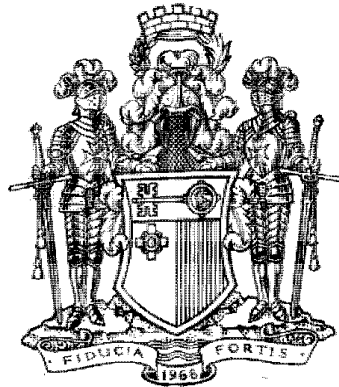


Central Bank of Malta



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Notes: The cut-off date for information published in the Economic Survey is September 20, 2001.
For figures published in the Statistical Tables, the cut-off date is September 27, 2001.
Figures in tables may not add up due to rounding.

ECONOMIC SURVEY

1. FOREWORD

During the second quarter of 2001, the Central Bank's central intervention rate and discount rate were unchanged at 4.75%. In August, however, the Bank lowered both these official interest rates by 25 basis points to 4.5%. The Bank eased its monetary stance further in September, when it reduced the reserve requirement ratio imposed on banks by one percentage to 4% of their deposit liabilities. These decisions were based on the Bank's analysis of economic and financial developments in Malta and abroad and were consonant with the Bank's monetary policy strategy, which aims to support the Maltese lira's peg to a basket of major currencies.

These changes took place against the background of mounting evidence of a global economic slowdown. In fact, since the beginning of the year, major central banks have cut interest rates repeatedly to stimulate economic activity. The terrorist attacks on the United States on September 11th added to the downside risks to the global economy and triggered a further round of official interest rate cuts. These reductions in interest rates abroad led to a growing premium on Maltese lira interest rates, which favoured an easing of the Maltese monetary policy stance.

Developments in the domestic economy were also compatible with an easing of monetary policy. There was no evidence of excessive demand pressures, although the fiscal stance remained expansionary and underlying inflation accelerated slightly.

Indeed, as global economic conditions deteriorated, growth slowed down during the first half of the year. During the first quarter output expanded by 2.1% in real terms, compared with

7.1% during the corresponding period of 2000. The slowdown gathered pace during the second quarter, when real GDP contracted by 0.6% as a result of a drop in export activity, particularly in the electronics sector. This offset some acceleration in public and private consumption. Meanwhile, a drop in investment spending, as well as a cut in firms' inventory levels, contributed to a narrowing of the trade gap.

The GDP data, which were released in October, confirmed earlier indications that key sectors of the domestic economy were being adversely affected by the international economic slowdown even before the terrorist attacks. Thus, respondents to the Bank's business perceptions survey, which was carried out in July and August, reported below-normal levels of activity during the second quarter. However, although the electronics sector appeared to be especially hard-hit, other segments of manufacturing industry registered satisfactory levels of activity. Furthermore, the survey also indicated some recovery in the tourism industry, as well as in the distribution and services sectors, with the latter indicating a moderate rise in domestic demand.

Even before complete data for the second quarter became available, there were already indications that weaker economic activity had also led to an improvement in the balance of payments. The publication of official data in October confirmed this impression. Indeed, during the June quarter the current account of the balance of payments swung into surplus as falling imports of industrial supplies and capital goods led to a significant narrowing of the merchandise trade gap. In addition, the surplus on trade in services widened. These developments were also broadly reflected in the data for the first six months of the year, which saw the deficit on the current account shrinking considerably. The improved current account performance, together with the

favourable interest rate differentials referred to earlier, was reflected in a recovery in the Central Bank's external reserves, which increased during the second quarter and continued to rise in July and August.

On the other hand, Government spending continued to support domestic economic activity. In fact, the underlying fiscal stance remained expansionary, with the deficit widening during the first six months of the year as expenditure grew more rapidly than revenue.

Inflationary pressures picked up during the second quarter. The twelve-month moving average inflation rate, which is the headline rate, rose marginally to 1.95% in June. However, the year-on-year rate of inflation, which is a more timely indicator of price pressures, accelerated to 3.1%. In the absence of strong demand

pressures on prices, the acceleration in inflation largely reflected a combination of higher food prices, which mainly resulted from supply-side factors, and an increase in the cost of imports. Monetary policy measures, which normally impact on demand, hardly influence either set of factors.

In July, largely because of the deteriorating international economic environment, and in common with many other monetary authorities, the Central Bank of Malta revised its growth forecasts for 2001. As a result, the forecast rate of real GDP growth for the year was lowered to 3.5% from 4.2%. In the light of additional information on domestic and international economic developments, including downward adjustments to global growth forecasts, it is likely that this forecast will need to be revised further in the coming months.

2. THE INTERNATIONAL ENVIRONMENT

During the second quarter, the international economic environment deteriorated further as the slowdown in the US became more pronounced, Japan plunged deeper into recession, and the European economies continued to perform below their potential. Against this background the OECD was expecting global output to grow by a modest 2% this year, or half the expansion rate recorded in 2000. In line with these projections, most of the major economies were expected to achieve moderate growth rates when compared with their performance in 2000, while the Japanese economy was expected to contract, as Table 2.1 shows.¹

Economic and Monetary Developments in the Major Economies

During the June quarter the US economy recorded a marginal expansion of 0.2%, as a relatively healthy 2.5% increase in consumer spending was almost neutralised by a 14.6% drop in business investment and the most aggressive inventory cutting since 1983. Although the continued growth in consumption permitted the economy to avoid a much-feared contraction, the quarter's growth represented the weakest performance since the 0.1% expansion recorded in the first quarter of 1993. Reflecting these developments, US corporate balance sheets continued to contract, with after-tax profits dropping by 2%, after having fallen by 7.8% and 3.5% in the March quarter and in the December quarter of 2000, respectively.

Table 2.1

INTERNATIONAL ECONOMIC INDICATORS

	Real GDP % change			Inflation (Consumer prices) % change			Current account balance US\$ billions		
	1999	2000	2001 ¹	1999	2000	2001 ¹	1999	2000	2001 ¹
United States	4.1	4.1	1.3	2.2	3.4	3.2	-324.4	-444.7	-407.1
European Union	2.7	3.4	1.8	1.4	2.3	2.6	23.9	-22.5	0.3
Euro Area	2.7	3.5	1.8	1.2	2.4	2.7	28.7	-6.5	15.5
United Kingdom	2.3	3.1	2.0	2.3 ³	2.1 ³	2.2 ³	-16.0	-24.5	-23.3
Japan	0.8	1.5	-0.5	-0.3	-0.6	-0.7	106.8	116.9	88.8
Advanced countries	3.4	3.8	1.3	1.4	2.3	2.4	-121.1	-248.4	-223.1
Developing countries	3.9	5.8	4.3	6.8	6.0	5.9	-10.5	60.2	22.4
Countries in transition ²	3.6	6.3	4.0	43.9	20.0	16.4	-1.9	27.5	13.9

¹ Forecasts

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

³ Retail price index excluding mortgage interest.

Source: IMF, *World Economic Outlook*, September 2001.

¹ These projections were made before the events of September 11th, 2001.

Concerned with the gloomy prospects for the economy, the Federal Reserve cut interest rates three times during the quarter: on April 18, on May 15 and on June 27. This brought the Federal Funds rate down to 3.75%, from 5%, while money market rates remained below the Fed's benchmark rate throughout the quarter.

As regards the euro-area, this grew by 2.6% during the June quarter as the US-led slowdown began to weigh more heavily on the European economies. In fact, the German economy, which accounts for a third of the area's total output, only grew by 0.6% during the quarter, down from 1.6% in the March quarter, undermined by a decline in industrial output and construction activity. In France growth slowed to 2.3%, from 2.7% in the previous quarter, whilst in Italy it slowed to 2% from 2.4%. On the positive side, however, consumer price inflation in the area, which reached 3.6% in May, dipped to 3% in June, whilst its underlying component remained stable at 2.4%.

Recognising that the prevailing inflation rate in the euro area was being pushed by temporary factors that were expected to gradually lose their force during the third quarter, the European Central Bank (ECB), on May 10, cut its refinancing rate by 25 basis points to 4.5%. As a result, euro-zone money market rates eased, ending the quarter below the ECB's refinancing rate.

Meanwhile, British GDP continued to point towards a two-speed economy, in which, a 0.8% growth in the services sector was barely sufficient to compensate for a 2% decline in the industrial sector. As a result, the UK economy grew by a modest 0.3% on the previous quarter and by 2.1% on the comparable period of 2000, representing the slowest annual growth rate in a decade. On the other hand, however, business investment, spurred by the services industry, recovered from the 5% drop of the first quarter, to grow by 0.8% during the quarter reviewed. Furthermore, the headline inflation rate slid to

1.9% in June, from 2.3% in March, on the back of lower mortgage rates, although its core component gained 0.5% on the 1.9% level recorded during the first quarter.

Against this background, the Bank of England carried out just one interest rate cut during the quarter when it trimmed its repo rate by 25 basis points to 5.25% on May 10. British money market rates, however, stayed below the repo rate.

In the meantime, Japan's GDP contracted by 3.2% on a year earlier, as continued weakness in corporate capital spending and a further decline in external demand totally offset a higher-than-expected expansion in private consumption. Reflecting this lacklustre scenario, business confidence and industrial activity also fell during the quarter. In addition, the Japanese economy continued to slide deeper into deflation, with consumer-price inflation dipping to -0.5% in June, from -0.4% in March, whilst the jobless rate climbed to a record-high level (for Japan) of 5.1%.

In view of this situation, the Bank of Japan kept to its zero-interest-rate policy and intensified its quantitative monetary easing so as to support the price level. In turn, as Chart 2.1 shows, Japanese money market rates remained stable at just above 0% throughout the quarter.

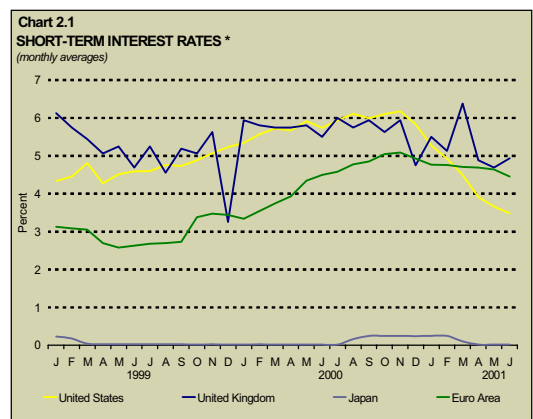


Table 2.2**AVERAGE EXCHANGE RATES OF THE EURO, STERLING AND THE YEN AGAINST THE US DOLLAR DURING JUNE QUARTER 2001**

	US\$ per Euro	US\$ per Stg	Yen per US\$
Average for April	0.8933	1.4353	123.84
Average for May	0.8755	1.4270	121.76
Average for June	0.8546	1.4034	122.24
Average for the quarter	0.8745	1.4219	122.61
Closing rate on 28.06.01	0.8601	1.4191	124.76
Closing rate on 30.03.01	0.8801	1.4285	124.59
Lowest exchange rate during the quarter ¹	0.8433	1.3725	118.94
	(Jun. 12)	(Jun. 12)	(Jun. 01)
Highest exchange rate during the quarter ¹	0.9059	1.4455	126.34
	(Apr. 23)	(Apr. 10)	(Apr. 02)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 30.03.01 to closing rate on 28.06.01	-2.3	-0.7	-0.1

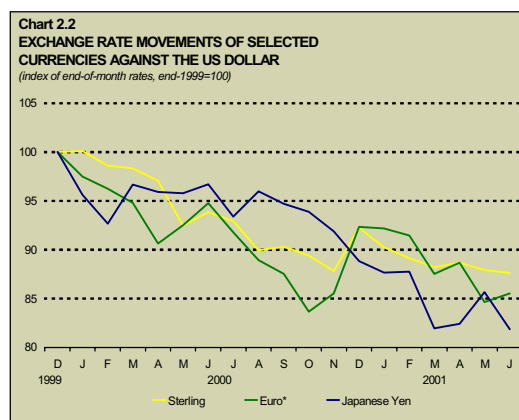
¹ The low/high exchange rates are daily opening or closing rates of the relevant currencies.

Foreign Exchange Markets

During the quarter reviewed, the foreign exchange markets were characterised by the contrasting responses of the euro and the dollar to unfavourable data from the euro-zone and the US economies. While the euro was undermined by a series of negative data from the euro-zone economy, the dollar remained resilient despite clear indications of a more pronounced economic slowdown in the US.

In fact, notwithstanding rising unemployment, soaring labour costs, and declining industrial output, the dollar managed to recover from its initial weakness at the beginning of the quarter, ending the period stronger across the board. This was attributed to confidence in the Federal Reserve, which was expected to cut US interest rates further to stimulate the flagging economy. As Table 2.2 shows, the dollar strengthened most against the euro, which was undermined by poor

economic data from the major euro-zone economies. The dollar's appreciation against the euro reached its peak towards mid-June, when the European unit was dragged to its lowest levels for the year. Meanwhile, the pound sterling, undermined by the euro and by higher than expected UK inflation in May, also ended the



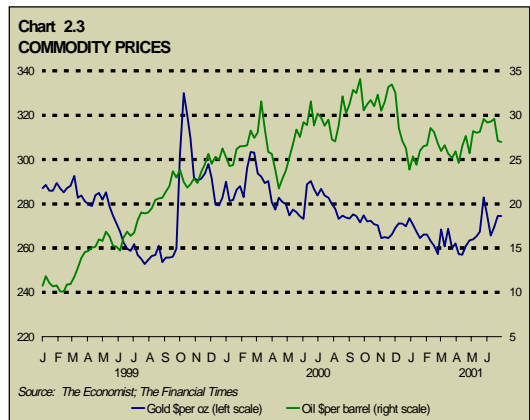
quarter on a weaker footing against the dollar, as Chart 2.2 shows. The pound's weakness was in turn exacerbated during the first half of June, when following the British Labour party's election victory the market expected a renewed drive for its integration into EMU. At the same time, despite Japan's bleak economic fundamentals, the yen remained relatively strong until the beginning of May, but it weakened thereafter, undermined by diminished confidence in the new government and further unfavourable economic data.

Gold

The price of gold fluctuated considerably during the quarter. Towards the end of May it rose sharply, going above \$280 an ounce, as Chart 2.3 shows. This rise was mainly spurred by the Federal Reserve's aggressive interest rate cuts, as inflationary concerns induced higher demand for the metal, while technical factors discouraged producers from selling. In the first half of June, however, the gold price fell steeply, undermined by widespread liquidations from the major commodity funds, before recovering somewhat towards the end of the month to end the quarter above \$274 an ounce, up by 4.7% from the March quarter's closing levels.

Oil

Oil prices climbed steadily through most of the quarter, before peaking in mid-June as mounting pressure over an Iraq-UN dispute over the 'oil-for-food' programme led Iraq to suspend production. Later, however, speculation that the dispute was about to be settled, as well as the fact that US supplies were considered adequate, caused the oil price to decline from the quarter's highs to end the period at \$26.98 per barrel, 4.2% up from end-March levels.



Recent Developments

During the third quarter of 2001, in view of further unfavourable economic developments, the central banks of the major economies, led by the Federal Reserve, were already relaxing monetary policy further, when, on September 11, the terrorist attacks on the US exacerbated fears of a global recession. Major central banks, again led by the Fed, responded to these fears by easing monetary policy even more aggressively. Thus, between September 17 and September 18, following a 50 basis point interest rate cut by the Fed, the central banks of the euro-zone, Britain, Japan, Canada, Sweden, Switzerland, Hong Kong and Denmark joined in a co-ordinated effort to cut short-term borrowing costs further. As a result, the Federal funds rate stood at 3% at the end of the quarter, whilst the ECB's refinancing rate and the Bank of England's repo rate stood at 3.75% and 4.75%, respectively. At the time of writing, however, it was not yet possible to assess the likely consequences of the attacks and their aftermath, both for the global economy and for the Maltese economy. Nevertheless, it should be clear that the downside risks for both have increased considerably.

3. THE DOMESTIC ECONOMY

Provisional figures indicate that, on a year-on-year basis, real GDP contracted marginally during the second quarter. This reflected the deterioration in global economic conditions, especially its impact on the electronics industry. Despite the drop in foreign demand, however, some manufacturing sub-sectors reported improved levels of activity. Similarly, although overall tourism activity slackened during the quarter, with arrivals and earnings both contracting, certain accommodation categories, notably 4-star hotels, reported brisk business. On the other hand, signals on the state of domestic demand continued to be mixed. Thus, construction activity grew at a more moderate

pace than in previous quarters. At the same time, although producers for the local market and certain segments of the distributive trades, such as car importers, continued to report slower activity than in 2000, some improvement was noted vis-à-vis the first quarter of 2001.

Meanwhile, full-time employment expanded by nearly 700 during the second quarter, compared with close to 1600 in the same quarter last year. Despite this deceleration in the rate of job creation, however, the unemployment rate fell to 4.7% at the end of June, from 5% at end-March. Meanwhile, the downward trend in headline inflation observed during the previous three quarters was reversed during the quarter reviewed, mainly on account of higher food prices and a rise in imported inflation.

Table 3.1

SOURCES OF GDP GROWTH AT FACTOR COST BY INDUSTRY¹

(January - June)

	2000	2001	%
GDP at Factor Cost	4.5	5.4	
of which :			
Public administration	0.5	2.2	
Manufacturing	2.2	1.1	
Wholesale and retail	0.5	0.7	
Private services	0.2	0.7	
Property income	0.6	0.5	
Transport and communication	0.5	0.4	
Construction and quarrying	-0.1	0.2	
Agriculture and fisheries	0.1	0.1	
Government enterprises	-1.8	-0.2	
Insurance, banking and real estate	1.8	-0.4	

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

Source: National Statistics Office.

Gross Domestic Product

Real GDP grew by 2.1% in the first quarter and contracted by 0.6% in the second quarter, compared with 7.1% and 2.0% in the same periods last year. In nominal terms, Malta's GDP increased by 4.8% during the first half of 2001. The relatively large discrepancy between real and nominal growth mainly reflected the rise in civil service wages – which boosted nominal incomes but had no effect on real GDP. At the same time, the slowdown in real growth reflected a contraction in export activity as a result of lower foreign demand, particularly during the second quarter of the year.

Though GDP at factor cost grew at a slightly faster pace during the first half of 2001, this was entirely due to the civil service wage rise. In fact, as can be seen from Table 3.1, the increase in gross earnings in public administration boosted factor income growth during the period by more than 2 percentage points.

Even if allowance is made for the effects of the civil service wage rise, however, employment income expanded at a faster pace during the first half of 2001. By contrast, growth in profits halved when compared with the same period last year. This mainly reflected last year's extraordinary rise in the profits of a number of sectors, such as manufacturing, banking, insurance & real estate and transport & communications. As oil prices this year have remained roughly stable, however, the profits of Government enterprises were barely changed from last year's level.

During the second quarter factor income growth in the manufacturing sector decelerated significantly under the impact of the international economic slowdown. A number of establishments, however, notably in the electrical machinery sub-sector, still managed to increase their turnover. Labour data, in fact, indicate that during the quarter full time employment in manufacturing increased by 201.

Table 3.2
GDP GROWTH BY CATEGORY OF EXPENDITURE¹

	2000		2001		%
	Qtr 1	Qtr 2	Qtr 1	Qtr 2	
Growth in real GDP	7.1	2.0	2.1	-0.6	
of which:					
Private consumption expenditure	5.2	3.5	0.3	0.8	
Government consumption expenditure	1.4	0.1	0.0	0.6	
Gross fixed capital formation	5.6	4.6	0.5	-7.0	
Inventory changes	1.7	1.5	0.9	-5.8	
Exports of goods and services	4.7	5.3	-0.5	-8.2	
Imports of goods and services ²	-11.3	-13.0	0.9	19.1	
Growth in nominal GDP	8.6	3.5	5.0	4.6	

¹ The figures in the table show the change in each component of real GDP as a percentage of the previous year's real GDP (expenditure-side). This shows the number of percentage points contributed by each expenditure component to the overall rate of growth in real GDP. The figures for 2000 have been revised; those for 2001 are provisional.

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

Source: National Statistics Office

On the other hand, during the second quarter, construction activity grew at a somewhat slower pace, especially when compared with the double-digit growth reported in the March quarter. In contrast, activity in the rest of the private sector, particularly in the wholesale and retail trades and the private services sub-sectors, picked up marginally.

The performance of the latter sub-sectors sheds light on the state of domestic demand. The data suggest that while consumer expenditure grew slightly in real terms during the six months to June, this increase was significantly smaller than that registered in the same period last year. This reflects slower growth in household disposable income due to wage moderation in the private sector and a smaller increase in property income. Imports of consumer goods dropped during the first half of 2001, though this largely reflected a substantial decline in car sales from the exceptionally high levels of the previous two years.

The data also indicate that, in stark contrast with last year's double-digit growth, imports declined sharply in real terms during the first half of 2001. Besides a drop in imports for consumption purposes, there was a sharp decline in imports of capital goods from the exceptional levels recorded last year – when the leading electronics firm undertook substantial investment. Furthermore, in view of the increasingly uncertain international environment, many firms preferred to reduce inventory levels instead of importing new industrial inputs. As from the second quarter, in fact, exports also began to decline in real terms, with the bulk of the drop occurring in the electronics sector.

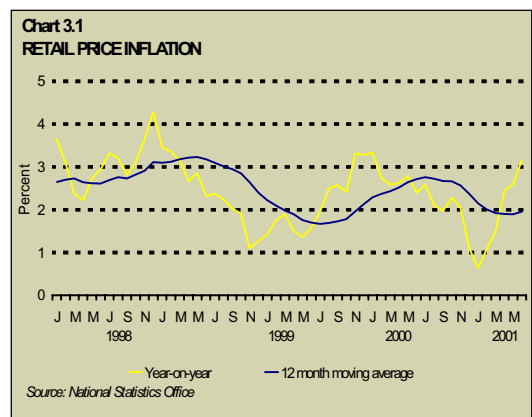
Government current expenditure increased only marginally in real terms during the first half of the year, as the rise in recurrent expenditure during the period was mainly due to the revision in civil service salary scales. As explained earlier, the latter boosted nominal incomes but had no impact

on real GDP. In fact, if the effects of this factor were to be excluded, Government's recurrent expenditure in real terms would be growing at a slower pace than last year. This is on account of substantial cuts in operational and maintenance costs and in outlays on medicines and other materials.

Gross fixed capital formation fell sharply during first half of 2001, but its contribution to real GDP growth may actually have increased. This was because last year's surge in investment, which had consisted mainly in investment in machinery, had resulted in a commensurate rise in imports, which has a dampening effect on GDP growth. In contrast, this year's investment occurred mainly in construction, which was one of the major underlying sources of real GDP growth.

Retail Prices

During the second quarter the headline rate of inflation, which is a twelve-month moving average of the change in the Retail Price Index (RPI), started to reflect the rise in the RPI in evidence since the beginning of the year. The index rose by 2 percentage points during the first half of the year, whereas in the same period of 2000 it had remained stable. As a result, headline inflation rose by 0.03 percentage points to 1.95%, bringing to a halt the downward trend observed during the previous nine months. The year-on-year measure



of inflation also rose – from 0.6% in January to 3.1% in June – as Chart 3.1 shows.

The second quarter's rise in the RPI mainly reflected higher food prices, particularly of locally-produced fruit, vegetables, meat and fish and imported items. Thus, the food sub-index rose by 1.2 percentage points during the quarter, as against the 4 percentage point drop recorded during the same period last year. Though part of this increase might be reversed later in the year, food prices are still expected to remain relatively high, as the price increases of recent months appear to have been driven mainly by supply-side problems such as BSE and foot-and-mouth disease in Europe (which pushed up meat prices) and limited rainfall locally.

Besides the hike in food prices, inflationary pressures have been noticeable in five other sub-indices of the RPI, which together constitute 44% of the total RPI basket. These pressures cannot be attributed to seasonal factors or to changes in indirect taxation. In fact, Central Bank estimates indicate that underlying inflation began to move

on an upward trend from the beginning of 2001, probably on account of higher import prices.

Headline inflation is expected to rise further in the coming months, as it still has to fully absorb the price increases registered during the first half of the year. Underlying inflationary pressures should ease, however, as inflation in Malta's main trading partners is already declining and food prices have probably peaked. At the same time, domestically-generated price pressures are not expected to accelerate further as Government remains committed to cutting the fiscal deficit, thus restraining domestic demand growth. Wage inflation also remains under control. These factors combined should dampen upward pressures on the domestic price level during the second half of the year. As a result, the year-on-year change in the RPI should stabilise.

Tourism

During the second quarter, tourist arrivals were down by 2.1% on a year-to-year basis. As a result, arrivals for the first half of the year were

Table 3.3
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

12-month moving average (percentage changes)

	Jun. 2000	Mar. 2001	Jun. 2001
Food	1.8	1.1	2.2
Beverages and tobacco	6.6	3.8	3.6
Clothing and footwear	0.7	-0.8	-2.1
Housing	0.9	3.4	4.2
Fuel, light and power	3.1	4.6	2.8
Durable household goods	0.8	-1.6	-1.4
Transport and communications	6.0	4.6	3.1
Personal health and care	3.0	3.5	3.4
Education, entertainment and recreation	0.9	2.4	3.0
Other goods and services	1.9	-0.2	0.2
All items	2.7	1.9	2.0

Source: National Statistics Office

Table 3.4**TOURIST ARRIVALS BY NATIONALITY**

	April - June 2001			January - June 2001		
	Arrivals	Annual Growth (%)	Share (%)	Arrivals	Annual Growth (%)	Share (%)
UK	125,432	5.3	36.5	200,374	8.9	37.9
Germany	47,109	-25.7	13.7	79,041	-25.3	14.9
France	30,670	11.7	8.9	41,652	16.5	7.9
Italy	22,968	-0.6	6.7	33,695	1.9	6.4
Scandinavia ¹	15,931	5.7	4.6	22,876	6.9	4.3
Netherlands	15,909	-20.2	4.6	21,400	-18.7	4.0
Austria	11,858	-3.5	3.4	16,565	-0.2	3.1
Libya	7,501	-29.1	2.2	14,622	-31.0	2.8
Switzerland	7,398	22.7	2.2	10,980	24.8	2.1
Belgium	7,018	-7.8	2.0	9,394	-7.4	1.8
Others	52,127	12.0	15.2	78,375	11.3	14.8
Total	343,921	-2.1	100	528,974	-0.8	100

¹ Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office

marginally down from last year's level. At the same time, although the number of tourist bed nights sold continued to rise steadily, a large part of the increase was reported by the cheaper accommodation categories. Hence, gross earnings from tourism were lower than in the same period last year, with a drop in the second quarter more than offsetting the rise of the previous three months. Meanwhile, cruise passenger arrivals during the six months to June picked up strongly, and were two-thirds above last year's level.

The most striking development in the tourism sector during the quarter under review was the continuing recovery in UK arrivals and the sharp decline in arrivals from Germany. As can be seen from Table 3.4, arrivals from the UK were up by 5.3%, partially offsetting a 25.7% decline in arrivals from Germany. At the same time, the French and Swiss markets continued to yield positive results, though the second quarter rate of increase in arrivals from these markets was below

that recorded during the March quarter. Meanwhile, arrivals from Russia and the US rose sharply, whereas arrivals from the Benelux countries and from Libya continued to decline.

Four-star hotels reported buoyant activity during the quarter, selling 15% more bed nights than in the same quarter last year, even though the number of tourists staying in them rose by no more than 2.3%. This is because British tourists, who generally prefer 4-star accommodation, tend to take longer holidays. The rebound in UK tourism thus enabled 4-star hotels to withstand the substantial reduction in arrivals from Germany and resulted in a longer average length of stay. The situation appeared to be similar in 3-star hotels - though these encountered increasing competition from the 4-star establishments during the quarter. Meanwhile, although the number of tourists staying in 5-star hotels rose by 5%, these same hotels reported a reduction in occupancy levels.

Table 3.5
TOURISM ACTIVITY INDICATORS

	Jan. - Jun. 2001	Annual percentage change
Bed nights stayed (millions)	4.8	14.0
Average length of stay	9.3	14.4
Cruise passengers arrivals (thousands)	102.6	68.6
Earnings (Lm millions)	114.6	-0.5
Earnings per tourist (Lm)	216.6	0.4

Source: National Statistics Office.

For the six months to June, the growth in UK arrivals was not sufficient to offset the decline in arrivals from Germany so that the total arrivals figure was slightly lower than in the same period last year. As far as the number of bed nights stayed is concerned, however, this rose by 14% from last year's level as can be seen in Table 3.5. This helped to improve hotel occupancy rates, particularly in the 3- and 4-star categories – but not in 5-star hotels, which mainly attract conference business.

The lower accommodation categories, including holiday complexes and private residences, accounted for nearly three-quarters of the rise in bed nights during the first half of the year. This explains why gross earnings from tourism were down from the year-ago level, despite higher occupancy rates. Furthermore, although earnings per tourist remained virtually unchanged, as the drop in earnings was smaller than that of arrivals, earnings per bed night declined.

Box 1: THE LABOUR FORCE SURVEYS CONDUCTED BY THE NATIONAL STATISTICS OFFICE (NSO)

The NSO has recently published the results of its first three Labour Force Surveys (LFSs). These were conducted in May and December 2000 and in March 2001. The main purpose of these surveys, which henceforth are to be conducted on a quarterly basis, is to determine the proportion of the employed, the unemployed and the inactive categories in the Maltese population aged 15 years and over. At the same time, the surveys will also provide detailed statistics, previously not published on a regular basis, on such indicators as educational levels, salary conditions, hours worked, etc.

Previously the Employment and Training Corporation (ETC) was the sole official source of regular labour market data. The latter however, were limited to the main labour market indicators, a breakdown of full-time employment by economic activity, and a profile (i.e. distribution by age, sex and duration of unemployment) of the registered unemployed. Other information, such as education and salary levels, could only be obtained at relatively long intervals from the Household Budgetary Survey or the Census of

the Maltese Population, in those years when these were conducted. With the LFS now being carried out on a quarterly basis, the NSO will be providing a regular, timely and detailed picture of developments in the Maltese labour market.

The LFS is, moreover, designed according to the concepts and definitions of the European Union's statistical agency, Eurostat, and of the International Labour Organisation (ILO), and thus allows comparisons to be made with EU Member States and other countries. ETC data compilation methods, on the other hand, were designed to meet the information requirements pertaining to the administration of local legislation on employment and social security benefits. Thus, the results of the two data compilation methodologies are not, and were never meant to be, comparable. In particular, whereas the ETC's definition of an unemployed person only used to include persons entitled to register under Part 1 of the unemployment register, i.e. those entitled to claim unemployment benefit, the LFS considers all persons actively seeking employment as unemployed¹. It should be borne in mind however,

Table 1
MAIN LABOUR MARKET INDICATORS

	May 2000	Dec. 2000	Mar. 2001
Population 15+	307,569	314,349	314,354
of which			
Inactive	153,654	158,995	159,740
Labour Supply	153,915	155,354	154,614
of which			
Full-time employees	133,906	134,388	134,342
Part-time employees	9,551	10,815	10,840
Unemployed	10,458	10,151	9,432

Source: National Statistics Office.

¹ The ETC has recently revised employment data for the period 1983 to 2001. As a result its unemployment figure will henceforth include persons registering under Part 2 of the unemployment register. The employment figures have also been revised, particularly as regards the number of the temporarily employed. It should, however, be noted that despite these revisions there still exist fundamental differences in concepts and methodologies between ETC and LFS compilation methods.

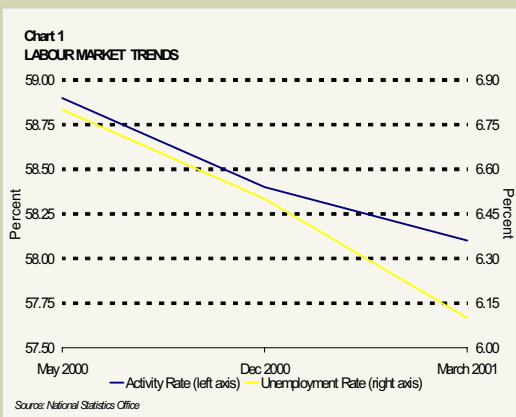
that the results of the LFS, which is a sample survey rather than a comprehensive headcount, are subject to a margin of error. This margin, moreover, increases when conclusions are drawn from the subcategories of the data, as the size of the sample then declines².

Table 1 shows the main labour market indicators derived from the three LFSs carried out to date. From these data it is possible to derive the activity rate and the employment rate in Malta. The activity rate is defined as the labour force (i.e. those willing to work outside the home, even if only on a part-time basis) as a percentage of the working age population (i.e. the 15-64 age-group), whilst the employment rate is the percentage of the working age population that is actually in employment. As the table shows, employment in Malta, especially part-time employment, expanded at a significant pace during the eleven months between May 2000 and March 2001, when the first and the latest LFSs were conducted. At the same time unemployment dropped by over 1000. These trends must, however, be interpreted with caution, as the same surveys indicate that, during the same period, the employment and the activity rate also declined. In fact, these developments, which are illustrated in Chart 1, were essentially due to a

decline in female participation, and the bulk of the drop in unemployment registered during the period was in the female component. In this regard an interesting fact revealed by the LFSs is that most women who choose not to participate in labour market activity in Malta do so either because of personal or family responsibilities, or because they would like to further their education and training. In fact, the number of women who chose not to participate in labour market activity as a result of their opting to further their education rose by nearly a thousand between May and December 2000.

This in itself is not a matter for concern, particularly in the light of other LFS findings, which show that only 47% of the Maltese population aged 15 and over have successfully completed their secondary education, while as many as 35% have only attended primary school. The educational and skills gap highlighted by these data is, in fact, probably the main factor underlying the pronounced structural element in the unemployment figure. This is further corroborated by the finding that nearly half of the unemployed have been seeking a job for more than 18 months. On the other hand, the LFSs indicate a clear upward trend in the number of the self-employed. In fact, the proportion of the employed population who were self-employed rose by a full percentage point over the period, standing at slightly over 13% in March 2001.

Another statistical innovation introduced by the LFS is the breakdown of employment by type of occupation, in accordance with the International Standard Classification of Occupations (ISCO), and by sector of economic activity, in accordance with the *Nomenclature générale des Activités économiques dans les Communautés Européennes* (NACE). The previous classification, that used by the ETC, had only



² In future the NSO intends to publish the relative standard error of each key figure. In the meantime it has indicated that most of the key sample proportions have a relative standard error ranging between 1-2%.

comprised the full-time gainfully occupied and was based more on the ownership of the enterprise (e.g. whether publicly owned or not) than on the type of work or sector of economic activity that workers were engaged in. The LFSs thus reveal that the number of persons employed as plant and machine operators or in elementary occupations throughout the economy make up more than a quarter of the Maltese labour force. Trade and sales workers constitute nearly 30% of the total, whereas professional and managerial employees make up another 20%. Clerical and technical occupations account for the remaining quarter of the workforce, in roughly equal proportions. Furthermore, the NACE classification reveals that the manufacturing sector remains the largest employer in the Maltese economy, with over a fifth of the gainfully occupied population being on its payroll. It is closely followed by the wholesale and retail sector, which employs nearly 15% of the Maltese

workforce.

The surveys also indicate that the average employee's gross annual salary³ ranged between Lm4,565 and Lm4,696 during the eleven months between May 2000 and March 2001, a figure which is quite in line with that implied by the National Accounts, and that income distribution was fairly even throughout the economy. Thus, the highest paid occupational category, i.e. legislators, senior officials and managers, reported a gross annual salary which was only slightly more than double that reported by persons engaged in elementary occupations. If one were to exclude persons employed with extra-territorial organisations and bodies, such as international organisations or embassies, employees in the financial intermediation sector reported the highest gross salaries, while persons employed by private households (i.e. domestic helpers) reported the lowest pay.

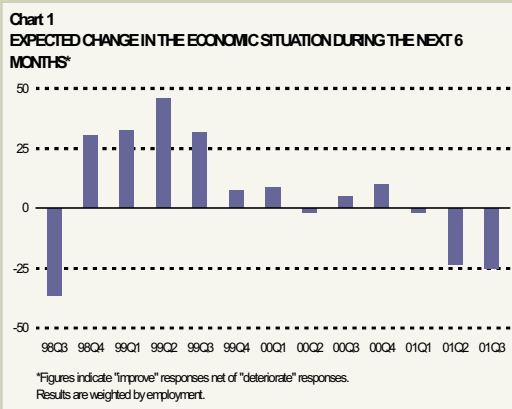
³ Including that of the self-employed.

Box 2 : BUSINESS PERCEPTIONS SURVEY¹

Introduction

The Central Bank's latest business perceptions survey indicates that during the second quarter the Maltese economy was increasingly affected by the global economic slowdown. Respondents from all sectors reported, for the second consecutive survey period, that they were operating at below normal activity levels. Furthermore respondents from all sectors, except construction, continued to express the belief that the local economic situation was more likely to worsen over the coming six months.

The deterioration in export activity reported during the quarter appears to have been primarily due to lower sales by the electronics industry. In fact, other export-oriented manufacturing sub-sectors reported a slightly improved performance compared with the March quarter, although activity remained below last year's levels. At the same time, the tourism sector turned out a better performance than that reported in the second quarter of 2000.



Meanwhile, signals on the state of domestic demand remained mixed. The responses of firms in the construction industry seem to imply a deterioration in activity. However this result may be due to a decline in the size of the sample, as a major firm chose not to participate in the survey. On the other hand, domestically-oriented firms in the manufacturing sector, the distributive trades and the services sectors reported a recovery after the downturn registered in the first quarter of the year. However, even in these sectors activity remained below last year's levels.

Business Optimism and Medium-Term Expectations²

The number of respondents expecting a further worsening in the economic situation once again surpassed the number who were confident of an improvement over the next six months. This was the first time since 1998 that respondents were pessimistic about the local economic situation for two consecutive survey periods. The deterioration in business sentiment mainly reflected the situation in the electronics industry. Most other manufacturing firms were slightly less pessimistic than at the time of the previous survey. Although the global economic outlook has worsened in recent months, a growing number of firms appear to be confident that they will not be affected significantly. This might indicate that these firms have successfully penetrated niche markets where demand is less susceptible to the effects of the global slowdown. On their part, locally-oriented manufacturers remained cautious in their outlook, as the progressive dismantling of protective barriers to trade is forcing them to reassess the way they operate and search for ways to improve their competitiveness.

¹ The survey, undertaken between July and August 2001, covers a sample of 137 firms, employing 16,190 workers and having a combined annual turnover of Lm438 million.

² The level of business optimism is gauged from the number of respondents expecting an improvement rather than a worsening of the economic situation over the coming six months, with the response of each firm being weighted by its share in total employment within the sample.

Operators in the tourism sector have toned down their pessimism about the medium-term outlook, as the sharp decline in arrivals from Germany was made up for by an improved performance in the British market. Nevertheless, the majority remained convinced that the economic situation would continue to worsen in the coming months. The tourism industry is, in fact, fearing that business will be negatively affected by the slowdown in global economic growth, especially in terms of reduced conference business³.

Business sentiment also improved amongst firms in the distributive trades, so much so that the number of respondents expecting a recovery nearly offset those predicting a worsening of the local economic situation. It should, however, be noted that the Bank's survey sample is mainly composed of large importers, car dealers and computer stores, and may therefore not be sufficiently representative of the entire retail sector. The majority of firms in the services sector, while remaining rather cautious in their outlook, also appeared to be slightly less pessimistic than previously. Financial services firms, in particular, were confident that the drop in share prices had bottomed out. In contrast, optimism in the construction industry dipped, though the majority of firms in the sector were still confident that the local economic situation would improve over the coming six months.

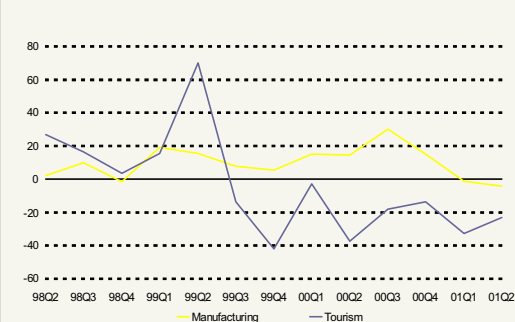
Activity Levels – Second Quarter 2001

The responses to the survey indicate that during the second quarter economic activity rebounded from the decline reported in the first quarter, though remaining lower, except in the case of tourism, than in the same quarter of 2000.

Though the export-oriented manufacturing sector continued to report a decline in orders, this mainly reflected the increasingly negative results reported by firms in the electronics industry. Order book levels have, as a matter of fact, improved in a number of sectors, such as chemicals and clothing and footwear. Most firms, however, continued to report below normal levels of activity. The export sales of most manufacturing establishments during the second quarter were also significantly lower than during the same period last year.

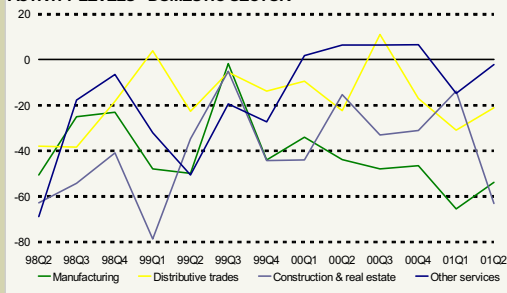
On the other hand, operators in the tourism sector reported increased activity, both when compared with the March quarter and with the same quarter last year. These results should, however, be interpreted with caution as 4-star hotels may be somewhat over-represented within the survey sample. During the second quarter 4-star hotels registered a rebound in activity at the expense of 3- and 5-star hotels, whose activity decelerated following the rapid growth registered during the

Chart 2
ACTIVITY LEVELS - EXPORT SECTOR*



* Figures represent the net balance between positive and negative responses. Results are weighted by export sales.

Chart 3
ACTIVITY LEVELS - DOMESTIC SECTOR*



* Figures represent the net balance between positive and negative responses. Results are weighted by local sales.

Note: The reported drop in construction activity in Q2 2001 may reflect a decline in the size of the sample on account of the non-participation of a leading firm.

³ This was before the events of September 11th 2001.

first quarter.

Meanwhile, most survey participants indicated that domestic demand had recovered somewhat following the first quarter downturn. An exception was the construction sector, though as was mentioned earlier this may reflect a decline in the size of the sample. At the same time, though locally-oriented manufacturers reported a slight improvement, the large majority of firms in this sector, especially those producing food and beverages and furniture, continued to report that they were operating below capacity. Firms in the services sector also said that activity had picked up during the quarter, with financial services returning to normal levels of activity. The drop in the turnover of the local equity market, in fact, was less pronounced than that recorded during the first quarter, while capital outflows remained unchanged from last year's levels. Insurance firms also reported a pick-up in business, though activity remained below last year's levels. Similarly, respondents from the distributive trades reported that while activity continued below normal, there was some recovery compared with the previous quarter. Operators in the sector ran

down stocks further, following substantial increases during the later months of 2000, in order to cut costs and improve liquidity.

Conclusion

The results of the Bank's latest business perceptions survey suggest that the global economic slowdown is starting to affect the local economy, with exports contracting. This decline in activity, however, appears primarily to be affecting the electronics sector. In fact, a number of manufacturing establishments, particularly in the clothing and footwear and chemicals sectors, continued to report a satisfactory level of activity. At the same time, certain segments of the tourism industry, notably 4-star hotels, registered a distinct improvement in turnover during the second quarter.

On the other hand, though there was some recovery in domestic demand, activity in the locally-oriented sectors remained below last year's levels. Respondents nevertheless continued to indicate that they planned to increase employment levels and to undertake new investment over the coming twelve months.

4. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

After having been in deficit throughout 2000 and the first quarter of 2001, the current account of the

balance of payments swung into surplus during the quarter reviewed. This turnaround was mainly the result of a narrower merchandise trade gap and higher net inflows from services, though interest income from abroad also contributed. Meanwhile, although the official reserves rose,

Table 4.1
BALANCE OF INTERNATIONAL PAYMENTS

	<i>Lm millions</i>			
	Apr - June			
	2000		2001	
	Credit	Debit	Credit	Debit
Current account balance		52.8		1.8
Goods and services	395.2	446.7	363.5	368.5
Goods balance		80.5		51.9
Goods	269.7	350.2	231.1	283.0
Services Balance	29.0		46.8	
Services	125.4	96.4	132.4	85.5
Transport	33.6	50.6	35.5	42.9
Travel	72.2	21.6	68.4	18.1
Other services	19.7	24.3	28.5	24.6
Income (net)		5.7	1.7	
Compensation of employees	1.1	0.9	0.5	0.7
Investment income	110.6	116.5	173.9	172.0
Current transfers (net)	4.4		5.1	
Capital and financial account balance		11.8		47.1
Capital account balance	6.1			0.2
Financial account balance	5.7			46.8
Direct investment	33.0		95.0	
Abroad		2.3	0.2	
In Malta	35.3		94.8	
Portfolio investment		89.6	251.3	
Assets		88.6	245.6	
Liabilities		0.9	5.7	
Other investment	56.0			377.8
Assets	11.4		27.3	
Liabilities	44.7			405.1
Reserve assets	6.2			15.4
Net errors and omissions	41.0		45.3	

¹ Provisional

Source: National Statistics Office

other capital flows resulted in a net outflow on the capital and financial account. These developments were also broadly reflected in the data for the first six months of the year.

Meanwhile, the Maltese lira, reflecting the foreign exchange market developments outlined earlier, continued to appreciate against the euro and to lose ground against the US dollar and sterling.

The Current Account¹

Merchandise Trade

A sharp narrowing in the merchandise trade gap was the main factor behind the turnaround in Malta's current account performance during the quarter reviewed. This, in turn, mainly reflected the situation in the electronics industry, which, as explained elsewhere, was facing excess supply conditions in its main markets. In fact, as

expectations of a quick recovery in the US began to fade, firms in the sector reduced imports of industrial inputs and met export demand mainly by running down inventories. This happened to coincide with the downswing in the industry's investment cycle, leading to a sharp drop in imports of capital goods, which also contributed to the narrowing of the merchandise trade gap.

A Lm5 million decline in the value of fuel imports also contributed to the improved merchandise trade performance, though this probably reflected the timing of consignments, as oil prices were practically unchanged from last year's levels.

Services and Investment Income

The balance on services continued to improve during the quarter, with net receipts rising to Lm46.8 million, from Lm29.0 million a year earlier. This too was linked to the developments in the

Table 4.2
MERCHANDISE TRADE
(based on Customs data)

	Apr- June		<i>Lm millions</i>
	2000	2001	Change
Imports	385.3	309.5	-75.5
Consumer goods	70.6	71.2	0.6
Industrial supplies	222.8	164.9	-58.2
Capital goods and others	65.2	52.0	-13.2
Fuel and lubricants	26.4	21.4	-5.0
Exports	265.0	226.6	-38.4
Domestic	238.8	203.4	-35.4
Re-exports	26.3	23.2	-3.1
Trade balance	-120.3	-82.9	37.4

Source: National Statistics Office

¹ Compiled on an accrual basis.

electronics sector, as the drop in imports of industrial supplies and capital goods led to lower freight costs, cutting net outflows on the transportation account by Lm9.6 million. But the balance on other services also improved significantly, swinging from a shortfall of Lm4.6 million to a surplus of Lm3.9 million, mainly as a result of increased receipts from insurance and other business services. In contrast, net receipts on the travel account declined by Lm0.3 million.

The balance on the income account swung to a positive Lm1.7 million, from a negative Lm5.7 million in the corresponding quarter last year. This reflected a sharp increase in receipts of interest income by financial institutions, which more than offset an increase in equity income due to non-residents and a shortfall on the labour income account. Meanwhile, although inward private transfers declined, the balance on this account rose by Lm0.7 million, reflecting a larger drop in outward private transfers.

The Capital and Financial Account

After excluding movements in the official reserves, capital and financial account transactions resulted in a net outflow of Lm31.7 million during the quarter, as against a net inflow of Lm5.6 million in the corresponding quarter last year. This turnaround was entirely attributable to transactions carried out by the non-monetary sector.

In fact, the non-monetary sector, which comprises Government, private firms and households, recorded net outflows of almost Lm35 million during the quarter, as against net inflows of about Lm45 million during the same quarter last year. This sharp swing resulted mainly from direct investment outflows, largely an increase in claims by a domestic subsidiary on its overseas parent. Other factors also contributed substantially to the turnaround, however. These included: a decline in net portfolio investment inflows, reflecting an exceptional receipt during the second quarter of

2000 in connection with the de-mutualisation of a foreign insurance company; a decline in other investment inflows, which during the second quarter of 2000 were boosted by the final payment for the purchase of Mid-Med Bank by HSBC; and a decline in trade credit. These were partly offset by increased foreign borrowing by a parastatal corporation.

In contrast, the monetary sector recorded a Lm3.2 million capital inflow, as against the Lm39 million outflow reported in the corresponding quarter last year. This was mainly the result of transactions undertaken by international banking institutions. Meanwhile, in contrast to the Lm6.2 million drop recorded in the second quarter last year, the official reserves rose by Lm15.4 million during the quarter reviewed.

Year-to-Date BOP Developments

The second quarter results had a significant impact on Malta's current account performance during the first half of the year. Thus, the deficit on the current account for the six months to June, at Lm34.5 million, was down by 60% from the 2000 level, with both the goods and the services balances contributing to the improvement. Indeed, the deficit on goods and services for the period contracted by Lm49.3 million. The merchandise trade gap narrowed by about Lm29 million, reflecting the drop in imports of industrial supplies and capital goods by the electronics sector, although a decline in imports of consumer goods, notably motor vehicles, as well as increased exports by other sub-sectors of manufacturing industry, also contributed.

At the same time, the surplus on services grew by over Lm20 million, with around half the increase being attributable to lower net payments on the transportation account. However, net payments for other services were also down - by Lm8.7 million - mainly reflecting the second quarter developments described earlier. At the same time, net receipts on the travel account were up by

Table 4.3**BALANCE OF INTERNATIONAL PAYMENTS***Lm millions*

	Jan - June			
	2000		2001	
	Credit	Debit	Credit	Debit
Current account balance		86.4		34.5
Goods and services	729.6	827.5	697.0	745.6
Goods balance		133.9		105.0
Goods	511.7	645.6	476.2	581.3
Services Balance	36.0		56.4	
Services	217.9	181.9	220.8	164.4
Transport	61.5	90.9	63.9	83.8
Travel	115.1	37.4	114.6	34.7
Other services	41.3	53.6	42.3	45.9
Income (net)	6.7		12.6	
Compensation of employees	1.9	1.6	1.1	1.4
Investment income	234.3	228.0	220.0	207.0
Current transfers (net)	4.8		1.5	
Capital and financial account balance		78.6		21.4
Capital account balance	5.1			0.3
Financial account balance	73.6			21.0
Direct investment	43.9			74.8
Abroad		4.0	0.2	0.1
In Malta	47.9		94.8	169.7
Portfolio investment		63.9	266.5	
Assets	25.3	88.6	261.8	
Liabilities	0.4	0.9	5.7	1.0
Other investment	55.0			210.2
Assets	207.9		840.4	
Liabilities	44.7	197.6		1050.6
Reserve assets	38.5			2.5
Net errors and omissions	7.8		55.9	

¹ Provisional

Source: National Statistics Office

Lm2.2 million, as over the six months to June the drop in expenditure on foreign travel by Maltese residents outweighed the decline in earnings from incoming tourism. Meanwhile, the income

balance almost doubled, to Lm12.6 million, reflecting lower branch profits and earnings re-invested abroad by foreign-owned financial institutions.

Table 4.4
MERCHANDISE TRADE

(based on Customs data)

	Jan- June		Change
	2000	2001	
Imports	710.0	637.8	-72.2
Consumer goods	135.6	133.9	-1.7
Industrial supplies	405.1	348.6	-56.5
Capital goods and others	119.6	104.4	-15.2
Fuel and lubricants	49.7	50.9	1.2
Exports	503.3	468.4	-34.9
Domestic	455.6	427.3	-28.3
Re-exports	47.7	41.1	-6.6
Trade balance	-206.7	-169.4	37.3

Source: National Statistics Office

As regards the capital and financial account, the data for the first half of the year show broadly similar trends to those observed in the second quarter. In the case of the financial flows of the monetary sector, however, during the six months to June these resulted in a net outflow of around Lm30 million, as against the Lm8 million inflow recorded over the same period last year. Nevertheless, the official reserves rose by Lm2.5 million over the period, compared to the Lm38.5 decline recorded last year.

The Maltese Lira

During the June quarter, the Maltese lira, reflecting the foreign exchange market developments outlined earlier, continued to strengthen against the euro and to lose ground against the US dollar, and, to a lesser extent, sterling. This trend was evident throughout the period. Thus, as can be seen from Table 4.5, the lira, by the end of June, had appreciated by 1.6% from its end-March level against the euro, while in terms of the US dollar and sterling it had lost 2.1% and 1% of its value,

respectively.

Over the twelve months to June, the Maltese lira appreciated by 1.5% against the euro, 2.4% against sterling and 9.2% against the Japanese yen. At the same time it lost 5.1% of its value against the US dollar.

The latest developments in Malta's external competitiveness as measured by movements in

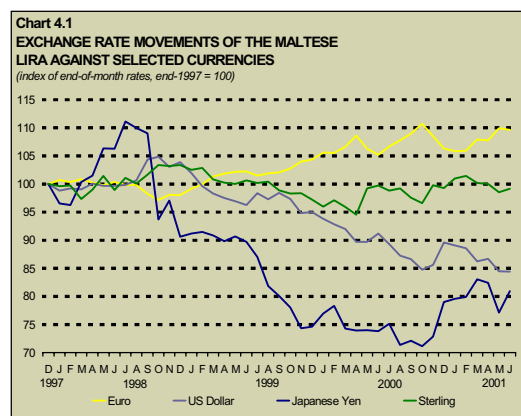


Table 4.5**EXCHANGE RATES OF THE MALTESE LIRA AGAINST MAJOR CURRENCIES**

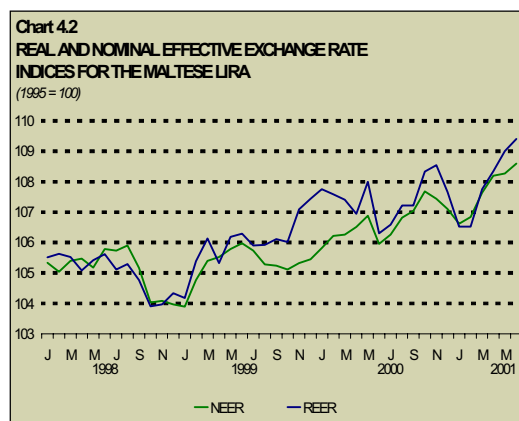
Period	Euro	US\$	Stg	Yen
Average for 2nd Qtr. 2001	2.5041	2.1876	1.5391	268.2
Average for 2nd Qtr. 2000	2.4659	2.3041	1.5035	245.6
% Change	1.5	-5.1	2.4	9.2
Closing rate on 28.06.2001	2.5328	2.1525	1.5283	268.6
Closing rate on 30.03.2001	2.4931	2.1996	1.5440	275.5
% change	1.6	-2.1	-1.0	-2.5
High for 2nd Qtr.	2.5419	2.2365	1.5616	280.1
	(Jun. 01)	(Apr. 23)	(Jun. 13)	(Apr. 04)
% change from average	1.5	2.2	1.5	4.4
Low for 2nd Qtr.	2.4662	2.1316	1.5168	255.3
	(Apr. 05)	(Jun. 12)	(Jun. 01)	(Jun. 01)
% change from average	-1.5	-2.6	-1.4	-4.8

the Nominal Effective Exchange Rate (NEER)² and the Real Effective Exchange Rate Index (REER)³ indices for the Maltese lira, as computed by the Central Bank of Malta, are illustrated in Chart 4.2. This shows that both the NEER and REER indices for the lira continued to rise during the second quarter of 2001, indicating further losses in price competitiveness.

The rise in the NEER index reflected the persistent weakness of the euro on international currency markets. This was evident throughout the quarter, and as a result the index continued to move on the upward trend in evidence since February, rising by 0.9% between March and June. On a year-on-year basis, the NEER index was up by 2.5% at the end of the quarter.

Meanwhile, the REER index followed the same upward path as the NEER, but rose even more

sharply. Indeed, between March and June, the REER rose by 1.5%, compared to the 0.9% rise of the NEER, indicating that during the quarter higher inflation relative to Malta's main competitors also contributed to the loss in external price competitiveness.



² 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.

³ The REER index is derived by adjusting the NEER index for relative movements in consumer prices. A fall in the index implies a gain in Malta's external competitiveness and vice-versa.

5. GOVERNMENT FINANCE

The improvement in the fiscal position, compared to a year ago, noted in the first quarter of 2001 was not carried into the second quarter of the year. In fact, fiscal operations during the June quarter resulted in a deficit of Lm22.3 million, as against the Lm12.6 million surplus recorded in the same quarter of 2000, as growth in revenue failed to keep up with that of expenditure. As a result, the deficit for the first six months of the year widened to Lm54 million. Nevertheless, in spite of this apparent deterioration in the fiscal position, the trend over a span of three-and-a-half years indicates a gradual consolidation – as Chart 5.2 shows.

Revenue

Government revenue rose by 4.5% to Lm281.2 million during the six months to June. This was mainly the result of a moderate increase in direct tax and non-tax revenue, as Table 5.1 shows. By comparison, the growth in the yield from indirect taxes was modest, as a substantial increase in revenue from Value Added Tax (VAT) was largely offset by drops in revenue from customs and excise duties and from licenses, other taxes and fines.

Revenue from direct taxes, at Lm118.1 million, was

up by 7.1% from last year's level, with social security contributions and income tax producing Lm4.0 million and Lm3.8 million more, respectively. These increases mainly reflected the effects of the new civil service collective agreement on the Government wage bill together with higher employment levels. While the higher yield from income tax may be regarded as modest when set against the projected increase for the year as a whole, this mainly reflected differences in the timing of provisional tax receipts. In fact, revenue from income tax was expected to pick up in September and December.

The yield from indirect taxes edged up by 1.2% to Lm113.4 million. Revenue from VAT rose by 11.4% to Lm55.8 million, accounting for almost half the increase in Government revenue, but this was almost completely offset by lower receipts in the form of customs and excise duties and licences, taxes and fines. As explained in the June Quarterly Review, the drop in revenue from these sources reflected fewer registrations of new motor vehicles and the exemption from excise duties granted to Enemalta in order to leave energy and fuel prices unchanged.

Meanwhile, non-tax revenue recorded a 6.2% increase on year-ago levels, as the Lm1.2 million drop in the Central Bank's profits was compensated for by higher revenues from other non-tax sources, mainly rents and fees of office.

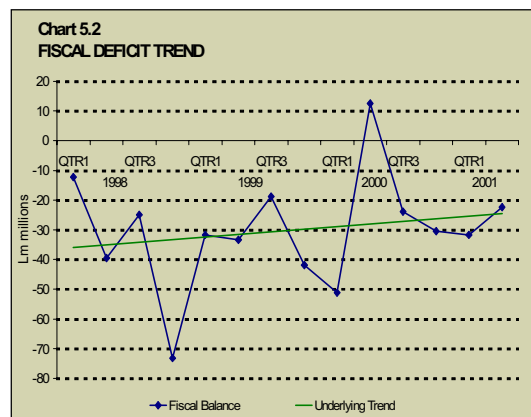
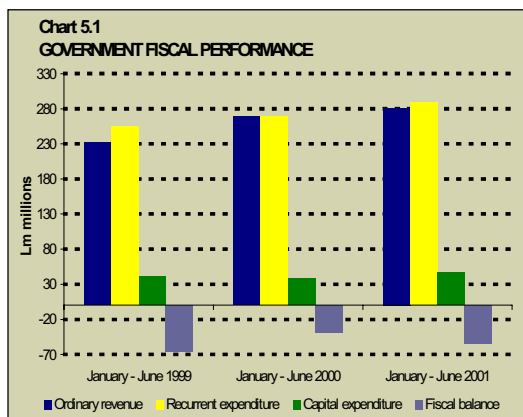


Table 5.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	2000	2001	2000	2001	Change 2000-2001	
					Qtr1-Qtr2	
	Qtr2	Qtr2	Qtr1-Qtr2	Qtr1-Qtr2	Amount	%
REVENUE	152.9	148.1	269.2	281.2	12.0	4.5
Direct tax	66.0	72.7	110.3	118.1	7.8	7.1
Income tax	40.2	43.4	64.4	68.2	3.8	5.9
Social security contributions ¹	25.8	29.3	45.9	49.9	4.0	8.7
Indirect tax	58.4	56.4	112.1	113.4	1.3	1.2
Value Added Tax	25.1	27.2	50.1	55.8	5.7	11.4
Customs and excise duties	14.9	12.9	27.3	25.2	-2.1	-7.7
Licences,taxes and fines	18.4	16.3	34.7	32.4	-2.3	-6.6
Non-tax revenue	28.5	19.1	46.8	49.7	2.9	6.2
Central Bank profits	17.1	5.9	27.1	25.9	-1.2	-4.4
Other ²	11.4	13.2	19.7	23.8	4.1	20.8
RECURRENT EXPENDITURE¹	118.4	145.6	269.3	288.7	19.4	7.2
Personal emoluments	42.7	48.6	84.7	96.8	12.1	14.3
Operational and maintenance	10.9	8.7	24.8	21.6	-3.2	-12.9
Programmes and initiatives	45.3	68.7	118.6	124.5	5.9	5.0
Contributions to entities	6.9	6.2	13.8	16.3	2.5	18.1
Interest payments	12.3	13.3	27.3	29.3	2.0	7.3
Other	0.3	0.1	0.1	0.2	0.1	-
CURRENT BALANCE⁴	34.5	2.5	-0.1	-7.5	-7.4	-
CAPITAL EXPENDITURE	21.9	24.8	38.3	46.5	8.2	21.4
TOTAL EXPENDITURE	140.3	170.4	307.6	335.2	27.6	9.0
FISCAL BALANCE⁵	12.6	-22.3	-38.4	-54.0	-15.6	-

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

² Excludes revenue from sale of assets, sinking funds and converted loans.

³ Includes social security benefits, family and social welfare, care of the elderly and Treasury pensions.

⁴ Revenue less recurrent expenditure.

⁵ Revenue less total expenditure.

Source: *Ministry of Finance*

Expenditure

Total Government expenditure during the six months to June was up by Lm27.6 million from year-ago levels, with capital expenditure

accounting for almost a third of the increase. Recurrent expenditure amounted to Lm288.7 million, or 7.2% more than a year ago, with social security benefits accounting for nearly half the growth.

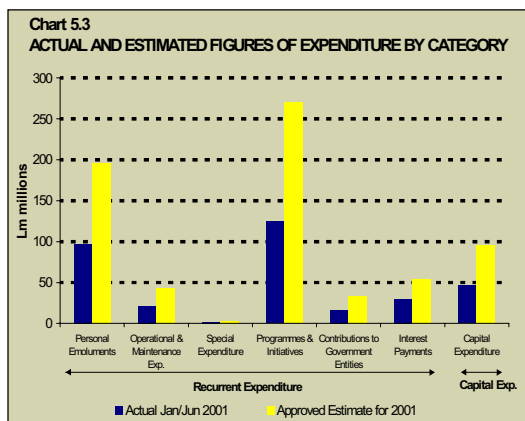


Chart 5.3 compares the actual expenditure figures for the first half of 2001 with the approved

estimates for the year as a whole. This shows that at mid-year almost all the main categories of expenditure were around or below the 50% benchmark, and hence in line with projections. Interest payments, however, had already reached 54% of the total projected for the year, indicating that there may be some difficulties in meeting the target.

Expenditure on personal emoluments during the six months to June was up by Lm12.1 million, and was the main factor behind the sharp increase in outlays reported by ministries with larger payrolls - such as Education and Health. In contrast, expenditure on operations and maintenance declined by Lm3.2 million, reflecting lower costs of

Table 5.2
GOVERNMENT DEBT AND FINANCING OPERATIONS

	<i>Lm millions</i>				
	2000			2001	
	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2
FISCAL BALANCE	12.6	-23.8	-30.7	-31.7	-22.3
<i>Financed by¹:</i>					
Increase in stock of MGS outstanding	0.5	0.0	0.0	30.0	27.3
Increase in foreign loans	-1.5	0.0	-3.2	-0.4	-1.8
Grants	6.0	0.0	3.4	0.0	0.1
Proceeds from sale of assets	12.0	0.0	0.0	0.0	0.0
Sinking funds of converted loans	0.0	0.0	10.7	0.0	0.0
Increase in stock of Treasury bills outstanding	11.2	19.5	28.0	4.8	-10.8
Decrease in Government deposits	0.0	17.7	14.5	-14.2	18.9
Net cash movement and other funds ²	-40.4	-13.4	-22.7	11.5	-11.4
GROSS PUBLIC DEBT	880.8	900.2	925.0	959.4	974.2
Malta Government Stocks	712.7	712.7	712.7	742.7	770.0
Treasury bills	125.5	145.0	173.0	177.8	167.1
Foreign loans	42.5	42.5	39.3	38.9	37.1

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

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

Source: *The Treasury and CBM estimates*

pharmaceutical products. Expenditure on programmes and initiatives went up by Lm5.9 million, as developments in welfare programmes, together with a Lm1.3 million increase in the Government's contribution to the financing of Church Schools, outweighed the one-off payment incurred last year as compensation for the removal of bread subsidies. At the same time, contributions to Government entities, mainly the Water Services Corporation, increased by Lm2.4 million.

Capital expenditure increased by Lm8.2 million from year-ago levels. Capital outlays by the Economic Services Ministry and the Ministry for Health rose by Lm3.6 million and Lm0.6 million, respectively, with the former being mainly due to the payment of debt servicing costs on behalf of Malta Freeport for the first time. Capital spending on tourism, meaning subsidies paid to the Malta Tourism Authority to implement the assistance scheme targeting the British market, was up by Lm0.8 million. At the same time, expenditure on roads amounted to Lm2.9 million, Lm1.5 million

higher than in the same period last year.

Government Debt and Financing Operations

During the second quarter of 2001, the Government financed its deficit mainly through stock issues and by running down its deposits with the banking system. Thus, as can be seen in Table 5.2, the outstanding amount of Malta Government Stocks rose by Lm27.3 million on the previous quarter, while Government deposits with the banking system fell by Lm18.9 million. At the same time, the amount of Treasury bills in issue at the end of the second quarter was down by Lm10.8 million from the end-March level, while the Government reduced its foreign debt by Lm1.8 million.

At the end of June, the Gross Public Debt stood at Lm974.2 million, up by Lm49.2 million from the end-2000 level. Malta Government Stocks and Treasury bills accounted for 96% of the total debt, amounting to Lm770 million and Lm167.1 million, respectively, while foreign debt, amounting to Lm37.1 million, accounted for the remainder.

6. MONETARY AND FINANCIAL DEVELOPMENTS

Official interest rates were left unchanged during the June quarter. Thus, as banks' short-term liquidity shortage eased, the Central Bank scaled back the use of repo auctions to inject funds into the banking system. Meanwhile, although Treasury bill yields rose in line with the Government's demand for funds, long-term Government bond yields were stable in active secondary market trading. In the equity market, however, prices fell further.

Despite the issue of Government stocks on the primary market in May, broad money, M3, continued to expand robustly during the quarter. This monetary expansion was matched by a combination of increased net claims on Government and a recovery in the net foreign assets of the banking system. In contrast, bank claims on the private and parastatal sectors declined, possibly reflecting a combination of stricter credit allocation policies by banks and

weaker demand for loans.

The Monetary Base

After having contracted during the previous quarter, the monetary base, M0, increased slightly during the quarter reviewed, adding Lm1 million as the seasonal increase in currency in issue more than offset the decline in banks' deposits with the Central Bank resulting from the non-renewal of outstanding repos on maturity. Despite the quarterly rise, the annual rate of growth of the monetary base dropped to 1.9% in June from 5.4% three months earlier.

Table 6.1 shows movements in the Central Bank's assets and in its remaining liabilities, which can be used to explain the change in the monetary base. All else being equal, an increase in the Bank's assets gives rise to an expansion in M0, whereas an increase in the Bank's remaining liabilities causes the monetary base to contract. During the quarter reviewed, the Central Bank's foreign assets recovered, its claims on Government increased and Government deposits with the Bank contracted, all of which boosted the monetary

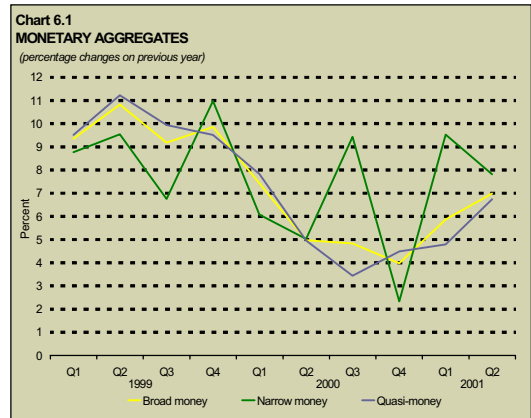
Table 6.1
THE MONETARY BASE AND ITS SOURCES

	<i>Lm millions</i>		
	Mar. 2001	Jun. 2001	Change
Currency in issue	415.3	429.7	14.5
Banks' deposits with the Central Bank	142.9	129.4	-13.5
MONETARY BASE	558.1	559.1	1.0
CENTRAL BANK ASSETS			
Foreign assets	631.6	647.9	16.2
Claims on Government	17.6	37.5	19.9
Fixed and other assets	130.8	80.6	-50.2
<i>Less:</i>			
REMAINING LIABILITIES			
Government deposits	70.0	51.9	-18.1
Capital and reserves	89.1	89.1	0.0
Other liabilities	62.9	63.0	0.1

base. In contrast, a drop in the Bank's fixed and other assets, which reflected lower activity in the repo market, brought about a drop in the monetary base. These changes largely cancelled out, leaving the monetary base broadly unchanged.

Monetary Aggregates

Broad money, M3, which consists of currency in circulation and residents' deposits with the banking system, continued to expand robustly as the public's preference for monetary assets persisted. Indeed, the issue of Government stocks in May hardly dented monetary growth. Thus, as can be seen in Table 6.2, the 2.1% rise reported in the March quarter was followed by a Lm60.6 million, or 2.3%, expansion during the quarter reviewed. Although corporate deposits fell, households and public sector corporations added to their bank deposits, while cash holdings also rose. Thus, the annual rate of growth of M3 accelerated further, reaching 7% in June from 5.9% three months earlier.



Although components of broad money denominated in Maltese liri accounted for most of the quarterly rise in M3, residents' foreign currency deposits also expanded significantly, explaining around one-third of the overall rise. The liberalisation of exchange control regulations governing their use in January may have contributed to the rapid growth in these deposits witnessed since the beginning of the year.

Table 6.2
MONETARY AGGREGATES
(Changes on the previous quarter)

	<i>Lm millions</i>									
	2000				2001					
	2nd Qtr.		3rd Qtr.		4th Qtr.		1st Qtr.		2nd Qtr.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. NARROW MONEY	23.2	4.2	27.1	4.7	-13.5	-2.2	16.4	2.8	15.5	2.5
Currency in circulation	12.2	3.2	5.9	1.5	2.5	0.6	-0.7	-0.2	15.8	4.0
Demand deposits	11.0	6.1	21.2	11.0	-16.0	-7.5	17.1	8.6	-0.4	-0.2
2. QUASI-MONEY	7.9	0.4	-7.0	-0.4	53.3	2.8	36.5	1.9	45.2	2.3
Savings deposits	-16.9	-2.6	-17.5	-2.8	22.7	3.7	-5.5	-0.9	19.3	3.1
of which FCDs ¹	5.1	4.2	-8.0	-6.3	4.5	3.8	5.5	4.5	11.5	8.9
Time deposits	24.8	2.0	10.5	0.8	30.6	2.4	42.1	3.2	25.9	1.9
of which FCDs ¹	5.8	7.6	7.1	8.7	3.0	3.4	3.7	4.1	7.5	7.8
3. BROAD MONEY	31.1	1.3	20.1	0.8	39.7	1.6	52.9	2.1	60.6	2.3

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

Narrow money, M1, expanded at a slower pace during the quarter reviewed, rising by Lm15.5 million, or 2.5%, compared with 2.8% during the first quarter. Thus, as Chart 6.1 shows, the pace of narrow money growth slackened, with the annual growth rate, which had accelerated to 9.5% in March, dropping to 7.8% three months later.

Currency in circulation, which is the larger component of narrow money, rose by Lm15.8 million, or 4%, with the annual growth rate rising to 6.1% as a result. The increase, which was the largest registered during the last ten years, was largely driven by the seasonally stronger demand for cash. In contrast, demand deposits, the other component of M1, contracted marginally, dropping by 0.2%. Lower corporate current account balances and an increase in the value of cheques in the course of collection in June outweighed growth in households' demand deposits.

In contrast, quasi-money, which consists of savings and time deposits, grew at a faster pace during the quarter, expanding by Lm45.2 million, or 2.3%, as Table 6.2 shows. Consequently, the annual rate of growth of quasi-money accelerated further, rising by nearly two percentage points to 6.7%.

Although they expanded at a slower pace than in the previous two quarters, time deposits, which rose by Lm25.9 million, accounted for most of the increase in quasi-money. Personal time deposits, in turn, accounted for all the gain in time deposits, as corporate time deposits contracted, with drops in May and June outweighing earlier gains. Deposits with terms of maturity of one year or less accounted for the entire rise. Meanwhile, savings deposits rose by Lm19.3 million, or 3.1%, after a small fall in the previous quarter. Despite the issue of Malta Government stocks in May, all categories of depositor added to their savings account balances over the quarter. Foreign currency savings deposits belonging to households and private firms expanded by Lm4.9

million and Lm6.1 million, respectively, and together accounted for most of the quarterly rise.

Counterparts to Monetary Growth

Following a largely seasonal increase in the previous quarter, domestic credit expanded moderately during the quarter reviewed as rapid growth in net claims on Government outweighed lower claims on the private and parastatal sectors. Thus, as Table 6.3 shows, domestic credit rose by Lm16.8 million, or 0.7%, with the annual growth rate adding one percentage point to 9.6% in June.

Net claims on Government expanded vigorously for the third successive quarter, rising by Lm27.5 million largely because the Central Bank added to its holdings of Treasury bills while Government deposits with the Bank contracted. Deposit money banks, meanwhile, cut their Treasury bill portfolios but added to their holdings of Government stocks. As Chart 6.2 shows, the annual growth rate of net claims on Government accelerated to 26.6% in June from 12.6% in March. In part, however, this sharp increase was the result of a base effect, since during the second quarter last year privatisation receipts had lowered net claims on Government.

In contrast, for the first time in ten years, claims on the private and parastatal sectors contracted, falling by Lm10.7 million, or 0.6%. As a result, the

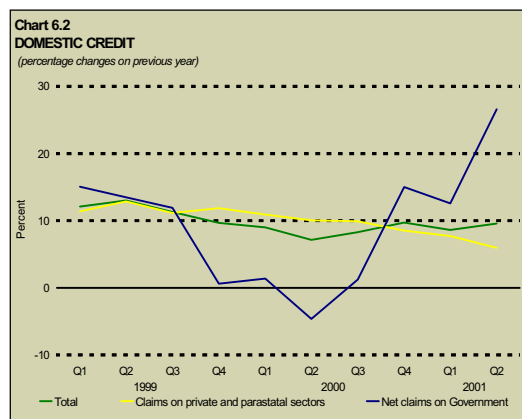


Table 6.3**COUNTERPARTS TO MONETARY GROWTH***(Changes on the previous quarter)**Lm millions*

	2000						2001			
	2nd Qtr.		3rd Qtr.		4th Qtr.		1st Qtr.		2nd Qtr.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY	31.1	1.3	20.1	0.8	39.7	1.6	52.9	2.1	60.6	2.3
1. DOMESTIC CREDIT	-3.5	-0.2	57.5	2.8	47.7	2.2	77.3	3.5	16.8	0.7
a) Net claims on Govt.	-21.2	-5.5	0.9	0.2	45.3	12.4	23.5	5.7	27.5	6.3
Gross claims on Govt.	-21.2	-4.3	-16.8	-3.6	30.8	6.8	37.7	7.8	8.6	1.7
Central Bank	-1.2	-15.4	0.4	5.5	2.2	30.9	8.4	91.8	19.9	113.1
Banks	-20.0	-4.2	-17.2	-3.7	28.6	6.4	29.3	6.2	-11.3	-2.2
<i>Less:</i>										
Government deposits ¹	0.0	0.0	-17.7	-17.4	-14.5	-17.3	14.2	20.4	-18.9	-22.5
Central Bank	-3.6	-4.1	-16.4	-19.4	-12.2	-17.9	13.8	24.6	-18.1	-25.8
Banks	3.6	26.9	-1.3	-7.4	-2.3	-14.7	0.4	3.1	-0.8	-5.8
b) Claims on private and parastatal sectors	17.7	1.0	56.7	3.3	2.4	0.1	53.7	3.0	-10.7	-0.6
2. NET FOREIGN ASSETS	71.0	7.8	-9.7	-1.0	-2.8	-0.3	-106.5	-10.9	117.3	13.5
Central Bank	-5.5	-0.8	-5.9	-0.8	-53.4	-7.7	-15.6	-2.4	16.4	2.6
Banks	76.6	37.0	-3.9	-1.4	50.6	18.1	-94.0	-28.5	103.9	44.0
<i>Less:</i>										
3. OTHER ITEMS (NET)	36.5	6.6	27.7	4.7	5.2	0.9	-82.2	-13.3	73.5	13.7

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

annual rate of growth of such claims fell further, as Chart 6.2 indicates, dropping to 6% in June. The contraction may have been influenced by more prudent bank lending policies. For example, banks appear to be enforcing credit terms more strictly, with a greater emphasis on punctual repayments of loans. In addition, with business sentiment having deteriorated in recent quarters, demand for credit may also have fallen. Average nominal bank lending rates were stable during the quarter and probably had little influence on credit. Finally,

one major state-owned corporation increased its foreign borrowings, which probably enabled it to repay loans from domestic banks.

Thus, loans and advances, which make up the bulk of claims on the private and parastatal sectors, decreased by Lm12.1 million, or 0.7%. Whereas bank lending to public sector enterprises increased by Lm3 million during the quarter¹, despite the repayments referred to earlier, loans and advances to the private sector dropped by

¹ This rise was brought about by the reclassification of part of one bank's credit portfolio. This led to a drop in private credit of around Lm5.7 million and a corresponding increase in loans and advances to the public sector.

Table 6.4**CREDIT TO SELECTED CATEGORIES OF BORROWER¹***Lm millions*

	2001		2001	
	1st Qtr.	2nd Qtr.	Change	%
	Amount	Amount		
Energy and water	104.1	96.2	-7.9	-7.6
Transport, storage and communication	109.1	108.4	-0.8	-0.7
Agriculture and fisheries	11.0	10.6	-0.5	-4.4
Manufacturing	199.3	189.4	-9.9	-4.9
Building and construction	102.1	89.0	-13.0	-12.8
Tourism	245.2	240.4	-4.8	-2.0
Wholesale and retail	297.1	301.2	4.2	1.4
Personal	413.9	425.7	11.8	2.9
Other services	105.5	97.7	-7.8	-7.4
All other	153.3	167.3	14.0	9.2
TOTAL	1740.5	1725.9	-14.6	-0.8

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

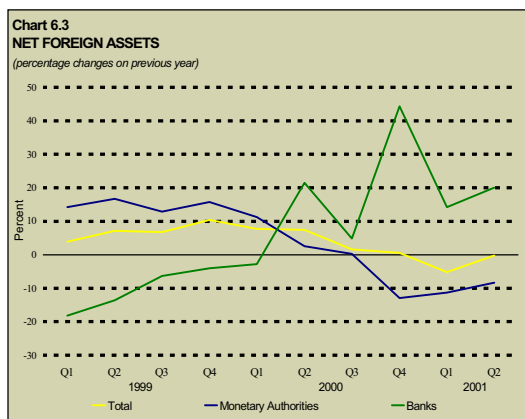
Lm15.2 million. Other claims on the private sector, which include banks' holdings of corporate debt and equity, remained stable, while claims on public sector corporations rose as one bank's bond holdings were revalued.

As Table 6.4 shows, the drop in credit was spread across most categories of borrower. The largest decreases were recorded in credit to construction - partly as a result of repayments - and to manufacturing industry, which dropped by Lm13 million and Lm9.9 million, respectively. Additional foreign borrowing by one major corporation in May probably accounts for the Lm7.9 million fall in credit to the energy and water sector. In contrast, personal credit expanded further, rising by Lm11.8 million, spurred mainly by the demand for housing finance. Reclassifications by one credit institution largely explain the reduction in credit to the "other services" sector and the rise in "all other" lending.

The sharp drop in the net foreign assets of the

banking system that was registered during the previous quarter was reversed during the quarter reviewed, largely because of an increase in the international banks' net foreign assets. As Table 6.3 shows, the net foreign assets of the banking system expanded by Lm117.3 million, or 13.5%, compared with a 10.9% drop in the second quarter. As a result, their annual growth rate, which had declined to -5.2% in March, rose to just below zero in June.

Following five consecutive quarterly falls, the net foreign assets of the Central Bank increased by Lm16.4 million, or 2.6%, during the quarter reviewed. The Bank's external reserves rose in April and May, boosted by net purchases of foreign exchange from banks and the receipt of additional foreign loans by a public sector corporation. In June, however, spot sales of foreign exchange under swap arrangements led to a drop in the Bank's net foreign assets that is to be reversed later in the year. As a result, the decline in the Bank's net foreign assets continued to be



gradually reversed, as Chart 6.3 shows, with the annual rate of growth edging up from -11.3% in March to -8.3% in June.

Meanwhile, the net foreign assets of the remainder of the banking system increased by Lm103.9 million, or 44%. Just as the net foreign assets of the international banks² had driven down the total during the March quarter, they fuelled the recovery during the quarter reviewed, rising by Lm85.4 million as losses reported by a number of Turkish institutions in the previous quarter were reversed. At the same time, the net foreign assets of the domestic banks also expanded, rising by Lm18.5 million, or 15.2%, largely mirroring the increase in residents' foreign currency deposits.

The increase in net foreign assets reported by the international banks had no impact on monetary aggregates. Instead, it was largely matched by an increase in their capital and reserves, which, together with higher profits, boosted shareholders' funds and, hence, the net non-monetary liabilities of the banking system³. These factors outweighed a seasonal increase in banks' accrued interest receivable. Thus, the net

non-monetary liabilities of the banking system, which are shown as "other items (net)" in Table 6.3, rose by Lm73.5 million, or 13.7%, almost completely reversing the drop reported during the March quarter.

The Money Market

The Central Bank again left its central intervention rate and discount rate unchanged at 4.75% during the quarter reviewed. The Bank's repo rate and the rate paid on fourteen-day term deposits, which are determined during weekly auctions within a narrow margin around the central intervention rate, remained unchanged at 4.8% and 4.73%, respectively.

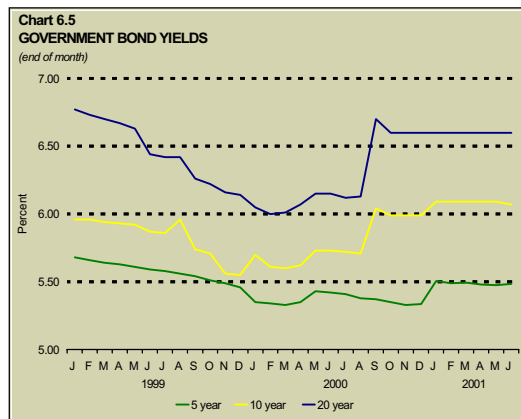
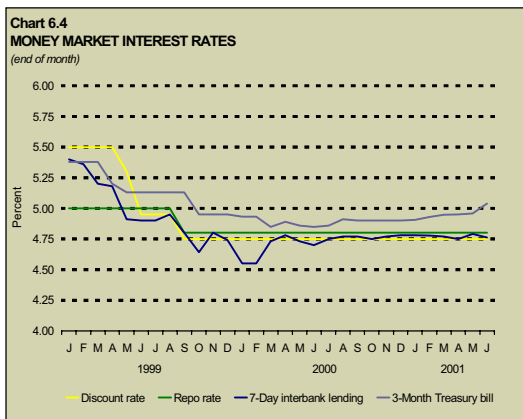
As the quarter progressed, the liquidity shortage that had characterised the banking system during the previous quarter eased. Thus, the aggregate amount of funds injected into the banking system through weekly auctions of fourteen-day repos fell from Lm349 million to Lm241.4 million. In fact, the amount injected decreased progressively during the quarter, dropping from Lm111.8 million in April to Lm62.6 million in June.

Against the background of unchanged official interest rates, interbank rates fluctuated minimally, as Chart 6.4 shows, with the seven-day interbank lending rate easing by just one basis point to 4.76% in June. Turnover in the market picked up, however, with the value of interbank loans rising from Lm40.8 million during the first quarter to Lm47.9 million during the quarter reviewed. The market remained oriented towards short-term loans, with almost two-thirds of the deals struck being contracted for seven days or less.

The Treasury continued to resort to the money market to finance Government operations during

² For the purposes of this analysis international banks exclude the international banking subsidiaries of the deposit money banks.

³ The net non-monetary liabilities of the banking system consist of liabilities such as debt securities issued, shareholders' funds and accrued interest payable, less the banks' other assets, including accrued interest receivable.



the quarter, issuing bills with terms to maturity ranging from one month to one year. In fact, the amount of bills issued during the quarter rose to Lm117.3 million, from Lm105 million during the March quarter, despite the issue of Government stocks in May. Banks took up two-fifths of the bills issued, with other investors (including Malta Government Sinking Funds) subscribing to the remainder. As the Treasury's demand for funds increased primary market yields rose, with that on the benchmark three-month issue adding 9 basis points to end the quarter at 5.04%.

Turnover in the secondary Treasury bill market almost doubled during the quarter, rising to Lm59.5 million. The Central Bank was a heavy buyer in the secondary market, making net purchases worth Lm40.8 million. In contrast, trading that did not involve the Bank contracted, falling to Lm15.3 million from Lm19 million during the previous quarter. Secondary market yields followed primary market rates upwards.

The Capital Market

The Government also pursued its programme of primary market debt issues, in line with the Treasury's indicative calendar, offering Lm30 million worth of 6.45% Malta Government Stocks 2014 in May. Retail investors bought Lm13.4 million worth of these stocks at par, with the remainder being auctioned. Excess demand raised

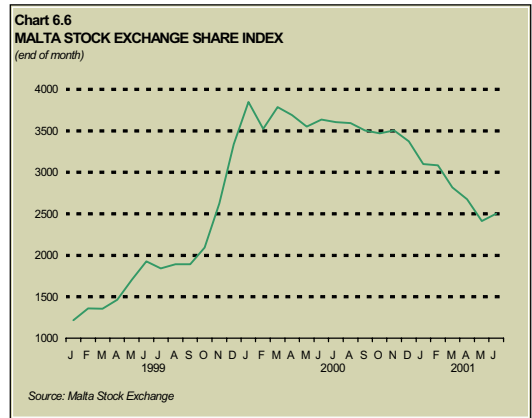
auction prices and lowered primary market yields. Banks and insurance companies successfully bid for Lm7.8 million and Lm4.9 million worth of stocks, respectively, with non-profit-making entities getting the remainder.

In May, too, First International Merchant Bank plc launched a combined offering of 10 million shares on the market at a price of US\$1.25 each. The issue was partly underwritten by another credit institution and the shares were listed on the Malta Stock Exchange at the end of June.

Primary market activity during the first half of the year may have spurred turnover in the secondary bond market during the quarter reviewed. In addition, with equity prices falling further, investors may have turned to Government and corporate bonds, which may have been viewed as safer assets. Thus, secondary market trading in Malta Government stocks rose nearly 50% to Lm36.6 million, with trading that did not involve the Central Bank amounting to Lm32 million. Meanwhile, the Bank made purchases and sales of stocks amounting to Lm3.7 million and Lm1 million, respectively. In addition, trading in corporate bonds, including preference shares, climbed from Lm1.1 million during the previous quarter to Lm10.5 million during the quarter reviewed. Bonds issued by the two major banks accounted for almost three-quarters of the total traded. Government bond yields were stable

during the quarter, as Chart 6.5 shows, with the yield on the ten-year bond ending the quarter just 2 basis points lower, at 6.07%. Corporate bond prices generally recovered, with yields dropping accordingly.

Activity in the equity market decreased further during the quarter reviewed, with the value of listed shares traded dropping to Lm5.3 million from Lm8.4 million during the March quarter. Equity prices generally fell in April and May but rallied somewhat in June, as Chart 6.6 indicates. As a result, the Malta Stock Exchange Share Index ended the quarter on 2,499.63, or 11.3% down from its end-March value.



7. THE BANKING SYSTEM

During the second quarter the aggregate balance sheet of the deposit money banks continued to expand, but at a markedly slower pace than in previous quarters. Moreover, part of the year-on-year growth in the banks' aggregate balance sheet was attributable to the incorporation of HSBC Home Loans (Malta) Bank Ltd within the sector in January. The banks' still managed to achieve a substantial increase in profits, as non-interest income recovered and provisions for bad debts were reduced. Furthermore, the banks capital structure and liquidity levels remained healthy.

Assets and liabilities

At the end of June the deposit money banks held assets valued at Lm3.5 billion, up only marginally on the previous quarter but 9.3% above a year

earlier. As can be seen in Table 7.1, fixed and other assets together with loans and advances accounted for all the growth in the banks' assets during the quarter. The former expanded by Lm37.2 million, or 30%, following the 37% growth recorded in the same quarter last year. The main factors contributing to this expansion were higher investments with other banks within the sector and an increase in interest accrued on outstanding loans and advances. At the same time, loans and advances rose by 1.3% to Lm1.8 billion, compared with an increase of 0.3% recorded during the same quarter last year. Loans and advances remained the major asset category, accounting for over half the total, as can be seen from the table.

The deposit money banks' foreign assets contracted by Lm11.8 million during the quarter. The banks increased their claims on overseas banks and money at call abroad, but reduced

Table 7.1
DEPOSIT MONEY BANKS' BALANCE SHEET

Lm millions

	2000				2001	
	Mar	Jun	Sep	Dec	Mar	Jun
ASSETS						
Cash and deposits with CBM	162.3	162.5	172.0	152.7	157.7	145.4
Foreign assets	653.7	713.5	712.6	729.6	749.2	737.4
Loans and advances	1,537.7	1,542.4	1,593.0	1,608.0	1,793.0	1,815.8
Local investments	592.6	583.8	566.3	601.4	634.6	607.6
Fixed and other assets	124.0	169.7	131.2	150.7	124.5	161.7
LIABILITIES						
Capital and reserves	137.8	137.8	137.8	158.5	176.7	177.0
Foreign liabilities	379.6	405.4	396.4	404.7	417.1	382.6
Other domestic liabilities	498.8	550.1	559.0	566.7	690.3	691.2
Deposits	2,054.2	2,078.6	2,082.2	2,112.7	2,174.9	2,217.1
Time	1,242.9	1,264.4	1,273.1	1,296.7	1,343.0	1,368.6
Savings	632.0	620.7	601.5	623.7	619.3	639.0
Demand	179.2	193.5	207.6	192.2	212.6	209.4
AGGREGATE BALANCE SHEET	3,070.3	3,171.9	3,175.4	3,242.5	3,459.0	3,467.8

their foreign securities portfolio substantially. At the same time, local investments declined by Lm27 million and deposits with the Central Bank by Lm12.3 million.

Meanwhile, the increase in the banks' assets continued to be funded mainly by growth in residents' deposits, which at the end of June accounted for 64% of total liabilities. Residents' deposits with the deposit money banks rose by Lm42.2 million, or 1.9%, during the quarter, compared with the 1.2% increase recorded in the same quarter last year, as a drop in demand deposits was offset by inflows of savings and time deposits, up by 3.2% and 1.9%, respectively. This may indicate that savers prefer assets that are relatively liquid and risk-free.

As Table 7.1 shows, the deposit money banks' foreign liabilities dropped by Lm34.5 million, reflecting lower foreign repo activity. Meanwhile, the banks' other domestic liabilities kept roughly the same levels as in the previous quarter, as

increases in balances due to other domestic banks and interbank deposits were matched by a drop in debentures in issue and subordinated loan capital together with a decline in securities sold under repurchase agreements. The banks' capital and reserves similarly remained at roughly the previous quarter's levels, with an increase in reserve funds accounting for the entire increase shown in the table.

Profitability

The deposit money banks made a profit before tax of Lm7.1 million during the second quarter, up from Lm3.3 million on the March quarter and roughly equal to the profit registered in the corresponding quarter last year. This rise, which took place despite a marginal decline in net interest income, was the result of a recovery in non-interest income and a reduction in provisions for bad debts.

As can be seen in Table 7.2, the deposit money

Table 7.2

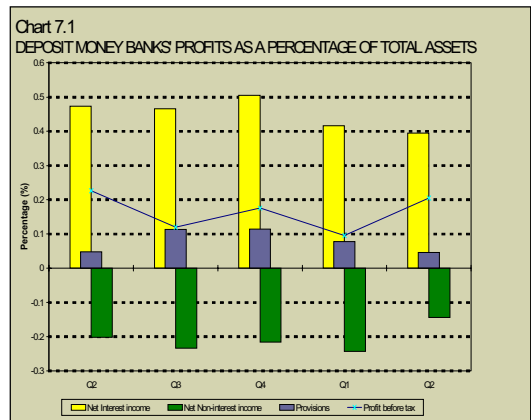
DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE STATEMENT

Lm millions

	2000	2001	
	Qtr. 2	Qtr. 1	Qtr. 2
Interest income	47.2	49.6	50.2
Interest expenses	32.2	35.2	36.6
Net interest income	15.0	14.4	13.7
Fees and commissions	3.3	2.0	4.3
Foreign exchange gains	1.7	3.1	3.0
Other non-interest income	2.6	0.2	1.6
Total non-interest income	7.6	5.3	8.9
GROSS INCOME	22.7	19.6	22.6
Wages	7.9	8.2	8.6
Rent and similar expenses	2.4	2.6	3.0
Other	3.6	2.9	2.2
Operating expenses	14.0	13.7	13.9
Provisions	1.5	2.7	1.6
PROFITS BEFORE TAX	7.2	3.3	7.1

banks' net interest income was marginally lower than in the previous quarter. Both interest income and interest expenses increased slightly: the rise in the former reflects higher income on loans and advances while that in the latter is attributable to higher interest payable on deposits. At the same time, the banks' non-interest income rose from Lm5.3 million in the March quarter to Lm8.9 million, with a Lm2.3 million increase in revenues from fees and commissions being largely responsible. Meanwhile, the deposit money banks' operating expenditure reached Lm13.9 million, up marginally on the previous quarter and roughly equal to that recorded during the same quarter a year earlier. The wage bill rose to Lm8.6 million, but provisions for bad debts were reduced to Lm1.6 million, from Lm2.7 million in the previous quarter.

As can be seen in Chart 7.1, the banks' rate of return on assets for the quarter, i.e. quarterly profit before tax as a proportion of total assets, was 0.2% at the end of the quarter reviewed. As the chart also shows, the ratio has fluctuated between 0.1% and 0.2% over the last five quarters. Furthermore, profits were derived entirely from the banks' traditional role as financial intermediaries. In fact, as the chart shows, net interest income accounted for their entire profit before tax. Net non-interest income, which consists of the difference between non-interest income and operating expenses, was negative throughout the period, while the impact of provisions on the banks' profits before tax was marginal.



Capital Adequacy and Liquidity

The deposit money banks continued to maintain healthy levels of capital and liquidity during the quarter under review. The aggregate capital adequacy ratio was 12.7% as at end June, practically unchanged from the previous quarter and comfortably above the 8% statutory minimum. A marginal drop in the ratio resulted almost entirely from increases in risk-weighted assets. Meanwhile, the banks' liquidity ratio, which is the ratio of liquid assets to short-term liabilities, rose from 44.8% at end-March to 49.1% at end-June 2001. While net short-term liabilities at the end of June showed an increase of Lm85 million, total liquid assets were up by Lm106 million, mainly in the shape of inter-bank deposits and marketable debt securities. Hence, the deposit money banks' liquidity ratio remained well above the statutory minimum of 30%.

Box 3: THE INTERNATIONAL BANKS

During the second quarter of 2001 the aggregate balance sheet of the international banking sector¹ continued to contract despite the incorporation for the first time of data from two recently licensed banks. Three Turkish banks accounted for most of the decline, to which the depreciation of the Turkish lira during the period could have contributed. In spite of the contraction in their balance sheet, however, the international banks' profits increased substantially, as one institution which had reported substantial losses during the March quarter, recovered strongly during the quarter under review.

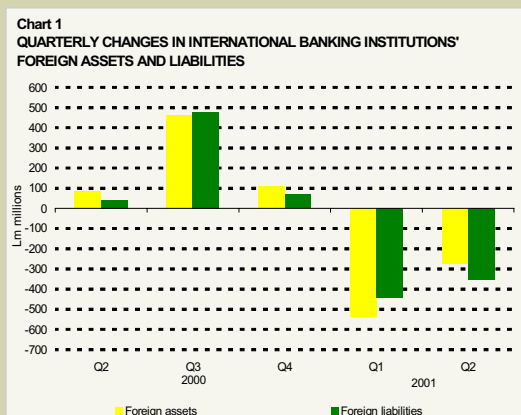
Assets and Liabilities

In June 2001 the international banks' assets amounted to Lm2.3 billion, down by 10.3% from the end of the previous quarter. In line with the nature of the business, a reduction in the banks' holdings of foreign assets, which was reflected in lower funding from abroad, accounted for the balance sheet contraction. This can be seen from Table 1. As the table also shows, however, the decline in the banks' assets, which was more pronounced during the March quarter, slowed down during the review period.

Table 1
INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET

	2000				2001	
	Mar	Jun	Sep	Dec	Mar	Jun
<i>Lm millions</i>						
ASSETS						
Cash and money at call	2.1	2.2	2.2	2.1	2.4	2.1
Foreign assets	2,160.7	2,244.8	2,709.2	2,819.0	2,281.1	2,006.9
<i>Foreign securities</i>	1,072.0	1,029.6	1,087.1	932.2	1,182.4	752.3
<i>Loans and advances to non-residents</i>	780.2	728.0	883.4	950.5	787.2	799.9
<i>Other foreign assets</i>	308.5	487.2	738.8	936.3	311.5	454.6
Loans to residents	7.0	6.9	7.0	6.1	7.7	7.3
Local investments	275.2	283.7	298.5	267.7	273.7	278.3
Other assets	47.8	23.6	35.1	11.3	11.9	17.4
LIABILITIES						
Capital and reserves	182.4	184.1	181.0	194.2	199.1	250.4
Foreign liabilities	2,234.0	2,275.7	2,752.1	2,820.5	2,376.8	2,021.5
<i>Balances due to other banks abroad</i>	881.5	859.6	1,002.0	877.2	1,000.0	807.8
<i>Non-resident deposits</i>	1,027.4	983.4	1,056.5	1,031.8	756.4	750.5
<i>Other foreign liabilities</i>	325.1	432.7	693.6	911.5	620.5	463.2
Resident deposits	25.1	26.3	26.2	32.3	32.9	33.4
Other domestic liabilities	51.3	75.2	92.7	59.1	(32.1)	6.7
AGGREGATE BALANCE SHEET	2,492.8	2,561.2	3,052.0	3,106.1	2,576.7	2,312.0

¹ The international banking sector consists of locally-based banks that conduct banking business almost exclusively with non-residents.



Foreign assets, which represent more than four-fifths of the international banks' total assets, dropped by Lm274.2 million, or 12%, during the quarter as the banks reduced their holdings of foreign securities. This contraction in the foreign securities portfolio more than offset increases in loans and advances to non-residents and other foreign assets. Nevertheless, as can be seen in Chart 1, the drop in foreign assets was smaller than the Lm537.9 million fall recorded during the March quarter.

The international banks' domestic investments, which mainly consist of claims held by Bank of Valletta International and HSBC Overseas Bank (Malta) on their parent banks, expanded by Lm4.6 million to Lm278.3 million during the quarter, while their other domestic assets rose by Lm5.5 million, reflecting increased claims on resident banks. At the same time, loans to residents decreased marginally to Lm7.3 million.

The international banks' liabilities also contracted, with their foreign liabilities declining by an additional Lm355.3 million, or 15%, to just over to Lm2 billion. As the table shows, the decrease was spread across all categories of foreign liabilities. However, a decline in borrowings from banks abroad explains more than half of the overall contraction. Other foreign liabilities fell by Lm157.3 million, mainly as a result of a reduction in inter-branch transactions. At the same time, non-resident deposits were down slightly.

Resident deposits, however, rose marginally, since growth in demand deposit and resident savings outweighed a drop in time deposits. The international banks' other domestic liabilities,

Table 2

INTERNATIONAL BANKS' INCOME AND EXPENDITURE STATEMENT¹

Lm millions

	2000		2001	
	Qtr.2	Qtr.1	Qtr.1	Qtr.2
Interest income	62.5	82.6	63.1	63.1
Interest expenses	49.6	87.8	53.4	53.4
Net interest income	12.9	-5.1	9.7	9.7
Non-interest income	15.4	-68.7	80.8	80.8
Non-interest expense	3.6	6.5	4.0	4.0
Provisions	0.0	0.0	0.1	0.1
PROFIT BEFORE TAX	24.6	-80.3	86.4	86.4

¹ Excludes banks registered under M.F.S.C. Act

which had fallen to -Lm32.1 million in March as a result of losses incurred by some institutions during the first quarter, recovered to Lm6.7 million in June as these same institutions registered profits. At the same time, additions to their paid-up share capital and growth in reserve funds pushed the international banks' capital and reserves up by Lm51.3 million to Lm250.4 million.

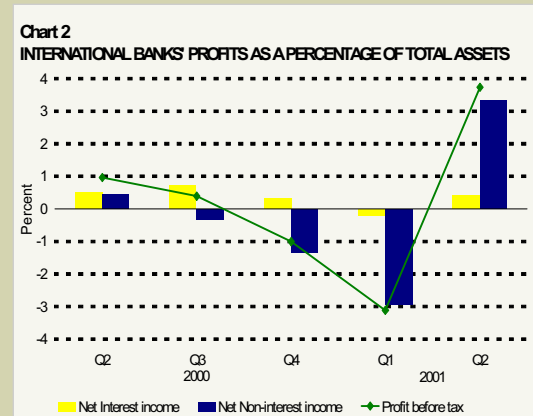
Profitability²

As Table 2 shows, the international banks reported an aggregate profit before tax of Lm86.4 million at the end of the quarter under review, in contrast to the Lm80.3 million loss recorded during the March quarter. However, this turnaround was almost entirely attributable to one institution, which totally recovered earlier losses.

Both the international banks' net interest and non-interest income were higher than in the previous quarter. Although gross interest income dropped to Lm63.1 million as a result of lower interest receipts on balances due from banks and other financial institutions, interest expenditure contracted by an even larger amount to Lm53.4 million, due to lower interest payable on deposits. These developments explain the Lm14.8 million June quarter increase in net interest income. Non-interest income, which consists of such items as trading income, fees and commissions, swung from -Lm68.7 million in the March quarter to

Lm80.8 million during the quarter reviewed, principally on account of gains on trading investments and other foreign instruments reported by one institution. Lower reported losses on foreign exchange trading also contributed to this result. Meanwhile, provision charges remained unchanged.

As can be seen from Chart 2, the rate of return on the international banks' assets, i.e. profit before tax as a proportion of total assets, stood at 3.7% at end-June³. As the chart also shows, the growth in the banks' profit to assets ratio during the quarter was mainly attributable to net non-interest income, which contributed 3.3 percentage points to the total.



² The income and expenditure statement for the international banks excludes banks registered under the M.F.S.C Act.

³ A frequently quoted benchmark ratio between profits after tax and total assets is 1%. See DeSourdy, Loretta, "Developments in the New Zealand banking industry." *Reserve Bank of New Zealand: Bulletin* Vol. 64 No 2, June 2001.

DEVELOPMENTS IN THE SUPERVISION AND REGULATION OF CREDIT AND FINANCIAL INSTITUTIONS IN MALTA¹

by Paul Vella²

INTRODUCTION

Sustained economic growth cannot be achieved in the absence of a stable and efficient financial system. A weak financial system can destabilise an economy, making it vulnerable to external shocks. Effective regulation and supervision of credit and financial institutions promotes healthy institutions, which in turn contribute to a strong financial sector. At the same time, innovation, deregulation and globalisation have made the business of banking and finance increasingly complex and risky. These developments present new challenges to regulators and make the regulation and supervision of credit and financial institutions a dynamic process. With these considerations in mind, the Maltese authorities have been careful to model the local regulatory and supervisory framework on internationally accepted guidelines and practices emanating from the Basle Committee on Banking Supervision of the Bank for International Settlements (BIS) and the Banking Directives issued by the EU Commission.

The 1994 enactment of a number of laws that set up the current financial legislative framework initiated a process whereby the Central Bank of Malta, as the Competent Authority in terms of the Banking Act 1994 and the Financial Institutions Act 1994, built an internal infrastructure for the monitoring of regulatory developments, both locally and abroad. This has

ensured that the statutory and regulatory regime governing banks and financial institutions in Malta is continuously updated so as to meet the demands of the industry, while at the same time ensuring conformity with internationally recognised standards.

UPGRADING OF THE ORIGINAL DIRECTIVES

The most significant developments that have occurred since 1997 were brought about through the periodic upgrading of the original seven Banking Directives issued in 1994. Although all these Directives were affected, those on the *Application Procedures and Requirements for Authorisation of Licences for Banking Activities Under the Banking Act 1994* (BD/01) and on *Large Exposures of Credit Institutions* (BD/02) have undergone the most significant changes. Amendments to the former were mostly aimed at entrenching the Minimum Standards of the Basle Committee on Banking Supervision and at spelling out the Competent Authority's criteria with respect to the type of banking establishment that could qualify for a license to operate in or from Malta. The amendments also clarified the regulatory and supervisory standards that would have to be met in the home jurisdiction of foreign institutions applying for a banking licence to operate from Malta.

In the case of the latter Directive, the amendments covered two aspects. The first was the gradual

¹ This article is a follow up to the one entitled "Supervision and Regulation of Credit and Financial Institutions in a Liberalised Financial Market" by Herbert Zammit Laferla, Deputy General Manager, Banking Regulation and Supervision, published in the Central Bank of Malta *Quarterly Review* of March 1997.

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elimination of transitory provisions that had been put in place to facilitate the application of the Directive by banks in Malta. This stance was rendered possible by developments in the market in relation to the banks' corporate structure, the large exposure policies adopted by banks in agreement with the Competent Authority and the coming into force of new Banking Directives that had a direct bearing on the regulation and monitoring of large exposures. The second consisted in the concurrent upgrading of the Directive to cater for intra-group lending involving a bank and its subsidiaries that are subject to the provisions of the Consolidated Supervision Directive (BD/10). This step-by-step approach ensured that the required regulatory and supervisory standards were attained without undue shocks to the lending and investment strategies of the institutions concerned.

NEW DIRECTIVES

Besides the upgrading of the original Banking Directives, three new ones have recently been introduced. The first, on the *Capital Adequacy of Credit Institutions* (BD/08), was fully introduced by the end of 1999. The ones on *Credit and Country Risk Provisioning* (BD/09) and on the *Supervision of Credit Institutions on a Consolidated Basis* (BD/10) came into force during 2001. Prior to the implementation phase, draft proposals had been submitted to the banks and to other professional associations for consultation. Once the consultation process was over and the final amendments had been agreed to, the Directives were approved by the Joint Banking Committee³.

Capital Adequacy of Credit Institutions

The Banking Directive (BD/08), together with the Solvency Ratio Directive (BD/04) and the Large Exposures Directive (BD/02), now constitute the

capital adequacy regime governing banks in Malta. Capital adequacy ratios, whether in the banking book or the trading book, are established against each institution's own funds, the definition of which is established according to the Own Funds Directive (BD/03). The latter reflects current international thinking with regards to the basic standards for the capital adequacy of banks. It also provides a complementary framework for the supervision of risks incurred by banks, whether these relate to market risks in their trading book activities, position risks, counterparty/settlement risks, underwriting, foreign exchange and/or commodities risks. The use of models to calculate a bank's overall foreign exchange risk capital requirement is allowed, but subject to a review process by the Competent Authority. A policy statement on the application of the Directive is also required from each bank, and this too should be agreed with the Authority.

Credit and Country Risk Provisioning

Credit risk has been, and continues to be, the main risk factor faced by banks. Developments in the regulatory requirements for banks internationally and the fact that, locally, different banks adopted different provisioning policies led the Central Bank to issue a new Banking Directive on Credit and Country Risk Provisioning (BD/09) and to amend its Banking Notice on the Management of Credit Risk (BN/01). These replaced the best practice guidelines for provisioning previously included in the original version of Banking Notice BN/01 issued in 1994. While the previous Notice allowed banks to adopt their own provisioning system, the new Directive provides for minimum provisioning criteria. In the process, it introduces an element of objectivity in establishing provisions for non-performing loans. The aim of the Directive is to ensure a timely and appropriate level of provisioning on facilities which, owing to financial problems affecting the specific borrower,

³ The Joint Committee, established under section 27 of the Banking Act 1994, is responsible for formulating banking regulatory and supervisory policy and monitoring the soundness of the banking system.

or because of a possible slowdown in a particular economic sector which could in turn have adverse effects on specific borrowers, remain overdue for a period of time. Its effect is therefore to strengthen a bank's lending portfolio by reducing the number of overdue facilities. The Directive addresses not only risks inherent in loans and advances and other credit facilities, but also those linked to securities and similar debt instruments, unless such instruments are listed and marked to market.

While allowing banks discretion in their day-to-day *qualitative* assessment of relevant assets, as mentioned, the Directive provides minimum *quantitative* standards to determine the five grading categories of assets in a given portfolio, namely 1- *Regular*, 2-*Watch*, 3-*Substandard*, 4-*Doubtful*, 5-*Loss*.

The Directive also specifies *quantitative* criteria with which banks must comply when providing against unsecured doubtful balances. This is done according to a matrix established by the Directive itself in relation to the 4-*Doubtful* category. *Quantitative* criteria are also applied once a credit facility or a financial asset remains in the 4 – *Doubtful* category for twenty-four months (in case of mortgage loans, forty-eight months). The latter criteria have to be applied irrespective of any related collateral, taking into consideration any provisions already made on the unsecured portion. The objective is to ensure that an appropriate level of provisioning is effected in relation to credit facilities that are automatically downgraded to the *doubtful* category and remain in this category for a relatively long period of time. At the same time, banks are encouraged to reduce the number of overdue facilities by inducing their customers to honour their lending contracts.

The Directive defines country risk as that type of risk to which debts in a particular country may be subject as a result of circumstances that are different from those of normal trade. In this

respect the Directive describes in detail the concepts of sovereign, transfer and other risks related to international financing. Countries are classified into six groups in ascending order of risk, ranging from solvent to insolvent countries, and each group is defined in detail. Again, while allowing for a level of discretion in provisioning in respect of the less risky categories, the Directive provides *quantitative* criteria that must be complied with when providing for countries characterised by high risk.

The Directive came into force immediately upon publication earlier this year. Banks were, however, given the option to fully implement it by the end of 2003 if they agreed to a programme of implementation with the Competent Authority within two months of its publication. The reason for this was that the Directive, being a regulatory tool, was onerous in that it provided that a facility was to be automatically considered *doubtful* once it became past due by 90 days. Banks, therefore, needed time to develop internal systems to be able to meet this requirement. In this respect it is worth remarking that the level of provisioning has a direct impact on a bank's profitability. Furthermore, as explained above, additional provisions would have to be made once a facility remained in the doubtful category for two years or more. These standards were also introduced to enable banks to be better geared to meet the demands of the revised Basle Capital Accord that is expected to come into force at the beginning of 2005. According to the new Accord, banks would be required to introduce additional capital against *doubtful* assets unless these are already adequately provided for, and the current Capital Adequacy Directives (BD/04 and BD/08) would need to be revised accordingly.

Supervision of Credit Institutions on a Consolidated Basis

There were two reasons for the drawing up of the Directive on the *Consolidated Supervision of Credit Institutions* (BD/10). The first was to bring

together the several provisions on consolidated supervision dispersed in a number of Directives. The second was to introduce new provisions that would render the consolidated supervision procedures and standards applied in Malta in respect of own funds, solvency, capital adequacy and control of large exposures more compliant with the criteria applied internationally.

Through this Directive, the Competent Authority is enabled to supervise banking groups as a single risk. In this way the Authority should be able to identify the risks that banks might be exposed to as a result of their relationship with other institutions belonging to the same group of companies. Consequently, banks forming part of banking groups would benefit from the fact that eligible companies within the group are considered as one risk, with reference being made to consolidated regulatory returns benchmarked against the group's consolidated own funds. The Directive is also forward looking since it caters for the possibility of consolidated supervision of banking groups or financial conglomerates that are more complex than the ones that currently operate in Malta.

In determining the framework of consolidated supervision, the Directive indicates the methods and techniques through which such supervision would be applied both on a *qualitative* and on a *quantitative* basis. At the same time, it also identifies the internal systems that banks need to have in place to facilitate their supervision on a consolidated basis.

BANKING NOTICES

In order to keep the lines of communication with licensed institutions open, and to create awareness of the type of the administrative, operational and control-related infrastructure that needs to be in place within banks and financial institutions, the Central Bank, in its role as regulator, has over the years issued several best practice guidelines to licence holders by way of Banking Notices.

These Banking Notices do not have the force of law. Although not mandatory, however, they do constitute an important element of the regulatory and supervisory process since they enable institutions to be aware of the type of infrastructures required to support the compliance function. The Banking Notices issued from 1997 to date, again in consultation with the industry, are based on guidelines that are issued from time to time by the Basle Committee on Banking Supervision and on other internationally recognised practices. The Banking Notices that have been issued to date are:

- *Management of Credit Risk* (BN/01), issued during 2001, which replaced the original version of BN/01 following the publication of the Directive on *Credit and Country Risk Provisioning* (BD/09)
- *Legal and Regulatory Provisions of Representative Offices of Foreign Banks* (BN/02), issued during 1998
- *Internal Control Systems in Credit Institutions* (BN/03) issued in 1999
- *Interest Rate Risk Management* (BN/04), and *Advertising for Deposits* (BN/05), issued in 1999

THE FINANCIAL INSTITUTIONS DIRECTIVES

As with the Banking Directives, the two Financial Institutions Directives issued so far have undergone several amendments. Those related to the Licensing Directive (FID/01) reflected the periodic fine-tuning required from time to time in respect of ongoing licensing obligations. The ones relevant to the Regulatory Directive (FID/02) were issued subsequent to the periodic updating of the existing Banking Directives and the introduction of new ones. In this respect it is worth noting that the Financial Institutions Act 1994 empowers the Competent Authority to apply Banking Directives to financial institutions insofar as the latter's business activities are similar to those of banks.

POLICY PAPERS

In response to demands from the industry, the Central Bank has published three policy papers since 1997, explaining its views on a number of business activities included in the Schedule to Section 2 of the Financial Institutions Act 1994. Besides delineating best practice guidelines, these papers explain the Bank's views as to what constitutes the activity to which a particular policy paper refers. The three policy papers issued to date deal with such topics as forfeiting and factoring, venture or risk capital and financial leasing. Work is currently in progress on two other policy papers, one dealing with money broking and the other with guarantees and commitments.

OTHER CURRENT WORK

Other work currently being undertaken in relation to the regulation and supervision of banks and financial institutions includes:

- a revision of the Banking Act 1994 and the Financial Institutions Act 1994 to cater for market developments and the introduction of new products, particularly e-money;
- a concurrent overview of existing Banking Directives, particularly the Licensing Directives BD/01 and FID/01, as a result of the revision of the above two Acts;
- an evaluation of the third consultative package on the new Capital Accord due to be issued later in 2001 and scheduled to come into force in 2005;
- the drawing up of a draft E-money Directive on the licensing and regulation of e-money institutions; and
- the monitoring of policy papers issued by the Basle Committee on Banking Supervision and other international regulatory agencies that would determine the eventual issue of further banking notices and policy papers.

THE FRAMEWORK FOR BANKING SUPERVISION

In order to complement the foregoing, the Central Bank, has just published a document entitled *The Framework for Banking Supervision*. This document defines and explains the supervisory methods and procedures adopted by the Central Bank in fulfilling its obligations under the law.

It explains how initial guidelines for banking supervision put in place during 1993 were upgraded to meet the requirements of the Banking Act 1994. Ensuing developments in the Maltese banking sector, together with the adoption over the years of internationally recognised best practices in the conduct of banking supervision, also prompted the upgrading exercise. This process, based on the experience gained, included:

- putting in place analytical techniques related to off-site reporting by banks that is based on the CAMEL (**C**apital, **A**ssets, **M**anagement, **E**arnings and **L**iquidity) concept;
- restructuring on-site examinations on the basis of a risk-based approach focussing on asset quality, capital allocation, liquidity, internal controls, risk management, treasury and similar issues;
- devising a supervisory cycle based on **R**isk identification, **A**nalysis and examination, **C**ommunication together with reporting and a follow-up on the **E**ffectiveness of recommendations made in on-site reports (RACE);
- creating a new function based upon the CAMEL concept, the methodical evaluation of the results of off-site and on-site examinations, thus enabling the drawing up of a risk-rating profile and the allocation of a supervisory rating to a bank;
- developing evaluations related to open

foreign exchange positions, interest rate risk, gap and peer group analysis; and

- drawing up a contingency plan to ensure co-ordinated action in the event of a banking crisis involving one or more banks.

CONCLUSION

The Basle Committee on Banking Supervision has issued a series of papers to prepare the banking industry for the new Capital Accord. Being fully

aware of the importance of a sound financial sector, and hence of a regulatory and supervisory regime that is up to international standards, for the sustainable development of the Maltese economy, the Central Bank has taken steps to ensure that the local banks would eventually be in a position to meet the requirements of the Accord. In fact, the developments described in this paper, particularly those related to introduction of the Provisioning Directive (BD/10), reflect the proactive stance that has been consistently taken by the Bank in this regard.

NEWS NOTES

Central Bank Lowers Official Interest Rates

At its meeting of August 31, the Monetary Policy Council lowered the Central Bank's central intervention rate and the discount rate by 25 basis points to 4.5%. All other official interest rates quoted by the Central Bank were also reduced by 25 basis points.

The Council arrived at this decision after considering recent international and domestic economic and financial developments within the context of the objectives of the Bank's monetary policy.

Reviewing international developments the Council noted that, since the beginning of the year, central banks have been cutting interest rates in the wake of a pronounced slowdown in global economic activity. As a result, the synthetic interest rate, or the average interest rate on the component currencies of the Maltese lira basket, dropped significantly below interest rates in Malta. This contributed to an easing of pressures on the external reserves and the balance of payments. The cut in official interest rates still left Maltese lira interest rates at a level which the Council believed to be compatible with the sustainability of the exchange rate peg.

The Council also considered that the latest developments in the domestic economy were compatible with a limited interest rate cut. There was no evidence of excessive demand pressures, as economic growth was observed to have slowed down in line with international trends, although rising inflation remains a concern. The Government's commitment to ensure that fiscal targets will be met was also taken into account.

Regarding the future prospects for the Maltese economy, the Council reiterated the importance of further consolidation of the fiscal sector and of

structural reform to safeguard the economy's long-term competitiveness. Meanwhile, the Monetary Policy Council said it would closely monitor developments, with particular attention being paid to interest rate trends abroad, to the external reserves and the balance of payments and to domestic price levels.

Monetary Policy Council Lowers Reserve Requirement Ratio

At its meeting of September 27, the Monetary Policy Council lowered the reserve requirement ratio imposed on banks by one percentage point from 5% to 4% of the banks' deposit liabilities. The new ratio was set to come into effect from the beginning of the maintenance period commencing on October 15. This decision implied an increase in the volume of liquidity available to the banks and thus represented a further easing of the Bank's monetary policy stance, following the cut in the central intervention rate and the discount rate by 25 basis points announced on August 31.

The Council arrived at this decision after analysing recent international and domestic economic and financial developments within the context of the objectives of the Central Bank's monetary policy.

Reviewing international developments, the Council was concerned about the mounting evidence of a global recession and its likely impact on the Maltese economy. Moreover, monetary conditions overseas had eased further, as major central banks reduced official interest rates and provided liquidity to the financial markets in the wake of the recent terrorist attacks.

The Council considered that local economic conditions were also compatible with a further relaxation of the monetary policy stance. In particular, the official external reserves had

continued to stabilise and pressures on the balance of payments eased further, while demand remained sluggish and output growth relatively weak.

Central Bank Issues a Commemorative Coin

On September 20 the Central Bank of Malta issued the first in a series of commemorative coins depicting distinguished Maltese personalities. The reverse side shows the name and portrait of Enrico Mizzi, with the dates of his birth and death (1885-1950) above and the legend "Prim Ministru 1950" (Prime Minister 1950) at the bottom right of the coin. The obverse side shows the coat of arms of the Republic of Malta and the year of issue.

The proof coin, which is in silver and has a fineness of 0.925, weighs 28.28gms and has a diameter of 38.61mm. It is legal tender for a value of Lm5.

Malta's Credit Rating Affirmed

On August 6 Standard and Poor's affirmed Malta's single-'A' foreign currency and double-'A'-minus local currency long-term ratings. At the same time, it also affirmed Malta's 'A-1' foreign currency and 'A-1'-plus local currency short-term ratings. Standard and Poor's confirmed that the outlook on Malta was stable. The credit rating agency said that the stable outlook for Malta was underpinned by the preparations for EU accession, which included the gradual implementation of structural reforms, a stabilising general Government debt burden and continued fiscal restraint. The agency warned, however, that the Government's gradualist approach to fiscal consolidation provided little budgetary flexibility in the event of weaker than expected growth.

Government Stock Issues

On July 10 the Government launched the issue of Lm30 million worth of 6.25% Malta Government Stock 2011(II), with an option, which was

subsequently exercised, to increase the offer to Lm40 million. The stock was issued at par for amounts not exceeding Lm50,000 and by auction for bids exceeding this amount. It was the third of four projected issues for this year and is intended to cover part of the Consolidated Fund deficit.

Bank Holidays Announced

On September 25 the dates of a number of bank holidays were declared by the Minister of Finance and announced through a legal notice (Legal Notice 230) which appeared in the Government Gazette. The bank holidays are March 30, 2002, December 26, 2002 and January 2, 2003.

Subsidiary of Local Credit Institution Merges with Parent Bank

On September 22 Bank of Valletta International (BOVI) merged with its parent company, Bank of Valletta plc. The merger was undertaken in anticipation of the expiry of the subsidiary's offshore banking licence, which was granted for a ten-year period commencing on November 8, 1991. Bank of Valletta International will continue to operate as a division of the Bank of Valletta plc.

Credit Institution Raises International Syndicated Loan in Euro

On July 4 the Bank of Valletta plc signed a 100 million euro syndicated loan facility agreement with three major international banks, Bayerische Hypo und Vereinsbank AG, Raiffeisen Zentralbank Oesterreich AG and Sumitomo Mitsui Banking Corporation. The purpose of the loan is to fund the Bank's activities in international financial markets.

UK Bank Opens Investment Firm in Malta

On July 5 the UK international bank, Barclays Bank plc, which has a representative office in Malta, announced the setting up of a subsidiary company in Malta, Barclays International Investments (Malta) Ltd. The new institution was

granted a Category 1 Investment Services Licence by the Malta Financial Services Centre (MFSC) and will provide a full range of Barclays banking and investment products to Maltese residents.

Malta Stock Exchange Issues Draft Corporate Governance Code

On July 5 the Malta Stock Exchange published a draft model code on good corporate governance. The code was drafted by a working group set up last year by the Malta Stock Exchange and consisting of representatives of the stockbrokers, issuers, practitioners and investors. The working

group recommended that the principles of the code be observed on a voluntary basis by both listed and public companies.

Issue of Bonds by Private Company

On September 7 a private company, CC Car Parks plc, announced that it would be offering for sale to the public Lm1.5 million worth of bonds with a coupon of 6.5% maturing on September 20, 2006. The proceeds of the bond will be used to refinance the company's long-term bank borrowings. The bonds are expected to be listed on the Malta Stock Exchange.

FINANCIAL POLICY CALENDAR

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

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.

July 14 : *Malta Stock Exchange Regulations Amended*

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

August 25 : *Prevention of Money Laundering Regulations Amended*

The Minister of Finance, through Legal Notice 156, issues the Prevention of Money Laundering (Amendment) Regulations 2000. These regulations amend the Prevention of Money Laundering

Regulations, 1994. Amongst other things, the amended regulations introduce the concept of “reputable jurisdiction”. This allows for the recognition of other jurisdictions which adhere to international standards in combating money laundering.

November 21: Measures Introduced in the Budget for 2001

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

- 1) **Cost of living increase:** A weekly increase in wages of Lm1.50 to compensate for the rise in the cost of living during the year to September 2000.
- 2) **Direct taxation:** The Income Tax Act is to be enforced with regard to certain fringe benefits attached to employment. The benefits to be taxed are listed in a separate document presented with the Budget.
- 3) **Indirect taxation:** Value added tax on health and education are reclassified as exempt without credit while profits made by travel agents on tickets for travel abroad are to become taxable at the full rate. Catering establishments in factories, schools and industrial zones are to start charging value added tax. Excise duty on cigarettes is increased while the duty on alcoholic beverages is henceforth to be calculated on the basis of the alcohol content of the beverage concerned. Levies on a number of imported industrial products are to be scaled down further, while income from collective investment schemes is to be subject to tax.
- 4) **Liberalisation of exchange controls:** Exchange controls are further liberalised and the relative administrative procedures are to be speeded up. The measures include:
 - An increase in the allowance for travel purposes from Lm5,000 to Lm10,000 per trip.
 - An increase in the limit for cash gifts from Lm5,000 to Lm10,000 per year.
 - An increase in the amount of foreign currency which can be exported to effect merchandise payments overseas.
 - An increase in the limits on imports and exports of local currency from Lm25 to Lm1,000.
 - The amount that residents are permitted to invest in real estate overseas is raised from Lm50,000 per year to Lm150,000.
 - The allowance for foreign portfolio investment by residents is raised from Lm15,000 per year to Lm30,000.
 - Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are permitted to invest in foreign assets up to a maximum of five per cent of the funds invested in a scheme.
 - The amount of foreign currency which a resident may retain in the form of cash or in a foreign currency (demand) account with local credit institutions is raised to Lm10,000 from Lm2,500.
 - The period during which export-oriented local companies are permitted to maintain export proceeds with local banks in foreign currency is extended to one year while other bodies corporate and local retail outlets are henceforth permitted to maintain demand, savings and time deposits in foreign currency accounts provided such deposits originate from business activities and the balance does not exceed Lm10,000.

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

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

December 5: Malta Stock Exchange Council Reviews Notice

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

2001

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

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

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

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

July 5: Malta Stock Exchange Issues Draft Corporate Governance Code

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

August 31: *Central Bank Lowers Official Interest Rates*

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

September 27: *Central Bank Lowers Reserve Requirement Ratio*

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

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-June 2001, unless otherwise indicated)

CAPITAL CITY	Valetta	
AREA	316 km ²	
CURRENCY UNIT	Lira - Exchange rates: Lm1 = US\$2.1692 Lm1 = Euro2.5222	
CLIMATE	Average temperature (1991-1999): December - February June - August	13.3° C 25.9° C
	Average annual rainfall (1990 - 1999)	622.4mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices (Dec 2000)	7.1%
	GDP per capita at current market prices (Dec 2000)	US\$9,108
	GDP per head in PPS relative to the EU-15 average (2000)	53
	Ratio of Gross Government Debt to GDP (Dec 2000)	59.4%
	Ratio of adjusted Government Deficit ¹ to GDP (Dec 2000)	5.3%
	Retail Price Inflation	1.95%
	Ratio of Exports of Goods and Services to GDP (Dec 2000)	100.8%
	Ratio of Current Account Deficit to GDP (Dec 2000)	14.8%
	Gainfully Occupied	137,380
	Unemployment Rate	4.5%
POPULATION	Total (Dec. 2000)	391,415
	Males (Dec. 2000)	193,689
	Females (Dec. 2000)	197,726
	Age composition in percent of population (1999)	
	0 - 19	28%
	20 - 59	55%
	60 +	17%
	Average annual growth rate (1990 - 2000)	0.8%
	Density per km ²	1,238
HEALTH	Life expectancy at birth - Males (Dec 1999)	75.1
	- Females (Dec 1999)	79.3
	Crude birth rate, per 1000 inhabitants (Dec 2000)	11.16
	Crude mortality rate, per 1000 inhabitants (Dec 2000)	7.75
	Doctors (per 1000 inhabitants) (Dec 2000)	3.2
EDUCATION	Number of schools (1999/2000)	331
	Number of teachers (1999/2000)	8,177
	Number of pupils/students (1999/2000)	100,052
	Teachers (per 1000 students)	82
LIVING STANDARDS	Telephone Lines (per 1000 inhabitants) (Mar. 2001)	533
	TV licences (per 1000 inhabitants)	537
	Motor vehicle licences (per 1000 inhabitants) (Mar. 2001)	649

¹ Deficit figures are adjusted for sale of shares, sinking funds of converted loans and capital repayments.

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

List of banking institutions submitting financial information to the Central Bank of Malta for statistical reporting purposes, as at June 2001:

Deposit Money Banks

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

International Banking Institutions

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

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TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES**CENTRAL BANK OF MALTA¹***Liabilities**€ thousands*

End of Period	Currency Notes and Coin Issued	IMF Related Liabilities	Deposits				Capital and Reserves	Foreign ³ Liabilities	Other Liabilities
			Banks ²	Government	Other	Total			
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	-	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	-	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	-	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	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
Apr.	402,860	19,014	145,746	84,252	8,311	238,310	89,050	-	44,678
May	404,674	19,014	145,744	85,720	8,877	240,341	89,050	-	40,439
June	409,680	19,014	138,941	84,799	3,426	227,166	89,050	-	37,728
July	413,532	19,014	165,272	41,518	7,361	214,150	89,050	-	37,010
Aug.	413,856	19,014	134,252	54,570	10,448	199,270	89,050	-	44,067
Sep.	413,846	19,014	135,632	68,376	11,585	215,592	89,050	-	46,055
Oct.	415,901	19,014	140,232	64,120	10,020	214,373	89,050	-	43,206
Nov.	415,224	19,014	137,282	44,780	10,003	192,066	89,050	-	47,359
Dec.	423,188	18,574	141,270	56,161	10,393	207,825	89,050	-	48,837
2001									
Jan.	412,749	18,574	151,954	34,603	9,556	196,113	89,050	2,548	47,585
Feb.	413,863	18,574	154,375	62,982	9,617	226,974	89,050	4,274	29,743
Mar.	415,262	18,574	142,870	69,976	8,657	221,503	89,050	3,041	32,593
Apr.	421,757	18,574	150,629	51,821	9,651	212,101	89,050	2,803	29,204
May.	426,201	18,574	157,537	53,558	11,009	222,103	89,050	1,486	32,187
June	429,727	18,574	129,375	51,908	10,145	191,429	89,050	2,863	34,295

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 (up to December 2000) and International Banking Institutions (as from January 1995).³ Data prior to 2001 were included with "Other Liabilities".

**TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA¹**

Assets

€m thousands

End of Period	External Reserves				IMF Currency Subscription	Malta Government Securities and Advances	Fixed and Other Assets	Total Assets/ Total Liabilities
	Gold ²	IMF Related Assets ³	Convertible Currencies ⁴	Total				
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	80,134	559,376
1992	9,101	30,061	435,856	475,018	21,720	62,305	88,687	647,730
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
1999	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000								
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
Apr.	758	36,494	662,527	699,779	34,955	9,508	49,670	793,912
May	714	36,745	674,299	711,758	35,664	11,757	34,338	793,517
June	746	36,569	666,080	703,396	35,664	6,644	36,933	782,637
July	632	36,699	648,329	685,660	35,664	8,003	43,429	772,756
Aug.	742	37,647	648,026	686,414	35,664	5,863	37,316	765,256
Sept.	739	37,664	659,122	697,525	35,664	7,009	43,360	783,557
Oct.	713	38,040	651,102	689,856	35,664	6,834	49,190	781,543
Nov.	735	38,060	626,391	665,187	35,662	6,852	55,011	762,712
Dec.	452	36,940	606,752	644,144	35,222	9,178	98,930	787,474
2001								
Jan.	406	36,978	593,415	630,799	35,222	14,909	85,689	766,618
Feb.	525	37,352	588,841	626,717	35,222	16,154	104,385	782,478
Mar.	524	37,445	593,656	631,625	35,222	17,603	95,573	780,023
Apr.	435	37,426	602,438	640,300	35,222	9,830	88,137	773,488
May	533	38,340	614,350	653,223	35,372	41,062	59,945	789,601
June	489	38,100	609,264	647,853	35,372	37,512	45,200	765,937

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

² Includes small amounts of other precious metals.

³ Include IMF Reserve Position and holdings of SDRs.

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

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES
DEPOSIT MONEY BANKS ¹
Liabilities

Lm thousands

End of period	Deposits ²				Foreign Liabilities ³	Capital and Reserves	Other Liabilities ³
	Demand	Savings	Time	Total			
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
1999	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000							
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
Apr.	181,370	631,505	1,253,497	2,066,372	373,234	137,762	531,091
May	198,017	619,243	1,263,245	2,080,505	390,789	137,762	533,851
June	193,457	620,728	1,264,408	2,078,593	405,417	137,762	550,139
July	198,660	615,581	1,268,922	2,083,163	400,159	137,762	529,192
Aug.	215,243	611,214	1,268,959	2,095,416	388,768	137,762	523,923
Sept.	207,565	601,461	1,273,144	2,082,170	396,424	137,762	559,008
Oct.	205,509	605,140	1,288,791	2,099,440	415,601	157,923	543,090
Nov.	206,625	611,430	1,297,263	2,115,318	420,615	158,303	537,760
Dec.	192,206	623,727	1,296,731	2,112,664	404,679	158,523	566,664
2001							
Jan.	205,665	624,893	1,321,837	2,152,395	407,805	177,039	672,988
Feb.	211,192	629,250	1,340,870	2,181,312	404,322	176,714	702,120
Mar.	212,583	619,316	1,343,006	2,174,905	417,137	176,714	690,255
Apr.	209,623	634,366	1,382,622	2,226,611	402,928	176,714	702,344
May	216,251	630,063	1,394,006	2,240,321	386,026	177,039	701,452
June	209,436	639,026	1,368,606	2,217,068	382,569	177,040	691,167

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

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

³ 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 ¹
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
1990	58,349	197,787	458,246	100,284	32,334	847,000
1991	62,790	246,499	480,495	147,050	26,847	963,681
1992	93,816	330,111	539,405	147,048	32,488	1,142,868
1993	83,250	378,598	627,635	212,779	35,457	1,337,719
1994	194,501	417,411	707,355	210,540	46,545	1,576,352
1995	100,638	557,355	938,406	234,379	49,960	1,880,738
1996	96,777	588,571	1,079,552	263,194	114,236	2,142,330
1997	125,183	534,756	1,205,349	365,333	120,979	2,351,600
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000						
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
Apr.	157,818	680,893	1,532,392	601,602	135,754	3,108,459
May	174,635	701,269	1,540,180	579,465	147,358	3,142,907
June	162,544	713,463	1,542,353	583,807	169,744	3,171,911
July	179,381	721,804	1,538,138	559,368	151,585	3,150,276
Aug.	157,982	720,846	1,533,560	573,450	160,031	3,145,869
Sept.	172,161	712,620	1,592,966	566,345	131,272	3,175,364
Oct.	160,963	751,665	1,585,294	588,183	129,949	3,216,054
Nov.	162,908	745,462	1,599,751	589,856	134,019	3,231,996
Dec.	152,739	729,614	1,608,023	601,427	150,727	3,242,530
2001						
Jan.	167,665	739,428	1,735,354	602,689	165,091	3,410,227
Feb.	176,144	751,847	1,739,911	634,330	162,236	3,464,468
Mar.	157,672	749,183	1,793,027	634,613	124,516	3,459,011
Apr.	171,652	765,611	1,823,589	614,562	133,183	3,508,597
May	177,617	758,695	1,815,942	599,360	153,223	3,504,837
June	145,437	737,380	1,815,792	607,585	161,650	3,467,844

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

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES
OTHER BANKING INSTITUTIONS ¹
Liabilities

Lm thousands

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

¹ This table was discontinued as from January 2001.

² Excludes deposits belonging to non-residents. The latter are classified as foreign liabilities. As from January 1991, deposits belonging to residents have been classified under "Other Items (Net)".

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

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES
OTHER BANKING INSTITUTIONS ¹**

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Claims on				Total Assets/ Total Liabilities
			Government	Deposit Money Banks ²	Private and Parastatal Sectors	Total	
1990	642	89,771	5,055	702	104,539	110,296	200,709
1991	7	98,099	-	6	138,210	138,216	236,322
1992	7	116,452	-	79,259	164,003	243,262	359,721
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	368	6,545	4,555	3,013	139,217	146,785	153,698
2000							
Jan.	349	6,432	4,555	3,025	139,475	147,055	153,836
Feb.	307	6,449	4,555	3,029	139,949	147,533	154,289
Mar.	317	6,324	4,555	3,102	143,997	151,654	158,295
Apr.	325	6,307	1,863	2,952	143,589	148,404	155,036
May	323	6,475	1,871	2,958	144,214	149,043	155,841
June	326	6,561	1,871	3,074	147,402	152,347	159,234
July	332	6,534	1,879	3,054	147,092	152,025	158,891
Aug.	292	6,507	2,086	3,137	148,457	153,680	160,479
Sept.	303	6,608	2,091	3,159	152,790	158,040	164,951
Oct.	314	6,459	2,471	2,958	127,492	132,921	139,694
Nov.	302	6,692	2,480	3,044	128,166	133,690	140,684
Dec.	312	6,835	2,287	3,010	129,417	134,714	141,861

¹ This table was discontinued as from January 2001.

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

**TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES
INTERNATIONAL BANKING INSTITUTIONS**

Liabilities

Lm thousands

End of Period	Resident Deposits				Foreign Liabilities	Capital and Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999	4,027	10,203	7,093	21,323	2,460,629	188,740	40,418	2,711,110
2000								
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
Apr.	4,344	13,369	7,646	25,359	2,258,627	182,665	59,069	2,525,721
May	4,831	12,818	8,733	26,382	2,409,834	179,076	79,602	2,694,894
June	5,281	11,273	9,716	26,270	2,275,687	184,060	75,195	2,561,212
July	5,266	11,980	9,822	27,068	2,436,195	182,806	75,595	2,721,665
Aug.	5,087	12,023	9,790	26,900	2,697,332	182,026	80,847	2,987,105
Sept.	4,684	11,699	9,802	26,185	2,752,139	180,975	92,666	3,051,965
Oct.	4,353	12,865	12,198	29,416	2,810,654	180,003	85,260	3,105,333
Nov.	4,236	12,339	15,702	32,277	2,901,786	181,558	75,393	3,191,015
Dec.	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
2001								
Jan.	4,178	12,848	15,678	32,704	2,118,901	227,026	23,149	2,401,781
Feb.	4,182	11,221	16,176	31,579	2,149,272	227,421	-53,189	2,355,084
Mar.	4,527	11,289	17,126	32,942	2,376,838	199,065	-32,104	2,576,742
Apr.	5,468	13,231	15,380	34,079	2,080,792	244,929	-64,355	2,295,445
May	4,900	12,454	15,784	33,138	2,154,427	243,043	8,398	2,439,006
June	5,484	11,714	16,206	33,405	2,021,493	250,363	6,696	2,311,957

**TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES
INTERNATIONAL BANKING INSTITUTIONS**

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets
1995	712	241,121	157	161,931	3,825	407,746
1996	937	462,902	37	200,098	4,405	668,379
1997	867	817,949	598	217,221	5,249	1,041,884
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999	1,892	2,434,594	6,135	260,458	8,030	2,711,110
2000						
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
Apr.	1,988	2,178,957	7,230	290,513	47,033	2,525,721
May	2,017	2,333,017	7,444	297,520	54,897	2,694,894
June	2,244	2,244,813	6,907	283,676	23,573	2,561,212
July	2,292	2,396,183	6,541	295,140	21,509	2,721,665
Aug.	2,241	2,662,484	7,034	293,428	21,918	2,987,105
Sept.	2,175	2,709,192	6,998	298,494	35,106	3,051,965
Oct.	2,126	2,762,508	7,498	301,417	31,784	3,105,333
Nov.	2,261	2,891,748	6,415	280,692	9,899	3,191,015
Dec.	2,078	2,819,021	6,128	267,663	11,256	3,106,146
2001						
Jan.	2,169	2,114,115	5,776	268,522	11,198	2,401,781
Feb.	1,887	2,059,090	6,819	276,347	10,940	2,355,084
Mar.	2,380	2,281,085	7,703	273,712	11,862	2,576,742
Apr.	2,194	1,993,143	8,231	279,991	11,886	2,295,445
May	2,302	2,129,162	7,983	286,874	12,685	2,439,006
June	2,103	2,006,877	7,261	278,348	17,368	2,311,957

TABLE 1.5 MONETARY SURVEY¹

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money ⁵ (Ml)	Quasi-Money ⁶	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government ²	Claims on Private & Parastatal Sectors ³	Total	Central Bank of Malta	DMBs & IBIs ⁴	Total				
1990	86,123	470,848	556,971	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	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
Apr.	394,252	1,656,692	2,050,945	699,798	191,274	891,071	569,486	1,891,843	480,687	2,942,016
May	374,381	1,668,209	2,042,590	711,777	197,376	909,153	587,552	1,891,614	472,577	2,951,744
June	363,748	1,678,711	2,042,459	703,415	241,023	944,438	581,079	1,891,683	514,134	2,986,896
July	383,919	1,674,366	2,058,286	685,679	239,819	925,498	593,031	1,892,439	498,314	2,983,784
Aug.	384,154	1,670,482	2,054,636	686,433	254,448	940,881	612,809	1,888,741	493,967	2,995,517
Sept.	364,425	1,732,618	2,097,043	697,544	238,613	936,157	608,224	1,883,223	541,753	3,033,200
Oct.	391,980	1,724,508	2,116,487	689,875	242,006	931,882	604,248	1,908,941	535,180	3,048,369
Nov.	407,362	1,740,287	2,147,649	665,206	266,156	931,362	603,770	1,927,163	548,079	3,079,012
Dec.	403,418	1,752,691	2,156,109	644,163	295,510	939,673	594,702	1,937,166	563,913	3,095,781

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

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

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

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

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

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

TABLE 1.6 BANKING SURVEY¹

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money ⁴ (Ml)	Quasi-Money ⁵	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government ²	Claims on Private & Parastatal Sectors ³	Total	Central Bank of Malta	All Banking Institutions	Total				
1990	91,177	486,841	578,018	444,763	139,860	584,623	384,438	657,223	120,980	1,162,641
1991	119,535	576,846	696,381	426,885	169,052	595,937	406,689	726,245	145,634	1,292,318
1992	121,591	638,078	759,669	492,230	198,759	690,989	408,551	830,231	211,866	1,450,658
1993	137,329	720,680	858,009	549,495	187,664	737,159	425,063	941,658	228,442	1,595,168
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	242,107	822,807	436,760	1,254,635	356,173	2,047,568
1996	239,084	1,190,485	1,429,569	554,119	208,331	762,450	454,089	1,414,215	323,715	2,192,019
1997	321,469	1,323,259	1,644,728	561,668	182,760	744,428	479,899	1,567,091	342,166	2,389,156
1998	355,996	1,459,815	1,815,811	639,991	238,447	878,438	523,628	1,698,959	471,662	2,694,249
1999	358,094	1,632,866	1,990,960	740,339	228,835	969,174	581,148	1,860,653	518,334	2,960,134
2000										
Jan.	372,256	1,634,295	2,006,551	732,609	212,144	944,753	567,902	1,873,635	509,768	2,951,304
Feb.	393,181	1,642,786	2,035,967	715,834	211,694	927,528	567,063	1,883,279	513,152	2,963,494
Mar.	386,775	1,695,651	2,082,426	708,953	206,983	915,936	557,843	1,890,114	550,406	2,998,362
Apr.	396,115	1,690,856	2,086,972	699,798	234,098	933,896	569,443	1,897,938	553,487	3,020,867
May	376,252	1,702,691	2,078,943	711,777	239,941	951,718	587,512	1,897,793	545,356	3,030,661
June	365,619	1,713,349	2,078,968	703,415	283,535	986,949	581,038	1,898,000	586,879	3,065,917
July	385,798	1,708,247	2,094,046	685,679	287,969	973,648	592,984	1,898,465	576,245	3,067,694
Aug.	386,240	1,705,220	2,091,460	686,433	303,538	989,972	612,778	1,896,201	572,453	3,081,432
Sept.	366,516	1,770,001	2,136,517	697,544	279,659	977,203	608,184	1,890,966	614,569	3,113,720
Oct.	394,451	1,751,625	2,146,075	689,875	294,377	984,252	604,198	1,916,965	609,165	3,130,327
Nov.	409,842	1,767,310	2,177,152	665,206	321,500	986,706	603,737	1,935,190	624,932	3,163,859
Dec.	411,810	1,772,432	2,184,242	644,163	330,271	974,434	594,660	1,944,221	619,795	3,158,676
2001										
Jan.	439,406	1,767,522	2,206,928	628,251	326,837	957,636	606,511	1,964,824	593,228	3,164,563
Feb.	441,098	1,774,453	2,215,551	622,443	257,343	884,060	607,904	1,988,101	503,606	3,099,611
Mar.	435,325	1,826,170	2,261,496	628,584	236,293	867,918	611,018	1,980,762	537,634	3,129,413
Apr.	442,556	1,828,686	2,271,242	637,496	275,034	912,531	616,331	2,035,578	531,864	3,183,773
May	456,814	1,816,842	2,273,656	651,737	347,405	999,142	627,624	2,042,228	602,945	3,272,798
June	462,820	1,815,505	2,278,325	644,990	340,195	985,186	626,485	2,025,935	611,090	3,263,510

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

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

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

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

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

TABLE 1.7 MONETARY BASE AND MONETARY AGGREGATES

Lm thousands

End of Period	Monetary Base (M0) ¹			Broad Money (M3) ³						
	Currency Issued ²	Banks' Deposits with the Central Bank	Total	Narrow Money(M1)			Quasi-Money			Total
				Currency in Circulation	Demand Deposits ⁴	Total	Savings Deposits	Time Deposits	Total	
1990	339,519	45,762	385,281	330,305	54,133	384,438	260,691	396,532	657,223	1,041,661
1991	354,513	52,867	407,380	344,342	62,347	406,689	310,302	415,943	726,245	1,132,934
1992	350,611	78,498	429,109	337,635	70,916	408,551	367,108	463,123	830,231	1,238,782
1993	364,013	67,173	431,186	353,258	71,805	425,063	415,292	526,366	941,658	1,366,721
1994	379,082	73,025	452,107	365,910	97,637	463,547	462,441	644,280	1,106,721	1,570,268
1995	367,444	80,026	447,470	351,779	84,981	436,760	510,842	743,793	1,254,635	1,691,395
1996	380,246	71,627	451,873	362,068	92,021	454,089	537,269	876,946	1,414,215	1,868,304
1997	384,655	100,511	485,166	363,765	116,134	479,899	574,125	992,966	1,567,091	2,046,990
1998	390,911	115,195	506,107	369,493	154,135	523,628	585,131	1,113,828	1,698,959	2,222,587
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000										
Jan.	396,341	145,330	541,671	376,844	191,057	567,902	640,057	1,233,578	1,873,635	2,441,536
Feb.	397,423	143,987	541,410	376,481	190,582	567,063	643,792	1,239,487	1,883,279	2,450,342
Mar.	396,223	133,109	529,332	375,782	182,060	557,843	641,146	1,248,968	1,890,114	2,447,957
Apr.	402,860	145,746	548,607	383,836	185,607	569,443	637,934	1,260,004	1,897,938	2,467,381
May	404,674	145,744	550,419	384,508	203,004	587,512	626,549	1,271,244	1,897,793	2,485,306
June	409,680	138,941	548,621	387,937	193,102	581,038	624,232	1,273,768	1,898,000	2,479,038
July	413,532	165,272	578,804	390,998	201,986	592,984	620,543	1,277,922	1,898,465	2,491,449
Aug.	413,856	134,252	548,108	391,655	221,122	612,778	617,484	1,278,717	1,896,201	2,508,979
Sept.	413,846	135,632	549,478	393,851	214,333	608,184	606,727	1,284,239	1,890,966	2,499,150
Oct.	415,901	140,232	556,133	394,076	210,122	604,198	610,716	1,306,249	1,916,965	2,521,163
Nov.	415,224	137,282	552,506	392,637	211,099	603,737	618,430	1,316,760	1,935,190	2,538,927
Dec.	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
2001										
Jan.	412,749	151,954	564,702	396,210	210,301	606,511	630,511	1,334,313	1,964,824	2,571,335
Feb.	413,863	154,375	568,239	393,154	214,750	607,904	634,277	1,353,824	1,988,101	2,596,005
Mar.	415,262	142,870	558,132	395,574	215,444	611,018	623,862	1,356,900	1,980,762	2,591,780
Apr.	421,757	150,629	572,385	402,297	214,034	616,331	640,897	1,394,681	2,035,578	2,651,909
May	426,201	157,537	583,738	405,512	222,112	627,624	635,547	1,406,681	2,042,228	2,669,853
June	429,727	129,375	559,102	411,395	215,090	626,485	643,177	1,382,758	2,025,935	2,652,420

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

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

³ All categories of deposits included in broad money are netted of Malta Government deposits and balances belonging to non-residents.

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

TABLE 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS¹
Analysis by Ownership and Type

Lm thousands

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal ²	Corporate/ Business	Government	Public Sector ³	Maltese Lira Deposits	Foreign Currency Deposits ⁴			
1990	609,524	81,398	2,158	14,847	642,867	65,060	707,927	60,241	768,163
1991	681,830	84,192	1,815	14,722	702,698	79,861	782,559	78,584	861,143
1992	766,751	107,243	2,029	15,519	793,705	97,837	891,542	118,074	1,009,616
1993	877,873	109,876	2,704	20,254	904,531	106,176	1,010,707	139,558	1,150,265
1994	1,029,646	136,222	2,211	23,963	1,069,068	122,974	1,192,042	170,199	1,362,241
1995	1,170,640	151,510	6,744	24,214	1,196,977	156,131	1,353,108	236,180	1,589,288
1996	1,322,162	160,545	8,952	26,691	1,345,124	173,226	1,518,350	363,449	1,881,799
1997	1,466,011	190,603	10,000	30,148	1,513,978	182,784	1,696,762	578,884	2,275,646
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
1999	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000									
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	13,413	32,590	1,890,022	209,842	2,099,864	1,108,481	3,208,345
Apr.	1,726,427	341,458	16,072	31,227	1,906,425	208,759	2,115,184	1,127,282	3,242,466
May	1,721,351	360,254	14,631	29,084	1,911,062	214,258	2,125,320	1,135,221	3,260,541
June	1,733,261	334,112	17,020	43,301	1,907,050	220,644	2,127,694	1,089,386	3,217,079
July	1,737,807	330,034	16,660	41,391	1,906,281	219,611	2,125,892	1,082,536	3,208,429
Aug.	1,739,345	335,241	16,281	48,885	1,915,407	224,345	2,139,752	1,138,971	3,278,723
Sept.	1,746,274	328,828	15,760	45,282	1,915,390	220,754	2,136,144	1,141,280	3,277,424
Oct	1,734,557	342,709	13,124	56,760	1,922,491	224,660	2,147,151	1,132,724	3,279,876
Nov.	1,752,394	341,662	12,701	58,666	1,934,709	230,714	2,165,423	1,134,761	3,300,184
Dec.	1,786,776	322,578	13,443	40,557	1,938,548	224,808	2,163,356	1,118,096	3,281,451
2001									
Jan.	1,799,723	335,256	13,085	51,100	1,972,683	226,481	2,199,164	1,113,275	3,312,439
Feb.	1,815,129	340,860	13,203	51,242	1,991,280	229,153	2,220,433	1,061,458	3,281,892
Mar.	1,819,987	340,129	13,859	47,762	1,982,213	239,522	2,221,735	840,501	3,062,236
Apr.	1,834,216	372,532	14,263	53,608	2,013,417	261,202	2,274,619	806,022	3,080,641
May	1,840,710	359,214	13,551	69,144	2,016,908	265,712	2,282,620	814,543	3,097,163
June	1,856,663	334,341	13,059	64,451	2,004,576	263,940	2,268,516	824,462	3,092,978

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

² Includes bearer deposits.

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

⁴ Including External Maltese Lira deposits.

TABLE 1.9 CURRENCY IN CIRCULATION*Ln thousands*

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System ²	Currency in Circulation
	Notes ¹	Coins	Total		
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
1998	375,209	15,702	390,911	21,418	369,493
1999	401,999	16,486	418,485	33,893	384,593
2000					
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
Apr.	386,497	16,364	402,860	19,025	383,836
May	388,135	16,539	404,674	20,166	384,508
June	392,960	16,720	409,680	21,743	387,937
July	396,579	16,953	413,532	22,534	390,998
Aug.	396,639	17,217	413,856	22,200	391,655
Sept.	396,599	17,247	413,846	19,995	393,851
Oct.	398,671	17,230	415,901	21,825	394,076
Nov.	398,061	17,163	415,224	22,586	392,637
Dec.	405,713	17,476	423,188	26,885	396,303
2001					
Jan.	395,514	17,235	412,749	16,539	396,210
Feb.	396,788	17,076	413,863	20,709	393,154
Mar.	398,183	17,079	415,262	19,688	395,574
Apr.	404,502	17,254	421,757	19,460	402,297
May	408,935	17,266	426,201	20,689	405,512
June	412,284	17,442	429,727	18,331	411,395

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

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

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

Lm thousands

End of Period	Total Notes & Coins ¹	Currency Notes					Total
		Lm20	Lm10	Lm5	Lm2	Lm1	
1990	339,519	143,772	154,214	27,325	4,681	723	330,715
1991	354,513	147,013	165,736	26,666	4,833	685	344,933
1992	350,611	112,591	195,027	26,772	5,092	662	340,144
1993	364,013	118,509	202,241	26,036	5,170	634	352,590
1994	379,082	122,770	211,079	26,965	5,816	-	366,630
1995	367,444	121,395	201,474	25,510	5,730	-	354,109
1996	380,246	123,243	210,985	26,211	5,859	-	366,298
1997	384,655	118,144	219,736	25,853	6,099	-	369,832
1998	390,911	109,720	234,117	24,174	5,793	-	373,804
1999	418,485	108,626	259,366	27,738	6,270	-	402,000
2000							
Jan.	396,341	107,036	243,575	23,472	6,073	-	380,156
Feb.	397,423	107,004	244,423	23,681	6,109	-	381,217
Mar.	396,223	106,808	243,225	23,808	6,157	-	379,998
Apr.	402,860	107,257	247,761	25,176	6,303	-	386,497
May	404,674	107,454	249,123	25,113	6,446	-	388,136
June	409,680	108,020	252,728	25,716	6,496	-	392,960
July	413,532	108,501	254,810	26,783	6,485	-	396,579
Aug.	413,856	107,914	255,839	26,315	6,571	-	396,639
Sept.	413,846	107,650	255,864	26,460	6,625	-	396,599
Oct.	415,901	107,614	258,245	26,183	6,633	-	398,675
Nov.	415,224	107,585	258,238	25,741	6,497	-	398,061
Dec.	423,188	107,902	264,170	27,168	6,473	-	405,713
2001							
Jan.	412,749	107,317	256,896	24,959	6,342	-	395,514
Feb.	413,863	107,375	257,886	25,110	6,417	-	396,788
Mar.	415,262	107,553	258,584	25,533	6,513	-	398,183
Apr.	421,757	108,073	263,559	26,233	6,637	-	404,502
May	426,201	108,607	266,892	26,707	6,729	-	408,935
June	429,727	108,864	269,583	27,038	6,799	-	412,284

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 LIQUIDITY¹

Ln thousands

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

Period	Liquid Assets			Net Short-term Liabilities ³	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to Deposits ²
1995	396,803	307,172	89,631	1,023,907	38.8	70.3
1996	498,944	346,358	152,586	1,154,527	43.2	72.0
1997	526,117	362,841	163,276	1,209,469	43.5	71.0
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000						
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
Apr.	718,435	457,262	261,173	1,524,208	47.1	74.2
May	731,493	455,400	276,093	1,518,001	48.2	74.0
June	751,182	464,301	286,881	1,547,671	48.5	74.2
July	669,797	461,318	208,479	1,537,726	43.6	73.8
Aug.	657,932	460,913	197,019	1,536,377	42.8	73.2
Sept.	701,167	464,329	236,838	1,547,763	45.3	76.5
Oct.	697,276	473,753	223,523	1,579,178	44.2	75.5
Nov.	696,475	480,465	216,010	1,601,551	43.5	75.6
Dec.	680,572	491,273	189,299	1,637,576	41.6	76.1
2001						
Jan.	666,449	482,163	184,286	1,607,211	41.5	80.6
Feb.	665,232	478,375	186,857	1,594,584	41.7	79.8
Mar.	680,293	455,222	225,071	1,517,408	44.8	82.4
Apr.	734,736	468,383	266,353	1,561,277	47.1	81.9
May	784,669	472,516	312,153	1,575,054	49.8	81.1
June	786,257	480,868	305,389	1,602,892	49.1	81.9

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

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

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

TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS ¹

Lm thousands

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

Period	Cash and Deposits with CBM ⁴	Treasury Bills	Inter-Bank Deposits	Marketable Debt Securities ⁵	Total Liquid Assets
1995	21,565	30,142	61,887	283,209	396,803
1996	20,264	67,173	70,741	340,766	498,944
1997	26,359	26,791	55,462	417,505	526,117
1998	31,064	33,110	47,280	485,394	596,848
1999	50,995	75,929	67,768	499,837	694,529
2000					
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
Apr.	27,797	113,753	50,524	526,361	718,435
May	55,437	89,894	69,613	516,549	731,493
June	35,538	102,799	87,481	525,364	751,182
July	22,378	73,046	63,685	510,688	669,797
Aug.	8,244	77,732	58,077	513,879	657,932
Sept.	38,408	102,460	64,933	495,366	701,167
Oct.	38,534	101,870	55,478	501,394	697,276
Nov.	35,818	96,012	66,731	497,914	696,475
Dec.	33,512	116,818	68,865	461,377	680,572
2001					
Jan.	45,789	81,676	56,772	482,212	666,449
Feb.	39,116	75,471	50,241	500,404	665,232
Mar.	30,541	83,762	72,165	493,825	680,293
Apr.	44,708	115,943	115,741	458,344	734,736
May	55,103	92,214	120,707	516,645	784,669
June	28,517	95,548	113,517	548,675	786,257

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

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

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

⁴ Excludes balances held as reserve deposits.

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

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

Ln thousands

End of Period	Public Utilities	All Banking Institutions ²	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades	
1990	33,726	84,481	4,484	112,838	22,341	34,841	76,991	
1991	42,597	59,455	5,872	115,657	24,802	28,557	84,520	
1992	29,388	84,178	5,097	125,512	27,682	28,524	95,364	
End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions ²	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
1999	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000								
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
Apr.	99,570	72,741	59,445	10,992	198,715	96,576	219,899	275,697
May	97,888	76,158	59,752	10,760	199,912	97,419	220,318	278,800
June	99,848	72,965	62,784	10,732	197,466	97,011	218,932	279,471
July	99,091	72,520	63,231	11,280	197,482	93,774	222,173	276,605
Aug.	97,153	71,364	63,739	11,175	199,329	94,785	219,560	274,643
Sept.	94,027	93,077	65,427	11,449	212,983	87,500	222,525	285,320
Oct.	98,746	92,928	50,395	19,048	203,803	88,513	233,388	283,980
Nov.	101,625	93,918	51,163	18,513	204,791	88,301	236,128	284,234
Dec.	104,677	96,476	53,591	19,004	201,442	99,103	233,861	285,419
2001								
Jan.	102,065	100,864	54,508	11,175	193,472	98,199	237,629	276,329
Feb.	100,473	110,364	55,872	11,191	191,111	99,610	238,119	278,111
Mar.	104,053	108,827	58,226	11,030	197,439	102,034	244,480	291,289
Apr.	106,945	108,787	89,220	11,116	192,089	96,102	243,093	292,366
May	100,741	109,067	93,910	10,359	188,492	89,947	239,858	296,435
June	96,136	107,868	95,179	10,546	187,612	88,963	240,246	295,911

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

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

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

Lm thousands

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Total	
	House Purchases	Consumer Durable Goods	Other	Total					
1990	13,448	1,827	14,470	29,745	53,836	453,283	2,547	455,830	
1991	12,626	2,296	28,086	43,008	67,727	472,195	8,116	480,311	
1992	15,374	3,577	34,917	53,868	79,704	529,317	9,850	539,167	
End of Period	Personal				Other ³ Services	All Other	Total Local Lending	Foreign Lending	Total
	House Purchases ²	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	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.	135,396	52,443	52,042	212,041	88,653	152,646	1,498,819	7,177	1,505,996
Apr.	124,781	51,145	44,083	220,009	83,606	155,462	1,492,712	7,497	1,500,209
May	126,941	51,226	44,454	222,621	82,898	154,963	1,501,489	7,256	1,508,745
June	129,268	51,486	45,773	226,527	84,325	154,217	1,504,278	8,067	1,512,345
July	130,443	51,545	48,200	230,188	80,968	153,660	1,500,972	7,386	1,508,358
Aug.	132,064	51,412	48,764	232,240	80,675	152,910	1,497,573	7,443	1,505,016
Sept.	135,514	52,595	52,602	240,711	86,458	157,300	1,556,777	5,321	1,562,098
Oct.	136,045	51,794	47,283	235,122	83,634	160,355	1,549,912	7,893	1,557,805
Nov.	137,924	51,794	48,897	238,615	85,538	162,260	1,565,086	8,877	1,573,963
Dec.	133,312	51,423	52,028	236,763	82,427	161,179	1,573,942	8,956	1,582,898
2001									
Jan.	263,042	51,159	65,703	379,904	91,646	156,199	1,701,990	9,273	1,711,263
Feb.	281,761	51,256	61,243	375,884	93,021	154,077	1,707,833	10,727	1,718,560
Mar.	272,563	52,981	64,056	389,600	105,215	148,810	1,761,003	10,666	1,771,669
Apr.	274,074	52,832	65,040	391,946	108,218	152,519	1,792,401	11,883	1,804,284
May	277,255	52,241	67,858	397,354	101,151	158,300	1,785,615	8,728	1,794,343
June	281,761	51,256	70,253	403,270	97,280	163,178	1,786,189	11,894	1,798,083

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

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

³ Includes professional, repair and maintenance services.

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

Lm thousands

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

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

¹ This table was discontinued as from January 2001.

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

Lm thousands

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

End of Period	Personal				Other ³ Services	All Other	Total Local Lending	Foreign Lending ⁴	Grand Total
	House ² Purchases	Consumer Durable Goods	Other	Total					
1993	82,830	16	120	82,966	2,712	7,063	179,706	79,287	258,993
1994	84,500	16	68	84,584	4,822	7,957	201,426	5,040	206,466
1995	86,135	38	72	86,245	1,841	3,272	146,937	86,619	233,556
1996	90,613	62	142	90,817	1,924	2,810	148,912	245,450	394,362
1997	95,247	52	130	95,429	1,987	3,103	142,089	447,503	589,592
1998	103,321	77	88	103,486	1,741	2,946	148,119	606,667	754,786
1999	103,070	92	190	103,352	1,504	4,767	143,623	815,458	959,081
2000									
Jan.	103,514	96	273	103,882	1,467	5,700	144,885	812,518	957,403
Feb.	104,021	91	415	104,527	1,369	6,190	145,886	812,948	958,834
Mar.	117,464	74	2486	108,877	1,382	5,538	149,325	780,357	929,682
Apr.	108,934	91	816	109,841	1,352	5,617	149,138	800,690	949,828
May	109,547	88	1074	110,709	1,283	5,506	149,964	807,963	957,927
June	111,388	84	1386	112,858	1,262	4,856	152,625	728,149	880,774
July	112,442	80	1683	114,204	1,242	4,898	152,015	893,479	1,045,494
Aug.	113,845	75	2039	115,959	1,212	5,298	153,888	901,224	1,055,112
Sept.	117,464	74	2486	120,024	1,219	5,515	157,897	883,621	1,041,518
Oct.	118,853	68	2884	121,805	85	5,883	134,301	893,902	1,028,203
Nov.	119,376	66	3103	122,545	84	4,742	133,891	930,404	1,064,294
Dec.	120,650	62	3376	124,088	84	4,400	134,995	1,221,041	1,356,037

¹ This table was discontinued as from January 2001.

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

³ Includes professional, repair and maintenance services.

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

**TABLE 1.15 LOANS AND ADVANCES OUTSTANDING
TO THE PRIVATE AND PUBLIC SECTORS BY CATEGORY¹**

Lm thousands

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	808	86,053	15,512	64,830	11,615	217	131,073	17,599
1997	928	97,177	17,045	61,622	11,030	188	131,061	21,707
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
1999	910	107,996	33,107	47,279	10,765	-	134,583	22,999
2000								
Mar.	966	100,900	31,858	45,405	11,171	-	141,533	21,800
June	469	99,379	31,332	46,836	11,111	-	137,041	22,307
Sept.	495	93,532	47,646	49,393	11,834	-	156,527	12,191
Dec.	492	104,185	44,425	52,051	19,026	-	147,156	8,646
2001								
Mar.	506	103,547	51,764	57,063	10,984	46	144,460	7,482
June	510	95,626	48,655	59,213	10,546	-	138,183	4,897

End of Period	Shipbuilding and Shiprepair	Building and Construction		Hotel, Restaurant and Tourist Trades		Wholesale and Retail Trades	
	Private /Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	64,113	71,200	3,077	131,948	2,425	210,967	52
1997	60,460	69,231	2,974	171,964	2,525	226,681	6
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
1999	46,787	94,189	2,666	218,053	2,830	269,119	9
2000							
Mar.	47,883	95,911	2,704	232,041	4,137	280,159	10
June	46,109	94,776	2,608	230,240	4,418	281,376	21
Sept.	51,723	85,116	2,646	233,278	4,456	287,173	18
Dec.	46,897	96,727	2,550	231,633	4,951	285,615	17
2001							
Mar.	46,578	99,448	2,586	243,197	1,283	291,289	-
June	45,633	86,963	2,000	233,409	6,837	295,864	47

End of Period	Personal	Other Services		All Other		Total Local Lending		
		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Total
1996	213,467	37,851	10,186	93,483	4,642	921,650	249,505	1,171,155
1997	235,826	47,722	8,721	111,191	5,467	1,026,212	257,314	1,283,526
1998	266,170	54,748	7,822	124,735	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,723	1,524,652
2000								
Mar.	320,918	79,972	10,063	154,739	3,496	1,350,976	234,690	1,585,666
June	339,385	75,401	10,186	155,746	3,327	1,359,824	232,244	1,592,068
Sept.	360,735	77,231	10,446	159,211	3,604	1,427,174	220,081	1,647,255
Dec.	360,851	76,597	5,914	161,904	3,675	1,428,049	225,263	1,653,312
2001								
Mar.	389,600	99,743	5,472	152,982	291	1,486,559	221,762	1,708,321
June	403,270	89,909	7,371	161,900	5,346	1,471,383	224,796	1,696,179

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

**TABLE 1.16 DEPOSIT MONEY BANK LOANS AND ADVANCES
CLASSIFIED BY SIZE AND INTEREST RATES¹**

Lm thousands

End of Period		Size of Loans and Advances ²				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.62	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	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
June	Amount	154,805	404,425	324,065	629,049	1,512,345
	Interest Rate	7.41	7.58	7.58	6.53	7.12
Sept.	Amount	158,947	414,316	324,357	664,467	1,562,098
	Interest Rate	7.42	7.58	7.61	6.44	7.09
Dec.	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest Rate	7.38	7.31	7.29	6.46	6.97
2001						
Mar.	Amount	260,229	492,134	342,367	676,939	1,771,669
	Interest Rate	7.28	7.54	7.72	6.56	7.16
June	Amount	219,371	471,836	348,323	758,553	1,798,083
	Interest Rate	7.14	7.38	7.64	6.06	6.84

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

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

TABLE 1.17 OTHER BANKING INSTITUTION LOANS AND ADVANCES CLASSIFIED BY SIZE AND INTEREST RATES¹

Lm thousands

End of Period		Size of Loans and Advances ²				Total
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	
1991	Amount	61,280	21,205	25,115	110,876	218,476
	Interest Rate	6.94	7.50	7.80	8.33	7.80
1992	Amount	67,581	25,883	25,648	130,910	250,022
	Interest Rate	6.96	7.57	7.68	7.53	7.39
1993	Amount	71,826	26,920	27,975	132,272	258,993
	Interest Rate	7.01	7.79	7.32	6.06	6.64
1994	Amount	72,419	26,430	23,598	84,019	206,466
	Interest Rate	7.01	7.83	7.99	7.27	7.33
1995	Amount	71,733	23,374	11,961	40,410	147,478
	Interest Rate	7.02	7.77	8.01	7.01	7.22
1996	Amount	72,239	27,013	11,213	38,914	149,379
	Interest Rate	7.01	7.83	8.14	7.01	7.24
1997	Amount	72,449	30,590	10,607	28,214	141,860
	Interest Rate	7.02	7.79	8.10	7.09	7.28
1998	Amount	73,437	37,087	11,131	25,775	147,430
	Interest Rate	7.03	7.72	8.10	7.15	7.31
1999	Amount	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
June	Amount	68,215	49,517	8,402	19,759	145,893
	Interest Rate	6.41	6.73	7.51	6.51	6.59
Sept.	Amount	68,447	56,062	8,418	18,349	151,302
	Interest Rate	6.40	6.65	7.61	6.58	6.58
Dec.	Amount	68,040	57,032	1,660	2,607	129,339
	Interest Rate	6.40	6.52	8.37	7.33	6.50

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

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

TABLE 1.18 FINANCIAL MARKET INDICATORS

	1995	1996	1997	1998	1999	2000	2001	
							Mar.	Jun.
INTEREST RATES ¹								
Central Bank								
Discount Rate	5.50	5.50	5.50	5.50	4.75	4.75	4.75	4.75
Central Intervention Rate ²	-	-	-	5.45	4.75	4.75	4.75	4.75
Repurchase Agreements								
Term Deposit Rate ³	4.94	5.01	5.22	5.43	4.70	4.72	4.73	4.73
Repo Rate ³	5.50	5.40	5.50	5.50	4.80	4.80	4.80	4.80
Standby (Collateralised) Loan Facility ⁴	6.00	6.00	6.00	6.00	5.30	5.30	5.30	5.30
Overnight Deposit Facility ⁵	2.50	-	-	-	1.80	1.80	1.80	1.80
Reserve Requirements Remuneration	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Interbank Market Offered Rates								
1 week	-	-	5.26	5.56	4.74	4.78	4.77	4.76
1 month	-	-	5.38	5.70	4.75	4.90	4.90	4.90
3 month	-	-	5.51	5.95	5.27	5.27	5.27	5.27
Deposit Money Banks ⁶								
Average Weighted Deposit Rate	4.00	4.24	4.39	4.42	4.32	4.17	4.20	4.18
Current	0.16	0.42	1.37	1.49	1.11	1.32	1.33	1.11
Savings	3.00	3.01	3.02	3.04	2.81	2.52	2.58	2.59
Time	5.01	5.29	5.35	5.35	5.43	5.25	5.25	5.26
Average Weighted Lending Rate	7.49	7.93	8.04	8.08	7.28	7.23	7.08	7.01
Government Securities								
Treasury Bills ⁷								
1 month	-	5.00	5.19	5.43	5.05	4.85	4.86	4.86
3 month	4.94	5.01	5.25	5.49	4.95	4.90	4.95	5.04
6 month	5.16	5.30	5.30	5.50	4.97	4.94	5.02	5.07
1 year	5.34	5.40	5.40	5.50	5.12	5.03	5.06	5.08
Government Stocks ⁸								
1 year	-	5.12	5.30	5.58	4.86	6.60	5.06	5.01
5 year	6.60	6.65	6.82	5.80	5.46	5.33	5.50	5.48
10 year	7.08	7.23	7.26	6.00	5.55	5.99	6.09	6.07
15 year	-	7.49	7.62	6.47	6.03	6.39	6.44	6.49
20 year	-	-	-	6.86	6.14	6.60	6.60	6.60
MALTA STOCK EXCHANGE SHARE INDEX	1000	1004	1050	1211	3278	3376	2818	2500

¹ End of period rates in percentage per annum.

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

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

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

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

⁶ Rates on resident Maltese lira deposits and loans extended to residents in local currency.

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

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

TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM ¹
Ln thousands

Period	Central Bank of Malta							Total (A+B)
	Foreign Assets				Foreign Liabilities	Net (A)	Governmental & Parastatal Companies ⁴ (B)	
	Gold ²	Convertible Currencies	IMF Related Assets ³	Total Foreign Assets				
1990	12,979	380,527	33,618	427,124	-	427,124	17,639	444,763
1991	6,437	366,822	37,175	410,434	-	410,434	16,451	426,885
1992	9,101	435,857	30,061	475,019	-	475,019	17,211	492,230
1993	10,216	490,358	32,827	533,401	-	533,401	16,094	549,495
1994	7,314	577,501	32,829	617,644	-	617,644	72,790	690,434
1995	3,596	471,090	34,007	508,693	-	508,693	72,007	580,700
1996	3,646	468,523	36,408	508,577	-	508,577	45,542	554,119
1997	1,311	501,379	38,912	541,602	-	541,602	20,066	561,668
1998	688	598,874	40,429	639,991	-	639,991	-	639,991
1999	737	704,084	35,517	740,339	-	740,339	-	740,339
2000								
Jan.	747	696,405	35,457	732,609	-	732,609	-	732,609
Feb.	703	679,432	35,698	715,834	-	715,834	-	715,834
Mar.	743	672,042	36,168	708,953	-	708,953	-	708,953
Apr.	758	662,546	36,494	699,798	-	699,798	-	699,798
May	714	674,318	36,745	711,777	-	711,777	-	711,777
June	746	666,099	36,569	703,415	-	703,415	-	703,415
July	632	648,348	36,699	685,679	-	685,679	-	685,679
Aug.	742	648,045	37,647	686,433	-	686,433	-	686,433
Sept.	739	659,141	37,664	697,544	-	697,544	-	697,544
Oct.	713	651,121	38,041	689,875	-	689,875	-	689,875
Nov.	735	626,410	38,060	665,206	-	665,206	-	665,206
Dec.	452	606,771	36,940	644,163	-	644,163	-	644,163
2001								
Jan.	406	593,415	36,978	630,799	2,548	628,251	-	628,251
Feb.	525	588,841	37,352	626,717	4,274	622,443	-	622,443
Mar.	524	593,656	37,445	631,625	3,041	628,584	-	628,584
Apr.	435	602,438	37,426	640,300	2,803	637,496	-	637,496
May.	533	614,350	38,340	653,223	1,486	651,737	-	651,737
June	489	609,264	38,100	647,853	2,863	644,990	-	644,990

¹ On accrual basis.

² Includes small amounts of other precious metals.

³ Include IMF reserve position and holdings of SDRs.

⁴ Includes foreign currency deposits, foreign currency sinking funds held with the Central Bank of Malta and small amounts of foreign funds belonging to Government.

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

Lm thousands

Period	Deposit Money Banks ²			Total (A+B+C)	International Banking Institutions ²			Grand Total (A+B+C+ D)
	Foreign Assets	Foreign Liabilities	Net (C)		Foreign Assets	Foreign Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	566,204	341,373	224,831	805,531	236,148	218,872	17,276	822,807
1996	596,128	410,163	185,965	740,084	458,642	436,276	22,366	762,450
1997	544,672	413,917	130,755	692,423	815,080	763,075	52,005	744,428
1998	607,354	518,557	88,797	728,788	1,627,452	1,477,802	149,650	878,438
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000								
Jan.	673,434	630,662	42,772	775,381	2,143,001	1,973,629	169,372	944,753
Feb.	674,284	628,862	45,422	761,256	2,125,051	1,958,780	166,272	927,528
Mar.	705,890	650,652	55,238	764,191	2,114,831	1,963,086	151,745	915,936
Apr.	734,980	658,983	75,997	775,795	2,131,177	1,973,076	158,101	933,896
May	755,206	679,881	75,325	787,102	2,285,555	2,120,940	164,616	951,718
June	770,752	685,560	85,192	788,607	2,194,085	1,995,742	198,343	986,949
July	780,245	689,320	90,925	776,604	2,344,276	2,147,232	197,044	973,648
Aug.	782,679	678,107	104,572	791,005	2,607,158	2,408,191	198,966	989,972
Sept.	774,621	687,307	87,314	784,858	2,653,799	2,461,454	192,345	977,203
Oct.	821,380	713,366	108,014	797,889	2,699,252	2,512,889	186,363	984,252
Nov.	825,322	709,623	115,699	780,905	2,818,580	2,612,778	205,801	986,706
Dec.	816,746	690,013	126,733	770,896	3,055,387	2,851,857	203,530	974,426
2001								
Jan.	818,334	692,050	126,284	754,535	2,035,209	1,834,656	200,553	955,088
Feb.	830,697	695,791	134,906	757,349	1,980,240	1,857,803	122,437	879,786
Mar.	838,703	716,688	122,015	750,599	2,191,565	2,077,287	114,278	864,877
Apr.	855,136	707,105	148,031	785,527	1,903,618	1,776,615	127,003	912,531
May	852,812	700,611	152,202	803,938	2,035,045	1,839,842	195,203	999,142
June	833,667	693,126	140,541	785,531	1,910,590	1,710,936	199,654	985,186

¹ As from 1995, data are on accrual basis.

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

TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE
Lm thousands

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary ¹	Grants	Total	Ordinary ¹	Capital ²	Total		Local Loans	Foreign Loans	Total	
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
2000	632,754	9,545	642,303	617,677	98,552	716,232	-73,929	-	-	-	-73,929
2000											
Jan.	29,283	-	29,283	42,101	6,247	48,348	-19,065	-	-	-	-19,065
Feb.	44,871	12	44,883	55,727	4,486	60,213	-15,330	-	-	-	-15,330
Mar.	54,337	-	54,337	65,515	5,683	71,199	-16,862	-	-	-	-16,862
Apr.	50,467	902	51,369	42,237	8,703	50,940	429	-	-	-	429
May	65,978	5,087	71,065	47,142	5,327	52,469	18,596	-	-	-	18,596
June	61,420	-	61,420	42,660	7,892	50,553	10,867	-	-	-	10,867
July	46,437	-	46,437	67,839	7,181	75,020	-28,583	-	-	-	-28,583
Aug.	49,063	-	49,063	43,745	5,208	48,953	110	-	-	-	110
Sep.	51,589	-	51,589	45,345	7,528	52,873	-1,284	-	-	-	-1,284
Oct.	51,665	-	51,665	49,566	9,468	59,034	-7,369	-	-	-	-7,369
Nov.	44,834	660	45,494	51,744	8,991	60,735	-15,241	-	-	-	-15,241
Dec	82,810	2,888	85,698	64,056	21,838	85,895	-197	-	-	-	-197
2001											
Jan.	40,114	-	40,114	56,414	7,010	63,423	-23,309	-	-	-	-23,309
Feb.	60,572	28	60,600	45,948	4,175	50,123	10,477	-	-	-	10,477
Mar.	44,769	-	44,769	53,047	10,475	63,522	-18,753	30,000	-	30,000	11,247
Apr.	63,608	16	63,624	59,471	9,788	69,259	-5,635	-	-	-	-5,635
May	49,160	4	49,164	55,172	11,402	66,574	-17,410	-	-	-	-17,410
June	49,855	31	49,886	52,128	3,668	55,796	-5,910	27,488	-	27,488	21,578

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	VAT & CET	Licences, Taxes & Fines ²	Customs & Excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
2000	149,511	162,017	104,065	70,449	55,141	541,182	91,572	632,754	9,549	642,303
2000										
Jan.	8,197	4,722	8,348	4,858	1,686	27,810	1,473	29,283	-	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	-	54,337
Apr.	15,037	12,180	8,355	7,200	5,302	48,074	2,393	50,467	902	51,369
May	14,003	13,573	8,361	5,191	4,694	45,822	20,156	65,978	5,087	71,065
June	11,164	13,053	8,358	6,050	4,912	43,537	17,883	61,420	-	61,420
July	11,485	12,588	9,142	5,845	4,817	43,877	2,560	46,437	-	46,437
Aug.	13,618	14,591	9,229	4,800	4,858	47,096	1,967	49,063	-	49,063
Sep.	14,911	13,813	9,087	5,888	4,738	48,437	3,152	51,589	-	51,589
Oct.	15,042	12,993	9,395	6,118	4,671	48,219	3,446	51,665	-	51,665
Nov.	8,031	12,455	9,007	6,907	5,184	41,584	3,250	44,834	660	45,494
Dec.	21,975	24,553	8,124	6,165	3,571	64,388	18,422	82,810	2,888	85,698
2001										
Jan.	9,263	8,423	9,676	4,433	5,169	36,964	3,150	40,114	-	40,114
Feb.	7,083	12,057	9,651	4,163	3,247	36,201	24,371	60,572	28	60,600
Mar.	8,486	12,547	9,273	7,547	3,926	41,779	2,990	44,769	-	44,769
Apr.	19,984	15,645	9,018	5,415	4,614	54,676	8,932	63,608	16	63,624
May	10,753	15,966	9,384	5,762	3,958	45,823	3,337	49,160	4	49,164
June	12,650	12,117	8,759	5,075	4,314	42,915	6,940	49,855	31	49,886

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 INVESTMENT¹**

Lm thousands

Period	Productive	Infrastructure	Social	Total
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997 ²	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
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
Apr.	4,144	1,582	2,977	8,703
May	2,098	1,957	1,272	5,327
June	2,639	3,310	1,944	7,892
July	3,971	1,581	1,629	7,181
Aug.	1,549	1,770	1,888	5,208
Sept.	2,697	2,674	2,157	7,528
Oct.	2,854	3,573	3,040	9,468
Nov.	2,822	2,862	3,307	8,991
Dec	4,794	10,564	6,481	21,838
2001				
Jan.	3,946	818	2,246	7,010
Feb.	2,303	1,528	344	4,175
Mar.	3,984	2,521	3,970	10,475
Apr.	3,383	3,078	3,327	9,788
May	2,998	6,637	1,767	11,402
June	2,856	2,597	-1,785	3,668

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 GROSS GOVERNMENT DEBT AND GOVERNMENT
GUARANTEED DEBT OUTSTANDING**

Lm thousands

End of Period	Domestic Debt			Foreign Loans	Total Government Debt	Government Guaranteed Debt ²
	Treasury Bills	Malta Government Stocks ¹	Total			
1995	71,406	285,951	357,357	53,433	410,790	414,488
1996	108,935	356,119	465,054	51,789	516,843	493,506
1997	89,980	523,369	613,349	50,449	663,798	490,973
1998	83,713	633,369	717,082	46,513	763,595	491,768
1999						
Mar.	111,078	633,369	744,447	46,513	790,960	499,401
Jun.	126,425	633,369	759,794	45,498	805,292	488,673
Sept.	102,254	712,184	814,438	43,965	858,403	486,408
Dec.	83,320	712,184	795,504	44,349	839,853	483,112
2000						
Mar.	114,263	712,184	826,447	44,006	870,453	490,091
Jun.	125,540	712,729	838,269	42,514	880,783	481,197
Sept.	144,976	712,729	857,705	42,533	900,238	479,921
Dec.	172,987	712,729	885,716	39,250	924,966	469,678
2001						
Mar.	177,836	742,729	920,565	38,868	959,433	471,592
Jun.	167,054	770,029	937,083	37,080	974,163	434,717

¹ Including Local Development Registered Stocks.

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

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

TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING¹*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
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2000							
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
Apr.	13,214	23,900	14,419	38,319	117,084	22,284	139,368
May	52,691	22,800	1,838	24,638	97,270	14,045	111,315
June	15,007	21,497	7,735	29,232	106,844	18,696	125,540
July.	42,423	11,000	47,841	58,841	85,104	56,854	141,958
Aug.	29,668	34,000	3,418	37,418	98,731	50,977	149,708
Sept.	32,732	22,168	5,832	28,000	107,802	37,174	144,976
Oct.	42,426	29,500	10,433	39,933	119,822	22,661	142,483
Nov.	30,918	26,000	12,351	38,351	116,952	32,964	149,916
Dec.	40,850	35,100	28,821	63,921	123,599	49,388	172,987
2001							
Jan.	39,096	28,601	12,513	41,114	125,245	49,759	175,004
Feb.	16,770	18,500	2,580	21,080	144,047	35,267	179,314
Mar.	44,277	17,000	25,799	42,799	137,821	40,015	177,836
Apr.	49,469	14,000	16,378	30,378	119,826	38,919	158,745
May	31,811	9,000	18,589	27,589	127,242	27,281	154,523
June	46,822	26,150	33,203	59,353	126,667	40,387	167,054

¹ Amounts are at nominal prices.² Including Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995).³ Including the Malta Government Sinking Fund.⁴ On 1 December 1987, the House of Representatives raised the maximum amount of permissible outstanding bills from Lm2.5 million to Lm30 million. On 10 January 1995, the House of Representatives approved a motion empowering the Government to increase the issue of Treasury Bills from Lm30 million to Lm100 million. On 16 December 1996, the maximum amount of outstanding bills was raised from Lm100 million to Lm200 million.

TABLE 3.3 MALTA GOVERNMENT STOCKS
(Outstanding as at end - June 2001)

Lm thousands

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Dates of Interest	Held By		Amount
					Banking System	Non-Bank Public	
6.15 % MGS	2001 (V)	1998	100	19-May - 19 Nov.	21,490	1,110	22,600
6.50 % MGS	2001	1994	100	15 July - 15 Jan.	1,417	583	2,000
6.50 % MGS	2001 (II)	1994	100	19 May - 19 Nov.	6,725	3,275	10,000
6.75 % MGS	2001 (III)	1995	100	28 Apr. - 01 Aug.	4,942	4,058	9,000
6.75 % MGS	2001 (IV) 1	1996	100	20 Jan. - 20 Jul.	5,160	2,340	7,500
7.75 % MGS	2002	1992	100	3 Apr. - 3 Oct.	4,335	15,865	20,200
6.90 % MGS	2002 (II)	1995	100	10 Jun. - 10 Dec.	4,984	5,016	10,000
6.90 % MGS	2002 (III)	1995	100	30 Mar. - 30 Sept.	7,978	4,522	12,500
6.90 % MGS	2002 (IV)	1997	100	30 Mar. - 30 Sept.	19,952	3,798	23,750
7.00 % MGS	2003 2	1993	100	18 Feb. - 18 Aug.	9,852	18,215	28,067
7.00 % MGS	2003 (II)	1993	100	3 Jul. - 3 Jan.	6,502	14,331	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	9,398	9,302	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 Jul.	22,034	3,818	25,852
7.25 % MGS	2005	1997	100	10 Jun. - 10 Dec.	17,203	6,297	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	21,139	10,361	31,500
7.00 % MGS	2006 2	1994	100	19 May - 19 Nov.	1,279	8,721	10,000
7.00 % MGS	2006 (IV)	1996	100	20 Jan. - 20 Jul.	-	167	167
7.25 % MGS	2006 (II)	1995	100	28 Apr. - 01 Aug.	5,188	14,062	19,250
7.25 % MGS	2006 (III) 1	1996	100	20 Jan. - 20 Jul.	6,943	8,057	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	14,602	10,148	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,879	1,121	10,000
5.60 % MGS	2007 (III)	2000	100	10 Jun. - 10 Dec.	6,990	3,010	10,000
7.20 % MGS	2008	1998	100	28 Feb. - 15 Jul.	8,416	1,584	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	18,601	11,399	30,000
7.00 % MGS	2009 2	1999	100	1 Mar. - 1 Sept.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	11,980	13,020	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	13,508	3,992	17,500
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	14,200	800	15,000
5.75 % MGS	2010 (II)	2000	100	10 Jun. - 10 Dec.	16,418	2,082	18,500
7.00 % MGS	2010 (III) 2	2000	100	30 Jun. - 30 Dec.	-	545	545
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	11,327	3,673	15,000
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	14,622	19,878	34,500
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	14,308	19,942	34,250
6.60 % MGS	2014	2000	100	30 May - 30 Sept.	730	9,770	10,500
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,748	22,252	30,000
6.10 % MGS	2015	2000	100	10 Jun. - 10 Dec.	7,162	22,839	30,000
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	2,948	27,052	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 Jul.	26,967	43,033	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	11,290	32,710	44,000
Total					387,219	382,810	770,029

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

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

Source: Malta Stock Exchange.

**TABLE 3.4 MALTA GOVERNMENT STOCKS
BY REMAINING TERM TO MATURITY¹**

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	Over 16 yrs	Total
1990	3,500	93,285	10,000	-	-	106,785
1991	5,500	106,285	25,400	-	-	137,185
1992	1,000	125,285	41,400	-	-	167,685
1993	49,885	84,367	90,300	-	-	224,552
1994	37,900	95,352	110,000	10,000	-	253,252
1995	7,000	158,651	120,300	-	-	285,951
1996	15,800	213,302	112,017	15,000	-	356,119
1997	48,452	279,800	111,367	83,750	-	523,369
1998	46,750	255,650	177,219	83,750	70,000	633,369
1999	79,000	221,202	199,232	98,750	114,000	712,184
2000	53,800	214,902	205,777	124,250	114,000	712,729
2001						
Mar.	120,250	192,869	176,359	139,250	114,000	742,729
June	117,550	192,869	176,359	169,250	114,000	770,029

¹ Refers to the maximum redemption period.

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

Lm thousands

Period	Official Bilateral Entities ¹	Official Multilateral Organisations ²	Private Commercial Banks ³	Total
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001 ⁴				
Mar.	22,690	13,657	2,521	38,868
June	21,729	13,310	2,041	37,080

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

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

³ Commercial bank loans from private banks or financial institutions.

⁴ Provisional.

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

**TABLE 3.6 GOVERNMENT EXTERNAL LOANS
BY CURRENCY**

Lm thousands

Period	FFr	Stg	DM	Yen	Euro	US\$	Lit	Others	Total
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001¹									
Mar.	-	-	1,638	2,521	8,278	6,918	18,379	1,134	38,868
June	-	-	1,460	2,041	7,860	15,727	8,837	1,155	37,080

¹ Provisional.

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

**TABLE 3.7 GOVERNMENT EXTERNAL LOANS
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
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	-	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001¹							
Mar.	968	9,165	12,969	13,249	1,272	1,245	38,868
June	981	8,291	12,619	12,717	1,228	1,244	37,080

¹ Provisional.

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

**TABLE 4.1 MALTESE LIRA EXCHANGE RATES
AGAINST MAJOR CURRENCIES¹**
End of Period Rates

End of Period	Stg	DM	US\$	Euro ²	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.734	5.001	3.325	2.435	3769.61	17.007	5.636	103.271	451.190	4.261
1991	1.746	4.961	3.272	2.445	3759.17	16.952	5.590	102.181	408.460	4.437
1992	1.765	4.319	2.673	2.214	3940.60	14.731	4.851	88.663	332.990	3.907
1993	1.711	4.391	2.531	2.268	4326.57	14.917	4.912	91.327	283.320	3.748
1994	1.738	4.209	2.717	2.208	4410.43	14.511	4.714	86.484	270.860	3.562
1995	1.832	4.065	2.838	2.159	4496.45	13.898	4.552	83.513	292.690	3.266
1996	1.638	4.315	2.781	2.217	4244.37	14.542	4.843	88.873	323.120	3.747
1997	1.541	4.568	2.550	2.310	4485.89	15.284	5.146	94.213	331.790	3.712
1998	1.594	4.429	2.650	2.264	4382.63	14.870	4.990	91.360	300.710	3.645
1999	1.498	4.716	2.423	2.411	4669.13	15.818	5.314	97.276	247.640	3.870
2000	1.531	4.803	2.284	2.456	4755.26	16.110	5.412	99.070	262.250	3.738
2001										
Jan. 5	1.543	4.756	2.316	2.432	4708.02	15.950	5.358	98.086	269.596	3.714
12	1.554	4.753	2.304	2.430	4705.10	15.940	5.355	98.025	271.545	3.734
19	1.555	4.766	2.289	2.437	4717.89	15.983	5.370	98.292	269.058	3.720
26	1.551	4.796	2.264	2.452	4747.95	16.085	5.404	98.918	263.950	3.745
Feb. 2	1.552	4.774	2.285	2.441	4726.13	16.011	5.379	98.463	264.263	3.753
9	1.564	4.787	2.257	2.448	4739.25	16.055	5.394	98.737	265.299	3.753
16	1.549	4.814	2.251	2.461	4765.94	16.146	5.424	99.293	259.512	3.781
23	1.546	4.830	2.239	2.470	4782.22	16.201	5.443	99.632	260.609	3.786
Mar. 2	1.553	4.773	2.285	2.440	4725.20	16.008	5.378	98.444	272.231	3.753
9	1.554	4.782	2.276	2.445	4733.76	16.037	5.388	98.622	272.048	3.768
16	1.549	4.843	2.223	2.476	4794.32	16.242	5.457	99.884	272.426	3.810
23	1.551	4.850	2.214	2.480	4801.40	16.266	5.465	100.031	272.225	3.799
30	1.544	4.876	2.200	2.493	4827.27	16.354	5.494	100.570	275.494	3.806
Apr. 6	1.552	4.835	2.227	2.472	4786.93	16.217	5.448	99.730	276.559	3.781
13	1.539	4.873	2.209	2.491	4824.26	16.343	5.491	100.508	272.878	3.785
20	1.545	4.847	2.224	2.478	4798.90	16.257	5.462	99.980	272.356	3.790
27	1.548	4.839	2.228	2.474	4790.42	16.229	5.452	99.803	276.610	3.803
May 4	1.544	4.845	2.227	2.477	4796.51	16.249	5.459	99.930	268.951	3.825
11	1.544	4.888	2.189	2.499	4839.31	16.394	5.508	100.821	267.652	3.836
18	1.535	4.895	2.195	2.503	4845.89	16.417	5.515	100.958	270.997	3.839
25	1.525	4.943	2.166	2.527	4893.40	16.578	5.569	101.948	260.561	3.859
Jun. 1	1.521	4.969	2.148	2.541	4919.49	16.666	5.599	102.492	255.280	3.862
8	1.548	4.941	2.140	2.526	4891.43	16.571	5.567	101.907	258.147	3.849
15	1.544	4.908	2.173	2.509	4858.76	16.460	5.530	101.226	263.213	3.829
22	1.529	4.946	2.158	2.529	4896.60	16.588	5.573	102.015	268.286	3.842
29	1.528	4.954	2.152	2.533	4904.19	16.614	5.582	102.173	268.589	3.851

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

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

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES
AGAINST MAJOR CURRENCIES¹**

Averages for the Period

Period	Stg	DM	US\$	Euro ²	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	2.4741	4790.43	16.229	5.452	99.803	246.27	3.853
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
Apr.	1.4767	4.8261	2.3384	2.4675	4777.80	16.186	5.438	99.540	246.59	3.883
May	1.4990	4.8749	2.2595	2.4925	4826.16	16.350	5.493	100.547	244.47	3.880
June	1.5348	4.7677	2.3145	2.4377	4719.99	15.990	5.372	98.335	245.79	3.805
July	1.5265	4.7904	2.3029	2.4493	4742.45	16.066	5.397	98.803	248.52	3.798
Aug.	1.5120	4.8645	2.2510	2.4872	4815.81	16.315	5.481	100.332	243.14	3.857
Sept.	1.5265	4.9110	2.1911	2.5110	4861.92	16.471	5.533	101.292	234.13	3.844
Oct.	1.4979	4.9725	2.1750	2.5424	4922.75	16.677	5.603	102.560	235.85	3.847
Nov.	1.5191	4.9505	2.1665	2.5311	4900.96	16.603	5.578	102.106	235.90	3.851
Dec.	1.5262	4.8642	2.2332	2.4870	4815.55	16.314	5.481	100.326	250.57	3.764
2001										
Jan.	1.5494	4.7729	2.2897	2.4403	4725.15	16.008	5.378	98.443	267.58	3.732
Feb.	1.5547	4.7961	2.2602	2.4522	4748.13	16.085	5.404	98.922	262.59	3.766
Mar.	1.5510	4.8190	2.2435	2.4639	4770.82	16.162	5.430	99.394	271.99	3.784
Apr.	1.5446	4.8563	2.2166	2.4830	4807.76	16.287	5.472	100.164	274.45	3.769
May	1.5355	4.8990	2.1904	2.5048	4849.97	16.430	5.520	101.043	266.69	3.841
June	1.5373	4.9372	2.1557	2.5244	4887.86	16.559	5.563	101.833	263.57	3.844

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

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

TABLE 4.3 MALTA'S FOREIGN TRADE

Lm thousands

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,650	-362,710
1996	569,900	54,250	624,150	1,007,800	-383,650
1997	563,950	64,980	628,930	984,230	-355,300
1998	664,816	47,169	711,985	1,034,920	-322,935
1999	712,436	78,700	791,136	1,136,233	-345,097
2000 ¹	976,300	98,320	1,074,620	1,492,835	-418,215
2000¹					
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
Apr.	75,781	8,302	84,083	121,585	-37,502
May	82,989	9,681	92,670	129,519	-36,849
June	80,300	8,790	89,090	134,735	-45,645
July	79,330	8,549	87,879	127,747	-39,868
Aug.	73,144	8,468	81,612	119,349	-37,737
Sept.	94,902	7,746	102,648	121,346	-18,698
Oct.	91,680	7,290	98,970	156,590	-57,620
Nov.	96,050	10,020	106,070	138,922	-32,852
Dec.	85,500	7,280	92,780	118,143	-25,363
2001¹					
Jan.	74,794	5,700	80,494	109,970	-29,476
Feb.	68,007	5,815	73,822	102,558	-28,736
Mar.	80,807	6,858	87,665	120,186	-32,521
Apr.	62,513	7,249	69,762	98,656	-28,894
May	69,500	7,122	76,622	107,046	-30,424
June	71,446	8,890	80,336	103,862	-23,526

¹ Provisional.

Source: National Statistics Office.

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

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,946
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,913
1998	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,141
2000 ¹	78,681	36,349	103,087	86,170	54,977	15,443	293,857	406,096	1,074,620
2000¹									
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
Apr.	6,659	3,252	9,179	5,570	5,163	814	22,233	31,213	84,083
May	5,800	3,209	9,508	7,463	4,299	765	26,284	35,342	92,670
June	4,836	3,653	8,625	9,004	3,884	643	28,240	30,205	89,090
July	6,603	2,700	8,790	5,282	4,296	927	25,184	34,097	87,879
Aug.	5,182	2,207	7,507	5,060	2,279	1,611	23,380	34,386	81,612
Sept.	6,511	3,388	7,979	8,439	4,544	2,632	28,832	40,323	102,648
Oct.	6,422	3,466	7,114	7,446	5,103	825	28,274	40,320	98,970
Nov.	10,161	2,770	10,726	7,481	6,611	2,070	26,488	39,763	106,070
Dec.	6,137	2,212	7,312	8,656	5,704	792	26,533	35,434	92,780
2001¹									
Jan.	4,761	2,246	8,804	7,574	4,526	427	21,783	30,373	80,494
Feb.	6,090	2,738	9,538	7,217	5,828	1,506	12,631	28,274	73,822
Mar.	8,048	2,459	10,232	9,326	5,751	950	19,250	31,649	87,665
Apr.	7,272	2,871	10,936	6,728	5,339	2,602	12,850	21,163	69,761
May	6,241	2,834	11,815	9,437	5,867	1,343	15,573	23,511	76,622
June	6,037	3,103	10,242	8,787	5,518	1,637	18,492	26,520	80,336

¹ Provisional.

Source: National Statistics Office.

TABLE 4.5 DIRECTION OF TRADE - IMPORTS*Lm thousands*

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,234
2000 ¹	120,362	242,705	29,636	287,218	121,988	91,683	159,192	440,047	1,492,835
2000¹									
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
Apr.	10,984	19,952	2,067	17,340	9,876	6,576	11,951	42,839	121,585
May	10,266	20,364	2,315	26,984	9,541	8,766	11,875	39,407	129,518
June	8,992	20,170	3,628	21,216	10,833	6,971	17,622	45,304	134,736
July	11,235	23,759	2,525	21,246	11,311	9,753	13,915	34,003	127,747
Aug.	8,746	16,712	2,644	25,498	9,265	7,430	12,361	36,693	119,349
Sept.	9,415	21,243	2,033	21,775	10,526	6,136	12,344	37,874	121,346
Oct.	11,759	20,330	2,958	33,626	12,054	9,757	17,812	48,291	156,587
Nov.	10,163	21,199	3,229	36,382	10,436	8,405	16,264	32,844	138,922
Dec.	10,288	17,965	1,987	25,090	9,603	8,170	15,281	29,759	118,143
2001¹									
Jan.	9,111	19,816	2,509	23,639	8,596	6,810	12,285	27,204	109,970
Feb.	8,762	25,696	2,384	15,263	9,167	7,093	9,276	24,917	102,558
Mar.	11,038	22,648	2,022	16,487	9,950	9,043	13,411	35,587	120,186
Apr.	9,771	20,215	2,209	14,053	8,600	6,880	10,865	26,063	98,656
May	11,084	22,631	2,472	12,928	9,759	8,449	13,307	26,416	107,046
June	9,723	21,621	2,030	13,866	9,086	7,814	12,282	27,440	103,862

¹ Provisional.

Source: National Statistics Office.

TABLE 4.6 DOMESTIC EXPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,723
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,932
1998	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,441
2000 ¹	17,210	3,538	2,123	-	-	12,975	54,107	736,639	149,600	147	976,342
2000¹											
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
Apr.	1,604	302	71	-	-	863	4,362	56,549	12,029	1	75,781
May	1,970	459	186	-	-	706	4,628	62,897	12,126	16	82,989
June	1,368	402	189	-	-	1,094	4,873	61,272	11,095	7	80,300
July	1,565	283	162	-	-	1,161	4,652	56,966	14,541	-	79,330
Aug.	2,221	326	84	-	-	953	3,917	55,211	10,423	10	73,144
Sept.	2,426	228	123	-	-	1,470	4,289	72,514	13,851	-	94,901
Oct.	1,072	303	169	-	-	1,079	3,855	72,447	12,750	-	91,677
Nov.	1,867	586	208	-	-	1,540	6,226	69,151	16,470	-	96,047
Dec.	1,019	284	79	-	-	1,272	3,412	67,878	11,582	19	85,545
2001¹											
Jan.	1,742	291	111	-	-	1,668	4,112	55,175	11,686	9	74,794
Feb.	693	348	186	-	-	1,261	3,732	48,627	13,142	18	68,007
Mar.	610	505	116	-	-	1,439	4,948	59,804	13,346	39	80,807
Apr.	1,185	614	171	-	-	1,150	4,853	40,725	13,814	2	62,513
May	1,410	420	103	19	-	1,241	5,677	47,920	12,671	38	69,500
June	1,677	883	209	-	-	1,216	4,594	48,865	13,982	21	71,446

¹ Provisional.

Source: National Statistics Office.

TABLE 4.7 IMPORTS BY COMMODITY SECTIONS

€m 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	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	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,239
2000 ¹	103,942	18,993	13,597	104,733	2,239	92,757	144,997	853,261	147,926	10,385	1,492,835
2000¹											
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
Apr.	8,805	1,727	913	10,546	213	7,344	11,492	66,016	13,707	823	121,585
May.	9,015	1,247	1,199	5,861	196	8,077	14,945	75,592	12,053	1,334	129,519
June	7,177	1,559	1,343	10,028	198	7,966	12,363	81,719	11,762	620	134,736
July	7,247	2,362	995	9,972	145	7,719	12,734	71,578	14,173	821	127,747
Aug.	9,246	1,867	845	6,316	165	7,374	10,237	71,689	10,657	952	119,348
Sept.	8,820	2,032	1,140	10,692	111	7,548	10,254	69,100	10,727	920	121,346
Oct.	9,438	1,826	1,277	15,606	190	8,753	13,312	87,416	17,942	828	156,586
Nov.	10,243	1,682	1,178	7,300	296	8,388	14,237	79,488	14,610	1,501	138,922
Dec.	9,530	1,624	1,192	5,143	120	7,407	10,641	70,245	11,592	648	118,143
2001¹											
Jan.	6,473	957	916	8,751	161	8,995	11,833	61,450	9,496	938	109,970
Feb.	6,927	1,731	1,382	13,703	153	6,692	11,530	50,666	8,920	853	102,558
Mar.	9,184	2,332	1,077	11,821	171	7,841	13,330	61,921	11,504	1,005	120,186
Apr.	7,886	1,613	1,327	5,334	195	6,990	12,153	50,851	11,583	726	98,656
May.	10,023	2,482	1,326	6,095	105	7,365	14,525	52,441	11,559	1,123	107,046
June	8,207	2,768	1,137	9,967	100	6,444	13,284	51,495	9,417	1,043	103,862

¹ Provisional

Source: National Statistics Office.

TABLE 5.1 GROSS NATIONAL PRODUCT
By Category of Expenditure at Current Market Prices

Lm thousands

Period	Consumers' Expenditure ¹	Government Consumption Expenditure ²	Gross Fixed Capital Formation ³	Inventory Changes ⁴	Exports of Goods & Services	Total Final Expenditure	Less Imports of Goods & Services	Gross Domestic Product	Net Investment Income from Abroad ⁵	Gross National Product
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	531,530	164,335	240,874	145	804,056	1,740,760	866,010	874,750	41,695	916,445
1993	561,498	188,862	276,804	3,708	896,325	1,927,197	987,163	940,034	35,481	975,515
1994	608,288	209,519	305,388	9,957	994,410	2,127,562	1,099,028	1,028,534	19,331	1,047,865
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999	915,014	272,587	339,975	9,383	1,321,307	2,858,266	1,402,167	1,456,099	12,437	1,468,536
2000 ⁶	996,638	291,084	412,149	23,267	1,607,955	3,331,093	1,772,569	1,558,524	-67,853	1,490,671
2000 ⁶										
Mar.	230,868	72,254	93,384	19,556	342,769	758,831	391,436	367,395	12,197	379,592
June	253,484	71,808	111,618	-3,058	403,211	837,063	452,953	384,110	-5,835	378,275
Sept.	255,048	68,732	103,550	-15,633	439,626	851,323	451,325	399,998	3,406	403,404
Dec.	257,238	78,290	103,597	22,402	422,349	883,876	476,855	407,021	-77,621	329,400
2001 ⁶										
Mar.	234,361	78,440	95,409	23,012	341,537	772,759	387,078	385,681	11,004	396,685
June	262,851	80,554	89,661	-26,429	369,554	776,191	374,313	401,878	1,900	403,778

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

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

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

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

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

⁶ Provisional.

Source: National Statistics Office.

TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY

Period	United Kingdom	Italy	North Africa ¹	Germany	Scandinavian Countries ²	United States	All Others	Total
1990	450,002	64,039	38,881	130,203	29,444	9,934	149,273	871,776
1991	458,523	64,008	50,094	136,452	17,891	8,809	159,259	895,036
1992	525,629	76,045	43,882	153,531	21,851	9,302	172,142	1,002,382
1993	520,778	85,671	53,465	176,077	21,276	10,314	195,632	1,063,213
1994	530,385	98,746	45,337	200,281	29,920	11,973	259,581	1,176,223
1995	461,159	97,384	43,534	187,761	32,979	10,945	282,209	1,115,971
1996	398,899	89,439	56,958	184,110	33,338	11,969	279,075	1,053,788
1997	436,899	90,190	45,702	193,020	33,576	14,924	296,850	1,111,161
1998	448,763	90,558	44,508	203,199	35,414	17,641	342,157	1,182,240
1999	422,368	92,726	52,537	212,430	46,365	18,558	369,156	1,214,230
2000	428,780	92,522	52,273	204,749	46,273	19,269	371,846	1,215,712
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
Apr.	36,082	8,108	3,146	24,858	4,791	1,503	39,152	117,640
May	40,982	5,502	4,175	19,489	5,073	1,924	35,657	112,802
June	42,050	9,507	4,754	19,054	5,213	2,053	38,072	120,703
July	49,278	13,329	6,026	21,446	6,319	2,002	54,363	152,763
Aug.	52,760	22,528	6,449	18,174	4,054	1,651	49,705	155,321
Sept.	48,321	8,857	4,826	19,021	6,128	1,740	43,633	132,526
Oct.	41,848	5,322	3,747	20,234	5,106	2,075	33,415	111,747
Nov.	29,048	3,373	3,849	11,055	2,062	1,559	17,121	68,067
Dec.	23,610	6,042	3,182	9,033	1,195	1,085	17,726	61,873
2001								
Jan.	18,983	2,838	3,046	6,635	1,313	1,142	10,096	44,053
Feb.	22,328	2,845	2,371	10,823	1,942	1,270	14,313	55,892
Mar.	33,631	5,044	3,126	14,474	3,690	1,755	23,388	85,108
Apr.	34,451	8,820	2,876	17,982	5,288	2,225	36,157	107,799
May	47,562	5,198	3,007	15,438	4,770	2,576	37,096	115,647
June	43,419	8,950	3,166	13,689	5,873	2,606	42,772	120,475

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

² Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office.

TABLE 5.3 LABOUR MARKET

End of Period	Labour Supply			Gainfully Occupied			Unemployment ¹					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent ²	Amount	Percent ³	Amount	Percent
1990	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	104,848	41,053	145,901	98,237	39,969	138,206	6,611	6.3	1,084	2.6	7,695	5.3
2000	105,316	42,384	147,700	99,651	41,466	141,117	5,665	5.4	918	2.2	6,583	4.5
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
Apr.	105,263	41,692	146,955	98,827	40,676	139,503	6,436	6.1	1,016	2.4	7,452	5.1
May	105,228	41,717	146,945	99,104	40,750	139,854	6,124	5.8	967	2.3	7,091	4.8
June	105,133	41,860	146,993	99,433	40,951	140,384	5,700	5.4	909	2.2	6,609	4.5
July	105,789	42,550	148,339	100,087	41,449	141,536	5,702	5.4	1,101	2.6	6,803	4.6
Aug.	105,853	42,703	148,556	100,262	41,618	141,880	5,591	5.3	1,085	2.5	6,676	4.5
Sept.	105,816	42,635	148,451	100,176	41,681	141,857	5,640	5.3	954	2.2	6,594	4.4
Oct.	105,465	42,599	148,064	99,935	41,691	141,626	5,530	5.2	908	2.1	6,438	4.3
Nov.	105,156	42,382	147,538	99,580	41,486	141,066	5,576	5.3	896	2.1	6,472	4.4
Dec.	105,316	42,384	147,700	99,651	41,466	141,117	5,665	5.4	918	2.2	6,583	4.5
2001												
Jan.	105,600	42,396	147,996	99,851	41,464	141,315	5,749	5.4	932	2.2	6,681	4.5
Feb.	105,856	42,541	148,397	100,084	41,609	141,693	5,772	5.5	932	2.2	6,704	4.5
Mar.	105,627	42,594	148,221	99,961	41,669	141,630	5,666	5.4	925	2.2	6,591	4.4

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 DWELLING UNITS GRANTED DEVELOPMENT PERMISSION, BY TYPE

	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	748	218	4,227
1997	1,687	1,091	581	123	3,482
1998	2,587	1,125	434	152	4,298
1999	2,480	879	348	66	3,773
2000	1,473	583	246	67	2,369

Source: Planning Authority.

TABLE 5.6 INFLATION RATES¹
(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	2000	607.07	2.37

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

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

TABLE 5.7 RETAIL PRICE INDEX¹
(Base 1995 = 100)

Period	All Items
1990	84.73
1991	86.88
1992	88.30
1993	91.96
1994	95.76
1995	99.57
1996	102.05
1997	105.39
1998	107.74
1999	110.04
2000	112.65
2000	
Jan.	112.24
Feb.	112.05
Mar.	112.28
Apr.	111.78
May	112.69
June	112.23
July	112.32
Aug.	112.44
Sept.	112.80
Oct.	113.35
Nov.	114.09
Dec.	113.51
2001	
Jan.	112.95
Feb.	113.26
Mar.	113.94
Apr.	114.52
May	115.62
June	115.75

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

Source: National Statistics Office.

GENERAL METHODOLOGICAL NOTES

General Standards

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

Release of Monetary and Banking Statistics

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

Determination of 'Residence'

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

Sector Classification of the Maltese Economy

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

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

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

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

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

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

- (b) The principal function of **General/Central Government** is to carry out public policy through the production of non-market services, primarily for collective consumption, and the transfer of income, financed mainly by taxes on units in other sectors of the economy. For statistical reporting purposes only one level of government exists in Malta, namely the central government, which implies that all central government operations also constitute the operations of general government. Thus, central government currently includes the local councils and the public non-profit institutions (such as government appointed commissions, boards, agencies, foundations etc). Public corporations and authorities, often referred to as non-financial public institutions (NFPIs), are not included in this sector (see section d).
- (c) The **Private Corporate/Business Sector** comprises resident non-bank corporations under private ownership or control which are principally engaged in the production of market goods and non-bank services. These entities are collectively owned by shareholders that have the authority to appoint directors responsible for general management and may be a source of profit or other financial gain to their owners.
- (d) **Public Corporations and Authorities** include non-bank corporations/authorities (also referred to as the parastatal sector or the non-financial public institutions) that are subject to control by government. 'Control' is defined as the ability to determine general corporate policy. Such public corporations and authorities are normally involved in the production of industrial and commercial goods or the provision

of services for individual or collective consumption on a large scale.

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

Measures of Money

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

Notes and Coin in circulation outside the banking system

Deposits (non-bank), including:

Demand (current)

Savings

Time (fixed) deposits

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

Compilation Process

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

Basis of Calculation

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

Valuation

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

Official External Reserves

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

Financial Market Indicators

The statutory interest rates used by the Central Bank of Malta and other indicative bench-mark money market rates are given as end-of-period rates in percentages per annum. The repurchase agreement/term deposit rates represent the prevailing rates as at the end of the month quoted from the last repurchase agreements session and the rates offered by the Central Bank. The interbank market offered rates are the prevailing rates in dealings between the banks in the official interbank market.

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

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

Sources of other economic data:

Government Finance

The Treasury

Public Debt

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

External Transactions

Exchange Rates – Central Bank of Malta

Foreign Trade – National Statistics Office

Real Economy

Gross Domestic Product – National Statistics Office

Tourist Arrivals – National Statistics Office

Labour Market – Employment and Training Corporation

Building and Construction – Planning Authority

Inflation – National Statistics Office