

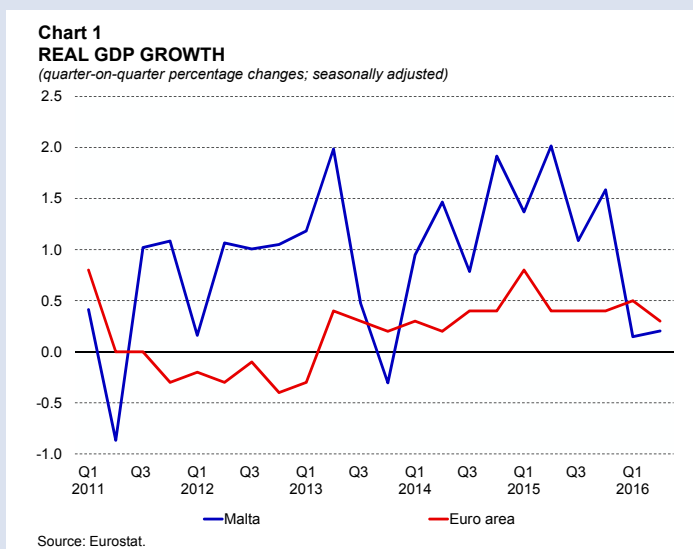
SUPPLEMENT TO THE QUARTERLY REVIEW 2016:2

Gross domestic product in the second quarter of 2016

Real GDP continues to expand at a strong pace

According to provisional gross domestic product (GDP) figures, the Maltese economy continued to grow at a robust pace during the second quarter of 2016.¹ Real GDP increased by 3.0% in annual terms, following an upwardly revised rate of 5.3% in the first quarter of the year.²

In seasonally adjusted terms, real GDP in Malta was up by 0.2% on a quarter-on-quarter basis, after increasing by 0.1% in the previous quarter (see Chart 1). In contrast, the quarterly rate of expansion in the euro area eased to 0.3% in the second quarter, from 0.5% in the previous three months.



Domestic demand remains the main driver of GDP growth

During the second quarter of 2016, domestic demand remained the primary source of growth for the Maltese economy (see Table 1).

On an annual basis, domestic demand increased by 2.6% and contributed 2.7 percentage points to real GDP growth. All domestic demand components increased on a year earlier, except gross fixed capital formation (GFCF), with changes in inventories and private consumption leading the expansion.

Private consumption growth rose at an annual rate of 2.0% in the second quarter, down from 5.8% in the first quarter, partly reflecting more moderate growth in employee compensation. It contributed 1.1 percentage points to real GDP growth. Changes in inventories is estimated to have turned positive and to have added a further 1.4 percentage points to growth.

¹ See NSO News Release 142/2016 published on 6 September 2016. These statistics are not commented on in the main text of the *Quarterly Review 2016:2*, as they became available after the *Review's* cut-off date.

² NSO News Release 091/2016 had shown that real GDP had increased at an annual rate of 5.2% in the first quarter of 2016, as commented in the main text of this *Review*. These figures were revised in NSO News Release 142/2016. Therefore, figures for the first quarter of 2016 and for preceding quarters in the main text of the *Review* do not tally with the ones referred to in this Supplement.

Table 1
GROSS DOMESTIC PRODUCT⁽¹⁾

	2015			2016	
	Q2	Q3	Q4	Q1	Q2
<i>Annual percentage changes</i>					
Private final consumption expenditure	3.5	7.3	7.1	5.8	2.0
Government final consumption expenditure	4.8	-1.1	11.2	6.3	3.2
Gross fixed capital formation	72.5	80.4	24.6	19.2	-2.1
Domestic demand	15.7	19.8	7.8	9.4	2.6
Exports of goods and services	2.9	3.1	3.0	0.8	0.2
Imports of goods and services	9.0	11.3	3.9	3.6	0.0
Gross domestic product	6.3	6.0	6.3	5.3	3.0
<i>Percentage point contributions</i>					
Private final consumption expenditure	1.9	3.8	3.8	3.2	1.1
Government final consumption expenditure	1.0	-0.2	2.2	1.3	0.6
Gross fixed capital formation	12.7	12.0	4.8	4.1	-0.5
Changes in inventories	-0.9	0.7	-3.5	0.8	1.4
Domestic demand	14.7	16.3	7.3	9.3	2.7
Exports of goods and services	4.2	4.5	4.3	1.2	0.2
Imports of goods and services	-12.7	-14.8	-5.3	-5.2	0.1
Net exports	-8.5	-10.3	-1.0	-4.0	0.3
Gross domestic product	6.3	6.0	6.3	5.3	3.0

⁽¹⁾ Chain-linked volumes, reference year 2010.

Sources: NSO; Central Bank of Malta calculations.

Government consumption also slowed down, with the annual growth rate edging down to 3.2%, from 6.3% in the first quarter. In the second quarter it added 0.6 percentage point to growth. Nominal data show that compensation of employees decelerated slightly, while intermediate consumption fell in annual terms, following a significant increase in the first quarter.

GFCF contracted by 2.1%, following a 19.2% increase in the first quarter and shed 0.5 percentage point from GDP growth. Non-residential construction, which was lifted by government spending on infrastructural projects a year earlier, was the main contributor to this decline. Moreover, investment spending on machinery and transport equipment slowed down strongly, as favourable base effects related to new investment in the aviation sector – which boosted investment growth in the first quarter of this year – weakened. On the other hand, the annual growth rate of investment in dwellings almost doubled compared with the first quarter. The other components of GFCF also increased at a faster rate.

Net exports contribute positively to growth

Exports began to outpace imports in the second quarter, reversing the pattern seen recently. As a result, net exports added 0.3 percentage point to real GDP growth, following a sequence of negative contributions. Exports increased by 0.2% on a year earlier, following a 0.8% rise in the first quarter of 2016. This slowdown reflected a contraction in goods exports in the second quarter. In contrast, exports of services rose faster. Imports were broadly unchanged in annual terms, following a rise of 3.6% in the first quarter of 2016. Goods imports fell on a year earlier, while services imports slowed down.