

# Central Bank of Malta



## Quarterly Review

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## ABBREVIATIONS

COICOP	Classification of Individual Consumption by Purpose
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ecu	euro currency unit
EEA	European Economic Area
EMU	Economic and Monetary Union
ERM II	exchange rate mechanism II
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
ETC	Employment and Training Corporation
EU	European Union
FI	fungibility issue
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
MFI	Monetary Financial Institution
MFSA	Malta Financial Services Authority
MSE	Malta Stock Exchange
NACE Rev. 1	Statistical classification of economic activities in the European Community
NPISH	Non-Profit Institutions Serving Households
NSO	National Statistics Office
OECD	Organisation for Economic Co-Operation and Development
OMFI	Other Monetary Financial Institution
OPEC	Organisation of Petroleum Exporting Countries
RPI	Retail Prices Index
UNDP	United Nations Development Programme
WTO	World Trade Organisation

# ECONOMIC SURVEY

## 1. FOREWORD

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During the final quarter of 2005 and throughout the first quarter of 2006, the Maltese lira remained stable against the euro at its central parity rate of MTL/EUR0.4293, in line with the commitment made by the Maltese authorities upon entry into ERM II.<sup>1</sup>

The Central Bank of Malta's net foreign assets continued to expand during the fourth quarter, rising strongly in October on the back of capital movements and seasonal flows, before declining in November and December. However, the Bank's net foreign assets decreased during the following quarter, partly as a result of the transfer of government deposits denominated in foreign currency to credit institutions in January and strong demand for foreign exchange arising from oil purchases. Interest rate differentials in favour of the Maltese lira narrowed during this period as euro area yields rose, but they remained sufficient to support the exchange rate peg. Against this background, the Bank left the central intervention rate unchanged at 3.25% throughout the period, judging that it provided adequate support to the exchange rate. However, the prospect of further increases in interest rates abroad may call for a reassessment of the monetary policy stance.

Domestic money market interest rates showed only marginal fluctuations during the fourth quarter, reflecting the unchanged level of official interest rates. They edged down slightly during the first two months of 2006. With short-term interest rates in the euro area rising, the three-month premium on the Maltese lira narrowed from 120 basis points in September to 86 basis points in December, before falling further to 73 basis points in February.

Broad money (M3) expanded at a faster pace, adding 1.2% between September and December. Monetary expansion was driven mainly by growth in domestic credit, particularly by lending to households. A substantial increase in the net foreign assets of the banking system was mainly due to an injection of equity capital into a foreign-owned bank, which did not have a direct effect on monetary growth.

During the fourth quarter the economy continued to expand, with real GDP rising by 2.8% on a year-on-year basis. The increase mainly reflected changes in inventories and higher investment spending, but was dampened by a reduction in government consumption and a drop in net exports. Private consumption expenditure moderated, growing at a slower annual rate than in the previous two quarters.

Nominal GDP expanded by 6.1% on a year earlier, with compensation to employees and gross operating surplus & mixed income rising by 2.6% and 9.8%, respectively. At the sector level, transport, storage & communications, "other services" and financial intermediation made significant contributions to nominal GDP growth. Manufacturing made a small positive contribution, as operating surpluses increased, whereas profits came under pressure in the tourism sector.

Responses to the Bank's latest business perceptions survey showed that business sentiment recovered, with a smaller proportion of respondents expecting a deterioration in the general economic situation over the following six months compared with the previous survey.<sup>2</sup> Sentiment improved considerably among manufacturing firms, operators in the tourism

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<sup>1</sup> The Maltese lira entered ERM II on 2 May 2005. The exchange rate is quoted in terms of units of Maltese lira per euro.

<sup>2</sup> The survey was carried out between January and February 2006.

industry and services firms more widely. In general, firms expected their own performance to pick up in the first quarter of 2006, with domestically-oriented firms being more optimistic.

Labour market indicators continue to show divergent trends. Labour Force Survey data for the final quarter of 2005 show that, with the labour force expanding and employment increasing marginally, the number of unemployed rose on an annual basis. As a result, the unemployment rate went up to 7.3% from 6.9% a year earlier, though it was unchanged over the previous quarter. In contrast, administrative records compiled by the Employment and Training Corporation for November show a small fall in the labour supply on a year earlier and an increase in the gainfully occupied population. Consequently, the unemployment rate dropped to 4.9% from 5.6% in November 2004.

Inflation accelerated during the fourth quarter. Thus, according to the RPI, year-on-year inflation accelerated to 3.6% in December from 2.9% three months earlier. Energy and transport costs were the primary contributors to the pick-up in inflation, reflecting the upward revision to the surcharge on water and electricity charges in October and higher prices of diesel and petrol. The year-on-year inflation rate based on the HICP rose from 2.1% in September to 3.4% in December.

During the first two months of 2006, inflation eased on both measures.

The deficit on the current account of the balance of payments widened during the final quarter of 2005, expanding by Lm23.9 million on a year earlier. Increased net outflows on the investment income account and a wider merchandise trade gap outweighed increased net transfers and a small rise in the surplus on services. Meanwhile, net inflows on the capital and financial account, excluding movements in reserves, amounted to Lm138.7 million, as against net outflows of Lm5.1 million in the corresponding quarter of 2004.

Although a positive balance on the Consolidated Fund was recorded for the second consecutive quarter during the final three months of 2005, the surplus narrowed compared with the same period of 2004. Revenue increased on a year-on-year basis, reflecting higher tax receipts and grants, but spending rose more rapidly, driven by increased outlays on capital projects and social security benefits. During the year as a whole, the Consolidated Fund deficit fell to Lm75.3 million from Lm94.0 million in 2004. Meanwhile, the general government deficit dropped to 3.3% of GDP in 2005, from 5.1% in the previous year. As a share of GDP, gross general government debt outstanding fell by 1.5 percentage points during 2005, to 74.7%.

## 2. THE INTERNATIONAL ENVIRONMENT

### The world economy

Although global growth was slower in the fourth quarter of 2005 than in the previous quarter, it remained relatively strong. The euro area grew at a faster pace than in the previous three quarters, but still lagged behind the US and Japan. Meanwhile, inflationary pressures in the main industrial countries generally eased as energy prices retreated from the peak levels recorded in the summer months.

### Economic and monetary developments in the major economies

Real GDP growth in the US slowed to a rate of 3.2% in the December quarter, down from 3.6% in each of the previous three quarters (see Table 2.1). The reduction reflected a deceleration in both personal and government consumption spending. Moreover, the US trade deficit widened further

during the quarter as a result of higher imports and reduced export growth, with the gap reaching a record level of over USD800 billion for 2005 as a whole, equivalent to 6.4% of GDP. As energy prices receded, annual inflation declined from 3.8% during the September quarter to 3.7% during the last quarter (see Table 2.2). Meanwhile, the gradual improvement in the labour market remained on track with the unemployment rate falling to 4.9% by the end of the year.

In line with its policy firming stance, the Federal Reserve raised the federal funds rate target by 25 basis points twice during the fourth quarter of 2005, to 4.25% in December (see Chart 2.1). The target rate was subsequently raised by an additional quarter of a percentage point in January 2006 and again in March, to end that month at 4.75%.

In the euro area, the slowdown in quarter-on-quarter GDP growth, from 0.7% in the September quarter to 0.3% in the December quarter, was attributed to lower household consumption and

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

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

	2004		2005		2006	
	Q4	Q1	Q2	Q3	Q4	Q1 <sup>1</sup>
United States	3.8	3.6	3.6	3.6	3.2	3.4
Euro area	1.6	1.2	1.2	1.6	1.7	2.0
EU - 25	1.9	1.5	1.4	1.8	1.8	n/a
United Kingdom	2.5	2.0	1.6	1.8	1.8	2.2
Japan	0.9	1.1	2.7	2.8	4.3	3.5

<sup>1</sup> Forecasts.

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

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

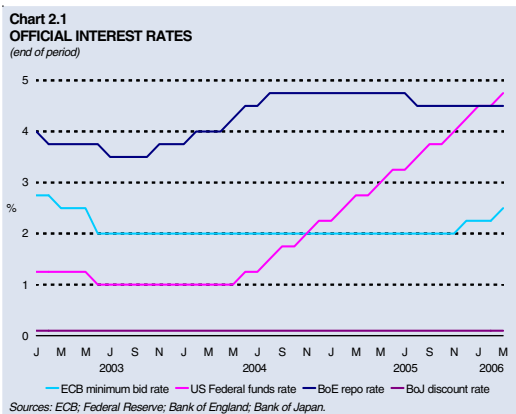
*Average change compared with the same quarter a year earlier (%)*

	2004		2005			2006
	Q4	Q1	Q2	Q3	Q4	Q1 <sup>1</sup>
United States	3.3	3.0	2.9	3.8	3.7	3.6
Euro area	2.3	2.0	2.0	2.3	2.3	2.3
United Kingdom	1.4	1.7	2.0	2.4	2.1	2.1
Japan	0.5	-0.2	-0.1	-0.3	-0.5	0.3

<sup>1</sup> Forecasts.

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

higher imports. Compared with the same quarter of the previous year, the euro area economy grew at 1.7%, faster than in the first three quarters of 2005, though lagging behind the US and Japan. Annual inflation declined to 2.2% in December from 2.6% in September, as the upward trend in oil prices was interrupted. The unemployment rate continued to decline, averaging 8.3% in the three months to December, compared with 8.4% over the previous quarter.



Following its unchanged monetary policy stance in October and November, the European Central Bank raised the minimum bid rate on its main refinancing operations by 25 basis points in December, against the backdrop of emerging inflationary pressures. Renewed concerns about inflation prompted the Bank to raise the minimum bid rate by a further 25 basis points to 2.5% in March 2006.

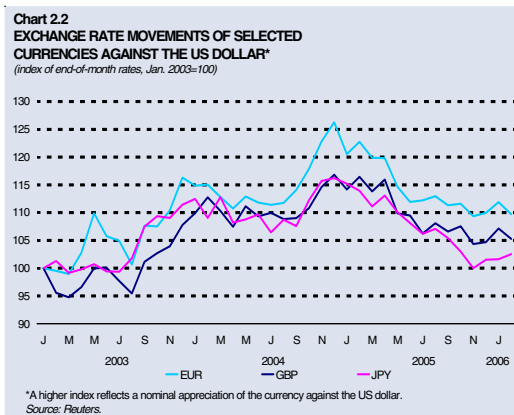
At 1.8% in the fourth quarter, the growth rate of the UK economy was unchanged from the previous quarter. Consumer inflation fell to an average of 2.1% from 2.4% in the preceding quarter, reflecting more moderate increases in the prices of petrol and transport services. Relatively weak economic growth in the UK was accompanied by a rise in the unemployment rate to 5.1% in the three months to December, compared with 4.7% in the September quarter.

In the absence of inflationary pressures, the Bank of England kept its repo rate unchanged at 4.5% throughout the fourth quarter and into the first quarter of 2006.



The Japanese economy expanded at a brisk pace of 4.3% during the fourth quarter compared with the same period of 2004. The economy was boosted by growth in both exports and in private domestic demand. Personal consumption was strong as a result of improved nominal incomes and stronger consumer confidence. Over the three months to December, the consumer price index remained on a downward path, falling by 0.5%. Then, in January 2006, it reversed its trend, rising 0.5% on a year earlier. The unemployment rate averaged 4.5% in the final three months of 2005, 0.2 percentage points higher than in the previous quarter.

The Bank of Japan maintained its policy of monetary easing throughout the fourth quarter of 2005 and into 2006. In March, however, the Bank



indicated that it would gradually end its easing policy, whilst keeping its benchmark short-term interest rate effectively at zero per cent.

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

	USD/EUR	USD/GBP	JPY/USD
Average for October	1.2022	1.7634	114.80
Average for November	1.1798	1.7370	118.32
Average for December	1.1860	1.7457	118.47
Average for the quarter	1.1893	1.7487	117.20
Opening rate on 30.09.05	1.2032	1.7607	113.03
Opening rate on 30.12.05	1.1883	1.7288	117.35
Lowest exchange rate vs the US dollar during the quarter <sup>1</sup>	1.1674 (17 Nov.)	1.7113 (28 Nov.)	121.31 (05 Dec.)
Highest exchange rate vs the US dollar during the quarter <sup>2</sup>	1.2162 (07 Oct.)	1.7829 (28 Oct.)	113.50 (07 Oct.)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from opening rate on 30.09.05 to opening rate on 30.12.05	-1.2	-1.8	-3.8

<sup>1</sup> The lowest daily opening rate.

<sup>2</sup> The highest daily opening rate.

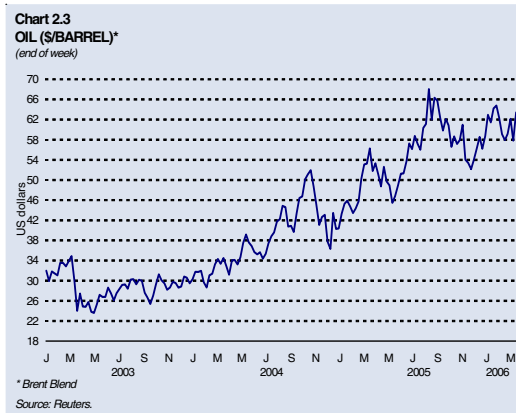
Source: Reuters.

## Foreign exchange markets

Over the fourth quarter of the year, the US dollar appreciated vis-à-vis the other major currencies, particularly the Japanese yen (see Chart 2.2 and Table 2.3). In October, the appreciation of the dollar was supported by widening interest rate differentials and negative political developments in Europe. The interest rate differential continued to sustain the dollar throughout November, as did the markets' focus on interest rate prospects rather than on the widening external imbalances of the United States. In December, however, the dollar depreciated slightly, as a result of the increase in euro area interest rates and positive news regarding the euro area economy.

While the euro fell against the dollar during the fourth quarter, it appreciated against the Japanese yen. Pressure on the yen reflected to some extent market concerns about the impact of high oil prices on Japan's current account. The euro rose to its highest level ever vis-à-vis the yen in mid-December, following speculation that the Bank of Japan would retain its expansionary monetary policy stance. However, during the remainder of the month the Japanese currency regained some ground against the euro. In terms of the British pound, the euro depreciated slightly in October, before rising in mid-November as a result of changed perceptions about inflation in the euro area. Following considerable fluctuations in November and December, the euro ended the fourth quarter 0.6% up against the UK currency compared with end-September.

In January 2006 the dollar extended its downward trend against the other major currencies as disappointing data on fourth-quarter US economic growth led to market scepticism on further increases in dollar interest rates. Meanwhile, the euro appreciated moderately against the US unit and, to a lesser extent, against the yen.



## Commodities

### Oil

In October crude oil prices fell back from the all-time highs reached over the previous months as a result of indications of a weakening in the demand for oil (see Chart 2.3). Oil prices continued on a downward path in November before resuming their upward trend in December. At USD58.70 the closing price of oil for 2005 was 45.4% higher than the level registered a year earlier. However, it was 3.5% lower than the level at end-September. Oil prices rose once again in the early part of 2006, so that at the end of January the price of Brent crude oil had exceeded the USD60 mark.

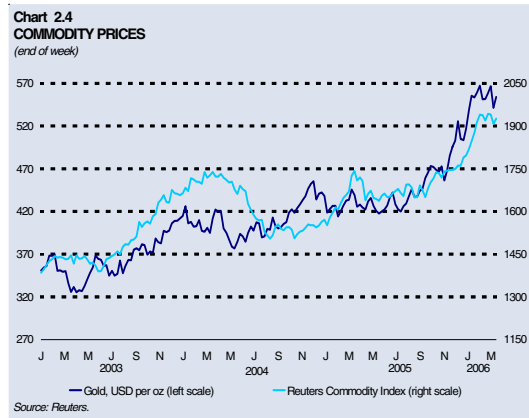
### Gold

After fluctuating within a narrow range in October, the price of gold started November on a weak note (see Chart 2.4). Later that month, it rose in response to worse than expected US trade data and downward pressure on the dollar. In December, gold hit USD500 per ounce amid speculation that Asian central banks would raise the proportion of gold in their reserves. The metal thus ended the quarter at a price of USD517.20, up by 10.3% from the end of the previous quarter and

18.1% higher than the 2004 close. In January 2006, developments in the Middle East and Nigeria boosted the price of gold further and it ended the month at USD568.50.

**Other commodities**

After remaining broadly stable over the previous six months, non-energy commodity prices as measured by the Reuters Commodity Index<sup>1</sup> increased in November and December due to higher prices of both food and industrial raw materials. As a result, the index gained 5.5% over the fourth quarter and 14.4% over the year (see Chart 2.4). Going into 2006, non-energy commodity prices rose considerably as a result of



a continuing increase in the prices of food and industrial raw materials.

<sup>1</sup> The Reuters Commodity Index is a weighted index of the prices of seventeen commodities including food, beverages, vegetable oils, agricultural raw materials and metals, excluding gold.

### 3. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank of Malta left its monetary policy stance unchanged throughout the fourth quarter of 2005, keeping the central intervention rate constant at 3.25%. As a result, changes in domestic money market interest rates were minimal.

In the capital market, while 5- and 10-year government bond yields declined marginally, yields on 15-year government securities remained unchanged. Corporate bond yields generally rose. Equity prices continued to climb, with the MSE share index posting a strong gain.

During the fourth quarter, the pace of monetary growth quickened, boosted by a rise in domestic credit that was driven mostly by lending to the non-bank private sector. A sizeable increase in

the net foreign assets of the banking system was principally attributable to an injection of foreign equity capital into the banking system. The latter was reflected in a rise in the other counterparts of broad money (M3) and did not have a direct effect on monetary growth.

#### The monetary base

The monetary base (M0) increased by Lm6.9 million, or 1.1%, during the fourth quarter, after having contracted during the previous two quarters (see Table 3.1). While bank deposits with the Central Bank of Malta rose by Lm5.2 million, currency in issue grew by Lm1.7 million during the period under review.

Growth in M0 stemmed mainly from an increase in the Bank's foreign assets coupled with a drop in other liabilities, which reflected primarily a sizeable decline in outstanding term deposits between end-September and end-December. Nonetheless,

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

	2005		<i>Lm millions</i>	
	Sept.	Dec.	Change Amount	%
Currency in issue	518.3	520.0	1.7	0.3
Bank deposits with the Central Bank of Malta <sup>1</sup>	130.3	135.5	5.2	4.0
<b>MONETARY BASE (M0)</b>	<b>648.6</b>	<b>655.6</b>	<b>6.9</b>	<b>1.1</b>
<b>CENTRAL BANK OF MALTA ASSETS</b>				
Foreign assets	946.9	970.3	23.4	2.5
Claims on central government	8.1	9.1	1.0	12.6
Fixed and other assets	15.8	16.0	0.3	1.6
<i>less</i>				
<b>REMAINING LIABILITIES</b>				
Government deposits	95.3	148.0	52.7	55.3
Other deposits	1.9	0.8	-1.1	-56.4
Foreign liabilities	35.2	37.7	2.6	7.3
Other liabilities	88.6	53.1	-35.5	-40.1
Shares and other equity	101.2	100.3	-0.9	-0.9

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

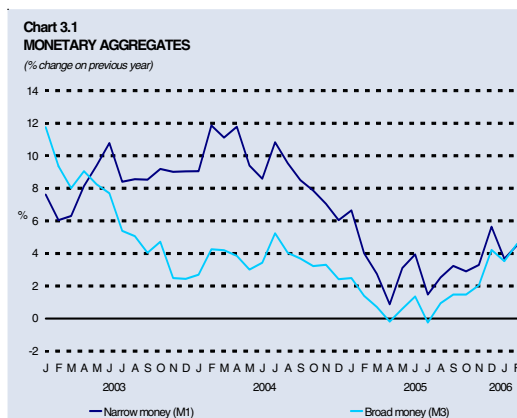
the rise in the monetary base was restrained by a sharp increase in government deposits.

Meanwhile, latest data show that the increase in the monetary base was reversed going into the first quarter of 2006.

### Monetary aggregates

After having gained 0.8% in the previous quarter, broad money expanded further during the fourth quarter of the year, rising by Lm37.5 million, or 1.2% (see Table 3.2). The annual growth rate of M3 thus continued to accelerate, rising from 1.5% in September to 4.2% in December (see Chart 3.1).

Narrow money (M1) persisted on its upward trend, rising by Lm22.3 million, or 1.4%, during the fourth quarter of 2005 mainly on account of an increase in deposits withdrawable on demand. The latter added Lm20.6 million, or 1.8%, driven mostly by household deposits denominated in Maltese lira. Meanwhile, currency in circulation also went up, though to a lesser extent, rising by Lm1.7 million, or 0.3%. As a result, the annual



growth rate of M1 accelerated from 3.2% in September to 5.6% in December.

During the quarter under review the increase in M1 was accompanied by a rise in deposits with an agreed maturity of up to two years, the other major component of intermediate money (M2). These added Lm14.2 million, mainly reflecting growth in balances denominated in Maltese lira held by other financial intermediaries and financial

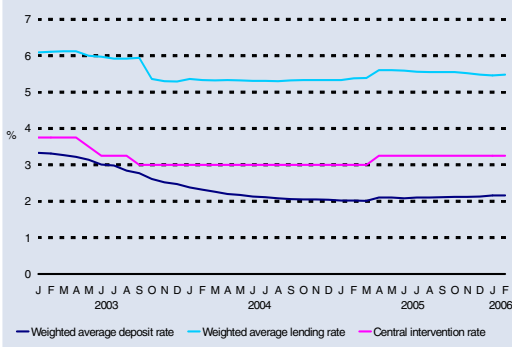
**Table 3.2**  
**MONETARY AGGREGATES**

(Changes on the previous quarter)

	<i>Lm millions</i>									
	2004		2005							
	Q4		Q1		Q2		Q3		Q4	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>NARROW MONEY (M1)</b>	-15.3	-1.0	4.7	0.3	55.5	3.5	6.6	0.4	22.3	1.4
Currency in circulation	2.0	0.4	-1.4	-0.3	10.8	2.2	1.8	0.4	1.7	0.3
Deposits withdrawable on demand	-17.3	-1.6	6.1	0.6	44.7	4.1	4.9	0.4	20.6	1.8
<b>INTERMEDIATE MONEY (M2)</b>	-42.1	-1.4	7.0	0.2	54.1	1.9	24.7	0.8	37.5	1.2
Narrow money (M1)	-15.3	-1.0	4.7	0.3	55.5	3.5	6.6	0.4	22.3	1.4
Deposits redeemable at notice up to 3 months	0.4	1.2	0.1	0.3	0.2	0.7	0.0	0.1	1.1	3.7
Deposits with agreed maturity up to 2 years	-27.2	-2.0	2.2	0.2	-1.6	-0.1	18.0	1.4	14.2	1.1
<b>BROAD MONEY (M3)<sup>1</sup></b>	-42.1	-1.4	7.0	0.2	54.1	1.9	24.7	0.8	37.5	1.2

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

**Chart 3.2**  
**RETAIL DEPOSIT AND LENDING RATES**  
(end of month)



auxiliaries. Consequently, the annual growth rate in deposits with an agreed maturity of up to two years turned positive, rising to 2.5% in December from -0.7% in September. At the same time, a Lm1.1 million, or 3.7% increase was registered in deposits redeemable at notice up to three months. Banks adjusted their deposit and lending rates only slightly during the fourth quarter of 2005 (see

Chart 3.2). The weighted average interest rate on Maltese lira deposits rose marginally, from 2.11% at the end of September to 2.13% in December. Average interest rates on current, savings and time deposits remained broadly stable, ending the year at 0.46%, 1.17% and 2.97%, respectively. In contrast, the weighted average lending rate edged down from 5.55% in September to 5.48% three months later.

Meanwhile, data for the first two months of 2006 showed that on a year-on-year basis the growth rates for M3 and M1 fluctuated, as a decline in January was immediately followed by an almost equivalent increase in February. Additionally, while the weighted average deposit rate rose marginally going into the following quarter, the corresponding lending rate was stable.

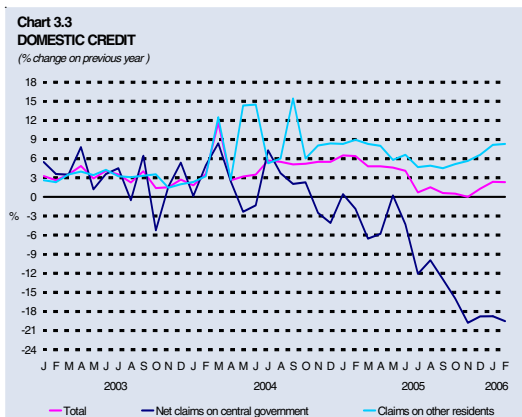
### Counterparts of monetary expansion

An increase in domestic credit was the main factor

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

	<i>Lm millions</i>									
	2004		Q1		Q2		2005		Q4	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>BROAD MONEY (M3)</b>	<b>-42.1</b>	<b>-1.4</b>	<b>7.0</b>	<b>0.2</b>	<b>54.1</b>	<b>1.8</b>	<b>24.7</b>	<b>0.8</b>	<b>37.5</b>	<b>1.2</b>
<b>DOMESTIC CREDIT</b>	<b>-0.2</b>	<b>0.0</b>	<b>65.3</b>	<b>2.5</b>	<b>7.8</b>	<b>0.3</b>	<b>-56.4</b>	<b>-2.1</b>	<b>16.9</b>	<b>0.6</b>
Net claims on central government	-27.9	-4.9	20.5	3.8	-5.6	-1.0	-61.2	-10.9	-56.1	-11.2
Claims on other residents	27.7	1.4	44.8	2.2	13.4	0.6	4.8	0.2	73.0	3.4
<b>NET FOREIGN ASSETS</b>	<b>-29.2</b>	<b>-1.8</b>	<b>-53.6</b>	<b>-3.3</b>	<b>46.9</b>	<b>3.0</b>	<b>125.7</b>	<b>7.8</b>	<b>64.8</b>	<b>3.7</b>
Central Bank of Malta	-58.4	-6.3	-44.1	-5.1	-7.1	-0.9	92.6	11.3	20.9	2.3
Banks	29.1	4.0	-9.6	-1.3	54.0	7.2	33.1	4.1	44.0	5.3
<i>less</i>										
<b>OTHER COUNTERPARTS OF M3<sup>1</sup></b>	<b>12.7</b>	<b>1.0</b>	<b>4.7</b>	<b>0.4</b>	<b>0.6</b>	<b>0.0</b>	<b>44.6</b>	<b>3.4</b>	<b>44.2</b>	<b>3.2</b>

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



contributing to monetary growth in the fourth quarter of 2005 (see Table 3.3). Although the net foreign assets of the banking system grew rapidly, this reflected an increase in the share capital of foreign-owned banks that led to an expansion in the other counterparts of M3 without affecting monetary aggregates.

Domestic credit increased by Lm16.9 million, or 0.6%, during the fourth quarter, reflecting a sizeable expansion in claims on other residents, which was, however, partly offset by a drop in net claims on central government. As a result, the annual rate of domestic credit growth ended the quarter at 1.3%, up from 0.6% at the end of the third quarter (see Chart 3.3).

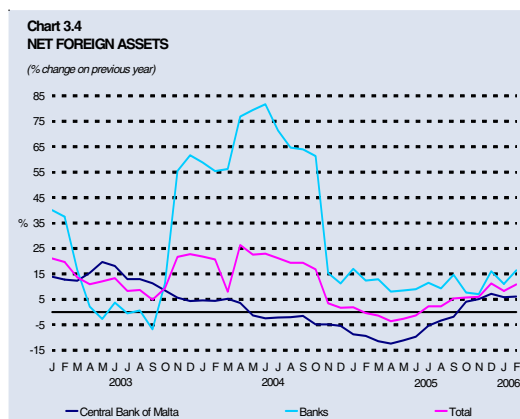
Claims on other residents rose considerably during the period under review, growing by Lm73.0 million, or 3.4%. Loans and advances, which account for more than 97% of total claims, put on Lm71.2 million, or 3.5%, with demand for bank credit stemming mainly from the non-bank private sector (see Table 3.4). Loans to the latter grew by Lm67.4 million, or 3.5%, fuelled primarily by lending to households, most of which was intended for house purchases. At the same time, credit to the construction sector and to the real estate, renting and business activities sector also expanded substantially. Whereas loans and

advances to manufacturing declined, credit to the tourism sector increased, though in both cases movements were relatively small. Consequently, the annual rate of growth of claims on other residents gathered pace, accelerating from 4.5% at the end of September to 6.6% at end-December.

In contrast, net claims on central government contracted by Lm56.1 million, or 11.2%, during the fourth quarter, largely reflecting an increase in government deposits held with the Central Bank of Malta. A reduction in the amount of Malta Government Stocks held by the rest of the banking system also contributed. The annual growth rate of net claims on central government extended its general downward trend during the quarter, falling from -13% at end-September to end the period at -18.8%.

The net foreign assets of the banking system expanded by Lm64.8 million, or 3.7%, during the December quarter, with the Central Bank of Malta accounting for one-third of this rise. As a result, the annual growth rate of net foreign assets persisted on the upward trend observed since May 2005, reaching 11.3% in December (see Chart 3.4).

The net foreign assets of the Central Bank of Malta expanded by Lm20.9 million, or 2.3%, during



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

	<i>Lm millions</i>			
	2005		Change	
	Sept.	Dec.	Amount	%
<b>TOTAL CLAIMS</b>	<b>2,121.0</b>	<b>2,194.0</b>	<b>73.0</b>	<b>3.4</b>
Claims on the non-bank private sector	1,974.8	2,043.7	68.9	3.5
<i>of which loans and advances</i>	1,934.2	2,001.6	67.4	3.5
Claims on the non-bank public sector	145.5	149.6	4.1	2.8
<i>of which loans and advances</i>	115.2	119.2	4.0	3.5
Claims on other general government <sup>2</sup>	0.7	0.7	0.0	0.0
<i>of which loans and advances</i>	0.7	0.7	0.0	0.0
<b>TOTAL LOANS AND ADVANCES</b>	<b>2,050.2</b>	<b>2,121.4</b>	<b>71.2</b>	<b>3.5</b>
Electricity, gas & water supply	54.4	61.1	6.7	12.3
Transport, storage & communication	122.2	123.2	1.0	0.8
Agriculture & fishing	8.4	8.7	0.3	3.0
Manufacturing	108.2	106.6	-1.6	-1.5
Construction	201.2	215.6	14.4	7.2
Hotels & restaurants	202.7	203.8	1.1	0.5
Wholesale & retail trade; repairs	296.8	296.7	-0.1	0.0
Real estate, renting & business activities	179.9	190.7	10.8	6.0
Households & individuals	802.7	838.9	36.2	4.5
Other <sup>3</sup>	73.7	76.1	2.4	3.2

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

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

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

the fourth quarter, predominantly as a result of net purchases of foreign exchange from the rest of the banking system. Receipts of tax from non-residents as well as inflows from the EU and under the Italian Financial Protocol boosted the Bank's net foreign assets further. Therefore, the annual growth rate of net foreign assets turned positive, ending the quarter at 7.2%.

During the December quarter, the net foreign assets of the rest of the banking system increased for the third consecutive quarter, rising by

Lm44 million, or 5.3%. Consequently, in the twelve months to end-December, the banks' net foreign assets expanded by 16.1%, up from 14.7% in the year to September. International banks' holdings surged by Lm84.2 million, or 33.8%, mostly on account of an inflow of share capital following the commencement of operations of two new banks. Nevertheless, this rise was partly offset by a sizeable drop in the net foreign assets of the deposit money banks, which contracted by Lm40.3 million, or 6.9%, reflecting mainly foreign currency sales to the Central Bank of Malta.



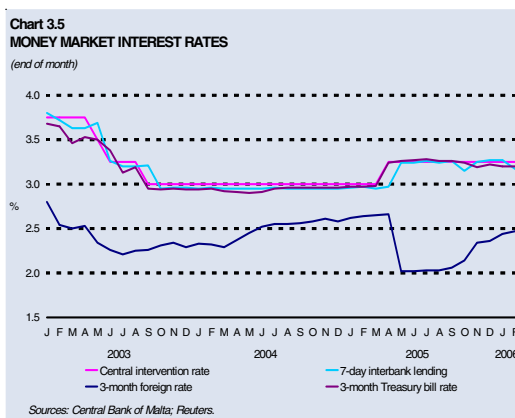
The other counterparts of M3 increased by Lm44.2 million, or 3.2%, during the last three months of the year. This was mainly due to the additional share capital mentioned above, though higher retained earnings also contributed. These factors were partly offset by a rise in the other assets of the banking system, which were boosted by accrued interest.

Financial data for the early part of 2006 show that domestic credit continued to expand, with its annual rate of growth rising to 2.3% in February, as net claims on central government and claims on other residents both increased. At the same time, the net foreign assets also went up, with their year-on-year growth rate rising to 10.9% in February.

### The money market

With the central intervention rate remaining unchanged during the fourth quarter of 2005 domestic money market rates were stable during the quarter, except for a marginal drop in the three-month Treasury bill rate (see Chart 3.5).<sup>1</sup> The decline in the latter coincided with a significant rise in the corresponding rate in the euro area, which led to a narrowing of the three-month premium on the Maltese lira.

Excess liquidity in the banking system during the fourth quarter of 2005 was substantially higher than in previous quarters, extending the upward trend observed since August. Indeed, the amount of funds absorbed by the Bank through weekly term deposit auctions rose by Lm668.0 million from the previous quarter's level, reaching Lm988.1 million. The amount absorbed declined towards the end of the period, however, as tax payments drained excess liquidity from the banking system. As a result, outstanding term deposits fell to



Lm46.8 million at end-December. The interest rate paid on term deposits remained unchanged at 3.2% throughout the quarter.

Turnover in the interbank market almost halved during the last three months of 2005, falling to Lm66.3 million from Lm120.5 million in the preceding quarter. Most of the activity was related to one bank. The maturity structure of interbank loans ranged from one to 131 days, with loans of up to fourteen days being the most popular. The interest rate on one-week interbank loans increased marginally during the fourth quarter, rising from 3.26% in September to 3.27% in December.

The Treasury made more use of short-term financing during the fourth quarter of 2005, issuing Lm130.9 million worth of bills, up from Lm104.3 million during the preceding quarter. At the same time, however, the amount of maturing bills declined by Lm29.9 million to Lm115.2 million, resulting in a rise in the amount of bills outstanding, which equalled Lm190.2 million at year-end. The three-month bill accounted for more than four-fifths of the total amount issued,

<sup>1</sup> The foreign interest rate shown in Chart 3.5 is computed as a basket-weighted average of the relevant interest rates on the euro, the pound sterling and the US dollar until end-April 2005. The secondary market rate on three-month euro area government securities is shown thereafter.

with the rest consisting mainly of nine-month and, to a lesser extent, six-month bills. Banks were the main participants in the primary market, buying slightly less than three-fourths of the total issued, while collective investment schemes and insurance companies took up most of the remainder. Meanwhile, the yield on the three-month bill declined slightly, ending December at 3.22% (see Chart 3.5).

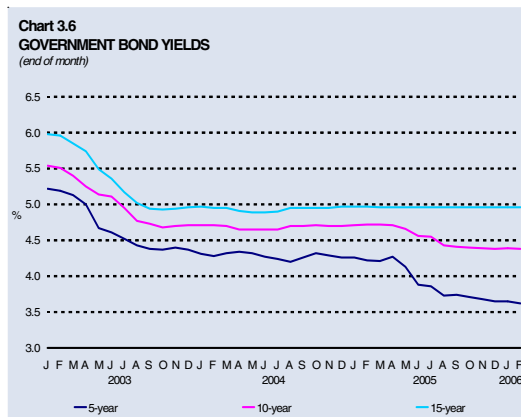
Turnover in the secondary market for Treasury bills increased to Lm32.6 million in the fourth quarter of 2005 from Lm27.8 million in the previous quarter. Transactions involving the Bank amounted to Lm23.8 million, with purchases totalling Lm15.9 million, mainly from collective investment schemes and, to a lesser extent, banks. The Bank also sold Lm7.9 million worth of bills, mostly to the rest of the banking system. Deals outside the Bank amounted to Lm8.8 million, as banks traded among themselves. In line with primary market developments, secondary market rates edged down, with the yield on the three-month bill falling from 3.26% as at end-September to 3.22% three months later.

The three-month premium on the Maltese lira over the euro narrowed from 120 basis points in September to 86 basis points at end-December, as a small fall in the three-month Treasury bill rate was coupled with a significant rise in the corresponding euro area rate.

During the first two months of 2006 three-month Treasury bill yields continued to fall, with primary and secondary market rates decreasing to 3.18% and 3.20%, respectively, by the end of February. With the three-month euro rate extending its upward trend, the interest rate premium on the lira narrowed further, to 73 basis points by end-February.

### The capital market

There was no activity registered in the primary



bond and equity markets during the fourth quarter of 2005.

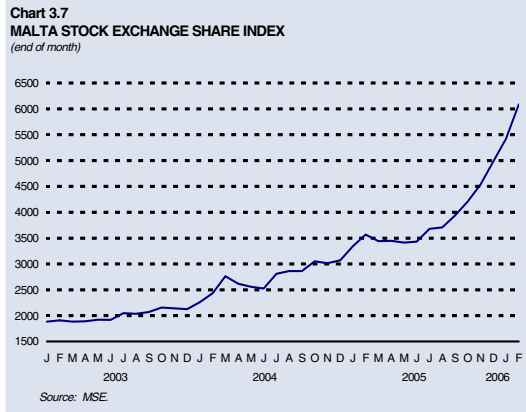
Turnover in the secondary market for government bonds fell to Lm7.6 million from Lm11.4 million in the third quarter. Transactions involving the Bank accounted for just Lm0.7 million of the total value, with other investors accounting for the rest. Trading was mostly concentrated in a relatively small number of bonds at the longer end of the market. Yields on 5-year and 10-year government bonds declined slightly, ending the quarter at 3.65% and 4.38%, respectively. At the same time, the yield on 15-year bonds remained constant in thin trading (see Chart 3.6).

In the secondary market for corporate bonds, turnover remained unchanged from the previous quarter's level, at Lm1.1 million. Almost half of total trading involved just four bonds, with the rest being more or less evenly spread among the remaining stocks. Corporate bond yields generally declined when compared to the end-September level.

Equity turnover more than doubled during the quarter reviewed, rising to Lm24.0 million from Lm10.7 million in the preceding quarter, with four equities accounting for more than 90% of the total.

The MSE share index surged during the quarter, rising by 26.5%, compared with growth of 14.8% in the previous quarter. As a result, the index ended the year at 4,980.70 (see Chart 3.7).

Going into 2006, whereas the yield on the 5-year government bond declined further, reaching 3.62% in February, 10- and 15-year bond yields were constant during the same period. In addition, equity prices rose again during the first two months of 2006, pushing up the MSE share index by an additional 22.2% to 6,087.65 at the end of February.



## 4. OUTPUT, EMPLOYMENT AND PRICES

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During the December quarter the Maltese economy expanded in real terms by 2.8% on a year earlier, driven by inventory accumulation and higher investment spending. However, growth was dampened by a contraction in public consumption and net exports. Meanwhile, the headline rate of inflation edged up slightly to 3% in December, reflecting the impact of increased fuel prices. In the labour market there was a marginal rise in private sector employment, mainly in the part-time category and in jobs on reduced hours. At the same time, however, the average unemployment rate in the fourth quarter, based on the Labour Force Survey (LFS), rose to 7.3% from 6.9% a year earlier, as the expansion in the number of unemployed outweighed the small increase in the employed population. By contrast, administrative data collected by the Employment Training Corporation (ETC) show that in November the unemployment rate declined from its year-ago level by 0.7 percentage points to 4.9%.

In the manufacturing sector, activity remained subdued as turnover contracted by 3% year-on-year, mostly due to reduced exports of semiconductors. Capital expenditure in the sector during the quarter increased from the year-ago level, while wage growth was moderate. In contrast, there were positive developments in the tourism sector, both in terms of the number of tourist arrivals, and of expenditures and nights stayed.

Responses to the Bank's latest Business

Perceptions Survey showed an improvement in firms' expectations concerning the general economic situation and their own short-term prospects.

### Gross Domestic Product

In the fourth quarter of 2005 the economy grew by 2.8% year-on-year. Although slower than the 4.1% recorded in the previous quarter, the growth rate represented a considerable improvement on the 2.1% contraction reported in the same quarter of 2004, as higher domestic demand mitigated the effects of reduced net exports (see Table 4.1). For 2005 as a whole, the 2.5% increase in real GDP resulted from a pickup in private consumption, a rapid expansion in investment and inventory accumulation.<sup>1</sup>

Fourth-quarter GDP growth was boosted by increased inventories and net acquisition of valuables.<sup>2</sup> These rose to 9.6% of GDP, contributing 4.8 percentage points to overall growth, whereas in the corresponding period of 2004 inventories stood at 5.1% of GDP. Meanwhile, investment was up by 5.1% over the same quarter in the previous year.

Having risen by 2.5% in the previous quarter, private consumption expenditure went up by 0.5% year-on-year, in contrast to a contraction of 1.6% in the same quarter a year earlier. On the contrary, government consumption declined by 4.5%, as against the acceleration recorded in the same period last year, reflecting continuing progress in the fiscal consolidation programme.

A drop in net exports resulted in a negative contribution of 2.5 percentage points to the overall

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<sup>1</sup> In March 2006, the NSO published revised GDP statistics from 2000 onwards, following changes in the method of measuring Financial Intermediation Services Indirectly Measured (FISIM). This is now allocated directly to user sectors rather than being recorded entirely as the intermediate consumption of a notional industry. In the revised series, real GDP contracted by 2.5% and 1.5% in 2003 and 2004, respectively.

<sup>2</sup> This component includes the statistical error or adjustment necessary to reconcile the expenditure-based GDP with the production-based counterpart.

**Table 4.1**  
**GROSS DOMESTIC PRODUCT (CONSTANT PRICES)**

	<i>Year-on-year growth (per cent)</i>		<i>Contribution to growth (percentage points)</i>	
	4th Quarter		4th Quarter	
	2004	2005	2004	2005
Household & NPISH final consumption expenditure	-1.6	0.5	-1.1	0.3
Government final consumption expenditure	7.4	-4.5	1.4	-1.0
Gross fixed capital formation	9.8	5.1	1.9	1.1
Changes in inventories & net acquisitions of valuables	+	+	7.8	4.8
<b>Domestic demand</b>	<b>9.8</b>	<b>4.5</b>	<b>10.0</b>	<b>5.3</b>
Exports of goods & services	0.5	-1.1	0.5	-1.0
Imports of goods & services	13.4	1.4	-12.6	-1.5
<b>Net exports</b>	-	-	<b>-12.1</b>	<b>-2.5</b>
<b>GROSS DOMESTIC PRODUCT</b>	<b>-2.1</b>	<b>2.8</b>	<b>-2.1</b>	<b>2.8</b>
GDP deflator	2.3	3.2	-	-
<b>GROSS NATIONAL INCOME</b>	<b>4.8</b>	<b>-0.4</b>	-	-

Source: NSO.

'+' indicates a percentage change that exceeds +/- 100%.

growth rate. While exports measured at current prices rose by 5.9%, they contracted by 1.1% in real terms, reflecting a sharp rise in the export price deflator. At the same time, imports increased both in nominal and in real terms, as the import price deflator rose less markedly. Consequently, the external terms of trade improved marginally, with export prices rising by 7% year-on-year, while import prices were up by 6.3%.

Meanwhile, the change in the overall implicit price index, or the GDP deflator, declined to 3.2% from 3.3% in the September quarter, although it was almost a full percentage point up on the year-ago rate.

#### *Gross national income (GNI)*

The fourth quarter's GNI, which includes net income receipts from abroad, declined marginally,

by 0.4%. This was due to a substantial rise in payments abroad, partly reflecting dividends remitted by foreign-owned companies in Malta, which exceeded increased inflows from abroad. For 2005 as a whole, however, the GNI rose by 3.6%.

#### *Factor incomes*

Measured from the income side, the GDP increased by 6.1% compared with the same period of 2004. Employee compensation rose by 2.6%, while the gross operating surplus & mixed income increased by 9.8% on a year earlier.<sup>3</sup> The two categories contributed 1.2 and 3.8 percentage points, respectively, to growth in nominal GDP, with the rest attributable to taxes on production and on imports (see Table 4.2).

At a sectoral level, the largest increment in employment income during the quarter was in the

<sup>3</sup> Mixed income includes remuneration for work carried out by the owners of unincorporated enterprises or members of their families and which cannot be distinguished from profits.

**Table 4.2****GROSS DOMESTIC PRODUCT IN CURRENT PRICES FROM INCOME SIDE**

	<i>Year-on-year growth (per cent)</i>		<i>Contribution to growth (percentage points)</i>	
	4th Quarter		4th Quarter	
	2004	2005	2004	2005
Compensation of employees	2.5	2.6	1.1	1.2
Gross operating surplus & mixed income <sup>1</sup>	-4.9	9.8	-2.0	3.8
Taxes on production & imports	8.5	6.1	1.3	1.0
Subsidies	14.0	-0.5	-0.3	0.0
<b>GROSS DOMESTIC PRODUCT</b>	<b>0.2</b>	<b>6.1</b>	<b>0.2</b>	<b>6.1</b>

*Source: NSO.*

<sup>1</sup> This category differs from "Operating surplus" in Table 4.3 in that the latter excludes capital consumption and mixed income.

**Table 4.3****FACTOR INCOMES**

	<i>percentage points</i>	
	2005 Q4	
	Contribution to growth on a year earlier	Operating surplus
	Compensation of employees	
<b>TOTAL ECONOMY</b>	<b>2.6</b>	<b>19.4</b>
Agriculture, hunting & forestry	-0.2	0.3
Fishing	0.0	-0.5
Mining & quarrying	0.0	0.1
Manufacturing	0.0	0.6
Electricity, gas & water supply	-0.1	0.7
Construction	0.3	0.7
Wholesale & retail trade	0.4	2.1
Hotels & restaurants	0.5	-1.1
Transport, storage & communication	0.9	5.1
Financial intermediation	0.4	4.1
Real estate, renting & business activities	0.5	1.5
Public administration	-0.3	0.0
Education	0.4	0.0
Health & social work	-0.1	-0.1
Other services	-0.1	5.9

*Source: NSO.*

transport, storage & communication sector, where employee compensation rose by 10%, contributing 0.9 percentage points to the overall increase. The hotels & restaurants and the real estate, renting & business activities sectors each contributed 0.5 percentage points (see Table 4.3).

At the same time, the transport, storage & communication sector's operating surplus grew by more than half, due to exceptionally low profits in the corresponding quarter of 2004, and contributed 5.1 percentage points to the overall expansion in business profits. Nevertheless, the fastest rise in operating surplus was recorded in the financial intermediation sector, which contributed 4.1 percentage points, mainly reflecting the performance of international banks. A significant contribution was also reported in the "other services" category.

## Manufacturing

At Lm241.2 million, the total fourth-quarter sales of manufacturing industry were Lm7.5 million, or 3%, below the same quarter of the previous year, mainly as a result of a further drop in exports of semi-conductors.<sup>4</sup>

Fourth quarter exports were Lm8.7 million, or 4.4%, below the year-ago level. A decline of Lm7.0 million, or 6.3%, in sales of semiconductors was mainly responsible, although various other sub-sectors also reported reduced exports (see Table 4.4).<sup>5</sup> The electrical machinery sub-sector reported a reduction of Lm3.2 million, or 21.4%, while clothing exports fell by Lm1.9 million, or 24.9%. Following a substantial increase in the previous quarter, the chemicals sub-sector, which includes recently established pharmaceutical firms, registered a smaller increase of Lm0.9

million, or 18.3%, in the quarter under review. Meanwhile, the printing & publishing sub-sector reported an increase of Lm3.1 million, or 35.8%.

Following the gains made in the previous two quarters, local sales maintained the positive trend in the fourth quarter, suggesting a return to more stable conditions in the domestic market. The Lm1.1 million, or 2.1%, increase came mainly from higher sales of non-metallic items, furniture, machinery and textiles. On the other hand, the food & beverages, tobacco and clothing sub-sectors reported reduced sales.

Across the manufacturing sector, spending on capital goods increased by Lm1 million, or 8.2%, from the year-ago level. The main contributor was the radio, TV and telecom sub-sector as semi-conductor companies increased their investment spending. A notable decline was registered by the chemicals sub-sector, probably reflecting the fact that a number of pharmaceutical firms had undertaken substantial investment in 2004 at the start of their operations in Malta.

At 19,049, manufacturing employment in the fourth quarter was 673 below the year-ago level, mainly reflecting lay-offs in textiles, clothing & leather as well as in the plastic & rubber sub-sector. In contrast, operators in the games & toys, chemicals and food & beverages sub-sectors added to their workforce.<sup>6</sup>

Wage growth in the fourth quarter was moderate, in line with broader developments in the manufacturing sector as a whole. Wages per employee rose by 1.3% during the quarter, the same rate as in the previous quarter but less than the 2.5% increase reported a year earlier.

<sup>4</sup> NSO *Manufacturing Survey: Q4/2005*, 3 March 2006.

<sup>5</sup> Semiconductors are included in the "Radio, TV, telecom, etc." category in Table 4.4.

<sup>6</sup> Producers of games & toys are included in the "Other" category in Table 4.4.

**Table 4.4**  
**SELECTED MANUFACTURING INDICATORS**

*Changes from the same quarter of the previous year*

	2004			2005	
	Q4	Q1	Q2	Q3	Q4
<b>Turnover (Lm millions)</b>	<b>-13.8</b>	<b>-35.7</b>	<b>-7.8</b>	<b>-17.2</b>	<b>-7.5</b>
<b>Exports (Lm millions)</b>	<b>-9.8</b>	<b>-34.4</b>	<b>-8.7</b>	<b>-18.8</b>	<b>-8.7</b>
Radio, TV, telecom, etc	-13.0	-31.6	-20.6	-27.4	-7.0
Electrical machinery	5.4	2.5	4.3	1.1	-3.2
Clothes	-4.2	-3.5	-2.7	0.0	-1.9
Furniture	0.0	-2.2	1.6	0.3	-1.6
Chemicals	-3.8	-0.8	2.3	6.1	0.9
Printing & publishing	0.2	0.3	2.0	-2.8	3.1
Textiles	4.4	1.2	2.3	2.3	1.3
Other	1.3	-0.2	2.2	1.5	-0.1
<b>Local sales (Lm million)</b>	<b>-4.0</b>	<b>-1.3</b>	<b>0.8</b>	<b>1.7</b>	<b>1.1</b>
Food & beverages	-2.2	-3.2	-1.2	0.0	-1.1
Tobacco	1.6	0.8	-1.0	-1.1	-1.6
Clothes	0.7	-0.4	-0.5	-0.6	-1.0
Other non-metallic minerals	0.1	1.5	1.7	1.6	1.2
Furniture	-1.6	0.1	0.6	0.7	1.0
Fabricated metal products	-0.3	0.8	0.9	0.7	0.9
Machinery & equipment	0.4	0.2	0.3	0.3	0.5
Textiles	-0.3	-0.2	-0.1	-0.1	0.2
Other	-2.5	-1.1	0.2	0.3	1.1
<b>Investment (Lm million)</b>	<b>-0.1</b>	<b>-6.3</b>	<b>0.0</b>	<b>0.6</b>	<b>1.0</b>
Radio, TV, telecom, etc	0.4	-1.1	0.4	0.1	4.1
Tobacco	0.1	0.0	0.0	0.0	0.4
Other non-metallic minerals	-0.1	0.1	0.1	0.2	0.3
Food & beverages	-1.9	0.8	-0.9	0.0	0.2
Chemicals	-1.0	-3.1	0.3	-0.5	-1.1
Furniture	0.0	-0.5	0.3	0.3	-0.6
Paper	0.9	-0.2	-0.1	0.0	-0.9
Printing & publishing	-0.1	-3.3	0.8	0.2	-0.5
Textiles	1.7	0.5	-0.3	0.3	-0.4
Fabricated metal products	0.2	0.1	0.4	0.5	-0.3
Other	-0.2	0.4	-0.9	-0.6	-0.3
<b>Employment</b>	<b>-427</b>	<b>-22</b>	<b>-407</b>	<b>-391</b>	<b>-673</b>
<b>Wages per employee (%)</b>	<b>2.5</b>	<b>-2.1</b>	<b>2.6</b>	<b>1.3</b>	<b>1.3</b>

*Source: NSO.*

### Tourism

The performance of the tourism sector improved moderately in the fourth quarter of 2005. This was

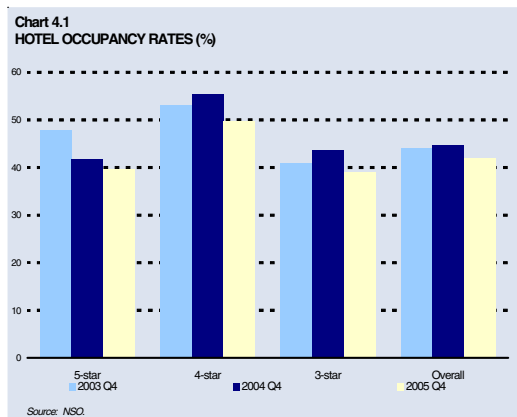
evidenced by positive trends in various indicators. It is relevant to point out, however, that in November tourism was boosted by a major



international event, the summit meeting of the Commonwealth Heads of Government (CHOGM). The number of tourists departing by air grew by 0.9% from the year-ago level (see Table 4.5). The UK market showed an increase of 2.1%, while the number of German tourists rose by 0.8%. The French market also registered a rise of 3% over the corresponding period in 2004 after four quarters of steady decline. Meanwhile, a major tourist market which recorded a decline was the Italian one, with a fall of 5.3%.

In turn, expenditure by tourists expanded by 2.2%, the fastest year-on-year rise since the last quarter of 2004. Spending was driven by substantial growth in non-package spending, while the “other” component, which includes spending on food and beverages, insurance and entertainment, also rose. However, outlays on package holidays contracted for the third consecutive quarter.

With regard to the duration of tourist visits, nights stayed increased by 2.4% year-on-year, while the average length of stay rose slightly, to 9 days. All



hotel categories except 2-star hotels reported longer stays, as did apart-hotels and private residences offering accommodation.

Meanwhile, data on collective accommodation establishments show reduced occupancy rates at the upper end of the spectrum, particularly at 4-star hotels (see Chart 4.1).<sup>7</sup>

According to a survey carried out by the

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

	2004		2005		
	Q4	Q1	Q2	Q3	Q4
<b>Year-on-year % change in departures</b>	<b>9.1</b>	<b>1.5</b>	<b>1.6</b>	<b>3.3</b>	<b>0.9</b>
UK	-3.1	0.6	2.5	15.9	2.1
Germany	19.5	-2.4	16.8	-4.8	0.8
France	-2.0	-11.2	-2.8	-8.0	3.0
Italy	16.3	-6.0	-10.2	2.5	-5.3
Other	24.8	9.9	-1.0	-4.3	0.1
<b>Year-on-year % change in expenditure</b>	<b>6.8</b>	<b>0.4</b>	<b>0.6</b>	<b>-4.1</b>	<b>2.2</b>
Package	15.8	6.6	-5.3	-10.2	-11.4
Non-package: airfares	-4.4	-9.1	19.0	17.5	32.4
Non-package: accommodation	-16.3	-15.0	40.5	18.9	42.7
Other	4.5	-0.8	-2.5	-3.9	4.8

Source: NSO.

<sup>7</sup> NSO Tourism: Collective accommodation establishments, various issues.

**Table 4.6**  
**AVERAGE ACHIEVED ROOM RATES**

	2004	2005	Annual
	Q4	Q4	growth
<b>Average achieved room rates</b>	Lm		%
5-star	33.12	39.85	20.3
4-star	11.39	12.90	13.3
3-star	7.49	7.86	4.9
Average <sup>1</sup>	14.19	16.42	15.6

<sup>1</sup> CBM estimates, weighted by number of nights stayed.

Sources: *MHRA Hotel Survey*, March 2006.

industry, average achieved room rates increased across all hotel categories (see Table 4.6). The largest increase, of 20.3%, was recorded in the 5-star sector, in part on account of CHOGM-related activity. Despite higher room rates, lower occupancy rates resulted in reduced total revenue per available room in 3-star and 4-star hotels, which reported reductions of 14% and 4%, respectively. In contrast, 5-star hotels reported a year-on-year gain of 9.4%, notwithstanding stable occupancy levels.

The cruise liner business remained buoyant during the quarter, with arrivals rising by 7% from the year-ago level. The bulk of this increase was in the number of German nationals although the number of French, Italian and Swiss passengers also increased significantly. At the same time, the number of Spanish and British cruise passengers continued to decline.

For the year as a whole, tourists departing by air rose by 2.1% from the previous year's level. In spite of the modest growth in the number of tourists, the number of nights stayed and tourist expenditure declined by 0.4% and 1.1% respectively. Meanwhile, the slowdown in 2004 in the cruise liner business was completely reversed

in 2005, with passenger arrivals rising by 9.5% to just over 312,000.

### Labour market

The LFS for the fourth quarter of 2005 reported an expansion of 0.5% in the labour force from the year-ago level. Since the employed population increased only marginally, the number of unemployed persons rose so that the unemployment rate, at 7.3%, was 0.4 percentage points higher than a year earlier (see Table 4.7).

Employment growth occurred in part-time jobs and in work on reduced hours, whereas the total number of full-time jobs shrank by 0.7%. Private sector employment expanded by 3.4%, outweighing a contraction in public sector employment.

Meanwhile, the employment rate was unchanged from the same period of 2004, standing at 53.7% in the last quarter of 2005, while the activity rate fell by 0.6 percentage points to 57.7%.<sup>8</sup> Male and female activity rates stood at 77.9% and 37%, respectively. The mild upward trend in labour costs observed during 2005 persisted in the final quarter, with the average salary rising by 3.7% on a year-on-year basis.

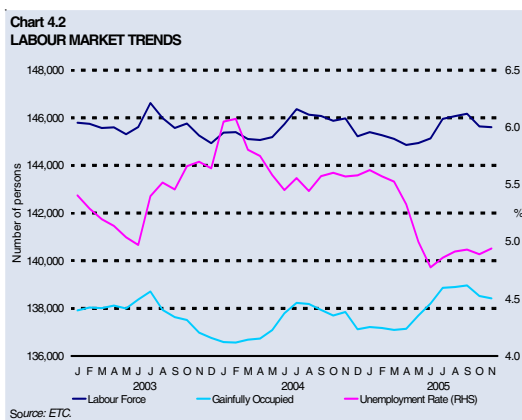
<sup>8</sup> The employment rate and the activity rate represent the number of employed persons and the labour force, respectively, as a share of the population aged between 15 and 64 years.

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

	2004		2005		
	Q4	Q1	Q2	Q3	Q4
<b>Labour force</b>	159,138	160,574	160,959	159,349	159,986
Unemployed	11,036	10,838	12,626	11,614	11,757
Employed	148,102	149,736	148,333	147,735	148,229
<i>By type:</i>					
Full-time	134,804	135,219	134,653	133,886	133,841
Full-time with reduced hours	1,519	1,581	1,338	1,439	1,707
Part-time	11,779	12,936	12,342	12,410	12,681
<i>By economic sector:</i>					
Private sector	98,275	99,684	100,237	101,045	101,621
Public sector	49,827	50,052	48,096	46,690	46,608
Average annual gross salary (Lm)	5,008	5,174	5,224	5,162	5,197
Total activity rate (%)	58.3	58.6	58.2	57.7	57.7
Male	79.9	79.5	79.3	77.9	77.9
Female	36.7	37.5	37.1	37.0	37.0
Total employment rate (%)	53.7	54.6	53.6	53.5	53.7
Total unemployment rate (%)	6.9	6.7	7.8	7.3	7.3

Source: NSO.

Meanwhile the ETC's administrative records show that during November 2005 the labour supply was marginally smaller than a year earlier.<sup>9</sup>



On the other hand, the gainfully occupied population rose by 0.4% (see Chart 4.2). As a result, the unemployment rate dropped to 4.9%. While unchanged from the September figure, this rate was 0.7 percentage points lower than the year-ago level (see Table 4.8).

ETC statistics show that the decline in recent years in public sector employment persisted into the fourth quarter. The number of public sector jobs contracted by 2.0% from a year earlier, in line with a number of government policies related to the restructuring of public enterprises, privatisation, voluntary retirement schemes and restrictions on non-essential recruitment. However, this decline was more than offset by growth of 1.6% in private sector employment.

<sup>9</sup> Figures for December 2005 were not available at the time of writing.

**Table 4.8**  
**LABOUR MARKET INDICATORS BASED ON ETC DATA**

	2004		2005		
	Nov.	Mar.	June	Sept.	Nov.
<b>Labour supply</b>	145,973	145,112	145,130	146,168	145,605
Gainfully occupied	137,848	137,094	138,200	138,958	138,412
Registered unemployed	8,125	8,018	6,930	7,210	7,193
<b>Unemployment rate (%)</b>	5.6	5.5	4.8	4.9	4.9
<b>Private sector</b>	91,752	91,231	92,661	93,448	93,219
Direct production	33,516	32,940	33,075	33,566	33,205
Market services	57,620	57,665	58,972	59,290	59,600
Temporary employed	616	626	614	592	414
<b>Public sector</b>	46,096	45,863	45,539	45,510	45,193
<b>Part-time jobs</b>	37,324	38,127	40,425	40,587	41,150
Part-time as a primary job	20,628	21,042	22,744	22,950	22,893
Part-time as a secondary job <sup>2</sup>	16,696	17,085	17,681	17,637	18,257

<sup>1</sup> Figures for December 2005 were not available at the time of writing.

<sup>2</sup> This category includes employees holding both a part-time job and a full-time job.

Source: NSO.

Within the private sector, employment in market services increased by 3.4% from the year-ago level and by 0.5% from the September level. The primary contributors were the wholesale trades, hotels & restaurants and education services. On the other hand, employment in direct production fell 1.1% below the September level and 0.9% below the year-ago level. The employment of about 450 additional full-timers in the construction industry helped to offset the decline recorded in manufacturing, particularly in textiles & clothing, footwear and rubber.

Part-time employment increased by 10.3%, reflecting structural changes in the economy and increasing labour market flexibility. Those whose primary employment consisted of part-time activity increased by 11%, whilst the number of those with part-time activity as a secondary occupation rose by 9.3%. Sectors registering an increase in part-time employees included hotels &

restaurants, health services, education and the wholesale trade.

In the fourth quarter of 2005, the number of persons on the unemployment register increased from 7,210 in September to 7,379 in December (see

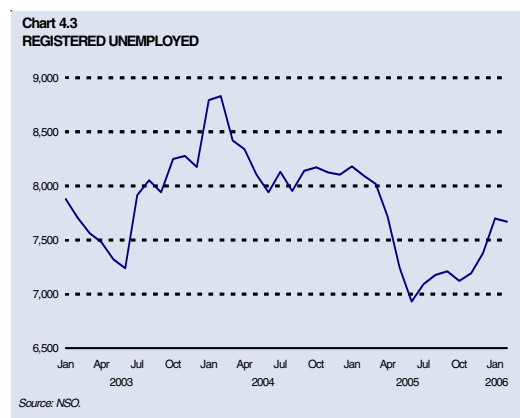
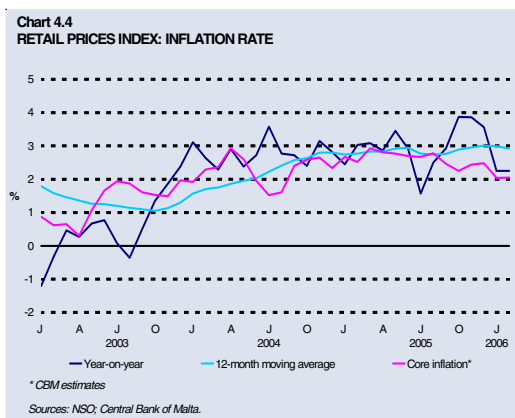


Chart 4.3). Nevertheless, the latter was 724 fewer than in December 2004. Subsequently, the number of unemployed persons increased to 7,669 in February 2006, reflecting job losses in the clothing & textiles sub-sector of manufacturing industry.

### Retail prices index (RPI)

Inflation, as measured by the RPI, the main indicator of price movements in Malta, edged up from 2.8% in September to 3.0% in December 2005 on a twelve-month moving average basis. Meanwhile the year-on-year change in the RPI rose from 2.9% in September to 3.6% in December, peaking in between at 3.9% in both October and November (see Chart 4.4).

The main sources of the rise in the index in December were the two oil-price related sub-indices: the water, electricity, gas & fuels sub-index, which rose by 45.4%, and the transport & communications sub-index, which increased by



4.9%. These two sub-indices contributed 1.0 and 1.1 percentage points, respectively, to the overall inflation rate (see Table 4.9).

Lesser contributions came from the housing sub-index, which increased by 4.2% and added 0.3 percentage points, and from the personal care & health sub-index, which rose by 3.9% and made a

**Table 4.9**

### INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

	Weights	Year-on-year percentage changes			Contribution to inflation <sup>1</sup>	
		2004		2005		2005
		Dec.	Sept.	Dec.	Dec.	
Food	23.8	-0.7	2.5	0.9	0.2	
Beverages & tobacco	6.1	4.3	2.8	3.0	0.2	
Clothing & footwear	8.2	-2.5	4.0	0.0	0.0	
Housing	7.6	4.8	4.4	4.2	0.3	
Water, electricity, gas & fuels	2.3	4.8	18.0	45.4	1.0	
Household equipment & house maintenance cost	7.7	3.3	2.2	1.9	0.1	
Transport & communications	23.1	6.4	2.2	4.9	1.1	
Personal care & health	6.2	4.4	3.5	3.9	0.3	
Recreation & culture	8.8	1.2	0.9	1.2	0.1	
Other goods & services	6.2	6.0	2.6	2.9	0.2	
<b>RPI</b>	<b>100.0</b>	<b>2.8</b>	<b>2.9</b>	<b>3.6</b>	<b>3.6</b>	

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

Source: NSO.

similar contribution. Meanwhile the beverages & tobacco sub-index increased by 3% and contributed 0.2 percentage points.

Various other RPI sub-indices manifested slower rates of growth than in the third quarter. Thus, the rise in food prices, at 0.9%, contrasted with a rate of 2.5% in September. Similarly, the clothing & footwear sub-index was unchanged from the year-ago level, in contrast with an increase of 4.1% reported in September.

In January and February, year-on-year RPI inflation eased to 2.3%. The slowdown resulted from more moderate growth in the water,

electricity, gas & fuels and the transport & communications sub-indices. Price reductions in the food, clothing & footwear and recreation & culture sub-indices also contributed. At 3%, the twelve-month moving average rate remained unchanged in January and then declined slightly, to 2.9%, in February 2006.

### Core inflation

The Bank's estimate of core inflation, which tracks the sub-indices of the RPI that display persistence, stood at 2.5% in December, unchanged from September and up from 2.3% a year earlier. The recreation & culture sub-index

**Table 4.10**  
**INFLATION RATES OF COMMODITY SECTIONS IN THE HICP**

	Weights	Year-on-year percentage changes			Contribution
		2004 Dec.	Sept.	2005 Dec.	to inflation <sup>1</sup> Dec.
<b>Malta</b>					
Food & non-alcoholic beverages	17.4	-1.4	2.9	1.1	0.2
Alcoholic beverages & tobacco	4.7	3.6	1.8	1.9	0.1
Clothing & footwear	7.0	-2.5	4.1	0.0	0.0
Housing, water, electricity, gas & fuels	7.3	4.5	7.5	14.2	1.1
Furniture, household equipment & routine maintenance of the house	9.3	3.6	2.5	2.3	0.2
Health	2.8	5.0	4.9	5.7	0.2
Transport	14.4	5.6	1.7	5.8	0.9
Communications	2.4	18.3	4.0	3.2	0.1
Recreation & culture	10.3	1.0	2.7	2.5	0.2
Education	1.0	0.4	2.0	2.0	0.0
Restaurants & hotels	18.2	-1.4	-1.9	1.5	0.3
Miscellaneous goods & services	5.3	5.0	3.3	3.0	0.2
<b>HICP</b>	<b>100.0</b>	<b>1.9</b>	<b>2.1</b>	<b>3.4</b>	<b>3.4</b>
<b>EU-25</b>	<b>-</b>	<b>2.2</b>	<b>2.5</b>	<b>2.1</b>	<b>-</b>

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

Source: NSO.

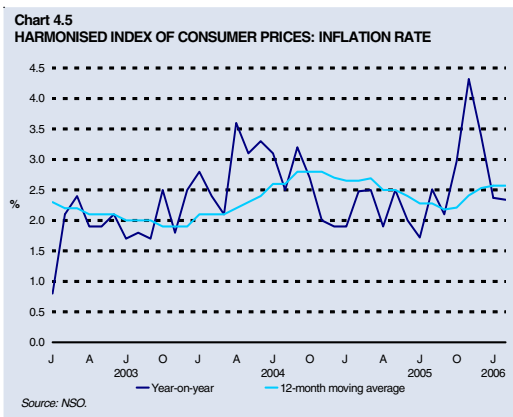
was the largest contributor to core inflation in December.<sup>10</sup>

### Harmonised index of consumer prices (HICP)

After peaking at 4.3% in November, the HICP year-on-year inflation rate eased to 3.4% in December but remained well above the 2.1% rate reported in September (see Table 4.10).<sup>11</sup> Energy and fuel prices were the primary contributors to the December figure. Increases in the housing, water, electricity, gas & other fuels sub-index and in the transport sub-index, with a joint weight of 22% of the HICP, added 2 percentage points to annual inflation. The rate of growth in the former sub-index almost doubled, mirroring the surcharge for water and electricity introduced at the beginning of 2005 and subsequently revised upwards in October. The transport sub-index was up by 5.8%, reflecting in part increases in the fuel component, which makes up around a fifth of the sub-index. The latter reflected higher prices of diesel and of unleaded and leaded petrol, which were up by 18.9%, 21.6% and 20.1%, respectively, on an annual basis.

Meanwhile the restaurants & hotels sub-index rose by 1.5% compared to the year-ago level and added 0.3 percentage points to the overall rate. The health sub-index registered an annual rise of 5.7%, although because of its relatively small weight its contribution to overall inflation was marginal.

Price increases in the food & non-alcoholic beverages sub-index moderated during the fourth quarter, while the generally volatile index of clothing & footwear prices was unchanged.



Subsequently the annual rate of inflation eased to 2.4% in January and 2.3% in February 2006. Reduced prices of food and of clothing & footwear were mainly responsible for the slowdown.

The twelve-month moving average of HICP inflation rose from 2.2% in September to 2.5% in December 2005 (see Chart 4.5), matching that month's average rate in the EU-25.

### Residential property prices

According to the Bank's newly-revised index of house prices, advertised prices continued to trend upwards during the fourth quarter (see Chart 4.6). On a year-on-year basis, they rose by 10%.<sup>12</sup>

The rise was mainly driven by prices for finished flats and maisonettes, which increased by 8.2% and 11.7%, contributing 3.1 and 2.7 percentage points respectively to the overall growth rate. The sharpest rise was in the terraced houses

<sup>10</sup> The components of the core inflation index in 2005 were the housing, household equipment & house maintenance, personal care & health, recreation & culture and other goods & services sub-indices.

<sup>11</sup> The annual or year-on-year inflation rate measures the relative change from the same month of the previous year. Although this measure can be influenced by one-off effects in either month, it is more responsive than the moving-average rate to recent changes in prices.

<sup>12</sup> The Bank's House Price Index tracks changes in median prices of advertised properties. It is computed on a quarterly basis and uses a chained Fisher index to mitigate the impact of outliers.

category, although the fourth quarter increase of 23.2% contributed only 0.2 percentage points to the overall increase on account of this category's lesser weight in the index. Prices for houses of character went up substantially, while those of town houses increased marginally. By contrast, prices for villas declined by 4% during the period.

Following the slowdown in the latter half of the previous year, house prices rose by an average of 10.4% over the whole of 2005, mainly on account of developments in up-market units, in particular finished flats.





## Box 1: BUSINESS PERCEPTIONS SURVEY

The Central Bank of Malta's latest business perceptions survey, which was carried out between January and February 2006, reflects an improvement in firms' expectations about the general economic situation and their own short-term prospects. The majority of participants reported unchanged investment plans, though on balance they were more likely to increase their investment spending. At the same time, however, respondents anticipated a rise in unemployment over the coming six months and an acceleration in inflation.

### Performance indicators – fourth quarter 2005

#### *Export-oriented firms*

The performance of export-oriented manufacturers was mixed. Overall, firms registered increased selling prices and sales, mainly driven by the chemicals, food & beverages and machinery & equipment sub-sectors. However, although profitability in these sectors improved, it weakened overall, reflecting a negative performance by producers of clothing & footwear and firms in "other manufacturing". Employment levels generally declined, with average wages remaining largely unchanged, except for a drop in "other manufacturing".

As regards the tourism sector, operators registered lower turnover and selling prices. At the same time their wage costs rose, which dented their profitability, though this may reflect seasonal fluctuations in their business.

#### *Domestically-oriented firms*

Firms that largely cater for the domestic market, by and large, reported both higher sales and higher selling prices during the fourth quarter of 2005, compared with the previous three months. Moreover, their profitability improved, despite an increase in their wage bill.

In general, manufacturing firms recorded stable sales, higher selling prices and stronger profitability despite increased labour costs. However, the performance of individual sub-sectors varied. In particular, while turnover expanded in paper & printing, it contracted in food & beverages. Meanwhile, profitability rose across all sub-sectors, except clothing & footwear and furniture.

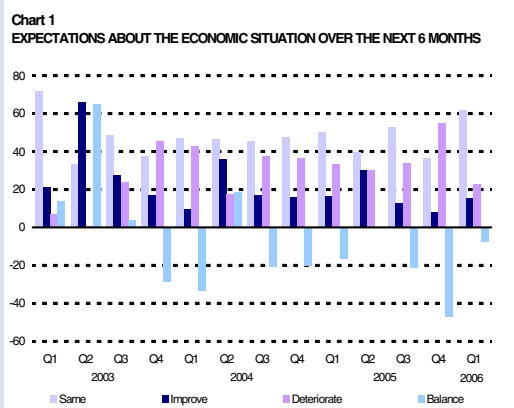
By contrast, in the distributive trades, operators recorded a small drop in profitability. Selling prices and turnover rose, but labour costs also edged up, despite layoffs.

In construction and real estate, firms recorded higher sales and selling prices. Labour costs and employment levels rose in the construction industry but were stable in the real estate sector. At the same time, both sub-sectors registered higher profitability.

Meanwhile, in the financial sector, which accounts for the bulk of the "other services" category, firms indicated increased turnover and selling prices, which contributed to greater profitability despite rising employment levels and labour costs.

### General economic sentiment

Survey results revealed that expectations about the general economic situation improved significantly when compared to the previous survey (see Chart 1). Although overall sentiment remained negative, the balance of replies rose from -47 percentage points to -8. This was mainly because the share of respondents anticipating a deterioration dropped to 23% from 55% in the previous survey. In addition, the proportion of firms expecting an improvement rose to 15%. The majority of participants, 62%, expected the economic situation to remain unchanged.



At the sectoral level, export-oriented manufacturers and operators in the tourism industry switched from a negative to a positive outlook for the economy in general. Sentiment also improved considerably among domestically-oriented manufacturing firms, with just 4% of respondents anticipating the economic situation to deteriorate compared to 69% in the previous survey. Concurrently, 93% of respondents to the latest survey foresaw an unchanged economic situation. Participants from the real estate & construction sectors were almost equally split between those expecting an unchanged economic scenario and those anticipating an improvement. Furthermore, respondents from the services sector swung from a pessimistic to an optimistic outlook.

### Order books/activity<sup>1</sup>

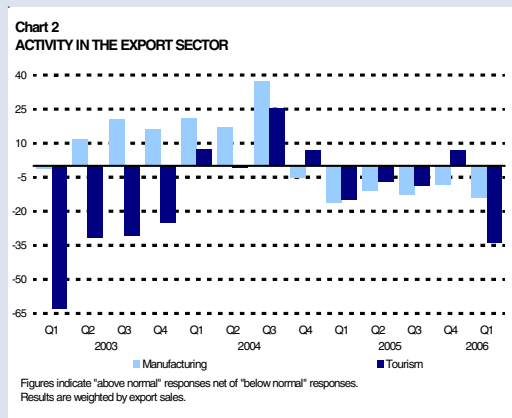
Firms considered their order books/activity levels to have improved during the survey period, though they remained below normal on balance. The proportion of respondents reporting below-normal order books/activity levels declined to 26% from 43% in the previous survey, while 17% indicated that their current activity levels were

above normal, up from 10% in the previous survey. More than half the participants registered normal activity levels.

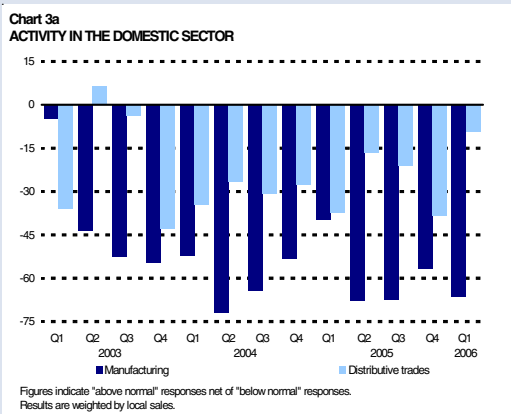
### Export-oriented sectors

Whereas capacity utilisation remained above 80%, export-oriented manufacturing firms reported a slight deterioration in their order book/activity levels (see Chart 2). On balance, activity levels in firms in the clothing & footwear and printing & publishing sectors were below normal, as against above-normal levels in the December survey. Moreover, the bulk of respondents in “other manufacturing” reported a further deterioration in activity. By contrast, respondents in the machinery & equipment sub-sector and, especially, in the chemicals sub-sector reported improved levels of activity.

Meanwhile, in the tourism industry the difference between respondents reporting above-normal and those reporting below-normal activity levels turned negative (see Chart 2). Moreover, according to the survey replies, occupancy rates fell to an average of 46% from 49% a year earlier.



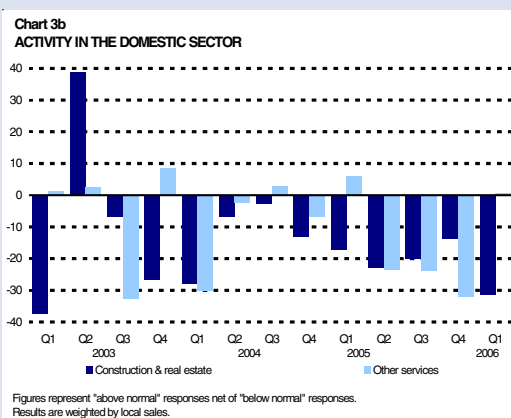
<sup>1</sup> In the overall assessment, replies regarding order books/activity levels are weighted by employment. However, in the sectoral analysis, replies given by firms in the export-oriented sectors and the domestically-oriented sectors are weighted by their shares in export sales and domestic sales, respectively. The responses refer to the period when the survey was carried out.



### Domestically-oriented sectors

Although activity levels in the domestically-oriented sectors remained below normal, on aggregate, they improved slightly from the previous survey, reflecting an upturn in the distributive trades and in "other services".

In manufacturing, activity levels remained significantly below normal, with capacity utilisation averaging 61%. Compared to the previous survey, a greater proportion of respondents reported below-normal order books. By contrast, more than half of respondents in the distributive trades recorded normal order books with the share of participants reporting below-normal activity levels declining by 22 percentage



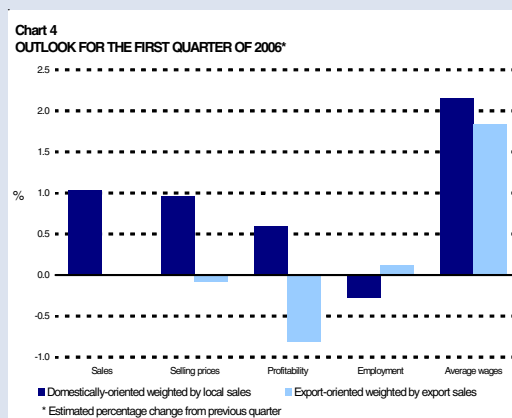
points. Thus, although on balance activity levels remained below normal, the gap narrowed when compared to the previous survey (see Chart 3a).

Although the bulk of respondents in the construction & real estate sectors recorded normal order books, on a net basis firms reported further declines in activity (see Chart 3b). A third of respondents reported below-normal activity compared to 14% in the previous survey. On the other hand, in "other services" the share of participants recording below-normal levels of activity dropped sharply and almost all firms reported normal activity levels, with firms in finance, industrial services and professional services reporting improvements.

### Outlook – first quarter 2006

On aggregate, firms were generally expecting a pick-up in their activity over the first quarter of 2006. Sales and prices were anticipated to rise, but with labour costs also predicted to edge up, possibly due to statutory cost-of-living increases, profitability was expected to remain stable.

Domestically-oriented firms were anticipating higher sales and selling prices. Furthermore, they were expecting their profitability to improve in spite of higher wage costs (see Chart 4). Locally-oriented manufacturers were expecting sales to



grow slightly. Though they were projecting a decline in employment levels, average labour costs were likely to continue to rise and profitability to improve marginally. The services sector was more upbeat. Turnover was expected to expand across all sectors, especially in finance. Profitability was also projected to increase despite higher employment levels and wage costs. Respondents in construction & real estate also foresaw a pick-up during the first quarter. Profitability was seen rising, boosted by higher selling prices and sales.

By contrast, exporters were foreseeing stable sales, higher labour costs and slight downward pressure on their selling prices. As a result, their profitability was expected to contract. Exporters in the manufacturing sector were expecting sales to remain stable and profitability to decline, dented by lower selling prices and increased wage bills. Meanwhile, operators in the tourism sector foresaw a further slowdown in activity. Falling sales and rising average labour costs, reflecting additional employment, were anticipated to squeeze operating margins.

### **Methodological notes**

1. The results presented in this Box are derived from a survey carried out between January and February among 143 firms. As much as possible, the sample is kept unchanged between quarters.
2. The surveyed firms employed 17,931 workers (around 20% of all private sector workers) and had an aggregate annual turnover of Lm631.8 million (around 18% of the total output of the Maltese economy), of which almost half was exported.
3. The sample was composed of 56 manufacturing firms, 18 tourism-related enterprises, 30 operators in the distributive trades, 13 construction and real estate concerns, and 26 services companies. Thus, the survey has a more comprehensive coverage of the manufacturing sector relative to other areas of the economy.
4. Replies are weighted according to three different factors - the respondents' relative share of employment, local sales and export sales.
5. To ensure that the overall results do not simply reflect the replies of the largest business concerns, the weight given to any particular firm in terms of turnover is capped at Lm20 million.
6. The survey is somewhat biased towards medium-sized and large firms, with approximately half of all respondents employing more than 50 workers. Thus it may not be indicative of trends affecting smaller firms.
7. Participants are asked about their perceptions of the prospects for the Maltese economy over the next six months and the current state of their activity levels/order books. They are also asked to indicate the approximate percentage change in employment, profitability, sales, imports, finished stocks, average cost of labour, and selling prices registered during the previous quarter, and to make forecasts for the current one.
8. At six-monthly intervals, firms are asked about their short-term expectations for inflation and unemployment, and whether they consider the current period to be appropriate to initiate new developments. They are also asked to identify their present level of capacity utilisation/occupancy and whether they intend to invest during the following twelve months. In addition, participants indicate the two most important factors limiting investment and to what extent they think a change in the cost of finance would affect them.

## Box 2: COMPARISON OF 2005 FORECASTS WITH OUTTURN

In its *Annual Report* for 2004 the Central Bank of Malta had published projections for real GDP growth and other macroeconomic variables for 2005. This note compares the projections made by the Bank at that time with the provisional outturn, published by the NSO.<sup>1</sup> The Bank's projections and the official figures published by the NSO are shown in Table 1. The Bank's forecast for GDP growth is around half a percentage point lower than the official figure, with the mid-point of the forecast range standing at 2.0%, compared with the actual outcome of 2.5%. The under-estimation of economic growth stems mainly from

differences in the growth rates of private consumption and inventories, components which official data show at higher levels.

Whereas the Bank had expected private consumption to contract slightly in 2005, the official data point to a 1.4% increase. In this regard, it should be mentioned that in measuring private consumption, the official data take into consideration the substantial revisions made to past data, which followed a change in the methodology involving the treatment of Financial Intermediation Services Indirectly Measured

**Table 1**  
**GDP FORECASTS FOR 2005**

*% changes*

	2005 Actual	2005 Forecast
<b>GDP growth at constant market prices</b>	2.5	1.7 - 2.3
<b>Growth in GDP components at constant market prices</b>		
Private consumption expenditure (incl. NPISH)	1.4	(0.6) - (0.0)
Government consumption expenditure	(1.9)	0.6 - 1.2
Gross fixed capital formation	6.1	6.3 - 7.0
Exports of goods and services	(3.9)	2.8 - 3.4
Imports of goods and services	0.2	2.0 - 2.6
Inventory changes and net acquisition of valuables (% of GDP)	1.9	1.3
Unemployment rate LFS (%)	7.3	7.0 - 7.3
Inflation rate RPI (%)	3.0	1.9 - 2.3
Fiscal borrowing requirement (% of GDP)	3.3	4.0 - 4.4
External goods and services deficit (% of GDP)	10.5	7.0 - 7.6

Note: Figures in brackets indicate negative values.

Sources: NSO; Central Bank of Malta estimates.

<sup>1</sup> NSO News Release No. 47/2006, 10 March 2006.

(FISIM). The latter is no longer recorded entirely as intermediate consumption, but partly also as final consumption. These revisions affected private consumption levels and past growth rates of this component. In the case of inventories, the Bank's forecast assumed that these would remain unchanged at the previous year's level. However, weaker than expected export activity during 2005, especially within the electronics sub-sector, led to a stronger than anticipated build-up of inventories.

The Bank's projection of positive growth in government consumption was partly based on the view that the increase in the number of working days arising from the measure introduced at the beginning of 2005 – not to compensate public holidays falling on a weekend – would imply higher government consumption that would offset the dampening effects of tighter budgetary measures. However, official data show that government consumption declined by 1.9% in real terms during 2005. This was, in part, attributable to a strong upward revision in government consumption for 2004, and more vigorous expenditure reduction measures than had been anticipated in the Bank's estimates.

There were also wide divergences between the forecast exports and imports and the actual data. The Bank's forecast of an upturn in exports was prepared in the early part of the year, when prospects for the export sector appeared to be positive. Official data show that these declined sharply during 2005, entirely as a result of

developments in the semiconductor industry, which experienced a particularly negative performance during the first half of the year. Export performance is highly conditioned by this dominant sub-sector of manufacturing and introduces a relatively high degree of uncertainty in forecasts of exports. The performance of this sub-sector also affects imports, due to the sizeable import content of its production process. Consequently, the Bank's projections for imports were also significantly over-estimated when compared to the actual data.

With regard to the external balance of trade in goods and services, the difference between the Bank's forecast and the actual outturn is almost entirely explained by the unanticipated rise in oil prices, particularly in the second half of the year. The hike in oil prices boosted the import bill by about 3.4% of GDP and had a strong impact on inflation, as reflected in the consumer price index. The Bank's forecast for inflation stood at 2.3%, but the increase in fuel prices and the significant upward revision to the surcharge on water and electricity consumption late in the year pushed inflation up to 3%.

The Bank's projection of the fiscal borrowing requirement was higher than the actual outturn for 2005 by almost 1% of GDP. This, as mentioned above, was due to the fact that the government adopted a more aggressive fiscal tightening stance than had been anticipated at the beginning of the year.

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

During the final quarter of 2005, the deficit on the current account of the balance of payments widened when compared to the corresponding period of the previous year. Developments on the income and merchandise trade accounts overshadowed an improvement in the transfers and services components. Meanwhile, the

balance on the capital and financial account (excluding movements in reserves) swung into surplus, driven by higher net inflows relating to other investments and a rise in direct investment. Against this background, the official reserves extended their recovery, after having declined in the earlier part of the year.

The Maltese lira remained stable against the euro in ERM II throughout the fourth quarter, maintaining its central parity rate of Lm0.4293 per euro. Moving in tandem with the European

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

*Lm millions*

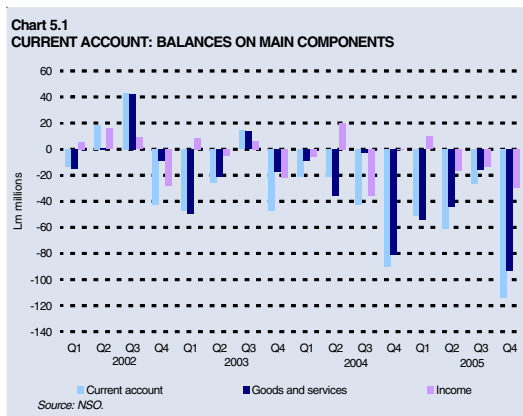
	Q4			
	2004		2005	
	credit	debit	credit	debit
<b>Current account balance</b>		<b>90.2</b>		<b>114.1</b>
Goods and services	338.8	419.6	357.4	450.3
Goods balance		105.2		120.2
Goods	228.7	333.9	239.4	359.6
Services balance	24.4		27.3	
Services	110.1	85.7	118.0	90.7
Transport	24.9	36.5	24.8	35.7
Travel	67.0	25.8	69.4	27.3
Other services	18.2	23.4	23.9	27.6
Income (net)		0.3		29.9
Current transfers (net)		9.2	8.7	
<b>Capital and financial account balance<sup>2</sup></b>		<b>5.1</b>	<b>138.7</b>	
Capital account balance	13.3		23.3	
Financial account balance		18.4	115.4	
Direct investment	42.2		106.7	
Portfolio investment		16.8		562.4
Financial derivatives		4.2		4.7
Other investment		39.6	575.8	
<b>Movements in reserves<sup>3</sup></b>	<b>68.1</b>			<b>36.3</b>
<b>Net errors and omissions</b>	<b>27.0</b>		<b>11.6</b>	

<sup>1</sup> Provisional.

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

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

Source: NSO.



currency, the Maltese lira continued to depreciate against the US dollar, while gaining against the Japanese yen and the pound sterling.

### The current account

After having narrowed to its lowest level since mid-2004 during the previous quarter, the current account deficit widened again in the final quarter,

partly influenced by seasonal factors (see Chart 5.1). The deficit expanded by Lm23.9 million, or 26.5%, on a year earlier to Lm114.1 million, reflecting higher net investment income outflows and a widening of the merchandise trade gap. These factors were partly offset by increased net receipts from transfers and a small rise in the surplus on services (see Table 5.1).

### Goods

On the basis of balance of payments data for the last quarter of 2005, the merchandise trade deficit widened by Lm15.0 million, or 14.3%, on a year earlier, to Lm120.2 million. Imports rose by Lm25.7 million, or 7.7%, outweighing an increase in exports of Lm10.7 million, or 4.7%.

According to Customs data, the merchandise trade gap widened over the same period by Lm24.1 million, or 17.9%, when compared with the corresponding period of 2004 as exports declined while imports rose (see Table 5.2).<sup>1</sup> The trade

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

	Q4		Lm millions	
	2004	2005 <sup>1</sup>	Amount	Change %
<b>Imports</b>	<b>358.7</b>	<b>370.3</b>	<b>11.6</b>	<b>3.2</b>
Consumer goods	98.1	95.5	-2.6	-2.7
Industrial supplies	183.2	159.5	-23.7	-12.9
Capital goods & others	56.2	60.7	4.5	8.0
Fuel and lubricants	21.3	54.6	33.3	+
<b>Exports</b>	<b>224.2</b>	<b>211.7</b>	<b>-12.5</b>	<b>-5.6</b>
<b>Trade deficit</b>	<b>134.5</b>	<b>158.6</b>	<b>24.1</b>	<b>17.9</b>

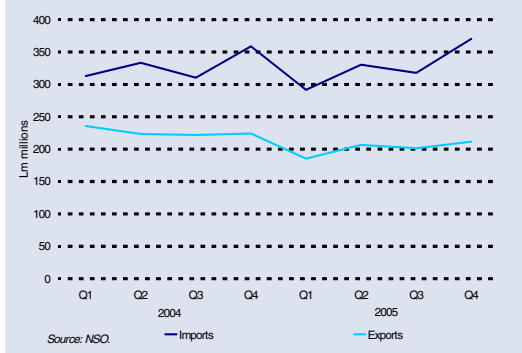
<sup>1</sup> Provisional

Source: NSO.

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



**CHART 5.2**  
**MERCHANDISE TRADE: IMPORTS AND EXPORTS**



deficit also widened, quarter-on-quarter, as an increase in imports overshadowed a rise in exports (see Chart 5.2).

On a year-on-year basis exports decreased by Lm12.5 million, or 5.6%. The drop was almost entirely attributable to lower sales of food, which contracted by Lm6.8 million as exports of fish dropped. Exports of mineral fuels and of semi-manufactured goods were down by Lm4.4 million and Lm1.9 million, respectively. On the other hand, foreign sales of machinery and transport equipment picked up on a year earlier, rising by Lm2.5 million.

Meanwhile, imports rose by Lm11.6 million, or 3.2%, on account of higher payments for fuel and lubricants. The latter were up by Lm33.3 million, spurred by the significant rise in the international price of oil. Purchases of machinery boosted imports of capital goods, which increased for the second consecutive quarter. Conversely, reflecting the weakness of exports of semi-conductors, imports of industrial supplies declined by Lm23.7 million. Imports of consumer goods were also lower, falling by Lm2.6 million, after having increased for most of the year. To some extent, the drop reflected a base effect as imports of consumer goods reacted to the complete liberalisation of trade following EU

accession in May 2004, surging persistently in the subsequent months.

The merchandise trade account improved substantially in the first month of 2006, with Customs data indicating that the trade gap narrowed by Lm21.3 million to Lm21 million compared with the level registered in January 2005. Exports rose by Lm13.0 million, while imports shed Lm8.3 million, with the latter declining for the second consecutive month.

### *Services, income and transfers*

During the final quarter of 2005, the surplus on services increased by Lm2.9 million. The rise was mostly generated by higher net inflows on other services, reflecting lower payments for insurance, as well as higher earnings on miscellaneous business, professional and technical services. At the same time, net receipts from transport and travel increased by Lm0.6 million and Lm0.8 million, respectively.

In contrast, the deficit on the income account widened sharply, to Lm29.9 million, as dividends and re-invested earnings of a number of foreign-owned banks and private corporations increased significantly. Lower net interest income from abroad also contributed to the deterioration in the account. On the other hand, the balance on the current transfers account swung from a deficit of Lm9.2 million to a surplus of Lm8.7 million. In part, the shift reflected corporate tax transactions, though inflows attributable to the private sector also increased.

### *The capital and financial account*

Net inflows on the capital and financial account (excluding movements in reserves) increased considerably, with the aggregate balance shifting from a deficit of Lm5.1 million to a surplus of Lm138.7 million. The positive balance on the capital account was up by Lm10.0 million to

Lm23.3 million due to higher grants from the EU and Italy. However, more than three-quarters of the shift was attributable to the financial account, which swung from a deficit of Lm18.4 million to a surplus of Lm115.4 million. In particular, the other investment category recorded the largest change as strong net inflows contributed to the surplus of Lm575.8 million compared with a deficit of Lm39.6 million in the same period of 2004. The shift mainly reflected net inflows of currency and deposits reported by international banks. Direct investment inflows were also up markedly, from Lm42.2 million to Lm106.7 million, as a foreign-owned bank expanded its equity base. With capital inflows to the international banks mostly being reinvested overseas, net portfolio outflows rose to Lm562.4 million as the banks increased their holdings of foreign bonds and notes. These outflows were partly offset by net inflows of portfolio investment by the non-bank sector.

During the quarter, errors and omissions more than halved to Lm1.6 million, though they remained positive. Consequently, the reserve assets, which

had contracted during the same period of 2004, added Lm36.3 million.

### The Maltese lira

Throughout the fourth quarter of 2005, the Maltese lira maintained its central parity rate of Lm0.4293 against the euro in ERM II. Moving in tandem with the euro, the lira continued to lose ground against the dollar, shedding 1.6%. Conversely, it strengthened against sterling, appreciating for the second consecutive quarter. Against the Japanese yen, the Maltese unit appreciated by 2.1%, building upon the gains recorded in the previous quarter (see Chart 5.3).

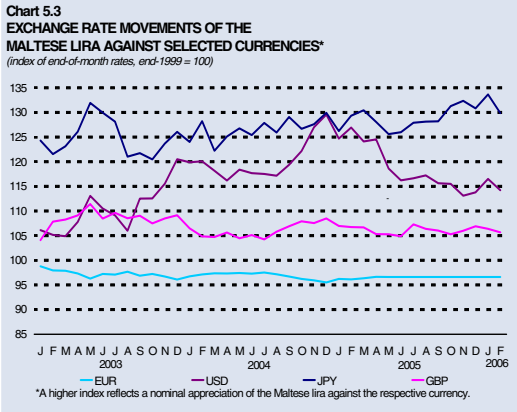
During the first two months of 2006 the lira was unchanged against the euro but rose by 0.4% against the dollar. It shed 1.2% and 0.8% against the pound and the yen, respectively.

In the fourth quarter of 2005, the exchange rate of the Maltese lira was on average 0.5% above its level against the euro a year earlier. This marginal

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

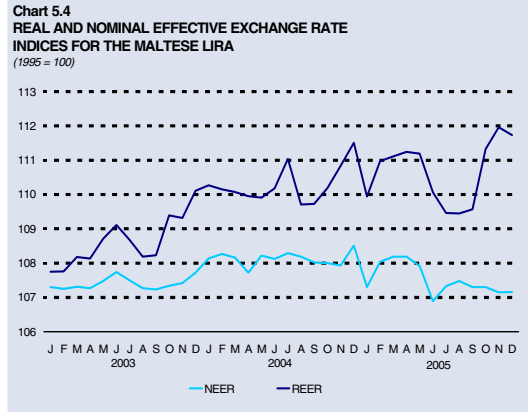
Period	EUR <sup>1</sup>	USD	GBP	JPY
Average for Q4 2005	0.4293	2.7700	1.5845	324.6
Average for Q4 2004	0.4314	3.0053	1.6114	317.8
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.5	-7.8	-1.7	2.1
Closing rate on 30.12.2005	0.4293	2.7570	1.6012	324.0
Closing rate on 30.09.2005	0.4293	2.8019	1.5879	317.4
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.0	-1.6	0.8	2.1

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



movement reflected developments in the MTL/EUR rate prior to the entry of the lira into ERM II. At the same time, the lira weakened against the US dollar and the pound sterling, shedding 7.8% and 1.7%, respectively. Meanwhile, it strengthened against yen (see Table 5.3).

Between end-September and end-December 2005, the nominal effective exchange rate (NEER) of the



Maltese lira was broadly unchanged, dropping by 0.1% as a result of the depreciation of the Maltese lira against the US dollar. Conversely, the real effective exchange rate (REER) of the Maltese lira, which had declined in the previous quarter, rose by 2.0% (see Chart 5.4). This appreciation was driven entirely by inflation differentials, with prices in Malta rising more rapidly than those in its main trading partners and competitors.

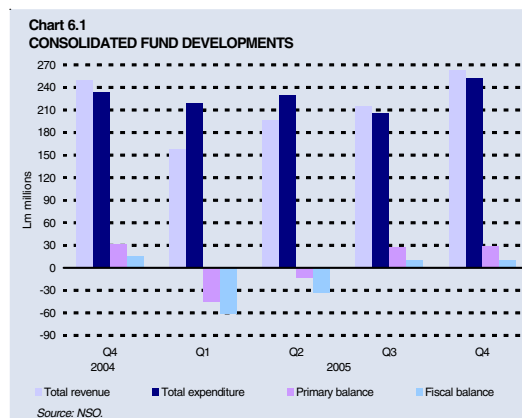
## 6. GOVERNMENT FINANCE<sup>1</sup>

The general government deficit for 2005 narrowed to Lm63.7 million, or 3.3% of GDP, from 5.1% in the previous year (see Table 6.1).<sup>2</sup> The deficit contracted as revenue grew at a faster pace than expenditure. The reduction in the deficit largely reflected a substantial drop in the negative balance on the Consolidated Fund, which declined to Lm75.3 million from Lm94.0 million in 2004. At the same time, extra-budgetary units recorded a surplus, while the impact of local government on general government finances was marginal.

At the end of 2005, gross general government debt stood at Lm1,439.8 million, or 74.7% of GDP, down by 1.5 percentage points compared with the end-2004 position.

### Consolidated Fund

In the fourth quarter of 2005, a surplus of Lm10.1



million was registered on the Consolidated Fund, on a par with that recorded in the previous quarter but Lm5.7 million below the surplus recorded a year earlier (see Chart 6.1). Compared with the final quarter of 2004, revenue increased, primarily reflecting growth in direct tax receipts and grants, but expenditure rose more rapidly. The latter was driven by higher outlays on capital projects and social security benefits. On the

**Table 6.1**  
**GENERAL GOVERNMENT BALANCE AND DEBT**

	<i>Lm millions</i>			
	2002	2003	2004	2005
Balance on the Consolidated Fund	-87.7	-105.4	-94.0	-75.3
Net balance of extra-budgetary units	-15.2	-19.3	-2.8	11.9
Net balance of local government	0.5	-0.5	0.2	0.2
Adjustments	2.3	-61.2	3.0	-0.5
<b>General government deficit</b>	<b>100.1</b>	<b>186.4</b>	<b>93.6</b>	<b>63.7</b>
<i>as a % of GDP</i>	5.6	10.2	5.1	3.3
<b>General government debt</b>	<b>1100.5</b>	<b>1304.7</b>	<b>1394.6</b>	<b>1439.8</b>
<i>as a % of GDP</i>	61.2	71.3	76.2	74.7

Source: NSO.

<sup>1</sup> The cut-off date for information contained in this Chapter is 28 April, 2006.

<sup>2</sup> General government captures all the operations of the central government, including extra-budgetary units, and local government. Data on the general government deficit and debt are those submitted in accordance with EU regulations and practices.

other hand, the primary deficit, which excludes interest payments from expenditure, declined to Lm29.1 million compared with Lm31.1 million in the same period of 2004.

During the first two months of 2006 the deficit on the Consolidated Fund contracted when compared to the corresponding period of the

preceding year as revenue expanded more rapidly than expenditure.

### Revenue

During the fourth quarter of 2005, revenue expanded by Lm12.7 million, or 5.1%, over the last three months of 2004, reaching Lm262.5 million

**Table 6.2**  
**GOVERNMENT BUDGETARY OPERATIONS**

	<i>Lm millions</i>			
	2004	2005	Change	
	Q4	Q4	Amount	%
<b>Revenue</b>	<b>249.8</b>	<b>262.5</b>	<b>12.7</b>	<b>5.1</b>
<b>Direct tax</b>	<b>117.2</b>	<b>124.7</b>	<b>7.5</b>	<b>6.4</b>
Income tax	77.3	82.0	4.7	6.1
Social security contributions <sup>1</sup>	39.9	42.7	2.8	7.0
<b>Indirect tax</b>	<b>87.9</b>	<b>88.6</b>	<b>0.7</b>	<b>0.8</b>
Value Added Tax	44.0	46.8	2.8	6.4
Customs and excise duties	19.9	18.5	-1.4	-7.0
Licences, taxes and fines	24.0	23.3	-0.7	-2.9
<b>Non-tax revenue</b>	<b>44.8</b>	<b>49.2</b>	<b>4.4</b>	<b>9.8</b>
Central Bank of Malta profits	0.0	0.0	0.0	-
Other revenue <sup>2</sup>	44.8	49.2	4.4	9.8
<b>Expenditure</b>	<b>234.0</b>	<b>252.4</b>	<b>18.4</b>	<b>7.9</b>
<b>Recurrent expenditure</b> <sup>1</sup>	<b>205.0</b>	<b>214.5</b>	<b>9.5</b>	<b>4.6</b>
Personal emoluments	62.1	61.7	-0.4	-0.6
Programmes and other operational expenditure <sup>3</sup>	106.5	112.2	5.7	5.4
Contributions to entities	21.0	21.3	0.3	1.4
Interest payments	15.3	19.0	3.7	24.2
Other expenditure	0.2	0.3	0.1	50.0
<b>Capital expenditure</b>	<b>29.0</b>	<b>37.9</b>	<b>8.9</b>	<b>30.7</b>
<b>Primary balance</b> <sup>4</sup>	<b>31.1</b>	<b>29.1</b>	<b>-2.0</b>	<b>-6.4</b>
<b>Consolidated Fund balance</b> <sup>5</sup>	<b>15.8</b>	<b>10.1</b>	<b>-5.7</b>	<b>-36.1</b>

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

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

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

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

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

Source: NSO.

(see Table 6.2). Direct taxes accounted for more than half of this increase. These yielded Lm7.5 million more, with receipts from income tax growing by 6.1% and accounting for two-thirds of the rise and social security contributions rising by 7.0%. The increase in direct tax revenue partly reflected growth in employee compensation, as indicated in the GDP data, and greater capital gains.

Indirect tax receipts expanded by Lm0.7 million, with additional intakes from VAT being partly offset by lower revenue from customs and excise duties as well as from licences, taxes and fines. VAT yielded Lm2.8 more, reflecting higher consumption expenditure, although an amnesty on the collection of arrears also contributed. On the other hand, customs and excise revenue decreased by Lm1.4 million as a lower yield from duties on cigarettes outweighed higher proceeds from duties on petroleum and mobile telephony. Revenue from licences, taxes, and fines declined marginally, by Lm0.7 million, due to differences in the timing of tax receipts from gaming.

Non-tax revenue rose by Lm4.4 million, fuelled mostly by foreign grants, which added Lm12.3 million. The latter consisted primarily of EU grants, though additional transfers were also received from Italy in terms of the Financial Protocol. Fees of office added Lm9.5 million, reflecting intakes from licences relating to telecommunications and, to a lesser extent, eco-contributions.<sup>3</sup> However, these were dampened by a decline in rents and an Lm1.8 million drop in miscellaneous receipts. The latter was mainly due to a base effect, as revenue from this source in 2004 had been boosted by a number of one-off factors, including the sale of land and transfers of funds from public non-financial corporations.

## Expenditure

When compared to the corresponding quarter of the previous year, government expenditure increased by Lm18.4 million, or 7.9%, during the quarter reviewed. The rise was shared more or less equally between recurrent and capital spending. The former grew by Lm9.5 million, driven mainly by programmes and other operational expenditure. In turn, this was entirely fuelled by higher outlays on social security benefits, with retirement pensions expanding by Lm3.3 million. Interest expenses increased by Lm3.7 million, as a result of the timing of coupon payments on debt issued during 2005. On the other hand, the government wage bill declined by Lm0.4 million. At the same time, contributions to government entities were also contained, increasing by just Lm0.3 million to Lm21.3 million.

Capital spending continued to expand, rising by Lm8.9 million on account of higher outlays on the new state hospital and roads, the latter co-financed by foreign funds.

## Government debt and financing operations

In spite of the surplus recorded on the Consolidated Fund during the quarter, gross government debt rose by Lm12.7 million to Lm1,403.8 million, with the Government building up its deposits with the banking system as a result. The increase in government debt was entirely driven by a Lm15.7 million rise in Treasury bills outstanding, which halted a downward trend in short-term financing evident since the third quarter of 2004 (see Table 6.3). Malta Government Stocks (MGS) rose by a marginal Lm0.3 million. Meanwhile, direct borrowing from local banks declined by Lm1.8 million, as some of the debt that had been taken over by the Government from the

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<sup>3</sup> Telecommunications licences include television licences, which were previously collected and retained by Public Broadcasting Services Limited, and an up-front payment made by mobile telephony operators in October for the assignment of a network licence.

**Table 6.3**  
**GOVERNMENT DEBT<sup>1</sup>**

	<i>Lm millions</i>				
	2004		2005		
	Q4	Q1	Q2	Q3	Q4
<b>Consolidated Fund balance</b>	<b>15.8</b>	<b>-61.2</b>	<b>-33.6</b>	<b>9.4</b>	<b>10.1</b>
<i>Changes in</i>					
<b>Gross Government debt</b>	<b>5.1</b>	<b>33.5</b>	<b>11.6</b>	<b>-7.4</b>	<b>12.7</b>
Malta Government stocks	29.5	40.0	36.8	33.5	0.3
Treasury bills	-7.2	-6.0	-24.0	-40.8	15.7
Domestic loans <sup>2</sup>	-15.2	0.0	0.0	0.0	-1.8
Foreign loans	-2.0	-0.5	-1.2	-0.1	-1.5

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

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

Sources: NSO, Central Bank of Malta.

shipyards in 2003, was repaid. Similarly, the outstanding value of foreign loans also fell due to repayments and, to a lesser extent, favourable revaluation effects.

Consequently, MGS outstanding at the end of 2005 amounted to Lm1,123.5 million, equivalent to 80% of government debt, while Treasury bills

totalled Lm190 million, or 13.5%. Loans from local banks and foreign loans, which stood at Lm24.9 million and Lm65.2 million, respectively, accounted for the remainder.

At the beginning of 2006 gross government debt declined, to Lm1,393.0 million at the end of February.

## NEWS NOTES

### LOCAL NEWS

#### **European Commission assessment of the National Reform Programme**

On 24 January 2006 the European Commission published its assessment of Malta's National Reform Programme for Growth and Jobs (NRP). According to the Commission, the NRP identifies and responds to the challenges facing Malta and is based on a good analysis of the current situation, with ambitious objectives and concrete measures. However, these measures do not always appear sufficient to achieve the objectives, and prioritisation and coherence across policy areas are not always evident.

The Commission encouraged the Maltese authorities to strengthen competition and improve the quality of the regulatory system. It also called for a reduction in the tax burden on labour and for work to be made more attractive through a comprehensive review of the tax and benefit system.

#### **Council opinion on Malta's convergence programme**

On 22 February 2006 the European Commission published its assessment of the latest update of Malta's convergence programme. The update reiterates Malta's goal to enter the euro area on 1 January 2008. The budgetary strategy outlined in the update aims at reducing the fiscal deficit to below the 3% of GDP reference value in 2006 and sets a medium-term objective of a balanced budget.

On the basis of a recommendation prepared by the Commission, on 14 March the ECOFIN Council invited Malta to implement with rigour the 2006 budget measures and ensure the correction of the excessive deficit this year and to

ensure that budgetary consolidation is sustained. In addition, Malta was called upon to ensure that the debt ratio is declining towards the 60% of GDP treaty reference value at a satisfactory pace from 2006 onwards and to improve the long-term sustainability of public finances by making further progress in the design and implementation of pension reform.

#### **Euro changeover**

##### *Guidelines on dual display and pricing*

On 5 January 2006 the National Euro Changeover Committee (NECC) published guidelines for traders who opt to display prices in euro apart from the Maltese lira before a compulsory dual display period comes into effect. In such cases, the consumer is not obliged to pay in euro and a trader is not obliged to accept payment in euro. The price displayed in euro should be the price of the good or service in Maltese lira at the central parity rate of Lm0.4293 for every euro to the nearest euro cent.

##### *Conversion of past data*

On 12 January the NECC published guidelines for the conversion of past data related to the euro changeover process. These are intended to assist organisations in determining whether to convert past monetary and financial data, and if so, whether fully or in part.

##### *Selection of designs for Maltese euro coins*

On 14 January the Government, in conjunction with the Central Bank of Malta and the NECC, announced a public consultation process for the selection of the designs of the Maltese euro coin set. The public was presented with twelve options divided into four themes and was asked to choose the preferred option to appear on the national side of the euro coins. On 2 February



the Central Bank of Malta and the NECC announced the results.

### ***Guidelines on rounding and smoothing***

On 28 February the NECC published a set of guidelines on the rounding and smoothing of Maltese lira amounts converted into euro. The guidelines aim to ensure fairness where conversion of monetary amounts from Maltese lira into euro necessitates the application of rounding and smoothing. Rounding rules in connection with the conversion of national currencies into euro are established in EU law.

### ***Usage of the term “euro” in Maltese***

On 23 March the NECC published a set of guidelines on the usage of the term “euro” in the Maltese language to ensure consistency in spelling and pronunciation. These guidelines apply to the spelling of the term “euro” in the Maltese language for legislation and legal instruments in any form whatsoever.

### **Ratification of EU accession treaties**

On 24 January 2006 the House of Representatives unanimously approved the EU accession treaties of Romania and Bulgaria. The two countries are expected to be admitted into the Union on 1 January 2007.

### **EBRD constituency meeting in Malta**

Between 26 and 27 January 2006 the European Bank for Reconstruction and Development (EBRD) constituency led by Austria, and which includes Bosnia Herzegovina, Cyprus, Kazakhstan, Israel and Malta, held a meeting in Malta to discuss current developments in the EBRD ahead of the Annual Meeting of the Bank to be held in May. Malta is represented on the EBRD Board of Governors jointly by the Ministry of Finance and the Central Bank of Malta.

### **Agreements on taxation**

On 13 March Malta and the United Arab Emirates signed an Agreement for the Avoidance of Double Taxation. This agreement strengthens the framework for increased trade, investment and business opportunities between the two countries.

On 21 March Malta and Singapore signed a Double Taxation Agreement, which should facilitate greater trade and economic interaction between them.

### **Malta and Tunisia agree on oil exploration and exploitation**

On 27 February 2006 Malta and Tunisia signed an agreement for joint oil exploration and exploitation in zones of the continental shelves located between the two states. The agreement provides for the setting up of a joint group of experts mandated to determine the continental shelf zones located between the two countries that shall be the subject of common exploration and exploitation.

### **Rating agencies on Malta**

On 28 February 2006 Standard and Poor’s affirmed its A long-term and A-1 short-term sovereign credit ratings on Malta, saying the outlook was stable.

On 9 March Moody’s Investors Service changed the outlook on Malta’s foreign currency ceiling and government bond rating to positive from stable, reflecting the favourable implications associated with participation in the Exchange Rate Mechanism (ERM II) of the EU. Whereas a sustained commitment to fiscal prudence leading to entry into the euro area would prompt an upward revision of the rating, Moody’s warned that the rating could go down if fiscal slippage led to a derailment of Malta’s plans for euro adoption.

## **Legal notices related to banking and finance**

### ***Banking Act (Cap. 371), Depositor Compensation Scheme (Amendment) Regulations, 2006***

These regulations amend the regulations governing the Depositor Compensation Scheme so that any deposits held in any currency of an EEA State are also covered by the Scheme. Before the amendments, only deposits in Maltese lira were eligible for compensation (Legal Notice 35 of 2006).

### ***Investment Services Act (Cap. 370), Investor Compensation Scheme (Amendment) Regulations, 2006***

These amendments specifically provide that, in calculating the amount of compensation to be paid to an investor, all computations and payments shall be made in the currency of the investment (Legal Notice 36 of 2006).

### ***Prevention of Money Laundering Act (Cap. 373), Prevention of Money Laundering (Amendment) Regulations, 2006***

These regulations amend existing legislation to establish new, risk-based policies and procedures in relation to the acceptance of customers. These include the introduction of enhanced due diligence measures for higher-risk customers. The regulations also introduce additional responsibilities with respect to the recording and independent verification of payment transactions and other obligations related to international correspondent banking and corporate relationships (Legal Notice 42 of 2006).

### ***Special Funds (Regulation) Act (Cap. 450), (European Passport Rights for Institutions for Occupational Retirement Provision) Regulations, 2006***

These regulations complete the transposition of the Pensions Directive 2003/41/EEC into Maltese

law. Occupational retirement schemes that are set up in Malta, in any other EU Member State or in EEA States are defined as institutions for occupational retirement provision. The regulations govern the operations of Maltese institutions for occupational retirement provision and those of sponsoring undertakings located in Malta that pay contributions into European institutions for occupational retirement provision (Legal Notice 71 of 2006).

### ***Special Funds (Regulation) Act (Cap. 450), Special Funds (Regulation) Act (Exemption) Regulations, 2006***

These regulations provide for the exemption of asset managers established in other EU Member States, and who are already authorised to provide investment management services under the relevant EU Directives, from the registration requirement laid down in the Special Funds (Regulation) Act (Cap. 450) (Legal Notice 72 of 2006).

### ***Income Tax Act (Cap. 123), Fringe Benefits (Amendment) Regulations, 2006***

These regulations amend the tax treatment relating to fringe benefits in the form of loans advanced by financial institutions to their employees. The value of the fringe benefit is determined on the basis of the difference between the benchmark commercial rate and the interest rate actually paid by the employee. The new benchmark rate is equivalent to 0.25% more than the central intervention rate announced by the Central Bank of Malta. This benchmark rate is to be reviewed at the end of each calendar year. These regulations came into force on 1 January 2006 (Legal Notice 76 of 2006).

### **Issue of Malta Government Stock**

On 17 March 2006 the Government launched Lm15 million worth of 4.8% MGS 2016 (Second Issue) (Fungibility Issue). As the stock was

oversubscribed, the Government exercised its option to sell an additional Lm10 million worth.

## **INTERNATIONAL NEWS**

### **ECOFIN Council**

During the first three months of 2006 the ECOFIN Council met three times:

On 24 January the Council reached agreement on reduced VAT rates applied by the Member States. It decided on the existence of an excessive government deficit in the United Kingdom and recommended corrective measures.

On 14 February the Council adopted a directive enabling Member States to apply reduced VAT rates for certain labour-intensive services until 2010.

On 14 March the Council gave notice to Germany to take measures to correct its excessive government deficit by 2007 at the latest. As regards Italy, it decided that no further action was necessary at this stage, although correction of the deficit would require full implementation of the 2006 budget and substantial further measures for 2007.

### **G8 meetings**

Finance ministers from the world's leading industrialised countries, meeting in Moscow during the week ending 12 February, warned that volatile energy prices threaten world economic growth in 2006. In their final communiqué the G8 ministers also called for aid to developing countries battling the bird flu; pressed for more action to advance WTO talks aimed at opening up international trade; and vowed to step up the

fight against networks which finance terrorism.

### **EU summit**

The European Council met on 23-24 March and decided to re-launch the Lisbon Strategy for Jobs and Growth. Consequently, all Member States are to report this autumn on the measures taken to implement their national reform programmes. In this respect, two million jobs are to be created annually over the three-year period from 2005 to 2007. It also identified a number of specific areas for priority action to be implemented by the end of 2007. These are more investment in knowledge and innovation, unlocking business potential, especially of small and medium-sized enterprises, and increasing employment opportunities for priority categories.

The Council also decided to establish a European Globalisation Adjustment Fund to provide additional support for workers made redundant as a result of major structural changes in world trade patterns.

During the meeting EU leaders laid the foundations of a common energy policy but failed to reach agreement on issues related to cross-border mergers in the sector. The accord includes new rules for storing gas and oil stocks, moves to boost energy efficiency, bolder targets for renewable energy and biofuels and a common policy to deal with non-EU suppliers. The Commission is to submit an Action Plan on Energy Efficiency by mid-2006.

The European Council also called upon Member States to ensure sound and sustainable public finances, to complete the internal market and to promote investment. It also endorsed lines of action for environmentally sustainable growth.



# STATISTICAL TABLES



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

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

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Maltese lira exchange rates: MTL 1 = USD 2.7681 EUR 1 = MTL 0.4293	
CLIMATE	Average temperature (1990-2005): Dec. - Feb.	13.1° C
	June - Aug.	26.1° C
	Average annual rainfall (1990-2005)	597.6 mm
SELECTED GENERAL	GDP growth at constant 2000 prices <sup>1</sup> (2005)	2.5%
ECONOMIC STATISTICS	GDP per inhabitant at current market prices <sup>1,2</sup> (2005)	USD13,824
	GDP per capita in PPS relative to the EU-25 average <sup>1</sup> (2005)	69.5%
	Ratio of gross general government debt to GDP <sup>1</sup> (2005)	74.7%
	Ratio of general government deficit to GDP <sup>1</sup> (2005)	3.3%
	Retail Prices Index - inflation rate	3.0%
	Harmonised Index of Consumer Prices - inflation rate	2.5%
	Ratio of exports of goods and services to GDP <sup>1</sup> (2005)	71.0%
	Ratio of current account deficit to GDP <sup>1</sup> (2005)	13.1%
	Employment rate	53.7%
	Unemployment rate	7.3%
	POPULATION	Total Maltese and foreigners <sup>1</sup>
Males <sup>1</sup>		200,644
Females <sup>1</sup>		203,797
Age composition in % of population <sup>1</sup>		
0 - 14 <sup>1</sup>		17%
15 - 64 <sup>1</sup>		69%
65 + <sup>1</sup>		13%
Average annual growth rate (1990-2005) <sup>1</sup>		0.76%
Density per km <sup>2</sup> <sup>1</sup>	1,280	
HEALTH	Life expectancy at birth - Males (Dec. 2004)	76.4
	- Females (Dec. 2004)	80.4
	Crude birth rate, per 1,000 Maltese inhabitants <sup>1</sup>	9.6
	Crude mortality rate, per 1,000 Maltese inhabitants <sup>1</sup>	7.8
	Doctors (2005)	1,309
EDUCATION	Combined gross enrolment ratio % (2002/2003)	79
	Number of educational institutions (2004/2005) <sup>1</sup>	295
	Teachers per 1,000 students (2004/2005) <sup>1</sup>	83
	Adult literacy rate: % age 10+ - Males (Dec. 2004)	86.9%
	- Females (Dec. 2004)	89.6%
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2003)	32
	Mobile phone subscriptions per 100 population	80.2
	Private motor vehicle licences per 1,000 population	510
	Internet subscribers per 100 population	21.9

<sup>1</sup> Provisional.

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

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

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

**Deposit Money Banks**

APS Bank Ltd  
Bank of Valletta plc  
BAWAG Malta Bank Ltd (from October 2003)  
FIMBank plc (from May 2005)  
HSBC Bank Malta plc  
HSBC Home Loans Bank (Malta) Ltd (from January 2001)  
Lombard Bank Malta plc  
Volksbank Malta Ltd (from November 2002)

**International Banking Institutions**

Akbank T.A.S.  
Commbank Europe Ltd (from August 2005)  
Erste Bank (Malta) Ltd  
Finansbank (Malta) Ltd (from June 2005)  
Fortis Bank Malta Ltd (from November 2005)  
Investkredit International Bank plc  
Izola Bank Ltd  
Raiffeisen Malta Bank plc  
Sparkasse Bank Malta plc  
Turkiye Garanti Bankasi A.S.



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

*Lm thousands*

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

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	485,373	31,456	242,162	83,198	8,456	333,815	88,225	25,497	28,651
<b>2004</b>									
Jan.	477,011	31,456	292,241	70,700	7,245	370,186	87,943	14,013	16,868
Feb.	480,596	31,456	290,852	74,211	7,379	372,442	89,304	13,661	16,930
Mar.	486,005	31,456	282,376	70,448	7,666	360,490	89,658	7,800	12,712
Apr.	491,230	31,456	274,074	72,064	7,380	353,518	87,098	6,285	13,080
May	493,617	31,871	230,188	106,799	10,679	347,665	85,728	2,290	10,930
June	502,342	31,871	228,512	84,338	11,643	324,494	85,004	1	12,428
July	501,806	31,871	267,939	50,940	16,045	334,923	84,832	2,209	13,456
Aug.	503,876	31,871	234,958	94,891	16,428	346,278	85,341	5,326	14,896
Sept.	503,787	31,871	247,315	93,469	16,522	357,306	84,971	5,287	15,818
Oct.	503,769	31,871	231,992	82,895	14,618	329,505	85,137	5,314	17,155
Nov.	500,637	31,871	208,842	88,473	15,553	312,869	85,369	-	18,955
Dec.	506,406	30,568	166,318	115,661	11,147	293,126	86,016	-	20,028
<b>2005</b>									
Jan.	499,631	30,568	200,150	73,437	12,779	286,366	85,095	4,301	15,257
Feb.	501,987	30,568	175,810	91,829	10,651	278,289	83,816	4,307	11,329
Mar.	505,049	30,568	185,245	87,119	11,185	283,549	84,207	4,296	11,424
Apr.	507,076	30,568	140,268	88,900	11,380	240,547	86,051	2,219	9,562
May	510,621	31,066	185,983	73,032	8,983	267,997	86,946	-	14,751
June	517,006	31,066	147,017	81,492	11,010	239,520	87,826	-	14,108
July	517,836	31,066	165,179	87,117	7,768	260,063	86,812	-	12,306
Aug.	518,168	31,066	190,735	96,909	8,740	296,384	87,123	-	13,156
Sept.	518,304	31,066	210,852	94,990	8,228	314,070	85,951	-	14,469
Oct.	516,749	31,066	235,252	109,386	8,552	353,190	83,867	-	17,157
Nov.	516,338	31,066	223,291	111,938	9,925	345,153	83,268	2,262	17,244
Dec.	520,044	32,032	182,336	147,461	9,511	339,309	84,290	-	15,309

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

<sup>2</sup> Includes Deposit Money Banks and International Banking Institutions.

<sup>3</sup> From December 2001, term deposits by banks, previously classified as "Other Liabilities", are classified as "Bank Deposits".

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

*Lm thousands*

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

End of period	External Assets				IMF currency subscription	Central government securities	Other assets	Total assets/liabilities
	Gold	IMF-related assets <sup>2</sup>	Other	Total				
2003	497	35,686	899,365	935,547	31,431	7,772	18,266	993,016
<b>2004</b>								
Jan.	492	35,745	908,614	944,851	31,431	5,908	15,286	997,476
Feb.	481	35,765	913,786	950,032	31,431	7,618	15,308	1,004,389
Mar.	523	36,228	896,106	932,858	31,431	8,329	15,504	988,122
Apr.	492	36,265	890,780	927,536	31,431	6,628	17,071	982,667
May	491	36,110	879,582	916,183	31,846	6,312	17,761	972,101
June	491	36,259	864,180	900,931	31,846	6,482	16,880	956,139
July	489	36,104	869,581	906,175	31,846	14,893	16,182	969,096
Aug.	512	36,411	888,356	925,279	31,846	13,429	17,033	987,587
Sept.	512	35,934	892,037	928,482	31,846	20,453	18,258	999,040
Oct.	512	35,824	868,019	904,355	31,846	16,922	19,628	972,750
Nov.	524	35,455	847,666	883,645	31,846	14,425	19,784	949,700
Dec.	497	35,136	824,921	860,554	30,543	21,338	23,708	936,143
<b>2005</b>								
Jan.	498	35,743	815,051	851,292	30,543	15,038	24,344	921,217
Feb.	505	35,534	813,914	849,953	30,543	5,704	24,095	910,296
Mar.	504	35,791	784,154	820,450	30,543	20,711	47,388	919,092
Apr.	510	35,860	768,188	804,558	30,543	8,423	32,499	876,023
May	513	36,767	771,432	808,712	31,042	17,907	53,721	911,382
June	553	37,064	773,155	810,772	31,042	16,474	31,239	889,526
July	540	36,810	805,808	843,159	31,042	7,709	26,174	908,084
Aug.	541	37,001	840,970	878,512	31,042	8,314	28,029	945,898
Sept.	601	37,246	859,405	897,252	31,042	8,111	27,456	963,861
Oct.	599	37,195	895,201	932,994	31,042	10,112	27,882	1,002,030
Nov.	641	37,609	890,042	928,293	31,042	9,082	26,915	995,331
Dec.	664	37,514	884,860	923,038	32,007	9,118	26,821	990,984

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

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

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

*liabilities*

*Lm thousands*

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

End of period	Resident deposits <sup>1</sup>				External liabilities	Debt securities issued	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	1,047,817	28,782	1,599,172	2,675,772	1,077,630	46,638	599,911	350,272
<b>2004</b>								
Jan.	1,060,800	29,375	1,596,415	2,686,590	1,095,935	46,598	600,927	353,314
Feb.	1,089,949	29,356	1,591,050	2,710,355	1,189,417	46,564	603,897	339,199
Mar.	1,094,169	29,668	1,592,750	2,716,588	1,207,806	49,817	601,543	340,872
Apr.	1,120,871	31,997	1,585,467	2,738,334	1,184,591	50,097	649,104	344,013
May	1,101,281	29,380	1,590,064	2,720,725	1,206,292	49,889	652,127	346,613
June	1,116,388	29,414	1,595,115	2,740,917	1,208,629	49,915	655,746	330,304
July	1,136,678	29,837	1,605,164	2,771,679	1,237,404	49,934	660,607	322,273
Aug.	1,126,367	29,407	1,608,871	2,764,645	1,213,159	49,962	653,030	323,003
Sept.	1,132,442	29,475	1,605,685	2,767,602	1,333,436	49,711	653,317	331,161
Oct.	1,135,545	30,371	1,601,534	2,767,450	1,326,208	49,458	654,567	336,104
Nov.	1,128,026	28,916	1,594,997	2,751,940	1,340,872	49,046	664,323	342,456
Dec.	1,111,768	29,726	1,588,425	2,729,919	1,353,387	48,880	658,932	351,684
<b>2005</b>								
Jan.	1,134,267	30,241	1,590,581	2,755,088	1,340,362	48,858	640,397	340,731
Feb.	1,127,062	30,300	1,595,555	2,752,917	1,352,177	48,600	645,785	338,561
Mar.	1,128,061	29,778	1,597,230	2,755,069	1,325,303	49,708	639,108	358,757
Apr.	1,133,853	29,817	1,594,574	2,758,244	1,296,132	49,604	645,533	338,387
May	1,149,564	29,682	1,585,337	2,764,583	1,345,978	50,195	650,353	376,084
June	1,179,791	29,806	1,602,632	2,812,229	1,356,496	32,214	655,025	351,648
July	1,159,523	31,511	1,612,758	2,803,791	1,337,873	32,187	661,937	336,556
Aug.	1,171,827	29,801	1,625,267	2,826,895	1,379,868	32,065	656,570	343,702
Sept.	1,186,522	29,837	1,631,879	2,848,238	1,425,463	32,249	652,068	340,575
Oct.	1,180,106	29,656	1,629,360	2,839,123	1,491,350	32,212	656,175	358,162
Nov.	1,182,677	30,171	1,627,112	2,839,960	1,468,992	32,504	662,439	330,980
Dec.	1,201,907	30,913	1,646,131	2,878,951	1,530,313	32,449	654,700	317,693

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

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

*Lm thousands*

End of period	Cash & deposits with Central Bank of Malta	Foreign assets	Local lending & bills discounted	Local investments	Fixed & other assets	Total assets/liabilities
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000	152,739	729,614	1,608,023	601,427	150,727	3,242,530
2001	180,312	791,844	1,866,440	663,006	168,985	3,670,587
2002	294,778	1,299,603	1,899,173	667,087	173,107	4,333,748

End of period	Balances held with Central Bank of Malta <sup>1</sup>	Loans	Securities other than shares	Shares & other equity <sup>2</sup>	External assets <sup>2</sup>	Other assets	Total assets/liabilities
2003	260,873	1,909,932	622,093	35,081	1,587,136	335,107	4,750,222
<b>2004</b>							
Jan.	312,047	1,902,808	607,539	35,255	1,586,626	339,089	4,783,362
Feb.	307,741	1,905,858	628,275	35,681	1,674,474	337,404	4,889,433
Mar.	298,278	1,947,956	649,840	32,108	1,679,840	308,603	4,916,626
Apr.	295,735	1,939,989	657,379	30,779	1,721,413	320,845	4,966,140
May	249,406	1,955,450	680,574	31,751	1,729,600	328,834	4,975,616
June	247,127	1,964,152	675,661	31,815	1,755,310	311,448	4,985,513
July	287,482	1,965,875	657,162	31,620	1,784,602	315,156	5,041,897
Aug.	255,095	1,974,645	666,967	31,738	1,748,139	327,214	5,003,797
Sept.	268,144	2,017,036	656,712	31,940	1,868,442	292,954	5,135,227
Oct.	253,636	2,004,395	669,438	32,198	1,875,779	298,341	5,133,788
Nov.	227,690	2,011,774	675,385	32,219	1,888,463	313,108	5,148,638
Dec.	192,578	2,029,380	657,326	32,814	1,894,746	335,959	5,142,801
<b>2005</b>							
Jan.	217,326	2,030,714	646,267	21,596	1,896,610	312,944	5,125,456
Feb.	195,737	2,049,098	677,904	21,583	1,882,912	310,808	5,138,040
Mar.	202,118	2,078,525	662,915	21,132	1,859,182	304,071	5,127,944
Apr.	164,264	2,068,907	682,810	21,182	1,856,744	293,990	5,087,898
May	209,273	2,071,270	654,240	20,978	1,915,337	316,094	5,187,192
June	169,162	2,084,875	666,501	20,984	1,948,314	317,777	5,207,612
July	187,706	2,051,029	655,536	21,042	1,943,201	313,832	5,172,346
Aug.	211,651	2,056,540	655,283	21,036	1,963,671	330,917	5,239,099
Sept.	232,289	2,099,269	621,755	24,504	2,009,405	311,371	5,298,593
Oct.	255,605	2,113,959	619,172	24,791	2,048,393	315,102	5,377,021
Nov.	247,410	2,126,733	602,637	26,102	2,021,500	310,491	5,334,874
Dec.	209,269	2,171,417	618,343	26,268	2,073,993	314,815	5,414,105

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

<sup>2</sup> A re-classification exercise, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the monetary data as from that date. This resulted in an increase in the deposit money banks' external assets and a decrease in shares and other equity.

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES -  
INTERNATIONAL BANKING INSTITUTIONS**  
*liabilities*

*Lm thousands*

End of period	Resident deposits				Foreign liabilities	Capital & reserves	Other liabilities	Total liabilities
	Demand	Savings	Time	Total				
1999	4,027	10,203	7,093	21,323	2,453,948	188,740	39,045	2,703,056
2000	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
2001	5,426	11,259	16,153	32,838	2,348,815	256,729	17	2,638,400
2002	28	5,227	1,125	6,380	2,297,394	157,981	14,774	2,476,529

End of period	Resident deposits				External liabilities	Capital & reserves	Other liabilities	Total liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	464	-	491	955	2,748,650	182,443	2,526	2,934,574
<b>2004</b>								
Jan.	366	-	258	624	2,811,509	185,362	2,847	3,000,343
Feb.	415	-	281	696	2,778,925	190,700	3,300	2,973,622
Mar.	255	-	285	539	2,893,122	201,506	3,477	3,098,645
Apr.	669	-	288	957	2,995,185	192,016	3,180	3,191,337
May	135	-	287	422	3,018,477	192,800	3,420	3,215,119
June	201	-	286	487	2,984,665	199,220	3,586	3,187,957
July	227	87	280	593	2,995,279	204,883	3,726	3,204,481
Aug.	361	113	287	761	3,325,764	215,068	3,682	3,545,275
Sept.	213	202	286	701	3,318,199	214,450	2,582	3,535,932
Oct.	138	327	273	739	3,354,721	217,843	3,699	3,577,001
Nov.	135	320	273	729	3,322,900	218,409	3,942	3,545,980
Dec.	27	310	304	642	3,561,382	236,763	4,257	3,803,045
<b>2005</b>								
Jan.	107	321	261	689	3,585,654	241,773	4,255	3,832,371
Feb.	49	316	270	635	3,588,293	237,861	3,568	3,830,357
Mar.	26	336	272	634	3,738,429	235,537	3,798	3,978,398
Apr.	123	338	65	526	3,820,149	236,124	3,806	4,060,605
May	28	354	53	435	4,049,831	216,365	4,398	4,271,029
June	108	503	64	675	4,130,079	231,388	4,722	4,366,864
July	85	502	97	684	4,254,489	236,392	5,640	4,497,205
Aug.	667	498	112	1,278	4,564,874	237,328	5,040	4,808,520
Sept.	232	509	100	841	5,490,470	268,487	4,077	5,763,874
Oct.	53	531	97	680	5,475,948	273,458	4,655	5,754,741
Nov.	666	540	95	1,301	5,239,821	277,161	4,836	5,523,118
Dec.	231	542	53	826	5,895,677	358,210	5,798	6,260,511

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES -  
INTERNATIONAL BANKING INSTITUTIONS**  
*assets*

*Lm thousands*

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

End of period	Balances held with Central Bank of Malta <sup>1</sup>	External assets	Securities other than shares	Shares and other equity	Other assets	Total assets
2003	-	2,917,645	-	613	16,314	2,934,573
<b>2004</b>						
Jan.	-	2,983,356	-	629	16,358	3,000,342
Feb.	-	2,956,685	-	633	16,303	2,973,622
Mar.	-	3,081,612	-	633	16,400	3,098,644
Apr.	-	3,174,201	-	629	16,507	3,191,338
May	-	3,198,105	-	624	16,389	3,215,118
June	-	3,171,551	-	620	15,785	3,187,957
July	-	3,185,702	-	632	18,148	3,204,482
Aug.	-	3,525,363	-	645	19,265	3,545,274
Sept.	-	3,509,511	-	639	25,781	3,535,932
Oct.	-	3,552,439	-	639	23,923	3,577,001
Nov.	-	3,527,014	-	644	18,323	3,545,981
Dec.	-	3,775,464	-	647	26,933	3,803,045
<b>2005</b>						
Jan.	-	3,804,711	-	415	27,245	3,832,372
Feb.	-	3,802,836	-	421	27,099	3,830,357
Mar.	-	3,950,433	-	422	27,544	3,978,399
Apr.	-	4,032,978	-	412	27,214	4,060,605
May	-	4,242,944	-	444	27,640	4,271,029
June	-	4,338,105	-	455	28,304	4,366,864
July	-	4,472,005	-	464	24,735	4,497,205
Aug.	-	4,784,113	-	462	23,943	4,808,519
Sept.	-	5,739,469	-	472	23,932	5,763,874
Oct.	-	5,723,684	-	478	30,579	5,754,741
Nov.	-	5,491,945	-	420	30,751	5,523,117
Dec.	-	6,228,893	-	423	31,193	6,260,510

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

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

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

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

End of period	Domestic credit <sup>6</sup>			Net foreign assets <sup>6</sup>			Broad money (M3)	Other counterparts to broad money (net)	Total assets/liabilities
	Net claims on central government <sup>2</sup>	Claims on other residents	Total	Central Bank of Malta	OMFIs	Total			
2003	568,436	1,898,951	2,467,386	919,841	678,502	1,598,342	2,849,244	1,216,486	4,065,729
<b>2004</b>									
Jan.	562,778	1,894,952	2,457,731	938,451	662,538	1,600,989	2,865,097	1,193,624	4,058,720
Feb.	579,392	1,900,790	2,480,181	944,205	662,817	1,607,022	2,894,167	1,193,037	4,087,203
Mar.	605,394	1,940,884	2,546,278	933,078	660,524	1,593,602	2,904,751	1,235,130	4,139,880
Apr.	601,279	1,940,898	2,542,177	929,852	715,838	1,645,690	2,933,596	1,254,270	4,187,867
May	565,803	1,977,858	2,543,661	920,605	702,937	1,623,541	2,914,066	1,253,136	4,167,202
June	585,382	1,985,831	2,571,214	906,856	733,567	1,640,424	2,939,288	1,272,347	4,211,637
July	606,953	1,987,659	2,594,612	904,183	737,621	1,641,803	2,970,160	1,266,255	4,236,415
Aug.	576,834	1,990,399	2,567,233	923,751	734,579	1,658,329	2,960,696	1,264,868	4,225,563
Sept.	573,062	2,030,297	2,603,359	928,657	726,318	1,654,975	2,960,436	1,297,898	4,258,334
Oct.	579,520	2,031,839	2,611,359	907,152	747,288	1,654,440	2,954,055	1,311,745	4,265,799
Nov.	581,027	2,036,106	2,617,133	890,747	751,705	1,642,452	2,941,838	1,317,747	4,259,585
Dec.	545,113	2,058,031	2,603,144	870,293	755,441	1,625,734	2,918,320	1,310,557	4,228,878
<b>2005</b>									
Jan.	565,119	2,052,243	2,617,362	856,284	775,304	1,631,588	2,936,569	1,312,382	4,248,950
Feb.	568,407	2,071,034	2,639,441	855,690	745,277	1,600,968	2,934,369	1,306,041	4,240,408
Mar.	565,591	2,102,844	2,668,436	826,212	745,882	1,572,093	2,925,283	1,315,245	4,240,529
Apr.	566,433	2,096,643	2,663,076	814,591	773,442	1,588,033	2,928,150	1,322,961	4,251,108
May	558,294	2,101,628	2,659,922	818,568	762,472	1,581,040	2,931,434	1,309,528	4,240,962
June	560,030	2,116,236	2,676,266	819,114	799,845	1,618,959	2,979,359	1,315,865	4,295,225
July	533,623	2,080,431	2,614,054	856,347	822,844	1,679,191	2,962,716	1,330,528	4,293,245
Aug.	519,399	2,087,454	2,606,853	892,979	803,042	1,696,021	2,988,587	1,314,288	4,302,874
Sept.	498,826	2,121,000	2,619,827	911,712	832,941	1,744,653	3,004,044	1,360,435	4,364,479
Oct.	486,967	2,136,185	2,623,152	944,477	804,779	1,749,256	2,997,663	1,374,746	4,372,408
Nov.	466,042	2,151,149	2,617,191	936,375	804,633	1,741,008	3,001,774	1,356,427	4,358,199
Dec.	442,750	2,193,972	2,636,722	932,601	876,897	1,809,498	3,041,584	1,404,636	4,446,220

<sup>1</sup> Includes Central Bank of Malta, Deposit Money Banks and International Banking Institutions. All interbank transactions are excluded.

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

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

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

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

<sup>6</sup> A re-classification exercise on monetary data, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the counterparts of broad money as from that date. This resulted in an increase in the monetary financial institutions' net foreign assets and a decrease in domestic credit.



**TABLE 1.5 MONETARY BASE AND MONETARY AGGREGATES**
*Lm thousands*

End of period	Monetary base (M0)			Broad money (M3)						
				Narrow money (M1)			Quasi-money			
	Currency issued	Bank deposits with Central Bank of Malta	Total	Currency in circulation	Demand deposits	Total	Savings deposits	Time deposits	Total	
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
2001	441,829	125,789	567,618	418,887	216,600	635,487	671,449	1,446,015	2,117,464	2,752,951
2002	461,247	151,558	612,805	436,831	243,290	680,121	712,788	1,645,163	2,357,951	3,038,072

End of period	Monetary base (M0)			Broad money (M3)								
				Intermediate money (M2)						Repurchase agreements /Debt securities with agreed maturity up to 2 years	Total (M3)	
	Narrow money (M1)			Currency in circulation	Deposits withdrawable on demand		Total (M1)	Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years			Total (M2)
					Demand	Savings						
<b>2003</b>	485,373	137,885	623,258	460,424	273,666	756,858	1,490,948	28,778	1,329,492	2,849,218	26	2,849,244
<b>2004</b>												
Jan.	477,011	143,258	620,269	461,806	266,693	769,945	1,498,444	29,371	1,337,256	2,865,072	25	2,865,097
Feb.	480,596	151,271	631,867	464,226	275,150	791,753	1,531,128	29,352	1,333,687	2,894,167	-	2,894,167
Mar.	486,005	147,696	633,702	467,489	289,094	786,758	1,543,341	29,664	1,331,746	2,904,751	-	2,904,751
Apr.	491,230	134,088	625,318	472,514	305,138	801,086	1,578,738	31,992	1,322,867	2,933,596	-	2,933,596
May	493,617	152,351	645,968	476,693	300,935	782,932	1,560,560	29,375	1,324,132	2,914,066	-	2,914,066
June	502,342	144,286	646,628	481,560	306,566	790,863	1,578,989	29,409	1,330,890	2,939,288	-	2,939,288
July	501,806	154,925	656,731	483,457	314,267	801,352	1,599,076	29,918	1,341,166	2,970,160	-	2,970,160
Aug.	503,876	150,143	654,019	483,028	325,647	785,769	1,594,444	29,514	1,336,738	2,960,696	-	2,960,696
Sept.	503,787	159,502	663,288	484,035	323,859	788,343	1,596,237	29,672	1,334,526	2,960,436	-	2,960,436
Oct.	503,769	147,874	651,643	484,511	317,707	793,406	1,595,624	30,693	1,327,737	2,954,055	-	2,954,055
Nov.	500,637	152,522	653,158	480,486	321,976	789,170	1,591,633	29,231	1,320,973	2,941,838	-	2,941,838
Dec.	506,406	145,298	651,703	485,993	300,848	794,103	1,580,944	30,031	1,307,345	2,918,320	-	2,918,320
<b>2005</b>												
Jan.	499,631	170,323	669,954	482,964	312,306	802,873	1,598,143	30,556	1,307,869	2,936,569	-	2,936,569
Feb.	501,987	146,783	648,770	484,476	304,414	803,649	1,592,539	30,611	1,311,219	2,934,369	-	2,934,369
Mar.	505,049	175,232	680,281	484,636	302,470	798,558	1,585,664	30,108	1,309,511	2,925,283	-	2,925,283
Apr.	507,076	140,250	647,326	488,981	297,672	805,802	1,592,455	30,149	1,305,545	2,928,150	-	2,928,150
May	510,621	178,960	689,581	490,486	306,377	812,121	1,608,984	30,031	1,292,419	2,931,434	-	2,931,434
June	517,006	146,000	663,006	495,454	314,418	831,301	1,641,173	30,304	1,307,881	2,979,359	-	2,979,359
July	517,836	137,681	655,517	498,601	305,550	818,556	1,622,707	32,008	1,308,000	2,962,716	-	2,962,716
Aug.	518,168	146,415	664,584	497,807	317,103	819,787	1,634,696	30,294	1,323,596	2,988,587	-	2,988,587
Sept.	518,304	130,333	648,637	497,228	319,416	831,157	1,647,800	30,340	1,325,904	3,004,044	-	3,004,044
Oct.	516,749	149,530	666,278	496,940	314,836	830,107	1,641,884	30,182	1,325,598	2,997,663	-	2,997,663
Nov.	516,338	148,973	665,311	494,204	317,532	832,338	1,644,074	30,706	1,326,994	3,001,774	-	3,001,774
Dec.	520,044	135,540	655,584	498,921	312,115	859,026	1,670,062	31,449	1,340,074	3,041,584	-	3,041,584

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

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos <sup>1</sup>			Marginal lending during the period <sup>2</sup>	Term deposits <sup>3</sup>			Overnight deposits <sup>4</sup>
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900	180,200	64,700	500	271,600	283,600	-	97,662
2001	859,000	918,700	5,000	8,550	77,200	56,200	21,000	120,200
2002	-	5,000	-	-	2,399,400	2,316,400	104,000	175,665
2003	-	-	-	1,000	3,519,200	3,518,900	104,300	106,400
<b>2004</b>								
Jan.	-	-	-	2,300	296,000	251,300	149,000	-
Feb.	-	-	-	-	285,600	295,000	139,600	5,350
Mar.	-	-	-	100	292,500	297,400	134,700	-
Apr.	-	-	-	-	287,300	282,000	140,000	5,900
May	-	-	-	-	206,600	268,800	77,800	11,300
June	-	-	-	-	171,100	164,700	84,200	15,600
July	-	-	-	1,900	257,000	228,200	113,000	500
Aug.	-	-	-	1,500	196,550	224,750	84,800	4,500
Sept.	-	-	-	4	200,400	197,400	87,800	12,500
Oct.	-	-	-	-	231,400	235,100	84,100	26,000
Nov.	-	-	-	-	164,200	192,000	56,300	1,500
Dec.	-	-	-	-	108,220	143,520	21,000	3,700
<b>2005</b>								
Jan.	-	-	-	-	89,900	81,100	29,800	15,000
Feb.	-	-	-	-	89,200	90,000	29,000	3,700
Mar.	23,000	-	23,000	6,300	44,700	63,700	10,000	-
Apr.	9,000	23,000	9,000	-	40,900	50,900	-	58,600
May	34,300	16,300	27,000	-	23,700	16,700	7,000	-
June	6,000	27,000	6,000	-	41,200	47,200	1,000	23,300
July	7,300	13,300	-	-	38,700	12,200	27,500	25,900
Aug.	-	-	-	-	66,350	49,550	44,300	-
Sept.	-	-	-	-	215,000	178,800	80,500	50,550
Oct.	-	-	-	-	276,700	271,500	85,700	3,600
Nov.	-	-	-	2	339,400	350,800	74,300	30,100
Dec.	-	-	-	11	372,000	399,500	46,800	15,900

<sup>1</sup> The Central Bank of Malta injects liquidity into the banking system through an auction of reverse repos in the event of a liquidity shortage. With effect from 15th September 2005, the maturity period of reverse repos is 7 days.

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

<sup>3</sup> The Central Bank of Malta accepts placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity from the banking system. Up to 14th September 2005 the maturity period of these term deposits was 14 days. Thereafter the maturity period was reduced to 7 days.

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

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

*Lm thousands*

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

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

*Lm thousands*

End of Period	Central government	Other sectors					Resident deposits	Non-resident deposits	Total deposits
		Other general government	Financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total			
2003	19,216	6,852	51,299	419,019	2,180,340	2,657,511	2,676,727	850,927	3,527,654
<b>2004</b>									
Jan.	20,115	6,623	53,119	415,606	2,191,751	2,667,099	2,687,215	964,582	3,651,796
Feb.	20,034	5,951	62,967	419,984	2,202,116	2,691,018	2,711,051	1,018,570	3,729,621
Mar.	19,829	7,740	51,740	427,765	2,210,052	2,697,298	2,717,127	1,024,388	3,741,515
Apr.	21,148	6,175	55,969	434,283	2,221,717	2,718,144	2,739,291	1,043,975	3,783,266
May	23,130	5,328	57,776	428,514	2,206,398	2,698,017	2,721,148	1,029,411	3,750,558
June	22,096	4,564	58,965	437,579	2,218,200	2,719,308	2,741,404	936,286	3,677,690
July	23,122	6,098	63,228	452,103	2,227,721	2,749,151	2,772,273	957,807	3,730,079
Aug.	24,027	5,461	63,311	449,419	2,223,188	2,741,379	2,765,407	1,011,903	3,777,309
Sept.	27,898	4,742	61,861	445,562	2,228,239	2,740,404	2,768,303	1,064,674	3,832,976
Oct.	26,907	6,170	55,154	448,862	2,231,096	2,741,281	2,768,188	1,033,791	3,801,979
Nov.	24,051	5,231	60,712	446,720	2,215,956	2,728,619	2,752,669	1,081,033	3,833,703
Dec.	21,367	7,191	55,223	414,530	2,232,250	2,709,194	2,730,560	1,077,942	3,808,503
<b>2005</b>									
Jan.	24,974	6,397	57,802	431,558	2,235,046	2,730,803	2,755,778	1,013,712	3,769,490
Feb.	24,362	5,343	55,751	419,076	2,249,019	2,729,189	2,753,552	1,018,502	3,772,054
Mar.	30,811	4,478	55,465	428,521	2,236,427	2,724,891	2,755,702	1,150,927	3,906,629
Apr.	32,555	6,126	51,449	424,155	2,244,483	2,726,214	2,758,769	1,152,308	3,911,077
May	36,306	5,362	58,921	417,900	2,246,529	2,728,712	2,765,018	1,066,408	3,831,426
June	37,045	4,774	67,638	433,032	2,270,414	2,775,859	2,812,904	1,195,977	4,008,881
July	36,072	6,410	59,940	437,487	2,264,567	2,768,404	2,804,476	1,276,600	4,081,076
Aug.	38,411	5,723	54,476	456,575	2,272,987	2,789,762	2,828,173	1,275,415	4,103,587
Sept.	41,114	5,026	62,998	456,989	2,282,952	2,807,965	2,849,079	1,456,257	4,305,335
Oct.	38,071	6,851	61,712	455,488	2,277,681	2,801,732	2,839,803	1,518,769	4,358,572
Nov.	37,610	6,070	65,093	456,478	2,276,009	2,803,650	2,841,261	1,446,262	4,287,523
Dec.	42,944	7,835	79,672	447,713	2,301,612	2,836,833	2,879,777	1,938,593	4,818,370

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

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

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

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

**TABLE 1.8 DEPOSITS HELD WITH OTHER  
MONETARY FINANCIAL INSTITUTIONS<sup>1</sup>**  
*analysis by currency*

*Lm thousands*

End of period	Resident deposits					Non-resident deposits		Total deposits
	MTL	EUR	GBP	USD	Other	MTL	Other	
2002	2,293,881	77,068	115,339	111,574	22,939	35,579	872,847	3,529,227
2003	2,319,822	103,928	130,196	98,049	25,352	47,978	809,676	3,535,001
<b>2004</b>								
Jan.	2,328,490	103,466	129,467	99,393	27,849	47,662	921,353	3,657,680
Feb.	2,345,358	97,888	137,062	104,184	28,012	47,683	975,293	3,735,480
Mar.	2,351,784	96,968	137,613	103,986	27,707	50,269	974,119	3,742,446
Apr.	2,364,993	102,721	136,037	109,986	27,114	50,440	993,535	3,784,826
May	2,343,312	102,392	141,405	108,529	26,036	50,390	979,021	3,751,085
June	2,358,372	104,971	144,237	106,241	27,583	50,900	885,386	3,677,690
July	2,379,940	106,311	145,485	111,466	29,148	51,530	906,277	3,730,158
Aug.	2,372,551	108,550	145,155	110,729	28,724	51,448	960,454	3,777,611
Sept.	2,377,863	109,686	146,952	105,459	28,934	50,429	1,014,244	3,833,569
Oct.	2,381,115	107,526	145,782	105,495	28,309	50,213	983,577	3,802,018
Nov.	2,360,214	113,655	149,885	100,904	28,012	51,122	1,029,911	3,833,703
Dec.	2,344,529	108,373	151,142	96,978	29,546	50,770	1,027,172	3,808,510
<b>2005</b>								
Jan.	2,354,358	113,397	154,332	99,966	34,298	50,265	963,447	3,770,062
Feb.	2,361,041	110,804	153,446	97,928	30,688	49,838	968,665	3,772,411
Mar.	2,353,226	113,748	155,641	101,702	31,385	50,741	1,100,186	3,906,629
Apr.	2,349,477	119,312	157,139	99,795	33,047	51,609	1,100,699	3,911,077
May	2,348,673	119,521	159,552	102,753	34,518	52,315	1,014,094	3,831,426
June	2,378,145	122,335	169,498	107,166	35,760	55,034	1,140,942	4,008,881
July	2,381,876	122,738	165,192	99,342	35,328	53,844	1,222,757	4,081,076
Aug.	2,398,102	122,372	169,578	102,275	35,845	53,724	1,224,262	4,106,158
Sept.	2,419,176	121,992	169,777	102,156	35,978	51,485	1,410,918	4,311,481
Oct.	2,407,078	118,154	171,116	111,176	32,279	52,111	1,472,823	4,364,736
Nov.	2,408,206	116,369	172,334	111,878	32,474	51,197	1,399,871	4,292,328
Dec.	2,439,823	122,046	181,620	102,291	33,997	51,335	1,892,004	4,823,116

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

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

End of period	Currency issued and outstanding			Less currency held by banking system <sup>1</sup>	Currency in circulation
	Notes	Coins	Total		
1999	402,000	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,834	17,994	441,829	22,942	418,887
2002	443,905	17,343	461,247	24,416	436,831
2003	467,097	18,275	485,373	24,949	460,424
<b>2004</b>					
Jan.	458,965	18,046	477,011	15,205	461,806
Feb.	462,682	17,914	480,596	16,371	464,226
Mar.	468,052	17,954	486,005	18,516	467,489
Apr.	473,087	18,143	491,230	18,716	472,514
May	475,363	18,254	493,617	16,925	476,693
June	483,772	18,571	502,342	20,782	481,560
July	483,008	18,798	501,806	18,349	483,457
Aug.	484,795	19,081	503,876	20,848	483,028
Sept.	484,754	19,033	503,787	19,752	484,035
Oct.	484,697	19,072	503,769	19,258	484,511
Nov.	481,549	19,088	500,637	20,150	480,486
Dec.	487,165	19,240	506,406	20,412	485,993
<b>2005</b>					
Jan.	480,630	19,000	499,631	16,667	482,964
Feb.	483,075	18,912	501,987	17,512	484,476
Mar.	486,140	18,908	505,049	20,413	484,636
Apr.	488,028	19,048	507,076	18,095	488,981
May	491,377	19,244	510,621	20,134	490,486
June	497,523	19,483	517,006	21,553	495,454
July	497,996	19,840	517,836	19,235	498,601
Aug.	498,105	20,063	518,168	20,361	497,807
Sept.	498,305	20,000	518,304	21,076	497,228
Oct.	496,704	20,045	516,749	19,808	496,940
Nov.	496,281	20,057	516,338	22,134	494,204
Dec.	499,934	20,110	520,044	21,123	498,921

<sup>1</sup> For the purposes of this classification, the banking system includes Deposit Money Banks and International 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 <sup>2</sup>				
		Lm20	Lm10	Lm5	Lm2	Total
1999	418,485	108,626	259,366	27,738	6,270	402,000
2000	423,188	107,902	264,170	27,168	6,473	405,713
2001	441,829	108,832	280,699	27,647	6,656	423,834
2002	461,247	109,560	298,664	28,784	6,897	443,905
2003	485,373	109,703	319,411	30,818	7,165	467,097
<b>2004</b>						
Jan.	477,011	109,411	313,683	28,854	7,016	458,965
Feb.	480,596	109,974	316,423	29,279	7,006	462,682
Mar.	486,005	110,176	320,918	29,847	7,111	468,052
Apr.	491,230	110,777	324,839	30,253	7,218	473,087
May	493,617	111,172	326,069	30,823	7,300	475,364
June	502,342	112,254	332,185	31,848	7,485	483,772
July	501,806	112,446	331,235	31,871	7,456	483,008
Aug.	503,876	112,355	332,498	32,406	7,536	484,795
Sept.	503,787	112,384	332,738	32,191	7,441	484,754
Oct.	503,769	111,376	334,107	31,759	7,455	484,697
Nov.	500,637	110,657	332,655	30,931	7,306	481,549
Dec.	506,406	110,318	337,551	31,904	7,392	487,165
<b>2005</b>						
Jan.	499,631	109,748	333,103	30,509	7,270	480,630
Feb.	501,987	109,973	335,328	30,531	7,244	483,075
Mar.	505,049	110,134	337,312	31,365	7,329	486,140
Apr.	507,076	110,654	338,318	31,585	7,472	488,028
May	510,621	111,150	340,419	32,211	7,598	491,377
June	517,006	111,928	344,343	33,445	7,807	497,523
July	517,836	112,561	344,193	33,352	7,890	497,996
Aug.	518,168	112,485	344,324	33,414	7,883	498,105
Sept.	518,304	112,248	344,963	33,198	7,896	498,305
Oct.	516,749	111,594	344,727	32,559	7,823	496,704
Nov.	516,338	111,048	344,969	32,505	7,758	496,281
Dec.	520,044	110,549	348,618	32,979	7,788	499,934

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

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

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

Period	Liquid assets			Net short-term liabilities <sup>3</sup>	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits <sup>2</sup>
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000	680,572	491,273	189,299	1,637,576	41.6	76.1
2001	899,098	524,456	374,642	1,748,188	51.4	80.7
2002	983,291	588,529	394,762	1,961,762	50.1	72.8
2003	984,411	609,245	375,166	2,030,816	48.5	73.6
<b>2004</b>						
Jan.	1,039,118	615,294	423,824	2,050,979	50.7	72.8
Feb.	1,149,454	612,935	536,519	2,043,116	56.3	72.3
Mar.	1,050,575	638,508	412,067	2,128,359	49.4	73.5
Apr.	1,055,676	655,572	400,104	2,185,239	48.3	72.7
May	1,027,172	667,041	360,131	2,223,471	46.2	73.7
June	1,049,939	669,409	380,530	2,231,363	47.1	73.3
July	1,118,486	655,632	462,854	2,185,441	51.2	72.6
Aug.	1,026,798	656,753	370,045	2,189,176	46.9	73.2
Sept.	1,117,748	702,965	414,783	2,343,217	47.7	74.6
Oct.	1,106,236	711,206	395,030	2,370,686	46.7	74.1
Nov.	1,182,304	755,285	427,019	2,508,462	47.0	74.8
Dec.	1,073,540	692,378	381,162	2,307,928	46.5	75.9
<b>2005</b>						
Jan.	1,082,611	700,958	381,653	2,336,527	46.3	75.1
Feb.	1,090,706	700,333	390,373	2,334,444	46.7	75.8
Mar.	1,059,157	702,664	356,493	2,342,212	45.2	76.8
Apr.	1,047,300	689,285	358,015	2,297,616	45.6	76.2
May	1,226,539	702,789	523,750	2,342,630	52.4	76.1
June	1,217,994	716,038	501,956	2,386,793	51.0	75.3
July	1,195,557	651,331	544,226	2,171,102	55.1	74.7
Aug.	1,258,594	660,701	597,893	2,202,335	57.1	74.3
Sept.	1,247,446	671,978	575,468	2,239,927	55.7	75.2
Oct.	1,262,037	694,138	567,899	2,313,792	54.5	75.9
Nov.	1,194,329	685,943	508,386	2,286,478	52.2	76.3
Dec.	1,238,543	701,968	536,575	2,339,893	52.9	76.8

<sup>1</sup> From 15 November 1994, Banking Directive No. 5 established a minimum 30% liquid asset ratio, net of deductions.

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

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

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

Period	Cash & deposits with Central Bank of Malta <sup>1</sup>	Treasury bills	Interbank deposits	Marketable debt securities <sup>2</sup>	Total liquid assets
1999	50,995	75,929	67,768	499,837	694,529
2000	33,512	116,818	68,865	461,377	680,572
2001	59,754	135,845	115,894	587,605	899,098
2002	120,981	156,950	135,072	570,288	983,291
2003	129,234	183,902	101,688	569,587	984,411
<b>2004</b>					
Jan.	174,472	169,978	137,682	556,986	1,039,118
Feb.	167,646	186,681	240,744	554,383	1,149,454
Mar.	157,458	207,875	128,455	556,787	1,050,575
Apr.	154,327	219,720	145,405	536,224	1,055,676
May	97,936	224,641	142,509	562,086	1,027,172
June	106,098	221,610	167,860	554,371	1,049,939
July	143,825	225,959	209,045	539,657	1,118,486
Aug.	103,137	213,828	161,215	548,618	1,026,798
Sept.	119,501	206,378	156,794	635,075	1,117,748
Oct.	110,659	219,661	145,106	630,810	1,106,236
Nov.	79,735	209,270	200,133	693,166	1,182,304
Dec.	45,160	190,461	155,583	682,336	1,073,540
<b>2005</b>					
Jan.	61,166	176,034	170,229	675,182	1,082,611
Feb.	54,545	205,363	149,182	681,616	1,090,706
Mar.	57,340	184,857	158,289	658,671	1,059,157
Apr.	21,523	205,889	149,742	670,146	1,047,300
May	54,167	170,656	168,254	833,462	1,226,539
June	33,366	185,575	168,387	830,666	1,217,994
July	46,269	172,212	157,094	819,982	1,195,557
Aug.	69,635	164,942	174,241	849,776	1,258,594
Sept.	98,075	145,082	177,281	827,008	1,247,446
Oct.	123,452	143,089	186,760	808,736	1,262,037
Nov.	105,117	131,528	154,779	802,905	1,194,329
Dec.	74,527	147,511	219,542	796,963	1,238,543

<sup>1</sup> Excludes balances held as reserve deposits.<sup>2</sup> Includes securities issued or guaranteed by governments, supranational or other institutions, discounted on the basis of credit risk and remaining term to maturity.



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

*Lm thousands*

End of period		Size of loans <sup>2</sup>				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1999	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest Rate	7.33	7.62	7.66	6.55	7.16
2000	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest Rate	7.38	7.31	7.29	6.46	6.97
2001	Amount	222,816	497,299	351,893	788,641	1,860,625
	Interest Rate	6.70	6.87	7.22	5.50	6.33
2002	Amount	231,568	554,682	358,287	1,001,883	2,146,420
	Interest Rate	6.21	6.02	6.68	5.04	5.69
2003	Amount	235,875	681,763	369,381	1,060,829	2,347,849
<b>2004</b>						
Mar.	Amount	245,023	716,245	388,237	1,119,282	2,468,787
June	Amount	237,478	693,152	371,638	1,240,970	2,543,237
Sept.	Amount	240,521	716,616	383,594	1,212,677	2,553,407
Dec.	Amount	241,926	736,447	394,321	1,227,685	2,600,378
<b>2005</b>						
Mar.	Amount	238,180	766,116	411,344	1,212,150	2,627,789
June	Amount	245,446	765,875	446,582	1,174,249	2,632,152
Sept.	Amount	274,386	785,092	413,106	1,210,274	2,682,858
Dec.	Amount	245,850	813,559	422,661	1,259,127	2,741,199

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

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

**TABLE 1.14 DEPOSIT MONEY BANK LOANS  
OUTSTANDING BY ECONOMIC ACTIVITY<sup>1</sup>**

*Lm thousands*

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

End of period	Electricity, gas & water supply	Transport, storage & communication	Financial intermediation	Agriculture & fishing	Manufacturing	Construction	Hotels & restaurants <sup>3</sup>	Wholesale & retail trade; repairs
2003	83,891	135,506	74,835	9,237	184,823	201,132	206,872	288,171
<b>2004</b>								
Jan.	80,976	140,987	77,924	9,190	178,308	197,512	205,727	281,635
Feb.	79,769	140,647	73,201	9,279	179,335	193,346	204,739	281,182
Mar.	78,217	139,378	71,518	9,318	181,459	200,700	209,504	293,256
Apr.	78,372	136,338	70,037	9,394	180,116	198,014	207,194	291,978
May	85,869	135,904	68,835	9,275	178,368	200,980	206,525	288,889
June	86,142	132,425	68,682	9,300	177,088	202,392	204,555	288,781
July	91,166	129,508	68,825	9,460	174,752	199,610	204,492	283,234
Aug.	92,064	127,667	70,641	9,255	174,675	202,530	203,098	278,700
Sept.	92,432	128,004	74,108	9,578	169,353	209,037	205,819	290,425
Oct.	90,849	127,387	71,331	9,362	153,348	209,796	203,327	288,492
Nov.	89,694	125,443	72,858	9,656	153,286	214,248	204,796	287,478
Dec.	92,136	126,950	63,500	9,923	153,730	217,001	205,569	290,297
<b>2005</b>								
Jan.	88,121	127,198	56,429	9,681	150,703	214,544	209,168	288,927
Feb.	90,793	127,455	56,784	9,684	149,270	217,239	209,351	288,468
Mar.	91,825	129,415	56,247	9,897	142,648	214,177	215,878	297,455
Apr.	90,001	129,252	52,570	9,674	141,674	217,377	214,381	294,723
May	91,342	124,363	54,736	9,093	143,115	207,609	212,267	293,365
June	91,472	121,548	49,152	9,196	140,758	202,428	209,584	294,596
July	53,148	124,504	60,299	9,262	139,276	199,281	206,918	290,232
Aug.	54,307	120,448	64,322	9,181	133,740	200,778	186,552	286,295
Sept.	54,395	122,229	64,740	8,461	135,201	201,244	202,718	296,756
Oct.	58,311	121,322	63,478	8,565	132,104	204,259	203,417	294,701
Nov.	59,033	120,076	63,022	8,551	132,357	207,378	201,765	294,949
Dec.	61,101	123,245	62,311	8,702	131,453	215,637	203,846	296,678

<sup>1</sup> As from October 2003 includes bills discounted.

<sup>2</sup> As from January 1995 includes Deposit Money Banks and International Banking Institutions.

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

**TABLE 1.14 DEPOSIT MONEY BANK LOANS  
OUTSTANDING BY ECONOMIC ACTIVITY<sup>1</sup> (continued)**

*Lm thousands*

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

End of period	Real estate, renting & business activities	Households & individuals				Other (residual) <sup>3</sup>	Total lending to residents	Lending to non-residents	Total
		Lending for house purchase	Consumer credit	Other lending	Total				
2003	118,472	442,245	36,142	131,568	609,955	60,788	1,973,681	374,168	2,347,849
<b>2004</b>									
Jan.	117,389	448,937	35,811	131,522	616,270	59,463	1,965,382	371,927	2,337,309
Feb.	118,687	454,386	35,463	134,809	624,657	61,664	1,966,507	359,769	2,326,276
Mar.	121,620	466,190	35,473	138,769	640,431	61,610	2,007,011	461,775	2,468,786
Apr.	121,657	467,771	35,540	141,467	644,778	61,430	1,999,307	506,508	2,505,815
May	121,601	486,499	51,881	117,719	656,099	60,891	2,013,236	501,265	2,514,501
June	120,503	497,039	66,660	104,641	668,339	60,238	2,018,445	524,792	2,543,237
July	121,966	502,715	66,993	105,879	675,587	61,622	2,020,223	506,430	2,526,653
Aug.	126,096	507,381	69,264	106,243	682,888	61,774	2,029,388	485,601	2,514,989
Sept.	136,141	512,072	71,598	111,882	695,552	60,594	2,071,043	482,365	2,553,407
Oct.	137,195	518,153	72,198	113,721	704,071	60,747	2,055,904	472,454	2,528,358
Nov.	136,185	531,303	78,246	99,257	708,806	61,618	2,064,066	470,329	2,534,395
Dec.	137,956	536,720	80,882	100,822	718,424	62,113	2,077,600	522,778	2,600,378
<b>2005</b>									
Jan.	142,739	544,165	81,204	100,149	725,519	63,015	2,076,045	505,497	2,581,542
Feb.	143,091	565,537	81,422	92,334	739,294	61,396	2,092,824	516,375	2,609,199
Mar.	151,727	575,707	81,437	91,370	748,514	63,100	2,120,882	506,907	2,627,789
Apr.	145,779	585,148	82,222	85,292	752,662	62,420	2,110,514	496,576	2,607,090
May	137,456	592,975	83,559	87,330	763,864	74,443	2,111,653	508,352	2,620,006
June	153,720	601,913	84,428	88,402	774,743	77,387	2,124,583	507,569	2,632,152
July	154,983	609,848	85,151	90,032	785,031	79,168	2,102,103	512,793	2,614,896
Aug.	175,511	617,183	86,229	90,448	793,860	81,631	2,106,624	513,757	2,620,381
Sept.	182,658	623,023	85,663	91,703	800,389	79,814	2,148,606	534,252	2,682,858
Oct.	182,684	632,316	87,773	93,316	813,405	79,153	2,161,399	538,014	2,699,413
Nov.	183,058	642,772	89,465	90,724	822,960	79,974	2,173,124	535,542	2,708,666
Dec.	190,703	653,136	91,317	92,116	836,569	85,832	2,216,078	525,121	2,741,199

<sup>1</sup> As from October 2003 includes bills discounted.

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

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

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

*Lm thousands*

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

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

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

<sup>1</sup> Loans extended by Deposit Money Banks 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. Table discontinued as from October 2003.

**TABLE 1.15b DEPOSIT MONEY BANK LOANS  
TO RESIDENTS**

*analysis by economic activity and by sector*

*Lm thousands*

End of period	Electricity, gas & water supply		Transport, storage & communication		Agriculture & fishing	Financial intermediation	Manufacturing		Construction	
	Public Sector	Private Sector	Public Sector	Private Sector			Public Sector	Private Sector	Public Sector	Private Sector
2003	82,882	1,009	60,071	75,435	9,237	74,835	61,434	123,388	3,900	197,232
<b>2004</b>										
July	90,478	688	56,017	73,491	9,460	68,826	58,163	116,589	4,150	195,460
Aug.	91,115	949	57,105	69,084	9,255	70,641	57,779	116,897	4,150	198,380
Sept.	91,690	742	55,252	71,275	9,578	74,107	49,362	119,991	4,150	204,887
Oct.	90,077	772	57,404	69,983	9,362	71,331	33,746	119,602	3,950	205,846
Nov.	88,937	757	56,537	68,906	9,656	72,858	33,753	119,533	3,950	210,298
Dec.	91,328	808	58,010	68,941	9,923	63,500	33,719	120,011	3,735	213,266
<b>2005</b>										
Jan.	87,343	778	60,557	66,641	9,681	56,429	32,579	118,124	3,735	210,809
Feb.	90,074	719	59,047	68,408	9,684	56,784	31,988	117,282	3,735	213,504
Mar.	91,084	741	60,803	68,612	9,897	56,247	27,982	114,666	0	214,177
Apr.	89,289	713	60,498	68,754	9,674	52,570	27,232	114,442	57	217,320
May	90,666	677	56,059	68,304	9,093	54,736	27,248	115,867	56	207,552
June	90,249	1,224	54,712	66,836	9,196	49,152	27,210	113,548	61	202,367
July	52,036	1,112	57,493	67,011	9,262	60,299	27,073	112,204	68	199,213
Aug.	53,216	1,091	54,196	66,251	9,181	64,322	27,044	106,696	70	200,707
Sept.	52,743	1,652	54,618	67,611	8,461	64,740	27,650	107,551	71	201,173
Oct.	55,524	2,788	53,400	67,922	8,565	63,478	25,637	106,467	70	204,188
Nov.	56,283	2,750	52,574	67,501	8,551	63,022	25,506	106,851	72	207,306
Dec.	58,073	3,028	55,451	67,793	8,702	62,311	25,008	106,445	72	215,566

End of period	Hotels & restaurants		Wholesale & retail trade; repairs	Households & individuals	Real estate, renting & business activities		Other		Total lending to residents	
	Public Sector	Private Sector			Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector
2003	2,893	203,979	288,171	609,955	1,138	117,334	11,278	49,510	225,129	1,748,552
<b>2004</b>										
July	2,591	201,900	283,234	675,587	1,159	120,807	11,161	50,461	224,120	1,796,103
Aug.	2,570	200,528	278,699	682,888	5,425	120,670	11,459	50,315	231,486	1,797,902
Sept.	2,488	203,331	290,425	695,552	13,437	122,704	9,190	51,404	231,757	1,839,286
Oct.	2,361	200,966	288,492	704,071	12,825	124,370	8,786	51,961	213,543	1,842,361
Nov.	2,388	202,408	287,477	708,806	12,633	123,553	9,363	52,254	211,977	1,852,089
Dec.	2,286	203,283	290,297	718,424	12,572	125,384	9,821	52,293	211,572	1,866,028
<b>2005</b>										
Jan.	2,284	206,884	288,927	725,519	12,845	129,894	11,201	51,813	210,608	1,865,437
Feb.	2,359	206,993	288,468	739,294	12,821	130,270	10,146	51,250	210,178	1,882,646
Mar.	2,305	213,573	297,455	748,514	16,997	134,730	11,396	51,704	210,578	1,910,304
Apr.	2,311	212,070	294,723	752,662	16,128	129,651	10,894	51,526	206,418	1,904,095
May	2,301	209,966	293,365	763,864	4,574	132,882	22,394	52,049	203,310	1,908,343
June	2,181	207,403	294,596	774,743	4,732	148,988	23,696	53,691	202,862	1,921,721
July	2,141	204,777	290,232	785,031	4,658	150,326	23,160	56,008	166,656	1,935,447
Aug.	2,086	184,465	286,295	793,860	4,582	170,930	25,793	55,837	167,010	1,939,614
Sept.	2,107	200,611	296,756	800,389	4,001	178,657	26,130	53,684	167,334	1,981,272
Oct.	1,943	201,474	294,701	813,405	3,836	178,847	26,160	52,993	166,575	1,994,824
Nov.	1,966	199,799	294,949	822,960	3,801	179,257	26,093	53,882	166,306	2,006,818
Dec.	1,945	201,901	296,678	836,569	1,058	189,645	30,599	55,233	172,207	2,043,871

**TABLE 1.16 NET FOREIGN ASSETS OF  
THE MONETARY FINANCIAL INSTITUTIONS<sup>1</sup>**

*Lm thousands*

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

End of period	Central Bank of Malta					
	Foreign Assets				Foreign Liabilities	Net Foreign Assets (A)
	Gold	IMF-related assets	Other	Total		
2003	624	67,117	910,851	978,592	58,751	919,841
<b>2004</b>						
Jan.	619	67,177	918,004	985,800	47,348	938,451
Feb.	606	67,196	923,240	991,042	46,837	944,205
Mar.	657	67,660	905,841	974,158	41,080	933,078
Apr.	602	67,696	901,241	969,539	39,687	929,852
May	674	67,956	891,114	959,744	39,139	920,605
June	656	68,106	874,440	943,202	36,345	906,856
July	628	67,951	879,190	947,769	43,586	904,183
Aug.	625	68,257	898,963	967,845	44,095	923,751
Sept.	625	67,780	903,851	972,256	43,599	928,657
Oct.	625	67,670	881,283	949,578	42,426	907,152
Nov.	639	67,301	861,398	929,337	38,590	890,747
Dec.	604	65,679	837,691	903,974	33,681	870,293
<b>2005</b>						
Jan.	607	66,286	828,657	895,550	39,266	856,284
Feb.	617	66,077	826,961	893,655	37,965	855,690
Mar.	615	66,334	797,672	864,621	38,410	826,212
Apr.	640	66,403	782,833	849,875	35,284	814,591
May	627	67,809	788,557	856,993	38,425	818,568
June	688	68,106	790,320	859,115	40,001	819,114
July	673	67,852	823,086	891,611	35,263	856,347
Aug.	673	68,043	859,726	928,442	35,464	892,979
Sept.	747	68,287	877,842	946,876	35,164	911,712
Oct.	756	68,237	912,623	981,616	37,140	944,477
Nov.	809	68,651	908,370	977,829	41,454	936,375
Dec.	837	69,527	899,953	970,317	37,716	932,601

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

<sup>2</sup> Includes small amounts of other precious metals.

<sup>3</sup> Includes IMF reserve position and holdings of SDRs.

<sup>4</sup> Comprises customers' foreign currency deposits and sinking funds held with the Central Bank of Malta and other official funds held with the Treasury.

**TABLE 1.16 NET FOREIGN ASSETS OF  
THE MONETARY FINANCIAL INSTITUTIONS<sup>1</sup>**

*(continued)*

*Lm thousands*

End of period	Deposit money banks <sup>2</sup>			Total (A+B)	International banking institutions <sup>2</sup>			Grand total (A+B+C)
	Assets <sup>3</sup>	Liabilities	Net (B)		Assets	Liabilities	Net (C)	
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000	816,746	690,013	126,733	770,896	2,738,724	2,535,186	203,538	974,434
2001	828,701	722,868	105,833	866,261	2,444,196	2,226,910	217,286	1,083,546
2002	1,299,603	1,038,562	261,041	1,134,901	2,456,089	2,297,394	158,695	1,293,596
2003	1,587,136	1,077,630	509,506	1,429,347	2,917,645	2,748,650	168,995	1,598,342
<b>2004</b>								
Jan.	1,586,626	1,095,935	490,691	1,429,142	2,983,356	2,811,509	171,847	1,600,989
Feb.	1,674,474	1,189,417	485,057	1,429,262	2,956,685	2,778,925	177,760	1,607,022
Mar.	1,679,840	1,207,806	472,034	1,405,112	3,081,612	2,893,122	188,490	1,593,602
Apr.	1,721,413	1,184,591	536,822	1,466,674	3,174,201	2,995,185	179,016	1,645,690
May	1,729,600	1,206,292	523,309	1,443,913	3,198,105	3,018,477	179,628	1,623,541
June	1,755,310	1,208,629	546,680	1,453,537	3,171,551	2,984,665	186,887	1,640,424
July	1,784,602	1,237,404	547,198	1,451,380	3,185,702	2,995,279	190,423	1,641,803
Aug.	1,748,139	1,213,159	534,980	1,458,730	3,525,363	3,325,764	199,599	1,658,329
Sept.	1,868,442	1,333,436	535,006	1,463,663	3,509,511	3,318,199	191,312	1,654,975
Oct.	1,875,779	1,326,208	549,571	1,456,723	3,552,439	3,354,721	197,718	1,654,440
Nov.	1,888,463	1,340,872	547,591	1,438,338	3,527,014	3,322,900	204,114	1,642,452
Dec.	1,894,746	1,353,387	541,359	1,411,652	3,775,464	3,561,382	214,082	1,625,734
<b>2005</b>								
Jan.	1,896,610	1,340,362	556,248	1,412,531	3,804,711	3,585,654	219,057	1,631,588
Feb.	1,882,912	1,352,177	530,734	1,386,424	3,802,836	3,588,293	214,543	1,600,968
Mar.	1,859,182	1,325,303	533,879	1,360,090	3,950,433	3,738,429	212,003	1,572,093
Apr.	1,856,744	1,296,132	560,612	1,375,203	4,032,978	3,820,149	212,829	1,588,033
May	1,915,337	1,345,978	569,359	1,387,927	4,242,944	4,049,831	193,113	1,581,040
June	1,948,314	1,356,496	591,818	1,410,932	4,338,105	4,130,079	208,026	1,618,959
July	1,943,201	1,337,873	605,328	1,461,675	4,472,005	4,254,489	217,516	1,679,191
Aug.	1,963,671	1,379,868	583,804	1,476,782	4,784,113	4,564,874	219,239	1,696,021
Sept.	2,009,405	1,425,463	583,942	1,495,653	5,739,469	5,490,470	248,999	1,744,653
Oct.	2,048,393	1,491,350	557,043	1,501,520	5,723,684	5,475,948	247,736	1,749,256
Nov.	2,021,500	1,468,992	552,509	1,488,884	5,491,945	5,239,821	252,124	1,741,008
Dec.	2,073,993	1,530,313	543,681	1,476,281	6,228,893	5,895,677	333,216	1,809,498

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

<sup>2</sup> For the purposes of this Table only, the amounts of HSBC Overseas Bank (Malta) Ltd (up to November 2002) and Bank of Valletta International Ltd (up to August 2001), i.e. the offshore subsidiaries of HSBC Bank Malta plc and Bank of Valletta plc, respectively, are classified with the Deposit Money Banks and not with the International Banking Institutions, as in other Tables.

<sup>3</sup> A re-classification exercise, going back to October 2003, which resulted in changes in the resident/non-resident status of certain companies, necessitated major revisions to the monetary data as from that date. This resulted in an increase in the deposit money banks' net foreign assets.

**TABLE 1.17 FINANCIAL MARKETS**

	2001	2002	2003	2004				2005			
				Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
<b>INTEREST RATES (%)</b>											
<b>Central Bank of Malta</b>											
Central intervention rate	4.25	3.75	3.00	3.00	3.00	3.00	3.00	3.00	3.25	3.25	3.25
Money market intervention rates:											
Term deposit rate	4.22	3.70	2.95	2.95	2.95	2.95	2.95	2.95	3.20	3.20	3.20
Reverse repo rate	4.29	3.80#	3.05#	3.05#	3.05#	3.05#	3.05#	3.00	3.27	3.30#	3.30#
Rate on standby (collateralised) loans	4.80	4.30	3.55	4.50	4.50	4.50	4.50	4.50	4.75	4.25	4.25
Rate on overnight deposits	1.30	0.80	0.30	1.50	1.50	1.50	1.50	1.50	1.75	2.25	2.25
Remuneration on required reserves	2.70	2.70	2.70	2.75	2.75	2.75	2.75	2.75	3.00	3.00	3.00
<b>Interbank market offered rates</b>											
Overnight	3.65	3.73*	2.95	2.95	2.90	2.90	2.95	2.95	3.21	3.24	3.18
1 week	4.25	3.76*	2.96	2.95*	2.95	2.95*	2.95	2.95	3.24	3.26	3.27*
1 month	4.58*	3.80*	2.98*	2.82	2.96*	2.97*	2.98	2.98	3.25	3.26	3.29*
3 month	4.82*	3.90*	3.00*	2.99*	2.98*	3.01*	3.01*	3.01*	3.29*	3.30*	3.32*
<b>Deposit Money Banks</b>											
Weighted average deposit rate	3.96	3.49	2.46	2.26	2.13	2.06	2.04	2.01	2.08	2.11	2.13
Current deposits	1.48	1.12	0.44	0.45	0.43	0.47	0.47	0.46	0.42	0.45	0.45
Savings deposits	2.22	1.80	1.01	0.99	1.00	0.96	0.95	0.95	1.17	1.17	1.17
Time deposits	4.98	4.39	3.45	3.17	3.00	2.90	2.87	2.84	2.90	2.94	2.97
Weighted average lending rate	6.50	6.07	5.29	5.32	5.31	5.32	5.33	5.39	5.59	5.55	5.48
<b>Government securities</b>											
Treasury bills (Primary Market)											
1 month	4.80	-	-	-	-	2.96	2.96	-	3.26	3.26	-
3 month	4.53	3.67	2.94	2.93	2.90	2.96	2.96	2.98	3.27	3.26	3.22
6 month	5.04	3.80	2.93	2.92	2.91	2.94	2.97	2.98	3.28	3.26	3.23
1 year	-	-	-	2.92	2.95	2.97	2.97	-	3.50	3.40	3.22
Treasury bills (Secondary Market)											
1 month	4.43	3.70	2.95	2.95	2.94	2.96	2.95	2.96	3.26	3.26	3.20
3 month	4.53	3.70	2.94	2.93	2.91	2.96	2.96	2.98	3.27	3.26	3.22
6 month	4.66	3.74	2.93	2.92	2.91	2.97	2.97	2.98	3.28	3.26	3.27
1 year	4.73	4.04	2.98	2.92	2.95	2.98	2.97	3.29	3.51	3.40	3.32
Malta Government stocks											
2 year	-	-	3.39	3.12	3.21	3.30	3.21	3.30	3.55	3.53	3.30
5 year	5.40	5.15	4.37	4.32	4.27	4.26	4.26	4.21	3.88	3.74	3.65
10 year	6.15	5.43	4.71	4.70	4.65	4.70	4.70	4.72	4.56	4.41	4.38
15 year	6.44	5.86	4.96	4.97	4.89	4.95	4.97	4.96	4.96	4.96	4.96
<b>MSE SHARE INDEX</b>	<b>2,200</b>	<b>1,871</b>	<b>2,126</b>	<b>2,765</b>	<b>2,524</b>	<b>2,861</b>	<b>3,069</b>	<b>3,442</b>	<b>3,431</b>	<b>3,938</b>	<b>4,981</b>

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

\* denotes Central Bank of Malta fixing rate average.

- denotes that no transactions occurred during the quarter.



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

*Lm thousands*

Period	Revenue			Expenditure			Deficit(-)/ Surplus(+)	Financing			Residual
	Ordinary <sup>2,3</sup>	Foreign Grants	Total	Recurrent <sup>2,4</sup>	Capital	Total		Local <sup>5</sup>	Foreign <sup>6</sup>	Total	
1999	552,651	9,683	562,334	570,133	106,129	676,262	-113,928	148,969	-4,152	144,817	30,889
2000	608,104	9,549	617,653	604,277	98,552	702,829	-85,176	15,623	-4,373	11,250	-73,926
2001	667,228	1,392	668,620	673,286	80,627	753,913	-85,293	113,695	2,360	116,055	30,762
2002	717,084	2,720	719,804	709,806	97,671	807,476	-87,672	33,683	5,625	39,308	-48,364
2003	736,704	2,517	739,221	740,697	103,969	844,666	-105,445	95,699	25,828	121,527	16,082
2004	782,717	30,310	813,027	802,426	104,620	907,045	-94,018	89,184	-7,200	81,984	-12,034
2005	829,463	66,955	896,418	840,738	130,994	971,732	-75,314	128,736	-6,929	121,808	46,494
<b>2004</b>											
Jan.	48,208	319	48,527	59,025	9,398	68,413	-19,887	-	-	-	-19,887
Feb.	52,363	-	52,363	56,494	7,137	63,631	-11,268	-	-	-	-11,268
Mar.	50,326	-	50,326	70,908	6,508	77,416	-27,090	-	-	-	-27,090
Apr.	76,979	6	76,985	71,046	7,531	78,577	-1,592	-	-	-	-1,592
May	53,924	3,383	57,307	71,931	11,290	83,221	-25,914	49,215	-	49,215	23,301
June	47,245	3,097	50,342	55,408	6,627	62,035	-11,692	-2,740	-3,600	-6,340	-18,032
July	55,835	5,921	61,756	64,625	15,346	79,972	-18,216	5,985	-	5,985	-12,231
Aug.	71,184	217	71,401	62,664	5,833	68,497	2,904	24,148	-	24,148	27,052
Sept.	66,208	3,000	69,209	60,349	5,972	66,321	2,888	-	-	-	2,888
Oct.	63,953	6,228	70,181	72,057	9,045	81,103	-10,922	-14,419	-	-14,419	-25,340
Nov.	56,800	2,951	59,750	58,274	9,812	68,085	-8,335	29,500	-3,600	25,900	17,565
Dec.	139,691	5,187	144,879	99,644	10,130	109,774	35,105	-2,505	-	-2,505	32,600
<b>2005</b>											
Jan.	42,189	3,730	45,919	75,298	9,373	84,671	-38,752	-	-	-	-38,752
Feb.	46,205	5,788	51,993	55,417	4,357	59,774	-7,781	-	-	-	-7,781
Mar.	58,632	7,560	66,193	66,147	14,741	80,888	-14,695	40,000	-	40,000	25,305
Apr.	69,293	194	69,488	68,615	9,468	78,082	-8,595	-	-	-	-8,595
May	64,651	6,014	70,664	79,201	14,741	93,943	-23,278	37,832	-3,498	34,335	11,057
June	67,915	3,893	71,808	59,558	13,964	73,523	-1,715	-	-	-	-1,715
July	65,433	4,168	69,600	68,018	6,079	74,097	-4,497	1,092	-	1,092	-3,404
Aug.	81,010	3,795	84,806	63,218	13,416	76,634	8,171	33,500	-	33,500	41,671
Sept.	71,278	5,183	76,461	63,765	6,965	70,730	5,731	-	-	-	5,731
Oct.	71,607	7,878	79,486	69,304	6,758	76,062	3,424	21	-	21	3,445
Nov.	58,249	6,623	64,871	67,058	9,248	76,306	-11,435	16,495	-3,431	13,064	1,629
Dec.	132,999	12,130	145,130	105,138	21,884	127,022	18,108	-205	-	-205	17,903

<sup>1</sup> Comprise government budgetary operations through the Consolidated Fund only.

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

<sup>3</sup> Excludes foreign loans, revenues from sale of stocks, receipts from sale of shares and from the sinking fund of converted loans.

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

<sup>5</sup> Includes revenues from sale of stocks, from sale of shares, and from the sinking funds of converted loans less contributions to sinking funds and repayment of domestic loans.

<sup>6</sup> Includes foreign loans less contributions to the sinking fund and repayment of foreign loans.

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

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

Period	Tax revenue						Non-tax revenue <sup>4</sup>	Ordinary revenue	Foreign grants	Total revenue
	Income tax	National insurance contributions <sup>2</sup>	VAT & CET <sup>3</sup>	Licences, taxes & fines	Customs & excise	Total				
1999	128,354	144,274	85,023	67,960	55,426	481,037	71,614	552,651	9,683	562,334
2000	149,511	162,017	104,065	70,449	55,141	541,182	66,921	608,103	9,549	617,652
2001	166,302	179,064	114,669	72,814	60,886	593,735	73,493	667,228	1,392	668,620
2002	190,175	181,142	117,505	86,047	59,811	634,679	82,404	717,084	2,720	719,804
2003	205,218	188,427	123,910	89,160	61,576	668,291	68,413	736,704	2,517	739,221
2004	211,177	189,657	141,570	97,292	62,309	702,005	80,712	782,717	30,310	813,027
2005	221,760	195,587	168,331	88,957	65,670	740,305	89,158	829,463	66,955	896,418
<b>2004</b>										
Jan.	7,184	6,505	10,319	7,575	4,754	36,337	11,871	48,208	319	48,527
Feb.	9,404	11,284	11,867	11,775	4,746	49,077	3,286	52,363	-	52,363
Mar.	7,843	12,244	11,421	7,604	5,041	44,153	6,173	50,326	-	50,326
Apr.	24,685	17,873	15,791	7,079	4,126	69,553	7,426	76,979	6	76,985
May	12,671	16,417	8,324	6,583	4,539	48,534	5,390	53,924	3,383	57,307
June	15,678	13,476	5,885	7,174	3,155	45,368	1,877	47,245	3,097	50,342
July	14,009	11,240	11,327	11,035	5,059	52,671	3,165	55,835	5,921	61,756
Aug.	26,883	19,348	9,477	6,459	5,804	67,971	3,213	71,184	217	71,401
Sept.	15,536	16,408	13,162	8,042	5,197	58,345	7,863	66,208	3,000	69,209
Oct.	14,091	13,640	15,064	7,964	5,893	56,652	7,301	63,953	6,228	70,181
Nov.	11,839	13,893	11,688	7,061	5,973	50,454	6,345	56,800	2,951	59,750
Dec.	51,352	37,328	17,245	8,943	8,022	122,890	16,801	139,691	5,187	144,879
<b>2005</b>										
Jan.	6,332	5,704	11,869	6,416	2,915	33,237	8,952	42,189	3,730	45,919
Feb.	7,560	11,250	10,386	4,765	3,265	37,226	8,980	46,205	5,788	51,993
Mar.	8,405	14,417	15,265	8,056	5,909	52,052	6,581	58,632	7,560	66,193
Apr.	21,745	14,615	12,912	8,337	5,590	63,198	6,095	69,293	194	69,488
May	15,099	16,039	10,665	6,398	5,350	53,550	11,101	64,651	6,014	70,664
June	18,240	14,843	15,656	9,215	5,259	63,214	4,701	67,915	3,893	71,808
July	14,682	13,713	14,334	7,202	6,474	56,404	9,029	65,433	4,168	69,600
Aug.	29,072	17,399	13,021	6,987	6,437	72,916	8,094	81,010	3,795	84,806
Sept.	18,598	17,985	17,418	8,241	5,955	68,196	3,082	71,278	5,183	76,461
Oct.	16,794	15,963	16,666	7,461	6,795	63,680	7,928	71,607	7,878	79,486
Nov.	12,742	16,210	12,551	6,974	5,769	54,247	4,002	58,249	6,623	64,871
Dec.	52,491	37,449	17,587	8,904	5,953	122,384	10,615	132,999	12,130	145,130

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

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

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

<sup>4</sup> Mainly Central Bank of Malta profits.

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

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

*Lm thousands*

Period	Productive	Infrastructure	Social	Total
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
2001	26,400	26,872	27,355	80,627
2002	31,526	27,391	38,753	97,671
2003	28,372	34,095	41,501	103,969
2004	27,036	41,693	35,891	104,620
2005	29,177	49,588	52,230	130,994
<b>2004</b>				
Jan.	1,762	1,045	6,581	9,389
Feb.	2,917	889	3,331	7,137
Mar.	1,775	1,874	2,858	6,508
Apr.	635	2,727	4,168	7,531
May	3,237	5,229	2,824	11,290
June	838	2,602	3,187	6,627
July	4,264	7,560	3,522	15,346
Aug.	1,597	1,862	2,374	5,833
Sept.	833	3,400	1,739	5,972
Oct.	3,985	3,188	1,872	9,045
Nov.	493	7,339	1,980	9,812
Dec.	4,700	3,976	1,454	10,130
<b>2005</b>				
Jan.	2,929	3,336	3,109	9,373
Feb.	562	1,858	1,937	4,357
Mar.	5,341	4,209	5,191	14,741
Apr.	1,936	3,024	4,508	9,468
May	1,894	5,316	7,532	14,741
June	6,176	2,579	5,209	13,964
July	1,599	3,343	1,138	6,079
Aug.	2,096	4,998	6,321	13,416
Sept.	777	4,227	1,961	6,965
Oct.	1,331	4,122	1,304	6,758
Nov.	240	3,325	5,683	9,248
Dec.	4,296	9,251	8,337	21,884

<sup>1</sup> Excluding capital expenditure by Extra Budgetary Units.

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

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

*Lm thousands*

End of period	Domestic securities <sup>1</sup>			Loans <sup>3</sup>	Total government debt	Government guaranteed debt <sup>4</sup>
	Treasury bills	Malta Government stocks <sup>2</sup>	Total			
1999	83,320	712,184	795,504	44,349	839,853	456,494
2000	172,987	712,729	885,716	39,250	924,966	445,227
2001	159,459	812,854	972,313	40,378	1,012,691	395,333
2002	218,831	813,030	1,031,861	45,100	1,076,961	356,155
2003	232,286	913,029	1,145,315	114,462	1,259,777	273,312
<b>2004</b>						
Mar.	253,000	913,029	1,166,029	113,650	1,279,679	265,722
June	259,834	961,048	1,220,882	112,308	1,333,190	304,261
Sept.	252,512	985,196	1,237,708	112,400	1,350,108	305,034
Dec.	245,355	1,014,696	1,260,051	95,232	1,355,283	303,534
<b>2005</b>						
Mar.	239,306	1,054,696	1,294,002	94,758	1,388,760	299,907
June	215,307	1,091,488	1,306,795	93,563	1,400,358	297,630
Sept.	174,480	1,124,988	1,299,468	93,420	1,392,888	327,378
Dec.	190,223	1,125,333	1,315,556	90,110	1,405,666	308,587

<sup>1</sup> Not consolidated with holdings of debt instruments by the Malta Government Sinking Fund and Extra Budgetary Units.

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

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

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

Sources: MSE; Ministry of Finance; The Treasury.

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

End of period	General government						
	Central government					Local councils	Total general government debt <sup>1</sup>
	Treasury bills <sup>2</sup>	Malta Government stocks <sup>2</sup>	Loans <sup>3</sup>	Extra budgetary units	Central government debt		
1999	79,082	704,937	44,186	56,747	884,952	346	885,298
2000	140,464	696,325	40,189	73,097	950,075	324	950,399
2001	156,029	805,915	40,494	70,069	1,072,506	419	1,072,925
2002	189,930	805,573	45,154	59,339	1,099,996	545	1,100,541
2003	232,286	906,718	114,527	50,507	1,304,037	696	1,304,733
2004 <sup>4</sup>	245,355	1,011,050	95,253	42,309	1,393,967	681	1,394,733
2005 <sup>4</sup>	190,223	1,121,637	90,089	37,121	1,439,070	688	1,439,758

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

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

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

<sup>4</sup> Half finalised.

Source: Eurostat.

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

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs	Others <sup>2</sup>	Total	MFIs <sup>2</sup>	Others <sup>2</sup>	Total
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2001	470,335	317,377	160,304	477,681	137,423	22,036	159,459
2002	644,964	554,354	165,914	720,268	159,689	59,142	218,831
2003	712,638	607,680	124,413	732,093	198,271	34,015	232,286
<b>2004</b>							
Jan.	51,000	23,354	9,646	33,000	171,226	43,060	214,286
Feb.	38,186	50,293	2,707	53,000	188,691	40,409	229,100
Mar.	36,100	52,044	7,956	60,000	211,258	41,742	253,000
Apr.	70,000	68,823	17,177	86,000	221,686	47,314	269,000
May.	33,000	28,755	1,079	29,834	226,220	39,614	265,834
June	60,000	51,762	2,238	54,000	223,591	36,243	259,834
July	85,000	82,830	12,170	95,000	236,536	33,298	269,834
Aug.	38,150	19,954	3,910	23,864	220,165	35,383	255,548
Sept.	41,000	15,397	22,567	37,964	212,296	40,216	252,512
Oct.	63,196	67,224	8,913	76,137	221,532	43,921	265,453
Nov.	47,098	27,385	5,615	33,000	211,542	39,813	251,355
Dec.	33,000	14,477	12,523	27,000	200,373	44,982	245,355
<b>2005</b>							
Jan.	40,000	14,820	14,141	28,961	184,001	50,315	234,316
Feb.	47,000	61,000	9,797	70,797	208,530	49,583	258,113
Mar.	36,520	8,151	9,562	17,713	202,683	36,623	239,306
Apr.	33,203	33,418	3,382	36,800	210,650	32,253	242,903
May.	48,697	10,000	2,015	12,015	184,067	22,154	206,221
June	51,480	58,500	2,066	60,566	197,308	17,999	215,307
July	64,810	39,522	14,687	54,209	175,090	29,616	204,706
Aug.	32,006	17,774	3,647	21,421	167,592	26,529	194,121
Sept.	48,267	21,000	7,626	28,626	147,514	26,966	174,480
Oct.	49,339	38,782	16,218	55,000	147,786	32,355	180,141
Nov.	34,471	17,621	9,717	27,338	134,900	38,108	173,008
Dec.	31,394	36,146	12,463	48,609	150,906	39,317	190,223

<sup>1</sup> Amounts are at nominal prices.<sup>2</sup> Includes the Malta Government Sinking Fund.<sup>3</sup> On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million, and on 27 November 2002 this was raised further to Lm300 million.

**TABLE 3.3 MALTA GOVERNMENT STOCKS OUTSTANDING<sup>1</sup>**  
*as at end-December 2005*

*Lm thousands*

Coupon rate	Year of maturity	Year of issue	Issue price (Lm)	Interest dates	Held by		Amount
					MFIs	Others	
7.00 %	2006	1994	100	19 May - 19 Nov.	1,947	8,053	10,000
7.00 %	2006 (IV) <sup>2</sup>	1996	100	30 June - 30 Dec.	-	167	167
7.25 %	2006 (II)	1996	100	1 Feb. - 1 Aug.	7,415	11,835	19,250
7.25 %	2006 (III)	1996	100	20 Jan. - 20 July	8,294	6,706	15,000
7.35 %	2007	1997	100	18 Apr. - 18 Oct.	17,151	7,599	24,750
5.90 %	2007 (II)	1999	100	23 Apr. - 23 Oct.	9,022	978	10,000
5.60 %	2007 (III)	2000	100	10 June - 10 Dec.	22,968	12,282	35,250
7.20 %	2008	1998	100	10 June - 10 Dec.	8,815	1,185	10,000
7.20 %	2008 (II)	1998	100	28 Feb. - 28 Aug.	20,576	9,425	30,000
7.00 %	2009	1999	100	30 June - 30 Dec.	-	65	65
5.90 %	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,305	10,696	25,000
5.90 %	2009 (III)	2000/2005	100/107.8	30 Mar. - 30 Sept.	55,219	9,081	64,300
5.90 %	2010	1999	100	19 May - 19 Nov.	13,662	1,338	15,000
5.75 %	2010 (II)	2000	100	10 June - 10 Dec.	16,547	1,953	18,500
7.00 %	2010 (III) <sup>2</sup>	2000	100	30 June - 30 Dec.	-	545	545
5.40 %	2010 (IV)	2003/2004	100/104.5	21 Feb. - 21 Aug.	9,896	38,104	48,000
7.50 %	2011	1996	100	28 Mar. - 28 Sept.	7,457	7,543	15,000
6.25 %	2011 (II)	2001	100	1 Aug. - 1 Feb.	20,715	19,285	40,000
7.00 %	2011 (III) <sup>2</sup>	2002	100	30 June - 30 Dec.	-	125	125
7.80 %	2012	1997	100	24 May - 24 Nov.	10,885	23,616	34,500
7.00 %	2012 (II) <sup>2</sup>	2002	100	10 June - 30 Dec.	-	176	176
5.70 %	2012 (III) FI	2005	100/108/108.5/109.7	30/31 Mar. - 30/31 Sept.	60,368	55,632	116,000
7.80 %	2013	1997	100	18 Apr. - 18 Oct.	10,661	23,589	34,250
6.35 %	2013 (II)	2001	100	19 May. - 19 Nov.	619	25,381	26,000
7.00 %	2013 (III)	2003	100	30 June - 30 Dec.	-	67	67
6.60 %	2014	2000	100	30 Mar. - 30 Sept.	930	9,570	10,500
5.10 %	2014 (III)	2003/2004	100/103.25	6 Jan. - 6 July	10,414	36,586	47,000
6.45 %	2014 (II)	2001	100	24 May - 24 Nov.	7,751	22,249	30,000
7.00 %	2014 (IV) <sup>2</sup>	2004	100	30 June - 30 Dec.	-	1,719	1,719
6.10 %	2015	2000	100	10 June - 10 Dec.	9,487	20,513	30,000
5.90 %	2015 (II) FI	2002/2003	100/102	9 Apr. - 9 Oct.	771	39,429	40,200
7.00 %	2015 (III)	2005	100	30 June - 30 Dec.	-	291	291
7.00 %	2015				-	345	345
6.65 %	2016	2001	100	28 Mar. - 28 Sept.	2,885	27,115	30,000
4.80 %	2016 (II) FI	2003/2004	100/101	26 May - 26 Nov.	15,093	39,907	55,000
7.80 %	2018	1998	100	15 Jan. - 15 July	16,296	53,704	70,000
6.60 %	2019	1999	100	1 Mar. - 1 Sept.	11,880	32,120	44,000
5.00 %	2021 FI	2004/2005	100	8 Feb. - 8 Aug.	6,930	78,070	85,000
5.00 %	2021(I) FI	2005	100	9 Feb. - 9 Aug.	75	24,925	25,000
5.10 %	2022	2004	100	16 Feb. - 16 Aug.	970	29,530	30,500
5.50 %	2023	2003	100	6 Jan. - 6 July	227	33,607	33,833
<b>Total</b>					<b>400,229</b>	<b>725,104</b>	<b>1,125,333</b>

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

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

Source: MSE.

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

*Lm thousands*

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
1999	79,000	221,202	199,232	98,750	114,000	712,184
2000	53,800	214,902	205,777	124,250	114,000	712,729
2001	66,450	192,869	244,285	195,250	114,000	812,854
2002	48,900	213,969	255,211	180,950	114,000	813,030
2003	44,552	209,417	310,528	270,700	77,833	913,030
<b>2004</b>						
Mar.	99,552	224,782	310,663	244,200	33,833	913,030
June	80,852	224,782	312,382	269,200	73,834	961,050
Sept.	55,000	224,782	342,382	269,200	93,834	985,198
Dec.	55,000	243,782	342,382	269,200	104,333	1,014,697
<b>2005</b>						
Mar.	99,417	281,410	350,537	199,000	124,333	1,054,697
June	75,917	281,410	385,537	199,000	149,333	1,091,197
Sept.	44,417	281,409	425,828	199,000	174,333	1,124,987
Dec.	44,417	281,409	426,174	199,000	174,333	1,125,333

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

Sources: Central Bank of Malta; MSE.

**TABLE 3.5 CENTRAL GOVERNMENT<sup>1</sup> EXTERNAL LOANS  
BY TYPE OF CREDITOR**

*Lm thousands*

End of period	Official bilateral entities <sup>2</sup>	Official multilateral organisations <sup>3</sup>	Private commercial banks <sup>4</sup>	Total
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001	20,037	18,915	1,426	40,378
2002	16,504	28,130	465	45,099
2003	13,595	59,021	-	72,616
2004	11,206	57,365	-	68,571
<b>2005<sup>5</sup></b>				
Mar.	11,186	56,911	-	68,097
June	10,526	56,376	-	66,902
Sept.	10,406	56,353	-	66,759
Dec.	9,535	55,703	-	65,238

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

<sup>2</sup> Bilateral loans are loans from governments and their agencies (including central banks) and loans from autonomous bodies.

<sup>3</sup> Multilateral organisations include the World Bank, regional development banks and other multilateral and inter-governmental agencies.

<sup>4</sup> Commercial bank loans from private banks or financial institutions.

<sup>5</sup> Provisional.

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

Sources: Central Bank of Malta; The Treasury.



**TABLE 3.6 CENTRAL GOVERNMENT<sup>1</sup> EXTERNAL LOANS  
BY CURRENCY**

*Lm thousands*

End of period	FFR	GBP	DM	JPY	EUR	USD	LIT	Others	Total
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001	-	-	1,310	1,426	14,184	14,181	8,530	747	40,378
2002	-	-	-	465	39,734	4,764	-	136	45,099
2003	-	289	-	917	63,789	7,485	-	136	72,616
2004	-	185	-	611	62,369	5,277	-	129	68,571
<b>2005<sup>2</sup></b>									
Mar.	-	188	-	609	61,742	5,428	-	130	68,097
June	-	133	-	479	60,739	5,413	-	138	66,902
Sept.	-	132	-	471	60,663	5,351	-	142	66,759
Dec.	-	124	-	424	59,964	4,582	-	144	65,238

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

<sup>2</sup> Provisional.

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

Sources: Central Bank of Malta; The Treasury.

**TABLE 3.7 CENTRAL GOVERNMENT<sup>1</sup> EXTERNAL LOANS  
BY REMAINING TERM TO MATURITY<sup>2</sup>**

*Lm thousands*

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001	586	13,356	11,759	12,249	1,207	1,221	40,378
2002	514	13,172	6,851	22,160	1,194	1,208	45,099
2003	464	11,257	6,582	53,111	-	1,202	72,616
2004	647	12,396	8,658	45,708	129	1,033	68,571
<b>2005<sup>3</sup></b>							
Mar.	7,963	5,126	9,307	44,567	130	1,004	68,097
June	7,474	5,030	8,854	44,405	138	1,001	66,902
Sept.	7,474	4,962	8,794	44,405	142	982	66,759
Dec.	7,298	4,146	8,299	44,369	144	982	65,238

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

<sup>2</sup> With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the current end-year.

<sup>3</sup> Provisional.

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

Sources: Central Bank of Malta; The Treasury.

**TABLE 4.1 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**  
*end of period closing middle rates*

Period	GBP	DM	USD	EUR <sup>2</sup>	LIT	FFR	NLG	BFR	JPY	SFR
1999	1.4983	4.7163	2.4230	0.4147	4669.13	15.818	5.314	97.276	247.64	3.870
2000	1.5305	4.8033	2.2843	0.4072	4755.26	16.110	5.412	99.070	262.25	3.738
2001	1.5258	4.8874	2.2121	0.4002	4838.52	16.392	5.507	100.805	290.44	3.696
2002	1.5553	-	2.5074	0.4182	-	-	-	-	297.66	3.475
2003	1.6351	-	2.9197	0.4317	-	-	-	-	312.16	3.610
2004	1.6252	-	3.1393	0.4343	-	-	-	-	321.71	3.554
2005	1.6012	-	2.7570	0.4293	-	-	-	-	323.95	3.623
<b>2005</b>										
July 1	1.5814	-	2.8139	0.4293	-	-	-	-	312.82	3.615
8	1.5999	-	2.7798	0.4293	-	-	-	-	311.60	3.618
15	1.5989	-	2.8044	0.4293	-	-	-	-	314.61	3.634
22	1.6191	-	2.8277	0.4293	-	-	-	-	314.22	3.642
29	1.6070	-	2.8259	0.4293	-	-	-	-	316.76	3.635
Aug. 5	1.6191	-	2.8792	0.4293	-	-	-	-	321.49	3.631
12	1.6000	-	2.9027	0.4293	-	-	-	-	317.81	3.617
19	1.5788	-	2.8366	0.4293	-	-	-	-	313.38	3.608
26	1.5884	-	2.8654	0.4293	-	-	-	-	314.04	3.604
Sept. 2	1.5907	-	2.9242	0.4293	-	-	-	-	320.45	3.595
9	1.5729	-	2.8951	0.4293	-	-	-	-	318.08	3.596
16	1.5757	-	2.8460	0.4293	-	-	-	-	315.44	3.613
23	1.5788	-	2.8156	0.4293	-	-	-	-	314.58	3.624
30	1.5879	-	2.8019	0.4293	-	-	-	-	317.42	3.627
Oct 7	1.6006	-	2.8206	0.4293	-	-	-	-	321.07	3.615
14	1.5950	-	2.8025	0.4293	-	-	-	-	321.01	3.614
21	1.5782	-	2.8028	0.4293	-	-	-	-	323.61	3.601
28	1.5850	-	2.8204	0.4293	-	-	-	-	325.40	3.600
Nov. 4	1.5779	-	2.7929	0.4293	-	-	-	-	327.95	3.595
11	1.5664	-	2.7259	0.4293	-	-	-	-	321.54	3.583
18	1.5922	-	2.7294	0.4293	-	-	-	-	325.32	3.605
25	1.5929	-	2.7414	0.4293	-	-	-	-	327.41	3.603
Dec. 2	1.5741	-	2.7320	0.4293	-	-	-	-	329.71	3.598
9	1.5678	-	2.7485	0.4293	-	-	-	-	331.06	3.586
16	1.5772	-	2.7888	0.4293	-	-	-	-	324.60	3.605
23	1.5915	-	2.7662	0.4293	-	-	-	-	322.14	3.625
30	1.6012	-	2.7570	0.4293	-	-	-	-	323.95	3.623

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

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

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

*averages for the period*

Period	GBP	DM	USD	EUR <sup>2</sup>	LIT	FFR	NLG	BFR	JPY	SFR
1999	1.5468	4.5895	2.5032	0.4261	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	0.4042	4790.43	16.229	5.452	99.803	246.27	3.853
2001	1.5430	4.8533	2.2226	0.4030	4804.77	16.277	5.468	100.102	269.97	3.749
2002	1.5378	-	2.3100	0.4087	-	-	-	-	288.87	3.590
2003	1.6237	-	2.6543	0.4261	-	-	-	-	307.39	3.568
2004	1.5853	-	2.9061	0.4279	-	-	-	-	314.19	3.609
2005	1.5910	-	2.8959	0.4299	-	-	-	-	318.35	3.602
<b>2004</b>										
Jan.	1.6084	-	2.9341	0.4301	-	-	-	-	312.06	3.642
Feb.	1.5800	-	2.9518	0.4283	-	-	-	-	314.60	3.673
Mar.	1.5723	-	2.8775	0.4266	-	-	-	-	313.54	3.676
Apr.	1.5641	-	2.8210	0.4250	-	-	-	-	303.43	3.658
May	1.5772	-	2.8207	0.4260	-	-	-	-	315.88	3.616
June	1.5608	-	2.8537	0.4253	-	-	-	-	312.22	3.570
July	1.5634	-	2.8818	0.4260	-	-	-	-	314.93	3.584
Aug.	1.5707	-	2.8586	0.4261	-	-	-	-	315.67	3.610
Sept.	1.5928	-	2.8579	0.4277	-	-	-	-	314.66	3.608
Oct.	1.6091	-	2.9068	0.4297	-	-	-	-	316.51	3.590
Nov.	1.6176	-	3.0068	0.4319	-	-	-	-	315.06	3.524
Dec.	1.6075	-	3.1022	0.4326	-	-	-	-	321.73	3.551
<b>2005</b>										
Jan.	1.6163	-	3.0375	0.4323	-	-	-	-	313.64	3.579
Feb.	1.6008	-	3.0233	0.4310	-	-	-	-	317.03	3.597
Mar.	1.6044	-	3.0590	0.4317	-	-	-	-	321.60	3.588
Apr.	1.5884	-	3.0101	0.4299	-	-	-	-	322.99	3.600
May	1.5930	-	2.9564	0.4293	-	-	-	-	315.30	3.599
June	1.5579	-	2.8337	0.4293	-	-	-	-	307.93	3.585
July	1.6016	-	2.8055	0.4293	-	-	-	-	313.98	3.629
Aug.	1.5970	-	2.8623	0.4293	-	-	-	-	316.96	3.618
Sept.	1.5788	-	2.8532	0.4293	-	-	-	-	316.88	3.610
Oct.	1.5877	-	2.7997	0.4293	-	-	-	-	321.52	3.608
Nov.	1.5828	-	2.7471	0.4293	-	-	-	-	325.25	3.599
Dec.	1.5829	-	2.7631	0.4293	-	-	-	-	327.09	3.607

<sup>1</sup> Calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates. All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the euro, for which the rate denotes units of Maltese lira per one euro.

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

**TABLE 4.3 MALTA'S FOREIGN TRADE***Lm thousands*

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
1999	791,136	1,136,233	-345,097
2000	1,072,444	1,492,377	-419,933
2001	880,684	1,226,421	-345,737
2002	961,140	1,227,534	-266,394
2003	928,312	1,281,279	-352,967
2004 <sup>1</sup>	905,401	1,315,356	-409,955
2005 <sup>1</sup>	805,301	1,310,335	-505,034
<b>2004<sup>1</sup></b>			
Jan.	70,760	91,423	-20,663
Feb.	75,797	94,503	-18,706
Mar.	89,199	126,954	-37,755
Apr.	76,460	125,966	-49,506
May	73,987	103,493	-29,506
June	73,077	103,842	-30,765
July	68,968	115,430	-46,462
Aug.	74,483	99,784	-25,301
Sept.	78,442	95,233	-16,791
Oct.	77,569	113,280	-35,711
Nov.	78,730	121,955	-43,225
Dec.	67,929	123,493	-55,564
<b>2005<sup>1</sup></b>			
Jan.	59,314	101,575	-42,261
Feb.	59,520	88,843	-29,323
Mar.	66,800	101,336	-34,536
Apr.	65,905	106,061	-40,156
May	71,788	120,661	-48,873
June	68,925	103,713	-34,788
July	64,069	111,020	-46,951
Aug.	63,603	100,061	-36,458
Sept.	73,705	106,765	-33,060
Oct.	70,557	128,196	-57,639
Nov.	80,439	136,298	-55,859
Dec.	60,676	105,806	-45,130

<sup>1</sup> Provisional.

Source: NSO.

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

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,136
2000	78,038	36,092	102,898	85,873	54,808	15,585	293,413	405,737	1,072,444
2001	76,310	30,304	115,132	82,197	59,865	21,835	174,370	320,670	880,684
2002	112,307	32,676	93,505	120,028	63,871	32,223	159,393	347,137	961,140
2003	109,021	31,496	95,235	120,195	55,118	22,115	134,202	360,930	928,312
2004 <sup>1</sup>	102,872	27,012	97,469	140,605	65,820	31,893	141,847	297,883	905,401
2005 <sup>1</sup>	90,963	40,268	91,622	121,452	68,416	36,187	113,245	234,148	805,301
<b>2004<sup>1</sup></b>									
Jan.	9,226	2,534	7,325	9,556	5,090	1,694	12,907	22,428	70,760
Feb.	9,217	1,828	7,891	11,004	5,605	1,955	12,486	25,811	75,797
Mar.	8,569	3,091	9,082	13,243	6,246	2,954	11,961	34,053	89,199
Apr.	9,883	3,137	10,128	11,090	4,900	1,804	10,811	24,707	76,460
May	7,111	1,901	7,333	12,869	5,162	2,204	11,417	25,990	73,987
June	7,100	1,920	7,509	11,178	5,923	2,323	10,887	26,237	73,077
July	10,225	2,170	8,933	11,596	5,629	1,371	9,994	19,050	68,968
Aug.	6,722	1,087	6,544	10,496	4,547	4,725	15,390	24,972	74,483
Sept.	11,740	2,884	8,219	13,163	5,491	3,918	12,919	20,108	78,442
Oct.	7,996	2,236	9,249	12,468	6,090	4,576	11,331	23,623	77,569
Nov.	9,228	2,076	9,432	13,096	6,103	1,998	12,325	24,472	78,730
Dec.	5,855	2,148	5,824	10,846	5,034	2,371	9,419	26,432	67,929
<b>2005<sup>1</sup></b>									
Jan.	6,609	2,071	6,616	10,983	5,302	1,530	8,182	18,021	59,314
Feb.	7,579	1,640	6,985	8,876	4,966	3,708	10,447	15,319	59,520
Mar.	9,457	1,962	7,305	9,554	6,216	3,291	10,427	18,588	66,800
Apr.	7,628	2,818	8,202	9,930	6,066	3,904	10,618	16,739	65,905
May	9,746	2,963	8,795	10,652	6,567	4,509	10,956	17,600	71,788
June	9,295	3,170	6,914	10,820	4,873	1,660	9,721	22,472	68,925
July	6,657	3,314	9,075	8,615	5,995	2,899	7,611	19,903	64,069
Aug.	6,738	2,215	7,744	8,864	4,943	3,591	7,497	22,011	63,603
Sept.	6,490	4,482	9,299	11,104	6,353	3,105	9,597	23,275	73,705
Oct.	7,234	4,337	7,829	10,719	6,213	2,772	9,046	22,407	70,557
Nov.	7,615	8,501	7,631	10,838	5,889	4,067	11,316	24,582	80,439
Dec.	5,915	2,795	5,227	10,497	5,033	1,151	7,827	22,231	60,676

<sup>1</sup> Provisional.

Source: NSO.

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

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,233
2000	119,673	249,744	29,661	281,877	122,113	91,778	158,474	439,057	1,492,377
2001	123,100	244,409	28,401	184,030	107,409	92,707	141,822	304,544	1,226,422
2002	127,736	271,794	28,563	205,137	98,474	93,034	115,258	287,538	1,227,534
2003	118,638	294,411	29,696	218,900	100,990	104,713	103,927	310,004	1,281,279
2004 <sup>1</sup>	157,409	335,878	45,909	171,350	116,387	124,779	69,855	293,789	1,315,356
2005 <sup>1</sup>	142,564	407,097	43,517	120,316	106,025	127,315	69,354	294,146	1,310,334
<b>2004<sup>1</sup></b>									
Jan.	8,756	16,172	2,182	16,412	6,332	7,610	6,624	27,335	91,423
Feb.	11,152	20,735	1,989	14,535	9,227	10,598	6,549	19,718	94,503
Mar.	17,390	33,928	7,507	17,977	9,132	9,801	7,419	23,800	126,954
Apr.	16,910	27,924	3,085	16,469	13,523	13,833	7,501	26,721	125,966
May	12,978	26,983	2,225	13,098	6,581	8,647	4,983	27,998	103,493
June	13,130	32,140	3,665	11,287	10,118	11,008	3,202	19,292	103,842
July	12,790	32,506	5,920	12,599	7,910	11,562	7,209	24,934	115,430
Aug.	10,256	29,824	3,972	13,425	13,932	8,793	2,092	17,490	99,784
Sept.	13,432	23,433	3,940	13,768	9,452	11,079	4,262	15,867	95,233
Oct.	13,856	35,998	3,577	11,943	12,297	10,674	3,477	21,458	113,280
Nov.	13,747	28,809	4,086	15,685	9,192	12,654	9,165	28,617	121,955
Dec.	13,012	27,426	3,761	14,152	8,691	8,520	7,372	40,559	123,493
<b>2005<sup>1</sup></b>									
Jan.	12,483	29,910	3,426	10,355	8,640	9,460	4,201	23,100	101,575
Feb.	10,540	27,121	2,931	7,570	8,397	7,389	4,662	20,233	88,843
Mar.	10,456	30,929	3,209	10,445	9,780	8,786	4,059	23,672	101,336
Apr.	10,233	29,685	5,592	9,291	8,738	10,989	4,445	27,088	106,061
May	13,275	37,919	3,645	11,993	10,215	13,785	5,095	24,734	120,661
June	9,343	23,891	3,117	7,664	9,110	11,189	7,422	31,977	103,713
July	14,628	32,257	3,510	11,473	9,132	12,473	3,031	24,516	111,020
Aug.	11,742	29,401	3,675	11,190	7,503	9,496	4,666	22,415	100,061
Sept.	11,705	29,814	3,274	10,959	8,810	9,753	4,501	27,948	106,764
Oct.	14,277	51,633	4,083	11,915	7,897	12,615	4,777	20,999	128,196
Nov.	13,656	46,410	3,973	10,849	11,106	11,424	17,801	21,079	136,298
Dec.	10,226	38,127	3,082	6,612	6,697	9,983	4,694	26,385	105,806

<sup>1</sup> Provisional.

Source: NSO.

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

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,436
2000	17,116	3,538	2,198	-	-	13,027	53,913	736,076	151,263	404	977,535
2001	20,809	5,197	2,013	19	-	16,003	50,701	537,944	156,945	407	790,038
2002	36,371	4,088	2,191	133	52	13,519	47,865	519,452	170,214	393	794,300
2003	33,148	1,959	2,480	218	4	14,849	44,735	549,538	169,664	133	816,730

<sup>1</sup> This Table was discontinued as from January 2004.**TABLE 4.6b TOTAL EXPORTS BY COMMODITY SECTIONS<sup>2</sup>***Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
2004 <sup>1</sup>	30,914	14,169	3,235	39,243	12	23,886	50,589	575,191	167,769	391	905,399
2005	26,328	8,995	2,721	9,652	10	28,457	54,104	512,168	162,701	169	805,305
<b>2004<sup>1</sup></b>											
Jan.	1,184	1,085	355	2,571	-	1,843	3,937	44,374	15,367	44	70,760
Feb.	1,047	1,012	138	4,615	-	3,835	3,601	47,492	13,962	95	75,797
Mar.	2,637	1,473	275	6,736	-	2,267	5,193	54,935	15,649	34	89,199
Apr.	1,886	730	160	4,082	-	2,532	3,670	48,547	14,851	-	76,460
May	2,738	961	156	3,829	-	2,371	4,158	49,629	10,124	20	73,987
June	3,278	501	303	3,333	-	1,443	3,627	47,729	12,815	47	73,077
July	1,494	1,597	88	1,723	-	1,574	3,780	45,012	13,666	35	68,968
Aug.	2,273	1,915	268	4,112	-	1,165	3,575	49,389	11,772	14	74,483
Sept.	2,070	1,696	179	812	-	1,236	5,208	50,498	16,733	9	78,442
Oct.	2,215	880	514	5,285	-	2,382	5,264	46,614	14,401	14	77,569
Nov.	1,694	1,645	199	1,778	1	1,604	4,770	50,446	16,593	-	78,730
Dec.	8,398	674	600	367	11	1,634	3,806	40,526	11,836	79	67,929
<b>2005<sup>1</sup></b>											
Jan.	1,406	579	204	330	-	1,342	4,701	37,886	12,866	-	59,314
Feb.	1,200	887	176	317	-	1,461	3,996	38,704	12,780	-	59,521
Mar.	1,680	418	556	418	-	2,890	4,697	40,410	15,717	14	66,800
Apr.	1,521	508	160	559	-	2,483	5,359	41,546	13,761	9	65,905
May	2,916	556	258	821	1	1,615	4,928	46,578	14,116	-	71,788
June	3,716	715	176	770	3	2,834	4,235	44,318	12,154	5	68,925
July	3,760	843	160	1,046	2	2,787	5,035	36,509	13,883	45	64,069
Aug.	2,483	1,091	126	1,082	-	3,493	3,942	39,461	11,917	8	63,603
Sept.	2,139	1,112	239	1,271	-	4,357	5,309	46,631	12,613	34	73,705
Oct.	2,426	1,255	216	1,455	-	2,373	4,736	42,743	15,328	25	70,557
Nov.	1,923	635	277	1,036	4	1,809	4,194	54,285	16,276	-	80,439
Dec.	1,158	396	173	547	-	1,013	2,972	43,097	11,290	29	60,676

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

Source: NSO.

**TABLE 4.7 IMPORTS BY COMMODITY SECTIONS**

*Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,233
2000	103,644	18,785	13,597	106,476	2,239	92,470	144,994	852,574	146,821	10,774	1,492,377
2001	108,773	21,936	14,101	101,992	1,931	89,218	147,722	608,194	121,512	11,040	1,226,421
2002	115,208	22,784	12,906	102,929	2,347	96,730	150,822	591,354	122,022	10,454	1,227,534
2003	116,191	24,778	12,103	102,071	2,546	103,148	145,433	621,261	142,992	10,757	1,281,279
2004 <sup>1</sup>	122,987	22,585	11,706	107,520	3,009	111,297	147,342	626,073	155,730	7,099	1,315,356
2005 <sup>1</sup>	128,402	17,145	13,954	143,452	2,800	114,339	145,731	572,415	164,387	7,714	1,310,335
<b>2004<sup>1</sup></b>											
Jan.	7,825	1,431	768	14,245	187	7,807	9,121	41,750	7,714	575	91,423
Feb.	6,831	1,023	1,154	8,814	127	8,965	10,136	44,989	11,347	1,116	94,503
Mar.	8,625	2,432	1,012	7,397	196	10,151	12,517	70,585	12,944	1,093	126,954
Apr.	11,471	1,717	822	12,735	573	11,836	14,995	58,750	12,173	892	125,966
May	7,584	1,683	961	9,098	167	6,603	10,967	52,865	12,711	854	103,493
June	9,247	2,273	800	10,162	258	8,950	13,104	40,258	18,373	416	103,842
July	11,077	2,857	910	7,413	294	9,696	14,412	54,173	14,357	242	115,430
Aug.	11,877	1,962	1,382	9,382	218	8,176	10,467	45,245	10,982	92	99,784
Sept.	10,578	2,279	942	6,905	242	9,775	10,989	40,150	12,385	987	95,233
Oct.	13,548	1,753	1,136	9,395	219	9,547	13,391	49,900	14,297	93	113,280
Nov.	13,014	1,640	881	9,174	354	11,531	13,664	56,937	14,451	309	121,955
Dec.	11,310	1,535	938	2,800	174	8,260	13,579	70,471	13,996	430	123,493
<b>2005<sup>1</sup></b>											
Jan.	8,728	1,001	745	11,163	223	8,869	8,875	51,181	9,525	1,265	101,575
Feb.	8,449	982	1,305	8,904	142	8,892	11,081	38,363	10,243	482	88,843
Mar.	9,425	1,038	891	5,738	197	9,507	12,612	47,146	14,241	542	101,336
Apr.	9,325	1,236	1,062	12,395	157	9,201	12,190	45,832	14,253	411	106,061
May	11,882	2,329	1,143	10,661	406	10,482	15,022	52,648	15,515	572	120,661
June	11,637	1,185	825	9,022	272	9,638	11,254	45,945	13,410	526	103,713
July	11,259	2,172	1,138	13,248	189	10,872	13,174	45,145	13,082	742	111,020
Aug.	11,344	1,829	1,843	5,832	212	9,800	11,559	44,977	12,152	513	100,061
Sept.	10,129	1,482	1,076	11,871	143	9,357	11,833	44,738	15,327	810	106,765
Oct.	12,751	1,386	1,259	17,767	226	9,374	13,352	53,612	17,933	537	128,196
Nov.	13,161	1,294	1,349	16,245	378	10,174	13,030	62,451	17,484	730	136,298
Dec.	10,312	1,211	1,318	20,606	255	8,173	11,749	40,377	11,222	584	105,806

<sup>1</sup> Provisional.

Source: NSO.



**TABLE 5.1a GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS**  
**IN LINE WITH ESA 95<sup>1</sup>**  
*at current market prices*

*Lm thousands*

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net balance		
2000	1,106,746	326,088	373,505	57,236	1,863,575	1,572,823	1,740,099	-167,276	1,696,299	1,643,205
2001	1,135,771	358,631	332,797	-11,003	1,816,196	1,409,132	1,487,633	-78,501	1,737,695	1,748,802
2002	1,148,489	378,103	280,363	-29,124	1,777,831	1,492,598	1,473,608	18,990	1,796,821	1,799,375
2003	1,186,198	398,254	363,062	-43,659	1,903,855	1,447,776	1,522,563	-74,787	1,829,068	1,817,725
2004	1,212,329	418,221	380,802	-48,339	1,963,013	1,393,428	1,526,035	-132,607	1,830,406	1,804,184
2005	1,265,555	417,800	410,471	34,966	2,128,792	1,372,525	1,574,224	-201,699	1,927,093	1,869,904
<b>2003</b>										
Mar.	273,980	105,201	89,140	4,749	473,070	315,943	365,700	-49,757	423,313	431,937
June	288,706	102,569	97,799	-8,800	480,274	368,656	389,902	-21,246	459,028	454,251
Sept.	314,409	94,004	86,677	-26,388	468,702	401,575	388,242	13,333	482,035	488,459
Dec.	309,103	96,480	89,446	-13,220	481,809	361,602	378,719	-17,117	464,692	443,078
<b>2004</b>										
Mar.	273,938	106,537	84,877	-23,706	441,646	328,099	339,265	-11,166	430,480	424,734
June	297,499	104,280	99,427	-11,882	489,324	354,910	390,352	-35,442	453,882	472,408
Sept.	325,707	101,232	97,095	-36,575	487,459	371,578	378,452	-6,874	480,585	442,915
Dec.	315,185	106,172	99,403	23,824	544,584	338,841	417,966	-79,125	465,459	464,127
<b>2005</b>										
Mar.	278,145	100,415	90,824	17,535	486,919	288,922	342,449	-53,527	433,392	441,063
June	318,725	107,923	113,479	-14,566	525,561	342,952	385,512	-42,560	483,001	465,380
Sept.	339,751	105,134	100,014	-13,937	530,962	381,901	395,956	-14,055	516,907	501,155
Dec.	328,934	104,328	106,154	45,934	585,350	358,750	450,307	-91,557	493,793	462,306

<sup>1</sup> Provisional.

<sup>2</sup> Consumption by households and NPISH.

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

Source: NSO.

**TABLE 5.1b GROSS DOMESTIC PRODUCT AND EXPENDITURE COMPONENTS  
IN LINE WITH ESA 95<sup>1</sup>  
at constant 2000 prices**

*Lm thousands*

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net balance	
2000	1,106,746	326,088	373,505	57,235	1,863,574	1,572,823	1,740,099	-167,276	1,696,298
2001	1,115,492	328,476	321,126	-10,212	1,754,882	1,537,989	1,590,363	-52,374	1,702,508
2002	1,111,956	341,586	261,188	-27,541	1,687,189	1,593,210	1,553,005	40,205	1,727,394
2003	1,139,041	351,733	335,941	-40,384	1,786,331	1,559,676	1,661,717	-102,041	1,684,290
2004	1,124,999	357,981	348,558	-43,790	1,787,748	1,566,307	1,694,669	-128,362	1,659,386
2005	1,140,317	351,351	369,750	31,970	1,893,388	1,504,934	1,697,527	-192,593	1,700,795
<b>2003</b>									
Mar.	266,588	93,951	82,521	4,338	447,398	348,066	400,416	-52,350	395,048
June	277,868	90,598	90,306	-8,143	450,629	394,889	428,820	-33,931	416,698
Sept.	299,760	82,406	80,298	-24,445	438,019	423,660	423,671	-11	438,008
Dec.	294,824	84,777	82,816	-12,134	450,283	393,061	408,810	-15,749	434,534
<b>2004</b>									
Mar.	259,365	90,865	77,737	-21,475	406,492	366,388	380,816	-14,428	392,064
June	275,376	89,557	90,910	-10,763	445,080	395,573	428,677	-33,104	411,976
Sept.	300,160	86,494	88,960	-33,132	442,482	409,199	421,632	-12,433	430,049
Dec.	290,098	91,065	90,951	21,582	493,696	395,147	463,544	-68,397	425,299
<b>2005</b>									
Mar.	253,901	85,954	81,836	16,032	437,723	326,714	371,835	-45,121	392,602
June	287,125	90,402	102,237	-13,319	466,445	378,835	421,846	-43,011	423,434
Sept.	307,741	88,035	90,077	-12,743	473,110	408,446	433,901	-25,455	447,655
Dec.	291,548	86,961	95,601	41,998	516,108	390,940	469,945	-79,005	437,103

<sup>1</sup> Provisional.

<sup>2</sup> Consumption by households and NPISH.

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

Source: NSO.

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

Period	United Kingdom	Italy	France	Germany	Scandinavian Countries <sup>2</sup>	United States	All Others	Total
2001	465,635	78,515	78,739	165,812	45,339	12,671	298,455	1,145,166
2002	466,251	69,806	79,758	147,712	36,002	11,382	285,918	1,096,829
2003	471,899	78,361	77,027	124,769	41,361	13,895	281,775	1,089,087
2004 <sup>3</sup>	451,998	80,992	86,059	134,760	61,977	17,003	294,619	1,127,409
2005 <sup>3</sup>	481,968	78,391	81,779	138,127	64,254	16,819	289,433	1,150,771
<b>2004<sup>3</sup></b>								
Jan.	20,183	6,880	1,613	5,966	1,346	885	11,947	48,821
Feb.	25,030	3,284	3,852	5,219	1,900	726	10,889	50,900
Mar.	31,369	4,312	3,253	10,159	2,584	971	12,371	65,019
Apr.	36,985	7,370	8,589	11,181	4,565	1,578	20,607	90,875
May	38,795	5,574	10,792	10,695	7,217	2,018	28,181	103,272
June	47,020	6,272	10,815	12,134	5,546	879	29,848	112,514
July	43,004	10,818	8,982	13,015	10,838	2,483	41,062	130,202
Aug.	61,686	17,696	13,798	15,121	6,098	1,134	47,377	162,910
Sept.	49,359	6,495	12,671	16,680	5,202	1,689	34,306	126,402
Oct.	49,069	6,376	6,794	19,739	10,216	2,419	33,457	128,070
Nov.	30,048	3,089	3,000	11,037	4,237	1,280	14,743	67,434
Dec.	19,450	2,826	1,900	3,814	2,228	941	9,831	40,990
<b>2005<sup>3</sup></b>								
Jan.	22,215	5,407	1,710	6,481	1,820	1,051	13,586	52,270
Feb.	21,936	3,089	2,842	5,476	1,722	451	8,793	44,309
Mar.	32,859	5,117	3,193	8,875	4,003	862	15,653	70,562
Apr.	31,807	5,792	11,035	11,734	6,492	1,298	19,275	87,433
May	41,881	5,407	12,118	16,701	5,998	2,095	27,801	112,001
June	52,173	6,054	6,211	11,303	5,783	1,864	28,789	112,177
July	47,319	10,807	12,419	12,308	10,597	2,386	38,739	134,575
Aug.	71,209	18,759	12,075	13,247	6,205	1,864	44,255	167,614
Sept.	59,969	6,320	8,137	17,124	5,513	1,501	32,653	131,217
Oct.	53,899	5,635	7,941	18,416	10,018	1,449	31,448	128,806
Nov.	30,751	3,601	1,905	10,207	4,678	1,340	17,045	69,527
Dec.	15,950	2,403	2,193	6,255	1,425	658	11,396	40,280

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

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

<sup>3</sup> Provisional.

Source: NSO.

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

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>3</sup>	Number	% <sup>4</sup>
2002	104,240	41,090	145,330	98,039	39,710	137,749	6,201	5.9	1,380	3.4	7,581	5.2
2003	103,942	41,708	145,650	97,692	40,141	137,833	6,250	6.0	1,567	3.8	7,817	5.4
2004	103,549	41,996	145,545	96,954	40,336	137,290	6,595	6.4	1,660	4.0	8,255	5.7
<b>2004</b>												
Jan.	103,696	41,683	145,379	96,754	39,831	136,585	6,942	6.7	1,852	4.4	8,794	6.0
Feb.	103,626	41,765	145,391	96,655	39,906	136,561	6,971	6.7	1,859	4.5	8,830	6.1
Mar.	103,447	41,658	145,105	96,769	39,916	136,685	6,678	6.5	1,742	4.2	8,420	5.8
Apr.	103,394	41,676	145,070	96,719	40,012	136,731	6,675	6.5	1,664	4.0	8,339	5.7
May	103,424	41,762	145,186	96,882	40,200	137,082	6,542	6.3	1,562	3.7	8,104	5.6
June	103,755	41,977	145,732	97,321	40,469	137,790	6,434	6.2	1,508	3.6	7,942	5.4
July	104,045	42,315	146,360	97,514	40,715	138,229	6,531	6.3	1,600	3.8	8,131	5.6
Aug.	103,851	42,279	146,130	97,505	40,672	138,177	6,346	6.1	1,607	3.8	7,953	5.4
Sept.	103,792	42,285	146,077	97,287	40,650	137,937	6,505	6.3	1,635	3.9	8,140	5.6
Oct.	103,612	42,257	145,869	97,094	40,603	137,697	6,518	6.3	1,654	3.9	8,172	5.6
Nov.	103,592	42,381	145,973	97,104	40,744	137,848	6,488	6.3	1,637	3.9	8,125	5.6
Dec.	103,115	42,105	145,220	96,604	40,513	137,117	6,511	6.3	1,592	3.8	8,103	5.6
<b>2005</b>												
Jan.	103,223	42,170	145,393	96,700	40,513	137,213	6,523	6.3	1,657	3.9	8,180	5.6
Feb.	103,084	42,186	145,270	96,665	40,511	137,176	6,419	6.2	1,675	4.0	8,094	5.6
Mar.	102,907	42,205	145,112	96,544	40,550	137,094	6,363	6.2	1,655	3.9	8,018	5.5
Apr.	102,728	42,130	144,858	96,591	40,551	137,142	6,137	6.0	1,579	3.7	7,716	5.3
May	102,735	42,206	144,941	96,963	40,733	137,696	5,772	5.6	1,473	3.5	7,245	5.0
June	102,727	42,403	145,130	97,223	40,977	138,200	5,504	5.4	1,426	3.4	6,930	4.8
July	103,073	42,878	145,951	97,573	41,287	138,860	5,500	5.3	1,591	3.7	7,091	4.9
Aug.	103,115	42,954	146,069	97,544	41,348	138,892	5,571	5.4	1,606	3.7	7,177	4.9
Sept.	103,141	43,027	146,168	97,570	41,388	138,958	5,571	5.4	1,639	3.8	7,210	4.9
Oct.	102,666	42,972	145,638	97,149	41,368	138,517	5,517	5.4	1,604	3.7	7,121	4.9
Nov.	102,601	43,004	145,605	97,027	41,385	138,412	5,574	5.4	1,619	3.8	7,193	4.9

Note: The breakdown of labour supply between males and females is not available before 2002.

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

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

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

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

Source: ETC.

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

Period <sup>2</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	% <sup>3</sup>	Amount	% <sup>4</sup>	Amount	% <sup>5</sup>
2001	110,147	45,987	156,134	103,306	42,776	146,082	6,841	6.2	3,212	7.0	10,053	6.4
2002	109,326	49,262	158,588	102,109	45,462	147,571	7,217	6.6	3,800	7.7	11,017	6.9
2003	110,057	49,856	159,913	102,279	45,536	147,815	7,778	7.1	4,320	8.7	12,098	7.6
2004	110,409	48,931	159,339	103,335	44,536	147,871	7,074	6.4	4,395	9.0	11,469	7.2
2005	109,829	50,388	160,217	102,582	45,926	148,508	7,247	6.6	4,462	8.9	11,709	7.3
<b>2004</b>												
Mar.	111,734	48,449	160,183	104,061	44,594	148,655	7,673	6.9	3,855	8.0	11,528	7.2
June	110,596	46,977	157,573	102,943	43,101	146,044	7,653	6.9	3,876	8.3	11,529	7.3
Sept.	110,207	50,256	160,463	103,536	45,146	148,682	6,671	6.1	5,110	10.2	11,781	7.3
Dec.	109,098	50,040	159,138	102,801	45,301	148,102	6,297	5.8	4,739	9.5	11,036	6.9
<b>2005</b>												
Mar.	109,583	50,991	160,574	102,777	46,959	149,736	6,806	6.2	4,032	7.9	10,838	6.7
June	110,004	50,955	160,959	102,108	46,225	148,333	7,896	7.2	4,730	9.3	12,626	7.8
Sept.	108,796	50,553	159,349	101,745	45,990	147,735	7,051	6.5	4,563	9.0	11,614	7.3
Dec.	110,934	49,052	159,986	103,698	44,531	148,229	7,236	6.5	4,521	9.2	11,757	7.3

<sup>1</sup> The Labour Force Survey is carried out on a quarterly basis using a random sample of private households. As from March 2004, data are based on a weekly survey carried out throughout the reference quarter.

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

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

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

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

Source: NSO.

**TABLE 5.5 DEVELOPMENT PERMITS FOR COMMERCIAL, SOCIAL AND OTHER PURPOSES<sup>1</sup>**

Period	Commercial and Social							Total	Other Permits <sup>5</sup>	Total Permits
	Agriculture	Manufacturing <sup>2</sup>	Warehousing, Retail & Offices <sup>3</sup>	Hotels & Tourism Related	Restaurants & bars	Social <sup>4</sup>	Parking			
1999	122	104	183	22	29	72	124	656	2,402	3,058
2000	108	77	228	19	33	74	175	714	2,690	3,404
2001	124	46	235	26	34	51	162	678	2,540	3,218
2002	281	69	282	13	49	119	154	967	3,430	4,397
2003	242	26	181	15	24	91	134	713	2,685	3,398
2004	261	31	192	8	25	49	105	671	2,583	3,254
2005	293	33	217	16	25	43	103	730	2,980	3,710

<sup>1</sup> Changes to the data are mainly due to the Malta Environment & Planning Authority's Policy of reassessing permit applications on a continuous basis. Excludes applications for dwellings and minor works on dwellings.

<sup>2</sup> Includes quarrying.

<sup>3</sup> Including the construction of offices, shops and retail outlets, warehouses, mixed offices and retail outlets, mixed residential premises, offices and retail outlets, mixed residential premises and retail outlets.

<sup>4</sup> Including the construction of premises related to the provision of community and health, recreational and educational services.

<sup>5</sup> Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works and others.

Source: Malta Environment & Planning Authority.

**TABLE 5.6 DEVELOPMENT PERMITS FOR DWELLINGS, BY TYPE<sup>1</sup>**

Period	Number of Permits <sup>2</sup>			Number of Units <sup>3</sup>				
	New Dwellings <sup>4</sup>	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2000	1408	705	2113	2552	949	384	85	3970
2001	1299	483	1782	2657	774	203	546	4180
2002	1422	595	2017	3420	910	135	1016	5481
2003	1321	517	1838	4548	1085	414	81	6128
2004	1378	435	1813	5265	966	353	123	6707
2005	1852	570	2422	7539	1058	363	121	9081

<sup>1</sup> Changes to the data are mainly due to the Malta Environment & Planning Authority's Policy of reassessing permit applications on a continuous basis.

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

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

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

Source: Malta Environment & Planning Authority.

**TABLE 5.7 INFLATION RATES<sup>1</sup>***base 1946 = 100*

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
1946	100.00	-	<i>(continued)</i>		
1947	104.90	4.90	1976	256.20	0.56
1948	113.90	8.58	1977	281.84	10.01
1949	109.70	-3.69	1978	295.14	4.72
1950	116.90	6.56	1979	316.21	7.14
1951	130.10	11.29	1980	366.06	15.76
1952	140.30	7.84	1981	408.16	11.50
1953	139.10	-0.86	1982	431.83	5.80
1954	141.20	1.51	1983	428.06	-0.87
1955	138.80	-1.70	1984	426.18	-0.44
1956	142.00	2.31	1985	425.17	-0.24
1957	145.70	2.61	1986	433.67	2.00
1958	148.30	1.78	1987	435.47	0.42
1959	151.10	1.89	1988	439.62	0.95
1960	158.80	5.10	1989	443.39	0.86
1961	164.84	3.80	1990	456.61	2.98
1962	165.16	0.19	1991	468.21	2.54
1963	168.18	1.83	1992	475.89	1.64
1964	172.00	2.27	1993	495.59	4.14
1965	174.70	1.57	1994	516.06	4.13
1966	175.65	0.54	1995	536.61	3.98
1967	176.76	0.63	1996	549.95	2.49
1968	180.42	2.07	1997 <sup>2</sup>	567.95	3.27
1969	184.71	2.38	1998	580.61	2.23
1970	191.55	3.70	1999	593.00	2.13
1971	196.00	2.32	2000	607.07	2.37
1972	202.52	3.33	2001	624.85	2.93
1973	218.26	7.77	2002	638.54	2.19
1974	234.16	7.28	2003	646.84	1.30
1975	254.77	8.80	2004	664.88	2.79
			2005	684.88	3.01

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

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

## TABLE 5.8 RETAIL PRICES INDEX

*base December 2002 = 100*

Period	All items
1999	92.36
2000	94.55
2001	97.32
2002	99.45
2003	100.75
2004	103.56
2005	106.67
<b>2004</b>	
Jan.	102.20
Feb.	102.23
Mar.	102.66
Apr.	103.32
May	103.13
June	103.62
July	104.14
Aug.	103.25
Sept.	103.56
Oct.	104.36
Nov.	104.96
Dec.	105.27
<b>2005</b>	
Jan.	104.70
Feb.	105.33
Mar.	105.82
Apr.	106.27
May	106.69
June	106.65
July	105.77
Aug.	105.83
Sept.	106.59
Oct.	108.40
Nov.	109.01
Dec.	109.02

Note: The New Retail Prices Index is based on the Household Budgetary Survey carried out by the NSO during 2000 and 2001. Annual figures prior to 2003 were rebased using the linking coefficient of 1.1914 specified in NSO News Release No. 58/2003.

Sources: NSO; Central Bank of Malta estimates for the period prior to December 2002.



**TABLE 5.9 MAIN CATEGORIES OF HARMONISED INDEX OF CONSUMER PRICES**

*base 2005 = 100*

%

Period	Index 00	12-month moving average rates												
		00	01	02	03	04	05	06	07	08	09	10	11	12
2000	88.6	3.0	1.0	8.3	0.3	0.9	-1.2	4.2	3.3	2.8	0.2	4.2	7.6	1.4
2001	90.8	2.5	4.0	4.5	-1.3	2.2	0.3	3.5	0.1	1.3	3.3	6.7	4.0	2.0
2002	93.1	2.6	2.1	7.6	-0.7	2.3	0.5	2.4	0.6	0.6	2.2	10.1	4.5	3.0
2003	95.0	1.9	2.0	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
<b>2004</b>														
Jan.	94.3	2.1	2.4	2.3	-6.0	2.2	-0.1	5.8	2.2	-0.5	1.1	3.0	7.2	2.6
Feb.	94.3	2.1	2.2	3.4	-5.3	2.4	0.1	6.6	2.3	-0.6	0.9	2.8	6.7	2.9
Mar.	94.7	2.1	1.9	4.6	-5.3	2.7	0.3	7.2	2.3	-0.7	0.7	2.6	6.3	3.3
Apr.	98.7	2.3	1.8	5.7	-5.2	2.9	0.7	8.0	2.4	-0.7	0.4	3.0	6.2	3.8
May	98.9	2.4	1.5	6.8	-4.6	3.1	1.0	7.8	2.4	-0.6	0.2	3.2	6.0	4.3
June	99.2	2.4	1.3	8.0	-4.0	2.8	1.2	7.5	2.4	0.8	0.1	3.4	5.8	4.8
July	99.6	2.6	1.5	9.1	-3.1	2.5	1.3	7.4	2.8	2.2	-0.1	3.6	5.0	5.0
Aug.	99.2	2.6	1.5	10.2	-1.9	2.3	1.6	7.4	2.9	3.8	-0.3	3.8	4.1	5.1
Sept.	99.6	2.8	1.3	11.4	-1.4	2.4	1.8	7.3	3.0	5.3	-0.3	4.0	3.8	5.3
Oct.	99.6	2.8	0.6	12.5	-1.7	2.5	2.2	7.2	3.4	6.9	-0.3	3.7	3.4	5.5
Nov.	95.7	2.8	0.2	13.6	-2.1	2.7	2.5	7.1	3.7	8.5	0.0	3.3	2.9	5.7
Dec.	96.6	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
<b>2005</b>														
Jan.	96.1	2.6	-0.7	11.9	-2.6	3.2	2.9	6.8	4.1	11.8	0.4	2.7	2.4	5.5
Feb.	96.7	2.7	-0.6	10.8	-2.4	3.6	2.9	6.4	4.1	13.7	0.6	2.4	2.2	5.2
Mar.	97.1	2.7	-0.6	9.7	-2.0	4.2	2.9	6.1	4.2	15.5	0.8	2.1	2.0	5.0
Apr.	100.7	2.6	-0.5	8.7	-1.9	4.7	2.8	5.7	4.2	17.1	1.0	1.9	1.3	4.6
May.	101.3	2.5	-0.1	7.6	-1.9	5.2	2.7	5.9	4.2	18.6	1.1	1.7	0.6	4.3
June	101.3	2.4	0.3	6.6	-2.0	5.8	2.7	6.0	4.2	17.3	1.2	1.6	-0.1	3.9
July	101.4	2.3	0.3	5.7	-2.8	6.4	2.8	5.8	3.8	16.0	1.3	1.5	-0.1	3.8
Aug.	101.7	2.3	0.2	4.7	-2.6	7.0	2.8	5.7	3.6	14.8	1.6	1.4	0.2	3.6
Sept.	101.7	2.2	0.6	3.7	-1.9	7.3	2.7	5.6	3.4	13.6	1.7	1.2	-0.4	3.5
Oct.	102.6	2.2	1.3	2.8	-1.2	7.7	2.6	5.5	3.4	12.4	1.8	1.4	-0.9	3.3
Nov.	99.8	2.4	1.5	1.9	-0.7	8.5	2.5	5.4	3.5	11.2	1.8	1.5	-0.2	3.1
Dec.	99.9	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0

COICOP/HICP Code:

00.	All-items	06.	Health
01.	Food & non-alcoholic beverages	07.	Transport
02.	Alcoholic beverages & tobacco	08.	Communications
03.	Clothing & footwear	09.	Recreation & culture
04.	Housing, water, electricity, gas & other fuels	10.	Education
05.	Furnishings, household equipment & routine maintenance of the house	11.	Restaurants & hotels
		12.	Miscellaneous goods & services

Source: Eurostat.

# GENERAL NOTES

## INSTITUTIONAL BALANCE SHEETS

The balance sheets published in Tables 1.1, 1.2 and 1.3 are based on accounting principles. Consequently, data in these Tables might differ from data shown in other Tables compiled using statistical concepts and methodology.

## MONEY AND BANKING STATISTICS

Since October 2003, the compilation of monetary statistics has been consistent with internationally agreed statistical concepts and methodology as published in the IMF's *Monetary and Financial Statistics Manual* (2000), ECB Regulation 2001/13 concerning the consolidated balance sheet of the Monetary Financial Institutions (MFI) sector and the European System of Accounts (ESA 1995). Prior to October 2003, the compilation of monetary statistics was in line with the IMF's *A Guide to Money and Banking Statistics in International Financial Statistics* of December 1984.

### Measures of money

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

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

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

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

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

### Compilation and valuation principles

Monetary statistics are based on a consolidation (or aggregation where indicated) of the monthly

financial statements provided by the local credit institutions and the Central Bank of Malta. The credit institutions must submit data to the Bank no later than twelve calendar days following the end of the reporting month or quarter. Branches and subsidiaries of credit institutions operating in Malta but with head offices/parent companies abroad are also obliged to submit similar financial information. The reporting institutions compile monthly financial information in line with international accounting norms as issued by the International Accounting Standards Committee. In certain instances, credit institutions are required to submit the returns in accordance with specific statistical requirements of the Bank.

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

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

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

### **Release of monetary statistics**

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

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

Monetary data are based on the classification of transactions by the residence of the transactors. The transactors may either be residents or non-residents of Malta, a transactor being an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with

other entities. The internationally agreed residence criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'.

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

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

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

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

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

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

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

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

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

This sector is also subdivided into deposit money banks (DMBs) and international banking institutions (IBIs), the latter as from January 1995. DMBs are credit institutions that accept deposits and grant loans to both residents and non-residents. IBIs are credit institutions that accept deposits and grant loans predominantly to non-residents. Other banking institutions (OBIs), comprising mainly long-term lending institutions, were included with the banking sector category up to December 2000.

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

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

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

(c) **General government:**

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

i. **Central government** includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory. It thus includes departments, ministries, and offices of government located in the country and embassies, consulates, military establishments and other institutions of government located outside the country. Also included in this sector are the extra-budgetary units (also termed as public non-market units). These comprise those institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or involved in the redistribution of national income and wealth. These units/entities do not charge “economically significant” prices and/or did not cover at least 50% of their production costs in sales over the last years.

ii. **Other general government** in Malta comprises solely the local government sector. Local government includes administrative departments, councils or agencies whose competence covers only a restricted part of the economic territory of a country.

iii. The **Public Sector** comprises the general government sector and the public companies, the latter being companies that are owned or subject to control by government.

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

This sector comprises companies not engaged in any form of financial intermediation but engaged principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities. This sector includes public non-financial companies, that is, companies that are owned or subject to control by government, and private non-financial companies, that is, companies controlled by non-government resident or non-resident units.

(e) **Households and non-profit institutions serving households (NPISH):**

This sector comprises individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively intended for their own final consumption. Included in this sector are non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households.

### **Classification of economic activities**

The classification of economic activities follows the standards of Regulation (EEC) No 3037/90 entitled “Nomenclature générale des activités économiques dans les Communautés européennes” (General industrial classification of economic activities within the European Communities), known by the acronym NACE Rev.1.

### **Financial market indicators**

The statutory interest rates used by the Central Bank of Malta and other indicative benchmark money market rates are given as end-of-period rates as a percentage per annum. The repurchase agreement/term deposit rates are the prevailing rates actually dealt in at the end of the month or the rates offered by the Central Bank of Malta. The interbank market offered rates shown are the prevailing rates of the last dealings between banks in the official interbank market during the last month of the period reported. When no deals are transacted the Central Bank of Malta fixing rate average is used.

The weighted average deposit rates on current, savings and time deposits pertain to the deposit money banks’ interest rates applicable on resident Maltese lira deposits. The weighted average rate on time deposits is calculated on time deposits with a one year maturity. These rates are calculated by multiplying each amount by the different rates in each type of deposit and dividing by the total amount of each type of deposit. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents in local currency by the interest rate applied thereto, and dividing by the total amount.

The primary market Treasury Bill rates are the interest rates applicable on Government Treasury bills, which are obtained from the official rates quoted by the Treasury. These are weighted averages of the rates attached to the bills that are taken up by the bidders at the weekly auction. Treasury bills are classified by original maturity. A “-” sign implies that no transactions occurred during the last quarter.

Meanwhile, the wholesale secondary market yields represent the selling rates quoted by the Central Bank of Malta on a daily basis for trading in Malta Government Treasury Bills for reasonable amounts over Lm50,000 nominal in each respective tenor. The indicative yields shown in the Table are yields for fixed periods on which yields for each tenor are based. Interest rates on Malta Government stocks represent weighted average ISMA (International Securities Market Association) redemption yields on applicable stocks with periods specified referring to remaining term to maturity. ISMA Yields, are quoted with an annual compounding period, irrespective of how many coupon periods per annum the stock has.

The MSE share index measures movements in the price of all ordinary shares listed in the official list of the MSE. It is a market capitalisation index which weights the price and number of shares of each listed firm. The index has a base of 1,000 initiating on 27 December 1995.

## **PUBLIC DEBT STATISTICS**

Gross government debt comprises the total amount of government debt outstanding denominated in domestic and in foreign currency. The source for data on Treasury bills and government external debt is the Central Bank of Malta, while the source for Malta Government stocks is the MSE. Also shown are data on debt guaranteed by government, which mainly relates to the non-financial public sector companies. Government guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government - these loans already feature in the calculation of government external debt.

## **STATISTICS ON EXTERNAL TRANSACTIONS**

Tables 4.1 and 4.2 show the end-of-period and average exchange rates of the Maltese lira against other main currencies, respectively. The Maltese lira average exchange rates are calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates. The Bank also releases further related information on its website.

## **GOVERNMENT FINANCE AND REAL ECONOMY INDICATORS**

Public finance, trade, national accounts and other general economic statistics are obtained from the NSO and the Ministry of Finance. Further details may be obtained from the website of the NSO. Statistics on building and construction are obtained from the Malta Environment and Planning Authority.