capital expenditure. Recurrent expenditures were up by Lm21 million, or 5.4%, from last year's level, as the compensation payment for the removal of bread subsidies, additional health-related expenditure and higher public debt servicing costs each boosted Government expenditure by around Lm4 million. Meanwhile, social security payments were up by Lm3 million from the 1999 level. In turn, transfers to the Water Services Corporation were Lm1.5 million less than in 1999, mirroring the Corporation's improved cash flow. Capital

**Table 5.2**  
**GOVERNMENT DEBT AND FINANCING OPERATIONS**

*Lm millions*

|   | 1999         |              |              | 2000         |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | Qtr. 3       | Qtr.4        | Qtr. 1       | Qtr. 2       | Qtr. 3       |
| <b>FISCAL BALANCE</b>                           | <b>-18.8</b> | <b>-39.6</b> | <b>-50.9</b> | <b>12.6</b>  | <b>-23.8</b> |
| <i>Financed by:</i> <sup>1</sup>                |              |              |              |              |              |
| Local loans                                     | 78.8         | 0.0          | 0.0          | 0.5          | 0.0          |
| Sale of assets                                  | 10.9         | 35.8         | 0.0          | 12.0         | 0.0          |
| Foreign loans                                   | -1.5         | 0.4          | 0.0          | -1.9         | 0.0          |
| Grants  | 1.5          | 1.8          | 0.0          | 6.0          | 0.0          |
| Increase in stock of Treasury bills outstanding | -29.3        | -18.9        | 30.9         | 11.2         | 19.5         |
| Decrease in Government deposits                 | -37.5        | 18.1         | 9.2          | 0.0          | 17.0         |
| <b>GROSS PUBLIC DEBT</b>                        | <b>858.4</b> | <b>839.9</b> | <b>870.9</b> | <b>880.8</b> | <b>900.2</b> |
| Malta Government Stocks                         | 712.2        | 712.2        | 712.2        | 712.7        | 712.7        |
| Treasury Bills                                  | 102.3        | 83.3         | 114.3        | 125.5        | 145.0        |
| Foreign Loans                                   | 44.0         | 44.4         | 44.4         | 42.5         | 42.5         |

<sup>1</sup> Negative figures indicate an application of funds.

*SOURCE: The Treasury*

expenditure, as mentioned previously, was also down, by Lm6 million, from the 1999 level, since the 1999 figures included expenditures on oil drilling and the terminal benefits paid to Kalaxlokk employees, which outweighed the higher expenditures on the construction of the new hospital in 2000.

### Financing

Throughout 2000 Government has relied to a large extent on short-term finance to meet its revenue

shortfall. As can be seen from Table 5.2, additional Treasury bills were issued during the September quarter, taking the outstanding stock of such bills up by Lm20 million to Lm145 million. Hence, gross outstanding public debt reached Lm900 million by the end of September. No change was recorded in the outstanding amount of Malta Government Stocks and foreign loans during the quarter, but the Government obtained further finance by drawing down Lm17 million from its deposits with the banking system.

## 6. MONETARY AND FINANCIAL DEVELOPMENTS

Despite the issue of securities on the capital market by both the Government and the private sector, the slowdown in monetary expansion evident during the first half of the year was checked during the September quarter. The private sector clearly preferred to hold liquid monetary assets, as quasi-money contracted for the first time in ten years. Monetary growth was driven almost entirely by an increase in credit to the private sector that was dampened by a drop in the net foreign assets of the banking system.

Liquidity in the banking system decreased as banks participated actively in the primary Treasury bill market. Nevertheless, since the Central Bank kept official interest rates unchanged, money market interest rates remained stable. In the capital market, however, long-term bond yields rose, while equity prices continued to fall in relatively thin trading.

### The Monetary Base

The **monetary base**, M0, is a measure of the Central Bank's monetary liabilities that is made up of currency in issue and banks' deposits with the Central Bank, excluding term deposits. M0 expanded by just Lm0.9 million, or 0.2%, during the quarter reviewed, as a large increase in July was matched by a similar drop in August. The annual rate of growth of the monetary base, which had risen to 6.8% in June, declined to 2.3% in September. As Table 6.1 shows, currency in issue accounted for the entire increase in the monetary base during the September quarter.

Changes in the Central Bank's assets and in its remaining liabilities generally influence movements in M0. For example, *ceteris paribus*, an increase in the Central Bank's assets raises the monetary base, whereas an increase in the Bank's remaining liabilities lowers it. During the quarter reviewed these changes broadly cancelled each other out. Thus, as can be seen in the Table, a drop in the Central Bank's external reserves was offset by an increase in its other assets, including repos, while a sharp drop in Government deposits

**Table 6.1**  
**THE MONETARY BASE AND ITS SOURCES**

|                                       | June 2000    | Sept. 2000   | Change             |
|---------------------------------------|--------------|--------------|--------------------|
|                                       |              |              | <i>Lm millions</i> |
| Currency in issue                     | 409.7        | 413.8        | 4.2                |
| Banks' deposits with the Central Bank | 138.9        | 135.6        | -3.3               |
| <b>Monetary base</b>                  | <b>548.6</b> | <b>549.5</b> | <b>0.9</b>         |
| <b>Central Bank assets</b>            |              |              |                    |
| Foreign assets                        | 703.4        | 697.5        | -5.9               |
| Claims on Government                  | 6.6          | 7.0          | 0.4                |
| Fixed and other assets                | 72.6         | 79.0         | 6.4                |
| <i>Less:</i>                          |              |              |                    |
| <b>Remaining liabilities</b>          |              |              |                    |
| Government deposits                   | 84.8         | 68.4         | -16.4              |
| Capital and reserves                  | 89.1         | 89.1         | 0.0                |
| Other liabilities                     | 60.2         | 76.7         | 16.5               |

## Table 6.2 MONETARY AGGREGATES

(Changes on the previous quarter)

Lm millions

|                            | 1999        |            |             |            | 2000         |             |             |            |             |             |
|----------------------------|-------------|------------|-------------|------------|--------------|-------------|-------------|------------|-------------|-------------|
|                            | 3rd Qtr.    |            | 4th Qtr.    |            | 1st Qtr.     |             | 2nd Qtr.    |            | 3rd Qtr.    |             |
|                            | Amount      | %          | Amount      | %          | Amount       | %           | Amount      | %          | Amount      | %           |
| <b>1. NARROW MONEY</b>     | <b>2.5</b>  | <b>0.5</b> | <b>25.3</b> | <b>4.6</b> | <b>-23.3</b> | <b>-4.0</b> | <b>23.2</b> | <b>4.2</b> | <b>28.3</b> | <b>4.9</b>  |
| Currency in circulation    | -1.8        | -0.5       | 7.5         | 2.0        | -8.8         | -2.3        | 12.2        | 3.2        | 5.9         | 1.5         |
| Demand deposits            | 4.3         | 2.5        | 17.9        | 10.0       | -14.5        | -7.4        | 11.0        | 6.1        | 22.4        | 11.6        |
| <b>2. QUASI-MONEY</b>      | <b>19.7</b> | <b>1.1</b> | <b>32.7</b> | <b>1.8</b> | <b>29.5</b>  | <b>1.6</b>  | <b>7.9</b>  | <b>0.4</b> | <b>-7.1</b> | <b>-0.4</b> |
| Savings deposits           | -1.5        | -0.2       | 18.1        | 2.9        | 3.7          | 0.6         | -16.9       | -2.6       | -17.5       | -2.8        |
| of which FCDs <sup>1</sup> | 7.3         | 6.4        | 0.4         | 0.3        | -1.3         | -1.0        | 5.1         | 4.2        | -8.0        | -6.3        |
| Time deposits              | 21.2        | 1.8        | 14.6        | 1.2        | 25.7         | 2.1         | 24.8        | 2.0        | 10.5        | 0.8         |
| of which FCDs <sup>1</sup> | 3.6         | 4.9        | -2.9        | -3.8       | 2.8          | 3.8         | 5.8         | 7.6        | 7.1         | 8.7         |
| <b>3. BROAD MONEY</b>      | <b>22.3</b> | <b>0.9</b> | <b>58.0</b> | <b>2.4</b> | <b>6.2</b>   | <b>0.3</b>  | <b>31.1</b> | <b>1.3</b> | <b>21.2</b> | <b>0.9</b>  |

<sup>1</sup> i.e. Foreign currency deposits, including external Maltese lira deposits.

was matched by growth in other liabilities, principally current profits and customers' deposits<sup>1</sup>.

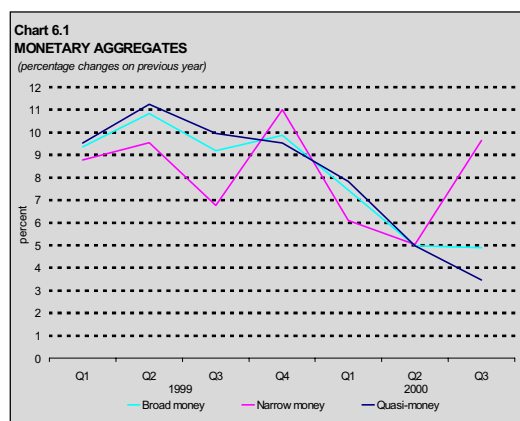
### Monetary Aggregates

**Broad money**, M3, expanded by Lm21.2 million, or 0.9%, during the quarter reviewed, and its annual rate of growth, which had been moving on a downward trend, stabilised. Maltese lira deposits with the banking system accounted for most of the quarter's increase in M3, as residents' foreign currency deposits remained largely unchanged.

As in the previous quarter, the private sector showed a clear preference for the more liquid components of broad money during the quarter reviewed. In fact, **narrow money**, M1, which consists of currency in circulation and demand deposits, accounted for the entire increase in broad money during the quarter, rising by Lm28.3 million, or 4.9%. As Chart 6.1 shows, the annual

rate of growth of M1 accelerated sharply as a result, rising from 5% in June to 9.6% in September.

In turn, demand deposits, which expanded by Lm22.4 million, accounted for most of the increase in narrow money during the quarter. These



<sup>1</sup> An Lm8 million increase in customers' deposits largely reflected a change in the accounting treatment of items in the course of collection that came into effect in August. After this change, items in the course of collection were no longer netted against customers' deposits but against deposits belonging to banks.



deposits were boosted by an increase in corporate current accounts and in customers' deposits held with the Central Bank, with the latter rising partly because of the accounting change referred to earlier. At the same time, currency in circulation expanded by Lm5.9 million, or 1.5%.

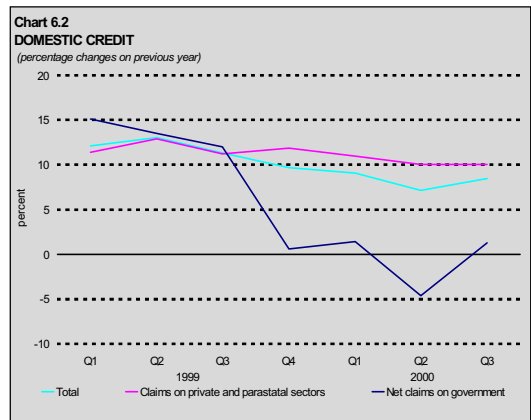
The slowdown in **quasi-money** growth that was noted during the June quarter became more pronounced during the quarter under review when a Lm7.1 million contraction was registered, as Table 6.2 shows. As a result, the annual rate of quasi-money growth declined further to 3.4% in September.

Savings deposits contracted sharply for the second successive quarter, dropping by Lm17.5 million, or 2.8%, and accounting for the entire fall in quasi-money. The decline was most pronounced in September, when both the Government and the private sector issued securities on the capital market. Corporate savings deposits, which contracted by Lm11.9 million, accounted for most of the quarterly fall.

Meanwhile, time deposits registered the smallest quarterly increase since 1992, rising by Lm10.5 million (0.8%), as growth in deposits belonging to households offset a drop in those belonging to private firms. As Table 6.2 shows, foreign currency time deposits accounted for a significant proportion of the quarterly rise. In contrast with the pattern observed during the first half of the year, when short-term deposits grew fastest, deposits with a term to maturity of one year accounted for the entire September quarter gain.

### Determinants of Monetary Expansion

Monetary growth during the third quarter was driven by domestic credit, mainly bank loans to the private sector. This was partly offset by a drop in the net foreign assets of the banking



system and by an increase in the banks' net non-monetary liabilities.

**Domestic credit** expanded by Lm57.5 million, or 2.8%, during the quarter reviewed. Almost four-fifths of the increase took place in September, when the banks charged six months' interest to borrowers' loan accounts. Although such seasonal changes have a relatively small impact on the annual growth rate, this picked up slightly to 8.3% in September.

During the quarter the banking system's net claims on Government<sup>2</sup> expanded by less than Lm1 million, as Table 6.3 shows. While Government deposits with the banking system decreased by Lm17.7 million, the banks reduced their holdings of Government securities by a similar amount. Nevertheless, the annual growth rate of net claims on Government swung from -4.6% in June to 1.2% in September as Chart 6.2 shows.

Claims on the private and parastatal sectors accounted for almost the entire increase in domestic credit during the quarter reviewed. As can be seen in Table 6.3, they rose by Lm56.7 million, or 3.3%, during the period. Nevertheless, the annual rate of growth edged down marginally,

<sup>2</sup> Net claims on Government consist of the banking system's holdings of Government securities minus Government deposits with it.

**Table 6.3****DETERMINANTS OF MONETARY GROWTH***(Changes on the previous quarter)**Lm millions*

|   | 1999        |             |              |             | 2000         |             |             |             |             |             |
|---|-------------|-------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
|   | 3rd Qtr.    |             | 4th Qtr.     |             | 1st Qtr.     |             | 2nd Qtr.    |             | 3rd Qtr.    |             |
|   | Amount      | %           | Amount       | %           | Amount       | %           | Amount      | %           | Amount      | %           |
| <b>BROAD MONEY</b>                          | <b>22.3</b> | <b>0.9</b>  | <b>58.0</b>  | <b>2.4</b>  | <b>6.2</b>   | <b>0.3</b>  | <b>31.1</b> | <b>1.3</b>  | <b>21.2</b> | <b>0.9</b>  |
| <b>1. DOMESTIC CREDIT</b>                   | <b>31.9</b> | <b>1.6</b>  | <b>18.3</b>  | <b>0.9</b>  | <b>91.5</b>  | <b>4.6</b>  | <b>-3.5</b> | <b>-0.2</b> | <b>57.5</b> | <b>2.8</b>  |
| a) Net claims on Govt.                      | -21.4       | -5.6        | -4.0         | -1.1        | 28.7         | 8.0         | -21.2       | -5.5        | 0.9         | 0.2         |
| Gross claims on Govt.                       | 16.2        | 3.4         | -22.0        | -4.5        | 19.5         | 4.2         | -21.2       | -4.3        | -16.8       | -3.6        |
| Central Bank                                | 9.1         | 129.5       | -10.0        | -61.8       | 1.7          | 27.7        | -1.2        | -15.4       | 0.4         | 5.5         |
| Banks                                       | 7.1         | 1.5         | -12.1        | -2.5        | 17.8         | 3.8         | -20.0       | -4.2        | -17.1       | -3.7        |
| less  |             |             |              |             |              |             |             |             |             |             |
| Government deposits <sup>1</sup>            | 37.5        | 41.0        | -18.1        | -14.0       | -9.2         | -8.3        | 0.0         | 0.0         | -17.7       | -17.4       |
| Central Bank                                | 35.2        | 43.5        | -19.9        | -17.2       | -7.7         | -8.1        | -3.6        | -4.1        | -16.4       | -19.4       |
| Banks                                       | 2.3         | 21.7        | 1.9          | 14.4        | -1.5         | -9.8        | 3.6         | 26.9        | -1.3        | -7.4        |
| b) Claims on private and parastatal sectors | 53.2        | 3.4         | 22.3         | 1.4         | 62.8         | 3.8         | 17.7        | 1.0         | 56.7        | 3.3         |
| <b>2. NET FOREIGN ASSETS</b>                | <b>42.4</b> | <b>4.7</b>  | <b>-5.5</b>  | <b>-0.6</b> | <b>-61.2</b> | <b>-6.4</b> | <b>63.7</b> | <b>7.2</b>  | <b>-8.2</b> | <b>-0.9</b> |
| Monetary authorities                        | 9.8         | 1.4         | 44.8         | 6.4         | -31.4        | -4.2        | -5.5        | -0.8        | -5.9        | -0.8        |
| Banks                                       | 32.7        | 14.5        | -50.3        | -19.5       | -29.8        | -14.3       | 69.2        | 38.9        | -2.4        | -1.0        |
| less  |             |             |              |             |              |             |             |             |             |             |
| <b>3. OTHER ITEMS (NET)</b>                 | <b>52.0</b> | <b>10.6</b> | <b>-45.2</b> | <b>-8.3</b> | <b>24.1</b>  | <b>4.9</b>  | <b>29.1</b> | <b>5.6</b>  | <b>28.1</b> | <b>5.1</b>  |

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

to 9.9%. Bank lending, including discounted bills, makes up the bulk of these claims. Although bank lending increased by Lm53.4 million during the quarter, the rise was mainly due to interest charges and the annual rate of growth continued to slow down. Meanwhile, the banks' holdings of securities issued by private firms increased by Lm3.2 million.

The banks continued to reduce their exposure to public sector enterprises during the quarter reviewed. Thus, despite interest charges, bank credit to state-owned enterprises, principally in the manufacturing sector, dropped by Lm12.2 million, or 5.2%, as some enterprises repaid

outstanding debts. Private sector credit, in contrast, expanded by Lm65.6 million, or 4.7%. Consequently, the annual rate of growth of private sector lending accelerated to 13.6% in September from 12.9% in June.

The analysis of the increase in credit by category of borrower, shown in Table 6.4, is heavily influenced by a major reclassification of loan facilities by one reporting bank, as well as by interest charges. The reclassification involved a drop in credit to the construction industry, to the "other services" sector and to "all other" borrowers and a corresponding increase in lending to manufacturing industry and to the

**Table 6.4****CREDIT TO SELECTED CATEGORIES OF BORROWER<sup>1</sup>***Lm millions*

|                                      | 2000     |          | 2000   |      |
|--------------------------------------|----------|----------|--------|------|
|                                      | 2nd Qtr. | 3rd Qtr. | Change | %    |
|                                      | Amount   | Amount   |        |      |
| Transport, storage and communication | 78.6     | 97.4     | 18.8   | 23.9 |
| Manufacturing                        | 206.1    | 221.3    | 15.1   | 7.3  |
| Building and construction            | 97.4     | 87.8     | -9.6   | -9.9 |
| Tourism                              | 235.8    | 238.7    | 2.9    | 1.2  |
| Wholesale and retail                 | 288.3    | 293.7    | 5.5    | 1.9  |
| Personal                             | 368.0    | 388.0    | 20.1   | 5.5  |
| All other                            | 159.2    | 162.9    | 3.7    | 2.3  |

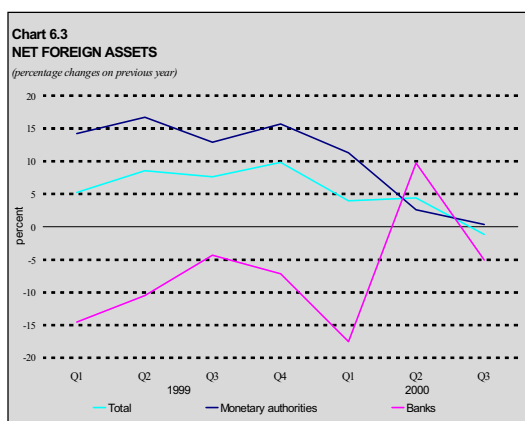
<sup>1</sup> Including bills discounted. Comprises credit to private and public sector borrowers.

“transport, storage and communications” sector. Mainly as a result of this, construction lending dropped by Lm9.6 million during the quarter, while lending to manufacturing firms and to the “transport, storage and communications” sector expanded by Lm15.1 million and Lm18.8 million, respectively. Personal credit, which was hardly affected by the reclassification, continued to account for the largest proportion of the quarterly lending increase, expanding by Lm20.1 million, or 5.5%. In contrast, credit to the tourism industry and to the distribution sector grew less rapidly.

After having risen during the previous quarter, the **net foreign assets** of the banking system dropped by Lm8.2 million during the quarter reviewed. As a result, their annual growth rate turned negative, as can be seen in Chart 6.3, dropping to -1.2% in September.

The net foreign assets of the monetary authorities continued to contract, mainly because of the rising cost of fuel imports. As Table 6.3 shows, they shed a further Lm5.9 million, or 0.8%, during the quarter reviewed. Consequently, their annual growth rate continued to decline, dropping to just above zero at the end of September. Meanwhile, the net foreign assets of the rest of the banking system fell by Lm2.4 million, or 1%, with the international banks accounting for the entire decrease<sup>3</sup>.

The net non-monetary liabilities of the banking system, which are shown as **other items (net)**, increased during the quarter reviewed, dampening monetary expansion<sup>4</sup>. During the quarter, other items (net) expanded by Lm28.1 million, or 5.1%. This growth largely reflected the Bank of Valletta bond issue in September and a



<sup>3</sup> For the purposes of this analysis, international banks exclude deposit money banks’ international banking subsidiaries.

<sup>4</sup> Other items (net) include the banking system’s non-monetary liabilities, such as capital and reserves, debentures, provisions and accrued interest payable, minus its other assets, such as premises and accrued interest receivable.

drop in accrued interest receivable.

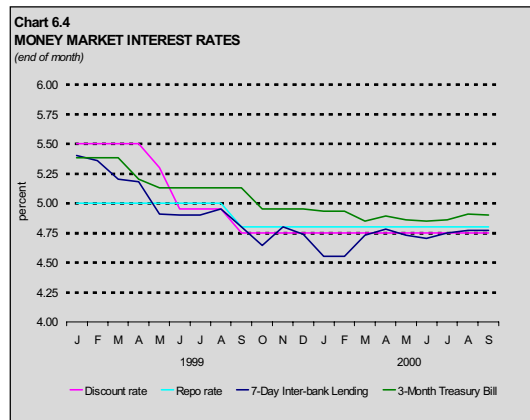
### The Money Market

The Central Bank left official interest rates unchanged at 4.75% during the third quarter. Consequently, both the repo rate and the rate paid on term deposits remained at their end-June levels of 4.8% and 4.72%, respectively. With no change in official interest rates, money market rates in general were stable during the quarter, as Chart 6.4 shows.

The Bank continued to use **open market operations** to influence the level of liquidity in the banking system and, hence, ensure that short-term interest rates remained consistent with its monetary policy objectives. The Bank injected funds through repos when the banks were short of liquidity and absorbed funds through auctions of term deposits when they were excessively liquid. Open market operations were generally carried out through auctions of 14-day money, although the Bank also conducted bilateral repos when necessary. Since the banking system was on balance short of liquidity during the quarter, the volume of term deposits auctioned by the Bank fell to Lm38.7 million. At the same time, the aggregate value of repos carried out went up from Lm26.8 million during the second quarter to Lm48.2 million.

The decline in activity in the **inter-bank market** continued, with the value of short-term inter-bank loans falling by Lm26 million to Lm47.1 million. Moreover, most of the loans traded in the market had terms to maturity of seven days or less. In fact, the seven-day inter-bank lending rate rose by 7 basis points to 4.77% during the quarter as the banking system was short of liquidity.

During the quarter reviewed, the Government resorted to issues of **Treasury bills**, with terms to maturity ranging between one and six months, to raise short-term funds. The value of bills issued on the primary market thus increased by over one

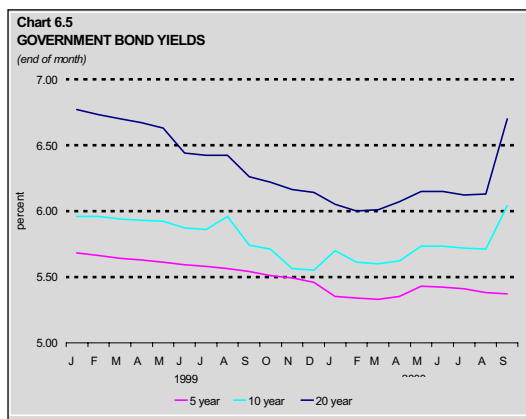


third to Lm124.3 million. As in the previous quarter banks participated actively in the primary market, taking up 54.1% of the amount issued, with the non-bank public, including Malta Government Sinking Funds, accounting for the remainder. Primary market yields edged up slightly, with that on 91-day bills rising by 4 basis points to 4.9% at the end of September.

Increased primary market activity spilled over onto the secondary market for Treasury bills, where turnover more than doubled during the quarter reviewed to Lm37.9 million. Transactions that did not involve the Central Bank accounted for most of the activity, or Lm21.7 million. The Central Bank was also active as market maker, making purchases and sales of bills worth Lm10.1 million and Lm6.1 million, respectively. Secondary market Treasury bill yields rose slightly.

### The Capital Market

Both the Government and the private sector tapped the **primary market** to raise long-term funds in September. The Government issued Lm28 million worth of bonds to replace maturing debt. The bonds were issued in two tranches, with terms to maturity of nine and fourteen years, and coupon rates of 5.9% and 6.6%, respectively. The increase in coupon rates over earlier bond issues and, indeed, over secondary market yields, stimulated demand and the issue was



## 7. THE BANKING SYSTEM

During the third quarter, investor interest turned to the capital market, causing a slowdown in resident deposit growth<sup>1</sup> and dampening the balance sheet expansion of the deposit money banks. On the assets side, the banks reduced their local investments further, whereas a reported increase in loans and advances mainly reflected interest charges on outstanding balances. The banks' profitability fell during the quarter, as their gross income declined and provisions for bad debts were increased. The capital structure and liquidity levels of the domestic banks nevertheless remained healthy. Meanwhile, the

international banks continued to expand vigorously.

### Deposit Money Banks' Balance Sheet

#### Liabilities

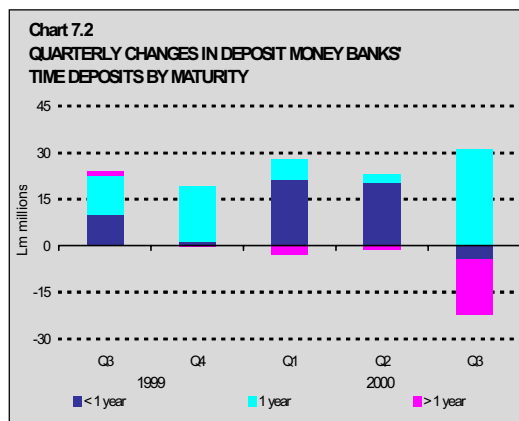
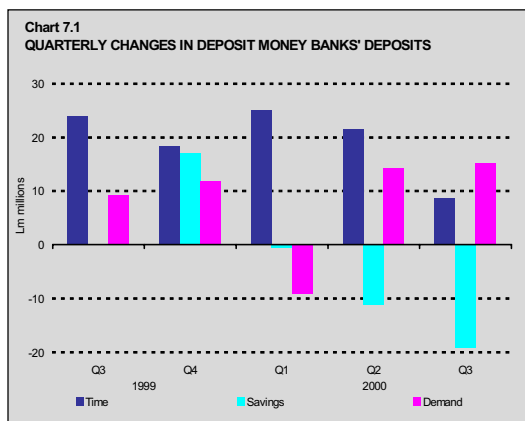
During the September quarter, growth in **resident deposits** slowed further, with only Lm4 million being added, as investors channelled more of their savings into new capital market instruments or portfolio investment abroad. As can be seen from Chart 7.1, savings deposits which had been falling since the first quarter of the year, lost further ground in the third quarter. In fact, savings deposits shed Lm20 million, with both the

**Table 7.1**  
**DEPOSIT MONEY BANKS' BALANCE SHEET**

*Lm millions*

|                                | 1999         |              |              |              | 2000         |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                | Jun          | Sep          | Dec          | Mar          | Jun          | Sep          |
| <b>ASSETS</b>                  |              |              |              |              |              |              |
| Cash and deposits with CBM     | 136          | 164          | 170          | 162          | 163          | <b>172</b>   |
| Foreign assets                 | 596          | 621          | 615          | 654          | 713          | <b>713</b>   |
| Loans and advances             | 1,390        | 1,438        | 1,464        | 1,538        | 1,542        | <b>1,593</b> |
| Local investments              | 582          | 590          | 574          | 593          | 584          | <b>566</b>   |
| Fixed and other assets         | 141          | 121          | 169          | 124          | 170          | <b>131</b>   |
| <b>LIABILITIES</b>             |              |              |              |              |              |              |
| Capital and reserves           | 116          | 116          | 127          | 138          | 138          | <b>138</b>   |
| Foreign liabilities            | 322          | 343          | 356          | 380          | 405          | <b>396</b>   |
| Other domestic liabilities     | 448          | 483          | 470          | 499          | 550          | <b>558</b>   |
| Deposits                       | 1,958        | 1,992        | 2,039        | 2,054        | 2,079        | <b>2,083</b> |
| Time                           | 1,175        | 1,199        | 1,218        | 1,243        | 1,264        | <b>1,273</b> |
| Savings                        | 616          | 616          | 633          | 632          | 621          | <b>601</b>   |
| Demand                         | 167          | 177          | 188          | 179          | 193          | <b>209</b>   |
| <b>AGGREGATE BALANCE SHEET</b> | <b>2,844</b> | <b>2,933</b> | <b>2,992</b> | <b>3,070</b> | <b>3,172</b> | <b>3,175</b> |

<sup>1</sup> This may seem to be inconsistent with the fact, pointed out in the previous chapter, that the slowdown in monetary expansion was checked. This apparent inconsistency may be explained, *inter alia*, by the fact that, apart from deposits with the deposit money banks, broad money includes currency in circulation and resident deposits with the rest of the banking system.



personal and the corporate sectors contributing to the reduction. At the same time, growth in time deposits decelerated further, with Lm9 million being added. This was entirely attributable to the personal sector, as corporate time deposits dropped during the quarter. Furthermore, as Chart 7.2 shows, only the one-year time deposit category contributed to this growth, as deposits with a shorter or longer term to maturity both contracted. On the other hand, demand deposits rose by Lm16 million under the impact of higher corporate sector deposits.

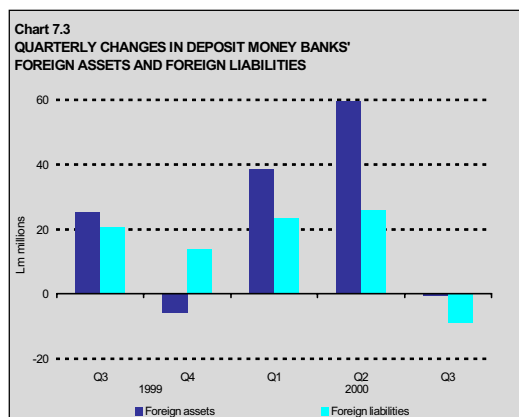
Meanwhile, as can be seen from Table 7.1, the banks' **foreign liabilities** dropped by Lm9 million, standing at Lm396 million at the end of September. At this level, foreign liabilities made up approximately one-eighth of the banks' total liabilities. The non-resident deposit base shrank, but the overall drop in the banks' foreign liabilities was dampened through higher balances due to foreign banks. On the other hand, banks added Lm8 million to their **other domestic liabilities**. This mainly reflected the issue of bonds by one institution, which more than compensated for the decline in inter-bank deposits.

### Assets

The deposit money banks' **loans and advances** portfolio expanded by Lm51 million during the

third quarter. Private sector credit rose by Lm62 million, boosted by the six-monthly interest charges that are added to customers' loan accounts at the end of September. The largest increases recorded were in credit to the private manufacturing sector and the transport and communications sector, respectively, up by Lm25 million and Lm16 million. However, overall credit growth was dampened by a Lm11 million drop in credit to the public sector, when some loans were repaid. Hence, the share of public sector credit in total credit dropped by one percentage point to 13.3%.

As Chart 7.3 shows, the banks' **foreign asset portfolio** was practically unchanged during the quarter. Banks reduced their money at call abroad and loans to non-residents, but built up a larger



**Table 7.2****DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE STATEMENT***Lm millions*

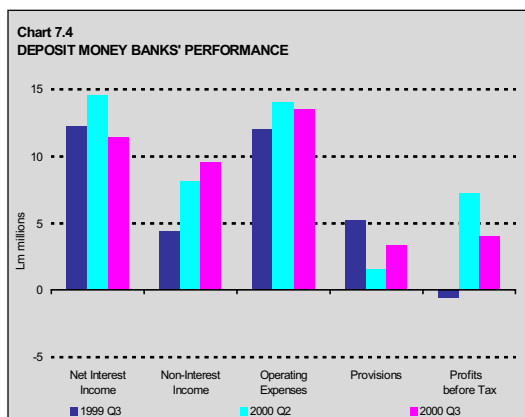
|                                  | 1999        | 2000        |             |
|----------------------------------|-------------|-------------|-------------|
|                                  | Qtr.3       | Qtr. 2      | Qtr.3       |
| Interest income                  | 42.4        | 46.7        | 44.6        |
| Interest expense                 | 30.2        | 32.2        | 33.2        |
| <b>Net interest income</b>       | <b>12.2</b> | <b>14.5</b> | <b>11.4</b> |
| Fees and commissions             | 2.9         | 3.3         | 2.5         |
| Foreign exchange gains           | 1.7         | 1.7         | 2.3         |
| Other non-interest income        | -0.2        | 3.1         | 4.8         |
| <b>Total non-interest income</b> | <b>4.4</b>  | <b>8.1</b>  | <b>9.5</b>  |
| <b>GROSS INCOME</b>              | <b>16.6</b> | <b>22.7</b> | <b>20.9</b> |
| Wages                            | 7.9         | 7.9         | 8.1         |
| Rent, dep'n and similar expenses | 1.8         | 2.4         | 2.5         |
| Other                            | 2.2         | 3.6         | 2.8         |
| <b>Operating expenses</b>        | <b>12.0</b> | <b>14.0</b> | <b>13.5</b> |
| <b>Provisions</b>                | <b>5.2</b>  | <b>1.5</b>  | <b>3.3</b>  |
| <b>PROFITS BEFORE TAX</b>        | <b>-0.6</b> | <b>7.2</b>  | <b>4.0</b>  |

foreign securities portfolio. Furthermore, the deposit money banks reduced their **local investments** – mainly holdings of Malta Government securities - by Lm18 million. On the other hand, bank **deposits with the Central Bank** were topped up by Lm9 million. In contrast, their **fixed and other assets** fell by Lm39 million, with

half of the drop being attributable to a decline in claims among banking institutions and the rest reflecting lower accrued interest due - the counterpart to the increase in loans and advances mentioned earlier.

### Deposit Money Banks' Profitability, Capital Adequacy and Liquidity

The banks' profit performance deteriorated in the third quarter, when **profits before tax** of Lm4 million were reported, as against Lm7.2 million in the June quarter. As can be seen from Table 7.2 and Chart 7.4, the reduced profitability partly stemmed from an increase to Lm3.3 million in **provisions** for bad and doubtful debts. Concurrently, **net interest income** declined compared to the second quarter, as interest income fell while interest expenses continued to rise. On the other hand, **non-interest income**, at Lm9.5 million, was up from the previous quarter's





**Table 7.3**  
**INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET**

*Lm millions*

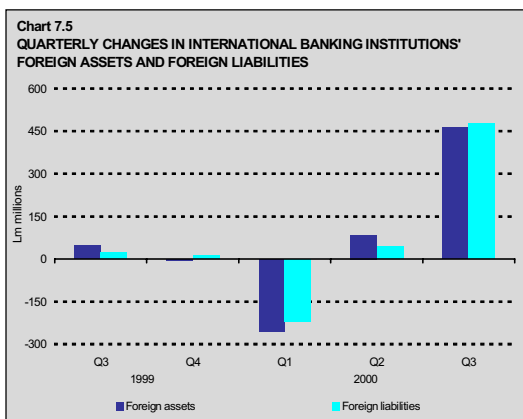
|  | 1999         | 1999         | 1999         | 1999         | 2000         | 2000         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
|  | Jun          | Sep          | Dec          | Mar          | Jun          | Sep          |
| <b>ASSETS</b>                              |              |              |              |              |              |              |
| Cash and money at call                     | 2            | 2            | 2            | 2            | 2            | 2            |
| Foreign assets                             | <b>2,375</b> | <b>2,423</b> | <b>2,418</b> | <b>2,161</b> | <b>2,245</b> | <b>2,709</b> |
| <i>Foreign securities</i>                  | 1,294        | 1,362        | 1,193        | 1,072        | 1,030        | 1,087        |
| <i>Loans and advances to non-residents</i> | 693          | 723          | 815          | 780          | 728          | 883          |
| <i>Other foreign assets</i>                | 388          | 338          | 410          | 308          | 487          | 739          |
| Loans to residents                         | 2            | 5            | 6            | 7            | 7            | 7            |
| Local investments                          | 246          | 236          | 261          | 275          | 284          | 298          |
| Other domestic assets                      | 23           | 36           | 17           | 48           | 24           | 35           |
| <b>LIABILITIES</b>                         |              |              |              |              |              |              |
| Capital and reserves                       | 175          | 180          | 189          | 182          | 184          | 181          |
| Foreign liabilities                        | <b>2,422</b> | <b>2,441</b> | <b>2,454</b> | <b>2,234</b> | <b>2,276</b> | <b>2,752</b> |
| <i>Balances due to other banks abroad</i>  | 1,307        | 1,312        | 1,121        | 881          | 860          | 1,002        |
| <i>Non-resident deposits</i>               | 1,039        | 1,015        | 1,079        | 1,027        | 983          | 1,057        |
| <i>Other foreign liabilities</i>           | 76           | 115          | 254          | 325          | 433          | 694          |
| Resident deposits                          | 20           | 19           | 21           | 25           | 26           | 26           |
| Other domestic liabilities                 | 31           | 61           | 39           | 51           | 75           | 93           |
| <b>AGGREGATE BALANCE SHEET</b>             | <b>2,647</b> | <b>2,701</b> | <b>2,703</b> | <b>2,493</b> | <b>2,561</b> | <b>3,052</b> |

level. On the expenditure front, **operating costs** dropped marginally, to Lm13.5 million. Wage costs, however, rose slightly to Lm8.1 million, equivalent to 60% of total operating costs.

The deposit money banks continued to maintain a healthy capital base and ample liquidity, both of which were in excess of statutory requirements. The banks' **capital adequacy ratio**, a measure of own funds relative to risk-weighted assets, was practically unchanged from the previous quarter, and at 13.2% was significantly above the 8% requirement. At the same time, the banks' **liquidity ratio**, which compares the value of liquid assets to net short-term liabilities, in spite of shedding 3 percentage points, dropping to 45.3%, remained well above the 30% requirement.

### International Banks

The international banking sector grew by 19% during the September quarter when, as Table 7.3 shows, offshore banks and subsidiaries or branches of foreign banks reached a balance sheet total of Lm3,052 million. This growth was in the main financed through higher **foreign liabilities**, which rose by Lm476 million over the quarter, as foreign banks and other non-residents increased their deposits in Malta. On the other hand, no change was reported in the amount of resident deposits held with the international banks. Other domestic liabilities, however, were Lm18 million higher, mainly reflecting the profits for the quarter. In turn, capital and reserves dropped marginally, to Lm181 million.



As Chart 7.5 shows, the increase in the international banks' funds were channeled into additional **foreign assets**, which rose by Lm464 million over the quarter. In fact, the international banks increased their foreign security holdings, extended further credit to non-residents, and

added to their inter-branch claims. On the other hand, outstanding loans to residents by these banks remained unchanged. Their local investments, however, were up by Lm14 million, mainly reflecting an increase in deposits with their parent banks in Malta. The international banks' other domestic assets were up by Lm11 million.

### Other Banking Institutions

The aggregate balance sheet of the other banking institutions grew again in the September quarter. Thus, **total assets** reached Lm167 million, up from Lm164 million in June. Growth was entirely attributable to higher loans and advances, which make up approximately 90% of these institutions' total assets. This balance sheet expansion was financed through time and inter-bank deposits, with each contributing half of the overall increase in the other banking institutions' funds.

## THE BUDGET ESTIMATES FOR 2001 : AN OVERVIEW OF THE GOVERNMENT'S BUDGETARY OPERATIONS

Steering public finances back onto a sustainable track is the current priority of fiscal policy. Accordingly, Government aims to proceed with the deficit reduction strategy embarked on in 1999 and to lower the deficit further, to Lm83 million, or 5% of GDP, in 2001. This should safeguard Malta's long-term economic growth prospects by easing pressure on the balance of payments, curbing domestic inflationary pressures and improving efficiency in the allocation of resources.

An upward revision in the salaries of civil servants and the preparations for accession to the European Union will boost Government expenditure during 2001, but further rationalisation in other areas should dampen this effect. In turn, the progressiveness of the tax system, further efficiency gains in the tax collection process and additional revenues from new measures are expected to generate a larger increase in ordinary revenues, thereby reducing the fiscal imbalance further.

### Fiscal Performance in 2000

Revised projections for 2000 show a fiscal deficit of Lm95 million for the year, compared to a shortfall of Lm124 million in 1999. This improvement in Government finances is double that originally targeted as revenues received an additional boost from efficiency gains in the tax collection process. The fiscal deficit/GDP ratio is hence estimated at 6% in 2000, 2.5 percentage points lower than in 1999.

### Comparison with 1999 out-turn

Ordinary revenues were up by Lm52 million during 2000, compared to an increase of Lm32 million in recurrent expenditures. Concurrently, capital expenditure was down by almost Lm9 million. As

**Table 1**  
**FISCAL PERFORMANCE IN 2000**

| <i>Lm millions</i>   |                      |
|--|----------------------|
|  | Estimated<br>Changes |
| <i>Increase in</i>   |                      |
| <b>ORDINARY REVENUE</b>  | <b>52.1</b>          |
| Income Tax   | 21.7                 |
| Social Security Contributions <sup>1</sup>   | 12.5                 |
| Value Added Tax  | 20.0                 |
| Customs and Excise Duties  | 0.8                  |
| Licences, Taxes and Fines  | 1.4                  |
| Central Bank Profits   | -3.1                 |
| Other <sup>2</sup>   | -1.2                 |
| <i>Increase in</i>   |                      |
| <b>RECURRENT EXPENDITURE<sup>1</sup></b>   | <b>32.2</b>          |
| Personal Emoluments  | 7.7                  |
| Social Security Benefits <sup>3</sup>  | 9.2                  |
| Contributions to Entities  | 0.3                  |
| Operational and Maintenance  | 6.9                  |
| Interest Payments  | 4.4                  |
| Other  | 3.7                  |
| <i>Decrease in</i>   |                      |
| <b>CAPITAL EXPENDITURE</b>   | <b>8.7</b>           |
| <b>Narrowing of FISCAL DEFICIT</b>   | <b>28.6</b>          |
| 1 Excludes Social Security contributions to the social security account.                                   |                      |
| 2 Excludes sale of shares.   |                      |
| 3 Includes social security benefits, family and social welfare, care of the elderly and treasury pensions. |                      |
| SOURCE: <i>Diskors tal-Budget 2001</i><br><i>Financial Estimates 2001</i>                                  |                      |

is Table 1 shows, the fiscal deficit is thus expected to narrow by around Lm29 million.

Income tax revenues surged by almost Lm22 million, accounting for slightly more than 40% of the entire increase in ordinary revenue. Some Lm4 million of this increase was due to the revision in the taxable income bands that resulted in higher average tax rates for higher-income households. VAT, in turn, netted Lm20 million more than in 1999, of which close to Lm8 million was attributable to the extension of the tax base to petrol and telephony services. At the same time, revenue from social security contributions was up by around Lm13 million, partly on account of the increase in the contribution rate. In contrast, revenue from non-tax sources was some Lm4 million less than in 1999, mainly due to lower Central Bank profits transferred to Government.

Social security benefits continued to boost recurrent expenditure during 2000, up by Lm9 million from the 1999 level. Around two-thirds of this increase reflected higher expenditure on retirement pensions. Salary increases and higher Government employment in turn boosted personal emoluments by almost Lm8 million. Meanwhile, operational and maintenance expenses were up by Lm7 million, mainly in health-related areas.

Similarly, interest payments continued to absorb additional resources, rising by Lm4 million from the 1999 level in line with the growing stock of debt. At the same time, a drop of around Lm9 million in capital expenditure moderated in part the overall expenditure increase. In fact, additional expenditure on the construction of the new hospital in 2000 fell short of those incurred on oil drilling in 1999, while cuts in subsidies generated further cost savings.

### Comparison with original estimates

The improvement in Government finances during 2000 exceeded the original target on account of a stronger-than-anticipated increase in ordinary revenues that offset a small overshoot in recurrent expenditures. As Table 2 shows, the revised estimates indicate that a further Lm16 million will have been collected from ordinary sources before the end of the year. This reflected improved efficiency in income tax collection, particularly with regards to the payment of provisional taxes, and tighter enforcement of VAT. In fact, compared to the original estimates, income tax is expected to yield an additional Lm13 million, whereas a further Lm5 million will accrue from VAT. Revenue from duties on cigarettes is, however, expected to be below target, dampening slightly the overall revenue increase. At the same

**Table 2**  
**THE FISCAL DEFICIT IN 2000**

|                       | Original<br>Estimates | Revised<br>Estimates | <i>Lm millions</i><br>Difference |
|-----------------------|-----------------------|----------------------|----------------------------------|
| Ordinary Revenue      | 540.5                 | 556.7                | 16.2                             |
| Recurrent Expenditure | 551.8                 | 554.3                | 2.5                              |
| Capital Expenditure   | 97.9                  | 97.4                 | -0.5                             |
| <b>DEFICIT</b>        | <b>109.2</b>          | <b>95.0</b>          | <b>14.2</b>                      |

*SOURCE: Diskors tal-Budget 2001  
Financial Estimates 2001*

time, recurrent expenditure may exceed the budgeted amount by around Lm2.5 million. The ever-increasing cost of medicines and medical equipment, and higher interest payments were the main factor behind this overshoot. This was partially mitigated by lower-than-expected spending on personal emoluments as some vacancies in the public sector remained unfilled during 2000. Further savings, on social security benefits, are attributable to a lower-than-normal number of retirements and tighter controls on benefit payments.

### Projected Fiscal Performance in 2001

In 2001 the budgetary stance is focused on further efficiency gains in revenue collection, especially through curbing tax evasion and avoidance practices. Few new fiscal measures have been introduced, so as to allow the economy to adapt to the current system with the benefit of continuity. Expenditure growth, in turn, will be driven primarily by the civil service collective agreement that will boost personal emoluments and increase outlays on social security benefits. The progressive nature of the direct tax system in Malta should, however, dampen the overall impact of these expenditure increases on public finances, acting as an automatic stabiliser through tax claw-backs. Another major development is the additional expenditure that will be undertaken to finance the National Programme for the Adoption of the Acquis, to prepare Malta for accession to the European Union.

### Measures for 2001

The principal measures announced in the Budget Speech for 2001 were<sup>1</sup>:

- enforcement of income tax on fringe benefits;
- extension of the 15% withholding tax on interest income to interest earnings from

collective investment schemes;

- a 5% increase in the excise duty on cigarettes;
- reclassification of the health and education sectors as “exempt without credit” for the purposes of VAT, which means that the providers of such services will no longer be entitled to claim refunds of VAT;
- abolition of preferential duty rates on cars imported for car hire business purposes.

The following measures were also announced:

- a cost of living increase of Lm1.50 per week;
- exchange controls to be relaxed further, with the limits being doubled in many instances;
- protective levies on imports to be scaled down further;
- the VAT rate on equipment using alternative energy sources to be reduced;
- a pricing mechanism for medicines and pharmaceuticals provided by Government to be introduced;
- retail fuel prices are to begin to reflect prices on international markets as from 2002.

### Ordinary revenues, recurrent and capital expenditures in 2001

As a result of the expected economic growth, better tax enforcement, and the fiscal measures outlined above, ordinary revenue growth is expected to outpace that in recurrent expenditure by around Lm10 million in 2001, whereas capital expenditure is set to decline by almost Lm2 million. Hence, as Table 3 shows, the fiscal balance should improve by a further Lm12 million, bringing the deficit for the year down to Lm83 million.

Ordinary sources are expected to yield Lm53 million in additional revenues when compared to

<sup>1</sup> For further details refer to the “Diskors tal-Budget 2001” published by the Ministry of Finance.

**Table 3**  
**FISCAL PERFORMANCE IN 2001**

*Lm millions*

Estimated  
Changes

*Increase in*

|  |             |
|--|-------------|
| <b>ORDINARY REVENUE</b>                    | <b>53.4</b> |
| Income Tax                                 | 13.2        |
| Social Security Contributions <sup>1</sup> | 12.9        |
| Value Added Tax                            | 11.0        |
| Customs and Excise Duties                  | 5.9         |
| Licences, Taxes and Fines                  | 6.9         |
| Other <sup>2</sup>                         | 3.6         |

*Increase in*

|  |             |
|--|-------------|
| <b>RECURRENT EXPENDITURE<sup>1</sup></b> | <b>43.2</b> |
| Personal Emoluments                      | 24.3        |
| Social Security Benefits <sup>3</sup>    | 16.1        |
| Contributions to Entities                | 3.2         |
| Operational and Maintenance              | -5.0        |
| Interest Payments                        | -0.6        |
| Other                                    | 5.2         |

*Decrease in*

|                            |            |
|----------------------------|------------|
| <b>CAPITAL EXPENDITURE</b> | <b>1.7</b> |
|----------------------------|------------|

**Narrowing of FISCAL DEFICIT** **12.0**

1 Excludes Social Security contributions to the social security account.

2 Excludes sale of shares, but includes EU funds financing.

3 Includes social security benefits, family and social welfare, care of the elderly and treasury pensions.

SOURCE: *Diskors tal-Budget 2001*  
*Financial Estimates 2001*

2000. Income tax and social security contributions are each expected to generate Lm13 million more. VAT, in turn, is projected to yield an additional Lm11 million. A further Lm7 million is expected from licenses, of which around two-thirds from the operations of telephony services and betting offices. Other non-tax revenues are expected to contribute almost Lm4 million more than in 2000, mostly due to funds obtained from the European Union.

On the other hand, recurrent expenditure is set to rise by Lm43 million, mainly driven by the civil service collective agreement<sup>2</sup>. This should boost personal emoluments by Lm24 million and trigger a Lm7 million rise in social security benefit payments. Other social security benefits are expected to grow by Lm9 million, as expenditure on pensions continues to absorb more resources. This will be mitigated by a decline in expenditure on children's allowances as employees' incomes continue to rise and fewer families remain eligible for such allowances. In turn, contributions to entities are to rise by Lm3 million, reflecting increased expenditure on the Tax Compliance Unit and the University. On the other hand, interest payments will remain practically unchanged as the lower interest rates at which maturing stocks were rolled-over are expected to compensate for the higher stock of outstanding debt. Capital expenditure, in turn, is expected to drop by almost Lm2 million on account of lower subsidies to parastatal companies.

**Microeconomic Considerations**

The Budget Speech outlined the Government's plans to address some inefficiencies and distortions in the present tax system. The aggregation of fringe benefits with taxable income should discourage tax avoidance behaviour aimed

<sup>2</sup> The agreement stipulated that between 1996 and 2000 Civil Service employees were to have their remuneration increased only by cost of living adjustments. In 2001, however, salaries were to be adjusted to reflect the normal wage drift over those years and to restore relative wage differentials.

at minimising the tax burden through carefully selected “tax-efficient” remuneration methods. Minor amendments to the VAT legislation and preferential duty rates should have a similar effect and also simplify tax administration. In turn, the imposition of withholding tax on interest income from collective investment schemes will remove the tax advantage previously enjoyed by such schemes. It will therefore level the playing field and be more equitable.

### **Macroeconomic Effects**

Overall, the reduction in the fiscal deficit in 2001 is expected to be less pronounced than in 2000, mainly on account of the increased outlays on personal emoluments. The latter, by increasing disposable incomes and consumer demand is expected to boost real GDP growth somewhat. This will, however, be partially offset by higher imports. In subsequent years, the effect on GDP growth is expected to be negligible, as the expansionary effect of the salary adjustment on domestic output will mainly be of a one-off nature. In turn, the inflationary effects should be minimal<sup>3</sup> as the brunt of the expansion in domestic demand will be absorbed by the balance of payments, with a consequent deterioration in the external deficit/GDP ratio.

Meanwhile, mounting healthcare costs and higher international fuel prices are also continuing to inflate Government expenditure. Greater reliance on the price mechanism is thus seen as the most efficient way to rationalise expenditure on these

items. The prospective reform of the pension system should likewise produce savings on outlays, hence safeguarding the sustainability of the system.

At the same time, the Government is proceeding with further liberalisation in both the goods and the financial markets. This should enhance efficiency in the allocation of resources and promote the further integration of the Maltese economy within the global economy. The scaling down of protective levies may have some negative effects in the short run, but these will be outweighed by dynamic gains in the longer run. The further liberalisation of capital controls should, in turn, help savers to channel their money where they can expect to earn the highest risk-adjusted returns, even in this case achieving a better allocation of resources.

### **Conclusion**

The planned reduction in the deficit for 2001 hinges on the attainment and consolidation of efficiency gains in the collection of taxes. This avoids additional distortions in the economy while ensuring a more evenly spread tax burden. The removal of distortions should also benefit the supply side of the economy, which is the ultimate source of long-term growth. From a medium-term perspective, however, to ensure a sustainable fiscal position, expenditure growth needs to be reined in further, especially when the potential for efficiency gains in the revenue collection process has been fully exhausted.

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<sup>3</sup> This assumes that Civil Service wage award is not replicated in the private sector.

# SOURCES AND CONSEQUENCES OF FINANCIAL INSTABILITY AND THE IMPORTANCE OF A SOUND REGULATORY REGIME

*by Michael C. Bonello*

*Governor of the Central Bank of Malta\**

I am delighted to have the honour of addressing such a distinguished audience once again and I would indeed like to thank you, Mr President and the Committee of the Malta Centre of the Chartered Institute of Bankers for giving me this opportunity. I would also like to pay tribute to the Malta Centre for its constant endeavours to promote the highest professional standards in our banking industry during the past 40 years.

Last year I dwelt on domestic macroeconomic policy issues, emphasising the importance of structural reform and fiscal restraint. I had also stressed that the only proper goal for monetary policy is price stability. A stable macroeconomic environment, however, requires not only low inflation, but also a sound financial sector. This involves efficient financial markets where transactions can take place at prices reflecting demand and supply, as well as healthy financial institutions capable of meeting contractual obligations without interruption or outside assistance. Stability in the financial sector and price stability are, therefore, inextricably interrelated. Failure to maintain one form of stability creates an uncertain operating environment for the other, with causality running in both directions.

This evening I propose to discuss the sources of threats to financial stability and possible preventive measures; and – given the primary importance of banks in the financial system – bank regulation and supervision.

A cursory look at global economic developments during the past two decades reveals that episodes

of financial instability are more frequent than is often supposed. Indeed, according to a study by the International Monetary Fund, between 1980 and 1996 more than 130 countries experienced significant banking sector problems. Since that study was published, other episodes of severe financial instability have been recorded in South East Asia, Russia and Brazil.

But not every episode of financial market instability can be termed a crisis. A financial crisis has been defined as “a major and contagious collapse of the financial system, entailing the inability to provide payments services or to allocate funds for investment”. In other words, a financial crisis is a bout of instability so severe that the financial system cannot perform its two key functions.

The first of these functions is the provision of payments services. Most payments to-day are not carried out using cash but by transfers of funds held with banks. A collapse of the payments system, usually the result of a bank failure, implies that money loses its primary function as a medium of exchange.

The second major role that the financial system performs is that of channelling surplus funds from savers to investors. In this way, it promotes the efficient use of capital, lets entrepreneurs take advantage of investment opportunities and leads to economic growth. If the financial system cannot perform this function, credit dries up and, in a crisis, many borrowers are driven into insolvency.

\* Address delivered at the Annual Dinner of the Malta Centre of the Chartered Institute of Bankers on November 9, 2000.



Given the importance of a healthy financial system for the economy, it is not surprising that the direct costs of financial crises can be huge. Those associated with the recent bank crisis in Indonesia, for example, have been estimated at over half that country's GDP. Even in industrial countries costs can be significant. For example, rescuing Finnish banks during the early 1990s absorbed more than 10% of Finland's output.

Why do financial crises occur? A combination of factors is probably at work, with different elements coming to the fore in individual episodes.

The traditional view has been that crises are a response to past excesses. During periods of rapid economic growth, as in the first half of the 1990s in Malta, firms are more willing to borrow and banks are quite happy to lend. As the economy slows down, borrowers suffer from cash-flow problems and non-performing bank loans increase. At this point, unexpected bad news may provoke a financial crisis. Another, more recent, perspective focuses on the inherent instability of the banking business. Banks are engaged in transforming liquid liabilities (deposits) into illiquid assets (loans). Because of this maturity mismatch, even healthy banks are vulnerable to bank runs, which may spread across the financial system.

To contain the risks inherent in their business, banks must ensure that the quality of their assets remains high. I, therefore, welcome the recent review of loan portfolios undertaken by the local banks that has included measures to recover amounts due, increased provisions and, importantly, strengthened internal controls within their overall risk management strategy. It is also vital, however, that even as loan quality is reassessed, credit continues to flow to those borrowers that are clearly in a position to meet their obligations. Otherwise, even healthy borrowers may be placed under undue financial strain.

In order to put these comments in their proper perspective, I should also acknowledge that Maltese banks continue to maintain high capital adequacy and liquidity ratios. These ratios stand at around 15% and 45%, respectively, well above the minimum prudential standards of 8% and 30%.

The growing recourse in Malta to alternatives to bank finance, such as the issue of securities on the capital market, is also a positive development which the Central Bank welcomes. In particular, expanding the capital base of private firms through equity issues makes for healthier corporate balance sheets and supports the stability of the banking system. In this regard, I must also stress the vital importance of transparency and accuracy in the financial statements of private firms. The members of the banking and accounting professions bear an important responsibility in this regard.

But the causes of financial instability may lie outside the financial system itself. For example, the problem of bank runs is worsened by the fact that depositors do not have perfect information about banks, and often cannot distinguish solvent from insolvent institutions. In such a situation, a bank run could well be nothing more than a rational response to uncertainty. Because of this possibility, ill-informed media comment and gratuitous remarks on the lending practices and on the financial health of individual banking institutions, such as have been made repeatedly in Malta during the past year, can be dangerous. The authors of such comments must be prepared to assume responsibility for the consequences which their allegations could have, not only for the depositors and shareholders of individual banks, but for the financial system as a whole. They should also understand that banks are bound by law not to reveal information on their customers, except in very specific instances.

The Central Bank, too, in the performance of its regulatory and supervisory role is similarly bound and cannot, therefore, comment on the institutions

it supervises. This does not, however, mean, as some commentators have recently claimed, that the Bank is failing to fulfil its statutory responsibilities. The Central Bank routinely examines all areas of the banks' operations, including any significant exposures that they may have on their books. This enables the Central Bank to establish the credit risk and asset quality of lending portfolios. But the Bank is precluded from divulging the findings of its inspectors. It does, however, regularly address any concerns it may have to the Boards of Directors and senior management of the banks, and subsequently ensures that appropriate remedial action has been taken.

Legal factors can also contribute to financial instability. Poor regulation and supervision of banks and other financial institutions encourages risk-taking behaviour that fuels financial instability. Hence the importance of an effective and professional supervisory regime, a topic to which I shall return later. Wider legal issues are also important: bankruptcy laws, for example, may make it hard for banks to collect their debts and thus increase the likelihood of bank failure.

Finally, the structure of the financial sector itself also plays a role. There is a trade-off between competition and financial stability. For example, the increased efficiency brought about by greater competition lowers banks' profit margins and may encourage them to engage in riskier business to compensate. Thus, the liberalisation of the financial sector, if not backed by a sound regulatory regime, could expose banks to unfamiliar risks. This is particularly true in cases where banks are allowed to engage in business that they previously could not carry out, or where new institutions are allowed to venture into the business of banking.

The international community is aware that global financial markets can swiftly punish countries that show signs of financial distress. Moreover, with capital increasingly mobile across continents,

a crisis in one country can spread rapidly across the globe. In recognition of these threats, major efforts are now under way to strengthen the architecture of the global financial system. Part of this work is aimed at helping to resolve crises once they have occurred, by addressing issues such as debt restructuring and emergency financing for countries in trouble. A second area of work, however, focuses on crisis prevention. Here the emphasis is on standards, transparency and strengthening domestic financial systems.

In an attempt to counter threats to financial stability, the relevant international institutions have established guidelines and standards of best practice. Thus, the Basle Committee on Banking Supervision has long been working on standards related to the prudential supervision of banks, laying down rules on cross-border authorisation and supervision of international banking groups, capital adequacy and risk management. These standards form the basis of the European Union's directives on banks, which, in turn, have inspired the banking directives issued by the Central Bank of Malta. Similar international initiatives have been taken with regard to insurance and securities trading in recognition of the fact that threats to financial stability may arise in these areas too.

In addition, to allay concerns that inadequate data may contribute to failure to detect incipient threats to financial stability, the International Monetary Fund has set standards on the publication of key economic and financial indicators. In this context Malta has just become the twelfth country to adopt the General Data Dissemination System, which is a framework to guide countries in the dissemination of such statistics. The IMF has also issued codes of practice on transparency in policy making to improve the flow of information from policy makers to key players in financial markets. Finally, the Fund has just launched a new programme designed to assess the strengths, vulnerabilities and risks to member States' financial systems on the basis of their adherence to accepted

international standards. I am pleased to say that the three domestic financial sector regulators, the Malta Financial Services Centre, the Malta Stock Exchange and the Central Bank of Malta will be participating in this programme.

These developments and initiatives affect Malta directly. The country depends on foreign direct investment to develop higher-value-added activities and sustain growth. But we can only attract investment if we are perceived to be a profitable location characterized by macroeconomic and financial stability. This applies even more strongly to our efforts to become an important international financial services centre. The financial sector can only continue to develop if Malta is perceived to be a reliable, well-regulated jurisdiction. In turn, this requires an appropriate institutional framework and the application of the highest international standards.

In this regard, the Central Bank of Malta has played, and continues to play, a major role. First, in common with many other central banks, the Bank is statutorily charged with overall responsibility for financial stability. This systemic role is closely related to the Bank's roles in conducting monetary policy and in overseeing the payments system. In addition, through its open market operations and its foreign exchange trading, the Central Bank has an intimate knowledge of the domestic money and capital markets; while as the authority responsible for bank supervision, it has access to a regular flow of quantitative and qualitative information which allow it to continuously assess the health of key players in the financial system. Furthermore, the Central Bank can provide liquidity directly to individual institutions by acting as lender of last resort. In this capacity, the Bank can head off threats to the stability of the banking system and, by extension, to the entire financial sector.

In view of these considerations and of the growing complexity of our financial system, we

intend to strengthen the coordination of the financial stability functions in the Central Bank by establishing an *ad hoc* unit. This unit will research and analyse ways of promoting and maintaining a stable financial system and will monitor developments. By focusing on systemic aspects, the unit will help to enhance confidence in the domestic financial system, strengthen Malta's image abroad and thus also help to attract foreign investment. The efficiency of this unit would be highly dependent upon the timely availability of all the relevant information. While most of this information is already available within the Central Bank, the remainder will need to be supplied by other sources, including the other financial sector regulators with whom we already have a good working relationship.

A second important aspect of the Central Bank's role dates back to 1994 when the Minister of Finance appointed the Bank as the Competent Authority responsible for the prudential regulation and supervision of banks and financial institutions. The Bank's expertise had, in fact, developed since 1970 when its officials first acted as bank inspectors. During the 1990s, the Bank upgraded its supervisory practices, setting up a specialist team of supervisors capable of overseeing banks on an on-going basis through on-site inspections and the off-site examination of prudential returns. It is a source of pride for the entire banking community that the high standards attained in the performance of this function have been recognised internationally. Central Bank officials have, in fact, often formed part of teams of examiners mandated by the Council of Europe Select Committee of Experts on Anti-Money Laundering Measures to evaluate financial, regulatory and supervisory structures in its member States; and earlier this year, the International Monetary Fund chose Malta to be one of 40 countries whose regulatory framework for banking supervision will form part of a database of international best practice.

In recent years, the supervisory role of central

banks has been the subject of some debate internationally. On one view, the prudential supervision of the entire financial system should be entrusted to a single agency outside the central bank. Although in most countries the central bank is still responsible for supervising banks, a number of mainly industrial countries have in fact transferred this responsibility to another agency. Foremost among these are the United Kingdom and Australia. Two arguments are usually put forward to justify shifting bank supervision away from central banks and towards a “mega-regulator”.

The first centres on a possible conflict of interest between the central bank’s monetary policy role and its role as a supervisor of banks. When the banking system is under stress, it is argued, central banks may be tempted to ease their monetary policy stance and provide liquidity support to banks. This can jeopardise the pursuit of price stability, which should be a central bank’s primary aim.

In practice, however, such a conflict of interest would rarely arise, particularly where the central bank adopts an inflation target as the cornerstone of monetary policy. This is because a weak banking system is normally associated with an economic downturn and an absence of inflationary pressures. In these circumstances, a looser monetary policy stance would indeed be appropriate.

Furthermore, there are considerable synergies between bank supervision and the conduct of monetary policy. For example, in the United States the Federal Reserve is strongly opposed to any move to transfer supervision away from it, arguing that the insights into banking business gained by its supervisors allow it to obtain a more accurate picture of economic conditions generally. Rather than seeing a conflict of interest, the Fed stresses the important beneficial links between the supervisory function and its conduct of monetary policy. In the European Union, too, with

responsibility for monetary policy no longer in national hands, central banks are increasingly turning their attention to financial stability issues and, particularly, to bank supervision. Seven out of eleven national central banks in the euro area are already responsible for overseeing banks in varying degrees. Even the Bundesbank, which has shared responsibility for bank supervision with the Federal Banking Supervisory Office since 1962, is now claiming sole jurisdiction on two grounds. First, it enjoys strong links with banks through the payments system and its standing credit facilities which increase the efficiency of the supervisory process. Second, the Bundesbank believes that its involvement in prudential supervision is necessary if it is to carry out its responsibilities to reduce systemic risk.

The second argument in favour of placing the responsibility for banking supervision outside the central bank is that the traditional distinctions between different types of financial institution no longer hold. Banks now offer insurance products; mutual funds compete for bank deposits; and financial markets offer increasingly attractive alternatives to financial intermediation. In addition, large financial conglomerates have sprung up, with subsidiaries active in a wide range of financial activities. Regulatory structures are often unable to cope with such rapid changes. In the United Kingdom, for example, before the Financial Services Authority was set up, there were nine different regulators for the financial industry. This implied a risk that no single supervisor would be able to obtain a clear overall picture of a financial conglomerate’s position. In addition, there was also a risk of regulatory arbitrage, with firms preferring to conduct business in areas that were supervised by the weakest regulator.

The strength of this argument clearly depends on the characteristics of the national financial system being considered. More advanced financial systems, in which conglomerates are especially important, may benefit from having a “mega-

regulator". The extent to which this applies to Malta to-day, however, is debatable. Despite the increase in the number of investment services providers and the diversification of some insurance services firms into fund management, most Maltese financial services firms carry out their business along traditional lines. For example, deposits still account for more than two-thirds of bank liabilities, suggesting that the business of banks remains predominantly that of banking.

The key question which needs to be answered, therefore, is this: do the synergies between banking supervision and the core central banking functions outweigh the advantages which could be gained by having all the different spheres of financial sector activity supervised by a single regulator?

In Malta this question has not yet been adequately addressed in the terms I have just put forward. *A priori*, there is a strong case for leaving the current system alone, simply because it has worked relatively well. The Maltese banking system has indeed enjoyed over a quarter of a century of stability. In part, this is because the Central Bank has evolved a sound framework of prudential regulation, developed effective internal supervisory structures and built up a team of qualified and experienced staff in the area. The findings of a survey conducted this year among over 100 central banks and other regulators by Prof. Goodhart of the London School of Economics are significant in this respect. They suggest that a centralised regulator outside the central bank tends to be more lawyer-based and more protective of customer-related than of systemic concerns. Moreover, the reputation the Central Bank of Malta enjoys both locally and abroad as bank supervisor adds to the credibility of the local banking system. It would be unwise to underestimate the value of these achievements. As Peter Sinclair, the director of a Bank of England think-tank, recently cautioned:

“Whatever the institutional arrangements a

country has established for safeguarding its financial stability, there are powerful practical reasons for not altering them inadvicably. There are costs and risks associated with the transition from one regime to another.”

If, after due debate, the decision is however taken to move the responsibility for bank supervision away from the Central Bank - and it should be noted here that such a decision is the prerogative of the Government - a number of issues related to the transition need to be carefully examined and resolved beforehand.

First, the transfer of responsibilities must not be allowed to weaken the current regulatory and supervisory framework. It is imperative that there be no gaps in the supervision of existing banks and financial institutions as the transfer takes place. Second, if it is to be credible, the transfer should enjoy as broad a measure of support as possible. Third, care should be taken not to jeopardise Malta's good standing with international standard-setting bodies and credit rating agencies. Finally, there would need to be a clear agreement between the Central Bank, the Malta Stock Exchange, the Malta Financial Services Centre and the Ministry of Finance laying down the modalities for cooperation among these entities. The memoranda of understanding drawn up in the United Kingdom and Australia may be useful models in this respect. An alternative could be the arrangement adopted in the United States, where the Federal Reserve acts an “umbrella supervisor” to oversee conglomerates, while bank supervisors and other functional supervisors retain their individual responsibilities.

Any agreement reached must cover two key issues. One is the regular and timely exchange of information between the supervisory bodies, the Central Bank and the Ministry of Finance. As the agency responsible for overall financial stability, the Central Bank will need access to information on markets and institutions of systemic

importance. Conversely, supervisors may require information that the Central Bank obtains through its oversight of the payments system and the conduct of its open market operations. Supervisory data may also be required in the conduct of monetary policy.

Secondly, agreement would be necessary on the procedures to be followed in case the Central Bank is ever called upon to act as a lender of last resort. A contingency plan must be drawn up detailing the specific role of each institution in a crisis and the precise steps to be followed by each. Such an agreement is vital because experience abroad has shown that the onset of a crisis, when it does occur, can be extremely swift, even a matter of hours. In such cases, the Central Bank will need to be reassured that the institution to which it is making funds available is still solvent. To do so, the Bank will require access to information gathered by supervisors and may need a rapid assessment of the health of the borrowing institution to be made. The Ministry of Finance should also be involved in the process, because it is unlikely that such operations could be carried out without some commitment to use public funds.

It is only when an understanding has been reached on these broad issues that plans can be drawn up for the transfer of responsibilities. The

issues here include statutory amendments, the recruitment of qualified staff by the new banking supervisor, mechanisms for the transfer of records, and public relations, both at home and abroad. The transfer should take place gradually, according to an agreed timetable. The timing of the transfer is also important in the light of the EU accession process, given the demands that this is making on senior staff in all the institutions concerned.

In conclusion, because of its close links with the health of the payments system and the conduct of monetary policy, financial stability is a major concern of the Central Bank. That is why, and independently of any decision which might be taken on the location of the supervisory function, the Central Bank feels obliged to reinforce its capacity to ensure overall financial stability. With regard to bank supervision, I have argued that while there are strong reasons in favour of removing this responsibility from the Central Bank, there are equally weighty arguments against. Any decision taken in this area must, therefore, be the fruit of thorough analysis and dispassionate debate. An eventual transfer of responsibilities must be carefully thought through, command broad support and be efficiently implemented. Above all, on no account must the current stability and integrity of Malta's financial system be put at risk.

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- <sup>1</sup> See Carl-Johan Lindgren, Gillian Garcia and Matthew I. Saal. (1996). Bank Soundness and Macroeconomic Policy. Washington D.C: International Monetary Fund.
  - <sup>2</sup> E. Philip Davis (1999). "Financial Data Needs for Macro-Prudential Surveillance: What are the Key Indicators of Risks to Domestic Financial Stability?" in Davies, E.P., Robert Hamilton, Robert Heath, Fiona Mackie and Aditya Narain. Financial Market Data for International Financial Stability. London: Bank of England
  - <sup>3</sup> See Frederic S. Mishkin. (2000). The Economics of Money, Banking and Financial Markets. Addison-Wesley, p. 307.
  - <sup>4</sup> See Christian Hawkesby. (2000). "Central Banks and Supervisors: the Question of Institutional Structure", in Liisa Halme, Christian Hoawkesby, Juliette Healey, Indrek Saapar and Farouk Soussa Financial Stability and Central Banks. London: Bank of England
  - <sup>5</sup> Hawkesby, *op. cit.*
  - <sup>6</sup> See Deutsche Bundesbank. (2000). "The Deutsche Bundesbank's involvement in banking supervision". Deutsche Bundesbank Monthly Report. September 2000, pp 31 – 43.
  - <sup>7</sup> Peter Sinclair. (2000). Introduction to Financial Stability and Central Banks, Papers Prepared for the Central Bank Governors' Symposium at the Bank of England on Friday June 2, 2000.

# THE FREE MOVEMENT OF CAPITAL

by *David Pullicino*

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## Introduction

The free movement of capital, and hence the liberalisation of the capital account, is a precondition for EU membership. I will, therefore, focus mainly on the strategy which has been adopted to liberalise capital controls. I will then make some general comments on the impact which the initial package of capital liberalisation measures has had on the capital account. As the chapter of EU law on the free movement of capital also covers the payment system and the prevention of money laundering, I will conclude by briefly referring to the initiatives that have been taken to come in line with both EU and international standards in these specific areas.

I would like, however, to commence with some remarks on the rationale for capital account liberalisation and the benefits that may be derived from it. In putting forward these views I would like to emphasise that liberalisation of the capital account would have been necessary for Malta even in the absence of its EU membership obligation, as capital mobility is a prerequisite for moving forward with the overall liberalisation process we have started and is necessary if we wish to take advantage of the substantial benefits that participation in the global economy has to offer.

## Benefits of capital account liberalisation

It may be appropriate here to clarify the meaning of capital account liberalisation, as capital flows, in fact, include not only the movement of financial assets between countries, but also that of debt principal and repayments, portfolio equity and direct and real estate investment. Hence,

liberalising the capital account means freeing all the flows that are recorded in the capital account of a country's balance of payments. Capital account liberalisation normally follows financial sector liberalisation, a process which involves structural reforms in the domestic financial sector and the de-regulation of interest rates.

One of the reasons for the phenomenal growth in international financial transactions and capital flows over the last decade has been the removal of statutory restrictions on capital account transactions by a large number of countries, in particular developing countries. Full currency convertibility, or, in other words, the total liberalisation of the capital account, paves the way for a more efficient allocation of savings and increases a country's attractiveness to foreign investors. It gives businesses and individuals access to new markets and increases the funding available for trade and investment. In addition, cross border competition widens the choice of investments available to investors, provides opportunities for portfolio diversification and encourages domestic financial markets to become more efficient.

Capital account liberalisation is, however, not without risk as recent events in Asia, Russia and Latin America have shown. If the process is mishandled, a loss of confidence could trigger reversals of capital flows and in their wake balance of payments difficulties, currency, and possibly also banking crises. In many cases such problems arise because domestic financial markets may be distorted by inappropriate tax policies, or there may be macroeconomic imbalances and/or shortcomings in bank supervision and regulation.

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\* Address delivered at a conference on "Negotiating the Four Freedoms" held on November 10, 2000.

Thus, liberalising the capital account before strengthening the domestic financial system creates an environment in which serious economic problems and financial crisis could easily arise. It is, therefore, necessary that when controls are liberalised this is done in an orderly and well sequenced manner, accompanied by sound macroeconomic policies. There must also be a resilient domestic financial system in which it is possible to obtain accurate and timely financial and economic data.

It is relevant to mention that developing countries that have liberalised their markets have normally enjoyed significant net capital inflows, with the benefits that these have brought with them, while those that have retained restrictions have, in general, received a far smaller share of inflows and experienced lower economic growth rates.

The liberalisation of the capital account in Malta has proceeded at a gradual pace, beginning in the late eighties. Over this ten year period, the Maltese Authorities have implemented important structural reforms in the financial sector, including the deregulation of interest rates and the establishment of capital and money markets. The Authorities also recognised the importance of strengthening the financial regulatory framework and of upgrading the banking supervisory function before exposing the economy to unrestricted inflows and outflows of capital. Over the last two years macroeconomic policies have been designed to bring about more stability to the economy following years in which an expansionary fiscal stance had resulted in a sharp widening of the budget deficit.

These reforms have, as will be explained in more detail later, enabled a plan to be put in place for the removal of almost all remaining controls over a period of three years.

### **EU requirements on the free movement of capital**

This leads me to focus briefly on the EU position on the free movement of capital. This subject is

covered by Chapter 4 of the *EU Treaty establishing the European Community*, entitled *Capital and Payments*, of which Article 56 states that:

1. *Within the framework of the provisions set out in this chapter, all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited.*
2. *Within the framework of the provisions set out in this Chapter, all restrictions on payments between Member States and third countries shall be prohibited.*

Two other articles are also relevant, namely Articles 119 and 120, which refer to safeguard measures that may be applied in cases of balance of payments difficulties.

It is quite clear, therefore, that the free movement of capital as defined in the Treaty involves not only the prohibition of restrictions on the movement of capital, but also the prohibition of restrictions on cross-border payments. It is important to note that this freedom extends well beyond the actual capital transaction or the payment itself, and must be seen as a freedom which applies to the underlying right to, say, invest in real estate or make a direct investment in an undertaking.

In order to implement the provisions of Chapter 4 of the EU Treaty, a very comprehensive directive was drawn up by the Commission in 1988. The Directive 88/361 lists in detail the capital transactions that had to be liberalised. It covered practically every type of transaction that could be undertaken between residents of an economy and non-residents and vice versa. In general it covered direct investment, investments in real estate, operations in securities on the capital and money market, operations in current and deposit accounts with financial institutions, financial loans and credits and various other personal capital movements – while at the same time



stating that the list was not to be considered a restrictive list of transactions.

The free movement of capital is an essential feature of Community law, and all accession countries will be expected to have removed restrictions on all capital transactions by their accession date. While transitional arrangements may be negotiated, it is not expected that any derogations will be granted in this area unless there are exceptional circumstances justifying them.

### **Malta's programme for capital account liberalisation**

The chapter on the free movement of capital is one of the chapters that has been opened under the French Presidency. Malta's position paper in this regard has been discussed within the Malta-EU Steering Action Committee and also at Cabinet level. I will not go into the details of the position paper, but it is known that Malta will not be seeking any transitional arrangements and will be removing restrictions on all transactions over a three year period - except in the case of real estate, where it will be requesting a derogation for the acquisition of secondary residences by non-residents. Malta, in physical size, is by far the smallest of the accession countries and has the highest population density. This, it feels, constitutes a valid reason for asking for a derogation based on social and environmental grounds. Meanwhile, in the case of direct investment by non-residents in those sectors of economic activity where investment is currently restricted, the pace of liberalisation will depend on the stance of government policy with regard to the freedom of establishment and the freedom to provide services.

Malta's capital account liberalisation programme is explained in the National Plan for the Adoption of the Acquis (NPAA). The programme

commenced at the beginning of this year when a first package of liberalisation measures came into effect after these had been announced by the Minister of Finance in his Budget Speech in November 1999. The measures included the removal of restrictions on investments with a long term maturity, in particular direct investment, both outward and inward. At the same time, however, a number of more modest liberalisation measures concerning capital transactions of a medium to short term nature were also introduced.

A second package of liberalisation measures is expected to come into effect from the beginning of next year and should be announced by the Minister in his Budget Speech later this month<sup>1</sup>. It is expected that this second package will continue to build on the first package which removed restrictions on a variety of transactions, even though limits on the amounts that could be transacted were retained.

### **Impact of capital account liberalisation measures on the balance of payments.**

The monitoring of the measures introduced is an ongoing exercise, and the analysis of this flow of information is, as noted above, critical to the success of Malta's liberalisation process. The Central Bank has, for example, recorded an increased amount of capital outflows by way of personal portfolio investment as a result of the progressive easing of capital controls in this area. This, was to be expected, as higher investment limits and a wider choice of investment products became available. Active marketing by the growing number of fund management companies operating locally has been a contributing factor to this diversification, but the plan to remove capital controls over a three-year period is moving satisfactorily and there seem to be no obstacles to removing almost all restrictions on capital movements within this timeframe.

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<sup>1</sup> These measures were in fact announced by the Minister of Finance in the Budget Speech on November 20, 2000.

## Plans for legislative changes

Meanwhile it is planned that, over the next year or so, the Exchange Control Act will be thoroughly revised to include only safeguard clauses - that is, clauses that would enable the Authorities to use controls only in an emergency situation related to a balance of payments crisis. The amended legislation will also include provisions that oblige residents involved in external transactions to continue reporting these for statistical purposes. This will allow the Central Bank to retain the flow of information presently available through the administration of exchange controls. In turn, this will give statistical agencies in Malta access to accurate information on balance of payments transactions, external debt and the country's international investment position.

It is relevant to mention some of the administrative arrangements that have taken place at the Bank in relation to the gradual liberalisation of capital controls. From the beginning of the year 2000, the Central Bank changed the name of its Exchange Control Department to Capital Flows Department, and while a section of the Department continues to deal with the vetting of transactions which are not yet fully liberalised, another was established to focus almost entirely on the collection and retention of statistical data relevant to the compilation of the balance of payments.

## Payment systems

I will now turn briefly to the two other areas that are also included in the EU chapter on the free movement of capital. Here, too, Malta plans to come in line with EU requirements and standards before accession.

Obviously, having a free and well functioning payment system is essential, because there can be no free movement of capital without the means to move that capital from one area of economic activity to another, and it is the responsibility of the Central Bank of Malta to ensure the proper

functioning of the payment system. A payment system can be defined as the infrastructure needed to facilitate the transmission of money, both domestically and from one country to another. Money can of course be transmitted in the form of cash, by means of cheques, in electronic form or even through the use of plastic cards.

The development of our payment system has been followed very closely in Malta's membership process, and I am pleased to say that we have been able to develop a system which today ensures real time settlement of inter-bank obligations and which will, over the next couple of years, be able to integrate into the wider European ring of payment systems through TARGET, the European Central Bank's real time linking system. The inclusion of a section on payment systems in the amended Central Bank of Malta Act will ensure the application of the provisions of the *Acquis* relating to finality of settlements within a payment system, and the provisions of Directive EC 97/5 relating to cross border payments.

An executive Payments System Committee was set up earlier this year to formulate the rules and regulations that would govern the payment system. This will ensure that the market is better served with a rapid and secure electronic infrastructure to facilitate payments which today are, in most cases, made by cheque. The Committee will also be responsible for the management of the payment system's infrastructure in Malta. Meanwhile, a Payment System User Group (including representatives of the Malta Stock Exchange, since this institution is responsible for the securities settlements system), has been set up to accelerate progress towards the standardisation of payment flows within the domestic banking system and to endeavor to reduce paper-based settlements to a minimum. Further functionality has been added to the Real Time Gross Settlement System (RTGS) with the straight through processing of high value inter-bank settlements via the SWIFT network.

## Prevention of money laundering

I will conclude with some remarks about the steps we have taken to meet EU standards where the prevention of money laundering is concerned. Malta's legislation on the prevention of money laundering, including measures and provisions for safeguarding the financial system, appears to be in full compliance with the *Acquis*. Secondary legislation, consisting of the Prevention of Money Laundering Regulations, came into force in December 1994. To ensure that these comply more fully with EU law, the Regulations, which apply to all agents in the financial sector, were recently extended to the gaming sector. The obligations imposed on persons subject to these regulations include procedures for identification, record keeping, reporting of suspicious transactions and staff training. Furthermore, the regulations are to be tightened further, and a legal notice amending the secondary legislation has accordingly been drafted and is due to be issued shortly. These amendments will provide for the exchange of information on suspicious

transactions between members of a banking or financial services group. It will also introduce the concept of a reputable jurisdiction within the context of bank-to-bank transactions. These amendments will bring the record-keeping obligation further in line with the related EU Directive.

The responsibility for monitoring, upgrading, developing and implementing the various anti-money laundering provisions in Malta is shared between the Office of the Attorney General, the law enforcement agency (the Malta Police) and the financial sector regulatory bodies. These are represented on the *ad hoc* Joint Steering Committee that analyses and makes recommendations in this regard. It is expected that a Financial Intelligence Unit will be set up shortly to take over these responsibilities. This means that even in this field Malta is almost in full compliance with EU law. Thus, by next year, it is envisaged that Malta will in fact be completely in line with the requirements of the *Acquis* and implementing international best practice.

# NEWS NOTES

## Malta - EU Accession Negotiations

- During October, the revised *National Programme for the Adoption of the Acquis* (NPAA) was approved by the House of Representatives.
- Also in October, another three chapters in the accession negotiation process were provisionally closed. These are: Culture and Audiovisual; Statistics; and Consumer and Health Protection.
- In November the European Commission published its annual reports on progress made over the past twelve months by the countries applying for EU accession.
- During the same month Malta closed another two chapters in the negotiation process, Company Law and Economic and Monetary Union, bringing the number of provisionally closed chapters to 12.
- During their summit in Nice on December 7 - 11, the EU leaders reaffirmed their commitment to welcome as new Member States those applicant countries that were ready for membership as from the end of 2002. They also expressed their hope that the new member countries would be able to join in time for the next elections to the European Parliament that are to be held in June 2004.
- The Nice Treaty incorporated reforms to the way the 15-nation bloc functions as it prepares for enlargement. Changes were made to the composition of the European Commission and to the size and voting procedure of the Council of Ministers. Malta was assigned 3 votes in the Council of Ministers and 5 votes in the European Parliament. Malta was also assigned one Commissioner, 5 seats in the EU's Economic and Social Committee (Ecosoc) and another 5 seats in the Committee of Regions.

## European Central Bank Seminar on Accession Process

A seminar on the EU accession process was jointly organised in Vienna on 14 and 15 December 2000 by the European Central Bank (ECB) and the Oesterreichische Nationalbank (OeNB), the Austrian central bank. This seminar brought together representatives of the Eurosystem (which consists of the ECB and the national central banks of the 12 countries of the euro area) and the central bank governors of the 12 EU accession countries. The Vienna seminar was the second such seminar on the accession process following the one held in Helsinki in November 1999. Important monetary issues relating to the smooth future integration of accession countries' central banks into the European System of Central Banks (ESCB) were discussed at the seminar and also exchange rate arrangements and co-operation between the Eurosystem and the central banks of the accession countries. The Governor of the Central Bank of Malta, Mr Michael C Bonello, attended the seminar and was a lead speaker in a discussion on price dynamics, competitiveness and monetary policy in the context of a fixed exchange rate regime.

## Budget 2001

On November 21 the Minister of Finance presented the Budget Estimates for the year 2001 to Parliament. The Budget included a number of policy measures among which are:

**Cost of living increase:** A weekly increase in wages of Lm1.50 was awarded to compensate for the rise in the cost of living during the year to September 2000.

**Direct taxation:** The Income Tax Act will be enforced with regard to certain fringe benefits attached to employment. The benefits to be taxed were listed in a separate document presented with

the Budget.

**Indirect taxation:** Value added tax on health and education were 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 was 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.

**Liberalisation of exchange controls:** Exchange controls were 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 was raised from Lm50,000 per year to Lm150,000.
- The allowance for foreign portfolio investment by residents was raised from Lm15,000 per year to Lm30,000.
- Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents were permitted to invest, in foreign assets, up to a maximum of five per cent of the funds invested in the 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 was 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 was extended to one year while other bodies corporate and local retail outlets are now 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 were 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 was liberalised completely.
- All restrictions were removed with regard to the amount of assets that emigrants may transfer abroad.
- All restrictions were removed 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.

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

### **Developments in the Banking Sector**

On October 11 the Central Bank of Malta, as the Competent Authority, issued a banking licence to a Turkish bank, Akbank T.A.S.. The bank is licensed to carry out the business of banking from Malta through the establishment of a branch and

is authorised to operate with non-residents only and to transact in all currencies except the Maltese Lira.

On November 6 the Central Bank of Malta, as the Competent Authority, issued a banking licence to Sparkasse Bank Malta plc. The bank, a wholly owned subsidiary of Sparkasse Schwaz, an Austrian savings bank, is authorised to operate with non-residents only and to transact in all currencies except the Maltese lira.

### **Issue of Commemorative Coin**

On October 13 the Central Bank of Malta issued a rectangular commemorative coin to mark the new millennium. The coin, which is legal tender in Malta for the value of Lm5, was struck at the Royal Mint, UK, and forms part of the Masterpiece Millennium Collection. It is a silver-proof coin with cameos coated in 22-carat gold. The obverse of the coin shows the armorial bearings of Malta and the Central Bank of Malta, while the reverse shows two Romano-Maltese coins, believed to be among the earliest coins in circulation, dating back to the third century A.D.

### **Capital Market Developments**

#### **New Share and Bond Issues**

On October 27 Malta Government Privatisation plc announced that it would be offering for sale to the public Lm10 million worth of five-year bonds which would give holders the right to convert them into shares in companies which are to be privatised during the term of the bonds. Unless previously converted into shares, the bonds would be redeemed at a premium of 15 per cent on November 14, 2005.

On November 8 Datatrak Holdings Plc announced that it would be offering for sale to the public Lm4 million worth of shares with a nominal value of Lm1 each share. The shares, which form part of a single class of shares, were all taken up on the day of issue. Datatrak was the first company to be

listed on the Alternative Companies Listing at the Malta Stock Exchange.

On December 7 Tumas Investments plc, a wholly owned subsidiary of Tumas Group, issued at par Lm4.2 million worth of secured notes carrying an interest rate of 6.7 per cent and maturing in 2006, unless redeemed previously at the option of the company. The issue, which is fully guaranteed by Spinola Development Company Ltd, another fully owned subsidiary of Tumas Group, was acquired entirely by Bank of Valletta plc, which will, in turn, be seeking to place part of the issue with institutional investors.

#### **Review of Malta Stock Exchange Council Notice**

On December 5 the Council of the Malta Stock Exchange revised 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 will become effective as from January 1, 2001.

#### **Government Sale of Shares in Middle Sea Insurance plc**

On November 20 the Government announced that it would be offering for sale to eligible investors 863,625 shares of a nominal value of Lm0.50 each in Middle Sea Insurance p.l.c. to those persons who were shareholders in Mid-Med Bank plc as at the close of the business on April 5, 1999 and whose address on the register of members is in Malta.

#### **Developments in Financial Services**

On October 6 Fexco Investment Services (Malta) Ltd (FISML) launched the Commerz International Capital Management (CICM) Funds in Malta. FISML was licensed to conduct investment services business by the Malta Financial Services Centre on August 4. Commerz International

Capital Management is a wholly owned subsidiary of the Commerzbank Group.

On October 13 Amalgamated Investments SICAV plc, which was licensed as a collective investment scheme by the Malta Financial Services Centre (MFSC) on September 27, launched Amalgamated Growth & Investment Income Fund, with an initial net asset value of Lm17.3 million. A large component of the fund is in Maltese securities along with international equity and fixed interest components.

### **Double Taxation Agreements**

On October 30 the Governments of Malta and Finland signed an agreement for the avoidance of double taxation with respect to taxes on income.

On December 15 the Governments of Malta and Russia signed an agreement for the avoidance of double taxation with respect to taxes on income as well as an agreement to prevent fiscal evasion with respect to income tax.

# FINANCIAL POLICY CALENDAR

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

**1997**

## **13 January : Measures introduced in the Budget for 1997**

The Budget for 1997 includes a number of policy measures. These are:

- 1) **Wages:** A weekly wage increase of Lm1.50 is to be awarded from the beginning to the year to compensate for the rise in the cost of living during the year to September 1996. Another statutory increase of 25 cents per week is to be effective as from April.
- 2) **Social Benefits:** Cost of living wage increases are to be reflected in proportionate increases in pensions and other benefits, in accordance with the Social Security Act. As from October 1, British Services pensioners are to receive their pension in full.
- 3) **Indirect Taxation:** A Lm4 levy on every travel ticket is introduced. Prices of cigarettes are raised. Duty on petrol and diesel is also increased, while subsidies on kerosene, as well as those on water used in the bottling industry, are reduced. Postal rates, and registration and license fees on imported private cars and marine pleasure craft are also increased. Value Added Tax on pre-booked tourist accommodation and catering packages is replaced by an alternative tax at five per cent.
- 4) **Low-interest loans for small businesses:** Industrial legislation is to be amended so as to enable the Government, through the Malta Development Corporation, to offer loans at subsidised rates to companies which invest less than Lm100,000. Previously, this subsidy was available only to companies investing more than this amount.

## **23 May : Amendments to Financial Laws Enacted**

Parliament enacts the Financial Laws (Amendment) Act, that amends the Income Tax Act, the Malta Treasury Bills Act, the Central Bank of Malta Act, the Malta Stock Exchange Act and the Controlled Companies (Procedure for Liquidation) Act 1995. *Inter alia*, the amendments eliminate anomalies in the computation of withholding taxes on investment income and facilitate the development of the Treasury bill market. The amendments to the Central Bank of Malta Act enable the Central Bank to enter into repurchase and reverse repurchase agreements with a wide range of institutions. Furthermore, as a result of these amendments, the deposit money banks' reserve deposits with the Central Bank no longer need to be held in a separate account. These amendments are to come into force on June 5. Amendments to the Treasury Bills Act, allow for the issue of bills in smaller denominations than previously, to encourage private investors to participate in the Treasury bill market.

## **June 10 : Legislation on Excise Taxes on Imports, Products and Services Enacted**

Parliament enacts the Customs and Excise Act 1997, which provides for the imposition of excise duties on imports, products and services. The act establishes a general excise tax of 15% on imports, as well as an excise tax on the sale of products and on the provision of services of 5%. This package of indirect taxes, which is to replace the value added tax (VAT) system, is scheduled to come into force on July 1.

## **July 18 : Auditor General and National Audit Office Act Passed**

Parliament enacts amendments to the Constitution of Malta providing for the Offices of Auditor General and Deputy Auditor General. On the same date, the Auditor General and National Audit Office Act is also



passed. This legislation is aimed at improving control over the use of public funds by establishing the office of an independent Auditor General backed up by a National Audit Office. Whereas the former Director of Audit was an officer of the government reporting to the Minister of Finance, the Auditor General is an officer of the House of Representatives and reports to Parliament. The Auditor General is appointed by the President acting in accordance with a resolution of the House of Representatives supported by the votes of not less than two-thirds of all members of the House. The Auditor General, who is to be appointed for a five-year term, is expected to report annually on Government accounts and those of public sector bodies. This legislation is to come into force on July 25.

#### **August 5 : *Small Enterprises (Loan Guarantee) Act Passed***

Parliament enacts the Small Enterprises (Loan Guarantee) Act. The Act is designed to assist small enterprises through the provision of loan guarantees by the Malta Development Corporation in cases where conventional finance is unavailable due to lack of adequate security. Each assisted loan is subject to a limit of Lm21,000, with the Corporation guaranteeing up to 70% of the total outstanding loan balance due.

#### **November 5 : *Measures Introduced in the Budget for 1998***

The Minister of Finance, in presenting the Budget Estimates for 1998 to Parliament, announces a number of policy measures. These include:-

- 1) **Wages:** A weekly wage increase of Lm1.50 is to be given to compensate for the rise in the cost of living during the year to September 1997.
- 2) **Social Benefits:** The cost of living wage increase is to be reflected in proportionate increases in pensions and other benefits in accordance with the Social Security Act. In addition, British Services pensions, the allowance for disabled children and other benefits for the disabled are to be improved.
- 3) **Social Security Contributions:** Employers' social security contributions are to be lowered by 25% if they offer employment to persons aged 40 and over who are registering for work.
- 4) **Indirect Taxation:** An excise duty on wine is to be introduced, and those on kerosene, spirits and cigarettes are to be raised. A new tariff for sewage services is to be introduced, while the rates on water, electricity and gas are to rise. Registration and licence fees on imported cars, as well as the passenger service charge on trips abroad, are to be increased. A token fee for prescriptions for free medicines is to be introduced. Duties on general insurance premiums are to be raised.
- 5) **Privatisation:** Telemalta Corporation and the Malta International Airport Authority are to be converted into companies and partially privatised. Forty per cent of the Government's holding in each of these enterprises is to be sold, with 20% of the proceeds going towards a fund that would provide for restructuring and modernisation within new social and industrial programmes.
- 6) **University Stipends:** Students who entered university after October 1997 are to be eligible to receive an Lm100 monthly allowance, of which Lm50 will be by way of a grant and Lm50 by way of a loan. During the students' study period, the interest cost on the loan is to be borne by the Government. The loan and interest accrued are to be repaid within 10 years after the end of the study period – except by students from low-income families and those achieving excellent results.
- 7) **Tax on Bank Profits:** Commercial banks are to be charged a one-off 15% tax on pre-tax profits for their current financial year.
- 8) **Fees of Office:** Fees and reimbursement costs for services provided by Government, including motor vehicle and driving licences, berthing fees and certificates issued, are to be reviewed upwards.

9) **Capital Assets Declaration:** The capital assets declaration which taxpayers used to be required to include with their income tax returns is to be re-introduced.

**November 27 : Central Bank Adjusts Repo Rate Structure**

The Central Bank of Malta carries out a technical adjustment to the interest rate structure in the repo market. The money market interest rate band, determined by the Bank's Monetary Policy Council, is narrowed from 5.10% - 5.60% to 5.20% - 5.50%. This technical adjustment is designed to narrow the spread between the Bank's repo and reverse repo rates with a view to gradually aligning all domestic money market interest rates around one official intervention rate, which will be the benchmark money market interest rate.

**December 23: Central Bank Issues Capital Adequacy Directive**

The Central Bank, as the Competent Authority in terms of the Banking Act, 1994 issues a new banking directive entitled *Capital Adequacy of Credit Institutions Authorised under the Banking Act 1994 (BD/08)*. The directive enhances the existing regulatory framework governing capital adequacy by obliging banks to provide capital against market risk. The directive, which becomes effective immediately, is to be implemented in stages. Thus, the first capital allocations required under it are those to cover foreign exchange risk. In connection with the introduction of the new directive, the Central Bank amends the Large Exposures Directive (BD/02) and the Own Funds Directive (BD/03).

**1998**

**February 2: Central Bank Raises Intervention Rates**

The Monetary Policy Council of the Central Bank 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. 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 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 Re-introduced**

Parliament enacts the Value Added Tax Act, 1998, re-introducing value added tax 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 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 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 Act III of 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 enacts 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 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 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, 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 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. They also empower the Competent Authority to impose administrative penalties on persons who fail to comply with other provisions of the Banking Act. 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. 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 MFSC***

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 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 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 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.

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# STATISTICAL TABLES

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

(as at end-September 2000, unless otherwise indicated)

|                                      |   |                    |
|--------------------------------------|---|--------------------|
| CAPITAL CITY                         | Valletta  |                    |
| AREA                                 | 316 km <sup>2</sup>   |                    |
| CURRENCY UNIT                        | Lira - Exchange rates: Lm1 = US\$2.2090<br>Lm1 = EURO2.5171           |                    |
| CLIMATE                              | Average temperature (1991-1998): December - February<br>June - August | 13.3° C<br>25.9° C |
|                                      | Average annual rainfall (1990 - 1998)                                 | 622.4mm            |
| SELECTED GENERAL ECONOMIC STATISTICS | GDP growth at current market prices (1999)                            | 6.2%               |
|                                      | GDP per capita at current market prices (1999)                        | US\$9,525          |
|                                      | Ratio of Gross Government Debt to GDP (Dec 1999)                      | 58.0%              |
|                                      | Ratio of Government Deficit to GDP (Dec 1999)*                        | 7.9%               |
|                                      | Retail Price Inflation  | 2.67%              |
|                                      | Ratio of Exports of Goods and Services to GDP (Dec 1999)              | 91.3%              |
|                                      | Ratio of Current Account Deficit to GDP (Dec 1999)                    | 4.1%               |
|                                      | Gainfully Occupied  | 141,857            |
|                                      | Unemployment Rate   | 4.4%               |
| POPULATION                           | Total (Jun 2000)  | 380,849            |
|                                      | Males (Jun 2000)  | 188,886            |
|                                      | Females (Jun 2000)  | 191,963            |
|                                      | Age composition in percent of population (1999)                       |                    |
|                                      | 0 - 19  | 28%                |
|                                      | 20 - 59   | 55%                |
|                                      | 60 +  | 17%                |
|                                      | Average annual growth rate (1990 - 1999)                              | 0.8%               |
|                                      | Density per km <sup>2</sup>   | 1,205              |
| HEALTH                               | Life expectancy at birth - Males (Dec 1999)                           | 75.1               |
|                                      | - Females (Dec 1999)  | 79.3               |
|                                      | Crude birth rate, per 1000 inhabitants (Dec 1999)                     | 11.4               |
|                                      | Crude mortality rate, per 1000 inhabitants (Dec 1999)                 | 8.1                |
|                                      | Doctors (per 1000 inhabitants) (Dec 1999)                             | 3.2                |
| EDUCATION                            | Number of schools (Dec 1998)  | 350                |
|                                      | Number of teachers (Dec 1998)   | 7,907              |
|                                      | Number of pupils/students (Dec 1998)                                  | 101,136            |
|                                      | Teachers (per 1000 students)  | 78                 |
| LIVING STANDARDS                     | Telephone Lines (per 1000 inhabitants)                                | 524                |
|                                      | TV licences (per 1000 inhabitants)                                    | 569                |
|                                      | Motor vehicle licences (per 1000 inhabitants)                         | 644                |

SOURCE: Central Bank of Malta; Central Office of Statistics; Ministry of Finance

\* Deficit figures are adjusted for sale of assets, sinking funds of converted loans and capital repayments.

**List of banking institutions submitting financial information to the Central Bank of Malta for statistical reporting purposes, as at September 2000:**

**Deposit Money Banks**

APS Bank Ltd.  
Bank of Valletta plc  
HSBC Bank Malta plc  
Lombard Bank Malta plc

**Other Banking Institutions**

Britannia Financial Services Ltd.  
HSBC Finance (Malta) Ltd  
HSBC Home Loans (Malta) Bank Ltd  
Valletta Investment Bank Ltd

**International Banking Institutions**

Bank of Valletta International Ltd  
Demirbank TAS  
Disbank Malta Ltd  
Ege Giyim Sanayicileri Bankasi AS  
Erste Bank (Malta) Ltd  
First International Merchant Bank Ltd  
HSBC Overseas Bank (Malta) Ltd  
Iktisat Bankasi AS  
Investkredit International Bank Malta Ltd  
Izola Bank Ltd  
Raiffeisen Malta Bank plc  
Tekstil Bankasi AS  
Turkiye Garanti Bankasi AS  
Volksbank Malta Ltd

**List of banking institutions that used to submit financial information to the Central Bank of Malta for statistical purposes, up to the year stated.**

Investment Bank of Malta Ltd (up to December 1982)  
Singer and Friedlander (Malta) Ltd (up to December 1982)  
Government Savings Bank (up to November 1984)  
Melita Bank International Ltd (up to September 1994)  
Investment Finance Bank Ltd (up to August 1995)

## **PART 1: MONEY AND BANKING**

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## **GENERAL METHODOLOGICAL NOTES ON THE COMPILATION OF MONEY AND BANKING STATISTICS**

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

*Lm thousands*

| End of Period | Currency Notes and Coin Issued | IMF Related Liabilities | Deposits           |            |        |         | Capital and Reserves | Other Liabilities |
|---------------|--------------------------------|-------------------------|--------------------|------------|--------|---------|----------------------|-------------------|
|               |                                |                         | Banks <sup>2</sup> | Government | Other  | Total   |                      |                   |
| 1985          | 279,018                        | 7,916                   | 121,948            | 23,701     | 35,161 | 180,810 | 2,500                | 77,088            |
| 1986          | 282,993                        | 7,099                   | 121,416            | 8,292      | 35,525 | 165,223 | 2,500                | 95,514            |
| 1987          | 308,115                        | 7,472                   | 105,595            | 8,480      | 45,720 | 159,795 | 3,500                | 113,808           |
| 1988          | 322,096                        | 9,209                   | 96,981             | 29,923     | 33,608 | 160,512 | 3,500                | 106,380           |
| 1989          | 327,881                        | 10,624                  | 77,739             | 6,054      | 32,383 | 116,176 | 3,500                | 136,239           |
| 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            |
| <b>1999</b>   |                                |                         |                    |            |        |         |                      |                   |
| Jan.          | 381,437                        | 19,014                  | 107,394            | 58,667     | 13,572 | 179,633 | 93,050               | 37,044            |
| Feb.          | 381,418                        | 19,014                  | 116,073            | 63,226     | 14,627 | 193,926 | 93,050               | 33,695            |
| Mar.          | 387,984                        | 19,014                  | 115,900            | 45,300     | 13,142 | 174,342 | 93,050               | 30,468            |
| Apr.          | 388,645                        | 19,014                  | 114,919            | 61,586     | 10,897 | 187,402 | 93,050               | 31,066            |
| May           | 393,179                        | 19,014                  | 121,093            | 44,430     | 12,190 | 177,713 | 93,050               | 36,431            |
| June          | 398,989                        | 19,014                  | 114,939            | 80,909     | 10,840 | 206,687 | 93,050               | 36,937            |
| July          | 397,655                        | 19,014                  | 124,117            | 70,419     | 11,370 | 205,907 | 93,050               | 41,466            |
| Aug.          | 397,917                        | 19,014                  | 156,106            | 84,825     | 6,161  | 247,092 | 93,050               | 31,486            |
| Sept.         | 397,594                        | 19,014                  | 139,573            | 116,113    | 7,313  | 262,999 | 93,050               | 36,975            |
| Oct           | 395,372                        | 19,014                  | 122,388            | 85,958     | 9,317  | 217,663 | 93,050               | 67,816            |
| Nov.          | 396,629                        | 19,014                  | 147,301            | 104,221    | 9,646  | 261,168 | 93,050               | 43,120            |
| Dec.          | 418,485                        | 19,014                  | 124,786            | 96,188     | 12,424 | 233,398 | 89,050               | 58,597            |
| <b>2000</b>   |                                |                         |                    |            |        |         |                      |                   |
| 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            |

<sup>1</sup> Reclassification of data from December 1998 reflect changes in the presentation of the Central Bank of Malta's financial statements.

<sup>2</sup> Including Deposit Money Banks, Other Banking Institutions and International Banking Institutions.



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

*Assets*

*Ln thousands*

| End of Period | External Reserves            |                                 |                                     |         | IMF Currency Subscription | Malta Government Securities and Advances | Fixed and Other Assets | Total Assets/ Total Liabilities |
|---------------|------------------------------|---------------------------------|-------------------------------------|---------|---------------------------|--|------------------------|---------------------------------|
|               | Gold & Other Precious Metals | IMF Related Assets <sup>2</sup> | Convertible Currencies <sup>3</sup> | Total   |                           |  |                        |                                 |
| 1985          | 58,601                       | 32,217                          | 352,031                             | 442,849 | 7,208                     | 252                                      | 97,023                 | 547,332                         |
| 1986          | 61,498                       | 34,079                          | 364,929                             | 460,506 | 5,763                     | 296                                      | 86,774                 | 553,339                         |
| 1987          | 62,402                       | 34,399                          | 382,367                             | 479,168 | 6,156                     | 4,121                                    | 103,245                | 592,690                         |
| 1988          | 59,531                       | 35,168                          | 396,440                             | 491,139 | 8,100                     | 1,853                                    | 100,605                | 601,697                         |
| 1989          | 27,050                       | 34,004                          | 403,172                             | 464,226 | 9,523                     | 2,876                                    | 117,795                | 594,420                         |
| 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                         |
| <b>1999</b>   |                              |                                 |                                     |         |                           |  |                        |                                 |
| Jan.          | 687                          | 40,429                          | 607,197                             | 648,313 | 19,086                    | 14,163                                   | 28,616                 | 710,179                         |
| Feb.          | 708                          | 40,723                          | 601,767                             | 643,198 | 32,853                    | 15,706                                   | 29,346                 | 721,102                         |
| Mar.          | 700                          | 32,635                          | 603,855                             | 637,189 | 32,853                    | 8,081                                    | 26,735                 | 704,857                         |
| Apr.          | 724                          | 33,378                          | 617,741                             | 651,843 | 32,852                    | 7,927                                    | 26,555                 | 719,177                         |
| May           | 598                          | 33,662                          | 617,811                             | 652,070 | 33,490                    | 6,205                                    | 27,621                 | 719,387                         |
| June          | 670                          | 33,756                          | 651,330                             | 685,755 | 33,490                    | 7,026                                    | 28,406                 | 754,677                         |
| July          | 511                          | 33,783                          | 655,530                             | 689,824 | 33,490                    | 6,188                                    | 27,589                 | 757,092                         |
| Aug.          | 628                          | 34,372                          | 658,210                             | 693,210 | 33,490                    | 15,678                                   | 46,179                 | 788,558                         |
| Sept.         | 711                          | 34,443                          | 660,353                             | 695,507 | 33,490                    | 16,123                                   | 64,511                 | 809,632                         |
| Oct.          | 721                          | 34,727                          | 685,074                             | 720,522 | 33,490                    | 9,124                                    | 29,779                 | 792,915                         |
| Nov.          | 700                          | 35,558                          | 706,631                             | 742,890 | 33,490                    | 6,142                                    | 30,459                 | 812,981                         |
| Dec.          | 737                          | 35,517                          | 704,065                             | 740,320 | 34,955                    | 6,153                                    | 37,115                 | 818,544                         |
| <b>2000</b>   |                              |                                 |                                     |         |                           |  |                        |                                 |
| 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                         |

<sup>1</sup> Reclassification of data from December 1998 reflect changes in Central Bank of Malta accounting policy.

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

<sup>3</sup> 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**

*Liabilities*

*Lm thousands*

| End of period | Deposits <sup>1</sup> |         |           |           | Foreign Liabilities <sup>2</sup> | Capital and Reserves | Other Liabilities <sup>2</sup> |
|---------------|-----------------------|---------|-----------|-----------|----------------------------------|----------------------|--------------------------------|
|               | Demand                | Savings | Time      | Total     |                                  |                      |                                |
| 1985          | 35,479                | 108,092 | 233,402   | 376,973   | 17,829                           | 14,438               | 27,074                         |
| 1986          | 36,658                | 123,750 | 253,982   | 414,390   | 18,153                           | 14,451               | 27,284                         |
| 1987          | 39,014                | 141,234 | 274,943   | 455,191   | 23,861                           | 15,314               | 34,594                         |
| 1988          | 38,632                | 170,129 | 303,843   | 512,604   | 34,275                           | 15,488               | 40,822                         |
| 1989          | 42,042                | 197,848 | 358,776   | 598,666   | 41,871                           | 18,143               | 50,039                         |
| 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                        |
| <b>1999</b>   |                       |         |           |           |                                  |                      |                                |
| Jan.          | 139,241               | 588,241 | 1,112,910 | 1,840,392 | 320,684                          | 116,537              | 397,953                        |
| Feb.          | 142,255               | 588,984 | 1,133,477 | 1,864,716 | 341,033                          | 116,037              | 393,631                        |
| Mar.          | 151,143               | 595,396 | 1,132,209 | 1,878,748 | 330,233                          | 116,038              | 410,698                        |
| Apr.          | 155,904               | 600,538 | 1,144,757 | 1,901,199 | 333,207                          | 116,038              | 418,969                        |
| May           | 158,760               | 616,288 | 1,151,305 | 1,926,353 | 346,722                          | 116,038              | 463,262                        |
| June          | 167,375               | 615,510 | 1,175,437 | 1,958,322 | 322,142                          | 116,038              | 447,717                        |
| July          | 165,240               | 626,683 | 1,186,612 | 1,978,535 | 310,439                          | 116,038              | 451,128                        |
| Aug.          | 186,361               | 620,362 | 1,196,491 | 2,003,214 | 316,323                          | 116,038              | 448,560                        |
| Sept.         | 176,570               | 615,635 | 1,199,391 | 1,991,597 | 342,760                          | 116,038              | 482,953                        |
| Oct.          | 177,589               | 622,238 | 1,194,747 | 1,994,574 | 360,777                          | 126,829              | 457,693                        |
| Nov.          | 180,388               | 619,806 | 1,214,111 | 2,014,305 | 375,900                          | 126,564              | 496,997                        |
| Dec.          | 188,460               | 632,675 | 1,217,858 | 2,038,993 | 356,384                          | 126,829              | 469,904                        |
| <b>2000</b>   |                       |         |           |           |                                  |                      |                                |
| 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.         | 208,684               | 601,428 | 1,273,144 | 2,083,256 | 396,423                          | 137,762              | 557,812                        |

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

<sup>2</sup> As from September 1992, the bulk of foreign liabilities belonging to a Deposit Money Bank were transferred to its offshore bank subsidiary.

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

*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/<br>Total Liabilities |
|---------------|-------------------------------------|----------------|------------------------------------|-------------------|------------------------|------------------------------------|
| 1985          | 127,181                             | 66,672         | 206,617                            | 25,610            | 10,234                 | 436,314                            |
| 1986          | 127,549                             | 73,337         | 238,191                            | 25,972            | 9,229                  | 474,278                            |
| 1987          | 113,208                             | 81,041         | 266,542                            | 51,101            | 17,068                 | 528,960                            |
| 1988          | 103,605                             | 102,386        | 302,242                            | 77,784            | 17,172                 | 603,189                            |
| 1989          | 86,401                              | 143,194        | 368,305                            | 87,049            | 23,770                 | 708,719                            |
| 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                          |
| <b>1999</b>   |                                     |                |                                    |                   |                        |                                    |
| Jan.          | 131,573                             | 590,502        | 1,315,984                          | 502,703           | 134,804                | 2,675,566                          |
| Feb.          | 131,404                             | 603,986        | 1,323,648                          | 511,447           | 144,932                | 2,715,417                          |
| Mar.          | 137,672                             | 581,764        | 1,380,828                          | 519,365           | 116,088                | 2,735,717                          |
| Apr.          | 136,871                             | 581,534        | 1,390,205                          | 541,971           | 118,832                | 2,769,413                          |
| May           | 137,220                             | 628,469        | 1,385,577                          | 572,589           | 128,520                | 2,852,375                          |
| June          | 135,616                             | 595,614        | 1,390,000                          | 581,878           | 141,111                | 2,844,219                          |
| July          | 143,186                             | 594,067        | 1,385,244                          | 585,580           | 148,063                | 2,856,140                          |
| Aug.          | 171,737                             | 607,959        | 1,374,469                          | 578,855           | 151,116                | 2,884,136                          |
| Sept.         | 164,088                             | 620,920        | 1,437,598                          | 589,968           | 120,775                | 2,933,348                          |
| Oct.          | 169,530                             | 627,642        | 1,432,473                          | 569,908           | 140,319                | 2,939,873                          |
| Nov.          | 163,587                             | 633,802        | 1,440,936                          | 573,994           | 201,447                | 3,013,766                          |
| Dec.          | 169,909                             | 615,109        | 1,464,365                          | 574,198           | 168,529                | 2,992,110                          |
| <b>2000</b>   |                                     |                |                                    |                   |                        |                                    |
| 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.         | 180,772                             | 704,008        | 1,592,966                          | 566,345           | 131,162                | 3,175,253                          |

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES  
OTHER BANKING INSTITUTIONS**

*Liabilities*

*Lm thousands*

| End of Period | Deposits <sup>1</sup> |       |       | Foreign Liabilities | Credits from Deposit Money Banks <sup>2</sup> | Capital and Reserves | Other Items (Net) <sup>2</sup> |
|---------------|-----------------------|-------|-------|---------------------|---|----------------------|--------------------------------|
|               | Savings               | Time  | Total |                     |   |                      |                                |
| 1985          | 3,165                 | 3,120 | 6,285 | 10,723              | 44,853  | 8,172                | 6,829                          |
| 1986          | 3,528                 | 3,234 | 6,762 | 5,819               | 50,262  | 8,561                | 7,148                          |
| 1987          | 3,665                 | 3,663 | 7,328 | 20,546              | 59,015  | 9,539                | 7,173                          |
| 1988          | 3,863                 | 4,329 | 8,192 | 50,299              | 67,389  | 10,252               | 7,719                          |
| 1989          | 3,394                 | 3,721 | 7,115 | 66,408              | 75,955  | 10,638               | 7,584                          |
| 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                         |
| <b>1999</b>   |                       |       |       |                     |   |                      |                                |
| Jan.          | -                     | -     | -     | -                   | 62,757  | 23,136               | 75,924                         |
| Feb.          | -                     | -     | -     | -                   | 61,852  | 23,136               | 76,970                         |
| Mar.          | -                     | -     | -     | -                   | 61,249  | 23,136               | 81,108                         |
| Apr.          | -                     | -     | -     | -                   | 60,303  | 23,136               | 72,273                         |
| May           | -                     | -     | -     | -                   | 59,071  | 23,136               | 73,314                         |
| June          | -                     | -     | -     | -                   | 59,412  | 23,136               | 72,210                         |
| July          | -                     | -     | -     | -                   | 56,318  | 23,136               | 73,400                         |
| Aug.          | -                     | -     | -     | -                   | 58,541  | 23,136               | 70,266                         |
| Sept.         | -                     | -     | -     | -                   | 60,232  | 23,136               | 72,757                         |
| Oct.          | -                     | -     | -     | 198                 | 60,002  | 23,136               | 71,714                         |
| Nov.          | -                     | -     | -     | 198                 | 59,077  | 23,136               | 72,091                         |
| Dec.          | -                     | -     | -     | 198                 | 60,392  | 20,568               | 72,540                         |
| <b>2000</b>   |                       |       |       |                     |   |                      |                                |
| 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                         |

<sup>1</sup> Excludes deposits belonging to non-residents. The latter are classified as foreign liabilities. As from January 1991, deposits belonging to residents have been classified under "Other Items (Net)".

<sup>2</sup> In April 1991, a local financial institution issued Lm60 million worth of bonds, with the proceeds being utilised to repay credits 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**

*Assets*

*Lm thousands*

| End of Period | Cash and Deposits with Central Bank | Foreign Assets | Claims on  |                                  |                                |         | Total Assets/<br>Total Liabilities |
|---------------|-------------------------------------|----------------|------------|----------------------------------|--------------------------------|---------|------------------------------------|
|               |                                     |                | Government | Deposit Money Banks <sup>1</sup> | Private and Parastatal Sectors | Total   |                                    |
| 1985          | 4,272                               | 22,212         | 664        | 221                              | 49,493                         | 50,378  | 76,862                             |
| 1986          | 4,748                               | 18,811         | 654        | 213                              | 54,126                         | 54,993  | 78,552                             |
| 1987          | 4,178                               | 34,576         | 1,366      | 241                              | 63,240                         | 64,847  | 103,601                            |
| 1988          | 1,734                               | 60,385         | 3,418      | 732                              | 77,582                         | 81,732  | 143,851                            |
| 1989          | 632                                 | 74,106         | 3,288      | 1,013                            | 88,661                         | 92,962  | 167,700                            |
| 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                            |
| <b>1999</b>   |                                     |                |            |                                  |                                |         |                                    |
| Jan.          | 430                                 | 7,028          | 5,767      | 2,355                            | 146,237                        | 154,359 | 161,817                            |
| Feb.          | 525                                 | 7,047          | 5,787      | 2,419                            | 146,180                        | 154,386 | 161,958                            |
| Mar.          | 597                                 | 6,818          | 5,804      | 2,535                            | 149,739                        | 158,078 | 165,493                            |
| Apr.          | 670                                 | 6,836          | 5,900      | 2,341                            | 139,965                        | 148,206 | 155,712                            |
| May           | 563                                 | 6,859          | 5,802      | 2,354                            | 139,943                        | 148,099 | 155,521                            |
| June          | 427                                 | 6,727          | 5,803      | 2,661                            | 139,140                        | 147,604 | 154,758                            |
| July          | 410                                 | 6,816          | 4,507      | 2,803                            | 138,318                        | 145,628 | 152,854                            |
| Aug.          | 415                                 | 6,775          | 4,505      | 2,985                            | 137,263                        | 144,753 | 151,943                            |
| Sept.         | 420                                 | 6,772          | 5,235      | 3,042                            | 140,656                        | 148,933 | 156,125                            |
| Oct.          | 397                                 | 6,721          | 5,035      | 2,882                            | 140,015                        | 147,932 | 155,050                            |
| Nov.          | 413                                 | 6,565          | 4,555      | 3,013                            | 139,956                        | 147,524 | 154,502                            |
| Dec.          | 368                                 | 6,545          | 4,555      | 3,013                            | 139,217                        | 146,785 | 153,698                            |
| <b>2000</b>   |                                     |                |            |                                  |                                |         |                                    |
| 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                            |

<sup>1</sup> 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         |
| <b>1999</b>   |                   |         |        |        |                     |                      |                   |                   |
| Jan.          | 3,336             | 8,312   | 11,451 | 23,099 | 1,857,887           | 169,668              | 9,062             | 2,059,716         |
| Feb.          | 3,490             | 8,887   | 7,776  | 20,153 | 1,963,418           | 168,464              | 7,357             | 2,159,392         |
| Mar.          | 2,729             | 8,618   | 8,806  | 20,153 | 2,172,812           | 172,940              | 14,524            | 2,380,429         |
| Apr.          | 3,200             | 9,984   | 8,061  | 21,245 | 2,278,923           | 173,295              | 13,211            | 2,486,673         |
| May           | 3,233             | 9,506   | 7,093  | 19,832 | 2,191,874           | 171,885              | 27,115            | 2,410,706         |
| June          | 4,053             | 8,764   | 7,254  | 20,071 | 2,421,691           | 174,972              | 30,727            | 2,647,461         |
| July          | 2,356             | 9,773   | 7,109  | 19,238 | 2,388,079           | 173,516              | 44,919            | 2,625,752         |
| Aug.          | 1,615             | 8,307   | 6,598  | 16,520 | 2,462,994           | 173,356              | 55,561            | 2,708,432         |
| Sept.         | 3,217             | 8,482   | 6,822  | 18,521 | 2,441,337           | 179,915              | 61,259            | 2,701,032         |
| Oct.          | 3,258             | 9,791   | 7,518  | 20,566 | 2,411,863           | 189,748              | 56,409            | 2,678,587         |
| Nov.          | 3,603             | 9,504   | 7,200  | 20,307 | 2,351,000           | 189,157              | 40,863            | 2,601,326         |
| Dec.          | 4,027             | 10,203  | 7,093  | 21,323 | 2,453,948           | 188,740              | 39,045            | 2,703,056         |
| <b>2000</b>   |                   |         |        |        |                     |                      |                   |                   |
| 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         |

**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    |
| <b>1999</b>   |                                     |                |                                    |                   |                        |              |
| Jan.          | 1,206                               | 1,817,268      | 1,180                              | 235,186           | 4,876                  | 2,059,716    |
| Feb.          | 1,211                               | 1,924,453      | 1,469                              | 226,998           | 5,261                  | 2,159,392    |
| Mar.          | 1,468                               | 2,127,489      | 1,253                              | 231,985           | 18,235                 | 2,380,429    |
| Apr.          | 1,735                               | 2,236,889      | 1,294                              | 235,637           | 11,118                 | 2,486,673    |
| May           | 1,755                               | 2,146,475      | 1,573                              | 241,012           | 19,893                 | 2,410,706    |
| June          | 1,574                               | 2,374,948      | 1,959                              | 246,043           | 22,939                 | 2,647,461    |
| July          | 1,741                               | 2,355,802      | 1,931                              | 246,786           | 19,492                 | 2,625,752    |
| Aug.          | 1,916                               | 2,437,607      | 1,697                              | 237,474           | 29,738                 | 2,708,432    |
| Sept.         | 2,118                               | 2,423,200      | 4,539                              | 235,536           | 35,640                 | 2,701,032    |
| Oct.          | 2,135                               | 2,392,778      | 6,269                              | 243,979           | 33,425                 | 2,678,587    |
| Nov.          | 2,018                               | 2,332,304      | 6,438                              | 249,741           | 10,825                 | 2,601,326    |
| Dec.          | 1,892                               | 2,417,710      | 6,135                              | 260,458           | 16,860                 | 2,703,056    |
| <b>2000</b>   |                                     |                |                                    |                   |                        |              |
| 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    |

**TABLE 1.5 MONETARY SURVEY<sup>1</sup>**

*Lm thousands*

| End of Period | Domestic Credit                       |   |           | Net Foreign Assets   |                           |           | Narrow Money <sup>5</sup><br>[MI] | Quasi-Money <sup>6</sup> | Other Items (Net) | Total Assets/<br>Liabilities |
|---------------|---------------------------------------|---|-----------|----------------------|---------------------------|-----------|-----------------------------------|--------------------------|-------------------|------------------------------|
|               | Net Claims on Government <sup>2</sup> | Claims on Private & Parastatal Sectors <sup>3</sup> | Total     | Monetary Authorities | DMBs & IBI's <sup>4</sup> | Total     |                                   |                          |                   |                              |
| 1985          | -18,018                               | 212,809   | 194,791   | 485,945              | 48,843                    | 534,788   | 316,565                           | 353,063                  | 59,951            | 729,579                      |
| 1986          | -3,025                                | 244,689   | 241,664   | 493,865              | 55,184                    | 549,049   | 318,456                           | 385,663                  | 86,594            | 790,713                      |
| 1987          | 23,395                                | 276,418   | 299,813   | 505,969              | 57,180                    | 563,149   | 350,404                           | 421,506                  | 91,052            | 862,962                      |
| 1988          | 24,841                                | 311,231   | 336,072   | 515,671              | 68,111                    | 583,782   | 362,193                           | 478,115                  | 79,546            | 919,854                      |
| 1989          | 54,976                                | 376,120   | 431,096   | 492,054              | 101,323                   | 593,377   | 367,957                           | 559,678                  | 96,838            | 1,024,473                    |
| 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                    |
| <b>1999</b>   |                                       |   |           |                      |                           |           |                                   |                          |                   |                              |
| Jan.          | 356,489                               | 1,407,704   | 1,764,194 | 648,332              | 219,188                   | 867,520   | 514,924                           | 1,711,743                | 405,046           | 2,631,714                    |
| Feb.          | 361,975                               | 1,415,756   | 1,777,733 | 643,217              | 223,109                   | 866,326   | 516,617                           | 1,729,950                | 397,491           | 2,644,058                    |
| Mar.          | 375,707                               | 1,477,760   | 1,853,467 | 637,208              | 209,401                   | 846,609   | 525,867                           | 1,736,430                | 437,778           | 2,700,076                    |
| Apr.          | 387,384                               | 1,481,187   | 1,868,570 | 651,862              | 189,916                   | 841,778   | 533,448                           | 1,754,249                | 422,651           | 2,710,348                    |
| May           | 399,026                               | 1,511,647   | 1,910,673 | 652,089              | 224,722                   | 876,811   | 542,445                           | 1,775,435                | 469,605           | 2,787,484                    |
| June          | 377,623                               | 1,511,636   | 1,889,259 | 685,774              | 218,872                   | 904,646   | 553,260                           | 1,798,029                | 442,616           | 2,793,905                    |
| July          | 388,653                               | 1,507,486   | 1,896,139 | 689,843              | 237,583                   | 927,427   | 550,780                           | 1,819,862                | 452,923           | 2,823,565                    |
| Aug.          | 378,199                               | 1,496,050   | 1,874,248 | 693,229              | 254,735                   | 947,964   | 563,731                           | 1,821,901                | 436,581           | 2,822,213                    |
| Sept.         | 356,840                               | 1,562,933   | 1,919,773 | 695,526              | 251,475                   | 947,001   | 555,807                           | 1,819,501                | 491,465           | 2,866,774                    |
| Oct.          | 357,342                               | 1,559,900   | 1,917,242 | 720,541              | 237,741                   | 958,282   | 559,453                           | 1,821,528                | 494,542           | 2,875,524                    |
| Nov.          | 348,660                               | 1,562,000   | 1,910,660 | 742,909              | 200,154                   | 943,062   | 563,610                           | 1,839,037                | 451,075           | 2,853,722                    |
| Dec.          | 353,539                               | 1,586,815   | 1,940,354 | 740,339              | 201,594                   | 941,933   | 581,175                           | 1,854,927                | 446,186           | 2,882,287                    |
| <b>2000</b>   |                                       |   |           |                      |                           |           |                                   |                          |                   |                              |
| 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              | 230,002                   | 927,546   | 609,343                           | 1,883,190                | 532,056           | 3,024,589                    |

<sup>1</sup> Includes Monetary Authorities, Deposit Money Banks and International Banking Institutions.

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

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

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

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

<sup>6</sup> Excludes Malta Government deposits and balances belonging to non-residents.



**TABLE 1.6 BANKING SURVEY<sup>1</sup>**
*Lm thousands*

| End of Period | Domestic Credit          |  |           | Net Foreign Assets   |                                       |         | Narrow Money [Ml] | Quasi-Money | Other Items (Net) | Total Assets/Liabilities |
|---------------|--------------------------|--|-----------|----------------------|---------------------------------------|---------|-------------------|-------------|-------------------|--------------------------|
|               | Net Claims on Government | Claims on Private & Parastatal Sectors | Total     | Monetary Authorities | All Banking Institutions <sup>2</sup> | Total   |                   |             |                   |                          |
| 1985          | -17,354                  | 217,574                                | 200,220   | 485,945              | 60,332                                | 546,277 | 316,558           | 359,348     | 70,590            | 746,497                  |
| 1986          | -2,371                   | 248,831                                | 246,460   | 493,865              | 68,176                                | 562,041 | 318,450           | 392,425     | 97,626            | 808,501                  |
| 1987          | 24,761                   | 283,310                                | 308,071   | 505,969              | 71,210                                | 577,179 | 350,392           | 428,834     | 106,024           | 885,250                  |
| 1988          | 28,259                   | 325,539                                | 353,798   | 515,671              | 78,197                                | 593,868 | 362,185           | 486,307     | 99,174            | 947,666                  |
| 1989          | 58,264                   | 390,212                                | 448,476   | 492,054              | 109,022                               | 601,076 | 367,951           | 566,793     | 114,808           | 1,049,552                |
| 1990          | 91,177                   | 486,841                                | 578,018   | 456,727              | 139,860                               | 596,587 | 384,438           | 657,223     | 132,944           | 1,174,605                |
| 1991          | 119,535                  | 576,846                                | 696,381   | 439,857              | 169,052                               | 608,909 | 406,689           | 726,245     | 145,634           | 1,278,568                |
| 1992          | 121,591                  | 638,078                                | 759,669   | 492,220              | 198,759                               | 690,979 | 408,551           | 830,231     | 211,866           | 1,450,648                |
| 1993          | 137,329                  | 720,680                                | 858,009   | 549,490              | 187,664                               | 737,154 | 425,063           | 941,658     | 228,442           | 1,595,163                |
| 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              | 232,230                               | 812,930 | 436,760           | 1,254,635   | 346,296           | 2,037,691                |
| 1996          | 239,084                  | 1,190,485                              | 1,429,569 | 554,119              | 199,999                               | 754,118 | 454,089           | 1,414,215   | 315,383           | 2,183,687                |
| 1997          | 321,469                  | 1,323,259                              | 1,644,728 | 561,668              | 173,541                               | 735,209 | 479,899           | 1,567,091   | 332,947           | 2,379,937                |
| 1998          | 355,996                  | 1,459,815                              | 1,815,811 | 639,991              | 224,137                               | 864,128 | 523,628           | 1,698,959   | 457,352           | 2,679,939                |
| <b>1999</b>   |                          |  |           |                      |                                       |         |                   |             |                   |                          |
| Jan.          | 362,256                  | 1,453,216                              | 1,815,472 | 648,332              | 226,207                               | 874,539 | 514,924           | 1,725,230   | 449,856           | 2,690,011                |
| Feb.          | 367,762                  | 1,461,464                              | 1,829,227 | 643,217              | 230,144                               | 873,361 | 516,617           | 1,745,200   | 440,770           | 2,702,587                |
| Mar.          | 381,511                  | 1,528,467                              | 1,909,978 | 637,208              | 216,219                               | 853,427 | 525,867           | 1,752,841   | 484,696           | 2,763,405                |
| Apr.          | 393,284                  | 1,531,208                              | 1,924,491 | 651,862              | 196,750                               | 848,612 | 533,448           | 1,764,575   | 475,080           | 2,773,103                |
| May           | 404,828                  | 1,555,903                              | 1,960,731 | 652,089              | 231,577                               | 883,666 | 542,445           | 1,786,514   | 515,439           | 2,844,397                |
| June          | 383,426                  | 1,557,364                              | 1,940,790 | 685,774              | 225,593                               | 911,367 | 553,260           | 1,808,234   | 490,663           | 2,852,157                |
| July          | 393,160                  | 1,554,176                              | 1,947,336 | 689,843              | 244,391                               | 934,235 | 550,780           | 1,831,170   | 499,620           | 2,881,570                |
| Aug.          | 382,704                  | 1,542,211                              | 1,924,914 | 693,229              | 261,501                               | 954,730 | 563,731           | 1,831,002   | 484,912           | 2,879,645                |
| Sept.         | 362,075                  | 1,610,603                              | 1,972,678 | 695,526              | 258,247                               | 953,773 | 555,807           | 1,827,983   | 542,661           | 2,926,451                |
| Oct.          | 362,377                  | 1,607,470                              | 1,969,847 | 720,541              | 244,262                               | 964,803 | 559,419           | 1,828,827   | 546,403           | 2,934,650                |
| Nov.          | 353,215                  | 1,610,735                              | 1,963,950 | 742,909              | 206,517                               | 949,425 | 563,610           | 1,846,624   | 503,141           | 2,913,375                |
| Dec.          | 358,094                  | 1,632,866                              | 1,990,960 | 740,339              | 207,936                               | 948,275 | 581,148           | 1,860,653   | 497,435           | 2,939,235                |
| <b>2000</b>   |                          |  |           |                      |                                       |         |                   |             |                   |                          |
| Jan.          | 372,256                  | 1,634,295                              | 2,006,551 | 732,609              | 181,161                               | 913,770 | 567,902           | 1,873,635   | 478,785           | 2,920,321                |
| Feb.          | 393,181                  | 1,642,786                              | 2,035,967 | 715,834              | 180,152                               | 895,986 | 567,063           | 1,883,279   | 481,610           | 2,931,952                |
| Mar.          | 386,775                  | 1,695,651                              | 2,082,426 | 708,953              | 178,160                               | 887,113 | 557,843           | 1,890,114   | 521,583           | 2,969,539                |
| Apr.          | 396,115                  | 1,690,856                              | 2,086,972 | 699,798              | 197,382                               | 897,179 | 569,443           | 1,897,938   | 516,770           | 2,984,151                |
| May           | 376,252                  | 1,702,691                              | 2,078,943 | 711,777              | 203,650                               | 915,427 | 587,512           | 1,897,793   | 509,065           | 2,994,371                |
| June          | 365,619                  | 1,713,349                              | 2,078,968 | 703,415              | 247,382                               | 950,797 | 581,038           | 1,898,000   | 550,726           | 3,029,764                |
| July          | 385,798                  | 1,708,247                              | 2,094,046 | 685,679              | 246,150                               | 931,829 | 592,984           | 1,898,465   | 534,426           | 3,025,875                |
| Aug.          | 386,240                  | 1,705,220                              | 2,091,460 | 686,433              | 260,751                               | 947,184 | 612,778           | 1,896,201   | 529,665           | 3,038,644                |
| Sept.         | 366,516                  | 1,770,001                              | 2,136,517 | 697,544              | 236,412                               | 933,956 | 609,303           | 1,890,933   | 570,237           | 3,070,473                |

<sup>1</sup> The Banking Survey extends the coverage of the Monetary Survey to the Other Banking Institutions operating in Malta. All interbank transactions are excluded.

<sup>2</sup> As from September 1992, foreign assets of All Banking Institutions are netted of foreign interest due and not received. Foreign liabilities are netted of foreign interest and expenses accrued and unpaid.

**TABLE 1.7 NARROW MONEY AND QUASI-MONEY<sup>1</sup>**

*Ln thousands*

| End of Period | Narrow Money [M1]       |                 |         | Currency in Circulation as % of Broad Money | Quasi-Money      |               |           | Broad Money [M3] |
|---------------|-------------------------|-----------------|---------|---|------------------|---------------|-----------|------------------|
|               | Currency in Circulation | Demand Deposits | Total   |   | Savings Deposits | Time Deposits | Total     |                  |
| 1985          | 273,337                 | 43,221          | 316,558 | 40.4  | 122,888          | 236,460       | 359,348   | 675,906          |
| 1986          | 273,779                 | 44,671          | 318,450 | 38.5  | 135,209          | 257,216       | 392,425   | 710,875          |
| 1987          | 300,225                 | 50,167          | 350,392 | 38.5  | 150,228          | 278,606       | 428,834   | 779,226          |
| 1988          | 314,299                 | 47,886          | 362,185 | 37.0  | 178,138          | 308,169       | 486,307   | 848,492          |
| 1989          | 319,405                 | 48,546          | 367,951 | 34.2  | 205,298          | 361,495       | 566,793   | 934,744          |
| 1990          | 330,305                 | 54,133          | 384,438 | 31.7  | 260,691          | 396,532       | 657,223   | 1,041,661        |
| 1991          | 344,342                 | 62,347          | 406,689 | 30.4  | 310,302          | 415,943       | 726,245   | 1,132,934        |
| 1992          | 337,635                 | 70,916          | 408,551 | 27.3  | 367,108          | 463,123       | 830,231   | 1,238,782        |
| 1993          | 353,258                 | 71,805          | 425,063 | 25.8  | 415,292          | 526,366       | 941,658   | 1,366,721        |
| 1994          | 365,910                 | 97,637          | 463,547 | 23.3  | 462,441          | 644,280       | 1,106,721 | 1,570,268        |
| 1995          | 351,779                 | 84,981          | 436,760 | 20.8  | 510,842          | 743,793       | 1,254,635 | 1,691,395        |
| 1996          | 362,068                 | 92,021          | 454,089 | 19.4  | 537,269          | 876,946       | 1,414,215 | 1,868,304        |
| 1997          | 363,765                 | 116,134         | 479,899 | 17.8  | 574,125          | 992,966       | 1,567,091 | 2,046,990        |
| 1998          | 369,493                 | 154,135         | 523,628 | 16.6  | 585,131          | 1,113,828     | 1,698,959 | 2,222,587        |
| <b>1999</b>   |                         |                 |         |   |                  |               |           |                  |
| Jan.          | 366,801                 | 148,123         | 514,924 | 16.4  | 592,908          | 1,132,322     | 1,725,230 | 2,240,154        |
| Feb.          | 364,414                 | 152,203         | 516,617 | 16.1  | 594,300          | 1,150,900     | 1,745,200 | 2,261,817        |
| Mar.          | 367,039                 | 158,829         | 525,867 | 16.1  | 601,396          | 1,151,445     | 1,752,841 | 2,278,708        |
| Apr.          | 371,739                 | 161,709         | 533,448 | 16.2  | 607,321          | 1,157,254     | 1,764,575 | 2,298,023        |
| May           | 376,464                 | 165,981         | 542,445 | 16.2  | 623,006          | 1,163,508     | 1,786,514 | 2,328,958        |
| June          | 378,885                 | 174,375         | 553,260 | 16.0  | 620,802          | 1,187,432     | 1,808,234 | 2,361,494        |
| July          | 380,023                 | 170,757         | 550,780 | 16.0  | 632,095          | 1,199,075     | 1,831,170 | 2,381,950        |
| Aug.          | 377,572                 | 186,159         | 563,731 | 15.8  | 624,856          | 1,206,146     | 1,831,002 | 2,394,733        |
| Sept.         | 377,115                 | 178,692         | 555,807 | 15.8  | 619,346          | 1,208,637     | 1,827,983 | 2,383,791        |
| Oct.          | 378,008                 | 181,412         | 559,419 | 15.8  | 627,625          | 1,201,202     | 1,828,827 | 2,388,247        |
| Nov.          | 378,013                 | 185,597         | 563,610 | 15.7  | 625,583          | 1,221,041     | 1,846,624 | 2,410,234        |
| Dec.          | 384,593                 | 196,555         | 581,148 | 15.8  | 637,402          | 1,223,251     | 1,860,653 | 2,441,800        |
| <b>2000</b>   |                         |                 |         |   |                  |               |           |                  |
| Jan.          | 376,844                 | 191,057         | 567,902 | 15.4  | 640,057          | 1,233,578     | 1,873,635 | 2,441,536        |
| Feb.          | 376,481                 | 190,582         | 567,063 | 15.4  | 643,792          | 1,239,487     | 1,883,279 | 2,450,342        |
| Mar.          | 375,782                 | 182,060         | 557,843 | 15.4  | 641,146          | 1,248,968     | 1,890,114 | 2,447,957        |
| Apr.          | 383,836                 | 185,607         | 569,443 | 15.6  | 637,934          | 1,260,004     | 1,897,938 | 2,467,381        |
| May           | 384,508                 | 203,004         | 587,512 | 15.5  | 626,549          | 1,271,244     | 1,897,793 | 2,485,306        |
| June          | 387,937                 | 193,102         | 581,038 | 15.6  | 624,232          | 1,273,768     | 1,898,000 | 2,479,038        |
| July          | 390,998                 | 201,986         | 592,984 | 15.7  | 620,543          | 1,277,922     | 1,898,465 | 2,491,449        |
| Aug.          | 391,655                 | 221,122         | 612,778 | 15.6  | 617,484          | 1,278,717     | 1,896,201 | 2,508,979        |
| Sept.         | 393,851                 | 215,452         | 609,303 | 15.8  | 606,694          | 1,284,239     | 1,890,933 | 2,500,236        |

<sup>1</sup> Based on the Banking Survey. Includes private and parastatal deposits with the Monetary Authorities and All Banking Institutions. Excludes Malta Government deposits, balances belonging to non-residents as well as uncleared effects drawn on Deposit Money Banks.

**TABLE 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS<sup>1</sup>**  
*Analysis by Ownership and Type*

*Lm thousands*

| End of Period | Resident Deposits by Owner |                    |            |                            | Resident Deposits by Type |  | Total Resident Deposits | Non-Resident Deposits | Total Deposits |
|---------------|----------------------------|--------------------|------------|----------------------------|---------------------------|--|-------------------------|-----------------------|----------------|
|               | Personal <sup>2</sup>      | Corporate/Business | Government | Public Sector <sup>3</sup> | Maltese Lira Deposits     | Foreign Currency Deposits <sup>4</sup> |                         |                       |                |
| 1985          | 326,832                    | 43,676             | 182        | 15,809                     | 380,592                   | 5,907                                  | 386,499                 | 12,321                | 398,820        |
| 1986          | 359,609                    | 44,258             | 132        | 19,872                     | 416,695                   | 7,176                                  | 423,871                 | 14,261                | 438,132        |
| 1987          | 396,878                    | 50,148             | 294        | 18,207                     | 454,139                   | 11,388                                 | 465,527                 | 17,892                | 483,419        |
| 1988          | 452,890                    | 56,578             | 139        | 17,326                     | 512,009                   | 14,924                                 | 526,933                 | 26,326                | 553,259        |
| 1989          | 523,196                    | 71,826             | 1,225      | 18,037                     | 579,360                   | 34,924                                 | 614,284                 | 37,505                | 651,789        |
| 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      |
| <b>1999</b>   |                            |                    |            |                            |                           |  |                         |                       |                |
| Jan.          | 1,628,622                  | 215,422            | 11,192     | 39,537                     | 1,697,168                 | 197,605                                | 1,894,773               | 1,071,477             | 2,966,250      |
| Feb.          | 1,637,496                  | 212,490            | 11,338     | 53,193                     | 1,710,282                 | 204,235                                | 1,914,517               | 1,090,086             | 3,004,602      |
| Mar.          | 1,654,016                  | 214,279            | 10,780     | 47,302                     | 1,728,172                 | 198,205                                | 1,926,377               | 1,091,879             | 3,018,256      |
| Apr.          | 1,664,432                  | 227,311            | 11,262     | 45,494                     | 1,752,975                 | 195,524                                | 1,948,499               | 1,173,797             | 3,122,296      |
| May           | 1,673,248                  | 232,271            | 10,828     | 49,414                     | 1,764,576                 | 201,284                                | 1,965,860               | 1,142,038             | 3,107,898      |
| June          | 1,690,872                  | 258,450            | 10,681     | 38,518                     | 1,800,671                 | 197,850                                | 1,998,521               | 1,110,825             | 3,109,345      |
| July          | 1,704,364                  | 260,611            | 12,370     | 46,699                     | 1,819,792                 | 204,252                                | 2,024,044               | 1,180,068             | 3,204,112      |
| Aug.          | 1,697,125                  | 278,826            | 11,612     | 52,305                     | 1,833,096                 | 206,773                                | 2,039,868               | 1,194,919             | 3,234,787      |
| Sept.         | 1,708,713                  | 266,803            | 13,001     | 40,781                     | 1,819,857                 | 209,441                                | 2,029,298               | 1,087,081             | 3,116,379      |
| Oct.          | 1,699,068                  | 289,822            | 15,196     | 33,390                     | 1,826,017                 | 211,458                                | 2,037,476               | 1,035,753             | 3,073,229      |
| Nov.          | 1,700,365                  | 301,959            | 13,226     | 35,572                     | 1,849,598                 | 201,524                                | 2,051,122               | 1,117,943             | 3,169,065      |
| Dec.          | 1,704,669                  | 324,081            | 14,868     | 33,284                     | 1,870,317                 | 206,585                                | 2,076,902               | 1,148,486             | 3,225,388      |
| <b>2000</b>   |                            |                    |            |                            |                           |  |                         |                       |                |
| 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.         | 1,746,241                  | 328,828            | 15,760     | 45,282                     | 1,915,357                 | 220,754                                | 2,136,111               | 1,141,280             | 3,277,391      |

<sup>1</sup> Includes Deposit Money Banks, Other Banking Institutions and International Banking Institutions. For the purposes of this table, deposits include uncleared effects.

<sup>2</sup> Includes Bearer Deposits as from January 1985.

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

**TABLE 1.9 CURRENCY IN CIRCULATION***Ln thousands*

| End of Period | Currency Issued and Outstanding |        |         | Less Currency held by Banking System <sup>2</sup> | Currency in Circulation |
|---------------|---------------------------------|--------|---------|---|-------------------------|
|               | Notes <sup>1</sup>              | Coin   | Total   |   |                         |
| 1985          | 273,302                         | 5,716  | 279,018 | 5,681   | 273,337                 |
| 1986          | 277,483                         | 5,510  | 282,993 | 9,214   | 273,779                 |
| 1987          | 301,576                         | 6,539  | 308,115 | 7,890   | 300,225                 |
| 1988          | 314,771                         | 7,325  | 322,096 | 7,797   | 314,299                 |
| 1989          | 319,856                         | 8,025  | 327,881 | 8,476   | 319,405                 |
| 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                 |
| <b>1999</b>   |                                 |        |         |   |                         |
| Jan.          | 365,866                         | 15,571 | 381,437 | 14,636  | 366,801                 |
| Feb.          | 365,933                         | 15,484 | 381,418 | 17,003  | 364,414                 |
| Mar.          | 372,406                         | 15,578 | 387,984 | 20,946  | 367,039                 |
| Apr.          | 373,046                         | 15,599 | 388,645 | 16,906  | 371,739                 |
| May           | 377,519                         | 15,660 | 393,179 | 16,715  | 376,464                 |
| June          | 383,117                         | 15,872 | 398,989 | 20,104  | 378,885                 |
| July          | 381,513                         | 16,143 | 397,655 | 17,632  | 380,023                 |
| Aug.          | 381,644                         | 16,273 | 397,917 | 20,345  | 377,572                 |
| Sept.         | 381,294                         | 16,300 | 397,594 | 20,479  | 377,115                 |
| Oct.          | 379,103                         | 16,269 | 395,372 | 17,365  | 378,008                 |
| Nov.          | 380,420                         | 16,209 | 396,629 | 18,616  | 378,013                 |
| Dec.          | 401,999                         | 16,486 | 418,485 | 33,893  | 384,593                 |
| <b>2000</b>   |                                 |        |         |   |                         |
| 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                 |

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

<sup>2</sup> For the purpose of this classification, the banking system includes All Banking Institutions.

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

*Lm thousands*

| End of Period | Total Notes & Coins <sup>1</sup> | Currency Notes |         |        |       |       |         |
|---------------|----------------------------------|----------------|---------|--------|-------|-------|---------|
|               |                                  | Lm20           | Lm10    | Lm5    | Lm2   | Lm1   | Total   |
| 1985          | 279,018                          | -              | 210,276 | 57,581 | -     | 5,445 | 273,302 |
| 1986          | 282,993                          | 74,798         | 162,286 | 34,470 | 2,952 | 2,977 | 277,483 |
| 1987          | 308,115                          | 114,701        | 152,639 | 29,308 | 3,716 | 1,212 | 301,576 |
| 1988          | 322,096                          | 128,777        | 153,006 | 28,210 | 3,882 | 896   | 314,771 |
| 1989          | 327,881                          | 137,386        | 150,490 | 26,885 | 4,304 | 791   | 319,856 |
| 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 |
| <b>1999</b>   |                                  |                |         |        |       |       |         |
| Jan.          | 381,437                          | 108,654        | 227,455 | 22,641 | 5,724 | -     | 364,474 |
| Feb.          | 381,418                          | 108,231        | 227,526 | 23,092 | 5,751 | -     | 364,600 |
| Mar.          | 387,984                          | 108,684        | 232,396 | 24,095 | 5,880 | -     | 371,055 |
| Apr.          | 388,645                          | 108,656        | 233,148 | 23,933 | 5,995 | -     | 371,732 |
| May           | 393,179                          | 109,455        | 236,147 | 24,518 | 6,097 | -     | 376,217 |
| June          | 398,989                          | 109,616        | 240,839 | 25,200 | 6,172 | -     | 381,827 |
| July          | 397,655                          | 109,453        | 240,515 | 25,360 | 6,184 | -     | 381,512 |
| Aug.          | 397,917                          | 109,056        | 240,756 | 25,535 | 6,298 | -     | 381,645 |
| Sept.         | 397,594                          | 108,413        | 241,598 | 25,046 | 6,238 | -     | 381,295 |
| Oct.          | 395,372                          | 108,038        | 240,361 | 24,527 | 6,177 | -     | 379,103 |
| Nov.          | 396,629                          | 107,722        | 242,553 | 24,051 | 6,094 | -     | 380,420 |
| Dec.          | 418,485                          | 108,626        | 259,366 | 27,738 | 6,270 | -     | 402,000 |
| <b>2000</b>   |                                  |                |         |        |       |       |         |
| 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 | -     | 388,135 |
| 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 |

<sup>1</sup> 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<sup>1</sup>**

*Ln thousands*

| End of Period | Liquid Assets |         |          |         |         |         | Ratios (%) |       |                                   |
|---------------|---------------|---------|----------|---------|---------|---------|------------|-------|-----------------------------------|
|               | Actual        |         | Required |         | Excess  |         | Liquidity  |       | Advances <sup>2</sup> to Deposits |
|               | Total         | Local   | Total    | Local   | Total   | Local   | Total      | Local |                                   |
| 1985          | 200,510       | 144,626 | 97,081   | 47,038  | 103,429 | 97,588  | 51.6       | 38.4  | 55.2                              |
| 1986          | 201,345       | 141,686 | 107,051  | 51,769  | 94,294  | 89,917  | 47.0       | 34.2  | 57.7                              |
| 1987          | 225,614       | 157,957 | 118,843  | 57,020  | 107,121 | 100,937 | 47.6       | 34.6  | 58.8                              |
| 1988          | 221,189       | 135,030 | 135,127  | 64,286  | 86,061  | 70,745  | 40.9       | 26.3  | 59.1                              |
| 1989          | 277,356       | 154,873 | 158,873  | 74,765  | 118,618 | 80,108  | 43.7       | 25.9  | 61.7                              |
| 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 <sup>3</sup> | Ratios (%) |                                   |
|-------------|---------------|----------|---------|---|------------|-----------------------------------|
|             | Actual        | Required | Excess  |   | Liquidity  | Advances to Deposits <sup>2</sup> |
| 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                              |
| <b>1999</b> |               |          |         |   |            |                                   |
| Jan.        | 587,932       | 391,140  | 196,792 | 1,303,801                               | 45.1       | 71.5                              |
| Feb.        | 626,471       | 385,787  | 240,684 | 1,285,958                               | 48.7       | 71.0                              |
| Mar.        | 635,938       | 387,540  | 248,398 | 1,291,801                               | 49.2       | 73.5                              |
| Apr.        | 640,718       | 392,554  | 248,164 | 1,308,514                               | 49.0       | 73.1                              |
| May         | 611,526       | 399,070  | 212,456 | 1,330,234                               | 46.0       | 71.9                              |
| June        | 649,401       | 410,992  | 238,409 | 1,369,974                               | 47.4       | 71.0                              |
| July        | 650,573       | 401,308  | 249,265 | 1,337,694                               | 48.6       | 70.0                              |
| Aug.        | 686,408       | 407,686  | 278,722 | 1,358,954                               | 50.5       | 68.6                              |
| Sept.       | 650,079       | 405,400  | 244,679 | 1,351,334                               | 48.1       | 72.2                              |
| Oct.        | 712,994       | 430,876  | 282,118 | 1,436,252                               | 49.6       | 71.8                              |
| Nov.        | 644,689       | 454,070  | 190,619 | 1,513,568                               | 42.6       | 71.5                              |
| Dec.        | 694,529       | 459,454  | 235,075 | 1,531,512                               | 45.3       | 71.8                              |
| <b>2000</b> |               |          |         |   |            |                                   |
| 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                              |

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

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

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

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

| End of Period | Cash and Deposits <sup>1</sup> |         | Other Specified Assets Maturing within 5 Years <sup>2</sup> |         | Total   |         |
|---------------|--------------------------------|---------|---|---------|---------|---------|
|               | Local                          | Foreign | Local   | Foreign | Local   | Foreign |
| 1985          | 127,142                        | 36,110  | 17,484  | 19,774  | 144,626 | 55,884  |
| 1986          | 127,513                        | 48,770  | 14,174  | 10,888  | 141,687 | 59,658  |
| 1987          | 115,665                        | 59,259  | 42,292  | 8,398   | 157,957 | 67,657  |
| 1988          | 107,175                        | 77,756  | 27,855  | 8,403   | 135,030 | 86,159  |
| 1989          | 87,364                         | 112,220 | 67,508  | 10,263  | 154,872 | 122,483 |
| 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 <sup>3</sup> | Treasury Bills | Inter-Bank Deposits | Marketable Debt Securities <sup>4</sup> | 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             |
| <b>1999</b> |   |                |                     |   |                     |
| Jan.        | 25,587                                  | 61,589         | 47,787              | 452,969                                 | 587,932             |
| Feb.        | 23,213                                  | 70,958         | 52,266              | 480,034                                 | 626,471             |
| Mar.        | 25,309                                  | 72,982         | 57,751              | 479,896                                 | 635,938             |
| Apr.        | 25,328                                  | 91,611         | 52,430              | 471,349                                 | 640,718             |
| May         | 17,867                                  | 93,252         | 65,442              | 434,965                                 | 611,526             |
| June        | 18,602                                  | 113,432        | 59,118              | 458,249                                 | 649,401             |
| July        | 24,328                                  | 118,065        | 46,656              | 461,524                                 | 650,573             |
| Aug.        | 47,682                                  | 101,204        | 78,977              | 458,545                                 | 686,408             |
| Sept.       | 36,833                                  | 83,690         | 39,983              | 489,573                                 | 650,079             |
| Oct.        | 37,371                                  | 77,255         | 86,243              | 512,125                                 | 712,994             |
| Nov.        | 13,071                                  | 75,201         | 44,818              | 511,599                                 | 644,689             |
| Dec.        | 50,995                                  | 75,929         | 67,768              | 499,837                                 | 694,529             |
| <b>2000</b> |   |                |                     |   |                     |
| 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             |

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Excludes balances held as reserve deposits.

<sup>4</sup> Includes securities issued or guaranteed by governments, supranational institutions or other institutions, discounted on the basis of credit risk and remaining term to maturity.

**TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES  
OUTSTANDING BY MAIN SECTOR**

*Lm thousands*

| End of Period | Public Utilities | All Banking Institutions           | Agriculture & Fisheries  | Manufacturing, Shiprepair/ Shipbuilding | Building & Construction                 | Hotel, Restaurant & Tourist Trades | Wholesale & Retail Trades          |                           |
|---------------|------------------|------------------------------------|--------------------------|---|---|------------------------------------|------------------------------------|---------------------------|
| 1985          | 13,780           | 44,757                             | 851                      | 43,712                                  | 8,225                                   | 18,336                             | 40,997                             |                           |
| 1986          | 12,124           | 50,013                             | 1,834                    | 55,466                                  | 11,042                                  | 20,504                             | 46,019                             |                           |
| 1987          | 7,745            | 56,348                             | 2,505                    | 69,899                                  | 14,808                                  | 25,647                             | 48,087                             |                           |
| 1988          | 21               | 63,286                             | 3,456                    | 84,839                                  | 16,084                                  | 28,770                             | 57,021                             |                           |
| 1989          | 12,036           | 74,653                             | 4,087                    | 96,958                                  | 16,412                                  | 33,911                             | 66,620                             |                           |
| 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 | 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                   |
| <b>1999</b>   |                  |                                    |                          |   |   |                                    |                                    |                           |
| Jan.          | 106,391          | 77,796                             | 50,745                   | 10,723                                  | 195,748                                 | 82,057                             | 171,629                            | 242,178                   |
| Feb.          | 106,231          | 81,658                             | 50,492                   | 9,879                                   | 193,649                                 | 82,229                             | 175,156                            | 243,250                   |
| Mar.          | 108,733          | 82,764                             | 49,052                   | 10,028                                  | 203,219                                 | 84,648                             | 185,743                            | 259,513                   |
| Apr.          | 108,382          | 82,405                             | 46,383                   | 9,933                                   | 200,469                                 | 84,901                             | 185,278                            | 260,861                   |
| May           | 110,044          | 80,820                             | 45,707                   | 10,069                                  | 198,162                                 | 84,281                             | 187,405                            | 256,064                   |
| June          | 108,145          | 83,460                             | 43,432                   | 9,905                                   | 196,933                                 | 84,610                             | 191,455                            | 257,370                   |
| July          | 106,247          | 82,713                             | 41,648                   | 9,988                                   | 194,743                                 | 84,250                             | 192,472                            | 257,848                   |
| Aug.          | 103,448          | 82,093                             | 41,122                   | 10,103                                  | 190,530                                 | 85,776                             | 192,645                            | 255,442                   |
| Sept.         | 110,512          | 82,887                             | 43,005                   | 10,219                                  | 196,973                                 | 90,667                             | 199,456                            | 267,289                   |
| Oct.          | 107,948          | 80,041                             | 42,465                   | 10,224                                  | 194,969                                 | 90,592                             | 201,675                            | 266,376                   |
| Nov.          | 109,516          | 74,952                             | 41,241                   | 10,161                                  | 196,002                                 | 95,653                             | 199,732                            | 265,093                   |
| Dec.          | 108,906          | 75,977                             | 43,186                   | 10,305                                  | 196,285                                 | 96,482                             | 204,228                            | 267,183                   |
| <b>2000</b>   |                  |                                    |                          |   |   |                                    |                                    |                           |
| 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                   |



**TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES  
OUTSTANDING BY MAIN SECTOR (Continued)**

*Lm thousands*

| End of Period | Personal                     |                        |        |         | All Other                   | Total Local Lending | Foreign Lending     | Total           |           |
|---------------|------------------------------|------------------------|--------|---------|-----------------------------|---------------------|---------------------|-----------------|-----------|
|               | House <sup>1</sup> Purchases | Consumer Durable Goods | Other  | Total   |                             |                     |                     |                 |           |
| 1985          | 4,321                        | 1,220                  | 5,688  | 11,229  | 23,496                      | 205,383             | 1,098               | 206,481         |           |
| 1986          | 4,835                        | 1,973                  | 6,105  | 12,913  | 25,917                      | 235,832             | 502                 | 236,334         |           |
| 1987          | 5,414                        | 2,078                  | 5,875  | 13,367  | 24,678                      | 263,084             | 302                 | 263,386         |           |
| 1988          | 6,804                        | 1,628                  | 7,323  | 15,755  | 28,369                      | 297,601             | 162                 | 297,763         |           |
| 1989          | 9,015                        | 1,315                  | 11,792 | 22,122  | 35,975                      | 362,774             | 507                 | 363,281         |           |
| 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 <sup>2</sup> Services | All Other           | Total Local Lending | Foreign Lending | Total     |
|               | House <sup>1</sup> Purchases | Consumer Durable Goods | 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 |
| <b>1999</b>   |                              |                        |        |         |                             |                     |                     |                 |           |
| Jan.          | 96,747                       | 46,577                 | 26,456 | 163,258 | 60,575                      | 122,897             | 1,283,997           | 5,020           | 1,289,017 |
| Feb.          | 107,302                      | 47,858                 | 27,030 | 164,079 | 60,550                      | 123,981             | 1,291,154           | 5,158           | 1,296,312 |
| Mar.          | 96,747                       | 46,577                 | 26,456 | 169,780 | 64,530                      | 128,265             | 1,346,275           | 5,481           | 1,351,756 |
| Apr.          | 105,040                      | 55,074                 | 18,996 | 179,110 | 72,666                      | 121,580             | 1,351,968           | 5,164           | 1,357,132 |
| May           | 106,907                      | 53,015                 | 21,107 | 181,029 | 65,888                      | 129,748             | 1,349,217           | 5,203           | 1,354,420 |
| June          | 107,302                      | 47,858                 | 27,030 | 182,190 | 67,043                      | 128,936             | 1,353,479           | 5,406           | 1,358,885 |
| July          | 108,210                      | 48,070                 | 28,548 | 184,828 | 67,152                      | 126,401             | 1,348,290           | 6,659           | 1,354,949 |
| Aug.          | 109,257                      | 48,082                 | 28,910 | 186,249 | 67,523                      | 122,542             | 1,337,473           | 7,489           | 1,344,962 |
| Sept.         | 112,919                      | 49,116                 | 32,112 | 194,147 | 75,243                      | 129,485             | 1,399,883           | 7,913           | 1,407,796 |
| Oct.          | 118,701                      | 55,163                 | 28,114 | 201,978 | 73,268                      | 124,633             | 1,394,169           | 7,753           | 1,401,922 |
| Nov.          | 119,400                      | 49,804                 | 36,397 | 205,601 | 77,995                      | 126,662             | 1,402,608           | 6,788           | 1,409,396 |
| Dec.          | 121,019                      | 49,883                 | 39,371 | 210,273 | 79,946                      | 133,518             | 1,426,289           | 7,418           | 1,433,707 |
| <b>2000</b>   |                              |                        |        |         |                             |                     |                     |                 |           |
| 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 |

<sup>1</sup> Includes also lending for the construction, modernisation or extension of dwellings.

<sup>2</sup> Includes professional, repair and maintenance services.

**TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR**

*Ln thousands*

| End of Period | Public Utilities | All Banking Institutions | Agriculture & Fisheries | Manufacturing, Shiprepair/ Shipbuilding | Building & Construction | Hotel, Restaurant & Tourist Trades | Wholesale & Retail Trades |
|---------------|------------------|--------------------------|-------------------------|---|-------------------------|------------------------------------|---------------------------|
| 1985          | -                | -                        | 60                      | 12,226                                  | 32                      | 1,360                              | -                         |
| 1986          | -                | -                        | 138                     | 10,881                                  | 15                      | 3,424                              | 390                       |
| 1987          | -                | -                        | 130                     | 11,087                                  | 6                       | 7,910                              | 532                       |
| 1988          | -                | -                        | 157                     | 12,055                                  | -                       | 10,722                             | 545                       |
| 1989          | -                | -                        | 479                     | 12,071                                  | -                       | 12,796                             | 660                       |
| 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                     |
| <b>1999</b>   |                |                                    |                          |                         |   |                         |                                    |                           |
| Jan.          | -              | 8,220                              | -                        | 454                     | 8,167                                   | 512                     | 17,720                             | 2,293                     |
| Feb.          | -              | 8,220                              | -                        | 444                     | 8,189                                   | 512                     | 17,701                             | 2,223                     |
| Mar.          | -              | 7,699                              | -                        | 457                     | 7,812                                   | 473                     | 18,125                             | 2,243                     |
| Apr.          | -              | 7,067                              | -                        | 456                     | 7,847                                   | 467                     | 17,393                             | 2,220                     |
| May           | -              | 7,067                              | -                        | 434                     | 7,883                                   | 465                     | 17,303                             | 2,195                     |
| June          | -              | 4,906                              | -                        | 452                     | 7,938                                   | 450                     | 18,862                             | 2,127                     |
| July          | -              | 4,906                              | -                        | 452                     | 7,821                                   | 437                     | 17,900                             | 2,066                     |
| Aug.          | -              | 4,906                              | -                        | 449                     | 7,724                                   | 419                     | 17,768                             | 2,048                     |
| Sept.         | -              | 5,007                              | 2,121                    | 464                     | 8,001                                   | 483                     | 17,689                             | 2,003                     |
| Oct.          | -              | 4,440                              | 2,112                    | 464                     | 8,069                                   | 471                     | 16,835                             | 1,998                     |
| Nov.          | -              | 4,410                              | 2,082                    | 460                     | 8,111                                   | 438                     | 16,758                             | 1,965                     |
| Dec.          | -              | 4,409                              | 2,074                    | 460                     | 8,084                                   | 373                     | 16,655                             | 1,945                     |
| <b>2000</b>   |                |                                    |                          |                         |   |                         |                                    |                           |
| 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                     |

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

*Lm thousands*

| End of Period | Personal                     |                        |       |        | All Other | Total Local Lending | Foreign Lending | Grand Total |
|---------------|------------------------------|------------------------|-------|--------|-----------|---------------------|-----------------|-------------|
|               | House <sup>1</sup> Purchases | Consumer Durable Goods | Other | Total  |           |                     |                 |             |
| 1985          | 33,371                       | -                      | 514   | 33,885 | 1,538     | 49,101              | 7,315           | 56,416      |
| 1986          | 37,212                       | 59                     | 104   | 37,375 | 1,334     | 53,557              | 13,861          | 67,418      |
| 1987          | 41,074                       | 52                     | 120   | 41,246 | 1,764     | 62,675              | 25,795          | 88,470      |
| 1988          | 47,549                       | 42                     | 165   | 47,756 | 4,590     | 75,825              | 50,378          | 126,203     |
| 1989          | 55,425                       | 27                     | 180   | 55,632 | 6,016     | 87,654              | 56,768          | 144,422     |
| 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 <sup>2</sup> Services | All Other | Total Local Lending | Foreign Lending <sup>3</sup> | Grand Total |
|---------------|------------------------------|------------------------|-------|---------|-----------------------------|-----------|---------------------|------------------------------|-------------|
|               | House <sup>1</sup> 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     |
| <b>1999</b>   |                              |                        |       |         |                             |           |                     |                              |             |
| Jan.          | 103,441                      | 74                     | 87    | 103,602 | 1,723                       | 3,045     | 145,736             | 608,327                      | 754,063     |
| Feb.          | 103,534                      | 71                     | 111   | 103,716 | 1,709                       | 3,203     | 145,925             | 619,956                      | 765,881     |
| Mar.          | 107,407                      | 73                     | 143   | 107,623 | 1,727                       | 2,920     | 149,079             | 639,900                      | 788,979     |
| Apr.          | 99,223                       | 69                     | 142   | 99,434  | 1,707                       | 2,845     | 139,436             | 656,794                      | 796,230     |
| May           | 99,359                       | 83                     | 135   | 99,577  | 1,646                       | 2,968     | 139,538             | 647,665                      | 787,202     |
| June          | 99,449                       | 84                     | 134   | 99,667  | 1,605                       | 3,248     | 139,255             | 693,143                      | 832,398     |
| July          | 99,939                       | 82                     | 133   | 100,154 | 1,584                       | 3,279     | 138,599             | 705,593                      | 844,192     |
| Aug.          | 99,382                       | 78                     | 132   | 99,592  | 1,560                       | 2,990     | 137,456             | 672,965                      | 810,420     |
| Sept.         | 102,502                      | 80                     | 134   | 102,716 | 1,578                       | 2,937     | 142,998             | 723,328                      | 866,326     |
| Oct.          | 103,124                      | 80                     | 182   | 103,332 | 1,556                       | 5,229     | 144,506             | 691,523                      | 836,029     |
| Nov.          | 103,280                      | 84                     | 193   | 103,557 | 1,520                       | 5,358     | 144,659             | 773,989                      | 918,648     |
| Dec.          | 103,070                      | 92                     | 190   | 103,352 | 1,504                       | 4,767     | 143,623             | 815,458                      | 959,081     |
| <b>2000</b>   |                              |                        |       |         |                             |           |                     |                              |             |
| 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                     | 2486  | 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                     | 1074  | 110,709 | 1,283                       | 5,506     | 149,964             | 807,963                      | 957,927     |
| June          | 111,388                      | 84                     | 1386  | 112,858 | 1,262                       | 4,856     | 152,625             | 728,149                      | 880,774     |
| July          | 112,442                      | 80                     | 1683  | 114,204 | 1,242                       | 4,898     | 152,015             | 893,479                      | 1,045,494   |
| Aug.          | 113,845                      | 75                     | 2039  | 115,959 | 1,212                       | 5,298     | 153,888             | 901,224                      | 1,055,112   |
| Sept.         | 117,464                      | 74                     | 2486  | 120,024 | 1,219                       | 5,515     | 157,897             | 883,621                      | 1,041,518   |

<sup>1</sup> Includes also lending for the construction, modernisation or extension of dwellings.

<sup>2</sup> Includes professional, repair and maintenance services.

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

*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 |
| 1993          | 443              | 29,924        | 4,522                                | 41,884        | 5,767                     | 106           | 97,063         | 10,966        |
| 1994          | 454              | 38,744        | 3,751                                | 50,572        | 7,422                     | 66            | 103,901        | 12,122        |
| 1995          | 779              | 80,039        | 14,808                               | 57,403        | 8,790                     | 149           | 120,933        | 13,975        |
| 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                    | -             | 134,461        | 22,999        |
| <b>2000</b>   |                  |               |                                      |               |                           |               |                |               |
| Mar.          | 966              | 100,900       | 31,858                               | 45,405        | 11,171                    | -             | 141,454        | 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        |

| 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 |
| 1993          | 64,579                      | 26,519                    | 1,552         | 62,931                               | 1,173         | 117,249                     | 2,284         |
| 1994          | 66,500                      | 41,367                    | 1,960         | 75,076                               | 1,360         | 141,719                     | 3,488         |
| 1995          | 63,536                      | 62,494                    | 3,534         | 103,211                              | 1,071         | 183,703                     | 729           |
| 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          | 46,909                      | 94,189                    | 2,666         | 218,053                              | 2,830         | 269,119                     | 9             |
| <b>2000</b>   |                             |                           |               |                                      |               |                             |               |
| 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            |

| End of Period | Personal | Other Services |               | All Other      |               | Total Local Lending |               |           |
|---------------|----------|----------------|---------------|----------------|---------------|---------------------|---------------|-----------|
|               |          | Private Sector | Public Sector | Private Sector | Public Sector | Private Sector      | Public Sector | Total     |
| 1993          | 141,351  | 14,774         | 4,550         | 62,064         | 7,786         | 534,579             | 162,908       | 697,487   |
| 1994          | 148,639  | 22,042         | 5,111         | 58,248         | 5,802         | 603,138             | 185,205       | 788,343   |
| 1995          | 177,501  | 28,370         | 10,141        | 79,318         | 6,392         | 783,019             | 234,014       | 1,017,033 |
| 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         | 124,727        | 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       | 1,524,562 |
| <b>2000</b>   |          |                |               |                |               |                     |               |           |
| Mar.          | 320,918  | 79,972         | 10,063        | 155,372        | 3,496         | 1,353,580           | 232,640       | 1,586,220 |
| 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 |

<sup>1</sup> Loans and advances extended by Deposit Money Banks, Other Banking Institutions and International Banking Institutions. Public sector companies comprise entities that are subject to control by Government, control being defined as the ability to determine general corporate policy. Includes interest in suspense.

**TABLE 1.16 DEPOSIT MONEY BANK LOANS AND ADVANCES  
CLASSIFIED BY SIZE AND INTEREST RATES<sup>1</sup>**

*Lm thousands*

| End of Period |               | Size of Loans and Advances <sup>2</sup> |                     |                      |                       |                        |              | Total   |
|---------------|---------------|---|---------------------|----------------------|-----------------------|------------------------|--------------|---------|
|               |               | Up to 1,000                             | Over 1,000 to 5,000 | Over 5,000 to 10,000 | Over 10,000 to 25,000 | Over 25,000 to 100,000 | Over 100,000 |         |
| 1985          | Amount        | 2,517                                   | 11,443              | 7,664                | 13,465                | 29,065                 | 142,327      | 206,481 |
|               | Interest Rate | 7.94                                    | 7.80                | 7.92                 | 7.99                  | 7.97                   | 7.26         | 7.47    |
| 1986          | Amount        | 3,530                                   | 13,069              | 8,543                | 16,205                | 36,356                 | 158,631      | 236,334 |
|               | Interest Rate | 7.89                                    | 7.66                | 7.69                 | 7.77                  | 7.72                   | 7.11         | 7.31    |
| 1987          | Amount        | 3,462                                   | 14,241              | 10,353               | 17,465                | 38,646                 | 179,219      | 263,386 |
|               | Interest Rate | 7.84                                    | 7.47                | 7.28                 | 7.75                  | 7.71                   | 7.09         | 7.26    |
| 1988          | Amount        | 3,104                                   | 15,404              | 12,635               | 19,917                | 41,978                 | 204,725      | 297,763 |
|               | Interest Rate | 7.76                                    | 7.43                | 7.10                 | 7.62                  | 7.58                   | 7.01         | 7.16    |
| 1989          | Amount        | 3,179                                   | 17,083              | 15,359               | 25,286                | 51,780                 | 250,574      | 363,281 |
|               | Interest Rate | 7.61                                    | 7.33                | 7.13                 | 7.59                  | 7.60                   | 6.96         | 7.13    |
| 1990          | Amount        | 3,762                                   | 20,082              | 19,600               | 30,904                | 61,942                 | 319,540      | 455,830 |
|               | Interest Rate | 7.56                                    | 7.48                | 6.85                 | 7.66                  | 7.64                   | 6.78         | 7.00    |

| End of Period |               | Size of Loans and Advances <sup>2</sup> |                        |                         |              | Total     |
|---------------|---------------|---|------------------------|-------------------------|--------------|-----------|
|               |               | Up to 10,000                            | Over 10,000 to 100,000 | Over 100,000 to 500,000 | Over 500,000 |           |
| 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      |
| <b>1999</b>   |               |   |                        |                         |              |           |
| Mar.          | Amount        | 112,735                                 | 335,110                | 307,145                 | 596,770      | 1,351,756 |
|               | Interest Rate | 8.02                                    | 8.35                   | 8.48                    | 7.42         | 7.94      |
| June          | Amount        | 129,976                                 | 350,659                | 322,025                 | 556,229      | 1,358,885 |
|               | Interest Rate | 7.41                                    | 7.78                   | 7.78                    | 6.79         | 7.34      |
| Sept.         | Amount        | 135,757                                 | 359,476                | 314,725                 | 597,840      | 1,407,796 |
|               | Interest Rate | 7.41                                    | 7.71                   | 7.84                    | 6.68         | 7.27      |
| Dec.          | Amount        | 138,814                                 | 373,630                | 334,746                 | 586,516      | 1,433,707 |
|               | Interest Rate | 7.33                                    | 7.62                   | 7.66                    | 6.55         | 7.16      |
| <b>2000</b>   |               |   |                        |                         |              |           |
| 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        | 158,395                                 | 414,316                | 324,357                 | 664,467      | 1,562,098 |
|               | Interest Rate | 7.43                                    | 7.58                   | 7.61                    | 6.44         | 7.09      |

<sup>1</sup> 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.

<sup>2</sup> Figures quoted in headings 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<sup>1</sup>**

*Lm thousands*

| End of Period      | Size of Loans and Advances <sup>2</sup> |                     |                      |                       |                        |              | Total   |
|--------------------|---|---------------------|----------------------|-----------------------|------------------------|--------------|---------|
|                    | Up to 1,000                             | Over 1,000 to 5,000 | Over 5,000 to 10,000 | Over 10,000 to 25,000 | Over 25,000 to 100,000 | Over 100,000 |         |
| 1985 Amount        | 311                                     | 16,917              | 12,409               | 5,602                 | 2,342                  | 18,836       | 56,417  |
| 1985 Interest Rate | 7.45                                    | 7.18                | 7.76                 | 8.00                  | 8.11                   | 7.66         | 7.59    |
| 1986 Amount        | 306                                     | 18,228              | 14,223               | 7,026                 | 2,185                  | 25,450       | 67,418  |
| 1986 Interest Rate | 7.26                                    | 6.99                | 7.38                 | 7.58                  | 7.70                   | 7.42         | 7.32    |
| 1987 Amount        | 640                                     | 22,799              | 13,847               | 6,953                 | 2,948                  | 41,283       | 88,470  |
| 1987 Interest Rate | 7.33                                    | 7.09                | 7.39                 | 7.61                  | 8.45                   | 7.11         | 7.24    |
| 1988 Amount        | 745                                     | 25,256              | 16,841               | 8,717                 | 4,547                  | 70,097       | 126,203 |
| 1988 Interest Rate | 6.96                                    | 6.84                | 7.02                 | 7.24                  | 7.71                   | 8.22         | 7.69    |
| 1989 Amount        | 856                                     | 27,366              | 20,821               | 10,589                | 4,347                  | 80,443       | 144,422 |
| 1989 Interest Rate | 6.96                                    | 6.83                | 7.03                 | 7.34                  | 7.68                   | 8.95         | 8.11    |
| 1990 Amount        | 946                                     | 29,024              | 25,601               | 12,113                | 5,736                  | 99,710       | 173,130 |
| 1990 Interest Rate | 6.94                                    | 6.85                | 7.04                 | 7.30                  | 7.70                   | 9.00         | 8.18    |

| End of Period       | Size of Loans and Advances <sup>2</sup> |                        |                         |              |         | Total |
|---------------------|---|------------------------|-------------------------|--------------|---------|-------|
|                     | Up to 10,000                            | Over 10,000 to 100,000 | Over 100,000 to 500,000 | Over 500,000 |         |       |
| 1991 Amount         | 61,280                                  | 21,205                 | 25,115                  | 110,876      | 218,476 |       |
| 1991 Interest Rate  | 6.94                                    | 7.50                   | 7.80                    | 8.33         | 7.80    |       |
| 1992 Amount         | 67,581                                  | 25,883                 | 25,648                  | 130,910      | 250,022 |       |
| 1992 Interest Rate  | 6.96                                    | 7.57                   | 7.68                    | 7.53         | 7.39    |       |
| 1993 Amount         | 71,826                                  | 26,920                 | 27,975                  | 132,272      | 258,993 |       |
| 1993 Interest Rate  | 7.01                                    | 7.79                   | 7.32                    | 6.06         | 6.64    |       |
| 1994 Amount         | 72,419                                  | 26,430                 | 23,598                  | 84,019       | 206,466 |       |
| 1994 Interest Rate  | 7.01                                    | 7.83                   | 7.99                    | 7.27         | 7.33    |       |
| 1995 Amount         | 71,733                                  | 23,374                 | 11,961                  | 40,410       | 147,478 |       |
| 1995 Interest Rate  | 7.02                                    | 7.77                   | 8.01                    | 7.01         | 7.22    |       |
| 1996 Amount         | 72,239                                  | 27,013                 | 11,213                  | 38,914       | 149,379 |       |
| 1996 Interest Rate  | 7.01                                    | 7.83                   | 8.14                    | 7.01         | 7.24    |       |
| 1997 Amount         | 72,449                                  | 30,590                 | 10,607                  | 28,214       | 141,860 |       |
| 1997 Interest Rate  | 7.02                                    | 7.79                   | 8.10                    | 7.09         | 7.28    |       |
| 1998 Amount         | 73,437                                  | 37,087                 | 11,131                  | 25,775       | 147,430 |       |
| 1998 Interest Rate  | 7.03                                    | 7.72                   | 8.10                    | 7.15         | 7.31    |       |
| <b>1999</b>         |   |                        |                         |              |         |       |
| Mar. Amount         | 74,423                                  | 39,581                 | 11,173                  | 22,950       | 148,127 |       |
| Mar. Interest Rate  | 7.03                                    | 7.65                   | 8.19                    | 7.11         | 7.30    |       |
| June Amount         | 68,217                                  | 37,406                 | 10,429                  | 21,513       | 137,565 |       |
| June Interest Rate  | 6.37                                    | 6.91                   | 7.45                    | 6.55         | 6.63    |       |
| Sept. Amount        | 68,702                                  | 39,920                 | 10,049                  | 20,721       | 139,392 |       |
| Sept. Interest Rate | 6.40                                    | 6.90                   | 7.43                    | 6.43         | 6.62    |       |
| Dec. Amount         | 67,983                                  | 41,112                 | 8,824                   | 19,818       | 137,738 |       |
| Dec. Interest Rate  | 6.40                                    | 6.86                   | 7.59                    | 6.51         | 6.63    |       |
| <b>2000</b>         |   |                        |                         |              |         |       |
| Mar. Amount         | 68,399                                  | 45,874                 | 8,578                   | 19,639       | 142,491 |       |
| Mar. Interest Rate  | 6.40                                    | 6.80                   | 7.58                    | 6.53         | 6.62    |       |
| June Amount         | 68,215                                  | 49,517                 | 8,402                   | 19,759       | 145,893 |       |
| June Interest Rate  | 6.41                                    | 6.73                   | 7.51                    | 6.51         | 6.59    |       |
| Sept. Amount        | 68,447                                  | 56,062                 | 8,418                   | 18,349       | 151,302 |       |
| Sept. Interest Rate | 6.40                                    | 6.65                   | 7.61                    | 6.58         | 6.58    |       |

<sup>1</sup> 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.

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

**TABLE 1.18 SELECTED INTEREST RATES IN MALTA<sup>1</sup>**  
(Percent per annum)

|   | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |      |       |
|---|------|------|------|------|------|------|------|------|-------|
|   |      |      |      |      |      |      | Mar. | June | Sept. |
| <b>Central Bank</b>                                 |      |      |      |      |      |      |      |      |       |
| Discount Rate                                       | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 4.75 | 4.75 | 4.75 | 4.75  |
| Central Intervention Rate <sup>2</sup>              | -    | -    | -    | -    | 5.45 | 4.75 | 4.75 | 4.75 | 4.75  |
| Injection Rate                                      | -    | -    | -    | -    | 5.50 | 4.80 | 4.80 | 4.80 | 4.80  |
| Absorption Rate                                     | -    | -    | -    | -    | 5.40 | 4.70 | 4.70 | 4.70 | 4.70  |
| Repurchase Agreements                               |      |      |      |      |      |      |      |      |       |
| 7 day Reverse Repo                                  | -    | 4.94 | 5.01 | 5.22 | 5.43 | 4.70 | 4.72 | 4.72 | 4.72  |
| 7 day Repo  | -    | 5.50 | 5.40 | 5.50 | 5.50 | 4.80 | 4.80 | 4.80 | 4.80  |
| Standby (Collateralised) Loan Facility <sup>3</sup> | 5.75 | 6.00 | 6.00 | 6.00 | 6.00 | 5.30 | 5.30 | 5.30 | 5.30  |
| Overnight Deposit Facility <sup>4</sup>             | 2.50 | 2.50 | -    | -    | -    | 1.80 | 1.80 | 1.80 | 1.80  |
| Reserve Requirements                                | 2.50 | 2.50 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70  |
| <b>Interbank Market Offered Rates</b>               |      |      |      |      |      |      |      |      |       |
| 1 week  | -    | -    | -    | 5.26 | 5.56 | 4.74 | 4.73 | 4.74 | 4.77  |
| 1 month   | -    | -    | -    | 5.38 | 5.70 | 4.75 | 4.85 | 4.90 | 4.90  |
| 3 month   | -    | -    | -    | 5.51 | 5.95 | 5.27 | 5.27 | 5.27 | 5.27  |
| <b>Deposit Money Banks<sup>5</sup></b>              |      |      |      |      |      |      |      |      |       |
| Average Weighted Deposit Rate                       | 3.95 | 4.00 | 4.24 | 4.39 | 4.42 | 4.32 | 4.22 | 4.18 | 4.16  |
| Current   | 0.15 | 0.16 | 0.42 | 1.37 | 1.49 | 1.11 | 1.19 | 1.19 | 1.24  |
| Savings   | 3.00 | 3.00 | 3.01 | 3.02 | 3.04 | 2.81 | 2.58 | 2.54 | 2.54  |
| Time  | 5.00 | 5.01 | 5.29 | 5.35 | 5.35 | 5.43 | 5.31 | 5.29 | 5.27  |
| Average Weighted Lending Rate                       | 7.26 | 7.49 | 7.93 | 8.04 | 8.08 | 7.28 | 7.31 | 7.37 | 7.21  |
| <b>Government Securities</b>                        |      |      |      |      |      |      |      |      |       |
| Treasury Bills                                      |      |      |      |      |      |      |      |      |       |
| 1 month   | -    | -    | 5.00 | 5.19 | 5.43 | 5.05 | 5.05 | 4.82 | 4.86  |
| 3 month   | -    | 4.94 | 5.01 | 5.25 | 5.49 | 4.95 | 4.85 | 4.85 | 4.90  |
| 6 month   | -    | 5.16 | 5.29 | 5.31 | 5.48 | 4.97 | 4.95 | 4.94 | 4.94  |
| 1 year  | -    | 5.34 | 5.36 | 5.40 | 5.49 | 5.12 | 5.12 | 5.06 | 5.03  |
| Government Stocks <sup>6</sup>                      |      |      |      |      |      |      |      |      |       |
| 1 year  | -    | -    | 5.12 | 5.30 | 5.58 | 4.86 | 5.03 | 5.01 | 5.02  |
| 5 year  | 5.79 | 6.60 | 6.65 | 6.82 | 5.80 | 5.46 | 5.33 | 5.42 | 5.37  |
| 10 year   | 6.65 | 7.08 | 7.23 | 7.26 | 6.00 | 5.55 | 5.60 | 5.73 | 6.04  |
| 15 year   | -    | -    | 7.49 | 7.62 | 6.47 | 6.03 | 5.95 | 5.94 | 6.62  |
| 20 year   | -    | -    | -    | -    | 6.86 | 6.14 | 6.01 | 6.15 | 6.70  |

<sup>1</sup> End of period rates.

<sup>2</sup> 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.

<sup>3</sup> Offered in terms of Section 15(i)k of the CBM Act.

<sup>4</sup> As from 15 July 1996, the Central Bank ceased paying interest on overnight call account balances. An overnight deposit facility was re-introduced on 9 September 1999.

<sup>5</sup> Rates on resident Maltese lira deposits and loans extended to residents in local currency.

<sup>6</sup> Gross redemption yields on indicative stocks. Periods specified refer to remaining term to maturity.

**TABLE 1.19 NET CHANGES IN SELECTED LIQUID ASSET  
HOLDINGS OF THE NON-BANK PUBLIC<sup>1</sup>**

*Lm thousands*

| End of Period | Currency in Circulation | Deposits |         |         |         | Net Investments Abroad <sup>2</sup> | Total Non-Bank |
|---------------|-------------------------|----------|---------|---------|---------|-------------------------------------|----------------|
|               |                         | Demand   | Savings | Time    | Total   |                                     |                |
| 1985          | -10,347                 | 5,722    | 18,608  | 27,444  | 51,774  | -422                                | 41,005         |
| 1986          | 442                     | 1,450    | 12,321  | 20,756  | 34,527  | -200                                | 34,769         |
| 1987          | 26,446                  | 5,496    | 15,019  | 21,390  | 41,905  | -136                                | 68,215         |
| 1988          | 14,074                  | -2,287   | 27,910  | 29,563  | 55,192  | 42                                  | 69,308         |
| 1989          | 5,106                   | 660      | 27,160  | 53,326  | 81,146  | -166                                | 86,086         |
| 1990          | 10,900                  | 5,587    | 55,393  | 35,037  | 96,017  | -215                                | 106,702        |
| 1991          | 14,037                  | 8,214    | 49,611  | 19,411  | 77,236  | -7,399                              | 83,875         |
| 1992          | -6,707                  | 8,569    | 56,806  | 47,180  | 112,555 | -9,500                              | 96,348         |
| 1993          | 15,623                  | 889      | 48,184  | 63,243  | 112,316 | -8,737                              | 119,202        |
| 1994          | 12,652                  | 25,832   | 47,149  | 117,914 | 190,895 | -16,969                             | 186,578        |
| 1995          | -14,141                 | -12,040  | 48,370  | 99,511  | 135,841 | -14,069                             | 107,631        |
| 1996          | 10,289                  | 7,040    | 26,427  | 133,153 | 166,620 | -13,087                             | 163,822        |
| 1997          | 1,697                   | 24,113   | 36,856  | 116,020 | 176,989 | -14,603                             | 164,083        |
| 1998          | 5,728                   | 38,001   | 11,006  | 120,862 | 169,869 | -10,553                             | 165,044        |
| <b>1999</b>   |                         |          |         |         |         |                                     |                |
| Jan.          | -2,692                  | -6,012   | 7,777   | 18,494  | 20,259  | -1,179                              | 16,388         |
| Feb.          | -2,387                  | 4,080    | 1,392   | 18,578  | 24,050  | -642                                | 21,021         |
| Mar.          | 2,624                   | 6,626    | 7,096   | 545     | 14,267  | -859                                | 16,032         |
| Apr.          | 4,701                   | 2,880    | 5,925   | 5,809   | 14,614  | -1,614                              | 17,700         |
| May           | 4,725                   | 4,272    | 15,685  | 6,254   | 26,211  | -1,190                              | 29,745         |
| June          | 2,421                   | 8,394    | -2,204  | 23,924  | 30,114  | -1,841                              | 30,694         |
| July          | 1,137                   | -3,617   | 11,293  | 11,643  | 19,319  | -2,108                              | 18,349         |
| Aug.          | -2,451                  | 15,402   | -7,239  | 7,071   | 15,234  | -1,650                              | 11,133         |
| Sept.         | -457                    | -7,467   | -5,510  | 2,491   | -10,486 | -729                                | -11,672        |
| Oct.          | 892                     | 2,719    | 8,279   | -7,435  | 3,564   | -1,444                              | 3,012          |
| Nov.          | 6                       | 4,185    | -2,042  | 19,839  | 21,982  | -564                                | 21,423         |
| Dec.          | 6,579                   | 10,959   | 11,819  | 2,209   | 24,987  | -715                                | 30,851         |
| <b>2000</b>   |                         |          |         |         |         |                                     |                |
| Jan.          | -7,748                  | -5,498   | 2,655   | 10,327  | 7,484   | -1,115                              | -1,379         |
| Feb.          | -363                    | -475     | 3,735   | 5,909   | 9,169   | -2,239                              | 6,567          |
| Mar.          | -699                    | -8,522   | -2,646  | 9,481   | -1,687  | -464                                | -2,850         |
| Apr.          | 8,053                   | 3,547    | -3,212  | 11,036  | 11,371  | -900                                | 18,524         |
| May           | 673                     | 17,397   | -11,385 | 11,241  | 17,252  | -470                                | 17,455         |
| June          | 3,428                   | -9,902   | -2,317  | 2,523   | -9,696  | -683                                | -6,951         |
| July          | 3,061                   | 8,884    | -3,689  | 4,154   | 9,350   | -589                                | 11,822         |
| Aug.          | 658                     | 19,136   | -3,059  | 795     | 16,872  | -711                                | 16,818         |
| Sept.         | 2,196                   | -5,670   | -10,790 | 5,522   | -10,938 | -593                                | -9,335         |

<sup>1</sup> Based on the Banking Survey (Table 1.6). Annual figures are changes from year to year, monthly figures represent changes from month to month.

<sup>2</sup> Includes only funds channelled through Deposit Money Banks.



**TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE**
*Lm thousands*

| Period            | Revenue               |        |         | Expenditure           |                      |         | Deficit (-)<br>or Surplus | Borrowing   |               |         | Residual |
|-------------------|-----------------------|--------|---------|-----------------------|----------------------|---------|---------------------------|-------------|---------------|---------|----------|
|                   | Ordinary <sup>1</sup> | Grants | Total   | Ordinary <sup>1</sup> | Capital <sup>2</sup> | Total   |                           | Local Loans | Foreign Loans | Total   |          |
| 1985              | 216,848               | 248    | 217,096 | 187,086               | 40,560               | 227,646 | -10,550                   | -           | 3,453         | 3,453   | -7,097   |
| 1986              | 224,388               | 289    | 224,677 | 195,655               | 44,809               | 240,464 | -15,787                   | -           | 1,175         | 1,175   | -14,612  |
| 1987              | 221,055               | 2      | 221,057 | 208,739               | 54,881               | 263,620 | -42,564                   | -           | 103           | 103     | -42,461  |
| 1988              | 254,489               | 14,256 | 268,745 | 223,540               | 50,464               | 274,004 | -5,259                    | 46,885      | -6,885        | 40,000  | 34,741   |
| 1989              | 277,348               | 8,131  | 285,479 | 244,425               | 76,321               | 320,745 | -35,266                   | 5,200       | 1,043         | 6,243   | -29,023  |
| 1990              | 329,890               | 7,678  | 337,568 | 273,415               | 108,276              | 381,690 | -44,122                   | 34,200      | 13,841        | 48,041  | 3,919    |
| 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 <sup>3</sup> | 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    |
| <b>1999</b>       |                       |        |         |                       |                      |         |                           |             |               |         |          |
| Jan.              | 37,406                | -      | 37,406  | 44,773                | 4,440                | 49,214  | -11,808                   | -           | -             | -       | -11,808  |
| Feb.              | 40,734                | -      | 40,734  | 42,574                | 5,865                | 48,439  | -7,705                    | -           | -             | -       | -7,705   |
| Mar.              | 36,512                | -      | 36,512  | 43,444                | 5,697                | 49,142  | -12,630                   | -           | -             | -       | -12,630  |
| Apr.              | 59,889                | -      | 59,889  | 56,019                | 7,551                | 63,570  | -3,681                    | -           | -             | -       | -3,681   |
| May               | 42,457                | 6,410  | 48,867  | 44,073                | 11,198               | 55,270  | -6,403                    | -           | -             | -       | -6,403   |
| June              | 63,880                | -      | 63,880  | 48,027                | 6,589                | 54,616  | 9,264                     | -           | -             | -       | 9,264    |
| July              | 44,508                | -      | 44,508  | 63,543                | 6,274                | 69,817  | -25,309                   | -           | -             | -       | -25,309  |
| Aug.              | 60,964                | 1,465  | 62,429  | 44,266                | 11,067               | 55,333  | 7,096                     | -           | -             | -       | 7,096    |
| Sept.             | 52,088                | -      | 52,088  | 41,448                | 5,617                | 47,065  | 5,023                     | 54,530      | -             | 54,530  | 59,553   |
| Oct.              | 51,606                | 25     | 51,631  | 49,104                | 7,798                | 56,902  | -5,271                    | -           | -             | -       | -5,271   |
| Nov.              | 43,331                | -      | 43,331  | 42,899                | 10,571               | 53,470  | -10,139                   | -           | -             | -       | -10,139  |
| Dec.              | 94,793                | 1,784  | 96,577  | 64,664                | 23,462               | 88,127  | 8,450                     | -           | -             | -       | 8,450    |
| <b>2000</b>       |                       |        |         |                       |                      |         |                           |             |               |         |          |
| Jan.              | 29,283                | -      | 29,283  | 42,101                | 6,247                | 48,348  | -19,065                   | -           | -             | -       | -19,065  |
| Feb.              | 44,871                | 12     | 44,883  | 55,727                | 4,487                | 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   |

<sup>1</sup> Includes the Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987). As from 1992, Ordinary Revenue excludes the contribution by the Public Authorities/Corporations to their own capital programme; including privatisation receipts and sinking funds of converted loans.

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

<sup>3</sup> 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 <sup>3</sup> | Ordinary Revenue <sup>4</sup> | Foreign Grants | Total Revenue |
|-------------|-------------|---|-----------------|--------------------------------------|------------------|---------|------------------------------|-------------------------------|----------------|---------------|
|             | Income Tax  | National Insurance <sup>1</sup> Contributions | V.A.T. & C.E.T. | Licences, Taxes & Fines <sup>2</sup> | Customs & Excise | Total   |                              |                               |                |               |
| 1985        | 44,553      | 52,024  | -               | 9,789                                | 39,607           | 145,973 | 70,875                       | 216,848                       | 248            | 217,096       |
| 1986        | 43,590      | 52,280  | -               | 10,777                               | 43,891           | 150,538 | 73,850                       | 224,388                       | 289            | 224,677       |
| 1987        | 42,998      | 53,491  | -               | 11,663                               | 46,868           | 155,020 | 66,035                       | 221,055                       | 2              | 221,057       |
| 1988        | 46,740      | 57,938  | -               | 14,302                               | 54,679           | 173,659 | 80,830                       | 254,489                       | 14,256         | 268,745       |
| 1989        | 51,128      | 58,388  | -               | 17,662                               | 61,273           | 188,451 | 88,897                       | 277,348                       | 8,131          | 285,479       |
| 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       |
| <b>1999</b> |             |   |                 |                                      |                  |         |                              |                               |                |               |
| Jan.        | 5,496       | 6,029   | 6,186           | 4,186                                | 3,807            | 25,704  | 11,702                       | 37,406                        | -              | 37,406        |
| Feb.        | 5,904       | 8,670   | 5,142           | 5,144                                | 3,978            | 28,838  | 11,896                       | 40,734                        | -              | 40,734        |
| Mar.        | 7,505       | 11,059  | 8,107           | 6,171                                | 1,496            | 34,338  | 2,174                        | 36,512                        | -              | 36,512        |
| Apr.        | 11,053      | 13,512  | 6,618           | 6,496                                | 7,083            | 44,762  | 15,127                       | 59,889                        | -              | 59,889        |
| May         | 8,870       | 12,704  | 7,001           | 6,311                                | 4,338            | 39,224  | 3,233                        | 42,457                        | 6,410          | 48,867        |
| June        | 6,819       | 10,772  | 7,090           | 4,820                                | 4,600            | 34,101  | 29,779                       | 63,880                        | -              | 63,880        |
| July        | 8,431       | 11,822  | 9,029           | 6,212                                | 6,325            | 41,819  | 2,689                        | 44,508                        | -              | 44,508        |
| Aug.        | 16,372      | 11,131  | 7,188           | 6,004                                | 3,463            | 44,158  | 16,806                       | 60,964                        | 1,465          | 62,429        |
| Sept.       | 19,875      | 13,326  | 7,262           | 4,461                                | 5,831            | 50,755  | 1,333                        | 52,088                        | -              | 52,088        |
| Oct.        | 15,348      | 11,300  | 7,686           | 6,708                                | 3,433            | 44,475  | 7,131                        | 51,606                        | 25             | 51,631        |
| Nov.        | 9,447       | 12,840  | 7,200           | 5,923                                | 4,759            | 40,169  | 3,162                        | 43,331                        | -              | 43,331        |
| Dec.        | 13,234      | 21,109  | 6,514           | 5,524                                | 6,313            | 52,694  | 42,099                       | 94,793                        | 1,784          | 96,577        |
| <b>2000</b> |             |   |                 |                                      |                  |         |                              |                               |                |               |
| Jan.        | 8,197       | 4,722   | 8,348           | 4,858                                | 1,686            | 27,810  | 1,472                        | 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        |

<sup>1</sup> Includes Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987).

<sup>2</sup> Includes revenues from death and donation duties up to December 1994.

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

<sup>4</sup> 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<sup>1</sup>**

*Lm thousands*

| Period            | Productive | Infrastructure | Social | Total   |
|-------------------|------------|----------------|--------|---------|
| 1985              | 20,329     | 17,181         | 3,050  | 40,560  |
| 1986              | 18,855     | 18,830         | 7,124  | 44,809  |
| 1987              | 24,860     | 19,909         | 10,112 | 54,881  |
| 1988              | 25,734     | 15,478         | 9,252  | 50,464  |
| 1989              | 41,672     | 20,645         | 14,004 | 76,321  |
| 1990              | 49,509     | 44,121         | 14,646 | 108,276 |
| 1991              | 54,976     | 41,756         | 18,761 | 115,493 |
| 1992              | 32,310     | 9,032          | 16,675 | 58,017  |
| 1993              | 34,069     | 14,734         | 10,870 | 59,673  |
| 1994              | 36,323     | 13,993         | 12,024 | 62,340  |
| 1995              | 43,901     | 14,541         | 11,904 | 70,344  |
| 1996              | 36,818     | 19,282         | 17,418 | 73,527  |
| 1997 <sup>2</sup> | 50,256     | 32,344         | 20,792 | 103,392 |
| 1998              | 45,401     | 30,130         | 21,316 | 96,846  |
| 1999              | 52,480     | 27,515         | 26,137 | 106,129 |
| <b>1999</b>       |            |                |        |         |
| Jan.              | 3,268      | 670            | 502    | 4,440   |
| Feb.              | 4,014      | 1,156          | 695    | 5,865   |
| Mar.              | 2,541      | 1,980          | 1,176  | 5,697   |
| Apr.              | 3,888      | 2,348          | 1,315  | 7,551   |
| May               | 4,531      | 5,616          | 1,052  | 11,198  |
| June              | 3,248      | 1,942          | 1,399  | 6,589   |
| July              | 3,346      | 1,091          | 1,838  | 6,274   |
| Aug.              | 8,078      | 1,643          | 1,346  | 11,067  |
| Sept.             | 2,740      | 1,511          | 1,366  | 5,617   |
| Oct.              | 5,605      | -1,819         | 4,013  | 7,798   |
| Nov.              | 3,276      | 3,846          | 3,449  | 10,571  |
| Dec.              | 7,945      | 7,531          | 7,986  | 23,462  |
| <b>2000</b>       |            |                |        |         |
| 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   |

<sup>1</sup> As from 1992, excludes capital expenditure incurred by Public Corporations/Authorities.

<sup>2</sup> Including a loan to Malta Drydocks amounting to Lm24.6m.

SOURCE: *The Treasury*

**TABLE 3.1 TREASURY BILLS ISSUED AND OUTSTANDING<sup>1</sup>***Lm thousands*

| End of Period           | Amount Maturing During Period | Amount Issued and Taken up by |                              |         | Amount Outstanding <sup>4</sup> and held by |                              |         |
|-------------------------|-------------------------------|-------------------------------|------------------------------|---------|---|------------------------------|---------|
|                         |                               | Banking System <sup>2</sup>   | Non-Bank <sup>3</sup> Public | Total   | Banking System <sup>2</sup>                 | Non-Bank <sup>3</sup> Public | Total   |
| 1987                    | -                             | 28,427                        | 1,173                        | 29,600  | 28,405                                      | 1,195                        | 29,600  |
| 1988                    | 74,600                        | 57,897                        | 2,103                        | 60,000  | 14,640                                      | 360                          | 15,000  |
| 1989                    | 17,000                        | 20,915                        | 1,085                        | 22,000  | 19,675                                      | 325                          | 20,000  |
| 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  |
| <b>1999</b>             |                               |                               |                              |         |   |                              |         |
| Jan.                    | 15,661                        | 11,000                        | 10,541                       | 21,541  | 71,379                                      | 18,214                       | 89,593  |
| Feb.                    | 26,357                        | 9,800                         | 19,342                       | 29,142  | 78,958                                      | 13,420                       | 92,378  |
| Mar.                    | 34,789                        | 22,250                        | 31,239                       | 53,489  | 76,881                                      | 34,197                       | 111,078 |
| Apr.                    | 36,419                        | 33,250                        | 16,751                       | 50,001  | 97,769                                      | 26,891                       | 124,660 |
| May                     | 39,529                        | 23,800                        | 23,603                       | 47,403  | 99,326                                      | 33,208                       | 132,534 |
| June                    | 45,539                        | 38,300                        | 1,130                        | 39,430  | 120,292                                     | 6,133                        | 126,425 |
| July                    | 38,160                        | 27,500                        | 22,647                       | 50,147  | 120,994                                     | 17,418                       | 138,412 |
| Aug.                    | 27,487                        | 3,000                         | 19,447                       | 22,447  | 116,138                                     | 17,234                       | 133,372 |
| Sept.                   | 31,118                        | -                             | -                            | -       | 97,808                                      | 4,446                        | 102,254 |
| Oct.                    | 45,428                        | 15,200                        | 7,102                        | 22,302  | 74,457                                      | 4,671                        | 79,128  |
| Nov.                    | 23,647                        | 18,000                        | 10,019                       | 28,019  | 77,453                                      | 6,047                        | 83,500  |
| Dec.                    | 180                           | -                             | -                            | -       | 77,832                                      | 5,488                        | 83,320  |
| <b>2000<sup>4</sup></b> |                               |                               |                              |         |   |                              |         |
| 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  | 93,125                                      | 53,583                       | 146,708 |
| Sept.                   | 32,732                        | 22,168                        | 5,832                        | 28,000  | 107,802                                     | 37,174                       | 144,976 |

<sup>1</sup> Amounts are at nominal prices.<sup>2</sup> Including Central Bank of Malta and All Banking Institutions.<sup>3</sup> Including the Malta Government Sinking Fund.<sup>4</sup> 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 3.2 MALTA GOVERNMENT STOCKS  
(Outstanding as at end - September 2000)**

*Lm thousands*

| Stock        | Year of Maturity | Year of Issue | Issue Price Lm | Dates of Interest | Held By            |                 |                    | Amount   |                |
|--------------|------------------|---------------|----------------|-------------------|--------------------|-----------------|--------------------|----------|----------------|
|              |                  |               |                |                   | Banking System     | Non-Bank Public | Govt. Sinking Fund |          |                |
| 6.50 % LDRS  | 2000 (IV)        |               | 1995           | 100               | 30 Mar. - 30 Sept. | 9,359           | 1,141              | -        | 10,500         |
| 6.65 % MGS   | 2000 (VI)        |               | 1997           | 100               | 24 May - 24 Nov.   | 14,418          | 3,082              | -        | 17,500         |
| 3.00 % MGS   | 2001             | 1             | 1991           | 100               | 15 June - 15 Dec.  | 307             | 193                | -        | 500            |
| 3.00 % MGS   | 2001 (II)        | 1             | 1991           | 100               | 17 Aug. - 17 Feb.  | 387             | 113                | -        | 500            |
| 3.00 % MGS   | 2001 (III)       | 1             | 1991           | 100               | 21 Mar. - 21 Sept. | 868             | 132                | -        | 1,000          |
| 3.00 % MGS   | 2001 (IV)        | 1             | 1991           | 100               | 19 Oct. - 19 Apr.  | 617             | 83                 | -        | 700            |
| 6.15 % LDRS  | 2001 (V)         |               | 1998           | 100               | 19 May - 19 Nov.   | 21,468          | 1,132              | -        | 22,600         |
| 6.50 % LDRS  | 2001             |               | 1994           | 100               | 15 July - 15 Jan.  | 1,409           | 591                | -        | 2,000          |
| 6.50 % LDRS  | 2001 (II)        |               | 1994           | 100               | 19 May - 19 Nov.   | 6,435           | 3,565              | -        | 10,000         |
| 6.75 % LDRS  | 2001 (III)       |               | 1995           | 100               | 28 Apr. - 1 Aug.   | 4,908           | 4,092              | -        | 9,000          |
| 6.75 % LDRS  | 2001 (IV)        |               | 1996           | 100               | 20 Jan. - 30 July  | 5,057           | 2,443              | -        | 7,500          |
| 7.75 % LDRS  | 2002             |               | 1992           | 100               | 3 Apr. - 3 Oct.    | 3,666           | 16,534             | -        | 20,200         |
| 6.90 % LDRS  | 2002 (II)        |               | 1995           | 100               | 10 Jun. - 10 Dec.  | 4,719           | 5,281              | -        | 10,000         |
| 6.90 % LDRS  | 2002 (III)       |               | 1995           | 100               | 30 Mar. - 30 Sept. | 7,587           | 4,913              | -        | 12,500         |
| 6.90 % LDRS  | 2002 (IV)        |               | 1997           | 100               | 30 Mar. - 30 Sept. | 19,118          | 4,632              | -        | 23,750         |
| 7.00 % LDRS  | 2003             | 2             | 1993           | 100               | 18 Feb. - 18 Aug.  | 9,852           | 18,215             | -        | 28,067         |
| 7.00 % MGS   | 2003 (II)        |               | 1993           | 100               | 3 Jul. - 3 Jan.    | 5,443           | 15,390             | -        | 20,833         |
| 6.70 % MGS   | 2004             |               | 1994           | 100               | 23 Apr. - 23 Oct.  | 8,163           | 10,537             | -        | 18,700         |
| 6.80 % MGS   | 2004 (II)        |               | 1998           | 100               | 15 Jan. - 15 July  | 21,456          | 4,396              | -        | 25,852         |
| 7.25 % MGS   | 2005             |               | 1997           | 100               | 10 Jun. - 10 Dec.  | 16,173          | 7,327              | -        | 23,500         |
| 5.60 % MGS   | 2005 (II)        |               | 1999           | 100               | 1 Feb. - 1 Aug.    | 19,630          | 11,870             | -        | 31,500         |
| 7.00 % MGS   | 2006             |               | 1994           | 100               | 19 May - 19 Nov.   | 859             | 9,141              | -        | 10,000         |
| 7.00 % MGS   | 2006 (IV)        |               | 1996           | 100               | 20 Jan. - 20 July  | -               | 167                | -        | 167            |
| 7.25 % MGS   | 2006 (II)        |               | 1995           | 100               | 28 Apr. - 1 Aug.   | 4,533           | 14,717             | -        | 19,250         |
| 7.25 % MGS   | 2006 (III)       |               | 1996           | 100               | 20 Jan. - 20 July  | 6,245           | 8,755              | -        | 15,000         |
| 7.35 % MGS   | 2007             |               | 1997           | 100               | 18 Apr. - 18 Oct.  | 13,187          | 11,563             | -        | 24,750         |
| 5.90 % MGS   | 2007 (II)        |               | 1999           | 100               | 23 Apr. - 23 Oct.  | 8,647           | 1,353              | -        | 10,000         |
| 5.60 % MGS   | 2007 (III)       |               | 2000           | 100               | 10 Jun. - 10 Dec.  | 6,789           | 3,211              | -        | 10,000         |
| 7.20 % MGS   | 2008             |               | 1998           | 100               | 28 Feb. - 15 July  | 7,369           | 2,631              | -        | 10,000         |
| 7.20 % MGS   | 2008 (II)        |               | 1998           | 100               | 30 Mar. - 30 Sept. | 17,202          | 12,798             | -        | 30,000         |
| 7.00 % MGS   | 2009             |               | 1999           | 100               | 1 Mar. - 1 Sept.   | -               | 65                 | -        | 65             |
| 5.90 % MGS   | 2009 (II)        |               | 1999           | 100               | 1 Mar. - 1 Sept.   | 10,068          | 14,932             | -        | 25,000         |
| 5.90 % MGS   | 2010             |               | 1999           | 100               | 19 May - 19 Nov.   | 14,138          | 862                | -        | 15,000         |
| 5.75 % MGS   | 2010 (II)        |               | 2000           | 100               | 10 Jun. - 10 Dec.  | 16,362          | 2,138              | -        | 18,500         |
| 7.00 % MGS   | 2010             | 2             | 2000           | 100               | 30 June - 30 Dec.  | -               | 545                | -        | 545            |
| 7.50 % MGS   | 2011             |               | 1996           | 100               | 28 Mar. - 28 Sept. | 6,658           | 8,342              | -        | 15,000         |
| 7.80 % MGS   | 2012             |               | 1997           | 100               | 24 May - 24 Nov.   | 13,534          | 20,966             | -        | 34,500         |
| 7.80 % MGS   | 2013             |               | 1997           | 100               | 18 Apr. - 18 Oct.  | 13,526          | 20,724             | -        | 34,250         |
| 6.10 % MGS   | 2015             |               | 2000           | 100               | 10 Jun. - 10 Dec.  | 7,030           | 22,970             | -        | 30,000         |
| 7.80 % MGS   | 2018             |               | 1998           | 100               | 15 Jan. - 15 July  | 23,214          | 46,786             | -        | 70,000         |
| 6.60 % MGS   | 2019             |               | 1999           | 100               | 1 Mar. - 1 Sept.   | 10,100          | 33,900             | -        | 44,000         |
| <b>Total</b> |                  |               |                |                   |                    | <b>360,501</b>  | <b>352,228</b>     | <b>-</b> | <b>712,729</b> |

<sup>1</sup> Interest thereon exempted from income tax.

<sup>2</sup> The first Lm50 interest thereon exempted from income tax.

<sup>3</sup> Exempted from duty on documents, bearing a rate of interest revisable every two years to maintain it at 1% lower than the normal maximum lending rate allowed by law, subject to a minimum of 7%. The stock is redeemable at a premium of 10% over the normal value, between January 1 and December 31, 2003.

SOURCE: Malta Stock Exchange.

**TABLE 3.3 MALTA GOVERNMENT STOCKS  
BY REMAINING TERM TO MATURITY<sup>1</sup>**

*Lm thousands*

| Period | 1 yr   | 2-5 yrs | 6-10 yrs | 11-15 yrs | Over 16 yrs | Total   |
|--------|--------|---------|----------|-----------|-------------|---------|
| 1985   | 5,500  | 21,885  | -        | -         | -           | 27,385  |
| 1986   | 3,000  | 24,385  | -        | -         | -           | 27,385  |
| 1987   | 6,885  | 18,500  | 2,000    | -         | -           | 27,385  |
| 1988   | 7,500  | 59,885  | -        | -         | -           | 67,385  |
| 1989   | 1,000  | 71,585  | -        | -         | -           | 72,585  |
| 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 |

<sup>1</sup> Refers to the maximum redemption period.

**TABLE 3.4 GOVERNMENT EXTERNAL DEBT  
BY TYPE OF CREDITOR**

*Lm thousands*

| Period      | Official Bilateral<br>Entities <sup>1</sup> | Official Multilateral<br>Organisations <sup>2</sup> | Private Commercial<br>Banks <sup>3</sup> | Total  |
|-------------|---|---|--|--------|
| 1985        | 39,472                                      | 3,052   | -  | 42,524 |
| 1986        | 32,630                                      | 2,809   | -  | 35,439 |
| 1987        | 27,319                                      | 2,522   | -  | 29,841 |
| 1988        | 26,057                                      | 2,081   | -  | 28,138 |
| 1989        | 23,978                                      | 2,911   | -  | 26,889 |
| 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 |
| <b>2000</b> |   |   |  |        |
| Mar.        | 25,099                                      | 15,010  | 3,897                                    | 44,006 |
| June        | 24,381                                      | 14,755  | 3,378                                    | 42,514 |
| Sept.       | 24,133                                      | 14,922  | 3,478                                    | 42,533 |

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

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

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

<sup>4</sup> Provisional.

SOURCE: *Financial Report, The Treasury; Central Bank of Malta (as from end 1999)*

**TABLE 3.5 GOVERNMENT EXTERNAL DEBT  
BY CURRENCY**

*Lm thousands*

| Period                   | FFr | Stg   | DM    | Yen   | EURO <sup>1</sup> | US\$   | Lit    | Others | Total  |
|--------------------------|-----|-------|-------|-------|-------------------|--------|--------|--------|--------|
| 1985                     | 488 | 7,830 | 5,519 | -     | 2,654             | 10,897 | 38     | 15,098 | 42,524 |
| 1986                     | 449 | 4,741 | 5,781 | -     | 2,533             | 8,842  | -      | 13,092 | 35,438 |
| 1987                     | 401 | 4,365 | 5,672 | -     | 2,368             | 6,858  | -      | 10,176 | 29,840 |
| 1988                     | 329 | 4,293 | 5,060 | -     | 2,049             | 6,702  | -      | 9,704  | 28,137 |
| 1989                     | 300 | 3,616 | 5,092 | -     | 2,901             | 6,152  | -      | 8,829  | 26,890 |
| 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 |
| <b>2000</b> <sup>2</sup> |     |       |       |       |                   |        |        |        |        |
| Mar.                     | -   | -     | 1,993 | 3,897 | 9,400             | 7,170  | 19,758 | 1,789  | 44,006 |
| June                     | -   | -     | 1,846 | 3,378 | 9,082             | 7,190  | 19,212 | 1,806  | 42,514 |
| Sept.                    | -   | -     | 1,792 | 3,478 | 8,959             | 7,557  | 19,230 | 1,516  | 42,533 |

<sup>1</sup> Euro replaced ECU as from January 1, 1999.

<sup>2</sup> Provisional

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

**TABLE 3.6 GOVERNMENT EXTERNAL DEBT  
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  |
|--------------------------|-------|---------|----------|-----------|-----------|-------------|--------|
| 1985                     | 38    | 1,573   | 10,972   | 14,865    | 10,806    | 4,270       | 42,524 |
| 1986                     | 0     | 1,694   | 8,736    | 10,684    | 10,306    | 4,019       | 35,438 |
| 1987                     | 151   | 1,105   | 11,453   | 7,242     | 6,170     | 3,720       | 29,841 |
| 1988                     | 176   | 1,950   | 13,436   | 3,799     | 5,060     | 3,716       | 28,137 |
| 1989                     | 23    | 1,459   | 12,710   | 3,699     | 5,092     | 3,906       | 26,889 |
| 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                     | 0     | 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 |
| <b>2000</b> <sup>1</sup> |       |         |          |           |           |             |        |
| Mar.                     | -     | 13,558  | 13,403   | 14,386    | 1,355     | 1,305       | 44,006 |
| June                     | -     | 12,705  | 13,071   | 12,754    | 2,668     | 1,316       | 42,514 |
| Sept.                    | -     | 12,626  | 13,567   | 13,774    | 1,298     | 1,268       | 42,533 |

<sup>1</sup> Provisional.

SOURCE: *Financial Report, The Treasury; Central Bank of Malta (as from end 1999)*

**TABLE 4.1 NET FOREIGN ASSETS OF THE BANKING SYSTEM <sup>1</sup>**

*Lm thousands*

| Period      | Monetary Authorities                    |                           |                                       |           |  |   |           | Total<br>(A+B) |
|-------------|---|---------------------------|---------------------------------------|-----------|--|---|-----------|----------------|
|             | Central Bank of Malta                   |                           |                                       |           | Government & Parastatal Companies <sup>2</sup> |   |           |                |
|             | Gold and<br>Other<br>Precious<br>Metals | Convertible<br>Currencies | IMF<br>Related<br>Assets <sup>3</sup> | Total (A) | Foreign<br>Currency<br>Deposits <sup>5</sup>   | Other<br>Official<br>Funds <sup>4,5</sup> | Total (B) |                |
| 1990        | 12,979                                  | 380,527                   | 33,618                                | 427,124   | 15,874   | 1,765                                     | 17,639    | 444,763        |
| 1991        | 6,437                                   | 366,822                   | 37,175                                | 410,434   | 4,459  | 11,992                                    | 16,451    | 426,885        |
| 1992        | 9,101                                   | 435,857                   | 30,061                                | 475,019   | 4,874  | 12,337                                    | 17,211    | 492,230        |
| 1993        | 10,216                                  | 490,358                   | 32,827                                | 533,401   | 4,347  | 11,747                                    | 16,094    | 549,495        |
| 1994        | 7,314                                   | 577,501                   | 32,829                                | 617,644   | 61,672   | 11,118                                    | 72,790    | 690,434        |
| 1995        | 3,596                                   | 471,090                   | 34,007                                | 508,693   | 60,844   | 11,163                                    | 72,007    | 580,700        |
| 1996        | 3,646                                   | 468,523                   | 36,408                                | 508,577   | 34,739   | 10,803                                    | 45,542    | 554,119        |
| 1997        | 1,311                                   | 501,379                   | 38,912                                | 541,602   | 9,086  | 10,980                                    | 20,066    | 561,668        |
| 1998        | 688                                     | 598,874                   | 40,429                                | 639,991   | -  | -   | -         | 639,991        |
| <b>1999</b> |   |                           |                                       |           |  |   |           |                |
| Jan.        | 687                                     | 607,216                   | 40,429                                | 648,332   | -  | -   | -         | 648,332        |
| Feb.        | 708                                     | 601,786                   | 40,723                                | 643,217   | -  | -   | -         | 643,217        |
| Mar.        | 700                                     | 603,874                   | 32,635                                | 637,208   | -  | -   | -         | 637,208        |
| Apr.        | 724                                     | 617,760                   | 33,378                                | 651,862   | -  | -   | -         | 651,862        |
| May         | 598                                     | 617,830                   | 33,662                                | 652,089   | -  | -   | -         | 652,089        |
| June        | 670                                     | 651,349                   | 33,756                                | 685,774   | -  | -   | -         | 685,774        |
| July        | 511                                     | 655,549                   | 33,783                                | 689,843   | -  | -   | -         | 689,843        |
| Aug.        | 628                                     | 658,229                   | 34,372                                | 693,229   | -  | -   | -         | 693,229        |
| Sept.       | 711                                     | 660,372                   | 34,443                                | 695,526   | -  | -   | -         | 695,526        |
| Oct.        | 721                                     | 685,093                   | 34,727                                | 720,541   | -  | -   | -         | 720,541        |
| Nov.        | 700                                     | 706,650                   | 35,558                                | 742,909   | -  | -   | -         | 742,909        |
| Dec.        | 737                                     | 704,084                   | 35,517                                | 740,339   | -  | -   | -         | 740,339        |
| <b>2000</b> |   |                           |                                       |           |  |   |           |                |
| Jan.        | 747                                     | 696,405                   | 35,457                                | 732,609   | -  | -   | -         | 732,609        |
| Feb.        | 703                                     | 679,432                   | 35,698                                | 715,834   | -  | -   | -         | 715,834        |
| Mar.        | 743                                     | 672,042                   | 36,168                                | 708,953   | -  | -   | -         | 708,953        |
| Apr.        | 758                                     | 662,546                   | 36,494                                | 699,798   | -  | -   | -         | 699,798        |
| May         | 714                                     | 674,318                   | 36,745                                | 711,777   | -  | -   | -         | 711,777        |
| June        | 746                                     | 666,099                   | 36,569                                | 703,415   | -  | -   | -         | 703,415        |
| July        | 632                                     | 648,348                   | 36,699                                | 685,679   | -  | -   | -         | 685,679        |
| Aug.        | 742                                     | 648,045                   | 37,647                                | 686,433   | -  | -   | -         | 686,433        |
| Sept.       | 739                                     | 659,141                   | 37,664                                | 697,544   | -  | -   | -         | 697,544        |

<sup>1</sup> On cash accounting basis.

<sup>2</sup> Customers' Foreign Currency Deposits and Sinking Funds are held with the Central Bank, while Other Official Funds are held with the Treasury.

<sup>3</sup> Include IMF Reserve Position and Holdings of SDRs.

<sup>4</sup> Including Government Sinking Funds.

<sup>5</sup> Following changes in Central bank accounting policies, as from December 1998, foreign currency deposits and other official funds belonging to Government and parastatal companies are being included under the "Convertible Currencies" heading.



**TABLE 4.1 NET FOREIGN ASSETS OF THE BANKING SYSTEM <sup>1</sup>**  
(Continued)

*Lm thousands*

| Period      | Deposit Money Banks <sup>2</sup> & Other Banking Institutions |             |         | Total (A+B+C) | International Banking Institutions <sup>2</sup> |             |         | 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        | 554,059   | 339,032     | 215,027 | 795,727       | 233,535   | 216,332     | 17,203  | 812,930               |
| 1996        | 585,607   | 407,831     | 177,776 | 731,895       | 453,720   | 431,497     | 22,223  | 754,118               |
| 1997        | 532,762   | 410,258     | 122,504 | 684,172       | 804,388   | 753,351     | 51,037  | 735,209               |
| 1998        | 596,369   | 514,407     | 81,962  | 721,953       | 1,606,314                                       | 1,464,139   | 142,175 | 864,128               |
| <b>1999</b> |   |             |         |               |   |             |         |                       |
| Jan.        | 611,995   | 531,019     | 80,976  | 729,308       | 1,765,350                                       | 1,620,119   | 145,231 | 874,539               |
| Feb.        | 639,804   | 555,839     | 83,965  | 727,182       | 1,854,224                                       | 1,708,045   | 146,179 | 873,361               |
| Mar.        | 617,730   | 550,882     | 66,848  | 704,056       | 2,050,512                                       | 1,901,141   | 149,371 | 853,427               |
| Apr.        | 614,929   | 553,849     | 61,080  | 712,942       | 2,157,362                                       | 2,021,693   | 135,670 | 848,612               |
| May         | 663,192   | 575,066     | 88,126  | 740,215       | 2,051,003                                       | 1,907,552   | 143,451 | 883,666               |
| June        | 630,996   | 558,451     | 72,545  | 758,319       | 2,286,056                                       | 2,133,008   | 153,048 | 911,367               |
| July        | 626,166   | 543,509     | 82,657  | 772,500       | 2,266,158                                       | 2,104,424   | 161,734 | 934,235               |
| Aug.        | 641,277   | 543,961     | 97,316  | 790,545       | 2,332,226                                       | 2,168,041   | 164,185 | 954,730               |
| Sept.       | 660,375   | 573,525     | 86,850  | 782,376       | 2,304,576                                       | 2,133,179   | 171,397 | 953,773               |
| Oct.        | 661,669   | 594,036     | 67,634  | 788,175       | 2,278,456                                       | 2,101,828   | 176,628 | 964,803               |
| Nov.        | 668,041   | 612,114     | 55,927  | 798,836       | 2,210,225                                       | 2,059,635   | 150,590 | 949,425               |
| Dec.        | 647,620   | 601,424     | 46,196  | 786,535       | 2,275,154                                       | 2,113,414   | 161,740 | 948,275               |
| <b>2000</b> |   |             |         |               |   |             |         |                       |
| Jan.        | 660,033   | 625,940     | 34,093  | 766,702       | 2,039,167                                       | 1,892,099   | 147,068 | 913,770               |
| Feb.        | 663,869   | 619,549     | 44,320  | 760,154       | 2,003,861                                       | 1,868,029   | 135,832 | 895,986               |
| Mar.        | 693,492   | 646,899     | 46,593  | 755,546       | 1,998,920                                       | 1,867,353   | 131,567 | 887,113               |
| Apr.        | 721,346   | 654,725     | 66,621  | 766,419       | 2,009,968                                       | 1,879,207   | 130,761 | 897,179               |
| May         | 741,620   | 674,963     | 66,657  | 778,434       | 2,156,397                                       | 2,019,403   | 136,993 | 915,427               |
| June        | 756,570   | 681,365     | 75,205  | 778,620       | 2,064,449                                       | 1,892,272   | 172,177 | 950,797               |
| July        | 762,049   | 683,700     | 78,349  | 764,028       | 2,205,767                                       | 2,037,966   | 167,801 | 931,829               |
| Aug.        | 765,414   | 671,294     | 94,120  | 780,553       | 2,461,583                                       | 2,294,952   | 166,631 | 947,184               |
| Sept.       | 752,926   | 683,185     | 69,741  | 767,285       | 2,492,061                                       | 2,325,390   | 166,671 | 933,956               |

<sup>1</sup> On cash accounting basis.

<sup>2</sup> 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 as Deposit Money Banks and not with the International Banking Institutions, as shown in other tables.

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

*End of Period Rates*

| End of Period | Stg    | DM     | US\$   | Euro <sup>2</sup> | Lit     | FFr    | NLG   | Bfr     | Yen    | Sfr   |
|---------------|--------|--------|--------|-------------------|---------|--------|-------|---------|--------|-------|
| 1985          | 1.6378 | 5.7980 | 2.3593 | 2.6544            | 3955.37 | 17.789 | 6.532 | 118.673 | 472.76 | 4.896 |
| 1986          | 1.8341 | 5.2555 | 2.7090 | 2.5322            | 3661.89 | 17.405 | 5.935 | 109.511 | 432.97 | 4.393 |
| 1987          | 1.7151 | 5.0784 | 3.2081 | 2.4652            | 3753.48 | 17.240 | 5.714 | 106.365 | 390.83 | 4.113 |
| 1988          | 1.6775 | 5.3756 | 3.0107 | 2.5858            | 3954.55 | 18.344 | 6.070 | 112.871 | 378.90 | 4.555 |
| 1989          | 1.8539 | 5.0392 | 2.9686 | 2.5005            | 3771.61 | 17.233 | 5.694 | 105.831 | 426.81 | 4.589 |
| 1990          | 1.7335 | 5.0006 | 3.3249 | 2.4349            | 3769.61 | 17.007 | 5.636 | 103.271 | 451.19 | 4.261 |
| 1991          | 1.7457 | 4.9610 | 3.2724 | 2.4448            | 3759.17 | 16.952 | 5.590 | 102.181 | 408.46 | 4.437 |
| 1992          | 1.7652 | 4.3188 | 2.6725 | 2.2136            | 3940.60 | 14.731 | 4.851 | 88.663  | 332.99 | 3.907 |
| 1993          | 1.7106 | 4.3911 | 2.5309 | 2.2678            | 4326.57 | 14.917 | 4.912 | 91.327  | 283.32 | 3.748 |
| 1994          | 1.7381 | 4.2086 | 2.7166 | 2.2083            | 4410.43 | 14.511 | 4.714 | 86.484  | 270.86 | 3.562 |
| 1995          | 1.8315 | 4.0648 | 2.8377 | 2.1586            | 4496.45 | 13.898 | 4.552 | 83.513  | 292.69 | 3.266 |
| 1996          | 1.6377 | 4.3146 | 2.7807 | 2.2173            | 4244.37 | 14.542 | 4.843 | 88.873  | 323.12 | 3.747 |
| 1997          | 1.5411 | 4.5682 | 2.5497 | 2.3101            | 4485.89 | 15.284 | 5.146 | 94.213  | 331.79 | 3.712 |
| 1998          | 1.5935 | 4.4287 | 2.6496 | 2.2640            | 4382.63 | 14.870 | 4.990 | 91.360  | 300.71 | 3.645 |
| 1999          | 1.4983 | 4.7163 | 2.4230 | 2.4114            | 4669.13 | 15.818 | 5.314 | 97.276  | 247.64 | 3.870 |
| <b>2000</b>   |        |        |        |                   |         |        |       |         |        |       |
| Apr. 7        | 1.4850 | 4.8053 | 2.3467 | 2.4569            | 4757.25 | 16.116 | 5.414 | 99.112  | 247.26 | 3.868 |
| 14            | 1.4823 | 4.7995 | 2.3568 | 2.4539            | 4751.49 | 16.097 | 5.408 | 98.992  | 248.36 | 3.857 |
| 21            | 1.4703 | 4.8508 | 2.3227 | 2.4802            | 4802.27 | 16.269 | 5.466 | 100.050 | 244.06 | 3.901 |
| 28            | 1.4572 | 4.9062 | 2.2885 | 2.5085            | 4857.11 | 16.455 | 5.528 | 101.192 | 245.35 | 3.944 |
| May 5         | 1.4716 | 4.9135 | 2.2609 | 2.5122            | 4864.38 | 16.479 | 5.536 | 101.344 | 244.81 | 3.885 |
| 12            | 1.4918 | 4.8861 | 2.2580 | 2.4982            | 4837.24 | 16.387 | 5.505 | 100.778 | 245.48 | 3.881 |
| 19            | 1.5034 | 4.9043 | 2.2259 | 2.5075            | 4855.22 | 16.448 | 5.526 | 101.153 | 238.65 | 3.891 |
| 26            | 1.5336 | 4.8264 | 2.2581 | 2.4677            | 4778.17 | 16.187 | 5.438 | 99.548  | 242.63 | 3.858 |
| June 2        | 1.5312 | 4.7802 | 2.3065 | 2.4441            | 4732.39 | 16.032 | 5.386 | 98.594  | 249.69 | 3.849 |
| 9             | 1.5375 | 4.7673 | 2.3110 | 2.4375            | 4719.59 | 15.989 | 5.372 | 98.327  | 247.19 | 3.811 |
| 16            | 1.5376 | 4.7529 | 2.3255 | 2.4301            | 4705.40 | 15.941 | 5.355 | 98.032  | 247.03 | 3.794 |
| 23            | 1.5314 | 4.7833 | 2.3031 | 2.4456            | 4735.44 | 16.042 | 5.390 | 98.657  | 239.95 | 3.795 |
| 30            | 1.5372 | 4.7527 | 2.3263 | 2.4300            | 4705.22 | 15.940 | 5.355 | 98.028  | 244.97 | 3.787 |
| July 7        | 1.5318 | 4.7735 | 2.3124 | 2.4407            | 4725.76 | 16.010 | 5.379 | 98.456  | 248.62 | 3.770 |
| 14            | 1.5288 | 4.7976 | 2.2923 | 2.4530            | 4749.61 | 16.090 | 5.406 | 98.953  | 247.85 | 3.800 |
| 21            | 1.5191 | 4.8062 | 2.2970 | 2.4574            | 4758.14 | 16.119 | 5.415 | 99.130  | 250.00 | 3.815 |
| 28            | 1.5183 | 4.8237 | 2.2810 | 2.4663            | 4775.42 | 16.178 | 5.435 | 99.490  | 249.98 | 3.818 |
| Aug. 4        | 1.5020 | 4.8756 | 2.2539 | 2.4928            | 4826.82 | 16.352 | 5.494 | 100.561 | 244.35 | 3.849 |
| 11            | 1.5052 | 4.8576 | 2.2662 | 2.4837            | 4809.04 | 16.292 | 5.473 | 100.191 | 246.17 | 3.856 |
| 18            | 1.5126 | 4.8505 | 2.2630 | 2.4800            | 4801.97 | 16.268 | 5.465 | 100.043 | 246.27 | 3.877 |
| 25            | 1.5207 | 4.8606 | 2.2429 | 2.4852            | 4811.99 | 16.302 | 5.477 | 100.252 | 240.44 | 3.838 |
| Sept. 1       | 1.5295 | 4.8756 | 2.2180 | 2.4928            | 4826.80 | 16.352 | 5.494 | 100.561 | 236.36 | 3.868 |
| 8             | 1.5211 | 4.9259 | 2.1845 | 2.5186            | 4876.62 | 16.521 | 5.550 | 101.599 | 230.03 | 3.898 |
| 15            | 1.5401 | 4.9164 | 2.1695 | 2.5137            | 4867.26 | 16.489 | 5.540 | 101.404 | 233.57 | 3.842 |
| 22            | 1.5161 | 4.8943 | 2.2183 | 2.5024            | 4845.34 | 16.415 | 5.515 | 100.947 | 238.16 | 3.823 |
| 29            | 1.5037 | 4.9230 | 2.2090 | 2.5171            | 4873.81 | 16.511 | 5.547 | 101.540 | 239.40 | 3.841 |

<sup>1</sup> Closing Central Bank 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.

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

**TABLE 4.3 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**

*Averages for the Period*

| Period      | Stg    | DM     | US\$   | Euro <sup>2</sup> | Lit     | FFr    | NLG   | Bfr     | Yen    | Sfr   |
|-------------|--------|--------|--------|-------------------|---------|--------|-------|---------|--------|-------|
| 1985        | 1.6580 | 6.2643 | 2.1385 | 2.8057            | 3750.50 | 19.121 | 7.066 | 126.340 | 507.67 | 5.225 |
| 1986        | 1.7374 | 5.5167 | 2.5482 | 2.5969            | 3788.76 | 17.609 | 6.221 | 113.492 | 427.88 | 4.535 |
| 1987        | 1.7696 | 5.2001 | 2.8981 | 2.5107            | 3750.50 | 17.391 | 5.859 | 108.044 | 419.37 | 4.313 |
| 1988        | 1.6987 | 5.3029 | 3.0251 | 2.5565            | 3928.82 | 17.989 | 5.968 | 111.002 | 387.38 | 4.417 |
| 1989        | 1.7528 | 5.3898 | 2.8712 | 2.6048            | 3932.95 | 18.288 | 6.080 | 112.939 | 395.63 | 4.688 |
| 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 |
| <b>1999</b> |        |        |        |                   |         |        |       |         |        |       |
| Jan.        | 1.5958 | 4.4284 | 2.6345 | 2.2693            | 4393.90 | 14.886 | 5.001 | 91.542  | 297.98 | 3.643 |
| Feb.        | 1.5814 | 4.4945 | 2.5749 | 2.2980            | 4449.59 | 15.074 | 5.064 | 92.702  | 300.48 | 3.673 |
| Mar.        | 1.5619 | 4.5481 | 2.5317 | 2.3254            | 4502.57 | 15.254 | 5.125 | 93.806  | 303.11 | 3.708 |
| Apr.        | 1.5556 | 4.5759 | 2.5049 | 2.3396            | 4530.10 | 15.347 | 5.156 | 94.379  | 299.64 | 3.747 |
| May         | 1.5462 | 4.5933 | 2.4971 | 2.3485            | 4547.33 | 15.405 | 5.175 | 94.738  | 304.52 | 3.764 |
| June        | 1.5408 | 4.6298 | 2.4597 | 2.3672            | 4583.47 | 15.528 | 5.217 | 95.491  | 297.07 | 3.775 |
| July        | 1.5547 | 4.6234 | 2.4472 | 2.3639            | 4577.16 | 15.506 | 5.209 | 95.360  | 292.67 | 3.792 |
| Aug.        | 1.5507 | 4.5927 | 2.4909 | 2.3482            | 4546.75 | 15.403 | 5.175 | 94.726  | 282.32 | 3.758 |
| Sept.       | 1.5294 | 4.6256 | 2.4829 | 2.3650            | 4579.29 | 15.513 | 5.212 | 95.404  | 265.80 | 3.788 |
| Oct         | 1.5212 | 4.6053 | 2.5217 | 2.3547            | 4559.25 | 15.446 | 5.189 | 94.987  | 267.37 | 3.754 |
| Nov         | 1.5176 | 4.6569 | 2.4629 | 2.3810            | 4610.34 | 15.619 | 5.247 | 96.051  | 258.04 | 3.822 |
| Dec         | 1.5063 | 4.7000 | 2.4294 | 2.4030            | 4652.95 | 15.763 | 5.296 | 96.939  | 249.08 | 3.847 |
| <b>2000</b> |        |        |        |                   |         |        |       |         |        |       |
| 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 | 5.398 | 98.803  | 248.52 | 3.799 |
| 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 | 5.534 | 101.293 | 234.13 | 3.844 |

<sup>1</sup> Calculated on the arithmetic mean of the daily opening and closing Central Bank midpoint rates. From 1985 to 1987 annual averages for ECU/Lm are crossrates compiled from data issued by the IMF.

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

**TABLE 4.4 MALTA'S FOREIGN TRADE**

*Lm thousands*

| Period                  | Exports (f.o.b.) |            |         | Imports (c.i.f.) | Balance of Trade |
|-------------------------|------------------|------------|---------|------------------|------------------|
|                         | Domestic         | Re-Exports | Total   |                  |                  |
| 1985                    | 169,244          | 17,856     | 187,100 | 354,138          | -167,038         |
| 1986                    | 180,317          | 14,351     | 194,668 | 348,113          | -153,445         |
| 1987                    | 190,706          | 17,883     | 208,589 | 392,876          | -184,287         |
| 1988                    | 217,147          | 18,774     | 235,921 | 447,432          | -211,511         |
| 1989                    | 273,607          | 20,798     | 294,405 | 515,809          | -221,404         |
| 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 <sup>1</sup>       | 563,950          | 64,980     | 628,930 | 984,230          | -355,300         |
| 1998 <sup>1</sup>       | 664,816          | 47,169     | 711,985 | 1,034,920        | -322,935         |
| 1999 <sup>1</sup>       | 712,436          | 78,700     | 791,136 | 1,136,233        | -345,097         |
| <b>1999<sup>1</sup></b> |                  |            |         |                  |                  |
| Jan.                    | 57,862           | 3,885      | 61,747  | 80,991           | -19,243          |
| Feb.                    | 52,532           | 10,664     | 63,196  | 77,721           | -14,526          |
| Mar.                    | 59,381           | 4,725      | 64,106  | 93,077           | -28,971          |
| Apr.                    | 60,765           | 5,270      | 66,035  | 96,717           | -30,682          |
| May                     | 62,810           | 4,801      | 67,611  | 96,835           | -29,224          |
| June                    | 56,572           | 6,577      | 63,149  | 88,326           | -25,177          |
| July                    | 54,937           | 8,565      | 63,502  | 94,479           | -30,977          |
| Aug.                    | 55,839           | 6,761      | 62,600  | 84,606           | -22,006          |
| Sept.                   | 56,430           | 5,223      | 61,653  | 91,843           | -30,190          |
| Oct.                    | 66,792           | 7,471      | 74,263  | 113,316          | -39,053          |
| Nov.                    | 65,198           | 7,334      | 72,532  | 109,076          | -36,544          |
| Dec.                    | 63,319           | 7,424      | 70,743  | 109,247          | -38,504          |
| <b>2000</b>             |                  |            |         |                  |                  |
| 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          |

<sup>1</sup> Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics.

**TABLE 4.5 DIRECTION OF TRADE - TOTAL EXPORTS**

*Lm thousands*

| Period                  | United Kingdom | Italy   | Germany <sup>1</sup> | France  | Other EU | Libya  | United States | Others  | Total   |
|-------------------------|----------------|---------|----------------------|---------|----------|--------|---------------|---------|---------|
| 1985                    | 29,940         | 17,691  | 57,291               | 5,069   | 14,513   | 11,948 | 11,884        | 38,763  | 187,099 |
| 1986                    | 26,554         | 20,986  | 61,916               | 6,652   | 13,494   | 9,729  | 14,872        | 40,465  | 194,668 |
| 1987                    | 28,354         | 30,045  | 64,492               | 4,772   | 13,638   | 18,494 | 16,080        | 32,714  | 208,589 |
| 1988                    | 31,022         | 41,132  | 63,918               | 9,869   | 14,492   | 14,585 | 26,304        | 34,599  | 235,921 |
| 1989                    | 31,489         | 89,333  | 66,087               | 15,616  | 15,886   | 15,917 | 16,430        | 43,648  | 294,406 |
| 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 <sup>2</sup>       | 51,219         | 35,726  | 82,171               | 121,705 | 54,486   | 25,122 | 91,201        | 167,283 | 628,913 |
| 1998 <sup>2</sup>       | 54,626         | 34,388  | 89,726               | 147,450 | 49,502   | 19,382 | 129,208       | 187,703 | 711,985 |
| 1999 <sup>2</sup>       | 73,202         | 38,858  | 99,390               | 120,388 | 50,344   | 20,194 | 168,621       | 220,144 | 791,141 |
| <b>1999<sup>2</sup></b> |                |         |                      |         |          |        |               |         |         |
| Jan.                    | 6,213          | 2,949   | 7,709                | 11,834  | 4,302    | 2,885  | 11,092        | 14,763  | 61,747  |
| Feb.                    | 3,927          | 2,686   | 8,071                | 13,402  | 4,938    | 1,315  | 15,743        | 13,113  | 63,195  |
| Mar.                    | 5,412          | 2,782   | 8,319                | 13,499  | 4,500    | 1,668  | 10,954        | 16,972  | 64,106  |
| Apr.                    | 6,297          | 3,599   | 9,318                | 10,895  | 4,669    | 1,229  | 13,924        | 16,105  | 66,036  |
| May                     | 6,246          | 3,854   | 8,154                | 10,276  | 4,487    | 1,210  | 14,763        | 18,622  | 67,612  |
| June                    | 4,522          | 4,943   | 7,117                | 9,180   | 4,508    | 1,286  | 15,187        | 16,406  | 63,149  |
| July                    | 5,444          | 3,000   | 7,919                | 8,254   | 5,088    | 2,019  | 16,392        | 15,387  | 63,503  |
| Aug.                    | 6,630          | 2,697   | 8,353                | 9,081   | 3,013    | 1,153  | 13,546        | 18,127  | 62,600  |
| Sept.                   | 4,329          | 2,332   | 8,204                | 9,274   | 3,749    | 1,744  | 13,548        | 18,474  | 61,654  |
| Oct.                    | 7,280          | 3,345   | 10,758               | 8,617   | 5,198    | 2,179  | 15,235        | 21,651  | 74,263  |
| Nov.                    | 9,421          | 3,798   | 8,809                | 9,197   | 1,837    | 1,000  | 13,383        | 25,087  | 72,532  |
| Dec.                    | 7,481          | 2,873   | 6,659                | 6,879   | 4,055    | 2,506  | 14,854        | 25,437  | 70,744  |
| <b>2000</b>             |                |         |                      |         |          |        |               |         |         |
| 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 |

<sup>1</sup> Figures prior to 1990 are for West Germany only.

<sup>2</sup> Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

**TABLE 4.6 DIRECTION OF TRADE - IMPORTS**

*Lm thousands*

| Period                  | United Kingdom | Italy   | Netherlands | France  | Germany <sup>1</sup> | Other EU | United States | Others  | Total     |
|-------------------------|----------------|---------|-------------|---------|----------------------|----------|---------------|---------|-----------|
| 1985                    | 65,746         | 81,846  | 10,663      | 14,509  | 63,100               | 22,132   | 20,314        | 75,828  | 354,138   |
| 1986                    | 61,306         | 81,153  | 10,962      | 14,746  | 65,832               | 18,035   | 18,156        | 77,923  | 348,113   |
| 1987                    | 67,589         | 74,482  | 12,562      | 13,602  | 68,231               | 21,982   | 42,131        | 92,297  | 392,876   |
| 1988                    | 79,917         | 99,675  | 12,882      | 22,157  | 66,173               | 20,558   | 42,707        | 103,363 | 447,432   |
| 1989                    | 82,304         | 155,780 | 14,723      | 28,596  | 66,446               | 35,433   | 20,184        | 112,343 | 515,809   |
| 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 <sup>2</sup>       | 145,152        | 199,137 | 25,712      | 163,026 | 98,276               | 71,505   | 77,968        | 203,455 | 984,231   |
| 1998 <sup>2</sup>       | 128,216        | 199,383 | 25,486      | 184,340 | 108,291              | 71,360   | 91,920        | 225,925 | 1,034,921 |
| 1999 <sup>2</sup>       | 123,736        | 189,873 | 25,697      | 217,021 | 113,569              | 73,175   | 95,964        | 297,199 | 1,136,234 |
| <b>1999<sup>2</sup></b> |                |         |             |         |                      |          |               |         |           |
| Jan.                    | 7,972          | 14,389  | 1,827       | 16,418  | 7,316                | 4,603    | 9,291         | 19,174  | 80,990    |
| Feb.                    | 8,373          | 13,615  | 1,853       | 15,115  | 8,443                | 5,711    | 5,867         | 18,744  | 77,721    |
| Mar.                    | 11,233         | 15,560  | 2,199       | 16,694  | 10,126               | 6,204    | 7,140         | 23,922  | 93,078    |
| Apr.                    | 11,923         | 16,209  | 1,906       | 17,446  | 10,177               | 6,796    | 9,121         | 23,139  | 96,717    |
| May                     | 11,173         | 15,162  | 1,645       | 18,078  | 8,794                | 7,224    | 7,037         | 27,722  | 96,835    |
| June                    | 8,900          | 16,367  | 1,950       | 14,686  | 10,740               | 5,864    | 6,699         | 23,120  | 88,326    |
| July                    | 10,645         | 15,293  | 2,428       | 18,105  | 10,866               | 6,573    | 7,451         | 23,118  | 94,479    |
| Aug.                    | 10,787         | 12,406  | 2,089       | 15,199  | 8,763                | 5,240    | 8,164         | 21,958  | 84,606    |
| Sept.                   | 9,604          | 15,696  | 1,986       | 16,562  | 9,572                | 4,904    | 8,903         | 24,616  | 91,843    |
| Oct.                    | 11,792         | 20,505  | 2,891       | 22,831  | 9,729                | 6,916    | 9,066         | 29,586  | 113,316   |
| Nov.                    | 11,407         | 16,682  | 2,609       | 22,583  | 10,143               | 6,860    | 9,447         | 29,345  | 109,076   |
| Dec.                    | 9,927          | 17,989  | 2,314       | 23,304  | 8,900                | 6,280    | 7,778         | 32,755  | 109,247   |
| <b>2000</b>             |                |         |             |         |                      |          |               |         |           |
| 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   |

<sup>1</sup> Figures prior to 1990 are for West Germany only.

<sup>2</sup> Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

**TABLE 4.7 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-Manufactured Goods | Machinery and Transport Equipment | Manufactured Articles | Miscellaneous | Total   |
|-------------------------|-----------------------|-----------------------|---------------------------------------|--------------------|--------------------------------|-----------|-------------------------|-----------------------------------|-----------------------|---------------|---------|
| 1985                    | 6,202                 | 5,410                 | 1,603                                 | 616                | 21                             | 1,953     | 17,953                  | 33,371                            | 101,990               | 125           | 169,244 |
| 1986                    | 4,561                 | 4,864                 | 1,247                                 | 16                 | 3                              | 2,404     | 20,210                  | 45,021                            | 101,868               | 121           | 180,317 |
| 1987                    | 4,208                 | 4,569                 | 1,541                                 | 20                 | 1                              | 2,911     | 23,099                  | 54,949                            | 99,322                | 86            | 190,706 |
| 1988                    | 4,967                 | 2,661                 | 2,015                                 | 2                  | 12                             | 2,532     | 24,960                  | 83,646                            | 96,228                | 124           | 217,147 |
| 1989                    | 5,077                 | 2,091                 | 2,560                                 | 8                  | 8                              | 3,022     | 28,033                  | 137,137                           | 95,529                | 142           | 273,607 |
| 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 <sup>1</sup>       | 13,657                | 2,136                 | 2,325                                 | 26                 | -                              | 14,697    | 42,658                  | 342,551                           | 145,694               | 188           | 563,932 |
| 1998 <sup>1</sup>       | 13,481                | 2,138                 | 1,523                                 | 9                  | 2                              | 13,242    | 48,237                  | 444,893                           | 140,740               | 550           | 664,816 |
| 1999 <sup>1</sup>       | 15,487                | 2,076                 | 1,446                                 | -                  | -                              | 14,218    | 50,062                  | 475,472                           | 152,619               | 1,055         | 712,441 |
| <b>1999<sup>1</sup></b> |                       |                       |                                       |                    |                                |           |                         |                                   |                       |               |         |
| Jan.                    | 686                   | 46                    | 208                                   | -                  | -                              | 1,237     | 4,829                   | 37,134                            | 13,645                | 77            | 57,862  |
| Feb.                    | 453                   | 93                    | 63                                    | -                  | -                              | 1,458     | 3,248                   | 35,445                            | 11,413                | 358           | 52,531  |
| Mar.                    | 797                   | 188                   | 26                                    | -                  | -                              | 1,168     | 4,288                   | 39,998                            | 12,824                | 93            | 59,382  |
| Apr.                    | 1,062                 | 119                   | 132                                   | -                  | -                              | 1,312     | 5,322                   | 38,414                            | 14,344                | 59            | 60,766  |
| May                     | 2,428                 | 263                   | 73                                    | -                  | -                              | 1,010     | 3,852                   | 42,017                            | 13,081                | 87            | 62,811  |
| June                    | 876                   | 189                   | 160                                   | -                  | -                              | 1,012     | 4,394                   | 39,562                            | 10,336                | 43            | 56,572  |
| July                    | 827                   | 102                   | 56                                    | -                  | -                              | 1,127     | 3,865                   | 35,857                            | 13,044                | 60            | 54,938  |
| Aug.                    | 2,728                 | 294                   | 23                                    | -                  | -                              | 918       | 3,586                   | 35,369                            | 12,848                | 74            | 55,840  |
| Sept.                   | 1,615                 | 199                   | 92                                    | -                  | -                              | 1,205     | 3,365                   | 38,110                            | 11,822                | 21            | 56,430  |
| Oct.                    | 1,900                 | 227                   | 256                                   | -                  | -                              | 1,574     | 5,338                   | 41,603                            | 15,807                | 86            | 66,792  |
| Nov.                    | 1,205                 | 199                   | 157                                   | -                  | -                              | 1,201     | 4,632                   | 44,816                            | 12,912                | 75            | 65,198  |
| Dec.                    | 910                   | 157                   | 200                                   | -                  | -                              | 996       | 3,343                   | 47,147                            | 10,543                | 22            | 63,319  |
| <b>2000</b>             |                       |                       |                                       |                    |                                |           |                         |                                   |                       |               |         |
| 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  |

<sup>1</sup> Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

**TABLE 4.8 IMPORTS BY COMMODITY SECTIONS**

*Ln thousands*

| Period                  | Food and Live Animals | Beverages and Tobacco | Crude Materials Inedible except Fuels | Mineral Fuels etc. | Animal/Vegetable Fats and Oils | Chemicals | Semi-Manufactured Goods | Machinery and Transport Equipment | Manufactured Articles | Miscellaneous | 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 <sup>1</sup>       | 97,815                | 16,640                | 13,197                                | 51,820             | 2,537                          | 78,930    | 140,829                 | 459,604                           | 113,202               | 9,657         | 984,231   |
| 1998 <sup>1</sup>       | 96,699                | 15,541                | 14,478                                | 39,281             | 2,789                          | 80,132    | 143,251                 | 520,242                           | 113,370               | 9,139         | 1,034,921 |
| 1999 <sup>1</sup>       | 99,416                | 18,002                | 13,187                                | 58,725             | 2,345                          | 82,431    | 140,688                 | 594,148                           | 118,875               | 8,417         | 1,136,239 |
| <b>1999<sup>1</sup></b> |                       |                       |                                       |                    |                                |           |                         |                                   |                       |               |           |
| Jan.                    | 7,447                 | 877                   | 746                                   | 5,518              | 171                            | 6,327     | 9,559                   | 43,591                            | 6,034                 | 720           | 80,991    |
| Feb.                    | 6,468                 | 875                   | 1,228                                 | 3,005              | 173                            | 6,507     | 11,416                  | 38,877                            | 8,506                 | 667           | 77,721    |
| Mar.                    | 8,861                 | 924                   | 1,100                                 | 3,594              | 201                            | 7,198     | 12,876                  | 45,434                            | 12,005                | 887           | 93,078    |
| Apr.                    | 8,306                 | 1,346                 | 1,245                                 | 4,120              | 336                            | 6,804     | 12,934                  | 49,291                            | 11,743                | 592           | 96,717    |
| May.                    | 7,700                 | 1,747                 | 1,004                                 | 3,187              | 143                            | 6,705     | 13,495                  | 53,007                            | 9,215                 | 633           | 96,836    |
| June                    | 7,587                 | 1,672                 | 1,050                                 | 4,719              | 176                            | 6,859     | 12,000                  | 45,273                            | 8,301                 | 690           | 88,327    |
| July                    | 6,920                 | 1,879                 | 1,346                                 | 3,520              | 211                            | 7,942     | 13,843                  | 50,158                            | 7,981                 | 677           | 94,479    |
| Aug.                    | 9,369                 | 1,228                 | 961                                   | 2,725              | 317                            | 6,669     | 9,680                   | 43,751                            | 9,317                 | 588           | 84,606    |
| Sept.                   | 7,743                 | 1,414                 | 1,221                                 | 5,267              | 113                            | 6,330     | 9,911                   | 47,534                            | 11,482                | 829           | 91,844    |
| Oct.                    | 10,072                | 1,628                 | 1,028                                 | 10,797             | 163                            | 7,216     | 11,365                  | 58,394                            | 12,076                | 576           | 113,316   |
| Nov.                    | 10,302                | 1,729                 | 1,320                                 | 2,794              | 171                            | 7,232     | 12,371                  | 59,747                            | 12,831                | 579           | 109,076   |
| Dec.                    | 8,641                 | 2,683                 | 938                                   | 9,479              | 170                            | 6,642     | 11,238                  | 59,091                            | 9,384                 | 979           | 109,248   |
| <b>2000</b>             |                       |                       |                                       |                    |                                |           |                         |                                   |                       |               |           |
| 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   |

<sup>1</sup> Provisional

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics



**TABLE 5.1 GROSS NATIONAL PRODUCT**  
*By Category of Expenditure at Current Market Prices*

*Lm thousands*

| Period                  | Consumers' Expenditure <sup>1</sup> | Government Consumption Expenditure <sup>2</sup> | Gross Fixed Capital Formation <sup>3</sup> | Inventory Changes <sup>4</sup> | Exports of Goods & Services | Total Final Expenditure | Less Imports of Goods & Services | Gross Domestic Product | Net Investment Income from Abroad <sup>5</sup> | 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                    | 531,350                             | 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 <sup>6</sup>       | 913,220                             | 271,208   | 329,273                                    | 11,634                         | 1,320,404                   | 2,845,739               | 1,399,055                        | 1,446,684              | 497  | 1,447,181              |
| <b>1999<sup>6</sup></b> |                                     |   |  |                                |                             |                         |                                  |                        |  |                        |
| Mar.                    | 207,572                             | 65,724  | 69,549                                     | 17,943                         | 281,248                     | 642,036                 | 305,480                          | 336,556                | 12,575   | 349,131                |
| June                    | 234,210                             | 70,001  | 88,140                                     | -7,080                         | 333,370                     | 718,641                 | 349,358                          | 369,283                | -4,580   | 364,703                |
| Sept.                   | 236,119                             | 65,462  | 79,552                                     | -26,422                        | 361,090                     | 715,801                 | 345,201                          | 370,600                | 10,831   | 381,431                |
| Dec.                    | 235,319                             | 70,021  | 92,032                                     | 27,193                         | 344,696                     | 769,261                 | 399,016                          | 370,245                | -18,329  | 351,916                |
| <b>2000</b>             |                                     |   |  |                                |                             |                         |                                  |                        |  |                        |
| Mar.                    | 227,257                             | 71,970  | 91,121                                     | 23,457                         | 344,132                     | 757,937                 | 390,927                          | 367,010                | 12,130   | 379,140                |
| June                    | 249,362                             | 71,341  | 106,174                                    | 9,328                          | 401,587                     | 837,792                 | 452,263                          | 385,529                | -5,893   | 379,636                |
| Sept.                   | 255,045                             | 68,378  | 99,894                                     | -11,008                        | 439,385                     | 851,694                 | 452,009                          | 399,685                | 5,533  | 405,218                |

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

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

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

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> Provisional.

SOURCE: Central Office of Statistics

**TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY**

| Period      | United Kingdom | Italy  | North Africa <sup>1</sup> | Germany <sup>2</sup> | Scandinavian Countries <sup>3</sup> | United States | All Others | Total     |
|-------------|----------------|--------|---------------------------|----------------------|-------------------------------------|---------------|------------|-----------|
| 1985        | 256,468        | 43,810 | 49,603                    | 56,998               | 19,990                              | 6,836         | 84,159     | 517,864   |
| 1986        | 329,390        | 36,475 | 28,484                    | 59,711               | 23,177                              | 5,199         | 91,753     | 574,189   |
| 1987        | 446,686        | 43,551 | 48,014                    | 70,228               | 22,484                              | 7,099         | 107,881    | 745,943   |
| 1988        | 476,578        | 50,678 | 40,669                    | 77,644               | 22,533                              | 8,734         | 107,010    | 783,846   |
| 1989        | 492,899        | 53,223 | 34,111                    | 91,717               | 23,273                              | 9,831         | 123,257    | 828,311   |
| 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        | 369,156    | 1,214,230 |
| <b>1999</b> |                |        |                           |                      |                                     |               |            |           |
| Jan.        | 17,937         | 2,976  | 2,319                     | 8,000                | 1,321                               | 1,031         | 11,107     | 44,691    |
| Feb.        | 24,585         | 3,480  | 2,778                     | 11,266               | 1,215                               | 1,145         | 14,738     | 59,207    |
| Mar.        | 36,038         | 4,772  | 3,109                     | 20,105               | 2,666                               | 1,810         | 23,137     | 91,637    |
| Apr.        | 35,356         | 6,957  | 3,202                     | 20,332               | 4,196                               | 1,456         | 33,387     | 104,886   |
| May         | 36,944         | 5,819  | 4,272                     | 24,217               | 4,783                               | 2,064         | 38,820     | 116,919   |
| June        | 43,043         | 6,974  | 4,860                     | 18,613               | 7,283                               | 2,026         | 35,341     | 118,230   |
| July        | 45,561         | 13,910 | 5,995                     | 19,567               | 6,652                               | 2,066         | 55,726     | 149,477   |
| Aug.        | 50,956         | 25,612 | 6,759                     | 19,260               | 3,871                               | 1,253         | 51,458     | 159,169   |
| Sept.       | 44,808         | 8,170  | 5,040                     | 21,549               | 5,154                               | 1,519         | 43,075     | 129,315   |
| Oct.        | 38,374         | 5,492  | 5,306                     | 25,523               | 5,492                               | 1,882         | 33,308     | 115,377   |
| Nov.        | 30,452         | 3,299  | 4,849                     | 14,279               | 2,515                               | 1,366         | 16,630     | 73,390    |
| Dec.        | 18,314         | 5,265  | 4,048                     | 9,719                | 1,217                               | 940           | 12,429     | 51,932    |
| <b>2000</b> |                |        |                           |                      |                                     |               |            |           |
| 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   |

<sup>1</sup> North African countries include Algeria, Egypt, Libya, Morocco and Tunisia.

<sup>2</sup> Figures prior to 1990 are for West German tourists only.

<sup>3</sup> Scandinavian countries include Denmark, Norway and Sweden.

SOURCE: Central Office of Statistics

**TABLE 5.3 LABOUR MARKET**

| End of Period | Labour Supply |         |         | Gainfully Occupied |         |         | Unemployment <sup>1</sup> |                      |         |                      |        |         |
|---------------|---------------|---------|---------|--------------------|---------|---------|---------------------------|----------------------|---------|----------------------|--------|---------|
|               | Males         | Females | Total   | Males              | Females | Total   | Males                     |                      | Females |                      | Total  |         |
|               |               |         |         |                    |         |         | Amount                    | Percent <sup>2</sup> | Amount  | Percent <sup>3</sup> | Amount | Percent |
| 1985          | 92,835        | 29,850  | 122,685 | 85,058             | 27,689  | 112,747 | 7,777                     | 8.4                  | 2,161   | 7.2                  | 9,938  | 8.1     |
| 1986          | 93,404        | 30,204  | 123,608 | 86,785             | 28,324  | 115,109 | 6,619                     | 7.1                  | 1,880   | 6.2                  | 8,499  | 6.9     |
| 1987          | 95,764        | 31,787  | 127,551 | 91,133             | 30,788  | 121,921 | 4,631                     | 4.8                  | 999     | 3.1                  | 5,630  | 4.4     |
| 1988          | 97,633        | 32,493  | 130,126 | 93,475             | 31,498  | 124,973 | 4,158                     | 4.3                  | 995     | 3.1                  | 5,153  | 4.0     |
| 1989          | 98,040        | 32,916  | 130,956 | 93,980             | 32,155  | 126,135 | 4,060                     | 4.1                  | 761     | 2.3                  | 4,821  | 3.7     |
| 1990          | 98,655        | 33,628  | 132,283 | 94,331             | 32,865  | 127,196 | 4,324                     | 4.4                  | 763     | 2.3                  | 5,087  | 3.8     |
| 1991          | 100,039       | 35,218  | 135,257 | 96,029             | 34,309  | 130,338 | 4,010                     | 4.0                  | 909     | 2.6                  | 4,919  | 3.6     |
| 1992          | 101,470       | 35,687  | 137,157 | 96,982             | 34,627  | 131,609 | 4,488                     | 4.4                  | 1,060   | 3.0                  | 5,548  | 4.0     |
| 1993          | 102,086       | 36,348  | 138,434 | 96,813             | 35,446  | 132,259 | 5,273                     | 5.2                  | 902     | 2.5                  | 6,175  | 4.5     |
| 1994          | 100,424       | 35,677  | 136,101 | 95,593             | 34,923  | 130,516 | 4,831                     | 4.8                  | 754     | 2.1                  | 5,585  | 4.1     |
| 1995          | 103,211       | 36,868  | 140,079 | 98,778             | 36,054  | 134,832 | 4,433                     | 4.3                  | 814     | 2.2                  | 5,247  | 3.7     |
| 1996          | 104,058       | 38,332  | 142,390 | 98,878             | 37,267  | 136,145 | 5,180                     | 5.0                  | 1,065   | 2.8                  | 6,245  | 4.4     |
| 1997          | 104,747       | 39,190  | 143,937 | 98,700             | 38,088  | 136,788 | 6,047                     | 5.8                  | 1,102   | 2.8                  | 7,149  | 5.0     |
| 1998          | 104,908       | 39,916  | 144,824 | 98,478             | 38,909  | 137,387 | 6,430                     | 6.1                  | 1,007   | 2.5                  | 7,437  | 5.1     |
| <b>1999</b>   |               |         |         |                    |         |         |                           |                      |         |                      |        |         |
| Jan.          | 104,774       | 39,973  | 144,747 | 98,321             | 38,898  | 137,219 | 6,453                     | 6.2                  | 1,075   | 2.7                  | 7,528  | 5.2     |
| Feb.          | 105,025       | 40,073  | 145,098 | 98,468             | 38,977  | 137,445 | 6,557                     | 6.2                  | 1,096   | 2.7                  | 7,653  | 5.3     |
| Mar.          | 104,861       | 40,068  | 144,929 | 98,301             | 38,965  | 137,266 | 6,560                     | 6.3                  | 1,103   | 2.8                  | 7,663  | 5.3     |
| Apr.          | 104,717       | 40,013  | 144,730 | 98,358             | 38,970  | 137,328 | 6,359                     | 6.1                  | 1,043   | 2.6                  | 7,402  | 5.1     |
| May           | 104,808       | 40,166  | 144,974 | 98,538             | 39,135  | 137,673 | 6,270                     | 6.0                  | 1,031   | 2.6                  | 7,301  | 5.0     |
| June          | 104,823       | 40,352  | 145,175 | 98,593             | 39,247  | 137,840 | 6,230                     | 5.9                  | 1,105   | 2.7                  | 7,335  | 5.1     |
| July          | 105,317       | 40,970  | 146,287 | 98,862             | 39,597  | 138,459 | 6,445                     | 6.1                  | 1,373   | 3.4                  | 7,828  | 5.4     |
| Aug.          | 105,421       | 41,076  | 146,497 | 98,646             | 39,725  | 138,371 | 6,775                     | 6.4                  | 1,351   | 3.3                  | 8,126  | 5.5     |
| Sept.         | 105,307       | 41,218  | 146,525 | 98,531             | 39,983  | 138,514 | 6,776                     | 6.4                  | 1,235   | 3.0                  | 8,011  | 5.5     |
| Oct.          | 105,032       | 41,025  | 146,057 | 98,321             | 39,870  | 138,191 | 6,711                     | 6.4                  | 1,155   | 2.8                  | 7,866  | 5.4     |
| Nov.          | 105,066       | 41,094  | 146,160 | 98,379             | 39,978  | 138,357 | 6,687                     | 6.4                  | 1,116   | 2.7                  | 7,803  | 5.3     |
| Dec.          | 104,848       | 41,053  | 145,901 | 98,237             | 39,969  | 128,206 | 6,611                     | 6.3                  | 1,084   | 2.6                  | 7,695  | 5.3     |
| <b>2000</b>   |               |         |         |                    |         |         |                           |                      |         |                      |        |         |
| Jan.          | 105,019       | 41,322  | 146,341 | 98,188             | 40,166  | 138,354 | 6,831                     | 6.5                  | 1,156   | 2.8                  | 7,987  | 5.5     |
| Feb.          | 105,205       | 41,464  | 146,669 | 98,378             | 40,295  | 138,673 | 6,827                     | 6.5                  | 1,169   | 2.8                  | 7,996  | 5.5     |
| Mar.          | 105,345       | 41,567  | 146,912 | 98,672             | 40,474  | 139,146 | 6,673                     | 6.3                  | 1,093   | 2.6                  | 7,766  | 5.3     |
| Apr.          | 105,263       | 41,692  | 146,955 | 98,827             | 40,676  | 139,503 | 6,436                     | 6.1                  | 1,016   | 2.4                  | 7,452  | 5.1     |
| May           | 105,228       | 41,717  | 146,945 | 99,104             | 40,750  | 139,854 | 6,124                     | 5.8                  | 967     | 2.3                  | 7,091  | 4.8     |
| June          | 105,133       | 41,860  | 146,993 | 99,433             | 40,951  | 140,384 | 5,700                     | 5.4                  | 909     | 2.2                  | 6,609  | 4.5     |
| July          | 105,789       | 42,550  | 148,339 | 100,087            | 41,449  | 141,536 | 5,702                     | 5.4                  | 1,101   | 2.6                  | 6,803  | 4.6     |
| Aug.          | 105,853       | 42,703  | 148,556 | 100,262            | 41,618  | 141,880 | 5,591                     | 5.3                  | 1,085   | 2.5                  | 6,676  | 4.5     |
| Sept.         | 105,816       | 42,635  | 148,451 | 100,176            | 41,681  | 141,857 | 5,640                     | 5.3                  | 954     | 2.2                  | 6,594  | 4.4     |

<sup>1</sup> 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).

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

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

SOURCE: *Department of Labour up to June 1991*  
*Employment and Training Corporation as from July 1991*

**TABLE 5.4 BUILDING APPLICATIONS APPROVED BY PURPOSE AND FLOOR SPACE AREA**

*sq. m (thousands)*

|             | Agricultural | Manufacturing | Tourism | Offices/Retail/<br>Warehousing | Dwellings | Parking | Recreational/<br>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 |
| <b>1996</b> |              |               |         |                                |           |         |                         |         |
| 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  |
| <b>1997</b> |              |               |         |                                |           |         |                         |         |
| 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 NUMBER OF APPLICATIONS APPROVED BY TYPE OF DWELLING**

|      | Apartments | Maisonettes | Terraced Houses | Other | Total |
|------|------------|-------------|-----------------|-------|-------|
| 1993 | 1,192      | 651         | 1,016           | 114   | 2,973 |
| 1994 | 1,744      | 1,219       | 1,014           | 149   | 4,126 |
| 1995 | 2,142      | 1,114       | 1,160           | 195   | 4,611 |
| 1996 | 1,862      | 1,399       | 745             | 221   | 4,227 |
| 1997 | 1,441      | 1,030       | 462             | 92    | 3,025 |
| 1998 | 2,587      | 1,125       | 434             | 152   | 4,298 |
| 1999 | 2,480      | 879         | 348             | 106   | 3,813 |

*SOURCE: Planning Authority.*

**TABLE 5.6 INFLATION RATES<sup>1</sup>**  
(Base 1946 = 100)

| Year | Index  | Inflation Rate (%) | Year               | Index             | Inflation Rate (%) |       |
|------|--------|--------------------|--------------------|-------------------|--------------------|-------|
| 1946 | 100.00 | -                  | <i>(Continued)</i> |                   |                    |       |
| 1947 | 104.90 | 4.90               |                    | 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 <sup>2</sup> | 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               |                    |                   |                    |       |

<sup>1</sup> The index of Inflation (Base 1946=100) is compiled by the Government's Statistics Department (C.O.S.) on the basis of the Retail Price Index in terms of Section 10C of the Housing (Decontrol) (Amendment) Act 1979.

<sup>2</sup> Following the revision of the utility rates in November 1998, the index and the rate of inflation for the year 1997 were revised to 567.08 and 3.11% respectively. Consequently, the rate of inflation for 1998 would stand at 2.39%.

## TABLE 5.7 RETAIL PRICE INDEX<sup>1</sup>

(Base 1995 = 100)

| Period      | All Items |
|-------------|-----------|
| 1985        | 78.87     |
| 1986        | 80.47     |
| 1987        | 80.81     |
| 1988        | 81.57     |
| 1989        | 82.28     |
| 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    |
| <b>1999</b> |           |
| Jan.        | 108.62    |
| Feb.        | 109.06    |
| Mar.        | 109.46    |
| Apr.        | 108.92    |
| May         | 109.64    |
| June        | 109.60    |
| July        | 109.49    |
| Aug.        | 110.13    |
| Sept.       | 110.62    |
| Oct.        | 110.82    |
| Nov.        | 111.81    |
| Dec.        | 112.26    |
| <b>2000</b> |           |
| 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    |

<sup>1</sup> 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: Central Office of Statistics*

# General Methodological Notes on the Compilation of Money and Banking Statistics

## General Standards

The methodology underlying the compilation of monetary and banking statistics in the *Quarterly Review* is consistent with internationally agreed statistical and economic concepts, definitions, and classification as published in the International Monetary Fund's (IMF) "*A Guide to Money and Banking Statistics in International Financial Statistics*" (1984).

## 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. Thus, transactors comprise (a) households and (b) enterprises. The internationally agreed *residence* criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'. Thus, an enterprise (or a household) is considered to be a resident of Malta (the economic territory) when it is engaged in a significant amount of production of goods and/or services in that country or when it owns or rents land or buildings located there. The enterprise must maintain at least one production establishment indefinitely 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, i.e. 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, military establishments and other entities of a foreign government located in Malta are considered as residents of the country they are representing and not of the country where they are located.

## 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) **Banking Institutions** are divided into the four constituent subsectors of the banking system in Malta, namely:
  - (i) Central Bank of Malta

- (ii) Deposit Money Banks (DMB)
- (iii) Other Banking Institutions (OBI)
- (iv) 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 bank notes and coin, holding the international reserves of the country, ensuring monetary stability, and the safeguarding of a sound financial system. **Deposit Money Banks** are those banking institutions that offer liabilities in the form of deposits payable on demand, transferable by cheque, or otherwise usable for making payments to non-bank enterprises and households. Their role as creators of deposit money distinguishes them from other banking institutions. In fact, the **Other Banking Institution**, are banks that mainly grant long-term loans and, in general, do not offer any deposit facilities to their customers. **International Banking Institutions** are those banks that offer international banking facilities 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 *Monetary* and *Banking Surveys* (ie. Tables 1.5 and 1.6). 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, Cap. 330.

- (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 compulsory taxes on units in other sectors of the economy. 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/general government includes the local councils and the public non-profit institutions (such as government appointed commissions, boards, agencies, foundations etc). Public corporations and authorities are not included in this sector (see section d).
- (c) The **Private Corporate/Business Sector** are those 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 (the parastatal sector) 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 small 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

## Compilation Process

Money and banking statistics are based on a consolidation of the monthly financial statements provided by the four subsectors of the local banking system. Figures for the monetary authorities which include the Central Bank of Malta and the Treasury (henceforth to be known as the Accountant General's Office) are obtained from the monthly balance sheet of the Central Bank of Malta, except for the figure on other official funds which is extrapolated from annual figures published by the Treasury in its *Financial Report*. The financial 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 financial institutions operating in Malta and which are not incorporated in Malta are also obliged to submit financial information in the requested forms. The institutions compile monthly schedules in line with the international accounting norms as issued from time to time by International Accounting Standards Committee. The monthly financial data of the international banking institutions regulated by the Malta Financial Services Centre Act are submitted directly to the Bank by the Malta Financial Services Centre.

## Basis of Calculation

Monetary data, in general, show the stock position ie. outstanding balances on a particular date (end-month, end-quarter or end-year). Monetary data aggregates are consolidated, thus all identifiable inter-bank transactions are eliminated. Assets and liability items 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 accruals basis. However, net foreign assets are shown on a cash basis.

## Central Bank Publications

Apart from the *Quarterly Review*, the other publications of the Central Bank of Malta that cover the Maltese monetary and banking sectors are the *Annual Report* and the monthly *Statistical Release on Monetary Aggregates and Their Determinants* published in the local press on the 7<sup>th</sup> day of every month.

## Sources of other economic data published in the *Quarterly Review*

### **Part 2 Government Finance**

The Treasury

### **Part 3 Public Debt**

Treasury Bills - Central Bank of Malta

Malta Government Stocks - Malta Stock Exchange

Government External Debt - The Treasury

### **Part 4 External Transactions**

Net Foreign Assets - Central Bank of Malta

Banking Institutions

Exchange Rates - Central Bank of Malta

Foreign Trade - Central Office of Statistics (henceforth to be known as the Statistics Department)

### **Part 5 Real Economy**

Gross Domestic Product - Central Office of Statistics

Tourist Arrivals - Central Office of Statistics

Labour Market - Employment and Training Corporation

Building and Construction - Planning Authority

Inflation - Central Office of Statistics