

# Central Bank of Malta



## Quarterly Review

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## ABBREVIATIONS

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

# ECONOMIC SURVEY

## 1. FOREWORD

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After having raised the central intervention rate by 25 basis points in May, the Central Bank of Malta maintained its benchmark interest rate constant at 3.5% in June and throughout the third quarter. The Bank viewed its monetary policy stance at that time to be appropriate to support the fixed exchange rate peg within ERM II, against a background of broadly stable financial conditions. It noted, however, that the recent narrowing of the short-term interest rate differential in favour of the Maltese lira, and the expectation of rising euro interest rates could warrant a reappraisal of the Bank's monetary policy stance in the near term.<sup>1</sup>

The Bank's net foreign assets expanded in the second quarter, mainly boosted by the sale of shares in a local telecommunications company to foreign investors in May. They continued to recover in the following quarter, partly due to capital inflows.

Domestic money market rates, which followed closely the hike in official interest rates in May, continued to increase during the second quarter. However, with euro area money market rates rising more rapidly, the three-month premium on the Maltese lira narrowed to 53 basis points in August.

The annual rate of growth of broad money eased from 4.3% in March to 3.6% in June, with both M1 and M2 aggregates decelerating. The downward trend in M1 was extended in more recent months, reflecting further contraction in currency in circulation, whereas annual growth in M2 picked up again. Domestic credit expanded at a lower

rate during the second quarter, as a drop in net claims on government following the receipt of privatisation proceeds exceeded the rise in private sector credit.

In the June quarter the economy expanded at a slightly slower pace than in the previous quarter. Real GDP grew by 2.2% year-on-year compared to 3.1% in the March quarter, placing the annual growth rate for the first half of the year at 2.6%. During the second quarter, private consumption was up by 1.9% on a yearly basis, easing from 2.7% in the previous three-month period. In turn, government consumption growth decelerated from 3.5% to 2.4%. At the same time, investment expenditure dropped by 6.5%, as lower outlays on public projects offset higher private sector spending. The external sector also continued to contribute negatively to growth. The second quarter fall in exports was more pronounced than that of the first quarter, although its impact was dampened by slower import growth.

In nominal terms, GDP expanded by 6.4% on a year earlier, down from 7.1% in the previous quarter. The implicit GDP deflator was stable at around 4%. The community, social & personal services and the financial intermediation sectors experienced the largest increments in gross value added. In contrast, gross value added declined slightly in the manufacturing and the hotels & restaurants sectors.

The Bank's latest Business Perceptions Survey, carried out between July and August 2006, showed a further small improvement, with a positive balance of replies with regard to the country's immediate economic prospects. In turn, this was driven by better sentiment among export-oriented firms. Survey results also suggested that firms in

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<sup>1</sup> Subsequently, on 31 October 2006, the Bank raised the central intervention rate by 25 basis points to 3.75%.

both the export and the domestic sector were anticipating rising turnover in the fourth quarter.

Labour market indicators also pointed to a recovery in economic activity. According to the LFS, employment rose in the June quarter whereas the number of unemployed remained virtually unchanged, resulting in a marginal decline in the headline unemployment rate to 7.7%. This pattern is corroborated by ETC data, which showed a drop in the number of registered unemployed during the same period.

The rise in inflation, in turn, continued to reflect increased energy costs. The twelve-month moving average HICP inflation rate accelerated to 2.9% in June and to 3.1% two months later. Similarly, the twelve-month moving average RPI rate increased to 3.4% in August.

During the second quarter the balance of payments current account deficit widened compared to the same period of 2005. Consequently, in the first half of 2006 the deficit stood at 12.5% of GDP. The deterioration was mainly driven by an increase in imports of merchandise, which exceeded a rise in exports. In the second quarter, capital and financial inflows continued to increase, with the net balance – excluding official reserves – exceeding the current account deficit. As a result, official reserves expanded during the April-June period.

On the other hand, fiscal developments indicated that the correction in the Consolidated Fund deficit was sustained over the first half of the year and into the third quarter. Revenue advanced at a faster pace than expenditure, partly because of lower spending on capital projects.

## 2. THE INTERNATIONAL ENVIRONMENT

### The world economy

While the economies of the United States and Japan slowed down in the second quarter of 2006, those of the euro area and the United Kingdom grew at a faster pace than in the previous quarter. Inflationary pressures in the major economies remained principally linked to energy price developments. High oil prices remained a major threat to economic growth, amid heightened tensions in the geopolitical environment.

### Economic and monetary developments in the major economies

In the second quarter, the United States economy expanded by 3.6% on a year-on-year basis, against 3.7% registered in the preceding quarter (see Table 2.1). The slight deceleration resulted from reduced consumer spending, slower export growth and a more moderate rate of increase in

government spending. On the other hand, price pressures persisted, with the average rate of inflation rising to 4.0% from 3.7% in the March quarter, on account of high energy costs (see Table 2.2). Meanwhile, labour market conditions continued to improve, with the unemployment rate falling to 4.6% from 4.7% in the previous quarter.

During the quarter, the Federal Reserve continued to tighten its policy stance, raising the federal funds rate target by a quarter of a percentage point on two occasions, ending June at 5.25% (see Chart 2.1). An unchanged target rate in August marked the suspension of a two-year cycle of interest rate increases, amid uncertainty as to whether slower economic growth would keep inflation in check.

The euro area economy rebounded in the June quarter, expanding by 2.6% on a year earlier, up from 2.1% in the previous three months. Expansion was mainly supported by higher investment along with a positive contribution by net exports. Annual inflation edged up to 2.5% in

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

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

	2005			2006		
	Q2	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>
United States	3.1	3.4	3.1	3.7	3.6	3.2
Euro area	1.4	1.7	1.8	2.1	2.6	2.0
EU - 25	1.6	1.9	2.0	2.4	2.8	n/a
United Kingdom	1.7	1.8	1.8	2.4	2.6	2.3
Japan	2.7	2.7	4.0	3.4	2.2	3.0

<sup>1</sup> Forecasts.

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

**Table 2.2**  
**CONSUMER PRICES**

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

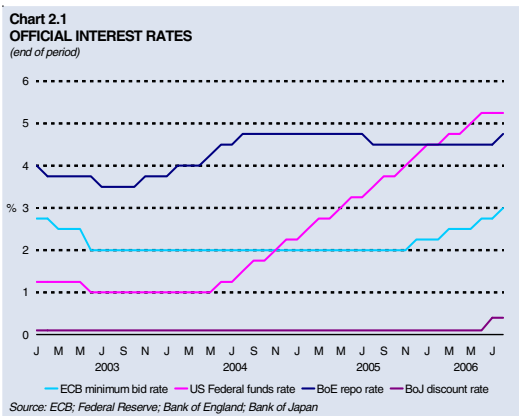
	2005			2006		
	Q2	Q3	Q4	Q1	Q2	Q3 <sup>1</sup>
United States	2.9	3.8	3.7	3.7	4.0	3.1
Euro area	2.1	2.3	2.3	2.3	2.5	2.1
United Kingdom	1.9	2.4	2.1	1.9	2.2	2.0
Japan	-0.1	-0.3	-0.5	-0.1	0.2	0.6

<sup>1</sup> Forecasts.

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

the three months ending in June, a rise of 0.2 percentage points over the preceding quarter. But the jobless rate eased further, averaging 7.9% as against 8.1% in the first quarter.

The ECB left the minimum bid rate on its main refinancing operations unchanged at 2.5% in April and May, but then addressed renewed concerns about inflation by increasing the rate by 25 basis points in June. The bid rate was raised by a further quarter of a percentage point to 3.0% in August.



In the United Kingdom, economic activity gained momentum, recording a 2.6% growth in GDP in the June quarter, from 2.4% in the first. Growth was boosted mostly by higher consumer spending. Gas and electricity prices contributed to higher inflation, which averaged 2.2% during the quarter, up from 1.9% in the first quarter. At the same time, the unemployment rate increased to 5.5% from 5.2% in the three months to March.

The Bank of England kept the repo rate unchanged at 4.50% throughout the second quarter and into the third. However, firm growth together with expectations that inflation would remain above the 2.0% target prompted the Bank to raise the interest rate by 25 basis points to 4.75% in August.

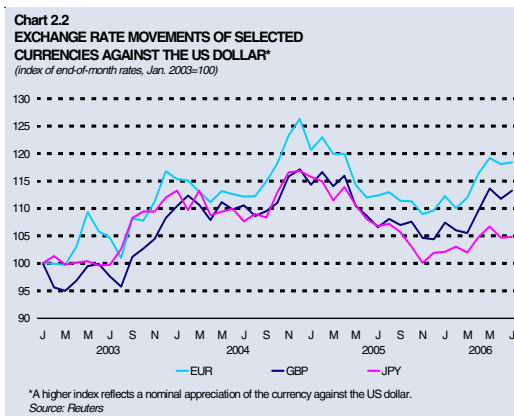
In the second quarter of 2006, Japanese economic expansion moderated, with real GDP growth slowing to 2.2% from 3.4%, reflecting primarily reduced investment and increased imports. Revised estimates for annual consumer price inflation show that the consumer price index averaged 0.2% in the second quarter. On the labour front, the unemployment rate fell by 0.1 percentage points to 4.1%.



During the quarter, the Bank of Japan kept its benchmark short-term interest rate, the uncollateralized overnight call rate, at an effective rate of zero. However, going into the third quarter, it decided to move away from the zero interest rate policy. In July, the Bank raised the target rate for benchmark overnight call loans to 0.25% and for the first time since 2001 it also raised the official discount rate from 0.1% to 0.4%.

### Foreign exchange markets

The US dollar continued to depreciate against the other major currencies in April and May, mainly as a result of renewed market attention to the size of the US fiscal and current account deficits (see Chart 2.2 and Table 2.3). In June, however, the dollar regained some of its earlier losses. Over the quarter as a whole, the dollar declined by 5.5% vis-à-vis the euro, as the European unit appreciated on further improvement in the outlook



for the euro area. The US dollar also weakened by 5.9% versus the pound sterling over the quarter under review.

The US dollar's decline against the Japanese yen in March persisted through April and May, as the markets priced in a rise in Japanese interest rates.

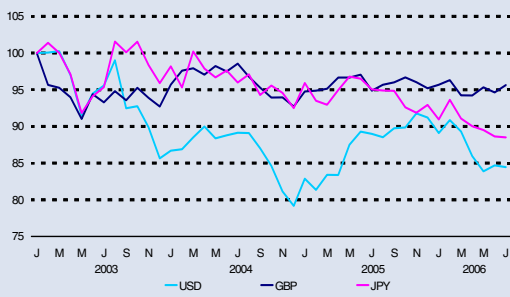
**Table 2.3**

### EXCHANGE RATES OF SELECTED CURRENCIES AGAINST THE US DOLLAR - SECOND QUARTER 2006

	USD/EUR	USD/GBP	JPY/USD
Average for April	1.2268	1.7664	117.07
Average for May	1.2773	1.8695	111.70
Average for June	1.2659	1.8446	114.58
Average for the quarter	1.2567	1.8268	114.45
Closing rate on 30.03.06	1.2087	1.7403	117.41
Closing rate on 30.06.06	1.2747	1.8433	114.37
Lowest exchange rate vs the US dollar during the quarter	1.2070 (03 Apr.)	1.7284 (03 Apr.)	118.77 (11 Apr.)
Highest exchange rate vs the US dollar during the quarter	1.2935 (05 June)	1.8969 (12 May)	109.27 (17 May)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from closing rate on 30.03.06 to closing rate on 30.06.06	5.5	5.9	2.6

Source: Reuters.

**Chart 2.3**  
EXCHANGE RATE MOVEMENTS OF SELECTED CURRENCIES AGAINST THE EURO\*  
(Index of end-of-month rates, Jan. 2003=100)



\*A higher index reflects a nominal appreciation of the currency against the euro.  
Source: Reuters

In June, though, the dollar recovered some of its previous losses. The US currency ended the quarter 2.6% down from end-March vis-a-vis the yen.

The euro generally depreciated against the pound sterling during the June quarter, as strong British data further dampened expectations of an interest rate cut (see Chart 2.3). While the euro depreciated by 0.4% versus sterling, it strengthened by 2.7% against the Japanese yen.

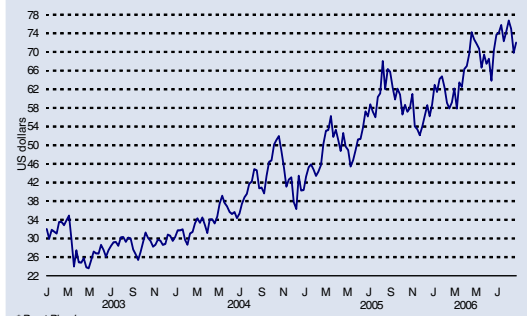
In July and August the US dollar continued to trade within a narrow range vis-à-vis the other major currencies, remaining generally unchanged from its level at the end of the second quarter. At the same time the euro depreciated against sterling but appreciated vis-à-vis the yen, against which it hit an all-time high of 150.64 yen per euro on 31 August.

**Commodities**

**Oil**

The price of Brent crude oil rose by 11.1% over the second quarter, peaking at USD74.28 per barrel at the beginning of May (see Chart 2.4), mainly as a result of supply-side concerns. Further deterioration in the geopolitical environment, in particular developments relating

**Chart 2.4**  
OIL (\$/BARREL)\*  
(end of week)



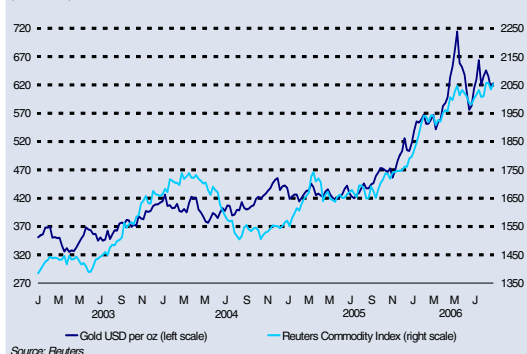
\* Brent Blend  
Source: Reuters

to Iran’s nuclear plans, added additional upward pressure on prices. Energy prices continued to follow an upward trend in July through the beginning of August, reaching a new all-time high of USD78.46 on 9 August. Prices then eased somewhat during the rest of the month.

**Gold**

The price of gold increased by 5.0% during the June quarter, ending at USD612.60 per ounce (see Chart 2.5). Gold prices hit the USD600 mark in April and reached USD700 in the beginning of the following month as geopolitical concerns intensified and the US dollar depreciated. Later during the quarter, the price of bullion receded

**Chart 2.5**  
COMMODITY PRICES  
(end of week)



Source: Reuters

from the previous peak. July and August turned out to be volatile months for gold, with prices hovering around USD600.

#### *Other commodities*

During the second quarter of the year, non-energy commodity prices as measured by the Reuters

Commodity Index rose by 2.6%, driven by strong demand for most commodities, in particular metals (see Chart 2.5).<sup>1</sup> Moreover, limited production growth and low inventory levels also contributed to raise prices. Going into the third quarter, prices of non-energy commodities advanced further, mainly as a result of a continuing increase in metals prices.

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

### 3. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank of Malta tightened its monetary policy stance during the second quarter of 2006, raising the central intervention rate by 25 basis points to 3.50% in May. Interest rates applied by the Bank in its open market operations were raised in line with the central intervention rate. As a result, money market rates rose during the quarter under review. In the capital market, 5-year and 15-year government bond yields increased during the quarter, while those on 10-year securities declined. At the same time, corporate bond yields were relatively stable, while equity prices fell.

The pace of monetary growth quickened during the second quarter as credit to the non-bank private sector expanded further. A sharp rise in the net foreign assets reflected an injection of foreign equity capital into the banking system and the privatisation of Maltacom plc, which had no direct impact on monetary growth.

#### The monetary base

The monetary base (M0) contracted by Lm10.7 million, or 1.6%, during the second quarter, after having risen during the previous two quarters. This fall reflected a drop in bank deposits with the Central Bank of Malta, which was only partly offset by a rise in currency in issue (see Table 3.1).<sup>1</sup>

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

	2006		<i>Lm millions</i>	
	Mar.	Jun.	Change Amount	%
Currency in issue	510.9	512.0	1.1	0.2
Bank deposits with the Central Bank of Malta <sup>1</sup>	151.0	139.2	-11.8	-7.8
<b>MONETARY BASE (M0)</b>	<b>661.9</b>	<b>651.2</b>	<b>-10.7</b>	<b>-1.6</b>
<b>CENTRAL BANK OF MALTA ASSETS</b>				
Foreign assets	911.6	976.1	64.6	7.1
Claims on central government	20.2	24.7	4.5	22.0
Fixed and other assets	15.9	16.2	0.3	2.1
<i>less</i>				
<b>REMAINING LIABILITIES</b>				
Government deposits	71.4	83.2	11.8	16.5
Other deposits	1.3	1.9	0.6	44.8
Foreign liabilities	39.8	39.9	0.1	0.2
Other liabilities	85.1	153.4	68.3	80.3
Shares and other equity	88.3	87.6	-0.6	-0.7

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

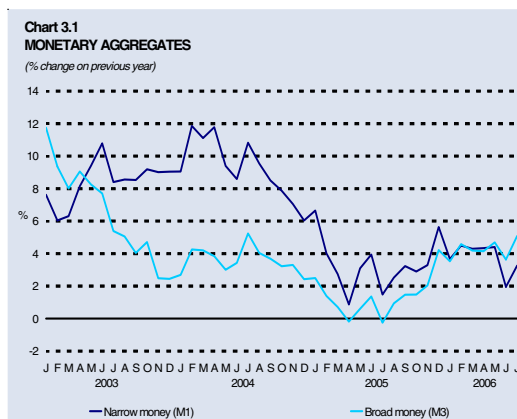
<sup>1</sup> The monetary base includes bank deposits with the Central Bank of Malta, except term deposits, and currency in issue, which comprises currency in circulation and holdings of national currency by the banks.

The absorption of liquidity from the banking system led to a significant rise in banks' term-deposit balances with the Bank, which are shown as part of 'other liabilities', and drove down the monetary base. An increase in government deposits with the Bank also contributed to the drop in M0. These two factors more than offset the positive impact of a rise in the Bank's foreign assets.

### Monetary aggregates

After having gained 0.2% in the first quarter, monetary growth accelerated in the second, when broad money (M3) expanded by Lm39.6 million, or 1.3% (see Table 3.2). Nevertheless, annual M3 growth slowed down to 3.6% in June from 4.2% three months earlier (see Chart 3.1).

Narrow money (M1) rose by Lm19.3 million, or 1.2%, during the second quarter, more than offsetting the previous quarter's drop. This rise was almost entirely attributable to growth in deposits withdrawable on demand, which expanded by 1.6%, mainly driven by an increase in private non-financial companies' Maltese lira



balances. Currency in circulation edged up slightly during the quarter. Nevertheless, the year-on-year growth rate of M1 declined from 4.3% in March to 2.0% in June (see Chart 3.1). This deceleration stemmed mainly from a slowdown in currency in circulation, which may be related to the increasing opportunity cost of holding cash in an environment of rising interest rates.

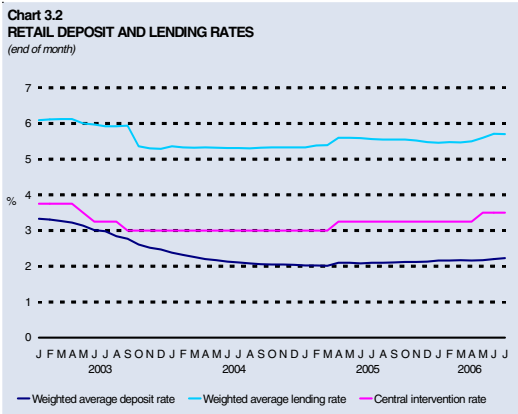
During the quarter reviewed, intermediate money (M2) expanded by Lm39.6 million, or 1.3%, as the

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

(Changes on the previous quarter)

	Lm millions											
	2005						2006					
	Q2		Q3		Q4		Q1		Q2			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>NARROW MONEY (M1)</b>	<b>55.5</b>	<b>3.5</b>	<b>6.6</b>	<b>0.4</b>	<b>22.3</b>	<b>1.4</b>	<b>-16.3</b>	<b>-1.0</b>	<b>19.3</b>	<b>1.2</b>		
Currency in circulation	10.8	2.2	1.8	0.4	1.7	0.3	-9.8	-2.0	0.8	0.2		
Deposits withdrawable on demand	44.7	4.1	4.9	0.4	20.6	1.8	-6.4	-0.5	18.6	1.6		
<b>INTERMEDIATE MONEY (M2)</b>	<b>54.1</b>	<b>1.8</b>	<b>24.7</b>	<b>0.8</b>	<b>37.5</b>	<b>1.2</b>	<b>6.3</b>	<b>0.2</b>	<b>39.6</b>	<b>1.3</b>		
Narrow money (M1)	55.5	3.5	6.6	0.4	22.3	1.4	-16.3	-1.0	19.3	1.2		
Deposits redeemable at notice up to 3 months	0.2	0.7	0.0	0.1	1.1	3.7	0.2	0.5	-0.6	-1.8		
Deposits with agreed maturity up to 2 years	-1.6	-0.1	18.0	1.4	14.2	1.1	22.4	1.7	20.8	1.5		
<b>BROAD MONEY (M3)<sup>1</sup></b>	<b>54.1</b>	<b>1.8</b>	<b>24.7</b>	<b>0.8</b>	<b>37.5</b>	<b>1.2</b>	<b>6.3</b>	<b>0.2</b>	<b>39.6</b>	<b>1.3</b>		

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



growth in M1 was coupled with a sizeable increase in deposits with an agreed maturity of up to two years (see Table 3.2). The latter put on Lm20.8 million, primarily because households added to their holdings of Maltese lira deposits, partly in response to more attractive deposit rates. Consequently, the annual growth rate of deposits with an agreed maturity of up to two years accelerated to 5.8% in June from 4.0% in March. At the same time, deposits redeemable at up to three months' notice declined marginally.

Banks reacted to the increase in official interest rates in May by adjusting their deposit and lending rates (see Chart 3.2). Although banks raised rates on new deposits, the weighted average interest rate on Maltese lira deposits rose only slightly, from 2.17% in March to 2.20% three months later. Average interest rates on time and demand deposits went up marginally to 3.03% and 0.59%, respectively, from 3.0% and 0.50% in March. At the same time, the average interest rate on savings deposits remained stable. In contrast, the weighted average lending rate increased considerably, rising by 24 basis points to 5.71% in June.

Going into the third quarter, M1 and M3 expanded at a faster pace, with their year-on-year growth rates reaching 3.3% and 5.1%, respectively, in

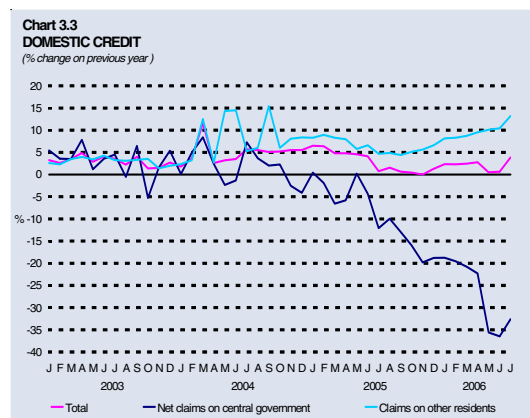
July. Whereas the weighted average deposit rate rose further to 2.23% during the month, the corresponding lending rate declined marginally to 5.70%.

### Counterparts of monetary expansion

Monetary expansion during the second quarter of 2006 was attributable to further growth in credit to the non-bank private sector. The sharp rise in the net foreign assets of the banking system mainly reflected the privatisation of the banking system mainly reflected the privatisation of Maltacom plc and an increase in the share capital of a foreign-owned bank. The former led to a drop in net claims on central government and, hence, in domestic credit, while the latter brought about an expansion in the other counterparts of M3. Neither factor had a direct effect on monetary aggregates.

Domestic credit contracted by Lm41.6 million, or 1.5%, during the second quarter of 2006, as a sizeable drop in net claims on central government was only partly offset by higher claims on other residents (see Table 3.3). As a result, annual credit growth slowed down from 2.5% at the end of the first quarter to 0.6% in June, as net claims on central government fell sharply on a year-on-year basis (see Chart 3.3).

During the quarter under review, net claims on central government decreased by Lm92.2 million,



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

	<i>Lm millions</i>									
	Q2		2005		Q4		Q1		2006	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>BROAD MONEY (M3)</b>	<b>54.1</b>	<b>1.8</b>	<b>24.7</b>	<b>0.8</b>	<b>37.5</b>	<b>1.2</b>	<b>6.3</b>	<b>0.2</b>	<b>39.6</b>	<b>1.3</b>
<b>DOMESTIC CREDIT</b>	<b>7.8</b>	<b>0.3</b>	<b>-56.4</b>	<b>-2.1</b>	<b>16.9</b>	<b>0.6</b>	<b>97.9</b>	<b>3.7</b>	<b>-41.6</b>	<b>-1.5</b>
Net claims on central government	-5.6	-1.0	-60.0	-10.7	-57.3	-11.5	5.4	1.2	-92.2	-20.6
Claims on other residents	13.4	0.6	3.6	0.2	74.1	3.5	92.5	4.2	50.6	2.2
<b>NET FOREIGN ASSETS</b>	<b>46.9</b>	<b>3.0</b>	<b>125.7</b>	<b>7.8</b>	<b>64.8</b>	<b>3.7</b>	<b>-43.2</b>	<b>-2.4</b>	<b>222.4</b>	<b>12.6</b>
Central Bank of Malta	-7.1	-0.9	92.6	11.3	20.9	2.3	-60.8	-6.5	64.5	7.4
Banks	54.0	7.2	33.1	4.1	44.0	5.3	17.6	2.0	157.9	17.7
<i>less</i>										
<b>OTHER COUNTERPARTS OF M3<sup>1</sup></b>	<b>0.6</b>	<b>0.0</b>	<b>44.6</b>	<b>3.4</b>	<b>44.2</b>	<b>3.2</b>	<b>48.5</b>	<b>3.5</b>	<b>141.2</b>	<b>9.7</b>

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

or 20.6%, as the receipt of privatisation proceeds in May led to a drop in the banking sector's holdings of Treasury bills and an increase in Government deposits. As a result, the annual growth rate of net claims on central government persisted on its downward trend, dropping to -36.5% in June, from -20.8% three months earlier (see Chart 3.3).

In contrast, claims on other residents rose considerably during the quarter, adding Lm50.7 million, or 2.2% (see Table 3.4). Loans and advances, which account for almost 97% of total claims, put on Lm52.5 million, or 2.4%, driven by demand for credit from the non-bank private sector. Loans to the latter grew by Lm60.4 million, or 2.9%, fuelled primarily by lending to households, most of which was for house purchases. Credit to the construction sector and to the real estate, renting and business activities sector also expanded significantly. The reduction in claims on the non-bank public sector was

driven mostly by reclassifications following the Maltacom privatisation. Consequently, the annual growth rate of claims on other residents increased further, rising from 8.7% in March to 10.4% in June.

The net foreign assets of the banking system expanded considerably during the second quarter of 2006, rising by Lm222.4 million, or 12.6%, with the Central Bank of Malta accounting for almost one-third of this rise (see Table 3.3). As a result, their annual growth rate almost doubled, rising to 22.8% in June from 12.4% three months earlier.

The net foreign assets of the Central Bank of Malta rose by Lm64.5 million, or 7.4%, during the quarter, reversing the previous quarter's drop. The privatisation of Maltacom plc, referred to earlier, boosted the Bank's net holdings considerably in May. However, this was partly offset by the sale of foreign currency to the rest of the banking system during the quarter. The

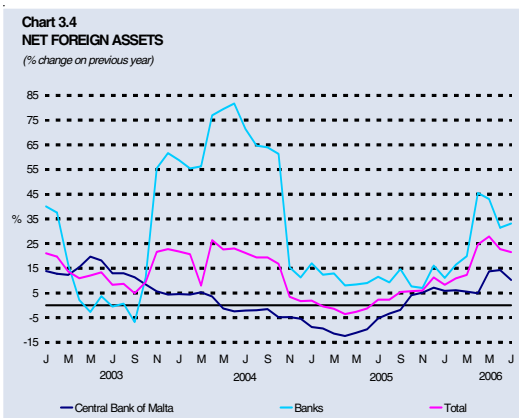
**Table 3.4**  
**CLAIMS ON OTHER RESIDENTS<sup>1</sup>**

	<i>Lm millions</i>			
	2006		Change	
	Mar.	Jun.	Amount	%
<b>TOTAL CLAIMS</b>	<b>2,286.5</b>	<b>2,337.2</b>	<b>50.7</b>	<b>2.2</b>
Claims on the non-bank private sector	2,119.2	2,180.5	61.3	2.9
<i>of which loans and advances</i>	2,072.1	2,132.5	60.4	2.9
Claims on the non-bank public sector	166.6	156.0	-10.6	-6.4
<i>of which loans and advances</i>	138.0	130.0	-8.0	-5.8
Claims on other general government <sup>2</sup>	0.7	0.7	0.0	0.0
<i>of which loans and advances</i>	0.7	0.7	0.0	0.0
<b>TOTAL LOANS AND ADVANCES</b>	<b>2,210.7</b>	<b>2,263.2</b>	<b>52.5</b>	<b>2.4</b>
Electricity, gas & water supply	76.1	76.0	-0.1	-0.1
Transport, storage & communication	129.5	128.8	-0.7	-0.6
Agriculture & fishing	8.7	9.4	0.6	7.2
Manufacturing	110.0	111.3	1.4	1.2
Construction	229.8	243.9	14.1	6.1
Hotels & restaurants	208.7	205.8	-3.0	-1.4
Wholesale & retail trade; repairs	300.6	299.5	-1.2	-0.4
Real estate, renting & business activities	211.3	217.7	6.5	3.1
Households & individuals	861.7	895.5	33.7	3.9
Other <sup>3</sup>	74.3	75.5	1.2	1.6

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

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

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



annual rate of growth of the Bank's net foreign assets accelerated sharply to 14.3% in June, from 5.5% in March (see Chart 3.4).

During the period under review, the net foreign assets of the rest of the banking system grew considerably, rising by Lm157.9 million, or 17.7%. As a result, over the year to June, these expanded by 31.6%, up from 19.9% in the year to March. International banks' net holdings surged by Lm181.1 million, or 50.3%, reflecting an increase in one bank's equity capital. The impact of the latter factor was, however, dampened by a drop in



foreign assets stemming from price movements. At the same time, despite purchases of foreign exchange from the Central Bank of Malta, the deposit money banks' net holdings dipped by Lm24.1 million, or 4.5%, reflecting strong customer demand for foreign exchange.

The other counterparts of M3 expanded by Lm141.2 million, or 9.7%, during the second quarter of 2006 (see Table 3.3). This was mainly attributable to the large inflow of share capital mentioned above, which was partly offset by a reduction in revaluation reserves and, to a lesser extent, by a contraction in deposits excluded from M3.

Going into the third quarter, the annual rate of growth of domestic credit accelerated further, rising to 3.9% in July. In contrast, the annual growth rate of the net foreign assets of the banking system edged down to 21.5%.

### The money market

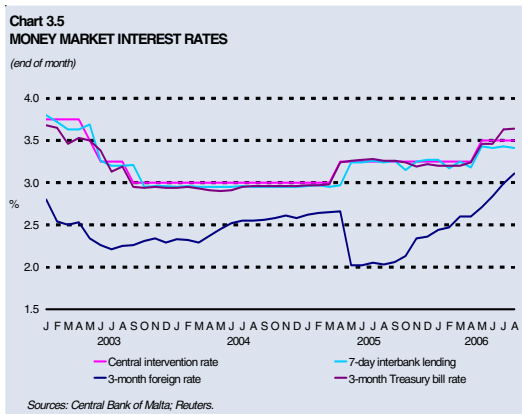
The Central Bank of Malta raised the central intervention rate by 25 basis points to 3.50% in May (see Chart 3.5). As a result, domestic money market interest rates rose during the second quarter. However, money market rates abroad also increased, so that the premium on Maltese lira assets widened only slightly.

During the second quarter, the Bank continued to absorb surplus funds from the rest of the banking system through weekly auctions of 7-day term deposits. The volume of funds absorbed during this period declined slightly, with the average level of term deposits held per week falling to Lm91.7 million from Lm98.9 million in the previous quarter. Following the rise in the central intervention rate in May, the interest rate floor on these deposits was increased from 3.20% to 3.45%.

Turnover in the interbank market rose from Lm50.4 million in the first quarter to Lm61.5 million in the second, as more banks relied on interbank loans for their short-term financing needs. More than three-fourths of interbank loans had a term to maturity of one week or less. The interest rate on one-week loans rose by 16 basis points during the quarter, reaching 3.41% in June.

The Treasury issued Lm67.1 million worth of bills in the primary market during the second quarter of 2006, considerably less than the Lm121.9 million issued in the previous quarter. Consequently, the amount of bills outstanding declined by Lm57.7 million to Lm121.3 million at end-June. Treasury bills were issued with maturities ranging from one month to one year. The three-month bill accounted for more than two-thirds of the total amount issued, with the rest consisting mainly of one-year and six-month bills. Banks and insurance companies were the main participants in the primary market, purchasing almost four-fifths of total issues, while collective investment schemes took up most of the remainder. During the second quarter, the yield on the three-month bill increased by 0.25 percentage points to 3.45%, following the rise in official interest rates in May.

In the secondary Treasury bill market turnover almost doubled, rising from Lm23.3 million in the first quarter to Lm45.8 million in the quarter under review. Transactions involving the Bank, which made purchases and sales amounting to Lm33.4 million and Lm12.4 million, respectively, accounted



for the entire rise. Interest rates on securities traded in the secondary market moved in line with those in the primary market. For instance, the yield on the three-month bill increased by 0.26 percentage points to 3.46% at end-June.

Following the increase in the central intervention rate, the three-month premium on the Maltese lira over the euro interest rate widened to 75 basis points, up from 60 basis points at end-March. Nonetheless, as the corresponding euro area rate extended its upward trend throughout the quarter, the premium narrowed to 62 basis points at end-June.<sup>2</sup>

Going into the third quarter of 2006 Treasury bill yields continued to rise, with primary and secondary market rates reaching 3.69% and 3.64%, respectively, by the end of August.

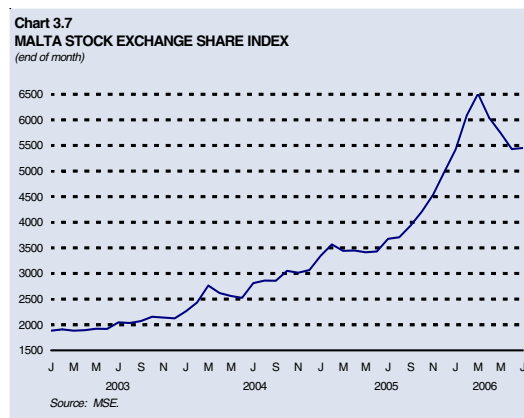
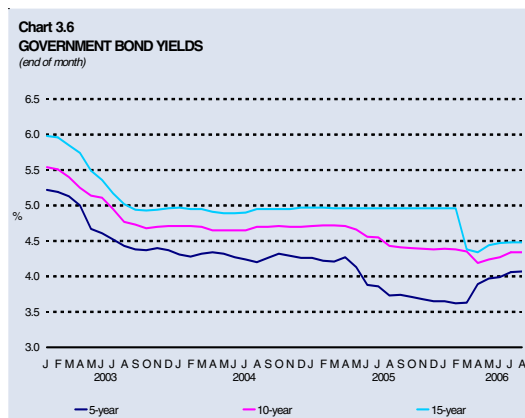
### The capital market

Issuance activity in the primary bond market during the June quarter of 2006 was driven by the corporate sector, as Lm7.3 million worth of euro denominated bonds were issued by a financial

services firm. These securities, carrying a coupon rate of 5.6%, are redeemable in 2016. Meanwhile, in June the Government authorised a stock issue of Lm1.5 million for the financing of church schools.

Turnover in the secondary market for government bonds amounted to Lm31.6 million during the quarter, almost five times the previous quarter's turnover. In its role as market maker, the Bank was a net buyer, trading Lm15.8 million worth of stocks. Turnover was concentrated in short- and medium-term securities, with long-term bonds contributing around one-fifth of the total. Yields on 5-year and 15-year bonds rose during the quarter, ending June at 3.99% and 4.47%, respectively, while those on 10-year securities dropped to 4.27%, from 4.35% in March (see Chart 3.6).

Activity in the secondary corporate bond market slowed down during the second quarter, with the value of transactions falling to Lm1.0 million from Lm1.2 million in the first quarter. Almost two-thirds of the total turnover involved just six bonds. In general, yields on corporate bonds



<sup>2</sup> The foreign interest rate shown in Chart 3.5 is computed as a basket-weighted average of the relevant interest rates on the euro, the pound sterling and the US dollar until April 2005. The secondary market rate on three-month euro area government securities is shown thereafter.

were stable, ending June at the previous quarter's level.

Trading in the equity market more than halved, dropping from Lm43.7 million in the first quarter to Lm25.7 million in the quarter under review. Bank shares accounted for more than four-fifths of total turnover. The prices of most equities declined

during the quarter, leading to a 16.6% drop in the MSE share index (see Chart 3.7).

Going into the third quarter of 2006, yields on 5-year, 10-year and 15-year government securities all moved upwards, reaching 4.07%, 4.34% and 4.48%, respectively, in August. The MSE share index increased by 0.5% in July.

## 4. OUTPUT, EMPLOYMENT AND PRICES

### Gross Domestic Product

Second-quarter real GDP rose by 2.2%, following the 3.1% growth reported in the March quarter (see Chart 4.1). A build-up in inventories and higher consumption expenditure outweighed reductions in both net exports and investment (see Table 4.1).<sup>1</sup>

Private consumption growth slowed to an annual rate of 1.9% from 2.7% in the previous quarter and 5.2% a year earlier. Reflecting continuing fiscal consolidation, government consumption growth decelerated to 2.4% from 3.5% in the previous quarter and 2.9% a year earlier.

Meanwhile, a sharp rise in inventories accounted



for 8.4 percentage points of the overall growth rate in the second quarter. This development was corroborated by industry surveys, which reported an accumulation of finished products during this period.

In contrast, investment expenditure dropped by

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

	Year-on-year growth (%)		Contribution to growth (percentage points)	
	Q2		Q2	
	2005	2006	2005	2006
Household & NPISH final consumption expenditure	5.2	1.9	3.4	1.3
Government final consumption expenditure	2.9	2.4	0.6	0.5
Gross fixed capital formation	9.9	-6.5	2.1	-1.5
Changes in inventories & net acquisitions of valuables	92.3	+	-1.9	8.4
<b>Domestic demand</b>	<b>4.0</b>	<b>8.1</b>	<b>4.2</b>	<b>8.8</b>
Exports of goods & services	-3.6	-3.0	-3.5	-2.7
Imports of goods & services	-0.7	3.8	-0.7	3.8
<b>Net exports</b>	-	-	<b>-2.8</b>	<b>-6.5</b>
<b>GROSS DOMESTIC PRODUCT</b>	<b>1.4</b>	<b>2.2</b>	<b>1.4</b>	<b>2.2</b>
GDP deflator	3.5	4.1	-	-
<b>GROSS DOMESTIC PRODUCT (MARKET PRICES)</b>	5.0	6.4	5.0	6.4
<b>GROSS NATIONAL INCOME (MARKET PRICES)</b>	8.7	9.2	-	-

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

Source: NSO.

<sup>1</sup> The statistical discrepancy is included in the measurement of inventories.

6.5%, as higher private sector construction activity was insufficient to fully offset a decline in outlays on public sector projects. Spending on machinery was unchanged from the year-ago level though lower than in the first quarter.

Net exports weakened further in the second quarter of 2006, contributing a negative 6.5 percentage points to overall GDP growth. Although exports contracted by 3.0% in real terms, they were 6.4% higher in nominal terms, reflecting a sharp increase in unit prices. On the other hand, imports grew by 3.8% in real terms as against a 0.7% decline in the corresponding quarter of 2005.

The GDP deflator rose by 4.1% on a year earlier, up from 3.9% in the previous quarter. At the same time, the terms of trade improved, as export prices rose by 9.6% year-on-year while import prices were up by 8.4%, boosted in part by higher oil prices.

### *Generation of income*

Based on the income approach, GDP rose by 6.4% in nominal terms, with gross value-added rising by 4.9% on a year-on-year basis.<sup>2</sup> As shown in Table 4.2, the two key components of value added, employee compensation and operating surplus, rose by 2.4% and 8.3%, respectively on a year earlier.<sup>3</sup>

**Table 4.2**  
**GENERATION OF INCOME<sup>1</sup>**

	2006 Q2		
	Gross value added	Compensation of employees	Operating surplus
Agriculture, hunting & forestry	0.1	-0.1	0.4
Fishing	0.0	0.0	-0.2
Mining & quarrying	0.0	0.0	-0.1
Manufacturing	-0.1	-0.3	-0.2
Electricity, gas & water supply	0.4	-0.1	1.6
Construction	0.3	0.2	0.6
Wholesale & retail trade	0.0	0.3	-1.0
Hotels & restaurants	-0.2	0.5	-1.7
Transport, storage & communication	0.4	0.1	0.4
Financial intermediation	1.4	0.4	3.5
Real estate, renting & business activities	0.4	0.4	0.3
Public administration	0.2	0.1	0.0
Education	0.2	0.3	0.0
Health & social work	0.3	0.3	0.1
Other community, social & personal services	1.5	0.2	4.5
<b>Total economy (% change on a year earlier)</b>	<b>4.9</b>	<b>2.4</b>	<b>8.3</b>

<sup>1</sup> Figures represent the contributions to growth in gross value added, compensation of employees and operating surplus.

Source: NSO.

<sup>2</sup> Nominal GDP consists of gross value added plus taxes on products and consumption of fixed capital.

<sup>3</sup> Together employee compensation and operating surplus contributed 3.9 percentage points to the overall growth in value added, with the rest attributable to consumption of fixed capital and taxes on production.

At the sectoral level, the largest increments in gross value added occurred in other community, social & personal services and in financial intermediation. Increases of 27.9% and 26.1%, respectively, in these two sectors added 2.9 percentage points to the overall figure. Other contributors included the real estate, renting & business activities sector and the transport sector, each adding 0.4 percentage points to growth in value added. By contrast, both manufacturing and the hotels & restaurants sectors recorded drops in value added, reflecting at least in part higher energy-related costs. Indeed, the gross value added of the electricity, gas & water supply sector rose in line with higher energy prices.

Employee compensation rose in all sectors of the economy except agriculture, manufacturing and the energy-related sectors. Employment income in the hotels & restaurants sector increased by 8.3% on a year earlier and accounted for 0.5 percentage points of the overall rise. Labour income also rose strongly in financial intermediation and in real estate, renting & business activities.

Business profits rose further during the quarter, particularly in financial intermediation and the “other services” sector, which together contributed 8 percentage points to the overall increase in operating surplus. Other significant contributions were recorded by the electricity, gas & water supply sector and to a lesser extent by the construction industry. In contrast, profitability contracted in both the hotels & restaurants and wholesale & retail trade sectors. These two sectors contributed a negative 2.7 percentage points to overall growth in operating surplus.

### ***Gross national income***

Gross national income rose by 9.2% year-on-year

to Lm523.5 million in nominal terms, reflecting higher net receipts of property income.

### **Manufacturing**

The manufacturing sector expanded for the second consecutive quarter, mainly on account of higher exports of electronics, pharmaceuticals and food.<sup>4</sup> Total manufacturing sales were 6.6% higher than in the same period of 2005. However, domestic sales declined for the second quarter in a row following several quarters of moderate and stable growth (see Table 4.3).

Exports grew by Lm18.5 million, or 10.1%, on a year-on-year basis. The radio, TV & communication equipment sub-sector reported an increase of Lm16.4 million, or 16.2%, in export sales. Similarly, there was an increase of Lm5.4 million, or 71.4%, in pharmaceutical exports, while foreign sales by the food sub-sector increased by Lm3.1 million, or 48.8%. In contrast, manufacturers of textiles, electrical machinery and footwear continued to report a reduction in their foreign sales.

Domestic sales, on the other hand, dropped by Lm2.7 million, or 4.7% from their year-ago level. The largest declines were in the sales of the beverages and the tobacco sub-sectors, which were down by Lm1.3 million and Lm1.0 million, respectively.

Across the manufacturing sector, additional investment totalled Lm14.5 million, up by Lm2.5 million, or 20.8%, from the year-ago level. The added investment took place almost exclusively in the electronics sub-sector.

Industry consolidation and restructuring were reflected in the total employment figure, which was 1,254 below the year-ago level. Lay-offs in the textiles, clothing and plastic & rubber sub-

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<sup>4</sup> The electronics sub-sector is included in the “radio, TV & communication equipment” category.

**Table 4.3**  
**SELECTED MANUFACTURING INDICATORS**  
*Changes from the same quarter of the previous year*

	2005			2006	
	Q2	Q3	Q4	Q1	Q2
<b>Turnover (Lm millions)</b>	<b>-6.7</b>	<b>-12.9</b>	<b>-0.1</b>	<b>19.7</b>	<b>15.9</b>
<b>Exports (Lm millions)</b>	<b>-7.8</b>	<b>-14.4</b>	<b>-1.5</b>	<b>20.3</b>	<b>18.5</b>
Radio, TV & communication equipment	-20.6	-27.4	-7.0	25.8	16.4
Pharmaceuticals	2.8	8.6	7.1	5.6	5.4
Food	0.2	2.8	0.6	-0.6	3.1
Textiles	2.2	2.3	1.3	-3.4	-2.9
Electrical machinery & apparatus	4.3	1.1	-3.2	-2.8	-1.6
Footwear	-0.3	-0.6	-0.9	-0.8	-0.5
Furniture	0.0	-0.3	-0.1	-0.2	-0.3
Other chemicals	0.7	0.1	0.2	-0.1	-0.2
Others	2.8	-1.1	0.6	-3.2	-0.8
<b>Local sales (Lm millions)</b>	<b>1.1</b>	<b>1.5</b>	<b>1.4</b>	<b>-0.7</b>	<b>-2.7</b>
Beverages	-0.6	-0.2	-0.4	-0.5	-1.3
Tobacco	-1.0	-1.1	-1.6	-1.5	-1.0
Machinery & equipment	0.3	0.3	0.5	-0.6	-0.6
Printing & publishing	0.5	0.6	0.3	0.4	-0.4
Clothing	-0.5	-0.6	-1.0	0.0	-0.3
Paper	0.0	-0.3	0.0	0.1	-0.2
Other non-metallic minerals	1.8	1.8	1.5	0.4	-0.2
Fabricated metal products	0.9	0.7	0.9	0.5	-0.1
Furniture	0.6	0.6	0.9	0.7	0.3
Food	-0.6	0.2	-0.7	0.0	0.3
Electrical machinery	0.0	0.0	0.2	0.0	0.2
Plastic & rubber products	0.1	0.1	0.3	-0.1	0.1
Medical & precision equipment	0.3	-0.4	0.0	-0.3	0.1
Pharmaceuticals	-0.2	-0.1	0.0	0.0	0.0
Others	-0.4	-0.1	0.5	0.3	0.2
<b>Investment (Lm millions)</b>	<b>0.1</b>	<b>1.1</b>	<b>1.9</b>	<b>4.8</b>	<b>2.5</b>
Radio, TV & communication equipment	0.4	0.1	4.1	5.9	5.9
Textiles	-0.3	0.3	-0.4	0.9	0.1
Pharmaceuticals	0.3	0.0	-0.6	0.0	-0.9
Printing & publishing	0.8	0.2	-0.5	-0.5	-0.8
Games & toys	0.4	0.3	-0.5	-0.1	-0.8
Food	-0.4	-0.3	-0.2	-0.3	-0.4
Fabricated metal products	0.4	0.5	-0.3	-0.1	-0.3
Electrical machinery & apparatus	-0.5	-0.4	-0.1	-0.7	-0.2
Others	-1.1	0.5	0.4	-0.3	-0.1
<b>Employment</b>	<b>-407</b>	<b>-405</b>	<b>-688</b>	<b>-1347</b>	<b>-1254</b>
Textiles	93	14	-338	-625	-655
Clothing	-313	-128	-161	-346	-237
Plastic & rubber products	6	-157	-223	-252	-170
Footwear	-87	-101	-104	-87	-153
Machinery & equipment	33	19	21	-94	-103
Fabricated metal products	20	46	45	-30	-60
Beverages	-42	-22	-27	-59	-52
Tobacco	2	-1	2	-44	-44
Radio, TV & communication equipment	-37	-131	-47	121	235
Food	-95	-10	83	87	46
Pharmaceuticals	95	102	86	110	38
Others	-82	-36	-25	-128	-99
<b>Wages per employee (%)</b>	<b>2.4</b>	<b>1.2</b>	<b>1.1</b>	<b>5.7</b>	<b>5.9</b>

Source: NSO.

sectors accounted for 1,062 of the employment reduction. On the other hand, firms in the electronics, food and pharmaceutical sub-sectors expanded their workforce. Across manufacturing, average wages were 5.9% higher, suggesting higher productivity as a result of the ongoing streamlining of operations in many sub-sectors.

## Tourism

In the second quarter of 2006, the tourist sector reported mixed results. The number of incoming tourists fell by 1.8%, even as the total number of nights stayed and tourist expenditure increased. While the holiday-making segment, which constitutes about four-fifths of the total, dropped by 3.7%, business tourism was stable.

The number of visitors from most core markets declined, with the exception of the Italian market, where numbers rose by 43.4%. While the largest drop in absolute terms occurred in the number of tourists from the UK, down by 5.8%, visitors from France and Germany declined by 8.6% and 6.9%, respectively.

Despite the reduced tourist numbers, nights stayed increased by 0.2% from their year-ago level. The number of nights spent in five and four-star hotels rose by 7.6% and 5.4%, respectively, while the three-star category reported a drop of 15.3%.

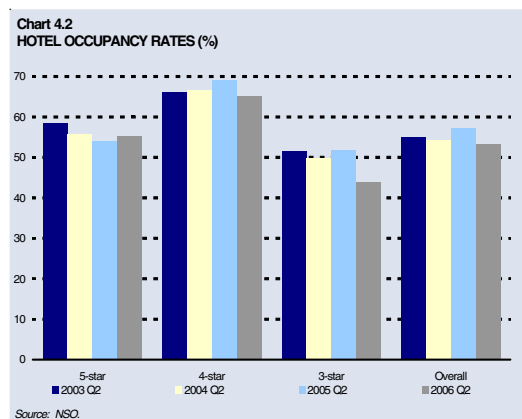
Overall, the average length of stay also rose, to 8.9 nights from 8.8 nights in the second quarter of the previous year. All types of accommodation establishments experienced a longer average stay. Nevertheless the NSO's accommodation survey shows that overall occupancy rates dropped by 4 percentage points to 53.2% during the second quarter, in part reflecting the expansion in bed stock over the year (see Chart 4.2). Three-star hotels experienced the largest drop, while the

decline in the four-star hotels was smaller. On the other hand, occupancy in five-star hotels increased, in spite of a one-fifth rise in the number of bed-places in that category, while occupancy in the lower end of the market declined.<sup>5</sup>

During the second quarter, tourist expenditure increased by 1.1% over its year-ago level. Spending on package holidays rose by 5.9%, while that on non-package holidays dropped by 11.1%, with the decline occurring in both accommodation and airfares (see Table 4.4).

Industry surveys confirmed the decline in the occupancy rate, this being the combined effect of reduced tourist arrivals and increased bed stock. However, average achieved room rates continued to rise in all hotel categories, although the increase in the average rate achieved by five-star hotels slowed from 12.3% in the first quarter to 2.3% in the second quarter. This was in line with the reduced volume of conference and incentive travel.<sup>6</sup>

Meanwhile, cruise liner activity continued along the strong growth trend experienced earlier in the year. In fact, the number of cruise passengers in the second quarter of 2006 grew by 23.6% over its year-ago level.



<sup>5</sup> This includes guesthouses, holiday complexes and hostels.

<sup>6</sup> *Malta Hotels and Restaurants Hotel Survey*, September 2006.



**Table 4.4**  
**TOURISM ACTIVITY**

	Year-on-year growth (%)				
	2005			2006	
	Q2	Q3	Q4	Q1	Q2
<b>Departures by air</b>	<b>1.6</b>	<b>3.3</b>	<b>0.9</b>	<b>-3.5</b>	<b>-1.8</b>
UK	2.5	15.9	2.1	-1.9	-5.8
Germany	16.8	-4.8	0.8	0.8	-6.9
France	-2.8	-8.0	3.0	8.5	-8.6
Italy	-10.2	2.5	-5.3	-12.2	43.4
Other	-1.0	-4.3	0.1	-7.3	-0.4
<b>Expenditure</b>	<b>0.6</b>	<b>-4.1</b>	<b>2.2</b>	<b>-5.9</b>	<b>1.1</b>
Package	-5.3	-10.2	-11.4	-15.0	5.9
Non-package: airfares	19.0	17.5	32.4	1.2	-8.0
Non-package: accommodation	40.5	18.9	42.7	19.8	-15.6
Other	-2.5	-3.9	4.8	-0.2	1.4
<b>Cruise passengers</b>	<b>20.9</b>	<b>-6.2</b>	<b>7.0</b>	<b>24.4</b>	<b>23.6</b>

Source: NSO.

For July, the NSO reported a 3.7% decrease in tourist numbers from the year-ago level. On the other hand, the number of nights spent rose by 6.9% while tourist expenditure grew by 4.0%.

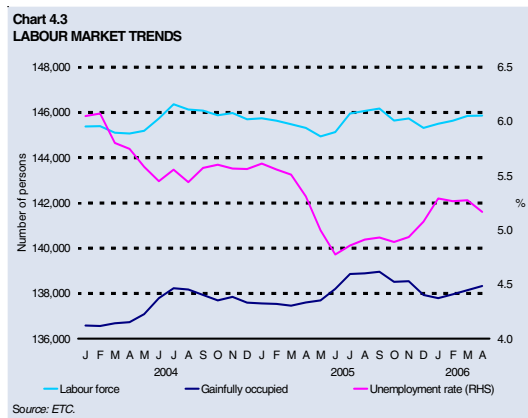
### Labour market<sup>7</sup>

The LFS data pointed to growth in the employed population and an increase in the labour force in the second quarter of 2006. Concurrently, the unemployment rate dipped to 7.7%, down by 0.2 percentage points from the year-ago level. However, the female unemployment rate went up by 0.9 percentage points to 10.3% (see Table 4.5).

Private sector employment, which increased by 2.3%, accounted for the entire growth in employment. In contrast, public sector employment declined by 2.2%. Part-time jobs were the main source of growth, as full-time jobs rose only marginally, by 0.1%.

Both the employment rate and the activity rate were stable compared to the previous quarter, though lower than the year-ago level.<sup>8</sup> With regard to wage developments, the average gross annual salary rose by 2.1%.

Meanwhile, labour market information for April



<sup>7</sup> The cut-off date for LFS data is 12 October 2006.

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

**Table 4.5**  
**LABOUR MARKET INDICATORS BASED ON THE LFS**

	2005	2006	
	Q2	Q1	Q2
<b>Labour force</b>	<b>163,572</b>	<b>163,755</b>	<b>164,679</b>
Unemployed	12,841	12,737	12,726
Employed	150,731	151,018	151,953
<i>By type of employment:</i>			
Full-time	136,791	136,034	136,864
Full-time with reduced hours	1,380	1,806	1,724
Part-time	12,560	13,178	13,365
<i>By economic sector:</i>			
Private	101,363	102,948	103,652
Public	49,368	48,070	48,301
<b>Activity rate (%)</b>	<b>59.2</b>	<b>58.9</b>	<b>58.9</b>
Male	79.9	80.6	79.1
Female	38.5	36.8	38.5
<b>Employment rate (%)</b>	<b>54.5</b>	<b>54.3</b>	<b>54.3</b>
Male	74.2	74.9	73.9
Female	34.8	33.3	34.5
<b>Unemployment rate (%)</b>	<b>7.9</b>	<b>7.8</b>	<b>7.7</b>
Male	7.1	7.0	6.5
Female	9.4	9.5	10.3
<b>Average annual gross salary (Lm)</b>	<b>5,251</b>	<b>5,294</b>	<b>5,360</b>

Source: NSO.

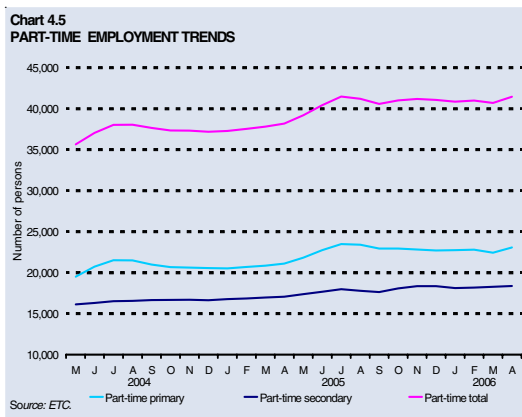
2006 based on the ETC's administrative records showed a further rise in the labour force and in the number of the gainfully occupied. The labour force increased by 0.4% on a year earlier, while the gainfully occupied population went up by 0.5% (see Chart 4.3). Thus, the unemployment rate fell to 5.2%, 0.1 percentage points below the rate a year earlier. The number of persons on the unemployment register decreased from 7,693 in March to 7,537 in April, before declining further to 7,061 in June (see Chart 4.4), 131 higher than that in June 2005.<sup>9</sup>

Public and private sector employment maintained their recent trends. While public sector employment contracted by 1.7%, private sector

employment increased by 2.0%. Within the private sector, private direct production and



<sup>9</sup> In line with the seasonal pattern, the number of unemployed subsequently increased to 7,080 in July 2006.



market services diverged, as employment in the former declined by 1.8% while employment in the latter expanded by 4.2% (see Table 4.6).

**Table 4.6**

**LABOUR MARKET INDICATORS BASED ON ETC DATA<sup>1</sup>**

	2005			2006	
	Apr.	June	Dec.	Mar.	Apr.
<b>Labour supply</b>	<b>145,319</b>	<b>145,130</b>	<b>145,316</b>	<b>145,842</b>	<b>145,862</b>
Gainfully occupied	137,603	138,200	137,937	138,149	138,325
Registered unemployed	7,716	6,930	7,379	7,693	7,537
<b>Unemployment rate (%)</b>	<b>5.3</b>	<b>4.8</b>	<b>5.1</b>	<b>5.3</b>	<b>5.2</b>
<b>Private sector</b>	<b>91,255</b>	<b>92,047</b>	<b>92,405</b>	<b>92,882</b>	<b>93,125</b>
Direct production	32,860	33,075	32,253	32,327	32,282
Market services	58,395	58,972	60,152	60,555	60,843
<b>Public sector</b>	<b>45,455</b>	<b>45,286</b>	<b>44,964</b>	<b>44,726</b>	<b>44,665</b>
<b>Temporary employed</b>	<b>893</b>	<b>867</b>	<b>568</b>	<b>541</b>	<b>535</b>
<b>Part-time jobs</b>	<b>38,187</b>	<b>40,425</b>	<b>41,076</b>	<b>40,702</b>	<b>41,468</b>
Primary	21,112	22,744	22,711	22,424	23,079
Secondary <sup>2</sup>	17,075	17,681	18,365	18,278	18,389

<sup>1</sup> Figures for May and June 2006 were not available at time of writing.

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

Source: NSO.

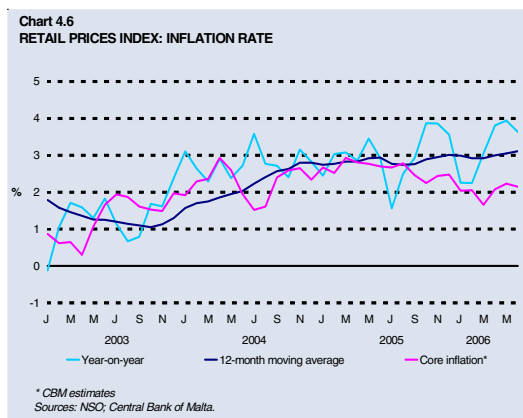
Employment growth was mainly observed in the 'other business activities' category.<sup>10</sup>

The expansion in part-time employment continued, with the annual rate of growth increasing to 8.6% in April from 7.6% in March. The number of those whose primary activity consisted of a part-time job expanded by 9.3% on a year earlier, while those with part-time employment as a secondary occupation increased by 7.7% (see Chart 4.5).

**Consumer prices**

**Retail Prices Index**

The year-on-year rate of change in the Retail Prices Index (RPI) rose from 3.1% at the end of



March to 3.6% at the end of June. Similarly, the twelve-month moving average RPI inflation rate rose to 3.1% in June from 2.9% three months earlier (see Chart 4.6).

The acceleration in the year-on-year inflation rate during the second quarter mainly reflected higher

fuel prices and manifested itself in the transport & communications sub-index. During the June quarter, this sub-index was up by 6.0% on a year earlier and consequently accounted for around a third of the overall inflation rate. In particular, this reflected the large increase in the price of lead replacement petrol (LRP), which carries the largest weight among the various fuel items. By contrast, the annual increase in the water, electricity, gas & fuels sub-index, though still considerable, eased to 34.8% in June from 36.8% in March, mainly on account of the reduction in the water and electricity surcharge in June (see Table 4.7).

Meanwhile, the food sub-index reported an annual increase of only 0.9% during the second quarter, compared to 1.7% in the first. Reduced prices of fruit and vegetables were mainly responsible.

Subsequently the year-on-year inflation rate increased to 4.0% in July, reflecting higher prices

**Table 4.7**

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

	Weights	Year-on-year change (%)		Contribution to inflation <sup>1</sup>	
		2005 June	2006 Mar.	2006 June	2006 June
Food	23.8	3.5	1.7	0.9	0.2
Beverages & tobacco	6.1	2.3	2.3	2.6	0.2
Clothing & footwear	8.2	-0.8	0.9	0.8	0.1
Housing	7.6	4.8	3.3	4.7	0.4
Water, electricity, gas & fuels	2.3	18.4	36.8	34.8	0.9
Household equipment & house maintenance costs	7.7	2.7	1.9	1.8	0.1
Transport & communications	23.1	2.4	3.6	6.0	1.4
Personal care & health	6.2	3.8	2.8	3.1	0.2
Recreation & culture	8.8	1.1	-0.7	0.1	0.0
Other goods & services	6.2	2.3	2.4	2.8	0.2
<b>RPI</b>	<b>100.0</b>	<b>2.9</b>	<b>3.1</b>	<b>3.6</b>	<b>3.6</b>

<sup>1</sup> This represents the contribution in percentage points to the year-on-year inflation rate in June 2006.

Source: NSO.

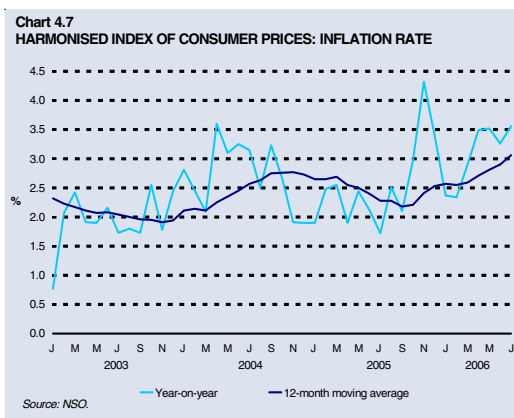
of food and of clothing & footwear products.

### Core Inflation

The Central Bank of Malta's core inflation measure, which tracks persistence in retail price inflation, rose to 2.2% in June from 1.7% three months earlier, reflecting faster price increases in the housing and the recreation & culture sub-indices.<sup>11</sup>

### Harmonised Index of Consumer Prices

In parallel with developments in the RPI, the 3.3% year-on-year increase in HICP inflation during the June quarter was above the 2.9% recorded three months earlier (see Chart 4.7). Similarly, the twelve-month moving average rate of HICP inflation stood at 2.9% in June compared to 2.6% in March. As with the RPI, the pick-up in annual HICP inflation rate mainly mirrored costlier fuel



products, which pushed the annual rate of change in the transport sub-index up to 7.6%, contributing 1.1 percentage points to the overall June rate.

Meanwhile, the contribution of the housing, water,

**Table 4.8**

### INFLATION RATES OF COMMODITY SECTIONS IN THE HICP

	Weights	Year-on-year change (%)		Contribution to inflation <sup>1</sup>	
				2006	
		June	Mar.	June	June
Food & non-alcoholic beverages	17.4	3.8	1.6	1.0	0.2
Alcoholic beverages & tobacco	4.7	1.7	0.8	0.7	0.0
Clothing & footwear	7.0	-0.8	0.8	0.9	0.1
Housing, water, electricity, gas & fuels	7.3	8.0	11.9	12.6	0.9
Furniture, household equipment & Health	9.3	2.7	2.4	2.3	0.2
Transport	2.8	6.1	3.4	4.2	0.1
Communications	14.4	2.9	4.4	7.6	1.1
Recreation & culture	2.4	3.7	0.0	0.1	0.0
Education	10.3	1.7	-0.2	0.6	0.1
Restaurants & hotels	1.0	2.0	2.0	2.7	0.0
Miscellaneous goods & services	18.2	-1.7	2.7	1.9	0.4
<b>HICP</b>	<b>5.3</b>	<b>2.8</b>	<b>2.7</b>	<b>3.5</b>	<b>0.2</b>
	<b>100.0</b>	<b>2.1</b>	<b>2.9</b>	<b>3.3</b>	<b>3.3</b>

<sup>1</sup> This represents the contribution in percentage points to the year-on-year inflation rate in June 2006.

Source: NSO.

<sup>11</sup> In 2006 the components of the core inflation index are the housing, household equipment & house maintenance, personal care & health, recreation & culture and other goods & services sub-indices. These components manifested persistent price increases in recent years.

electricity, gas & fuels sub-index to the June HICP rate of inflation was unchanged from March. Costlier services for the maintenance and repair of dwellings more than made up for the reduction in the water and electricity surcharge (see Table 4.8).

The year-on-year increase in the restaurants & hotels sub-index, which tracks prices of a product range within the HICP not covered in the RPI, eased to 1.9% in June. Similarly, the annual increase of the food & non-alcoholic beverages sub-index was more moderate during the period under review. In contrast, the rate of inflation of recreational & cultural items was above the year-ago rate.

Subsequently, the year-on-year rate of change in the HICP rose to 3.6% in July, as higher fruit and vegetable prices pushed up the food & non-alcoholic beverages sub-index. But the rate moderated to 3.0% in August on account of more moderate increases in the food & non-alcoholic beverages and the transport sub-indices.

### Residential property prices

On the basis of advertised prices, house prices appeared to resume their upward trend in the June quarter. Prices were estimated to have risen at an annual rate of 7.8%, compared with 4.1% in the previous quarter and 6.3% in the same period of 2005 (see Chart 4.8).

This acceleration reflected increases in asking prices of finished flats, terraced houses and town houses. These rose by an estimated 11.8%, 6.2% and 3.5%, respectively, compared with the same period of 2005. Prices of these property types had fallen or remained stable in the previous quarter. By contrast, advertised prices of maisonettes in shell form contracted for the second consecutive quarter, declining by 4.9%



year-on-year. Similarly, prices of flats in shell form, finished maisonettes, houses of character and villas grew at a slower pace than in the previous quarter.

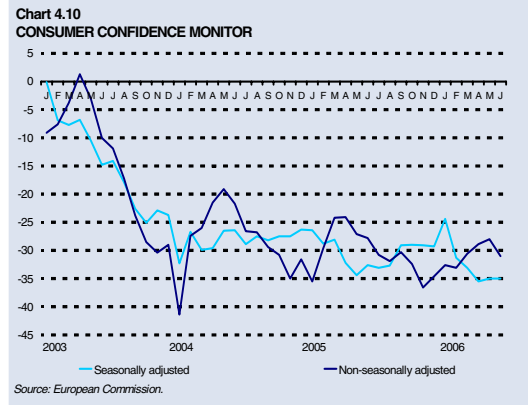
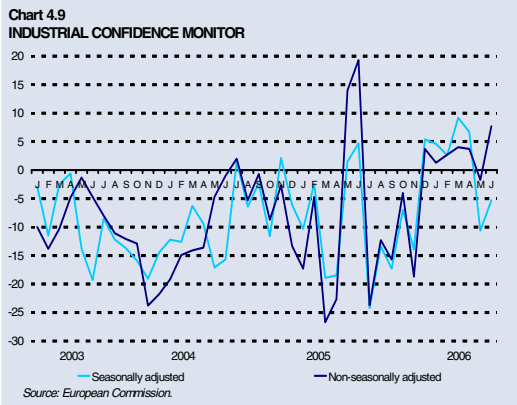
### Industrial confidence indicator

Seasonally unadjusted business survey data for Malta compiled by the European Commission showed that during the second quarter of 2006 confidence in the manufacturing sector improved by 4 points from the March quarter, peaking at its highest level since June 2005 (see Chart 4.9).<sup>12</sup> A breakdown by industrial grouping shows improved confidence across all sub-sectors except the consumer durable goods sub-sector.<sup>13</sup> The improvement was mainly due to a more positive assessment of current overall order books, as more firms reported above-normal orders. Similarly, production expectations were more positive during June. In contrast, more firms reported above-normal stock levels, depressing the overall indicator.

Seasonally adjusted, the industrial confidence indicator stood at -5 in June, down from a level of 9 in the previous quarter.

<sup>12</sup> The industrial confidence indicator is based on replies concerning expected production, order books and current stocks of finished products.

<sup>13</sup> The confidence indicators for the main industrial groupings are seasonally unadjusted. The main industrial groupings include the investment, the consumer and the intermediate-product sub-sectors.



### Consumer confidence monitor<sup>14</sup>

The consumer confidence monitor provides an overview of current consumer sentiment and consumers' future outlook. Seasonally unadjusted data showed that consumer confidence, although negative, improved through May 2006. In June sentiment dipped back to the March level of -31, below the year-ago level of -28 (see Chart 4.10).

While in June the index returned to its March level, the outlook for savings and the respondents' own financial situation improved. In contrast, respondents' perceptions concerning future unemployment and their outlook over the general economic situation worsened.

The seasonally adjusted index fell to a low of -36 in April 2006 before improving by one point over the following two months.

<sup>14</sup> The consumer confidence monitor is derived from answers to four questions relating to the financial situation of households and their saving, the general economic situation and unemployment expectations for the following twelve months.

## Box 1: BUSINESS PERCEPTIONS SURVEY

The Bank's *Business Perceptions Survey*, carried out during the third quarter of 2006, revealed improved optimism, with the majority of respondents indicating a pick-up in order books and activity levels. At the same time, firms' expectations about the general economic situation also improved.

At the sectoral level, however, survey results revealed mixed expectations. Export-oriented firms anticipated reduced profitability despite higher projected sales and prices, whereas locally-oriented firms expected increased activity, in terms of both sales and profitability (see Chart 1). Furthermore, the majority of participants anticipated unchanged employment levels, while respondents were almost equally split in their expectations of stable or rising inflation. With regard to investment, respondents generally projected increased spending on land, buildings, machinery and equipment in the following twelve months, with the majority pointing to uncertain demand as the main factor limiting investment outlays.

### General economic situation

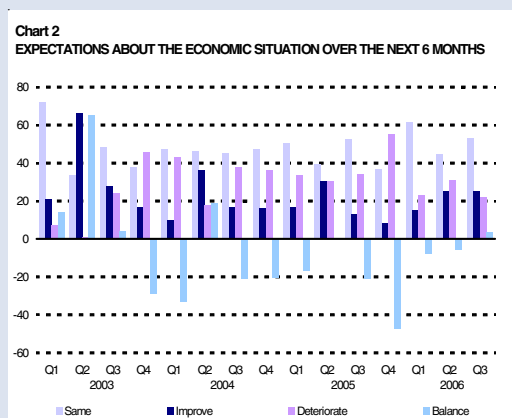
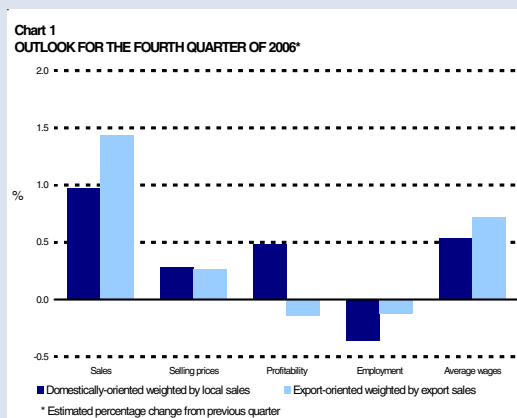
Survey results showed an improvement in expectations about the general economic

situation. The balance of replies turned positive to 4%, from -6% in the previous survey, while those foreseeing an unchanged situation increased to 53% from 44% (see Chart 2).

Sentiment improved in domestically-oriented manufacturing firms, with 23% of participants predicting improved economic conditions as against 16% in the previous survey. Participants anticipating deteriorating conditions declined to 5% from 12%, while the share of respondents expecting a stable economic scenario remained at 73%.

Among the sub-sectors, optimism in food & beverages firms offset the negative outlook of firms in the clothing & footwear sub-sector. In the chemicals sub-sector, almost all respondents expected a recovery. In paper & printing, the bulk of respondents anticipated a stable economic setting, while the majority of the remaining participants were optimistic. The majority of respondents in furniture and "other manufacturing" expected the economic situation to stay unchanged.

Confidence in the economy generally improved among export-oriented manufacturing firms. The





proportion of respondents anticipating an improvement was unchanged from the previous quarter, while those expecting a deterioration slipped to 14% from 20%. The share of those expecting unchanged conditions rose from 52% to 60%. The general improvement in outlook was due to positive expectations in the paper & printing sub-sector and in “other” manufacturing firms, while the majority of respondents in the chemicals sub-sector anticipated unchanged economic conditions. In the machinery & equipment sub-sector, positive replies exceeded negative replies by 7%, while more than a third of respondents expected unchanged conditions.

In the tourism-related sectors, 57% of respondents foresaw a stable economic situation while the rest anticipated an improvement, though those results may have been influenced by the approaching peak season.

In the distribution sector, the balance of replies revealed a pessimistic outlook, although the bulk anticipated stable economic conditions. In real estate & construction, 71% of respondents anticipated a pick-up in economic activity, whereas 23% of participants expected an unchanged economic outlook. Meanwhile, in other services, more than half of respondents expected an unchanged situation.

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

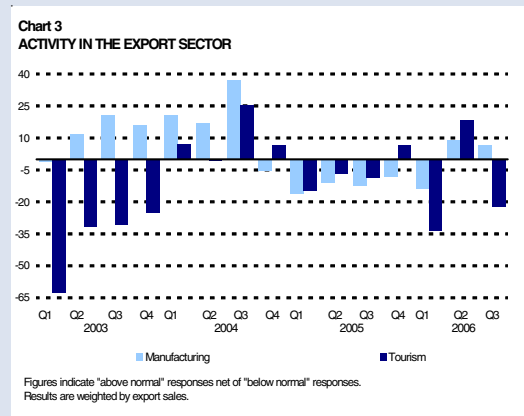
The survey suggests a minor improvement in order books and activity levels during the third quarter. The proportion of firms reporting above-normal activity rose by 2 percentage points to 30%, while the share of respondents recording below-normal activity levels was unchanged at 17%. On balance, activity levels/order books improved marginally.

### Export-oriented firms

Activity in export-oriented firms remained broadly stable during the third quarter. Whereas activity levels fell sharply in tourism and declined marginally in manufacturing, they rose significantly in “other services”.

In manufacturing, the proportion of firms recording above-normal levels of activity rose to 30% from 16% in the previous survey. At the same time, those reporting below-normal order books increased to 23% from 7%, with the rest indicating normal activity. As a result, in net terms activity levels were above normal (see Chart 3). Capacity utilisation rose to 88% from 84% six months earlier.

Within the manufacturing sector, activity levels increased in paper & printing businesses and in the “other” category. In contrast, activity in clothing & footwear and in chemicals turned below normal. In machinery & equipment, activity levels declined, but remained above-normal.



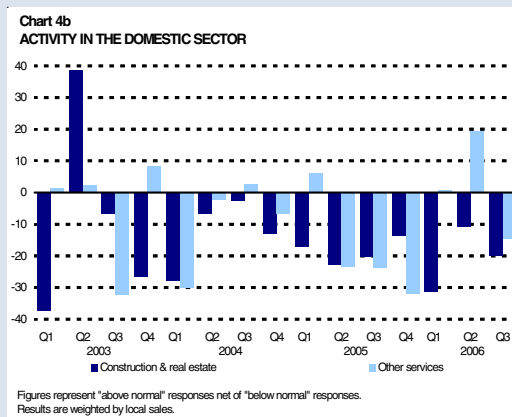
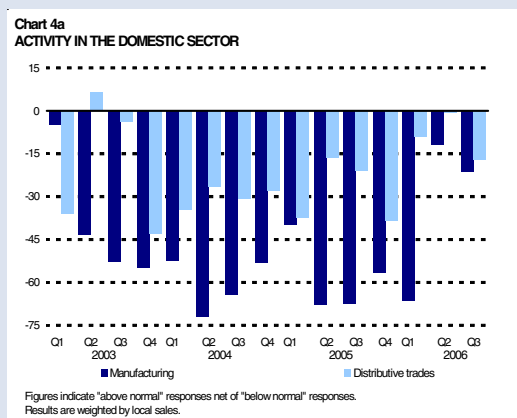
<sup>1</sup> In the overall assessment, replies regarding order books/activity levels are weighted by employment. In the sectoral analysis, however, replies given by firms in the export-oriented sectors and the domestically-oriented sectors are weighted by their shares in export sales and domestic sales,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

Meanwhile, in the tourism sector, the balance between respondents reporting above-normal and below-normal activity levels turned negative. In contrast, export-oriented firms in the “other services” category reported an upswing in activity levels.

### Domestically-oriented firms

On the domestic front, net order books/activity levels turned below normal as the share of respondents registering above-normal levels of activity declined by 6 percentage points to 10% while those recording below-normal levels rose to 26% from 13% in the previous survey.

Among manufacturers, activity levels declined further as the share of respondents recording above-normal levels of activity declined to 6% from 18%. The below-normal share fell from 30% to 28%. At the same time, 66% of respondents recorded normal levels of activity, up from 52% in the previous survey. Thus, in net terms, reported activity levels declined (see Chart 4a). This deterioration mainly reflected conditions in the food & beverages and clothing & footwear sub-sectors. At the same time, producers of chemicals and paper & printing products reported a recovery in activity. Capacity utilisation rose to 66% from 54% six months earlier.



In the distributive trades, activity levels declined, with the balance falling to -17% from -1% in the previous survey. Meanwhile, operators in construction & real estate reported further declines in activity, as the share of respondents reporting below normal activity rose to 20% from 16% in the previous survey, with the rest reporting normal levels (see Chart 4b).

In contrast to the previous survey, respondents in the “other services” sector recorded lower levels of activity, particularly in finance & insurance and in professional services. Activity in industrial services worsened further during the survey period.

### Business outlook for the fourth quarter of 2006

In line with an improvement in economic sentiment, respondents generally expected a pick-up in activity for the fourth quarter of 2006. Looking ahead, sales and selling prices were expected to rise while profitability was expected to remain stable (see Chart 1). Labour costs were also predicted to edge up, while employment levels were expected to contract.

In the export sector, manufacturers were projecting a higher turnover but lower selling prices and profitability. Though employment levels were expected to decline, average wages

were anticipated to increase further. Operators in the tourism industry were also positive about their fourth-quarter prospects, anticipating higher sales and prices. Profitability was also expected to improve marginally, even though average wages were predicted to rise slightly.

On the domestic front, manufacturing firms were relatively less optimistic, anticipating stable sales but weaker profitability. Similarly, respondents in construction & real estate expected sales and selling prices to remain

relatively unchanged and profitability to weaken. Employment levels and average wages within the sector were expected to rise, particularly in construction. Participants from the distributive trades foresaw higher sales and selling prices but marginal declines in profitability. Moreover, they were expecting higher average wages but falling employment levels. The “other services” sectors, in particular finance & insurance, were also expecting positive results in terms of increased sales, rising selling prices and improved profitability.

### **Methodological notes**

1. The results presented in this Box are derived from a survey carried out between July and August among 141 firms. Whenever it is possible the same firms are sampled in successive quarters.
2. The surveyed firms employed 17,582 workers (around 20% of all private sector workers) and had an aggregate third quarter turnover of Lm597.7 million, of which more than half was exported.
3. The sample was composed of 55 manufacturing firms, 16 tourism-related enterprises, 31 operators in the distributive trades, 14 construction and real estate concerns, and 24 services companies. Thus, the survey is more comprehensive in its coverage of the manufacturing sector relative to other areas of the economy.
4. Replies are weighted according to three different factors - the respondents' relative share of employment, local sales and export sales.
5. To ensure that the overall results do not simply reflect the replies of the largest business concerns, the weight given to any particular firm in terms of turnover is capped at Lm20 million.
6. The survey is somewhat biased towards medium-sized and large firms, with approximately half of all respondents employing more than 50 workers. Thus survey results may not be accurately indicative of the performance of smaller firms.
7. Participants are asked about their perceptions of the prospects for the Maltese economy over the next six months and the current state of their activity levels/order books. They are also asked to indicate the approximate percentage change in employment, profitability, sales, imports, finished stocks, average cost of labour, and selling prices registered during the previous quarter, and to make forecasts for the current one.
8. At six-monthly intervals, firms are asked about their short-term expectations for inflation and unemployment, and whether they consider the current period to be appropriate to initiate new developments. They are also asked to identify their present level of capacity utilisation/occupancy and whether they intend to invest during the following twelve months. In addition, participants indicate the two most important factors limiting investment and to what extent they think a change in the cost of finance would affect them.

## Box 2: REVISED OUTLOOK FOR 2006

In its *Annual Report* for 2005, the Central Bank of Malta published projections for GDP growth and other macroeconomic variables for 2006. The Bank's forecasts are periodically reviewed, taking into account new information, particularly revisions in the official data.

As Table 1 shows, the Bank's forecast for economic growth in 2006 has been revised slightly upwards, by 0.3 percentage points, to 2.0-2.6%. This reflects an upward correction in projected domestic demand, complemented by a higher estimate of inventory accumulation, and partly offset by a reduction in exports. Nevertheless, output is still anticipated to remain below the economy's medium-term supply capabilities, in the light of external pressures

associated with globalisation and the ongoing restructuring of industry. As can also be seen in Table 1, the Bank's previous forecasts for economic growth were based on an export-led recovery, underpinned by buoyant foreign demand.

The forecast for private consumption has been revised upwards by around 1.6 percentage points, bringing it closer to last year's growth. In part, buoyancy in consumption is supported by a low interest rate environment and stronger growth in consumer credit. Moreover, the increase in population, particularly through immigration, appears to be boosting consumption growth. The forecast for government consumption expenditure in 2006 has

**Table 1**  
**GDP FORECASTS FOR 2006**

*% changes*

	2005 Actual	2006 Forecast	2006 Revised Forecast
<b>GDP growth at constant market prices</b>	2.2	1.7 - 2.3	2.0 - 2.6
<b>Growth in GDP components at constant market prices</b>			
Private consumption expenditure (incl. NPISH)	2.8	0.3 - 0.9	1.9 - 2.5
Government consumption expenditure	0.6	(0.0) - (0.6)	0.7 - 1.3
Gross fixed capital formation	7.4	1.3 - 1.9	2.6 - 3.2
<b>Aggregate Domestic Demand</b>	3.2	0.4 - 0.8	1.8 - 2.4
Exports of goods and services	-6.2	1.9 - 2.5	(2.1) - (1.5)
Imports of goods and services	-1.8	0.3 - 0.9	2.0 - 2.6
Inventory changes and net acquisition of valuables (% of GDP)	0.2	1.9	4.0
Unemployment rate LFS (%)	7.3	7.2 - 7.5	7.2 - 7.5
Inflation rate RPI (%)	3.0	2.8 - 3.2	3.0 - 3.4
Fiscal deficit (% of GDP)	3.2	2.6 - 3.0	2.5 - 2.9
External goods and services deficit (% of GDP)	10.1	9.7 - 10.3	11.9 - 12.5

Note: Figures in brackets indicate negative values.

Sources: Central Bank of Malta estimates.

also been revised upwards, to 0.7-1.3%, following the recent publication of official data for the first half of the year that showed government recurrent expenditure growing at a faster pace than projected.

Growth in gross fixed capital formation has been revised upwards by around 1.3 percentage points to 2.6-3.2%. In part, this was due to the issue of revised official GDP data, which showed a 0.9% downward adjustment in gross fixed capital formation for 2005. This reduced the base used in the Bank's projection for 2006, hence necessitating an upward revision of the forecast for this component of GDP. Furthermore, growth in the first quarter of 2006 was also boosted by exceptional purchases of marine vessels, which were not anticipated at the time the Bank's initial forecast was made. Meanwhile, in the light of data for the first half of 2006, inventory levels are now projected at 4% of GDP, rather than 1.9% as previously projected.

In contrast to the upward revision of domestic demand components, projections for real exports have been revised downwards by 1.5-2.1%. This significant modification of the initial projection of a rise is mostly due to a major upward revision in official data for 2005, which adjusted exports upwards by 2.3%. However, another important

factor contributing to the forecast revision was the export deflator: whereas export prices were originally forecast to rise only marginally in 2006, official data for the first half of the year reported an unexpectedly strong rise of 8.7%.<sup>1</sup>

The forecast for import growth has also been revised upwards. This variable is now projected to grow faster in 2006, by 2.0-2.6%. This in part reflects the revisions to the projections of private and public consumption expenditure, inventory levels and investment, all of which have a high import content. The projected developments in imports and exports are expected to lead to a deterioration in the goods and services balance, which as a ratio of GDP is estimated to widen by about 2 percentage points from the initial forecast.

The projection for inflation has also been raised slightly, to 3.2%, in the light of further increases in the international price of oil during the summer months. These led to an unanticipated rise in domestic energy prices over the same period. The upward revision to GDP is not expected to have an impact on unemployment. Consequently, the forecast of an unemployment rate within a range of 7.3-7.5%, due to the on-going restructuring process, particularly in manufacturing, has been maintained.

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<sup>1</sup> Import and export price indices consist of unit value indices, which do not take into account changes in the variety of products imported or exported over time.

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

During the second quarter of 2006, the deficit on the current account of the balance of payments widened when compared to the corresponding period of 2005. This was driven by a larger merchandise trade gap and lower net receipts from services. Meanwhile, after excluding movements in reserve assets, net inflows on the capital and financial account were substantially higher than

in the same period of 2005. Against this backdrop, the overall balance registered a large surplus, which was partly reflected in the expansion of reserve assets. A similar pattern was observed over the first half of the year, with a current account deficit financed by increased net inflows on the capital and financial account.

In line with the commitment undertaken by the Maltese authorities regarding the participation of the Maltese lira in ERM II, the lira remained unchanged at its central parity rate of Lm0.4293

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

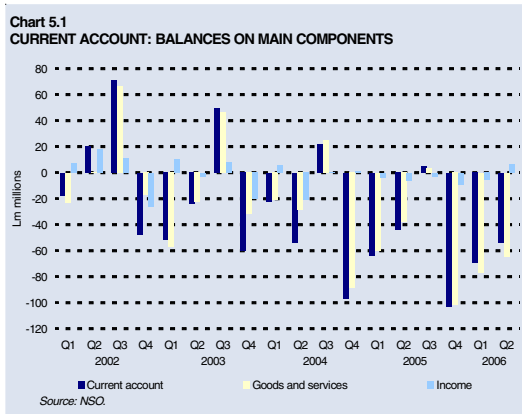
	<i>Lm millions</i>			
	2005		Q2 2006	
	credit	debit	credit	debit
<b>Current account balance</b>		<b>44.3</b>		<b>53.8</b>
Goods and services	360.7	398.5	383.8	448.3
Goods balance		99.3		115.2
Goods	218.6	317.9	248.5	363.8
Services balance	61.5		50.7	
Services	142.1	80.7	135.2	84.6
Transport	35.9	21.9	29.6	22.6
Travel	67.9	19.2	68.9	23.8
Other services	38.4	39.6	36.7	38.2
Income (net)		5.9		6.7
Current transfers (net)		0.6		4.0
<b>Capital and financial account balance<sup>2</sup></b>	<b>47.0</b>		<b>158.9</b>	
Capital account balance	14.2		12.7	
Financial account balance	32.8		146.3	
Direct investment	68.8		92.1	
Portfolio investment	13.6			543.1
Financial derivatives		1.7	0.7	
Other investment		48.0	596.6	
<b>Movements in reserves<sup>3</sup></b>	<b>17.6</b>			<b>71.2</b>
<b>Net errors and omissions</b>		<b>20.3</b>		<b>33.9</b>

<sup>1</sup> Provisional.

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

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

Source: NSO.



per euro throughout the second quarter of 2006. Moving in tandem with the euro, the lira continued to strengthen against the US dollar and the Japanese yen, while it weakened against the pound sterling.

## The current account

During the second quarter of 2006, the current account deficit increased by Lm9.5 million, or 21.5%, on a year earlier. This stemmed from a larger merchandise trade gap and lower net inflows from services, which were partly offset by swings in the income and current transfers accounts, both of which shifted into surplus (see Table 5.1).

## Goods

On the basis of balance of payments data, during the second quarter of 2006 the merchandise trade deficit widened by Lm15.9 million, or 16.0%, on a year earlier.<sup>1</sup> Imports rose by Lm45.9 million, or 14.4%, overshadowing an increase in exports, which rose by Lm29.9 million, or 13.7%.

**Table 5.2**

## MERCHANDISE TRADE

(based on Customs data)

	<i>Lm millions</i>			
	Q2		Amount	Change %
	2005	2006 <sup>1</sup>		
<b>Imports</b>	<b>331.8</b>	<b>369.9</b>	<b>38.1</b>	<b>11.5</b>
Consumer goods	92.5	93.9	1.4	1.5
Industrial supplies	144.9	179.7	34.8	24.0
Capital goods & others	62.2	54.5	-7.7	-12.4
Fuel and lubricants	32.0	41.7	9.7	30.3
<b>Exports</b>	<b>209.6</b>	<b>238.8</b>	<b>29.2</b>	<b>13.9</b>
<b>Trade deficit</b>	<b>122.3</b>	<b>131.1</b>	<b>8.8</b>	<b>7.2</b>

<sup>1</sup> Provisional

Source: NSO.

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

Customs data also show that the merchandise trade gap expanded compared to the same period in 2006, as an increase in imports offset higher exports (see Table 5.2).

According to Customs data, imports rose by Lm38.1 million, or 11.5%, compared to the same period in 2005. Purchases of industrial supplies accounted for most of the increase, rising by Lm34.8 million, and mirroring the pick-up in exports. At the same time, payments for oil continued to accelerate, increasing by Lm9.7 million, as the international price of oil extended its upward trend. Imports of consumer goods also rose, albeit moderately. In contrast, purchases of capital goods declined by Lm7.7 million.

Meanwhile, exports grew by Lm29.2 million, or 13.9%, on a year earlier. The increase was driven by higher sales of machinery and transport equipment, which added Lm23.9 million. In addition, exports of chemicals and food continued to grow, rising by Lm5 million and Lm3.2 million, respectively. On the other hand, the restructuring of the manufacturing sector, with production of textiles and clothing declining, also led to lower sales of clothing, while exports of printed matter also decreased.

In July, the merchandise trade gap based on Customs data narrowed by Lm2.2 million on a year earlier, with a rise in exports outweighing an increase in imports.

### *Services, income and transfers*

During the second quarter of 2006, the surplus on services fell by Lm10.8 million, or 17.6%, to Lm50.7 million, driven by lower income on transport, mostly freight. In addition, net receipts from travel fell, reflecting higher expenditure by residents travelling abroad that outweighed a marginal rise in receipts.

On the other hand, the balance on the income

account showed a surplus of Lm6.7 million compared with a deficit of Lm5.9 million in the comparable period of the previous year. This mirrored lower profits due to non-residents from their direct investments in Malta, as well as a rise in portfolio income. Meanwhile, the balance on the current transfers account swung into surplus, reflecting higher tax receipts from international trading companies registered in Malta.

### *The capital and financial account*

After excluding movements in reserve assets, net inflows on the capital and financial account more than tripled between April and June 2006 compared to the same period in 2005. The rise was entirely attributable to significantly higher inflows on the financial account. Net inflows on the capital account declined by Lm1.6 million.

The continued expansion of the international banking sector brought about a sharp rise in gross flows on the financial account. The balance on the 'other investment' account shifted from a deficit of Lm48.0 million to a surplus of Lm596.6 million. This mirrored higher foreign borrowings by international banks operating in Malta in the form of loans and, to a lesser extent, of non-resident deposits. With capital inflows to international banks mostly being reinvested overseas, net portfolio outflows grew, with the account swinging from a positive balance of Lm13.6 million to a deficit of Lm543.1 million, as banks increased their holdings of foreign bonds and notes. At the same time, net inflows on the direct investment account rose by Lm23.3 million, with the increase masking significant turnover on the account. Growth in the equity capital of an international bank, which itself invested in a foreign associated company, explains most of the Lm190.9 million increase in direct investment in Malta and the concurrent rise of Lm167.6 million in direct investment abroad.

With net inflows on the capital and financial



account exceeding the current account deficit, reserve assets grew by Lm71.2 million – boosted by privatisation proceeds – after having contracted in the previous quarter. Net errors and omissions were negative, implying an understatement of the current account deficit, an overstatement of net inflows on the capital and financial account, or both.

### Year-to-date developments

During the first half of 2006, the current account deficit widened by Lm15.6 million, or 14.5%, on a year earlier. A larger merchandise trade deficit

and lower net receipts from services both contributed to this increase. Meanwhile, when excluding movements in reserves, net inflows on the capital and financial account grew, mainly driven by inflows in the other investment category and additional inward direct investment.

The merchandise trade deficit rose by Lm31.6 million, as imports rose faster than exports. Similarly, Customs data for the first half of the year show that the merchandise trade gap expanded by Lm31.3 million, or 13.9%, compared to same period of the previous year.

**Table 5.3**

### EXTERNAL BALANCES<sup>1</sup>

*Lm millions*

	2005		Q1-Q2 2006	
	credit	debit	credit	debit
<b>Current account balance</b>		<b>107.8</b>		<b>123.4</b>
Goods and services	654.8	752.3	698.0	839.5
Goods balance		183.8		215.4
Goods	415.5	599.3	473.7	689.1
Services balance	86.3		74.0	
Services	239.3	153.0	224.3	150.4
Transport	66.6	42.2	53.4	42.5
Travel	101.2	39.0	101.5	41.4
Other services	71.4	71.8	69.4	66.4
Income (net)		9.8	1.1	
Current transfers (net)		0.5	17.0	
<b>Capital and financial account balance<sup>2</sup></b>	<b>115.4</b>		<b>210.6</b>	
Capital account balance	31.0		23.8	
Financial account balance	84.4		186.8	
Direct investment	127.4		157.9	
Portfolio investment		41.7		683.8
Financial derivatives		7.1	7.4	
Other investment	5.7		705.3	
<b>Movements in reserves<sup>3</sup></b>	<b>53.0</b>			<b>15.3</b>
<b>Net errors and omissions</b>		<b>60.6</b>		<b>71.9</b>

<sup>1</sup> Provisional.

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

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

Source: NSO.

According to Customs data, imports increased by Lm90.2 million, or 14.5%, on a year earlier, with growth being recorded across all categories. Purchases of industrial supplies were up markedly, rising by Lm50.1 million, mainly driven by imports of machinery and transport equipment. At the same time, the significant rise in purchases of capital goods, which amounted to Lm17.1 million, reflected imports of machinery and sea craft in the first quarter of the year. Higher oil prices drove the fuel import bill up by Lm12.9 million over a year earlier. Imports of consumer goods expanded moderately.

Meanwhile, exports grew by Lm58.9 million, or 14.8%, driven by a rise of Lm51.5 million in foreign sales of machinery and transport equipment, including semi-conductors, which continued to gather momentum in the first half of the year. In addition, foreign sales of food were up by Lm8.9 million, mostly mirroring fish exports. Sales of pharmaceuticals spurred an increase of Lm9.5 million in exports of the chemicals sector. Conversely, sales of miscellaneous manufactured goods declined by Lm10.4 million as exports of clothing and printed matter fell.

The positive balance on services fell by Lm12.3 million on a year earlier during the first six months of 2006, principally because freight receipts declined. In addition, net income from travel fell due to higher spending by residents travelling abroad as travel receipts were stable. On the other hand, trade-related services boosted income from other services.

The income account shifted from a deficit of Lm9.8 million to a surplus of Lm1.1 million, with the swing stemming from reduced outflows in connection with profits due to non-resident investors and increased income from portfolio investments. In addition, the current transfers balance registered a surplus of Lm17.0 million as receipts of tax from international trading companies registered in Malta rose.

Meanwhile, net inflows on the capital and financial account (excluding reserves) rose by a substantial Lm95.2 million compared to the same period in 2005. The rise was wholly attributable to higher net inflows on the financial account, which were more than twice as large as a year earlier. In contrast, net capital inflows declined by

**Table 5.4**  
**MERCHANDISE TRADE**  
(based on Customs data)

	Q1-Q2		Lm millions	
	2005	2006 <sup>1</sup>	Amount	Change %
<b>Imports</b>	<b>623.9</b>	<b>714.1</b>	<b>90.2</b>	<b>14.5</b>
Consumer goods	168.7	178.8	10.1	6.0
Industrial supplies	284.7	334.8	50.1	17.6
Capital goods & others	112.7	129.8	17.1	15.2
Fuel and lubricants	57.8	70.7	12.9	22.3
<b>Exports</b>	<b>397.9</b>	<b>456.8</b>	<b>58.9</b>	<b>14.8</b>
<b>Trade deficit</b>	<b>225.9</b>	<b>257.3</b>	<b>31.3</b>	<b>13.9</b>

<sup>1</sup> Provisional

Source: NSO.

Lm7.2 million during the period reviewed as official funds received from Italy and the EU dropped.

Net inflows on the other investment account surged, rising by Lm699.6 million, as international banks increased their foreign borrowings. As banks largely channelled these inflows into investments in foreign bonds and notes, portfolio outflows were up by Lm642.1 million. At the same time, net direct investment inflows were up by Lm30.5 million, with gross flows being heavily influenced by the second-quarter transactions of one international bank referred to earlier. Direct investment in Malta increased markedly, rising by Lm211.4 million, although this was dampened by substantially higher direct investment outflows

totalling Lm180.9 million. Meanwhile, the financial derivatives account swung from a deficit of Lm7.1 million to a surplus of Lm7.4 million, reflecting movements on swaps.<sup>2</sup>

Against this backdrop, reserve assets grew by Lm15.3 million. Errors and omissions were up by Lm11.4 million and remained negative.

### The Maltese lira

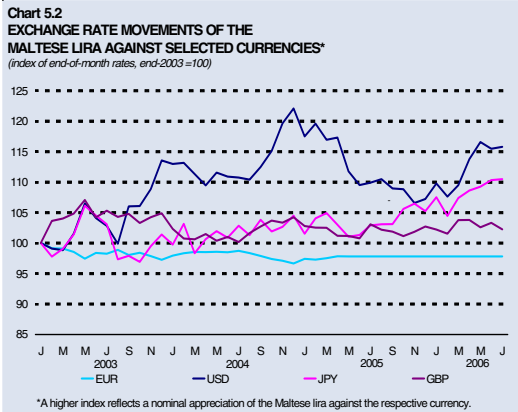
Throughout the second quarter, the Maltese lira remained stable in ERM II at the central parity rate of MTL/EUR0.4293. Moving in line with the euro, the local unit continued to gain against the dollar and the Japanese yen, appreciating by 5.5% and 2.7%, respectively (see Chart 5.2). In contrast,

**Table 5.5**  
**MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES**

Period	EUR <sup>1</sup>	USD	GBP	JPY
Average for Q2 2006	0.4293	2.9272	1.6027	334.9
Average for Q2 2005	0.4295	2.9334	1.5798	315.4
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.0	-0.2	1.4	6.2
Closing rate on 30.06.2006	0.4293	2.9691	1.6108	339.6
Closing rate on 30.03.2006	0.4293	2.8154	1.6178	330.6
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.0	5.5	-0.4	2.7

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

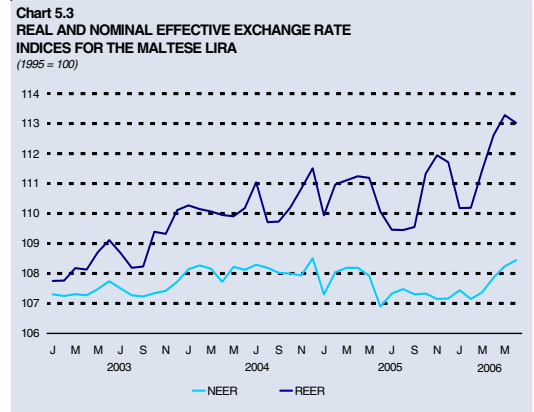
<sup>2</sup> Financial derivatives are financial instruments the worth of which is derived from the value of some underlying asset, a reference interest rate, or an index. They are contracts involving rights and obligations related to purchases and sales of underlying assets, or relating to payments to be made in respect of movements in indices. Derivative instruments include options, traded financial futures and currency and interest rate swaps. In Malta, derivative instruments are mainly traded by banks.



against the pound sterling the lira depreciated by 0.4%, reversing some of the gains recorded during the previous quarter.

In July 2006, the lira gained against the US dollar and the yen by 0.3% and 0.2%, respectively, but continued to lose ground against sterling, against which it depreciated by 1.0%.

On average, over the year to June 2006 the local unit weakened against the US dollar, shedding 0.2%. On the other hand, it gained 1.4% and 6.2% on average against the pound sterling and the



yen, respectively (see Table 5.5).

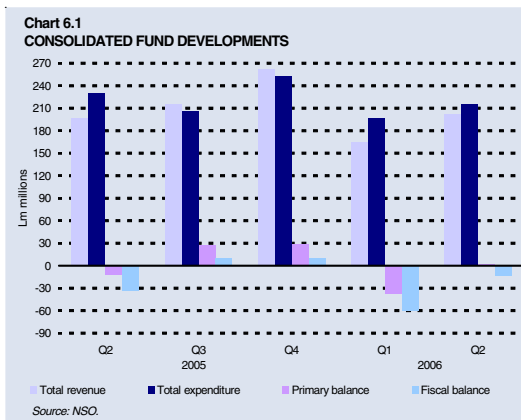
Between end-March 2006 and end-June 2006, the nominal effective exchange rate (NEER) of the Maltese lira gained 1.0% as a result of the appreciation of the Maltese lira against the US dollar and the Japanese yen. At the same time, the real effective exchange rate (REER) of the Maltese lira was up by 1.4%. This reflected both the nominal strengthening of the lira and inflation differentials, with prices rising more rapidly in Malta than in its main trading partners and competitors (see Chart 5.3).

## 6. GOVERNMENT FINANCE

In the second quarter of 2006, the deficit on the Consolidated Fund narrowed when compared to the same period last year. The fiscal shortfall for the first half of the year was also down, as revenue growth was coupled with a decline in expenditure. The deficit widened again in July, however. Privatisation receipts allowed the Government to finance the second-quarter deficit on the Consolidated Fund and reduce the amount of short-term debt outstanding.

### Consolidated Fund developments<sup>1</sup>

During the second quarter of 2006 a deficit of Lm13.4 million was registered on the Consolidated Fund. The deficit was smaller than that registered in the previous quarter and was Lm20.2 million less than that recorded in the same period last year (see Chart 6.1). The reduction in the deficit during the quarter reviewed stemmed mainly from a drop in capital expenditure, though lower recurrent spending and an increase in revenue also contributed.



Thus, the deficit on the Consolidated Fund for the first half of 2006 narrowed by Lm20.8 million on a year earlier to Lm74.0 million, as revenue growth was coupled with a decline in expenditure (see Table 6.1). The increase in revenue was mainly driven by higher indirect tax proceeds, while lower capital outlays outweighed recurrent expenditure growth. In line with this overall improvement, the primary deficit, which excludes interest payments from expenditure, fell to Lm34.7 million, indicating a tighter fiscal stance. Although the deficit widened in July, over the first seven months of the year it was Lm13.9 million below that registered during the same period of 2005.

### Revenue

During the first six months of 2006, revenue was Lm12.2 million, or 3.4%, more than that registered in the same period of 2005 (see Table 6.1). This increase was due to higher tax proceeds, but was dampened by a drop in non-tax revenue.

Indirect tax receipts contributed most to the increase in revenue, expanding by Lm12.9 million, or 8.7%, with growth being shared across the main components. Customs and excise duties added Lm4.6 million, mainly on account of higher receipts from duties on cigarettes and petroleum. The expansion in revenue from “licences, taxes and fines” primarily reflected differences in the timing of gaming tax receipts, though the doubling of the airport tax in August 2005 also contributed. At the same time, additional VAT intakes amounted to Lm4.0 million, broadly in line with nominal consumption growth during the first half of the year.

Direct taxes yielded Lm7.5 million more, with receipts from income tax and social security contributions growing by 5.2% and 6.2%,

<sup>1</sup> The Consolidated Fund captures most of the transactions of central government on a cash basis.

**Table 6.1**  
**GOVERNMENT BUDGETARY OPERATIONS**

	<i>Lm millions</i>					
	2005	2006	2005	2006	Change	
	Q2	Q2	Q1-Q2	Q1-Q2	Amount	%
<b>Revenue</b>	<b>196.7</b>	<b>201.6</b>	<b>353.7</b>	<b>365.9</b>	<b>12.2</b>	<b>3.4</b>
<b>Direct tax</b>	<b>85.3</b>	<b>88.5</b>	<b>131.9</b>	<b>139.4</b>	<b>7.5</b>	<b>5.7</b>
Income tax	55.1	55.9	77.4	81.4	4.0	5.2
Social security contributions <sup>1</sup>	30.2	32.6	54.5	57.9	3.4	6.2
<b>Indirect tax</b>	<b>79.4</b>	<b>82.8</b>	<b>148.2</b>	<b>161.1</b>	<b>12.9</b>	<b>8.7</b>
Value Added Tax	39.2	40.4	76.8	80.8	4.0	5.2
Customs and excise duties	16.2	17.9	28.3	32.9	4.6	16.3
Licences, taxes and fines	24.0	24.5	43.2	47.3	4.1	9.5
<b>Non-tax revenue</b>	<b>32.0</b>	<b>30.3</b>	<b>73.6</b>	<b>65.5</b>	<b>-8.1</b>	<b>-11.0</b>
Central Bank of Malta profits	3.0	0.0	14.0	10.0	-4.0	-28.6
Other revenue <sup>2</sup>	29.0	30.3	59.6	55.5	-4.1	-6.9
<b>Expenditure</b>	<b>230.2</b>	<b>215.0</b>	<b>448.6</b>	<b>440.0</b>	<b>-8.6</b>	<b>-1.9</b>
<b>Recurrent expenditure</b> <sup>1</sup>	<b>192.1</b>	<b>190.9</b>	<b>381.9</b>	<b>388.0</b>	<b>6.1</b>	<b>1.6</b>
Personal emoluments	47.2	46.8	93.2	94.2	1.0	1.1
Programmes and other operational expenditure <sup>3</sup>	102.7	108.3	212.8	219.6	6.8	3.2
Contributions to entities	21.3	20.0	38.4	34.9	-3.5	-9.1
Interest payments	20.8	15.8	37.2	39.3	2.1	5.6
Other expenditure	0.1	0.0	0.2	0.0	-0.2	-100.0
<b>Capital expenditure</b>	<b>38.2</b>	<b>24.1</b>	<b>66.6</b>	<b>52.0</b>	<b>-14.6</b>	<b>-21.9</b>
<b>Primary balance</b> <sup>4</sup>	<b>-12.8</b>	<b>2.4</b>	<b>-57.6</b>	<b>-34.7</b>	<b>22.9</b>	<b>39.8</b>
<b>Consolidated Fund balance</b> <sup>5</sup>	<b>-33.6</b>	<b>-13.4</b>	<b>-94.8</b>	<b>-74.0</b>	<b>20.8</b>	<b>21.9</b>

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

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

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

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

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

Source: NSO.

respectively. These increases reflected growth in employee compensation and gross operating surplus, as indicated in the GDP data, and, possibly, greater efficiency in tax collection. Higher yields from capital gains tax also contributed, reflecting the measures adopted regarding capital gains tax on property transfers against a backdrop of rising property prices.<sup>2</sup>

Meanwhile, non-tax revenue contracted by Lm8.1 million, mainly reflecting lower Central Bank of Malta profits. In addition, official grants from Italy and gains from the sale of Malta Government Stocks (MGS) by auction above par declined. The non-recurrence of the Investment Registration Scheme, which had boosted such revenue in 2005, also contributed.

### *Expenditure*

During the first half of 2006, expenditure contracted by Lm8.6 million, or 1.9%, compared to the same period a year earlier, as lower capital outlays outpaced recurrent expenditure growth. The latter rose by Lm6.1 million, primarily fuelled by higher spending on programmes and other operational expenditure. In turn, this reflected higher outlays on social security benefits, mostly retirement pensions, and increased spending on medical supplies. These offset a decline in Malta's contributions to the EU budget. Interest payments added Lm2.1 million on account of the timing of coupon payments and the increase in debt during 2005. Spending on personal emoluments rose by 1.1%, and was restrained by

**Table 6.2**  
**GOVERNMENT DEBT<sup>1</sup>**

	<i>Lm millions</i>				
	2005			2006	
	Q2	Q3	Q4	Q1	Q2
<b>Consolidated Fund balance</b>	<b>-33.6</b>	<b>9.4</b>	<b>10.1</b>	<b>-60.6</b>	<b>-13.4</b>
<i>Changes in</i>					
<b>Gross Government debt</b>	<b>11.6</b>	<b>-7.4</b>	<b>12.7</b>	<b>13.6</b>	<b>-59.0</b>
Malta Government stocks	36.8	33.5	0.3	25.0	0.0
Treasury bills	-24.0	-40.8	15.7	-11.2	-57.7
Domestic loans <sup>2</sup>	0.0	0.0	-1.8	0.0	-0.1
Foreign loans	-1.2	-0.1	-1.5	-0.3	-1.2
<b>Memo item: privatisation proceeds<sup>3</sup></b>	<b>0.0</b>	<b>2.7</b>	<b>22.3</b>	<b>0.0</b>	<b>94.4</b>

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

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

<sup>3</sup> These comprise proceeds received by the Consolidated Fund, Sinking Funds and the Treasury Clearance Fund.

Sources: NSO; Central Bank of Malta.

<sup>2</sup> In the 2006 Budget, Government announced that the capital gains tax of 35% on transfers of immovable property will be replaced by a withholding tax of 12% on the total value of the property.

the new collective agreement and a decline in public employment. On the other hand, lower transfers to the Water Services Corporation led to a drop in contributions to government entities.

Capital spending declined by Lm14.6 million over the comparable period of 2005. In part, this reflected lower outlays on the new state hospital and lower spending on infrastructure projects financed by official grants from Italy. A base effect due to large payments for the acquisition of land in the first quarter 2005 also contributed.

### **Government debt and financing operations**

During the second quarter of 2006, privatisation proceeds allowed the Government to finance the shortfall on the Consolidated Fund and to reduce the amount of debt outstanding at the same time. Between March and June, gross government debt

contracted by Lm58.9 million to Lm1,360.2 million. Receipts from the sale of shares in Maltacom plc enabled the Government to reduce the stock of outstanding Treasury bills without issuing new MGS (see Table 6.2).<sup>3</sup> This, in turn, halted an increasing trend in MGS outstanding evident from the second quarter of 2004. Furthermore, foreign and domestic loans declined due to repayments.

At the end of June 2006, MGS in issue remained stable at Lm1,150.3 million, or 84.5% of the total outstanding debt. This was up by 3.5 percentage points from the previous quarter. Debt in the form of Treasury bills totalled Lm121.3 million, with its share falling to 8.9% from 12.6% in the first quarter. Loans from local banks and foreign loans, which stood at Lm24.8 million and Lm63.8 million, respectively, accounted for the remainder.

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<sup>3</sup> On 19 May 2006, the Government sold its 60% shareholding in Maltacom plc for Lm94.4 million.



## 7. FINANCIAL STABILITY ANALYSIS

The financial system remained strong and resilient during the first half of 2006 and short term risks are considered to be relatively limited, with the banks having more than adequate capital to withstand unforeseen shocks. However, a persistence of certain trends in the banking market could give rise to some credit and market risks, which may then heighten the vulnerability of the financial sector in the longer term.

### Regulatory and legislative developments

At the EU level, the recast Banking Directive 2006/48/EC, relating to the taking and pursuit of the business of credit institutions, and Directive 2006/49/EC, on the capital adequacy of credit institutions, were endorsed by the European Parliament in June 2006. Progress in the finalisation of the Markets in Financial Instruments Directive (MiFID), which will be replacing the existing Investment Services

Directive (ISD), continued. MiFID extends the coverage of the current ISD regime and introduces new and more extensive requirements, particularly in relation to the conduct of business and internal organisation of investment services firms.

Domestically, the main legislative and regulatory developments were the enactment of the Securitisation Act and a Directive aimed at strengthening internal controls within the insurance sector. Furthermore, two classes of general insurance, specifically export credit insurance and payment protection plans, can now be offered by credit institutions, which may enhance credit risk mitigation by making these products more easily available.

### The financial sector

#### *The banking system*<sup>1</sup>

The banking system remained sound. However, the Capital Adequacy Ratio (CAR) in respect of the banking sector as a whole and that of

**Table 7.1**

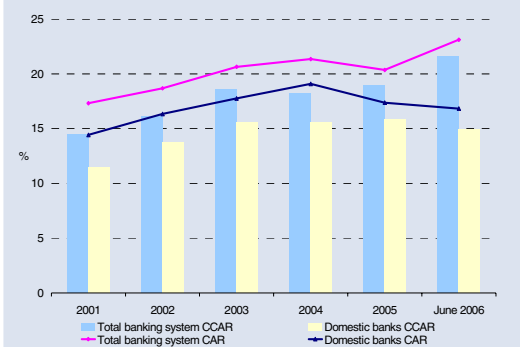
### FINANCIAL SOUNDNESS INDICATORS

	2004	2005	2006 Q2	%
Regulatory capital to risk weighted assets (CAR)	21.3	20.4	23.1	
Regulatory Tier 1 capital to risk-weighted assets (CCAR)	18.2	19.0	21.6	
Non-performing loans net of provisions to capital	30.0	20.1	14.9	
Non-performing loans to total gross loans	8.9	5.8	4.9	
Return on assets (ROA)	1.3	1.2	1.1	
Return on equity (ROE)	13.9	14.7	11.3	
Interest margin to gross income	45.3	45.0	46.1	
Noninterest expenses to gross income	47.3	38.2	46.4	
Liquid assets to total assets	24.3	21.7	17.5	
Liquid assets to short-term liabilities	45.5	58.3	52.7	

*Source: Central Bank of Malta.*

<sup>1</sup> Domestic banks refer to those dealing predominantly with residents. The terms 'credit institution' and 'bank' are used interchangeably.

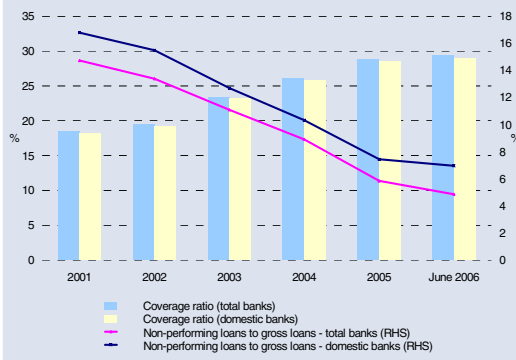
Chart 7.1  
CAPITAL ADEQUACY RATIOS



domestically oriented banks continued to diverge (see Chart 7.1). While the CAR of the banking system increased to 23.1%, largely due to additions to the own funds of one particular bank, the ratio for the domestic banks continued on its downward trend, although at 16.8% it remained at an adequate level overall. The fall in the CAR of the domestic banks resulted from an increase in risk-weighted assets while total own funds remained stable. This implies that although the sector remained robust, the capital buffer has weakened. Nevertheless, stress tests indicate that the banking sector is still able to withstand a number of specific, large shocks without the capital adequacy ratio falling to unacceptable levels.

The balance sheet of domestically oriented banks expanded by 2.1% in the first half of 2006, while that of the banking sector as a whole grew by 13.2%. Lending to the household and corporate sectors on the assets side and customers' deposits on the liabilities side were the main factors behind this balance sheet growth, while growth in the rest of the banking sector was largely due to interbank transactions. Loan

Chart 7.2  
COVERAGE RATIO AND NON-PERFORMING LOANS



quality improved, with the overall non-performing loan ratio falling to 4.9% for the entire banking sector and 7.0% for the domestic banks (see Chart 7.2).<sup>2</sup> Nonetheless, the results of the Bank Lending Survey (BLS) indicate that the downward trend in credit risk may have levelled off.<sup>3</sup> At the same time, the coverage ratio remained stable.<sup>4</sup>

Annualised pre-tax profits recorded by the banking sector as a whole increased by 1.4%. With profits growing less rapidly than either equity or assets, the Return on Equity (ROE) and Return on Assets (ROA) ratios for the banking system as a whole fell from 14.7% and 1.2%, respectively, as at end-December 2005 to 11.3% and 1.1% at the end of June 2006. In contrast, the domestic banking system recorded an increase in annualised pre-tax profit of 8.0%, leading to a rise in its ROE of 1.3 percentage points to 18.2%. The ROA remained relatively stable at 1.6%.

The main contributors to the rise in profitability of the domestic banks were enhanced operating efficiency and improved asset productivity. These were less pronounced in the rest of the banking sector.

<sup>2</sup> Data on problematic loans refer to non-performing loans to total gross loans of all banks except branches of foreign banks operating in Malta.

<sup>3</sup> The BLS periodically gathers information from the major domestic banks assessing current developments and the outlook regarding loan demand and credit standards.

<sup>4</sup> The coverage ratio is the ratio of total provisions to non-performing loans.

Liquidity edged down, but remained generally high (see Table 7.1). While customer deposits remain the main source of funding for the domestic banks, the rest of the banking sector increasingly resorted to wholesale funding. As the latter is generally a more expensive form of funding than customer deposits, it had a larger negative effect on net interest margins.

Rising interest rates overseas could contribute to interest rate risks locally. To a lesser extent domestic interest rates also rose. Movements in interest rates at home and abroad prompted domestic banks to reallocate their interest-bearing asset/liability mix. At the same time, they continued to hedge their overall foreign currency exposure. As a result, the banks' exposure to market risk remained stable during the period.

### ***The non-bank financial sector***

The year-on-year rate of growth of assets held by investment funds, excluding Professional Investor Funds (PIFs), accelerated to 25.0%. This sector offers significant competition to the banks as an alternative investment vehicle for customers. Banks are responding to this relatively new disintermediation channel through direct ownership of funds. The potential impact on the financial system of PIFs, which have grown rapidly, could be significant. However, at present the exposure of the domestic financial system to these funds is still limited.

Meanwhile the insurance sector continued to expand during the first quarter of 2006, with the licensing, by the MFSA, of four new firms.<sup>5</sup> Life assurance companies, which hold over 79% of the assets of the insurance sector, grew in line with the expansion of bank credit for home ownership purposes. The life insurance sector recorded higher returns on investment assets. Similarly, the profitability registered by the non-life insurance sector increased significantly.

The financial institutions sector, which includes foreign exchange bureaux and lending intermediaries, registered a significant increase in total assets, as two lending firms, which conduct most of their business abroad, began operating fully in 2006. Nevertheless, the sector remained relatively small, although foreign currency trading by such firms continued to be significant, accounting for 12.9% of foreign exchange activity in Malta.

### ***Malta Stock Exchange***

The MSE recorded very strong trading activity during the first three months of 2006, with equity prices rising sharply, although they declined thereafter. Nevertheless, the number of firms listed on the Exchange remained small and the ratio of turnover to market capitalisation remained relatively low. As a result, trading on the MSE still suffers from a higher degree of volatility.

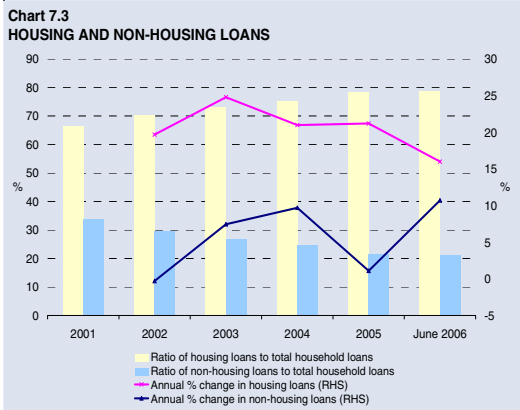
### **The non-financial sector**

#### ***The household sector***

Reflecting its significant share in the banks' loan portfolio, lending to households remains one of the most important sources of revenue for the banking sector, particularly domestic banks. During the first half of 2006, household indebtedness to the banks increased by 7.0%, reaching Lm918 million (see Chart 7.3). House purchases remained the leading factor behind the increase in household debt, with demand for property-related lending continuing strong. Similarly, consumer credit and other loans and advances to the household sector increased by 4.6% to Lm194 million.

Nevertheless, the aggregate financial position of the household sector remains healthy, as evidenced by a number of indicators. These

<sup>5</sup> Insurance sector analysis was based on March 2006 data due to unavailability of more recent information.



include, in particular, a low level of non-performing loans and a significant level of household wealth, based on estimates of holdings of financial and non-financial assets. This notwithstanding, some deterioration in sustainability indicators was observed.<sup>6</sup> This renders households and, consequently, the banking sector vulnerable to the effects of large adverse shocks. However, the household sector's indebtedness appears to be sustainable in the short to medium term.

### *The corporate sector<sup>7</sup>*

During the period analysed, corporate sector indebtedness is estimated to have increased by 6.5%. Increased borrowing by the real estate and construction sectors was the main factor driving the rise in corporate debt. Nonetheless, the profitability, gearing and liquidity of the corporate sector are estimated to have improved in 2005, though they remain relatively low. The improvement is expected to continue, underpinned by the positive trend in real GDP.

### *Risk outlook*

As a result of increased underlying corporate credit risks, higher household indebtedness and lower capital adequacy, the financial system appeared to be more exposed to risk during the first half of 2006. However, capital adequacy still remains high, while accelerating economic activity and a lower level of delinquent loans were favourable developments. On balance, therefore, the financial sector is considered robust enough to withstand adverse developments without the capital adequacy ratio falling below acceptable levels.

<sup>6</sup> More specifically, these refer to ratios of household debt to GDP, debt to disposable income and leverage.

<sup>7</sup> Due to the unavailability of 2005 and 2006 financial accounts of corporates, 2004 data on profitability, gearing and liquidity were used, supplemented by surveys and forecasts.

## NEWS NOTES

### LOCAL NEWS

#### **Small States Forum**

On 18 September representatives of small developing countries that are members of the World Bank met in Singapore for the 2006 Small States Forum. The Forum discussed the results of a number of country-based consultations carried out over the last year on the Joint Commonwealth/World Bank Task Force Report of April 2000. Also discussed were a draft proposal by the Government of Malta for the establishment of a Small States Network for Economic Development and the agenda for the 2007 Small States Forum.

#### **The Tenth European Development Fund**

On 18 July Malta signed the Internal Agreement on the Tenth European Development Fund, an intergovernmental financial instrument that allocates aid to African, Caribbean and Pacific States (ACP) for the period 2008-2015. The overall financial contribution earmarked for the ACP countries under the agreement amounts to EUR23,966 million, of which EUR21,966 million will come from Member States' contributions and another EUR2,000 million from the European Investment Bank (EIB). Malta's contribution to the Fund will amount to EUR6.8 million over the period 2008-2013, with a financial contribution key of 0.03%.

#### **Investment Guarantee Agreement between Malta and Libya**

On 22 July an Agreement on the Encouragement, Guarantee and Protection of Investment between Malta and Libya came into force. Under this agreement, the two countries are to encourage and create favourable conditions for investors from each to make investments in their respective

territories and to admit such investments in accordance with their respective laws.

#### **Malta on the Global Competitiveness Index**

On 26 September the World Economic Forum published The Global Competitiveness Report 2006-2007. This Report contains an index that ranks countries according to nine sectors of the economy, namely their infrastructure, macro economy, healthcare and primary education, advanced education and training, market efficiency, technological development, commerce sophistication and innovation. Overall, Malta's economy is ranked as the thirty-ninth most competitive in the world, up from the forty-fourth place last year.

#### **Fitch affirms Malta ratings**

On 31 August Fitch Ratings affirmed Malta's foreign currency Issuer Default rating (IDR) at 'A' with a Positive Outlook, and local currency IDR at 'AA-' with a Stable Outlook. The Short-term foreign currency rating was affirmed at 'F1' and the Country Ceiling at 'AA'.

#### **Euro changeover**

##### *Guidelines on the display of prices*

On 12 July and 11 August the National Euro Changeover Committee (NECC) published Dual Display Guidelines outlining the parameters governing the reporting of prices, values and monetary amounts of goods and services offered to consumers in both Maltese lira and euro. The aim of the guidelines is to facilitate a smooth changeover from the Maltese lira to the euro by familiarising consumers with the new currency, assisting consumer protection through comparable pricing, and helping organisations to prepare for dealing in the new

currency and establishing the dual display of prices.

### ***Fairness and transparency in pricing***

On 11 August the NECC published a handbook of best practice on Fair-pricing Agreements In Retailing (FAIR). This seeks to ensure fairness and transparency in the pricing of goods and services during the changeover period and to help consumers familiarise themselves with pricing in the new currency. Through subscription to FAIR, organisations, particularly retail outlets, are tangibly showing their commitment and support to such principles while at the same time ensuring an adequate level of preparedness for euro-day.

### ***Filing of financial statements***

On 11 August the NECC published draft Guidelines for the filing of financial statements. The guidelines describe how organisations are to fulfil their obligations with regard to the reporting of financial statements to regulatory authorities or administrative entities such as the MFSA, the Inland Revenue Department, the Department of VAT and the Department of Social Services, as well as to banks for loan assessments, after the euro changeover.

### ***Usage and validity of Maltese lira-denominated stored value documents***

On 16 August the NECC published draft Guidelines for the usage and validity of Maltese lira-denominated stored value documents. These guidelines describe the changeover process for stored monetary value documents, identifying the periods wherein such documents and/or their residual value post euro-day will be able to be used by consumers. The guidelines also establish parameters for the sale of Maltese lira-denominated stored value documents post changeover.

### **Bank of Valletta takes up syndicated loan**

On 17 July Bank of Valletta took up a syndicated term loan facility of EUR155 million to fund part of its capital markets activities. This was arranged by ING Bank NV and Sanpaolo IMI Bank Ireland plc. The facility, which was originally launched at a level of EUR100 million, was oversubscribed and was consequently raised to EUR155 million.

### **Lombard Bank p.l.c. acquires shares in Maltapost**

On 10 August Lombard Bank p.l.c. announced that it had bought from Transend Worldwide its 35 per cent shareholding in Maltapost. The Bank is expected to contribute to the postal company's plans to develop its financial service products.

### **Legislation related to banking and finance**

#### ***Euro Adoption Act (Cap. 485)***

This Act provides for measures connected with, and ancillary to the adoption of the euro as the currency of Malta. It grants to the Minister responsible for Finance the power to issue regulations for facilitating the adoption of the euro. It also grants to the Prime Minister the power to amend any other law for the purposes of ensuring that this properly reflects the adoption of the euro as the currency of Malta, and that Malta's treaty and international obligations related to, or arising out of, the adoption of the euro as the currency of Malta are implemented.

#### ***Legal Notice 180 of 2006***

This legal notice brings into force a number of provisions in the new Insurance Intermediaries Act (Act XII of 2006) as well as other amendments to related legislation.

### ***Legal Notice 183 of 2006***

This legal notice established 1 September as the date when the Securitisation Act (Cap 484) came into force.

### ***Legal Notice 232 of 2006***

This legal notice established 29 September as the date when the Euro Adoption Act (Cap 485) came into force.

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

On 18 July 2006 the Government of Malta launched Lm10,000,000 worth of 5.1% MGS 2014(III) (Fungibility Issue). The stock, which on 7 January 2007 shall be integrated with the existing 5.1% Malta Government Stock 2014(III), shall be redeemed at par on 6 July 2014. As the issue was oversubscribed the Treasury adopted the 'overallotment option', so that the total amount allotted was increased to Lm19.25 million. The amount allotted to small investors, whose subscriptions were entirely accepted, exceeded Lm9 million.

### **General Business Insurance**

On 23 August the MFSA announced that it was extending the operational licences held by credit and financial institutions to allow them to act as tied insurance intermediaries in the classes of general insurance where this covered export credit contracts and payment protection contracts of insurance issued in relation to loan repayments.

## **INTERNATIONAL NEWS**

### **EU Structural Funds Approved**

On 4 July the European Parliament approved the Structural Funds package for 2007 to 2013 with the adoption of five separate reports. These define the objectives, the financial resources available and the criteria for their allocation in an

enlarged EU. Around EUR308 billion – 35.7 per cent of the total EU budget – will now be available to spend, as scheduled, from 1 January 2007. The structural funds aim to increase solidarity and reduce disparities between regions of the EU.

### **ECOFIN Council**

On 11 July the Ecofin Council adopted a decision allowing Slovenia to join the euro area as from 1 January 2007. This makes Slovenia the first country to adopt the euro out of the ten Member States that joined the EU on 1 May 2004. The Council also decided on the permanent exchange rate of the Slovenian tolar vis-a-vis the euro.

The Council also abrogated the excessive deficit procedure it had opened in July 2004 against Cyprus. At the same time it decided that no further action was required at this stage with regard to Portugal, following the recommendation it had issued in September 2005, whilst confirming the need to continue to closely monitor Portugal's excessive deficit situation. The Council also adopted conclusions on Member States' public finances following last year's revision of the EU's Stability and Growth Pact, as well as on funding of the International Accounting Standards Board.

On 14 July the Council agreed by qualified majority on the draft general budget for 2007 after a reconciliation meeting with the European Parliament and the Commission.

On 8-9 September European Union finance ministers and central bank governors convened in Helsinki for an informal meeting. The ministers emphasised the importance of reducing the vulnerability of the European energy system through diversification of energy supply, improvement of energy efficiency and promotion of renewable resources, as well as innovation, while paying attention to cost-effective measures

and to consistency with existing fiscal obligations. Ministers and governors noted that future innovations in Europe will depend critically on the overall functioning of the Single Market and the ability of the labour markets to reallocate labour for more productive purposes. The Ministers noted with satisfaction the acceleration of growth in the EU and regretted the suspension of the Doha Development Round. They welcomed the steps taken to implement the IMF's new medium-term strategy, including ongoing work to review the basis of IMF surveillance and the Board of Governors' resolution on quotas and voice in the IMF. The Ministers also welcomed the evaluation of the crisis management simulation exercise.

### **IMF and World Bank Annual Meetings**

At the IMF-World Bank joint Annual Meetings held on 19-20 September in Singapore, officials from the two institutions overwhelmingly endorsed a package of measures designed to better align members' quotas with changes in the world economy and to protect the participation and voice of its low-income members.

The IMF also received strong support from its policy advisory group, the International Monetary and Financial Committee, for other key elements of its medium term strategy, including sharpened economic surveillance, a possible new liquidity instrument for emerging market members, and a renewed push to help low-income countries reach the 2015 Development Goals, foremost among which is cutting poverty in half from its 1990 level. Meanwhile, the Development Committee supported the World Bank's engagement in governance and anticorruption,

and strongly endorsed the Bank's strategy for reducing poverty in middle income countries.

### **G8 Meeting of Heads of States**

On 15-17 July the Heads of State of the Group of Eight leading industrialised democracies met in St. Petersburg. They agreed that dynamic and sustainable development depended on reliable access to energy, and that this was best assured by strengthened partnership between energy producing and energy consuming countries. They also agreed that economic and social prosperity increasingly depended on the ability of nations to educate all members of their societies to be prepared to thrive in a rapidly changing world. They underlined principles and proposed actions to halt the spread of epidemics. They re-iterated their commitment to address global imbalances, to work together to remove distortions to the global adjustment process, to promote liberalization of trade and investment, and to modernize the international financial institutions. They then urged all parties to commit themselves to the concerted leadership and action needed to reach a successful conclusion of the Doha Round of trade negotiations by the end of 2006.

### **G7 Finance Ministers Meeting**

On 16 September the Group of Seven, at their meeting in Singapore, urged China to let its currency rise faster to help ease imbalances in international trade. They demanded more effort from large emerging economies in the collective management of the global economy and called for greater exchange rate flexibility in those emerging economies with large current account surpluses.



# STATISTICAL TABLES



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

(as at end-June 2006, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Maltese lira exchange rates: MTL 1 = USD 2.9691 <sup>1</sup> EUR 1 = MTL 0.4293	
CLIMATE	Average temperature (1990-2005): Dec. - Feb.	13.2° C
	June - Aug.	26.1° C
	Average annual rainfall (1990-2005)	466.1 mm
SELECTED GENERAL	GDP growth at constant 2000 prices (2005) <sup>2</sup>	2.2%
ECONOMIC STATISTICS	GDP per inhabitant at current market prices (2005) <sup>2,3</sup>	USD13,943
	GDP per capita in PPS relative to the EU-25 average (2005) <sup>2</sup>	69.5%
	Ratio of gross general government debt to GDP (2005) <sup>2</sup>	74.2%
	Ratio of general government deficit to GDP (2005) <sup>2</sup>	3.2%
	Retail Prices Index - inflation rate	3.1%
	Harmonised Index of Consumer Prices - inflation rate	2.9%
	Ratio of exports of goods and services to GDP (2005) <sup>2</sup>	72.5%
	Ratio of current account deficit to GDP (2005) <sup>2</sup>	10.6%
	Employment rate	54.3%
	Unemployment rate	7.7%
POPULATION	Total Maltese and foreigners (2005) <sup>2</sup>	404,346
	Males	200,626
	Females	203,720
	Age composition in % of population (2005) <sup>2</sup>	
	0 - 14	17%
	15 - 64	69%
	65 +	14%
Average annual growth rate (1990-2005) <sup>2</sup>	0.74%	
Density per km <sup>2</sup> (2005) <sup>2</sup>	1,279	
HEALTH	Life expectancy at birth - Males (2005)	77.7
	- Females (2005)	81.4
	Crude birth rate, per 1,000 Maltese inhabitants (2005) <sup>2</sup>	9.6
	Crude mortality rate, per 1,000 Maltese inhabitants (2005) <sup>2</sup>	7.8
	Doctors (2005)	1,309
EDUCATION	Combined gross enrolment ratio % (2002/2003)	79
	Number of educational institutions (2004/2005) <sup>2</sup>	214
	Teachers per 1,000 students (2004/2005) <sup>2</sup>	94
	Adult literacy rate: % age 10+ - Males (Dec. 2004)	86.9%
- Females (Dec. 2004)	89.6%	
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2003)	32
	Mobile phone subscriptions per 100 population	81.8
	Private motor vehicle licences per 1,000 population	518
	Internet subscribers per 100 population	22.4

<sup>1</sup> End of period closing middle rate.

<sup>2</sup> Provisional.

<sup>3</sup> Based on Eurostat estimate of GDP at current market prices in euro per inhabitant.

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

**The monetary and financial statistics shown in the 'Statistical Tables' annex are compiled from information submitted to the Central Bank of Malta by the following credit institutions, as at June 2006:**

**Deposit Money Banks**

APS Bank Ltd  
Bank of Valletta plc  
BAWAG Malta Bank Ltd (from October 2003)  
FIMBank plc  
HSBC Bank Malta plc  
Lombard Bank Malta plc  
Volksbank Malta Ltd (from November 2002)

**International Banking Institutions**

Akbank T.A.S.  
Commbank Europe Ltd (from September 2005)  
Erste Bank (Malta) Ltd  
Finansbank (Malta) Ltd (from July 2005)  
Fortis Bank Malta Ltd  
Investkredit International Bank plc  
Izola Bank Ltd  
Mediterranean Bank plc (from Jan 2006)  
Raiffeisen Malta Bank plc  
Sparkasse Bank Malta plc  
Turkiye Garanti Bankasi A.S.

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**GENERAL NOTES**

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

*Lm thousands*

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

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities <sup>3</sup>
			Credit institutions <sup>3</sup>	Central government	Other residents	Total			
2003	485,373	31,456	242,162	83,198	8,456	333,815	88,225	25,497	28,651
2004	506,406	30,568	166,318	115,661	11,147	293,126	86,016	-	20,028
<b>2005</b>									
Jan.	499,631	30,568	200,150	73,437	12,779	286,366	85,095	4,301	15,257
Feb.	501,987	30,568	175,810	91,829	10,651	278,289	83,816	4,307	11,329
Mar.	505,049	30,568	185,245	87,119	11,185	283,549	84,207	4,296	11,424
Apr.	507,076	30,568	140,268	88,900	11,380	240,547	86,051	2,219	9,562
May	510,621	31,066	185,983	73,032	8,983	267,997	86,946	-	14,751
June	517,006	31,066	147,017	81,492	11,010	239,520	87,826	-	14,108
July	517,836	31,066	165,179	87,117	7,768	260,063	86,812	-	12,306
Aug.	518,168	31,066	190,735	96,909	8,740	296,384	87,123	-	13,156
Sept.	518,304	31,066	210,852	94,990	8,228	314,070	85,951	-	14,469
Oct.	516,749	31,066	235,252	109,386	8,552	353,190	83,867	-	17,157
Nov.	516,338	31,066	223,291	111,938	9,925	345,153	83,268	2,262	17,244
Dec.	520,044	32,032	182,336	147,461	9,511	339,309	84,290	-	15,309
<b>2006</b>									
Jan.	512,296	32,032	243,155	77,221	8,840	329,215	83,053	2,198	11,723
Feb.	509,795	32,032	256,706	69,818	11,223	337,747	82,382	-	9,508
Mar.	510,860	32,032	230,040	70,921	8,624	309,585	80,164	4,510	6,806
Apr.	510,727	32,032	206,121	73,581	9,466	289,168	78,137	11,878	7,718
May	509,906	31,069	226,724	138,615	9,722	375,061	79,092	7,107	8,779
June	511,959	31,069	286,215	82,473	10,134	378,821	77,358	4,311	9,422

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

<sup>2</sup> Includes deposit money banks and international banking institutions.

<sup>3</sup> From December 2001, term deposits by banks, previously classified as "other liabilities", are classified as bank deposits or deposits by credit institutions.

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

*Lm thousands*

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

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/liabilities
	Gold	IMF-related assets <sup>2</sup>	Other	Total				
2003	497	35,686	899,365	935,547	31,431	7,772	18,266	993,016
2004	497	35,136	824,921	860,554	30,543	21,338	23,708	936,143
<b>2005</b>								
Jan.	498	35,743	815,051	851,292	30,543	15,038	24,344	921,217
Feb.	505	35,534	813,914	849,953	30,543	5,704	24,095	910,296
Mar.	504	35,791	784,154	820,450	30,543	20,711	47,388	919,092
Apr.	510	35,860	768,188	804,558	30,543	8,423	32,499	876,023
May	513	36,767	771,432	808,712	31,042	17,907	53,721	911,382
June	553	37,064	773,155	810,772	31,042	16,474	31,239	889,526
July	540	36,810	805,808	843,159	31,042	7,709	26,174	908,084
Aug.	541	37,001	840,970	878,512	31,042	8,314	28,029	945,898
Sept.	601	37,246	859,405	897,252	31,042	8,111	27,456	963,861
Oct.	599	37,195	895,201	932,994	31,042	10,112	27,882	1,002,030
Nov.	641	37,609	890,042	928,293	31,042	9,082	26,915	995,331
Dec.	664	37,514	884,860	923,038	32,007	9,118	26,821	990,984
<b>2006</b>								
Jan.	1,117	37,056	859,922	898,095	32,007	13,021	27,394	970,518
Feb.	1,323	37,744	862,275	901,342	32,007	12,375	25,739	971,464
Mar.	1,349	37,243	825,700	864,292	32,007	20,236	27,422	943,958
Apr.	1,439	36,598	815,694	853,731	32,007	15,569	28,353	929,661
May	780	36,506	887,429	924,715	31,045	25,432	29,823	1,011,014
June	724	36,492	891,969	929,184	31,045	24,697	28,014	1,012,941

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

<sup>2</sup> Includes IMF reserve position and holdings of SDRs.

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

*liabilities*

*Lm thousands*

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

End of period	Resident deposits <sup>1</sup>				External liabilities	Debt securities issued	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	1,047,817	28,782	1,599,172	2,675,772	1,077,630	46,638	599,911	350,272
2004	1,111,768	29,726	1,588,425	2,729,919	1,353,387	48,880	658,932	351,684
<b>2005</b>								
Jan.	1,134,267	30,241	1,590,581	2,755,088	1,340,362	48,858	640,397	340,751
Feb.	1,127,062	30,300	1,595,555	2,752,917	1,352,177	48,600	645,785	338,561
Mar.	1,128,061	29,778	1,597,230	2,755,069	1,325,303	49,708	639,108	358,757
Apr.	1,133,853	29,817	1,594,574	2,758,244	1,296,132	49,604	645,533	338,387
May	1,149,564	29,682	1,585,337	2,764,583	1,345,978	50,195	650,353	376,084
June	1,179,791	29,806	1,602,632	2,812,229	1,356,496	32,214	655,025	351,648
July	1,159,523	31,511	1,612,758	2,803,791	1,337,873	32,187	661,937	336,556
Aug.	1,171,827	29,801	1,625,267	2,826,895	1,379,868	32,065	656,570	343,702
Sept.	1,186,522	29,837	1,631,879	2,848,238	1,425,463	32,249	652,068	340,575
Oct.	1,180,106	29,656	1,629,360	2,839,123	1,491,350	32,212	656,175	358,162
Nov.	1,182,677	30,171	1,627,112	2,839,960	1,468,992	32,504	662,439	330,980
Dec.	1,201,907	30,913	1,646,131	2,878,951	1,530,313	32,449	654,700	317,693
<b>2006</b>								
Jan.	1,198,123	30,766	1,690,722	2,919,610	1,511,319	32,168	659,306	307,122
Feb.	1,204,430	31,124	1,711,067	2,946,622	1,500,169	32,410	666,912	307,998
Mar.	1,201,615	31,614	1,697,266	2,930,496	1,478,641	32,208	665,477	323,819
Apr.	1,208,055	31,578	1,688,732	2,928,366	1,552,858	31,715	637,854	259,703
May	1,227,478	33,537	1,689,927	2,950,943	1,552,899	31,431	638,480	273,216
June	1,222,239	30,586	1,732,099	2,984,924	1,602,249	31,586	641,503	269,303

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



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

*Lm thousands*

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

End of period	Balances held with Central Bank of Malta <sup>1</sup>	Loans	Securities other than shares	Shares & other equity <sup>2</sup>	External assets <sup>2</sup>	Other assets	Total assets/liabilities
2003	260,873	1,909,932	622,093	35,081	1,587,136	335,107	4,750,222
2004	192,578	2,029,380	657,326	32,814	1,894,746	335,959	5,142,801
<b>2005</b>							
Jan.	217,326	2,030,714	646,267	21,596	1,896,610	312,944	5,125,456
Feb.	195,737	2,049,098	677,904	21,583	1,882,912	310,808	5,138,040
Mar.	202,118	2,078,525	662,915	21,132	1,859,182	304,071	5,127,944
Apr.	164,264	2,068,907	682,810	21,182	1,856,744	293,990	5,087,898
May	209,273	2,071,270	654,240	20,978	1,915,337	316,094	5,187,192
June	169,162	2,084,875	666,501	20,984	1,948,314	317,777	5,207,612
July	187,706	2,051,029	655,536	21,042	1,943,201	313,832	5,172,346
Aug.	211,651	2,056,540	655,283	21,036	1,963,671	330,917	5,239,099
Sept.	232,289	2,099,269	621,755	24,504	2,009,405	311,371	5,298,593
Oct.	255,605	2,113,959	619,172	24,791	2,048,393	315,102	5,377,021
Nov.	247,410	2,126,733	602,637	26,102	2,021,500	310,491	5,334,874
Dec.	209,269	2,171,417	618,343	26,268	2,073,993	314,815	5,414,105
<b>2006</b>							
Jan.	264,756	2,198,080	592,121	26,275	2,037,601	310,690	5,429,524
Feb.	276,830	2,212,986	586,526	31,413	2,030,317	316,039	5,454,111
Mar.	252,487	2,258,463	570,443	31,303	2,013,313	304,632	5,430,640
Apr.	224,763	2,269,018	569,453	31,091	2,065,913	250,249	5,410,496
May	249,228	2,286,501	544,287	31,595	2,078,643	256,706	5,446,970
June	309,587	2,309,481	508,611	32,354	2,112,813	256,718	5,529,564

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

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

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

*Lm thousands*

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

End of period	Resident deposits				External liabilities	Capital & reserves	Other liabilities	Total liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
2003	464	0	491	955	2,748,650	182,443	2,526	2,934,574
2004	27	310	304	642	3,561,382	236,763	4,257	3,803,045
<b>2005</b>								
Jan.	107	321	261	689	3,585,654	241,773	4,255	3,832,371
Feb.	49	316	270	635	3,588,293	237,861	3,568	3,830,357
Mar.	26	336	272	634	3,738,429	235,537	3,798	3,978,398
Apr.	123	338	65	526	3,820,149	236,124	3,806	4,060,605
May	28	354	53	435	4,049,831	216,365	4,398	4,271,029
June	108	503	64	675	4,130,079	231,388	4,722	4,366,864
July	85	502	97	684	4,254,489	236,392	5,640	4,497,205
Aug.	667	498	112	1,278	4,564,874	237,328	5,040	4,808,520
Sept.	232	509	100	841	5,490,470	268,487	4,077	5,763,874
Oct.	53	531	97	680	5,475,948	273,458	4,655	5,754,741
Nov.	666	540	95	1,301	5,239,821	277,161	4,836	5,523,118
Dec.	231	542	53	826	5,895,677	358,206	5,794	6,260,502
<b>2006</b>								
Jan.	417	528	56	1,001	6,147,230	356,715	10,386	6,515,332
Feb.	273	538	65	875	6,489,945	363,234	6,138	6,860,192
Mar.	331	529	45	904	6,700,287	383,595	7,873	7,092,659
Apr.	319	509	51	879	6,753,515	626,485	16,915	7,397,793
May	381	504	140	1,024	6,592,743	580,103	16,298	7,190,168
June	1,024	459	154	1,637	7,108,450	554,835	18,011	7,682,933

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

*Lm thousands*

End of period	Cash & deposits with Central Bank of Malta	Foreign assets	Local lending & bills discounted	Local investments	Fixed & other assets	Total assets
1999	1,892	2,417,710	6,135	260,458	16,860	2,703,056
2000	2,078	2,819,021	6,128	267,663	11,256	3,106,146
2001	1,355	2,481,053	5,855	137,161	12,976	2,638,400
2002	1,141	2,456,089	6,426	8,860	4,013	2,476,529
End of period	Balances held with Central Bank of Malta <sup>1</sup>	External assets	Securities other than shares	Shares and other equity	Other assets	Total assets
2003	-	2,917,645	-	613	16,314	2,934,573
2004	-	3,775,464	-	647	26,933	3,803,045
<b>2005</b>						
Jan.	-	3,804,711	-	415	27,245	3,832,372
Feb.	-	3,802,836	-	421	27,099	3,830,357
Mar.	-	3,950,433	-	422	27,544	3,978,399
Apr.	-	4,032,978	-	412	27,214	4,060,605
May	-	4,242,944	-	444	27,640	4,271,029
June	-	4,338,105	-	455	28,304	4,366,864
July	-	4,472,005	-	464	24,735	4,497,205
Aug.	-	4,784,113	-	462	23,943	4,808,519
Sept.	-	5,739,469	-	472	23,932	5,763,874
Oct.	-	5,723,684	-	478	30,578	5,754,741
Nov.	-	5,491,945	-	420	30,751	5,523,117
Dec.	-	6,228,893	-	423	31,185	6,260,502
<b>2006</b>						
Jan.	-	6,482,262	-	422	32,649	6,515,333
Feb.	-	6,827,643	-	435	32,115	6,860,192
Mar.	-	7,060,118	-	422	32,118	7,092,658
Apr.	-	7,365,572	-	413	31,807	7,397,792
May	-	7,157,647	-	359	32,161	7,190,168
June	-	7,650,314	-	351	32,268	7,682,933

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

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

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

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

End of period	Domestic credit <sup>6</sup>			Net foreign assets <sup>6</sup>			Broad money (M3)	Other counterparts to broad money (net)	Total assets/liabilities
	Net claims on central government <sup>2</sup>	Claims on other residents	Total	Central Bank of Malta	OMFIs	Total			
2003	568,436	1,898,951	2,467,386	919,841	678,502	1,598,342	2,849,244	1,216,486	4,065,729
2004	545,113	2,058,031	2,603,144	870,293	755,441	1,625,734	2,918,320	1,310,557	4,228,878
<b>2005</b>									
Jan.	565,119	2,052,243	2,617,362	856,284	775,304	1,631,588	2,936,569	1,312,382	4,248,950
Feb.	568,407	2,071,034	2,639,441	855,690	745,277	1,600,968	2,934,369	1,306,041	4,240,408
Mar.	565,591	2,102,844	2,668,436	826,212	745,882	1,572,093	2,925,283	1,315,245	4,240,529
Apr.	566,433	2,096,643	2,663,076	814,591	773,442	1,588,033	2,928,150	1,322,961	4,251,108
May	558,294	2,101,628	2,659,922	818,568	762,472	1,581,040	2,931,434	1,309,528	4,240,962
June	560,030	2,116,236	2,676,266	819,114	799,845	1,618,959	2,979,359	1,315,865	4,295,225
July	533,623	2,080,431	2,614,054	856,347	822,844	1,679,191	2,962,716	1,330,528	4,293,245
Aug.	519,399	2,087,454	2,606,853	892,979	803,042	1,696,021	2,988,587	1,314,288	4,302,874
Sept.	499,992	2,119,835	2,619,827	911,712	832,941	1,744,653	3,004,044	1,360,435	4,364,479
Oct.	486,967	2,136,185	2,623,152	944,477	804,779	1,749,256	2,997,663	1,374,746	4,372,408
Nov.	466,042	2,151,149	2,617,191	936,375	804,633	1,741,008	3,001,774	1,356,427	4,358,199
Dec.	442,706	2,193,972	2,636,677	932,598	876,897	1,809,495	3,041,584	1,404,588	4,446,172
<b>2006</b>									
Jan.	459,099	2,219,690	2,678,789	906,430	861,315	1,767,744	3,040,374	1,406,152	4,446,533
Feb.	457,420	2,243,180	2,700,599	907,869	867,845	1,775,714	3,068,899	1,407,413	4,476,313
Mar.	448,094	2,286,504	2,734,598	871,808	894,503	1,766,311	3,047,841	1,453,068	4,500,908
Apr.	440,142	2,296,538	2,736,680	854,581	1,125,112	1,979,693	3,049,757	1,666,628	4,716,373
May	359,560	2,314,090	2,673,651	931,172	1,090,648	2,021,820	3,068,782	1,626,671	4,695,471
June	355,884	2,337,135	2,693,019	936,279	1,052,411	1,988,689	3,087,457	1,594,270	4,681,708

<sup>1</sup> Includes Central Bank of Malta, deposit money banks and international banking institutions. All interbank transactions are excluded.

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

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

<sup>4</sup> Excludes Malta Government deposits, balances belonging to non-residents and uncleared effects drawn on deposit money banks.

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

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

**TABLE 1.5 MONETARY BASE AND MONETARY AGGREGATES**

*Lm thousands*

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

End of period	Monetary base (M0)			Broad money (M3)									
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Intermediate money (M2)								Repurchase agreements /Debt securities with agreed maturity up to 2 years	Total (M3)
				Currency in circulation	Deposits withdrawable on demand		Total (M1)	Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)			
					Demand	Savings							
2003	485,373	137,885	623,258	460,424	273,666	756,858	1,490,948	28,778	1,329,492	2,849,218	26	2,849,244	
2004	506,406	145,298	651,703	485,993	300,848	794,103	1,580,944	30,031	1,307,345	2,918,320	-	2,918,320	
<b>2005</b>													
Jan.	499,631	170,323	669,954	482,964	312,306	802,873	1,598,143	30,556	1,307,869	2,936,569	-	2,936,569	
Feb.	501,987	146,783	648,770	484,476	304,414	803,649	1,592,539	30,611	1,311,219	2,934,369	-	2,934,369	
Mar.	505,049	175,232	680,281	484,636	302,470	798,558	1,585,664	30,108	1,309,511	2,925,283	-	2,925,283	
Apr.	507,076	140,250	647,326	488,981	297,672	805,802	1,592,455	30,149	1,305,545	2,928,150	-	2,928,150	
May	510,621	178,960	689,581	490,486	306,377	812,121	1,608,984	30,031	1,292,419	2,931,434	-	2,931,434	
June	517,006	146,000	663,006	495,454	314,418	831,301	1,641,173	30,304	1,307,881	2,979,359	-	2,979,359	
July	517,836	137,681	655,517	498,601	305,550	818,556	1,622,707	32,008	1,308,000	2,962,716	-	2,962,716	
Aug.	518,168	146,415	664,584	497,807	317,103	819,787	1,634,696	30,294	1,323,596	2,988,587	-	2,988,587	
Sept.	518,304	130,333	648,637	497,228	319,416	831,157	1,647,800	30,340	1,325,904	3,004,044	-	3,004,044	
Oct.	516,749	149,530	666,278	496,940	314,836	830,107	1,641,884	30,182	1,325,598	2,997,663	-	2,997,663	
Nov.	516,338	148,973	665,311	494,204	317,532	832,338	1,644,074	30,706	1,326,994	3,001,774	-	3,001,774	
Dec.	520,044	135,540	655,584	498,921	312,115	859,026	1,670,062	31,449	1,340,074	3,041,584	-	3,041,584	
<b>2006</b>													
Jan.	512,296	142,435	654,731	491,737	315,440	849,610	1,656,787	30,761	1,352,826	3,040,374	-	3,040,374	
Feb.	509,795	135,687	645,482	491,189	320,883	852,016	1,664,087	31,119	1,373,693	3,068,899	-	3,068,899	
Mar.	510,860	151,021	661,881	489,079	312,344	852,365	1,653,788	31,609	1,362,444	3,047,841	-	3,047,841	
Apr.	510,727	136,804	647,531	490,644	320,219	850,550	1,661,413	31,573	1,356,771	3,049,757	-	3,049,757	
May	509,906	148,604	658,510	489,488	332,704	857,511	1,679,704	34,034	1,355,044	3,068,782	-	3,068,782	
June	511,959	139,194	651,153	489,863	330,153	853,116	1,673,132	31,039	1,383,287	3,087,457	-	3,087,457	

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

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos <sup>1</sup>			Marginal lending during the period <sup>2</sup>	Term deposits <sup>3</sup>			Overnight deposits <sup>4</sup>
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900	180,200	64,700	500	271,600	283,600	-	97,662
2001	859,000	918,700	5,000	8,550	77,200	56,200	21,000	120,200
2002	-	5,000	-	-	2,399,400	2,316,400	104,000	175,665
2003	-	-	-	1,000	3,519,200	3,518,900	104,300	106,400
2004	-	-	-	-	108,220	143,520	21,000	3,700
<b>2005</b>								
Jan.	-	-	-	-	89,900	81,100	29,800	15,000
Feb.	-	-	-	-	89,200	90,000	29,000	3,700
Mar.	23,000	-	23,000	-	44,700	63,700	10,000	6,300
Apr.	9,000	23,000	9,000	-	40,900	50,900	-	58,600
May	34,300	16,300	27,000	-	23,700	16,700	7,000	-
June	6,000	27,000	6,000	-	41,200	47,200	1,000	23,300
July	7,300	13,300	-	-	38,700	12,200	27,500	25,900
Aug.	-	-	-	-	66,350	49,550	44,300	-
Sept.	-	-	-	-	215,000	178,800	80,500	50,550
Oct.	-	-	-	-	276,700	271,500	85,700	3,600
Nov.	-	-	-	2	339,400	350,800	74,300	30,100
Dec.	-	-	-	11	372,000	399,500	46,800	15,900
<b>2006</b>								
Jan.	-	-	-	228	367,900	314,000	100,700	1,100
Feb.	-	-	-	23	443,500	423,200	121,000	52,450
Mar.	-	-	-	160	473,700	515,700	79,000	12,800
Apr.	-	-	-	-	302,600	312,300	69,300	0
May	-	-	-	78	297,200	288,400	78,100	900
June	-	-	-	-	592,300	523,400	147,000	18,500

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

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

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

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

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

*Lm thousands*

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

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

*Lm thousands*

End of Period	Central government	Other sectors					Resident deposits	Non-resident deposits	Total deposits
		Other general government	Financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total			
2003	19,216	6,852	51,299	419,019	2,180,340	2,657,511	2,676,727	850,927	3,527,654
2004	21,367	7,191	55,223	414,530	2,232,250	2,709,194	2,730,560	1,077,942	3,808,503
<b>2005</b>									
Jan.	24,974	6,397	57,802	431,558	2,235,046	2,730,803	2,755,778	1,013,712	3,769,490
Feb.	24,362	5,343	55,751	419,076	2,249,019	2,729,189	2,753,552	1,018,502	3,772,054
Mar.	30,811	4,478	55,465	428,521	2,236,427	2,724,891	2,755,702	1,150,927	3,906,629
Apr.	32,555	6,126	51,449	424,155	2,244,483	2,726,214	2,758,769	1,152,308	3,911,077
May	36,306	5,362	58,921	417,900	2,246,529	2,728,712	2,765,018	1,066,408	3,831,426
June	37,045	4,774	67,638	433,032	2,270,414	2,775,859	2,812,904	1,195,977	4,008,881
July	36,072	6,410	59,940	437,487	2,264,567	2,768,404	2,804,476	1,276,600	4,081,076
Aug.	38,411	5,723	54,476	456,575	2,272,987	2,789,762	2,828,173	1,275,415	4,103,587
Sept.	41,114	5,026	62,998	456,989	2,282,952	2,807,965	2,849,079	1,456,257	4,305,335
Oct.	38,071	6,851	61,712	455,488	2,277,681	2,801,732	2,839,803	1,518,769	4,358,572
Nov.	37,610	6,070	65,093	456,478	2,276,009	2,803,650	2,841,261	1,446,262	4,287,523
Dec.	42,944	7,835	79,672	447,713	2,301,612	2,836,833	2,879,777	1,938,593	4,818,370
<b>2006</b>									
Jan.	75,890	6,940	92,621	446,623	2,298,539	2,844,722	2,920,612	1,956,989	4,877,601
Feb.	75,239	5,835	99,461	460,031	2,306,932	2,872,258	2,947,497	1,792,417	4,739,914
Mar.	76,727	5,004	90,997	467,221	2,291,451	2,854,673	2,931,400	1,938,828	4,870,228
Apr.	77,297	6,391	90,651	463,222	2,291,683	2,851,948	2,929,245	2,007,939	4,937,183
May	77,612	5,588	91,339	477,871	2,299,557	2,874,355	2,951,967	1,782,572	4,734,539
June	100,860	4,682	93,930	471,357	2,315,732	2,885,701	2,986,561	1,603,533	4,590,094

<sup>1</sup> Includes deposit money banks and international banking institutions. For the purposes of this table, deposits include uncleared effects.

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

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

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

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

*Lm thousands*

End of period	Resident deposits					Non-resident deposits		Total deposits
	MTL	EUR	GBP	USD	Other	MTL	Other	
2002	2,293,881	77,068	115,339	111,574	22,939	35,579	872,847	3,529,227
2003	2,319,822	103,928	130,196	98,049	25,352	47,978	809,676	3,535,001
2004	2,344,529	108,373	151,142	96,978	29,546	50,770	1,027,172	3,808,510
<b>2005</b>								
Jan.	2,354,358	113,397	154,332	99,966	34,298	50,265	963,447	3,770,062
Feb.	2,361,041	110,804	153,446	97,928	30,688	49,838	968,665	3,772,411
Mar.	2,353,226	113,748	155,641	101,702	31,385	50,741	1,100,186	3,906,629
Apr.	2,349,477	119,312	157,139	99,795	33,047	51,609	1,100,699	3,911,077
May	2,348,673	119,521	159,552	102,753	34,518	52,315	1,014,094	3,831,426
June	2,378,145	122,335	169,498	107,166	35,760	55,034	1,140,942	4,008,881
July	2,381,876	122,738	165,192	99,342	35,328	53,844	1,222,757	4,081,076
Aug.	2,398,102	122,372	169,578	102,275	35,845	53,724	1,224,262	4,106,158
Sept.	2,419,176	121,992	169,777	102,156	35,978	51,485	1,410,918	4,311,481
Oct.	2,407,078	118,154	171,116	111,176	32,279	52,111	1,472,823	4,364,736
Nov.	2,408,206	116,369	172,334	111,878	32,474	51,197	1,399,871	4,292,328
Dec.	2,439,823	122,046	181,620	102,291	33,997	51,335	1,892,004	4,823,116
<b>2006</b>								
Jan.	2,469,116	131,716	185,390	96,982	37,408	52,275	1,912,854	4,885,741
Feb.	2,480,958	144,258	186,304	97,662	38,356	51,962	1,748,638	4,748,138
Mar.	2,467,932	145,615	175,021	107,798	35,034	50,117	1,896,856	4,878,373
Apr.	2,459,837	155,774	181,137	96,382	36,114	51,672	1,964,332	4,945,249
May	2,462,492	166,667	190,271	95,782	36,754	51,358	1,739,353	4,742,678
June	2,506,710	159,714	188,469	95,644	36,024	51,636	1,560,062	4,598,259

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



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

End of period	Currency issued and outstanding			Less currency held by banking system <sup>1</sup>	Currency in circulation
	Notes	Coins	Total		
1999	402,000	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,834	17,994	441,829	22,942	418,887
2002	443,905	17,343	461,247	24,416	436,831
2003	467,097	18,275	485,373	24,949	460,424
2004	487,165	19,240	506,406	20,412	485,993
<b>2005</b>					
Jan.	480,630	19,000	499,631	16,667	482,964
Feb.	483,075	18,912	501,987	17,512	484,476
Mar.	486,140	18,908	505,049	20,413	484,636
Apr.	488,028	19,048	507,076	18,095	488,981
May	491,377	19,244	510,621	20,134	490,486
June	497,523	19,483	517,006	21,553	495,454
July	497,996	19,840	517,836	19,235	498,601
Aug.	498,105	20,063	518,168	20,361	497,807
Sept.	498,305	20,000	518,304	21,076	497,228
Oct.	496,704	20,045	516,749	19,808	496,940
Nov.	496,281	20,057	516,338	22,134	494,204
Dec.	499,934	20,110	520,044	21,123	498,921
<b>2006</b>					
Jan.	492,406	19,890	512,296	20,559	491,737
Feb.	489,977	19,818	509,795	18,607	491,189
Mar.	491,022	19,838	510,860	21,782	489,079
Apr.	490,732	19,995	510,727	20,083	490,644
May	489,848	20,058	509,906	20,417	489,488
June	491,598	20,361	511,959	22,096	489,863

<sup>1</sup> For the purposes of this classification, the banking system includes deposit money banks and international banking institutions.

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

*Lm thousands*

End of period	Total notes & coins <sup>1</sup>	Currency notes <sup>2</sup>				
		Lm20	Lm10	Lm5	Lm2	Total
1999	418,485	108,626	259,366	27,738	6,270	402,000
2000	423,188	107,902	264,170	27,168	6,473	405,713
2001	441,829	108,832	280,699	27,647	6,656	423,834
2002	461,247	109,560	298,664	28,784	6,897	443,905
2003	485,373	109,703	319,411	30,818	7,165	467,097
2004	506,406	110,318	337,551	31,904	7,392	487,165
<b>2005</b>						
Jan.	499,631	109,748	333,103	30,509	7,270	480,630
Feb.	501,987	109,973	335,328	30,531	7,244	483,075
Mar.	505,049	110,134	337,312	31,365	7,329	486,140
Apr.	507,076	110,654	338,318	31,585	7,472	488,028
May	510,621	111,150	340,419	32,211	7,598	491,377
June	517,006	111,928	344,343	33,445	7,807	497,523
July	517,836	112,561	344,193	33,352	7,890	497,996
Aug.	518,168	112,485	344,324	33,414	7,883	498,105
Sept.	518,304	112,248	344,963	33,198	7,896	498,305
Oct.	516,749	111,594	344,727	32,559	7,823	496,704
Nov.	516,338	111,048	344,969	32,505	7,758	496,281
Dec.	520,044	110,549	348,618	32,979	7,788	499,934
<b>2006</b>						
Jan.	512,296	109,987	342,936	31,820	7,663	492,406
Feb.	509,795	109,366	341,333	31,617	7,662	489,978
Mar.	510,860	109,125	341,994	32,099	7,804	491,022
Apr.	510,727	109,023	341,144	32,613	7,952	490,732
May	509,906	108,615	340,252	32,913	8,068	489,848
June	511,959	108,358	341,322	33,797	8,122	491,599

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

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

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

*Lm thousands*

Period	Liquid assets			Net short-term liabilities <sup>3</sup>	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits <sup>2</sup>
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000	680,572	491,273	189,299	1,637,576	41.6	76.1
2001	899,098	524,456	374,642	1,748,188	51.4	80.7
2002	983,291	588,529	394,762	1,961,762	50.1	72.8
2003	984,411	609,245	375,166	2,030,816	48.5	73.6
2004	1,073,540	692,378	381,162	2,307,928	46.5	75.9
<b>2005</b>						
Jan.	1,082,611	700,958	381,653	2,336,527	46.3	75.1
Feb.	1,090,706	700,333	390,373	2,334,444	46.7	75.8
Mar.	1,059,157	702,664	356,493	2,342,212	45.2	76.8
Apr.	1,047,300	689,285	358,015	2,297,616	45.6	76.2
May	1,226,539	702,789	523,750	2,342,630	52.4	76.1
June	1,217,994	716,038	501,956	2,386,793	51.0	75.3
July	1,195,557	651,331	544,226	2,171,102	55.1	74.7
Aug.	1,258,594	660,701	597,893	2,202,335	57.1	74.3
Sept.	1,247,446	671,978	575,468	2,239,927	55.7	75.2
Oct.	1,262,037	694,138	567,899	2,313,792	54.5	75.9
Nov.	1,194,329	685,943	508,386	2,286,478	52.2	76.3
Dec.	1,238,543	701,968	536,575	2,339,893	52.9	76.8
<b>2006</b>						
Jan.	1,241,867	697,000	544,867	2,323,334	53.5	76.5
Feb.	1,244,066	696,476	547,590	2,321,588	53.6	76.3
Mar.	1,185,208	689,957	495,251	2,299,856	51.5	78.2
Apr.	1,164,962	709,544	455,418	2,365,146	49.3	77.6
May	1,214,032	717,942	496,090	2,393,141	50.7	77.4
June	1,245,093	753,555	491,538	2,511,850	49.6	77.4

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

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

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

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

Period	Cash and deposits with Central Bank of Malta <sup>1</sup>	Treasury bills	Interbank deposits	Marketable debt securities <sup>2</sup>	Total liquid assets
1999	50,995	75,929	67,768	499,837	694,529
2000	33,512	116,818	68,865	461,377	680,572
2001	59,754	135,845	115,894	587,605	899,098
2002	120,981	156,950	135,072	570,288	983,291
2003	129,234	183,902	101,688	569,587	984,411
2004	45,160	190,461	155,583	682,336	1,073,540
<b>2005</b>					
Jan.	61,166	176,034	170,229	675,182	1,082,611
Feb.	54,545	205,363	149,182	681,616	1,090,706
Mar.	57,340	184,857	158,289	658,671	1,059,157
Apr.	21,523	205,889	149,742	670,146	1,047,300
May	54,167	170,656	168,254	833,462	1,226,539
June	33,366	185,575	168,387	830,666	1,217,994
July	46,269	172,212	157,094	819,982	1,195,557
Aug.	69,635	164,942	174,241	849,776	1,258,594
Sept.	98,075	145,082	177,281	827,008	1,247,446
Oct.	123,452	143,089	186,760	808,736	1,262,037
Nov.	105,117	131,528	154,779	802,905	1,194,329
Dec.	74,527	147,511	219,542	796,963	1,238,543
<b>2006</b>					
Jan.	128,942	122,786	192,380	797,759	1,241,867
Feb.	138,732	116,466	194,885	793,983	1,244,066
Mar.	113,140	102,867	178,980	790,221	1,185,208
Apr.	88,301	111,184	206,556	758,921	1,164,962
May	110,467	96,578	241,790	765,197	1,214,032
June	169,450	61,992	253,990	759,661	1,245,093

<sup>1</sup> Excludes balances held as reserve deposits.

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

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

*Lm thousands*

End of period		Size of loans <sup>2</sup>				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1999	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest rate	7.33	7.62	7.66	6.55	7.16
2000	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest rate	7.38	7.31	7.29	6.46	6.97
2001	Amount	222,816	497,299	351,893	788,641	1,860,625
	Interest rate	6.70	6.87	7.22	5.50	6.33
2002	Amount	231,568	554,682	358,287	1,001,883	2,146,420
	Interest rate	6.21	6.02	6.68	5.04	5.69
2003	Amount	235,875	681,763	369,381	1,060,829	2,347,849
2004	Amount	241,926	736,447	394,321	1,227,685	2,600,378
<b>2005</b>						
Mar.	Amount	238,180	766,116	411,344	1,212,150	2,627,789
June	Amount	245,446	765,875	446,582	1,174,249	2,632,152
Sept.	Amount	274,386	785,092	413,106	1,210,274	2,682,858
Dec.	Amount	245,850	813,559	422,661	1,259,127	2,741,199
<b>2006</b>						
Mar.	Amount	276,077	843,885	436,440	1,261,621	2,818,023
June	Amount	281,131	853,541	425,295	1,312,164	2,872,131

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

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

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

*Lm thousands*

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

End of period	Electricity, gas & water supply	Transport, storage & communication	Financial intermediation	Agriculture & fishing	Manufacturing	Construction	Hotels & restaurants <sup>3</sup>	Wholesale & retail trade; repairs
2003	83,891	135,506	74,835	9,237	184,823	201,132	206,872	288,171
2004	92,136	126,950	63,500	9,923	153,730	217,001	205,569	290,297
<b>2005</b>								
Jan.	88,121	127,198	56,429	9,681	150,703	214,544	209,168	288,927
Feb.	90,793	127,455	56,784	9,684	149,270	217,239	209,351	288,468
Mar.	91,825	129,415	56,247	9,897	142,648	214,177	215,878	297,455
Apr.	90,001	129,252	52,570	9,674	141,674	217,377	214,381	294,723
May	91,342	124,363	54,736	9,093	143,115	207,609	212,267	293,365
June	91,472	121,548	49,152	9,196	140,758	202,428	209,584	294,596
July	53,148	124,504	60,299	9,262	139,276	199,281	206,918	290,232
Aug.	54,307	120,448	64,322	9,181	133,740	200,778	186,552	286,295
Sept.	54,395	122,229	64,740	8,461	135,201	201,244	202,718	296,756
Oct.	58,311	121,322	63,478	8,565	132,104	204,259	203,417	294,701
Nov.	59,033	120,076	63,022	8,551	132,357	207,378	201,765	294,949
Dec.	61,101	123,245	62,311	8,702	131,453	215,637	203,846	296,678
<b>2006</b>								
Jan.	74,310	125,271	60,386	8,766	131,030	218,973	200,789	292,842
Feb.	75,939	126,502	58,684	8,762	133,773	218,537	203,456	290,529
Mar.	76,077	129,472	56,556	8,739	112,256	229,853	208,748	300,647
Apr.	75,008	128,818	25,256	8,869	111,668	232,396	207,849	298,281
May	74,075	128,376	22,329	9,017	111,868	240,036	208,067	297,253
June	75,976	128,758	23,674	9,375	112,960	243,928	205,776	299,489

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

<sup>2</sup> As from January 1995 includes deposit money banks and international banking institutions.

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

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

*Lm thousands*

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

End of period	Real estate, renting & business activities	Households & individuals				Other (residual) <sup>3</sup>	Total lending to residents	Lending to non-residents	Total
		Lending for house purchase	Consumer credit	Other lending	Total				
2003	118,472	442,245	36,142	131,568	609,955	60,788	1,973,681	374,168	2,347,849
2004	137,956	539,092	80,882	98,450	718,424	62,113	2,077,600	522,778	2,600,378
<b>2005</b>									
Jan.	142,739	546,866	81,204	97,449	725,518	63,015	2,076,045	505,497	2,581,542
Feb.	143,091	568,520	81,422	89,352	739,294	61,396	2,092,824	516,375	2,609,199
Mar.	151,727	579,093	81,437	87,984	748,514	63,100	2,120,882	506,907	2,627,789
Apr.	145,779	585,148	82,222	85,292	752,662	62,420	2,110,514	496,576	2,607,090
May	137,456	592,975	83,559	87,330	763,864	74,443	2,111,653	508,352	2,620,006
June	153,720	601,913	84,428	88,402	774,743	77,387	2,124,583	507,569	2,632,152
July	154,983	609,848	85,151	90,032	785,031	79,168	2,102,103	512,793	2,614,896
Aug.	175,511	617,183	86,229	90,448	793,860	81,631	2,106,624	513,757	2,620,381
Sept.	182,658	623,023	85,663	91,703	800,389	79,814	2,148,606	534,252	2,682,858
Oct.	182,684	632,316	87,773	93,316	813,405	79,153	2,161,399	538,014	2,699,413
Nov.	183,058	642,772	89,465	90,724	822,960	79,974	2,173,124	535,542	2,708,666
Dec.	190,703	653,136	91,317	92,116	836,569	85,832	2,216,078	525,121	2,741,199
<b>2006</b>									
Jan.	200,956	660,254	91,618	91,615	843,487	84,439	2,241,249	522,493	2,763,743
Feb.	203,839	670,083	90,679	91,955	852,718	82,068	2,254,807	524,752	2,779,559
Mar.	211,253	679,970	92,440	87,050	859,460	106,265	2,299,326	518,697	2,818,024
Apr.	213,887	685,722	93,728	91,626	871,076	105,600	2,278,710	561,247	2,839,956
May	215,975	692,390	96,009	91,976	880,375	106,643	2,294,013	553,162	2,847,176
June	217,726	700,430	97,029	95,636	893,095	106,236	2,316,994	555,137	2,872,131

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

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

<sup>3</sup> Includes mining & quarrying, public administration, education, health & social work, community & recreational and personal service activities, extraterritorial organisations and bodies.

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

*Lm thousands*

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

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

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

<sup>1</sup> Loans extended by deposit money banks and international banking institutions. Public sector companies comprise entities that are subject to control by government, control being defined as the ability to determine general corporate policy. Table discontinued as from October 2003.



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

*analysis by economic activity and by sector*

*Lm thousands*

End of period	Electricity, gas & water supply		Transport, storage & communication		Agriculture & fishing	Financial intermediation	Manufacturing		Construction	
	Public sector	Private sector	Public sector	Private sector			Public sector	Private sector	Public sector	Private sector
2003	82,882	1,009	60,071	75,435	9,237	74,835	61,434	123,388	3,900	197,232
2004	91,328	808	58,010	68,941	9,923	63,500	33,719	120,011	3,735	213,266
<b>2005</b>										
Jan.	87,343	778	60,557	66,641	9,681	56,429	32,579	118,124	3,735	210,809
Feb.	90,074	719	59,047	68,408	9,684	56,784	31,988	117,282	3,735	213,504
Mar.	91,084	741	60,803	68,612	9,897	56,247	27,982	114,666	0	214,177
Apr.	89,289	713	60,498	68,754	9,674	52,570	27,232	114,442	57	217,320
May	90,666	677	56,059	68,304	9,093	54,736	27,248	115,867	56	207,552
June	90,249	1,224	54,712	66,836	9,196	49,152	27,210	113,548	61	202,367
July	52,036	1,112	57,493	67,011	9,262	60,299	27,073	112,204	68	199,213
Aug.	53,216	1,091	54,196	66,251	9,181	64,322	27,044	106,696	70	200,707
Sept.	52,743	1,652	54,618	67,611	8,461	64,740	27,650	107,551	71	201,173
Oct.	55,524	2,788	53,400	67,922	8,565	63,478	25,637	106,467	70	204,188
Nov.	56,283	2,750	52,574	67,501	8,551	63,022	25,506	106,851	72	207,306
Dec.	58,073	3,028	55,451	67,793	8,702	62,311	25,008	106,445	72	215,566
<b>2006</b>										
Jan.	72,195	2,115	56,198	69,073	8,766	60,386	24,944	106,086	71	218,902
Feb.	73,804	2,135	56,921	69,581	8,762	58,684	24,960	108,813	70	218,467
Mar.	73,909	2,168	57,977	71,495	8,739	56,556	2,420	109,836	70	229,783
Apr.	72,824	2,185	56,835	71,983	8,869	25,256	1,855	109,812	79	232,317
May	71,925	2,150	55,476	72,900	9,017	22,329	1,864	110,004	78	239,957
June	73,494	2,482	49,857	78,901	9,375	23,674	1,764	111,197	78	243,851

End of period	Hotels & restaurants		Wholesale & retail trade; repairs	Households & individuals	Real estate, renting & business activities		Other <sup>1</sup>		Total lending to residents	
	Public sector	Private sector			Public sector	Private sector	Public sector	Private sector	Public sector	Private sector
2003	2,893	203,979	288,171	609,955	1,138	117,334	11,278	49,510	225,129	1,748,552
2004	2,286	203,283	290,297	718,424	12,572	125,384	9,821	52,293	211,572	1,866,028
<b>2005</b>										
Jan.	2,284	206,884	288,927	725,519	12,845	129,894	11,201	51,813	210,608	1,865,437
Feb.	2,359	206,993	288,468	739,294	12,821	130,270	10,146	51,250	210,178	1,882,646
Mar.	2,305	213,573	297,455	748,514	16,997	134,730	11,396	51,704	210,578	1,910,304
Apr.	2,311	212,070	294,723	752,662	16,128	129,651	10,894	51,526	206,418	1,904,095
May	2,301	209,966	293,365	763,864	4,574	132,882	22,394	52,049	203,310	1,908,343
June	2,181	207,403	294,596	774,743	4,732	148,988	23,696	53,691	202,862	1,921,721
July	2,141	204,777	290,232	785,031	4,658	150,326	23,160	56,008	166,656	1,935,447
Aug.	2,086	184,465	286,295	793,860	4,582	170,930	25,793	55,837	167,010	1,939,614
Sept.	2,107	200,611	296,756	800,389	4,001	178,657	26,130	53,684	167,334	1,981,272
Oct.	1,943	201,474	294,701	813,405	3,836	178,847	26,160	52,993	166,575	1,994,824
Nov.	1,966	199,799	294,949	822,960	3,801	179,257	26,093	53,882	166,306	2,006,818
Dec.	1,945	201,901	296,678	836,569	1,058	189,645	30,599	55,233	172,207	2,043,871
<b>2006</b>										
Jan.	1,198	199,590	292,842	843,487	1,774	199,183	30,568	53,871	186,949	2,054,301
Feb.	1,246	202,210	290,529	852,718	1,773	202,066	27,814	54,254	186,600	2,068,207
Mar.	1,296	207,452	300,647	859,460	1,792	209,461	51,237	55,028	188,700	2,110,626
Apr.	2,034	205,815	298,281	871,076	1,021	212,866	50,390	55,211	185,047	2,093,662
May	2,056	206,011	297,253	880,375	1,021	214,954	50,495	56,147	182,916	2,111,097
June	2,041	203,735	299,489	893,095	1,021	216,704	50,962	55,274	179,227	2,137,767

<sup>1</sup>Includes loans to mining & quarrying, public administration, education, health & social work, community & recreational and personal service activities and to extraterritorial bodies and organisations.

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

*Lm thousands*

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

End of period	Central Bank of Malta					
	Foreign assets				Foreign liabilities	Net foreign assets (A)
	Gold	IMF-related assets	Other	Total		
2003	624	67,117	910,851	978,592	58,751	919,841
2004	604	65,679	837,691	903,974	33,681	870,293
<b>2005</b>						
Jan.	607	66,286	828,657	895,550	39,266	856,284
Feb.	617	66,077	826,961	893,655	37,965	855,690
Mar.	615	66,334	797,672	864,621	38,410	826,212
Apr.	640	66,403	782,833	849,875	35,284	814,591
May	627	67,809	788,557	856,993	38,425	818,568
June	688	68,106	790,320	859,115	40,001	819,114
July	673	67,852	823,086	891,611	35,263	856,347
Aug.	673	68,043	859,726	928,442	35,464	892,979
Sept.	747	68,287	877,842	946,876	35,164	911,712
Oct.	756	68,237	912,623	981,616	37,140	944,477
Nov.	809	68,651	908,370	977,829	41,454	936,375
Dec.	837	69,522	899,953	970,311	37,714	932,598
<b>2006</b>						
Jan.	1,302	69,063	875,453	945,819	39,389	906,430
Feb.	1,509	69,751	875,482	946,742	38,873	907,869
Mar.	1,540	69,251	840,791	911,581	39,773	871,808
Apr.	1,641	68,605	831,582	901,828	47,247	854,581
May	982	67,550	904,578	973,111	41,938	931,172
June	911	67,536	907,689	976,137	39,858	936,279

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

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

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

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

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

*Lm thousands*

End of period	Deposit money banks <sup>2</sup>			Total (A+B)	International banking institutions <sup>2</sup>			Grand total (A+B+C)
	Assets <sup>3</sup>	Liabilities	Net (B)		Assets	Liabilities	Net (C)	
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000	816,746	690,013	126,733	770,896	2,738,724	2,535,186	203,538	974,434
2001	828,701	722,868	105,833	866,261	2,444,196	2,226,910	217,286	1,083,546
2002	1,299,603	1,038,562	261,041	1,134,901	2,456,089	2,297,394	158,695	1,293,596
2003	1,587,136	1,077,630	509,506	1,429,347	2,917,645	2,748,650	168,995	1,598,342
2004	1,894,746	1,353,387	541,359	1,411,652	3,775,464	3,561,382	214,082	1,625,734
<b>2005</b>								
Jan.	1,896,610	1,340,362	556,248	1,412,531	3,804,711	3,585,654	219,057	1,631,588
Feb.	1,882,912	1,352,177	530,734	1,386,424	3,802,836	3,588,293	214,543	1,600,968
Mar.	1,859,182	1,325,303	533,879	1,360,090	3,950,433	3,738,429	212,003	1,572,093
Apr.	1,856,744	1,296,132	560,612	1,375,203	4,032,978	3,820,149	212,829	1,588,033
May	1,915,337	1,345,978	569,359	1,387,927	4,242,944	4,049,831	193,113	1,581,040
June	1,948,314	1,356,496	591,818	1,410,932	4,338,105	4,130,079	208,026	1,618,959
July	1,943,201	1,337,873	605,328	1,461,675	4,472,005	4,254,489	217,516	1,679,191
Aug.	1,963,671	1,379,868	583,804	1,476,782	4,784,113	4,564,874	219,239	1,696,021
Sept.	2,009,405	1,425,463	583,942	1,495,653	5,739,469	5,490,470	248,999	1,744,653
Oct.	2,048,393	1,491,350	557,043	1,501,520	5,723,684	5,475,948	247,736	1,749,256
Nov.	2,021,500	1,468,992	552,509	1,488,884	5,491,945	5,239,821	252,124	1,741,008
Dec.	2,073,993	1,530,313	543,681	1,476,279	6,228,893	5,895,677	333,216	1,809,495
<b>2006</b>								
Jan.	2,037,601	1,511,319	526,283	1,432,712	6,482,262	6,147,230	335,032	1,767,744
Feb.	2,030,317	1,500,169	530,148	1,438,017	6,827,643	6,489,945	337,698	1,775,714
Mar.	2,013,313	1,478,641	534,672	1,406,480	7,060,118	6,700,287	359,831	1,766,311
Apr.	2,065,913	1,552,858	513,055	1,367,636	7,365,572	6,753,515	612,057	1,979,693
May	2,078,643	1,552,899	525,744	1,456,916	7,157,647	6,592,743	564,904	2,021,820
June	2,112,814	1,602,249	510,565	1,446,844	7,650,296	7,108,450	541,845	1,988,689

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

<sup>2</sup> For the purposes of this table only, the amounts of HSBC Overseas Bank (Malta) Ltd (up to November 2002) and Bank of Valletta International Ltd (up to August 2001), i.e. the offshore subsidiaries of HSBC Bank Malta plc and Bank of Valletta plc, respectively, are classified with the deposit money banks and not with the international banking institutions, as in other tables.

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

**TABLE 1.17 FINANCIAL MARKETS**

	2001	2002	2003	2004	2005				2006	
					Mar.	June	Sept.	Dec.	Mar.	June
<b>INTEREST RATES (%)</b>										
<b>Central Bank of Malta</b>										
Central intervention rate	4.25	3.75	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.50
Money market intervention rates:										
Term deposit rate	4.22	3.70	2.95	2.95	2.95	3.20	3.20	3.20	3.20	3.45
Reverse repo rate	4.29	3.80#	3.05#	3.05#	3.00	3.27	3.30#	3.30#	3.30#	3.55#
Rate on standby (collateralised) loans	4.80	4.30	3.55	4.50	4.50	4.75	4.25	4.25	4.25	4.50
Rate on overnight deposits	1.30	0.80	0.30	1.50	1.50	1.75	2.25	2.25	2.25	2.50
Remuneration on required reserves	2.70	2.70	2.70	2.75	2.75	3.00	3.00	3.00	3.00	3.25
<b>Interbank market offered rates</b>										
Overnight	3.65	3.73*	2.95	2.95	2.95	3.21	3.24	3.18	3.15	3.38
1 week	4.25	3.76*	2.96	2.95	2.95	3.24	3.26	3.27*	3.25	3.41
1 month	4.58*	3.80*	2.98*	2.98	2.98	3.25	3.26	3.29*	3.32*	3.59*
3 month	4.82*	3.90*	3.00*	3.01*	3.01*	3.29*	3.30*	3.32*	3.34	3.69*
<b>Deposit money banks</b>										
Weighted average deposit rate	3.96	3.49	2.46	2.04	2.01	2.08	2.11	2.13	2.17	2.20
Current deposits	1.48	1.12	0.44	0.47	0.46	0.42	0.45	0.45	0.50	0.59
Savings deposits	2.22	1.80	1.01	0.95	0.95	1.17	1.17	1.17	1.17	1.17
Time deposits	4.98	4.39	3.45	2.87	2.84	2.90	2.94	2.97	3.00	3.03
Weighted average lending rate	6.50	6.07	5.29	5.33	5.39	5.59	5.55	5.48	5.47	5.71
<b>Government securities</b>										
Treasury bills (primary market)										
1 month	4.80	-	-	2.96	-	3.26	3.26	-	-	-
3 month	4.53	3.67	2.94	2.96	2.98	3.27	3.26	3.22	3.20	3.45
6 month	5.04	3.80	2.93	2.97	2.98	3.28	3.26	3.23	3.23	3.27
1 year	-	-	-	2.97	-	3.50	3.40	3.22	3.46	3.70
Treasury bills (secondary market)										
1 month	4.43	3.70	2.95	2.95	2.96	3.26	3.26	3.20	3.20	3.46
3 month	4.53	3.70	2.94	2.96	2.98	3.27	3.26	3.22	3.20	3.46
6 month	4.66	3.74	2.93	2.97	2.98	3.28	3.26	3.27	3.23	3.52
1 year	4.73	4.04	2.98	2.97	3.29	3.51	3.40	3.32	3.46	3.70
Malta Government stocks										
2 year	-	-	3.39	3.21	3.30	3.55	3.53	3.30	3.39	3.69
5 year	5.40	5.15	4.37	4.26	4.21	3.88	3.74	3.65	3.63	3.99
10 year	6.15	5.43	4.71	4.70	4.72	4.56	4.41	4.38	4.35	4.27
15 year	6.44	5.86	4.96	4.97	4.96	4.96	4.96	4.96	4.38	4.47
<b>MSE SHARE INDEX</b>	<b>2,200</b>	<b>1,871</b>	<b>2,126</b>	<b>3,069</b>	<b>3,442</b>	<b>3,431</b>	<b>3,938</b>	<b>4,981</b>	<b>6,509</b>	<b>5,428</b>

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

\* denotes Central Bank of Malta fixing rate average.

- denotes that no transactions occurred during the quarter.

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

*Lm millions*

Period	Revenue			Expenditure			Deficit(-)/ Surplus(+)	Financing			Residual
	Ordinary <sup>2,3</sup>	Foreign grants	Total	Recurrent <sup>2,4</sup>	Capital	Total		Local <sup>5</sup>	Foreign <sup>6</sup>	Total	
1999	504.6	9.7	514.3	522.1	106.1	628.2	-113.9	149.0	-4.2	144.8	30.9
2000	554.1	9.5	563.7	550.3	98.6	648.9	-85.2	15.6	-4.4	11.3	-73.9
2001	607.6	1.4	608.9	613.6	80.6	694.2	-85.3	113.7	2.4	116.1	30.8
2002	656.7	2.7	659.5	649.5	97.7	747.1	-87.7	33.7	5.6	39.3	-48.4
2003	673.9	2.5	676.4	677.9	104.0	781.9	-105.4	95.7	25.8	121.5	16.1
2004	719.5	30.3	749.8	739.2	104.6	843.8	-94.0	89.2	-7.2	82.0	-12.0
2005	764.3	67.0	831.3	775.6	131.0	906.6	-75.3	128.7	-6.9	121.8	46.5
<b>2005</b>											
Jan.	42.2	3.7	45.9	75.3	9.4	84.7	-38.8	-	-	-	-38.8
Feb.	43.4	5.8	49.1	52.6	4.4	56.9	-7.8	-	-	-	-7.8
Mar.	54.5	7.6	62.0	62.0	14.7	76.7	-14.7	40.0	-	40.0	25.3
Apr.	64.8	0.2	65.0	64.1	9.5	73.6	-8.6	-	-	-	-8.6
May	58.8	6.0	64.8	73.4	14.7	88.1	-23.3	37.8	-3.5	34.3	11.1
June	63.0	3.9	66.9	54.6	14.0	68.6	-1.7	-	-	-	-1.7
July	60.5	4.2	64.7	63.1	6.1	69.2	-4.5	1.1	-	1.1	-3.4
Aug.	76.6	3.8	80.4	58.8	13.4	72.2	8.2	33.5	-	33.5	41.7
Sept.	64.7	5.2	69.9	57.2	7.0	64.2	5.7	-	-	-	5.7
Oct.	66.0	7.9	73.8	63.6	6.8	70.4	3.4	-	-	-	3.4
Nov.	53.1	6.6	59.7	61.9	9.2	71.1	-11.4	16.5	-3.4	13.1	1.6
Dec.	116.9	12.1	129.0	89.0	21.9	110.9	18.1	-0.2	-	-0.2	17.9
<b>2006</b>											
Jan.	45.9	3.7	49.6	65.8	8.0	73.9	-24.2	-	-	-	-24.2
Feb.	48.2	3.8	52.0	62.2	5.5	67.7	-15.8	-	-	-	-15.8
Mar.	59.0	3.8	62.8	69.0	14.4	83.4	-20.6	25.0	-	25.0	4.4
Apr.	65.8	5.0	70.8	63.3	3.6	66.6	4.2	-	-	-	4.2
May	65.3	4.0	69.3	70.2	6.2	76.4	-7.1	71.9	-4.2	67.7	60.6
June	57.7	3.8	61.4	57.5	14.6	72.1	-10.6	-	-	-	-10.6

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

<sup>2</sup> Government contributions to the social security account in terms of the Social Security Act, 1987 are excluded.

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

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

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

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

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

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

*Lm millions*

Period	Tax revenue						Non-tax revenue <sup>4</sup>	Ordinary revenue	Foreign grants	Total revenue
	Income tax	National insurance contributions <sup>2</sup>	VAT & CET <sup>3</sup>	Licences, taxes & fines	Customs & excise	Total				
1999	128.4	96.2	85.0	68.0	55.4	433.0	71.6	504.6	9.7	514.3
2000	149.5	108.1	104.1	70.4	55.1	487.2	66.9	554.1	9.5	563.7
2001	166.3	119.4	114.7	72.8	60.9	534.1	73.5	607.6	1.4	608.9
2002	190.2	120.8	117.5	86.0	59.8	574.3	82.4	656.7	2.7	659.5
2003	205.2	125.6	123.9	89.2	61.6	605.5	68.4	673.9	2.5	676.4
2004	211.2	126.5	141.6	97.3	62.3	638.8	80.7	719.5	30.3	749.8
2005	221.8	130.4	168.3	89.0	65.7	675.2	89.2	764.3	67.0	831.3
<b>2005</b>										
Jan.	6.3	5.7	11.9	6.4	2.9	33.2	9.0	42.2	3.7	45.9
Feb.	7.6	8.4	10.4	4.8	3.3	34.4	9.0	43.4	5.8	49.1
Mar.	8.4	10.2	15.3	8.1	5.9	47.9	6.6	54.5	7.6	62.0
Apr.	21.7	10.1	12.9	8.3	5.6	58.7	6.1	64.8	0.2	65.0
May	15.1	10.2	10.7	6.4	5.4	47.7	11.1	58.8	6.0	64.8
June	18.2	9.9	15.7	9.2	5.3	58.3	4.7	63.0	3.9	66.8
July	14.7	8.8	14.3	7.2	6.5	51.5	9.0	60.5	4.2	64.7
Aug.	29.1	13.0	13.0	7.0	6.4	68.5	8.1	76.6	3.8	80.4
Sept.	18.6	11.5	17.4	8.2	6.0	61.7	3.1	64.7	5.2	69.9
Oct.	16.8	10.3	16.7	7.5	6.8	58.0	7.9	66.0	7.9	73.8
Nov.	12.7	11.0	12.6	7.0	5.8	49.1	4.0	53.1	6.6	59.7
Dec.	52.5	21.3	17.6	8.9	6.0	106.2	10.6	116.9	12.1	129.0
<b>2006</b>										
Jan.	7.0	5.4	14.5	7.8	4.7	39.4	6.5	45.9	3.7	49.6
Feb.	8.5	10.0	9.5	6.7	5.0	39.7	8.5	48.2	3.8	52.0
Mar.	10.0	10.0	16.4	8.3	5.4	50.0	9.0	59.0	3.8	62.8
Apr.	22.9	10.9	14.0	7.9	5.4	61.0	4.8	65.8	5.0	70.8
May	19.0	11.5	11.8	8.2	6.0	56.6	8.7	65.3	4.0	69.3
June	14.1	10.1	14.6	8.4	6.5	53.7	3.9	57.7	3.8	61.4

<sup>1</sup> Excluding extra budgetary units.

<sup>2</sup> Government contributions to the social security account in terms of the Social Security Act, 1987 are excluded.

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

<sup>4</sup> Includes fees of office, Central Bank of Malta profits, reimbursements, rents, dividends on investments and miscellaneous receipts.

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

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

*Lm millions*

End of period	Domestic securities <sup>1</sup>			Loans <sup>3</sup>	Total government debt	Government guaranteed debt <sup>4</sup>
	Treasury bills	Malta Government stocks <sup>2</sup>	Total			
1999	83.3	712.2	795.5	44.3	839.9	456.5
2000	173.0	712.7	885.7	39.3	925.0	445.2
2001	159.5	812.9	972.3	40.4	1,012.7	394.7
2002	218.8	813.0	1,031.9	45.1	1,077.0	355.5
2003	232.3	913.0	1,145.3	114.5	1,259.8	272.6
2004	245.4	1,014.7	1,260.1	95.2	1,355.3	302.9
<b>2005</b>						
Mar.	239.3	1,054.7	1,294.0	94.8	1,388.8	299.2
June	215.3	1,091.5	1,306.8	93.6	1,400.4	297.0
Sept.	174.5	1,125.0	1,299.5	93.4	1,392.9	326.7
Dec.	190.2	1,125.3	1,315.6	90.1	1,405.7	307.9
<b>2006</b>						
Mar.	179.0	1,150.3	1,329.3	89.8	1,419.2	303.0
June	121.3	1,150.3	1,271.6	88.6	1,360.2	272.2

<sup>1</sup> Not consolidated with holdings of debt instruments by the Malta Government Sinking Fund and extra budgetary units.

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

<sup>3</sup> Includes domestic and foreign loans. Domestic loans consist of debt assumed by the Government following the restructuring of the Malta Drydocks and Malta Shipbuilding in 2003.

<sup>4</sup> Represents outstanding balances on central government guaranteed debt. Excludes guarantees on the MIGA and IBRD positions. Also excludes foreign loans taken by the Central Bank of Malta on behalf of the Government since they already feature in the calculation of Government foreign debt. Includes guarantees on loans to the extra budgetary units and guarantees granted by the extra budgetary units.

Sources: MSE; Ministry of Finance; The Treasury.

**TABLE 3.1b GENERAL GOVERNMENT CONSOLIDATED GROSS DEBT <sup>1</sup>***Lm millions*

End of period	General government						
	Central government					Local councils	Total general government debt <sup>1</sup>
	Treasury bills	Malta Government stocks	Loans <sup>2</sup>	Extra bugetary units	Central government debt		
1999	79.1	704.9	44.2	56.7	885.0	0.3	885.3
2000	140.5	696.3	40.2	73.1	950.1	0.3	950.4
2001	156.0	805.9	40.5	70.1	1,072.5	0.4	1,072.9
2002	189.9	805.6	45.2	59.3	1,100.0	0.5	1,100.5
2003	232.3	906.7	114.5	50.6	1,304.1	0.7	1,304.8
2004 <sup>3</sup>	245.4	1,011.1	95.3	42.3	1,393.9	0.7	1,394.6
2005 <sup>3</sup>	190.2	1,122.2	90.1	36.9	1,439.4	0.7	1,440.1

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

<sup>2</sup> Includes domestic and foreign loans.

<sup>3</sup> Half finalised.

Source: Eurostat.



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

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs	Others <sup>2</sup>	Total	MFIs <sup>2</sup>	Others <sup>2</sup>	Total
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2001	470,335	317,377	160,304	477,681	137,423	22,036	159,459
2002	644,964	554,354	165,914	720,268	159,689	59,142	218,831
2003	712,638	607,680	124,413	732,093	198,271	34,015	232,286
2004	595,730	502,298	106,501	608,799	200,373	44,982	245,355
<b>2005</b>							
Jan.	40,000	14,820	14,141	28,961	184,001	50,315	234,316
Feb.	47,000	61,000	9,797	70,797	208,530	49,583	258,113
Mar.	36,520	8,151	9,562	17,713	202,683	36,623	239,306
Apr.	33,203	33,418	3,382	36,800	210,650	32,253	242,903
May.	48,697	10,000	2,015	12,015	184,067	22,154	206,221
June	51,480	58,500	2,066	60,566	197,308	17,999	215,307
July	64,810	39,522	14,687	54,209	175,090	29,616	204,706
Aug.	32,006	17,774	3,647	21,421	167,592	26,529	194,121
Sept.	48,267	21,000	7,626	28,626	147,514	26,966	174,480
Oct.	49,339	38,782	16,218	55,000	147,786	32,355	180,141
Nov.	34,471	17,621	9,717	27,338	134,900	38,108	173,008
Dec.	31,394	36,146	12,463	48,609	150,906	39,317	190,223
<b>2006</b>							
Jan.	52,000	19,400	13,627	33,027	129,568	41,682	171,250
Feb.	35,338	18,996	24,656	43,652	122,413	57,151	179,564
Mar.	45,848	20,327	24,942	45,269	114,718	64,267	178,985
Apr	27,649	15,000	15,501	30,501	111,905	69,932	181,837
May	35,437	6,500	14,116	20,616	101,674	65,342	167,016
Jun	61,680	7,000	8,968	15,968	64,452	56,852	121,304

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

**TABLE 3.3 MALTA GOVERNMENT STOCKS OUTSTANDING<sup>1</sup>**  
*as at end-June 2006*

*Lm thousands*

Coupon rate (%)	Year of maturity	Year of issue	Issue price (Lm)	Interest dates		Held by		Amount	
						MFIs	Others		
7.00	2006	1994	100	19/05	-	19/11	2,087	7,913	10,000
7.00	2006 (IV) <sup>2</sup>	1996	100	30/06	-	30/12	-	167	167
7.25	2006 (II)	1996	100	01/02	-	01/08	7,754	11,496	19,250
7.25	2006 (III)	1996	100	20/01	-	20/07	8,400	6,600	15,000
7.35	2007	1997	100	18/04	-	18/10	14,380	10,370	24,750
5.90	2007 (II)	1999	100	23/04	-	23/10	9,022	978	10,000
5.60	2007 (III)	2000	100	10/06	-	10/12	23,145	12,105	35,250
7.20	2008	1998	100	10/06	-	10/12	9,236	764	10,000
7.20	2008 (II)	1998	100	28/02	-	28/08	20,726	9,274	30,000
7.00	2009	1999	100	30/06	-	30/12	-	65	65
5.90	2009 (II)	1999	100	01/03	-	01/09	14,366	10,634	25,000
5.90	2009 (III)	2000/2005	100/107.8	30/03	-	30/09	55,533	8,767	64,300
5.90	2010	1999	100	19/05	-	19/11	13,662	1,338	15,000
5.75	2010 (II)	2000	100	10/06	-	10/12	16,547	1,953	18,500
7.00	2010 (III) <sup>2</sup>	2000	100	30/06	-	30/12	-	545	545
5.40	2010 (IV)	2003/2004	100/104.5	21/02	-	21/08	10,041	37,959	48,000
7.50	2011	1996	100	28/03	-	28/09	7,568	7,432	15,000
6.25	2011 (II)	2001	100	01/08	-	01/02	20,748	19,252	40,000
7.00	2011 (III) <sup>2</sup>	2002	100	30/06	-	30/12	-	125	125
7.80	2012	1997	100	24/05	-	24/11	11,030	23,470	34,500
7.00	2012 (II) <sup>2</sup>	2002	100	10/06	-	30/12	-	176	176
5.70	2012 (III) FI <sup>3</sup>	2005	100/108/108.5/109.7	30-31/03	-	30-31/09	60,241	55,759	116,000
7.80	2013	1997	100	18/04	-	18/10	10,704	23,546	34,250
6.35	2013 (II)	2001	100	19/05	-	19/11	780	25,220	26,000
7.00	2013 (III)	2003	100	30/06	-	30/12	-	67	67
6.60	2014	2000	100	30/03	-	30/09	946	9,554	10,500
5.10	2014 (III)	2003/2004	100/103.25	06/01	-	06/07	10,658	36,342	47,000
6.45	2014 (II)	2001	100	24/05	-	24/11	7,788	22,212	30,000
7.00	2014 (IV) <sup>2</sup>	2004	100	30/06	-	30/12	-	1,719	1,719
6.10	2015	2000	100	10/06	-	10/12	9,513	20,487	30,000
5.90	2015 (II) FI <sup>3</sup>	2002/2003	100/102	09/04	-	09/10	798	39,402	40,200
7.00	2015 (III)	2005	100	30/06	-	30/12	-	291	291
7.00	2015	2005	100	03/05	-	03/11	-	345	345
6.65	2016	2001	100	28/03	-	28/09	2,960	27,040	30,000
4.80	2016 (II) FI <sup>3</sup>	03/04/2006	100/101/104	26/05	-	26/11	16,172	63,828	80,000
7.80	2018	1998	100	15/01	-	15/07	16,305	53,695	70,000
6.60	2019	1999	100	01/03	-	01/09	11,893	32,107	44,000
5.00	2021 FI(I)FI <sup>3</sup>	2004/2005	100	08-09/02	-	08-09/08	7,532	102,468	110,000
5.10	2022	2004	100	16/02	-	16/08	1,042	29,458	30,500
5.50	2023	2003	100	06/01	-	06/07	399	33,434	33,833
Total							401,976	748,357	1,150,333

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

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

<sup>3</sup> Fungible issue. That is, the Accountant General reserves the right to issue, in future, additional amounts of the present stock. In the event of such future issues, these would be amalgamated with the existing stock.

Source: MSE.

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

*Lm thousands*

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
1999	79,000	221,202	199,232	98,750	114,000	712,184
2000	53,800	214,902	205,777	124,250	114,000	712,729
2001	66,450	192,869	244,285	195,250	114,000	812,854
2002	48,900	213,969	255,211	180,950	114,000	813,030
2003	44,552	209,417	310,528	270,700	77,833	913,030
2004	55,000	243,782	342,382	269,200	104,333	1,014,697
<b>2005</b>						
Mar.	99,417	281,410	350,537	199,000	124,333	1,054,697
June	75,917	281,410	385,537	199,000	149,333	1,091,197
Sept.	44,417	281,409	425,828	199,000	174,333	1,124,987
Dec.	44,417	281,409	426,174	199,000	174,333	1,125,333
<b>2006</b>						
Mar.	44,417	281,409	426,174	224,000	174,333	1,150,333
June	89,667	276,159	416,174	194,000	174,333	1,150,333

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

Sources: Central Bank of Malta; MSE.

**TABLE 3.5 CENTRAL GOVERNMENT EXTERNAL LOANS  
BY TYPE OF CREDITOR**

*Lm thousands*

End of period	Official bilateral entities <sup>1</sup>	Official multilateral organisations <sup>2</sup>	Private commercial banks <sup>3</sup>	Total
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001	20,037	18,915	1,426	40,378
2002	16,504	28,130	465	45,099
2003	13,595	59,021	-	72,616
2004	11,206	57,365	-	68,571
2005	9,535	55,703	-	65,238
2006 <sup>4</sup>				
Mar.	9,308	55,653	-	64,961
June	8,393	55,395	-	63,788

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

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

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

<sup>4</sup> Provisional.

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

Sources: Central Bank of Malta; The Treasury.

**TABLE 3.6 CENTRAL GOVERNMENT EXTERNAL LOANS BY CURRENCY**

*Lm thousands*

End of period	FFR	GBP	DM	JPY	EUR	USD	LIT	Others	Total
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001	-	-	1,310	1,426	14,184	14,181	8,530	747	40,378
2002	-	-	-	465	39,734	4,764	-	136	45,099
2003	-	289	-	917	63,789	7,485	-	136	72,616
2004	-	185	-	611	62,369	5,277	-	129	68,571
2005	-	124	-	424	59,964	4,582	-	144	65,238
<b>2006</b> <sup>1</sup>	-	-	-	-	-	-	-	-	-
Mar.	-	123	-	415	59,887	4,399	-	137	64,961
June	-	116	-	368	59,360	3,807	-	137	63,788

<sup>1</sup> Provisional.

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

Sources: Central Bank of Malta; The Treasury.

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

*Lm thousands*

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001	586	13,356	11,759	12,249	1,207	1,221	40,378
2002	514	13,172	6,851	22,160	1,194	1,208	45,099
2003	464	11,257	6,582	53,111	-	1,202	72,616
2004	647	12,396	8,658	45,708	129	1,033	68,571
2005	7,298	4,146	8,299	44,369	144	982	65,238
<b>2006</b> <sup>2</sup>	-	-	-	-	-	-	-
Mar.	8,208	3,068	8,218	44,369	137	961	64,961
June	8,160	2,526	7,671	44,333	137	961	63,788

<sup>1</sup> With respect to the quarterly statistics in this table, the remaining term to maturity classification is applicable as from the current end-year.

<sup>2</sup> Provisional.

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

Sources: Central Bank of Malta; The Treasury.

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

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD
2002	0.4182	2.5074	1.5553	297.66	3.4748	4.4398	3.9531
2003	0.4317	2.9197	1.6351	312.16	3.6104	3.8859	3.7692
2004	0.4343	3.1393	1.6252	321.71	3.5536	4.0301	3.7866
2005	0.4293	2.7570	1.6012	323.95	3.6230	3.7588	3.2072
<b>2006</b>							
Jan. 6	0.4293	2.8352	1.6061	325.40	3.5955	3.7742	3.3077
13	0.4293	2.8105	1.5875	321.81	3.6085	3.7370	3.2577
20	0.4293	2.8170	1.5967	324.03	3.6123	3.7579	3.2622
27	0.4293	2.8464	1.5939	331.28	3.6141	3.7788	3.2745
Feb. 3	0.4293	2.7955	1.5818	333.08	3.6232	3.7303	3.2102
9	0.4293	2.7909	1.6023	330.48	3.6258	3.7738	3.2016
17	0.4293	2.7665	1.5935	327.95	3.6394	3.7596	3.1975
24	0.4293	2.7717	1.5851	323.75	3.6369	3.7445	3.1944
Mar. 3	0.4293	2.8040	1.5959	326.28	3.6396	3.7607	3.1792
10	0.4293	2.7732	1.6028	329.02	3.6525	3.7789	3.2256
17	0.4293	2.8376	1.6166	328.92	3.6655	3.8883	3.2792
24	0.4293	2.7874	1.6075	329.47	3.6742	3.9373	3.2541
30	0.4293	2.8154	1.6178	330.56	3.6702	3.9515	3.2831
Apr. 7	0.4293	2.8416	1.6229	334.71	3.6703	3.8779	3.2580
13	0.4293	2.8161	1.6084	334.27	3.6598	3.8776	3.2409
21	0.4293	2.8717	1.6129	335.64	3.6707	3.8649	3.2637
28	0.4293	2.9256	1.6180	334.35	3.6585	3.8705	3.2846
May. 5	0.4293	2.9681	1.5980	336.55	3.6358	3.8501	3.2897
12	0.4293	3.0082	1.5858	329.87	3.6106	3.8661	3.3149
19	0.4293	2.9653	1.5836	331.33	3.6249	3.9320	3.3372
26	0.4293	2.9852	1.5973	334.11	3.6323	3.9309	3.3062
June 2	0.4293	3.0099	1.5997	336.83	3.6405	4.0085	3.3117
9	0.4293	2.9373	1.5982	335.37	3.6280	3.9258	3.2570
16	0.4293	2.9467	1.5900	338.50	3.6249	3.9792	3.2911
23	0.4293	2.9104	1.6033	338.55	3.6417	3.9796	3.2756
30	0.4293	2.9691	1.6108	339.59	3.6485	3.9923	3.2925

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

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES**

*averages for the period<sup>1</sup>*

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD
2002	0.4087	2.3100	1.5378	288.87	3.5899	4.2473	3.6261
2003	0.4261	2.6543	1.6237	307.39	3.5683	4.0806	3.7134
2004	0.4279	2.9061	1.5853	314.19	3.6085	3.9469	3.7801
2005	0.4299	2.8959	1.5910	318.35	3.6015	3.7978	3.5121
<b>2005</b>							
Jan.	0.4323	3.0375	1.6163	313.64	3.5787	3.9668	3.7166
Feb.	0.4310	3.0233	1.6008	317.03	3.5965	3.8701	3.7441
Mar.	0.4317	3.0590	1.6044	321.60	3.5885	3.8929	3.7222
Apr.	0.4299	3.0101	1.5884	322.99	3.5995	3.8944	3.7178
May	0.4293	2.9564	1.5930	315.30	3.5989	3.8604	3.7147
June	0.4293	2.8337	1.5579	307.93	3.5848	3.6956	3.5206
July	0.4293	2.8055	1.6016	313.98	3.6293	3.7285	3.4338
Aug.	0.4293	2.8623	1.5970	316.96	3.6178	3.7612	3.4541
Sept.	0.4293	2.8532	1.5788	316.88	3.6099	3.7292	3.3657
Oct.	0.4293	2.7997	1.5877	321.52	3.6085	3.7127	3.2952
Nov.	0.4293	2.7471	1.5828	325.25	3.5991	3.7355	3.2487
Dec.	0.4293	2.7631	1.5829	327.09	3.6070	3.7263	3.2118
<b>2006</b>							
Jan.	0.4293	2.8233	1.5983	325.81	3.6082	3.7644	3.2703
Feb.	0.4293	2.7825	1.5913	327.91	3.6302	3.7514	3.1988
Mar.	0.4293	2.7992	1.6047	328.18	3.6541	3.8470	3.2380
Apr.	0.4293	2.8576	1.6178	334.50	3.6687	3.8832	3.2739
May	0.4293	2.9753	1.5916	332.33	3.6253	3.8957	3.3029
June	0.4293	2.9488	1.5987	337.85	3.6330	3.9820	3.2821

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

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

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
1999	791,136	1,136,233	-345,097
2000	1,072,444	1,492,377	-419,933
2001	880,684	1,226,421	-345,737
2002	961,140	1,227,534	-266,394
2003	928,312	1,281,279	-352,967
2004 <sup>1</sup>	905,401	1,315,356	-409,955
2005 <sup>1</sup>	823,667	1,318,553	-494,886
<b>2005<sup>1</sup></b>			
Jan.	59,556	101,561	-42,005
Feb.	61,534	88,906	-27,372
Mar.	67,277	101,661	-34,384
Apr.	67,148	106,112	-38,964
May	72,024	120,737	-48,713
June	70,377	104,935	-34,558
July	64,869	111,121	-46,252
Aug.	65,364	100,195	-34,831
Sept.	74,093	106,939	-32,846
Oct.	72,622	129,937	-57,315
Nov.	84,532	138,302	-53,770
Dec.	64,271	108,147	-43,876
<b>2006<sup>1</sup></b>			
Jan.	72,761	95,878	-23,117
Feb.	61,460	121,025	-59,565
Mar.	83,758	127,271	-43,513
Apr.	75,738	117,853	-42,115
May	85,519	121,437	-35,918
June	77,570	130,604	-53,034

<sup>1</sup> Provisional.

Source: NSO.

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

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,136
2000	78,038	36,092	102,898	85,873	54,808	15,585	293,413	405,737	1,072,444
2001	76,310	30,304	115,132	82,197	59,865	21,835	174,370	320,670	880,684
2002	112,307	32,676	93,505	120,028	63,871	32,223	159,393	347,137	961,140
2003	109,021	31,496	95,235	120,195	55,118	22,115	134,202	360,930	928,312
2004 <sup>1</sup>	102,872	27,012	97,469	140,605	65,820	31,893	141,847	297,883	905,401
2005 <sup>1</sup>	92,296	43,029	100,975	121,821	71,367	36,187	113,241	244,751	823,667
<b>2005<sup>1</sup></b>									
Jan.	6,616	2,154	6,743	10,983	5,335	1,530	8,182	18,013	59,556
Feb.	7,579	1,704	7,335	8,876	4,962	3,708	10,447	16,923	61,534
Mar.	9,457	2,048	7,696	9,554	6,217	3,291	10,427	18,587	67,277
Apr.	7,628	2,940	9,269	9,930	6,120	3,904	10,618	16,739	67,148
May	9,746	3,054	8,795	10,652	6,706	4,509	10,962	17,600	72,024
June	9,998	3,327	7,347	10,820	5,032	1,660	9,721	22,472	70,377
July	6,764	3,435	9,626	8,632	6,011	2,899	7,600	19,902	64,869
Aug.	7,097	2,269	8,921	8,871	5,098	3,591	7,497	22,020	65,364
Sept.	6,490	4,595	9,313	11,154	6,564	3,105	9,597	23,275	74,093
Oct.	7,363	4,452	9,206	10,784	6,591	2,772	9,046	22,407	72,622
Nov.	7,622	10,011	9,909	10,942	6,083	4,067	11,316	24,582	84,532
Dec.	5,936	3,040	6,815	10,623	6,648	1,151	7,827	22,231	64,271
<b>2006<sup>1</sup></b>									
Jan.	7,261	2,188	8,526	10,067	4,920	2,499	12,735	24,565	72,761
Feb.	7,628	2,386	8,650	10,152	5,581	633	8,768	17,662	61,460
Mar.	6,732	3,544	11,400	11,550	6,969	2,652	9,915	30,996	83,758
Apr.	7,134	2,883	9,312	12,016	7,616	3,330	10,199	23,248	75,738
May	9,593	3,599	12,772	12,177	9,483	3,098	9,969	24,829	85,520
June	8,352	2,860	8,449	11,557	10,792	2,337	8,469	24,754	77,570

<sup>1</sup> Provisional.

Source: NSO.



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

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,233
2000	119,673	249,744	29,661	281,877	122,113	91,778	158,474	439,057	1,492,377
2001	123,100	244,409	28,401	184,030	107,409	92,707	141,822	304,544	1,226,422
2002	127,736	271,794	28,563	205,137	98,474	93,034	115,258	287,538	1,227,534
2003	118,638	294,411	29,696	218,900	100,990	104,713	103,927	310,004	1,281,279
2004 <sup>1</sup>	157,409	335,878	45,909	171,350	116,387	124,779	69,855	293,789	1,315,356
2005 <sup>1</sup>	143,556	408,282	43,923	121,234	106,506	127,696	69,666	297,690	1,318,553
<b>2005<sup>1</sup></b>									
Jan.	12,486	29,891	3,432	10,385	8,638	9,459	4,201	23,070	101,562
Feb.	10,553	27,158	2,933	7,570	8,402	7,395	4,668	20,227	88,906
Mar.	10,536	30,982	3,214	10,502	9,905	8,791	4,066	23,665	101,661
Apr.	10,242	29,700	5,595	9,308	8,739	10,994	4,445	27,089	106,112
May	13,276	37,963	3,677	11,993	10,217	13,782	5,095	24,734	120,737
June	9,590	24,223	3,151	7,842	9,210	11,438	7,422	32,059	104,935
July	14,645	32,299	3,517	11,473	9,159	12,481	3,031	24,516	111,121
Aug.	11,756	29,408	3,710	11,222	7,520	9,489	4,666	22,424	100,195
Sept.	11,728	29,823	3,296	11,001	8,892	9,750	4,501	27,948	106,939
Oct.	14,312	51,710	4,176	11,963	7,969	12,630	4,956	22,221	129,937
Nov.	13,711	46,746	4,077	11,050	11,096	11,462	17,841	22,319	138,302
Dec.	10,721	38,379	3,145	6,925	6,759	10,025	4,774	27,419	108,147
<b>2006<sup>1</sup></b>									
Jan.	9,800	24,572	3,043	4,711	8,238	8,978	5,361	31,175	95,878
Feb.	9,563	35,478	2,966	11,691	11,634	9,894	13,204	26,595	121,025
Mar.	13,024	29,220	5,914	10,678	9,712	10,281	7,482	40,960	127,271
Apr.	11,292	41,311	3,227	11,852	7,497	12,605	5,925	24,144	117,853
May	11,929	33,766	5,215	10,134	12,526	11,298	7,346	29,223	121,437
June	9,675	46,702	6,560	11,140	7,534	12,130	6,311	30,552	130,604

<sup>1</sup> Provisional.

Source: NSO.

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

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

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

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
2004 <sup>1</sup>	30,914	14,169	3,235	39,243	12	23,886	50,589	575,191	167,769	391	905,399
2005 <sup>1</sup>	30,709	8,996	2,721	9,652	10	40,870	54,168	513,154	163,221	139	823,667
<b>2005<sup>1</sup></b>											
Jan.	1,406	579	204	330	-	1,508	4,706	37,969	12,854	-	59,556
Feb.	2,816	887	176	317	-	1,898	4,038	38,591	12,812	-	61,534
Mar.	1,680	418	556	418	-	3,267	4,697	40,496	15,730	16	67,277
Apr.	1,541	508	160	559	-	3,580	5,359	41,669	13,765	8	67,148
May	3,061	556	258	821	1	1,615	4,928	46,670	14,116	-	72,024
June	3,723	716	176	770	3	4,075	4,236	44,455	12,218	5	70,377
July	3,749	843	160	1,046	2	3,461	5,051	36,607	13,905	14	64,869
Aug.	2,486	1,091	126	1,082	-	5,188	3,942	39,515	11,927	8	65,364
Sept.	2,162	1,112	239	1,271	-	4,612	5,309	46,742	12,613	34	74,093
Oct.	2,454	1,255	216	1,455	-	4,306	4,736	42,843	15,332	25	72,622
Nov.	3,396	635	277	1,036	4	4,361	4,194	54,339	16,288	-	84,532
Dec.	2,235	396	173	547	-	2,999	2,972	43,258	11,661	29	64,271
<b>2006<sup>1</sup></b>											
Jan.	2,084	444	277	470	-	3,763	5,001	48,861	11,731	132	72,761
Feb.	685	515	266	508	-	2,728	3,211	43,601	9,933	13	61,460
Mar.	9,092	573	280	573	-	4,692	4,179	52,127	12,241	-	83,758
Apr.	2,681	474	271	830	-	5,147	3,691	52,381	10,212	52	75,738
May	4,795	1,337	613	889	-	5,705	4,654	53,607	13,882	38	85,519
June	4,016	532	183	1,015	-	3,387	4,536	50,741	13,122	38	77,570

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

Source: NSO.

**TABLE 4.7 IMPORTS BY COMMODITY SECTIONS**

*Lm thousands*

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous	Total
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,233
2000	103,644	18,785	13,597	106,476	2,239	92,470	144,994	852,574	146,821	10,774	1,492,377
2001	108,773	21,936	14,101	101,992	1,931	89,218	147,722	608,194	121,512	11,040	1,226,421
2002	115,208	22,784	12,906	102,929	2,347	96,730	150,822	591,354	122,022	10,454	1,227,534
2003	116,191	24,778	12,103	102,071	2,546	103,148	145,433	621,261	142,992	10,757	1,281,279
2004 <sup>1</sup>	122,987	22,585	11,706	107,520	3,009	111,297	147,342	626,073	155,730	7,099	1,315,356
2005 <sup>1</sup>	129,136	17,577	13,975	143,094	2,815	114,591	146,110	577,562	165,958	7,732	1,318,553
<b>2005<sup>1</sup></b>											
Jan.	8,729	1,001	745	11,163	223	8,874	8,854	51,180	9,528	1,265	101,562
Feb.	8,479	982	1,312	8,904	142	8,892	11,086	38,367	10,261	482	88,906
Mar.	9,436	1,038	891	5,738	198	9,539	12,619	47,401	14,258	542	101,661
Apr.	9,341	1,236	1,062	12,395	157	9,203	12,190	45,856	14,261	411	106,112
May	11,884	2,329	1,143	10,661	406	10,482	15,028	52,711	15,519	572	120,737
June	11,775	1,207	828	9,006	272	9,722	11,466	46,525	13,606	526	104,934
July	11,265	2,172	1,141	13,248	189	10,875	13,190	45,208	13,092	742	111,121
Aug.	11,352	1,829	1,843	5,832	226	9,806	11,564	45,054	12,176	513	100,195
Sept.	10,133	1,482	1,078	11,871	143	9,362	11,839	44,865	15,355	810	106,939
Oct.	12,804	1,595	1,261	17,651	226	9,412	13,373	54,992	18,087	536	129,937
Nov.	13,322	1,322	1,351	16,147	378	10,227	13,073	63,857	17,876	749	138,302
Dec.	10,616	1,384	1,320	20,478	255	8,197	11,828	41,546	11,939	584	108,147
<b>2006<sup>1</sup></b>											
Jan.	8,467	962	764	7,607	140	10,461	10,717	43,650	12,052	1,059	95,878
Feb.	8,750	781	1,371	16,629	247	9,259	10,708	58,466	13,952	860	121,025
Mar.	10,522	1,227	954	4,827	259	10,104	13,913	66,104	18,633	728	127,271
Apr.	9,364	1,092	1,110	16,421	195	10,515	10,966	52,603	14,681	906	117,853
May	11,266	1,795	1,215	3,304	387	13,328	13,867	54,363	20,933	979	121,437
June	12,599	2,033	846	22,021	402	10,037	13,622	54,225	14,144	675	130,604

<sup>1</sup> Provisional.

Source: NSO.

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

*Lm thousands*

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net balance		
2000	1,116,597	326,109	375,594	79,922	1,898,222	1,567,403	1,750,596	-183,193	1,715,029	1,664,677
2001	1,148,876	358,631	333,954	5,608	1,847,069	1,395,448	1,490,839	-95,391	1,751,678	1,768,187
2002	1,146,585	378,103	282,166	-2,042	1,804,812	1,515,694	1,489,255	26,439	1,831,251	1,841,946
2003	1,191,711	398,254	365,911	-32,349	1,923,527	1,461,294	1,526,044	-64,750	1,858,777	1,853,911
2004	1,234,210	416,068	372,544	-48,552	1,974,270	1,467,947	1,580,924	-112,977	1,861,293	1,843,001
2005	1,301,088	425,374	406,516	4,190	2,137,168	1,406,669	1,602,734	-196,065	1,941,103	1,911,420
<b>2005</b>										
Mar.	297,173	102,076	86,980	12,034	498,263	294,069	353,790	-59,721	438,542	432,552
June	324,810	109,389	108,690	-18,341	524,548	360,686	398,527	-37,841	486,707	479,451
Sept.	328,215	106,219	98,622	-18,202	514,854	402,119	398,817	3,302	518,156	513,089
Dec.	350,890	107,690	112,224	28,699	599,503	349,795	451,600	-101,805	497,698	486,328
<b>2006</b>										
Mar.	310,975	108,978	104,401	22,131	546,485	314,259	391,129	-76,870	469,615	462,352
June	340,646	114,078	105,659	22,275	582,658	383,756	448,326	-64,570	518,088	523,468

<sup>1</sup> Provisional.

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

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

Source: NSO.

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

*Lm thousands*

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net balance	
2000	1,116,597	326,109	375,595	79,922	1,898,223	1,567,403	1,750,596	-183,193	1,715,030
2001	1,121,884	328,175	322,328	5,912	1,778,299	1,522,510	1,593,428	-70,918	1,707,380
2002	1,097,188	340,610	262,030	-2,008	1,697,820	1,615,001	1,567,858	47,143	1,744,962
2003	1,133,736	350,763	338,137	-29,982	1,792,654	1,576,101	1,665,276	-89,175	1,703,480
2004	1,146,248	355,752	340,923	-43,983	1,798,940	1,640,812	1,736,237	-95,425	1,703,516
2005	1,178,597	357,913	366,254	3,831	1,906,595	1,539,276	1,704,859	-165,583	1,741,013
<b>2005</b>									
Mar.	272,655	87,439	78,374	11,003	449,471	338,496	381,802	-43,306	406,166
June	294,013	91,685	97,946	-16,770	466,874	395,895	432,174	-36,279	430,596
Sept.	299,885	88,954	88,827	-16,643	461,023	419,600	425,358	-5,758	455,266
Dec.	312,043	89,834	101,106	26,241	529,224	385,285	465,524	-80,239	448,985
<b>2006</b>									
Mar.	280,041	90,496	91,361	19,635	481,533	335,870	398,756	-62,886	418,648
June	299,490	93,873	91,607	19,591	504,561	384,168	448,465	-64,297	440,263

<sup>1</sup> Provisional.

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

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

Source: NSO.

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

Period	United Kingdom	Italy	France	Germany	Scandinavian countries <sup>2</sup>	United States	All others	Total
2001	465,635	78,515	78,739	165,812	45,339	12,671	298,455	1,145,166
2002	466,251	69,806	79,758	147,712	36,002	11,382	285,918	1,096,829
2003	471,899	78,361	77,027	124,769	41,361	13,895	281,775	1,089,087
2004	451,998	80,992	86,059	134,760	61,977	17,003	294,619	1,127,409
2005 <sup>3</sup>	481,968	78,391	81,779	138,127	64,254	16,819	289,433	1,150,771
<b>2005<sup>3</sup></b>								
Jan.	22,215	5,407	1,710	6,481	1,820	1,051	13,586	52,270
Feb.	21,935	3,089	2,842	5,476	1,722	451	8,794	44,309
Mar.	32,859	5,117	3,193	8,875	4,003	862	15,653	70,562
Apr.	31,807	5,792	11,035	11,734	6,492	1,298	19,275	87,433
May	41,881	5,407	12,118	16,701	5,998	2,095	27,801	112,001
June	52,173	6,054	6,211	11,303	5,783	1,864	28,789	112,177
July	47,319	10,807	12,419	12,308	10,597	2,386	38,739	134,575
Aug.	71,209	18,759	12,075	13,247	6,205	1,864	44,255	167,614
Sept.	59,969	6,320	8,137	17,124	5,513	1,501	32,653	131,217
Oct.	53,899	5,635	7,941	18,416	10,018	1,449	31,448	128,806
Nov.	30,751	3,601	1,905	10,207	4,678	1,340	17,045	69,527
Dec.	15,950	2,403	2,193	6,255	1,425	658	11,396	40,280
<b>2006<sup>3</sup></b>								
Jan.	23,344	4,547	2,852	4,596	1,087	821	12,845	50,092
Feb.	23,814	3,294	2,517	6,810	1,064	723	9,041	47,263
Mar.	28,415	4,117	3,033	9,601	2,845	1,299	14,708	64,018
Apr.	36,262	11,731	8,480	12,824	5,351	1,318	21,158	97,124
May	38,632	6,005	10,733	10,142	6,250	1,607	28,571	101,940
June	43,682	7,000	7,628	14,033	6,538	1,596	26,571	107,048

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

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

<sup>3</sup> Provisional.

Source: NSO.

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

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>3</sup>	Number	% <sup>4</sup>
2002	104,240	41,090	145,330	98,039	39,710	137,749	6,201	5.9	1,380	3.4	7,581	5.2
2003	103,942	41,708	145,650	97,692	40,141	137,833	6,250	6.0	1,567	3.8	7,817	5.4
2004	103,641	42,032	145,673	97,046	40,372	137,418	6,595	6.4	1,660	3.9	8,255	5.7
2005	103,049	42,657	145,706	97,200	41,057	138,257	5,849	5.7	1,600	3.8	7,449	5.1
<b>2005</b>												
Jan.	103,465	42,276	145,741	96,942	40,619	137,561	6,523	6.3	1,657	3.9	8,180	5.6
Feb.	103,339	42,293	145,632	96,920	40,618	137,538	6,419	6.2	1,675	4.0	8,094	5.6
Mar.	103,191	42,289	145,480	96,828	40,634	137,462	6,363	6.2	1,655	3.9	8,018	5.5
Apr.	103,105	42,214	145,319	96,968	40,635	137,603	6,137	6.0	1,579	3.7	7,716	5.3
May	103,124	42,304	145,428	97,352	40,831	138,183	5,772	5.6	1,473	3.5	7,245	5.0
June	103,185	42,561	145,746	97,681	41,135	138,816	5,504	5.3	1,426	3.4	6,930	4.8
July	103,073	42,878	145,951	97,573	41,287	138,860	5,500	5.3	1,591	3.7	7,091	4.9
Aug.	103,115	42,954	146,069	97,544	41,348	138,892	5,571	5.4	1,606	3.7	7,177	4.9
Sept.	103,141	43,027	146,168	97,570	41,388	138,958	5,571	5.4	1,639	3.8	7,210	4.9
Oct.	102,666	42,972	145,638	97,149	41,368	138,517	5,517	5.4	1,604	3.7	7,121	4.9
Nov.	102,682	43,050	145,732	97,108	41,431	138,539	5,574	5.4	1,619	3.8	7,193	4.9
Dec.	102,387	42,929	145,316	96,672	41,265	137,937	5,715	5.6	1,664	3.9	7,379	5.1
<b>2006</b>												
Jan.	102,445	43,049	145,494	96,529	41,266	137,795	5,916	5.8	1,783	4.1	7,699	5.3
Feb.	102,492	43,139	145,631	96,625	41,337	137,962	5,867	5.7	1,802	4.2	7,669	5.3
Mar.	102,602	43,239	145,841	96,701	41,447	138,148	5,901	5.8	1,792	4.1	7,693	5.3
Apr.	102,683	43,179	145,862	96,872	41,453	138,325	5,811	5.7	1,726	4.0	7,537	5.2

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

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

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

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

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

Source: ETC.

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

Period <sup>2</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>3</sup>	Number	% <sup>4</sup>	Number	% <sup>5</sup>
2001	110,147	45,987	156,134	103,306	42,776	146,082	6,841	6.2	3,212	7.0	10,053	6.4
2002	109,326	49,262	158,588	102,109	45,462	147,571	7,217	6.6	3,800	7.7	11,017	6.9
2003	110,057	49,856	159,913	102,279	45,536	147,815	7,778	7.1	4,320	8.7	12,098	7.6
2005	110,767	51,219	161,986	103,412	46,488	149,900	7,355	6.6	4,731	9.2	12,086	7.5
<b>2006</b>												
Mar.	113,197	50,558	163,755	105,261	45,757	151,018	7,936	7.0	4,801	9.5	12,737	7.8
June	111,374	53,305	164,679	104,133	47,820	151,953	7,241	6.5	5,485	10.3	12,726	7.7

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

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

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

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

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

Source: NSO.



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

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

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

<sup>2</sup> Includes quarrying.

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

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

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

Source: Malta Environment & Planning Authority.

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

Period	Number of permits <sup>2</sup>			Number of units <sup>3</sup>				
	New dwellings <sup>4</sup>	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2000	1,408	705	2,113	2,552	949	384	85	3,970
2001	1,299	483	1,782	2,657	774	203	546	4,180
2002	1,422	595	2,017	3,420	910	135	1,016	5,481
2003	1,321	517	1,838	4,548	1,085	414	81	6,128
2004	1,378	435	1,813	5,265	966	353	123	6,707
2005	1,852	570	2,422	7,539	1,058	363	121	9,081

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

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

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

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

Source: Malta Environment & Planning Authority.

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

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

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

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

## TABLE 5.8 RETAIL PRICES INDEX

*base December 2002 = 100*

Period	All items
1999	92.36
2000	94.55
2001	97.32
2002	99.45
2003	100.75
2004	103.56
2005	106.67
<b>2005</b>	
Jan.	104.70
Feb.	105.33
Mar.	105.82
Apr.	106.27
May	106.69
June	106.65
July	105.77
Aug.	105.83
Sept.	106.59
Oct.	108.40
Nov.	109.01
Dec.	109.02
<b>2006</b>	
Jan.	107.06
Feb.	107.70
Mar.	109.05
Apr.	110.32
May	110.89
June	110.52

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

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

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

*base 2005 = 100*

%

Period	Index 00	12-month moving average rates												
		00	01	02	03	04	05	06	07	08	09	10	11	12
2000	88.6	3.0	1.0	8.3	0.3	0.9	-1.2	4.2	3.3	2.8	0.2	4.2	7.6	1.4
2001	90.8	2.5	4.0	4.5	-1.3	2.2	0.3	3.5	0.1	1.3	3.3	6.7	4.0	2.0
2002	93.1	2.6	2.1	7.6	-0.7	2.3	0.5	2.4	0.6	0.6	2.2	10.1	4.5	3.0
2003	94.9	1.9	2.0	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
<b>2005</b>														
Jan.	96.1	2.6	-0.7	11.9	-2.6	3.2	2.9	6.8	4.1	11.8	0.4	2.7	2.4	5.5
Feb.	96.7	2.7	-0.6	10.8	-2.4	3.6	2.9	6.4	4.1	13.7	0.6	2.4	2.2	5.2
Mar.	97.1	2.7	-0.6	9.7	-2.0	4.2	2.9	6.1	4.2	15.5	0.8	2.1	2.0	5.0
Apr.	100.7	2.6	-0.5	8.7	-1.9	4.7	2.8	5.7	4.2	17.1	1.0	1.9	1.3	4.6
May.	101.3	2.5	-0.1	7.6	-1.9	5.2	2.7	5.9	4.2	18.6	1.1	1.7	0.6	4.3
June	101.3	2.4	0.3	6.6	-2.0	5.8	2.7	6.0	4.2	17.3	1.2	1.6	-0.1	3.9
July	101.4	2.3	0.3	5.7	-2.8	6.4	2.8	5.8	3.8	16.0	1.3	1.5	-0.1	3.7
Aug.	101.7	2.3	0.2	4.7	-2.6	7.0	2.8	5.7	3.6	14.8	1.5	1.4	0.2	3.6
Sept.	101.7	2.2	0.6	3.7	-1.9	7.3	2.7	5.6	3.4	13.6	1.6	1.2	-0.4	3.5
Oct.	102.6	2.2	1.3	2.8	-1.2	7.7	2.6	5.5	3.4	12.4	1.8	1.4	-0.9	3.3
Nov.	99.8	2.4	1.5	1.9	-0.7	8.5	2.5	5.4	3.5	11.2	1.8	1.5	-0.2	3.1
Dec.	99.9	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
<b>2006</b>														
Jan.	98.3	2.6	1.9	1.7	-0.7	9.5	2.4	5.4	3.6	8.8	1.8	1.7	0.2	2.9
Feb.	98.9	2.6	1.6	1.6	-0.8	9.6	2.4	5.2	3.8	7.1	1.7	1.9	0.5	2.9
Mar.	100.0	2.6	1.7	1.5	-0.8	9.8	2.5	5.0	3.9	5.4	1.5	2.0	0.7	2.9
Apr.	104.2	2.7	1.9	1.4	-0.9	10.2	2.5	4.9	4.2	3.9	1.5	2.0	1.1	2.9
May.	104.8	2.8	1.7	1.4	-0.8	10.5	2.5	4.7	4.6	2.4	1.5	2.1	1.5	3.0
June	104.6	2.9	1.5	1.3	-0.6	10.8	2.5	4.6	5.0	2.1	1.4	2.2	1.8	3.0

COICOP/HICP Code:

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

Source: Eurostat.

# GENERAL NOTES

## INSTITUTIONAL BALANCE SHEETS

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

## MONEY AND BANKING STATISTICS

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

### Measures of money

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

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

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

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

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

### Compilation and valuation principles

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

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

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

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

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

### **Release of monetary statistics**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) **General government:**

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

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

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



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

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

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

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

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

### **Classification of economic activities**

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

### **Financial market indicators**

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

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

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

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

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

## **PUBLIC DEBT STATISTICS**

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

## **STATISTICS ON EXTERNAL TRANSACTIONS**

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

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

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