

SUPPLEMENT TO THE QUARTERLY REVIEW 2014:1

Real gross domestic product in the first quarter of 2014

Economic growth accelerates

On 9 June 2014 the National Statistics Office (NSO) published gross domestic product (GDP) estimates for the first quarter of the year.¹

During this period, the Maltese economy expanded at a fast pace. In annual terms, real GDP growth accelerated from 2.2% in the last quarter of 2013 to 3.5% in the first quarter of 2014 (see Table 1). Growth was mainly driven by domestic demand, as net exports contributed only marginally. In quarter-on-quarter terms, seasonally adjusted real GDP increased by 0.9%, following a growth of 0.5% in the previous quarter.

In the euro area as a whole, economic activity increased by 0.2% during the first three months of the year (see Chart 1).²

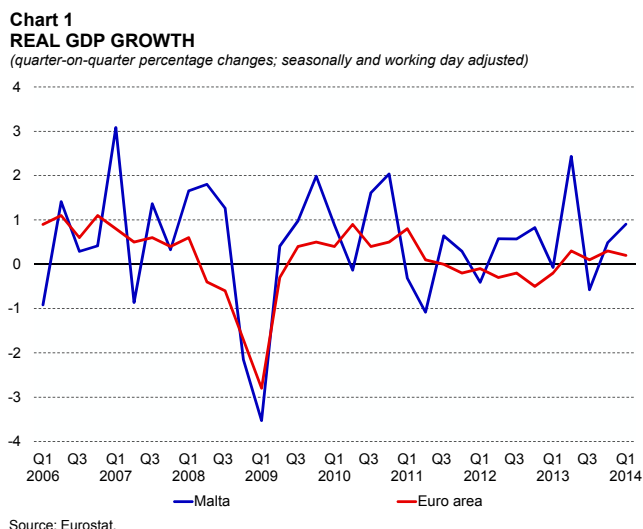
Exports and imports decline

During the first quarter of 2014 both exports and imports decreased on a year earlier (see Table 1). Exports fell at a faster annual rate than in the previous quarter, dropping by 6.3%. This was attributed to lower foreign sales of goods, as exports of services increased. Mirroring the drop in exports, and despite the increase in domestic demand, imports were 6.0% lower compared with the first quarter of 2013. This drop was mostly due to imports of goods, though imports of services also declined.

Compared with the previous quarter, net exports turned negative as the absolute level of imports exceeded that of exports. However, as net exports were less negative than a year earlier, they contributed 0.1 percentage point to the annual increase in real GDP.

Domestic demand increases

Domestic demand expanded for the third consecutive quarter in annual terms, increasing at an annual rate of 3.1% and contributing 3.3 percentage points to real GDP growth. All major components of domestic demand, except changes in inventories & acquisitions, were higher compared with the first quarter of the previous year.



¹ See NSO News Release 108/2014. These statistics are not reviewed in the main text of the *Quarterly Review* 2014:1, as they became available after the *Review's* cut-off date.

² The data for the euro area shown in Chart 1 are in line with the GDP estimate for the first quarter of 2014, published on 4 June 2014.

Table 1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2013				2014
	Q1	Q2	Q3	Q4	Q1
	<i>Annual percentage changes</i>				
Private final consumption expenditure	1.1	2.7	2.4	2.9	1.5
Government final consumption expenditure	-0.2	1.6	-0.6	-0.4	4.4
Gross fixed capital formation	4.2	-3.7	-4.2	1.4	18.6
Changes in inventories (% of GDP) ⁽¹⁾	5.2	1.7	-0.2	-2.1	3.9
Domestic demand	7.5	-0.9	3.6	2.5	3.1
Exports of goods & services	-4.2	-11.6	6.5	-4.0	-6.3
Imports of goods & services	1.1	-15.7	7.9	-4.1	-6.0
Gross domestic product	1.9	4.1	2.4	2.2	3.5
	<i>Percentage point contributions</i>				
Private final consumption expenditure	0.7	1.7	1.4	1.8	1.0
Government final consumption expenditure	-0.1	0.3	-0.1	-0.1	0.9
Gross fixed capital formation	0.6	-0.5	-0.5	0.2	2.6
Changes in inventories ⁽¹⁾	6.3	-2.4	2.4	0.4	-1.2
Domestic demand	7.5	-0.9	3.2	2.3	3.3
Exports of goods & services	-4.5	-13.6	6.9	-4.0	-6.3
Imports of goods & services	-1.2	18.6	-7.7	3.9	6.4
Net exports	-5.7	5.0	-0.8	-0.2	0.1
Gross domestic product	1.9	4.1	2.4	2.2	3.5

⁽¹⁾ Includes acquisitions less disposal of valuables.

Source: NSO.

Private consumption continued to increase, albeit at a slower pace than in the previous quarter. It was up by 1.5% on a year earlier, with its contribution to GDP growth standing at 1.0 percentage point.

Following a modest rise during the last quarter of 2013, gross fixed capital formation surged by 18.6% during the first quarter of 2014. This boosted real GDP growth by 2.6%. The strong performance in investment largely reflects higher spending on non-residential construction and machinery, though capital spending on IT-related products also increased. Dwelling investment remained subdued. The private sector accounted for most of the increase in investment spending, though government investment also expanded.

Government consumption recovered, following two quarters of decline. In annual terms it was 4.4% higher in the quarter under review, adding nearly 1 percentage point to real GDP growth. Compensation of employees, mainly in the health and education sectors, underpinned this expansion in government consumption.

In contrast, changes in inventories & acquisitions, which include the statistical discrepancy, were lower compared with a year earlier. They contributed a negative 1.2 percentage points to GDP growth.