Central Bank of Malta

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For figures published in the Statistical Tables, the cut-off date is June 12, 2000.

ECONOMIC SURVEY

1. GENERAL OVERVIEW

Economic data and information for the first quarter of 2000 appear to point to a moderate improvement in the performance of the Maltese economy. In the manufacturing sector, export activity generally remained sustained, underpinned particularly by positive developments in the electronics sub-sector. In the tourism sector, although tourist arrivals were adversely conditioned by seasonal and other factors, there were indications of an improved turnout beyond the first quarter. The results of the latest business perceptions survey conducted by the Central Bank also point to a modest recovery in domestic demand, a view that is corroborated by the employment data. The gradual tightening of fiscal policy should, however, prevent any excessive demand pressures from building up.

In fact retail prices were relatively stable during the first quarter of 2000. The headline inflation rate edged up by 0.3 percentage points to 2.4%, but this was entirely due to the lagged one-off effects of changes in indirect taxes which are expected to be deflationary in the longer term. It is estimated that underlying inflation, a measure that excludes the effects of changes in indirect taxes and seasonal fluctuations on prices, actually declined during the quarter. This not only reflected developments in domestic markets that were characterised by relatively weak demand and increased competition, but also a decline in imported inflation.

Labour market data were consistent with a modest recovery in economic activity during the quarter. Employment in construction and in the wholesale and retail trades rose, as did that in the export-oriented electronics sector, where strong growth in activity is expected in the coming months. Part of the quarter's expansion in employment however originated from an intake of personnel into Government departments. The unemployment rate remained stable at 5.3% during the quarter, as the gradual but sustained upward trend observed in this variable in recent years was halted by the rise in labour demand.

In the external sector there was a deterioration in the current account as the expansion in exports failed to keep up with the demand for imports. The latter was however fuelled by increased imports of capital goods that are expected to improve the economy's production base. The demand for imported consumer goods, however, was also sustained and the current account was further adversely affected by the sharp increase in the price of oil. Following the substantial inflows of capital last year, which were boosted by the sale of Mid-Med Bank shares to HSBC, the capital account ended the first quarter of 2000 in deficit. This in part reflected the rise in outward portfolio investment flows following the further liberalisation of capital controls as from January.

As a result of these developments, the Central Bank's external reserves declined during the quarter. This, coupled with subdued growth in domestic credit, led to a slowdown in the rate of monetary expansion. Credit to Government was the main factor behind such expansion during the quarter, reflecting the widening of the fiscal deficit during the period. This, however, was entirely due to one-off effects and changes in the timing of the accounting of certain transactions, as the underlying deficit is estimated to have declined in line with Government's projections for the year. This improvement was almost entirely attributable to increased tax revenue, with the growth in government recurrent expenditure remaining sustained.

In implementing its interest rate policy during the quarter, the Central Bank continued to take into account developments in the country's balance of payments and the persistent, but narrowing, fiscal deficit. On the other hand, it also noted that inflationary pressures were subdued and that interest rates on the component currencies of the Maltese lira basket remained generally stable. For this reason, the Central Bank kept official interest rates unchanged during the three month period. The Bank continues to monitor closely developments in the balance of payments position and in interest rates abroad to assess their impact on monetary conditions in Malta.

The Central Bank's projections for 2000 indicate that economic growth will continue to be export-led. The latest business perceptions survey shows positive expectations for the coming months, both by the manufacturing exporting sector and by the tourism sector. Domestic demand may continue to recover moderately, in part reflecting the commencement of work on capital projects. The timing of outlays on such projects, however, remains as yet somewhat uncertain. They may impact more strongly on demand in 2001. Moreover, an excessively strong rebound of domestic demand should be curtailed by a further tightening of the fiscal stance.

Against this economic scenario, the Central Bank expects the real GDP growth rate in 2000 to be higher than that estimated for 1999. This should stabilise the unemployment rate later in the year. At the same time, however, price pressures may begin to emerge, possibly fuelled by domestic demand developments and an increase in imported inflation due to higher oil prices and a possible strengthening of the euro. The Central Bank will continue to pursue a monetary policy that seeks to achieve price stability and the sustainability of the exchange rate peg of the Maltese lira.

2. THE INTERNATIONAL ENVIRONMENT

The World Economy

During the first quarter of 2000, global economic and financial conditions continued to improve as the US economy continued to expand vigorously and the outlook for the euro zone brightened considerably. While the recovery in Japan remained tentative and fragile, most of the emerging economies in Asia continued to rebound from the 1997-98 slowdown, while the transition countries and Latin America started to recover from the effects of the turbulence that had subsequently affected Russia and Brazil. The main risks to this scenario stemmed from a number of economic and financial imbalances, particularly the misalignments of the key currencies, and the excessively high stock-market valuations around the world. Against this background, the IMF was projecting world output growth of 4.2% in 2000, up from 3.3% in 1999.

Economic indicators for the **advanced industrial countries** published during the quarter pointed to continued strong growth in the United States, further consolidation in the euro area but a lack of a self-sustaining recovery in Japan. In the US, private demand continued to generate growth, with consumer confidence remaining strong and investment still increasing rapidly. The discrepancy between the growth of demand and supply was reflected in a sharp widening of the external deficit, rather than in inflationary pressures. Meanwhile, in the euro zone, consumer confidence returned to its earlier peaks, boosted by a fall in the area-wide unemployment rate. Thus, GDP growth in the area was expected to rise to 3.2% in 2000 from 2.3% in 1999, although this overall picture masked significant differences in the momentum of activity across the zone. In

Table 2.1

INTERNATIONAL ECONOMIC INDICATORS

	Real GDP % change			Inflation (Consumer prices) % change			Current account balance US$ billions		
	1998	1999	2000[1]	1998	1999	2000	1998	1999	2000[1]
Canada	3.1	4.2	3.7[1]	1.0	1.7	2.1	-11.0	-2.9	-3.0
United States	4.3	4.2	4.4	1.6	2.2	2.5	-220.6	-338.9	-419.4
Japan	-2.5	0.3	0.9	0.6	-0.3	0.1	121.0	107.0	102.4
France	3.4	2.7	3.5	0.7	0.6	1.3	39.4	39.6	36.0
Germany	2.2	1.5	2.8	0.6	0.7	1.2	-3.7	-17.8	3.4
Italy	1.5	1.4	2.7	1.7	1.7	2.2	21.8	10.0	10.1
United Kingdom	2.2	2.0	3.0[1]	2.7	2.3	2.0	-0.8	-19.5	-22.1
Advanced countries	2.4	3.1	3.6[1]	1.5	1.4	1.9	43.1	-133.7	-212.9
Developing countries	3.2	3.8	5.4[1]	10.1	6.5	5.7	-89.9	-32.7	-11.6
Countries in transition[2]	-0.7	2.4	2.6[1]	21.8	43.7	19.5	-24.8	-5.3	-7.5

[1] Forecasts

[2] Includes countries of Central and Eastern Europe and the former USSR.

SOURCE: IMF, ***World Economic Outlook,*** *Spring 2000*

Japan, although some improvement was registered in business profitability, private-sector demand remained sluggish.

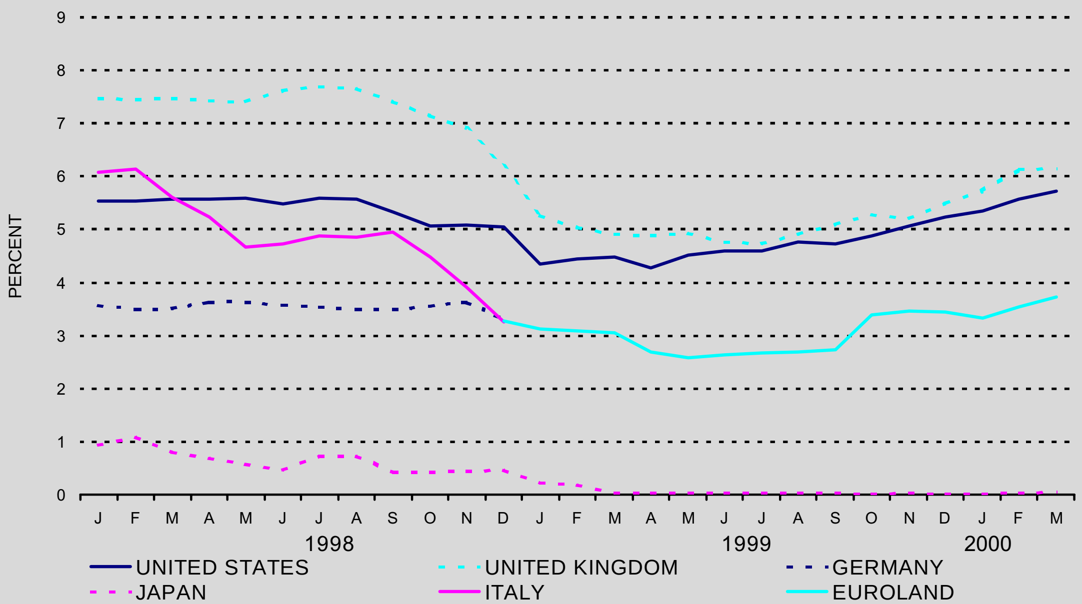
In the **developing countries**, GDP growth was expected to reach 5.4% - up from 3.8% in 1999 – as the recovery in Asia continued to gather strength from a faster-than-expected improvement in exports while the increase in commodity prices contributed to the recovery in Latin America.

Economic activity in most of the **countries in transition** continued to pick up, although performance and prospects varied widely among the countries in this group, depending on the progress made in stabilisation and restructuring. Overall, reform efforts in Russia and most countries of the former Soviet Union continued to lag significantly behind those in the countries that had been accepted as candidates for accession to the EU. A key contribution to the stronger outlook for the latter group came from an upswing in exports to Western Europe as well as a recovery in the investment climate and in overall confidence following the uncertainties brought about by the financial crisis in Russia. As a result, the combined GDP of the countries in transition was expected to expand by 2.6%, 0.2% more than in 1999.

Economic and monetary developments in the major economies

The **United States** economy continued to expand vigorously during the quarter under review, with GDP growing at 5% on a year-on-year basis, compared with 4.6% in the fourth quarter of 1999. This occurred mainly on the back of strong consumer spending and robust business investment. Productivity, meaning the output per hour of workers outside the farm sector, rose by 3.7%, year-on-year, during the quarter. Thus, although labour-market conditions tightened further, with unemployment standing at 4.1% in

Chart 2.1 SHORT-TERM INTEREST RATES *
(MONTHLY AVERAGES)



* TYPICAL THREE-MONTH MONEY-MARKET RATES IN MAJOR INDUSTRIAL COUNTIRES
SOURCE: OECD FINANCIAL STATISTICS AND IMF

March, unit labour costs were well contained. Sales of new homes rose strongly, while construction spending increased notably. US industrial output rose by 6.4% during the quarter, up from 5.3% in the fourth quarter of 1999, mainly reflecting a rebound in the output of utilities and, to a lesser extent, of manufacturing industry. On the negative side, personal savings continued to drop, while the trade deficit widened to a record $105.84 billion as imported-oil prices rose sharply.

Against the background of excessively strong consumer demand and tight labour markets, the Federal Reserve raised official interest rates twice during the quarter in order to slow down the economy to sustainable levels and pre-empt inflationary pressures. Thus, on February 2, the Fed raised both the Federal funds rate and its discount rate by 25bps - to 5.75% and 5.25%, respectively. It then raised rates by another 25bps on March 21, when the Federal funds rate reached 6.0% while the discount rate hit 5.5%. Money-market rates tended to rise as a result, though they stood slightly below the Federal funds rate.

Economic growth in the **euro area** continued to pick up during the quarter, with both the services and its manufacturing sector's activity surging in March, mainly on account of buoyant demand, and the zone's unemployment rate falling to 9.4%. In contrast, the euro zone's trade surplus with the rest of the world fell to 0.3 billion euros in February, compared with 4.3 billion euros in the same month in 1999. This was mainly due to a worsening in the zone's terms of trade, which in turn was almost exclusively due to last year's surge in oil prices. Apart from this, the euro area was still hampered by structural rigidities, especially the inflexibility of its labour markets, a relatively high tax burden and a regulatory environment much less favourable to entrepreneurial activity than that in the US. Moreover, the momentum of activity in the larger core economies of the euro zone continued to differ markedly from the much more rapid expansion in the smaller peripheral countries, in particular Ireland, Spain, Portugal and Finland.

The export-led economic recovery in **Germany** consolidated further during the quarter, with manufacturing-sector activity continuing to expand vigorously while services-sector activity accelerated in March for the first time in five months. Nevertheless, Germany's unemployment rate remained high. Meanwhile, economic growth remained strong in **France**, supported by buoyant exports and rising internal demand, while French unemployment fell to 10.0% in March, its lowest level since January 1992. Consumer spending rose a stronger-than-expected 7.8%, year-on-year, in February as French households benefited from higher employment and low interest rates. In **Italy**, the recovery continued to gather momentum, mainly on the back of strong exports and investments. In fact, manufacturing-sector activity expanded for the ninth consecutive month in March as economic conditions in Europe at large continued to improve, while the Italian services sector registered further buoyant growth. In contrast, Italian consumer spending remained sluggish, as the Italian jobless rate remained high.

Against the background of rising inflation expectations in Euroland, the European Central Bank (ECB), in order to keep inflation below its target ceiling of 2% a year, raised its three leading interest rates twice during the quarter. On February 3, the ECB increased rates by 25bps, so that its main refinancing rate reached 3.25%, while on March 16 it raised rates by another 25bps, pushing its refinancing rate up to 3.5%. As a result, euro-zone money-market rates, which had fallen in January, rose in February and March, standing slightly above the ECB's refinancing rate throughout the quarter.

In the **United Kingdom**, the economic expansion slowed down during the quarter, with GDP growth falling to 0.5% on a quarterly basis from 0.8% in the fourth quarter of 1999. This mainly reflected a decline in industrial output, as manufacturing firms were hit hardly by the strength of the pound against the euro. Moreover, British consumer confidence dropped in February and March from a two-year high in January as it was negatively affected by successive interest-rate rises and fears for job security. In contrast, services-sector activity expanded by 3.2% on an annualised basis during the quarter - the highest rate of growth since the third quarter of 1998. Construction output also rose significantly, buoyed by the strength of the commercial and housing sectors. With regard to the labour market, conditions remained tight, with the jobless rate standing at 4% throughout the quarter. Furthermore, although growth in average earnings slowed down to 5.8%, from 6.0%, in the three months to February, this was still well above the 4.5% growth limit which the Bank of England deems to be consistent with its 2.5% inflation target.

Against the background of a strong earnings growth rate and a notable rise in house prices, the Bank of England raised official interest rates twice during the quarter. On January 13, the Bank raised its repo rate by 25bps to 5.75%, while on February 10 it raised it by a further 25bps to 6%. Money-market rates tended to rise accordingly during the quarter, standing slightly below the repo rate in January but rising above it in February and March.

Meanwhile, in **Japan**, economic recovery remained tentative. On the supply side, industrial production grew considerably, supported by the information-technology boom and strong export-markets, while firms recorded higher profits on the back of various cost-cutting measures. Moreover, domestic orders received by Japanese machine-tool makers rose by 18.4%, year-on-year, during the quarter, while the Bank of Japan's quarterly Tankan survey showed that business sentiment among large manufacturers had improved in March. On the demand side, however, personal consumption remained stagnant as households' incomes remained depressed in view of business restructuring and record high unemployment. In fact, spending by Japanese households fell by 4.3% in real terms in March from a year earlier, while the jobless rate reached 4.9%. With regard to the external sector, Japan's merchandise-trade surplus fell by 14.8%, year-on-year, in March, as a rise in exports was outweighed by a sharp increase in imports, which were boosted by higher oil prices.

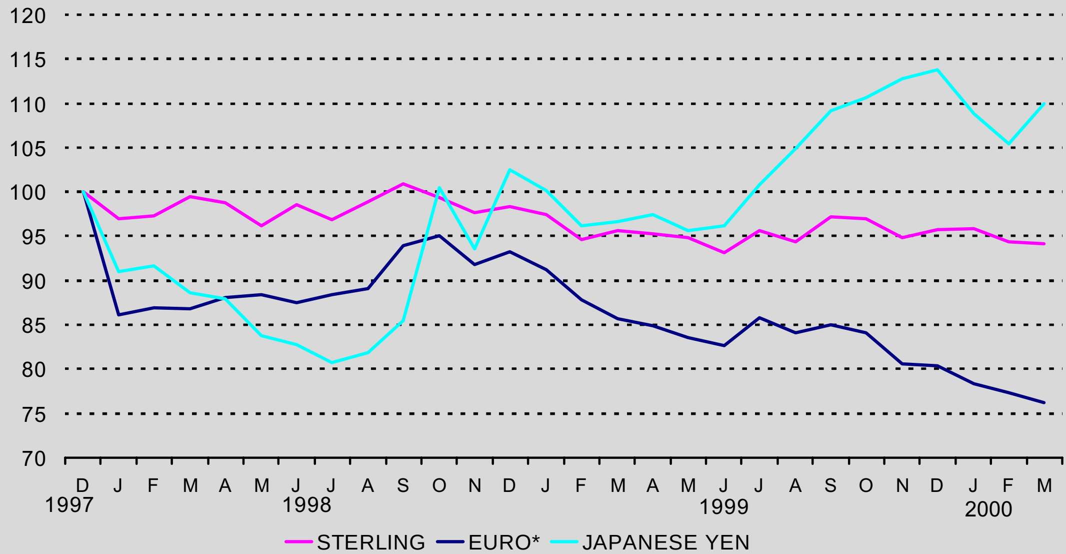
Within a context of persisting deflationary pressures, the Bank of Japan kept its easy monetary policy unchanged during the quarter, while money-market rates remained just above 0%.

Foreign-Exchange Markets

The US dollar registered broad-based gains, particularly against the euro, during the quarter, reflecting the American economy's buoyant performance and favourable interest-rate differentials. Against sterling, the dollar suffered losses in January but it subsequently appreciated, hitting $1.5689 to the pound on March 21. Against the yen, the dollar appreciated in January and through most of February. Subsequently, however, the dollar lost ground against the Japanese unit, as the latter benefited from the repatriation of funds by Japanese investors ahead of the country's financial-year end coupled with higher portfolio inflows into Japan.

The dollar started the quarter on a weaker footing against both the euro and the pound, depressed by steep declines in US equity markets. Nevertheless, it soon rebounded against the euro as the US stock market recovered while sentiment towards the European currency was undermined by a higher-than-expected pay-rise claim by Germany's IG Metall trade union. The euro was further depressed by the disappointing results of a German Ifo business confidence survey and a range of political issues, including the lack of structural reform in Euroland. In contrast, the dollar continued to weaken against sterling through most of January, as the pound was supported by expectations of higher interest

Chart 2.2 EXCHANGE-RATE MOVEMENTS OF SELECTED CURRENCIES AGAINST THE US DOLLAR
(INDEX OF END-OF-MONTH RATES, END-1997 = 100)



* ECU, UNTIL DECEMBER 1998; EURO, FROM JANUARY 1999.

rates and upbeat manufacturing-output data in the UK.

Against the yen, the dollar tended to strengthen throughout January. This mainly reflected weakness of the yen, which was undermined by fear of heavy yen sales by the Bank of Japan and rumours that the Japanese government was canvassing international support for concerted action to cap its currency's rise. Through most of February the yen weakened further on concern over Japan's mounting fiscal deficit as well as indications that the Japanese economy had slid back into recession in the second half of 1999. Hence, on February 22, the dollar rose to Y111.18 against the Japanese currency, its highest level for the quarter. Afterwards, however, the dollar suffered losses against the yen, as the latter benefited from Japanese investors' purchasing of yen to serve as a hedge against their euro exposures.

In February, the dollar weakened against the euro but rose against the pound. During the month, the euro was supported by an increase in official interest rates and fresh signs of strengthening economic growth in the euro zone, reinforced by a higher-than-expected Ifo West German business climate index for January. Towards the end of February, however, the dollar appreciated substantially against the European currency, as prospects of an imminent rise in euro-zone interest rates receded while strength in technology-stock prices in the US supported the dollar. Moreover, failure on the part of the ECB to give a consistent message to the markets exerted a strong negative impact on the European unit, which fell to record lows of $0.9390 against the dollar on February 29. Against sterling, the dollar also registered notable gains at this stage, as the pound was depressed by expectations that Britain's interest-rate cycle was nearer its peak than was previously believed. The pound

Table 2.2
AVERAGE EXCHANGE RATES OF THREE MAJOR CURRENCIES AGAINST THE US DOLLAR DURING MARCH QUARTER 2000

	US$ per EURO	US$ per STG	Yen per US$
Average for January	1.0158	1.6411	105.15
Average for February	0.9838	1.6025	109.36
Average for March	0.9661	1.5802	106.7
Average for the quarter	0.9886	1.6079	107.07
Closing rate on 30.03.00	0.9535	1.5926	105.60
Closing rate on 30.12.99	1.0058	1.6193	102.09
Lowest exchange rate during the quarter[1]	0.9535 (Mar. 30)	1.5689 (Mar. 21)	102.6 (Jan. 04)
Highest exchange rate during the quarter[1]	1.0369 (Jan. 06)	1.6550 (Jan. 21)	111.18 (Feb. 22)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 30.12.99 to closing rate on 30.03.00	-5.2	-1.6	-3.4

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

suffered further losses following news of a merger deal between Germany's Mannesmann AG and Britain's Vodafone AirTouch Plc. After some fluctuations, both the dollar and the euro strengthened against sterling, following indications that the Bank of England's Monetary Policy Committee had discussed the possibility of market intervention to weaken the UK currency.

The dollar continued to rise against the pound throughout most of March when the British currency was undermined by persistent speculation that the UK premium over US interest rates was about to come to an end. The pound also weakened against the euro following news that German carmaker BMW was planning to sell its British subsidiary Rover – which prompted speculative euro buying. Towards the end of March, however, the pound rebounded against both the dollar and the euro mainly on the back of renewed expectations of further monetary-policy tightening by the Bank of England in response to the somewhat expansionary fiscal policy unveiled in the budget speech.

The dollar also tended to appreciate against the euro during March, as sentiment towards the European currency was negatively influenced by relatively weak euro-zone economic fundamentals and by the threat of acquisition-related flows out of the euro area. On March 23, however, the euro benefited from a surprisingly aggressive 75bp interest-rate rise by the Swiss National Bank and comments by the ECB's vice-president hinting at the possibility of foreign-exchange market intervention to support the currency. Nevertheless, towards the end of the quarter, the euro again lost ground against the dollar, largely on account of political and business developments in Euroland.

In contrast, in early March, the dollar suffered substantial losses against the Japanese unit, reflecting broad-based yen strength. This took place mainly on the back of the large-scale repatriation of foreign assets by Japanese investors ahead of the Japanese financial-year end and rising optimism about Japan's economic recovery. After mid-March, however, the yen fell across the board after the Bank of Japan intervened in the foreign-exchange market, selling yen for dollars. After some fluctuations, the yen fell further as Japanese investors had largely completed their annual repatriation of funds. Nevertheless, towards the end of the month, the yen rebounded against both the dollar and the euro in the wake of upbeat expectations regarding the Bank of Japan's quarterly Tankan survey of business sentiment as well as a pick up in Japanese household spending.

Commodities

In the first quarter of 2000 the price of **gold** dropped by about 3.2%, ending March at US$280.75 per ounce. Throughout January and most of February, the gold price tended to rise, supported by a notable increase in demand from speculators and news that several major producers were rethinking their hedging strategies.[1] Towards the end of February, however, the price of gold fell on expectations of higher producer sales, prompted by the weakness of the Australian dollar. During March, the gold price was also depressed by expectations of oversupplies in the wake of further central-bank sales, while additional pressure emanated from weaker oil prices and rising interest rates. Towards the end of March, sentiment towards gold was also undermined by rumours that the Bank of France planned to sell some of its bullion reserves. The central bank's denial of such a plan failed to improve market sentiment.

The prices of **base metals**, which continued to rise in the early weeks of the year, driven by strong economic growth across the key metal consuming nations, dropped by about 4.9% by the end of the first quarter. Copper and aluminium prices, in particular, fell substantially owing to surplus stocks, while lead prices fell continuously during the quarter, mainly on account of hefty Chinese exports. In contrast, nickel prices firmed as economic growth fuelled demand for stainless steel while production problems in Australia and slow exports from Russia brought about a marked decline in nickel inventories at the London Metal Exchange.

Meanwhile, the price of **oil** rose by about 1.4% to US$25.63 per barrel during the quarter. In early January, oil prices weakened on concern that OPEC members were supplying increasing volumes of crude oil to refiners. Later, however, oil prices rebounded on indications that OPEC might extend its oil-production quotas after their expiry date at the end of March. Oil prices rose further following a warning from the International Energy Agency that inventories in the industrialised countries had fallen to record lows. In February prices continued to rise as inventories in the US fell to their lowest levels in more than 20 years while OPEC sent mixed signals about how much oil it would supply after the end of March and hedge funds bought oil for speculative purposes. In early March, oil prices surged to above US$31 per barrel as OPEC members Iran, Libya and Algeria opposed any output increase in the second quarter. Afterwards, however, oil prices fell considerably on indications that the major exporters were about to increase production significantly. In fact, on March 27, nine OPEC members agreed to increase production by 1.45 million barrels per day with immediate effect. Iran, while objecting to the deal, was also expected to raise output. Outside OPEC, Mexico and Norway also agreed to produce more oil in order to help alleviate the supply squeeze that had trebled benchmark prices since the beginning of 1999.

[1] Hedging activity, which involves borrowing bullion and selling it forward into the market, accounted for about 10% of the 4,000 tonnes of gold supplied in 1999.

During the quarter, **food** prices fell by over 20% from their end-1999 levels, despite increases in the prices of soyabeans, corn, wheat and tea, as excess supplies continued to depress the prices of coffee, cocoa and sugar. In February, the coffee market's plentiful supply situation was brought sharply into focus with news that Vietnam's coffee exports for the 1999/2000 season would be much higher than in the previous year.[2] Similarly, growing signs that production increases would far outstrip consumption kept the cocoa market under pressure, with a fresh burst of heavy speculative selling depressing the price to a new 27-year low in February. In contrast, the prices of soyabeans, corn and wheat rose during the quarter after the US Agriculture Department issued some surprising cuts in its production estimates while drought conditions in the US Corn Belt threatened supplies. Tea prices also rose, as production suffered from frosts and dry weather in Kenya. Additionally, there were indications of a substantial increase in Russian buying from Sri Lanka and India.

Prices of **non-food agricultural commodities** fell by about 17.5% during the quarter, despite a rise in cotton prices. Initially, natural-rubber prices recovered well from the 30-year low hit last August, mainly on account of firmer demand from tyre makers, higher oil prices (which make synthetic rubber dearer), and a seasonal fall in supplies. Subsequently, however, rubber prices fell notably as selling pressure from farmers and exporters met little interest from well-stocked buyers. Prices were depressed further by the impending sales of internationally stockpiled material. Similarly, the price of broad low-quality wool rose in early 2000 but subsequently fell as buyers preferred higher-quality wool and synthetic fibres. In contrast, cotton prices rose during the quarter after almost five years of continuous decline. This mainly reflected a notable increase in demand for cotton, as the currency devaluations in many of Asia's important textile producing countries over the past few years and the rise in crude oil prices helped cotton to gain in competitiveness against synthetic fibres.

[2] Vietnam is the top robusta-coffee supplier worldwide.

DEVELOPMENTS IN INTERNATIONAL ECONOMIC CO-OPERATION

European Union – ACP Treaty

On February 2-3, European Union and ACP (Africa, Caribbean and Pacific) Ministers met in Brussels and reached an agreement that would govern relations between the EU and the 71 ACP states over the next 20 years. The new agreement, which replaced the Lome IV Convention, set out an integrated and comprehensive approach to development, poverty reduction, trade and political dialogue. The new trade deal was signed on June 23 at Cotonou in Benin, and is to be known as the Cotonou Agreement.

European Union Lisbon Summit

On March 23-24, at a summit meeting held in Lisbon, EU Heads of State approved a number of reforms intended to position their economies firmly in the global technological revolution and make them better able to compete with the United States. The European leaders agreed to further liberalise Europe's internal markets, particularly the telecommunications sector, and offer cheaper access for all to the Internet. Moreover, the leaders set themselves a new strategic goal for the next decade, intended to promote growth and cut unemployment. In this regard, cuts in labour costs, as well as greater support for small- and medium-sized enterprises, were seen as vital. However, there were signs that the ideological struggle between the more liberal and the more interventionist wings of the EU had still to be resolved. Accordingly, the leaders put off a detailed debate on pressing but costly social reforms in areas such as pensions until the beginning of the French EU presidency in July 2000.

IMF and World Bank Spring Meetings

On April 16-17, Finance Ministers and Central Bank Governors met in Washington DC for the Spring Meetings of the International Monetary and Financial Committee (IMFC) and the Development Committee of the IMF and the World Bank.

The **International Monetary and Financial Committee (IMFC)**, which has replaced the *Interim Committee*, is the IMF's principal advisory body. In its inaugural meeting on April 16, the IMFC discussed the directions in which the IMF and the international financial system should evolve in order to adapt to a rapidly changing economic environment and pledged to continue to work towards making the Fund more effective, transparent, and accountable. The Committee welcomed the rapid recovery of the world economy in 1999 and reiterated that open and competitive markets were essential to sustain growth and stability in the global economy. In this regard, the Committee called on the IMF to continue to work with the World Bank, the WTO, and other interested parties to improve the effectiveness of trade-related technical assistance and to build institutional capacity. The Committee endorsed the Executive Board's decision to simplify the array of IMF facilities in line with the changing nature of the global economy. The Committee welcomed the Board's adoption of a strengthened framework of measures to safeguard the best use of IMF resources. It also welcomed the recent internal review of IMF surveillance and urged the Fund to improve further its multilateral surveillance by taking account of the international implications of national policies. Members recognised that in their improving the policy environment and reducing their macroeconomic vulnerability, it was important for countries to conform with international standards and codes of good practice. The Committee welcomed the decision by the IMF to establish an independent evaluation office, which would complement the Fund's ongoing internal audit and self-evaluation activities. Members noted the recent progress in implementing the enhanced HIPC Initiative and welcomed the establishment of a World Bank-IMF Joint Implementation Committee to facilitate the implementation of this Initiative. Finally, the members of the Committee unanimously paid tribute to Michel Camdessus, the outgoing Managing Director of the IMF, and warmly welcomed the appointment of Horst Kohler as the new Managing Director of the Fund.

The **Development Committee**, a joint committee of the IMF and the IBRD, emphasised the importance of preserving and further strengthening the number of multilateral institutions as a powerful force for global progress, equity, and stability. The Committee reiterated its call on the World Bank, the IMF, and the WTO to cooperate with other parties in developing effective programmes of capacity building for trade, including an improved Integrated Framework for Trade-Related Assistance for the Least-Developed Countries. Ministers encouraged the governments of HIPC-eligible countries to continue to work closely with the Bank and the IMF, as well as other partners, in pursuing sound policies and delivering effective reform programmes, so that the delivery of HIPC debt relief can move foreword as swiftly as possible. In this regard the Committee welcomed the establishment by the Bank and the IMF of a joint implementation committee to facilitate the implementation of the enhanced HIPC Initiative and the new poverty reduction strategy. The IMF and the World Bank were urged to continue to collaborate with member countries and other development partners to develop full poverty reduction strategies, integrated with macroeconomic and fiscal policies. Ministers welcomed the Bank's continuing contribution to global efforts to reduce the risk of financial crises, noting that actions and policies that reduce vulnerability to crises also support successful development.

European Union – China WTO Agreement

On May 19, the European Union and China reached a market-access deal, removing the last major obstacle to China's entry to the WTO. As the EU failed to persuade China to allow majority foreign ownership in its telecommunications market, China agreed to compensate by allowing foreign firms access to its telecommunications market up to 2 years earlier than specified in a China-US deal last November. China also offered other concessions, including 7 licences for European insurers, faster access to the insurance market and full access to foreign insurance brokers. Moreover, China agreed to cut tariffs on 150 leading European exports and to gradually ease its state monopoly on imports of crude oil and oil products.

EBRD Annual Meeting

On May 19-22, the European Bank for Reconstruction and Development (EBRD) held its Ninth Annual Meeting in Riga, Latvia, where Mr. Jean Lemierre was elected as the Bank's new President. During the meeting, the Banks' Board of Governors discussed the regional dimension as a way to enhance cross-border co-operation, the role of SMEs as an engine of economic growth, and EU accession and its importance for the Bank's operations. A number of Governors expressed concern over the widening gap between the advanced countries, mostly in central and eastern Europe, and the early and intermediate countries, mostly in the CIS, suggesting more resources should be devoted to the latter. The Governors welcomed the sense of stability that had returned to Russia following the Presidential elections and approved the Bank's objective of raising commitment levels in Russia back to the levels prevalent before the financial crisis of 1998. The Governors emphasised that the EBRD must reach out to civil society to disseminate information about its activities. They also stressed the importance of increased co-operation with other International

Financial Institutions, particularly the EIB, and the Bank's partnership with bilateral and multilateral donors. The Governors underlined the fact that the Bank's financial viability was central to the effective pursuit of its mandate. Within this context, they welcomed the Bank's increased emphasis on strategic portfolio management. Finally, the Governors welcomed the election of Mongolia as the Bank's 61st member and the decision by Australia to subscribe to the Bank's capital increase.

BIS Annual General Meeting

On June 5, the Bank for International Settlements (BIS) held its seventieth Annual General Meeting in Basel. The Meeting was attended by the Governors and other representatives of member central banks and other central banks associated with the BIS as well as representatives of many international institutions. Participants welcomed the recent improvement in economic performance world wide coupled with adept monetary- and fiscal-policy actions. However, they identified two major risks to this scenario, namely external imbalances and high asset prices. Participants noted the measures being taken on the national and international spheres in order to improve the pricing and management of risk in financial markets and highlighted the contribution of the BIS and the Basel-based committees in this regard. The Basel Committee on Banking Supervision was well advanced in revamping the capital adequacy framework, while the Committee on the Global Financial System had continued to monitor potential vulnerabilities in the financial system. Meanwhile, the Financial Stability Forum made comprehensive recommendations on capital flows, highly leveraged institutions and offshore financial centres while the Financial Stability Institute started to play a leading part in disseminating best practices in risk management and financial-sector supervision.

European Union Feira Summit

On June 19-20, the Heads of State and Government of the EU Member States met in Santa Maria Da Feira, Portugal, for their twice-yearly European Council Summit. The main aim of the meeting was to set the agenda for a major restructuring of EU institutions ahead of the accession of a number of countries into the Union. In this regard, participants welcomed the EU Presidency report on the Intergovernmental Conference, illustrating the progress made by the Conference in considering Treaty changes that would ensure the Union would continue to have properly functioning, efficient and legitimate institutions after enlargement. The Council reaffirmed the priority for the Union of the enlargement process and noted with satisfaction the substantive progress in the negotiations since the Helsinki European Council. In particular, participants welcomed the launching of accession negotiations with Malta, Romania, Slovakia, Latvia, Lithuania and Bulgaria, and the first concrete results already achieved. The Council reiterated the commitment of the Union to maintain the momentum of the accession process, with all candidates continuing to be judged on the basis of their own merits. The Member States endorsed the report on the tax package by the ECOFIN Council and the timetable set out, which foresaw a gradual development towards the realisation of the exchange of information as the basis for the taxation of savings income of non-residents. Moreover, they requested the ECOFIN Council to pursue work on all parts of the tax package so as to achieve full agreement on the adoption of the directives and the implementation of the package as a whole before the end of 2002. Participants also endorsed the eEurope 2002 Action Plan in preparation for the transition to a knowledge-based economy and welcomed the commitment of the Council (Research) to develop a "European Research Area". Country Members welcomed the recently-adopted European Charter for Small Enterprises, and underlined the importance of small firms and entrepreneurs for growth, competitiveness and employment in the Union. Finally, they welcomed the decision to admit Greece to the euro area on 1 January 2001.

3. THE DOMESTIC ECONOMY[1]

Indicators on the performance of the domestic economy during the first quarter of 2000 were somewhat mixed. In general, economic activity continued to be export led, but there were some signs of a moderate recovery in domestic demand. In the export oriented sectors it was the machinery sub-sector of manufacturing industry which continued to experience buoyant conditions as external demand for electronic components remained high. This sub-sector registered increases in both the level of exports and employment over the first quarter. In the services sector, the tourism industry remained the main contributor to economic activity, though tourist arrivals and estimated tourist expenditure over the survey period were lower than in the same quarter of 1999.

Meanwhile labour market developments indicate a significant increase in the demand and the supply of labour but this did not appear to have any adverse repercussions on prices. In fact a moderate increase in the headline rate of inflation was almost entirely due to the lagged effects of the measures introduced in last November's Budget.

Retail Prices

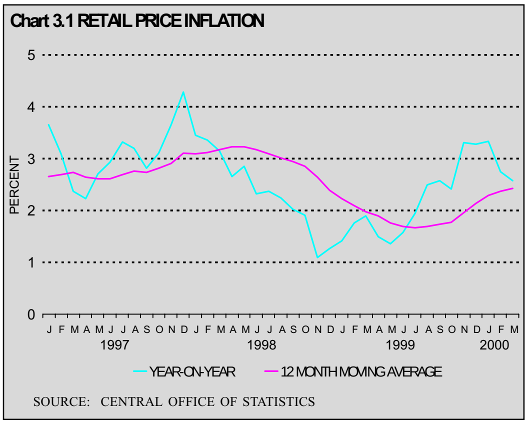
The twelve-month moving average rate of inflation rose to 2.4% during the first quarter of 2000, up from 2.1% at the end of 1999, but this increase was in the main due to the lagged effects of the Budget changes in indirect taxes. These should help to bring down the rate of inflation in the longer term, but had the immediate effect of pushing up the prices of some goods and services. Meanwhile, imported inflation, which had been the main driving force behind the drop in Malta's inflation rate throughout 1998 and the first half of 1999, rose somewhat, mainly as a result of the sharp increase in oil prices on international markets. This may impact further on domestic

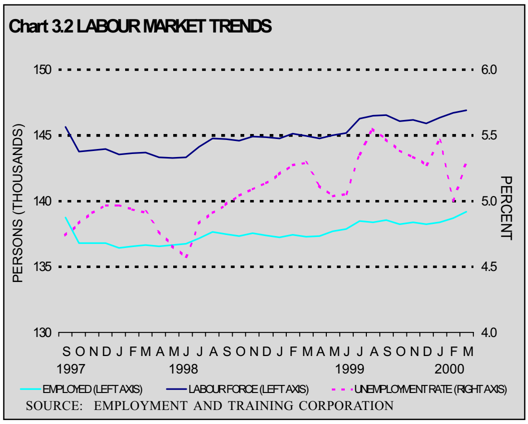
Table 3.1
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI
12-month moving average (% changes)

	Mar. 1999	Dec. 1999	Mar. 2000
Food	0.8	0.9	1.4
Beverages and tobacco	6.7	9.0	7.7
Clothing and footwear	1.4	-1.0	-0.3
Housing	2.0	0.1	0.4
Fuel, light and power	-1.0	0.1	1.6
Durable household goods	1.0	2.9	1.9
Transport and communications	2.9	3.1	4.6
Personal health and care	3.4	3.0	2.9
Education, entertainment and recreation	2.5	1.5	0.9
Other goods and services	0.3	3.0	2.7
All items	**2.0**	**2.1**	**2.4**

SOURCE: Central Office of Statistics

[1] This analysis is based on official data published by the Central Office of Statistics and aggregated statistical data and information received by the Bank through its latest business perceptions survey.





inflation in the coming months.

Table 3.1 shows the twelve-month moving average percentage changes in the main commodity sections of the Retail Price Index (RPI). From this it can be seen that the main impetus to inflation during the quarter came from the food, the fuel, light and power, and the transport and communications sub-indexes. This in the main reflected the budgetary measures that took effect as from January 2000, namely the removal of the bread subsidy, the imposition of VAT on telephony services and the reduction of rebates on electricity charges. In the case of the food sub-index, however, the increase also reflected a significant rise in the prices of fresh vegetables. Furthermore, other indirect tax measures announced in the November Budget which had come into effect earlier, such as the latest increase in the excise duty on cigarettes, were first captured in the RPI during the quarter reviewed as the relevant indices had not been measured in the previous quarter.

Headline inflation is projected to continue rising moderately in the coming months, as the moving average measure has not yet fully assimilated the effects of the changes in indirect taxation on the RPI. Moreover, in view of the emergence of some inflationary pressures in the euro-zone economies and a possible appreciation of the euro, imported inflation is not expected to ease for the time being. On the other hand, domestically-generated pressures on prices appear to be still weak and are expected to remain so in the coming months, reflecting in part the effects on domestic demand of the tighter fiscal policy stance.

The Labour Market

The unemployment rate remained stable at 5.3% during the first quarter of 2000, as the rate of job creation matched an exceptional growth in the labour supply - up by more than a 1,000 from its level at the end of 1999. The labour supply usually expands at this rate only during the third quarter, when school leavers enter the market for the first time. The increase may, however, be in part explained by a change in the employment status of instructors working in the public sector from a part-time to a full-time basis[2]. This affected around 230 persons. Another possible factor is a statistical reversal of an unprecedented 624 drop in the labour supply reported during the last three months of 1999. In fact, over the six-month period ending March 2000, the labour supply rose by a little more than 380, an increase comparable to that observed in the same period last year.

The gainfully occupied population is reported to

[2] Persons having a part-time job as their primary employment are not included in labour supply data.

Table 3.2
LABOUR MARKET DEVELOPMENTS
Number of persons

	March 2000	Quarterly change	Annual change
Labour supply	**146,912**	**1,011**	**1,983**
Unemployed	**7,766**	**71**	**103**
Unemployment rate (%)	**5.3**	**0.0**	**0.0**
Gainfully occupied	**139,146**	**940**	**1,880**
of which:			
Private direct production	**37,381**	**307**	**104**
including:-			
Agriculture & fisheries	2,557	28	46
Quarrying, construction & oil drilling	5,538	139	-17
Manufacturing	29,286	140	75
Private market services	**49,448**	**381**	**3,763**
including:-			
Wholesale & retail	15,703	232	604
Insurance & real estate	1,385	-12	78
Transport, storage & communciations	6,317	114	709
Hotels & catering establishments	8,988	-135	171
Community & business	9,896	156	118
Others	7,159	26	2,083
Public sector	**47,667**	**252**	**-1,827**
including:-			
Government departments	30,689	191	277
Armed Forces, R.S.C. & Airport Co.	1,670	71	55
Government-controlled companies	7,205	21	-2,067
Independent statutory bodies	8,103	-31	-92
Temporarily employed	**4,650**	**0**	**-160**

SOURCE: Employment and Training Corporation

have risen by 940 during the quarter. As regards the private sector's demand for labour, employment in the directly productive sectors expanded by 307, driven in equal measure by the construction and manufacturing industries. The electronics sub-sector accounted for the bulk of the increase in manufacturing employment, as many other sub-sectors, such as textiles, chemicals and paper and printing, continued to restructure. On its part, notwithstanding the rise recorded during the quarter, employment in construction still remained slightly below its level in the same month last year. The number of the gainfully occupied in the services sector rose by 381 during the quarter, driven by higher employment in the transport, storage and communications, the community and business, and especially the wholesale and retail sub-sectors. These increases were partly offset by a drop in employment in hotels and catering establishments. At the same time, the number of the self-employed rose by 285, mainly due to the wholesale and retail and the transport sub-sectors. This was the largest quarterly rise in the

Table 3.3
PART-TIME EMPLOYMENT
Number of persons

	March 2000	Change in number of persons	
		Previous quarter	Year-ago period
Part-time employees holding full-time jobs	16,673	550	105
Part-time employment as primary job	16,704	-271	2,836
Total part-time employment	**33,377**	**279**	**2,941**

Note: Figures may not add up due to rounding.
SOURCE: Employment and Training Corporation.

number of the self-employed on record - if one excludes that registered following the introduction of VAT at the start of 1995 - and may reflect better enforcement of employment regulations.

Part-time employment rose by around 280 during the quarter, reflecting an increase in the number of part-time employees holding full-time jobs. This more than offset a drop in the number of persons holding only a part-time job, which was essentially due to the change in the employment status of the public sector instructors mentioned previously. On an annual basis, however, the bulk of the increase in part-time employment was attributable to the increase in the number of persons employed solely on a part-time basis, as Table 3.3 shows.

Despite the significant growth in the gainfully occupied population during the twelve months to March 2000, the number of the unemployed rose by 103 over the same period. Around half of these had been registering for over a year and were in the older age categories.

Tourism

The slowdown in tourism activity in evidence during the second half of 1999 continued during the first quarter of 2000, with arrivals declining by 6.8% when compared with the same quarter last year, and the sector's gross earnings falling by about 2.5%. Although the main underlying factor continued to be the negative performance of the UK market, arrivals during the quarter were also adversely affected by the timing of the Easter holiday period. In January, moreover, arrivals were also negatively affected by millennium considerations. By contrast, the number of cruise passenger arrivals more than doubled from last year's levels during the first three months of 2000.

Arrivals from the UK, Malta's largest source market, dropped by nearly 14,000, or 17.5%, from their level in the corresponding period of 1999. This contraction, which was the largest on record since the third quarter of 1996, occurred in spite of the favourable economic conditions in the UK. On the other hand, data on advance bookings indicate that there could be a recovery during the summer months, partly in response to intensified marketing efforts in the UK. This view is also corroborated by the results of the Bank's latest Business Perceptions Survey (See below).

Other important source markets that saw a decline in arrivals during the quarter under review included France, Italy, Austria and Switzerland. These drops were in part offset by the continued expansion in arrivals from Germany, Scandinavia and Libya.

Table 3.4

TOURIST ARRIVALS BY NATIONALITY

Nationality	January - March		
	Arrivals	Annual growth (%)	Share (%)
UK	64,801	-17.5	35.6
Germany	42,385	7.7	23.3
Libya	10,600	52.0	5.8
Italy	9,954	-11.3	5.5
France	8,309	-12.6	4.6
Netherlands	6,388	-1.9	3.5
Scandinavia[1]	6,332	21.7	3.5
Austria	4,306	-26.2	2.4
Switzerland	2,769	-32.5	1.5
Belgium	2,527	-0.9	1.4
Others	23,899	-7.0	13.1
Total	**182,270**	**-6.8**	**100.0**

[1] Scandinavian countries include Denmark, Norway and Sweden.
Note: Figures may not add up due to rounding.
SOURCE: Central Office of Statistics.

Cruise passenger activity continued to expand rapidly during the first quarter of 2000, with arrivals more than doubling compared with the same quarter last year. This extraordinary increase was, however, largely attributable to the fact that no cruise liners had visited Malta during the first two months of 1999. Activity in this sector is, in fact, usually at its height between April and October, although the expansion recorded during the first quarter this year shows that it has significant potential for growth in the winter months as well.

4. THE BALANCE OF PAYMENTS[1]

Provisional data on transactions between residents and non-residents effected through the local banking system pointed to a widening of the current account deficit, even if this was somewhat overstated because of the effect on the investment income account of transactions of international banking institutions. Nevertheless, it appears that the goods and services balance still recorded significantly higher net outflows than in the same quarter last year, while the financial account swung from a surplus into a deficit.

Meanwhile, the Maltese lira continued to strengthen against the euro, but to weaken against the US dollar, the pound sterling and the Japanese yen. At the same time, despite the upward trend in the Nominal Effective Exchange Rate (NEER) index on account of the weak euro, the rising trend in the Maltese lira's Real Effective Exchange Rate (REER) index eased somewhat during the quarter surveyed as inflation differentials between Malta and its European trading partners narrowed.

Foreign Exchange Transactions[2]

The banking data indicate that the first quarter of the year 2000 witnessed a deterioration in Malta's overall balance of payments position from the surplus position recorded in the first quarter of 1999. The resulting deficit was mostly attributable to a widening of the shortfall on the current account, though the capital and financial accounts also contributed.

Current Account Transactions

As can be seen from Table 4.1, the current account transactions effected through the local banking system resulted in a significant increase in the negative balance, which widened from Lm3.4 million to Lm67.5 million. This was partly attributable to a larger deficit in the goods and services account, which rose by almost Lm28 million to Lm58.6 million. However, the investment income account, especially through the activities of the international banking institutions, contributed even more to the increased deficit.

The deficit on the merchandise trade account appears to have grown further during the quarter, rising to Lm98.7 million from Lm75.8 million in the corresponding quarter last year. The Lm23 million increase mainly reflected a strong growth in imports. Indeed, as the merchandise trade balance based on customs documents presented in Table 4.2 shows, a Lm73.3 million increase in imports compared with the first quarter last year outstripped a rise of almost Lm50 million in exports by Lm23.5 million.

The rise in imports was mainly fuelled by purchases of capital goods, which were up by Lm16.5 million from the corresponding quarter last year, reflecting strong investment by the electronics industry and by the paper and printing industry. Nevertheless, imports of consumer goods, particularly of motor vehicles, also contributed, rising by over Lm7 million. At the same time the import bill for fuel, which is partly used for consumption purposes and partly for production, almost doubled from last year's level, reflecting the sharp rise in oil prices on international markets.

The services balance appears to have deteriorated slightly during the quarter under review. Indeed, as can be seen from Table 4.1, net inflows from services recorded by the banking system were down by Lm5 million to just over Lm40 million. The decline in the services balance

1 At the time of writing, accruals-based data on the balance of payments for the first quarter of the year 2000 were as yet not available.
2 Between residents and non-residents, and on a cash settlement basis effected through the local banking system.

Table 4.1

BALANCE OF PAYMENTS BASED ON BANKING TRANSACTIONS[1]

Lm millions

	January - March	
	1999	**2000**
MERCHANDISE TRADE BALANCE	**-75.8**	**-98.7**
(including shipbuilding freight and insurance)		
SERVICES (NET)	**45.1**	**40.1**
of which:		
Transportation (other than freight and insurance)	16.4	16.0
Travel	24.5	23.2
Other services	4.2	0.9
BALANCE ON GOODS AND SERVICES	**-30.7**	**-58.6**
INVESTMENT INCOME (Net)	**22.5**	**-11.5**
of which:		
International Banking Institutions	20.8	-26.4
BALANCE ON GOODS AND SERVICES AND INCOME	**-8.2**	**-70.1**
UNREQUITED TRANSFERS (NET)	**4.8**	**2.6**
CURRENT ACCOUNT BALANCE	**-3.4**	**-67.5**
NET CAPITAL FLOWS (NON-MONETARY SECTORS)	**4.9**	**-10.0**
of which:		
Grants, contributions by govts & other cap. transfers	1.5	-0.7
Direct investments	-1.6	-1.3
Portfolio investments	7.2	-3.2
Loans and advances	-1.9	-2.7
OVERALL BALANCE	**1.5**	**-77.5**

Note: Figures may not add up due to rounding

[1] Provisional. Compiled from data based on transactions effected through the local banking system. The coverage is different from that of the Central Office of Statistics which records all transactions on an accrual basis and which would thus cover offsetting arrangements.

was in part attributable to higher payments abroad for professional services.. But net receipts from transportation services were also slightly lower, reflecting lower income from ship-repairing activity, while net receipts from travel were down by 5.3%, partly reflecting lower gross earnings from tourism, and partly as a result of higher spending on foreign travel by residents of Malta.

Meanwhile, the investment income account

MERCHANDISE TRADE

(based on Customs Data)

Lm millions

	January-March	
	1999	2000
Imports	**251.8**	**325.1**
Industrial supplies	**147.7**	**186.0**
Capital goods and others	**34.1**	**50.6**
Consumer goods	**58.0**	**65.2**
Food and beverages	19.3	21.4
Durable goods	25.2	28.0
Others	13.5	15.8
Fuel and lubricants	**12.0**	**23.3**
Exports	**189.1**	**238.9**
Domestic	169.8	216.7
Re-exports	19.3	22.2
Trade balance	**-62.7**	**-86.2**

Compiled on an accruals basis.

SOURCE: Central Office of Statistics

swung from a net inflow of Lm22.5 million in the first quarter of 1999 to a net outflow of Lm11.5 million during the quarter under review. However, this was mainly attributable to transactions carried out by international banking institutions, which have little impact on the Maltese economy. If such transactions were to be excluded, the investment income balance would show net inflows of almost Lm15 million during the first quarter of 2000, against a net inflow of just Lm1.7 million in the corresponding quarter of 1999.

Net inflows by way of unrequited transfers also declined during the first quarter of 2000, down by Lm2.2 million to Lm2.6 million. This reflected lower receipts of official grants and higher remittances of cash gifts abroad.

Capital and financial account transactions

During the first quarter of the year 2000, the capital and financial account recorded net outflows of Lm10 million as against net inflows of Lm4.9 million in the corresponding quarter last year. This turnaround was in part attributable to a drop of around Lm2 million in receipts by way of capital grants, which represent official aid to Malta provided under financial protocols with Italy and the EU. Another factor, however, was the increase in outflows of portfolio investment by Maltese residents, which almost quadrupled from the level reported in the corresponding quarter of 1999. To a large extent this was attributable to a substantial easing of capital controls from the beginning of the year. At the same time, inflows of portfolio investment were also down, falling by almost Lm3 million.

Thus, the banking data show that the overall net outflow on the balance of payments amounted to Lm77.5 million during the first quarter of the year 2000. This was reflected in a drop of almost Lm61.2 million in net foreign assets of the banking system. The difference between the change in the banking system's net foreign assets and the overall balance from transactions between residents and non-residents, amounting to around Lm16 million, was due to various accounting adjustments, particularly in respect of transactions carried out by international banking institutions operating in Malta.

The Maltese Lira

During the quarter under review, the developments in international foreign exchange markets outlined in the second chapter of this Review caused the Maltese lira to appreciate further against the euro and to lose ground against the other major currencies, particularly the Japanese yen. Thus, the trends in the exchange rate of the lira that had been observed in the final quarter of 1999 continued, and at virtually the same pace, during the first three months of this year.

Against the euro, the Maltese lira continued to appreciate virtually throughout the whole of the

Table 4.3

EXCHANGE RATES OF THE MALTESE LIRA AGAINST SELECTED MAJOR CURRENCIES

Period	EURO[1]	US$	STG	YEN
Average for 1st Qtr. 2000	2.4276	2.3978	1.4922	256.8
Average for 1st Qtr. 1999	2.2976	2.5804	1.5797	300.5
% Change	5.7	-7.1	-5.5	-14.6
Closing rate on 30.03.00	2.4621	2.3465	1.4781	246.4
Closing rate on 30.12.99	2.4114	2.4230	1.4983	247.6
% change	2.1	-3.2	-1.3	-0.5
High for 1st Qtr.	2.4634	2.4761	1.5084	269.2
	(Mar. 30)	(Jan. 06)	(Mar. 20)	(Feb. 23)
% change from average	1.5	3.3	1.1	4.9
Low for 1st Qtr.	2.3844	2.3456	1.4712	246.4
	(Jan. 05)	(Mar. 08)	(Jan. 24)	(Mar. 30)
% change from average	-1.8	-2.2	-1.4	-4.0

[1] EURO replaced the ECU as from January 1, 1999.

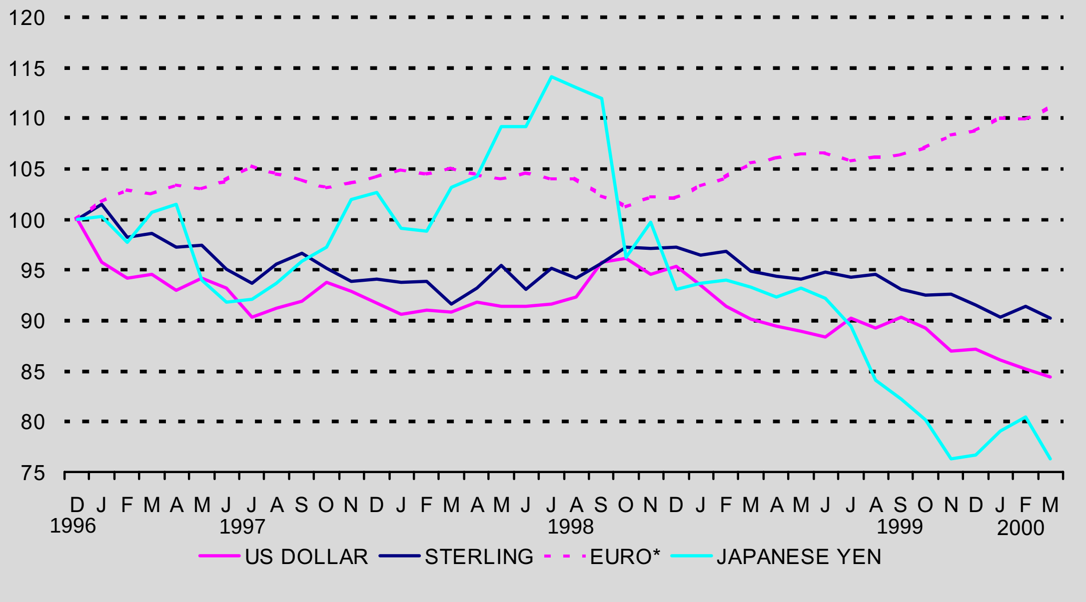
quarter, as can be seen from Chart 4.1. Indeed, the lira's lowest level in terms of the single European currency - EUR2.3844 - occurred almost at the start of the quarter, on January 5, while its peak, of EUR2.4634, was reached at the very end of the quarter. Thus, between the end of December 1999 and the end of March the lira had appreciated by just over 2% against the euro – about the same rate of appreciation as that recorded in the previous quarter. Compared to its average value during the first quarter of 1999, however, the average value of the lira during the quarter under review was up by 5.7%, as Table 4.3 shows.

Meanwhile, the Maltese lira continued to lose ground against the US dollar practically throughout the quarter, reflecting the strength of the US currency on international markets. As a result, between the end of December 1999 and the end of March, the Maltese lira had depreciated by 3.2% against the dollar. The year-on-year average rate of depreciation of the Maltese lira during the quarter stood at 7.1%, as Table 4.3 shows, which is about the same rate of depreciation as was recorded in the previous quarter.

The declining trend of the Maltese lira against sterling, observed since late 1998, seems to have been halted during the quarter under review. As Chart 4.1 shows, the Maltese currency lost further ground against the British unit during January, before moving on an erratic path, posting some gains in February and ending March around the end-January level. Nevertheless, at the end of March, the value of the Maltese lira in terms of sterling was still 1.3% below its value at the end of 1999. Moreover, the average value of the lira during the first quarter of this year was 5.5% lower than in the comparable quarter of 1999.

Following the sharp depreciation observed during the second half of 1999, the Maltese lira showed some signs of recovery against the Japanese yen during the first two months of this year . Indeed, the highest level of the Maltese lira in terms of the

Chart 4.1 EXCHANGE-RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES
(INDEX OF END-OF-MONTH RATES, END-1996 = 100)

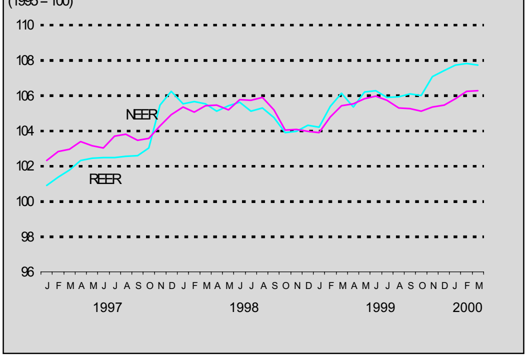


yen was reached towards the end of February, when the lira rose to Yen269.24. During March, however, the lira lost all these gains, returning to its end-December level versus the yen. In fact, the lowest level of the yen/Lm rate was recorded on the last trading day of the quarter. However, because of the appreciation registered in January and February, the year-on-year percentage fall of the lira against the yen declined to 14.6%, from almost 19% in the previous quarter.

Chart 4.2 depicts recent trends in Malta's external competitiveness in terms of the Nominal Effective Exchange Rate (NEER)[3] and the Real Effective Exchange Rate (REER)[4] indices for the Maltese lira, as computed by the Central Bank of Malta.

As regards the NEER the upward trend that had started during the final quarter of 1999 appears to

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



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

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

have continued during the first three months of this year Thus, during the latter period , the NEER index for the Maltese lira rose by 0.8%. The sustained weakness of the euro was the main factor behind this rise in Malta's NEER index during the quarter. This, implied that as far as nominal exchange rate movements are concerned, Malta's competitive position was undermined further during the quarter. On a year-on-year basis, the upward movement of the NEER accelerated slightly, reaching 1.3% in the first three months of 2000, from 1.2% in the previous quarter.

The sharp upward trend in the REER index noted during the final quarter of 1999 eased somewhat thereafter. As the Chart shows, between December and January , the REER surged further, rising by 0.3%. Subsequently, however, the rise in the REER was slower than in previous months and actually fell by 0.1% between February and March 2000, as the rise in oil prices in international markets was being reflected in higher rates of inflation in Malta's European trading partners. Thus, unfavourable exchange rate movements were in part mitigated by the rise in inflation abroad. Nevertheless, the average level of the REER index during the first quarter of 2000 was still 2.4% higher than that of the comparable quarter of 1999, implying that Malta's price competitiveness deteriorated over the previous year. However, the 2.4% rise in the REER represents a slight deceleration from the level of 2.6% recorded in the previous quarter.

5. GOVERNMENT FINANCE

Outcome for 1999

Final figures for 1999 put the fiscal deficit for the year at Lm123.6 million, Lm0.9 million less than originally estimated. Expenditure on personal emoluments was Lm2 million lower than anticipated. On the other hand, a Lm2.3 million overshoot in capital expenditure was recorded.

Developments during the first quarter of 2000

Meanwhile, fiscal operations during the first quarter of 2000 resulted in a deficit of Lm50.9 million - up by Lm19.1 million from the shortfall recorded in the same quarter of 1999. This apparent deterioration in the fiscal position, however, resulted from a number of one-off factors and masked an underlying improvement.

In fact, as a result of the measures that came into effect at the beginning of the year, Government collected significantly higher tax revenues than in the same quarter of 1999. Ordinary revenue, however, grew at a slower pace, owing to a timing difference in the payment of the Central Bank's profits to the Government. At the same time, the bringing forward of certain social security benefit

Table 5.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	1999 Qtr 1	2000 Qtr 1	Change Amount	Change %
TOTAL ORDINARY REVENUE	**104.6**	**116.4**	11.8	11.3
Direct tax	**34.6**	**44.4**	9.7	28.1
Income tax	18.9	24.2	5.3	28.2
Social security contributions[1]	15.7	20.1	4.4	28.0
Indirect tax	**44.2**	**53.7**	9.5	21.4
Consumption tax	19.4	25.0	5.6	28.7
Customs and excise duties	9.3	12.4	3.1	33.5
Licences, taxes and fines	15.5	16.3	0.8	5.1
Non-tax revenue	**25.8**	**18.3**	-7.4	-28.8
Central Bank profits	20.0	10.0	-10.0	-50.0
Other[2]	5.8	8.3	2.6	44.5
TOTAL EXPENDITURE	**136.4**	**167.3**	30.9	22.7
Recurrent expenditure[1]	**120.4**	**150.9**	30.5	25.3
Social security benefits[3]	45.4	61.4	16.1	35.4
Interest payments	12.8	15.0	2.2	17.0
Other	62.2	74.5	12.3	19.7
Capital expenditure	**16.0**	**16.4**	0.4	2.6
FISCAL BALANCE	**-31.8**	**-50.9**	-19.1	-

[1] Excludes Government contributions to the social security account.
[2] Excludes sale of shares.
[3] Includes social security benefits, family and social welfare, care of the elderly and treasury pensions.
SOURCE: The Treasury

payments, together with one-off outlays on pensions arrears and the compensation for the removal of the bread subsidy, boosted recurrent expenditure.

As the buoyant tax revenue performance suggests, the deterioration in the fiscal position will probably be reversed later in the year as the above-mentioned factors are evened out, though further efficiency gains in public sector operations may be required if expenditure growth is to be kept within the set targets.

Ordinary Revenue

As can be seen from Table 5.1, ordinary revenue was up by 11.3% from last year's level during the first quarter. Revenue from most tax sources, however, recorded significantly higher growth rates, with direct and indirect taxes each generating nearly Lm10 million more than in 1999. Income tax yielded Lm24.2 million, an increase of Lm5.3 million (or 28.2%), reflecting the revision in the taxable income bands and the collection of arrears, while social security contributions amounted to Lm20.1 million, Lm4.4 million (or 28%) more than in 1999, reflecting the higher contribution rates.

VAT netted Lm25 million, a year-on-year rise of Lm5.6 million, with the extension of the tax base to petrol generating one-fifth of the increase. Revenue from customs and excise duties, at Lm12.4 million, was up by Lm3.1 million from the 1999 level, with most of this amount reflecting a higher volume of petroleum imports. Revenue from other indirect taxes, however, was only marginally up this year.

Meanwhile, revenue from non-tax sources was down by Lm7.4 million, as the proportion of the Central Bank's profits transferred to the Government during the quarter was Lm10 million less than in the first quarter of 1999. This was mainly a matter of timing, however, as the total amount to be transferred will only be Lm3.2 million less than in 1999. At the same time, a Lm2.6 million increase in revenues from other non-tax sources partly compensated for the lower revenue derived from the Central Bank during the quarter.

Expenditure

As can be seen from the Table, Government expenditures during the quarter rose faster than revenues. In fact, recurrent expenditure, at Lm150.9 million, was up by Lm30.5 million from

Table 5.2
GOVERNMENT FINANCING OPERATIONS

Lm millions

	1999				2000
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr.4	Qtr. 1
FISCAL BALANCE	-31.8	-33.4	-18.8	-39.6	**-50.9**
Financed by: [1]					
Local loans	0.0	0.0	78.8	0.0	**0.0**
Sale of assets	0.0	26.6	10.9	35.8	**0.0**
Foreign loans	0.0	-1.0	-1.5	0.4	**0.0**
Grants	0.0	6.4	1.5	1.8	**0.0**
Increase in stock of treasury bills outstanding	27.4	20.5	-29.3	-18.9	**30.9**
Decrease in Government deposits	3.9	-35.5	-37.5	18.1	**9.2**

[1] Negative figures indicate an application of funds.

SOURCE: The Treasury

last year's level, while capital expenditure was also slightly higher.

Around half the increase in recurrent expenditure reflected higher outlays on social security benefits. However, the Lm16.1 million rise in such outlays was largely the result of the early recording of certain expenditure items within this category. Similarly, a Lm2.4 million increase in transfers to local councils was mainly a matter of timing, as was a Lm3.9 million one-off compensation payment for the removal of bread subsidies. Meanwhile, interest payments, at Lm15 million, were up by Lm2.2 million, in line with the higher stock of Government debt.

Financing

As Table 5.2 shows, Government financed the shortfall for the quarter through issues of Treasury bills and by running down its deposits with the banking system. Consequently, as at March 2000, the stock of Treasury bills outstanding reached Lm114.3 million. But there was no change in the amount of Malta Government Stocks and foreign debt outstanding, which stood at Lm712.2 million and Lm44.4 million, respectively.

6. MONETARY AND FINANCIAL DEVELOPMENTS

Broad money expanded at a slower pace during the first quarter as the extraordinary increase in currency in circulation recorded during the final quarter of 1999 was reversed and the shift away from bank deposits and into other financial instruments gathered pace. A drop in the Central Bank's external reserves contributed to the slowdown in monetary growth. At the same time, although an increase in net claims on Government boosted monetary expansion, most of the domestic credit growth during the quarter was the result of interest charges that had no impact on monetary aggregates, while the issue of subordinated bonds by a major bank in February dampened monetary growth.

As in the previous quarter, the Central Bank did not change official interest rates during the quarter reviewed. Money market interest rates fluctuated within a narrow band, while bond yields generally continued to fall. In the equity market, the introduction of trading ranges probably slowed down the rise in share prices noted in the December quarter.

The Monetary Base

The **monetary base**, M0, consists of currency in issue and banks' deposits with the Central Bank, excluding term deposits. Following three consecutive quarterly rises, M0 dropped by Lm13.9 million, or 2.6%, during the quarter reviewed. Although the monetary base normally falls during the first quarter, as the increase in currency in circulation around Christmas is reversed, this year's fall was larger than that recorded during the corresponding quarter of 1999. As a result, the annual rate of growth of M0 decelerated from 7.3% in December to 5.1% in March.

The assets and liabilities in the Central Bank's

Table 6.1
THE MONETARY BASE AND ITS SOURCES

Lm millions

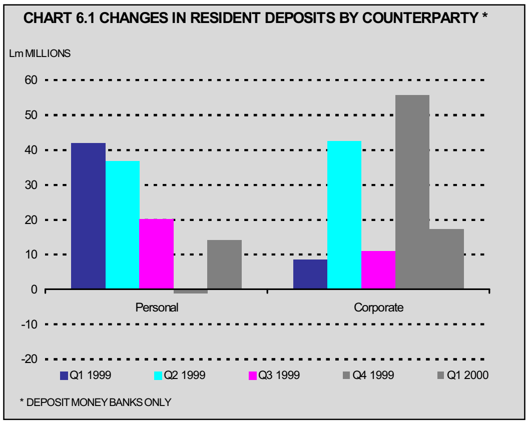
	Dec. 1999	Mar. 2000	Change
Currency in issue	418.5	396.2	-22.3
Banks' deposits with the Central Bank	124.8	133.1	8.3
Monetary base	**543.3**	**529.3**	**-13.9**
Central Bank assets			
Foreign assets	740.3	708.9	-31.4
Claims on Government	6.2	7.9	1.7
Fixed and other assets	72.1	73.1	1.0
Less:			
Non-monetary liabilities			
Private sector deposits	6.0	0.1	-5.9
Government deposits	96.2	88.5	-7.7
Foreign liabilities	0.0	0.0	0.0
Capital and reserves	89.1	89.1	0.0
Other liabilities	84.0	82.9	-1.1

balance sheet can be re-arranged to show changes in the monetary base in terms of movements in the Bank's assets and its other, non-monetary liabilities. Other things being equal, a drop in the Bank's assets leads to a corresponding contraction in the monetary base. Conversely, when the Bank's non-monetary liabilities fall, the monetary base expands. As Table 6.1 shows, the drop in M0 during the quarter reviewed resulted mainly from a fall in the Central Bank's external reserves. The latter was only partly offset by a fall in deposits belonging to the Government and to public sector enterprises. In a fixed exchange rate regime like Malta's, where the Central Bank provides foreign exchange to the market at the given rate against the Maltese lira on demand, a drop in the external reserves leads to a contraction in M0. This absorption of liquidity limits the banking system's ability to expand credit and this, in turn, dampens the pressure on the reserves.

Monetary Aggregates

During the quarter reviewed, **broad money**, M3, registered the smallest quarterly increase in ten years as currency in circulation fell and residents' deposits with the banking system expanded only slightly. This tends to confirm the behavioural shift noted during the final quarter of 1999 whereby savers are increasingly turning to the capital market and to collective investment schemes as alternatives to bank deposits. In fact, during the quarter reviewed, monetary growth was dampened by the issue of subordinated bonds on the primary market and by the continued expansion of collective investment schemes[1].

This view receives additional support when the increase in residents' deposits with the deposit money banks - which account for the bulk of deposits with the banking system - is broken



down by the category of deposit holder. As Chart 6.1 shows, although personal deposits recovered somewhat after the previous quarter's fall, they only put on Lm14 million, compared with Lm41.8 million during the corresponding quarter last year. At the same time, corporate deposits - which include funds belonging to collective investment schemes - continued to expand, increasing by Lm17.3 million. This was a smaller addition than that recorded in the previous quarter, possibly because fund managers drew on their deposits with the banking system to invest in the primary capital market.

Thus, as Table 6.2 shows, M3 increased by a mere Lm3.5 million, or 0.1%, during the quarter reviewed, after having risen by 2.4% during the previous quarter. As a result, the annual rate of growth of broad money, which is shown in Chart 6.2, dropped from 9.9% in December to 7.3% in March. Residents' foreign currency deposits expanded by Lm3.1 million, or 1.5%, during the quarter.

A sharp drop in **narrow money**, the largest quarterly fall on record since 1990, contributed to the slowdown in monetary growth. In fact, during the quarter reviewed, M1 contracted by Lm23.3

[1] According to Malta Stock Exchange Quarterly Reports, the market capitalisation of local collective investment schemes rose from Lm233.2 million at the end of December 1999 to Lm295.3 million at the end of February 2000. Although part of this rise may simply reflect valuation changes, it is likely that subscriptions to these schemes also increased.

Table 6.2
MONETARY AGGREGATES
(Changes on the previous quarter)

Lm millions

	1st Qtr. 1999		2nd Qtr. 1999		3rd Qtr. 1999		4th Qtr. 1999		1st Qtr. 2000	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. NARROW MONEY	**2.2**	**0.4**	**27.4**	**5.2**	**2.5**	**0.5**	**25.3**	**4.6**	**-23.3**	**-4.0**
Currency in circulation	-2.5	-0.7	11.8	3.2	-1.8	-0.5	7.5	2.0	-8.8	-2.3
Demand deposits	4.7	3.0	15.5	9.8	4.3	2.5	17.9	10.0	-14.5	-7.4
2. QUASI-MONEY	**53.9**	**3.2**	**55.4**	**3.2**	**19.7**	**1.1**	**32.7**	**1.8**	**26.8**	**1.4**
Savings deposits	16.3	2.8	19.4	3.2	-1.5	-0.2	18.1	2.9	2.9	0.5
of which FCDs[1]	7.2	6.7	0.4	0.4	7.3	6.4	0.4	0.3	-1.3	-1.0
Time deposits	37.6	3.4	36.0	3.1	21.2	1.8	14.6	1.2	23.9	2.0
of which FCDs[1]	-1.1	-1.5	-2.0	-2.7	3.6	4.9	-2.9	-3.8	2.8	3.8
3. BROAD MONEY	**56.1**	**2.5**	**82.8**	**3.6**	**22.3**	**0.9**	**58.0**	**2.4**	**3.5**	**0.1**

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

million, or 4%, with the annual rate of growth dropping by over four percentage points to 6.1% as a result.

Currency in circulation, which had expanded significantly during the December quarter, contracted by Lm8.8 million during the quarter reviewed, with almost all the fall taking place in January. Although a reduction in currency in circulation is normal during the first quarter, this year the seasonal pattern may have been reinforced by the fact that concerns about the millennium changeover, that had fuelled the demand for cash in December, proved misplaced. At the same time, demand deposits also fell considerably, by Lm14.5 million, or 7.4%, nearly reversing the increase recorded during the previous quarter. Although current accounts belonging to households continued to grow, corporate demand deposits and those belonging to public sector enterprises fell sharply. In the latter case, this mainly reflected payments made for fuel imports.

Quasi-money, which consists of savings and time deposits, expanded at a slower pace during the quarter reviewed, rising by Lm26.8 million, or 1.4%, as Table 6.2 shows. The increase was smaller than that recorded during the previous quarter, and considerably less than the one registered a year ago. As a result, the annual rate of growth of quasi-money continued to decline, falling from 9.5% in December to 7.7% three months later.

Savings deposits, which had been boosted by the crediting of annual interest payments during the previous quarter, rose by just 0.5% during the quarter reviewed. Bearer savings deposits

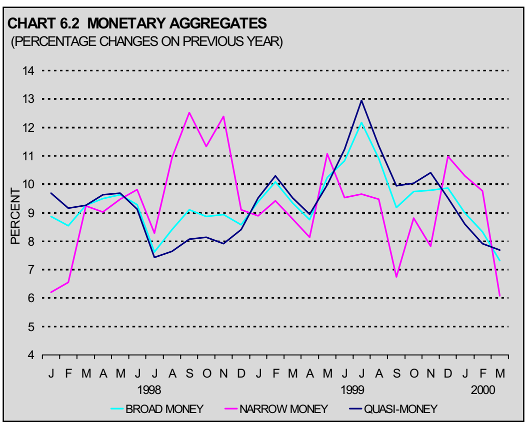


Table 6.3

DETERMINANTS OF MONETARY GROWTH

(Changes on the previous quarter)

Lm millions

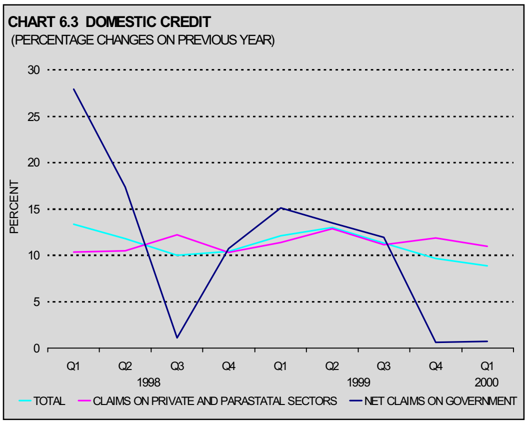
	1999								2000	
	1st Qtr.		2nd Qtr.		3rd Qtr.		4th Qtr.		1st Qtr.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY	**56.1**	**2.5**	**82.8**	**3.6**	**22.3**	**0.9**	**58.0**	**2.4**	**3.5**	**0.1**
1. DOMESTIC CREDIT	**94.2**	**5.2**	**30.8**	**1.6**	**31.9**	**1.6**	**18.3**	**0.9**	**88.8**	**4.5**
a) Net claims on Govt.	25.5	7.2	1.9	0.5	-21.4	-5.6	-4.0	-1.1	26.0	7.3
Gross claims on Govt.	21.6	5.2	37.4	8.6	16.2	3.4	-22.0	-4.5	19.5	4.2
Central Bank	-16.2	-66.8	-1.1	-13.1	9.1	129.5	-10.0	-61.8	1.7	27.7
Banks	37.8	9.7	38.5	9.0	7.1	1.5	-12.1	-2.5	17.8	3.8
less										
Government deposits[1]	-3.9	-6.6	35.5	63.3	37.5	41.0	-18.1	-14.0	-6.6	-5.9
Central Bank	-2.9	-6.0	35.6	78.6	35.2	43.5	-19.9	-17.2	-7.7	-8.1
Banks	-1.1	-8.9	-0.1	-0.9	2.3	21.7	1.9	14.4	1.1	7.4
b) Claims on private and parastatal sectors	68.7	4.7	28.9	1.9	53.2	3.4	22.3	1.4	62.8	3.8
2. NET FOREIGN ASSETS	**-10.7**	**-1.2**	**57.9**	**6.8**	**42.4**	**4.7**	**-5.5**	**-0.6**	**-61.2**	**-6.4**
Monetary authorities	-2.8	-0.4	48.6	7.6	9.8	1.4	44.8	6.4	-31.4	-4.2
Banks	-7.9	-3.5	9.4	4.3	32.7	14.5	-50.3	-19.5	-29.8	-14.3
less										
3. OTHER ITEMS (NET)	**27.3**	**6.0**	**6.0**	**1.2**	**52.0**	**10.6**	**-45.2**	**-8.3**	**24.1**	**4.9**

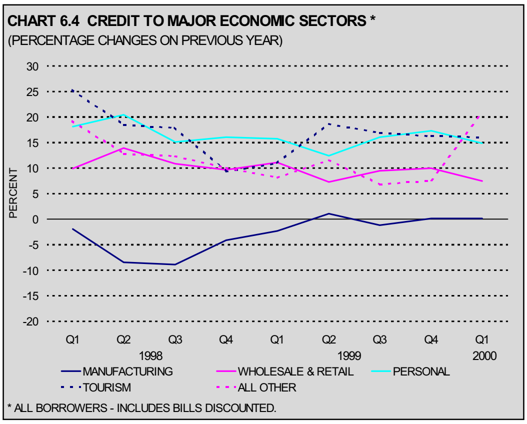
continued to fall, as these instruments are being phased out as part of efforts to combat money laundering. Whereas deposits belonging to private firms continued to grow, personal deposits hardly changed. In contrast, time deposits grew at a faster pace, rising by Lm23.9 million, or 2%, as both deposits belonging to households and to private firms increased. Deposits with terms to maturity below one year, which rose by Lm21.1 million, accounted for almost all the quarter's rise.

Determinants of Monetary Growth

Although domestic credit growth contributed to monetary expansion during the quarter reviewed, most of the increase was made up of interest charges that did not affect broad money. At the same time, the net foreign assets of the banking system contracted for the second quarter in a row, dampening monetary growth further. An increase in the net non-monetary liabilities of the banking system also contributed to the slowdown in monetary expansion.

Following a modest rise during the previous quarter, **domestic credit** expanded by Lm88.8 million, or 4.5%, during the first quarter. Much of the increase, however, may be ascribed to the major banks' practice of charging six months' interest to borrowers' loan accounts in March and





not to any resurgence in credit demand. Indeed, the annual rate of credit growth, which is less subject to the influence of such seasonal fluctuations, continued to decelerate, dropping by over half a percentage point to 8.9% in March.

In contrast with the previous two quarters when they had fallen, **net claims on Government** resumed growth during the quarter reviewed, rising by Lm26 million, or 7.3%, largely through the sale of Treasury bills to the deposit money banks. In addition, despite the transfer of part of the Central Bank's profits to the Government in March, Government deposits with the banking system fell during the quarter. Nevertheless, the annual rate of growth of net claims on Government rose only slightly, as Chart 6.3 shows.

Claims on the private and parastatal sectors accounted for most of the domestic credit growth during the quarter, expanding by Lm62.8 million, or 3.8%. Almost all the rise took place in March, as a result of the interest charges referred to earlier. Despite this increase, the annual rate of growth of these claims, which had picked up during the December quarter, decelerated during the quarter under review, shedding almost a full percentage point to 10.9%, as Chart 6.3 shows. This suggests that underlying credit demand remained generally weak.

Loans and advances, including discounted bills,

Table 6.4
CREDIT TO SELECTED CATEGORIES OF BORROWER[1]

Lm millions

	1999 4th Qtr.	2000 1st Qtr. Amount	Change	%
Personal	342.6	350.0	7.5	2.2
Manufacturing	205.0	211.9	6.9	3.4
Wholesale and retail	275.7	287.1	11.4	4.1
Tourism	222.0	237.3	15.3	6.9
All Other	138.3	158.3	20.0	14.5

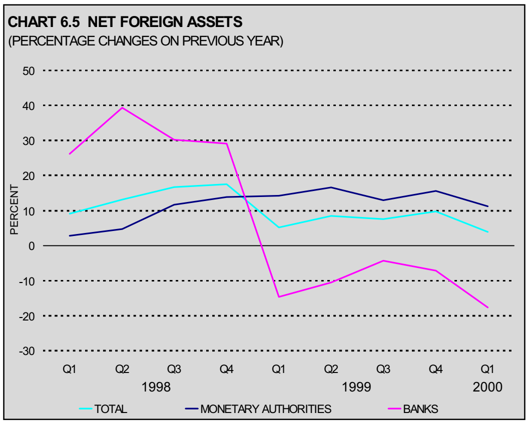
[1] Including bills discounted. Comprises credit to private and public sector borrowers.

expanded by Lm61.7 million, or 3.9%, and accounted for almost the whole rise in claims on the private and parastatal sectors. The private sector accounted for the entire amount since lending to public sector enterprises contracted by Lm4 million, or 1.7%, despite interest charges. This was because credit to state-owned borrowers in the energy and water sector and in transport, storage and communications decreased by Lm7.1 million and Lm1.9 million, respectively, as their liquidity position improved.

Given interest charges, the volume of loans and advances to almost all categories of borrower was higher, as Table 6.4 shows. But lending to the "all other" category accounted for almost a third of the increase, rising by Lm20 million, or 14.5%[2]. Credit to the "other services" sector, which is not shown in the Table, also expanded rapidly, rising by Lm8.6 million, or 10.5%, during the quarter reviewed. Lending to the tourist industry and to the wholesale and retail trades also expanded at above-average rates, by 6.9% and 4.1%, respectively. In contrast, personal lending and credit to manufacturing industry rose much less rapidly.

The sharp increases in credit to the "all other" and "other services" categories were reflected in their annual growth rates, which accelerated to 20.7% and 35.9%, respectively, in March. As Chart 6.4 shows, however, the annual growth rates of all the other principal categories of borrower slowed down. Thus, the annual rates of growth of credit to the personal sector and to the wholesale and retail trades each shed more than two percentage points, dropping to 14.8% and 7.5%, respectively. At the same time, the annual rate of growth of credit to the tourism industry fell slightly, to 16%, while manufacturing credit growth remained stable.

The **net foreign assets** of the banking system fell steadily during the quarter reviewed, reflecting net outflows on the balance of payments. As can be seen in Table 6.3, the banking system's net foreign assets contracted for the second quarter in a row, falling by Lm61.2 million, or 6.4%. As a result, the annual growth rate of net foreign assets dropped by more than five-and-a-half percentage points to 3.9%.

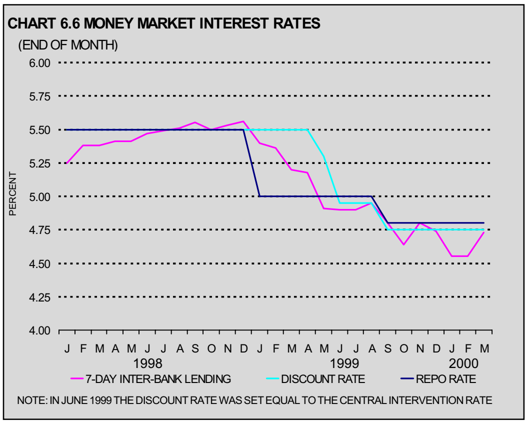


Following three consecutive quarterly increases, the net foreign assets of the monetary authorities contracted during the quarter reviewed and accounted for around half of the overall fall. In fact, as Table 6.3 shows, the net foreign assets of the monetary authorities, which consist of the Central Bank's external reserves, dropped by Lm31.4 million, or 4.2%, during the quarter. This resulted from net sales of foreign exchange to banks and from payments made on behalf of the Bank's customers. Although the net foreign assets of the monetary authorities normally fall during the first quarter of the year, this was a larger drop than that recorded in the same quarter of last year. It coincided with the substantial easing of capital controls in January. Consequently, as Chart 6.5 shows, their annual rate of growth decelerated, falling from 15.7% at the end of 1999 to 11.3% three months later.

[2] More than half this increase was, in turn, attributed to the "all other" sub-sector, suggesting a marked degree of misclassification.

Meanwhile, the net foreign assets of the domestic banks rose by Lm0.4 million during the quarter reviewed, boosted by purchases of foreign exchange from the Central Bank[3]. The net foreign assets of the international banks continued to fall, however, dropping by Lm30.2 million, or 18.7% during the quarter, as a result of a reduction in shareholders' funds, an increase in domestic assets and changes in provisions. But movements in the net foreign assets of the international banks have little impact on monetary aggregates, their main counterpart being changes in other items (net). As a result of these movements, the net foreign assets of the banking system (excluding the Central Bank) declined by Lm29.8 million, or 14.3%, as Table 6.3 shows. Although this was less than half the drop recorded during the December quarter, their (negative) annual rate of growth continued to fall, dropping to –17.6% in March.

Other items (net) consist of the non-monetary liabilities of the banking system, such as capital and reserves, debentures issued, provisions and accrued interest payable, less other assets, such as premises and equipment and accrued interest receivable. During the quarter reviewed these net liabilities increased by Lm24.1 million, or 4.9%, dampening monetary expansion, as the banking system's non-monetary liabilities grew more rapidly than its other assets. This mainly reflected the issue of subordinated bonds by Bank of Valletta in February, which boosted the banks' other liabilities. The drop in accrued interest receivable by domestic banks that was reflected in an increase in domestic credit in March was outweighed by an increase in the international banks' other assets.

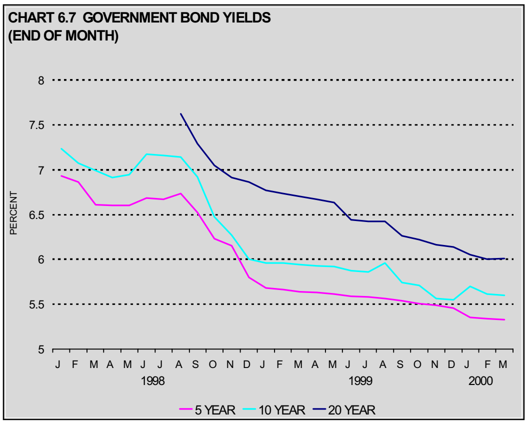


The Money Market

The Central Bank left its central intervention rate and its discount rate unchanged at 4.75% during the quarter reviewed. The Bank continued to use **open market operations** to influence liquidity in the banking system and, hence, ensure that short-term money market interest rates reflected the monetary policy stance. During the quarter, the Bank absorbed liquidity temporarily from the banking system through weekly auctions of deposits with a term to maturity of fourteen days. Term deposits accepted reached Lm163.4 million, lower than the amount placed on deposit during the previous quarter. As the quarter progressed, however, the amount absorbed decreased, indicating lower levels of liquidity in the banking system. In contrast with the previous quarter, when the Bank had injected Lm10 million into the system through repos, no repo auctions were held during the March quarter. The interest rate paid on fourteen-day deposits rose slightly, from 4.7% at the end of December 1999 to 4.72% three months later.

Following a period during which few primary market **Treasury bill** auctions were held, the Treasury resumed regular auctions during the quarter reviewed. Some Lm72.9 million worth of bills were sold on the primary market, in contrast with just Lm50.3 million during the previous quarter. The bills issued were either in the three or the six month maturity bands, with the former

[3] For the purposes of this analysis, the net foreign assets of Bank of Valletta International and HSBC Overseas Bank (Malta) are included with those of the domestic banks rather than with those of the international banks.



accounting for around two thirds of the total. Banks subscribed to most of the bills issued. The yield on three-month Treasury bills dropped by 10 basis points between October, when they had last been issued, and March, ending the quarter at 4.85%.

Although activity in the secondary market for Treasury bills picked up, it failed to return to the levels recorded during the first three quarters of 1999. This might have been because Malta Government Sinking Funds were no longer as active in either the primary or the secondary market. During the quarter reviewed, bills worth Lm15.5 million were traded on the secondary market, an 11.5% increase over the previous quarter. The Central Bank bought and sold Lm3.5 million and Lm3.1 million worth of bills, respectively, up from Lm1.2 million and Lm0.6 million during the previous quarter. At the same time, however, trading that did not involve the Central Bank dropped from Lm12.1 million to Lm8.9 million.

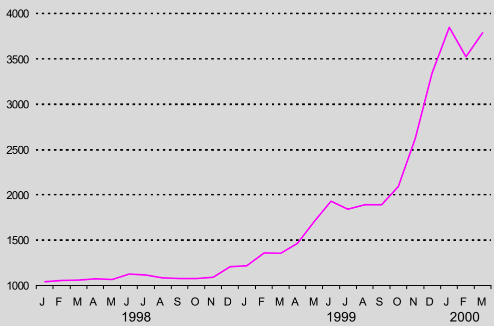
With the banks participating heavily in the primary market for Treasury bills and in term deposit auctions, activity in the **inter-bank market** halved during the quarter reviewed. The value of inter-bank loans, which had risen to Lm347.8 million during the previous quarter, dropped to Lm141.8 million. The lower turnover may also reflect an increase in the average length of inter-bank loans, which, as a result, were rolled over less often. In fact, whereas in the previous quarter most loans were contracted with a term to maturity of seven days or less, loans with a term to maturity of over seven days accounted for most inter-bank lending during the quarter reviewed. The seven-day inter-bank lending rate fell from 4.74% at the end of December to 4.55% in mid-February, as Chart 6.6 shows, before recovering to 4.73% at the end of March.

The Capital Market

During the March quarter, two banks issued securities on the **primary market** to take advantage of buoyant investor demand and raise long-term funds. In February, Bank of Valletta plc issued Lm20 million worth of ten-year subordinated bonds, offering a coupon rate of 6.15%. In March, Lombard Bank Malta plc issued slightly more than Lm3 million worth of shares in a rights issue.

Activity in the secondary market for **Government stocks** remained buoyant, with the value of bonds traded rising to Lm21.6 million from Lm17.9 million in the December quarter. In contrast with the latter period, when the Central Bank made net sales of stocks worth Lm5.9 million, during the quarter reviewed the Bank made net purchases of Lm1.6 million. At the same time, deals not involving the Central Bank rose from Lm11.2 million to Lm18.9 million. Trading in two stocks, the 7.8% MGS 2018 and the 5.9% MGS 2009 II accounted for just over half the quarter's market turnover. Secondary market yields on Government stocks generally continued to decline, as Chart 6.7 shows. Yields on five-year stocks dropped by 13 basis points to 5.33%, while twenty-year bond yields fell to 6.01%. In contrast, ten-year bond yields rose slightly, to 5.6%.

CHART 6.8 MALTA STOCK EXCHANGE SHARE INDEX
(END OF MONTH)



SOURCE: MALTA STOCK EXCHANGE

Turnover in the **corporate bond** market[4], which had expanded considerably during the previous quarter on the strength of trading in Corinthia Finance bonds, almost halved during the quarter reviewed, to Lm0.7 million. Trading in HSBC bonds accounted for more than one-third of this activity. All corporate bond yields, except those on Corinthia Finance bonds, fell.

Meanwhile, the value of **equities** traded on the Malta Stock Exchange continued to rise, reaching Lm42.5 million, compared with Lm30.2 million during the previous quarter. Trading in Maltacom shares accounted for more than one third of the total turnover. Equity prices also continued to rise during the quarter, although the imposition of a permitted trade range of ±5% towards the end of December dampened the trend increase in prices, as Chart 6.8 indicates. In fact, the Malta Stock Exchange share index, which had risen by 73.2% during the previous quarter, rose by a more moderate 15.5% to reach 3,786.77 at the end of March.

[4] Corporate bonds are defined to include preference shares.

7. THE BANKING SYSTEM

Higher borrowings from foreign banks and an issue of subordinated bonds by one bank contributed to further growth in the deposit money banks' aggregate balance sheet in the first quarter of 2000. At the same time, the performance of these banks improved, with lower provision charges, higher profits, and higher capital adequacy and liquidity ratios being reported. Some growth was also recorded by the other banking institutions during the quarter. On the other hand, the international banking sector contracted, as some institutions continued to cut down their asset portfolios.

Deposit Money Banks' Balance Sheet

The increase in the deposit money banks' funds during the first quarter was channeled into a larger foreign asset portfolio and further advances. As a result, the aggregate balance sheet of deposit money banks expanded by 2.6%.

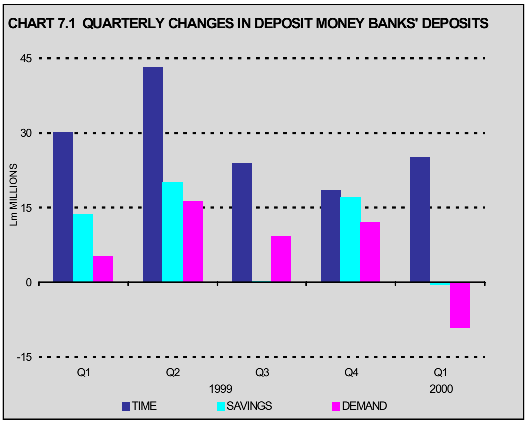
Liabilities

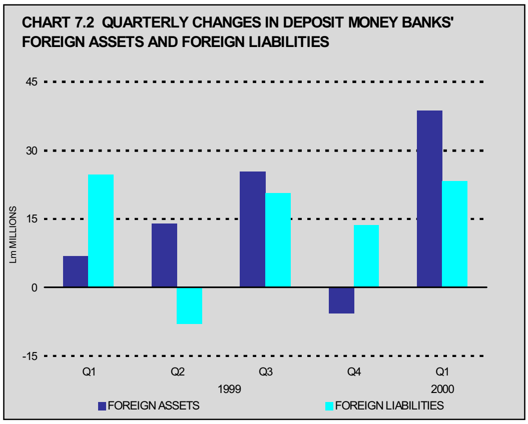
Growth in **residents' deposits** slowed down during the quarter, rising by Lm15.2 million, down from the Lm48.8 million increase in the same quarter last year and below the quarterly average growth recorded during 1999. As Chart 7.1 shows, a fall in demand and savings deposits offset a larger increase in time deposits. In fact, demand deposits dropped by Lm9.3 million where as savings deposits were down by Lm0.7 million. On the other hand, time deposits added Lm25 million, though two-thirds of this increase consisted in deposits with a maturity of less than three months. Personal time deposits put on Lm12 million,

Table 7.1
DEPOSIT MONEY BANKS' BALANCE SHEET

Lm millions

	1998	1999				2000
	Dec	Mar	Jun	Sep	Dec	Mar
ASSETS						
Cash and deposits with CBM	140.2	137.7	135.6	164.1	169.9	**162.3**
Foreign assets	575.1	581.8	595.6	620.9	615.1	**653.7**
Loans and advances	1,324.6	1,380.8	1,390.0	1,437.6	1,464.4	**1,537.7**
Local investments	477.9	519.4	581.9	590.0	574.2	**592.6**
Fixed and other assets	128.9	116.1	141.1	120.8	168.5	**124.0**
LIABILITIES						
Capital and reserves	115.3	116.0	116.0	116.0	126.8	**137.8**
Foreign liabilities	305.5	330.2	322.1	342.8	356.4	**379.6**
Other domestic liabilities	395.9	410.7	447.7	483.0	469.9	**498.8**
Deposits	1,829.9	1,878.7	1,958.3	1,991.6	2,039.0	**2,054.2**
Time	1,102.0	1,132.2	1,175.4	1,199.4	1,217.9	**1,242.9**
Savings	581.9	595.4	615.5	615.6	632.7	**632.0**
Demand	146.0	151.1	167.4	176.6	188.5	**179.2**
AGGREGATE BALANCE SHEET	2,646.6	2,735.7	2,844.2	2,933.3	2,992.1	**3,070.3**





thereby offsetting the drop recorded in the final quarter of 1999.

The issue of subordinated bonds by one institution and lower interest rates on savings deposits appear to have had a negative impact on demand and savings deposits. Savers may also have shifted to other investment vehicles, both domestic and foreign, in search of potentially higher returns. Moreover, the surge in time deposits with a very short maturity may indicate that some savers re-allocated their deposit portfolio in search of higher interest rates, whilst maintaining a certain degree of liquidity in view of imminent bond and share issues.

Meanwhile, as can be seen from Table 7.1, the deposit money banks' **foreign liabilities** rose from Lm356.4 million to Lm379.6 million, or 12.4% of their total liabilities, with borrowings from foreign banks making up around four-fifths of the increase. **Other domestic liabilities** put on Lm29 million, mainly as a result of the issue of bonds, referred to earlier. At the same time, the banks' **capital and reserves** rose from Lm126.8 million to Lm137.8 million, as some banks retained some of their earnings at the end of their financial year.

Assets

Loans and advances,[1] which make up one-half of total assets on the deposit money banks' balance sheet, expanded by Lm73.3 million. Advances to the private sector rose by Lm77 million whereas advances to the public sector dropped by Lm3.7 million. However, around three-quarters of the total increase represented the debiting of six-month interest charges on outstanding loans, while Lm17.3 million were inter-bank advances.

During the quarter, the deposit money banks added Lm38.6 million to their **foreign asset portfolio**. As Chart 7.2 shows, this was one-and-a-half times the increase in their foreign liabilities. Their holdings of foreign non-governmental securities increased by Lm32.9 million, whereas money at call abroad was up by Lm6.7 million. At the same time, the deposit money banks increased their **local investments** by Lm18.4 million, thereby offsetting completely the drop recorded in the previous quarter. A Lm24 million addition to their Treasury bills holdings more than compensated for a Lm6.3 million reduction the banks' Malta Government Stocks portfolio.

As at end-March 2000, the deposit money banks' **fixed and other assets** stood at Lm124 million, Lm44.5 million less than at the end of the previous

[1] A detailed analysis of bank loans and advances is contained in Chapter 6 in this Review.

Table 7.2

DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE STATEMENT

Lm millions

	1999		2000
	Qtr. 1	Qtr. 4	Qtr.1
Interest income	41.7	43.3	44.3
Interest expenses	28.4	30.6	30.7
Net interest income	**13.3**	**12.7**	**13.6**
Fees and commissions	2.0	2.5	2.8
Foreign exchange gains	1.9	2.4	2.3
Other non-interest income	0.9	1.9	19.9
Total non-interest income	**4.8**	**6.8**	**25.0**
GROSS INCOME	**18.1**	**19.5**	**38.6**
Wages	6.4	7.8	7.8
Rent, dep'n and similar expenses	1.9	2.2	2.3
Other	2.3	3.3	2.7
Operating expenses	**10.7**	**13.3**	**12.8**
Provisions	**1.6**	**4.5**	**2.8**
PROFITS BEFORE TAX	**5.8**	**1.7**	**23.1**

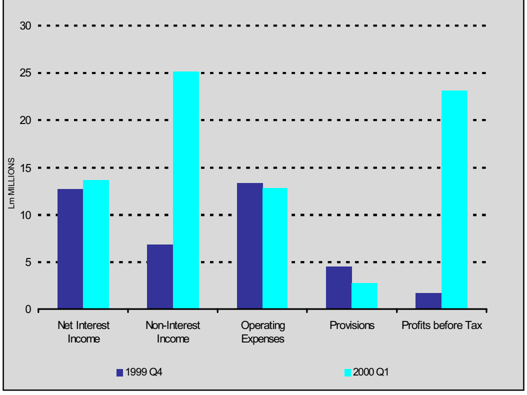
quarter, with inter-bank claims dropping by Lm32.3 million. At the same time, interest receivable was down by Lm20 million. On the other hand, investments in banks and domestic repos were both up by Lm4.3 million.

Deposit Money Banks' Profitability, Capital Adequacy and Liquidity

During the quarter under review, an international subsidiary transferred past profits accumulated over a number of years to its parent bank. This produced an exceptional jump in the aggregate non-interest income of the deposit money banks. Lower provision charges for bad debts also contributed to an improvement in the banks' overall profitability. Thus, their **profits before tax** went up from Lm1.7 million to Lm23.1 million.

As can be seen from Table 7.2, interest income amounted to Lm44.3 million, whereas interest expenses were Lm30.7 million. Since the increase in the former outweighed the rise in the latter, **net interest income** rose marginally, to Lm13.6 million. At the same time, following the one-off transfer mentioned earlier, **non-interest income** rose to

CHART 7.3 DEPOSIT MONEY BANKS' PERFORMANCE



Lm25 million. Consequently, the banks' gross income doubled to Lm38.6 million. On the expenditure front, **operating costs** were practically unchanged, whereas **provision charges** were reduced from Lm4.5 million to Lm2.8 million.

Meanwhile, following the above-mentioned issue of subordinated bonds, the banks' **capital adequacy ratio** - which measures the value of their own funds to a measure of risk weighted assets and off-balance sheet items - rose from 11.52% to 13.39%, comfortably above the statutory requirement of 8%. Similarly, their **liquidity ratio**, which compares the value of the liquid assets in their portfolio to their net short-term liabilities, rose from 45.3% to 49.6%, well above the statutory requirement of 30%.

International Banks

The international banking sector - which consists of locally based international banks that conduct banking business almost exclusively with non-residents - contracted by 7.8% during the first quarter of 2000, as some branches of foreign banks down-sized further their asset portfolios, in response to changes in regulations in their home country.

As can be seen from Table 7.3 and Chart 7.4, the international banks' **foreign liabilities** - which represent 90% of their total liabilities - dropped by

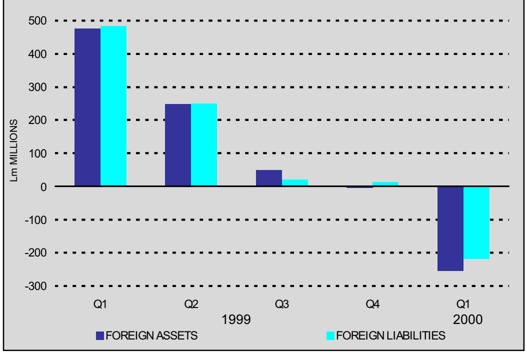
Table 7.3
INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET

Lm millions

	1998	1999				2000
	Dec	Mar	Jun	Sep	Dec [1]	Mar
ASSETS						
Cash and money at call	1.2	1.5	1.6	2.1	1.9	2.1
Foreign assets	**1,652.7**	**2,127.5**	**2,374.9**	**2,423.2**	**2,417.7**	**2,160.7**
Foreign securities	538.4	1,092.2	1,293.6	1,361.7	1,192.5	1,072.0
Loans and advances to non-residents	606.4	639.6	692.9	723.1	815.2	780.2
Other foreign assets	507.9	395.6	388.5	338.4	410.0	308.5
Loans to residents	1.0	1.3	2.0	4.5	6.1	7.0
Local investments	231.3	232.0	246.0	235.5	260.5	275.2
Other domestic assets	5.7	18.2	22.9	35.6	16.9	47.8
LIABILITIES						
Capital and reserves	161.9	172.9	175.0	179.9	188.7	182.4
Foreign liabilities	**1,690.8**	**2,172.8**	**2,421.7**	**2,441.3**	**2,453.9**	**2,234.0**
Balances due to other banks abroad	622.3	1,044.9	1,307.4	1,311.8	1,121.0	881.5
Non-resident deposits	1,023.4	1,023.8	1,038.6	1,014.6	1,079.3	1,027.4
Other foreign liabilities	45.1	104.2	75.7	114.9	253.6	325.1
Resident deposits	21.9	20.2	20.1	18.5	21.3	25.1
Other domestic liabilities	17.4	14.5	30.7	61.3	39.0	51.3
AGGREGATE BALANCE SHEET	**1,892.0**	**2,380.4**	**2,647.5**	**2,701.0**	**2,703.1**	**2,492.8**

[1] There was an upward revision in the aggregate balance sheet for the December quarter following a revision in figures submitted by one international bank.

CHART 7.4 QUARTERLY CHANGES IN INTERNATIONAL BANKING INSTITUTIONS' FOREIGN ASSETS AND FOREIGN LIABILITIES



Lm219.9 million, following the marginal growth recorded in the previous quarter. Thus, borrowings from banks abroad were reduced further, while a drop in non-resident deposits was also recorded. However, an increase in inter-branch balances compensated in part for these reductions. Meanwhile, **resident**[2] **deposits** rose marginally, to Lm25.1 million, while **other domestic liabilities** increased from Lm39 million to Lm51.3 million, mainly reflecting the profits for the quarter. The international banks' **capital and reserves** were, however, marginally down, to Lm182.4 million, as one institution transferred past profits to its parent bank.

In line with the nature of their business, most of the funds raised by the international banks were re-invested abroad. However, their **foreign assets** dropped by Lm257 million, in line with the fall in their liabilities. Thus, the international banks reduced their foreign securities portfolio by Lm120.5 million and their loans and advances to non-residents by Lm35 million. Their claims on other banks abroad rose, however, compensating in part for these declines. **Local investments** were also up, from Lm260.5 million to Lm275.2 million, reflecting higher deposits placed by some international banks with their parent banks in Malta. The international banks' **other domestic assets** rose from Lm16.9 million to Lm47.8 million, as one institution raised a provision for unrealised earnings on derivative contracts, offsetting a reduction made in the previous quarter.

Other Banking Institutions

In contrast with the recent trend, some growth was recorded in the balance sheet of the other banking institutions during the quarter under review. This sector includes two institutions focusing on investment banking services, one specialising in housing finance, and another small financial institution. The sector's total assets increased from Lm158.3 million to Lm160.9 million during the quarter. Loans and advances, which make up just under 90% of the other banking institutions' total assets, were up by Lm4.8 million from the previous quarter's level, though this increase was partly offset by small declines in other assets. The observed balance sheet growth was financed through higher inter-bank deposits, which were up by Lm2.1 million.

[2] These include foreign nationals who are permanent residents in Malta and international companies with a centre of economic interest in Malta.

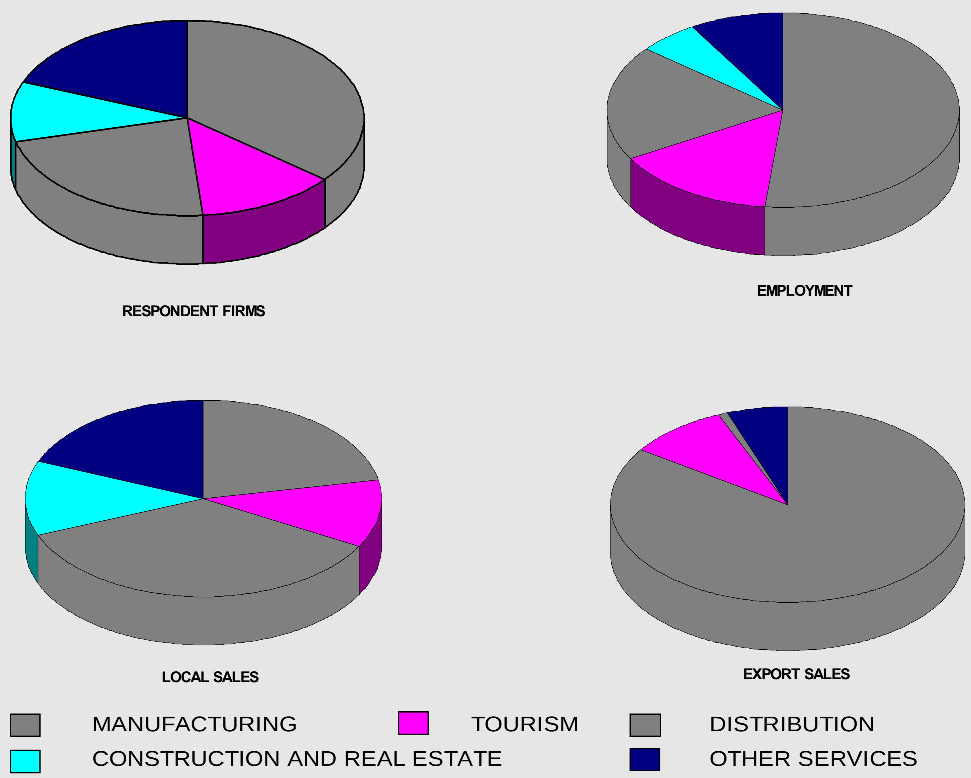
THE CENTRAL BANK'S BUSINESS PERCEPTIONS SURVEY: RESULTS FOR THE SECOND QUARTER OF 2000

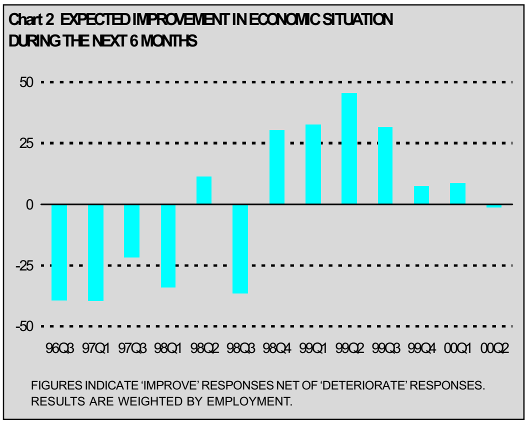
Introduction

The latest business perceptions survey carried out by the Central Bank indicates a moderate improvement in economic activity levels during the first quarter of 2000. This occurred mainly in the export oriented sector, but was also underpinned by an attenuation of the recent negative performance of the domestically-oriented sectors. This improvement is believed to have continued during the second quarter of the year, reflecting in part an incipient recovery in construction activity. While these results are consistent with a modest acceleration in economic growth, they do not indicate any significant expansion in domestic demand. In fact, respondents' outlook regarding the overall economic situation during the next six months remained more or less unchanged.

The survey, which was undertaken during April

Chart 1 CHARACTERISTICS OF THE SAMPLE



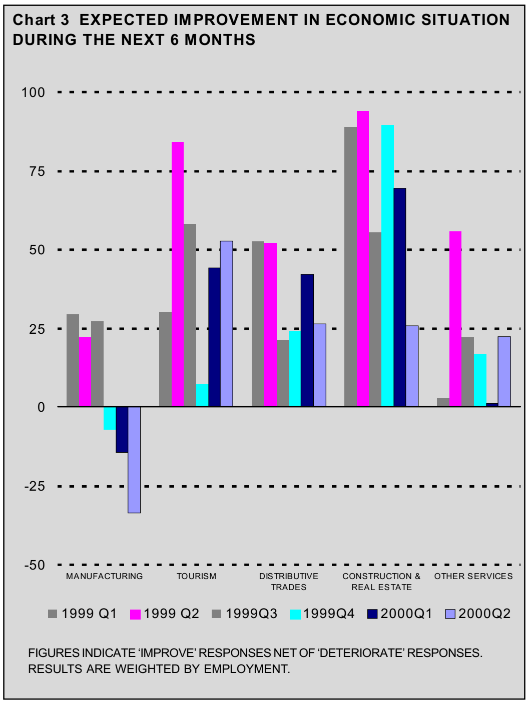


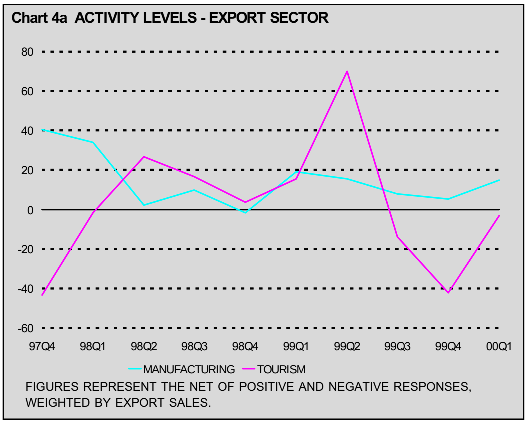
and May 2000, covered a sample of 142 firms, accounting for nearly 20% of private sector employment. The firms surveyed reported an overall annual turnover of over Lm430 million and were more or less equally divided between locally oriented and exporting firms. The sample was biased towards larger firms, as shown by the fact that just around half of them employed more than 50 workers, so as to make it more indicative of general macroeconomic trends. The same set of firms covered by previous surveys was retained, as far as possible, so as to enable meaningful comparisons with the results of these surveys to be made. The responses of each firm were weighted on the basis of its level of employment, local turnover and export sales, in order to reflect its relative importance within its sector and the Maltese economy. The distribution of the respondent firms by economic sectors, and their relative share of employment, local sales and exports, are illustrated in Chart 1.

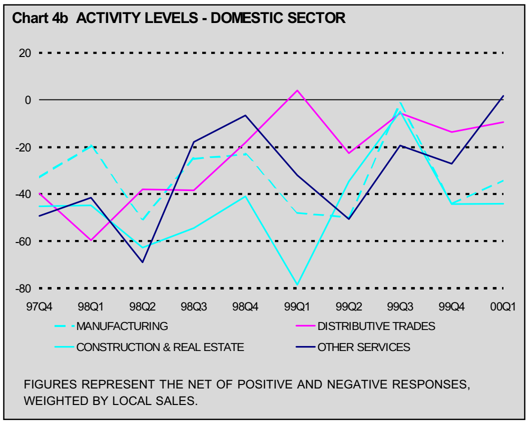
Overall Economic Situation

Perceptions regarding the overall economic situation are gauged from the balance of respondents expecting an improvement rather than a worsening of the economic situation over the next six months. The replies of the sampled firms are weighted by the number of persons employed by each firm in order to arrive at the overall indicator. As can be seen from Chart 2, the balance declined somewhat, and turned slightly negative, according to the responses to the latest survey, continuing a trend observed since the third quarter of 1999.

As Chart 3 shows, however, there were pronounced differences in attitudes between the main economic sectors in terms of expectations regarding the overall economic situation during the next six months. Operators in the tourism and the services sectors showed an increased degree of optimism. The domestically-oriented construction and distributive trades, by contrast, toned down their optimism from the relatively high levels reported in previous surveys. At the same time, the manufacturing sector expressed an even more pessimistic attitude than previously, reflecting in part the responses of domestically-oriented producers affected by the removal of protective levies.







Activity Levels – First Quarter 2000

The latest business survey results indicate that a number of sectors registered higher levels of activity during the first quarter of 2000. This notwithstanding, the majority of respondents in the domestically-oriented sectors reported that they were still operating below their normal activity levels. On the other hand, the manufacturing export sector reported an above normal level of activity, reflecting an improved performance during the quarter, while the tourism sector reported a normal level of activity.

The improvement in the overall activity level of the manufacturing export industry, shown in Chart 4a, was mainly attributable to the machinery and other equipment sub-sector. At the same time, the food and beverages sub-sector continued to report levels of export activity that were well above normal. Most other manufacturing sub-sectors, however, particularly those producing furniture, paper and printing, chemicals, and clothing and footwear, were operating below normal levels. Meanwhile, in the tourism sector, an improvement in activity rates compared with the previous survey was reported. This development appears to be inconsistent with the significant drop in tourist arrivals reported in Chapter 3 of this Review. This could however, be explained by the fact that most of the firms participating in the survey do not operate in the 3-star hotel category, which appears to have borne the brunt of the recent downturn in tourist arrivals.

According to the responses given in the survey, activity within the domestically-oriented sectors, though generally remaining below normal, improved somewhat during the first quarter of 2000, as can be seen from Chart 4b. This was especially evident in the services sector, particularly in financial services, and in the manufacturing sector. In the latter case, the improvement reflected an exceptional increase in the activity level of a firm in the paper and printing industry which at the time of the previous survey had been engaged in a major restructuring exercise. Most other sub-sectors, however, particularly those affected by the removal of protective levies , continued to cut back their activity levels. Meanwhile, activity in the distributive trades and, especially, in the construction and real estate sectors remained somewhat depressed.

Sectoral Performance and Short-Term Expectations

This section examines in greater detail the performance of each sector by looking at developments in levels of employment, profitability and turnover. The actual performance

Table 1
THE MANUFACTURING SECTOR
a. Export activity[1]

	1999Q1	1999Q2	1999Q3	1999Q4	2000Q1 Expected[3]	2000Q1 Outcome[4]	2000Q2 Expected[4]
							%
Change in employment	0.8	1.1	-0.7	-0.1	0.9	0.6	2.1
Change in profitability	1.8	0.6	0.8	1.3	-0.9	-3.2	1.5
Change in sales	2.5	-0.7	1.3	1.4	0.2	-1.2	2.1

b. Domestic sales[2]

	1999Q1	1999Q2	1999Q3	1999Q4	2000Q1 Expected[3]	2000Q1 Outcome[4]	2000Q2 Expected[4]
							%
Change in employment	-0.7	-0.3	-2.0	-0.9	0.9	0.3	1.2
Change in profitability	1.5	1.1	0.0	1.1	-1.6	-1.2	0.3
Change in sales	0.2	0.9	-0.5	0.1	-0.9	-1.7	2.2

[1] Figures are weighted by export sales.
[2] Figures are weighted by local sales.
[3] As reported in the 2000Q1 survey.
[4] As reported in the 2000Q2 survey.

reported for the first quarter of 2000 is compared with the projections made by each sector in the previous survey. The respondents' expectations for the coming three months, i.e. the second quarter of 2000, are also outlined.

Manufacturing

As Table 1 shows, activity in the manufacturing exporting sector during the first quarter of 2000 turned out to be worse than expected. The sector's profitability decreased, mainly reflecting a larger-than-expected drop in sales by the clothing and footwear, chemicals and furniture sub-sectors. Employment also grew by a smaller amount than was forecast in the previous survey, as the machinery sub-sector failed to increase its workforce at the expected rate. This development should be reversed in the next quarter, as the same sub-sector is projecting a significant rise in its demand for labour. Export-oriented firms in various other sub-sectors, such as food and beverages and clothing and footwear, are also expecting to increase their employment levels. Export sales are projected to rise significantly during the next three months, reflecting higher foreign demand for the products of the food and beverages and the machinery sub-sectors. This increase in sales should boost profits during the quarter.

The sales of the domestically-oriented manufacturing industry dropped at nearly twice the expected rate during the first quarter of 2000. The effect of this on profitability was tempered by a lower-than-expected increase in employment by the sector. Respondents in this sector, particularly those in food and beverages sub-sector, are expecting sales to recover significantly during the second quarter of 2000. Nevertheless, profits are projected to remain fairly stable, reflecting higher labour costs due to an expected rise in employment in the sector.

Table 2

THE TOURISM SECTOR[1]

%

	1999Q1	1999Q2	1999Q3	1999Q4	2000Q1 Expected[2]	2000Q1 Outcome[3]	2000Q2 Expected[3]
Change in employment	1.0	1.1	1.2	-0.4	-0.1	1.1	3.1
Change in profitability	2.2	2.8	2.6	-1.6	-0.6	0.0	3.4
Change in sales	2.9	5.4	2.7	-0.9	-3.1	0.1	2.6

[1] Figures are weighted by export sales, as the export activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.
[2] As reported in the 2000Q1 survey.
[3] As reported in the 2000Q2 survey.

Tourism

Although the tourism sector recorded a downturn in activity during the first quarter of 2000 when compared with the same quarter last year, this turned out to be less pronounced than the survey respondents had projected in the previous survey. In fact, both the sector's sales and its profits remained stable, instead of contracting as expected, whereas employment actually rose. Moreover, operators in the tourism sector are expecting a recovery in activity in the second quarter of 2000, when turnover, employment and profits are projected to rise sharply. It must, however, be kept in mind that a large part of this expected up-turn will be due to seasonal factors rather than to the increased competitiveness of the sector.

Distributive Trades

The actual out-turn for activity in the distributive sector during the first quarter of 2000 fell short of expectations as reported in the previous survey, as Table 3 shows. In fact, the distribution sector has consistently been more optimistic than other sectors about a recovery in demand. But the sector's levels of profitability and employment contracted during the first quarter, reflecting a drop in sales, which also led to a larger-than-

Table 3

THE DISTRIBUTIVE TRADE SECTOR[1]

%

	1999Q1	1999Q2	1999Q3	1999Q4	2000Q1 Expected[2]	2000Q1 Outcome[3]	2000Q2 Expected[3]
Change in employment	-0.4	0.3	0.6	-0.7	1.2	-0.1	0.4
Change in profitability	-2.0	-1.3	-0.1	-0.4	-0.4	-1.0	-0.5
Change in sales	1.0	1.0	2.3	0.5	0.3	-0.6	0.4
Change in selling prices	1.1	-0.3	-1.2	0.7	1.0	0.4	0.2
Change in stocks	1.5	3.2	0.9	1.3	0.1	0.3	0.4

[1] Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.
[2] As reported in the 2000Q1 survey.
[3] As reported in the 2000Q2 survey.

Table 4

THE CONSTRUCTION AND REAL ESTATE SECTOR[1]

%

	1999Q1	1999Q2	1999Q3	1999Q4	2000Q1		2000Q2
					Expected[2]	Outcome[3]	Expected[3]
Change in employment	-0.9	0.5	0.5	0.0	1.5	-0.3	0.7
Change in profitability	-1.4	-0.1	-0.2	-0.3	-0.1	-0.2	0.5
Change in sales	0.2	0.6	1.0	0.6	1.1	-0.2	1.4
Change in selling prices	-0.2	-0.4	-0.1	0.3	0.1	-0.6	0.1

[1] Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.
[2] As reported in the 2000Q1 survey.
[3] As reported in the 2000Q2 survey.

expected rise in stocks. The decline in sales occurred despite the fact that operators raised prices by only about half the extent they had anticipated. The distributive sector's profitability is expected to drop further over the next three months of 2000, mainly as a result of increased employment in the sector. At the same time, operators expect their stock levels to rise further, despite an increase in sales and a slower rate of increase in selling prices.

Construction and Real Estate

The responses given by operators in the construction sector on their performance during the first quarter of 2000 confirm that the sector continues to face a weak demand. An expected rise in sales failed to materialise, with turnover actually falling despite the fact that selling prices fell, as Table 4 indicates. Firms in this sector appear to have reacted to this drop by reducing their work force, although even this did not stop profit margins from falling. Nevertheless, respondents remain confident that business will pick up, and they expect sales to grow at a faster pace in the coming three months, bringing with them a rise in profits. Employment in construction is also projected to increase in the next quarter, possibly as work on some major projects commences.

Table 5

THE OTHER SERVICES SECTOR[1]

%

	1999Q1	1999Q2	1999Q3	1999Q4	2000Q1		2000Q2
					Expected[2]	Outcome[3]	Expected[3]
Change in employment	0.3	1.0	1.3	-0.2	1.2	1.6	2.5
Change in profitability	1.2	0.7	1.4	0.9	2.1	1.3	2.3
Change in sales	0.7	0.7	1.5	1.7	2.9	0.7	3.3
Change in selling prices	0.4	0.8	0.2	0.5	1.5	0.3	0.2

[1] Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.
[2] As reported in the 2000Q1 survey.
[3] As reported in the 2000Q2 survey.

Other Services

Activity in the services sector was generally sustained during the first quarter of 2000, but it fell somewhat short of the expectations expressed in the previous survey, as can be seen from Table 5. Service firms remain positive about short-term prospects. Sales are expected to increase significantly, in part due to moderation in prices. Employment, however, is also projected to rise, and this could dent profit margins.

Conclusion

The Bank's latest survey of business perceptions indicates an incipient recovery in export activity, particularly tourism, and to a lesser extent in domestic sales during the first quarter of 2000. Areas of weak demand nevertheless remain evident within the latter category. In terms of short- to medium-term expectations, the prospects for export activity remain positive, driven by tourism and by the machinery sub-sector within manufacturing. Domestically-oriented operators also continue to expect some recovery in demand, partly to be stimulated by work on some major capital projects.

PRIVATISATION POLICY: THE IMPACT ON CAPITAL MARKETS

by Michael C. Bonello
Governor of the Central Bank of Malta[1]

This paper aims to contribute to the national debate generated by the recently published Government White Paper on Privatisation. It first discusses a number of general aspects of privatisation before examining the link between privatisation and capital markets.

It is first necessary to define terms. Privatisation is commonly meant to refer to the sale of majority ownership in State-owned firms to the private sector. It does not include instances where the State sells only a minor stake in an enterprise. Neither does the paper deal with forms of privatisation other than asset sales, such as the contracting out of services, including management, to private contractors.

The Experience of Public Sector Ownership in the Post-War Period

During the first decades following the end of World War Two, most countries attempted to use public enterprises to further specific economic and social objectives. In the words of Alan Walters, one of the architects of privatisation in the United Kingdom, "the nationalisation programme was meant to enable the State to occupy the 'commanding heights' of the economy, the better to manage full employment, growth, welfare, etc."[2]. In developing countries, public enterprises were supposed to undertake key investments in strategic areas that the private sector was unwilling or unable to make. These investments were meant to generate surpluses that could be re-invested, or that would support the general budget. Thus, by the 1980s State-owned enterprises accounted for an average of 10% of GDP in mixed economies across the world[3].

This was also the case in Malta, when heavy public investment – financed by taxation and borrowing – was undertaken in areas such as transport, communications, water, energy and heavy industry. In addition, the Maltese Government of the early 1970s nationalised the banking system and set up enterprises in manufacturing, tourism, insurance and other services. As a result, the share of State-owned enterprises in Malta's GDP was conservatively estimated at around 10% at the end of the 1980s. Despite some privatisation, notably in the financial sector, this proportion has remained high, at around 7% in 1999[4].

In both developing and developed countries, however, heavy State involvement in the economy did not give the desired results. Although some public companies performed relatively well, these tended to be the exceptions.

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1 This speech was delivered at a conference entitled *Challenges of Change* organised by the European Documentation and Research Centre (EDRC) of the University of Malta in April. It will eventually be published by the EDRC, together with the other contributions to the conference.

2 Walters, Alan, 1989 "Liberalisation and Privatisation: An Overview" in Privatisation and Structural Adjustment in the Arab Countries, ed. by Said El-Naggar (International Monetary Fund)

3 Kikeri, Sunita, John Nellis and Mary Shirley, 1994 "Privatisation: Lessons from Market Economies". The World Bank Research Observer, Vol. 9, No. 2. pp. 241-272 (July)

4 National Accounts of the Maltese Islands, 1997, and Central Bank estimates. The definition of State-owned enterprises used in the National Accounts is somewhat restricted. It includes corporations set up by law but excludes important companies belonging to Government such as Air Malta.

Evidence gathered by the World Bank from a wide range of countries shows that many State-owned enterprises have been inefficient and have incurred heavy financial losses[5]. In many cases, these enterprises became a burden on the public budget or on the banking system. According to World Bank estimates, government transfers and subsidies to State-owned enterprises amounted to more than 3% of GDP in Mexico in 1982, 4% of GNP in Turkey in 1990 and up to 9% of GDP in Poland. The local experience has been similar: in Malta, these transfers amount to approximately 5% of GDP[6].

Furthermore, the existence of resource-hungry State-owned enterprises has in many cases crowded out the private sector and stunted the growth of the economy as a whole. Indeed, not only do these enterprises often lay claim to scarce resources, including capital, but they also tend to be inefficient in providing key inputs like energy, water and communications, thus raising the costs for other businesses and limiting the potential for growth.

This generally negative experience with the performance of State-owned firms prompted pressure for change. Initially, many countries sought to reform public enterprises without recourse to privatisation. The objective was to expose them to more competition, to free management from the pursuit of non-commercial objectives and from political interference and to reduce their dependence on budget subsidies. In Malta this approach has been tried in a number of cases, notably the public utilities and the shipyards. But such reforms have rarely succeeded, whether in Malta or elsewhere.

The Privatisation Option

Consequently, rather than attempting to reform State-owned enterprises, many governments have resorted to the privatisation option. They have realised, as an UNCTAD report puts it, that the government "has no business being in business if its enterprises impose unnecessary administrative and financial burdens on the State, thus undermining fiscal control and macro-economic stability, and reducing the resources available for core government functions"[7]. This conclusion, reached by many countries after extensive and often costly experimentation, runs counter to the notion that privatisation is unnecessary and that all that is required is an improvement in the management of State-owned enterprises.

It is true that, in theory, ownership should not matter: private and public enterprises that operate in competitive markets and are subject to the same regulations should be equally efficient. But in practice the performance of State-owned enterprises has been disappointing. There could be a number of intuitive reasons for this. First, under private ownership there is less political interference in the decision-making of the firm. Second, in the private sector the remuneration of workers and managers is more clearly linked to productivity and profits. Third, privatised firms are exposed to financial constraints; they would no longer be able to turn to the State for automatic support. This is a major spur to reducing waste and inefficiency. Finally, management is no longer supervised by bureaucrats and politicians, but by shareholders whose dominant interest is the maximisation of returns on their investment.

Apart from these practical considerations, the global trend in favour of privatisation was buttressed by a number of other factors. First, the collapse of the communist regimes of Eastern Europe and the Soviet Union robbed State ownership of much of its ideological significance. Second, technological progress in telecommunications and other areas such as water production and electricity generation have

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5 Kikeri, Nellis and Shirley. op cit.

6 Malta. Ministry of Finance. 1999 Privatisation: A Strategy for the Future.

7 UNCTAD, 1995 Comparative Experiences with Privatisation. (United Nations), p. 5.

weakened the argument that these are "natural" monopolies and that they should, therefore, remain under State ownership. Indeed, the public sector has often proved to be singularly unable to adapt rapidly to changing technologies in such sensitive areas. Moreover, the growth of a robust private sector and the development of global capital markets have undermined the argument that the private sector is too weak to finance and carry out major investments in the economy. Finally, privatisation proceeds have been instrumental in enabling governments to drastically reduce public debt burdens.

As a result, countries everywhere, whatever their stage of economic development, have engaged in a massive process of privatisation that has reversed the earlier trend of State ownership of industry. Beginning in the United Kingdom in the late 1970s and early 1980s, privatisation has swept the globe. According to the World Bank, more than 75,000 medium and large firms have been sold worldwide, generating proceeds estimated at over US$735 billion[8]. Almost every country that retains a significant number of publicly owned firms, including India, Russia and China, is privatising some or most of them.

The recent experience with privatisation

The impact of privatisation has generally been positive. A growing literature concludes that privatisation has given rise to improvements in enterprise performance in terms of profits, efficiency and output. After citing a number of studies on the impact of privatisation in countries as diverse as Egypt, Mexico and Bangladesh, the World Bank reports that "almost every rigorous study comparing pre- and post-privatisation operation indicates, on average, sizeable performance improvement"[9]. This has also been the case in Malta. According to the White Paper, the privatisation of Bank of Valletta has resulted in a 40% efficiency gain, when measured in terms of operating costs to assets.

In turn, such efficiency gains are transmitted to the economy as a whole. The results of another World Bank study reported by UNCTAD show that in three middle-income countries the net benefit to the economy of privatisation was positive in eight of nine cases studied[10]. In these cases, privatisation benefited the Government, the owners and, to a lesser extent, the workers in privatised firms. Importantly, privatisation has also been associated with increased inflows of foreign direct investment.

The Egyptian experience is particularly instructive. Since the early 1990s Egypt has been systematically privatising large, old, inefficient and poorly-run State-owned enterprises and has liberalised the laws and rules for setting up small businesses. These policies were translated into striking efficiency gains such that over a four-year period up to 1997 the country experienced an average annual increase of 9% in productivity and annual GDP growth rates of 5 – 6%. The creation of many small, typically service sector companies encouraged by the new and more liberal environment allowed many employees laid off during the restructuring of State-owned enterprises to be absorbed back into the economy.

Contrary to the conventional wisdom in Malta, therefore, privatisation does not systematically make workers worse off. It is true that, in some cases, privatisation has led to lay-offs and an increase in unemployment. It is equally true, however, that unemployment is often also a symptom of labour market inefficiencies that tend to exist independently of the privatisation process itself. This is not to belittle the adverse

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[8] Nellis, John. "Time to Rethink Privatisation in Transition Economies?". International Finance Corporation Discussion Paper Number 38.
[9] Nellis, op cit., p.2.
[10] UNCTAD, op cit.

impact of unemployment on workers, their families and society as a whole, but simply to point out that its underlying causes, and the remedies, lie elsewhere. Rather than resist privatisation on these grounds, it may be wiser to address the weaknesses which are known to exist in Malta's labour market. These include poor education and training, outdated and inefficient practices as well as disincentives to the growth of small businesses that could provide alternative sources of employment.

The evidence on the impact of privatisation on consumers is mixed. In the country case studies referred to in this paper, consumers generally fared poorly, possibly because subsidies were removed. But where privatisation is accompanied by an increase in competition, with the consequent elimination of monopoly pricing, consumers should benefit too.

Potential pitfalls of privatisation

Although the experience of most countries suggests that privatisation is beneficial to national economies, it has not been successful everywhere. There are in particular two potential pitfalls of privatisation programmes which Malta would do well to avoid.

First, the degree of competition in the market is an important consideration in the design of privatisation programmes. Walters, and others, argue that the gains from privatisation will be greater the more competition is introduced as part of the process. Therefore, a strong, clear regulatory framework is essential to contain the exercise of monopoly power. Otherwise, private monopolies would simply replace State-owned ones and proceed to provide consumers with poor service at high prices. It is therefore imperative to establish a proper regulatory framework, and make sure that it works, before embarking on the sale of State-owned monopolies.

The privatisation of the banking sector locally could be used as a model in this respect. Over a period of five years, the Maltese Government divested itself of its majority holdings in Lombard Bank, Bank of Valletta and Mid-Med Bank. At the same time, however, it established a strong prudential regulatory framework, based on international norms, that was a major factor in attracting foreign investment in the privatised firms. Moreover, restrictions on bank deposit and lending rates were only gradually removed, after it became clear that the banking industry would compete for custom. In the banking sector, privatisation has led to improvements in customer service, and the efficiency gains already mentioned, without major dislocations in the labour market.

A second vital characteristic of privatisation programmes is the degree of transparency with which they are implemented. Examples of privatisations which have failed in this respect come readily to mind. In some countries of Central and Eastern Europe and in the former Soviet Union, for example, the privatisation exercise has allowed "significant parts of government to become captured by groups whose major objective is to use the State to legitimate or mask their acquisition of wealth"[11]. A market economy requires rules and safeguards that make the outcome of transactions secure and predictable. In the absence of institutional safeguards, privatisation is unlikely to lead to improved financial results and enhanced efficiency. Apart from strong regulation to safeguard consumers' interests, a successful privatisation programme, therefore, also requires robust institutional mechanisms to promote transparency, both during and after privatisation, and sound corporate governance.

These institutional mechanisms include a free press and a judicial system that works rapidly and fairly, particularly in areas such as insolvency and

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[11] Nellis, op cit, p. 16.

bankruptcy proceedings. To some extent, sound corporate governance may depend on the manner in which enterprises are sold. Although mass privatisation or public offerings on stock exchanges have their advantages, sometimes it may be more important to ensure that the new owners of the firm have a stake that is large enough to give them an incentive to run the company well. In this context, the entry of strategic foreign investors, which may also facilitate the transfer of technology and the introduction of more modern management practice, may be important. Finally, well-regulated and efficient capital markets are another institutional mechanism that can contribute to the success of a privatisation programme.

Privatisation and the development of the capital market

Apart from their role in the privatisation process, efficient financial markets contribute to more rapid economic growth. World Bank research has shown that as economies grow, specialised financial intermediaries develop and prosper. In particular, there is a strong correlation between overall stock market development and long-run economic growth[12]. This is probably because the development of an organised capital market allows firms to raise long-term capital needed to finance investment spending through instruments that remain negotiable and, therefore, liquid. This means that individual investors can withdraw funds from the market, or change the composition of their portfolios, without affecting the flow of funds to the individual firm.

Capital market development often stimulates the growth of specialised financial intermediaries, such as collective investment schemes, that provide another channel of finance outside the traditional banking system. When coupled with pension reform, as in Chile, the potential for market growth is multiplied. These specialised financial intermediaries perform an important service: they aggregate the funds of diverse small savers and invest in equities and other financial instruments. Because they are specialised, they are often in a better position to evaluate company performance, channelling funds where they are more likely to yield higher returns and spurring management to enhance the value and creditworthiness of firms.

But to ensure the development of a healthy capital market, it is important to protect shareholders against abuses. This requires a strong legal and regulatory framework to protect the small investor, together with measures to promote transparency in company accounts and fair trading practices. Liberalising international capital flows can also stimulate interest from international investors that may, in turn, contribute to the development of the market.

This leads the discussion to focus more specifically on the impact of privatisation on the development of capital markets. There is a symbiotic relationship between the two: privatisation and capital market development are inseparable and mutually reinforcing. A well-developed capital market can be an important element in a successful privatisation programme, while privatisation can deepen capital markets. As a result, it is often difficult to distinguish between cause and effect.

Some early commentators on privatisation held that it could not take place before the establishment of deep capital markets[13]. Although the experience of a number of countries, particularly Chile, has shown that this is not strictly necessary, there is no doubt that capital market development can favour

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[12] Demirgüç-Kunt, Asli and Ross Levine, 1996 "Stock Markets, Corporate Finance and Economic Growth: An Overview". The World Bank Economic Review, Vol.10, No. 2, pp. 223-239 (May).
[13] Gill, David, 1989 "Privatisation: Opportunities for Financial Market Development", in Privatisation and Structural Adjustment in the Arab Countries, ed. by Said El-Naggar (International Monetary Fund)

privatisation significantly. This is because it facilitates the mobilisation of a pool of domestic savings that can be used to invest in privatised firms. Moreover, a developed capital market and the growth of specialised financial intermediaries make it easier to use public share offerings as a means of divestment. Public share offerings are transparent and generally command wider public support than direct sales to investors. But using a public share offering to widen public ownership of enterprises requires a sufficiently liquid stock market to absorb new issues without negatively affecting the market as a whole[14]. This is an important consideration in Malta, where the size of the market requires that public share offerings be carefully timed so as not to coincide with other issues and to avoid flooding the market with shares. In this context, the general market environment is also important because it is far easier to launch public share offerings in a buoyant market.

In turn, the privatisation process itself can boost the growth of capital markets. In the United Kingdom, which was one of the pioneers of privatisation, the sale of State-owned enterprises through public share offerings led to a sharp increase in the number of shareholders, including employees of the privatised firms. Privatisation also boosted the size of the equity market, lowering transactions costs. In France, the number of shareholders rose by 5 million as a result of the privatisations of the Mitterand years. Privatisation also contributed to the growth of capital markets in a range of developing countries including Jamaica, Chile, and Nigeria[15].

The Maltese perspective

Malta's experience is consistent with this international pattern. The establishment of the Malta Stock Exchange in the early 1990s marks the beginning of the development of a formal capital market. The Exchange grew slowly at first. This was a deliberate choice, as the authorities preferred to ensure that any development would be based on secure foundations. The Central Bank, which is responsible for supervising the Exchange, can attest to the seriousness of the Exchange in ensuring investor protection through adequate disclosure of information, by providing a market infrastructure and by licensing brokers and monitoring their activities. The probity of the Exchange has also been internationally recognised, with the Exchange attaining full membership of the Federation of International Stock Exchanges last year.

This caution has paid dividends. The first equity was listed in September 1992, with an initial market capitalisation of just Lm18 million. By the end of 1999, the number of listed equities had risen to eight, with a market capitalisation of almost Lm800 million. Activity in the secondary capital market has also been increasing. During 1999, market turnover in equities rose to Lm137 million, which is more than twice the cumulative amount traded during the previous seven years. Increased demand for equities was reflected in a rapid rise in share prices, which almost trebled during the year.

In line with experience elsewhere, the development of the capital market, together with the adoption of the necessary legislation, has given rise to the phenomenal growth of collective investment schemes. The first such scheme was only listed on the Exchange in 1995. Four years later, the number of local schemes with a primary listing on the Exchange had risen to nineteen, with a market capitalisation exceeding Lm230 million. Today, these collective investment schemes represent a deep pool of savings that can be channelled towards financing investments

[14] Demirgüç-Kunt, Asli and Ross Levine, 1994 "The Financial System and Public Enterprise Reform". World Bank Policy Research Working Paper, No. 1319, (July)

[15] Kikeri, Nellis and Shirley, op cit, p.254.

in privatised enterprises.

Privatisation has already contributed considerably to the development of the capital market in Malta, with the number of traded equities increasing as the State reduced its holdings. Five of the companies listed on the Exchange were once entirely State-owned. At the end of 1999 these accounted for 97% of the entire market capitalisation. Moreover, the privatisation of Mid-Med Bank last year raised the profile of the Exchange and increased investor interest in the domestic equity market. Privatisation through share issues to the general public was a major factor in the increase in the number of registered equity holders to almost 35,000 by the end of March 2000. It has thus contributed to the development of an "equity culture" and given a new profile to the Maltese saving habit which until recently was almost exclusively focused on fixed-interest investment outlets. Privatisation has also acted as a catalyst to encourage new listings of private sector entities.

These developments suggest that the elements necessary to fruitfully pursue privatisation and capital market development in tandem are in place. First, the Malta Stock Exchange has established a reputation as a sound institution in line with international best practice. Second, investor interest in equities is strong, as shown by rising share prices, and there is a large pool of liquid funds available in search of suitable investment outlets. Third, the Government is committed to privatisation. As a result, carefully managed public share offers, possibly used in conjunction with other methods of privatisation, seem to be a logical step forward in the further deepening of domestic financial markets. This will allow the Government to raise funds in a non-inflationary way and increase the number and variety of equities traded on the Exchange. More importantly, privatisation could well prove to be the fastest and most efficient way of subjecting public enterprises, particularly those which are in a monopoly position, to the disciplines of market forces.

Conclusion

In conclusion, privatisation has been globally pursued – and it has been pursued by governments of all ideological persuasions - because it has been shown to deliver the predicted results. It has given rise to improvements in the performance of individual enterprises which has in turn contributed to higher economic growth. There are, however, pitfalls to be avoided in the privatisation process related to such aspects as regulation, transparency and the governance of privatised firms. In Malta there is also the need to address labour markets rigidities. But there are also useful synergies that can be exploited between privatisation and the development of financial markets. A judicious privatisation process that enjoys broad support, therefore, promises to open up new opportunities for the Maltese economy by promoting efficiency and stimulating enterprise and growth. Whether this promise is fulfilled depends on the ability of the social partners to discern the real long-term interests of their constituents and agree on the modalities of a privatisation strategy for Malta.

NEWS NOTES

Central Bank issues Special Millennium Issue 2000

On June 6, the Central Bank officially launched a set of bank notes to celebrate the new Millennium. Entitled the Special Millennium Issue 2000, the edition pack included a Lm2, a Lm5 and a Lm10 banknote, similar to those currently in circulation, but bearing a hologram and special numbering to mark the occasion. The unique hologram at the centre of the three notes reflects an image of a clockface with pointers set at midnight and an aerial map of the Maltese Islands and the surrounding sea. A dove, to the left-hand side, symbolises peace and goodwill. The legend on the hologram reads: 1999 Lejn Millenju Gdid 2000, which means: 1999 Towards a New Millennium 2000.

Phasing out of Bearer Accounts

On April 28, the Malta Commercial Banks' Association announced that all bearer savings accounts and bearer term deposit accounts were to be closed by June 30 following instructions by the Central Bank to the local banks in order to be in line with international practices against money laundering.

OECD and FATF exclude Malta from Black-Lists

On June 19, the Organisation for Economic Co-operation and Development (OECD) published a list of countries considered to have harmful tax practices. Malta was excluded from the list, after having agreed to reconsider tax practices which the OECD considers as being harmful.

On June 22, the Financial Action Task Force (FATF) also published a list of those countries which it considers as being non-cooperative. In excluding Malta from the list, the FATF has considered the country as having a comprehensive anti-money laundering system. However it urged Malta to accelerate its phasing out of the nominee system.

Malta withdraws from the Offshore Group of Banking Supervisors

On May 26, the Financial Stability Forum (FSF) listed Malta under Group II in a review of offshore financial centres. This listing, which implied that Malta needed to take remedial action, was objected to by the Maltese regulatory authorities particularly since Malta has ceased to register further offshore activities since the end of 1996.

As a consequence, on June 15, Malta withdrew its membership from the Offshore Group of Banking Supervisors (OGBS). In view of the phasing out of offshore activities, membership of the OGBS was no longer deemed as appropriate for Malta.

Malta – EU Accession Negotiations

On May 25, during the second session of negotiations between representatives of the Maltese Government and the EU Commission held in Brussels, it was announced that Malta had provisionally closed seven out of the eight chapters which were opened earlier in the year. The seven chapters were industrial policy, small and medium sized undertakings, science and research, education and training, common foreign and security policy, external relations, telecommunications and information technology.

Malta's Credit Rating reviewed

On May 2, Standard and Poor's revised its outlook on Malta from negative to stable. The credit rating agency affirmed its short-term and long-term local currency issuer credit rating at AA- and A1+ and its short-term and long-term foreign currency issuer at A and A1 . According to Standard and Poor's, this revision reflected the credit agency's expectation that Maltese policymakers will continue to adhere to their medium-term fiscal programme while implementing structural reforms to reduce the influence of the public sector in the economy.

On May 3, Moody's Investors Service retained its negative outlook on Malta. This notwithstanding, Moody's acknowledged the early success of the Government's medium-term fiscal programme for reining in the growth of public sector debt and apparently recovering economic momentum last year

Double Taxation Agreements

On May 2, representatives of the Maltese and Albanian governments signed a double taxation agreement.

On the same date, it was announced that a double taxation agreement between the Government of Malta and the Republic of Croatia on October 21, 1998 entered into force with effect fom August 22, 1999.

On May 22, in Riga, representatives of the Maltese and Latvian governments signed a double taxation agreement and a fiscal tax evasion agreement.

Privatisation Unit set up

On June 1, the Minister of Finance officially established a Privatisation Unit, which was assigned the primary task of implementing the government's policy on privatisation as detailed out in the White Paper on Privatisation. The Unit was thus given the responsibility of handling the process leading to the privatisation of government-owned corporations and companies. The unit is headed by Mr E Ellul, a former Governor of the Central Bank of Malta. The Malta Freeport, the Department of Public Lotto, the Malta International Airport and the Bank of Valletta are targeted for privatisation within the next year.

Issue and Redemption of Government Stock

On May 12, the Government announced the issue of stocks for the nominal value of Lm58.5 million. The stocks, which were to be issued at par, were the following: Lm10 million worth of 5.6% MGS 2007, Lm18.5 million worth of 5.75% MGS 2010 and Lm30 million worth of 6.1% MGS 2015. The Government also announced in the Government Gazette of May 9, 2000, that the following stocks were to be redeemed on June 10, 2000:

1) The Lm10 million 6.75% Local Development Registered Stock 2000
2) The Lm1 million 7.25% Malta Government Stock 2000(II)
3) The Lm10 million 6.5% Malta Government Stock 2000(III)
4) The Lm30 million 6.75% Malta Government Stock 2000(V)
5) The Lm1 million 7% Local Development Registered Stock 2000/2001
6) The Lm1 million 7% Local Development Registered Stock 2000/2001(II)
7) The Lm1 million 7% Local Development Registered Stock 2000/2001(III)
8) The Lm1.5 million 7% Local Registered Development Stock 2000/2001(IV)
9) The Lm2 million 7% Local Registered Development Stock 2000/2001(V)
10) The Lm1 million 7% Local Registered Development Stock 2000/2001(VI)

Issue of Bonds and Shares by Corinthia Group

On April 27, International Hotel Investments plc, a subsidiary of the Corinthia Group, announced that it would be offering for sale to the public Lm10 million worth of shares and Lm5 million worth of 5% convertible bonds maturing in 2010 unless previously converted. The share and convertible bond issue were fully underwritten by Bank of Valletta. Both issues were fully subscribed.

Issue of Shares by Plaza Centres plc

On May 11, Plaza Centres plc, the company which runs the Plaza Shopping Centre, announced that it was offering to the public 3.25 million shares. This amount represented 28.2 % of the total equity capital of the company. The proceeds from this issue were to be used to substantially reduce the company's long-term borrowings and create a solid platform from which to pursue future growth. The issue was underwritten by HSBC (Malta) plc and was fully subscribed.

Malta Stock Exchange made Correspondent Exchange

On June 13, the Malta Stock Exchange was elected an official correspondent exchange of the Federation of European Stock Exchanges following an assessment exercise by Federation officials who examined the level of compliance of the Exchange's regulations with those stipulated by EU Directives.

FINANCIAL POLICY CALENDAR

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

1997

13 January : ***Measures introduced in the Budget for 1997***

The Budget for 1997 includes a number of policy measures. These are:

1) **Wages:** A weekly wage increase of Lm1.50 is to be awarded from the beginning to the year to compensate for the rise in the cost of living during the year to September 1996. Another statutory increase of 25 cents per week is to be effective as from April.

2) **Social Benefits:** Cost of living wage increases are to be reflected in proportionate increases in pensions and other benefits, in accordance with the Social Security Act. As from October 1, British Services pensioners are to receive their pension in full.

3) **Indirect Taxation:** A Lm4 levy on every travel ticket is introduced. Prices of cigarettes are raised. Duty on petrol and diesel is also increased, while subsidies on kerosene, as well as those on water used in the bottling industry, are reduced. Postal rates, and registration and license fees on imported private cars and marine pleasure craft are also increased. Value Added Tax on pre-booked tourist accommodation and catering packages is replaced by an alternative tax at five per cent.

4) **Low-interest loans for small businesses:** Industrial legislation is to be amended so as to enable the Government, through the Malta Development Corporation, to offer loans at subsidised rates to companies which invest less than Lm100,000. Previously, this subsidy was available only to companies investing more than this amount.

23 May : ***Amendments to Financial Laws Enacted***

Parliament enacts the Financial Laws (Amendement) Act, that amends the Income Tax Act, the Malta Treasury Bills Act, the Central Bank of Malta Act, the Malta Stock Exchange Act and the Controlled Companies (Procedure for Liquidation) Act 1995. *Inter alia*, the amendments eliminate anomalies in the computation of withholding taxes on investment income and facilitate the development of the Treasury bill market. The amendments to the Central Bank of Malta Act enable the Central Bank to enter into repurchase and reverse repurchase agreements with a wide range of institutions. Furthermore, as a result of these amendments, the deposit money banks' reserve deposits with the Central Bank no longer need to be held in a separate account. These amendments are to come into force on June 5. Amendments to the Treasury Bills Act, allow for the issue of bills in smaller denominations than previously, to encourage private investors to participate in the Treasury bill market.

June 10 : ***Legislation on Excise Taxes on Imports, Products and Services Enacted***

Parliament enacts the Customs and Excise Act 1997, which provides for the imposition of excise duties on imports, products and services. The act establishes a general excise tax of 15% on imports, as well as an excise tax on the sale of products and on the provision of services of 5%. This package of indirect taxes, which is to replace the value added tax (VAT) system, is scheduled to come into force on July 1.

July 18 : ***Auditor General and National Audit Office Act Passed***

Parliament enacts amendments to the Constitution of Malta providing for the Offices of Auditor General and Deputy Auditor General. On the same date, the Auditor General and National Audit Office Act is also passed. This legislation is aimed at improving control over the use of public funds by establishing the office of an independent Auditor General backed up by a National Audit Office. Whereas the former Director of Audit was an officer of the government reporting to the Minister of Finance, the Auditor General is an officer of the House of Representatives and reports to Parliament. The Auditor General is appointed by the President acting in accordance with a resolution of the House of Representatives supported by the votes of not less than two-thirds of all members of the House. The Auditor General, who is to be appointed for a five-year term, is expected to report annually on Government accounts and those of public sector bodies. This legislation is to come into force on July 25.

August 5 : ***Small Enterprises (Loan Guarantee) Act Passed***
Parliament enacts the Small Enterprises (Loan Guarantee) Act. The Act is designed to assist small enterprises through the provision of loan guarantees by the Malta Development Corporation in cases where conventional finance is unavailable due to lack of adequate security. Each assisted loan is subject to a limit of Lm21,000, with the Corporation guaranteeing up to 70% of the total outstanding loan balance due.

November 5 : ***Measures Introduced in the Budget for 1998***
The Minister of Finance, in presenting the Budget Estimates for 1998 to Parliament, announces a number of policy measures. These include:-

1) **Wages:** A weekly wage increase of Lm1.50 is to be given to compensate for the rise in the cost of living during the year to September 1997.
2) **Social Benefits:** The cost of living wage increase is to be reflected in proportionate increases in pensions and other benefits in accordance with the Social Security Act. In addition, British Services pensions, the allowance for disabled children and other benefits for the disabled are to be improved.
3) **Social Security Contributions:** Employers' social security contributions are to be lowered by 25% if they offer employment to persons aged 40 and over who are registering for work.
4) **Indirect Taxation:** An excise duty on wine is to be introduced, and those on kerosene, spirits and cigarettes are to be raised. A new tariff for sewage services is to be introduced, while the rates on water, electricity and gas are to rise. Registration and licence fees on imported cars, as well as the passenger service charge on trips abroad, are to be increased. A token fee for prescriptions for free medicines is to be introduced. Duties on general insurance premiums are to be raised.
5) **Privatisation:** Telemalta Corporation and the Malta International Airport Authority are to be converted into companies and partially privatised. Forty per cent of the Government's holding in each of these enterprises is to be sold, with 20% of the proceeds going towards a fund that would provide for restructuring and modernisation within new social and industrial programmes.
6) **University Stipends:** Students who entered university after October 1997 are to be eligible to receive an Lm100 monthly allowance, of which Lm50 will be by way of a grant and Lm50 by way of a loan. During the students' study period, the interest cost on the loan is to be borne by the Government. The loan and interest accrued are to be repaid within 10 years after the end of the study period – except by students from low-income families and those achieving excellent results.
7) **Tax on Bank Profits:** Commercial banks are to be charged a one-off 15% tax on pre-tax profits for their current financial year.
8) **Fees of Office:** Fees and reimbursement costs for services provided by Government, including motor vehicle and driving licences, berthing fees and certificates issued, are to be reviewed upwards.

9) **Capital Assets Declaration:** The capital assets declaration which taxpayers used to be required to include with their income tax returns is to be re-introduced.

November 27 : *Central Bank Adjusts Repo Rate Structure*

The Central Bank of Malta carries out a technical adjustment to the interest rate structure in the repo market. The money market interest rate band, determined by the Bank's Monetary Policy Council, is narrowed from 5.10% - 5.60% to 5.20% - 5.50%. This technical adjustment is designed to narrow the spread between the Bank's repo and reverse repo rates with a view to gradually aligning all domestic money market interest rates around one official intervention rate, which will be the benchmark money market interest rate.

December 23: *Central Bank Issues Capital Adequacy Directive*

The Central Bank, as the Competent Authority in terms of the Banking Act, 1994 issues a new banking directive entitled *Capital Adequacy of Credit Institutions Authorised under the Banking Act 1994 (BD/08).* The directive enhances the existing regulatory framework governing capital adequacy by obliging banks to provide capital against market risk. The directive, which becomes effective immediately, is to be implemented in stages. Thus, the first capital allocations required under it are those to cover foreign exchange risk. In connection with the introduction of the new directive, the Central Bank amends the Large Exposures Directive (BD/02) and the Own Funds Directive (BD/03).

1998

February 2: *Central Bank Raises Intervention Rates*

The Monetary Policy Council of the Central Bank raises its reverse repo rate band from 5.20% - 5.30% to 5.30% - 5.40%. This decision reflects the Bank's tightening monetary policy stance. In addition, as a result of this decision, the repo market rate band is narrowed from 5.20% - 5.50% to 5.30% - 5.50%. This is in line with the Bank's aim of gradually aligning all domestic money market interest rates around one intervention rate.

April 28: *Minister Issues Representative Offices Regulations*

The Minister of Finance and Commerce, after consultation with the Competent Authority, issues the Representative Offices (Requirements and Activities) Regulations, 1998. The regulations define the range of activities that representative offices of non-Maltese banks may carry out in Malta. The regulations come into force as from May 12.

April 30: *Central Bank Institutes Central Intervention Rate*

The Monetary Policy Council of the Central Bank of Malta institutes a central intervention rate of 5.45% with a band of five basis points on either side. This decision completes a technical adjustment, begun in November 1997, aimed at narrowing the spread between the Central Bank's injection rate and its absorption rate.

May 18: *Malta Stock Exchange Starts Trading Daily*

The Malta Stock Exchange starts trading on a daily basis. The Minister of Finance and Commerce says that the catalyst for daily trading was the partial privatisation of Maltacom plc and Malta International Airport plc.

June 26: ***Parliament Enacts Commercial Banks (Special Tax) Act***

Parliament enacts the Commercial Banks (Special Tax) Act, 1998. This imposes a fifteen per cent tax on bank profits accrued during 1997. The Act applies to credit institutions licensed under the Banking Act, 1994, except those licensed to deal only in currencies other than the Maltese lira. Lohombus Bank Limited, a mortgage bank, is also excluded. As regards branches of foreign banks, the tax is to be paid on profits attributable to the operations of the branch or branches conducted in Malta only.

November 25 : ***Measures Introduced in the 1999 Budget***

The Minister of Finance, in presenting the Estimates for 1999 to Parliament, announces a number of policy measures. These include:-

1) **Wages:** A weekly wage increase of Lm1.75 is to be given to compensate for the rise in the cost of living during the year to September 1998. An additional one-off increase of Lm13 is to be given in March.
2) **Social Benefits:** The wage increase is to be reflected in proportionate increases in pensions and other benefits in accordance with the Social Security Act. In addition, the children's allowance for families having more than five children is to be improved. Single parents and widows are to be considered as married persons for income tax purposes.
3) **Social Security Contributions:** Employees' social security contributions are to increase from 8.33% to 9% of the basic pay as from January 1, 1999, and to 10% as from January 1, 2000.
4) **Indirect taxation:** The excise duty on cigarettes and petrol is to increase, while that on kerosene is to decrease.
5) **Value Added Tax:** Value Added Tax, at the rate of 15%, is to replace Customs and Excise Duty Tax as from January 1, 1999. Hotel accommodation, excluding inclusive package tours, is to be taxed at 5%.
6) **Privatisation:** An agency or division under the Ministry of Finance is to be set up to draft a long-term privatisation programme.
7) **Exchange control:** A company registered or a person domiciled in Malta will be allowed to invest up to Lm300,000 in existing business or new business abroad. Investment allowances for individuals and non-financial companies will be raised from Lm5,000 per year to Lm8,000. Local exporters will be allowed to leave their receipts in foreign currency accounts for a period of six months

December 28 : ***Central Bank Announces Changes to Maltese Lira Basket***

The Central Bank announces that the composition of the Maltese lira basket will be revised from January 4, 1999 to take into account the introduction of the euro. At the same time, the Bank emphasises that the review of the basket will not involve any change in the value of the currency.

The revision of the basket will entail the following changes:

1. The euro will be allocated the previous weight of the ECU component except for the sterling weight within the ECU.
2. The sterling weight within the ECU will be added to the sterling weight in the Maltese lira basket.
3. The weight of the US dollar will remain unchanged.

As a result, the three component currencies will have the following weights: euro 56.8% ; sterling 21.6% ; US dollar 21.6%. These weights will serve as the basis for the establishment of the portions of the currency components to be announced on January 4, 1999.

December 29 : ***Value Added Tax Re-introduced***

Parliament enacts the Value Added Tax Act, 1998, re-introducing value added tax with effect from January 1, 1999. The rate of tax on the supply of products and on the provision of services is set at 15%, while that on the supply of tourist accommodation is set at 5%. The Act also establishes thresholds below which small businesses are given the option to stay out of the VAT system and the related system of refunds.

1999

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

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

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

January 21: ***Central Bank Lowers Intervention Rate***

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

March 29: ***Central Bank Lowers Intervention Rate Again***

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

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

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

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

May 6 : *Central Bank lowers Discount Rate*

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

May 7 : *Parliament authorizes Government to borrow Lm100 Million*

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

May 7 : *Obligation to create Sinking Funds in connection with Local Borrowing abolished*

Parliament enacts Act IV of 1999. This removes the obligation on Government to create sinking funds in connection with new local borrowing. The obligation to create sinking funds in connection with overseas borrowing is, however, retained.

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

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

June 24 : *Central Bank Lowers Discount Rate Again*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

November 22 : ***Measures Introduced in The Budget for the year 2000***

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

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

compensate for the removal of the subsidy on local bread.

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

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

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

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

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

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

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

December 31 : ***Delegation of Exchange Control Authority to MFSC***

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

2000

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

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

March 29 : *Italian Financial Aid to Malta*

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

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

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

April 28 : *Bearer Accounts phased out*

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

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

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

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-March 2000, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km^2	
CURRENCY UNIT	Lira - Exchange rates: Lm1 = US$2.3465	
	Lm1 = EURO2.4621	
CLIMATE	Average temperature (1991-1998): December - February	13.3^o C
	June - August	25.9^o C
	Average annual rainfall (1990 - 1998)	622.4mm
POPULATION	Total (Sept 1999)	380,000
	Males	188,600
	Females	191,400
	Average annual growth rate (1990 - 1998)	0.8%
	Density per km^2	1,200
	Life expectancy at birth - Males (Dec 1998)	74.4
	- Females (Dec 1998)	80.1
	Crude birth rate, per 1000 inhabitants (Sept 1999)	8.2
	Crude mortality rate, per 1000 inhabitants (Sept 1999)	6.2
GDP GROWTH	At current market prices (1999)	6.2%
GDP PER CAPITA	At current market prices (1999)	US$9,530
OTHER DOMESTIC	Ratio of Gross Government Debt to GDP (Dec 1999)	58.1%
	Ratio of Government Deficit to GDP (Dec 1999)	8.9%
	Retail Price Inflation	2.13%
	Ratio of Exports of Goods and Services to GDP	91.9%
	Ratio of Current Account Deficit to GDP	3.5%
	Gainfully Occupied	139,146
	Unemployment Rate	5.3%
EDUCATION	Number of schools (Dec 1998)	340
	Number of teachers (Dec 1998)	7,700
	Number of pupils/students (Dec 1998)	99,100
LIVING STANDARDS	Doctors (per 1000 inhabitants) (Dec 1999)	3.2
	Telephone Lines (per 1000 inhabitants)	524
	TV licences (per 1000 inhabitants)	562
	Motor vehicle licences (per 1000 inhabitants)	600

SOURCE: Central Bank of Malta; Central Office of Statistics; Ministry of Finance

List of banking institutions submitting financial information to the Central Bank of Malta for statistical reporting purposes, as at March 2000:

Deposit Money Banks
APS Bank Ltd.
Bank of Valletta plc
HSBC Bank Malta plc
HSBC Bank plc - Malta Branch
Lombard Bank Malta plc

Other Banking Institutions
Britannia Financial Services Ltd.
HSBC Finance (Malta) Ltd
HSBC Home Loans (Malta) Bank Ltd
Valletta Investment Bank Ltd

International Banking Institutions
Bank of Valletta International Ltd
Demirbank TAS
Disbank Malta Ltd
Ege Giyim Sanayicileri Bankasi AS
Erste Bank (Malta) Ltd
First International Merchant Bank Ltd
HSBC Overseas Bank (Malta) Ltd
Iktisat Bankasi AS
Investkredit International Bank Malta Ltd
Izola Bank Ltd
Raiffeisen Malta Bank plc
Tekstil Bankasi AS
Turkiye Garanti Bankasi AS
Volksbank Malta Ltd

List of banking institutions that used to submit financial information to the Central Bank of Malta for statistical purposes, up to the year stated.

Investment Bank of Malta Ltd (up to December 1982)
Singer and Friedlander (Malta) Ltd (up to December 1982)
Government Savings Bank (up to November 1984)
Melita Bank International Ltd (up to September 1994)
Investment Finance Bank Ltd (up to August 1995)

PART 1: MONEY AND BANKING

PART 2: GOVERNMENT FINANCE

PART 3: PUBLIC DEBT

PART 4: EXTERNAL TRANSACTIONS

PART 5: REAL ECONOMY INDICATORS

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

Liabilities

Lm thousands

End of Period	Currency Notes and Coin Issued	IMF Related Liabilities	Deposits				Capital and Reserves	Other Liabilities
			Banks[2]	Government	Other	Total		
1985	279,018	7,916	121,948	23,701	35,161	180,810	2,500	77,088
1986	282,993	7,099	121,416	8,292	35,525	165,223	2,500	95,514
1987	308,115	7,472	105,595	8,480	45,720	159,795	3,500	113,808
1988	322,096	9,209	96,981	29,923	33,608	160,512	3,500	106,380
1989	327,881	10,624	77,739	6,054	32,383	116,176	3,500	136,239
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	155,743
1993	364,013	24,620	67,173	2,437	37,349	106,959	4,500	163,740
1994	379,082	24,213	179,625	1,725	52,384	233,734	41,000	178,292
1995	367,444	22,553	80,026	20,194	21,502	121,722	41,000	187,134
1996	380,246	20,159	72,027	22,785	10,516	105,328	41,000	177,233
1997	384,655	20,079	100,511	24,503	10,941	135,955	41,000	135,780
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	35,265
1999								
Jan.	381,437	19,014	107,394	58,667	13,572	179,633	93,050	37,044
Feb.	381,418	19,014	116,073	63,226	14,627	193,926	93,050	33,695
Mar.	387,984	19,014	115,900	45,300	13,142	174,342	93,050	30,468
Apr.	388,645	19,014	114,919	61,586	10,897	187,402	93,050	31,066
May	393,179	19,014	121,093	44,430	12,190	177,713	93,050	36,431
June	398,989	19,014	114,939	80,909	10,840	206,687	93,050	36,937
July	397,655	19,014	124,117	70,419	11,370	205,907	93,050	41,466
Aug.	397,917	19,014	156,106	84,825	6,161	247,092	93,050	31,486
Sept.	397,594	19,014	139,573	116,113	7,313	262,999	93,050	36,975
Oct	395,372	19,014	122,388	85,958	9,317	217,663	93,050	67,816
Nov.	396,629	19,014	147,301	104,221	9,646	261,168	93,050	43,120
Dec.	418,485	19,014	124,786	96,188	12,424	233,398	89,050	58,597
2000								
Jan.	396,341	19,014	145,330	83,271	10,013	238,614	89,050	68,853
Feb.	397,423	19,014	143,987	74,198	9,260	227,445	89,050	63,281
Mar.	396,223	19,014	133,109	88,442	6,608	228,158	89,050	57,401

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

[2] Including Deposit Money Banks, Other Banking Institutions and International Banking Institutions.

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

Assets

Lm thousands

End of Period	External Reserves: Gold & Other Precious Metals	External Reserves: IMF Related Assets[2]	External Reserves: Convertible Currencies[3]	External Reserves: Total	IMF Currency Subscription	Malta Government Securities and Advances	Fixed and Other Assets	Total Assets/ Total Liabilities
1985	58,601	32,217	352,031	442,849	7,208	252	97,023	547,332
1986	61,498	34,079	364,929	460,506	5,763	296	86,774	553,339
1987	62,402	34,399	382,367	479,168	6,156	4,121	103,245	592,690
1988	59,531	35,168	396,440	491,139	8,100	1,853	100,605	601,697
1989	27,050	34,004	403,172	464,226	9,523	2,876	117,795	594,420
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	80,134	559,376
1992	9,101	30,061	435,856	475,018	21,720	62,305	88,687	647,730
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
1999								
Jan.	687	40,429	607,197	648,313	19,086	14,163	28,616	710,179
Feb.	708	40,723	601,767	643,198	32,853	15,706	29,346	721,102
Mar.	700	32,635	603,855	637,189	32,853	8,081	26,735	704,857
Apr.	724	33,378	617,741	651,843	32,852	7,927	26,555	719,177
May	598	33,662	617,811	652,070	33,490	6,205	27,621	719,387
June	670	33,756	651,330	685,755	33,490	7,026	28,406	754,677
July	511	33,783	655,530	689,824	33,490	6,188	27,589	757,092
Aug.	628	34,372	658,210	693,210	33,490	15,678	46,179	788,558
Sept.	711	34,443	660,353	695,507	33,490	16,123	64,511	809,632
Oct.	721	34,727	685,074	720,522	33,490	9,124	29,779	792,915
Nov.	700	35,558	706,631	742,890	33,490	6,142	30,459	812,981
Dec.	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000								
Jan.	747	35,457	696,386	732,590	34,955	5,880	38,446	811,872
Feb.	703	35,698	679,413	715,815	34,955	8,755	36,687	796,212
Mar.	743	36,168	672,023	708,934	34,955	7,858	38,099	789,846

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

[2] Include IMF Reserve Position and holdings of SDRs.

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

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES DEPOSIT MONEY BANKS
Liabilities

Lm thousands

End of period	Deposits[1]				Foreign Liabilities[2]	Capital and Reserves	Other Liabilities[2]
	Demand	Savings	Time	Total			
1985	35,479	108,092	233,402	376,973	17,829	14,438	27,074
1986	36,658	123,750	253,982	414,390	18,153	14,451	27,284
1987	39,014	141,234	274,943	455,191	23,861	15,314	34,594
1988	38,632	170,129	303,843	512,604	34,275	15,488	40,822
1989	42,042	197,848	358,776	598,666	41,871	18,143	50,039
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
1999							
Jan.	139,241	588,241	1,112,910	1,840,392	320,684	116,537	397,953
Feb.	142,255	588,984	1,133,477	1,864,716	341,033	116,037	393,631
Mar.	151,143	595,396	1,132,209	1,878,748	330,233	116,038	410,698
Apr.	155,904	600,538	1,144,757	1,901,199	333,207	116,038	418,969
May	158,760	616,288	1,151,305	1,926,353	346,722	116,038	463,262
June	167,375	615,510	1,175,437	1,958,322	322,142	116,038	447,717
July	165,240	626,683	1,186,612	1,978,535	310,439	116,038	451,128
Aug.	186,361	620,362	1,196,491	2,003,214	316,323	116,038	448,560
Sept.	176,570	615,635	1,199,391	1,991,597	342,760	116,038	482,953
Oct.	177,589	622,238	1,194,747	1,994,574	360,777	126,829	457,693
Nov.	180,388	619,806	1,214,111	2,014,305	375,900	126,564	496,997
Dec.	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000							
Jan.	185,249	634,977	1,230,290	2,050,516	357,721	134,572	454,280
Feb.	185,122	636,432	1,235,465	2,057,019	363,167	137,539	469,567
Mar.	179,232	632,027	1,242,900	2,054,159	379,585	137,763	498,837

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

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

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES DEPOSIT MONEY BANKS

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets/ Total Liabilities
1985	127,181	66,672	206,617	25,610	10,234	436,314
1986	127,549	73,337	238,191	25,972	9,229	474,278
1987	113,208	81,041	266,542	51,101	17,068	528,960
1988	103,605	102,386	302,242	77,784	17,172	603,189
1989	86,401	143,194	368,305	87,049	23,770	708,719
1990	58,349	197,787	458,246	100,284	32,334	847,000
1991	62,790	246,499	480,495	147,050	26,847	963,681
1992	93,816	330,111	539,405	147,048	32,488	1,142,868
1993	83,250	378,598	627,635	212,779	35,457	1,337,719
1994	194,501	417,411	707,355	210,540	46,545	1,576,352
1995	100,638	557,355	938,406	234,379	49,960	1,880,738
1996	96,777	588,571	1,079,552	263,194	114,236	2,142,330
1997	125,183	534,756	1,205,349	365,333	120,979	2,351,600
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
1999						
Jan.	131,573	590,502	1,315,984	502,703	134,804	2,675,566
Feb.	131,404	603,986	1,323,648	511,447	144,932	2,715,417
Mar.	137,672	581,764	1,380,828	519,365	116,088	2,735,717
Apr.	136,871	581,534	1,390,205	541,971	118,832	2,769,413
May	137,220	628,469	1,385,577	572,589	128,520	2,852,375
June	135,616	595,614	1,390,000	581,878	141,111	2,844,219
July	143,186	594,067	1,385,244	585,580	148,063	2,856,140
Aug.	171,737	607,959	1,374,469	578,855	151,116	2,884,136
Sept.	164,088	620,920	1,437,598	589,968	120,775	2,933,348
Oct.	169,530	627,642	1,432,473	569,908	140,319	2,939,873
Nov.	163,587	633,802	1,440,936	573,994	201,447	3,013,766
Dec.	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000						
Jan.	181,324	622,306	1,471,461	574,457	147,541	2,997,089
Feb.	178,691	624,779	1,478,851	583,519	161,452	3,027,292
Mar.	162,346	653,737	1,537,667	592,581	124,013	3,070,344

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES OTHER BANKING INSTITUTIONS

Liabilities

Lm thousands

End of Period	Deposits[1]			Foreign Liabilities	Credits from Deposit Money Banks[2]	Capital and Reserves	Other Items (Net)[2]
	Savings	Time	Total				
1985	3,165	3,120	6,285	10,723	44,853	8,172	6,829
1986	3,528	3,234	6,762	5,819	50,262	8,561	7,148
1987	3,665	3,663	7,328	20,546	59,015	9,539	7,173
1988	3,863	4,329	8,192	50,299	67,389	10,252	7,719
1989	3,394	3,721	7,115	66,408	75,955	10,638	7,584
1990	3,658	5,442	9,100	81,587	86,998	13,814	9,210
1991	-	-	-	83,435	62,167	17,252	73,468
1992	-	-	-	177,208	88,928	18,457	75,128
1993	-	-	-	198,215	106,321	19,840	72,762
1994	-	-	-	134,841	121,845	20,751	65,956
1995	-	-	-	-	72,429	15,184	63,585
1996	-	-	-	-	75,616	16,205	64,121
1997	-	-	-	-	67,904	21,414	63,322
1998	-	-	-	-	74,600	22,846	68,329
1999							
Jan.	-	-	-	-	62,757	23,136	75,924
Feb.	-	-	-	-	61,852	23,136	76,970
Mar.	-	-	-	-	61,249	23,136	81,108
Apr.	-	-	-	-	60,303	23,136	72,273
May	-	-	-	-	59,071	23,136	73,314
June	-	-	-	-	59,412	23,136	72,210
July	-	-	-	-	56,318	23,136	73,400
Aug.	-	-	-	-	58,541	23,136	70,266
Sept.	-	-	-	-	60,232	23,136	72,757
Oct.	-	-	-	198	60,002	23,136	71,714
Nov.	-	-	-	198	59,077	23,136	72,091
Dec.	-	-	-	198	60,392	20,568	72,540
2000							
Jan.	-	-	-	198	60,211	25,120	68,307
Feb.	-	-	-	198	60,380	25,120	68,591
Mar.	-	-	-	198	62,523	25,120	70,454

[1] Excludes deposits belonging to non-residents. The latter are classified as foreign liabilities. As from January 1991, deposits belonging to residents have been classified under "Other Items (Net)".

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

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES OTHER BANKING INSTITUTIONS

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Claims on				Total Assets/ Total Liabilities
			Government	Deposit Money Banks[1]	Private and Parastatal Sectors	Total	
1985	4,272	22,212	664	221	49,493	50,378	76,862
1986	4,748	18,811	654	213	54,126	54,993	78,552
1987	4,178	34,576	1,366	241	63,240	64,847	103,601
1988	1,734	60,385	3,418	732	77,582	81,732	143,851
1989	632	74,106	3,288	1,013	88,661	92,962	167,700
1990	642	89,771	5,055	702	104,539	110,296	200,709
1991	7	98,099	-	6	138,210	138,216	236,322
1992	7	116,452	-	79,259	164,003	243,262	359,721
1993	7	118,603	-	96,772	181,756	278,528	397,138
1994	1	5,072	-	134,834	203,486	338,320	343,393
1995	140	3,876	142	-	147,040	147,182	151,198
1996	65	3,297	142	3,009	149,429	152,580	155,942
1997	94	7,047	842	2,487	142,170	145,499	152,640
1998	321	7,030	5,794	2,317	150,313	158,424	165,775
1999							
Jan.	430	7,028	5,767	2,355	146,237	154,359	161,817
Feb.	525	7,047	5,787	2,419	146,180	154,386	161,958
Mar.	597	6,818	5,804	2,535	149,739	158,078	165,493
Apr.	670	6,836	5,900	2,341	139,965	148,206	155,712
May	563	6,859	5,802	2,354	139,943	148,099	155,521
June	427	6,727	5,803	2,661	139,140	147,604	154,758
July	410	6,816	4,507	2,803	138,318	145,628	152,854
Aug.	415	6,775	4,505	2,985	137,263	144,753	151,943
Sept.	420	6,772	5,235	3,042	140,656	148,933	156,125
Oct.	397	6,721	5,035	2,882	140,015	147,932	155,050
Nov.	413	6,565	4,555	3,013	139,956	147,524	154,502
Dec.	368	6,545	4,555	3,013	139,217	146,785	153,698
2000							
Jan.	349	6,432	4,555	3,025	139,475	147,055	153,836
Feb.	307	6,449	4,555	3,029	139,949	147,533	154,289
Mar.	317	6,324	4,555	3,102	143,997	151,654	158,295

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

TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES INTERNATIONAL BANKING INSTITUTIONS

Liabilities

Lm thousands

End of Period	Resident Deposits				Foreign Liabilities	Capital and Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999								
Jan.	3,336	8,312	11,451	23,099	1,857,887	169,668	9,062	2,059,716
Feb.	3,490	8,887	7,776	20,153	1,963,418	168,464	7,357	2,159,392
Mar.	2,729	8,618	8,806	20,153	2,172,812	172,940	14,524	2,380,429
Apr.	3,200	9,984	8,061	21,245	2,278,923	173,295	13,211	2,486,673
May	3,233	9,506	7,093	19,832	2,191,874	171,885	27,115	2,410,706
June	4,053	8,764	7,254	20,071	2,421,691	174,972	30,727	2,647,461
July	2,356	9,773	7,109	19,238	2,388,079	173,516	44,919	2,625,752
Aug.	1,615	8,307	6,598	16,520	2,462,994	173,356	55,561	2,708,432
Sept.	3,217	8,482	6,822	18,521	2,441,337	179,915	61,259	2,701,032
Oct.	3,258	9,791	7,518	20,566	2,411,863	189,748	56,409	2,678,587
Nov.	3,603	9,504	7,200	20,307	2,351,000	189,157	40,863	2,601,326
Dec.	4,027	10,203	7,093	21,323	2,453,948	188,740	39,045	2,703,056
2000								
Jan.	4,002	9,595	4,871	18,467	2,246,372	196,215	42,533	2,503,587
Feb.	4,595	11,611	5,313	21,519	2,224,277	196,408	48,364	2,490,568
Mar.	4,553	12,977	7,588	25,118	2,233,955	182,422	51,290	2,492,784

TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES INTERNATIONAL BANKING INSTITUTIONS

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets
1995	712	241,121	157	161,931	3,825	407,746
1996	937	462,902	37	200,098	4,405	668,379
1997	867	817,949	598	217,221	5,249	1,041,884
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999						
Jan.	1,206	1,817,268	1,180	235,186	4,876	2,059,716
Feb.	1,211	1,924,453	1,469	226,998	5,261	2,159,392
Mar.	1,468	2,127,489	1,253	231,985	18,235	2,380,429
Apr.	1,735	2,236,889	1,294	235,637	11,118	2,486,673
May	1,755	2,146,475	1,573	241,012	19,893	2,410,706
June	1,574	2,374,948	1,959	246,043	22,939	2,647,461
July	1,741	2,355,802	1,931	246,786	19,492	2,625,752
Aug.	1,916	2,437,607	1,697	237,474	29,738	2,708,432
Sept.	2,118	2,423,200	4,539	235,536	35,640	2,701,032
Oct.	2,135	2,392,778	6,269	243,979	33,425	2,678,587
Nov.	2,018	2,332,304	6,438	249,741	10,825	2,601,326
Dec.	1,892	2,417,710	6,135	260,458	16,860	2,703,056
2000						
Jan.	2,248	2,187,697	7,123	277,348	29,172	2,503,587
Feb.	2,048	2,168,107	7,637	276,952	35,824	2,490,568
Mar.	2,078	2,160,660	7,019	275,193	47,835	2,492,784

TABLE 1.5 MONETARY SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money[5] [M1]	Quasi-Money[6]	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government[2]	Claims on Private & Parastatal Sectors[3]	Total	Monetary Authorities	DMBs & IBIs[4]	Total				
1985	-18,018	212,809	194,791	485,945	48,843	534,788	316,565	353,063	59,951	729,579
1986	-3,025	244,689	241,664	493,865	55,184	549,049	318,456	385,663	86,594	790,713
1987	23,395	276,418	299,813	505,969	57,180	563,149	350,404	421,506	91,052	862,962
1988	24,841	311,231	336,072	515,671	68,111	583,782	362,193	478,115	79,546	919,854
1989	54,976	376,120	431,096	492,054	101,323	593,377	367,957	559,678	96,838	1,024,473
1990	86,123	470,848	556,971	456,727	131,675	588,402	384,453	648,123	112,797	1,145,373
1991	119,535	548,041	667,576	439,857	154,388	594,245	406,690	726,031	129,100	1,249,763
1992	121,591	608,202	729,793	492,220	260,418	752,638	408,552	830,008	243,871	1,482,431
1993	137,329	697,769	835,098	549,490	267,609	817,099	425,064	941,503	285,630	1,652,197
1994	150,632	782,019	932,651	690,434	316,907	1,007,341	463,547	1,106,721	369,724	1,939,992
1995	179,754	1,024,801	1,204,555	580,700	228,369	809,069	436,760	1,253,054	323,810	2,013,624
1996	238,942	1,146,429	1,385,371	554,119	196,713	750,832	454,089	1,413,169	268,945	2,136,203
1997	320,627	1,276,804	1,597,431	561,668	166,502	728,170	479,899	1,565,848	279,854	2,325,601
1998	350,202	1,417,559	1,767,761	639,991	217,114	857,105	523,628	1,693,146	408,092	2,624,866
1999										
Jan.	356,489	1,407,704	1,764,194	648,332	219,188	867,520	514,924	1,711,743	405,046	2,631,714
Feb.	361,975	1,415,756	1,777,733	643,217	223,109	866,326	516,617	1,729,950	397,491	2,644,058
Mar.	375,707	1,477,760	1,853,467	637,208	209,401	846,609	525,867	1,736,430	437,778	2,700,076
Apr.	387,384	1,481,187	1,868,570	651,862	189,916	841,778	533,448	1,754,249	422,651	2,710,348
May	399,026	1,511,647	1,910,673	652,089	224,722	876,811	542,445	1,775,435	469,605	2,787,484
June	377,623	1,511,636	1,889,259	685,774	218,872	904,646	553,260	1,798,029	442,616	2,793,905
July	388,653	1,507,486	1,896,139	689,843	237,583	927,427	550,780	1,819,862	452,923	2,823,565
Aug.	378,199	1,496,050	1,874,248	693,229	254,735	947,964	563,731	1,821,901	436,581	2,822,213
Sept.	356,840	1,562,933	1,919,773	695,526	251,475	947,001	555,807	1,819,501	491,465	2,866,774
Oct.	357,342	1,559,900	1,917,242	720,541	237,741	958,282	559,453	1,821,528	494,542	2,875,524
Nov.	348,660	1,562,000	1,910,660	742,909	200,154	943,062	563,610	1,839,037	451,075	2,853,722
Dec.	353,539	1,586,815	1,940,354	740,339	201,594	941,933	581,175	1,854,927	446,186	2,882,287
2000										
Jan.	367,701	1,593,928	1,961,629	732,609	174,934	907,543	567,948	1,867,558	433,667	2,869,172
Feb.	388,626	1,602,100	1,990,726	715,834	173,909	889,743	567,107	1,877,018	436,343	2,880,468
Mar.	382,220	1,662,133	2,044,353	708,953	172,034	880,987	557,886	1,883,951	483,504	2,925,340

[1] Includes Monetary Authorities, Deposit Money Banks and International Banking Institutions.

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

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

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

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

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

TABLE 1.6 BANKING SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money [M1]	Quasi-Money	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government	Claims on Private & Parastatal Sectors	Total	Monetary Authorities	All Banking Institutions[2]	Total				
1985	-17,354	217,574	200,220	485,945	60,332	546,277	316,558	359,348	70,590	746,497
1986	-2,371	248,831	246,460	493,865	68,176	562,041	318,450	392,425	97,626	808,501
1987	24,761	283,310	308,071	505,969	71,210	577,179	350,392	428,834	106,024	885,250
1988	28,259	325,539	353,798	515,671	78,197	593,868	362,185	486,307	99,174	947,666
1989	58,264	390,212	448,476	492,054	109,022	601,076	367,951	566,793	114,808	1,049,552
1990	91,177	486,841	578,018	456,727	139,860	596,587	384,438	657,223	132,944	1,174,605
1991	119,535	576,846	696,381	439,857	169,052	608,909	406,689	726,245	145,634	1,278,568
1992	121,591	638,078	759,669	492,220	198,759	690,979	408,551	830,231	211,866	1,450,648
1993	137,329	720,680	858,009	549,490	187,664	737,154	425,063	941,658	228,442	1,595,163
1994	150,632	816,586	967,218	690,434	187,106	877,540	463,547	1,106,721	274,490	1,844,758
1995	179,896	1,044,865	1,224,761	580,700	232,230	812,930	436,760	1,254,635	346,296	2,037,691
1996	239,084	1,190,485	1,429,569	554,119	199,999	754,118	454,089	1,414,215	315,383	2,183,687
1997	321,469	1,323,259	1,644,728	561,668	173,541	735,209	479,899	1,567,091	332,947	2,379,937
1998	355,996	1,459,815	1,815,811	639,991	224,137	864,128	523,628	1,698,959	457,352	2,679,939
1999										
Jan.	362,256	1,453,216	1,815,472	648,332	226,207	874,539	514,924	1,725,230	449,856	2,690,011
Feb.	367,762	1,461,464	1,829,227	643,217	230,144	873,361	516,617	1,745,200	440,770	2,702,587
Mar.	381,511	1,528,467	1,909,978	637,208	216,219	853,427	525,867	1,752,841	484,696	2,763,405
Apr.	393,284	1,531,208	1,924,491	651,862	196,750	848,612	533,448	1,764,575	475,080	2,773,103
May	404,828	1,555,903	1,960,731	652,089	231,577	883,666	542,445	1,786,514	515,439	2,844,397
June	383,426	1,557,364	1,940,790	685,774	225,593	911,367	553,260	1,808,234	490,663	2,852,157
July	393,160	1,554,176	1,947,336	689,843	244,391	934,235	550,780	1,831,170	499,620	2,881,570
Aug.	382,704	1,542,211	1,924,914	693,229	261,501	954,730	563,731	1,831,002	484,912	2,879,645
Sept.	362,075	1,610,603	1,972,678	695,526	258,247	953,773	555,807	1,827,983	542,661	2,926,451
Oct.	362,377	1,607,470	1,969,847	720,541	244,262	964,803	559,419	1,828,827	546,403	2,934,650
Nov.	353,215	1,610,735	1,963,950	742,909	206,517	949,425	563,610	1,846,624	503,141	2,913,375
Dec.	358,094	1,632,866	1,990,960	740,339	207,936	948,275	581,148	1,860,653	497,435	2,939,235
2000										
Jan.	372,256	1,634,295	2,006,551	732,609	181,161	913,770	567,902	1,873,635	478,785	2,920,321
Feb.	393,181	1,642,786	2,035,967	715,834	180,152	895,986	567,063	1,883,279	481,610	2,931,952
Mar.	384,141	1,695,651	2,079,792	708,953	178,160	887,113	557,843	1,887,480	521,583	2,966,905

[1] The Banking Survey extends the coverage of the Monetary Survey to the Other Banking Institutions operating in Malta. All interbank transactions are excluded.

[2] As from September 1992, foreign assets of All Banking Institutions are netted of foreign interest due and not received. Foreign liabilities are netted of foreign interest and expenses accrued and unpaid.

TABLE 1.7 NARROW MONEY AND QUASI-MONEY[1]

Lm thousands

End of Period	Narrow Money [M1]			Currency in Circulation as % of Broad Money	Quasi-Money			Broad Money [M3]
	Currency in Circulation	Demand Deposits	Total		Savings Deposits	Time Deposits	Total	
1985	273,337	43,221	316,558	40.4	122,888	236,460	359,348	675,906
1986	273,779	44,671	318,450	38.5	135,209	257,216	392,425	710,875
1987	300,225	50,167	350,392	38.5	150,228	278,606	428,834	779,226
1988	314,299	47,886	362,185	37.0	178,138	308,169	486,307	848,492
1989	319,405	48,546	367,951	34.2	205,298	361,495	566,793	934,744
1990	330,305	54,133	384,438	31.7	260,691	396,532	657,223	1,041,661
1991	344,342	62,347	406,689	30.4	310,302	415,943	726,245	1,132,934
1992	337,635	70,916	408,551	27.3	367,108	463,123	830,231	1,238,782
1993	353,258	71,805	425,063	25.8	415,292	526,366	941,658	1,366,721
1994	365,910	97,637	463,547	23.3	462,441	644,280	1,106,721	1,570,268
1995	351,779	84,981	436,760	20.8	510,842	743,793	1,254,635	1,691,395
1996	362,068	92,021	454,089	19.4	537,269	876,946	1,414,215	1,868,304
1997	363,765	116,134	479,899	17.8	574,125	992,966	1,567,091	2,046,990
1998	369,493	154,135	523,628	16.6	585,131	1,113,828	1,698,959	2,222,587
1999								
Jan.	366,801	148,123	514,924	16.4	592,908	1,132,322	1,725,230	2,240,154
Feb.	364,414	152,203	516,617	16.1	594,300	1,150,900	1,745,200	2,261,817
Mar.	367,039	158,829	525,867	16.1	601,396	1,151,445	1,752,841	2,278,708
Apr.	371,739	161,709	533,448	16.2	607,321	1,157,254	1,764,575	2,298,023
May	376,464	165,981	542,445	16.2	623,006	1,163,508	1,786,514	2,328,958
June	378,885	174,375	553,260	16.0	620,802	1,187,432	1,808,234	2,361,494
July	380,023	170,757	550,780	16.0	632,095	1,199,075	1,831,170	2,381,950
Aug.	377,572	186,159	563,731	15.8	624,856	1,206,146	1,831,002	2,394,733
Sept.	377,115	178,692	555,807	15.8	619,346	1,208,637	1,827,983	2,383,791
Oct.	378,008	181,412	559,419	15.8	627,625	1,201,202	1,828,827	2,388,247
Nov.	378,013	185,597	563,610	15.7	625,583	1,221,041	1,846,624	2,410,234
Dec.	384,593	196,555	581,148	15.8	637,402	1,223,251	1,860,653	2,441,800
2000								
Jan.	376,844	191,057	567,902	15.4	640,057	1,233,578	1,873,635	2,441,536
Feb.	376,481	190,582	567,063	15.4	643,792	1,239,487	1,883,279	2,450,342
Mar.	375,782	182,060	557,843	15.4	640,281	1,247,199	1,887,480	2,445,323

[1] Based on the Banking Survey. Includes private and parastatal deposits with the Monetary Authorities and All Banking Institutions. Excludes Malta Government deposits, balances belonging to non-residents as well as uncleared effects drawn on Deposit Money Banks.

TABLE 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS[1]

Analysis by Ownership and Type

Lm thousands

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal[2]	Corporate/ Business	Government	Public Sector[3]	Maltese Lira Deposits	Foreign Currency Deposits[4]			
1985	326,832	43,676	182	15,809	380,592	5,907	386,499	12,321	398,820
1986	359,609	44,258	132	19,872	416,695	7,176	423,871	14,261	438,132
1987	396,878	50,148	294	18,207	454,139	11,388	465,527	17,892	483,419
1988	452,890	56,578	139	17,326	512,009	14,924	526,933	26,326	553,259
1989	523,196	71,826	1,225	18,037	579,360	34,924	614,284	37,505	651,789
1990	609,524	81,398	2,158	14,847	642,867	65,060	707,927	60,241	768,163
1991	681,830	84,192	1,815	14,722	702,698	79,861	782,559	78,584	861,143
1992	766,751	107,243	2,029	15,519	793,705	97,837	891,542	118,074	1,009,616
1993	877,873	109,876	2,704	20,254	904,531	106,176	1,010,707	139,558	1,150,265
1994	1,029,646	136,222	2,211	23,963	1,069,068	122,974	1,192,042	170,199	1,362,241
1995	1,170,640	151,510	6,744	24,214	1,196,977	156,131	1,353,108	236,180	1,589,288
1996	1,322,162	160,545	8,952	26,691	1,345,124	173,226	1,518,350	363,449	1,881,799
1997	1,466,011	190,603	10,000	30,148	1,513,978	182,784	1,696,762	578,884	2,275,646
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
1999									
Jan.	1,628,622	215,422	11,192	39,537	1,697,168	197,605	1,894,773	1,071,477	2,966,250
Feb.	1,637,496	212,490	11,338	53,193	1,710,282	204,235	1,914,517	1,090,086	3,004,602
Mar.	1,654,016	214,279	10,780	47,302	1,728,172	198,205	1,926,377	1,091,879	3,018,256
Apr.	1,664,432	227,311	11,262	45,494	1,752,975	195,524	1,948,499	1,173,797	3,122,296
May	1,673,248	232,271	10,828	49,414	1,764,576	201,284	1,965,860	1,142,038	3,107,898
June	1,690,872	258,450	10,681	38,518	1,800,671	197,850	1,998,521	1,110,825	3,109,345
July	1,704,364	260,611	12,370	46,699	1,819,792	204,252	2,024,044	1,180,068	3,204,112
Aug.	1,697,125	278,826	11,612	52,305	1,833,096	206,773	2,039,868	1,194,919	3,234,787
Sept.	1,708,713	266,803	13,001	40,781	1,819,857	209,441	2,029,298	1,087,081	3,116,379
Oct	1,699,068	289,822	15,196	33,390	1,826,017	211,458	2,037,476	1,035,753	3,073,229
Nov.	1,700,365	301,959	13,226	35,572	1,849,598	201,524	2,051,122	1,117,943	3,169,065
Dec.	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000									
Jan.	1,703,847	328,097	14,003	38,070	1,879,444	204,573	2,084,017	1,026,177	3,110,195
Feb.	1,706,244	341,645	13,820	34,710	1,886,111	210,308	2,096,419	988,081	3,084,500
Mar.	1,709,700	344,161	16,047	29,956	1,890,022	209,842	2,099,864	1,108,481	3,208,345

[1] Includes Deposit Money Banks, Other Banking Institutions and International Banking Institutions.

[2] Includes Bearer Deposits as from January 1985.

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

[4] Including External Maltese Lira deposits.

TABLE 1.9 CURRENCY IN CIRCULATION

Lm thousands

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System[2]	Currency in Circulation
	Notes[1]	Coin	Total		
1985	273,302	5,716	279,018	5,681	273,337
1986	277,483	5,510	282,993	9,214	273,779
1987	301,576	6,539	308,115	7,890	300,225
1988	314,771	7,325	322,096	7,797	314,299
1989	319,856	8,025	327,881	8,476	319,405
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
1998	375,209	15,702	390,911	21,418	369,493
1999					
Jan.	365,866	15,571	381,437	14,636	366,801
Feb.	365,933	15,484	381,418	17,003	364,414
Mar.	372,406	15,578	387,984	20,946	367,039
Apr.	373,046	15,599	388,645	16,906	371,739
May	377,519	15,660	393,179	16,715	376,464
June	383,117	15,872	398,989	20,104	378,885
July	381,513	16,143	397,655	17,632	380,023
Aug.	381,644	16,273	397,917	20,345	377,572
Sept.	381,294	16,300	397,594	20,479	377,115
Oct.	379,103	16,269	395,372	17,365	378,008
Nov.	380,420	16,209	396,629	18,616	378,013
Dec.	401,999	16,486	418,485	33,893	384,593
2000					
Jan.	380,156	16,185	396,341	19,497	376,844
Feb.	381,217	16,206	397,423	20,942	376,481
Mar.	379,998	16,225	396,223	20,440	375,782

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

[2] For the purpose of this classification, the banking system includes All Banking Institutions.

TABLE 1.10 DENOMINATIONS OF MALTESE CURRENCY ISSUED AND OUTSTANDING

Lm thousands

End of Period	Total Notes & Coins[1]	Currency Notes					
		Lm20	Lm10	Lm5	Lm2	Lm1	Total
1985	279,018	-	210,276	57,581	-	5,445	273,302
1986	282,993	74,798	162,286	34,470	2,952	2,977	277,483
1987	308,115	114,701	152,639	29,308	3,716	1,212	301,576
1988	322,096	128,777	153,006	28,210	3,882	896	314,771
1989	327,881	137,386	150,490	26,885	4,304	791	319,856
1990	339,519	143,772	154,214	27,325	4,681	723	330,715
1991	354,513	147,013	165,736	26,666	4,833	685	344,933
1992	350,611	112,591	195,027	26,772	5,092	662	340,144
1993	364,013	118,509	202,241	26,036	5,170	634	352,590
1994	379,082	122,770	211,079	26,965	5,816	-	366,630
1995	367,444	121,395	201,474	25,510	5,730	-	354,109
1996	380,246	123,243	210,985	26,211	5,859	-	366,298
1997	384,655	118,144	219,736	25,853	6,099	-	369,832
1998	390,911	109,720	234,117	24,174	5,793	-	373,804
1999							
Jan.	381,437	108,654	227,455	22,641	5,724	-	364,474
Feb.	381,418	108,231	227,526	23,092	5,751	-	364,600
Mar.	387,984	108,684	232,396	24,095	5,880	-	371,055
Apr.	388,645	108,656	233,148	23,933	5,995	-	371,732
May	393,179	109,455	236,147	24,518	6,097	-	376,217
June	398,989	109,616	240,839	25,200	6,172	-	381,827
July	397,655	109,453	240,515	25,360	6,184	-	381,512
Aug.	397,917	109,056	240,756	25,535	6,298	-	381,645
Sept.	397,594	108,413	241,598	25,046	6,238	-	381,295
Oct.	395,372	108,038	240,361	24,527	6,177	-	379,103
Nov.	396,629	107,722	242,553	24,051	6,094	-	380,420
Dec.	418,485	108,626	259,366	27,738	6,270	-	402,000
2000							
Jan.	396,341	107,038	243,578	23,474	6,073	-	380,163
Feb.	397,423	107,006	244,426	23,683	6,110	-	381,224
Mar.	396,223	106,810	243,228	23,810	6,157	-	380,005

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

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY[1]

Lm thousands

End of Period	Liquid Assets						Ratios (%)		
	Actual		Required		Excess		Liquidity		Advances[2] to Deposits
	Total	Local	Total	Local	Total	Local	Total	Local	
1985	200,510	144,626	97,081	47,038	103,429	97,588	51.6	38.4	55.2
1986	201,345	141,686	107,051	51,769	94,294	89,917	47.0	34.2	57.7
1987	225,614	157,957	118,843	57,020	107,121	100,937	47.6	34.6	58.8
1988	221,189	135,030	135,127	64,286	86,061	70,745	40.9	26.3	59.1
1989	277,356	154,873	158,873	74,765	118,618	80,108	43.7	25.9	61.7
1990	274,941	107,264	150,767	55,554	124,174	51,710	36.5	15.5	66.6
1991	287,661	132,913	171,073	62,197	116,588	70,716	33.6	17.1	62.8
1992	367,586	148,126	199,401	76,726	168,185	71,400	36.9	15.4	60.8
1993	364,351	183,054	240,800	88,897	123,551	94,157	30.3	16.5	62.6
1994	503,859	259,348	279,955	105,060	223,904	154,288	36.0	19.7	60.0

Period	Liquid Assets			Net Short-term Liabilities[3]	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to Deposits[2]
1995	396,803	307,172	89,631	1,023,907	38.8	70.3
1996	498,944	346,358	152,586	1,154,527	43.2	72.0
1997	526,117	362,841	163,276	1,209,469	43.5	71.0
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
1999						
Jan.	587,932	391,140	196,792	1,303,801	45.1	71.5
Feb.	626,471	385,787	240,684	1,285,958	48.7	71.0
Mar.	635,938	387,540	248,398	1,291,801	49.2	73.5
Apr.	640,718	392,554	248,164	1,308,514	49.0	73.1
May	611,526	399,070	212,456	1,330,234	46.0	71.9
June	649,401	410,992	238,409	1,369,974	47.4	71.0
July	650,573	401,308	249,265	1,337,694	48.6	70.0
Aug.	686,408	407,686	278,722	1,358,954	50.5	68.6
Sept.	650,079	405,400	244,679	1,351,334	48.1	72.2
Oct.	712,994	430,876	282,118	1,436,252	49.6	71.8
Nov.	644,689	454,070	190,619	1,513,568	42.6	71.5
Dec.	694,529	459,454	235,075	1,531,512	45.3	71.8
2000						
Jan.	699,743	453,697	246,046	1,512,322	46.3	71.8
Feb.	696,179	453,569	242,610	1,511,896	46.0	71.9
Mar.	756,710	457,653	299,057	1,525,511	49.6	74.9

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

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

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

TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS

Lm thousands

End of Period	Cash and Deposits[1]		Other Specified Assets Maturing within 5 Years[2]		Total	
	Local	Foreign	Local	Foreign	Local	Foreign
1985	127,142	36,110	17,484	19,774	144,626	55,884
1986	127,513	48,770	14,174	10,888	141,687	59,658
1987	115,665	59,259	42,292	8,398	157,957	67,657
1988	107,175	77,756	27,855	8,403	135,030	86,159
1989	87,364	112,220	67,508	10,263	154,872	122,483
1990	23,083	151,992	84,181	15,685	107,264	167,677
1991	24,153	122,743	108,760	32,005	132,913	154,748
1992	43,019	155,983	105,107	63,477	148,126	219,460
1993	26,353	71,611	156,701	109,686	183,054	181,297
1994	131,837	97,075	127,511	147,436	259,348	244,511

Period	Cash and Deposits with CBM[3]	Treasury Bills	Inter-Bank Deposits	Marketable Debt Securities[4]	Total Liquid Assets
1995	21,565	30,142	61,887	283,209	396,803
1996	20,264	67,173	70,741	340,766	498,944
1997	26,359	26,791	55,462	417,505	526,117
1998	31,064	33,110	47,280	485,394	596,848
1999					
Jan.	25,587	61,589	47,787	452,969	587,932
Feb.	23,213	70,958	52,266	480,034	626,471
Mar.	25,309	72,982	57,751	479,896	635,938
Apr.	25,328	91,611	52,430	471,349	640,718
May	17,867	93,252	65,442	434,965	611,526
June	18,602	113,432	59,118	458,249	649,401
July	24,328	118,065	46,656	461,524	650,573
Aug.	47,682	101,204	78,977	458,545	686,408
Sept.	36,833	83,690	39,983	489,573	650,079
Oct.	37,371	77,255	86,243	512,125	712,994
Nov.	13,071	75,201	44,818	511,599	644,689
Dec.	50,995	75,929	67,768	499,837	694,529
2000					
Jan.	43,378	76,951	71,182	508,232	699,743
Feb.	39,335	87,366	62,985	506,493	696,179
Mar.	43,823	99,851	90,260	522,776	756,710

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

Lm thousands

End of Period	Public Utilities	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1985	13,780	44,757	851	43,712	8,225	18,336	40,997
1986	12,124	50,013	1,834	55,466	11,042	20,504	46,019
1987	7,745	56,348	2,505	69,899	14,808	25,647	48,087
1988	21	63,286	3,456	84,839	16,084	28,770	57,021
1989	12,036	74,653	4,087	96,958	16,412	33,911	66,620
1990	33,726	84,481	4,484	112,838	22,341	34,841	76,991
1991	42,597	59,455	5,872	115,657	24,802	28,557	84,520
1992	29,388	84,178	5,097	125,512	27,682	28,524	95,364

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
1999								
Jan.	106,391	77,796	50,745	10,723	195,748	82,057	171,629	242,178
Feb.	106,231	81,658	50,492	9,879	193,649	82,229	175,156	243,250
Mar.	108,733	82,764	49,052	10,028	203,219	84,648	185,743	259,513
Apr.	108,382	82,405	46,383	9,933	200,469	84,901	185,278	260,861
May	110,044	80,820	45,707	10,069	198,162	84,281	187,405	256,064
June	108,145	83,460	43,432	9,905	196,933	84,610	191,455	257,370
July	106,247	82,713	41,648	9,988	194,743	84,250	192,472	257,848
Aug.	103,448	82,093	41,122	10,103	190,530	85,776	192,645	255,442
Sept.	110,512	82,887	43,005	10,219	196,973	90,667	199,456	267,289
Oct.	107,948	80,041	42,465	10,224	194,969	90,592	201,675	266,376
Nov.	109,516	74,952	41,241	10,161	196,002	95,653	199,732	265,093
Dec.	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000								
Jan.	104,711	75,572	49,128	10,742	194,719	95,706	209,042	265,286
Feb.	102,265	75,739	49,283	10,317	194,323	96,130	206,591	270,511
Mar.	101,866	73,341	60,499	10,726	202,848	98,220	219,814	278,165

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

Lm thousands

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Total
	House[1] Purchases	Consumer Durable Goods	Other	Total				
1985	4,321	1,220	5,688	11,229	23,496	205,383	1,098	206,481
1986	4,835	1,973	6,105	12,913	25,917	235,832	502	236,334
1987	5,414	2,078	5,875	13,367	24,678	263,084	302	263,386
1988	6,804	1,628	7,323	15,755	28,369	297,601	162	297,763
1989	9,015	1,315	11,792	22,122	35,975	362,774	507	363,281
1990	13,448	1,827	14,470	29,745	53,836	453,283	2,547	455,830
1991	12,626	2,296	28,086	43,008	67,727	472,195	8,116	480,311
1992	15,374	3,577	34,917	53,868	79,704	529,317	9,850	539,167

End of Period	Personal				Other[2] Services	All Other	Total Local Lending	Foreign Lending	Total
	House[1] Purchases	Consumer Durable Goods	Other	Total					
1993	16,055	3,539	38,791	58,385	16,612	62,787	626,677	5,925	632,602
1994	35,531	8,977	19,547	64,055	22,331	56,093	705,874	6,344	712,218
1995	46,424	22,882	21,951	91,256	36,670	82,438	935,659	13,546	949,205
1996	60,553	32,934	29,163	122,650	46,113	95,315	1,077,636	13,970	1,091,606
1997	78,443	35,966	25,988	140,397	54,456	113,555	1,187,172	14,340	1,201,512
1998	91,733	44,627	26,324	162,684	60,829	125,524	1,292,314	5,205	1,297,519
1999									
Jan.	96,747	46,577	26,456	163,258	60,575	122,897	1,283,997	5,020	1,289,017
Feb.	107,302	47,858	27,030	164,079	60,550	123,981	1,291,154	5,158	1,296,312
Mar.	96,747	46,577	26,456	169,780	64,530	128,265	1,346,275	5,481	1,351,756
Apr.	105,040	55,074	18,996	179,110	72,666	121,580	1,351,968	5,164	1,357,132
May	106,907	53,015	21,107	181,029	65,888	129,748	1,349,217	5,203	1,354,420
June	107,302	47,858	27,030	182,190	67,043	128,936	1,353,479	5,406	1,358,885
July	108,210	48,070	28,548	184,828	67,152	126,401	1,348,290	6,659	1,354,949
Aug.	109,257	48,082	28,910	186,249	67,523	122,542	1,337,473	7,489	1,344,962
Sept.	112,919	49,116	32,112	194,147	75,243	129,485	1,399,883	7,913	1,407,796
Oct.	118,701	55,163	28,114	201,978	73,268	124,633	1,394,169	7,753	1,401,922
Nov.	119,400	49,804	36,397	205,601	77,995	126,662	1,402,608	6,788	1,409,396
Dec.	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707
2000									
Jan.	117,017	49,454	39,395	205,866	80,460	142,241	1,433,473	7,135	1,440,608
Feb.	117,989	49,281	42,985	210,255	79,875	145,479	1,440,768	7,239	1,448,007
Mar.	121,505	51,300	39,236	212,041	88,653	152,646	1,498,819	7,177	1,505,996

[1] Includes also lending for the construction, modernisation or extension of dwellings.
[2] Includes professional, repair and maintenance services.

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

Lm thousands

End of Period	Public Utilities	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1985	-	-	60	12,226	32	1,360	-
1986	-	-	138	10,881	15	3,424	390
1987	-	-	130	11,087	6	7,910	532
1988	-	-	157	12,055	-	10,722	545
1989	-	-	479	12,071	-	12,796	660
1990	-	-	471	14,102	-	14,797	1,595
1991	6,533	-	202	17,949	776	21,897	3,023
1992	13,539	-	182	20,418	1,428	27,114	3,520

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	-	23,534	-	302	23,590	-	33,816	5,723
1994	6,599	29,739	-	436	21,171	-	38,364	7,754
1995	-	17,213	-	379	9,629	539	25,040	2,622
1996	-	16,698	-	360	8,759	687	24,102	2,718
1997	-	9,496	-	463	8,088	612	20,385	2,526
1998	-	8,220	-	476	8,144	515	20,195	2,396
1999								
Jan.	-	8,220	-	454	8,167	512	17,720	2,293
Feb.	-	8,220	-	444	8,189	512	17,701	2,223
Mar.	-	7,699	-	457	7,812	473	18,125	2,243
Apr.	-	7,067	-	456	7,847	467	17,393	2,220
May	-	7,067	-	434	7,883	465	17,303	2,195
June	-	4,906	-	452	7,938	450	18,862	2,127
July	-	4,906	-	452	7,821	437	17,900	2,066
Aug.	-	4,906	-	449	7,724	419	17,768	2,048
Sept.	-	5,007	2,121	464	8,001	483	17,689	2,003
Oct.	-	4,440	2,112	464	8,069	471	16,835	1,998
Nov.	-	4,410	2,082	460	8,111	438	16,758	1,965
Dec.	-	4,409	2,074	460	8,084	373	16,655	1,945
2000								
Jan.	-	4,409	2,046	437	8,130	356	16,552	1,906
Feb.	-	4,381	2,043	433	8,120	355	16,535	1,933
Mar.	-	3,922	2,030	445	8,368	395	16,364	2,004

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

Lm thousands

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Grand Total
	House[1] Purchases	Consumer Durable Goods	Other	Total				
1985	33,371	-	514	33,885	1,538	49,101	7,315	56,416
1986	37,212	59	104	37,375	1,334	53,557	13,861	67,418
1987	41,074	52	120	41,246	1,764	62,675	25,795	88,470
1988	47,549	42	165	47,756	4,590	75,825	50,378	126,203
1989	55,425	27	180	55,632	6,016	87,654	56,768	144,422
1990	63,880	22	133	64,035	7,978	102,978	70,152	173,130
1991	71,801	16	139	71,956	15,026	137,362	81,114	218,476
1992	78,913	11	168	79,092	17,542	162,835	87,187	250,022

End of Period	Personal				Other[2] Services	All Other	Total Local Lending	Foreign Lending[3]	Grand Total
	House[1] Purchases	Consumer Durable Goods	Other	Total					
1993	82,830	16	120	82,966	2,712	7,063	179,706	79,287	258,993
1994	84,500	16	68	84,584	4,822	7,957	201,426	5,040	206,466
1995	86,135	38	72	86,245	1,841	3,272	146,937	86,619	233,556
1996	90,613	62	142	90,817	1,924	2,810	148,912	245,450	394,362
1997	95,247	52	130	95,429	1,987	3,103	142,089	447,503	589,592
1998	103,321	77	88	103,486	1,741	2,946	148,119	606,667	754,786
1999									
Jan.	103,441	74	87	103,602	1,723	3,045	145,736	608,327	754,063
Feb.	103,534	71	111	103,716	1,709	3,203	145,925	619,956	765,881
Mar.	107,407	73	143	107,623	1,727	2,920	149,079	639,900	788,979
Apr.	99,223	69	142	99,434	1,707	2,845	139,436	656,794	796,230
May	99,359	83	135	99,577	1,646	2,968	139,538	647,665	787,202
June	99,449	84	134	99,667	1,605	3,248	139,255	693,143	832,398
July	99,939	82	133	100,154	1,584	3,279	138,599	705,593	844,192
Aug.	99,382	78	132	99,592	1,560	2,990	137,456	672,965	810,420
Sept.	102,502	80	134	102,716	1,578	2,937	142,998	723,328	866,326
Oct.	103,124	80	182	103,332	1,556	5,229	144,506	691,523	836,029
Nov.	103,280	84	193	103,557	1,520	5,358	144,659	773,989	918,648
Dec.	103,070	92	190	103,352	1,504	4,767	143,623	815,458	959,081
2000									
Jan.	103,514	96	273	103,882	1,467	5,700	144,885	812,518	957,403
Feb.	104,021	91	415	104,527	1,369	6,191	145,887	821,507	967,394
Mar.	108,269	94	514	108,877	1,382	5,538	149,325	780,357	929,682

1 Includes also lending for the construction, modernisation or extension of dwellings.
2 Includes professional, repair and maintenance services.
3 As from January 1995, includes lending by International Banking Institutions.

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

Lm thousands

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1993	443	29,924	4,522	41,884	5,767	106	97,063	10,966
1994	454	38,744	3,751	50,572	7,422	66	103,901	12,122
1995	779	80,039	14,808	57,403	8,790	149	120,933	13,975
1996	808	86,053	15,512	64,830	11,615	217	131,073	17,599
1997	928	97,177	17,045	61,622	11,030	188	131,061	21,707
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
1999	910	107,996	33,107	47,279	10,765	-	134,461	22,999
2000								
Mar.	966	100,900	31,858	45,405	11,171	-	141,454	21,800

End of Period	Shipbuilding and Shiprepair	Building and Construction		Hotel, Restaurant and Tourist Trades		Wholesale and Retail Trades	
	Private /Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1993	64,579	26,519	1,552	62,931	1,173	117,249	2,284
1994	66,500	41,367	1,960	75,076	1,360	141,719	3,488
1995	63,536	62,494	3,534	103,211	1,071	183,703	729
1996	64,113	71,200	3,077	131,948	2,425	210,967	52
1997	60,460	69,231	2,974	171,964	2,525	226,681	6
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
1999	46,909	94,189	2,666	218,053	2,830	269,119	9
2000							
Mar.	47,883	95,911	2,704	232,041	4,137	280,159	10

End of Period	Personal	Other Services		All Other		Total Local Lending		
		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Total
1993	141,351	14,774	4,550	62,064	7,786	534,579	162,908	697,487
1994	148,639	22,042	5,111	58,248	5,802	603,138	185,205	788,343
1995	177,501	28,370	10,141	79,318	6,392	783,019	234,014	1,017,033
1996	213,467	37,851	10,186	93,483	4,642	921,650	249,505	1,171,155
1997	235,826	47,722	8,721	111,191	5,467	1,026,212	257,314	1,283,526
1998	266,170	54,748	7,822	124,727	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,723	1,524,562
2000								
Mar.	320,918	79,972	10,063	155,372	3,496	1,353,580	232,640	1,586,220

[1] Loans and advances extended by Deposit Money Banks, Other Banking Institutions 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. Includes interest in suspense.

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

Lm thousands

End of Period		Size of Loans and Advances[2]						
		Up to 1,000	Over 1,000 to 5,000	Over 5,000 to 10,000	Over 10,000 to 25,000	Over 25,000 to 100,000	Over 100,000	Total
1985	Amount	2,517	11,443	7,664	13,465	29,065	142,327	206,481
	Interest Rate	7.94	7.80	7.92	7.99	7.97	7.26	7.47
1986	Amount	3,530	13,069	8,543	16,205	36,356	158,631	236,334
	Interest Rate	7.89	7.66	7.69	7.77	7.72	7.11	7.31
1987	Amount	3,462	14,241	10,353	17,465	38,646	179,219	263,386
	Interest Rate	7.84	7.47	7.28	7.75	7.71	7.09	7.26
1988	Amount	3,104	15,404	12,635	19,917	41,978	204,725	297,763
	Interest Rate	7.76	7.43	7.10	7.62	7.58	7.01	7.16
1989	Amount	3,179	17,083	15,359	25,286	51,780	250,574	363,281
	Interest Rate	7.61	7.33	7.13	7.59	7.60	6.96	7.13
1990	Amount	3,762	20,082	19,600	30,904	61,942	319,540	455,830
	Interest Rate	7.56	7.48	6.85	7.66	7.64	6.78	7.00

End of Period		Size of Loans and Advances [2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.62	7.46	6.66	7.09
1992	Amount	56,552	125,587	99,836	257,192	539,167
	Interest Rate	7.24	7.71	7.55	6.62	7.11
1993	Amount	62,835	134,049	117,056	318,662	632,602
	Interest Rate	7.49	7.92	7.79	6.53	7.15
1994	Amount	75,537	156,107	133,338	347,239	712,218
	Interest Rate	7.60	7.99	7.90	6.61	7.26
1995	Amount	97,779	213,428	210,382	427,616	949,205
	Interest Rate	7.89	8.06	7.96	6.89	7.49
1996	Amount	109,058	249,572	237,482	495,517	1,091,606
	Interest Rate	8.03	8.35	8.34	7.13	7.76
1997	Amount	99,412	279,695	254,113	568,291	1,201,512
	Interest Rate	7.95	8.40	8.47	7.32	7.87
1998	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
1999						
Mar.	Amount	112,735	335,110	307,145	596,770	1,351,756
	Interest Rate	8.02	8.35	8.48	7.42	7.94
June	Amount	129,976	350,659	322,025	556,229	1,358,885
	Interest Rate	7.41	7.78	7.78	6.79	7.34
Sept.	Amount	135,757	359,476	314,725	597,840	1,407,796
	Interest Rate	7.41	7.71	7.84	6.68	7.27
Dec.	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						
Mar.	Amount	145,197	398,187	341,181	621,431	1,505,996
	Interest Rate	7.36	7.65	7.67	6.52	7.16

1 For the purpose of this classification, these include loans and advances extended to residents and non-residents in domestic and foreign currencies. Interest rates are weighted averages of each size group.

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

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

Lm thousands

End of Period		Size of Loans and Advances[2]						
		Up to 1,000	Over 1,000 to 5,000	Over 5,000 to 10,000	Over 10,000 to 25,000	Over 25,000 to 100,000	Over 100,000	Total
1985	Amount	311	16,917	12,409	5,602	2,342	18,836	56,417
	Interest Rate	7.45	7.18	7.76	8.00	8.11	7.66	7.59
1986	Amount	306	18,228	14,223	7,026	2,185	25,450	67,418
	Interest Rate	7.26	6.99	7.38	7.58	7.70	7.42	7.32
1987	Amount	640	22,799	13,847	6,953	2,948	41,283	88,470
	Interest Rate	7.33	7.09	7.39	7.61	8.45	7.11	7.24
1988	Amount	745	25,256	16,841	8,717	4,547	70,097	126,203
	Interest Rate	6.96	6.84	7.02	7.24	7.71	8.22	7.69
1989	Amount	856	27,366	20,821	10,589	4,347	80,443	144,422
	Interest Rate	6.96	6.83	7.03	7.34	7.68	8.95	8.11
1990	Amount	946	29,024	25,601	12,113	5,736	99,710	173,130
	Interest Rate	6.94	6.85	7.04	7.30	7.70	9.00	8.18

End of Period		Size of Loans and Advances[2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	61,280	21,205	25,115	110,876	218,476
	Interest Rate	6.94	7.50	7.80	8.33	7.80
1992	Amount	67,581	25,883	25,648	130,910	250,022
	Interest Rate	6.96	7.57	7.68	7.53	7.39
1993	Amount	71,826	26,920	27,975	132,272	258,993
	Interest Rate	7.01	7.79	7.32	6.06	6.64
1994	Amount	72,419	26,430	23,598	84,019	206,466
	Interest Rate	7.01	7.83	7.99	7.27	7.33
1995	Amount	71,733	23,374	11,961	40,410	147,478
	Interest Rate	7.02	7.77	8.01	7.01	7.22
1996	Amount	72,239	27,013	11,213	38,914	149,379
	Interest Rate	7.01	7.83	8.14	7.01	7.24
1997	Amount	72,449	30,590	10,607	28,214	141,860
	Interest Rate	7.02	7.79	8.10	7.09	7.28
1998	Amount	73,437	37,087	11,131	25,775	147,430
	Interest Rate	7.03	7.72	8.10	7.15	7.31
1999						
Mar.	Amount	74,423	39,581	11,173	22,950	148,127
	Interest Rate	7.03	7.65	8.19	7.11	7.30
June	Amount	68,217	37,406	10,429	21,513	137,565
	Interest Rate	6.37	6.91	7.45	6.55	6.63
Sept.	Amount	68,702	39,920	10,049	20,721	139,392
	Interest Rate	6.40	6.90	7.43	6.43	6.62
Dec.	Amount	67,983	41,112	8,824	19,818	137,738
	Interest Rate	6.40	6.86	7.59	6.51	6.63
2000						
Mar.	Amount	68,399	45,874	8,578	19,639	142,491
	Interest Rate	6.40	6.80	7.58	6.53	6.62

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

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

TABLE 1.18 SELECTED INTEREST RATES IN MALTA[1]
(Percent per annum)

	1994	1995	1996	1997	1998	1999				2000
						Mar.	June	Sept.	Dec.	Mar.
Central Bank										
Discount Rate	5.50	5.50	5.50	5.50	5.50	5.50	4.95	4.75	4.75	4.75
Central Intervention Rate [2]	-	-	-	-	5.45	4.95	4.95	4.75	4.75	4.75
Injection Rate	-	-	-	-	5.50	5.00	5.00	4.80	4.80	4.80
Absorption Rate	-	-	-	-	5.40	4.90	4.90	4.70	4.70	4.70
Repurchase Agreements										
7 day Reverse Repo	-	4.94	5.01	5.22	5.43	4.95	4.91	4.74	4.70	4.72
7 day Repo	-	5.50	5.40	5.50	5.50	5.00	5.00	4.80	4.80	4.80
Standby (Collateralised) Loan Facility [3]	5.75	6.00	6.00	6.00	6.00	6.00	5.50	5.30	5.30	5.30
Overnight Deposit Facility [4]	2.50	2.50	-	-	-	-	-	1.80	1.80	1.80
Reserve Requirements	2.50	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Interbank Market Offered Rates										
1 week	-	-	-	5.26	5.56	5.20	4.90	4.80	4.74	4.73
1 month	-	-	-	5.38	5.70	5.85	5.03	4.95	4.75	4.85
3 month	-	-	-	5.51	5.95	5.75	5.27	5.27	5.27	5.27
Deposit Money Banks [5]										
Average Weighted Deposit Rate	3.95	4.00	4.24	4.39	4.42	4.53	4.51	4.48	4.32	4.22
Current	0.15	0.16	0.42	1.37	1.49	1.55	1.55	1.53	1.11	1.19
Savings	3.00	3.00	3.01	3.02	3.04	3.04	3.04	3.04	2.81	2.58
Time	5.00	5.01	5.29	5.35	5.35	5.55	5.54	5.49	5.43	5.31
Average Weighted Lending Rate	7.26	7.49	7.93	8.04	8.08	8.08	7.58	7.52	7.28	7.31
Government Securities										
Treasury Bills										
1 month	-	-	5.00	5.19	5.43	5.36	5.05	5.05	5.05	5.05
3 month	-	4.94	5.01	5.25	5.49	5.38	5.13	5.13	4.95	4.85
6 month	-	5.16	5.29	5.31	5.48	5.42	5.19	5.14	4.97	4.95
1 year	-	5.34	5.36	5.40	5.49	5.49	5.29	5.29	5.12	5.12
Government Stocks [6]										
1 year	-	-	5.12	5.30	5.58	5.51	5.78	5.06	4.86	5.03
5 year	5.79	6.60	6.65	6.82	5.80	5.64	5.59	5.54	5.46	5.33
10 year	6.65	7.08	7.23	7.26	6.00	5.94	5.87	5.74	5.55	5.60
15 year	-	-	7.49	7.62	6.47	6.34	6.21	6.19	6.03	5.95
20 year	-	-	-	-	6.86	6.70	6.44	6.26	6.14	6.01

[1] End of period rates.

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

[3] Offered in terms of Section 15(i)k of the CBM Act.

[4] As from 15 July 1996, the Central Bank ceased paying interest on overnight call account balances. An overnight deposit facility was re-introduced on 9 September 1999.

[5] Rates on resident Maltese lira deposits and loans extended to residents in local currency.

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

TABLE 1.19 NET CHANGES IN SELECTED LIQUID ASSET HOLDINGS OF THE NON-BANK PUBLIC[1]

Lm thousands

End of Period	Currency in Circulation	Deposits				Net Investments Abroad[2]	Total Non-Bank
		Demand	Savings	Time	Total		
1985	-10,347	5,722	18,608	27,444	51,774	-422	41,005
1986	442	1,450	12,321	20,756	34,527	-200	34,769
1987	26,446	5,496	15,019	21,390	41,905	-136	68,215
1988	14,074	-2,287	27,910	29,563	55,192	42	69,308
1989	5,106	660	27,160	53,326	81,146	-166	86,086
1990	10,900	5,587	55,393	35,037	96,017	-215	106,702
1991	14,037	8,214	49,611	19,411	77,236	-7,399	83,875
1992	-6,707	8,569	56,806	47,180	112,555	-9,500	96,348
1993	15,623	889	48,184	63,243	112,316	-8,737	119,202
1994	12,652	25,832	47,149	117,914	190,895	-16,969	186,578
1995	-14,141	-12,040	48,370	99,511	135,841	-14,069	107,631
1996	10,289	7,040	26,427	133,153	166,620	-13,087	163,822
1997	1,697	24,113	36,856	116,020	176,989	-14,603	164,083
1998	5,728	38,001	11,006	120,862	169,869	-10,553	165,044
1999							
Jan.	-2,692	-6,012	7,777	18,494	20,259	-1,179	16,388
Feb.	-2,387	4,080	1,392	18,578	24,050	-642	21,021
Mar.	2,624	6,626	7,096	545	14,267	-859	16,032
Apr.	4,701	2,880	5,925	5,809	14,614	-1,614	17,700
May	4,725	4,272	15,685	6,254	26,211	-1,190	29,745
June	2,421	8,394	-2,204	23,924	30,114	-1,841	30,694
July	1,137	-3,617	11,293	11,643	19,319	-2,108	18,349
Aug.	-2,451	15,402	-7,239	7,071	15,234	-1,650	11,133
Sept.	-457	-7,467	-5,510	2,491	-10,486	-729	-11,672
Oct.	892	2,719	8,279	-7,435	3,564	-1,444	3,012
Nov.	6	4,185	-2,042	19,839	21,982	-564	21,423
Dec.	6,579	10,959	11,819	2,209	24,987	-715	30,851
2000							
Jan.	-7,748	-5,498	2,655	10,327	7,484	-1,115	-1,379
Feb.	-363	-475	3,735	5,909	9,169	-2,239	6,567
Mar.	-699	-8,522	-2,646	9,481	-1,687	-464	-2,850

[1] Based on the Banking Survey (Table 1.6). Annual figures are changes from year to year, monthly figures represent changes from month to month.
[2] Includes only funds channelled through Deposit Money Banks.

TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE

Lm thousands

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary[1]	Grants	Total	Ordinary[1]	Capital[2]	Total		Local Loans	Foreign Loans	Total	
1985	216,848	248	217,096	187,086	40,560	227,646	-10,550	-	3,453	3,453	-7,097
1986	224,388	289	224,677	195,655	44,809	240,464	-15,787	-	1,175	1,175	-14,612
1987	221,055	2	221,057	208,739	54,881	263,620	-42,564	-	103	103	-42,461
1988	254,489	14,256	268,745	223,540	50,464	274,004	-5,259	46,885	-6,885	40,000	34,741
1989	277,348	8,131	285,479	244,425	76,321	320,745	-35,266	5,200	1,043	6,243	-29,023
1990	329,890	7,678	337,568	273,415	108,276	381,690	-44,122	34,200	13,841	48,041	3,919
1991	355,932	16,374	372,306	301,909	115,493	417,403	-45,097	30,375	9,110	39,485	-5,612
1992	341,766	16,392	358,158	330,014	58,017	388,032	-29,874	36,000	878	36,878	7,004
1993	388,179	8,428	396,607	368,624	59,673	428,297	-31,690	28,800	2,902	31,702	12
1994	416,068	12,853	428,921	410,365	62,340	472,705	-43,784	28,700	11,305	40,005	-3,779
1995	482,834	4,517	487,351	452,478	70,344	522,823	-35,472	32,500	655	33,155	-2,317
1996	447,470	20,805	468,275	505,195	73,527	578,722	-110,447	70,178	3,044	73,222	-37,225
1997[3]	504,415	9,809	514,224	538,276	103,392	641,668	-127,444	167,463	3,095	170,558	43,114
1998	539,070	10,043	549,113	569,150	96,846	665,997	-116,884	110,000	-	110,000	-6,884
1999	628,168	9,684	637,852	584,834	106,129	690,965	-53,113	54,530	-	54,530	1,417
1999											
Jan.	37,406	-	37,406	44,773	4,440	49,214	-11,808	-	-	-	-11,808
Feb.	40,734	-	40,734	42,574	5,865	48,439	-7,705	-	-	-	-7,705
Mar.	36,512	-	36,512	43,444	5,697	49,142	-12,630	-	-	-	-12,630
Apr.	59,889	-	59,889	56,019	7,551	63,570	-3,681	-	-	-	-3,681
May	42,457	6,410	48,867	44,073	11,198	55,270	-6,403	-	-	-	-6,403
June	63,880	-	63,880	48,027	6,589	54,616	9,264	-	-	-	9,264
July	44,508	-	44,508	63,543	6,274	69,817	-25,309	-	-	-	-25,309
Aug.	60,964	1,465	62,429	44,266	11,067	55,333	7,096	-	-	-	7,096
Sept.	52,088	-	52,088	41,448	5,617	47,065	5,023	54,530	-	54,530	59,553
Oct.	51,606	25	51,631	49,104	7,798	56,902	-5,271	-	-	-	-5,271
Nov.	43,331	-	43,331	42,899	10,571	53,470	-10,139	-	-	-	-10,139
Dec.	94,793	1,784	96,577	64,664	23,462	88,127	8,450	-	-	-	8,450
2000											
Jan.	29,283	-	29,283	42,101	6,247	48,348	-19,065	-	-	-	-19,065
Feb.	44,871	12	44,883	55,727	4,487	60,213	-15,330	-	-	-	-15,330
Mar.	54,337	-	54,337	65,515	5,683	71,199	-16,862	-	-	-	-16,862

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

[2] As from 1992, excludes capital expenditure incurred by the Public Authorities/Corporations.

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

SOURCE: The Treasury

TABLE 2.2 GOVERNMENT REVENUE BY MAJOR SOURCES

Lm thousands

Period	Tax Revenue						Non-Tax Revenue[3]	Ordinary Revenue[4]	Foreign Grants	Total Revenue
	Income Tax	National Insurance[1] Contributions	V.A.T. & C.E.T.	Licences, Taxes & Fines[2]	Customs & Excise	Total				
1985	44,553	52,024	-	9,789	39,607	145,973	70,875	216,848	248	217,096
1986	43,590	52,280	-	10,777	43,891	150,538	73,850	224,388	289	224,677
1987	42,998	53,491	-	11,663	46,868	155,020	66,035	221,055	2	221,057
1988	46,740	57,938	-	14,302	54,679	173,659	80,830	254,489	14,256	268,745
1989	51,128	58,388	-	17,662	61,273	188,451	88,897	277,348	8,131	285,479
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
1999										
Jan.	5,496	6,029	6,186	4,186	3,807	25,704	11,702	37,406	0	37,406
Feb.	5,904	8,670	5,142	5,144	3,978	28,838	11,896	40,734	0	40,734
Mar.	7,505	11,059	8,107	6,171	1,496	34,338	2,174	36,512	0	36,512
Apr.	11,053	13,512	6,618	6,496	7,083	44,762	15,127	59,889	0	59,889
May	8,870	12,704	7,001	6,311	4,338	39,224	3,233	42,457	6,410	48,867
June	6,819	10,772	7,090	4,820	4,600	34,101	29,779	63,880	0	63,880
July	8,431	11,822	9,029	6,212	6,325	41,819	2,689	44,508	0	44,508
Aug.	16,372	11,131	7,188	6,004	3,463	44,158	16,806	60,964	1,465	62,429
Sept.	19,875	13,326	7,262	4,461	5,831	50,755	1,333	52,088	0	52,088
Oct.	15,348	11,300	7,686	6,708	3,433	44,475	7,131	51,606	25	51,631
Nov.	9,447	12,840	7,200	5,923	4,759	40,169	3,162	43,331	0	43,331
Dec.	13,234	21,109	6,514	5,524	6,313	52,694	42,099	94,793	1,784	96,577
2000										
Jan.	8,197	4,722	8,348	4,858	1,686	27,810	1,472	29,283	0	29,283
Feb.	7,303	13,587	8,301	5,406	5,827	40,424	4,447	44,871	12	44,883
Mar.	8,745	13,909	8,358	6,021	4,881	41,914	12,423	54,337	0	54,337

[1] Includes Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987).
[2] Includes revenues from death and donation duties up to December 1994.
[3] Includes mainly Central Bank of Malta profits, privatisation receipts, sinking funds of converted loans and other miscellaneous receipts.
[4] As from 1992, excludes the contribution by the Public Corporations/Authorities towards their own capital programme.

SOURCE: The Treasury

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

Period	Productive	Infrastructure	Social	Total
1985	20,329	17,181	3,050	40,560
1986	18,855	18,830	7,124	44,809
1987	24,860	19,909	10,112	54,881
1988	25,734	15,478	9,252	50,464
1989	41,672	20,645	14,004	76,321
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997[2]	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
1999				
Jan.	3,268	670	502	4,440
Feb.	4,014	1,156	695	5,865
Mar.	2,541	1,980	1,176	5,697
Apr.	3,888	2,348	1,315	7,551
May	4,531	5,616	1,052	11,198
June	3,248	1,942	1,399	6,589
July	3,346	1,091	1,838	6,274
Aug.	8,078	1,643	1,346	11,067
Sept.	2,740	1,511	1,366	5,617
Oct.	5,605	-1,819	4,013	7,798
Nov.	3,276	3,846	3,449	10,571
Dec.	7,945	7,531	7,986	23,462
2000				
Jan.	4,671	768	808	6,247
Feb.	1,927	963	1,596	4,486
Mar.	1,640	2,196	1,847	5,683

[1] As from 1992, excludes capital expenditure incurred by Public Corporations/Authorities.
[2] Including a loan to Malta Drydocks amounting to Lm24.6m.

SOURCE: The Treasury

TABLE 3.1 TREASURY BILLS ISSUED AND OUTSTANDING[1]

Lm thousands

End of Period	Amount Maturing During Period	Amount Issued and Taken up by			Amount Outstanding[4] and held by		
		Banking System[2]	Non-Bank[3] Public	Total	Banking System[2]	Non-Bank[3] Public	Total
1987	-	28,427	1,173	29,600	28,405	1,195	29,600
1988	74,600	57,897	2,103	60,000	14,640	360	15,000
1989	17,000	20,915	1,085	22,000	19,675	325	20,000
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
1999							
Jan.	15,661	11,000	10,541	21,541	71,379	18,214	89,593
Feb.	26,357	9,800	19,342	29,142	78,958	13,420	92,378
Mar.	34,789	22,250	31,239	53,489	76,881	34,197	111,078
Apr.	36,419	33,250	16,751	50,001	97,769	26,891	124,660
May	39,529	23,800	23,603	47,403	99,326	33,208	132,534
June	45,539	38,300	1,130	39,430	120,292	6,133	126,425
July	38,160	27,500	22,647	50,147	120,994	17,418	138,412
Aug.	27,487	3,000	19,447	22,447	116,138	17,234	133,372
Sept.	31,118	-	-	-	97,808	4,446	102,254
Oct.	45,428	15,200	7,102	22,302	74,457	4,671	79,128
Nov.	23,647	18,000	10,019	28,019	77,453	6,047	83,500
Dec.	180	-	-	-	77,832	5,488	83,320
2000[4]							
Jan.	27,829	22,000	9,335	31,335	80,780	6,046	86,826
Feb.	9,072	16,939	9,602	26,541	91,941	12,354	104,295
Mar.	5,039	11,707	3,300	15,007	102,020	12,243	114,263

[1] Amounts are at nominal prices.

[2] Including Central Bank of Malta and All Banking Institutions.

[3] Including the Malta Government Sinking Fund.

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

TABLE 3.2 MALTA GOVERNMENT STOCKS
(Outstanding as at end - March 2000)

Lm thousands

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Dates of Interest	Held By: Banking System	Held By: Non-Bank Public	Held By: Govt. Sinking Fund	Amount
6.75 % LDRS	2000	1990	100	01 June - 1 Dec.	8,502	1,498	-	10,000
7.25 % MGS	2000 (II)	1992	100	3 Apr. - 3 Oct.	217	783	-	1,000
6.50 % MGS	2000 (III)	1995	100	10 June - 10 Dec.	8,162	1,838	-	10,000
6.50 % MGS	2000 (IV)	1995	100	30 Mar. - 30 Sept.	9,287	1,213	-	10,500
6.75 % MGS	2000 (V)	1996	100	28 Mar. - 28 Sept.	25,834	4,166	-	30,000
6.65 % MGS	2000 (VI)	1997	100	24 May - 24 Nov.	14,374	3,126	-	17,500
7.00 % LDRS	2000/1	1991	102	13 Apr. - 13 Oct.	643	357	-	1,000
7.00 % LDRS	2000/1 (II)	1991	102	11 May - 11 Nov.	768	232	-	1,000
7.00 % LDRS	2000/1 (III)	1991	102	15 June - 15 Dec.	830	170	-	1,000
7.00 % LDRS	2000/1 (IV) [2]	1991	102	17 Aug. - 17 Feb.	895	605	-	1,500
7.00 % LDRS	2000/1 (V) [2]	1991	102	21 Mar. - 21 Sept.	1,357	643	-	2,000
7.00 % LDRS	2000/1 (VI) [2]	1991	102	19 Oct. - 19 Apr.	524	476	-	1,000
3.00 % LDRS	2001 [1]	1991	100	15 June - 15 Dec.	299	201	-	500
3.00 % LDRS	2001 (II) [1]	1991	100	17 Aug. - 17 Feb.	387	113	-	500
3.00 % LDRS	2001 (III) [1]	1991	100	21 Mar. - 21 Sept.	858	142	-	1,000
3.00 % LDRS	2001 (IV) [1]	1991	100	19 Oct. - 19 Apr.	617	83	-	700
6.15 % MGS	2001 (V)	1998	100	19 May - 19 Nov.	21,439	1,161	-	22,600
6.50 % MGS	2001	1994	100	15 July - 15 Jan.	1,410	590	-	2,000
6.50 % MGS	2001 (II)	1994	100	19 May - 19 Nov.	6,496	3,504	-	10,000
6.75 % MGS	2001 (III)	1995	100	28 Apr. - 1 Aug.	4,689	4,311	-	9,000
6.75 % MGS	2001 (IV)	1996	100	20 Jan. - 20 July	4,807	2,693	-	7,500
7.75 % MGS	2002	1992	100	3 Apr. - 3 Oct.	3,316	16,884	-	20,200
6.90 % MGS	2002 (II)	1995	100	10 Jun. - 10 Dec.	4,509	5,491	-	10,000
6.90 % MGS	2002 (III)	1995	100	30 Mar. - 30 Sept.	7,556	4,944	-	12,500
6.90 % MGS	2002 (IV)	1997	100	30 Mar. - 30 Sept.	18,809	4,941	-	23,750
7.00 % MGS	2003 [3]	1993	100	18 Feb. - 18 Aug.	9,852	18,215	-	28,067
7.00 % MGS	2003 (II)	1993	100	3 Jul. - 3 Jan.	3,933	16,900	-	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	8,057	10,643	-	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	21,638	4,214	-	25,852
7.25 % MGS	2005	1997	100	10 Jun. - 10 Dec.	16,151	7,349	-	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	13,431	3,069	-	16,500
5.60 % MGS	2005 (II) B	1999	100	1 Feb. - 1 Aug.	6,156	8,844	-	15,000
7.00 % MGS	2006	1994	100	19 May - 19 Nov.	745	9,255	-	10,000
7.00 % MGS	2006 (IV)	1996	100	20 Jan. - 20 July	-	167	-	167
7.25 % MGS	2006 (II)	1995	100	28 Apr. - 1 Aug.	4,404	14,846	-	19,250
7.25 % MGS	2006 (III)	1996	100	20 Jan. - 20 July	6,221	8,779	-	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	13,177	11,573	-	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,646	1,354	-	10,000
7.20 % MGS	2008	1998	100	28 Feb. - 15 July	7,368	2,632	-	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	17,187	12,813	-	30,000
7.00 % MGS	2009	1999	100	1 Mar. - 1 Sept.	-	65	-	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	10,440	14,560	-	25,000
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	14,136	864	-	15,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	6,659	8,341	-	15,000
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	15,716	18,784	-	34,500
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	14,840	19,410	-	34,250
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	27,498	42,502	-	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	9,954	34,046	-	44,000
Total					382,794	329,390	-	712,183

[1] Interest thereon exempted from income tax.

[2] The first Lm50 interest thereon exempted from income tax.

[3] Exempted from duty on documents, bearing a rate of interest revisable every two years to maintain it at 1% lower than the normal maximum lending rate allowed by law, subject to a minimum of 7%. The stock is redeemable at a premium of 10% over the normal value, between January 1 and December 31, 2003.

SOURCE: Malta Stock Exchange.

TABLE 3.3 MALTA GOVERNMENT STOCKS BY REMAINING TERM TO MATURITY [1]

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	Over 16 yrs	Total
1985	5,500	21,885	-	-	-	27,385
1986	3,000	24,385	-	-	-	27,385
1987	6,885	18,500	2,000	-	-	27,385
1988	7,500	59,885	-	-	-	67,385
1989	1,000	71,585	-	-	-	72,585
1990	3,500	93,285	10,000	-	-	106,785
1991	5,500	106,285	25,400	-	-	137,185
1992	1,000	125,285	41,400	-	-	167,685
1993	49,885	84,367	90,300	-	-	224,552
1994	37,900	95,352	110,000	10,000	-	253,252
1995	7,000	158,651	120,300	-	-	285,951
1996	15,800	213,302	112,017	15,000	-	356,119
1997	48,452	279,800	111,367	83,750	-	523,369
1998	46,750	255,650	177,219	83,750	70,000	633,369
1999	79,000	221,202	199,232	98,750	114,000	712,184

[1] Refers to the maximum redemption period.

TABLE 3.4 GOVERNMENT EXTERNAL DEBT BY TYPE OF CREDITOR

Lm thousands

Period	Official Bilateral Entities[1]	Official Multilateral Organisations[2]	Private Commercial Banks[3]	Total
1985	39,472	3,052	-	42,524
1986	32,630	2,809	-	35,439
1987	27,319	2,522	-	29,841
1988	26,057	2,081	-	28,138
1989	23,978	2,911	-	26,889
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
1999	25,517	14,984	3,904	44,405
2000				
Mar.	25,099	15,010	3,897	44,006

[1] Bilateral loans are loans from government's and their agencies (including central banks), and loans from autonomous bodies.
[2] Multilateral organisations include the World Bank, regional development banks, and other multilateral and inter-governmental agencies.
[3] Commercial bank loans from private banks or financial institutions.
[4] Provisional.

SOURCE: The Treasury; CBM Estimates; Ministry of Finance

TABLE 3.5 GOVERNMENT EXTERNAL DEBT BY CURRENCY

Lm thousands

Period	FFr	Stg	DM	Yen	EURO[1]	US$	Lit	Others	Total
1985	488	7,830	5,519	-	2,654	10,897	38	15,098	42,524
1986	449	4,741	5,781	-	2,533	8,842	-	13,092	35,438
1987	401	4,365	5,672	-	2,368	6,858	-	10,176	29,840
1988	329	4,293	5,060	-	2,049	6,702	-	9,704	28,137
1989	300	3,616	5,092	-	2,901	6,152	-	8,829	26,890
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
1999	-	-	2,036	3,904	9,549	6,947	19,890	2,079	44,405
2000 [2]									
Mar.	-	-	1,993	3,897	9,400	7,170	19,758	1,789	44,006

[1] Euro replaced ECU as from January 1, 1999.

[2] Provisional

SOURCE: The Treasury.

TABLE 3.6 GOVERNMENT EXTERNAL DEBT BY REMAINING TERM TO MATURITY

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1985	38	1,573	10,972	14,865	10,806	4,270	42,524
1986	0	1,694	8,736	10,684	10,306	4,019	35,438
1987	151	1,105	11,453	7,242	6,170	3,720	29,841
1988	176	1,950	13,436	3,799	5,060	3,716	28,137
1989	23	1,459	12,710	3,699	5,092	3,906	26,889
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	0	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
1999	-	6,014	20,999	13,354	2,692	1,346	44,405
2000 [1]							
Mar.	-	13,558	13,403	14,386	1,355	1,305	44,006

[1] Provisional.

SOURCE: The Treasury
Ministry of Finance.

TABLE 4.1 NET FOREIGN ASSETS OF THE BANKING SYSTEM [1]

Lm thousands

Period	Monetary Authorities							
	Central Bank of Malta				Government & Parastatal Companies[2]			Total (A+B)
	Gold and Other Precious Metals	Convertible Currencies	IMF Related Assets [3]	Total (A)	Foreign Currency Deposits [5]	Other Official Funds [4,5]	Total (B)	
1990	12,979	380,527	33,618	427,124	15,874	1,765	17,639	444,763
1991	6,437	366,822	37,175	410,434	4,459	11,992	16,451	426,885
1992	9,101	435,857	30,061	475,019	4,874	12,337	17,211	492,230
1993	10,216	490,358	32,827	533,401	4,347	11,747	16,094	549,495
1994	7,314	577,501	32,829	617,644	61,672	11,118	72,790	690,434
1995	3,596	471,090	34,007	508,693	60,844	11,163	72,007	580,700
1996	3,646	468,523	36,408	508,577	34,739	10,803	45,542	554,119
1997	1,311	501,379	38,912	541,602	9,086	10,980	20,066	561,668
1998	688	598,874	40,429	639,991	-	-	-	639,991
1999								
Jan.	687	607,216	40,429	648,332	-	-	-	648,332
Feb.	708	601,786	40,723	643,217	-	-	-	643,217
Mar.	700	603,874	32,635	637,208	-	-	-	637,208
Apr.	724	617,760	33,378	651,862	-	-	-	651,862
May	598	617,830	33,662	652,089	-	-	-	652,089
June	670	651,349	33,756	685,774	-	-	-	685,774
July	511	655,549	33,783	689,843	-	-	-	689,843
Aug.	628	658,229	34,372	693,229	-	-	-	693,229
Sept.	711	660,372	34,443	695,526	-	-	-	695,526
Oct.	721	685,093	34,727	720,541	-	-	-	720,541
Nov.	700	706,650	35,558	742,909	-	-	-	742,909
Dec.	737	704,084	35,517	740,339	-	-	-	740,339
2000								
Jan.	747	696,405	35,457	732,609	-	-	-	732,609
Feb.	703	679,432	35,698	715,834	-	-	-	715,834
Mar.	743	672,042	36,168	708,953	-	-	-	708,953

[1] On cash accounting basis.
[2] Customers' Foreign Currency Deposits and Sinking Funds are held with the Central Bank, while Other Official Funds are held with the Treasury.
[3] Include IMF Reserve Position and Holdings of SDRs.
[4] Including Government Sinking Funds.
[5] Following changes in Central bank accounting policies, as from December 1998, foreign currency deposits and other official funds belonging to Government and parastatal companies are being included under the "Convertible Currencies" heading.

TABLE 4.1 NET FOREIGN ASSETS OF THE BANKING SYSTEM [1]

(Continued)

Lm thousands

Period	Deposit Money Banks [2] & Other Banking Institutions			Total (A+B+C)	International Banking Institutions [2]			Grand Total (A+B+C+D)
	Assets	Liabilities	Net (C)		Assets	Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	554,059	339,032	215,027	795,727	233,535	216,332	17,203	812,930
1996	585,607	407,831	177,776	731,895	453,720	431,497	22,223	754,118
1997	532,762	410,258	122,504	684,172	804,388	753,351	51,037	735,209
1998	596,369	514,407	81,962	721,953	1,606,314	1,464,139	142,175	864,128
1999								
Jan.	611,995	531,019	80,976	729,308	1,765,350	1,620,119	145,231	874,539
Feb.	639,804	555,839	83,965	727,182	1,854,224	1,708,045	146,179	873,361
Mar.	617,730	550,882	66,848	704,056	2,050,512	1,901,141	149,371	853,427
Apr.	614,929	553,849	61,080	712,942	2,157,362	2,021,693	135,670	848,612
May	663,192	575,066	88,126	740,215	2,051,003	1,907,552	143,451	883,666
June	630,996	558,451	72,545	758,319	2,286,056	2,133,008	153,048	911,367
July	626,166	543,509	82,657	772,500	2,266,158	2,104,424	161,734	934,235
Aug.	641,277	543,961	97,316	790,545	2,332,226	2,168,041	164,185	954,730
Sept.	660,375	573,525	86,850	782,376	2,304,576	2,133,179	171,397	953,773
Oct.	661,669	594,036	67,634	788,175	2,278,456	2,101,828	176,628	964,803
Nov.	668,041	612,114	55,927	798,836	2,210,225	2,059,635	150,590	949,425
Dec.	647,620	601,424	46,196	786,535	2,275,154	2,113,414	161,740	948,275
2000								
Jan.	660,033	625,940	34,093	766,702	2,039,167	1,892,099	147,068	913,770
Feb.	663,869	619,549	44,320	760,154	2,003,861	1,868,029	135,832	895,986
Mar.	693,492	646,899	46,593	755,546	1,998,920	1,867,353	131,567	887,113

[1] On cash accounting basis.

[2] For the purposes of this table only, the amounts of Mid-Med Bank (Overseas) Ltd. and Bank of Valletta International Ltd., i.e. the offshore subsidiaries of Mid-Med Bank plc and Bank of Valletta plc respectively, are being classified as Deposit Money Banks and not with the International Banking Institutions, as shown in other tables.

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

End of Period Rates

End of Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1985	1.6378	5.7980	2.3593	2.6544	3955.37	17.789	6.532	118.673	472.76	4.896
1986	1.8341	5.2555	2.7090	2.5322	3661.89	17.405	5.935	109.511	432.97	4.393
1987	1.7151	5.0784	3.2081	2.4652	3753.48	17.240	5.714	106.365	390.83	4.113
1988	1.6775	5.3756	3.0107	2.5858	3954.55	18.344	6.070	112.871	378.90	4.555
1989	1.8539	5.0392	2.9686	2.5005	3771.61	17.233	5.694	105.831	426.81	4.589
1990	1.7335	5.0006	3.3249	2.4349	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	2.4448	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	2.2136	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	2.2678	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	2.2083	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	2.1586	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	2.2173	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	2.3101	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	2.2640	4382.63	14.870	4.990	91.360	300.71	3.645
1999	1.4983	4.7163	2.4230	2.4114	4669.13	15.818	5.314	97.276	247.64	3.870
1999										
Oct 1	1.5287	4.5930	2.5252	2.3484	4547.11	15.404	5.175	94.734	265.59	3.748
8	1.5209	4.6104	2.5153	2.3573	4564.34	15.463	5.195	95.093	270.39	3.760
15	1.5262	4.5765	2.5512	2.3399	4530.77	15.349	5.157	94.393	269.45	3.712
22	1.5131	4.6090	2.5302	2.3565	4562.87	15.458	5.193	95.062	267.28	3.764
29	1.5154	4.6436	2.4824	2.3742	4597.13	15.574	5.232	95.776	258.92	3.804
Nov 5	1.5234	4.6422	2.4714	2.3735	4595.75	15.569	5.231	95.747	261.03	3.831
12	1.5206	4.6586	2.4559	2.3819	4611.99	15.624	5.249	96.085	258.01	3.827
19	1.5181	4.6644	2.4528	2.3849	4617.74	15.644	5.256	96.205	260.82	3.820
26	1.5125	4.6917	2.4294	2.3988	4644.74	15.735	5.286	96.768	252.04	3.842
Dec 3	1.5070	4.7137	2.4125	2.4101	4666.61	15.809	5.311	97.223	246.91	3.846
10	1.5002	4.7043	2.4340	2.4053	4657.22	15.777	5.301	97.028	249.91	3.844
17	1.5095	4.6926	2.4329	2.3993	4645.67	15.738	5.287	96.787	251.27	3.844
24	1.5041	4.6948	2.4388	2.4004	4647.84	15.746	5.290	96.832	250.50	3.858
2000										
Jan. 7	1.4991	4.6811	2.4629	2.3934	4634.28	15.700	5.274	96.550	259.04	3.849
14	1.4913	4.7032	2.4494	2.4047	4656.12	15.774	5.299	97.005	259.71	3.881
21	1.4778	4.7291	2.4412	2.4180	4681.82	15.861	5.329	97.540	255.32	3.894
28	1.4758	4.7683	2.4003	2.4380	4720.62	15.992	5.373	98.349	252.69	3.929
Feb. 4	1.4972	4.7541	2.3825	2.4307	4706.58	15.945	5.356	98.056	256.62	3.910
11	1.4926	4.7569	2.3866	2.4322	4709.34	15.954	5.360	98.114	260.88	3.905
18	1.4931	4.7536	2.3895	2.4305	4706.02	15.943	5.356	98.044	265.63	3.898
25	1.4966	4.7527	2.3851	2.4300	4705.19	15.940	5.355	98.027	264.55	3.910
Mar. 3	1.4941	4.7803	2.3591	2.4442	4732.54	16.033	5.386	98.597	254.07	3.927
10	1.4928	4.7867	2.3543	2.4474	4738.87	16.054	5.393	98.729	249.83	3.935
17	1.5003	4.7710	2.3597	2.4394	4723.30	16.001	5.376	98.404	249.39	3.935
24	1.4923	4.7737	2.3690	2.4407	4725.93	16.010	5.379	98.459	253.55	3.889
30	1.4781	4.8155	2.3465	2.4621	4767.34	16.151	5.426	99.329	246.44	3.919

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

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

TABLE 4.3 MALTESE LIRA EXCHANGE RATES AGAINST MAJOR CURRENCIES[1]

Averages for the Period

Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1985	1.6580	6.2643	2.1385	2.8057	3750.50	19.121	7.066	126.340	507.67	5.225
1986	1.7374	5.5167	2.5482	2.5969	3788.76	17.609	6.221	113.492	427.88	4.535
1987	1.7696	5.2001	2.8981	2.5107	3750.50	17.391	5.859	108.044	419.37	4.313
1988	1.6987	5.3029	3.0251	2.5565	3928.82	17.989	5.968	111.002	387.38	4.417
1989	1.7528	5.3898	2.8712	2.6048	3932.95	18.288	6.080	112.939	395.63	4.688
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
1999										
Jan.	1.5958	4.4284	2.6345	2.2693	4393.90	14.886	5.001	91.542	297.98	3.643
Feb.	1.5814	4.4945	2.5749	2.2980	4449.59	15.074	5.064	92.702	300.48	3.673
Mar.	1.5619	4.5481	2.5317	2.3254	4502.57	15.254	5.125	93.806	303.11	3.708
Apr.	1.5556	4.5759	2.5049	2.3396	4530.10	15.347	5.156	94.379	299.64	3.747
May	1.5462	4.5933	2.4971	2.3485	4547.33	15.405	5.175	94.738	304.52	3.764
June	1.5408	4.6298	2.4597	2.3672	4583.47	15.528	5.217	95.491	297.07	3.775
July	1.5547	4.6234	2.4472	2.3639	4577.16	15.506	5.209	95.360	292.67	3.792
Aug.	1.5507	4.5927	2.4909	2.3482	4546.75	15.403	5.175	94.726	282.32	3.758
Sept.	1.5294	4.6256	2.4829	2.3650	4579.29	15.513	5.212	95.404	265.80	3.788
Oct	1.5212	4.6053	2.5217	2.3547	4559.25	15.446	5.189	94.987	267.37	3.754
Nov	1.5176	4.6569	2.4629	2.3810	4610.34	15.619	5.247	96.051	258.04	3.822
Dec	1.5063	4.7000	2.4294	2.4030	4652.95	15.763	5.296	96.939	249.08	3.847
2000										
Jan.	1.4895	4.7109	2.4438	2.4087	4663.81	15.800	5.308	97.165	257.19	3.879
Feb.	1.4929	4.7533	2.3903	2.4303	4705.81	15.942	5.356	98.040	261.57	3.906
Mar.	1.4943	4.7799	2.3594	2.4439	4732.09	16.031	5.386	98.588	251.49	3.922

[1] Calculated on the arithmetic mean of the daily opening and closing Central Bank midpoint rates. From 1985 to 1987 annual averages for ECU/Lm are crossrates compiled from data issued by the IMF.

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

TABLE 4.4 MALTA'S FOREIGN TRADE

Lm thousands

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1985	169,244	17,856	187,100	354,138	-167,038
1986	180,317	14,351	194,668	348,113	-153,445
1987	190,706	17,883	208,589	392,876	-184,287
1988	217,147	18,774	235,921	447,432	-211,511
1989	273,607	20,798	294,405	515,809	-221,404
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,650	-362,710
1996	569,900	54,250	624,150	1,007,800	-383,650
1997 [1]	563,950	64,980	628,930	984,230	-355,300
1998 [1]	664,816	47,169	711,985	1,034,920	-322,935
1999 [1]	712,436	78,700	791,136	1,136,233	-345,097
1999 [1]					
Jan.	57,862	3,885	61,747	80,991	-19,243
Feb.	52,532	10,664	63,196	77,721	-14,526
Mar.	59,381	4,725	64,106	93,077	-28,971
Apr.	60,765	5,270	66,035	96,717	-30,682
May	62,810	4,801	67,611	96,835	-29,224
June	56,572	6,577	63,149	88,326	-25,177
July	54,937	8,565	63,502	94,479	-30,977
Aug.	55,839	6,761	62,600	84,606	-22,006
Sept.	56,430	5,223	61,653	91,843	-30,190
Oct.	66,792	7,471	74,263	113,316	-39,053
Nov.	65,198	7,334	72,532	109,076	-36,544
Dec.	63,319	7,424	70,743	109,247	-38,504
2000					
Jan.	65,101	8,189	73,290	97,234	-23,944
Feb.	73,737	6,441	80,178	109,873	-29,695
Mar.	77,789	7,560	85,349	117,792	-32,443

[1] Provisional.
Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics.

TABLE 4.5 DIRECTION OF TRADE - TOTAL EXPORTS

Lm thousands

Period	United Kingdom	Italy	Germany[1]	France	Other EU	Libya	United States	Others	Total
1985	29,940	17,691	57,291	5,069	14,513	11,948	11,884	38,763	187,099
1986	26,554	20,986	61,916	6,652	13,494	9,729	14,872	40,465	194,668
1987	28,354	30,045	64,492	4,772	13,638	18,494	16,080	32,714	208,589
1988	31,022	41,132	63,918	9,869	14,492	14,585	26,304	34,599	235,921
1989	31,489	89,333	66,087	15,616	15,886	15,917	16,430	43,648	294,406
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,946
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997[2]	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,913
1998[2]	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
1999[2]	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,141
1999[2]									
Jan.	6,213	2,949	7,709	11,834	4,302	2,885	11,092	14,763	61,747
Feb.	3,927	2,686	8,071	13,402	4,938	1,315	15,743	13,113	63,195
Mar.	5,412	2,782	8,319	13,499	4,500	1,668	10,954	16,972	64,106
Apr.	6,297	3,599	9,318	10,895	4,669	1,229	13,924	16,105	66,036
May	6,246	3,854	8,154	10,276	4,487	1,210	14,763	18,622	67,612
June	4,522	4,943	7,117	9,180	4,508	1,286	15,187	16,406	63,149
July	5,444	3,000	7,919	8,254	5,088	2,019	16,392	15,387	63,503
Aug.	6,630	2,697	8,353	9,081	3,013	1,153	13,546	18,127	62,600
Sept.	4,329	2,332	8,204	9,274	3,749	1,744	13,548	18,474	61,654
Oct.	7,280	3,345	10,758	8,617	5,198	2,179	15,235	21,651	74,263
Nov.	9,421	3,798	8,809	9,197	1,837	1,000	13,383	25,087	72,532
Dec.	7,481	2,873	6,659	6,879	4,055	2,506	14,854	25,437	70,744
2000									
Jan.	7,118	2,400	7,210	9,275	4,267	459	18,626	23,935	73,290
Feb.	6,416	3,528	9,783	7,754	4,806	2,698	19,611	25,582	80,178
Mar.	6,836	3,564	9,354	4,740	4,021	1,207	20,129	35,498	85,349

[1] Figures prior to 1990 are for West Germany only.
[2] Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

TABLE 4.6 DIRECTION OF TRADE - IMPORTS

Lm thousands

Period	United Kingdom	Italy	Netherlands	France	Germany[1]	Other EU	United States	Others	Total
1985	65,746	81,846	10,663	14,509	63,100	22,132	20,314	75,828	354,138
1986	61,306	81,153	10,962	14,746	65,832	18,035	18,156	77,923	348,113
1987	67,589	74,482	12,562	13,602	68,231	21,982	42,131	92,297	392,876
1988	79,917	99,675	12,882	22,157	66,173	20,558	42,707	103,363	447,432
1989	82,304	155,780	14,723	28,596	66,446	35,433	20,184	112,343	515,809
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997[2]	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998[2]	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999[2]	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,234
1999[2]									
Jan.	7,972	14,389	1,827	16,418	7,316	4,603	9,291	19,174	80,990
Feb.	8,373	13,615	1,853	15,115	8,443	5,711	5,867	18,744	77,721
Mar.	11,233	15,560	2,199	16,694	10,126	6,204	7,140	23,922	93,078
Apr.	11,923	16,209	1,906	17,446	10,177	6,796	9,121	23,139	96,717
May	11,173	15,162	1,645	18,078	8,794	7,224	7,037	27,722	96,835
June	8,900	16,367	1,950	14,686	10,740	5,864	6,699	23,120	88,326
July	10,645	15,293	2,428	18,105	10,866	6,573	7,451	23,118	94,479
Aug.	10,787	12,406	2,089	15,199	8,763	5,240	8,164	21,958	84,606
Sept.	9,604	15,696	1,986	16,562	9,572	4,904	8,903	24,616	91,843
Oct.	11,792	20,505	2,891	22,831	9,729	6,916	9,066	29,586	113,316
Nov.	11,407	16,682	2,609	22,583	10,143	6,860	9,447	29,345	109,076
Dec.	9,927	17,989	2,314	23,304	8,900	6,280	7,778	32,755	109,247
2000									
Jan.	7,813	17,390	1,758	16,116	7,916	5,588	8,188	32,465	97,234
Feb.	9,714	21,702	2,036	20,274	10,083	6,727	10,514	28,823	109,873
Mar.	10,987	21,919	2,456	21,671	10,544	7,404	11,065	31,745	117,791

[1] Figures prior to 1990 are for West Germany only.
[2] Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

TABLE 4.7 DOMESTIC EXPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1985	6,202	5,410	1,603	616	21	1,953	17,953	33,371	101,990	125	169,244
1986	4,561	4,864	1,247	16	3	2,404	20,210	45,021	101,868	121	180,317
1987	4,208	4,569	1,541	20	1	2,911	23,099	54,949	99,322	86	190,706
1988	4,967	2,661	2,015	2	12	2,532	24,960	83,646	96,228	124	217,147
1989	5,077	2,091	2,560	8	8	3,022	28,033	137,137	95,529	142	273,607
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,723
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997 [1]	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,932
1998 [1]	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999 [1]	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,441
1999 [1]											
Jan.	686	46	208	-	-	1,237	4,829	37,134	13,645	77	57,862
Feb.	453	93	63	-	-	1,458	3,248	35,445	11,413	358	52,531
Mar.	797	188	26	-	-	1,168	4,288	39,998	12,824	93	59,382
Apr.	1,062	119	132	-	-	1,312	5,322	38,414	14,344	59	60,766
May	2,428	263	73	-	-	1,010	3,852	42,017	13,081	87	62,811
June	876	189	160	-	-	1,012	4,394	39,562	10,336	43	56,572
July	827	102	56	-	-	1,127	3,865	35,857	13,044	60	54,938
Aug.	2,728	294	23	-	-	918	3,586	35,369	12,848	74	55,840
Sept.	1,615	199	92	-	-	1,205	3,365	38,110	11,822	21	56,430
Oct.	1,900	227	256	-	-	1,574	5,338	41,603	15,807	86	66,792
Nov.	1,205	199	157	-	-	1,201	4,632	44,816	12,912	75	65,198
Dec.	910	157	200	-	-	996	3,343	47,147	10,543	22	63,319
2000											
Jan.	385	15	344	-	-	810	3,659	51,342	8,465	80	65,101
Feb.	965	97	357	-	-	941	5,317	53,454	12,600	6	73,737
Mar.	748	253	151	-	-	1,086	4,917	56,958	13,668	8	77,789

[1] Provisional.
Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

TABLE 4.8 IMPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufac-tured Goods	Machinery and Transport Equipment	Manufac-tured Articles	Miscel-laneous	Total
1985	45,515	9,029	6,715	42,468	2,722	25,675	99,045	85,291	32,452	5,227	354,139
1986	39,027	9,857	6,858	20,953	1,418	27,908	101,589	96,466	38,540	5,497	348,113
1987	41,781	8,667	7,515	25,065	1,533	30,817	100,904	128,181	38,306	10,107	392,876
1988	46,779	8,736	8,817	20,346	1,620	34,705	104,787	166,198	45,423	10,021	447,432
1989	53,383	7,766	7,748	32,607	1,623	36,041	114,386	208,388	47,100	6,764	515,806
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,509
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997 [1]	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998 [1]	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
1999 [1]	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,239
1999[1]											
Jan.	7,447	877	746	5,518	171	6,327	9,559	43,591	6,034	720	80,991
Feb.	6,468	875	1,228	3,005	173	6,507	11,416	38,877	8,506	667	77,721
Mar.	8,861	924	1,100	3,594	201	7,198	12,876	45,434	12,005	887	93,078
Apr.	8,306	1,346	1,245	4,120	336	6,804	12,934	49,291	11,743	592	96,717
May.	7,700	1,747	1,004	3,187	143	6,705	13,495	53,007	9,215	633	96,836
June	7,587	1,672	1,050	4,719	176	6,859	12,000	45,273	8,301	690	88,327
July	6,920	1,879	1,346	3,520	211	7,942	13,843	50,158	7,981	677	94,479
Aug.	9,369	1,228	961	2,725	317	6,669	9,680	43,751	9,317	588	84,606
Sept.	7,743	1,414	1,221	5,267	113	6,330	9,911	47,534	11,482	829	91,844
Oct.	10,072	1,628	1,028	10,797	163	7,216	11,365	58,394	12,076	576	113,316
Nov.	10,302	1,729	1,320	2,794	171	7,232	12,371	59,747	12,831	579	109,076
Dec.	8,641	2,683	938	9,479	170	6,642	11,238	59,091	9,384	979	109,248
2000											
Jan.	7,997	1,087	773	8,612	124	6,736	10,290	54,792	6,385	440	97,234
Feb.	7,659	709	1,453	6,708	345	7,309	11,906	61,226	11,865	692	109,873
Mar.	8,765	1,271	1,289	7,949	136	8,136	12,586	64,400	12,453	806	117,792

[1] Provisional

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

TABLE 5.1 GROSS NATIONAL PRODUCT

By Category of Expenditure at Current Market Prices

Lm thousands

Period	Consumers' Expenditure[1]	Government Consumption Expenditure[2]	Gross Fixed Capital Formation[3]	Inventory Changes[4]	Exports of Goods & Services	Total Final Expenditure	*Less* Imports of Goods & Services	**Gross Domestic Product**	Net Investment Income from Abroad[5]	**Gross National Product**
1985	333,239	84,309	125,871	7,883	345,155	896,457	420,475	475,982	38,785	514,767
1986	343,369	89,508	122,327	8,179	370,228	933,611	421,742	511,869	28,056	539,925
1987	351,187	98,249	153,453	-2,377	429,593	1,030,105	480,934	549,171	30,661	579,832
1988	387,567	105,185	166,405	8,150	480,024	1,147,331	540,880	606,451	28,343	634,794
1989	425,515	119,613	188,437	9,903	543,463	1,286,931	616,792	670,139	35,763	705,902
1990	460,845	129,153	232,611	12,668	626,415	1,461,692	726,947	734,745	55,017	789,762
1991	494,504	147,055	239,144	15,556	701,865	1,598,124	791,249	806,875	49,663	856,538
1992	531,350	164,335	240,874	145	804,056	1,740,760	866,010	874,750	41,695	916,445
1993	561,498	188,862	276,804	3,708	896,325	1,927,197	987,163	940,034	35,481	975,515
1994	608,288	209,519	305,388	9,957	994,410	2,127,562	1,099,028	1,028,534	19,331	1,047,865
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999[6]	907,980	270,207	329,086	10,781	1,329,745	2,847,799	1,401,061	1,446,738	-2,332	1,444,406
1999[6]										
Mar.	207,460	65,723	69,448	19,121	282,036	643,788	306,805	336,983	14,563	351,546
June	234,367	70,001	88,042	-8,271	334,539	718,678	349,324	369,354	-4,487	364,867
Sept.	231,642	65,462	79,465	-25,823	366,168	716,914	346,061	370,853	8,208	379,061
Dec.	234,511	69,021	92,131	25,754	347,002	768,419	398,871	369,548	-20,616	348,932

[1] Expenditure on consumption of goods and services by persons and non-profit making bodies.
[2] Excludes transfer payments (social security benefits, subsidies and grants) and capital expenditure.
[3] Expenditure on fixed capital assets by the Government as well as the private and parastatal sectors.
[4] Increase in the quantity of stocks and work in progress held by the Government and trading enterprises. This is obtained as a residual and therefore contains the error term.

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

SOURCE: Central Office of Statistics

TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY

Period	United Kingdom	Italy	North Africa[1]	Germany[2]	Scandinavian Countries[3]	United States	All Others	Total
1985	256,468	43,810	49,603	56,998	19,990	6,836	84,159	517,864
1986	329,390	36,475	28,484	59,711	23,177	5,199	91,753	574,189
1987	446,686	43,551	48,014	70,228	22,484	7,099	107,881	745,943
1988	476,578	50,678	40,669	77,644	22,533	8,734	107,010	783,846
1989	492,899	53,223	34,111	91,717	23,273	9,831	123,257	828,311
1990	450,002	64,039	38,881	130,203	29,444	9,934	149,273	871,776
1991	458,523	64,008	50,094	136,452	17,891	8,809	159,259	895,036
1992	525,629	76,045	43,882	153,531	21,851	9,302	172,142	1,002,382
1993	520,778	85,671	53,465	176,077	21,276	10,314	195,632	1,063,213
1994	530,385	98,746	45,337	200,281	29,920	11,973	259,581	1,176,223
1995	461,159	97,384	43,534	187,761	32,979	10,945	282,209	1,115,971
1996	398,899	89,439	56,958	184,110	33,338	11,969	279,075	1,053,788
1997	436,899	90,190	45,702	193,020	33,576	14,924	296,850	1,111,161
1998	448,763	90,558	44,508	203,199	35,414	17,641	342,157	1,182,240
1999	422,368	92,726	52,537	212,430	46,365	18,558	369,156	1,214,230
1999								
Jan.	17,937	2,976	2,319	8,000	1,321	1,031	11,107	44,691
Feb.	24,585	3,480	2,778	11,266	1,215	1,145	14,738	59,207
Mar.	36,038	4,772	3,109	20,105	2,666	1,810	23,137	91,637
Apr.	35,356	6,957	3,202	20,332	4,196	1,456	33,387	104,886
May	36,944	5,819	4,272	24,217	4,783	2,064	38,820	116,919
June	43,043	6,974	4,860	18,613	7,283	2,026	35,341	118,230
July	45,561	13,910	5,995	19,567	6,652	2,066	55,726	149,477
Aug.	50,956	25,612	6,759	19,260	3,871	1,253	51,458	159,169
Sept.	44,808	8,170	5,040	21,549	5,154	1,519	43,075	129,315
Oct.	38,374	5,492	5,306	25,523	5,492	1,882	33,308	115,377
Nov.	30,452	3,299	4,849	14,279	2,515	1,366	16,630	73,390
Dec.	18,314	5,265	4,048	9,719	1,217	940	12,429	51,932
2000								
Jan.	14,674	2,623	3,986	10,976	1,619	994	9,845	44,717
Feb.	21,473	2,545	3,650	11,978	1,806	1,032	13,003	55,487
Mar.	28,654	4,786	4,485	19,431	2,907	1,651	20,152	82,066

[1] North African countries include Algeria, Egypt, Libya, Morocco and Tunisia.
[2] Figures prior to 1990 are for West German tourists only.
[3] Scandinavian countries include Denmark, Norway and Sweden.

SOURCE: Central Office of Statistics

TABLE 5.3 LABOUR MARKET

End of Period	Labour Supply			Gainfully Occupied			Unemployment[1]					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent[2]	Amount	Percent[3]	Amount	Percent
1985	92,835	29,850	122,685	85,058	27,689	112,747	7,777	8.4	2,161	7.2	9,938	8.1
1986	93,404	30,204	123,608	86,785	28,324	115,109	6,619	7.1	1,880	6.2	8,499	6.9
1987	95,764	31,787	127,551	91,133	30,788	121,921	4,631	4.8	999	3.1	5,630	4.4
1988	97,633	32,493	130,126	93,475	31,498	124,973	4,158	4.3	995	3.1	5,153	4.0
1989	98,040	32,916	130,956	93,980	32,155	126,135	4,060	4.1	761	2.3	4,821	3.7
1990	98,655	33,628	132,283	94,331	32,865	127,196	4,324	4.4	763	2.3	5,087	3.8
1991	100,039	35,218	135,257	96,029	34,309	130,338	4,010	4.0	909	2.6	4,919	3.6
1992	101,470	35,687	137,157	96,982	34,627	131,609	4,488	4.4	1,060	3.0	5,548	4.0
1993	102,086	36,348	138,434	96,813	35,446	132,259	5,273	5.2	902	2.5	6,175	4.5
1994	100,424	35,677	136,101	95,593	34,923	130,516	4,831	4.8	754	2.1	5,585	4.1
1995	103,211	36,868	140,079	98,778	36,054	134,832	4,433	4.3	814	2.2	5,247	3.7
1996	104,058	38,332	142,390	98,878	37,267	136,145	5,180	5.0	1,065	2.8	6,245	4.4
1997	104,747	39,190	143,937	98,700	38,088	136,788	6,047	5.8	1,102	2.8	7,149	5.0
1998	104,908	39,916	144,824	98,478	38,909	137,387	6,430	6.1	1,007	2.5	7,437	5.1
1999												
Jan.	104,774	39,973	144,747	98,321	38,898	137,219	6,453	6.2	1,075	2.7	7,528	5.2
Feb.	105,025	40,073	145,098	98,468	38,977	137,445	6,557	6.2	1,096	2.7	7,653	5.3
Mar.	104,861	40,068	144,929	98,301	38,965	137,266	6,560	6.3	1,103	2.8	7,663	5.3
Apr.	104,717	40,013	144,730	98,358	38,970	137,328	6,359	6.1	1,043	2.6	7,402	5.1
May	104,808	40,166	144,974	98,538	39,135	137,673	6,270	6.0	1,031	2.6	7,301	5.0
June	104,823	40,352	145,175	98,593	39,247	137,840	6,230	5.9	1,105	2.7	7,335	5.1
July	105,317	40,970	146,287	98,862	39,597	138,459	6,445	6.1	1,373	3.4	7,828	5.4
Aug.	105,421	41,076	146,497	98,646	39,725	138,371	6,775	6.4	1,351	3.3	8,126	5.5
Sept.	105,307	41,218	146,525	98,531	39,983	138,514	6,776	6.4	1,235	3.0	8,011	5.5
Oct.	105,032	41,025	146,057	98,321	39,870	138,191	6,711	6.4	1,155	2.8	7,866	5.4
Nov.	105,066	41,094	146,160	98,379	39,978	138,357	6,687	6.4	1,116	2.7	7,803	5.3
Dec.	104,848	41,053	145,901	98,237	39,969	128,206	6,611	6.3	1,084	2.6	7,695	5.3
2000												
Jan.	105,019	41,322	146,341	98,188	40,166	138,354	6,831	6.5	1,156	2.8	7,987	5.5
Feb.	105,205	41,464	146,669	98,378	40,295	138,673	6,827	6.5	1,169	2.8	7,996	5.5
Mar.	105,345	41,567	146,912	98,672	40,474	139,146	6,673	6.3	1,093	2.6	7,766	5.3

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

[2] As a percentage of male labour supply.

[3] As a percentage of female labour supply.

SOURCE: Department of Labour up to June 1991
Employment and Training Corporation as from July 1991

TABLE 5.4 BUILDING APPLICATIONS APPROVED BY PURPOSE AND FLOOR SPACE AREA

sq. m (thousands)

	Agricultural	Manufacturing	Tourism	Offices/Retail/ Warehousing	Dwellings	Parking	Recreational/ Social	Total
1993	10,057	26,158	5,065	65,912	143,286	80,219	25,848	356,545
1994	9,444	50,168	22,606	91,499	191,340	119,938	95,217	580,212
1995	13,690	66,548	38,549	86,630	283,814	208,562	62,396	760,189
1996	25,868	37,844	11,917	134,701	201,590	109,201	144,300	665,421
1997	9,020	74,589	12,244	124,755	273,158	178,582	19,397	691,745
1996								
Mar.	5,512	19,163	10,935	57,340	98,760	60,831	93,739	346,280
June	7,123	15,583	982	62,399	67,215	36,629	40,891	230,822
Sept.	12,121	952	-	4,796	10,472	6,308	2,797	37,446
Dec.	1,112	2,146	-	10,166	25,143	5,433	6,873	50,873
1997								
Mar.	1,037	7,080	176	32,499	55,573	35,086	11,223	142,674
June	3,002	11,329	7,350	31,004	68,512	38,043	3,116	162,356
Sept.	4,388	27,363	7,350	31,340	96,511	56,814	3,078	226,844
Dec.	593	28,817	4,718	29,912	52,562	48,639	1,980	167,221

SOURCE: Planning Authority.

TABLE 5.5 NUMBER OF APPLICATIONS APPROVED BY TYPE OF DWELLING

	Apartments	Maisonettes	Terraced Houses	Other	Total
1993	1,192	651	1,016	114	2,973
1994	1,744	1,219	1,014	149	4,126
1995	2,142	1,114	1,160	195	4,611
1996	1,862	1,399	745	221	4,227
1997	1,441	1,030	462	92	3,025

SOURCE: Planning Authority.

TABLE 5.6 INFLATION RATES[1]

(Base 1946 = 100)

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

[1] The index of Inflation (Base 1946=100) is compiled by the Government's Statistics Department (C.O.S.) on the basis of the Retail Price Index in terms of Section 10C of the Housing (Decontrol) (Amendment) Act 1979.

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

TABLE 5.7 RETAIL PRICE INDEX[1]

(Base 1995 = 100)

Period	All Items
1985	78.87
1986	80.47
1987	80.81
1988	81.57
1989	82.28
1990	84.73
1991	86.88
1992	88.30
1993	91.96
1994	95.76
1995	99.57
1996	102.05
1997	105.39
1998	107.74
1999	110.04
1999	
Jan.	108.62
Feb.	109.06
Mar.	109.46
Apr.	108.92
May	109.64
June	109.60
July	109.49
Aug.	110.13
Sept.	110.62
Oct.	110.82
Nov.	111.81
Dec.	112.26
2000	
Jan.	112.24
Feb.	112.05
Mar.	112.28

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

SOURCE: Central Office of Statistics

General Methodological Notes on the Compilation of Money and Banking Statistics

General Standards

The methodology underlying the compilation of monetary and banking statistics in the *Quarterly Review* is consistent with internationally agreed statistical and economic concepts, definitions, and classification as published in the International Monetary Fund's (IMF) *"A Guide to Money and Banking Statistics in International Financial Statistics*" (1984).

Determination of Residence

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

Sector Classification of the Maltese Economy

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

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

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

(a) ***Banking Institutions*** are divided into the four constituent subsectors of the banking system in Malta, namely:

(i) Central Bank of Malta

(ii) Deposit Money Banks (DMB)
(iii) Other Banking Institutions (OBI)
(iv) International Banking Institutions (IBI)

The **Central Bank of Malta** is a distinct corporate body having specialised functions. It is assigned the responsibilities normally assigned to the monetary authority of a country, which include the issuing of bank notes and coin, holding the international reserves of the country, ensuring monetary stability, and the safeguarding of a sound financial system. **Deposit Money Banks** are those banking institutions that offer liabilities in the form of deposits payable on demand, transferable by cheque, or otherwise usable for making payments to non-bank enterprises and households. Their role as creators of deposit money distinguishes them from other banking institutions. In fact, the **Other Banking Institution**, are banks that mainly grant long-term loans and, in general, do not offer any deposit facilities to their customers. **International Banking Institutions** are those banks that offer international banking facilities to non-residents and accept deposits primarily from non-residents. Since international banking institutions are permitted to offer demand deposits to their customers, their assets and liabilities are consolidated with those of the deposit money banks in order to derive the statistical data for the *Monetary* and *Banking Surveys* (ie. Tables 1.5 and 1.6). The consolidated data of the IBI sector do not distinguish between those institutions that are registered under the Banking Act 1994 and those that are registered under the Malta Financial Services Centre Act, Cap. 330.

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

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

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

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

Measures of Money

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

Notes and Coin in circulation outside the banking system

Deposits (non-bank), including:

- Demand (current)
- Savings
- Time (fixed) deposits

Compilation Process

Money and banking statistics are based on a consolidation of the monthly financial statements provided by the four subsectors of the local banking system. Figures for the monetary authorities which include the Central Bank of Malta and the Treasury (henceforth to be known as the Accountant General's Office) are obtained from the monthly balance sheet of the Central Bank of Malta, except for the figure on other official funds which is extrapolated from annual figures published by the Treasury in its *Financial Report*. The financial institutions have to submit data to the Central Bank of Malta no later than fifteen days following the end of the reporting month or quarter. Branches, agencies and offices of financial institutions operating in Malta and which are not incorporated in Malta are also obliged to submit financial information in the requested forms. The institutions compile monthly schedules in line with the international accounting norms as issued from time to time by International Accounting Standards Committee. The monthly financial data of the international banking institutions regulated by the Malta Financial Services Centre Act are submitted directly to the Bank by the Malta Financial Services Centre.

Basis of Calculation

Monetary data, in general, show the stock position ie. outstanding balances on a particular date (end-month, end-quarter or end-year). Monetary data aggregates are consolidated, thus all identifiable inter-bank transactions are eliminated. Assets and liability items which are denominated in foreign currencies are converted into Maltese liri (Lm) at the middle exchange rate in effect at the end of the reporting period.

Valuation

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

Central Bank Publications

Apart from the *Quarterly Review*, the other publications of the Central Bank of Malta that cover the Maltese monetary and banking sectors are the *Annual Report* and the monthly *Statistical Release on Monetary Aggregates and Their Determinants* published in the local press on the 7th day of every month.

Sources of other economic data published in the *Quarterly Review*

Part 2 Government Finance

The Treasury

Part 3 Public Debt

Treasury Bills - Central Bank of Malta
Malta Government Stocks - Malta Stock Exchange
Government External Debt - The Treasury

Part 4 External Transactions

Net Foreign Assets - Central Bank of Malta
Banking Institutions
Exchange Rates - Central Bank of Malta
Foreign Trade - Central Office of Statistics (henceforth to be known as the Statistics Department)

Part 5 Real Economy

Gross Domestic Product - Central Office of Statistics
Tourist Arrivals - Central Office of Statistics
Labour Market - Employment and Training Corporation
Building and Construction - Planning Authority
Inflation - Central Office of Statistics