Central Bank of Malta

Quarterly Review

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ECONOMIC SURVEY

1. FOREWORD

During the first quarter of 2002 the Central Bank eased its monetary policy stance further, lowering both the central intervention rate and the discount rate by 25 basis points to 4% on January 31. Official interest rates were then left unchanged for the remainder of the first quarter and throughout the second. The Bank's decisions were based on its analysis of economic and financial developments in Malta and abroad and were consonant with its monetary policy strategy, which is based on pegging the Maltese lira to a basket made up of the euro, the US dollar and sterling.

In analysing key indicators on the local economy, the Bank observed that domestic demand remained subdued. This view was supported by developments in the labour market as well as the monetary data, which showed that underlying credit growth remained sluggish. Meanwhile, in the international economy, the persistence of weak conditions had prompted central banks in major industrial economies to reduce official interest rates up to the end of 2001. However, during the first quarter of 2002, with global economic conditions improving slightly, official interest rates in the United States, the euro area and the United Kingdom were left unchanged.

As a result of these developments, the premium on Maltese lira short-term interest rates remained relatively wide, which contributed to an increase in the Central Bank's net foreign assets during the second half of 2001 and into most of the first quarter this year. In turn, this supported the Bank's decision to cut official interest rates in January. However, the increase in the Bank's net foreign assets was partly reversed towards the end of the first quarter and into the second, although they stabilised in May. Subsequently, therefore, the Bank adopted a more cautious monetary policy stance.

The latest data on the economy published in June showed that during the first quarter of 2002 the Maltese economy began to recover from the decline recorded during the previous three quarters. Overall, Gross Domestic Product grew by 1.4% in real terms, driven mainly by a recovery in private consumer spending and an increase in Government recurrent expenditure. Furthermore, the turnover of the electronics industry fell at a slower pace and the decrease in tourist arrivals moderated substantially. In addition, imports fell faster than exports in both nominal and real terms. These factors offset reductions in investment spending and in inventories.

Meanwhile, responses to the Bank's latest business perceptions survey, which was carried out between April and May 2002, also indicated that activity levels rose during the first quarter compared with the final quarter of 2001. This was especially so in manufacturing industry, as activity levels in the tourism sector remained considerably below normal. Looking ahead, although the rebound in business sentiment reported in the previous survey had lost momentum, signs of an incipient export-led recovery remained, with a number of firms stating their intentions to expand their labour force.

Although the twelve-month moving average rate of inflation continued to rise, reaching 3.6% in March from 2.9% in December, inflationary pressures abated during the quarter. In fact, the year-on-year measure, which is a more timely indicator of price developments, dropped by more than a full percentage point to 3.1% over the same period. In particular, food prices fell during the quarter as the impact of the supply-side factors that had driven them up during 2001 subsided.

Labour market activity remained subdued, with the proportion of registered unemployed rising from 5.1% in December 2001 to 5.5% in February 2002, the latest month for which data were available at the time of writing. Full-time employment dropped as jobs in manufacturing industry, the hospitality sector and the public sector decreased. Employment income, however, remained stable during the quarter.

As the GDP data referred to already indicate, fiscal policy was more expansionary during the first quarter of 2002. The deficit widened considerably when compared with the previous quarter, although it was only slightly larger than that recorded during the corresponding quarter of 2001.

In the external sector, the deficit on the current account of the balance of payments narrowed during the March quarter of 2002, as the merchandise trade gap shrank and the surplus on trade in services widened. At the same time, higher net inflows on the capital and financial account resulted in an overall surplus that translated into an increase in the official reserves. In fact, during the three months to March, the Central Bank's net foreign assets expanded for the fourth consecutive quarter, rising by Lm22.6 million.

An increase in the net foreign assets of the banking system was also the main counterpart to monetary expansion during the quarter reviewed. Rapid deposit growth contributed to excess liquidity in the system, which exerted downward pressure on interest rates in domestic financial markets.

The Central Bank's projections for 2002 remain broadly similar to those published in its latest Annual Report, with real GDP growth forecast to rise to between 2.5% and 3%. The timing of the recovery will, however, depend on the extent of the rebound in the major industrialised economies, which is expected to stimulate demand for exports. Public and private consumption are both expected to continue growing. Investment is expected to recover following the sharp fall recorded in 2001, although to a lesser extent than the Bank had originally forecast. In turn, slower growth in investment spending is expected to lead to a smaller rise in imports. Unemployment remains on track to end the year between 5% and 5.5%, while the Bank continues to expect inflation to fall to between 2.3% and 2.8% by December.

2. THE INTERNATIONAL ENVIRONMENT

The World Economy

During the first quarter of 2002 global economic conditions improved slightly, reflecting continued expectations of a moderate recovery. These expectations, however, rested on the performance of the United States, where doubts about the sustainability of growth persist. Any improvement in Europe was expected to come later, with growth likely to strengthen over the course of the year, while the Japanese economy, which registered strong growth during the first quarter, was expected to return to recession in the following months. Against this scenario, the IMF was projecting a global growth rate of 2.5% for the year, down from a previous estimate of 2.8%.

Economic and Monetary Developments in the Major Economies

The United States economy expanded at an annual rate of 6.1% during the first quarter, the fastest rate in nearly two years, led by consumer spending and a rapid build-up of inventories. Furthermore, productivity was up 8.4% from a year ago, while exports increased by 5.3% and government spending by 4.3%. Although the GDP data were benign, however, firms had not yet recovered enough to increase employment or capital spending. In fact, the US unemployment rate remained unchanged at 5.6%, as employment rose in the services industries but fell in construction and manufacturing.

Even though the economy appeared to be expanding at a fairly vigorous pace, therefore, the advance mainly reflected a swing in inventory investment. Hence, within the context of

Table 2.1
INTERNATIONAL ECONOMIC INDICATORS

	Real GDP % change			Inflation (Consumer prices) % change			Current account balance US$ billions		
	2000	2001	2002[1]	2000	2001	2002[1]	2000	2001	2002[1]
United States	4.1	1.2	2.3	3.4	2.8	1.4	-444.7	-417.4	-435.3
European Union	3.4	1.7	1.5	2.3	2.6	2.0	-28.3	28.5	29.6
Euro area	3.4	1.5	1.4	2.4	2.6	1.9	-11.0	41.9	50.1
United Kingdom	3.0	2.2	2.0	2.1[3]	2.1[3]	2.4[3]	-25.8	-25.1	-31.1
Japan	2.2	-0.4	-1.0	-0.8	-0.7	-1.1	119.6	87.6	110.2
Advanced countries	3.9	1.2	1.7	2.3	2.2	1.3	-256.2	-186.4	-192.6
Developing countries	5.7	4.0	4.3	6.1	5.7	5.8	65.6	27.3	-23.2
Countries in transition[2]	6.6	5.0	3.9	20.2	15.9	10.8	27.1	15.6	2.2

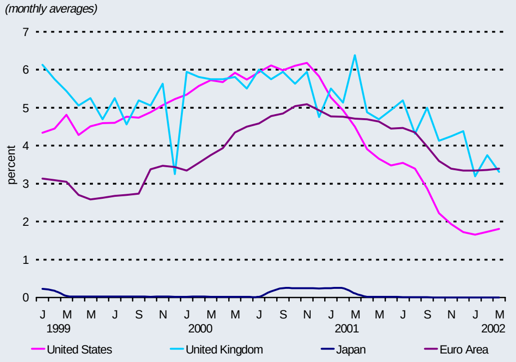
[1] Forecasts
[2] Includes countries of Central and Eastern Europe and the former USSR.
[3] Retail price index excluding mortgage interest.
Source: World Economic Outlook, Washington: International Monetary Fund, April 2002.

considerable uncertainty that surrounded the outlook for final demand over the quarters ahead, the Federal Reserve kept official interest rates unchanged during the quarter. Meanwhile, money market rates remained below the Fed's benchmark rate through January and February, though they ended March above this rate.

In the euro area GDP grew by 0.3% during the quarter (0.3% on a year earlier), helped by a recovery in exports and following a 0.2% contraction in the previous quarter. The unemployment rate, however, remained unchanged at 8.4%. The German economy grew by 0.2%, led by exports and government spending, after having contracted by 0.3% in the previous quarter, while the French economy grew by 0.4%, after having contracted by 0.4%. Concurrently, however, consumer price inflation in the euro area rose to 2.5% in March, driven by higher oil prices which kept the inflation rate above the European Central Bank's (ECB's) 2% target.

Taking into account the relative economic uncertainty, the ECB kept its refinancing rate unchanged during the quarter, suggesting that its four reductions last year were considered sufficient to spur the region's stagnant economy. At the same time euro area money market rates remained stable, even if slightly higher than the ECB's refinancing rate.

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



The UK economy posted no growth during the first three months of the year, marking two consecutive quarters of zero growth. On an annual basis, however, the British economy expanded by 1%, largely driven by strong services sector growth and robust consumer spending, as the output of the production industries (which includes utilities, mining and energy) declined 1.5% on the quarter and 5.6% on the year, while manufacturing output contracted by 1.5%, or 6.5% when compared to a year earlier.

Since any immediate increase in UK interest rates could have damaged business and consumer confidence and delayed a recovery, the Bank of England decided to keep its repo rate unchanged during the quarter. Meanwhile, UK money market rates remained below the Bank's repo rate throughout the quarter.

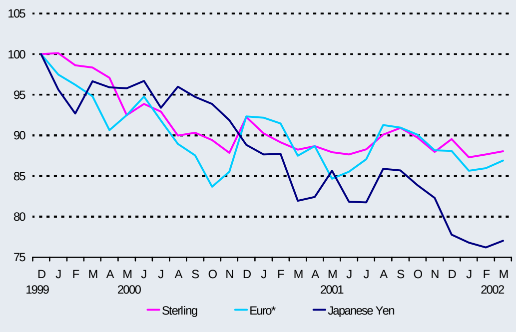
Economic conditions in Japan improved slightly during the March quarter, with the Japanese economy growing for the first time in a year. In fact, Japan's GDP rose by 6.7% during the quarter, after having contracted by 4.5% in the previous quarter, helped by a surge in consumption and in exports. At the same time, unemployment fell to 5.2% as manufacturers resumed hiring workers. A 5.2% fall in investment by non-financial companies, however, seemed set to cloud the prospects for a sustained recovery in the following months.

Having already exhausted most conventional means of pulling the economy from recession, the Bank of Japan left monetary policy unchanged during the quarter, ignoring political pressures to pump more cash into the banking system so as to avert a possible crisis. Hence, as Chart 2.1 shows, Japanese money market rates remained stable, at 0%, throughout the quarter.

Foreign Exchange Markets

The US dollar's resilience against the other major currencies was the most notable feature of the

Chart 2.2
EXCHANGE RATE MOVEMENTS OF SELECTED CURRENCIES AGAINST THE US DOLLAR
(index of end-of-month rates, end-1999=100)



foreign exchange markets during the March quarter. This reflected the market perception that faster economic growth in the United States was a prerequisite for recovery elsewhere.

In January and early February a further appreciation of the dollar and a corresponding decline of the euro and sterling characterised the markets, with the dollar's strength being mainly driven by the Fed's optimistic outlook on the health of the US economy. Meanwhile, the yen weakened across the board amid indications that Japanese policymakers welcomed a weaker currency. As Table 2.2 shows, the dollar's appreciation against sterling and the euro reached its peak late in January and in early February, as concerns over Germany's willingness to rein in its budget deficit weighed on the European currency, while fears that the imbalances in Britain's economy were growing undermined sterling.

During the second half of February and early March, the dollar remained broadly stable against all the other major currencies, failing to benefit significantly from evidence of higher US consumption spending and benign data reflecting the positive rate of growth in the final quarter of 2001. Towards the end of March, however, the euro made modest gains against the dollar, amid concerns over American involvement in the Middle East, the likely impact of higher

Table 2.2
AVERAGE EXCHANGE RATES OF THE EURO, STERLING AND THE YEN AGAINST THE US DOLLAR DURING MARCH QUARTER 2002

	US$ per Euro	US$ per Stg	Yen per US$
Average for January	0.8840	1.4333	132.57
Average for February	0.8697	1.4227	133.57
Average for March	0.8762	1.4225	131.04
Average for the quarter	0.8766	1.4262	132.39
Closing rate on 28.03.02	0.8740	1.4259	132.59
Closing rate on 31.12.01	0.8857	1.4498	131.25
Lowest exchange rate during the quarter[1]	0.8577 (Feb. 01)	1.4087 (Jan. 29)	127.71 (Mar. 08)
Highest exchange rate during the quarter[1]	0.9034 (Jan. 03)	1.4493 (Jan. 14)	134.76 (Jan. 25)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 31.12.01 to closing rate on 28.03.02	-1.3	-1.6	-1.0

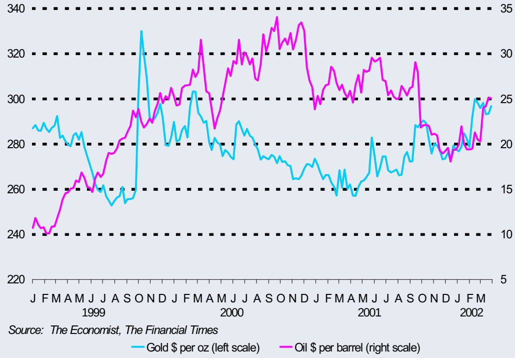
[1] The low/high exchange rates are daily opening or closing rates of the relevant currencies.

oil prices on the economic recovery, and the large US current account deficit. The dollar at this stage also lost ground against the yen, which strengthened in response to a sharp rise in Japanese equities as the prospects of a financial crisis in Japan faded. These losses were short-lived, however, as lower-than-expected Japanese growth figures for the final quarter of 2001 issued late in March caused the yen to fall back to its previous levels.

Key Commodities

The first quarter of 2002 saw a renewed interest in gold, as the slowdown in world economic growth, the impact of September 11 and mounting tension in the Middle East, together with doubts regarding equity valuations, led investors to seek asset security rather than return maximisation. As a result, the gold price rose to $300 per ounce at mid-February, before ending the quarter at $295.75 per ounce, up by 6.86% from the end-December level.

Chart 2.3
COMMODITY PRICES



Source: *The Economist, The Financial Times*

Oil prices rose by 24.7% during the quarter, ending March at $24.18 per barrel. In January and February the rise was underpinned by cold weather in Europe and the United States and the coming-into effect of the OPEC output cut agreed in November. Later in the quarter, however, the escalation of the Middle East crisis and the decline in United States gasoline stocks lent further upside support to oil prices.

Box 1 : DEVELOPMENTS IN INTERNATIONAL ECONOMIC CO-OPERATION

Meeting of the European Council

On June 21-22 the European Council met in Seville at the end of the Spanish Presidency. The Council discussed several issues - such as the future of the Union, the enlargement negotiations, and growth and competitiveness in the euro area. With respect to the future of the Union, the Council heard a report from the Chairman of the Convention on the Future of the Union. In the light of this report, the Council expressed the hope that the Convention would, within the set time frame, produce a positive result with a view to holding the Intergovernmental Conference decided upon at Laeken for the revision of treaties.

With regards to the enlargement process, the Council concluded that during the first six months of the year decisive progress had been made in the accession negotiations and that these were now entering their final phase. As regards compliance with the accession criteria, the European Council stressed the importance for candidate countries to continue to make progress in the implementation and effective application of the *acquis*. The candidate countries were also asked to take all necessary measures to bring their administrative and judicial capacity up to the required level.

On the matter of growth and competitiveness, the Council emphasised its belief that the European economy was set to reap the benefits of sound macroeconomic policies and ambitious economic reform. The Council also welcomed the Broad Economic Policy Guidelines (BEPG), with their focus on macroeconomic stability and growth and reform of the labour market and the markets for goods and services. Member States were also encouraged to use any growth dividend related to the economic recovery to consolidate public finances further.

EBRD Annual Meeting

On May 19-20 the European Bank for Reconstruction and Development (EBRD) held it's Eleventh Annual Meeting in Bucharest. On this occasion, the Bank's Board of Governors confirmed that 2001 was a good year for the EBRD, since the Bank had the highest ever annual level of commitments across the region while almost all twenty-seven countries in the region managed to achieve growth. The Board, however, also kept in mind that the task of implementing the Bank's reforms in the less advanced countries was often more difficult. For that reason, it suggested that the Bank should consider different country strategy models based on country specifications or adjust the country activity plans according to the different levels of transition. Furthermore, the Board of Governors stressed the important role of the Bank in various sectors of the accession countries, such as privatisation, foreign direct investment (FDI), and the release of capital for the promotion of small and medium enterprises (SMEs).

In his address to the meeting, Malta's Finance Minister, the Hon. J. Dalli, urged the Bank to continue to promote sound banking practices and good governance. At the same time, the Minister agreed with the Bank's decision to join forces with the IMF, the World Bank, and the Asian Development Bank to contribute to an international initiative aimed at assisting seven of the countries in the Commonwealth of Independent States (CIS). Furthermore, Mr. Dalli stated that the Maltese Government was focusing more and more on environmental issues and, where the development of the energy sector was concerned, was studying ways of increasing capacity without causing environmental degradation.

IMF and World Bank Spring Meetings

On April 20 Finance Ministers and Central Bank Governors met in Washington DC for the Spring Meetings of the International Monetary and Financial Committee (IMFC) and the Development Committee of the IMF and the World Bank.

The **International Monetary and Financial Committee (IMFC)** welcomed the international community's decisive policy actions, especially following the tragic events of September 11, to maintain financial stability, restore the momentum of world economic growth, and reinvigorate the fight against poverty. The Committee also agreed to maintain its global action to combat money laundering and the financing of terrorism. The Committee stated that the prospects for the world economy had improved markedly since September 11, and that, looking forward, the challenge now was for governments to help foster the global recovery that was under way. Meanwhile, the Committee encouraged the IMF to press ahead with initiatives designed to enhance the effectiveness of surveillance and crisis prevention. These include the Financial Sector Assessment Program (FSAP) and policies on transparency. The Committee also welcomed the substantial progress made by the IMF, in close collaboration with the World Bank, in implementing all the elements of its action plan to combat money laundering and the financing of terrorism (AML/CFT). The Committee noted in particular the good start made in assessing gaps in national AML/CFT regimes, and fully supported the provision of technical assistance to help countries identify and address such gaps.

The **Development Committee** welcomed the progress achieved in the Monterrey Consensus, which has been laying out a new partnership compact between developed and developing countries to achieve improvements in sustainable growth and poverty reduction. The Committee also recognised the efforts of the World Bank and the IMF, working together with the UN, in contributing to this result, and that such efforts needed to be supported by increased and more effective development assistance and by greater efforts to integrate developing countries into the global economy. The Committee stressed the fact that economic growth required a strong and vibrant private sector and an enabling climate that encouraged investment, entrepreneurship and job creation. In this regard, Ministers urged an acceleration of efforts to lower trade barriers, including trade distorting subsidies, and called upon the Bank and others to provide more support to developing countries to address policy, institutional, social and infrastructure impediments which limited their ability to share in the benefits of trade. On education, the Committee emphasised that this was one of the most powerful instruments for reducing poverty. It strongly endorsed the action plan presented by the Bank as a basis for reaching international consensus to help make primary education a reality for all children by 2015.

The members of the **Development Committee** and the **IMFC** met jointly to review the ongoing efforts of the World Bank and the IMF to strengthen growth and fight poverty. The joint-Committee was pleased with the outcome of the recent reviews of the Fund's Poverty Reduction and Growth Facility (PRGF) and of the Poverty Reduction Strategy Paper (PRSP) approach. The Committee supported the Fund's continued readiness to respond flexibly and proactively to the financing needs of low-income countries. While the Committee was encouraged by the progress made with the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative, it noted that, in a number of cases, debt sustainability remained an issue and called on the IMF and World Bank to review the situation.

3. OUTPUT, PRICES AND EMPLOYMENT

During the first quarter of 2002 the Maltese economy showed some signs of recovery from the sharp downturn that had characterised the second half of 2001, particularly after the September 11 events. In fact, the Gross Domestic Product (GDP) grew by 1.4% in real terms, after a decline of 2.2% in the previous quarter. Domestic demand was the main driving force behind the stronger performance as private consumption expenditure recovered sharply, expanding by 6.4% in real terms, the largest increase in four quarters. This was reflected in a rebound in imports of consumer goods, further growth in the manufacturing sector's sales to the domestic market and higher outlays on services.

A modest improvement was also recorded in external demand. In fact, while data on the two major export-oriented sectors, manufacturing and tourism, continued to indicate a contraction in activity compared with the same period of the previous year, this was much smaller than that registered in the final quarter of 2001. In the manufacturing sector the decline in the turnover of the electronics industry moderated substantially, whereas export sales by other manufacturing sub-sectors increased slightly. In the tourism sector, gross earnings continued to decline, but occupancy rates in the top hotel categories picked up.

On the inflation front, pressures eased as the acceleration in food prices that had persisted for most of 2001 subsided. The headline inflation rate, however, continued to edge upwards, reflecting the rise in the Retail Price Index (RPI) during the second half of 2001. In the labour market activity remained subdued, with the number of persons on the unemployment register rising by 4% during the first three months of 2002. This was mainly due to the closure of two manufacturing establishments, though hotels also continued to shed staff.

Gross Domestic Product

The expansion in real GDP during the March quarter, which followed three consecutive quarterly contractions, was primarily due to a sharp rebound in private consumption coupled with a substantial increase in Government recurrent expenditure. Export-oriented activity, however, also improved significantly when compared with the December quarter, though it remained well below its year-ago level.

Meanwhile, as can be seen from Table 3.1, GDP at factor cost, i.e. the sum of profits and employment income, grew by 1.8% during the quarter, compared with 4.4% in the same quarter of 2001. This slowdown partly reflected the fact that last year's factor cost GDP had been boosted by the civil service pay rise. The continued decline in activity in the electronics industry, however, also contributed to the deceleration in income-side GDP growth from the rate recorded in the first quarter of 2001, as both profits and employment income in the industry contracted further. This is reflected in the 2% fall in the manufacturing sector's contribution to growth. A drop in income was also reported by the transport and communications sector.

Nevertheless, despite the negative out-turn reported by these two sectors, the overall level of profits rose by 3.6% in nominal terms. The earnings of Government enterprises and the banking, insurance and real estate sectors, in fact, increased by 30%, while significant gains were also reported in agriculture and fisheries, construction and quarrying, and private services. Likewise, the contribution to GDP growth of property income improved, reflecting higher income from interest on public debt instruments and rents.

Table 3.1

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

%

	Jan. - Mar. 2001	Jan. - Mar. 2002
GDP at Factor Cost	**4.4**	**1.8**
of which:		
Agriculture and fisheries	-0.1	0.1
Construction and quarrying	0.3	0.4
Manufacturing	2.5	-2.0
Transport and communication	0.4	-0.6
Wholesale and retail	0.2	0.1
Insurance, banking and real estate	-1.1	1.5
Government enterprises	0.0	0.7
Public administration	2.0	0.5
Property income	-0.3	0.7
Private services	0.5	0.5

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

Source: National Statistics Office

Employment income, on the other hand, remained relatively stable during the quarter, up by just 0.2% over the corresponding period of 2001. This reflected a drop in the gainfully occupied population during the first months of the year and moderate wage inflation. In particular, following last year's sharp rise, civil service salaries remained virtually unchanged during the quarter reviewed, while in the private sector labour costs were generally stable.

In spite of the deceleration in employment income growth, private consumption rebounded sharply during the quarter, rising by 6.4% in real terms. In fact, both imports of consumer goods and manufacturing industry's sales to the local market increased, as did outlays on services.

The contribution of Government current expenditure to real GDP growth, too, was much more significant during the March quarter of 2002 than in the same quarter last year, as Table 3.2 indicates. Government consumption expanded by 7.2% in real terms as spending on goods and services increased, as did Treasury pensions. In contrast, gross fixed capital formation decreased by 14.4%, as lower investment in machinery, particularly in the electronics sub-sector, outweighed an increase in investment in construction.

The balance on goods and services continued to improve sharply during the quarter reviewed, as imports declined more than exports. To a large extent, this reflected a reduction in imports of capital goods and, to a lesser degree, the running down of inventories. At the same time, the contribution of net exports to real GDP growth

Table 3.2

GDP GROWTH BY CATEGORY OF EXPENDITURE[1]

%

	Jan. - Mar. 2001	Jan. - Mar. 2002
Growth in real GDP	**0.2**	**1.4**
of which:		
Private consumption expenditure	-1.0	3.8
Government consumption expenditure	-0.1	1.3
Gross fixed capital formation	-0.3	-3.6
Inventory changes	1.0	-7.5
Exports of goods and services	5.8	-5.4
Imports of goods and services [2]	-5.1	12.8
Growth in nominal GDP	**5.0**	**2.9**

[1] The figures in the Table show the change in each component of real GDP as a percentage of the previous year's real GDP (expenditure side).This shows the number of percentage points contributed by each expenditure component to the overall rate of growth in real GDP.The figures for 2001 have been revised; those for 2002 are provisional.

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

Source: National Statistics Office

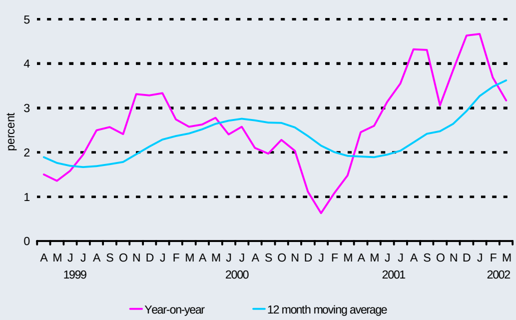
continued to be boosted by the fact that the decline in export prices was greater than that of import prices in percentage terms. Thus, whereas the balance on goods and services in nominal terms narrowed by 42%, in real terms it narrowed by 71%.

Retail Prices

The upward trend in the headline rate of inflation observed during the second half of 2001 continued into the first quarter of 2002. Thus, the twelve-month moving average measure of inflation rose to 3.6% in March from 2.9% in December. In contrast to the previous quarter, however, the year-on-year measure, which is a more timely indicator of price trends, dropped by 1.4 percentage points to 3.1% in March. As can be seen from Chart 3.1, this was the first time in eleven months that the year-on-year rate of inflation fell below the headline rate.

The main factor behind the easing in inflationary pressures during the quarter reviewed was food prices. The latter fell by over 3% during the quarter, as the supply-side factors that had driven prices up during 2001, namely the closure of two major discount stores and a decline in local agricultural production due to a shortage of rainfall, subsided. The initial shock to retail prices

Chart 3.1
RETAIL PRICE INFLATION



Source: National Statistics Office

Table 3.3
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI
12-month moving average (percentage changes)

	Mar. 2001	Dec. 2001	Mar. 2002
Food	1.1	5.6	7.0
Beverages and tobacco	3.8	4.5	6.1
Clothing and footwear	-0.8	-1.4	-0.2
Housing	3.4	4.2	3.8
Fuel, light and power	4.6	-0.4	1.0
Durable household goods	-1.6	-0.5	0.1
Transport and communications	4.6	1.9	1.8
Personal health and care	3.5	2.9	3.0
Education, entertainment and recreation	2.5	3.5	3.4
Other goods and services	-0.2	0.8	0.9
All items	**1.9**	**2.9**	**3.6**

Source: National Statistics Office

as a result of the restructuring of the distributive sector just referred to dissipated quite rapidly, as the remaining operators soon adjusted to the new business environment. Moreover, as a result of declining inflation overseas and the Maltese lira's appreciation against the euro, the rate of growth of prices of imported foodstuffs also eased. However, though the upward trend in the prices of local agricultural produce appears to have stopped, they remained relatively high, reflecting insufficient supply on account of the protracted drought.

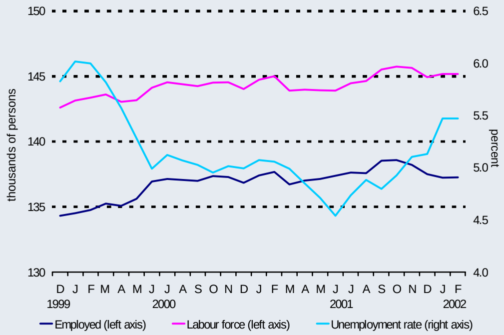
Upward pressures on prices persisted in a number of sub-indices of the RPI, mostly due to changes in indirect taxes. Thus, the final phase of the removal of rebates on utility bills boosted the housing and the fuel, light and power sub-indices, whereas the latest increase in the excise duty on cigarettes accounted for most of the rise in the beverages and tobacco sub-index. Taken together these two factors raised the RPI by more than 0.2 percentage points.

On the other hand, the significant reduction in levies on imports of manufactured goods that came into effect in January helped to dampen inflationary pressures. Furthermore, the impact of higher fuel prices following the liberalisation of these prices announced in the Budget for 2002 appears to have been confined to a one-time adjustment in the transport and communications sub-index, as operators in other sectors did not pass the increase in costs on to their customers.

The Labour Market[1]

On the basis of administrative data, the unemployment rate rose to 5.5% in February 2002[2],

Chart 3.2
LABOUR MARKET TRENDS



Source: Employment and Training Corporation

[1] The cut-off date for data in this section is July 3, 2002.
[2] Employment data for March were not available at the time of writing this Review.

Table 3.4
LABOUR MARKET DEVELOPMENTS
Number of persons

	Feb. 2002	Change over Dec. 2001	Annual change
Labour supply	**145,186**	**257**	**187**
Unemployed	**7,941**	**508**	**609**
Unemployment rate (%)	**5.5**	**0.3**	**0.4**
Gainfully occupied	**137,245**	**-251**	**-422**
of which:			
Private direct production	**37,883**	**-54**	**-184**
including:			
Agriculture & fisheries	2,192	0	21
Quarrying, construction & oil drilling	6,722	120	143
Manufacturing	28,969	-174	-348
Private market services	**49,940**	**-64**	**-126**
including:			
Wholesale & retail	15,336	-48	-344
Insurance & real estate	1,299	19	15
Transport, storage & communciations	6,055	-68	-26
Hotels & catering establishments	8,954	-128	-335
Community & business	11,140	24	488
Others	7,156	137	76
Public sector	**48,317**	**-100**	**-44**
including:			
Government departments	30,470	-308	-334
Armed Forces, R.S.C. & Airport Co.	1,632	31	-17
Government-controlled companies	7,927	170	163
Independent statutory bodies	8,288	7	144
Temporarily employed	**1,105**	**-33**	**-68**

Source: Employment and Training Corporation

from 5.1% in December. This was the outcome of an increase in the labour supply, as labour market participation began to recover from the seasonal fall registered in the December quarter of 2001, and a drop in the number of the gainfully occupied, which fell by 251 during the first two months of the current year.

This drop in full-time employment reflected three main factors. First, employment in manufacturing contracted by 174, mainly on account of some restructuring in the beverages sub-sector that resulted in the closure of a soft drinks bottling plant. Second, the hospitality sector continued to shed workers as the industry's turnover continued to decline. Third, full-time employment in the public sector declined further. On the other hand, the demand for labour by the construction industry continued to expand steadily, while employment in "other" services, mainly in the recreation services sub-sector, rose by 137.

As can be seen from Table 3.4, the gainfully occupied population as at end-February was down by 422 from a year earlier. The private sector accounted for nearly three-quarters of the contraction, with the decline being nearly equally divided between services and direct production. Employment in direct production was characterised by divergent trends, as an increase in the number of workers employed in construction was more than offset by reductions in employment in manufacturing, particularly in the electrical machinery and furniture sub-sectors. As regards private services, a significant decline in employment was reported by the wholesale and retail sector, hotels and catering establishments, and banks and other financial institutions. Meanwhile, public sector employment was down by 44 from the previous year's level. As a result of these developments, the number of persons on the unemployment register at the end of February, at 7,941, was up by 609, or 8.3%, from the year-ago level.

Manufacturing

Activity in the manufacturing sector continued to contract during the first quarter of 2002. The decline in turnover was, however, substantially

Table 3.5

MANUFACTURING PERFORMANCE - SELECTED INDICATORS

Lm millions

	Jan. - Mar.	
	2001	2002
Growth in exports	**4.6**	**-35.3**
of which:		
Radio, T.V., Telecom, etc.	0.6	-36.5
Furniture	2.4	-3.2
Medical and precision equipment	-2.4	2.8
Printing and publishing	2.0	1.4
Other	1.9	0.2
Growth in local sales	1.9	3.6
of which:		
Food and beverages	1.8	1.4
Other non-metallic minerals	-0.1	1.2
Furniture	0.0	1.2
Tobacco	0.6	-0.4
Other	-0.5	0.2
Growth in net investment	-6.6	-3.8
of which:		
Radio, T.V., Telecom, etc.	-5.5	-4.0
Plastics and rubber products	-0.1	-0.4
Furniture	-0.5	1.1
Chemicals	-0.2	0.6
Other	-0.2	-1.1

Source: National Statistics Office

slower than that recorded during the final two quarters of 2001, as sales by the electronics sub-sector fell to a lesser extent than previously. At the same time, turnover in the rest of manufacturing industry expanded at the same rate as in the final quarter of 2001.

As can be seen from Table 3.5, export turnover dropped by Lm35.3 million during the March quarter compared with the same period of 2001. This was mainly due to a 25% drop in sales by the electronics industry, although export-oriented establishments in the furniture and chemicals sub-sector also reported a significant decline in sales. By contrast, exports by many other sub-sectors were up from last year's levels: sales by the medical and precision equipment sub-sector more than doubled, for instance, while significant gains were also reported by the printing and publishing, plastic and rubber, food and beverages, and fabricated metal products sub-sectors.

The upward trend in the manufacturing sector's local sales observed during 2001 continued into the first quarter of 2002. As in the previous year, however, a significant part of this was attributable to the food and beverages sub-sector, and partly reflected price increases, although the furniture and other non-metallic minerals sub-sectors also reported increased sales during the quarter.

On account of the uncertain foreign demand conditions and the ongoing restructuring process, manufacturing establishments shed workers during the March quarter. Employment within the firms surveyed, in fact, was down by 338, or 1.5%, on an annual basis, with most of the drop following the closure of the above-mentioned bottling plant and a clothing manufacturer. However, the number of workers employed by firms producing electronic components, medical and precision equipment and furniture also declined during the twelve months to March 2002.

Table 3.6

TOURIST ARRIVALS BY NATIONALITY

	Jan. - Mar. 2002		
	Arrivals	Annual Growth (%)	Share (%)
UK	70,361	-6.1	40.0
Germany	26,851	-15.9	15.3
Italy	12,780	19.1	7.3
France	10,219	-6.9	5.8
Scandinavia[1]	6,144	-11.5	3.5
Libya	5,596	-21.4	3.2
Netherlands	5,092	-7.3	2.9
Austria	4,076	-13.4	2.3
Switzerland	3,223	-10.0	1.8
Belgium	2,505	5.4	1.4
Others	29,015	10.5	16.5
Total	**175,862**	**-5.0**	**100**

[1] Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office

Reflecting these conditions, wages and salaries paid by manufacturing industry declined by 2.4% on an annual basis.

Investment in plant and machinery also continued to decline during the quarter, as the electronics sub-sector cut its rate of capital formation by more than half to levels slightly above those recorded in the first quarter of 1999. On the other hand, investment in the rest of manufacturing industry remained generally stable, as increased outlays on plant and machinery in the chemicals and furniture sub-sectors were almost entirely offset by lower investment in the food and beverages, plastic and rubber, medical and precision equipment and electrical machinery sub-sectors.

Tourism

Tourism activity remained subdued during the first quarter of 2002, although the decline in activity was markedly less pronounced than that registered in the final quarter of 2001. The number of arrivals during the quarter was down by 9,191 on a year-to-year basis, as against a decline of more than 25,000 recorded in the final quarter of 2001. Meanwhile, cruise passenger arrivals continued to increase, while the average tourist's length of stay rose further. Gross earnings from tourism, however, dropped by 10.4%, while the number of bed-nights sold continued to decline.

As Table 3.6 shows, tourist arrivals were down

Table 3.7

TOURISM ACTIVITY BY ACCOMMODATION CATEGORY

	2002		
	Jan. - Mar.	Annual Growth (%)	Share (%)
No. of tourists in 5-star hotels	27,073	4.6	15.4
No. of tourists in 4-star hotels	57,529	11.8	32.7
No. of tourists in 3-star hotels	28,005	32.2	15.9
Other	63,255	-26.9	36.0
Total	**175,862**	**-5.0**	**100**
Days stayed in 5-star hotels	165,585	5.1	10.1
Days stayed in 4-star hotels	527,035	14.4	32.2
Days stayed in 3-star hotels	303,184	37.4	18.5
Other	640,892	-26.8	39.2
Total	**1,636,696**	**-4.5**	**100**
Average length of stay 5-star hotels	9.3	0.4	-
Average length of stay 4-star hotels	6.1	0.5	-
Average length of stay 3-star hotels	9.2	2.3	-
Other	10.8	3.9	-
Total	**10.1**	**0.1**	**-**

Source: National Statistics Office

by 5% during the first quarter of 2002, notwithstanding the fact that Easter fell in March this year. Arrivals from the UK and Germany were notably lower, while arrivals from Scandinavia, the Benelux countries, Austria, Switzerland and France also continued to decline significantly, as did those from Libya. On the other hand, tourist arrivals from other neighbouring Mediterranean countries, such as Italy and Spain, increased[3].

Data on tourist accommodation indicate that five-star hotels experienced a recovery during the quarter, to the extent that the sector managed to retain last year's occupancy levels. This may have been due to the holding of a number of large conferences in Malta in February. By contrast, three- and four-star hotels registered a significant increase in both the number of bed-nights sold and their average guest's length of stay, as Table 3.7 shows. This was partly on account of a reclassification exercise carried out by the Malta Tourism Authority last year, which increased the number of three- and four-star hotels at the expense of the lower accommodation categories. In fact, the number of tourists staying in lower accommodation categories declined by 26.9%. Following the reclassification, the share of the latter in the industry's total bed stock fell to 28%, from 51% previously.

[3] The latter included in the "others" category in Table 3.6.

Box 2 : BUSINESS PERCEPTIONS SURVEY[1]

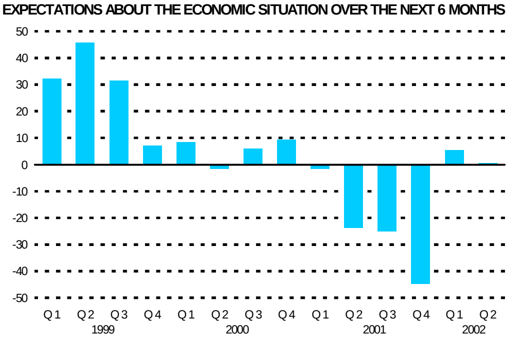
Introduction

The Central Bank of Malta's latest business perceptions survey detects some signs of an incipient economic recovery led by the manufacturing export sector. Firms are in fact projecting higher export orders and possible additions to their labour force, provided foreign demand conditions continue to improve. This, in turn, is expected to help domestically-oriented firms through the multiplier effect. Indeed, the latter firms, particularly those in the services sector, are expecting activity levels to remain above normal in the second quarter.

Business Sentiment and Short-term Expectations

The rebound in business sentiment reported in the previous survey has lost momentum, with the number of respondents expecting an improvement in the economic situation being equal to the number expecting a deterioration in the second quarter (see Chart 1). The majority of respondents expect the current uncertain conditions to persist, at least in the near future. Other opinions were almost equally split between positive and negative outlooks. Nevertheless, the survey results still reveal some degree of optimism. In fact, with the exception of the tourism sector, export-oriented firms are projecting higher sales and improving profitability. This coincides with plans to increase their labour complement and rebuild inventories. The performance of the tourism sector, which in part remains conditioned by developments abroad, may however dampen the overall export performance.

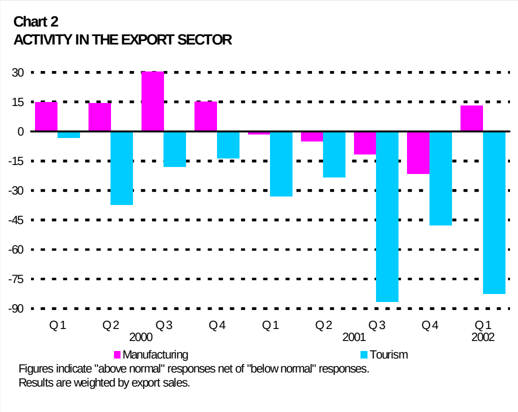
Chart 1
EXPECTATIONS ABOUT THE ECONOMIC SITUATION OVER THE NEXT 6 MONTHS



Figures indicate "improve" responses net of "deteriorate" responses.
Results are weighted by employment.

In the locally oriented sectors, positive projections mainly originate from financial services firms. Activity levels and profitability in these firms had already improved in the first quarter of 2002 and were expected to continue do so in the second quarter. The recovery of financial services was in part probably stimulated by the Investment Registration Scheme introduced in the latest Budget and by a number of private sector bond issues. In fact, cash-based balance of payments data for the March quarter of 2002 also indicated improved receipts for financial firms. Meanwhile, as in the case of export manufacturing firms, a number of locally-oriented firms are also planning to expand their labour force. This could be interpreted as an early signal that the slowdown in domestic activity has reached its trough and that conditions will gradually begin to improve. Before such a conclusion can be reached, however, more solid evidence is required as the latest survey also shows that, during the March quarter, domestically-oriented firms, with the exception of those in the other services sector, failed to match the expectations that were expressed in the previous survey.

[1] The survey was undertaken between April and May 2002. It covers a sample of 135 firms (including the leading firm in the electronics sector), employing 16,581 workers, with an aggregate annual turnover of Lm490 million. This includes Lm226 million in local sales and Lm264 million in export sales.



Activity Levels – First Quarter 2002

Activity rates in export-oriented manufacturing firms, particularly those in the paper and printing, electronics and "other" manufacturing sectors, shifted above normal during the first quarter of 2002. This shows that some of the major sectors in export-oriented manufacturing activity may have finally turned the corner, after the downturn reported throughout 2001 (see Chart 2). However, sampled firms in the clothing and footwear sector still appear to be struggling to return to normal activity levels, while activity in the chemical sector declined. Nevertheless, export-oriented manufacturing firms across all sectors are more optimistic about the second quarter, when they expect increases in both profitability, turnover and employment.

Meanwhile, almost three-quarters of respondents in the tourism sector reported below normal activity during the first quarter, rising from about half in the previous quarter. Moreover, their outlook with regards to turnover, profitability and employment during the second quarter remained negative, as in the previous survey, though the loss in jobs is expected to be more contained than in previous quarters.

Local manufacturing activity was slightly less negative than in the previous quarter. This change was largely underpinned by higher activity levels in the furniture sector, probably reflecting the order that three local companies had won to furnish a hotel in Libya. A slight improvement was also noted in "other" manufacturing firms, as well as in paper and printing, though activity levels in the latter sector were still well below normal. By contrast, activity levels in the chemical industry fell below normal, while that in food and beverages remained unchanged, though at a below normal level.

Nevertheless, the expectations of domestically oriented manufacturing firms for the second quarter are positive with respect to employment and turnover, while profitability is expected to be less negative. This was the case with most of the sectors surveyed, with the notable exception of paper and printing. However, in the previous survey expectations were less pessimistic than the actual outcome, and, as Chart 3a shows, activity levels still remain well below normal. Hence, it may still be premature to talk of a turnaround in activity in domestically oriented manufacturing firms.

Similarly, activity in the distributive trades and in construction remained subdued, broadly unchanged from the previous quarter. As regards construction, expectations relating to employment, turnover and profitability in the second quarter of 2002 are slightly less positive

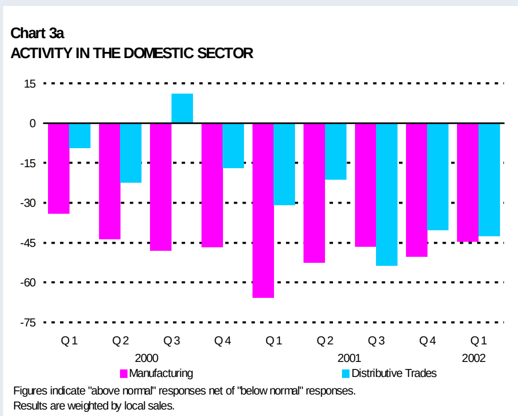
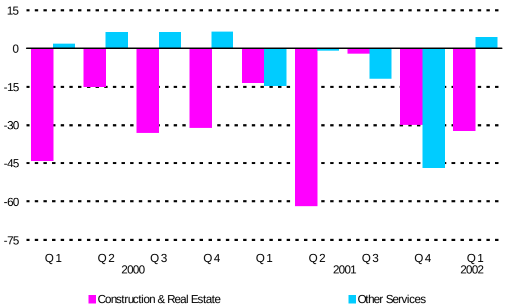


Chart 3b
ACTIVITY IN THE DOMESTIC SECTOR



Figures represent "above normal" responses net of "below normal" responses.
Results are weighted by local sales.

than in the previous quarter. By contrast, the wholesale and retail sector expects better turnover and higher employment levels in the second quarter, though selling prices are expected to remain under downward pressure on account of continued weakness in domestic demand.

As can be seen from Chart 3b, the services sector appears to have witnessed a rebound in activity levels in the first quarter of 2002, tipping the balance of replies to “above normal” by about 4%, from a 47% negative balance in the previous quarter. As mentioned earlier, this result was entirely attributable to the finance and insurance sector and could be partly related to the activity generated by the Investment Registration Scheme. Expectations with respect to employment and turnover in the second quarter remain positive, though slightly less so than previously, as the financial services sector is less upbeat, although firms in industrial services were more optimistic about turnover.

Conclusion

Firms remain cautious in their assessment of the local economic situation. The economy is expected to resume export-led growth this year, particularly due to the expected recovery in sales of manufacturers as economic conditions abroad improve. However, the contribution of the external sector to economic growth is likely to be dampened by the adverse conditions facing the tourism industry. Thus, the magnitude and timing of the recovery remains uncertain, and will largely depend on the extent of the rebound in trading partner countries. Meanwhile, domestic demand is likely to remain weak although the survey results suggest that conditions have stabilised, and some sectors, particularly financial services, show signs of an incipient recovery. This suggests that pressures on the labour market should recede in the second half of the year.

4. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

The improvement in the balance of payments observed during 2001 continued into the first quarter of 2002. The current account deficit narrowed further, while higher net inflows on the capital and financial account, compared with the same quarter a year ago, resulted in an overall surplus, as against the deficit recorded in 2001. As a result, the official reserves (net of revaluation adjustments) rose by a further Lm25.4 million during the quarter.

Table 4.1
EXTERNAL BALANCES[1]

Lm millions

	Jan.- Mar.			
	2001		2002	
	Credit	Debit	Credit	Debit
Current account balance		**34.0**		**13.4**
Goods and services	336.1	380.6	311.1	332.5
Goods balance		53.7		33.1
Goods	245.1	298.8	219.5	252.6
Services balance	9.2		11.7	
Services	91.0	81.8	91.7	79.9
Transport	28.4	41.0	28.0	36.2
Travel	46.3	16.6	41.5	17.3
Other services	16.3	24.2	22.2	26.5
Income (net)	10.9		13.7	
Compensation of employees	0.6	0.7	0.7	0.7
Investment income	46.1	35.1	86.8	73.1
Current transfers (net)		0.4		5.7
Capital and financial account balance [2]	**12.9**		**17.0**	
Capital account balance		0.1	0.3	
Financial account balance	13.0		16.7	
Direct investment		169.3		169.0
Abroad		0.4		4.5
In Malta		168.9		164.5
Portfolio investment	15.5		266.5	
Assets	16.5		78.7	
Liabilities		1.0	187.8	
Other investment	166.9			80.8
Assets	812.3		37.2	
Liabilities		645.4		118.0
Overall balance		**21.1**	**3.7**	
Movements in reserves [3]	**12.9**			**25.4**
Net errors and omissions	8.2		21.7	

[1] Provisional.
[2] Excluding movements in official reserves.
[3] Excludes revaluation adjustments.
Source: National Statistics Office

Meanwhile, the Maltese lira, reflecting the foreign exchange market developments outlined earlier, lost ground against the US dollar but recorded modest gains against the euro and sterling. The latter were reflected in a marginal rise in the NEER index for the lira; but the REER index, reflecting a lower inflation differential between Malta and its competitors, fell sharply during the quarter, indicating an improvement in the economy's competitiveness in real terms.

The Current Account

During the March quarter the current account deficit narrowed to Lm13.4 million, compared with the Lm34 million shortfall recorded during the corresponding quarter of 2001. A further narrowing of the merchandise trade gap was the main factor behind this improvement.

Merchandise Trade

When compared with the March quarter last year, the merchandise trade gap narrowed by Lm20.7 million to Lm33.1 million. As Table 4.2 shows, both imports and exports were down from year-ago levels, but the drop in imports was double that of exports. This mainly reflected lower purchases of industrial supplies and capital goods, though a lower import bill for fuel and lubricants also contributed. On the other hand, imports of consumer goods were up by Lm3.8 million from last year's level, reflecting higher purchases of food and beverages and other non-durable goods.

The merchandise trade account for the quarter was also characterised by an Lm11.4 million surge in re-exports, with substantial increases in re-exports of fuels, machinery and transport equipment, beverages and tobacco and other

Table 4.2
MERCHANDISE TRADE
(based on Customs data)

Lm millions

	Jan.- Mar.		Change
	2001 [1]	2002 [1]	
Imports	**328.3**	**276.2**	**-52.1**
Consumer goods	62.7	66.5	3.8
Industrial supplies	183.7	140.5	-43.2
Capital goods and others	52.4	44.5	-7.9
Fuel and lubricants	29.5	24.7	-4.8
Exports	**241.7**	**217.1**	**-24.6**
Domestic	223.8	187.8	-36.0
Re-exports	17.9	29.3	11.4
Trade balance	**-86.6**	**-59.1**	**27.5**

[1] Provisional

Source: National Statistics Office

manufactured articles being mainly responsible.

Services and Investment Income

Meanwhile, in spite of a Lm5.5 million drop in net receipts from travel, the surplus on services rose by Lm2.5 million to Lm11.7 million, mainly reflecting lower freight costs and a drop in payments for non-merchandise insurance. The decline in net travel receipts, in turn, reflected a Lm4.8 million drop in gross tourism earnings together with a Lm0.7 million increase in expenditure by Maltese residents travelling abroad.

Net receipts on the income account rose to Lm13.7 million from Lm10.9 million in the corresponding period last year, as Table 4.1 shows. This increase, however, mainly reflected higher net investment income earned by international banks operating from Malta, and therefore has no direct impact on the domestic economy.

In contrast, as a result of higher tax refunds to international trading companies and higher outflows by way of personal cash gifts, net outward current transfers were up by Lm5.3 million from the previous year's level.

The Capital and Financial Account

After excluding movements in the official reserves, net inflows on the capital and financial account rose to Lm17 million, from around Lm13 million in the corresponding quarter of 2001. Table 4.1 also shows changes in assets and liabilities for each component of the capital and financial account of the balance of payments. These flows include the aggregate transactions of both the monetary and non-monetary sectors of the economy. Direct investment shows resident direct investment abroad and non-resident direct investment in Malta. With regard to portfolio investment and other investment flows, an increase in residents' holdings of foreign assets, which entails an outflow of funds, is shown as a debit entry, while a credit entry represents a decrease in their holdings of these assets. In contrast, an increase in foreign liabilities entails in an inflow of funds and is shown as a credit entry, while a debit entry represents a decrease in foreign liabilities.

The increase in net inflows recorded on the capital and financial account during the quarter reviewed arose entirely from net portfolio inflows, which went up to Lm266.5 million. This rise mainly reflected greater inflows into money market instruments offered by international banks, though the repatriation of capital formerly held in foreign bonds by Maltese residents contributed to a lesser extent.

The surge in net portfolio inflows was partly counterbalanced by transactions recorded on the 'other investment' component of the financial account. In fact, in contrast with net inflows of Lm166.9 million recorded during the first quarter of 2001, net outflows of Lm80.8 million were reported during the March quarter this year. This was because the monetary sector increased its holdings of foreign loans and advances and added to its portfolio of foreign short-term instruments. These transactions, which mainly reflected the operations of international banks, exceeded by far the net inflows recorded by the non-monetary sector. The latter largely resulted from a decline in foreign currency deposits held abroad by Maltese residents and lower loan repayments by a parastatal company.

Meanwhile, net direct investment outflows, at Lm169 million, were virtually unchanged from the previous year's level. Direct investment in Malta declined by Lm164.5 million during the quarter reviewed as foreign-owned subsidiaries repaid loans to their parents overseas. However, an increase of Lm4.5 million in direct investment abroad also contributed to the overall decline as the monetary sector recorded capital injections into its foreign subsidiaries.

As a result of these developments, the balance of payments (excluding movements in reserves) ended the quarter with an overall surplus of Lm3.7 million.

The Maltese Lira

During the quarter reviewed the Maltese lira lost 1.2% of its value against the US dollar and appreciated by 0.3% and 0.7% against the euro and the pound sterling, respectively. These movements, which are depicted in Chart 4.1, mainly reflected the dollar's resilience against the major European currencies. At the same time, the strengthening of the yen against the dollar during the quarter caused the Maltese lira to weaken by 0.4% against the Japanese currency.

In terms of quarterly averages, the Maltese lira appreciated by 2% in terms of the euro when compared with the first quarter of 2001, as Table 4.3 shows, while against sterling and the dollar it fell by 3.2% and 0.9%, respectively. Against the Japanese yen, meanwhile, the average value of the Maltese lira was up by 8.6%.

Chart 4.1
EXCHANGE RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES
(index of end-of-month rates, end-1999 = 100)

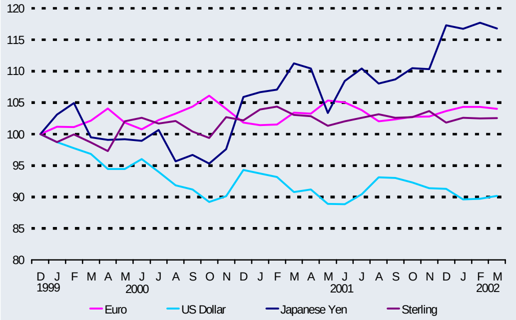


Chart 4.2 depicts movements in the Nominal Effective Exchange Rate (NEER)[1] and the Real

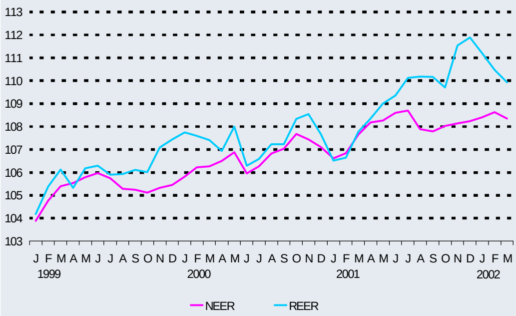
Table 4.3
MALTESE LIRA EXCHANGE RATES AGAINST SELECTED MAJOR CURRENCIES

Period	Euro	US$	Stg	Yen
Average for Qtr. 1 2002	2.5019	2.1925	1.5376	290.3
Average for Qtr. 1 2001	2.4521	2.2645	1.5177	267.4
% change	2.0	-3.2	-0.9	8.6
Closing rate on 28.03.2002	2.5070	2.1854	1.5361	289.3
Closing rate on 31.12.2001	2.4989	2.2121	1.5258	290.4
% change	0.3	-1.2	0.7	-0.4
High for Qtr. 1	2.5222	2.2347	1.5489	295.8
	(Feb. 01)	(Jan. 03)	(Mar. 13)	(Jan. 23)
% change from average	0.8	1.9	0.7	1.9
Low for Qtr. 1	2.4720	2.1627	1.5284	280.7
	(Jan. 03)	(Jan. 28)	(Feb. 15)	(Mar. 08)
% change from average	-1.2	-1.4	-0.6	-3.3

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

Effective Exchange Rate (REER)[2] indices for the Maltese lira. This shows that, due to the lira's appreciation against the euro, the NEER index continued to edge upwards during the first two months of the year, before dipping slightly in March, when the lira lost some of its earlier gains against the European currency. As a result, the index ended the quarter up by 0.1% from its end-December level. The REER index, however, declined by nearly 2% over the quarter, wiping out the previous quarter's rise. This mainly reflected a narrowing of the differential between Malta's inflation rate and that of its competitors and implied a gain in the economy's competitiveness in real terms.

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



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2 The REER index is derived by adjusting the NEER index for relative movements in consumer prices. A fall in the index implies a gain in Malta's external competitiveness and vice versa.

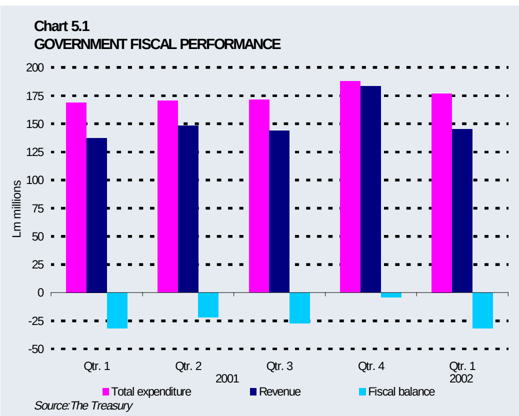
5. GOVERNMENT FINANCE

At Lm31.9 million the fiscal deficit for the first quarter of 2002 was slightly larger than that registered in the corresponding quarter of 2001, as expenditure increased by a larger absolute amount than revenue. The deficit was financed mainly through the issue of short-term debt instruments.

Revenue

Government revenue totalled Lm145 million during the quarter, up by Lm7.6 million, or 5.5%, over the same quarter last year. After having risen sharply during the December quarter of 2001, in line with the normal seasonal pattern, revenue dropped back to the levels recorded during the first three quarters of that year, as Chart 5.1 shows.

The timing of the transfer of the Central Bank's profits to the Government boosted revenue during the quarter reviewed. In fact, by the end of March the Central Bank had passed on the entire profits due in the current year, whereas in 2001 part of the Bank's profits had been transferred in April. At the same time, tax revenue excluding receipts from lotteries – which from this year are being included under this heading - rose modestly.



The yield from direct taxation was up by just Lm0.4 million to Lm50.1 million, as Table 5.1 shows, reflecting higher income tax receipts that offset a drop in revenue from social security contributions. The decline in the number of the gainfully occupied during the quarter may have dampened direct tax revenue growth. At the same time, revenue from indirect taxation amounted to Lm60.1 million, up by Lm3 million, or 5.5%, from the previous year's level. A Lm0.9 million drop in VAT receipts, was matched by an increase in revenue from customs and excise duties, which partly resulted from higher excise duties on tobacco. Meanwhile, the yield from licences, taxes and fines rose by Lm3.1 million, mainly reflecting the shifting to this revenue category of profits generated by the Public Lotto Department, previously listed under non-tax revenue, though increased income from oil exploration fees and motor vehicle licences also contributed.

Revenue from non-tax sources grew by Lm4.3 million, or 14.1%, when compared to the first three months of last year, as, for the reason mentioned previously, profits passed on to the Government by the Central Bank during the quarter were up by Lm5.7 million from the previous year's level. On the other hand, revenue from other non-tax sources fell by Lm1.4 million, as higher receipts from fees of office and grants were more than offset by the above-mentioned transfer of lottery profits to the licences, taxes and fines heading.

Expenditure

Government expenditure amounted to Lm176.9 million during the quarter, less than in the previous quarter but up by Lm8 million when compared to the first quarter last year. Interest payments and contributions to Government entities accounted for most of the increase, as the other expenditure categories remained relatively stable. As detailed below, contributions to Government entities were

Table 5.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	2001 Qtr. 1	2002 Qtr. 1	Change Amount	Change %
REVENUE	**137.4**	**145.0**	**7.6**	**5.5**
Direct tax	**49.7**	**50.1**	**0.4**	**0.8**
Income tax	24.8	26.5	1.7	6.9
Social security contributions [1]	24.9	23.5	-1.4	-5.6
Indirect tax	**57.1**	**60.1**	**3.0**	**5.3**
Value Added Tax	28.6	27.7	-0.9	-3.1
Customs and excise duties	12.3	13.2	0.9	7.3
Licences, taxes and fines	16.1	19.2	3.1	19.3
Non-tax revenue	**30.6**	**34.9**	**4.3**	**14.1**
Central Bank profits	20.0	25.7	5.7	28.5
Other [2]	10.6	9.2	-1.4	-13.2
RECURRENT EXPENDITURE [1]	**147.3**	**154.5**	**7.2**	**4.9**
Personal emoluments	48.2	48.5	0.3	0.6
Operational and maintenance	12.9	12.9	0.0	0.0
Programmes and initiatives	60.0	61.4	1.4	2.3
Contributions to entities	10.1	13.3	3.2	31.7
Interest payments	16.0	18.3	2.3	14.4
Other	0.1	0.1	0.0	0.0
CURRENT BALANCE [3]	**-9.9**	**-9.5**	**0.4**	**4.0**
CAPITAL EXPENDITURE	**21.7**	**22.3**	**0.6**	**2.8**
TOTAL EXPENDITURE	**168.9**	**176.9**	**8.0**	**4.7**
FISCAL BALANCE [4]	**-31.6**	**-31.9**	**-0.3**	**1.0**

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

[2] Includes grants but excludes revenue from sale of assets and sinking funds of converted loans.

[3] Revenue less recurrent expenditure.

[4] Revenue less total expenditure.

Source: *The Treasury*

boosted by the change in accounting policy announced in the latest Budget, as a result of which some subsidies that had previously been treated as capital expenditure were reclassified with recurrent spending.

Thus, recurrent expenditure rose by Lm7.2 million, or 4.9%, to Lm154.5 million. Personal emoluments edged upwards by Lm0.3 million, whereas operational and maintenance expenses remained unchanged at Lm12.9 million. At the same time, higher Treasury pension payments translated into a Lm1.4 million increase in the cost of programmes and initiatives, while interest payments were up by Lm2.3 million, reflecting higher short-term debt servicing costs.

Contributions to Government entities rose sharply by Lm3.2 million, or 31.7%, when compared to the first quarter of 2001. However, this mainly resulted from the inclusion under this heading of subsidies that had previously been listed under the capital expenditure vote of the Ministry for Economic Services.

In spite of a small drop in capital expenditure attributed to the Economic Services ministry, however, total capital spending rose by Lm0.6 million, with the greater part of the increase being channelled to the Malta Tourism Authority and the new hospital.

Government Debt and Financing Operations

The Government financed the first quarter deficit through the issue of short-term debt instruments and the running down of deposits with the banking system. In fact, as can be seen from Table 5.2, a Lm33.6 million increase in the value of Treasury bills outstanding coupled with a Lm4.1 million fall in Government deposits provided the funds required to finance the fiscal shortfall.

The gross Government debt as at the end of March totalled Lm1,045.8 million, up by Lm33 million, or 3.3%, when compared to the end-December level. The share of Treasury bills in the total rose to 18.5%, while Malta Government stocks and foreign debt accounted for the remaining 77.7% and 3.8%, respectively.

Table 5.2
GOVERNMENT DEBT AND FINANCING OPERATIONS

Lm millions

	2001				2002
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1
FISCAL BALANCE	**-31.6**	**-22.3**	**-27.1**	**-4.3**	**-31.9**
Financed by [1] *:*					
Increase in MGS outstanding	30.0	27.3	21.6	21.2	0.0
Increase in foreign loans	-0.4	-1.8	-0.9	4.2	-0.5
Proceeds from sale of assets	0.0	0.0	0.0	0.0	0.0
Contributions to sinking funds	0.0	-6.2	0.0	-5.5	0.0
Sinking funds of converted loans	0.0	0.0	0.0	22.0	0.0
Increase in Treasury bills outstanding	4.8	-10.8	8.2	-15.8	33.6
Decrease in Government deposits	-14.2	18.9	-12.0	-4.6	4.1
Net cash movement and other funds [2]	11.4	-5.1	10.2	-17.2	-5.3
GROSS GOVERNMENT DEBT	**959.4**	**974.2**	**1003.2**	**1012.8**	**1045.8**
Malta Government stocks	742.7	770.0	791.7	812.9	812.9
Treasury bills	177.8	167.1	175.3	159.5	193.1
Foreign loans	38.9	37.1	36.2	40.4	39.9

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

[2] This figure represents the difference between the fiscal balance and the sources of financing utilised during the quarter. A positive figure indicates a shortfall in financing, while a negative figure indicates overfinancing during the quarter.

Source: The Treasury and Central Bank of Malta estimates

6. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank eased its monetary policy stance further during the first quarter of the year, cutting the central intervention rate and the discount rate by another 25 basis points to 4% in January. The reduction in official interest rates, coupled with persistent excess liquidity in the banking system, continued to exert downward pressure on money market rates. In the capital market, too, bond yields generally eased, but equity prices continued to decline in thin trading.

Broad money, M3, continued to expand vigorously as households and private firms added to their holdings of bank deposits. As a result, the shift in favour of fixed-interest financial assets, which had characterised monetary developments during 2001, persisted. As in the previous quarter, monetary expansion was fuelled primarily by growth in the net foreign assets of the banking system, which was split between increases in the official external reserves and in the net holdings of the deposit money banks. Domestic credit also rose, driven largely by an increase in net claims on Government, with the increase in claims on the private and parastatal sectors reported during the quarter consisting entirely in interest charges that had no impact on M3.

The Monetary Base

The monetary base, M0, which consists of currency in issue and banks' deposits with the Central Bank (except term deposits), fell sharply during the first quarter. As can be seen in Table 6.1, M0 contracted by Lm31.9 million, reflecting mainly a drop in banks' reserve deposits with the Central Bank, although a seasonal decline in currency in issue also contributed. Consequently, the annual rate of growth of the monetary base swung from 0.6% in December to –4% in March.

Table 6.1
THE MONETARY BASE AND ITS SOURCES

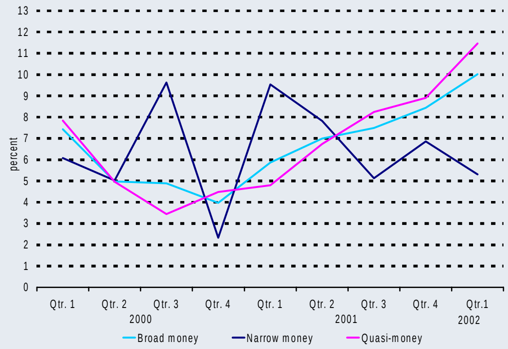
Lm millions

	Dec. 2001	Mar. 2002	Change
Currency in issue	441.8	437.0	-4.8
Banks' deposits with the Central Bank[1]	125.8	98.8	-27.0
MONETARY BASE	**567.6**	**535.8**	**-31.9**
CENTRAL BANK ASSETS			
Foreign assets	760.4	786.5	26.0
Claims on Government	5.8	4.6	-1.2
Fixed and other assets	61.1	53.6	-7.6
Less:			
REMAINING LIABILITIES			
Government deposits	69.1	66.7	-2.4
Other deposits	7.6	7.1	-0.5
Foreign liabilities	0.0	3.4	3.4
Other liabilities	87.9	139.5	51.5
Capital and reserves	95.1	92.2	-2.9

[1]Excluding term deposits, which are shown with "other liabilities".

The source of the contraction in the monetary base was a sharp increase in the banks' term deposits with the Central Bank. As the latter absorbed liquidity from the banking system, outstanding term deposits, which are included with "other liabilities", climbed from Lm21 million in December to Lm92.5 million in March. The rise more than offset the drop in other liabilities resulting from the transfer of profits to Government. Moreover, it outweighed the Lm26 million expansion in the Central Bank's foreign assets, which otherwise would have resulted in an injection of liquidity into the banking system and an increase in M0.

Chart 6.1
MONETARY AGGREGATES
(percentage change on previous year)



Monetary Aggregates

Broad money surged during the first three months of the year, expanding by Lm98.2 million, or 3.6%, as Table 6.2 shows, to end the quarter on Lm2,851.2 million. As a result, the annual rate of growth of broad money continued to accelerate, as Chart 6.1 shows, rising to 10% in March from 8.4% three months earlier. In the absence of new Government stock issues on the primary market, households and private firms added to their bank deposits, which were also boosted by capital inflows. In particular, inflows under the Investment Registration Scheme probably contributed to an increase in foreign currency deposits, which put on Lm32.2 million during the quarter.

After having contracted during the previous quarter, narrow money, M1, recovered during the

Table 6.2
MONETARY AGGREGATES
(Changes on the previous quarter)

Lm millions

	2001								2002	
	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Qtr. 1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. NARROW MONEY	**16.4**	**2.8**	**15.5**	**2.5**	**14.1**	**2.2**	**-5.1**	**-0.8**	**8.0**	**1.3**
Currency in circulation	-0.7	-0.2	15.8	4.0	2.2	0.5	5.3	1.3	0.2	0.0
Demand deposits	17.1	8.6	-0.4	-0.2	11.9	5.5	-10.4	-4.6	7.8	3.6
2. QUASI-MONEY	**36.5**	**1.9**	**45.2**	**2.3**	**21.0**	**1.0**	**70.5**	**3.4**	**90.3**	**4.3**
Savings deposits	-5.5	-0.9	19.3	3.1	0.6	0.1	27.7	4.3	16.3	2.4
of which FCDs[1]	5.5	4.5	11.5	8.9	2.3	1.6	10.9	7.6	6.3	4.1
Time deposits	42.1	3.2	25.9	1.9	20.4	1.5	42.8	3.1	74.0	5.1
of which FCDs[1]	3.7	4.1	7.5	7.8	8.8	8.5	5.9	5.2	21.9	18.6
3. BROAD MONEY	**52.9**	**2.1**	**60.6**	**2.3**	**35.1**	**1.3**	**65.4**	**2.4**	**98.2**	**3.6**

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

March quarter, expanding by Lm8 million, or 1.3%. Nevertheless, the annual rate of narrow money growth decelerated, as Chart 6.1 indicates, ending the quarter at 5.3%.

Demand deposits added Lm7.8 million during the quarter, partly reversing the previous quarter's drop and accounting for almost the entire increase in M1. The rise was spread across both deposits belonging to households and those of private firms and public non-financial enterprises, but was dampened by an increase in the value of items in the course of collection, which rose because the end of the quarter fell on the Easter weekend[1]. Currency in circulation dropped in January in line with the normal seasonal pattern, but increased in the following two months. As these movements largely offset each other, currency held outside the banking system expanded by a mere Lm0.2 million over the quarter as a whole.

Quasi-money continued to grow strongly during the first three months of the year, registering its largest quarterly rise in ten years despite a drop in average interest rates paid on savings and time deposits. As can be seen in Table 6.2, quasi-money expanded by Lm90.3 million, or 4.3%, with the annual rate of growth accelerating from 8.9% in December to 11.5% in March as a result.

Both savings and time deposits contributed to quasi-money growth, rising steadily during the quarter reviewed. Savings deposits went up by Lm16.3 million, or 2.4%, with personal savings deposits, which rose by Lm18.4 million, accounting for the entire increase. Time deposits registered extraordinary growth, rising by Lm74 million, or 5.1%, with both households and private firms adding to their deposit holdings considerably. Whereas households continued to build their deposit holdings steadily, in line with the pattern observed in previous quarters, the increase in corporate time deposits, which added Lm42.3 million, was influenced by exceptional capital flows. Furthermore, time deposits denominated in foreign currency expanded by Lm21.9 million, accounting for nearly a third of the overall increase, as Table 6.2 shows.

Counterparts to Monetary Expansion

Following a small fall during the previous quarter, domestic credit resumed growth, expanding by Lm35.4 million, or 1.5%, to Lm2,363.7 million in March. Underlying credit growth remained weak, however, and its annual rate of growth continued to decelerate, as Chart 6.2 shows, dropping from 6.6% in December to 4.5% three months later.

Net claims on Government accounted for three-quarters of the increase in domestic credit during the quarter reviewed. After having contracted during the final quarter last year, such claims expanded by Lm26.4 million as the fiscal deficit widened. Bank holdings of Treasury bills increased and, despite the transfer of Central Bank profits to the public account, the Government's deposits with the banking system

Chart 6.2
DOMESTIC CREDIT
(percentage change on previous year)

[1] Information on the breakdown of deposits by maturity and by type of owner relates to deposits with the deposit money banks only.

fell. Nevertheless, the annual rate of growth of net claims on Government edged down to 15.2% in March.

In contrast, claims on the private and parastatal sectors increased only very modestly for the second consecutive quarter, expanding by Lm9 million, or 0.5%. As Table 6.3 shows, this rise was considerably smaller than that recorded during the corresponding quarter last year. In fact, claims on the private and parastatal sectors fell during the first two months of the quarter, before rising in March when some banks charged six months' interest to borrowers' loan accounts. Thus, despite a drop in nominal lending rates, underlying credit growth remained subdued, reflecting a combination of bank reluctance to take on risk and weak demand for loans. As a result, the annual rate of growth of claims on the private and parastatal sectors dipped again, as Chart 6.2 shows, dropping from 4.6% in December to 2% in March, the lowest rate of growth in ten years.

With bank holdings of corporate securities increasing modestly, loans and advances accounted for most of the rise in bank claims on

Table 6.3

COUNTERPARTS TO MONETARY GROWTH

(Changes on the previous quarter)

Lm millions

	2001								2002	
	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Qtr. 1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY	**52.9**	**2.1**	**60.6**	**2.3**	**35.1**	**1.3**	**65.4**	**2.4**	**98.2**	**3.6**
1. DOMESTIC CREDIT	**77.3**	**3.5**	**16.8**	**0.7**	**53.8**	**2.4**	**-3.8**	**-0.2**	**35.4**	**1.5**
a) Net claims on Govt.	23.5	5.7	27.5	6.3	20.1	4.3	-7.8	-1.6	26.4	5.6
Gross claims on Govt.	37.7	7.8	8.6	1.7	32.1	6.1	-3.2	-0.6	22.3	4.0
Central Bank	8.4	91.8	19.9	113.1	-25.7	-68.6	-6.0	-51.0	-1.2	-21.1
Banks	29.3	6.2	-11.3	-2.2	57.8	11.8	2.8	0.5	23.5	4.3
Less:										
Government deposits[1]	14.2	20.4	-18.9	-22.5	12.0	18.5	4.6	6.0	-4.1	-5.0
Central Bank	13.8	24.6	-18.1	-25.8	9.9	19.2	7.2	11.7	-2.4	-3.5
Banks	0.4	3.1	-0.8	-5.8	2.1	15.8	-2.6	-17.2	-1.7	-13.7
b) Claims on private and parastatal sectors	53.7	3.0	-10.7	-0.6	33.7	1.9	4.0	0.2	9.0	0.5
2. NET FOREIGN ASSETS	**-105.9**	**-10.9**	**120.3**	**13.9**	**11.8**	**1.2**	**91.8**	**9.2**	**55.5**	**5.1**
Central Bank	-11.9	-1.9	16.4	2.6	43.9	6.8	71.6	10.4	22.6	3.0
Banks	-94.0	-28.5	103.9	44.0	-32.0	-9.4	20.3	6.6	32.9	10.0
Less:										
3. OTHER ITEMS (NET)	**-81.5**	**-13.2**	**76.5**	**14.3**	**30.5**	**5.0**	**22.6**	**3.5**	**-7.3**	**-1.1**

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

Table 6.4
CREDIT TO SELECTED CATEGORIES OF BORROWER[1]

Lm millions

	2001 Qtr. 4	2002 Qtr. 1		
	Amount	Amount	Change	%
Energy and water	95.2	91.1	-4.1	-4.4
Transport, storage and communication	107.5	109.4	1.9	1.8
Agriculture and fisheries	10.4	10.5	0.1	1.1
Manufacturing	204.3	208.8	4.4	2.2
Building and construction	85.2	89.6	4.4	5.2
Tourism	245.7	249.0	3.2	1.3
Wholesale and retail	300.0	313.5	13.6	4.5
Personal	462.5	474.2	11.7	2.5
Other services	75.9	71.5	-4.4	-5.8
All other	180.7	157.8	-22.9	-12.7
TOTAL	**1767.5**	**1775.4**	**8.0**	**0.5**

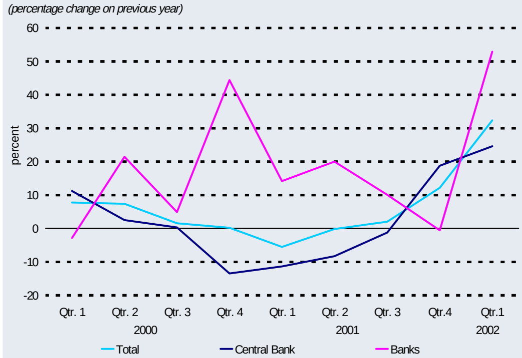
[1] Including bills discounted. Comprises credit to private and public sector borrowers.

the private and parastatal sectors during the March quarter. As Table 6.4 shows, credit increased by Lm8 million, or 0.5%, which was on a par with the rise recorded during the previous quarter. The increase, which resulted entirely from the interest charges referred to earlier, was therefore spread across most categories of borrower. However, the reclassification of part of one bank's loan portfolio also had an impact on reported credit developments. In fact, as the Table also shows, credit to the "all other" category dropped by Lm22.9 million, while lending to the wholesale and retail trades and to the personal sector rose by Lm13.6 million and Lm11.7 million, respectively. The energy and water sector repaid bank borrowings, while credit to the manufacturing sector and to the construction industry picked up.

The net foreign assets of the banking system continued to expand, driving monetary growth. As can be seen in Table 6.3, the net foreign assets increased for the fourth consecutive quarter, adding Lm55.5 million, or 5.1%, during the quarter reviewed. Although this rise was smaller than that recorded during the previous quarter, the net foreign assets' annual growth rate accelerated sharply, rising to 32.3% in March from 12.2% three months' earlier.

The Central Bank's net foreign assets gained a further Lm22.6 million, or 3%, during the quarter

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



reviewed. They rose in January and February, mainly through purchases of foreign exchange from the rest of the banking system, but lost some ground in March as a result of sales of foreign exchange in connection with swap transactions[2]. As Chart 6.3 shows, the annual rate of growth of the Bank's net foreign assets continued to accelerate, rising by nearly six percentage points to end the quarter at 24.6%.

Meanwhile, the net foreign assets of the rest of the banking system increased for the second successive quarter, going up by Lm32.9 million. However, the rapid acceleration in their annual rate of growth, which can be clearly seen in Chart 6.3, was primarily the result of a base effect, since the net foreign assets of the international banks had dropped sharply during the first quarter of 2001. The deposit money banks' net foreign assets increased by Lm36.8 million, accounting for the entire expansion during the quarter reviewed. After contracting in January, reflecting sales of foreign exchange to the Central Bank, the deposit money banks' net foreign assets recovered in February and March, partly due to the increase in residents' foreign currency deposits referred to earlier. Conversely, the international banks' net foreign assets dropped by Lm3.8 million.

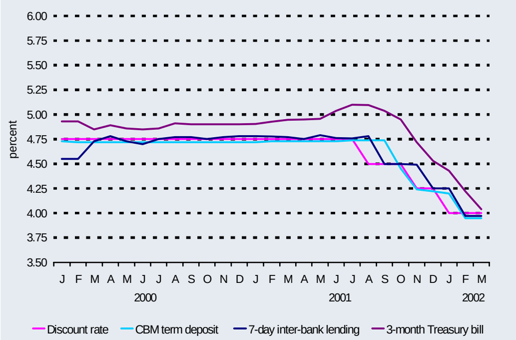
Following three consecutive quarterly increases, other items (net) contracted by Lm7.3 million, or 1.1%, during the quarter reviewed[3]. The drop reflected the transfer of Central Bank profits to the Government and a reduction in the other domestic liabilities of the deposit money banks, which together outweighed a fall in accrued interest receivable.

The Money Market

The banking system continued to be characterised by excess short-term liquidity throughout the March quarter. In response, the Central Bank used regular auctions of term deposits to absorb funds temporarily from the banks and keep short-term interest rates in line with the monetary policy stance. In aggregate, the Bank absorbed Lm455.8 million through term deposit auctions, compared with Lm72.5 million during the previous quarter. Moreover, in contrast with the previous quarter when the Bank had injected liquidity through reverse repos, no auctions of reverse repos were held during the quarter reviewed[4]. The rate of interest paid on term deposits fell after the cut in official interest rates in January, shedding 27 basis points to end March at 3.95%.

With the banking system generally flush with liquidity, demand for loans in the interbank market

Chart 6.4
MONEY MARKET INTEREST RATES
(end of month)



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2 In these swaps, the Central Bank sold foreign exchange and simultaneously agreed to buy it back at a later date.

3 Other items (net) consist of the non-monetary liabilities of the banking system, such as debt securities issued and accrued interest payable, together with capital and reserves, less the banking system's other assets, including fixed assets and accrued interest receivable.

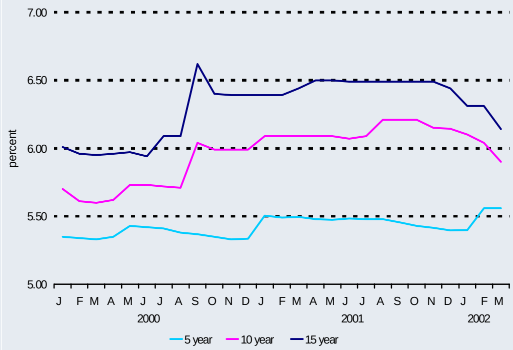
4 In April the Central Bank changed the terminology it uses to describe its open market operations to align itself with international best practice. Whereas until then an open market operation aimed at injecting funds had been termed a repo, the Bank now refers to such an operation as a reverse repo. In a reverse repo, therefore, the Bank injects funds against the purchase of a security. The transaction is reversed on an agreed date, when the other party buys the security back again at an agreed price.

was low. As a result, the value of interbank loans dropped to Lm7.6 million during the quarter, barely a tenth of the turnover recorded during the previous quarter. Interest rates in this market also fell in line with official rates, with the one-week rate on interbank loans dropping from 4.25% in December to 3.97% three months later.

With the Government relying almost exclusively on short-term debt issues to finance the fiscal deficit during the quarter, Treasury bills issued amounted to Lm178.8 million, compared with Lm141 million during the previous quarter. Bills were issued with terms to maturity ranging between one month and a year, although three-month bills predominated. As in the previous quarter, banks subscribed to over four-fifths of the total issued. Excess liquidity in the banking system translated into excess demand for bills and primary market yields continued to fall as a result. As can be seen in Chart 6.4, the yield on three-month bills decreased steadily, shedding almost half a percentage point to end the quarter at 4.04%.

Activity in the secondary Treasury bill market decreased, with turnover dropping from Lm32.2 million in the previous quarter to Lm5.1 million, its lowest level in over a year. Ample liquidity in the banking system implied that banks - which are the major holders of bills - had no need to sell them in the secondary market to raise funds and could hold them to maturity. Transactions involving the Central Bank accounted for around half the total turnover, with the Bank buying and selling Lm2 million and Lm0.6 million worth of bills, respectively. Secondary Treasury bill market yields fell in line with those in the primary market.

Chart 6.5
GOVERNMENT BOND YIELDS
(end of month)



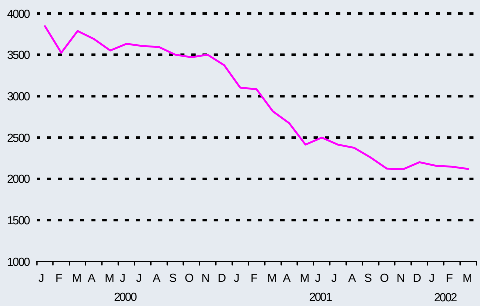
The Capital Market

One firm in the tourism industry raised approximately Lm8 million in the capital market through the issue of two bonds in March, one denominated in Maltese liri and the other in euros. The first bond, worth Lm4 million, had a ten-year term to maturity and carried a coupon rate of 6.75%. The second, worth •10 million, had an eight-year term to maturity and offered a coupon rate of 6.5%. This was sold at a discounted price of •97 per •100.

Turnover in the secondary Government bond market dropped sharply during the quarter reviewed. The value of stocks traded contracted by nearly three-quarters to Lm8.9 million, with deals excluding the Central Bank accounting for almost all the activity. Whereas yields on stocks with a five-year term to maturity edged up during the quarter, reaching 5.56%, yields on medium and long-term bonds continued to fall, as Chart 6.5 shows[5]. In fact, yields on ten- and fifteen-year bonds dropped by 25 basis points and 30 basis to end March at 5.9% and 6.14%, respectively. In contrast, activity in the market for corporate bonds, including preference shares, held up

[5] Yields are calculated on the basis of prices quoted by the Central Bank's broker.

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



Source: Malta Stock Exchange

during the March quarter, dropping by just Lm0.1 million to Lm1.9 million. Bonds issued by credit institutions accounted for most of the trading by value. Corporate bond prices generally rose, leading to a drop in yields.

After having picked up during the previous quarter, turnover in listed equities[6] on the Malta Stock Exchange dropped from Lm4.5 million to Lm2.5 million as trading in most listed shares decreased. The Malta Stock Exchange Share Index, which is shown in Chart 6.6, fell further, losing 3.7% to end the quarter at 2,118.1.

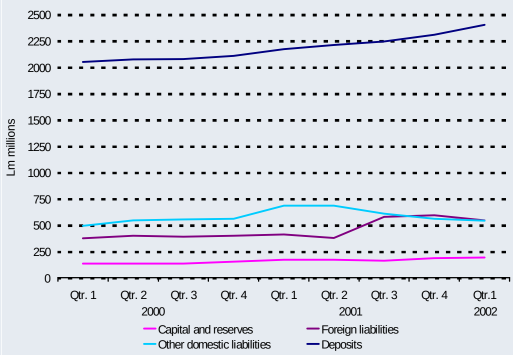
[6] Excluding companies on the Alternative Companies List.

7. THE BANKING SYSTEM

During the first quarter of 2002, the aggregate balance sheet of the deposit money banks expanded by Lm33 million, or 0.9%, to Lm3,703.2 million, underpinned by a rapid growth in deposits. As the demand for credit remained subdued, the banks resorted to alternative investment channels, adding to their portfolio of domestic securities and to their holdings of term deposits with the Central Bank. Compared to the December quarter, the sector's profit before tax increased, mainly on account of lower provision charges and in spite of lower net interest income. Meanwhile, the banks' liquidity position remained healthy and their capital base strengthened further.

An important institutional development during the quarter was the transfer of responsibility for the supervision of banking institutions in Malta from the Central Bank to the Malta Financial Services Centre (MFSC). This came into effect from January 1, 2002.

Chart 7.1
COMPOSITION OF DEPOSIT MONEY BANKS' LIABILITIES



Deposit Money Banks' Balance Sheet

Liabilities

At the end of March 2002, customers' deposits totalled Lm2,407 million and, as may be seen from Chart 7.1, remained the deposit money banks'

Table 7.1
DEPOSIT MONEY BANKS' BALANCE SHEET

Lm millions

	2001				2002
	Mar.	June	Sept.	Dec.	Mar.
ASSETS					
Cash and deposits with CBM	157.7	145.4	159.8	180.3	208.8
Foreign assets	749.2	737.4	776.6	791.6	779.9
Loans and advances	1,793.0	1,815.8	1,855.9	1,866.4	1,875.5
Local investments	634.6	607.6	664.9	663.0	687.4
Fixed and other assets	124.5	161.7	158.4	168.9	151.6
LIABILITIES					
Deposits	2,174.9	2,217.1	2,249.1	2,312.5	2,407.0
Time	1,343.0	1,368.6	1,392.1	1,432.3	1,507.3
Savings	619.3	639.0	639.5	667.3	679.3
Demand	212.6	209.4	217.6	212.9	220.4
Foreign liabilities	417.1	382.6	584.1	599.6	551.2
Other domestic liabilities	690.3	691.2	613.2	566.8	547.8
Capital and reserves	176.7	177.0	169.2	191.2	197.2
AGGREGATE BALANCE SHEET	**3,459.0**	**3,467.8**	**3,615.6**	**3,670.2**	**3,703.2**

major source of funding, financing 65% of their total assets. Furthermore, as can be seen from Table 7.1, deposits recorded exceptional growth of Lm94.5 million, or 4.1%, during the quarter under review. Time deposits rose by Lm75 million, or 5.2%, to Lm1,507.3 million, with strong growth being registered throughout the quarter and with the greater part of the increase being accounted for by corporate deposits with a maturity of less than three months.

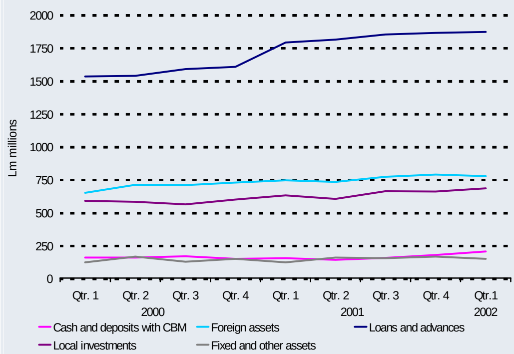
Similarly, savings and demand deposits were up by Lm12 million (5.6%) and Lm7.5 million (3.5%), respectively, when compared to the end-December level, as savers remained wary of more risky financial products. Another contributory factor, however, was the investment registration scheme launched in the latest Budget, which enabled residents to register previously undeclared funds held overseas on condition that a fee was paid at the time of registration. A lower rate was in force in the period prior to March 31. This is likely to have spurred the repatriation of a substantial amount of funds from overseas.

The banks' foreign liabilities at the end of the quarter stood at Lm551.2 million, down by Lm48.4 million, or 8.1%, from the previous quarter's level, after a particular bank decided not to renew a maturing repurchase agreement (repo) involving foreign securities. At the same time, other domestic liabilities fell by Lm19 million, in part as a result of a reduction in domestic securities sold under repurchase agreements as well as the transfer of the accumulated profits of three banks to their reserve funds following the end of their financial year. The latter, in turn, translated into a Lm6 million increase in the banks' capital and reserves.

Assets

As Chart 7.2 shows, credit expansion remained weak during the March quarter of 2002. In fact, despite the debiting to loan accounts by some

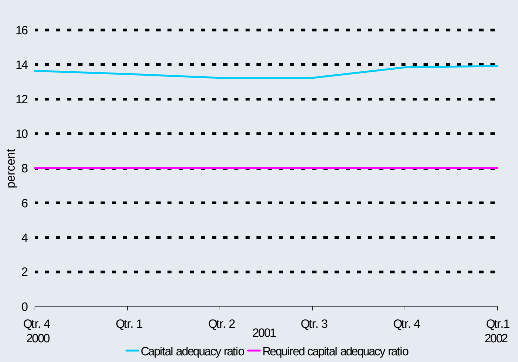
Chart 7.2
COMPOSITION OF DEPOSIT MONEY BANKS' ASSETS



banks of interest due to them, the value of the deposit money banks' loan book, including discounted bills, rose by just Lm9.1 million, or 0.5%, to Lm1,875.5 million during the quarter. Hence, the banks used a substantial part of their newly acquired funds to add to their portfolio of local investments, which put on Lm24.4 million, with almost the entire increase taking the form of additional holdings of Treasury bills. The deposit money banks, nevertheless, remained very liquid, and this led to their participating actively in the Central Bank's weekly term deposit auctions. Consequently, their reserve assets at the end of March were up by Lm28.5 million, or 15.8%, from the end-December level, with a surge in term deposits with the Central Bank being only marginally dampened by a drop in cash holdings.

Meanwhile, the deposit money banks' foreign assets fell by Lm11.7 million to Lm779.9 million, as a decline in their stock of foreign Government bonds and money at call abroad was only partly offset by higher claims on overseas banks and an increase in their portfolio of foreign non-Government securities. At the same time, the banks' fixed and other assets fell by Lm17.3 million, mainly reflecting a drop in interest due but not yet received, as two banks charged interest receivable in respect of the six-month period to March to their customers' loan accounts.

Chart 7.3
BANKS' CAPITAL ADEQUACY RATIO

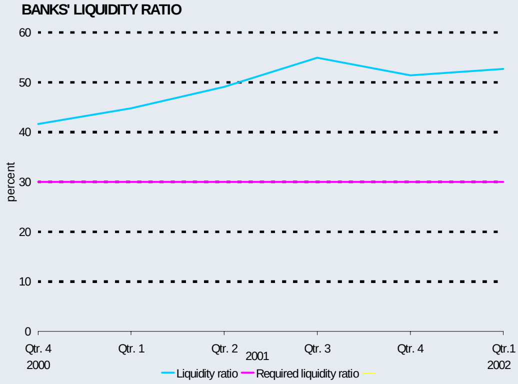


Capital adequacy and liquidity

The quarter under review saw a further strengthening of the deposit money banks' capital base. Thus, by the end of March, the capital adequacy ratio, which is a measure of the banks' own funds relative to their risk-weighted assets, rose by 9 basis points to 13.9%. This improvement resulted from a rise in the banks' own funds which more than compensated for a simultaneous increase in their risk-weighted assets. At this level, the capital adequacy ratio remained solidly above the statutory 8% minimum, as Chart 7.3 shows.

Meanwhile, the banks' liquidity ratio, which is the ratio of liquid assets to net short-term liabilities

Chart 7.4
BANKS' LIQUIDITY RATIO



rose by 1.3 percentage points to 52.7%, in spite of an increase in their short-term liabilities, which reflected their additional holdings of Treasury bills and deposits with the Central Bank. As can be seen from Chart 7.4, the liquidity ratio at this level was well above the mandatory minimum of 30%.

Deposit Money Banks' Performance

Profitability

The deposit money banks' profits for the quarter totalled Lm6.2 million, up by Lm1.6 million from the level for the December quarter of 2001. This rise in profits resulted from lower provision charges and operating expenses that compensated for a decline in both net interest and non-interest income.

The banks' net interest income fell by Lm2.1 million to Lm17.6 million. As Table 7.2 shows, interest receivable was down by Lm4.1 million from the previous quarter's level, primarily on account of a fall in interest on loans - which, in turn, reflected a drop in the lending rate on advances to residents. This decline outweighed a rise in interest income from term deposits with the Central Bank, while interest on holdings of foreign securities also fell when compared with the previous quarter. At the same time, in spite of an increase in interest payable on interbank borrowing, total interest expenditure also fell, by Lm2 million, reflecting lower interest rates payable on savings and time deposits.

Non-interest income during the March quarter declined by Lm2.3 million when compared to the previous quarter, as dividend income declined and the gains on foreign assets reported in the December quarter were not repeated. However, the decline in non-interest income was partly neutralised by a Lm1.9 million decrease in non-interest expenses, in part due to a seasonal drop in the wage bill.

Meanwhile, provision charges were Lm4.1 million

Table 7.2
DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE STATEMENT

Lm millions

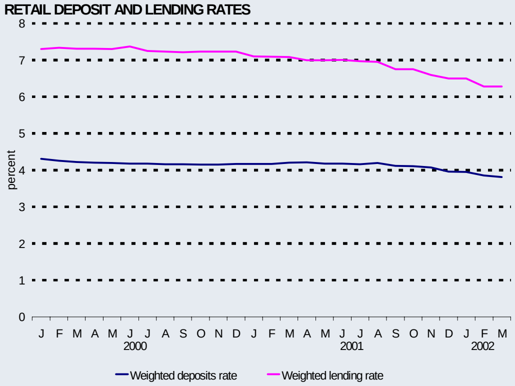
	2001		2002
	Qtr. 1	Qtr. 4	Qtr. 1
Interest income	49.6	51.2	47.1
Interest expenses	35.2	31.5	29.5
Net interest income	**14.4**	**19.7**	**17.6**
Fees and commissions	2.0	3.0	2.7
Foreign exchange gains	3.1	3.4	3.5
Other non-interest income	0.2	2.3	0.2
Total non-interest income	**5.3**	**8.7**	**6.4**
GROSS INCOME	**19.7**	**28.4**	**24.0**
Wages	8.2	9.1	8.3
Rent and similar expenses	2.6	3.5	2.9
Other	2.9	3.3	2.8
Operating expenses	**13.7**	**15.9**	**14.0**
Provisions	**2.7**	**7.9**	**3.8**
PROFITS BEFORE TAX	**3.3**	**4.6**	**6.2**

lower. General provisions on bad and doubtful debts, in particular, were down from the previous quarter's level, as Banking Directive BD/09, issued by the Central Bank in July 2001, had imposed more rigorous criteria in respect of special provisioning. This reduced the extent to which the banks had to provide for the general level of risk inherent in their lending portfolio. In addition, however, provisions on investment securities rose at a slower pace when compared to the final quarter of 2002.

Retail lending and deposit rates

The Central Bank's decision to lower official interest rates in January translated into a 22 basis point drop in the weighted-average rate on loans to residents to 6.3%, with the entire decline occurring in February, as can be seen from Chart 7.5. At the same time, the weighted average rate on deposits fell by 15 basis points, to 3.8%. The weighted average rate on current and savings deposits fell by 43 and 24 basis points, respectively, whereas that on time deposits recorded a smaller drop, of 8 basis points, as the nature of such deposits implies a slower adjustment to changes in official rates. As a result of these developments, the interest rate spread narrowed to 2.47%, from 2.54% at end-December.

Chart 7.5
RETAIL DEPOSIT AND LENDING RATES



Box 3 : INTERNATIONAL BANKING INSTITUTIONS

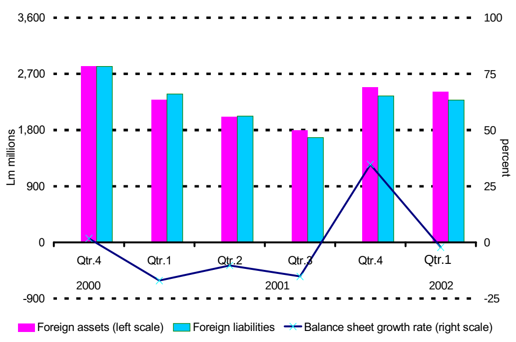
During the first quarter of 2002, the aggregate balance sheet of the international banks[1] contracted slightly, as Chart 1 shows. The sector's profits, however, grew substantially when compared to the preceding quarter.

A sharp drop in the balance sheet value of one international bank was largely offset by growth in that of another. At the same time, another international bank, Finansbank (Malta) Ltd, voluntarily surrendered its banking licence. As Finansbank had already downscaled its operations considerably during the previous year, however, this development had a negligible effect on the sector's aggregate balance sheet.

International Banking Institutions' Balance Sheet

As can be seen from Table 1, the aggregate balance sheet of the international banking sector contracted by Lm57.7 million, or 2.2%, to Lm2,583.8 million during the March quarter. In line with the regulations governing these banks' operations in Malta, developments in their aggregate balance sheet were largely induced by changes in their foreign liabilities - which, in turn, were reflected in their portfolio of foreign assets.

Chart 1
DEVELOPMENTS IN THE INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET



Assets and Liabilities

As the Table shows, the international banks' foreign liabilities fell by Lm67.7 million, or 2.9%, to Lm2,279.9 million, as a sharp drop in balances due to other banks abroad was only partly offset by higher non-resident deposits and other foreign liabilities. In particular, the amounts owed to other banks abroad fell by Lm304.6 million, or 35.5%, largely reflecting the above-mentioned reduction in the balance sheet value of a particular bank. Non-resident deposits with international banks rose by Lm102.1 million, or 14.8%, to Lm794.3 million, with the greater part of the increase taking the form of corporate time deposits having a maturity of less than three months. At the same time, other foreign liabilities totalled Lm932.2 million at the end of March, up by Lm134.8 million, or 16.9%, from the end-December level, primarily on account of an increase in funds borrowed by one bank from its parent and a rise in foreign securities sold under repurchase agreements.

Resident deposits with international banking institutions were up by Lm2.4 million, with almost the entire increase taking the form of higher savings deposits. Meanwhile, other domestic liabilities, boosted by the banks' profits for the first quarter, surged to Lm19.8 million. In contrast, the banks' capital and reserves fell by Lm7.6 million, in part reflecting the drop in their paid-up capital following the termination of operations by the international bank referred to above. However, a drop in the banks' reserve funds was

[1] The international banking sector consists of locally-based banks that carry out business almost exclusively with non-residents and in currencies other than the Maltese lira.

Table 1
INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET

Lm millions

	2001				2002
	Mar.	June	Sep	Dec	Mar.
ASSETS					
Cash and money at call	2.4	2.1	1.5	1.4	1.4
Foreign assets	**2,281.1**	**2,006.9**	**1,797.8**	**2,484.1**	**2,412.5**
Foreign securities	1,222.1	787.1	656.7	1,006.6	859.1
Loans and advances to non-residents	787.2	799.9	850.6	1,195.8	1,084.1
Other foreign assets	271.8	419.8	290.5	281.7	469.3
Loans to residents	7.7	7.3	7.0	5.9	6.5
Local investments	273.7	278.3	141.6	137.1	154.7
Other assets	11.9	17.4	13.3	13.0	8.7
LIABILITIES					
Foreign liabilities	**2,376.8**	**2,021.5**	**1,682.2**	**2,347.6**	**2,279.9**
Balances due to other banks abroad	1,000.0	807.8	621.1	858.0	553.4
Non-resident deposits	756.4	750.5	596.6	692.2	794.3
Other foreign liabilities	620.5	463.2	464.5	797.4	932.2
Resident deposits	32.9	33.4	32.7	32.8	35.2
Other domestic liabilities	(32.1)	6.7	1.4	4.5	19.8
Capital and reserves	199.1	250.4	245.1	256.5	248.9
AGGREGATE BALANCE SHEET	**2,576.7**	**2,312.0**	**1,961.3**	**2,641.5**	**2,583.8**

also noted. This reflected the lower profits, and hence the lower retained earnings, reported in 2001.

The banks' foreign assets at the end of March amounted to Lm2,412.5 million, down by Lm71.6 million, or 2.9%, from the end-December level. Investments in foreign securities fell by Lm147.5 million, with a drop in holdings of Treasury bills and non-Government securities being only partly offset by a rise in Government long-term debt instruments. A drop of Lm111.7 million in loans and advances to non-residents was also reported, with the entire fall being attributable to the transactions of a single bank. In contrast, other foreign assets rose by Lm187.6 million, largely due to an increase in balances held with other correspondent banks abroad.

Meanwhile, a rise in the deposits of an international banking subsidiary of a domestic credit institution with its parent contributed to a Lm17.6 million increase in the sector's local investments. Loans to residents edged up to Lm6.5 million, while a reduction in time deposits with credit institutions operating in Malta led to a Lm4.3 million drop in the international banks' other domestic assets.

Profitability[2]

The international banking sector's profit for the three-month period ending March 2002 totalled Lm10.7 million, approximately Lm5.2 million more than in the December quarter, as Table 2 shows. This contrasted sharply with the Lm80.4 million loss reported in the first quarter last year, when, as

[2] The following profitability analysis does not cover the performance of the three international banks that are licensed in terms of the Malta Financial Services Act, 1988.

Table 2

INTERNATIONAL BANKING INSTITUTIONS' INCOME AND EXPENDITURE STATEMENT[1]

Lm millions

	2001		2002
	Qtr. 1	Qtr. 4	Qtr. 1
Interest income	54.3	41.6	55.9
Interest expenses	87.8	27.2	42.0
Net interest income	-33.5	14.4	13.9
Non-interest income	-38.7	8.8	4.0
Non-interest expense	8.2	17.6	7.1
Provisions	0.1	0.1	0.1
PROFIT BEFORE TAX	**-80.4**	**5.5**	**10.7**

[1] Excludes banks registered under Malta Financial Services Centre Act, 1988

a result of the financial crisis in Turkey, two Turkish international banks had incurred exceptionally large losses on foreign exchange transactions. The increase in the sector's profits resulted entirely from a drop in non-interest expenses.

Gross interest receivable rose by Lm14.3 million to Lm55.9 million, primarily due to higher interest income on the banks' holdings of foreign Government debt securities, although a rise in interest earnings on balances due from banking institutions abroad also contributed. At the same time, interest expenditure rose by Lm14.8 million, with almost the entire increase resulting from the above-mentioned rise in corporate time deposits.

The international banks non-interest income fell by Lm4.8 million, as gains on foreign instruments were substantially lower and fees from trading investments were less than those recorded in the December quarter. Nevertheless, these losses in income were offset by a Lm10.5 million drop in non-interest expenses, reflecting a sharp drop in fees and commissions payable by a particular bank.

PROSPECTS FOR THE MALTESE ECONOMY IN A GLOBAL CONTEXT [1]

Mr Michael C Bonello
Governor of the Central Bank of Malta

The events of the past year testify most eloquently to the potential for fragility and volatility inherent in a globalised economy. It was a year in which not only did the business cycle return with a vengeance, but also one in which the largest economies and many emerging ones lost momentum at the same time. The collapse of the high-technology boom in the United States tipped the world's largest economy into recession; at the same time, the belief that the euro area would be largely unaffected by the slowdown in the United States proved unfounded. These developments also upset the tentative recovery that had begun in Japan, sending that economy back into recession.

Developing countries very quickly felt the impact of the slowdown in the major industrial countries, and their overall growth rate more than halved to about 2 per cent. As expected, Malta has not been immune to this trend. Indeed, in today's increasingly interdependent world, emerging economies are inevitably more vulnerable than in the past to disturbances emanating from abroad. Integrated markets, whether for goods or capital, have proved to be efficient channels for the transmission of such disturbances.

In the field of commerce, the volume of world trade was virtually stagnant in 2001. Export volumes of developing countries rose by less than 1 per cent, and the harmful effect of shrinking markets was often compounded by lower prices.

Finance has been another effective channel of transmission. The expectation that economic slowdown and looser monetary policy in the industrial countries would trigger capital flows to emerging markets has not been fulfilled. On the contrary, increased risk aversion and liquidity preference have resulted in a flight to safety, adding strength to the dollar, while foreign direct investment flows fell heavily from the previous year's level.

These fundamental realities of today's globalized economy bear clear implications for policymakers everywhere, especially for those in small, open economies. For Malta in particular, the events of the past year are a sobering reminder of the economy's structural characteristics.

For a start, the Maltese economy is very small indeed, with a population of 380,000 and a labour force of 140,000. Its GDP is around 4.3 billion euros, about 0.04 per cent of that of the EU. It is also highly open, with imports, exports and gross capital flows each equivalent to around 100 per cent of GDP. Productive activities are centred on tourism and manufacturing, each of which accounts for roughly a quarter of GDP, and are mainly export-oriented. The manufacturing sector is dominated by producers of semiconductors. The rest of the economy is domestically-oriented, including a public sector that accounts for roughly a further quarter of GDP.

Malta is also an advanced applicant country for membership of the EU, its main trading partner. By and large the country has already converged to EU standards from a nominal perspective. As for real convergence, however, its per capita

[1] This paper was given at the Central Bank of Malta Seminar on *World Economic Prospects and Financial Stability* held on April 12, 2002.

income at purchasing power parities is only around 56% of the EU average. Malta thus faces the challenge of bridging the resulting income gap through a process of accelerated restructuring and modernization.

This challenge is compounded by a number of important considerations. Foremost is the fact that the economy's openness renders it highly dependent on exports for its livelihood and on imports to satisfy most of its needs. This implies that Malta's future development and its convergence to the output and income levels of the EU depend crucially on success in generating export-led growth.

A second critical characteristic is the economy's small size and dependence on a few market niches. This means that inefficiencies in even one sector could impose a relatively heavy burden on the economy, especially when the major foreign exchange earners, such as the electronics and tourism sectors, are particularly vulnerable to external shocks.

Yet another relevant feature is the dualistic nature of the economy, with one productive sector fully exposed to international competition and another that is largely sheltered through protectionist measures, public sector intervention or monopolistic arrangements. Such activities may prove more stable in the face of exogenous shocks, but they also tend to be less flexible and less dynamic, hampering the economy's efforts to become more competitive and converge to international benchmarks.

These intrinsic sources of vulnerability were rudely exposed by last year's hostile external environment. The economy experienced a sharp deceleration, such that real GDP contracted by 1 per cent, under the impact of a marked drop in exports, after having expanded by 5 per cent in 2000. Although a number of exporting sectors made a positive contribution to growth, this was insufficient to raise the aggregate performance, conditioned as it is by the dominant electronics sector, which experienced a contraction.

Looking ahead, it is to be expected that the transmission mechanisms which magnified the collapse of stock markets in early 2001 will be equally efficient at radiating positive impulses throughout the global economy when these occur. Thus, though there are as yet only tentative signs of an incipient recovery, the premises do exist for an upturn in the cycle later this year. There has been a widespread easing of monetary policy, a protracted period of low oil prices, fiscal loosening in some countries and a strong correction in inventory levels. Moreover, inflation is generally under control so that interest rates should remain low for the foreseeable future.

Some doubts do, however, remain as to the strength and sustainability of the recovery, since it seems unlikely that domestic demand in Europe will be strong enough to permit our continent to take the lead from the United States in propelling the world economy back to faster growth. An orderly transition to a world where all the leading economies are pulling forcefully in the same direction is further complicated by the uncertainty generated by exchange rate misalignments and by large and persistent trade imbalances.

These prospects, however mixed, do nevertheless have the potential to impact favourably on Malta's economy in 2002, aided by further investment expenditure on capital projects. The attendant increase in exports coupled with continued fiscal consolidation is likely to have a positive impact on the external account. Inflation should decline as the effect of last year's shock to food prices begins to dissipate.

This cautiously optimistic outlook is, however, subject to an important caveat. For past experience has shown that the global recovery underpinning it may prove to be a selective phenomenon, so that some countries will benefit relatively more than others. And those which benefit most are likely to be those best able to take maximum advantage of evolving market conditions. Attempting to sit out the downturn with the minimum of change, on the other hand, is likely to prove as short-sighted as it is costly in terms of output foregone and jobs lost. Decisive action must, therefore, be taken to strengthen the productive capacity of the Maltese economy. This not only to benefit from the expected recovery, but more importantly as a premise for raising the economy's long-run output growth rate.

Which brings us to perhaps the overarching challenge that the economy faces in the pursuit of its long-run development goals. One obvious objective is convergence with EU per capita income levels. The major benefit of EU membership would be to facilitate this very process. On the other hand, membership could also entail significant costs - mainly in terms of policy inconsistency - should Malta fail to converge to the economic activity levels of its main trading partners.

If the Maltese economy continues to grow at 4 per cent - the average rate of the past five years - convergence could take decades to achieve. This is clearly insufficient. Moreover, to the extent that recent growth was underpinned by fiscal expansion, the challenge ahead must be not only to achieve a consistently higher growth rate, but also to further pursue macroeconomic balance. For this reason, a sustained higher growth rate cannot be based on increases in private and public consumption, but can only materialise as a result of higher investment and exports.

Economic policy must, therefore, focus more than ever on enhancing Malta's attractiveness as an investment location. This requires a wide-ranging effort, including a further consolidation of the fiscal balance; the preservation of financial and exchange rate stability; and the implementation of structural reforms, with a particular emphasis on greater supply-side flexibility.

The beneficial effects of fiscal consolidation are now well understood following the experience of the 1990s. A narrowing of the fiscal deficit increases the availability of resources to the private sector, alleviates upward pressures on domestic interest rates, improves the country's credit rating and assists in the process of convergence.

Exchange rate stability and maintaining interest rates at the lowest level compatible with price stability are other necessary, albeit not sufficient, conditions to promote investment and export competitiveness. Experience has shown that the fixed exchange rate regime does indeed help to avoid volatility in domestic production costs. On the other hand, the sustainability of the Maltese lira's peg to the trade-weighted currency basket depends crucially upon the level of the external reserves, which in turn is determined by the overall balance of payments performance. In spite of the weaker foreign demand last year, the external reserves of the Central Bank increased by almost a fifth to a level equivalent to over six months of imports. This strengthening of the reserve position against a background of easier monetary conditions abroad permitted the Bank to lower its official interest rates on two occasions. The underlying current account deficit must nevertheless be addressed if the currency peg is to be sustainable over the long-term. To the extent that this factor impinges upon the country risk perceptions of investors, it would otherwise imply the need for relatively high interest rates in Malta compared to those of our main trading partners, which would dent competitiveness through a higher cost of finance.

Macroeconomic and financial stability are indeed necessary conditions for raising the underlying rate of growth, but they must be complemented by a more market-oriented approach in the operation of the goods, labour and capital markets. Competition is the best means available to achieve the flexibility and dynamism necessary for success in today's global marketplace.

There is also, however, a role for proactive policies aimed at improving the availability and efficiency of resources within the public and private sectors, at securing the best possible access to target export markets and for the attraction of foreign direct investment, including through privatisation.

The recent Business Promotion Act and the Draft Industrial Policy document contain a number of worthy initiatives in this respect. It would, however, be useful to complement these initiatives by a more holistic approach to enhancing the country's competitiveness. Through the appropriate measurement of direct and indirect production costs, it should be possible to identify both the principal obstacles which stand in the way of more cost-efficient production as well as effective solutions. This attempt to measure the country's competitiveness could be undertaken under the auspices of the Malta Council for Economic and Social Development.

A more market-oriented approach in the goods market implies the elimination of remaining monopolistic practices that lead to inferior products at higher cost. Waste in the form of the public provision of goods and services at zero cost to the user should also to be tackled. The time has come to redefine the concept of need and to reschedule social priorities, because it is clear that the country can no longer afford to provide such a wide range of goods and services for free to all, irrespective of income levels.

In the labour market, the need to remain internationally competitive dictates that wage levels should move in line with productivity. This maxim is currently undermined by the practice of linking adjustments in wage levels automatically to movements in the retail price index. It should be clear that wage increases not matched by productivity gains tend to reduce cost competitiveness and put jobs at risk.

It must be similarly understood that continuous improvements in wage levels and in employment conditions cannot be sustained at all times irrespective of economic realities. In today's global environment there is a fine balance between success and failure in competing for export orders. Wage moderation is more than ever necessary not just to protect existing employment levels, but also for the creation of new jobs in the years ahead. Above all, the achievement of efficiency gains, through the adoption of modern technology and more flexible working practices as well as through the upgrading and reallocation of labour, represents the best guarantee for sustainable improvements in national living standards. This, therefore, should be the ultimate collective aim of the social partners in conducting industrial relations.

Structural reform is clearly not painless because it implies that initially there will be both winners and losers. It is therefore a major challenge. But it cannot for that matter be wished away. It need and should not be, for experience elsewhere suggests that it can be overcome. For a start, the more efficient, market-oriented economy open to change and innovation which is the object of the required reforms will in time generate the wealth necessary for the creation of new jobs and the fulfilment of rising expectations. And as for any resulting short-term dislocations, particularly in the labour market, it should not prove beyond the means of the country, with its extensive social safety net and with the goodwill of all the social partners, to minimise and share equitably the costs of reform. The task is to reconcile what may be considered politically and socially desirable with what is financially affordable. And in this regard it is clear that what the country can afford will ultimately be determined by its ability to compete successfully for export markets. This will be true even if the global recovery proves stronger than expected. For this reason, a rising tide will not necessarily lift all boats.

PROMOTING FINANCIAL STABILITY: THE ROLE OF CENTRAL BANKS [1]

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Introduction

While central banks have had increasing success in safeguarding monetary stability, their concerns about financial stability have risen together with the growing systemic dimensions of financial crises. This has inspired a growing debate on the role that central banks have to play in promoting financial stability. Although striving for price stability and financial stability usually would require complementary and reinforcing policies, nonetheless the two targets may occasionally be in conflict with each other. Therefore, targeting both stability goals at the same time can be challenging to policymakers. In this article I will focus on the role central banks have to play in this respect, the policy instruments available to them and the interaction between these instruments.

Focusing central bank policy on financial stability does not imply that the occurrence of financial cycles can be avoided altogether. Influencing the amplitude and volatility of asset price swings in most circumstances is beyond the reach of policymakers. Nonetheless, central banks, together with supervisory authorities, can contribute to mitigate the impact of financial cycles on the real economy. Within the euro area, national central banks have a specific role in pursuing financial stability in their own country as monetary stability is now maintained for the area as a whole, implying that national inflationary divergences may remain. This may have important implications for countries aiming to join the European Union.

The Nexus between Price Stability and Financial Stability

Most policy makers will be more familiar with the concept of price stability than with financial stability. The concept of price stability is relatively easily defined. For the United States, Chairman Greenspan has defined price stability as a rate of price change sufficiently low that anticipated changes in the general price level are not significant for economic and financial planning, i.e. inflationary expectations should not significantly influence economic behaviour. Though elegantly phrased, the concept lacks a precise quantification. The European Central Bank has adopted such a quantified definition, by stipulating that price stability implies an annual rise of the consumer price index of less than 2% in the medium term. Many other countries have adopted inflation targeting strategies where annual targets or target ranges for consumer price increases are aimed at, which, however, may change over time. Apparently, whereas price stability nowadays is accepted as the primary objective for most central banks, in practice central banks have considered it prudent to maintain some room to manoeuvre. This not only acknowledges the long time lags involved in monetary policy making and external influences on inflation, but also the need to be able to respond to special circumstances, including possibly to financial stability issues.

Defining financial stability is more difficult. In a broad sense, financial stability may be considered

[1] This paper was given at the Central Bank of Malta Seminar on *World Economic Prospects and Financial Stability* held on April 12, 2002.

as a situation in which the financial sector is able to mobilise savings and allocate funds efficiently and to absorb shocks without major damage to the real economy or other parts of the financial system. Financial stability can be distinguished in the concepts of micro stability, which involves the health of individual financial institutions, and macro stability, which focuses on the health of the financial system as a whole, including the interrelationship between financial institutions, payment and settlement systems and financial markets. Therefore, the concept of financial stability can be a deceptive one, and sometimes an elusive one. Banks, for example, may seemingly perform their intermediary functions adequately, but their balance structure can be fundamentally weak at the same time. In such circumstances, the financial system may be vulnerable to shocks, such as sudden changes in interest rates or exchange rates. Of course, failures in payment and settlement systems may amplify any such shocks.

The costs of financial instability can be high. The IMF has estimated that the direct costs of banking crises have amounted to more than 10% of GDP in over a dozen countries in the past fifteen years. Apart from this cost aspect, financial instability may undermine the effectiveness of monetary policy. This applies especially when financial instability stems from the composition of banks´ balance sheets and gives rise to a credit crunch or a credit boom. In the former case, banks are no longer willing to lend. This blocks the bank lending channel, making monetary policy less effective. Japan is a good example in this respect: plummeting asset prices and rising non-performing loans have undermined the solvency position of banks, making them unwilling to lend. The reduction of interest rates, close to zero percent, could not reopen the bank lending channel. In the case of a credit boom, which feeds itself on rising asset prices and on the consequent increased availability of collateral, the interest channel may become less effective. In an upward financial cycle, increasing the costs of credit by raising interest rates may not deter credit-takers in the face of expectations of substantial further asset price gains. Neither are banks deterred from providing credit since ample collateral is provided. Housing price booms in a number of countries, including the United Kingdom and the Netherlands, have for instance stimulated a rise in home equity loans based on the increased surplus value of houses, spilling over into additional consumption and inflationary pressures. Raising interest rates could only partially stop this cycle.

So how do these objectives of price stability and financial stability fit together? One of the important lessons of the seventies and eighties has been that price stability contributes to financial stability. Low and stable inflation rates reduce uncertainty about future economic developments and promote sound economic decisions. Moreover, price stability reduces the likelihood of sharp interest rate hikes. Thus, price stability creates a favourable and predictable environment for banks and other financial market participants to operate in, contributing to financial stability. The converse is also true: financial stability contributes to price stability. This is the case when sustainable asset price levels and balanced credit growth help to prevent inflationary wealth effects. Financial stability is an important condition to prevent deflation as well. Again, the current Japanese situation comes to mind, where price deflation has its roots in the earlier collapse of stock and property prices.

However, the issue is more complex. Indeed, the nineties taught us that price stability is necessary, but not sufficient to safeguard financial stability. In the run up to the Asian crisis, large imbalances were built up in the real estate and other asset markets in Southeast Asia, although inflation was relatively low. This showed that confidence, based on sound economic performance (strong growth, low inflation), tends to drive up credit and asset prices. Here we are at the heart of the potential conflict between price stability and financial stability. A credible central bank may create low inflationary expectations, reducing firms´ costs and uncertainty. As a result, profits accelerate, as do stock prices. However, at the same time, financial imbalances may build up, but they can be hidden by the good performance of the economy.

The Role of Central Banks

Does this mean that central banks are not able to deliver both stable prices and financial stability simultaneously? Or, to put the question differently, is the main central bank instrument, the short-term interest rate, not enough to reach two policy targets at the same time? Actually, besides the use of the interest rate, central banks can support financial stability in a number of other ways. Let me identify three ways in which the central bank in my view should be involved in financial stability. These involve the identification of vulnerabilities in the financial system; the analysis of the transmission of shocks in the financial system; and the implementation of policies to make the financial system shock resistant.

As far as the identification of potential vulnerabilities is concerned, the central bank should not only be aware of potential problems at individual financial institutions, but also continuously monitor macroeconomic risks, tensions in the financial markets and disruptions in payment and settlement systems with a view to their possible impact on financial stability. As far as the analysis of the transmission of financial shocks is concerned, important issues are the channels of contagion, the influence of insufficient information on expectations and the behaviour of financial market participants. From this analysis, policies can be developed which make the financial system better equipped to absorb shocks. Such policies will involve public disclosure rules, transparency standards, supervisory rules and the development of real time gross payment systems and the like.

Furthermore, the central bank by its nature is endowed with the means to mitigate the negative impact in the unhoped-for event of a financial crisis. One of these, of course, is the lender of last resort instrument. Traditionally, this instrument is available to support individual institutions, for two reasons. In the first place, the mere presence of a lender of last resort safeguards confidence in financial institutions. In the second place, the lender of last resort can support financial institutions that face liquidity problems. This last function requires that the central bank can distinguish between solvency and liquidity problems. For this, comprehensive and timely information from the supervisory authority is essential. Besides the traditional lender of last resort liquidity provision to individual institutions, liquidity injections may be given to the financial system in general. This function has become more important because of the increasingly systemic dimensions of financial tensions. Hence, liquidity injections by central banks are sometimes required to ensure the smooth functioning of payment systems and financial markets.

In addition to the lender of last resort instrument, central banks in most countries have several other instruments at their disposal to underpin financial stability. Of these, the organisation of a deposit insurance system is important to safeguard confidence in the financial system. By (partially) guaranteeing bank accounts, the risk of bank runs is reduced. Equally important for financial stability are supervisory rules and regulation imposed on financial institutions. Although central banks are not always responsible for supervision, they are often involved in designing or advising on the regulation. Finally, yet importantly, overseeing payment and settlement systems is a key element in the financial stability policy of central banks. Mutual credit and liquidity risks have been reduced significantly by the implementation of real time gross payment systems for large-value transactions.

Some examples from the US experience may illustrate the use of central bank instruments in relationship to the maintenance of financial stability. Going back to the mid-eighties, the Savings and Loans crisis was primarily resolved by a restructuring of the sector and other reforms, but monetary easing played a role as well. The stock market crash of 1987, when the Dow Jones fell more than 22%, was addressed by a declaration that the Fed stood ready to support the financial system through the provision of liquidity, as well as by monetary easing through reduction in of the Fed funds rate. Later, strains in the financial system following the Asian crisis, the Russian default and the collapse of LTCM in 1998 were followed by several US interest rate cuts as well. During 1999, monetary conditions were further eased around Y2K. Of course, in all these instances the leeway for monetary easing was circumscribed by monetary stability considerations. With firsthand knowledge of the financial sector, the Fed was well placed to consider the trade-off between monetary and financial stability issues. The terrorist attacks of 11 September 2001 provide the latest example of large liquidity injections by the Fed in support of the functioning of the financial system. The European Central Bank (ECB) provided no less than •110 billion to support the liquidity of commercial banks as well. Several days later, the Fed and the ECB cut interest rates by 50 basis points. This was a display of complementary interaction between monetary and financial stability instruments to pre-empt a systemic crisis.

The Dutch Central Bank Model

How instruments can be applied in a consistent fashion will depend on the institutional framework. For instance in the Netherlands the guardianship of both financial stability and price stability is concentrated within one institution, the central bank. The Dutch approach differs for instance from the UK approach, where the responsibility for banking supervision has been delegated to a separate supervisory agency, the FSA.

In the Dutch central bank model the supervision of individual banks and the oversight of the payment and settlement systems is combined within one institution. In view of the increased importance of financial conglomerates, combining banking and insurance activities, in the Netherlands the mandate has been broadened. Recently, a far-reaching cooperation between the central bank and the insurance supervisor, including cross appointments of board members, has been implemented. Of course, this institutional set-up of prudential supervision and oversight is not decisive for marrying financial stability and price stability. Nevertheless, it has several advantages. The combined monetary policy and supervisory functions within the central bank contribute to an easier exchange of information, often necessary in crisis situations.

Admittedly, the preferred institutional model depends on country-specific circumstances. Three set-ups can be distinguished. First, the central bank may only play a limited role in supervision, like the Bank of England. In this model, efficiency gains can be realised by integrating supervisors from different sectors, though it makes high demands on co-ordination and co-operation between monetary and supervisory authorities. The Bank of England has addressed this *inter alia* by creating a special Financial Stability Wing in its organisational set-up. Second, the central bank may be closely involved in supervisory activities, such as auditing, in co-operation with an independent regulatory prudential authority. The German situation provides an example of this. Third, the central bank may be responsible for the supervision of financial institutions. This last model has clear advantages for countries with big and complex financial institutions, where supervision issues rapidly take on systemic dimensions. This is the case in the Netherlands with its highly concentrated financial sector. Detailed knowledge from the supervisory arm of the central bank on a commercial bank's activities and exposures can then be crucial to respond adequately and swiftly.

Financial Cycles

However well financial stability is safeguarded, the occurrence of financial cycles cannot be avoided. Actually, there is evidence that the number of booms and busts has risen over the last decades. Long-term analyses show that the frequency of crises doubled in the period 1973-1998, compared to 1945-1973. The establishment of the Basle Committee in 1974 and the implementation of the Capital Accord in 1988 could not prevent this. Several severe financial cycles have occurred in the nineties. While economies have stabilised in terms of inflation and GDP growth, financial cycles have become more pronounced. Statistical measures show that volatility in foreign exchange markets, as well as in major stock markets, has risen since the mid-nineties. Co-movements of market prices, including stock market prices, have risen as well. Hence, financial cycles are not only more pronounced than before, but also more synchronised internationally. This greater interdependence of markets implies a greater potential for contagion. Although it is true that we live in an era of increased economic stability, this does not mean that financial cycles do not pose a threat to growth and price stability. In fact, the much higher capitalisation of asset markets, the rising disintermediation of corporate financing and the increased house and stock ownership of households – although in themselves welcome - have made economies more prone to financial cycles. In these circumstances, should asset prices themselves not be an objective of monetary policy making?

The inclusion of asset prices in the monetary policy strategy is problematic. A major obstacle is the right assessment of sustainable asset price levels. While central banks may point to risks in asset markets, it is unlikely that the central bank can determine the right level of asset prices better than the market. Therefore most central banks, including the European Central Bank, take asset prices into account only as information variables for future trends in growth and inflation.

The European Central Bank bases its monetary policy decisions on euro area-wide developments. Therefore, as long as financial institutions within the euro area still have a national character, the responsibility for financial stability at the national level has to be carried by the national central banks and the supervisory authorities in the participating countries. They have an essential role in mitigating the impact of financial cycles on the real economy, because in a monetary union the interest rate and the exchange rate can no longer be used to support financial stability in national economies. To this end, the revised Dutch Banking Law of 1998 explicitly states that the central bank contributes to the maintenance of the stability of the financial system. Since this task is increasingly important, the Dutch central bank presents itself as a financial stability authority, next to a monetary authority. The financial stability role is given shape by the Dutch central bank´s combined tasks of supervisor of the banking (and insurance) system and of overseer responsible for the good functioning of payment and settlement systems.

Mitigating the impact of financial cycles requires a changing focus of supervision. Traditionally, prudential supervision is designed to work bottom-up, focusing on individual financial institutions. However, to serve the stability of the financial system, supervision should also have a top-down point of view. In a co-ordinating group on financial stability all departments within the central bank that deal with financial stability issues contribute in identifying risks and vulnerabilities with a view to focusing supervision on systemic risks.

Conclusion

Price stability and financial stability generally contribute to each other. Occasionally frictions may arise, often on the back of virulent financial cycles. This poses a challenge for national policymakers, especially in the Eurosystem, where monetary policy is set for the euro area-wide economy. Neither the interest rate nor the exchange rate is available to support national financial stability any longer. Therefore, central banks in the euro area increasingly act as guardians of financial stability. The Eurosystem, while focusing on monetary stability, will have to take into account financial stability issues for the euro area as a whole in order to mitigate the impact of financial cycles. Its swift reaction after the 11 September events shows the Eurosystem is up to the job. At the national level, central banks which have responsibility for prudential bank supervision and the oversight of payment and settlement systems are well placed to act as guardians for financial stability at home. Maintaining price stability and financial stability in other countries requires close co-operation and co-ordination between central banks and supervisory authorities. Such challenges in the field of financial stability will become all the more pressing for countries aiming to join the European Union and, eventually, EMU.

NEWS NOTES

Government Stock Issues

On May 24, through Legal Notice 118 of 2002, the Government announced the issue of Lm10 million worth of 5.6% MGS 2007 (III) Fungibility Issue. The stock was issued at a premium of 0.5% for amounts not exceeding Lm20,000 and by auction for bids exceeding this amount.

On June 25, through Legal Notice 157 of 2002, the Government created and issued directly to the Foundation for Church Schools the 7% Malta Government Stock 2012 (II). The stock was for a nominal value of Lm176,200.

Private Bond Issues

On April 25 Hotel San Antonio p.l.c. offered for sale to the public Lm2 million worth of bonds with a coupon of 7.5% maturing in 2012. As the bonds, which were issued at par, were oversubscribed, the company exercised its over-allotment option and increased the issue to Lm2.5 million.

On May 23 Mizzi Organisation Finance p.l.c. offered for sale to the public Lm5 million worth of bonds with a coupon of 6.7% maturing in 2012, with the company reserving the right to redeem all or part of the issue on the seventh, eight or ninth anniversaries. The bonds, which were issued at par and which had a nominal value of Lm100 each, were underwritten by Bank of Valletta p.l.c. As the issue was oversubscribed, the company exercised its over-allotment option and doubled it to Lm10 million.

On June 10 Bay Street Finance p.l.c. offered for sale to the public Lm3 million worth of bonds with a coupon of 8% maturing in 2012. The bonds had a nominal value of Lm100 each and were issued at par. As they were oversubscribed, the company exercised its over-allotment option and increased the issue by another Lm3 million to Lm6 million. Investors were given the option to convert these bonds into shares in Bay Street Holdings Ltd at 107 per cent in the event of an offer taking place between 2005 and 2012.

Sale of Equity in Lombard Bank Malta p.l.c.

On January 10 Lombard Bank Malta p.l.c. announced that CCF Holding (Suisse) SA intended to sell its shareholding in the Bank, subject to all regulatory approvals being obtained, to Banca Unione di Credito. The sale also included shareholdings held by Handelsfinanz-CCF Bank. In the aggregate, Banca Unione di Credito was to acquire 1,043,888 shares of the bank's issued ordinary share capital at a price of Lm3.958 per share. On May 29, the Bank announced that the necessary regulatory approvals to enable the share transfer to take place had been obtained.

Lombard Bank Malta p.l.c. Acquires 75% Participation in Gasan Fund Management Ltd

On May 20 Lombard Bank Malta p.l.c. and the Gasan Group reached an agreement in terms of which Lombard Bank Malta p.l.c. was to acquire a 75% participation in Gasan Fund Management Ltd, subject to the completion of the usual due diligence procedures and the approval of the Malta Financial Services Centre.

FINANCIAL POLICY CALENDAR

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

1999

January 4 : *Currency Portions of Maltese Lira Basket Announced*

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

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

January 21: *Central Bank Lowers Intervention Rate*

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate by ten basis points to 5.35%.

March 29: *Central Bank Lowers Intervention Rate Again*

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate by a further forty basis points to 4.95%.

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

March 29 : *Interest Rate Ceiling on Foreign Currency Lending Lifted*

The Central Bank of Malta amends Central Bank of Malta Notice Number 1 on interest rates. By means of this amendment, all restrictions on interest rates on loans and advances denominated in foreign currency by credit and financial institutions are lifted.

May 6 : *Central Bank Lowers Discount Rate*

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

May 7 : ***Parliament Authorizes Government to Borrow Lm100 Million***

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

May 7 : ***Obligation to Create Sinking Funds in Connection with Local Borrowing Abolished***

Parliament amends Local Loan (Registred Stock and Securities) Ordinance, 1957 through Act IV of 1999. This removes the obligation on Government to create sinking funds in connection with new local borrowing. The obligation to create sinking funds in connection with overseas borrowing is, however, retained.

May 29 : ***Minister of Finance amends Malta Stock Exchange Regulations***

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

June 24 : ***Central Bank Lowers Discount Rate Again***

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

August 2 : ***Central Bank Lowers Minimum Deposit Rate on Savings Accounts***

The Central Bank of Malta, in terms of Section 38 of the Central Bank of Malta Act, 1967, lowers the minimum rate of interest that credit institutions may pay on deposits denominated in Maltese lira, other than current accounts, from 3 % per annum to 2.5 % per annum.

September 7 : ***Penalties for Offences Against Banking Act, 1994 Regulations Published***

The Minister of Finance, through Legal Notice 155 of 1999, publishes the Penalties for Offences Regulations 1999. These regulations specify the penalties, including fines and imprisonment terms, to be imposed on persons found guilty of having contravened specific provisions of the Banking Act, 1994. They also empower the Competent Authority to impose administrative penalties on persons who fail to comply with other provisions of the Banking Act, 1994. Such persons may appeal to the Tribunal for Financial Services against any decision imposing upon them an administrative penalty.

September 23 : ***Central Bank Lowers Intervention Rate and Discount Rate***

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate and its discount rate by 20 basis points from 4.95% to 4.75%. All the other official interest rates quoted by the Central Bank go down by 20 basis points. In announcing the reduction in rates the Bank comments on the weakness of domestic demand, the decline in inflation and the absence of pressure on the external reserves. The Bank also notes some improvement in Government finances but registers its continuing concern about the level of the Government's borrowing requirement.

November 1 : ***Central Bank Removes Limits on Bank Deposit/Foreign Currency Interest Rates***

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

October 19 : ***General Financial Regulations Amended***

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

November 15 : ***Malta Ratifies European Convention on Money Laundering***

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

November 9 : ***Malta Stock Exchange Introduces Alternative Companies List***

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

November 22 : ***Measures Introduced in the Budget for the Year 2000***

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

1) **Wages:** A weekly increase of Lm1 to compensate for the rise in the cost of living during the year to September 1999. An additional one-off increase of Lm10 per person to be given in January to compensate for the removal of the subsidy on local bread.

2) **Social Security Contributions:** As from January 1, 2000, employees' social security contributions are to go up from 9% to 10% of their basic pay, while the different income bands previously used to calculate the contribution rate of the self-employed are to be abolished. The rate of contribution on all income earned by the self-employed is to be 15%.

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

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

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

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

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

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

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

The Minister of Finance, through Legal Notice 225 of 1999, appoints the Malta Financial Services Centre (MFSC) as an authorised dealer for the purposes of Sections 17, 18 and 32 of the Exchange Control Act, 1972 with effect from January 1, 2000. Through this legal notice, the responsibility for approving and vetting applications for the registration of companies with non-resident participation is transferred from the Central Bank of Malta to the Malta Financial Services Centre under delegated authority.

2000

March 10 : ***Malta Stock Exchange Bye-Laws Amended***

The Council of the Malta Stock Exchange amends its bye-laws with regard to dealings made by directors and employees in possession of price sensitive information in the listed securities of their companies. The changes are made within the context of the review, undertaken by the Malta Stock Exchange, of market practices and compliance with internationally accepted regulatory standards.

March 29 : ***Italian Financial Aid to Malta***

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

April 12 : ***Central Bank Abolishes Last Remaining Control on Interest Rates***

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

April 28 : ***Bearer Accounts Phased Out***

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

June 15 : ***Malta Withdraws from Offshore Group of Banking Supervisors***

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

July 14 : ***Malta Stock Exchange Regulations Amended***

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

August 25 : ***Prevention of Money Laundering Regulations Amended***

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

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

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

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

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

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

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

- An increase in the allowance for travel purposes from Lm5,000 to Lm10,000 per trip.
- An increase in the limit for cash gifts from Lm5,000 to Lm10,000 per year.
- An increase in the amount of foreign currency which can be exported to effect merchandise payments overseas.
- An increase in the limits on imports and exports of local currency from Lm25 to Lm1,000.
- The amount that residents are permitted to invest in real estate overseas is raised from Lm50,000 per year to Lm150,000.
- The allowance for foreign portfolio investment by residents is raised from Lm15,000 per year to Lm30,000.
- Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are permitted to invest in foreign assets up to a maximum of five per cent of the funds invested in a scheme.
- The amount of foreign currency which a resident may retain in the form of cash or in a foreign currency (demand) account with local credit institutions is raised to Lm10,000 from Lm2,500.
- The period during which export-oriented local companies are permitted to maintain export proceeds with local banks in foreign currency is extended to one year while other bodies corporate and local retail outlets are henceforth permitted to maintain demand, savings and time deposits in foreign currency accounts provided such deposits originate from business activities and the balance does not exceed Lm10,000.

- Lending and borrowing activities are liberalised completely, subject to the condition that such lending or borrowing is for maturity periods of over one year.
- The granting of guarantees by residents and vice versa is liberalised completely.
- All restrictions with regard to the amount of assets that emigrants may transfer abroad are removed.
- All restrictions on payments by residents in respect of endowments to *bona fide* foreign institutions, dowry payments and payments in connection with the settlement of debts by immigrants in their previous country of residence are removed.

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

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

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

2001

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

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

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

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

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

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

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

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate and the discount rate by 25 basis points to 4.5%. All other official interest rates quoted by the Central Bank are similarly lowered by 25 basis points.

September 27: ***Central Bank Lowers Reserve Requirement Ratio***

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

November 26 : ***Central Bank Lowers Official Interest Rates***

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

October 31: ***Malta Stock Exchange Issues Corporate Governance Code***

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

November 21: ***Measures Introduced in the Budget for 2002***

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

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

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

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

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

- **Support Scheme for the Agriculture Sector:** A support scheme for the agricultural sector is to be introduced as levies on agricultural imports are lifted.

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

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

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

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

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

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

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

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

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

- Locally registered fund management companies are to be permitted to seek a listing for their collective investment schemes on recognised international capital markets.

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

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

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

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

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

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

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

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

December 27: ***Appointment of Competent Authority***

The Minister of Finance, through Legal Notices Nos 324 and 325, appoints the Malta Financial Service Centre (MFSC) as the Competent Authority for the purposes of the Financial Institutions Act, 1994 and the Banking Act, 1994, with effect from January 1, 2002.

2002

January 31 *: Central Bank Lowers Official Interest Rates*

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate and the discount rate by 25 basis points to 4.00%. All other official interest rates quoted by the Central Bank are similarly reduced by 25 basis points.

March 1 *: Establishment of Financial Intelligence Analysis Unit*

As a follow-up to the amendments to the Prevention of Money Laundering Act, 1994 enacted in December 2001, a Financial Intelligence Analysis Unit is established. The Unit is to assist the Government in furthering its commitment to enhance Malta's reputation as a financial services centre by fighting criminal abuse of Malta's financial services.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-March 2002, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km^2	
CURRENCY UNIT	Lira - Exchange rates: Lm1 = US$2.1894	
	Lm1 = Euro2.5051	
CLIMATE	Average temperature (1991-2001): December - February	13.3^o C
	June - August	25.8^o C
	Average annual rainfall (1990 - 2001)	602.4mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices (Dec. 2001)	4.1%
	GDP per capita at current market prices (Dec. 2001)	US$9,162
	GDP per head in PPS relative to the EU-15 average (2000)	53
	Ratio of gross government debt to GDP (Dec. 2001)	62.3%
	Ratio of government deficit to GDP (Dec. 2001)	5.2%
	Retail price inflation	3.62%
	Ratio of exports of goods and services to GDP (Dec. 2001)	86%
	Ratio of current account deficit to GDP (Dec. 2001)	4.7%
	Gainfully occupied (Feb. 2002)	137,245
	Unemployment rate (Feb. 2002)	5.5%
POPULATION	Total Maltese and Foreigners (Dec. 2001)	394,641
	Males (Dec. 2001)	195,363
	Females (Dec. 2001)	199,278
	Age composition in percent of population (2000)	
	0 - 19	27%
	20 - 59	56%
	60 +	17%
	Average annual growth rate (1990 - 2000)	0.8%
	Density per km^2	1,249
HEALTH	Life expectancy at birth - Males (Dec. 2000)	74.3
	- Females (Dec. 2000)	80.2
	Crude birth rate, per 1000 inhabitants (Dec. 2000)	11.16
	Crude mortality rate, per 1000 inhabitants (Dec. 2000)	7.75
	Doctors per 1000 inhabitants (Dec. 2000)	3.2
EDUCATION	Combined gross enrolment ratio % (1999)	80%
	Number of schools (1999/2000)	331
	Teachers per 1000 students (2000)	93
	Adult literacy rate : % age 15 and above (1999)	91.8%
LIVING STANDARDS	Human Development Index : Rank out of 162 countries (1999)	30
	Mobile phone subscriptions, per 1000 inhabitants (Sept. 2001)	499
	Private motor vehicle licences per 1000 inhabitants	482

Source: Central Bank of Malta; National Statistics Office; Ministry of Finance; Eurostat; UNDP.

List of banking institutions submitting financial information to the Central Bank of Malta for statistical reporting purposes, as at March 2002:

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

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

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

Lm thousands

End of Period	Currency Notes and Coin Issued	IMF-Related Liabilities	Deposits				Capital and Reserves	Foreign Liabilities [3]	Other Liabilities [2]
			Banks[2]	Government	Other	Total			
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	-	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	-	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	-	145,648
1993	364,013	24,620	67,173	2,437	37,349	106,959	4,500	-	163,740
1994	379,082	24,213	73,025	1,725	52,384	233,734	41,000	-	178,292
1995	367,444	22,553	80,026	20,194	21,502	121,722	41,000	-	187,134
1996	380,246	20,159	71,627	22,785	10,516	105,328	41,000	-	177,233
1997	384,655	20,079	100,511	24,503	10,941	135,955	41,000	-	135,780
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	-	35,265
1999	418,485	19,014	124,786	96,188	12,424	233,398	89,050	-	58,597
2000	423,188	18,574	141,270	56,161	10,393	207,825	89,050	-	45,182
2001									
Jan.	412,749	18,574	151,954	34,603	9,556	196,113	89,050	2,548	47,585
Feb.	413,863	18,574	154,375	62,982	9,617	226,974	89,050	4,274	29,743
Mar.	415,262	18,574	142,870	69,976	8,657	221,503	89,050	3,041	32,593
Apr.	421,757	18,574	150,629	51,821	9,651	212,101	89,050	2,803	29,204
May	426,201	18,574	157,537	53,558	11,009	222,103	89,050	1,486	32,187
June	429,727	18,574	129,375	51,908	10,145	191,429	89,050	2,863	34,295
July	434,373	18,574	147,841	50,620	10,537	208,998	89,050	1,100	36,185
Aug.	432,878	18,574	131,452	60,453	10,389	202,294	89,050	1,932	38,496
Sept.	429,428	18,574	138,417	61,852	13,726	213,995	89,050	3,698	43,864
Oct.	435,076	18,574	112,067	67,091	10,561	189,718	89,050	2,106	60,694
Nov.	430,082	18,574	107,284	93,988	10,164	211,436	89,050	1,030	64,788
Dec.	441,829	18,281	146,789	69,080	7,644	223,513	95,069	-	48,649
2002									
Jan.	433,286	18,281	184,034	63,202	7,147	254,383	95,069	974	40,839
Feb.	433,412	18,281	196,509	71,124	6,700	274,333	95,069	3,510	32,747
Mar.	436,995	18,281	191,255	66,683	7,131	265,069	92,150	3,427	28,674

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

[2] Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995). As from December 2001 term deposits by banks which were previously classified as "Other Liabilities" are classified as "Banks' Deposits".

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

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

Assets

Lm thousands

End of Period	External Reserves				IMF Currency Subscription	Malta Government Securities and Advances	Fixed and Other Assets	Total Assets/ Total Liabilities
	Gold [2]	IMF-Related Assets[3]	Convertible Currencies[4]	Total				
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	80,134	559,376
1992	9,101	30,061	435,856	475,018	21,720	62,305	88,687	647,730
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
1999	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000	452	36,940	606,752	644,144	35,222	9,178	98,930	787,474
2001								
Jan.	406	36,978	593,415	630,799	35,222	14,909	85,689	766,618
Feb.	525	37,352	588,841	626,717	35,222	16,154	104,385	782,478
Mar.	524	37,445	593,656	631,625	35,222	17,603	95,573	780,023
Apr.	435	37,426	602,438	640,300	35,222	9,830	88,137	773,488
May	533	38,340	614,350	653,223	35,372	41,062	59,945	789,601
June	489	38,100	609,264	647,853	35,372	37,512	45,200	765,937
July	531	37,808	637,088	675,427	35,372	30,507	46,974	788,279
Aug.	534	37,837	649,545	687,916	35,372	19,239	40,696	783,223
Sept.	566	37,812	654,187	692,564	35,372	11,789	58,883	798,608
Oct.	527	37,822	682,931	721,281	35,372	8,024	30,542	795,218
Nov.	462	38,167	710,357	748,986	35,372	6,407	24,196	814,960
Dec.	629	37,863	721,936	760,428	35,078	5,773	26,062	827,340
2002								
Jan.	697	38,105	743,818	782,621	35,078	5,021	20,112	842,831
Feb.	596	38,218	760,396	799,211	35,078	4,715	18,347	857,351
Mar.	601	38,191	747,664	786,456	35,078	4,554	18,507	844,596

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

[2] Includes small amounts of other precious metals.

[3] Includes IMF Reserve Position and holdings of SDRs.

[4] Valued according to the prevailing accounting policies as explained each year in the Notes to the Accounts in the Central Bank of Malta *Annual Report*.

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES DEPOSIT MONEY BANKS [1]

Liabilities

Lm thousands

End of period	Deposits [2]				Foreign Liabilities [3]	Capital and Reserves	Other Liabilities [3]
	Demand	Savings	Time	Total			
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
1999	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000	192,206	623,727	1,296,731	2,112,664	404,679	158,523	566,664
2001							
Jan.	205,665	624,893	1,321,837	2,152,395	407,805	177,039	672,988
Feb.	211,192	629,250	1,340,870	2,181,312	404,322	176,714	702,120
Mar.	212,583	619,316	1,343,006	2,174,905	417,137	176,714	690,255
Apr.	209,623	634,366	1,382,622	2,226,611	402,928	176,714	702,344
May	216,251	630,063	1,394,006	2,240,321	386,026	177,039	701,452
June	209,436	639,026	1,368,606	2,217,068	382,569	177,040	691,167
July	228,197	636,095	1,379,746	2,244,038	382,559	177,040	698,996
Aug.	214,351	650,004	1,389,291	2,253,646	394,763	177,040	747,367
Sept.	217,559	639,505	1,392,068	2,249,132	584,091	169,186	613,161
Oct.	226,097	654,631	1,407,035	2,287,763	551,510	191,044	564,518
Nov.	212,023	646,610	1,439,132	2,297,765	598,444	191,045	537,228
Dec.	212,870	667,301	1,432,345	2,312,516	599,626	191,246	566,794
2002							
Jan.	207,599	672,267	1,456,245	2,336,111	609,256	197,166	557,846
Feb.	214,182	676,139	1,481,930	2,372,251	600,704	197,166	547,370
Mar.	220,395	679,315	1,507,325	2,407,035	551,166	197,166	547,782

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

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

[3] As from September 1992, the bulk of foreign liabilities belonging to a Deposit Money Bank was transferred to its offshore bank subsidiary.

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES DEPOSIT MONEY BANKS [1]

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank [2]	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets [2]	Total Assets/ Total Liabilities
1990	58,349	197,787	458,246	100,284	32,334	847,000
1991	62,790	246,499	480,495	147,050	26,847	963,681
1992	93,816	330,111	539,405	147,048	32,488	1,142,868
1993	83,250	378,598	627,635	212,779	35,457	1,337,719
1994	194,501	417,411	707,355	210,540	46,545	1,576,352
1995	100,638	557,355	938,406	234,379	49,960	1,880,738
1996	96,777	588,571	1,079,552	263,194	114,236	2,142,330
1997	125,183	534,756	1,205,349	365,333	120,979	2,351,600
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000	152,739	729,614	1,608,023	601,427	150,727	3,242,530
2001						
Jan.	167,665	741,428	1,733,354	602,689	165,091	3,410,227
Feb.	176,144	751,847	1,739,911	634,330	162,236	3,464,468
Mar.	157,672	749,183	1,793,027	634,613	124,516	3,459,011
Apr.	171,652	765,611	1,823,589	614,562	133,183	3,508,597
May	177,617	758,695	1,815,942	599,360	153,223	3,504,837
June	145,437	737,380	1,815,792	607,585	161,650	3,467,844
July	162,532	719,853	1,811,155	641,159	167,934	3,502,633
Aug.	157,031	779,222	1,806,213	648,651	181,699	3,572,817
Sept.	159,761	776,593	1,855,912	664,875	158,429	3,615,570
Oct.	146,852	745,955	1,857,538	695,562	148,928	3,594,835
Nov.	134,445	772,817	1,852,984	709,168	155,067	3,624,482
Dec.	180,312	791,551	1,866,422	662,996	168,901	3,670,182
2002						
Jan.	204,082	775,106	1,857,995	678,136	185,060	3,700,379
Feb.	216,099	783,042	1,851,058	686,937	180,355	3,717,491
Mar.	208,762	779,869	1,875,527	687,352	151,638	3,703,149

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

[2] As from December 2001 term deposits by banks which were previously classified as "Fixed and other Assets" are classified as " Cash and Deposits with Central Bank."

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

Liabilities

Lm thousands

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

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

[2] Excludes deposits belonging to non-residents. The latter are classified as foreign liabilities. As from January l991, deposits belonging to residents have been classified under "Other Items (Net)".

[3] In April 1991, a local financial institution issued Lm60 million worth of bonds, with the proceeds being utilised to repay credits which it had previously received from Deposit Money Banks. These securities have been classified under "Other Items (Net)".

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

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Claims on				Total Assets/ Total Liabilities
			Government	Deposit Money Banks[2]	Private and Parastatal Sectors	Total	
1990	642	89,771	5,055	702	104,539	110,296	200,709
1991	7	98,099	-	6	138,210	138,216	236,322
1992	7	116,452	-	79,259	164,003	243,262	359,097
1993	7	118,603	-	96,772	181,756	278,528	397,138
1994	1	5,072	-	134,834	203,486	338,320	343,393
1995	140	3,876	142	-	147,040	147,182	151,198
1996	65	3,297	142	3,009	149,429	152,580	155,942
1997	94	7,047	842	2,487	142,170	145,499	152,640
1998	321	7,030	5,794	2,317	150,313	158,424	165,775
1999	368	6,545	4,555	3,013	139,217	146,785	153,698
2000							
Jan.	349	6,432	4,555	3,025	139,475	147,055	153,836
Feb.	307	6,449	4,555	3,029	139,949	147,533	154,289
Mar.	317	6,324	4,555	3,102	143,997	151,654	158,295
Apr.	325	6,307	1,863	2,952	143,589	148,404	155,036
May	323	6,475	1,871	2,958	144,214	149,043	155,841
June	326	6,561	1,871	3,074	147,402	152,347	159,234
July	332	6,534	1,879	3,054	147,092	152,025	158,891
Aug.	292	6,507	2,086	3,137	148,457	153,680	160,479
Sept.	303	6,608	2,091	3,159	152,790	158,040	164,951
Oct.	314	6,459	2,471	2,958	127,492	132,921	139,694
Nov.	302	6,692	2,480	3,044	128,166	133,690	140,684
Dec.	312	6,835	2,287	3,010	129,417	134,714	141,861

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

[2] From September 1992 up to December 1994, includes deposits of offshore subsidiaries of the Deposit Money Banks held with their parent institutions.

TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES INTERNATIONAL BANKING INSTITUTIONS

Liabilities

Lm thousands

End of Period	Resident Deposits				Foreign Liabilities	Capital and Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999	4,027	10,203	7,093	21,323	2,460,629	188,740	40,418	2,711,110
2000	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
2001								
Jan.	4,178	12,848	15,678	32,704	2,118,901	227,026	23,149	2,401,781
Feb.	4,182	11,221	16,176	31,579	2,149,272	227,421	-53,189	2,355,084
Mar.	4,527	11,289	17,126	32,942	2,376,838	199,065	-32,104	2,576,742
Apr.	5,468	13,231	15,380	34,079	2,080,792	244,929	-64,355	2,295,445
May	4,900	12,454	15,784	33,138	2,154,427	243,043	8,398	2,439,006
June	5,484	11,714	16,206	33,405	2,021,493	250,363	6,696	2,311,957
July	5,169	11,144	16,096	32,409	1,865,588	251,354	9,484	2,158,835
Aug.	5,372	10,717	17,245	33,335	1,805,889	253,410	15,758	2,108,391
Sept.	5,466	11,135	16,057	32,658	1,682,173	245,114	1,351	1,961,296
Oct.	5,026	10,954	16,367	32,347	1,821,977	245,156	5,209	2,104,688
Nov.	5,486	10,339	16,036	31,861	1,834,314	250,200	19,366	2,135,740
Dec.	5,421	11,259	16,152	32,832	2,347,616	256,549	4,497	2,641,495
2002								
Jan.	4,703	12,238	15,830	32,771	2,150,743	248,315	17,667	2,449,496
Feb.	5,926	14,143	15,257	35,326	2,097,070	246,298	15,017	2,393,710
Mar.	6,190	13,888	15,097	35,175	2,279,892	248,910	19,808	2,583,785

TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES INTERNATIONAL BANKING INSTITUTIONS

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets
1995	712	241,121	157	161,931	3,825	407,746
1996	937	462,902	37	200,098	4,405	668,379
1997	867	817,949	598	217,221	5,249	1,041,884
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999	1,892	2,434,594	6,135	260,458	8,030	2,711,110
2000	2,078	2,819,021	6,128	267,663	11,256	3,106,146
2001						
Jan.	2,169	2,114,115	5,776	268,522	11,198	2,401,781
Feb.	1,887	2,059,090	6,819	276,347	10,940	2,355,084
Mar.	2,380	2,281,085	7,703	273,712	11,862	2,576,742
Apr.	2,194	1,993,143	8,231	279,991	11,886	2,295,445
May	2,302	2,129,162	7,983	286,874	12,685	2,439,006
June	2,103	2,006,877	7,261	278,348	17,368	2,311,957
July	2,360	1,847,609	6,655	284,848	17,362	2,158,835
Aug.	6,224	1,758,520	6,334	325,536	11,776	2,108,391
Sept.	1,469	1,797,836	7,002	141,641	13,348	1,961,296
Oct.	5,433	1,944,342	5,980	138,531	10,402	2,104,688
Nov.	1,463	1,975,832	6,122	138,420	13,904	2,135,740
Dec.	1,355	2,484,115	5,855	137,145	13,025	2,641,495
2002						
Jan.	1,467	2,282,894	6,967	146,576	11,592	2,449,496
Feb.	1,381	2,224,978	5,688	152,793	8,871	2,393,710
Mar.	1,354	2,412,549	6,523	154,654	8,705	2,583,785

TABLE 1.5 MONETARY SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money[5] (M1)	Quasi-Money[6]	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government[2]	Claims on Private & Parastatal Sectors[3]	Total	Central Bank of Malta	DMBs & IBIs[4]	Total				
1990	86,123	470,848	556,971	444,763	131,675	588,402	384,453	648,123	112,797	1,145,373
1991	119,535	548,041	667,576	426,885	154,388	594,245	406,690	726,031	129,100	1,249,763
1992	121,591	608,202	729,793	492,230	260,418	752,638	408,552	830,008	243,871	1,482,431
1993	137,329	697,769	835,098	549,495	267,609	817,099	425,064	941,503	285,630	1,652,197
1994	150,632	782,019	932,651	690,434	316,907	1,007,341	463,547	1,106,721	369,724	1,939,992
1995	179,754	1,024,801	1,204,555	580,700	228,369	809,069	436,760	1,253,054	323,810	2,013,624
1996	238,942	1,146,429	1,385,371	554,119	196,713	750,832	454,089	1,413,169	268,945	2,136,203
1997	320,627	1,276,804	1,597,431	561,668	166,502	728,170	479,899	1,565,848	279,854	2,325,601
1998	350,202	1,417,559	1,767,761	639,991	217,114	857,105	523,628	1,693,146	408,092	2,624,866
1999	353,539	1,586,815	1,940,354	740,339	187,110	927,449	581,175	1,854,927	431,702	2,867,803
2000										
Jan.	367,701	1,593,928	1,961,629	732,609	174,934	907,543	567,948	1,867,558	433,667	2,869,172
Feb.	388,626	1,602,100	1,990,726	715,834	173,909	889,743	567,107	1,877,018	436,343	2,880,468
Mar.	382,220	1,662,133	2,044,353	708,953	172,034	880,987	557,886	1,883,951	483,504	2,925,340
Apr.	394,252	1,656,692	2,050,945	699,798	191,274	891,071	569,486	1,891,843	480,687	2,942,016
May	374,381	1,668,209	2,042,590	711,777	197,376	909,153	587,552	1,891,614	472,577	2,951,744
June	363,748	1,678,711	2,042,459	703,415	241,023	944,438	581,079	1,891,683	514,134	2,986,896
July	383,919	1,674,366	2,058,286	685,679	239,819	925,498	593,031	1,892,439	498,314	2,983,784
Aug.	384,154	1,670,482	2,054,636	686,433	254,448	940,881	612,809	1,888,741	493,967	2,995,517
Sept.	364,425	1,732,325	2,096,750	697,544	238,906	936,450	609,343	1,883,190	540,667	3,033,200
Oct.	391,980	1,724,508	2,116,487	689,875	242,006	931,882	604,248	1,908,941	535,180	3,048,369
Nov.	407,362	1,740,287	2,147,649	665,206	268,198	933,404	603,770	1,930,403	546,881	3,081,054
Dec.	409,523	1,746,586	2,156,109	640,508	305,084	945,592	594,702	1,937,166	569,832	3,101,700

[1] Includes Central Bank of Malta, Deposit Money Banks and International Banking Institutions.This Table was discontinued following a reclassification exercise. As from January 2001, figures can be accessed from the Banking Survey (Table 1.6).

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

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

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

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

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

TABLE 1.6 BANKING SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money [4] (M1)	Quasi-Money [5]	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government [2]	Claims on Private & Parastatal Sectors [3]	Total	Central Bank of Malta	All Banking Institutions	Total				
1990	91,177	486,841	578,018	444,763	139,860	584,623	384,438	657,223	120,980	1,162,641
1991	119,535	576,846	696,381	426,885	169,052	595,937	406,689	726,245	145,634	1,292,318
1992	121,591	638,078	759,669	492,230	198,759	690,989	408,551	830,231	206,345	1,450,658
1993	137,329	720,680	858,009	549,495	187,664	737,159	425,063	941,658	219,292	1,595,168
1994	150,632	816,586	967,218	690,434	187,106	877,540	463,547	1,106,721	208,331	1,844,758
1995	179,896	1,044,865	1,224,761	580,700	242,107	822,807	436,760	1,254,635	356,173	2,047,568
1996	239,084	1,190,485	1,429,569	554,119	208,331	762,450	454,089	1,414,215	323,715	2,192,019
1997	321,469	1,323,259	1,644,728	561,668	182,760	744,428	479,899	1,567,091	342,166	2,389,156
1998	355,996	1,459,815	1,815,811	639,991	238,447	878,438	523,628	1,698,959	471,662	2,694,249
1999	358,094	1,632,866	1,990,960	740,339	228,835	969,174	581,148	1,860,653	518,334	2,960,134
2000	411,810	1,772,432	2,184,242	640,508	330,271	970,779	594,660	1,944,221	616,140	3,155,021
2001										
Jan.	439,406	1,765,522	2,204,928	628,251	328,837	957,088	606,511	1,964,824	590,680	3,162,015
Feb.	441,098	1,774,453	2,215,551	622,443	257,343	879,786	607,904	1,988,101	499,332	3,095,337
Mar.	435,325	1,826,170	2,261,496	628,584	236,293	864,877	611,018	1,980,762	534,593	3,126,373
Apr.	442,556	1,828,686	2,271,242	637,496	275,034	912,531	616,331	2,035,578	531,864	3,183,773
May	456,814	1,816,842	2,273,656	651,737	347,405	999,142	627,624	2,042,228	602,945	3,272,798
June	462,820	1,815,505	2,278,325	644,990	340,195	985,186	626,485	2,025,935	611,090	3,263,510
July	489,148	1,809,221	2,298,369	674,327	319,316	993,643	646,991	2,032,707	612,315	3,292,013
Aug.	476,029	1,799,599	2,275,627	685,984	337,091	1,023,075	631,146	2,056,323	611,234	3,298,703
Sept.	482,907	1,849,181	2,332,088	688,866	308,165	997,031	640,547	2,046,957	641,616	3,329,120
Oct.	504,802	1,849,192	2,353,994	719,175	316,810	1,035,985	647,212	2,077,673	665,094	3,389,979
Nov.	493,221	1,842,644	2,335,866	747,956	315,891	1,063,847	630,284	2,101,328	668,100	3,399,712
Dec.	475,099	1,853,176	2,328,275	760,428	328,424	1,088,851	635,475	2,117,470	664,181	3,417,127
2002										
Jan.	495,229	1,846,485	2,341,714	781,647	298,001	1,079,648	623,393	2,146,918	651,050	3,421,362
Feb.	495,352	1,841,180	2,336,531	795,701	310,246	1,105,947	631,833	2,177,936	632,709	3,442,479
Mar.	501,527	1,862,148	2,363,674	783,029	361,360	1,144,389	643,432	2,207,746	656,885	3,508,063

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

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

[3] These claims include domestic loans and overdrafts to private and parastatal bodies, investments in local non-Government securities, inland bills of exchange and promissory notes.

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

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

TABLE 1.7 MONETARY BASE AND MONETARY AGGREGATES

Lm thousands

End of Period	Monetary Base (M0)[1]			Broad Money (M3)[3]						
				Narrow Money(M1)			Quasi-Money			Total
	Currency Issued[2]	Banks' Deposits with the Central Bank	Total	Currency in Circulation	Demand Deposits[4]	Total	Savings Deposits	Time Deposits	Total	
1990	339,519	45,762	385,281	330,305	54,133	384,438	260,691	396,532	657,223	1,041,661
1991	354,513	52,867	407,380	344,342	62,347	406,689	310,302	415,943	726,245	1,132,934
1992	350,611	78,498	429,109	337,635	70,916	408,551	367,108	463,123	830,231	1,238,782
1993	364,013	67,173	431,186	353,258	71,805	425,063	415,292	526,366	941,658	1,366,721
1994	379,082	73,025	452,107	365,910	97,637	463,547	462,441	644,280	1,106,721	1,570,268
1995	367,444	80,026	447,470	351,779	84,981	436,760	510,842	743,793	1,254,635	1,691,395
1996	380,246	71,627	451,873	362,068	92,021	454,089	537,269	876,946	1,414,215	1,868,304
1997	384,655	100,511	485,166	363,765	116,134	479,899	574,125	992,966	1,567,091	2,046,990
1998	390,911	115,195	506,107	369,493	154,135	523,628	585,131	1,113,828	1,698,959	2,222,587
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
2001										
Jan.	412,749	151,954	564,702	396,210	210,301	606,511	630,511	1,334,313	1,964,824	2,571,335
Feb.	413,863	154,375	568,239	393,154	214,750	607,904	634,277	1,353,824	1,988,101	2,596,005
Mar.	415,262	142,870	558,132	395,574	215,444	611,018	623,862	1,356,900	1,980,762	2,591,780
Apr.	421,757	150,629	572,385	402,297	214,034	616,331	640,897	1,394,681	2,035,578	2,651,909
May	426,201	157,537	583,738	405,512	222,112	627,624	635,547	1,406,681	2,042,228	2,669,853
June	429,727	129,375	559,102	411,395	215,090	626,485	643,177	1,382,758	2,025,935	2,652,420
July	434,373	147,841	582,214	413,360	233,631	646,991	639,827	1,392,880	2,032,707	2,679,698
Aug.	432,878	131,452	564,329	411,542	219,604	631,146	654,199	1,402,124	2,056,323	2,687,469
Sept.	429,428	138,417	567,844	413,554	226,993	640,547	643,754	1,403,203	2,046,957	2,687,503
Oct.	435,076	112,067	547,143	415,199	232,014	647,212	657,169	1,420,504	2,077,673	2,724,886
Nov.	430,082	107,284	537,366	412,110	218,174	630,284	649,660	1,451,668	2,101,328	2,731,612
Dec.	441,829	125,789	567,618	418,887	216,588	635,475	671,449	1,446,021	2,117,470	2,752,946
2002										
Jan.	433,286	130,034	563,320	413,797	209,596	623,393	677,542	1,469,376	2,146,918	2,770,311
Feb.	433,412	127,009	560,421	414,699	217,133	631,833	683,418	1,494,518	2,177,936	2,809,769
Mar.	436,995	98,755	535,750	419,090	224,343	643,432	687,713	1,520,033	2,207,746	2,851,178

[1] Monetary Base (M0) comprises currency issued and the banks' deposits with the Central Bank of Malta (excluding term deposits).

[2] Currency issued comprises currency in circulation and holdings of national currency by the banks in their tills.

[3] All categories of deposits included in the Broad Money (M3) figure as shown in this Table are netted of Malta Government deposits and balances belonging to non-residents.

[4] Cheques and other items in the process of collection are deducted from demand deposits. Deposits of private and parastatal entities held with the Central Bank of Malta are included.

TABLE 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS[1]

Analysis by Ownership and Type

Lm thousands

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal[2]	Corporate/ Business	Government	Public Sector[3]	Maltese Lira Deposits	Foreign Currency Deposits[4]			
1990	609,524	81,398	2,158	14,847	642,867	65,060	707,927	60,241	768,163
1991	681,830	84,192	1,815	14,722	702,698	79,861	782,559	78,584	861,143
1992	766,751	107,243	2,029	15,519	793,705	97,837	891,542	118,074	1,009,616
1993	877,873	109,876	2,704	20,254	904,531	106,176	1,010,707	139,558	1,150,265
1994	1,029,646	136,222	2,211	23,963	1,069,068	122,974	1,192,042	170,199	1,362,241
1995	1,170,640	151,510	6,744	24,214	1,196,977	156,131	1,353,108	236,180	1,589,288
1996	1,322,162	160,545	8,952	26,691	1,345,124	173,226	1,518,350	363,449	1,881,799
1997	1,466,011	190,603	10,000	30,148	1,513,978	182,784	1,696,762	578,884	2,275,646
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
1999	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000	1,786,776	322,578	13,443	40,557	1,938,548	224,808	2,163,356	1,118,099	3,281,454
2001									
Jan.	1,799,723	335,256	13,085	51,100	1,972,683	226,481	2,199,164	1,113,275	3,312,439
Feb.	1,815,129	340,860	13,203	51,242	1,991,280	229,153	2,220,433	1,061,458	3,281,892
Mar.	1,819,987	340,129	13,859	47,762	1,982,213	239,522	2,221,735	840,501	3,062,236
Apr.	1,834,216	372,532	14,263	53,608	2,013,417	261,202	2,274,619	806,022	3,080,641
May	1,840,710	359,214	13,551	69,144	2,016,908	265,712	2,282,620	814,543	3,097,163
June	1,856,663	334,341	13,059	64,451	2,004,576	263,940	2,268,516	824,462	3,092,978
July	1,862,559	346,872	14,162	62,711	2,026,348	259,959	2,286,307	828,700	3,115,007
Aug.	1,872,982	342,209	14,998	67,980	2,015,181	282,992	2,298,173	820,812	3,118,985
Sept.	1,903,474	328,965	15,125	50,102	2,024,933	272,733	2,297,666	867,076	3,164,742
Oct	1,927,122	335,454	14,541	51,218	2,054,391	273,641	2,328,032	864,094	3,192,126
Nov.	1,908,070	353,583	13,822	41,360	2,061,326	281,494	2,342,820	872,462	3,215,282
Dec.	1,955,731	348,594	12,521	31,759	2,065,737	286,015	2,351,752	946,261	3,298,014
2002									
Jan.	1,972,992	360,147	13,061	32,019	2,086,279	291,941	2,378,220	958,350	3,336,570
Feb.	1,990,994	380,156	12,761	32,624	2,118,760	297,886	2,416,646	973,442	3,390,088
Mar.	2,016,442	399,946	10,811	30,172	2,139,107	318,270	2,457,377	1,045,915	3,503,292

[1] Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995). For the purposes of this Table, deposits include uncleared effects.

[2] Includes bearer deposits.

[3] Public sector companies are entities that are subject to control by Government, control being defined as the ability to determine general corporate policy.

[4] Includes External Maltese Lira deposits.

TABLE 1.9 CURRENCY IN CIRCULATION

Lm thousands

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System[2]	Currency in Circulation
	Notes[1]	Coins	Total		
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
1998	375,209	15,702	390,911	21,418	369,493
1999	401,999	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001					
Jan.	395,514	17,235	412,749	16,539	396,210
Feb.	396,788	17,076	413,863	20,709	393,154
Mar.	398,183	17,079	415,262	19,688	395,574
Apr.	404,502	17,254	421,757	19,460	402,297
May	408,935	17,266	426,201	20,689	405,512
June	412,284	17,442	429,727	18,331	411,395
July	416,685	17,688	434,373	21,013	413,360
Aug.	415,014	17,864	432,878	21,336	411,542
Sept.	411,542	17,886	429,428	15,874	413,554
Oct.	417,163	17,913	435,076	19,877	415,199
Nov.	412,309	17,773	430,082	17,972	412,110
Dec.	423,835	17,994	441,829	22,942	418,887
2002					
Jan.	415,470	17,816	433,286	19,489	413,797
Feb.	415,524	17,888	433,412	18,712	414,699
Mar.	419,238	17,757	436,995	17,906	419,090

[1] As from December 1998, the Notes figure in the Central Bank of Malta balance sheet, which is also shown in this Table includes demonetised notes. As a result it differs from the Notes figure in Table 1.10.

[2] For the purpose of this classification, the banking system includes the Deposit Money Banks, Other Banking Institutions (up to December 2000) and the International Banking Institutions (as from January 1995).

TABLE 1.10 DENOMINATIONS OF MALTESE CURRENCY ISSUED AND OUTSTANDING

Lm thousands

End of Period	Total Notes & Coins[1]	Currency Notes					
		Lm20	Lm10	Lm5	Lm2	Lm1	Total
1990	339,519	143,772	154,214	27,325	4,681	723	330,715
1991	354,513	147,013	165,736	26,666	4,833	685	344,933
1992	350,611	112,591	195,027	26,772	5,092	662	340,144
1993	364,013	118,509	202,241	26,036	5,170	634	352,590
1994	379,082	122,770	211,079	26,965	5,816	-	366,630
1995	367,444	121,395	201,474	25,510	5,730	-	354,109
1996	380,246	123,243	210,985	26,211	5,859	-	366,298
1997	384,655	118,144	219,736	25,853	6,099	-	369,832
1998	390,911	109,720	234,117	24,174	5,793	-	373,804
1999	418,485	108,626	259,366	27,738	6,270	-	402,000
2000	423,188	107,902	264,170	27,168	6,473	-	405,713
2001							
Jan.	412,749	107,317	256,896	24,959	6,342	-	395,514
Feb.	413,863	107,375	257,886	25,110	6,417	-	396,788
Mar.	415,262	107,553	258,584	25,533	6,513	-	398,183
Apr.	421,757	108,073	263,559	26,233	6,637	-	404,502
May	426,201	108,607	266,892	26,707	6,729	-	408,935
June	429,727	108,864	269,583	27,038	6,799	-	412,284
July	434,373	109,198	273,008	27,573	6,907	-	416,686
Aug.	432,878	108,898	271,722	27,488	6,906	-	415,014
Sept.	429,428	108,627	269,109	26,979	6,828	-	411,543
Oct.	435,076	108,798	274,517	27,071	6,777	-	417,163
Nov.	430,082	108,282	271,504	25,967	6,556	-	412,309
Dec.	441,829	108,832	280,699	27,647	6,656	-	423,834
2002							
Jan.	433,286	108,222	275,029	25,740	6,480	-	415,471
Feb.	433,412	107,981	275,327	25,752	6,464	-	415,524
Mar.	436,995	108,529	277,618	26,473	6,619	-	419,239

[1] The denominations of coins consist of Lml, 50c (cents), 25c, 10c, 5c, 2c, 1c, 5m (mils), 3m and 2m.

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY[1]

Lm thousands

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

Period	Liquid Assets			Net Short-term Liabilities[3]	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to Deposits[2]
1995	396,803	307,172	89,631	1,023,907	38.8	70.3
1996	498,944	346,358	152,586	1,154,527	43.2	72.0
1997	526,117	362,841	163,276	1,209,469	43.5	71.0
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000	680,572	491,273	189,299	1,637,576	41.6	76.1
2001						
Jan.	666,449	482,163	184,286	1,607,211	41.5	80.5
Feb.	665,232	478,375	186,857	1,594,584	41.7	79.8
Mar.	680,293	455,222	225,071	1,517,408	44.8	82.4
Apr.	734,736	468,383	266,353	1,561,277	47.1	81.9
May	784,669	472,516	312,153	1,575,054	49.8	81.1
June	786,257	480,868	305,389	1,602,892	49.1	81.9
July	820,433	490,664	329,769	1,635,547	50.2	80.7
Aug.	813,630	506,823	306,807	1,689,409	48.2	80.1
Sept.	930,243	508,223	422,021	1,694,075	54.9	82.5
Oct.	885,887	518,814	367,073	1,729,380	51.2	81.2
Nov.	894,471	524,381	370,090	1,747,938	51.2	80.6
Dec.	899,098	524,456	374,642	1,748,188	51.4	80.7
2002						
Jan.	901,722	531,712	370,010	1,772,373	50.9	79.5
Feb.	918,821	517,718	401,103	1,725,727	53.2	78.0
Mar.	927,296	528,333	398,963	1,761,109	52.7	77.9

[1] Up to September 1990, Deposit Money Banks were required to hold an amount equivalent to 25% of their total deposit liabilities in the form of specified liquid assets. In October 1990, the required minimum total liquidity ratio was reduced to 20%. Consequently, the required minimum local liquidity ratio was reduced from 12.5% to 8% of local deposit liabilities. As from 15 November 1994, Banking Directive No. 5 established a minimum of 30% liquid asset ratio, net of deductions. Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

[2] Includes also inland and foreign bills of exchange and promissory notes. Local uncleared effects are deducted from deposits.

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

TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS [1]

Lm thousands

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

Period	Cash and Deposits with CBM[4]	Treasury Bills	Interbank Deposits	Marketable Debt Securities[5]	Total Liquid Assets
1995	21,565	30,142	61,887	283,209	396,803
1996	20,264	67,173	70,741	340,766	498,944
1997	26,359	26,791	55,462	417,505	526,117
1998	31,064	33,110	47,280	485,394	596,848
1999	50,995	75,929	67,768	499,837	694,529
2000	33,512	116,818	68,865	461,377	680,572
2001					
Jan.	45,789	81,676	56,772	482,212	666,449
Feb.	39,116	75,471	50,241	500,404	665,232
Mar.	30,541	83,762	72,165	493,825	680,293
Apr.	44,708	115,943	115,741	458,344	734,736
May	55,103	92,214	120,707	516,645	784,669
June	28,517	95,548	113,517	548,675	786,257
July	32,113	124,357	113,524	550,439	820,433
Aug.	32,962	129,387	90,447	560,834	813,630
Sept.	26,675	144,350	182,254	576,964	930,243
Oct.	42,716	170,653	70,875	601,643	885,887
Nov.	36,129	178,923	70,935	608,484	894,471
Dec.	59,754	135,845	115,894	587,605	899,098
2002					
Jan.	87,954	146,026	93,367	574,375	901,722
Feb.	98,555	158,674	102,891	558,701	918,821
Mar.	95,008	154,141	100,071	578,076	927,296

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

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

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

[4] Excludes balances held as reserve deposits.

[5] Includes securities issued or guaranteed by governments, supranational institutions or other institutions, discounted on the basis of credit risk and remaining term to maturity.

TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR [1]

Lm thousands

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

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions [2]	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
1999	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000	101,083	98,396	53,591	19,004	210,971	98,362	235,703	285,419
2001								
Jan.	98,504	102,751	54,508	11,175	203,726	97,450	239,472	276,329
Feb.	96,948	115,408	55,872	11,191	201,365	98,499	239,961	278,111
Mar.	100,530	118,290	57,905	10,874	203,538	94,538	243,393	295,681
Apr.	103,494	118,725	89,220	11,116	205,815	94,965	242,297	292,366
May	97,290	118,774	93,910	10,359	203,076	88,808	239,062	296,435
June	92,710	116,955	95,179	10,546	201,723	87,824	239,451	295,911
July	89,032	115,343	96,650	10,563	201,496	84,921	239,066	295,232
Aug.	88,460	112,326	99,467	11,224	203,855	86,864	234,516	292,473
Sept.	88,592	107,127	101,027	11,781	205,689	90,685	236,658	302,352
Oct.	87,851	102,056	101,750	11,672	207,217	89,522	240,455	301,084
Nov.	87,678	107,019	101,449	10,194	203,641	85,781	238,693	297,402
Dec.	95,225	107,097	101,419	10,374	202,597	85,169	245,567	295,397
2002								
Jan.	91,870	109,772	100,356	10,206	201,793	85,928	246,248	294,250
Feb.	91,398	106,819	98,192	10,202	204,989	86,287	247,579	291,394
Mar.	91,078	109,065	103,230	10,483	207,058	89,586	248,797	309,334

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

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

TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR[1] *(Continued)*

Lm thousands

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

End of Period	Personal				Other[3] Services	All Other	Total Local Lending	Foreign Lending	Total
	House Purchases	Consumer Durable Goods[2]	Other	Total					
1993	16,055	3,539	38,791	58,385	16,612	62,787	626,677	5,925	632,602
1994	35,531	8,977	19,547	64,055	22,331	56,093	705,874	6,344	712,218
1995	46,424	22,882	21,951	91,256	36,670	82,438	935,659	13,546	949,205
1996	60,553	32,934	29,163	122,650	46,113	95,315	1,077,636	13,970	1,091,606
1997	78,443	35,966	25,988	140,397	54,456	113,555	1,187,172	14,340	1,201,512
1998	91,733	44,627	26,324	162,684	60,829	125,524	1,292,314	5,205	1,297,519
1999	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707
2000	133,312	51,423	52,028	243,833	65,828	161,752	1,573,942	8,956	1,582,898
2001									
Jan.	263,042	51,159	65,703	384,626	74,670	156,779	1,699,990	11,273	1,711,263
Feb.	261,723	52,918	61,243	382,590	72,874	155,014	1,707,833	10,727	1,718,560
Mar.	272,563	52,981	64,056	397,730	87,587	150,937	1,761,003	10,666	1,771,669
Apr.	274,074	52,832	65,040	398,722	84,029	151,652	1,792,401	11,883	1,804,284
May	277,255	52,241	67,858	404,084	76,609	157,207	1,785,615	8,728	1,794,343
June	281,761	51,256	70,253	410,101	73,183	162,606	1,786,189	11,894	1,798,083
July	285,560	50,718	71,103	413,801	76,020	159,814	1,781,938	12,232	1,794,170
Aug.	287,997	50,230	70,960	415,430	69,088	164,117	1,777,819	12,451	1,790,270
Sept.	295,721	49,842	81,582	427,145	72,700	184,124	1,827,880	8,026	1,835,906
Oct.	299,619	49,926	86,248	435,793	72,351	180,040	1,829,791	14,985	1,867,390
Nov.	302,801	49,487	84,112	436,399	78,615	179,135	1,826,006	17,389	1,843,395
Dec.	306,722	48,704	87,016	442,442	75,556	179,320	1,840,163	20,444	1,860,607
2002									
Jan.	309,170	47,685	87,161	444,016	70,151	177,807	1,832,397	20,031	1,852,428
Feb.	312,385	46,956	85,997	445,338	66,413	177,544	1,826,155	21,038	1,847,193
Mar.	320,532	46,464	88,677	455,673	71,267	155,733	1,851,304	22,476	1,873,780

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

[2] Includes also lending for the construction, modernisation or extension of dwellings.

[3] Includes professional, repair and maintenance services.

TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR [1]

Lm thousands

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

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

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

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

Lm thousands

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

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

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

[2] Includes also lending for the construction, modernisation or extention of dwellings.

[3] Includes professional, repair and maintenance services.

[4] As from January 1995, includes lending by International Banking Institutions.

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

Lm thousands

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	808	86,053	15,512	64,830	11,615	217	131,073	17,599
1997	928	97,177	17,045	61,622	11,030	188	131,061	21,707
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
1999	910	107,996	33,107	47,279	10,765	-	134,583	22,999
2000	492	100,591	46,358	52,038	19,026	-	154,127	11,204
2001								
Mar.	506	100,024	60,143	58,147	10,874	-	141,825	16,216
June	509	92,201	60,894	56,061	10,546	-	134,976	22,215
Sept.	703	87,889	50,535	56,592	11,781	-	135,840	24,322
Dec.	931	94,294	48,637	58,460	10,357	17	136,204	23,421
2002								
Mar.	944	90,134	43,646	65,419	10,459	24	137,214	25,095

End of Period	Shipbuilding and Shiprepair	Building and Construction		Hotel, Restaurant and Tourist Trades		Wholesale and Retail Trades	
	Private /Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	64,113	71,200	3,077	131,948	2,425	210,967	52
1997	60,460	69,231	2,974	171,964	2,525	226,681	6
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
1999	46,787	94,189	2,666	218,053	2,830	269,119	9
2000	46,897	95,986	2,550	234,173	4,253	285,627	5
2001							
Mar.	46,578	91,952	2,586	239,095	4,298	295,681	-
June	45,633	85,824	2,000	235,285	4,166	295,911	-
Sept.	46,587	90,685	-	232,862	3,796	301,718	634
Dec.	43,221	85,169	-	241,877	3,690	295,002	395
2002							
Mar.	45,815	89,581	5	245,204	3,593	309,165	169

End of Period	Personal	Other Services		All Other		Total Local Lending		
		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Total
1996	213,467	37,851	10,186	93,483	4,642	921,650	249,505	1,171,155
1997	235,826	47,722	8,721	111,191	5,467	1,026,212	257,314	1,283,526
1998	266,170	54,748	7,822	124,735	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,723	1,524,652
2000	367,921	60,861	5,051	163,447	2,705	1,431,641	221,671	1,653,312
2001								
Mar.	397,730	82,336	5,251	152,591	2,809	1,475,319	233,323	1,708,642
June	410,101	65,788	7,395	163,616	3,058	1,465,624	230,555	1,696,179
Sept.	427,145	65,111	7,589	179,011	6,485	1,497,898	231,387	1,729,285
Dec.	442,442	65,936	9,620	174,835	5,778	1,503,684	236,602	1,740,286
2002								
Mar.	455,673	62,215	9,052	151,237	6,459	1,507,649	243,454	1,751,103

[1] Loans and advances extended by Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995). Public sector companies comprise entities that are subject to control by Government, control being defined as the ability to determine general corporate policy.

TABLE 1.16 DEPOSIT MONEY BANK LOANS AND ADVANCES CLASSIFIED BY SIZE AND INTEREST RATES[1]

Lm thousands

End of Period		Size of Loans and Advances [2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.66	7.46	6.66	7.09
1992	Amount	56,552	125,587	99,836	257,192	539,167
	Interest Rate	7.24	7.71	7.55	6.62	7.11
1993	Amount	62,835	134,049	117,056	318,662	632,602
	Interest Rate	7.49	7.92	7.79	6.53	7.15
1994	Amount	75,537	156,107	133,338	347,239	712,218
	Interest Rate	7.60	7.99	7.90	6.61	7.26
1995	Amount	97,779	213,428	210,382	427,616	949,205
	Interest Rate	7.89	8.06	7.96	6.89	7.49
1996	Amount	109,048	249,555	237,482	493,517	1,091,606
	Interest Rate	8.03	8.35	8.34	7.13	7.76
1997	Amount	102,780	279,156	249,940	555,127	1,201,512
	Interest Rate	7.95	8.40	8.47	7.32	7.87
1998	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
1999	Amount	158,395	414,316	324,357	664,467	1,433,707
	Interest Rate	7.43	7.58	7.61	6.44	7.09
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						
Mar.	Amount	260,229	492,134	342,367	676,939	1,771,669
	Interest Rate	7.28	7.54	7.72	6.56	7.16
June	Amount	219,371	471,836	348,323	758,553	1,798,083
	Interest Rate	7.14	7.38	7.64	6.06	6.84
Sept.	Amount	222,928	487,794	351,257	773,956	1,835,906
	Interest Rate	6.93	7.16	7.49	5.81	6.62
Dec.	Amount	222,816	497,281	351,893	788,641	1,860,607
	Interest Rate	6.70	6.87	7.22	5.50	6.33
2002	Interest Rate					
Mar.	Amount	224,502	511,821	355,654	781,832	1,873,780
	Interest Rate	6.47	6.44	7.02	5.24	6.05

[1] For the purpose of this classification, these include loans and advances extended to residents and non-residents in domestic and foreign currencies. Interest rates are weighted averages of each size group. Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

[2] Figures quoted in heading are actual figures, while those in the rest of the Table are in Lm thousands as indicated.

TABLE 1.17 OTHER BANKING INSTITUTION LOANS AND ADVANCES CLASSIFIED BY SIZE AND INTEREST RATES[1]

Lm thousands

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

[1] This Table was discontinued as from January 2001. For the purpose of this classification, these include loans and advances extended to residents and non-residents in domestic and foreign currencies. Interest rates are weighted averages of each size group.

[2] Figures quoted in headings are actual figures, while those in the rest of the Table are in Lm thousands as indicated.

TABLE 1.18 FINANCIAL MARKET RATES

	1995	1996	1997	1998	1999	2000	2001				2002
							Mar.	June	Sept.	Dec.	Mar.
INTEREST RATES [1]											
Central Bank											
Discount Rate	5.50	5.50	5.50	5.50	4.75	4.75	4.75	4.75	4.50	4.25	4.00
Central Intervention Rate [2]	-	-	-	5.45	4.75	4.75	4.75	4.75	4.50	4.25	4.00
Repurchase Agreements											
Term Deposit Rate [3]	4.94	5.01	5.22	5.43	4.70	4.72	4.73	4.73	4.74	4.22	3.95
Reverse Repo Rate [3, 9]	5.50	5.40	5.50	5.50	4.80	4.80	4.80	4.80	4.55	4.29	4.29
Standby (Collateralised) Loan Facility [4]	6.00	6.00	6.00	6.00	5.30	5.30	5.30	5.30	5.05	4.80	4.55
Overnight Deposit Facility [5]	2.50	-	-	-	1.80	1.80	1.80	1.80	1.55	1.30	4.55
Reserve Requirements Remuneration	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Interbank Market Offered Rates											
1 week	-	-	5.26	5.56	4.74	4.78	4.77	4.76	4.50	4.25	3.95
1 month	-	-	5.38	5.70	4.75	4.90	4.90	4.90	4.90	4.90	4.90
3 month	-	-	5.51	5.95	5.27	5.27	5.27	5.27	5.27	5.27	5.27
Deposit Money Banks [6]											
Weighted Average Deposit Rate	4.00	4.24	4.39	4.42	4.32	4.17	4.20	4.18	4.12	3.96	3.81
Current	0.16	0.42	1.37	1.49	1.11	1.32	1.33	1.11	0.90	1.48	1.05
Savings	3.00	3.01	3.02	3.04	2.81	2.52	2.58	2.59	2.47	2.22	1.98
Time	5.01	5.29	5.35	5.35	5.43	5.25	5.25	5.26	5.25	4.98	5.00
Weighted Average Lending Rate	7.49	7.93	8.04	8.08	7.28	7.23	7.08	7.01	6.75	6.50	6.28
Government Securities											
Treasury Bills [7]											
1 month	-	5.00	5.19	5.43	5.05	4.85	4.86	4.86	4.85	4.80	4.10
3 month	4.94	5.01	5.25	5.49	4.95	4.90	4.95	5.04	5.04	4.53	4.04
6 month	5.16	5.30	5.30	5.50	4.97	4.94	5.02	5.08	5.09	5.04	4.75
1 year	5.34	5.40	5.40	5.50	5.12	5.03	5.06	5.08	5.08	5.08	4.40
Government Stocks [8]											
1 year	5.00	-	-	-	-	4.99	5.06	5.01	5.04	4.47	4.15
5 year	6.60	6.65	6.82	5.80	5.46	5.33	5.50	5.49	5.46	5.40	5.56
10 year	7.08	7.23	7.26	6.00	5.55	5.99	6.09	6.07	6.21	6.15	5.90
15 year		7.49	7.62	6.47	6.03	6.39	6.44	6.49	6.49	6.44	6.14
20 year	-	-	-	6.86	6.14	6.60	6.60	6.60	6.60	6.55	6.40
MALTA STOCK EXCHANGE SHARE INDEX	1000	1004	1050	1211	3278	3376	2818	2500	2257	2200	2118

[1] End of period rates in percentage per annum.

[2] Instituted on 30 April 1998 with a maximum injection ceiling and an absorption floor of +5 and -5 basis points respectively. As from June 1999, any change in the central intervention rate is automatically matched by a similar change in the discount rate.

[3] From July 1999 the tenor of instruments auctioned by the Bank was increased from 7 days to 14 days.

[4] Offered in terms of Section 15(i)k of the Central Bank of Malta Act, 1967.

[5] As from 15 July 1996, the Central Bank of Malta ceased paying interest on overnight call account balances. An overnight deposit facility was reintroduced on 9 September 1999.

[6] Rates on resident Maltese lira deposits and loans extended to residents in local currency. The weighted average rate on time deposits is calculated on time deposits with a one year maturity.

[7] Treasury bill primary market weighted average yields. Treasury bills are classified by original maturity.

[8] Gross redemption yields on indicative stocks. Periods specified refer to remaining term to maturity.

[9] Different terminology is being applied by the Central Bank of Malta to the classification of these items.

TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM [1]

Lm thousands

End of Period	Central Bank of Malta						Government & Parastatal Companies[4] (B)	Total (A+B)
	Foreign Assets				Foreign Liabilities	Net (A)		
	Gold [2]	Convertible Currencies	IMF-Related Assets [3]	Total Foreign Assets				
1990	12,979	380,527	33,618	427,124	-	427,124	17,639	444,763
1991	6,437	366,822	37,175	410,434	-	410,434	16,451	426,885
1992	9,101	435,857	30,061	475,019	-	475,019	17,211	492,230
1993	10,216	490,358	32,827	533,401	-	533,401	16,094	549,495
1994	7,314	577,501	32,829	617,644	-	617,644	72,790	690,434
1995	3,596	471,090	34,007	508,693	-	508,693	72,007	580,700
1996	3,646	468,523	36,408	508,577	-	508,577	45,542	554,119
1997	1,311	501,379	38,912	541,602	-	541,602	20,066	561,668
1998	688	598,874	40,429	639,991	-	639,991	-	639,991
1999	737	704,084	35,517	740,339	-	740,339	-	740,339
2000	452	606,771	36,940	644,163	3,655	640,508	-	640,508
2001								
Jan.	406	593,415	36,978	630,799	2,548	628,251	-	628,251
Feb.	525	588,841	37,352	626,717	4,274	622,443	-	622,443
Mar.	524	593,656	37,445	631,625	3,041	628,584	-	628,584
Apr.	435	602,438	37,426	640,300	2,803	637,496	-	637,496
May	533	614,350	38,340	653,223	1,486	651,737	-	651,737
June	489	609,264	38,100	647,853	2,863	644,990	-	644,990
July	531	637,088	37,808	675,427	1,100	674,327	-	674,327
Aug.	534	649,545	37,837	687,916	1,932	685,984	-	685,984
Sept.	566	654,187	37,812	692,564	3,698	688,866	-	688,866
Oct.	527	682,931	37,822	721,281	2,106	719,175	-	719,175
Nov.	462	710,357	38,167	748,986	1,030	747,956	-	747,956
Dec.	629	721,936	37,863	760,428	0	760,428	-	760,428
2002								
Jan.	697	743,818	38,105	782,621	974	781,647	-	781,647
Feb.	596	760,396	38,218	799,211	3,510	795,701	-	795,701
Mar.	601	747,664	38,191	786,456	3,427	783,029	-	783,029

[1] On accrual basis

[2] Includes small amounts of other precious metals.

[3] Include IMF reserve position and holdings of SDRs.

[4] Customers' foreign currency deposits and sinking funds are held with the Central Bank of Malta, while other official funds are held with the Treasury.

TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM [1]
(Continued)

Lm thousands

End of Period	Deposit Money Banks [2]			Total (A+B+C)	International Banking Institutions [2]			Grand Total (A+B+C+D)
	Assets	Liabilities	Net (C)		Assets	Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	566,204	341,373	224,831	805,531	236,148	218,872	17,276	822,807
1996	596,128	410,163	185,965	740,084	458,642	436,276	22,366	762,450
1997	544,672	413,917	130,755	692,423	815,080	763,075	52,005	744,428
1998	607,354	518,557	88,797	728,788	1,627,452	1,477,802	149,650	878,438
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000	816,746	690,013	126,733	767,241	2,738,724	2,535,186	203,538	970,779
2001								
Jan.	820,334	692,050	128,284	756,535	2,035,209	1,834,656	200,553	957,088
Feb.	830,697	695,791	134,906	757,349	1,980,240	1,857,803	122,437	879,786
Mar.	838,703	716,688	122,015	750,599	2,191,565	2,077,287	114,278	864,877
Apr.	855,136	707,105	148,031	785,527	1,903,618	1,776,615	127,003	912,531
May	852,812	700,611	152,202	803,938	2,035,045	1,839,842	195,203	999,142
June	833,667	693,126	140,541	785,531	1,910,590	1,710,936	199,654	985,186
July	810,241	692,997	117,244	791,571	1,757,221	1,555,150	202,072	993,643
Aug.	823,922	700,494	123,428	809,413	1,713,820	1,500,158	213,663	1,023,075
Sept.	816,784	715,148	101,636	790,502	1,757,645	1,551,116	206,529	997,031
Oct.	784,898	677,554	107,344	826,519	1,905,399	1,695,933	209,466	1,035,985
Nov.	811,613	723,783	87,830	835,786	1,937,036	1,708,975	228,061	1,063,847
Dec.	828,408	721,531	106,877	867,305	2,447,258	2,225,711	221,547	1,088,851
2002								
Jan.	811,690	740,934	70,756	852,403	2,246,310	2,019,065	227,245	1,079,648
Feb.	815,240	732,960	82,280	877,981	2,192,780	1,964,814	227,966	1,105,947
Mar.	810,887	682,554	128,333	911,362	2,381,531	2,148,504	233,027	1,144,389

[1] As from 1995, data are on accrual basis.

[2] For the purposes of this Table only, the amounts of HSBC Overseas Bank (Malta) Ltd. and Bank of Valletta International Ltd., i.e. the offshore subsidiaries of HSBC Bank Malta plc and Bank of Valletta plc respectively, are being classified with the Deposit Money Banks and not with the International Banking Institutions, as shown in other tables. Includes data belonging to the Other Banking Institutions' sector up to December 2000.

TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE

Lm thousands

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary[1]	Grants	Total	Ordinary[1,2]	Capital[3]	Total		Local Loans[5]	Foreign Loans	Total	
1990	329,890	7,678	337,567	273,415	108,276	381,690	-44,123	34,200	13,841	48,041	3,918
1991	355,932	16,374	372,306	301,909	115,493	417,403	-45,097	30,375	9,110	39,485	-5,612
1992	341,766	16,392	358,158	330,014	58,017	388,032	-29,874	36,000	878	36,878	7,004
1993	388,179	8,428	396,607	368,624	59,673	428,297	-31,690	28,800	2,902	31,702	12
1994	416,068	12,853	428,921	410,365	62,340	472,705	-43,784	28,700	11,305	40,005	-3,779
1995	482,834	4,517	487,351	452,478	70,344	522,823	-35,472	32,500	655	33,155	-2,317
1996	447,470	20,805	468,275	505,195	73,527	578,722	-110,447	70,178	3,044	73,222	-37,225
1997[4]	504,415	9,809	514,224	538,276	103,392	641,668	-127,444	167,463	3,095	170,558	43,114
1998	539,070	10,043	549,113	569,150	96,846	665,997	-116,884	110,000	-	110,000	-6,884
1999	628,168	9,684	637,852	584,834	106,129	690,965	-53,113	84,000	-	84,000	30,887
2000	632,754	9,549	642,303	617,677	98,552	716,232	-73,929	-	-	-	-73,929
2001	667,229	1,392	668,621	686,031	80,627	766,658	-98,037	121,977	6,823	128,800	30,763
2001											
Jan.	40,114	-	40,114	56,414	7,010	63,423	-23,309	-	-	-	-23,309
Feb.	60,572	28	60,600	45,948	4,175	50,123	10,477	-	-	-	10,477
Mar.	44,769	-	44,769	53,047	10,475	63,522	-18,753	30,000	-	30,000	11,247
Apr.	63,608	16	63,624	59,471	9,788	69,259	-5,635	-	-	-	-5,635
May	49,160	4	49,164	55,172	11,402	66,574	-17,410	-	-	-	-17,410
June	49,855	31	49,886	52,128	3,668	55,796	-5,910	27,488	-	27,488	21,578
July	51,745	354	52,099	59,443	6,775	66,218	-14,119	21,571	-	21,571	7,452
Aug.	56,395	9	56,404	50,205	8,947	59,152	-2,748	-	-	-	-2,748
Sept.	50,217	14	50,231	53,496	6,979	60,475	-10,244	-	-	-	-10,244
Oct.	59,251	374	59,625	56,890	4,943	61,833	-2,208	-	-	-	-2,208
Nov.	54,685	103	54,788	61,294	12,585	73,879	-19,091	20,941	6,823	27,764	8,673
Dec.	86,857	459	87,316	82,523	-6,120	76,404	10,912	21,977	-	21,977	32,889
2002											
Jan.	49,311	25	49,336	56,539	3,136	59,675	-10,339	-	-	-	-10,339
Feb.	52,107	5	52,112	52,300	8,087	60,387	-8,275	-	-	-	-8,275
Mar.	51,031	213	51,244	53,388	11,121	64,509	-13,265	-	-	-	-13,265

[1] Includes the Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987). As from 1992, Ordinary Revenue excludes the contribution by the public authorities/corporations to their own capital programme; includes privatisation receipts and sinking funds of converted loans up to 2000.

[2] Includes total public debt servicing.

[3] As from 1992, excludes capital expenditure incurred by the public authorities/corporations.

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

[5] As from 2001 includes privatisation receipts and sinking funds of converted loans.

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

TABLE 2.2 GOVERNMENT REVENUE BY MAJOR SOURCES

Lm thousands

Period	Tax Revenue						Non-Tax Revenue[3]	Ordinary Revenue[4]	Foreign Grants	Total Revenue
	Income Tax	National Insurance Contributions [1]	VAT & CET	Licences, Taxes & Fines[2]	Customs & Excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
2000	149,511	162,017	104,065	70,449	55,141	541,182	91,572	632,754	9,549	642,303
2001	166,302	179,064	114,669	72,814	60,886	593,735	73,494	667,229	1,392	668,621
2001										
Jan.	9,263	8,423	9,676	4,433	5,169	36,964	3,150	40,114	-	40,114
Feb.	7,083	12,057	9,651	4,163	3,247	36,201	24,371	60,572	28	60,600
Mar.	8,486	12,547	9,273	7,547	3,926	41,779	2,990	44,769	-	44,769
Apr.	19,984	15,645	9,018	5,415	4,614	54,676	8,932	63,608	16	63,624
May	10,753	15,966	9,384	5,762	3,958	45,823	3,337	49,160	4	49,164
June	12,650	12,117	8,759	5,075	4,314	42,915	6,940	49,855	31	49,886
July	13,083	13,583	9,450	8,149	4,113	48,378	3,367	51,745	354	52,099
Aug.	17,442	15,930	9,536	6,368	4,793	54,069	2,326	56,395	9	56,404
Sept.	14,703	14,285	8,569	5,213	4,803	47,573	2,644	50,217	14	50,231
Oct.	15,674	13,879	11,719	7,268	7,500	56,040	3,211	59,251	374	59,625
Nov.	10,628	14,761	11,042	6,951	7,797	51,179	3,506	54,685	103	54,788
Dec.	26,553	29,871	8,592	6,470	6,652	78,138	8,719	86,857	459	87,316
2002										
Jan.	8,630	7,943	9,661	6,259	4,593	37,086	12,225	49,311	25	49,336
Feb.	8,025	11,242	8,726	7,622	3,810	39,425	12,682	52,107	5	52,112
Mar.	9,869	12,071	9,297	5,283	4,810	41,330	9,701	51,031	213	51,244

[1] Includes the Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987).
[2] Includes revenues from death and donation duties up to December 1994.
[3] Includes mainly Central Bank of Malta profits, privatisation receipts (up to 2000), sinking funds of converted loans (up to 2000) and other miscellaneous receipts.
[4] As from 1992, excludes the contribution by the public corporations/authorities towards their own capital programme.
Source: Financial Report, Comparative Return of Revenue and Expenditure, The Treasury.

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

Lm thousands

Period	Productive	Infrastructure	Social	Total
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997[2]	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
2001	26,400	26,872	27,355	80,627
2001				
Jan.	3,946	818	2,246	7,010
Feb.	2,303	1,528	344	4,175
Mar.	3,984	2,521	3,970	10,475
Apr.	3,383	3,078	3,327	9,788
May	2,998	6,637	1,767	11,402
June	2,856	2,597	-1,785	3,668
July	4,571	1,630	573	6,775
Aug.	2,198	1,600	5,149	8,947
Sept.	1,905	3,065	2,010	6,979
Oct.	1,729	1,851	1,362	4,943
Nov.	5,843	2,626	4,116	12,585
Dec.	-9,316	-1,079	4,276	-6,120
2002				
Jan.	1,740	1,128	268	3,136
Feb.	3,515	2,056	2,516	8,087
Mar.	4,192	3,162	3,767	11,121

[1] As from 1992, excludes capital expenditure incurred by public corporations/authorities.
[2] Including a loan to Malta Drydocks amounting to Lm24.6 million.
Source: Financial Report, Comparative Return of Revenue and Expenditure, The Treasury.

TABLE 3.1 GROSS GOVERNMENT DEBT AND GOVERNMENT GUARANTEED DEBT OUTSTANDING

Lm thousands

End of Period	Domestic Debt			Foreign Loans	Total Government Debt	Government Guaranteed Debt [2]
	Treasury Bills	Malta Government Stocks [1]	Total			
1995	71,406	285,951	357,357	53,433	410,790	414,488
1996	108,935	356,119	465,054	51,789	516,843	489,663
1997	89,980	523,369	613,349	50,449	663,798	490,973
1998	83,713	633,369	717,082	46,513	763,595	491,768
1999	83,320	712,184	795,504	44,349	839,853	483,112
2000	172,987	712,729	885,716	39,250	924,966	469,678
2001	159,459	812,854	972,313	40,378	1,012,691	416,822
2001						
Mar.	177,836	742,729	920,565	38,868	959,433	471,592
June	167,054	770,029	937,083	37,080	974,163	434,717
Sept.	175,295	791,654	966,949	36,226	1,003,175	421,433
Dec.	159,459	812,854	972,313	40,378	1,012,691	416,822
2002						
Mar.	193,078	812,854	1,005,932	39,908	1,045,840	414,773

[1] Including Local Development Registered Stocks.

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

Source: Malta Stock Exchange; The Treasury; Ministry of Finance.

TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING[1]

Lm thousands

End of Period	Amount Maturing During Period	Amount Issued and Taken up by			Amount Outstanding[4] and held by		
		Banking System[2]	Non-Bank Public [3]	Total	Banking System[2]	Non-Bank Public [3]	Total
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2001							
Jan.	39,096	28,601	12,513	41,114	125,245	49,759	175,004
Feb.	16,770	18,500	2,580	21,080	144,047	35,267	179,314
Mar.	44,277	17,000	25,799	42,799	137,821	40,015	177,836
Apr.	49,469	14,000	16,378	30,378	119,826	38,919	158,745
May	31,811	9,000	18,589	27,589	127,242	27,281	154,523
June	46,822	26,150	33,203	59,353	126,667	40,387	167,054
July	22,825	35,669	8,837	44,506	147,420	41,315	188,735
Aug.	35,085	21,500	4,179	25,679	141,811	37,518	179,329
Sept.	48,386	27,115	17,110	44,225	146,998	28,297	175,295
Oct.	45,608	55,012	10,185	65,197	172,184	22,700	194,884
Nov.	41,786	35,610	3,323	38,933	180,222	11,809	192,031
Dec.	48,400	29,220	7,608	36,828	137,423	22,036	159,459
2002							
Jan.	58,954	58,606	6,394	65,000	145,995	29,510	165,505
Feb.	18,517	43,385	7,118	50,503	159,200	28,291	187,491
Mar.	57,681	46,354	16,914	63,268	156,084	39,687	193,078

[1] Amounts are at nominal prices.

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

[3] Including the Malta Government Sinking Fund.

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

TABLE 3.3 MALTA GOVERNMENT STOCKS
(Outstanding as at end-March 2002)

Lm thousands

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Interest Dates	Held By: Banking System	Held By: Non-Bank Public	Amount
7.75 % MGS	2002	1992	100	3 Apr. - 3 Oct.	4,823	15,377	20,200
6.90 % MGS	2002 (II)	1995	100	10 June - 10 Dec.	5,044	4,956	10,000
6.90 % MGS	2002 (III)	1995	100	30 Mar. - 30 Sept.	8,063	4,437	12,500
6.90 % MGS	2002 (IV)	1997	100	30 Mar. - 30 Sept.	19,177	4,573	23,750
7.00 % MGS	2003 [2]	1993	100	18 Feb. - 18 Aug.	14,161	13,906	28,067
7.00 % MGS	2003 (II)	1993	100	03 July - 3 Jan.	7,806	13,027	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	9,733	8,967	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	22,653	3,199	25,852
7.25 % MGS	2005	1997	100	10 June - 10 Dec.	18,036	5,464	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	24,817	6,683	31,500
7.00 % MGS	2006 [2]	1994	100	19 May - 19 Nov.	1,421	8,579	10,000
7.00 % MGS	2006 (IV)	1996	100	20 Jan. - 20 July	-	167	167
7.25 % MGS	2006 (II)	1995	100	28 Apr. - 01 Aug.	5,995	13,255	19,250
7.25 % MGS	2006 (III) [1]	1996	100	20 Jan. - 20 July	7,275	7,725	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,399	8,351	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,991	1,009	10,000
5.60 % MGS	2007 (III)	2000	100	10 June - 10 Dec.	7,186	2,814	10,000
7.20 % MGS	2008	1998	100	28 Feb. - 15 July	8,811	1,189	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	20,319	9,681	30,000
7.00 % MGS	2009 [2]	1999	100	1 Mar. - 1 Sept.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,265	10,735	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	13,569	3,931	17,500
5.90 % MGS	2009 (III)FI	2001	100	30 Mar. - 30 Sept.	27,300	500	27,800
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,921	1,079	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,529	1,972	18,500
7.00 % MGS	2010 (III) [2]	2000	100	30 June - 30 Dec.	-	545	545
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,443	7,557	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	18,681	21,319	40,000
7.00 % MGS	2011 (III)	2001	100	30 June - 30 Dec	-	125	125
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	13,865	20,635	34,500
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	11,612	22,638	34,250
6.35 % MGS	2013	2001	100	19 May - 19 Nov.	59	25,941	26,000
6.60 % MGS	2014	2000	100	30 Mar. - 30 Sept.	790	9,710	10,500
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,543	22,457	30,000
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	7,828	22,172	30,000
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	2,700	27,300	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	27,743	42,257	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	11,827	32,173	44,000
Total					406,385	406,470	812,854

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

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

Source: Malta Stock Exchange.

TABLE 3.4 MALTA GOVERNMENT STOCKS BY REMAINING TERM TO MATURITY [1]

Lm thousands

End of Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	Over 16 yrs	Total
1990	3,500	93,285	10,000	-	-	106,785
1991	5,500	106,285	25,400	-	-	137,185
1992	1,000	125,285	41,400	-	-	167,685
1993	49,885	84,367	90,300	-	-	224,552
1994	37,900	95,352	110,000	10,000	-	253,252
1995	7,000	158,651	120,300	-	-	285,951
1996	15,800	213,302	112,017	15,000	-	356,119
1997	48,452	279,800	111,367	83,750	-	523,369
1998	46,750	255,650	177,219	83,750	70,000	633,369
1999	79,000	221,202	199,232	98,750	114,000	712,184
2000	53,800	214,902	205,777	124,250	114,000	712,729
2001	66,450	192,869	244,160	195,250	114,000	812,729
2002						
Mar.	66,450	192,869	244,285	195,250	114,000	812,854

[1] Refers to the maximum redemption period.

TABLE 3.5 GOVERNMENT EXTERNAL LOANS BY TYPE OF CREDITOR

Lm thousands

End of Period	Official Bilateral Entities[1]	Official Multilateral Organisations[2]	Private Commercial Banks[3]	Total
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001	20,037	18,915	1,426	40,378
2002 [4]				
Mar.	19,569	18,912	1,427	39,908

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

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

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

[4] Provisional.

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

TABLE 3.6 GOVERNMENT EXTERNAL LOANS BY CURRENCY

Lm thousands

End of Period	FFr	Stg	DM	Yen	Euro	US$	Lit	Others	Total
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001	-	-	1,310	1,426	14,184	14,181	8,530	747	40,378
2002 [1]									
Mar.	-	-	-	1,427	23,892	14,218	-	371	39,908

[1] Provisional.

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

TABLE 3.7 GOVERNMENT EXTERNAL LOANS BY REMAINING TERM TO MATURITY

Lm thousands

End of Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	-	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001	586	13,356	11,759	12,249	1,207	1,221	40,378
2002 [1]							
Mar.	1,752	14,735	17,292	3,727	1,204	1,198	39,908

[1] Provisional.

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

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

End of Period Rates

End of Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.7335	5.0006	3.3249	2.4349	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	2.4448	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	2.2136	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	2.2678	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	2.2083	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	2.1586	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	2.2173	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	2.3101	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	2.2640	4382.63	14.870	4.990	91.360	300.71	3.645
1999	1.4983	4.7163	2.4230	2.4114	4669.13	15.818	5.314	97.276	247.64	3.870
2000	1.5305	4.8033	2.2843	2.4559	4755.26	16.110	5.412	99.070	262.25	3.738
2001	1.5258	4.8874	2.2121	2.4989	4838.52	16.392	5.507	100.805	290.44	3.969
2001										
Oct. 5	1.5305	4.8248	2.2636	2.4669	4776.60	16.182	5.436	99.515	271.81	3.667
12	1.5424	4.8354	2.2384	2.4723	4787.00	16.217	5.448	99.732	271.26	3.665
19	1.5463	4.8404	2.2288	2.4749	4792.03	16.234	5.454	99.836	269.88	3.658
26	1.5480	4.8566	2.2120	2.4831	4808.04	16.288	5.472	100.170	271.37	3.660
Nov. 2	1.5311	4.8465	2.2424	2.4780	4798.04	16.255	5.461	99.961	273.03	3.655
9	1.5269	4.8727	2.2238	2.4914	4823.99	16.342	5.490	100.502	267.88	3.650
16	1.5399	4.8732	2.2071	2.4916	4824.49	16.344	5.491	100.513	270.76	3.656
23	1.5500	4.8757	2.1927	2.4929	4826.90	16.352	5.494	100.563	272.04	3.646
30	1.5527	4.8481	2.2140	2.4788	4799.65	16.260	5.463	99.995	273.17	3.654
Dec. 7	1.5476	4.8528	2.2159	2.4812	4804.25	16.276	5.468	100.091	277.68	3.670
14	1.5398	4.8407	2.2367	2.4750	4792.31	16.235	5.454	99.842	285.05	3.650
21	1.5340	4.8632	2.2234	2.4865	4814.54	16.310	5.480	100.305	288.17	3.642
28	1.5240	4.8978	2.2052	2.5042	4848.78	16.426	5.519	101.019	288.73	3.710
2002										
Jan. 4	1.5428	-	2.2238	2.4801	-	-	-	-	291.04	3.670
11	1.5385	-	2.2172	2.4869	-	-	-	-	293.01	3.684
18	1.5365	-	2.2005	2.4979	-	-	-	-	292.44	3.673
25	1.5388	-	2.1760	2.5107	-	-	-	-	292.09	3.691
Feb. 1	1.5337	-	2.1728	2.5164	-	-	-	-	290.88	3.719
8	1.5437	-	2.1839	2.5026	-	-	-	-	293.31	3.685
15	1.5284	-	2.1885	2.5018	-	-	-	-	290.30	3.721
22	1.5339	-	2.1945	2.5033	-	-	-	-	293.33	3.704
Mar. 1	1.5330	-	2.1805	2.5122	-	-	-	-	290.60	3.707
8	1.5400	-	2.1950	2.4986	-	-	-	-	281.18	3.677
15	1.5468	-	2.2023	2.4896	-	-	-	-	284.14	3.640
22	1.5409	-	2.1988	2.4958	-	-	-	-	291.70	3.647

[1] Closing Central Bank of Malta midpoint rate. The Maltese lira's exchange rate is determined on the basis of a basket of currencies which currently includes the euro, the US dollar and the pound sterling.

[2] The euro replaced the ECU as from January 1, 1999.

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

Averages for the Period

Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	2.4741	4790.43	16.229	5.452	99.803	246.27	3.853
2001	1.5430	4.8533	2.2226	2.4815	4804.77	16.277	5.468	100.102	269.97	3.749
2001										
Jan.	1.5494	4.7729	2.2897	2.4403	4725.15	16.008	5.378	98.443	267.58	3.732
Feb.	1.5547	4.7961	2.2602	2.4522	4748.13	16.085	5.404	98.922	262.59	3.766
Mar.	1.5510	4.8190	2.2435	2.4639	4770.82	16.162	5.430	99.394	271.99	3.784
Apr.	1.5446	4.8563	2.2166	2.4830	4807.76	16.287	5.472	100.164	274.45	3.769
May	1.5355	4.8990	2.1904	2.5048	4849.97	16.430	5.520	101.043	266.69	3.841
June	1.5373	4.9372	2.1557	2.5244	4887.86	16.559	5.563	101.833	263.57	3.844
July	1.5332	4.9283	2.1680	2.5198	4879.02	16.529	5.553	101.649	270.06	3.814
Aug.	1.5500	4.8372	2.2276	2.4732	4788.80	16.223	5.450	99.769	270.54	3.746
Sept.	1.5376	4.8306	2.2493	2.4699	4782.31	16.201	5.443	99.634	267.39	3.690
Oct.	1.5432	4.8337	2.2400	2.4714	4785.35	16.211	5.446	99.697	271.63	3.657
Nov.	1.5391	4.8692	2.2119	2.4896	4820.54	16.331	5.486	100.430	270.66	3.650
Dec.	1.5406	4.8602	2.2181	2.4850	4811.57	16.300	5.476	100.243	282.50	3.666
2002										
Jan.	1.5381	-	2.2034	2.4953	-	-	-	-	292.17	3.679
Feb.	1.5345	-	2.1832	2.5096	-	-	-	-	291.63	3.708
Mar.	1.5403	-	2.1908	2.5009	-	-	-	-	287.00	3.672

[1] Calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta midpoint rates.

[2] The euro replaced the ECU as from January 1, 1999.

TABLE 4.3 MALTA'S FOREIGN TRADE

Lm thousands

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,657	-362,717
1996	569,900	54,250	624,150	1,007,800	-383,650
1997	563,950	64,980	628,930	984,230	-355,300
1998	664,816	47,169	711,985	1,034,920	-322,935
1999	712,436	78,700	791,136	1,136,233	-345,097
2000	977,535	94,910	1,072,445	1,492,376	-419,931
2001[1]	790,038	90,646	880,684	1,226,422	-345,738
2001 [1]					
Jan.	74,272	6,131	80,403	109,984	-29,581
Feb.	68,179	5,603	73,782	97,880	-24,098
Mar.	81,367	6,195	87,562	120,438	-32,876
Apr.	62,803	6,743	69,546	98,656	-29,110
May	68,190	6,687	74,877	107,041	-32,164
June	70,687	9,511	80,198	103,835	-23,637
July	57,470	9,491	66,961	106,380	-39,419
Aug.	56,228	8,171	64,399	90,901	-26,502
Sept.	63,751	6,812	70,563	83,993	-13,430
Oct.	58,272	9,063	67,335	108,355	-41,020
Nov.	69,749	10,827	80,576	106,197	-25,621
Dec.	59,070	5,412	64,482	92,762	-28,280
2002 [1]					
Jan.	52,822	11,349	64,171	88,459	-24,288
Feb.	67,083	9,348	76,431	86,915	-10,484
Mar.	67,890	8,656	76,546	100,781	-24,235

[1] Provisional.

Source: National Statistics Office.

TABLE 4.4 DIRECTION OF TRADE - TOTAL EXPORTS

Lm thousands

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,940
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,930
1998	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,136
2000	78,038	36,092	102,898	85,873	54,808	15,585	293,413	405,737	1,072,444
2001[1]	76,310	30,304	115,132	82,197	59,865	21,835	174,370	320,670	880,684
2001 [1]									
Jan.	4,772	2,231	8,648	7,573	4,511	414	21,734	30,520	80,403
Feb.	5,755	2,721	9,456	7,217	5,828	1,506	12,631	28,668	73,782
Mar.	7,758	2,443	9,744	9,328	5,737	1,418	19,250	31,884	87,562
Apr.	6,917	2,779	10,601	6,725	5,403	2,669	12,850	21,602	69,546
May	5,665	2,829	10,074	9,437	5,923	1,899	15,320	23,731	74,877
June	5,811	3,109	9,639	8,787	5,287	1,979	18,463	27,123	80,198
July	5,224	1,909	12,871	6,708	4,480	1,480	11,635	22,654	66,961
Aug.	6,004	1,732	8,700	4,588	4,595	2,639	10,893	25,248	64,399
Sept.	5,798	2,227	7,890	8,250	3,396	824	15,257	26,920	70,562
Oct.	7,256	2,372	9,574	5,066	4,919	2,174	10,065	25,908	67,334
Nov.	8,426	3,110	10,895	4,680	5,315	3,360	11,875	32,915	80,576
Dec.	6,924	2,842	7,040	3,838	4,471	1,473	14,397	23,497	64,482
2002 [1]									
Jan.	7,595	2,556	5,748	4,523	4,058	1,395	8,906	29,390	64,171
Feb.	9,863	4,314	9,753	5,492	5,738	2,743	10,122	28,406	76,431
Mar.	7,372	2,315	7,648	5,632	5,240	1,453	12,073	34,813	76,546

[1] Provisional.

Source: National Statistics Office.

TABLE 4.5 DIRECTION OF TRADE - IMPORTS

Lm thousands

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,233
2000	119,673	249,744	29,661	281,877	122,113	91,778	158,474	439,057	1,492,377
2001 [1]	123,100	244,409	28,401	184,030	107,409	92,707	141,822	304,544	1,226,422
2001 [1]									
Jan.	9,111	19,820	2,509	23,637	8,596	6,841	12,274	27,196	109,984
Feb.	8,760	20,996	2,484	15,255	9,168	7,154	9,261	24,802	97,880
Mar.	11,189	22,727	2,034	16,494	9,932	8,993	13,428	35,641	120,438
Apr.	9,774	20,204	2,209	14,053	8,623	6,873	10,865	26,055	98,656
May	11,071	22,615	2,472	12,928	9,749	8,485	13,307	26,414	107,041
June	9,690	21,705	2,024	13,863	9,280	7,830	12,282	27,161	103,835
July	10,950	20,968	2,417	14,933	10,003	9,742	12,229	25,138	106,380
Aug.	9,340	15,856	2,735	11,994	7,207	8,203	9,489	26,077	90,901
Sept.	9,520	17,320	2,105	15,337	7,280	6,608	8,605	17,218	83,993
Oct.	13,078	22,820	2,793	13,338	11,035	8,364	13,691	23,236	108,355
Nov.	11,488	21,690	2,603	16,768	9,097	6,707	12,731	25,113	106,197
Dec.	9,129	17,688	2,016	15,430	7,439	6,907	13,660	20,493	92,762
2002 [1]									
Jan.	9,103	16,400	2,126	15,270	7,091	6,922	9,949	21,598	88,459
Feb.	8,831	16,858	2,260	14,356	7,669	7,047	9,094	20,799	86,914
Mar.	10,609	20,654	2,366	18,309	8,267	7,811	11,497	21,268	100,781

[1] Provisional.

Source: National Statistics Office.

TABLE 4.6 DOMESTIC EXPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufac-tured Goods	Machinery and Transport Equipment	Manufac-tured Articles	Miscel-laneous	Total
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,720
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,950
1998	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,436
2000	17,116	3,538	2,198	-	-	13,027	53,913	736,076	151,263	404	977,535
2001[1]	20,809	5,197	2,013	19	-	16,003	50,701	537,944	156,945	407	790,038
2001 [1]											
Jan.	1,758	291	111	-	-	1,668	4,066	55,162	11,199	18	74,272
Feb.	691	348	263	-	-	1,261	3,729	48,600	13,228	60	68,179
Mar.	604	505	136	-	-	1,443	4,946	60,244	13,423	67	81,367
Apr.	1,175	602	174	-	-	1,150	4,866	40,841	13,983	12	62,803
May	1,404	420	102	19	-	1,244	4,251	47,700	12,984	66	68,190
June	1,679	883	216	-	-	1,192	4,571	48,547	13,566	33	70,687
July	2,509	587	82	-	-	1,273	4,424	34,015	14,496	83	57,470
Aug.	3,287	468	237	-	-	1,621	3,459	35,460	11,685	10	56,228
Sept.	1,998	540	86	-	-	1,427	3,225	44,643	11,787	44	63,751
Oct.	1,191	326	227	-	-	1,191	4,958	36,521	13,842	14	58,272
Nov.	2,703	185	175	-	-	1,391	4,437	46,598	14,261	-	69,749
Dec.	1,810	42	204	-	-	1,142	3,769	39,613	12,491	-	59,070
2002 [1]											
Jan.	909	138	74	-	-	910	3,806	35,673	11,263	48	52,822
Feb.	1,088	164	260	-	27	1,084	5,222	43,721	15,420	97	67,083
Mar.	1,132	90	119	-	23	1,102	4,085	48,997	12,341	-	67,890

[1] Provisional.

Source: National Statistics Office.

TABLE 4.7 IMPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufac-tured Goods	Machinery and Transport Equipment	Manufac-tured Articles	Miscel-laneous	Total
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,509
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,233
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[1]	108,773	21,936	14,101	101,992	1,931	89,218	147,722	608,194	121,512	11,040	1,226,421
2001 [1]											
Jan.	6,473	957	916	8,751	161	8,995	11,864	61,441	9,487	938	109,984
Feb.	6,924	1,731	1,382	8,941	153	6,692	11,584	50,659	8,926	886	97,880
Mar.	9,184	2,211	1,077	11,825	171	7,897	13,560	61,960	11,547	1,006	120,438
Apr.	7,886	1,613	1,327	5,334	195	6,990	12,153	50,851	11,583	726	98,656
May	10,018	2,482	1,328	6,095	105	7,365	14,526	52,441	11,559	1,123	107,041
June	8,207	2,768	1,137	9,967	100	6,444	13,284	51,444	9,390	1,094	103,835
July	9,912	1,759	1,157	7,678	301	8,266	13,513	52,123	10,697	974	106,380
Aug.	9,548	1,878	1,166	13,628	185	7,299	9,706	38,511	8,247	732	90,901
Sept.	10,172	1,086	949	6,834	126	6,446	10,345	37,765	9,363	906	83,992
Oct.	11,548	1,977	1,337	4,063	158	8,755	13,958	52,661	12,825	1,073	108,355
Nov.	10,176	2,195	1,055	9,888	140	7,343	12,748	51,420	10,403	829	106,197
Dec.	8,725	1,279	1,270	8,988	136	6,726	10,481	46,918	7,485	753	92,762
2002 [1]											
Jan.	8,885	1,053	965	9,628	371	7,035	11,666	41,201	6,994	660	88,459
Feb.	7,902	1,745	1,019	7,814	184	7,011	11,234	41,408	7,870	729	86,915
Mar.	8,844	2,435	1,007	7,267	117	8,234	12,330	49,587	10,346	615	100,781

[1] Provisional

Source: National Statistics Office.

TABLE 5.1 GROSS NATIONAL PRODUCT

By Category of Expenditure at Current Market Prices

Lm thousands

Period	Consumers' Expenditure [1]	Government Consumption Expenditure [2]	Gross Fixed Capital Formation [3]	Inventory Changes [4]	Exports of Goods & Services	Total Final Expenditure	*Less* Imports of Goods & Services	**Gross Domestic Product**	Net Investment Income from Abroad [5]	**Gross National Product**
1990	460,845	129,153	232,611	12,668	626,415	1,461,692	726,947	734,745	55,017	789,762
1991	494,504	147,055	239,144	15,556	701,865	1,598,124	791,249	806,875	49,663	856,538
1992	531,530	164,335	240,874	145	804,056	1,740,760	866,010	874,750	41,695	916,445
1993	561,498	188,862	276,804	3,708	896,325	1,927,197	987,163	940,034	35,481	975,515
1994	608,288	209,519	305,388	9,957	994,410	2,127,562	1,099,028	1,028,534	19,331	1,047,865
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999	915,014	272,587	339,975	9,383	1,321,307	2,858,266	1,402,167	1,456,099	12,437	1,468,536
2000 [6]	999,027	291,085	409,267	32,623	1,605,223	3,337,225	1,774,856	1,562,369	-54,255	1,508,114
2001 [6]	1,039,262	328,140	376,934	-44,302	1,427,847	3,127,881	1,501,167	1,626,714	-2,180	1,624,534
2001 [6]										
Mar.	233,559	78,727	95,540	23,432	343,785	775,043	387,626	387,417	11,013	398,430
June	261,099	80,790	93,609	-27,167	370,107	778,438	374,573	403,865	2,190	406,055
Sept.	276,390	81,390	91,704	-44,317	373,194	778,361	361,065	417,296	950	418,246
Dec.	268,214	87,233	96,081	3,750	340,761	796,039	377,903	418,136	-16,333	401,803
2002 [6]										
Mar.	256,541	85,646	87,714	-5,534	317,734	742,101	343,278	398,823	13,642	412,465

[1] Expenditure on consumption of goods and services by persons and non-profit making bodies.

[2] Excludes transfer payments (social security benefits, subsidies and grants) and capital expenditure.

[3] Expenditure on fixed capital assets by the Government as well as the private and parastatal sectors.

[4] Increase in the quantity of stocks and work in progress held by the Government and trading enterprises. This is obtained as a residual and therefore contains the error term.

[5] Income from foreign investments held by private individuals and corporations, the Government and the banking sector, less interest payments by local banks to non-resident deposit holders, dividends payable to non-resident shareholders, as well as undistributed profits of non-resident owned companies.

[6] Provisional.

Source: National Statistics Office.

TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY

Period	United Kingdom	Italy	North Africa[1]	Germany	Scandinavian Countries[2]	United States	All Others	Total
1990	450,002	64,039	38,881	130,203	29,444	9,934	149,273	871,776
1991	458,523	64,008	50,094	136,452	17,891	8,809	159,259	895,036
1992	525,629	76,045	43,882	153,531	21,851	9,302	172,142	1,002,382
1993	520,778	85,671	53,465	176,077	21,276	10,314	195,632	1,063,213
1994	530,385	98,746	45,337	200,281	29,920	11,973	259,581	1,176,223
1995	461,159	97,384	43,534	187,761	32,979	10,945	282,209	1,115,971
1996	398,899	89,439	56,958	184,110	33,338	11,969	279,075	1,053,788
1997	436,899	90,190	45,702	193,020	33,576	14,924	296,850	1,111,161
1998	448,763	90,558	44,508	203,199	35,414	17,641	342,157	1,182,240
1999	422,368	92,726	52,537	212,430	46,365	18,558	369,246	1,214,230
2000	428,780	92,522	52,275	204,749	46,273	19,269	371,845	1,215,713
2001	451,530	93,564	39,167	160,262	46,395	19,986	369,241	1,180,145
2001								
Jan.	18,983	2,838	3,046	6,635	1,313	1,142	10,096	44,053
Feb.	22,328	2,845	2,371	10,823	1,942	1,270	14,313	55,892
Mar.	33,631	5,044	3,126	14,474	3,690	1,755	23,388	85,108
Apr.	34,451	8,820	2,876	17,982	5,288	2,225	36,157	107,799
May	47,562	5,198	3,007	15,438	4,770	2,576	37,096	115,647
June	43,419	8,950	3,166	13,689	5,873	2,606	42,772	120,475
July	53,234	14,424	4,316	17,598	6,695	2,111	52,132	150,510
Aug.	55,356	24,771	5,489	14,147	3,787	1,665	47,729	152,944
Sept.	51,047	7,800	3,845	19,206	4,821	1,326	43,171	131,216
Oct.	43,218	4,219	3,074	17,321	5,073	1,280	32,670	106,855
Nov.	28,405	3,647	2,206	7,809	1,968	1,145	15,318	60,498
Dec.	19,896	5,008	2,645	5,140	1,175	885	14,399	49,148
2002								
Jan.	16,029	3,134	2,512	3,412	1,296	1,146	9,796	37,325
Feb.	21,854	3,494	2,214	8,051	1,785	1,527	14,414	53,339
Mar.	32,478	6,152	2,416	15,388	3,063	1,774	23,927	85,198

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

[2] Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office.

TABLE 5.3 LABOUR MARKET

End of Period	Labour Supply			Gainfully Occupied			Unemployment[1]					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Amount	Percent[2]	Amount	Percent[3]	Amount	Percent
1990	96,306	31,153	127,459	91,692	30,331	122,023	4,614	4.8	822	2.6	5,436	4.3
1991	97,241	32,210	129,451	92,922	31,257	124,179	4,319	4.4	953	3.0	5,272	4.1
1992	98,921	33,024	131,945	94,084	31,898	125,982	4,837	4.9	1,126	3.4	5,963	4.5
1993	99,239	33,174	132,413	93,333	32,130	125,463	5,906	6.0	1,044	3.1	6,950	5.2
1994	100,092	34,020	134,112	94,587	33,081	127,668	5,505	5.5	939	2.8	6,444	4.8
1995	102,158	35,612	137,770	97,241	34,709	131,950	4,917	4.8	903	2.5	5,820	4.2
1996	103,323	36,944	140,267	97,493	35,702	133,195	5,830	5.6	1,242	3.4	7,072	5.0
1997	103,033	37,241	140,274	96,558	36,023	132,581	6,475	6.3	1,218	3.3	7,693	5.5
1998	103,235	37,951	141,186	96,460	36,816	133,276	6,775	6.6	1,135	3.0	7,910	5.6
1999	103,568	39,040	142,608	96,478	37,824	134,302	7,090	6.8	1,216	3.1	8,306	5.8
2000	103,831	40,185	144,016	97,689	39,139	136,828	6,142	5.9	1,046	2.6	7,188	5.0
2001	103,967	40,962	144,929	97,806	39,690	137,496	6,161	5.9	1,272	3.1	7,433	5.1
2001												
Jan.	104,397	40,344	144,741	98,139	39,262	137,401	6,258	6.0	1,082	2.7	7,340	5.1
Feb.	104,598	40,401	144,999	98,344	39,323	137,667	6,254	6.0	1,078	2.7	7,332	5.1
Mar.	103,463	40,444	143,907	97,324	39,401	136,725	6,139	5.9	1,040	2.6	7,180	5.0
Apr.	103,409	40,582	143,991	97,457	39,553	137,010	5,950	5.8	1,030	2.5	6,980	4.8
May	103,337	40,582	143,919	97,499	39,639	137,138	5,840	5.7	940	2.3	6,780	4.7
June	103,179	40,730	143,909	97,581	39,799	137,380	5,600	5.4	930	2.3	6,530	4.5
July	103,267	41,189	144,456	97,670	39,945	137,615	5,600	5.4	1,240	3.0	6,840	4.7
Aug.	103,365	41,266	144,631	97,632	39,943	137,575	5,730	5.5	1,320	3.2	7,060	4.9
Sept.	104,188	41,318	145,506	98,418	40,104	138,522	5,770	5.5	1,210	2.9	6,980	4.8
Oct.	104,457	41,291	145,748	98,496	40,069	138,565	5,960	5.7	1,220	3.0	7,180	4.9
Nov.	104,415	41,217	145,632	98,289	39,915	138,204	6,130	5.9	1,300	3.2	7,430	5.1
Dec.	103,967	40,962	144,929	97,806	39,690	137,496	6,161	5.9	1,272	3.1	7,433	5.1
2002												
Jan.	104,237	40,942	145,179	97,706	39,533	137,239	6,531	6.3	1,409	3.4	7,940	5.5
Feb.	104,265	40,921	145,186	97,707	39,538	137,245	6,558	6.3	1,383	3.4	7,941	5.5

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

[2] As a percentage of male labour supply.

[3] As a percentage of female labour supply.

Source: Employment and Training Corporation.

TABLE 5.4 NUMBER OF APPROVED COMMERCIAL PROPERTY APPLICATIONS, BY PURPOSE [1]

Period	Agriculture	Manufacturing	Warehousing/Retail/ Offices [2]	Hotel/ Tourism	Recreational/ Social [3]	Parking	Minor new works/ change of use	Other	Total
1993	168	64	400	26	70	176	666	1,350	2,920
1994	245	71	775	45	363	287	1,404	264	3,454
1995	293	69	924	27	434	188	1,731	411	4,077
1996	234	37	827	21	352	154	1,632	611	3,868
1997	248	49	545	28	362	169	1,594	949	3,944
1998	273	97	564	47	770	193	1,729	971	4,644
1999	231	112	858	29	378	205	1,600	740	4,153
2000	270	104	790	36	588	236	1,486	1,010	4,520
2001	312	58	1,019	24	485	214	1,095	1,491	4,698

[1] This Table replaces the previous Table 5.4, which showed building applications approved by purpose and floor space area, as data on the latter are no longer available.

[2] Including applications for advertisements and for the mixed residential and retail purposes.

[3] Including applications for restaurants and café bars.

Source: Planning Authority.

TABLE 5.5 DWELLING UNITS GRANTED DEVELOPMENT PERMISSION, BY TYPE

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

Note: Changes to the data are mainly due to the policy adopted by Planning Authority to reassess permit applications on a continuous basis.

Source: Planning Authority.

TABLE 5.6 INFLATION RATES[1]

(Base 1946 = 100)

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

Year	Index	Inflation Rate (%)
(Continued)		
1974	234.16	7.28
1975	254.77	8.80
1976	256.20	0.56
1977	281.84	10.01
1978	295.14	4.72
1979	316.21	7.14
1980	366.06	15.76
1981	408.16	11.50
1982	431.83	5.80
1983	428.06	-0.87
1984	426.18	-0.44
1985	425.17	-0.24
1986	433.67	2.00
1987	435.47	0.42
1988	439.62	0.95
1989	443.39	0.86
1990	456.61	2.98
1991	468.21	2.54
1992	475.89	1.64
1993	495.59	4.14
1994	516.06	4.13
1995	536.61	3.98
1996	549.95	2.49
1997[2]	567.95	3.27
1998	580.61	2.23
1999	593.00	2.13
2000	607.07	2.37
2001	624.85	2.93

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

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

TABLE 5.7 RETAIL PRICE INDEX[1]

(Base 1995 = 100)

Period	All Items
1990	84.73
1991	86.88
1992	88.30
1993	91.96
1994	95.76
1995	99.57
1996	102.05
1997	105.39
1998	107.74
1999	110.04
2000	112.65
2001	115.95
2001	
Jan.	112.95
Feb.	113.26
Mar.	113.94
Apr.	114.52
May	115.62
June	115.75
July	116.31
Aug.	117.30
Sept.	117.66
Oct.	116.82
Nov.	118.48
Dec.	118.76
2002	
Jan.	118.23
Feb.	117.44
Mar.	117.55

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

Source: National Statistics Office.

GENERAL METHODOLOGICAL NOTES

General Standards

The methodology underlying the compilation of monetary and banking statistics is generally consistent with internationally agreed statistical concepts, definitions, and classifications as published in the International Monetary Fund's (IMF) *"Monetary and Financial Statistics Manual 2000"*.

Release of Monetary and Banking Statistics

Monthly monetary and banking statistics are posted on the Central Bank's website by the end of the month following the reference month. Subsequently, detailed monetary data, together with related analytical information, are released in the press through the *Statistical Release on Monetary Aggregates and their Counterparts* and in the Central Bank's *Quarterly Review* and *Annual Report*.

Determination of 'Residence'

Monetary data are based on the classification of transactions by the residence of the transactors. The transactors in the institutional sectors may either be **residents** or **non-residents** of Malta, a transactor being that economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. The internationally agreed ***residence*** criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'. Thus, a transactor is considered to be a resident of Malta when it is engaged in a significant amount of production of goods and/or services in Malta or when it owns or rents land or buildings located in the country. The enterprise must maintain at least one production establishment over a period of at least one year (in economic activities and transactions on a significant scale). The economic territory includes free enterprise zones and bonded warehouses or factories operated by offshore enterprises under customs control. Transactors not meeting the above-mentioned criteria are considered to be ***non-resident*** units, ie. units that have their 'centre of economic interest' in other countries. Most offshore companies which are registered in Malta are treated as non-resident units since they do not have a centre of economic interest in Malta. Furthermore, diplomatic bodies, embassies, consulates and other entities of a foreign government located in Malta are considered as residents of the country they are representing and not of Malta.

Sector Classification of the Maltese Economy

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

(a) Banking Institutions
(b) General/Central Government
(c) Private Corporate/Business (non-bank) enterprises
(d) Public Corporations and Authorities
(e) Personal (or Households)

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

(a) As from January 2001, the **Banking Institutions** are divided into three subsectors :

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

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

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

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

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

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

Measures of Money

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

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

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

Compilation Process

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

Basis of Calculation

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

Valuation

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

Official External Reserves

The *external reserves* concept is in line with the International Monetary Fund's *Balance of Payments Manual (Fifth Edition):* It is based on a balance sheet framework and calculated on a gross basis. The types of external reserves covered in this measure comprise convertible currencies, IMF-related assets and holdings of gold. Convertible currencies comprise cash and bank balances denominated in foreign currency, placements with non-resident banks, the portfolio of non-resident investment securities and other foreign currency assets. IMF-related assets comprise holdings of Special Drawing Rights allocated to Malta or acquired in accordance with IMF requirements and the Reserve Tranche Position with the IMF.

Financial Market Rates

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

The weighted average deposits on current, savings and time deposits pertain to the Deposit Money Banks' interest rates on resident Maltese lira deposits. These are calculated by multiplying each amount by the different rates in each type of deposit and dividing by the total amount of each type of deposit. The weighted average lending rate is calculated by multiplying the amount of each loan or advance extended to residents in local currency by the interest rate applied thereto, and dividing by the total amount.

The interest rates applicable on government Treasury bills are obtained from the official rates quoted by the Treasury. These are weighted averages of the rates attached to the bills that are taken up by the bidders at the weekly auction. Interest rates on Malta Government Stocks represent weighted average gross redemption yields on applicable stocks with periods specified referring to remaining term to maturity. The Malta Stock Exchange Share Index measures movements in the price of all ordinary shares listed in the Official List of the Malta Stock Exchange. It is a market capitalisation index which weights the price and the number of shares of each listed firm. The index has a base of 1000 initiating on December 27, 1995.

Sources of other economic data:

Government Finance

The Treasury

Public Debt

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

External Transactions

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

Real Economy

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