

# Central Bank of Malta



## Quarterly Review

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## ABBREVIATIONS

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

# ECONOMIC SURVEY

## 1. FOREWORD

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In the last quarter of 2006 and the first quarter of 2007 the Central Bank of Malta continued to tighten its monetary policy stance. It raised the central intervention rate by 25 basis points on two occasions, in October 2006 and in January 2007, bringing the rate up to 4%. The decisions were taken in the light of narrowing differentials in favour of the Maltese lira, expectations of further rate hikes by the ECB and a persistent decline in the Bank's external reserves. The Bank remains committed to maintaining domestic financial conditions consonant with a fixed exchange rate vis-à-vis the euro within ERM II.

Following the rise in the central intervention rate, the benchmark domestic three-month Treasury bill rate increased during the last quarter of 2006. This led to a widening of interest rate differentials in favour of Maltese lira assets, which lasted up to December. However, euro area rates regained momentum thereafter, and although domestic rates continued to increase, the premium narrowed again, to below 40 basis points, by end-March.

The Bank's net foreign assets embarked on a downward trend as from November 2006, mainly reflecting lower capital inflows. Nevertheless, until March 2007 the Bank's net foreign assets were still higher than a year earlier. A major factor that appeared to be contributing to the decline was the ongoing process of conversion of Maltese lira financial assets into euro-denominated assets.

Broad money (M3) continued to rise during the fourth quarter of 2006, so that over the year it increased by around 5%. Within the components of M3, narrow money (M1) fell by 0.8% in the twelve months to December. The contraction in M1 reflected both the increasing opportunity cost

of holding cash in an environment of rising interest rates and the build-up of euro cash holdings by the private sector in anticipation of the euro changeover targeted for January 2008. These patterns persisted in more recent months.

Domestic credit, in turn, continued to be driven by additional lending to the private sector, mainly to households for house purchases, and to the real estate, renting and business activities sector. In contrast, public sector credit remained below the previous year's level.

During the quarter real GDP rose by 3.1% year-on-year, taking the growth rate for 2006 to 2.9%. In nominal terms, the annual rate of change in GDP was 5.1% during the October – December period and 5.5% for the year as a whole. The fourth quarter real growth was driven by favourable developments in net exports together with higher private and public consumption.

Labour market conditions also continued to improve, with the LFS showing an increase in private sector employment that more than offset the decline in public employment and contributing to a lower unemployment rate. This fell to 6.7%, from 7.0% in the fourth quarter of 2005.

Inflation decelerated considerably during the last three months of 2006, with year-on-year rates falling to their lowest levels in several years. As a result, the twelve-month moving average HICP inflation rate eased from a peak of 3.2% in September to 2.6% in December.

The external balance showed a marked improvement in the fourth quarter of 2006, reflecting mainly a smaller deficit on the merchandise trade account. For the year as a whole, the current account deficit narrowed from

8.3% of GDP in 2005 to 6.3% in 2006. This was attributable to a higher surplus on current transfers and a lower negative balance on the income account, which together more than compensated for a larger deficit on the goods account and a decline in the surplus on the services account.

Government finance was characterised by further progress in fiscal consolidation. The general government deficit to GDP ratio declined from 3.1% in 2005 to 2.6% in 2006. Higher tax receipts,

particularly from the corporate sector, boosted overall revenue, which rose at a faster pace than expenditure. The more subdued rate of expenditure growth reflected the moderate increase in the public service wage bill, mainly as a result of a drop in employment levels.

The Bank's Business Perceptions Survey was not carried out during the first quarter of 2007, but the Bank will be launching a new survey in the next issue of the Quarterly Review. This will focus mainly on the services sector.

## 2. THE INTERNATIONAL ENVIRONMENT

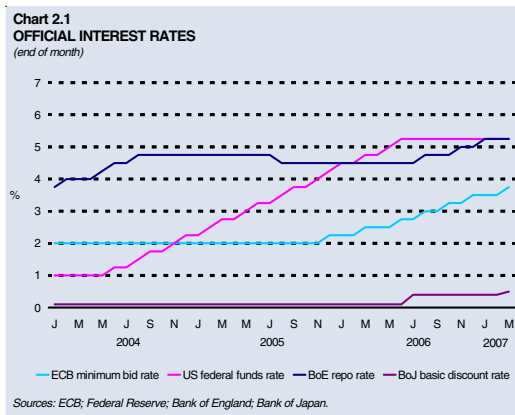
### The world economy

The economic situation in the major industrial countries improved in the fourth quarter of 2006, with growth in the euro area exceeding that in the US and Japan. Among the emerging economies, China registered a growth rate of 10.4%, while the Indian economy grew by 8.6% during the quarter.

A notable development over the last three months of the year was the easing of inflationary pressures in most major economies as energy prices, which had contributed significantly to consumer price inflation, stabilised after reaching historical highs in August.

### Economic and monetary developments in the major economies

The US economy grew at an annual rate of 3.1% in the final quarter of 2006, slightly faster than in the preceding quarter (see Table 2.1), with robust consumer spending being the main driver of growth as the labour market remained buoyant. However, this was offset by a decline in construction activity. Lower energy prices led to



a further substantial fall in the average inflation rate, from 3.3% in the third quarter to 1.9% in the fourth (see Table 2.2). At the same time, the merchandise trade deficit showed an improvement while in the labour market conditions also improved, with the unemployment rate dropping 0.2 percentage points to 4.5%.

The federal funds target rate was left unchanged at 5.25% in the last quarter of 2006, despite signs of weakness in the economy, as the Federal Reserve remained concerned about the risks of inflation (see Chart 2.1). The US central bank continued to hold the federal funds target rate at the same level in the first quarter of 2007.

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

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

	2005		2006			2007
	Q4	Q1	Q2	Q3	Q4	Q1 <sup>1</sup>
United States	3.1	3.7	3.5	3.0	3.1	2.3
Euro area	1.8	2.2	2.8	2.8	3.3	2.8
United Kingdom	1.9	2.5	2.8	3.0	3.0	2.8
Japan	2.8	2.7	2.1	1.5	2.5	1.9

<sup>1</sup> Forecasts.

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

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

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

	2005		2006			2007
	Q4	Q1	Q2	Q3	Q4	Q1 <sup>1</sup>
United States	3.7	3.7	4.0	3.3	1.9	2.2
Euro area	2.3	2.3	2.5	2.1	1.8	1.8
United Kingdom	2.1	1.9	2.2	2.4	2.7	2.7
Japan	-0.5	-0.1	0.2	0.6	0.3	0.0

<sup>1</sup> Forecasts.

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

The euro area continued to show economic dynamism in the fourth quarter of 2006, with growth accelerating from 2.8% in the third quarter to 3.3%. Higher domestic demand and buoyant exports were the main engines of growth. Reflecting the impact of slower energy price increases, inflation edged down to 1.8% in the fourth quarter, from 2.1% in the third. Meanwhile, the area-wide unemployment rate fell by 0.2 percentage points to 7.6%.

Against this background, the ECB raised the minimum bid rate on its main refinancing operations by 25 basis points on each of two occasions, to 3.5% in December. The increases reflected the Bank's view that continuing price stability in the euro area could be threatened in the medium term by greater demand pressures and employment growth. The bid rate was subsequently increased again in March by a further quarter point.

The UK economy grew at the same rate as in the previous quarter, with domestic demand and investment being the main contributors. The buoyancy of the economy was manifested in an acceleration in the inflation rate. This averaged 2.7% between October and December, up from 2.4% in the September quarter.

As a result, the Bank of England raised its official interest rate by 0.25 percentage points, to 5.0%, in November. The rate was raised by another quarter point in January.

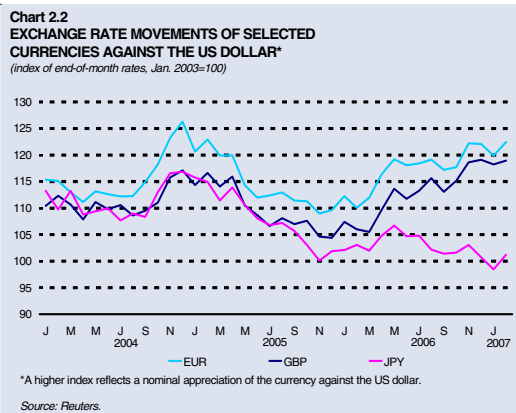
In the December quarter, economic activity in Japan regained momentum, with the growth rate accelerating to 2.5% from 1.5% in the third quarter. This reflected higher exports and investment. Consumer price inflation remained subdued, averaging 0.3% over the quarter. In the labour market, the jobless rate of 4.1% was unchanged from the preceding quarter.

The Bank of Japan defied expectations of a further tightening of its monetary policy stance and kept its benchmark short-term interest rate unchanged at 0.25% throughout the final quarter of 2006 and into January 2007. In February, however, the Bank raised the rate to 0.5%.

### **Foreign exchange markets**

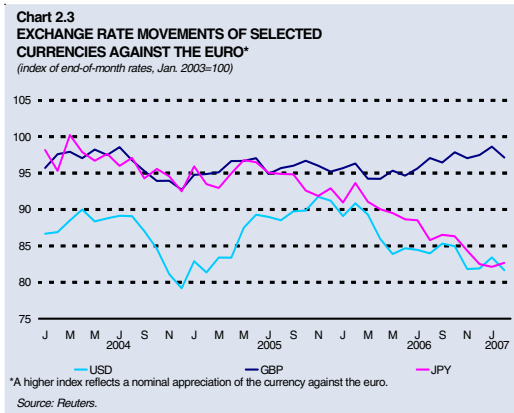
The US dollar strengthened against the euro and the pound sterling in the beginning of October, as market sentiment towards the currency turned positive in the light of falling energy prices and an improved US economic outlook (see Chart 2.2 and Table 2.3). However, the trend was reversed in the





remainder of the quarter on subsequent evidence showing a moderation in US economic activity. Over the entire quarter, the US dollar fell by 4.2% vis-à-vis the euro and by 5.3% against sterling.

With markets pricing in a further widening of the interest rate differential in favour of the pound,



the sterling/euro rate depreciated by 1.0% during the December quarter (see Chart 2.3). Meanwhile, vis-à-vis the Japanese unit, the euro registered further gains, ending the year 4.9% above the end-September level.

The yen depreciated by a further 0.7% against the

**Table 2.3**  
**EXCHANGE RATES OF SELECTED CURRENCIES**  
**AGAINST THE US DOLLAR - FOURTH QUARTER 2006**

	USD/EUR	USD/GBP	JPY/USD
Average for October	1.2613	1.8745	118.68
Average for November	1.2879	1.9110	117.30
Average for December	1.3212	1.9646	117.22
Average for the quarter	1.2901	1.9167	117.73
Closing rate on 29.09.06	1.2652	1.8647	118.07
Closing rate on 29.12.06	1.3179	1.9629	118.86
Lowest exchange rate vs the US dollar during the quarter	1.2520 (17 Oct.)	1.8541 (11 Oct.)	119.67 (12 Oct.)
Highest exchange rate vs the US dollar during the quarter	1.3355 (05 Dec.)	1.9805 (05 Dec.)	114.50 (05 Dec.)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from closing rate on 29.09.06 to closing rate on 29.12.06	4.2	5.3	-0.7

Source: Reuters.

US dollar in the final quarter of the year. The weakness of the currency reflected uncertainty concerning the course of monetary policy in Japan.

In January the euro declined against both the dollar and sterling, before staging a partial recovery in February. Vis-à-vis the yen, the euro traded within a narrow range in January but lost ground in February.

## Commodities

### Oil

From the historical high of USD78.46 per barrel in early August, crude oil prices declined to a low of USD55.18 at the end of October (see Chart 2.4). This drop was propelled by the improved geopolitical situation and a mild hurricane season in the US. Production cuts by OPEC exerted renewed upward pressure on prices in November and December, but they were offset by reduced demand for heating oil. The price closed the year at USD58.51.

In the early part of 2007, oil prices declined sharply, dipping temporarily below USD50 in

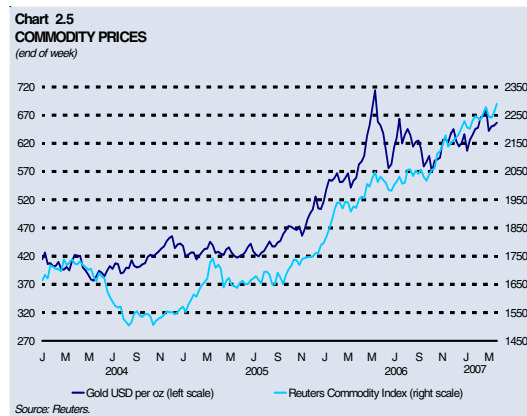
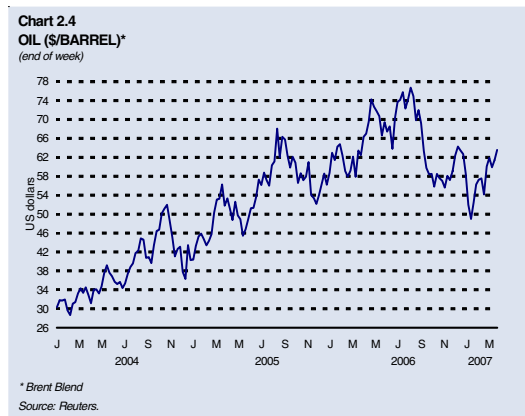
January. Thereafter, however, prices generally followed an upward course.

### Gold

Gold prices, which had traded above the USD600 mark for most of the third quarter of 2006, fell below that level at the start of the December quarter (see Chart 2.5). Demand for the metal was determined by hedge fund selling and the impact of lower energy prices on investors who purchased gold for its safe haven attributes. However, the price of bullion generally rose in the following months in response to the weakening of the US dollar. Consequently, over the quarter the price of the metal increased by 6.4%, to close the year at USD636.30. Gold prices continued to rise in January and February 2007, before losing some ground in March.

### Other commodities

Non-energy commodity prices as measured by the Reuters' Commodity Index rose 9.3% during the December quarter due to higher prices for metals and food (see Chart 2.5).<sup>1</sup> Going into 2007, prices rose sharply on account of the same factors.



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

### 3. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank of Malta tightened its monetary policy stance during the fourth quarter of 2006, raising the central intervention rate by 25 basis points to 3.75% in October. The Bank increased the central intervention rate by a further quarter of a percentage point in January 2007, bringing it to 4.00%.

Interest rates applied by the Bank in its open market operations were adjusted in line with the central intervention rate. As a result, money market rates rose during the final quarter of 2006. Meanwhile, in the capital market, yields on 5-year government bonds rose, while those on 10-year securities declined marginally. Corporate bond

yields moved upwards, while the MSE's share index continued to fall.

The pace of monetary growth quickened during the December quarter, with domestic credit expanding at a faster pace than that recorded in the previous four quarters. Credit growth was mainly driven by increased lending to the non-bank private sector, especially to households. At the same time, a contraction in net foreign assets dampened monetary expansion.

#### The monetary base

The monetary base (M0) expanded by Lm39.1 million, or 6.1%, during the December quarter, after having declined during the previous two quarters. Bank deposits placed with the Central Bank of Malta added Lm43.8 million, mainly because two more credit institutions were required to hold minimum reserve deposits with the Bank towards

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

	2006		<i>Lm millions</i>	
	Sept.	Dec.	Change Amount	%
Currency in issue	508.7	504.0	-4.7	-0.9
Bank deposits with the Central Bank of Malta <sup>1</sup>	133.1	177.0	43.8	32.9
<b>MONETARY BASE (M0)</b>	<b>641.8</b>	<b>680.9</b>	<b>39.1</b>	<b>6.1</b>
<b>CENTRAL BANK OF MALTA ASSETS</b>				
Foreign assets	1,018.4	993.4	-25.0	-2.5
Claims on central government	29.4	30.3	0.9	3.0
Fixed and other assets	16.4	17.2	0.8	5.0
<i>less</i>				
<b>REMAINING LIABILITIES</b>				
Government deposits	133.1	107.0	-26.1	-19.6
Other deposits	1.7	2.3	0.6	37.8
Foreign liabilities	36.5	42.6	6.0	16.5
Other liabilities	157.6	113.7	-43.9	-27.9
Shares and other equity	93.4	94.4	1.0	1.1

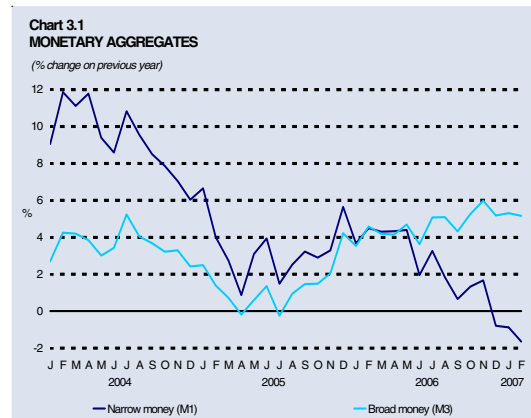
<sup>1</sup>Excluding term deposits, which are shown with other liabilities.

the end of the year (see Table 3.1).<sup>1</sup> In contrast, currency in issue contracted by Lm4.7 million.

During the fourth quarter, growth in M0 stemmed mainly from a contraction in the Bank's other liabilities, which reflected primarily a sizeable decline in outstanding term deposits. To a lesser extent, a drop in government deposits with the Bank also contributed to the rise. At the same time, however, the Bank's foreign assets fell, restraining monetary base growth.

### Monetary aggregates

After having gained 1.5% in the preceding quarter, broad money (M3) expanded at a faster pace during the December quarter, rising by Lm65.2 million, or 2.1% (see Table 3.2). With the demand for monetary assets increasing in response to rising deposit rates, the annual rate of M3 growth extended the upward trend evident earlier in the year (see Chart 3.1). It peaked at 6.0% in November before ending the quarter at 5.2%.



During the fourth quarter of 2006, narrow money (M1) – the most liquid part of M3 – contracted by 0.1%, driven by a sizeable drop in currency in circulation. The latter decreased by 2.1% from its end-September level, reflecting the increasing opportunity cost of holding cash in an environment of rising interest rates and a build-up of euro cash holdings by the private sector in

**Table 3.2**  
**MONETARY AGGREGATES**  
(Changes on the previous quarter)

	<i>Lm millions</i>									
	2005		2006							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>NARROW MONEY (M1)</b>	<b>22.3</b>	<b>1.4</b>	<b>-16.3</b>	<b>-1.0</b>	<b>19.3</b>	<b>1.2</b>	<b>-14.5</b>	<b>-0.9</b>	<b>-1.8</b>	<b>-0.1</b>
Currency in circulation	1.7	0.3	-9.8	-2.0	0.8	0.2	-2.0	-0.4	-10.0	-2.1
Deposits withdrawable on demand	20.6	1.8	-6.4	-0.5	18.6	1.6	-12.4	-1.1	8.3	0.7
<b>INTERMEDIATE MONEY (M2)</b>	<b>37.5</b>	<b>1.2</b>	<b>6.3</b>	<b>0.2</b>	<b>39.6</b>	<b>1.3</b>	<b>46.5</b>	<b>1.5</b>	<b>65.2</b>	<b>2.1</b>
Narrow money (M1)	22.3	1.4	-16.3	-1.0	19.3	1.2	-14.5	-0.9	-1.8	-0.1
Deposits redeemable at notice up to 3 months	1.1	3.7	0.2	0.5	-0.6	-1.8	-0.7	-2.3	0.5	1.6
Deposits with agreed maturity up to 2 years	14.2	1.1	22.4	1.7	20.8	1.5	61.7	4.5	66.4	4.6
<b>BROAD MONEY (M3)<sup>1</sup></b>	<b>37.5</b>	<b>1.2</b>	<b>6.3</b>	<b>0.2</b>	<b>39.6</b>	<b>1.3</b>	<b>46.5</b>	<b>1.5</b>	<b>65.2</b>	<b>2.1</b>

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

<sup>1</sup> M0 is a measure of the Central Bank of Malta's monetary liabilities and consists of currency in issue and bank deposits with the Bank, excluding term deposits.

anticipation of the euro changeover, targeted for January 2008. In contrast, deposits withdrawable on demand rose by 0.7%, mainly on account of an increase in Maltese lira balances belonging to households. As a result, the annual rate of growth of M1 turned negative during the quarter, falling from 0.7% in September to -0.8% three months later (see Chart 3.1).

Intermediate money (M2) expanded by 2.1% during the quarter reviewed, as the contraction in M1 was outweighed by a substantial increase in deposits with an agreed maturity of up to two years, which put on Lm66.4 million, or 4.6%. This rise was mainly attributable to growth in Maltese lira deposits belonging to households and insurance companies. Foreign currency denominated deposits, particularly those belonging to households and private non-financial companies, also expanded significantly. The annual rate of growth of deposits with an agreed maturity of up to two years extended the upward trend observed throughout 2006, rising to 12.8% in December from 9.0% in September. This pick-up in growth possibly reflected depositors' response to rising interest rates. At the same time, the remaining component of M2, deposits redeemable at up to three months' notice, increased marginally.

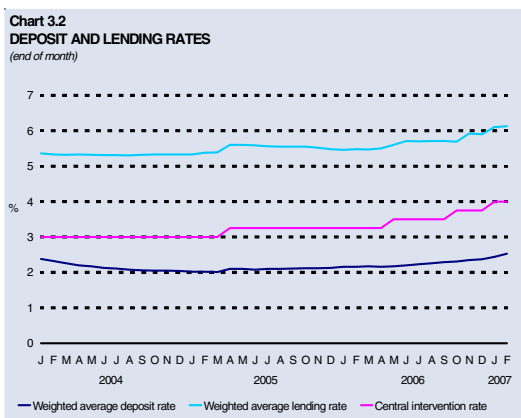
In response to the increase in the central intervention rate in October, banks adjusted their deposit and lending rates (see Chart 3.2). Nevertheless, while lending rates rose immediately, rates on deposits increased only gradually, with higher rates being applied only to new deposits. Thus, during the fourth quarter, the weighted average lending rate increased by 19 basis points to 5.90% in December. At the same time, the weighted average interest rate on Maltese lira deposits rose by 8 basis points from 2.29% at end-September to 2.37% at end-December. Whereas the average interest rates on savings and demand deposits were broadly stable, the corresponding rate on time deposits increased by 13 basis points, ending the year at 3.27%.

Going into the first quarter of 2007, M1 contracted at a faster pace, with its year-on-year growth rate falling to -1.7% in February. At the same time, the annual growth rate of M3 was broadly stable, standing at 5.2% in February. In addition, with official interest rates rising again in January, the weighted average lending rate and the corresponding deposit rate both increased, reaching 6.13% and 2.53%, respectively, in February.

### Counterparts of monetary expansion

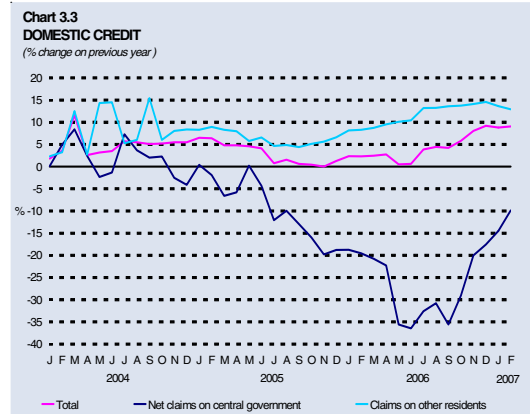
Monetary expansion during the last quarter of 2006 stemmed entirely from an increase in domestic credit, particularly to the private sector. It was dampened by a contraction in the net foreign assets of the banking system. Movements in the other counterparts of M3 mirrored changes in the net foreign assets of the banking system and had no impact on monetary aggregates.

Domestic credit expanded by Lm148.4 million, or 5.4%, during the fourth quarter, as a sizeable increase in claims on other residents was coupled with a rise in net claims on central government



(see Table 3.3). The annual rate of growth of claims on other residents grew more rapidly, while the year-on-year decline in net claims on government was partly reversed. Consequently, the annual rate of credit growth, which stood at 4.2% in September, more than doubled, ending the quarter at 9.2% (see Chart 3.3).

Claims on other residents grew by 4.4% during the last quarter of 2006. Despite rising lending rates, loans and advances, which account for almost all such claims, put on 4.5%, with demand for bank credit stemming mainly from the non-bank private sector (see Table 3.4). Loans to the latter grew by 4.6%, fuelled primarily by lending to households, most of which was intended for house purchases, and to the real estate, renting & business activities sector. Credit to the transport, storage & communication sector also expanded substantially. On an annual basis, growth in claims on other residents gathered pace during



the quarter, accelerating from 13.6% at the end of September to 14.6% at end-December.

Net claims on central government added 13.4% during the last quarter of 2006, after having declined during the previous two quarters. This

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

	2005		Q1		Q2		Q3		Q4	
	Q4									
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>BROAD MONEY (M3)</b>	<b>37.5</b>	<b>1.2</b>	<b>6.3</b>	<b>0.2</b>	<b>39.6</b>	<b>1.3</b>	<b>46.5</b>	<b>1.5</b>	<b>65.2</b>	<b>2.1</b>
<b>DOMESTIC CREDIT</b>	<b>16.9</b>	<b>0.6</b>	<b>97.9</b>	<b>3.7</b>	<b>-41.6</b>	<b>-1.5</b>	<b>37.4</b>	<b>1.4</b>	<b>148.4</b>	<b>5.4</b>
Net claims on central government	-57.3	-11.5	5.4	1.2	-92.2	-20.6	-33.9	-9.5	43.0	13.4
Claims on other residents	74.1	3.5	92.5	4.2	50.6	2.2	71.3	3.1	105.4	4.4
<b>NET FOREIGN ASSETS</b>	<b>64.8</b>	<b>3.7</b>	<b>-43.2</b>	<b>-2.4</b>	<b>222.4</b>	<b>12.6</b>	<b>81.8</b>	<b>4.1</b>	<b>-7.8</b>	<b>-0.4</b>
Central Bank of Malta	20.9	2.3	-60.8	-6.5	64.5	7.4	45.6	4.9	-31.0	-3.2
Banks	44.0	5.3	17.6	2.0	157.9	17.7	36.3	3.4	23.2	2.1
<i>less</i>										
<b>OTHER COUNTERPARTS OF M3<sup>1</sup></b>	<b>44.2</b>	<b>3.2</b>	<b>48.5</b>	<b>3.5</b>	<b>141.2</b>	<b>9.7</b>	<b>72.8</b>	<b>4.6</b>	<b>75.5</b>	<b>4.5</b>

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

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

	<i>Lm millions</i>			
	2006		Change	
	Sept.	Dec.	Amount	%
<b>TOTAL CLAIMS</b>	<b>2,408.5</b>	<b>2,513.9</b>	<b>105.4</b>	<b>4.4</b>
Claims on the non-bank private sector	2,252.9	2,356.5	103.6	4.6
<i>of which loans and advances</i>	2,204.3	2,306.6	102.3	4.6
Claims on the non-bank public sector	154.9	156.6	1.8	1.1
<i>of which loans and advances</i>	127.4	130.0	2.6	2.0
Claims on other general government <sup>2</sup>	0.7	0.8	0.1	6.5
<i>of which loans and advances</i>	0.7	0.8	0.1	6.5
<b>TOTAL LOANS AND ADVANCES</b>	<b>2,332.5</b>	<b>2,437.4</b>	<b>104.9</b>	<b>4.5</b>
Electricity, gas & water supply	76.9	81.1	4.2	5.4
Transport, storage & communication	133.5	146.3	12.7	9.5
Agriculture & fishing	9.7	9.8	0.1	1.5
Manufacturing	110.7	113.1	2.4	2.2
Construction	248.3	251.7	3.4	1.4
Hotels & restaurants	204.2	211.6	7.4	3.6
Wholesale & retail trade; repairs	304.4	306.9	2.5	0.8
Real estate, renting & business activities	235.6	261.8	26.3	11.2
Households & individuals	930.5	968.7	38.3	4.1
Other <sup>3</sup>	78.6	86.2	7.6	9.7

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

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

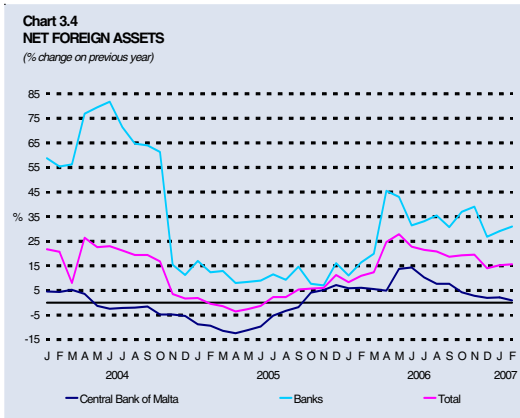
<sup>3</sup> Includes mining and quarrying, public administration, education, health and social work, community recreation & personal activities, extra-territorial organisations & bodies and non-bank financial institutions.

was mostly due to a sharp contraction in government deposits coupled with a rise in Treasury bills held by banks. As a result, the downward trend in the annual growth rate of net claims on central government was halted, and the rate climbed to -17.6% from -35.6% in September.

Following two quarters of considerable growth, the net foreign assets of the banking system contracted by Lm7.8 million, or 0.4%, during the

December quarter. A significant decline in the net foreign assets of the Central Bank of Malta was partly offset by an increase in those of the rest of the banking system. As a result, the year-on-year rate of growth of the banking system's net foreign assets dipped to 14.0% in December from 18.7% three months earlier (see Chart 3.4).

The net foreign assets of the Central Bank of Malta shed Lm31.0 million, or 3.2%, during the

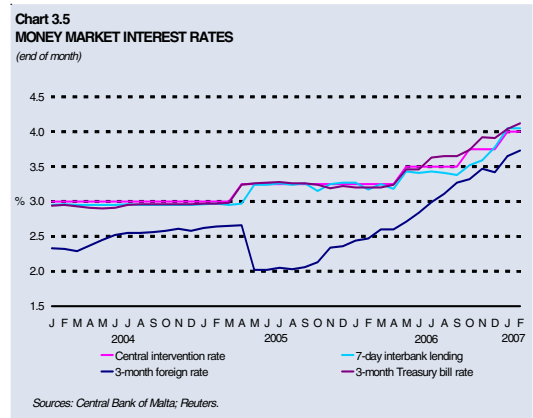


quarter under review. This was mainly attributable to sales of foreign exchange to banks and payments on behalf of the Government. Consequently, the annual rate of growth of the Bank's net foreign assets slowed down considerably, falling from 7.7% in September to 2.0% in December.

At the same time, the net foreign assets of the rest of the banking system increased by Lm23.2 million, or 2.1%, driven by an inflow of equity capital into two foreign-owned banks and changes in the value of the stock of foreign assets belonging to some banks. However, these increases were partly offset by net sales of foreign exchange by banks to meet demand from their customers.

The other counterparts of M3 expanded by Lm75.5 million, or 4.5%, during the quarter, boosted by the share capital inflow and an increase in revaluation reserves as a result of the upward movement in the value of the stock of banks' foreign assets referred to above.

Going into the first quarter of 2007, the annual rate of credit expansion slowed down slightly, falling to 9.1% in February. At the same time, the annual rate of growth of the net foreign assets of the



banking system picked up from the end-December level, reaching 15.6%.

### The money market

During the fourth quarter of 2006, the Bank continued to absorb surplus funds from the rest of the banking system through weekly auctions of 7-day term deposits. The volume of funds absorbed during this period declined, with the average weekly level of term deposits falling to Lm135.9 million, from Lm151.8 million in the previous quarter. Following the rise in the central intervention rate in October, the interest rate floor on these deposits was increased from 3.45% to 3.70%.

Activity in the interbank market slowed down considerably during the last three months of 2006, with the value of transactions falling to Lm35.7 million from Lm92.4 million in the third quarter. As the number of credit institutions required to hold minimum reserves with the Central Bank of Malta increased, banks were better able to manage their liquidity through reserve deposit balances, reducing their reliance on interbank funding as a result. Liquidity within the banking sector was asymmetrically distributed, with three banks accounting for more than 85% of trading. The



maturity of interbank loans ranged from one to ten days, with loans of up to one week being the most popular. The interest rate on 7-day loans increased by 40 basis points during the quarter to 3.78% in December (see Chart 3.5).<sup>2</sup>

The Treasury issued Lm97.6 million worth of bills in the primary market during the fourth quarter of the year, down from Lm109.5 million in the previous quarter. Three-month bills accounted for around three-fifths of the total issued, with the rest consisting mainly of one-year bills. Banks bought slightly more than two-thirds of the total, while insurance companies took up most of the remainder. The rise in official interest rates in October was transmitted to primary market yields, with that on the three-month bill increasing by 0.26 percentage points during the quarter to 3.91%.

In the secondary Treasury bill market, turnover dropped for the second consecutive quarter, falling from Lm11.3 million to Lm10.3 million in the quarter under review. Secondary market yields moved in tandem with those in the primary market, with those on three-month bills, for instance, rising to 3.91% in December, from 3.65% in September.

During the fourth quarter of 2006, the three-month premium on the Maltese lira over the euro widened by 11 basis points to 49 basis points, as domestic three-month yields outpaced the corresponding euro area yields (see Chart 3.5).<sup>3</sup>

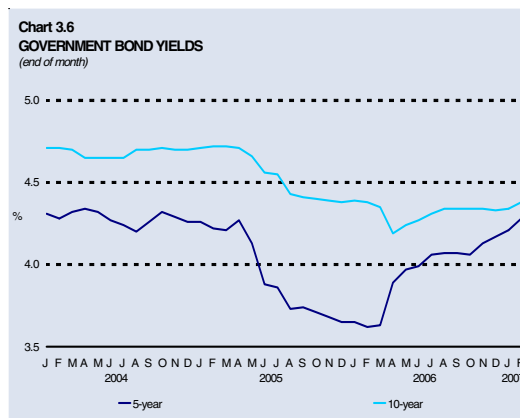
Going into the first quarter of 2007, Treasury bill yields continued to rise, following the January increase in official rates. Consequently, primary and secondary three-month rates reached 4.10% and 4.12%, respectively, by the end of February. At the same time, euro area rates rose at a faster pace than domestic rates, leading to a slight

narrowing in the short-term premium on the Maltese lira, which amounted to 39 basis points at the end of February.

### The capital market

Issuance activity in the primary bond market during the December quarter of 2006 was driven by the corporate sector, as one firm issued Lm4.0 million worth of stocks carrying a coupon rate of 6.7% and redeemable between 2014 and 2016. The same firm also offered an additional Lm1.0 million worth of bonds, at a coupon rate of 4.0% and redeemable in 2013, in exchange for shares in a related company. No bonds were issued by the Government during the period under review.

Turnover in the secondary market for government bonds amounted to Lm8.2 million during the December quarter, less than half the previous quarter's turnover, with trading focused on short-term and medium-term bonds. Yields on 5-year government bonds rose by 10 basis points, ending the quarter at 4.17%, while those on 10-year bonds were stable, declining by just one basis point to 4.33% (see Chart 3.6).

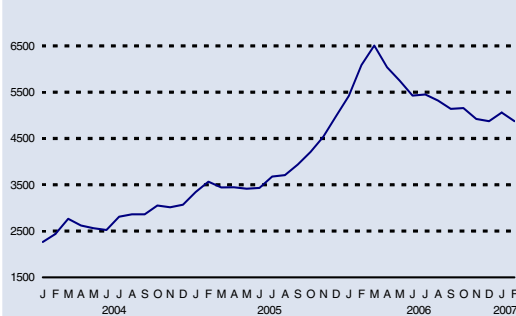


<sup>2</sup> As no interbank deals in this maturity took place in December 2006, the official fixing rate was used instead.

<sup>3</sup> The foreign interest rate shown in Chart 3.5 is computed as a basket-weighted average of the relevant interest rates on the euro, the pound sterling and the US dollar until April 2005. The secondary market rate on three-month euro area government securities is shown thereafter.

Chart 3.7

MALTA STOCK EXCHANGE SHARE INDEX  
(end of month)



Source: MSE.

Activity in the secondary market for corporate bonds also slowed down during the quarter under review, with turnover dipping to Lm1.1 million, from Lm1.4 million in the third quarter of 2006. As

in previous quarters, trading was mostly concentrated in six major securities. In general, corporate bond yields increased over the quarter.

Turnover in the equity market during the last three months of 2006 declined for the third quarter in a row, falling from Lm9.4 million in the September quarter to Lm9.2 million. Bank shares accounted for two-thirds of total turnover. Equity prices continued to fall, with the MSE share index dropping by 5.2% from the end-September level to end December at 4873.5 (see Chart 3.7).

Going into the first quarter of 2007, yields on 5-year and 10-year government securities both moved upwards, reaching 4.28% and 4.38%, respectively, in February. At the same time, the MSE share index continued on its gradual downward trend.

## 4. OUTPUT, EMPLOYMENT AND PRICES

### Introduction

Economic activity in the fourth quarter of 2006 continued to be buoyant although year-on-year growth in GDP was slightly lower than a year earlier. Over the same period the rate of inflation decelerated against a background of improving labour market conditions reflected in a decline in the unemployment rate.

### Gross Domestic Product

Real GDP rose by 3.1% in the last three months of 2006, taking the growth rate for the year as a whole to 2.9%. Fourth quarter growth was faster than in the previous quarter but lower than in the corresponding quarter a year earlier (see Chart 4.1). Net exports were the main factor contributing to growth as domestic demand contracted due to a fall in gross fixed capital formation and a



drawdown of inventories (see Table 4.1).

Net exports contributed 10 percentage points to GDP growth, considerably more than the 2.4 percentage points posted in the same period of 2005. The export performance was the result of sharp changes in both quantities and prices. Although exports grew by 15.4% in nominal terms, the inflation-adjusted equivalent went up by only 1.1%. Concurrently, imports rose by 1.2% in

**Table 4.1**

### GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	Year-on-year growth (%)		Contribution to growth (percentage points)	
	Q4		Q4	
	2005	2006	2005	2006
Household & NPISH final consumption expenditure	0.7	4.5	0.5	3.1
Government final consumption expenditure	-0.7	7.3	-0.1	1.4
Gross fixed capital formation	17.6	-7.9	3.5	-1.8
Changes in inventories & net acquisitions of valuables	-	-	-2.6	-9.7
<b>Domestic demand</b>	<b>1.0</b>	<b>-6.0</b>	<b>1.2</b>	<b>-6.9</b>
Exports of goods & services	2.5	1.1	2.4	1.1
Imports of goods & services	0.0	-8.2	0.0	8.9
<b>Net exports</b>	<b>-</b>	<b>-</b>	<b>2.4</b>	<b>10.0</b>
<b>GROSS DOMESTIC PRODUCT</b>	<b>3.6</b>	<b>3.1</b>	<b>3.6</b>	<b>3.1</b>
<b>GROSS DOMESTIC PRODUCT (MARKET PRICES)</b>	5.2	5.1	-	-
<b>GROSS NATIONAL INCOME (MARKET PRICES)</b>	1.0	10.8	-	-

Source: NSO.

nominal terms but declined by 8.2% in real terms, reversing the upward trend of earlier quarters.

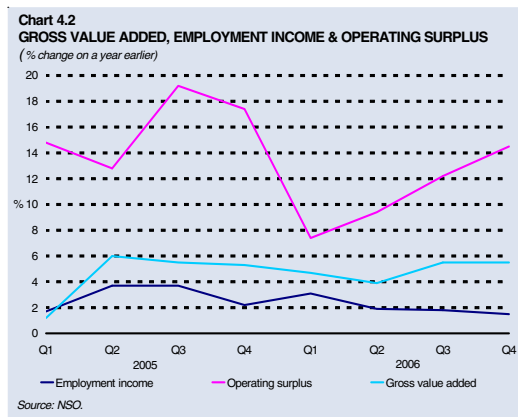
Private consumption reversed the deceleration of previous quarters, rising by 4.5% in the fourth quarter and contributing 3.1 percentage points to overall growth. Growth in real consumption was boosted by a slowdown in consumer price inflation. Government consumption, which has been relatively volatile, expanded by 7.3%, as against a drop of 0.7% in the same quarter of 2005.

Investment also recorded a sharp swing, declining by 7.9% during the December quarter, compared with a rise of over 17% in the same period of 2005. This was due to reduced expenditure on machinery and equipment as investment in construction continued to increase.

The GDP deflator rose by 1.9% during the quarter, compared with 1.6% a year earlier. While prices for both consumption and investment goods grew at a modest rate, export prices advanced by 14.1%. Thus, with import prices rising at a relatively slower rate of 10.3%, the external terms of trade improved.

### *Generation of income*

While nominal GDP grew by 5.1% in the December quarter, its main component, gross value added, maintained the tempo of the previous quarter, rising by an annual 5.5%, driven mostly by a sharp rise in business profits (see Chart 4.2).<sup>1</sup> The sectors making the largest contributions in value added to nominal GDP growth included other community, social & personal services, which includes the activities of the gaming industry and the provision of real estate, renting & business activities. On the other hand, the contributions of the wholesale & retail trades and hotels & restaurants were negative (see Table 4.2).



Operating surpluses rose by 14.5% on a year earlier and added 4 percentage points to the overall growth of nominal GDP. Profits in other community, social & personal services doubled, and contributed 2.8 percentage points, reflecting the strong performance of the gaming industry. Profits also rose in the sectors related to construction, fishing, real estate, renting & business activities and transport, storage & communication. In contrast, they declined in a number of other categories, including financial intermediation, the wholesale & retail trades and hotels & restaurants. The fall in the latter reflected the weak performance of the tourism sector. The energy sector continued to register an operating loss, but as this was substantially lower than in the previous year, it provided a positive contribution to nominal growth.

Growth in labour income, the other component of gross value added, remained sluggish during the fourth quarter of 2006. Employee compensation rose by 1.5%, down from the 2.2% recorded a year earlier. The largest contributions came from real estate, renting & business activities, financial intermediation and other community, social & personal services. On the other hand, the

<sup>1</sup> GDP is equivalent to gross value added and net taxation on products.

**Table 4.2**  
**CONTRIBUTIONS TO NOMINAL GDP GROWTH BY SECTOR AND**  
**FACTOR INCOME<sup>1</sup>**

	<i>percentage points</i>		
		2006 Q4	
	Compensation of employees	Operating surplus	Gross value added
Agriculture, hunting & forestry	0.0	0.1	0.0
Fishing	0.0	0.3	0.3
Manufacturing	-0.1	0.0	0.1
Electricity, gas & water supply	0.0	0.8	0.5
Construction	0.0	0.5	0.5
Wholesale & retail trade	0.1	-0.6	-0.5
Hotels & restaurants	0.1	-0.3	-0.3
Transport, storage & communication	-0.3	0.2	0.2
Financial intermediation	0.2	-0.4	-0.2
Real estate, renting & business activities	0.3	0.5	0.8
Public administration	-0.1	0.0	0.0
Education	0.1	0.0	0.1
Health & social work	0.1	0.0	0.2
Other community, social & personal services	0.2	2.8	3.1
<b>Total</b>	<b>0.7</b>	<b>4.0</b>	<b>4.7</b>
<b>Net taxation on production and imports</b>			<b>0.4</b>
<b>Nominal GDP (%)</b>			<b>5.1</b>

<sup>1</sup> Each entry represents the percentage-point contribution to the nominal GDP growth rate of 5.1%. Nominal GDP can be broken down into gross value added - which includes compensation of employees, operating surplus and depreciation - and net taxation on production and imports.

Source: NSO.

contribution of labour income to nominal GDP contracted in the transport, storage & communication sector, in public administration and in manufacturing, the latter reflecting the ongoing restructuring of various subsectors of manufacturing industry.

### Gross National Income

Gross national income (GNI), which includes net compensation and property income from abroad, is a measure of the income of resident earners.

During the fourth quarter of 2006, GNI went up by

10.8% (compared with nominal GDP growth of 5.1%), boosted by increased subsidies from the EU and higher net property income from abroad. For the year as a whole, GNI rose by 7.8%.

### Tourism

Reflecting the increased participation of low-cost airlines in air transport operations to Malta, tourist arrivals recovered in the last two months of 2006 and into the early months of 2007. However, the number of tourists departing by air in the fourth quarter of 2006 was 2.4% below the year-ago level (see Table 4.3). The reduction in

**Table 4.3**  
**TOURISM ACTIVITY**

	2005		2006			% change	
	Q4	Q1	Q2	Q3	Q4	Jan. - Dec.	
<b>Departures by air</b>	<b>0.9</b>	<b>-3.5</b>	<b>-1.8</b>	<b>-6.8</b>	<b>-2.4</b>	<b>-4.0</b>	
UK	2.1	-1.9	-5.8	-20.1	-6.4	-10.6	
Germany	0.8	0.8	-6.9	-15.7	-9.3	-9.1	
France	3.0	8.5	-8.6	-18.5	-6.6	-10.6	
Italy	-5.3	-12.2	43.4	21.9	34.2	22.5	
Others	0.1	-7.3	-0.4	7.7	1.1	2.2	
<b>Expenditure</b>	<b>2.2</b>	<b>-5.9</b>	<b>1.1</b>	<b>0.5</b>	<b>-4.6</b>	<b>-1.2</b>	
Package	-11.4	-15.0	5.9	5.1	-5.4	0.7	
Non-package: airfares	32.4	1.2	-8.0	-12.7	-1.3	-7.0	
Non-package: accommodation	42.7	19.8	-15.6	-7.3	-23.4	-10.3	
Other	4.8	-0.2	1.4	-0.6	0.3	0.2	
<b>Nights stayed</b>	<b>2.4</b>	<b>-9.6</b>	<b>0.2</b>	<b>-2.1</b>	<b>-8.3</b>	<b>-3.9</b>	
<b>Cruise passengers</b>	<b>7.2</b>	<b>24.4</b>	<b>23.6</b>	<b>42.5</b>	<b>8.4</b>	<b>25.8</b>	

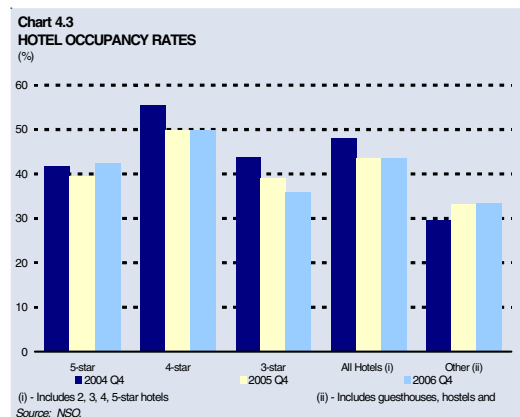
Source: NSO.

most major source markets was only partly offset by a sharp rise in Italian tourists. Meanwhile, fourth-quarter tourist expenditure fell by 4.6% from its year-ago level, with drops recorded in most spending categories. The number of leisure travellers, which constitutes four-fifths of the total, fell by 3.3%, along with a 4.0% drop in the business segment.<sup>2</sup>

In line with the reduced tourist numbers, total nights stayed in the December quarter contracted by 8.3% from the year-ago level. Three-star hotels were the most affected, with guest nights down by 34.5%, whilst the number of nights spent in five-star hotels rose by 3.8%. The average length of stay fell by 0.5 nights, to 8.5 nights.

Despite the reduction in tourist numbers, the NSO's accommodation survey shows that during the December quarter the overall hotel occupancy

rate was unchanged from its year-ago level of 43.6%, as a slight increase in the five-star occupancy rate was balanced by a decline in the occupancy rate of the three-star category.



<sup>2</sup> The decline in business travel was related to the base effect resulting from the Commonwealth Heads of Government meeting held in Malta in the last quarter of 2005. This had led to an unseasonably large increase in business visitors to Malta in that quarter.

Industry surveys similarly reported generally stable occupancy rates during the fourth quarter of 2006, with a 0.8 percentage point increase to 59.1%.<sup>3</sup> This mainly reflected developments in the four-star category.

The average achieved room rate in the five-star hotel category registered a drop, while the equivalent rate in three-star hotels showed an increase as the number of hotels in this category declined in response to the closure of the less profitable units.<sup>4</sup>

During the December quarter the number of the cruise-liner passengers visiting Malta increased by 8.6% on the same quarter of 2005.

### **January – December 2006**

During 2006 the number of tourists departing from Malta by air fell by 4.0%, while tourist expenditure contracted by a more moderate 1.2%. In contrast to recent trends, expenditure by the non-package holiday category fell, while spending on package and other forms of tourist travel increased marginally. Total nights stayed decreased by 3.9% from their year-ago level, with the increase in nights spent in five-star accommodation not sufficient to offset the drop in the three-star category. In 2006 as a whole, there was an increase of more than a quarter in cruise passenger arrivals.

## **Labour Market**

### **Labour Force Survey**

The Labour Force Survey reported labour supply growth of 0.9% in the fourth quarter. This

was accompanied by a faster growth rate, 1.2%, in the employed population. As a result, the unemployed population contracted, resulting in a jobless rate of 6.7%, 0.3 percentage points lower than in the fourth quarter of 2005 (see Table 4.4).

The recent trend in the distribution of employment changes between the private and public sectors persisted, with the former rising by 3.4% while the latter shrank by 3.9%. Growth occurred mainly in part-time employment, with full-time employment registering a slight increase.

At 55.1%, the employment rate was 0.2 percentage points higher than a year earlier, while the activity rate was unchanged from its previous year's level at 59.1%.<sup>5</sup> The average gross annual salary increased by 3.5% over a year earlier, fuelled mostly by higher salaries in the financial intermediation sector.

### **Administrative records data<sup>6</sup>**

Administrative records for the fourth quarter of 2006 point to a 0.4% growth in the gainfully occupied population in the year to November. ETC figures corroborate LFS results which indicate the predominance of part-time activity in total employment growth. The number of persons with part-time employment as their only job rose by 8.8% on a year earlier, while in the aggregate part timers as a whole increased by 8.5% (see Chart 4.4 and Table 4.5).

In November 2006 the size of the unemployed population was 140 higher than a year earlier, while the jobless rate was 0.1 percentage point higher at

<sup>3</sup> *Malta Hotels and Restaurants Association Hotel Survey*, March 2007.

<sup>4</sup> The decline in the achieved room rate at five-star hotels was relative to the last quarter of 2005, when business was boosted by the Commonwealth Heads of Government meeting.

<sup>5</sup> The employment rate and the activity rate represent the number of employed and the labour force, respectively, as a share of the working age population.

<sup>6</sup> The cut-off date for administrative records data was extended to 4 April 2007. At that time, the most recent statistic for unemployed persons was for February 2007, while all other administrative labour statistics were through November.

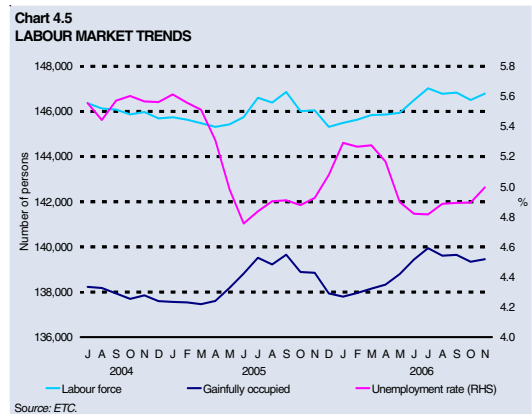
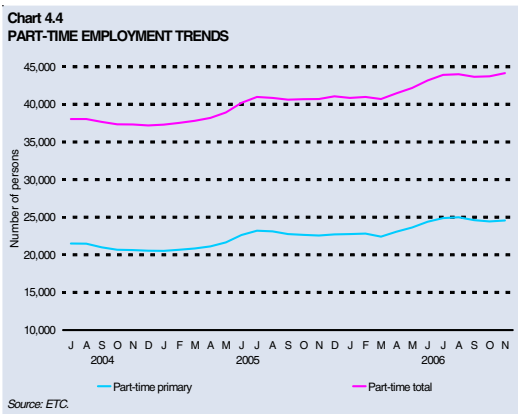
**Table 4.4****LABOUR MARKET INDICATORS BASED ON THE LFS**

	2005		2006		
	Q4	Q1	Q2	Q3	Q4
<b>Labour force</b>	<b>162,369</b>	<b>163,755</b>	<b>164,679</b>	<b>164,821</b>	<b>163,752</b>
Unemployed	11,385	12,737	12,726	11,129	11,009
Employed	150,984	151,018	151,953	153,692	152,743
<i>By type of employment:</i>					
Full-time	136,223	136,034	136,864	138,017	136,919
Full-time with reduced hours	1,795	1,806	1,724	1,696	1,931
Part-time	12,966	13,178	13,365	13,979	13,893
<i>By economic sector:</i>					
Private	103,966	102,948	103,652	107,954	107,538
Public	47,018	48,070	48,301	45,738	45,205
<b>Activity rate (%)</b>	<b>59.1</b>	<b>58.9</b>	<b>58.9</b>	<b>59.6</b>	<b>59.1</b>
Male	80.7	80.6	79.1	79.2	79.5
Female	37.0	36.8	38.5	39.7	38.4
<b>Employment rate (%)</b>	<b>54.9</b>	<b>54.3</b>	<b>54.3</b>	<b>55.5</b>	<b>55.1</b>
Male	75.7	74.9	73.9	74.3	74.5
Female	33.7	33.3	34.5	36.5	35.4
<b>Unemployment rate (%)</b>	<b>7.0</b>	<b>7.8</b>	<b>7.7</b>	<b>6.8</b>	<b>6.7</b>
Male	6.1	7.0	6.5	6.1	6.2
Female	9.0	9.5	10.3	8.1	7.8
<b>Average annual gross salary (Lm)</b>	<b>4.1</b>	<b>2.3</b>	<b>2.1</b>	<b>3.9</b>	<b>3.5</b>

Source: NSO.

5.0% (see chart 4.5). Subsequently, in December, the unemployed population fell back to its October level of 4.9% (see Chart 4.6).

Relative private and public sector employment patterns were unchanged over the quarter. Private sector employment expanded by 3.1% in the year





**Table 4.5****LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS**

	2005		2006		
	Nov.	Mar.	June	Sep.	Nov.
<b>Labour supply</b>	<b>146,046</b>	<b>145,842</b>	<b>146,498</b>	<b>146,828</b>	<b>146,789</b>
Gainfully occupied	138,853	138,149	139,437	139,644	139,456
Registered unemployed	7,193	7,693	7,061	7,184	7,333
<b>Unemployment rate (%)</b>	<b>4.9</b>	<b>5.3</b>	<b>4.8</b>	<b>4.9</b>	<b>5.0</b>
<b>Private sector</b>	<b>93,226</b>	<b>92,882</b>	<b>95,843</b>	<b>96,142</b>	<b>96,096</b>
Direct production	33,157	32,327	32,639	33,006	32,941
Market services	60,069	60,555	63,204	63,136	63,155
<b>Public sector</b>	<b>45,054</b>	<b>44,726</b>	<b>43,070</b>	<b>42,974</b>	<b>42,903</b>
<b>Temporary employment</b>	<b>573</b>	<b>541</b>	<b>524</b>	<b>528</b>	<b>457</b>
<b>Part-time jobs</b>	<b>40,694</b>	<b>40,702</b>	<b>43,177</b>	<b>43,665</b>	<b>44,157</b>
Primary	22,569	22,424	24,386	24,617	24,549
Secondary <sup>2</sup>	18,125	18,278	18,791	19,048	19,608

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

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

Source: NSO, from data provided by the ETC.

to November, with growth occurring primarily in the “other business activities” sub-sector and in the radio, television & communication equipment

sub-sector of manufacturing. Conversely, public sector employment contracted by 4.8%, mainly reflecting the transfer from public to private ownership of the major telecommunications company in Malta.



## Consumer Prices

### Retail Price Index (RPI)

Inflation decelerated considerably during the last three months of 2006, to the extent that in both November and December the RPI recorded year-on-year growth of 0.8% (see Table 4.6), the lowest rate in recent years. As a result, the twelve-month moving average rate of inflation moved on a downward trend, to end the year at 2.8% from a peak of 3.4% in September.

**Table 4.6**

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

	Year-on-year change (%)			Average change (%)			
	Oct.	Nov.	Dec.	Q1	Q2	Q3	Q4
1 Food	2.3	3.5	2.9	0.3	2.0	2.8	2.9
2 Beverages & tobacco	2.1	2.1	2.0	1.9	2.6	2.2	2.1
3 Clothing & footwear	-6.6	-6.2	-5.9	-2.3	0.2	1.7	-6.3
4 Housing	4.9	5.0	4.9	4.7	4.8	4.7	4.9
5 Water, electricity, gas & fuels	32.7	1.9	1.9	27.3	35.4	33.6	12.2
6 Household equipment & house maintenance costs	1.0	0.8	1.5	2.0	1.9	1.2	1.1
7 Transport & communications	1.3	-2.0	-1.5	4.1	5.7	4.4	-0.7
8 Personal care & health	2.8	2.3	2.3	3.1	3.2	3.1	2.4
9 Recreation & culture	0.0	0.0	0.1	-0.7	0.0	-0.1	0.0
10 Other goods & services	2.0	2.0	1.4	2.5	2.8	2.0	1.8
<b>RPI</b>	<b>2.1</b>	<b>0.8</b>	<b>0.8</b>	<b>2.5</b>	<b>3.8</b>	<b>3.6</b>	<b>1.2</b>

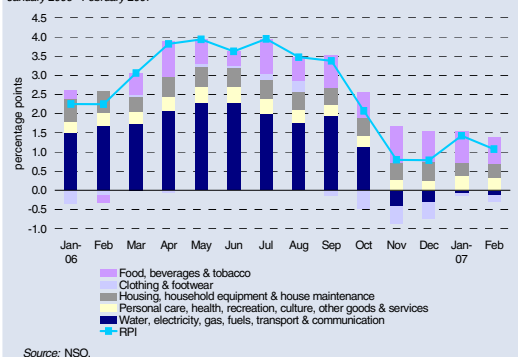
Source: NSO; CBM.

The main factor underpinning the sudden drop in RPI inflation was related to developments in energy prices. The latter had surged during the last quarter of 2005, as water, electricity, gas & fuel prices were brought in line with rising international oil prices. This RPI sub-index, which includes energy costs, rose persistently to a peak level in April 2006 before declining moderately in the following months. The decline in energy prices during the early autumn months then

contributed to a drop in the transport & communications sub-index during the December quarter. In addition, lower clothing & footwear prices added further downward pressure on inflation.

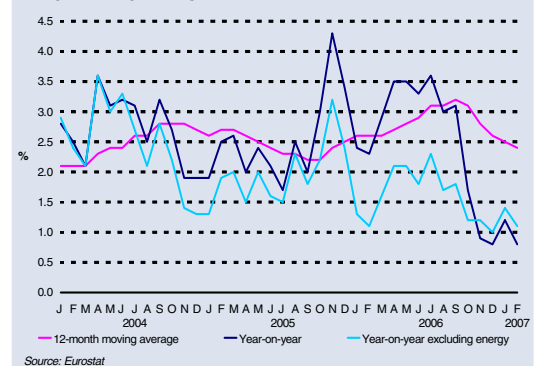
Higher food prices, including those of beverages & tobacco, remained the main source of non-energy induced inflation, with an ongoing average rise of 2.7% and a contribution of around 0.8

**Chart 4.7**  
**CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION**  
January 2006 - February 2007



Source: NSO.

**Chart 4.8**  
**HICP INFLATION RATES**



Source: Eurostat

percentage points (see Chart 4.7). Meanwhile, over the fourth quarter, housing-related prices<sup>7</sup> continued to increase faster than the overall RPI, thereby contributing around 0.5 percentage points to inflation.

The underlying stability of the RPI left core inflation virtually unchanged, so that it ended the year at 1.7% compared to 1.5% in September.<sup>8</sup> The absence of major inflationary pressures was evident in the early part of 2007. Thus, the year-on-year inflation rate dropped below 1.5% through February, pushing the 12-month moving inflation rate down to 2.6%.

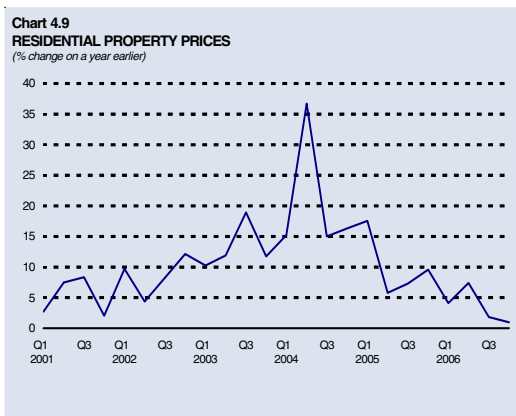
### Harmonised Index of Consumer Prices (HICP)

Developments in the HICP were similar to those in the RPI. The annual HICP-based inflation rate fell sharply, to 0.8% in December, in response to the trends in energy prices discussed above (see Chart 4.8). The twelve-month moving average measure thus eased to 2.6%, from a peak of 3.2% in September. Hotels & restaurant prices, which carry a much larger weight in the HICP compared to the RPI, were stable with inflation in the related sub-index declining marginally to 1.9%.

More recent data confirmed the low inflation environment, with the 12-month moving average HICP inflation rate falling to 2.4% in February.

### Residential Property Prices

Based on the Central Bank of Malta's index, house price inflation decelerated further during the December quarter. Advertised residential property prices rose by an annual 1.1%, down from 10.0% in the same period last year, in what



appears to be a reversion to the slower growth patterns in the early years of the century (see Chart 4.9). This slowdown reflects slower price increases for flats in shell form and reductions in the prices asked for houses of character and finished maisonettes.

In contrast, after having declined in the first half of the year, advertised prices for maisonettes in shell form recovered, rising by 3.1% in the September quarter and by 9.3% during the December quarter. Similarly, prices for terraced houses and town houses both rose by 6.8% in the December quarter, a faster pace than in the previous quarter. Meanwhile prices for finished flats remained stable, while those for villas rose by 6.4%.

For 2006 as a whole, advertised property prices rose by 3.5%, a significantly lower rate than the 9.8% recorded in 2005. The deceleration occurred across most property types, but particularly for terraced houses, maisonettes and finished flats.

<sup>7</sup> These prices are included in two sub-indices in Table 4.6: housing and household equipment & house maintenance costs.

<sup>8</sup> The core inflation measure includes the RPI components labelled 4, 6, 8, 9 and 10 in Table 4.6.

## Box 1: BUSINESS AND CONSUMER CONFIDENCE

In 1995, the Central Bank of Malta introduced a quarterly survey of the major economic sectors, designed in part to measure the expectations of the business community. The sample included 144 respondents spread across manufacturing (56), the distributive trades (30), tourism (18), real estate & construction (13), finance & insurance, professional & industrial services (26).

Participants were questioned on the current state of their business and their expectations for the next three months regarding turnover, selling prices, wages & salaries and employment. They were also asked about the expected state of the economy for the following six months and, twice-yearly, about their expectations regarding inflation, unemployment and whether they considered the current period to be appropriate to undertake new initiatives.

Replies were weighted according to respondents' relative share of domestic sales, exports and employment. To ensure that the results did not simply reflect the answers of the largest business concerns, the weighting scheme capped individual firms' turnover at Lm20 million.

The survey was heavily biased towards manufacturing. Indeed, the number of respondents in certain other sectors was small, while the replies of major operators often swayed results despite the capping of the turnover in the weighting scheme. As a result, certain survey results were occasionally hard to reconcile with information from other sources.

### A new survey

Similar surveys covering manufacturing and tourism have been initiated by other local entities. In the light of this, the Bank decided to review its method of obtaining information on business

expectations and adopt a more selective approach. It will thus be focusing on other sectors, outside manufacturing and tourism, primarily in the services sector, areas where collected statistics are relatively limited.

The new survey will cover around 170 firms and will also include the construction & real estate sector. The new list of sample businesses will be kept unchanged for the near future so as to prevent the results from being influenced by the replacement of respondents.

The questionnaire has been designed to further reduce the response burden. Participants are being asked to indicate the direction of the trend of change in a number of variables on a three-point scale (increased, remained the same or decreased) without the need to specify a numerical value. The only exception is one question asked of construction respondents, inquiring about the number of months' work already contracted for.

Questions are firm-specific and cover developments over the past three months and expectations for the forthcoming quarter concerning a firm's production, turnover, costs, profits, order books and stock levels, as well as its labour complement, selling prices and capital expenditure. In line with international practice, replies will be weighted on the basis of each firm's relative share of full-time equivalent employment.

To track perceptions in manufacturing, the Bank will draw on the survey results provided by a local organisation which undertakes the task on behalf of the European Commission. Similarly, with regard to the assessment of consumer sentiment, the Bank will continue to use the service of a private company which carries out this task on behalf of the European Commission.

## Industrial Confidence

According to measurements made by the European Commission, industrial confidence in Malta deteriorated further during the fourth quarter of 2006. The seasonally-unadjusted balance of replies fell from -8 in September to -26 in November 2006. However, there was a partial recovery in December, when the index climbed to -15 (see Chart 1).

Survey detail indicated a decline in sentiment among producers of intermediate goods, including electronics firms. This deterioration reflected changes in the balance of replies regarding current order books. In contrast, having moved into negative territory in November, production levels expected for the following three months turned positive in December. The balance of replies concerning the current stock of finished products remained stable.

Meanwhile, sentiment improved among producers of non-durable consumer goods, particularly the food and beverages sub-sector, with the balance of replies on production expectations turning positive in December.

Seasonally-adjusted data also indicated a deterioration in sentiment, with the index

declining to -12 in December 2006 from -7 at the end of the previous quarter.

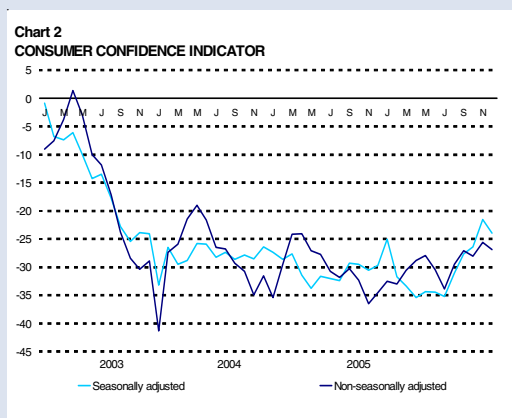
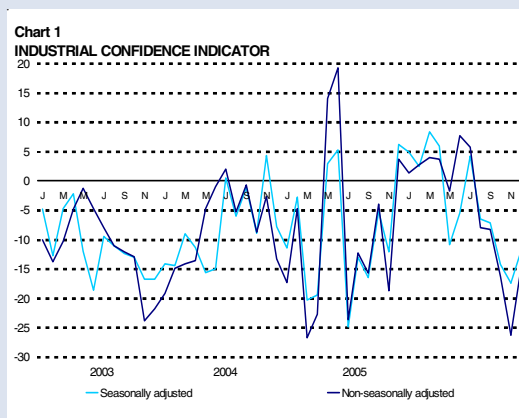
Recent data, however, showed improved industrial confidence over the first quarter of 2007, with the seasonally-unadjusted indicator moving into positive territory in March.

## Consumer Confidence

The consumer confidence indicator tracks consumers' expectations for the following twelve months, concerning both their own financial situation and the general economic scenario, particularly unemployment levels.

Although it remained negative, seasonally-unadjusted consumer confidence generally improved over the course of 2006. The reading in December was -27 points, the same as in September, compared with -31 in both March and June (see Chart 2).

Behind the unchanged overall sentiment, perceptions improved in terms both of general economic conditions and consumers' own financial situation for the following twelve months. However, this was balanced by a deterioration in the expected ability to save during the next twelve months coupled with a



worsening of the employment prospects.

The seasonally-adjusted measure improved significantly during the fourth quarter of 2006, reaching the highest value since 2003. At -24 points in December, the index was up by 4 points from September.

Later data released by the European Commission indicate that consumer confidence remained negative during the first quarter of 2007. Both the seasonally-adjusted and the unadjusted indices showed an improvement in January followed by a deterioration in the subsequent two months.

## Box 2: A COMPARISON OF THE BANK'S ECONOMIC FORECASTS FOR 2006 WITH THE ACTUAL OUTTURN

The Central Bank of Malta published revised forecasts for real GDP growth and other macroeconomic variables for 2006 late last year.<sup>1</sup> This Box compares the Bank's projections with the official data for that year. These, together with the Bank's forecasts, are shown in Table 1.<sup>2</sup> Actual GDP growth in 2006 was 0.3 percentage points higher than the upper bound of the Bank's forecast range and 0.6 percentage points above the midpoint of the same range. The underestimation of GDP growth reflects an unanticipated improvement in domestic demand

and, more importantly, in the performance of net exports.

### Domestic demand

With regard to private consumption expenditure, the Bank's lower projection (at 1.9% - 2.5%, compared with 2.6%) was due entirely to developments in consumer price inflation. As described in more detail below, the Bank had projected an increase of 2.8% in the private consumption deflator, whereas the actual rate

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

*% changes*

	2006	
	Actual	Forecast
<b>GDP growth at constant market prices</b>	2.9	2.0 - 2.6
<b>Growth in GDP components at constant market prices</b>		
Private consumption expenditure (incl. NPISH)	2.6	1.9 - 2.5
Government consumption expenditure	3.9	0.7 - 1.3
Gross fixed capital formation	-1.0	2.6 - 3.2
Exports of goods and services	1.4	(2.1) - (1.5)
Imports of goods and services	-0.5	2.0 - 2.6
Inventory changes and net acquisition of valuables (% of GDP)	0.2	4.0
Unemployment rate: LFS (%)	7.3	7.2 - 7.5
Inflation rate: RPI (%)	2.8	3.0 - 3.4
Fiscal borrowing requirement (% of GDP)	2.7	2.5 - 2.9
External goods and services deficit (% of GDP)	5.5	11.9 - 12.5

Note: Figures in brackets indicate negative values.

Sources: Central Bank of Malta estimates.

<sup>1</sup> "Revised Outlook for 2006", *Quarterly Review* 2006:3, pages 36-37.

<sup>2</sup> NSO News Release No. 39/2007, 9 March 2007.

was 2.1%. Consequently, growth in private consumption expenditure in real terms was stronger than expected.

The Bank also underestimated government consumption. This was mainly due to a downward revision in the level of government consumption for 2005 and the re-classification of a number of expenditure items from gross fixed capital formation to government consumption.<sup>3</sup>

Partly as a result of the reclassification and the fact that the investment deflator showed an unexpectedly strong rise of 3.6%, gross fixed capital formation actually declined in 2006. In the absence of such information, the Bank had projected a growth rate of 3% in investment.

With regard to inventory investment, the Bank's forecast was based on information available through the first half of 2006. However, faster than expected growth in exports contributed to a considerably smaller accumulation of inventories, amounting to 0.2% of GDP.

### **Net exports**

There were also wide divergences between the Bank's projections for exports and imports of goods and services and the actual outturn. Exports were forecast to drop by 1.8%, while the official data show a 1.4% increase. Official statistics for exports were revised upwards in the light of more comprehensive information on the performance of the gaming industry. Although exports in real terms were negatively affected by a sharp upward revision of the export price deflator, an upward correction to the value of nominal exports led to an overall increase in real exports.

With regard to imports, the Bank had forecast an increase of 2.3%, while the official data reported a

decline of 0.5%. The divergence was due to a significant upward revision in the import price deflator. This rose by 10.3% in 2006, compared to the Bank's forecast of 6.9%, which had been based on the anticipated rise in export prices charged by Malta's main trading partners.

### **Prices**

In the case of consumer price inflation the Bank had projected a range of 3.0-3.4%. However, the official data showed an inflation rate of 2.8%. At the time of the forecast, there was no strong evidence to justify a deceleration in the inflation rate. The main factor influencing consumer prices was the price of oil, and up to the third quarter of 2006 the international oil price, proxied by Brent crude (measured in Maltese lira terms), was 25% higher than in the previous year. In the final quarter of 2006, however, the Maltese lira price of Brent crude declined by 3.5%, owing in part to an easing of geo-political tensions. Similarly the price of low-sulphur fuel oil, used in the production of electricity, declined by 19% in lira terms. As a result, both domestic fuel prices and the water and electricity price surcharge were adjusted downwards. Indeed, the contribution of the transport & communication sub-index to retail price inflation was negative in both November and December. Similarly, there was a marked slowdown in the contribution of water, electricity, gas & fuels to overall inflation in the same two months.

### **External balance**

A further substantial divergence between the Bank's forecast and the official data centered on the external balance on goods and services. The Bank's revised forecast of the deficit on the goods and services account stood at 12.2% of GDP, while the official data put this at 5.5%. The difference reflects the revised measurement of the

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<sup>3</sup> Without this re-classification, government consumption would have grown by 2.2%.



contribution of the gaming industry, mentioned earlier. In addition there was a change in the treatment of transactions pertaining to this industry in the computation of GDP based on the expenditure approach. These are now classified as net exports, whereas previously they were

included under changes in inventories. The Bank's forecast, undertaken prior to this change in treatment, had overestimated the growth rate for inventory changes and underestimated that for net exports, resulting in a larger projected deficit on goods and services.

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

During the fourth quarter of 2006, the deficit on the current account of the balance of payments almost halved when compared to the corresponding period in the previous year. The merchandise trade gap fell and net inflows on the income account increased. These together outweighed lower net receipts from transfers and trade in services. After excluding movements in reserve assets, net inflows on the capital and financial account rose on a year earlier. Reserve

assets contracted, whereas they had expanded in the final quarter of 2005.

The current account deficit also narrowed over 2006 as a whole, as higher net inflows from transfers and lower net investment income outflows offset a smaller surplus on services and a wider merchandise trade deficit.

Movements of the Maltese lira against major currencies in the fourth quarter of 2006 continued to be conditioned by the commitment of the Maltese authorities to maintain the exchange rate of the lira unchanged from its central parity rate of

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

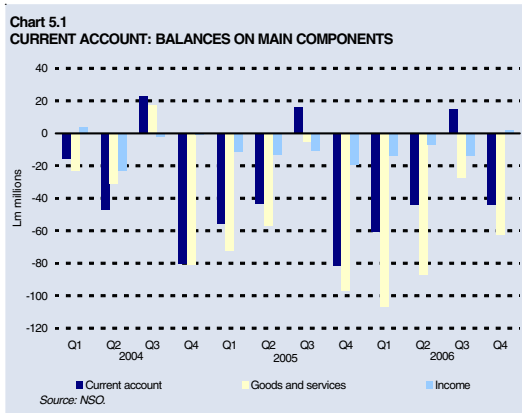
	<i>Lm millions</i>			
	2005		Q4	
	credit	debit	2006 credit	debit
<b>Current account balance</b>		<b>81.6</b>		<b>43.8</b>
Goods and services		97.3		62.7
Goods		108.8		67.3
Services	11.5		4.7	
Transport		2.8	3.3	
Travel	24.9		14.3	
Other services		10.6		13.0
Income		19.5	2.1	
Current transfers	35.3		16.8	
<b>Capital and financial account balance<sup>2</sup></b>		<b>57.4</b>		<b>76.4</b>
Capital account balance	23.7		27.6	
Financial account balance	33.7		48.8	
Direct investment	42.8		94.3	
Portfolio investment		631.1		142.9
Financial derivatives	1.5		1.2	
Other investment	620.5		96.2	
<b>Movements in reserves<sup>3</sup></b>		<b>36.3</b>	<b>18.9</b>	
<b>Net errors and omissions</b>		<b>60.5</b>		<b>51.6</b>

<sup>1</sup> Provisional.

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

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

Source: NSO.



Lm0.4293 per euro within ERM II. Hence, moving in line with the euro, the lira was up against both the US dollar and the Japanese yen during the quarter, although it lost ground against the pound sterling.

## The current account

In line with the usual seasonal pattern, the balance on the current account, which was in surplus during the previous quarter, shifted into deficit in the October to December period (see Chart 5.1). On a year-on-year basis, however, the deficit fell by a substantial Lm37.8 million to Lm43.8 million (see Table 5.1).

## Goods

On the basis of balance of payments data, the merchandise trade gap contracted by Lm41.5 million, or 38.1%, in the fourth quarter, as exports rose by Lm28.1 million and imports declined by Lm13.4 million.<sup>1</sup> Similarly, Customs data for this period show a significant rise in exports and a drop in imports, leading to a narrowing of the visible trade gap, which fell by Lm47.8 million over the fourth quarter of 2005 (see Table 5.2).

**Table 5.2**  
**MERCHANDISE TRADE**  
(based on Customs data)

	<i>Lm millions</i>			
	2005	Q4 2006 <sup>1</sup>	Amount	Change %
<b>Imports</b>	<b>376.1</b>	<b>357.8</b>	<b>-18.3</b>	-4.9
Consumer goods	98.3	98.2	-0.1	-0.1
Industrial supplies	160.9	184.4	23.5	14.6
Capital goods & others	63.8	45.0	-18.8	-29.5
Fuel and lubricants	53.0	30.1	-22.9	-43.2
<b>Exports</b>	<b>220.8</b>	<b>250.3</b>	<b>29.5</b>	13.4
<b>Trade deficit</b>	<b>155.3</b>	<b>107.5</b>	<b>-47.8</b>	-30.8

<sup>1</sup> Provisional

Source: NSO.

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

According to Customs data, exports expanded by Lm29.5 million, or 13.4%, on a year earlier. Foreign sales of machinery and transport equipment, which include semi-conductors, grew as activity in the electronics sector continued to gather momentum. At the same time, the sales of the fish farming and printing industries increased, while those of pharmaceutical companies continued on an upward trend. In contrast, exports of the clothing industry declined further.

Customs data also showed that imports fell by Lm18.3 million, or 4.9%, compared to the same period in the previous year. Fuel imports were lower, reflecting a decline in international oil prices, a strengthening of the Maltese lira against the US dollar and a reduction in import volumes. At the same time, imports of capital goods, which had risen sharply during the final quarter of 2005 reflecting purchases of machinery, fell during the quarter reviewed. By contrast, purchases of industrial supplies continued to expand, mirroring the rise in exports, while imports of consumer goods remained stable.

In January, the merchandise trade gap based on Customs data was up by Lm11.3 million on a year earlier spurred by higher imports of industrial supplies and a decline in exports.

### *Services, income and transfers*

During the fourth quarter of 2006 the services balance posted a surplus of Lm4.7 million, well below the Lm11.5 million surplus recorded in the same period in the previous year.<sup>2</sup> Net income from travel fell, reflecting both higher spending by Maltese travelling abroad and lower receipts from inbound tourists. At the same time, net outflows on the 'other services' component increased, mainly spurred by the outward service payments of international banks and the gaming sector. By

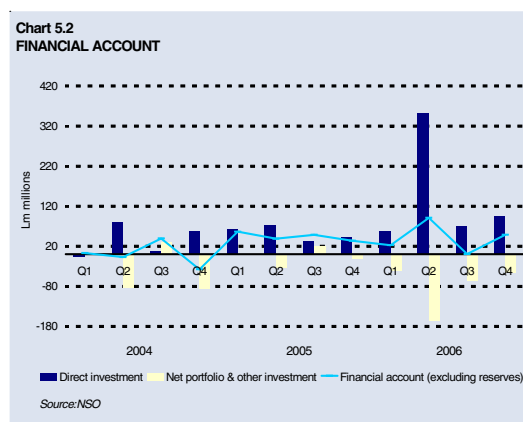
contrast the transport component shifted into surplus, driven by a drop in net payments for freight and increased receipts from passenger transport services.

The deficit of Lm19.5 million on the income account swung to a surplus of Lm2.1 million in the quarter under review. Higher earnings by residents on their portfolio investments abroad and lower profits earned by non-residents on their direct investments in Malta both contributed.

Meanwhile, in the period reviewed, the current transfers surplus more than halved, to Lm16.8 million. This was attributable mainly to higher outflows in connection with tax refunds to international trading companies registered in Malta. The latter were only partly matched by additional receipts from the gaming industry.

### *The capital and financial account*

After excluding movements in reserve assets, net inflows on the capital and financial account increased by Lm19.0 million, or 33.1%, on a year earlier. Notwithstanding the decline in official transfers from the EU and Italy, the capital



<sup>2</sup> NSO balance of payments data now also cover gaming activities. These have a significant impact on the services and the transfers accounts, where bets and wins are recorded.

account surplus improved, driven by proceeds relating to a sale of government property. At the same time, net inflows on the financial account increased when compared to the previous quarter and to a year earlier (see Chart 5.2). Net inflows of direct investment more than doubled over the comparable period of 2005, boosted by the expansion in the equity base of foreign-owned banks. At the same time, intercompany transactions drove up direct investment by the non-monetary sector. Larger net direct investment inflows financed higher net outflows on the combined portfolio and

other investment accounts, which mainly mirror the activities of international banks. A drop in net inflows from the other investment category outweighed a decrease in net portfolio investment outflows.

Meanwhile, in sharp contrast to the position in the fourth quarter of 2005, the balance on net errors and omissions was substantially negative, possibly implying an understatement of the current account deficit, an overstatement of net inflows on the capital and financial account, or a combination of both these factors.

**Table 5.3**  
**EXTERNAL NET BALANCES<sup>1</sup>**

	<i>Lm millions</i>			
	2005		Q1-Q4	
	credit	debit	credit	debit
<b>Current account balance</b>		<b>164.5</b>		<b>133.2</b>
Goods and services		232.2		284.6
Goods		389.6		414.8
Services	157.4		130.2	
Transport	24.7		33.0	
Travel	169.4		152.0	
Other services		36.7		54.7
Income		55.2		32.7
Current transfers	122.9		184.1	
<b>Capital and financial account balance<sup>2</sup></b>	<b>244.4</b>		<b>228.2</b>	
Capital account balance	66.8		64.8	
Financial account balance	177.6		163.4	
Direct investment	209.8		574.8	
Portfolio investment		917.2		831.9
Financial derivatives		7.9		92.6
Other investment	892.9		513.1	
<b>Movements in reserves<sup>3</sup></b>		<b>80.6</b>		<b>35.7</b>
<b>Net errors and omissions</b>	<b>0.8</b>			<b>59.3</b>

<sup>1</sup> Provisional.

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

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

Source: NSO.

The upward trend in reserve assets was halted in the fourth quarter of 2006. These fell by Lm18.9 million during the quarter, as against a rise of Lm36.3 million recorded in the same period of 2005.

### Annual developments

During 2006 the current account deficit narrowed by Lm31.3 million, or 19.0%, on a year earlier (see Table 5.3). Higher net inflows on the transfers account and a decline in net investment income outflows outweighed a drop in exports of services and a wider merchandise trade gap. Thus, the current account deficit dropped to 6.3% of GDP from 8.3% in 2005.

Balance of payments data show that the merchandise trade deficit widened by Lm25.2 million, or 6.5%, on a year earlier. Imports were up by Lm128.2 million, offsetting a rise in exports of Lm103.0 million.

Meanwhile, Customs data for 2006 show that the trade deficit expanded, putting on Lm6.3 million, or 1.3%, over 2005 (see Table 5.4). Imports expanded by Lm119.2 million, with purchases of

industrial supplies increasing significantly, mirroring growth in exports of machinery and transport equipment. At the same time, imports of capital goods and consumer goods also grew. In contrast, foreign purchases of fuel declined, partly reflecting the impact of falling international oil prices in the latter part of 2006 and a weaker US dollar vis-à-vis the Maltese lira. Meanwhile, exports rose by Lm112.9 million, mainly driven by higher sales of machinery and transport equipment, mostly semi-conductors. Exports of chemicals and food also increased, but sales of clothing continued to decline.

During 2006 the positive balance on services contracted from Lm157.4 million to Lm130.2 million. This was due to a deterioration in the other services and travel balances. Thus, in the case of other services, payments made by international banks and by gaming firms led to considerably higher net outflows, while, in the case of travel, higher expenditure by residents travelling abroad and lower spending by inbound tourists contributed to the decline in the positive balance. Conversely, the surplus on transport expanded, as increased net receipts from

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

	<i>Lm millions</i>			
	2005	Q1-Q4 2006 <sup>1</sup>		Change %
		Amount		
<b>Imports</b>	<b>1316.8</b>	<b>1436.0</b>	<b>119.2</b>	9.1
Consumer goods	355.0	365.5	10.5	3.0
Industrial supplies	593.5	699.9	106.4	17.9
Capital goods & others	227.8	239.7	11.9	5.2
Fuel and lubricants	140.5	130.9	-9.6	-6.8
<b>Exports</b>	<b>822.9</b>	<b>935.8</b>	<b>112.9</b>	13.7
<b>Trade deficit</b>	<b>493.9</b>	<b>500.2</b>	<b>6.3</b>	1.3

<sup>1</sup> Provisional

Source: NSO.

passenger transport offset higher freight payments.

Meanwhile, the balance on the income account improved, with the deficit narrowing by almost a half, to Lm32.7 million, as portfolio investment earnings by residents rose. These inflows were only partly matched by higher interest payments on loans and increased profits due to non-resident direct investors in Malta.

Increased inflows from gaming activities, which offset tax refunds, led to a marked rise in the positive balance on current transfers.

Meanwhile, net inflows on the capital and financial account (excluding movements in reserves) were down by Lm16.2 million, or 6.6%, compared to 2005. Net inflows on the capital account contracted as official transfers from the EU and Italy fell. At the same time, the positive balance on the financial account, which mostly mirrors the activities of the banking sector, was smaller as a result of increased net outflows on the combined portfolio and other investment categories. Moreover, operations by international banks in derivatives resulted in higher net outflows on the account.<sup>3</sup> These developments were partly offset by substantially higher net direct investment inflows related to the expansion in the equity base of foreign-owned banks in Malta and the sale of government shares in a telecommunications company to foreign interests.

Reserve assets continued to expand over the year, but at a slower pace than in 2005. They rose by 3.7%, as against an 8.6% increase in 2005. Errors and omissions shifted from positive to negative, heavily influenced by a considerable debit balance during the last quarter of the year. This

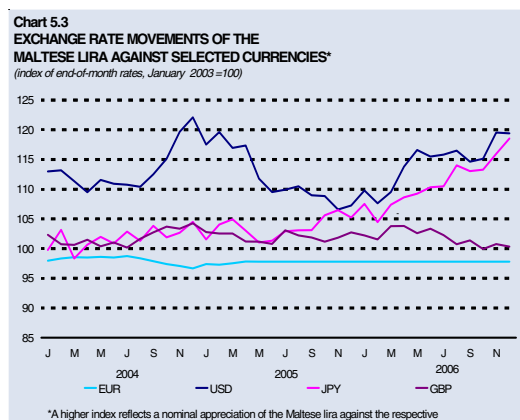
was the first time since 2002 that the errors and omissions balance was negative.

### The Maltese lira

Throughout the fourth quarter of 2006, the Maltese lira remained unchanged against the euro in ERM II at the central parity rate of MTL/EUR 0.4293 (see Chart 5.3). Moving in tandem with the euro, the lira gained 4.2% against the US dollar, after having depreciated by 0.7% in the previous quarter. Moreover, against the Japanese yen, the local unit continued to appreciate, rising by 4.9%. Conversely, the lira fell further against the pound sterling, shedding 1.1% of its value.

During January, the lira fell by 1.8% and 1.2% against the dollar and sterling, respectively, when compared to its December closing rate. Against the yen, it appreciated by 0.5%.

The strengthening of the lira against the US dollar and the Japanese yen during the final quarter of 2006 was in line with earlier trends. In fact, when compared to the fourth quarter of 2005, the



<sup>3</sup> Financial derivatives are financial instruments based on contracts involving rights and obligations related to purchases and sales of underlying assets, or relating to payments to be made in respect of movements in indices. Derivative instruments include options, traded financial futures and currency and interest rate swaps. In Malta, derivative instruments are mainly traded by banks.

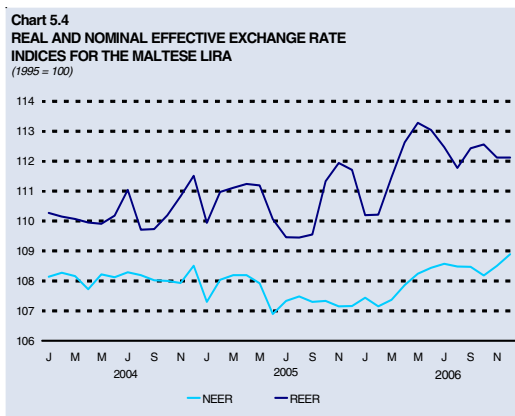
**Table 5.5**  
**MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES**

Period	EUR <sup>1</sup>	USD	GBP	JPY
Average for Q4 2006	0.4293	3.0053	1.5679	353.8
Average for Q4 2005	0.4293	2.7700	1.5845	324.6
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.0	8.5	-1.0	9.0
Closing rate on 29.12.2006	0.4293	3.0699	1.5639	364.9
Closing rate on 30.09.2006	0.4293	2.9471	1.5805	348.0
% appreciation(+)/depreciation (-) of the MTL against the respective currency	0.0	4.2	-1.1	4.9

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

Maltese currency appreciated on average against the US dollar and Japanese yen, but lost ground against the pound sterling (see Table 5.5).

Between September and December of 2006, the nominal effective exchange rate (NEER) of the Maltese lira increased by 0.4%, mirroring the nominal appreciation of the domestic currency against the US dollar and the yen (see Chart 5.4). The real effective exchange rate (REER) declined by 0.3%, however, as retail prices in Malta fell, whereas they rose in its main trading partners and competitors. This offset the impact of the rise in the nominal effective exchange rate of the lira.





## 6. GOVERNMENT FINANCE<sup>1</sup>

In 2006 the general government deficit narrowed from 3.1% of GDP to 2.6%. This was in line with projections presented in the December 2006 convergence programme update.<sup>2</sup> The drop in the deficit largely reflected a substantial contraction in the negative balance on the Consolidated Fund, which narrowed from Lm75.3 million to Lm57.9 million. The debt-to-GDP ratio fell, driven largely by privatisation proceeds, to 66.5% from 72.4% a year earlier.

### General government developments

Revenue grew at a faster pace than expenditure,

expanding by 4.7%, as favourable tax base developments boosted receipts from corporate and indirect taxes. Expenditure rose by 3.5%, with recurrent expenditure accounting for more than four-fifths of the rise. The increase in the latter mainly reflected higher spending on intermediate consumption and social benefits. The largest single component of recurrent expenditure, compensation of employees, increased by 1.0% but fell as a proportion of GDP. As a result, the primary surplus, which is obtained by deducting interest payments from expenditure, increased to 1.1% of GDP in 2006 from 0.7% in the previous year (see Table 6.1).

Part of the improvement in the fiscal position during 2006 reflected the favourable impact of the

**Table 6.1**

### GENERAL GOVERNMENT BALANCE AND DEBT

	<i>% of GDP</i>			
	2003	2004	2005	2006
<b>Revenue</b>	<b>38.6</b>	<b>41.9</b>	<b>42.9</b>	<b>42.7</b>
Taxes on production and imports	13.1	14.8	15.0	15.5
Current taxes on income and wealth	12.0	11.8	11.6	12.3
Social contributions	8.1	8.2	8.6	8.0
Capital and current transfers	0.8	2.5	4.0	3.4
Other	4.6	4.6	3.7	3.5
<b>Expenditure</b>	<b>48.6</b>	<b>46.8</b>	<b>46.0</b>	<b>45.2</b>
Intermediate consumption	4.8	5.5	5.0	5.8
Compensation of employees	15.0	15.0	14.5	13.9
Subsidies	2.2	2.0	2.1	1.9
Interest	3.5	3.7	3.8	3.7
Social benefits	13.4	13.6	13.6	13.5
Gross fixed capital formation	5.1	2.1	5.3	4.6
Other	4.5	5.0	1.7	1.8
<b>Primary balance</b>	<b>-6.5</b>	<b>-1.2</b>	<b>0.7</b>	<b>1.1</b>
<b>General government balance</b>	<b>-10.0</b>	<b>-4.9</b>	<b>-3.1</b>	<b>-2.6</b>
<b>General government debt</b>	<b>70.4</b>	<b>73.9</b>	<b>72.4</b>	<b>66.5</b>

Source: NSO.

<sup>1</sup> The cut-off date for information contained in this Chapter is 27 April, 2007.

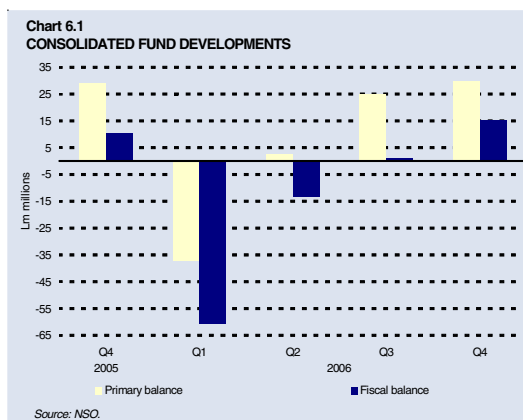
<sup>2</sup> General government includes central government, extra-budgetary units and local government.

business cycle on revenue. Nevertheless, the reduction in the deficit was also based on measures that contributed to a lowering of expenditure. Thus, the expenditure-to-GDP ratio continued its downward trend, reflecting both lower government employment, a reduction in subsidies and a fall in capital spending.

At the end of 2006, gross general government debt stood at Lm1,395.2 million, or 66.5% of GDP, down by 5.9 percentage points compared with the end-2005 position. The fall in the debt ratio was mainly due to privatisation receipts in the first half of 2006, but a larger primary surplus and faster GDP growth also contributed.

### Consolidated Fund developments<sup>3</sup>

In the fourth quarter of 2006, a surplus of Lm15.0 million was registered on the Consolidated Fund, Lm4.8 million more than a year earlier (see Chart 6.1). Compared with the final quarter of 2005, revenue increased at a faster pace than expenditure. The rise in the former primarily reflected growth in direct tax receipts and proceeds from the sale of land, while the rise in the latter was almost entirely driven by higher outlays on capital projects. On the other hand, the primary surplus widened marginally, to Lm29.5 million.



Thus, over the year as a whole the deficit on the Consolidated Fund contracted by Lm17.4 million, or 23.1%, to Lm57.9 million. With revenue growing more rapidly than expenditure, the primary balance swung into surplus, with an improvement of Lm20.0 million over the period under review (see Table 6.2).

### Revenue

During 2006 revenue expanded by Lm46.0 million, or 5.5%, over the previous year (see Table 6.2). Direct taxes contributed more than four-fifths of the expansion in revenue, adding Lm39.3 million, or 11.2%, with income tax and social security contributions yielding 15.7% and 3.5% more, respectively. The rise in income tax receipts was entirely driven by the corporate sector, which may be linked to increasing profits in the light of favourable economic conditions.

Indirect tax proceeds expanded by 4.8% over a year earlier, with growth being shared across the main components. Revenue from licences, taxes and fines increased by 6.2%, mainly on account of higher gaming tax proceeds. Meanwhile, an increase in excise duty rates boosted customs & excise yields. Proceeds from VAT were also higher, rising by 3.7%.

In contrast, non-tax revenue declined by 5.5%. This was because increased proceeds from the sale of land were outweighed by lower Central Bank of Malta profits and a fall in grants and a number of other revenue items that had boosted such revenue a year earlier and were not repeated in 2006. The latter included the sale of a telecommunications network licence and the fees emanating from the Investment Registration Scheme.

### Expenditure

During 2006 expenditure increased by Lm28.7

<sup>3</sup> The Consolidated Fund captures most of the transactions of central government on a cash basis.

**Table 6.2**  
**GOVERNMENT BUDGETARY OPERATIONS**

	<i>Lm millions</i>					
	2005 Q4	2006 Q4	2005 Q1-Q4	2006 Q1-Q4	Change Amount	%
<b>Revenue</b>	<b>262.5</b>	<b>287.6</b>	<b>831.3</b>	<b>877.3</b>	<b>46.0</b>	<b>5.5</b>
<b>Direct tax</b>	<b>124.7</b>	<b>144.1</b>	<b>352.2</b>	<b>391.5</b>	<b>39.3</b>	<b>11.2</b>
Income tax	82.0	101.3	221.8	256.5	34.8	15.7
Social security contributions <sup>1</sup>	42.7	42.8	130.4	135.0	4.5	3.5
<b>Indirect tax</b>	<b>88.7</b>	<b>88.5</b>	<b>323.0</b>	<b>338.3</b>	<b>15.4</b>	<b>4.8</b>
Value Added Tax	46.8	49.5	168.3	174.6	6.3	3.7
Customs and excise duties	18.5	15.2	65.7	69.2	3.5	5.4
Licences, taxes and fines	23.3	23.8	89.0	94.5	5.6	6.2
<b>Non-tax revenue</b>	<b>49.2</b>	<b>54.9</b>	<b>156.1</b>	<b>147.5</b>	<b>-8.7</b>	<b>-5.5</b>
Central Bank of Malta profits	0.0	0.0	14.0	10.0	-4.0	-28.6
Other revenue <sup>2</sup>	49.2	54.9	142.1	137.5	-4.6	-3.2
<b>Expenditure</b>	<b>252.4</b>	<b>272.6</b>	<b>906.5</b>	<b>935.2</b>	<b>28.7</b>	<b>3.2</b>
<b>Recurrent expenditure<sup>1</sup></b>	<b>214.5</b>	<b>215.3</b>	<b>775.6</b>	<b>798.1</b>	<b>22.5</b>	<b>2.9</b>
Personal emoluments	61.7	61.9	201.1	203.1	2.0	1.0
Programmes and other operational expenditure <sup>3</sup>	112.2	117.2	422.5	444.0	21.5	5.1
Contributions to entities	21.3	21.6	76.5	73.7	-2.8	-3.7
Interest payments	19.0	14.5	74.8	77.4	2.6	3.5
Other expenditure	0.3	0.0	0.6	0.0	-0.6	+
<b>Capital expenditure</b>	<b>37.9</b>	<b>57.3</b>	<b>131.0</b>	<b>137.0</b>	<b>6.0</b>	<b>4.6</b>
<b>Primary balance<sup>4</sup></b>	<b>29.1</b>	<b>29.5</b>	<b>-0.5</b>	<b>19.5</b>	<b>20.0</b>	<b>40.0</b>
<b>Consolidated Fund balance<sup>5</sup></b>	<b>10.1</b>	<b>15.0</b>	<b>-75.3</b>	<b>-57.9</b>	<b>17.4</b>	<b>23.1</b>

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

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

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

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

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

Source: NSO.

million, or 3.2%. Although recurrent spending accounted for four-fifths of the rise, its annual growth rate moderated to 2.9% compared with 4.9% in 2005. Social security benefits – mainly retirement pensions – accounted for nearly half of the rise. Growth in the government wage bill was contained as a decline in public service employment levels partly offset wage increases due under the six-year collective agreement for the civil service. Interest payments grew by 3.5%, despite the fall in the amount of debt outstanding, reflecting the timing of coupon payments on debt issued during 2005. In contrast, contributions to government entities, particularly to the shipyards contracted, in line with government policy on aid to industry. But capital spending increased by 4.6%, mainly on account of higher outlays on the environment and roads.

During the first three months of 2007, the deficit on the Consolidated Fund contracted by nearly

Lm5.0 million when compared to the corresponding period of the preceding year, as revenue continued to expand more rapidly than expenditure.

### **Government debt**

At the end of 2006, government debt amounted to Lm1,395.2 million, down from Lm1,440.4 million a year earlier. The relationship between the change in debt and the deficit is explained in Box 3 of this *Review* on the deficit-debt adjustment.

The composition of the debt shifted towards the longer term, with securities with an original term to maturity of over one year standing at Lm1,123.7 million. Their share in the total rose by 2.6 percentage points to 80.5%. Short-term debt securities, which consist of Treasury bills, totalled Lm160.5 million, with their share falling to 11.5% from 13.2% a year earlier. Other borrowings contracted by 1.0% to Lm111.1 million.

### Box 3: THE DEFICIT - DEBT ADJUSTMENTS<sup>1</sup>

Whereas *prima facie* outstanding government debt should increase in line with the deficit, in practice there are differences between the government deficit and the change in government debt. These differences, which are referred to as deficit-debt adjustments (DDA), can be quite significant. This Box briefly describes and examines them in a Maltese context between 2003 and 2006.

#### Definition and sources of the deficit-debt adjustment

The stock of gross government debt is mainly the result of the accumulation of deficits over time, but the relationship is not consistently so for a number of reasons. The DDA reconciles the deficit over a year and the change in gross government debt between the beginning and the end of the same year. The annual deficit plus the DDA is equal to the change in debt over the year. In other words, the DDA is positive when the change in debt exceeds the deficit and vice-versa.

The reconciliation between the change in debt and the deficit through the DDA can be carried out in terms of specific components. One such component is *transactions in main financial assets*. Given the deficit, the government can borrow and add to its holdings of financial assets, leading to a rise in government debt; conversely, a reduction in financial assets will tend to reduce debt. Main financial assets held by government include deposits at the central bank and other MFIs and equity in public corporations.

Another source of discrepancy lies in *valuation*. Government debt is recorded at face or nominal value, whereas financial transactions are recorded at market value and include accrued interest. Valuation effects may also arise from exchange

rate changes. Government debt denominated in foreign currency is normally valued at current exchange rates on the balance sheet date. The amount outstanding may, therefore, vary without any counterpart in the deficit.

Thirdly, discrepancies in the debt related to reclassification or assumption of debt, are recorded in *other changes in volume* of debt. Changes in the statistical classification of units from the government to a non-government sector must also be allowed for. For example, following such a reclassification, the liabilities of these units would cease to be government debt, with no counterpart in the government deficit. Similarly, the assumption of the debt of non-government units by government could also result in an increase in government debt with no off-setting entry in the government deficit.

The final component, recorded under *other*, relates to the statistical discrepancies that arise in the compilation of government financial and non-financial accounts attributable to different sources of data used, as well as the difference in instrument coverage. The measure of government deficit is based on the items defined by ESA95 as revenue or expenditure of the general government and also has its counterpart in the assets and liabilities defined by ESA95. But, whereas government debt comprises certain financial instruments - currency and deposits, loans, and debt securities - it excludes others, such as trade credits and other accounts payable.

#### The deficit-debt adjustment in Malta

Certain discrepancies between the deficit and the change in gross government debt are a normal feature of public finances. From 2003 to 2006, the change in debt was smaller than the deficit,

<sup>1</sup> The analysis in this Box refers to general government deficits and debt compiled in accordance with ESA 95.

**Table 1****GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT<sup>1</sup>***% of GDP*

Period	Change in debt	Deficit (-) / surplus (+)	Deficit-debt adjustment							Total
			Transactions in main financial assets				Valuation effects	Other changes in volume	Other <sup>2</sup>	
			Currency and deposits	Loans	Debt securities	Shares and other equity				
2003	10.9	-10.0	3.6	-1.2	0.0	0.0	0.0	0.0	-1.5	0.9
2004	4.8	-4.9	0.0	-0.2	0.0	0.0	-0.2	-0.1	0.3	-0.2
2005	2.3	-3.1	1.5	0.0	0.0	-1.3	-0.7	-0.3	-0.2	-0.8
2006	-2.2	-2.6	0.6	-0.1	0.0	-4.5	0.0	0.0	-0.7	-4.7

<sup>1</sup> Based on ESA95 methodology. Data are provisional.

<sup>2</sup> Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).

Source: Eurostat.

except in 2003. Consequently, on average, Malta's DDA was debt-reducing by 1.2% of GDP. This was mainly due to privatisation proceeds, which allowed the government to finance the deficit without recourse to borrowing. However, the DDA for single years differs substantially from the intertemporal average (see Table 1).

Looking at the different sources of the DDA, transactions in main financial assets of government had the single most important effect. For example, in 2003, accumulation of deposits with the banking sector by government led to a debt-increasing effect of 3.6% of GDP. On the other hand, the privatisation of government holdings in publicly-owned enterprises had a debt-reducing effect both in 2005 and 2006 amounting to 1.3% and 4.5% of GDP, respectively. Although changes in government

loans generally had a moderate impact during the period reviewed, in 2003 they fell by 1.2% of GDP, mainly as a result of the cancellation of debt owed by Malta Drydocks to the government.

Valuation and volume changes reduced government debt on average. The former was significant in 2005 on account of the issuance of Malta Government Stocks above par on the primary market. The 'other' component of the DDA also had a debt-reducing effect overall.

Government deficit and debt are the primary focus of fiscal surveillance in the EU. However, an analysis of the DDA is also important, as it bridges the gap between developments in the government deficit and the government debt and may serve as a useful check on the reliability of fiscal data.

## NEWS NOTES

### LOCAL NEWS

#### **Central Bank of Malta raises interest rates**

On 25 January the Central Bank of Malta raised its central intervention rate by 25 basis points to 4.00%. The decision was taken against a background of a further decline in the Bank's external reserves and a marked narrowing of interest rate differentials in favour of the Maltese lira as a result of rising euro area rates.

#### **New decimal set of Maltese coins issued**

On 20 February the Bank announced the issue of a new decimal coin set dated 2007. The set consists of the seven current Maltese coins of the Second Series together with a five mils coin of the First Series. The coins were struck at the Royal Mint of the UK.

#### **Minting of Malta's euro coins**

On 24 January the Bank signed a contract with the French Mint, the *Monnaie de Paris*, for the minting of euro coins with Maltese national symbols. The preparatory phase commenced with the production of a certain quantity of test coins followed by a trial run. The second phase, which will involve the mass production of the actual quantities of coins required for the changeover, will commence once Malta's application to join the euro area receives the formal approval of the EU Council of Ministers.

#### **Central Bank of Malta Act amended**

On 2 and 16 March Parliament amended the Central Bank of Malta Act so as to ensure that central bank independence was provided for in total conformity with the requirements of the EU Treaty and the ESCB statute. The amendment also provided for the full integration of the Central Bank of Malta into the Eurosystem once the euro

is adopted as the currency of Malta. This amendment will come into force by virtue of a future commencement notice.

#### **External Transactions Act amended**

On 2 March the External Transactions Act was amended so as to base the residence criterion, for the purposes of statistical compilation, on the transactor's centre of economic interest in conformity with the IMF's Balance of Payments Manual Guidelines (5<sup>th</sup> Edition). This amendment will also come into force by virtue of a future commencement notice.

#### **Malta requests Convergence Report**

On 27 February Malta submitted a request for a country examination on the state of its economic convergence for euro adoption purposes. The request was made in writing by the Prime Minister and Minister of Finance and the Governor of the Central Bank of Malta to the EU Commissioner for Economic and Monetary Affairs and the President of the ECB.

#### **Euro changeover preparations**

##### *Twining agreement with Austria*

On 31 January the National Euro Changeover Committee (NECC) announced that it had finalised a twinning agreement with Austria with the aim of building price awareness and consumer confidence in Malta during the euro changeover period. The project is being funded by the EU Directorate General for Economic and Financial Affairs of the European Commission.

##### *Master plan updated*

In February 2007 the NECC released the third update of its *Master Plan for the Euro*

*Changeover in Malta.* The update outlines the key milestones reached so far and the procedures and tasks that still need to be implemented in preparation for the changeover.

### ***Guidelines for rounding and smoothing for the public sector***

On 29 March the NECC published guidelines on the undertaking of specific amendments to legislation and on the process of rounding and smoothing applicable to the public sector in view of the adoption of the euro.

### **World Economic Forum report**

On 1 March the World Economic Forum (WEF) published its *Travel & Tourism Competitiveness Report 2007*, a cross-country analysis of competitiveness in travel and tourism. Malta was ranked in the twenty-sixth place among the 124 countries surveyed, with the main drivers of its competitive advantage being the high prioritisation accorded to tourism in the government's budget, high standards of safety and security and high standards of health and hygiene. Malta's competitive advantage is dented, however, by low rankings in such areas as environmental regulation.

### **Malta joins European Patent Organisation**

On 1 March Malta acceded to the European Patent Organisation, becoming the thirty-second member state of the Organisation. This means that, along with Iceland, Lichtenstein, Monaco, Switzerland and Turkey, all 27 Member States of the EU are now members of the Organisation.

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

#### **Dematerialisation of Treasury bills**

On 16 March two legal notices were published to

effect the dematerialisation of Treasury bills in Malta.

Legal Notice 58 is the Directive on the Electronic Central Depository for Malta Treasury Bills, 2007. It contains instructions and procedures regarding the physical certificates of outstanding Treasury bills following the announcement of the appointed date for the dematerialisation of Treasury bills.

Legal Notice 59 contains the Malta Treasury Bills (Dematerialisation) Regulations, 2007 and describes how the market for Treasury bills is henceforth to be conducted and administered.

The dematerialisation date for Treasury bills was set as Monday 2<sup>nd</sup> April 2007.

#### ***Legal Notice 4 of 2007***

This legal notice published the Euro Adoption (Dual Display and Euro Pricing) Regulations 2007, the objective of which is to regulate the dual display of prices, values and monetary amounts of goods and services offered to consumers and to ensure fair practices in euro pricing.

#### ***Legal Notice 37 of 2007***

This legal notice published the Capital Gains (Amendment) Rules, 2007, which provide for the inclusion of an auditor's signed report as a necessary document when a company reports capital gains for tax purposes.

#### ***Legal Notice 41 of 2007***

This legal notice published the Insurance Business (Criteria of Sound and Prudent Management) (Amendment) Regulations 2007. These regulations are intended to ensure that an applicant for a licence to conduct insurance



business fulfils the criteria of sound and prudent management.

### ***Legal Notice 43 of 2007***

This legal notice amends the General Financial Regulations, deleting Regulation 74 concerning payment as arrear charges.

### ***Legal Notice 60 of 2007***

This publishes the European Union Directives (Amendment) Regulations 2007 (Income Tax Cap. 123), which came into force on 1 January 2007, and which take into account the fact that Bulgaria and Romania had become Member States of the EU as from that date.

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

On 13 February the Government issued Lm287,200 7% MGS 2017 Malta Government Stock, which were allotted to the Ecclesiastical Entities at par. The securities were issued in terms of the 1991 Agreement between the Holy See and Malta on the transfer of Church property.

### **Private companies' activities in the capital market**

On 25 January HSBC Bank Malta p.l.c. offered for sale the equivalent of Lm20 million subordinated bonds redeemable in 2017. The bonds were denominated in euro or Maltese liri at the option of the buyer, and for both currencies the coupon rate was 4.6% per annum. As the issue was oversubscribed, the Bank exercised the over-allotment option so that the bond issue was raised to a total of Lm25 million.

On 14 February, 30 percent of the equity in Grand Harbour Marina p.l.c. was offered for sale to the public. The share offer amounted to three million ordinary shares with a nominal value of Lm0.10

each at the price of Lm0.70. As the offer was oversubscribed, the company announced a share allocation policy.

### **Surrender of licences by financial services institutions**

During the quarter ending March 2007 the MFSA announced that a number of institutions had surrendered their operating licences in respect of certain specific funds managed by them. These were:

- HSBC International Funds SICAV p.l.c. in respect of the Universal Fund and the European Equity Fund
- Harbourside Multi-Manager Fund (SICAV) p.l.c. in respect of the Harbourside Multi-Manager FX Fund and the Harbourside Multi-Manager Enhanced FX Fund
- NBCG Fund SICAV p.l.c. in respect of the NBCG Multi-Strategy 2 Sub-Fund
- Teragon Capital Ltd
- Grenfell Funds (SICAV) p.l.c. in respect of the Astral Fund
- Altma Fund SICAV p.l.c. in respect of the Essex Sub-Fund, the Hanover Sub-Fund, the Mespil Sub-Fund, the Townsend Sub-Fund and the Phibsborough Sub-Fund
- Garanti Funds SICAV p.l.c. in respect of the Turkish Garanti Euro Capital Growth Fund
- Garanti Professional Investor Funds SICAV p.l.c. in respect of the Garanti Turkish Lira Capital Growth Fund

The surrender of all these licences was voluntary and did not arise from any regulatory action taken by the MFSA.

## **INTERNATIONAL NEWS**

### **ECOFIN Council**

The ECOFIN Council met on three occasions during the first quarter of 2007. The main results of the discussions were as follows:

On 30 January the Council adopted a decision closing the excessive deficit procedure it had opened in 2003 against France after the French government succeeded in reducing its deficit to below 3% of GDP.

On 27 February the Council assessed updated stability and convergence programmes presented by a number of Member States and adopted a new recommendation to Poland on the correction of its excessive deficit. The Council also approved a key issues paper on the EU's Lisbon Strategy for Growth and Jobs and finalised this year's update of the EU's Broad Economic Policy Guidelines. The Council also adopted conclusions on the European Central Bank's "Target2-Securities" initiative for the settlement in central bank money of securities transactions in euros.

On 27 March the Council agreed on a draft directive establishing a legal framework for payment services with the aim of facilitating payments throughout the EU. It also assessed a second series of stability and convergence programmes presented by the Member States (following the 20 programmes assessed in February). These included the first-ever convergence programmes presented by Bulgaria and Romania following their accession to the EU on 1 January.

### **Slovak koruna revalued in ERM II**

On 16 March, at the request of the Slovak authorities, the ministers of the euro-area Member States of the EU, the ECB and the

ministers and central bank governors of Cyprus, Denmark, Estonia, Latvia, Lithuania, Malta and Slovakia decided, by mutual agreement, following a common procedure involving the European Commission and after consultation with the Economic and Financial Committee, to revalue the Slovak koruna by 8.5%. As a result, the central rate of the koruna now stands at 1 euro = 35.4424 koruna. The revaluation was based on a firm commitment by the Slovak authorities to pursue appropriate supportive policies, aimed in particular at achieving price stability in a sustainable manner and underpinning external competitiveness and economic resilience.

### **The Euro-Mediterranean Seminar**

On 28 March the fourth Euro-Mediterranean seminar, which brings together Eurosystem and non-euro area Mediterranean central banks, was jointly organised by the Banco de Espana and the ECB and held in Valencia. The Governor of the Central Bank of Malta took part in the seminar. The seminar concluded that:

- creating sufficient job opportunities remained the single most pressing challenge faced by the Mediterranean countries.
- large public deficits and high debt levels, including implicit and contingent liabilities, remained a key challenge for non-oil producing countries in the region.
- oil-exporting countries faced the challenge of diversifying away from a sector characterised by volatile international prices, while non-oil-exporting countries faced increasing global competition, in particular from Asia, in some of their most prominent export sectors.

### **G7 Finance Ministers meeting**

On 10 February G7 Finance Ministers and central bank governors met in Essen, Germany. They:

- remarked that global growth was more balanced and performance remained favourable in their economies
- remained committed to resisting protectionist sentiment
- reaffirmed that exchange rates should reflect economic fundamentals
- discussed recent developments in global financial markets, including hedge funds
- also reaffirmed their strong belief that fundamental reform was necessary for the IMF to maintain its credibility and effectiveness in the global economy
- discussed the complementary role of good financial governance in Africa in channelling resources to their most productive use
- considered energy efficiency and the promotion of energy diversification an increasingly important issue for their economies as well as for emerging market economies.
- remained committed to fighting money laundering, terrorist financing and other illicit financing



# STATISTICAL TABLES

## Changes to the Contents of the Statistical Tables

The contents of the Statistical Tables annex of the Quarterly Review are being amended to improve their format and presentation and to provide additional monetary, financial, external and economic statistics. The statistical concepts and methodologies related to the newly included data are described in the General Notes section. The Statistical Tables will henceforth contain four parts instead of the previous five since the public debt statistics are being incorporated in the government finance statistics. Most amounts are being shown in millions of Maltese liri except where they are relatively small. In addition, the statistics shown will generally commence from 2003 and will be shown to one decimal place, except for the exchange rates of the Maltese lira and certain inflation rates.

Part 1 is being renamed Monetary, Banking, Investment Funds and Financial Markets in order to highlight the inclusion for the first time of balance sheet statistics on resident collective investment funds, which are being shown in Table 1.13. Balance sheet statistics on the deposit money banks and the international banking institutions sub-sectors will no longer be shown separately. Instead, these are being amalgamated and presented as the statistics of the other monetary financial institutions (OMFI) sector in Table 1.2. This sectoral classification is in line with ESA 95 norms. Furthermore, as the Central Bank of Malta is no longer responsible for the prudential supervision of credit institutions, the analysis of bank liquidity is being discontinued. However, more detailed information on loans extended by the OMFIs, in particular a classification by sector, by currency and by maturity is being included.

In Part 2, entitled Government Finance, the statistics on the Government's Consolidated Fund are being replaced by government finance statistics compiled on the basis of ESA 95 concepts and methodologies. Thus, the emphasis is now on the positions of the general government sector. Three new tables are being introduced: Table 2.4 on General Government Expenditure by Function (based on the Classification of Functions of Government); Table 2.5 on General Government Deficit-Debt Adjustment; and Table 2.8 on Treasury Bills Issued and Outstanding (as at end-December 2006).

In Part 3, on Exchange Rates, External Transactions and Positions, four new tables are being shown for the first time: Tables 3.3 and 3.4 on Malta's Balance of Payments, Table 3.5 on the Official Reserve Assets and Table 3.6 on the International Investment Position (IIP). Statistics on official reserves, which are compiled on the basis of BOP concepts, replace those on the net foreign assets of the monetary financial institutions which were based on monetary statistical principles.

The main development in Part 4, which shows statistics on the Real Economy and Prices, is the introduction of a new table, Table 4.5, showing the Property Prices Index Based on Advertised Prices compiled by the Bank. In addition, statistics on the main components of the Retail Prices Index are also being shown.

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

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

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Maltese lira exchange rates <sup>1</sup> : MTL 1 = USD 3.0699 EUR 1 = MTL 0.4293	
CLIMATE	Average temperature (1990-2006): Dec. - Feb.	13.2° C
	June - Aug.	26.1° C
	Average annual rainfall (1990-2006)	470.4 mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at constant 2000 prices (2006) <sup>2</sup>	2.9%
	GDP per inhabitant at current market prices (2006) <sup>2,3</sup>	USD15,199
	GDP per capita in PPS relative to the EU-25 average (2006) <sup>2</sup>	71.5%
	Ratio of gross general government debt to GDP (2006) <sup>2</sup>	66.5%
	Ratio of general government deficit to GDP (2006) <sup>2</sup>	2.6%
	RPI inflation rate	2.8%
	HICP inflation rate	2.6%
	Ratio of exports of goods and services to GDP (2006) <sup>2</sup>	76.8%
	Ratio of current account deficit to GDP (2006) <sup>2</sup>	6.3%
	Employment rate	55.1%
	Unemployment rate	6.7%
	POPULATION	Total Maltese and foreigners (2005)
Males		200,626
Females		203,720
Age composition in % of population (2005)		
0 - 14		17%
15 - 64		69%
65 +		14%
Average annual growth rate (1990-2005)		0.74%
Density per km <sup>2</sup> (2005)	1,282	
HEALTH	Life expectancy at birth (2005)	
	Males	77.7
	Females	81.4
	Crude birth rate, per 1,000 Maltese inhabitants (2005)	9.6
	Crude mortality rate, per 1,000 Maltese inhabitants (2005)	7.8
	Doctors (2006)	1,325
EDUCATION	Combined gross enrolment ratio (2004)	81%
	Number of educational institutions (2004/2005)	342
	Teachers per 1,000 students (2004/2005)	85
	Adult literacy rate: age 10+ (Dec. 2004)	
	Males	86.9%
Females	89.6%	
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2004)	32
	Mobile phone subscriptions per 100 population	85.5
	Private motor vehicle licences per 1,000 population	522
	Internet subscribers per 100 population	23.5

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

<sup>2</sup> Provisional.

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

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

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

Akbank T.A.S.  
APS Bank Ltd  
Bank of Valletta plc  
BAWAG Malta Bank Ltd (from October 2003)  
Commbank Europe Ltd (from September 2005)  
Erste Bank (Malta) Ltd  
FIMBank plc  
Finansbank (Malta) Ltd (from July 2005)  
Fortis Bank Malta Ltd  
HSBC Bank Malta plc  
Investkredit International Bank plc  
Izola Bank Ltd  
Lombard Bank Malta plc  
Mediterranean Bank plc (from Jan 2006)  
Raiffeisen Malta Bank plc  
Sparkasse Bank Malta plc  
Turkiye Garanti Bankasi A.S.  
Volksbank Malta Ltd (from November 2002)



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

*liabilities*

*Lm millions*

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	485.4	31.5	242.2	83.2	8.5	333.8	88.2	25.5	28.7
2004	506.4	30.6	166.3	115.7	11.1	293.1	86.0	-	20.0
<b>2005</b>									
Jan.	499.6	30.6	200.2	73.4	12.8	286.4	85.1	4.3	15.3
Feb.	502.0	30.6	175.8	91.8	10.7	278.3	83.8	4.3	11.3
Mar.	505.0	30.6	185.2	87.1	11.2	283.5	84.2	4.3	11.4
Apr.	507.1	30.6	140.3	88.9	11.4	240.5	86.1	2.2	9.6
May	510.6	31.1	186.0	73.0	9.0	268.0	86.9	-	14.8
June	517.0	31.1	147.0	81.5	11.0	239.5	87.8	-	14.1
July	517.8	31.1	165.2	87.1	7.8	260.1	86.8	-	12.3
Aug.	518.2	31.1	190.7	96.9	8.7	296.4	87.1	-	13.2
Sept.	518.3	31.1	210.9	95.0	8.2	314.1	86.0	-	14.5
Oct.	516.7	31.1	235.3	109.4	8.6	353.2	83.9	-	17.2
Nov.	516.3	31.1	223.3	111.9	9.9	345.2	83.3	2.3	17.2
Dec.	520.0	32.0	182.3	147.5	9.5	339.3	84.3	-	15.3
<b>2006</b>									
Jan.	512.3	32.0	243.2	77.2	8.8	329.2	83.1	2.2	11.7
Feb.	509.8	32.0	256.7	69.8	11.2	337.7	82.4	-	9.5
Mar.	510.9	32.0	230.0	70.9	8.6	309.6	80.2	4.5	6.8
Apr.	510.7	32.0	206.1	73.6	9.5	289.2	78.1	11.9	7.7
May	509.9	31.1	226.7	138.6	9.7	375.1	79.1	7.1	8.8
June	512.0	31.1	286.2	82.5	10.1	378.8	77.4	4.3	9.4
July	512.0	31.1	280.0	106.1	8.2	394.3	78.6	-	10.5
Aug.	509.6	31.1	305.9	91.1	10.8	407.9	79.2	-	13.8
Sept.	508.7	31.1	284.7	133.0	9.3	426.9	79.9	-	13.4
Oct.	505.5	31.1	326.4	95.8	8.7	430.8	78.9	-	16.3
Nov.	499.3	31.1	308.7	93.8	9.4	412.0	79.6	-	15.2
Dec.	504.0	30.3	283.7	106.6	17.6	407.8	77.7	-	16.7

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

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

*Lm millions*

End of period	External assets				IMF currency subscription	Central government securities	Other assets	Total assets/liabilities
	Gold	IMF- related assets <sup>2</sup>	Other <sup>3</sup>	Total				
2003	0.5	35.7	899.4	935.5	31.4	7.8	18.3	993.0
2004	0.5	35.1	824.9	860.6	30.5	21.3	23.7	936.1
<b>2005</b>								
Jan.	0.5	35.7	815.1	851.3	30.5	15.0	24.3	921.2
Feb.	0.5	35.5	813.9	850.0	30.5	5.7	24.1	910.3
Mar.	0.5	35.8	784.2	820.5	30.5	20.7	47.4	919.1
Apr.	0.5	35.9	768.2	804.6	30.5	8.4	32.5	876.0
May	0.5	36.8	771.4	808.7	31.0	17.9	53.7	911.4
June	0.6	37.1	773.2	810.8	31.0	16.5	31.2	889.5
July	0.5	36.8	805.8	843.2	31.0	7.7	26.2	908.1
Aug.	0.5	37.0	841.0	878.5	31.0	8.3	28.0	945.9
Sept.	0.6	37.2	859.4	897.3	31.0	8.1	27.5	963.9
Oct.	0.6	37.2	895.2	933.0	31.0	10.1	27.9	1,002.0
Nov.	0.6	37.6	890.0	928.3	31.0	9.1	26.9	995.3
Dec.	0.7	37.5	884.9	923.0	32.0	9.1	26.8	991.0
<b>2006</b>								
Jan.	1.1	37.1	859.9	898.1	32.0	13.0	27.4	970.5
Feb.	1.3	37.7	862.3	901.3	32.0	12.4	25.7	971.5
Mar.	1.3	37.2	825.7	864.3	32.0	20.2	27.4	944.0
Apr.	1.4	36.6	815.7	853.7	32.0	15.6	28.4	929.7
May	0.8	36.5	887.4	924.7	31.0	25.4	29.8	1,011.0
June	0.7	36.5	892.0	929.2	31.0	24.7	28.0	1,012.9
July	1.6	36.5	895.1	933.2	31.0	34.8	27.4	1,026.4
Aug.	1.6	36.7	916.1	954.3	31.0	28.9	27.3	1,041.6
Sept.	1.1	36.9	934.5	972.6	31.0	29.4	26.9	1,059.9
Oct.	1.1	36.9	936.9	974.9	31.0	29.1	27.5	1,062.6
Nov.	1.2	36.5	913.0	950.6	31.0	26.9	28.5	1,037.0
Dec.	1.2	36.4	911.6	949.2	30.3	30.3	26.8	1,036.5

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

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

<sup>3</sup> Mainly includes cash and bank balances, placements with banks and securities.

**TABLE 1.2 AGGREGATED STATEMENT OF ASSETS AND LIABILITIES -  
OTHER MONETARY FINANCIAL INSTITUTIONS**

*liabilities*

*Lm millions*

End of period	Resident deposits <sup>1</sup>				External liabilities	Debt securities issued	Capital & reserves	Other liabilities <sup>3</sup>
	Withdrawable on demand <sup>2</sup>	Redeemable at notice	With agreed maturity	Total				
2003	1,048.3	28.8	1,599.7	2,676.7	3,826.3	46.6	782.4	352.8
2004	1,111.8	30.0	1,588.7	2,730.6	4,914.8	48.9	895.7	355.9
<b>2005</b>								
Jan.	1,134.4	30.6	1,590.8	2,755.8	4,926.0	48.9	882.2	345.0
Feb.	1,127.1	30.6	1,595.8	2,753.6	4,940.5	48.6	883.6	342.1
Mar.	1,128.1	30.1	1,597.5	2,755.7	5,063.7	49.7	874.6	362.6
Apr.	1,134.0	30.2	1,594.6	2,758.8	5,116.3	49.6	881.7	342.2
May	1,149.6	30.0	1,585.4	2,765.0	5,395.8	50.2	866.7	380.5
June	1,179.9	30.3	1,602.7	2,812.9	5,486.6	32.2	886.4	356.4
July	1,159.6	32.0	1,612.9	2,804.5	5,592.4	32.2	898.3	342.2
Aug.	1,172.5	30.3	1,625.4	2,828.2	5,944.7	32.1	893.9	348.7
Sept.	1,186.8	30.3	1,632.0	2,849.1	6,915.9	32.2	920.6	344.7
Oct.	1,180.2	30.2	1,629.5	2,839.8	6,967.3	32.2	929.6	362.8
Nov.	1,183.3	30.7	1,627.2	2,841.3	6,708.8	32.5	939.6	335.8
Dec.	1,202.1	31.5	1,646.2	2,879.8	7,426.0	32.4	1,012.9	323.5
<b>2006</b>								
Jan.	1,198.5	31.3	1,690.8	2,920.6	7,658.5	32.2	1,016.0	317.5
Feb.	1,204.7	31.7	1,711.1	2,947.5	7,990.1	32.4	1,030.1	314.1
Mar.	1,201.9	32.1	1,697.3	2,931.4	8,178.9	32.2	1,049.1	331.7
Apr.	1,208.4	32.1	1,688.8	2,929.2	8,306.4	31.7	1,264.3	276.6
May	1,227.9	34.0	1,690.1	2,952.0	8,145.6	31.4	1,218.6	289.5
June	1,223.3	31.0	1,732.3	2,986.6	8,710.7	31.6	1,196.3	287.3
July	1,219.4	31.1	1,744.9	2,995.4	8,338.6	31.5	1,239.2	278.5
Aug.	1,215.4	31.1	1,782.0	3,028.4	8,816.2	31.5	1,240.9	280.8
Sept.	1,208.9	30.3	1,790.3	3,029.5	8,660.9	31.6	1,250.6	287.3
Oct.	1,214.5	29.8	1,802.8	3,047.1	8,514.0	31.6	1,278.9	285.9
Nov.	1,230.2	30.4	1,816.7	3,077.3	8,507.9	31.2	1,283.2	304.8
Dec.	1,217.0	30.8	1,846.1	3,093.9	8,386.5	31.2	1,323.6	283.0

<sup>1</sup> Includes general government and private sector deposits but excludes deposits belonging to non-residents (which are classified as external liabilities).

<sup>2</sup> Demand deposits within this category of deposits are netted of uncleared effects drawn on local banks (i.e. items in the process of collection).

<sup>3</sup> Includes interbank claims.

**TABLE 1.2 AGGREGATED STATEMENT OF ASSETS AND LIABILITIES -  
OTHER MONETARY FINANCIAL INSTITUTIONS**

*assets*

*Lm millions*

End of period	Balances held with Central Bank of Malta <sup>1</sup>	Loans	Securities other than shares	Shares & other equity	External assets	Other assets <sup>2</sup>	Total assets/liabilities
2003	260.9	1,910.1	622.1	35.7	4,504.8	351.3	7,684.8
2004	192.6	2,032.7	657.3	33.5	5,670.2	359.6	8,945.8
<b>2005</b>							
Jan.	217.3	2,034.2	646.3	22.0	5,701.3	336.7	8,957.8
Feb.	195.7	2,052.5	677.9	22.0	5,685.7	334.5	8,968.4
Mar.	202.1	2,082.0	662.9	21.6	5,809.6	328.2	9,106.3
Apr.	164.3	2,072.4	682.8	21.6	5,889.7	317.8	9,148.5
May	209.3	2,074.8	654.2	21.4	6,158.3	340.2	9,458.2
June	169.2	2,088.4	666.5	21.4	6,286.4	342.5	9,574.5
July	187.7	2,051.0	655.5	21.5	6,415.2	338.6	9,669.6
Aug.	211.7	2,056.5	655.3	21.5	6,747.8	354.9	10,047.6
Sept.	232.3	2,099.3	621.8	25.0	7,748.9	335.3	11,062.5
Oct.	255.6	2,114.0	619.2	25.3	7,772.1	345.7	11,131.8
Nov.	247.4	2,126.7	602.6	26.5	7,513.4	341.2	10,858.0
Dec.	209.3	2,171.4	618.3	26.7	8,302.9	346.0	11,674.6
<b>2006</b>							
Jan.	264.8	2,198.1	592.1	26.7	8,519.9	343.3	11,944.9
Feb.	276.8	2,213.0	586.5	31.8	8,858.0	348.2	12,314.3
Mar.	252.5	2,258.5	570.4	31.7	9,073.4	336.7	12,523.3
Apr.	224.8	2,269.0	569.5	31.5	9,431.5	282.1	12,808.3
May	249.2	2,286.5	544.3	32.0	9,236.3	288.9	12,637.1
June	309.6	2,309.5	508.6	32.7	9,763.1	289.0	13,212.5
July	298.5	2,328.4	515.3	32.8	9,434.4	273.8	12,883.3
Aug.	325.8	2,335.8	506.9	33.8	9,904.4	291.0	13,397.7
Sept.	308.2	2,379.4	511.9	33.8	9,749.6	276.9	13,259.9
Oct.	348.5	2,399.5	493.5	34.8	9,616.2	265.0	13,157.6
Nov.	332.2	2,428.2	518.3	34.7	9,626.9	264.1	13,204.4
Dec.	303.5	2,485.1	519.8	35.7	9,498.4	275.6	13,118.1

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

<sup>2</sup> Includes interbank claims.

**TABLE 1.3 MONETARY FINANCIAL INSTITUTIONS SURVEY<sup>1</sup>**
*Lm millions*

End of period	Domestic credit			Net foreign assets					Broad money (M3)	Other counterparts to broad money (net)
	Net claims on central government <sup>2</sup>	Claims on other residents	Total	Central Bank of Malta		Other Monetary Financial Institutions		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2003	568.4	1,899.0	2,467.4	978.6	58.8	4,504.8	3,826.3	1,598.3	2,849.2	1,216.5
2004	545.1	2,058.0	2,603.1	904.0	33.7	5,670.2	4,914.8	1,625.7	2,918.3	1,310.6
<b>2005</b>										
Jan.	565.1	2,052.2	2,617.4	895.6	39.3	5,701.3	4,926.0	1,631.6	2,936.6	1,312.4
Feb.	568.4	2,071.0	2,639.4	893.7	38.0	5,685.7	4,940.5	1,601.0	2,934.4	1,306.0
Mar.	565.6	2,102.8	2,668.4	864.6	38.4	5,809.6	5,063.7	1,572.1	2,925.3	1,315.2
Apr.	566.4	2,096.6	2,663.1	849.9	35.3	5,889.7	5,116.3	1,588.0	2,928.1	1,323.0
May	558.3	2,101.6	2,659.9	857.0	38.4	6,158.3	5,395.8	1,581.0	2,931.4	1,309.5
June	560.0	2,116.2	2,676.3	859.1	40.0	6,286.4	5,486.6	1,619.0	2,979.4	1,315.9
July	533.6	2,080.4	2,614.1	891.6	35.3	6,415.2	5,592.4	1,679.2	2,962.7	1,330.5
Aug.	519.4	2,087.5	2,606.9	928.4	35.5	6,747.8	5,944.7	1,696.0	2,988.6	1,314.3
Sept.	500.0	2,119.8	2,619.8	946.9	35.2	7,748.9	6,915.9	1,744.7	3,004.0	1,360.4
Oct.	487.0	2,136.2	2,623.2	981.6	37.1	7,772.1	6,967.3	1,749.3	2,997.7	1,374.7
Nov.	466.0	2,151.1	2,617.2	977.8	41.5	7,513.4	6,708.8	1,741.0	3,001.8	1,356.4
Dec.	442.7	2,194.0	2,636.7	970.3	37.7	8,302.9	7,426.0	1,809.5	3,041.6	1,404.6
<b>2006</b>										
Jan.	459.1	2,219.7	2,678.8	945.8	39.4	8,519.9	7,658.5	1,767.7	3,040.4	1,406.2
Feb.	457.4	2,243.2	2,700.6	946.7	38.9	8,858.0	7,990.1	1,775.7	3,068.9	1,407.4
Mar.	448.1	2,286.5	2,734.6	911.6	39.8	9,073.4	8,178.9	1,766.3	3,047.8	1,453.1
Apr.	440.1	2,296.5	2,736.7	901.8	47.2	9,430.6	8,306.4	1,978.8	3,049.8	1,666.7
May	359.6	2,314.1	2,673.7	973.1	41.9	9,236.3	8,145.6	2,021.8	3,068.8	1,626.7
June	355.9	2,337.1	2,693.0	976.1	39.9	9,763.1	8,710.7	1,988.7	3,087.5	1,594.3
July	359.6	2,355.5	2,715.1	979.6	35.2	9,434.4	8,338.6	2,040.1	3,113.2	1,642.1
Aug.	359.4	2,364.0	2,723.4	1,001.0	39.4	9,904.4	8,816.2	2,049.9	3,140.7	1,632.6
Sept.	322.0	2,408.5	2,730.4	1,018.4	36.5	9,749.6	8,660.9	2,070.5	3,133.9	1,667.0
Oct.	345.4	2,430.0	2,775.4	1,020.6	36.0	9,616.2	8,514.0	2,086.7	3,155.5	1,706.6
Nov.	372.8	2,455.0	2,827.9	999.0	36.4	9,626.9	8,507.9	2,081.6	3,181.6	1,727.8
Dec.	365.0	2,513.9	2,878.9	993.4	42.5	9,498.4	8,386.5	2,062.8	3,199.1	1,742.5

<sup>1</sup> Includes Central Bank of Malta and Other Monetary Financial Institutions. All interbank claims within the MFI sector are excluded.

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

**TABLE 1.4 MONETARY BASE AND MONETARY AGGREGATES**
*Lm millions*

End of period	Monetary base (M0)			Broad money (M3)								
				Intermediate money (M2)						Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)
	Narrow money (M1)			Currency in circulation	Deposits withdrawable on demand		Total (M1)					
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)		Demand	Savings						
2003	485.4	137.9	623.3	460.4	273.7	756.9	1,490.9	28.8	1,329.5	2,849.2	-	2,849.2
2004	506.4	145.3	651.7	486.0	300.8	794.1	1,580.9	30.0	1,307.3	2,918.3	-	2,918.3
<b>2005</b>												
Jan.	499.6	170.3	670.0	483.0	312.3	802.9	1,598.1	30.6	1,307.9	2,936.6	-	2,936.6
Feb.	502.0	146.8	648.8	484.5	304.4	803.6	1,592.5	30.6	1,311.2	2,934.4	-	2,934.4
Mar.	505.0	175.2	680.3	484.6	302.5	798.6	1,585.7	30.1	1,309.5	2,925.3	-	2,925.3
Apr.	507.1	140.3	647.3	489.0	297.7	805.8	1,592.5	30.1	1,305.5	2,928.1	-	2,928.1
May	510.6	179.0	689.6	490.5	306.4	812.1	1,609.0	30.0	1,292.4	2,931.4	-	2,931.4
June	517.0	146.0	663.0	495.5	314.4	831.3	1,641.2	30.3	1,307.9	2,979.4	-	2,979.4
July	517.8	137.7	655.5	498.6	305.5	818.6	1,622.7	32.0	1,308.0	2,962.7	-	2,962.7
Aug.	518.2	146.4	664.6	497.8	317.1	819.8	1,634.7	30.3	1,323.6	2,988.6	-	2,988.6
Sept.	518.3	130.3	648.6	497.2	319.4	831.2	1,647.8	30.3	1,325.9	3,004.0	-	3,004.0
Oct.	516.7	149.5	666.3	496.9	314.8	830.1	1,641.9	30.2	1,325.6	2,997.7	-	2,997.7
Nov.	516.3	149.0	665.3	494.2	317.5	832.3	1,644.1	30.7	1,327.0	3,001.8	-	3,001.8
Dec.	520.0	135.5	655.6	498.9	312.1	859.0	1,670.1	31.4	1,340.1	3,041.6	-	3,041.6
<b>2006</b>												
Jan.	512.3	142.4	654.7	491.7	315.4	849.6	1,656.8	30.8	1,352.8	3,040.4	-	3,040.4
Feb.	509.8	135.7	645.5	491.2	320.9	852.0	1,664.1	31.1	1,373.7	3,068.9	-	3,068.9
Mar.	510.9	151.0	661.9	489.1	312.3	852.4	1,653.8	31.6	1,362.4	3,047.8	-	3,047.8
Apr.	510.7	136.8	647.5	490.6	320.2	850.5	1,661.4	31.6	1,356.8	3,049.8	-	3,049.8
May	509.9	148.6	658.5	489.5	332.7	857.5	1,679.7	34.0	1,355.0	3,068.8	-	3,068.8
June	512.0	139.2	651.2	489.9	330.2	853.1	1,673.1	31.0	1,383.3	3,087.5	-	3,087.5
July	512.0	141.0	653.0	490.0	326.4	859.1	1,675.6	31.1	1,406.5	3,113.2	-	3,113.2
Aug.	509.6	126.1	635.7	487.4	329.7	847.5	1,664.6	31.1	1,445.0	3,140.7	-	3,140.7
Sept.	508.7	133.1	641.8	487.8	311.9	859.0	1,658.7	30.3	1,444.9	3,133.9	-	3,133.9
Oct.	505.5	173.8	679.3	483.2	327.0	853.4	1,663.7	29.8	1,462.0	3,155.5	-	3,155.5
Nov.	499.3	177.0	676.3	476.6	345.1	849.9	1,671.6	30.4	1,479.7	3,181.6	-	3,181.6
Dec.	504.0	177.0	680.9	477.8	311.9	867.2	1,656.9	30.8	1,511.4	3,199.1	-	3,199.1

**TABLE 1.5 CURRENCY IN CIRCULATION***Lm millions*

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2003	467.1	18.3	485.4	24.9	460.4
2004	487.2	19.2	506.4	20.4	486.0
<b>2005</b>					
Jan.	480.6	19.0	499.6	16.7	483.0
Feb.	483.1	18.9	502.0	17.5	484.5
Mar.	486.1	18.9	505.0	20.4	484.6
Apr.	488.0	19.0	507.1	18.1	489.0
May	491.4	19.2	510.6	20.1	490.5
June	497.5	19.5	517.0	21.6	495.5
July	498.0	19.8	517.8	19.2	498.6
Aug.	498.1	20.1	518.2	20.4	497.8
Sept.	498.3	20.0	518.3	21.1	497.2
Oct.	496.7	20.0	516.7	19.8	496.9
Nov.	496.3	20.1	516.3	22.1	494.2
Dec.	499.9	20.1	520.0	21.1	498.9
<b>2006</b>					
Jan.	492.4	19.9	512.3	20.6	491.7
Feb.	490.0	19.8	509.8	18.6	491.2
Mar.	491.0	19.8	510.9	21.8	489.1
Apr.	490.7	20.0	510.7	20.1	490.6
May	489.8	20.1	509.9	20.4	489.5
June	491.6	20.4	512.0	22.1	489.9
July	491.3	20.7	512.0	22.0	490.0
Aug.	488.7	20.9	509.6	22.2	487.4
Sept.	488.0	20.7	508.7	20.9	487.8
Oct.	484.7	20.8	505.5	22.3	483.2
Nov.	478.6	20.6	499.3	22.7	476.6
Dec.	483.1	20.9	504.0	26.2	477.8



**TABLE 1.6 DENOMINATIONS OF MALTESE CURRENCY  
ISSUED AND OUTSTANDING**

*Lm millions*

End of period	Total notes & coins <sup>1</sup>	Currency notes				
		Lm20	Lm10	Lm5	Lm2	Total
2003	485.4	109.7	319.4	30.8	7.2	467.1
2004	506.4	110.3	337.6	31.9	7.4	487.2
<b>2005</b>						
Jan.	499.6	109.7	333.1	30.5	7.3	480.6
Feb.	502.0	110.0	335.3	30.5	7.2	483.1
Mar.	505.0	110.1	337.3	31.4	7.3	486.1
Apr.	507.1	110.7	338.3	31.6	7.5	488.0
May	510.6	111.2	340.4	32.2	7.6	491.4
June	517.0	111.9	344.3	33.4	7.8	497.5
July	517.8	112.6	344.2	33.4	7.9	498.0
Aug.	518.2	112.5	344.3	33.4	7.9	498.1
Sept.	518.3	112.2	345.0	33.2	7.9	498.3
Oct.	516.7	111.6	344.7	32.6	7.8	496.7
Nov.	516.3	111.0	345.0	32.5	7.8	496.3
Dec.	520.0	110.5	348.6	33.0	7.8	499.9
<b>2006</b>						
Jan.	512.3	110.0	342.9	31.8	7.7	492.4
Feb.	509.8	109.4	341.3	31.6	7.7	490.0
Mar.	510.9	109.1	342.0	32.1	7.8	491.0
Apr.	510.7	109.0	341.1	32.6	8.0	490.7
May	509.9	108.6	340.3	32.9	8.1	489.8
June	512.0	108.4	341.3	33.8	8.1	491.6
July	512.0	108.2	340.6	34.3	8.3	491.3
Aug.	509.6	107.3	339.2	34.0	8.2	488.7
Sept.	508.7	107.0	338.7	34.1	8.2	488.0
Oct.	505.5	105.5	337.5	33.6	8.2	484.7
Nov.	499.3	104.1	333.7	32.8	8.0	478.6
Dec.	504.0	103.3	337.0	34.7	8.1	483.1

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

**TABLE 1.7 DEPOSITS HELD WITH OTHER  
MONETARY FINANCIAL INSTITUTIONS BY SECTOR<sup>1</sup>**

*Lm millions*

End of Period	Resident deposits						Non-resident deposits	Total deposits
	Central government	Other general government	Financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total		
2003	19.2	6.9	51.3	419.0	2,180.3	2,676.7	850.9	3,527.7
2004	21.4	7.2	55.2	414.5	2,232.2	2,730.6	1,077.9	3,808.5
<b>2005</b>								
Jan.	25.0	6.4	57.8	431.6	2,235.0	2,755.8	1,013.7	3,769.5
Feb.	24.4	5.3	55.8	419.1	2,249.0	2,753.6	1,018.5	3,772.1
Mar.	30.8	4.5	55.5	428.5	2,236.4	2,755.7	1,150.9	3,906.6
Apr.	32.6	6.1	51.4	424.2	2,244.5	2,758.8	1,152.3	3,911.1
May	36.3	5.4	58.9	417.9	2,246.5	2,765.0	1,066.4	3,831.4
June	37.0	4.8	67.6	433.0	2,270.4	2,812.9	1,196.0	4,008.9
July	36.1	6.4	59.9	437.5	2,264.6	2,804.5	1,276.6	4,081.1
Aug.	38.4	5.7	54.5	456.6	2,273.0	2,828.2	1,275.4	4,103.6
Sept.	41.1	5.0	63.0	457.0	2,283.0	2,849.1	1,456.3	4,305.3
Oct.	38.1	6.9	61.7	455.5	2,277.7	2,839.8	1,518.8	4,358.6
Nov.	37.6	6.1	65.1	456.5	2,276.0	2,841.3	1,446.3	4,287.5
Dec.	42.9	7.8	79.7	447.7	2,301.6	2,879.8	1,938.6	4,818.4
<b>2006</b>								
Jan.	75.9	6.9	92.6	446.6	2,298.5	2,920.6	1,957.0	4,877.6
Feb.	75.2	5.8	99.5	460.0	2,306.9	2,947.5	1,792.4	4,739.9
Mar.	76.7	5.0	91.0	467.2	2,291.5	2,931.4	1,938.8	4,870.2
Apr.	77.3	6.4	90.7	463.2	2,291.7	2,929.2	2,007.9	4,937.2
May	77.6	5.6	91.3	477.9	2,299.6	2,952.0	1,782.6	4,734.5
June	100.9	4.7	93.9	471.4	2,315.7	2,986.6	1,603.5	4,590.1
July	91.7	6.3	97.3	466.0	2,334.2	2,995.4	1,605.8	4,601.3
Aug.	92.6	5.3	90.3	483.1	2,357.1	3,028.4	1,969.3	4,997.7
Sept.	92.8	4.7	72.7	487.2	2,372.1	3,029.5	2,049.0	5,078.4
Oct.	87.5	6.0	76.3	488.9	2,388.4	3,047.1	1,937.4	4,984.5
Nov.	88.1	5.2	84.5	501.3	2,398.2	3,077.3	1,879.5	4,956.8
Dec.	86.9	6.7	81.0	477.7	2,441.5	3,093.9	1,651.7	4,745.6

<sup>1</sup> For the purpose of this table, deposits include uncleared effects.

**TABLE 1.8 DEPOSITS HELD WITH  
OTHER MONETARY FINANCIAL INSTITUTIONS  
BY CURRENCY<sup>1</sup>**

*Lm millions*

End of period	Resident deposits					Non-resident deposits		Total deposits
	MTL	EUR	GBP	USD	Other	MTL	Other	
2003	2,319.8	103.9	130.2	98.0	25.4	48.0	809.7	3,535.0
2004	2,344.5	108.4	151.1	97.0	29.5	50.8	1,027.2	3,808.5
<b>2005</b>								
Jan.	2,354.4	113.4	154.3	100.0	34.3	50.3	963.4	3,770.1
Feb.	2,361.0	110.8	153.4	97.9	30.7	49.8	968.7	3,772.4
Mar.	2,353.2	113.7	155.6	101.7	31.4	50.7	1,100.2	3,906.6
Apr.	2,349.5	119.3	157.1	99.8	33.0	51.6	1,100.7	3,911.1
May	2,348.7	119.5	159.6	102.8	34.5	52.3	1,014.1	3,831.4
June	2,378.1	122.3	169.5	107.2	35.8	55.0	1,140.9	4,008.9
July	2,381.9	122.7	165.2	99.3	35.3	53.8	1,222.8	4,081.1
Aug.	2,398.1	122.4	169.6	102.3	35.8	53.7	1,224.3	4,106.2
Sept.	2,419.2	122.0	169.8	102.2	36.0	51.5	1,410.9	4,311.5
Oct.	2,407.1	118.2	171.1	111.2	32.3	52.1	1,472.8	4,364.7
Nov.	2,408.2	116.4	172.3	111.9	32.5	51.2	1,399.9	4,292.3
Dec.	2,439.8	122.0	181.6	102.3	34.0	51.3	1,892.0	4,823.1
<b>2006</b>								
Jan.	2,469.1	131.7	185.4	97.0	37.4	52.3	1,912.9	4,885.7
Feb.	2,481.0	144.3	186.3	97.7	38.4	52.0	1,748.6	4,748.1
Mar.	2,467.9	145.6	175.0	107.8	35.0	50.1	1,896.9	4,878.4
Apr.	2,459.8	155.8	181.1	96.4	36.1	51.7	1,964.3	4,945.2
May	2,462.5	166.7	190.3	95.8	36.8	51.4	1,739.4	4,742.7
June	2,506.7	159.7	188.5	95.6	36.0	51.6	1,560.1	4,598.3
July	2,515.8	159.5	182.1	102.3	35.7	52.0	1,562.0	4,609.4
Aug.	2,534.9	166.2	186.9	103.6	36.9	53.0	1,918.4	4,999.8
Sept.	2,525.1	159.6	190.0	119.0	35.8	52.3	1,998.9	5,080.6
Oct.	2,541.9	175.4	186.8	107.3	35.7	52.4	1,887.1	4,986.7
Nov.	2,558.8	184.1	188.9	109.3	36.5	52.3	1,829.1	4,959.0
Dec.	2,581.2	178.3	191.5	103.2	39.7	52.7	1,601.0	4,747.5

<sup>1</sup> Includes loans granted to the reporting MFIs.

**TABLE 1.9 OTHER MONETARY FINANCIAL INSTITUTIONS  
LOANS BY SIZE CLASS<sup>1</sup>**

*Lm millions*

End of period	Size classes				Total
	Up to Lm10,000	Over Lm10,000 to Lm100,000	Over Lm100,000 to Lm500,000	Over Lm500,000	
2003	306.8	666.8	376.3	1,046.4	2,396.4
2004	332.6	792.4	656.6	2,381.4	4,163.1
<b>2005</b>					
Jan.	332.6	798.9	663.0	2,386.9	4,181.4
Feb.	336.7	810.0	674.4	2,413.2	4,234.2
Mar.	330.6	824.9	700.4	2,417.1	4,273.1
Apr.	355.9	815.7	716.8	2,374.9	4,263.4
May	396.6	784.8	730.8	2,461.2	4,373.4
June	361.9	792.9	788.2	2,615.9	4,558.8
July	380.0	799.0	762.7	2,700.6	4,642.3
Aug.	391.5	804.0	767.1	2,754.3	4,716.8
Sept.	394.2	850.6	914.2	2,879.2	5,038.1
Oct.	357.7	920.7	921.3	2,866.1	5,065.8
Nov.	378.9	931.1	933.4	2,852.2	5,095.5
Dec.	348.5	933.0	964.9	2,961.6	5,208.1
<b>2006</b>					
Jan.	349.9	930.8	833.8	3,061.7	5,176.3
Feb.	373.1	1,045.5	986.4	3,109.4	5,514.4
Mar.	417.5	1,058.4	1,031.0	3,290.0	5,796.9
Apr.	415.1	1,042.9	1,029.3	3,354.9	5,842.1
May	401.8	1,098.1	1,046.1	3,310.6	5,856.5
June	404.2	1,113.9	1,065.8	3,432.9	6,016.8
July	385.1	958.8	952.0	3,805.3	6,101.3
Aug.	390.6	967.3	956.1	3,974.8	6,288.8
Sept.	359.0	1,005.2	977.0	3,992.3	6,333.6
Oct.	364.3	1,011.4	979.7	3,799.1	6,154.6
Nov.	394.7	1,024.8	1,002.3	3,832.2	6,253.9
Dec.	449.2	1,014.4	1,013.1	3,990.2	6,467.0

<sup>1</sup> For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies.

TABLE 1.10 OTHER MONETARY FINANCIAL INSTITUTIONS LOANS BY ECONOMIC ACTIVITY <sup>1</sup>

Lm millions

End of period	Electricity, gas & water supply		Transport, storage & communication		Manufacturing	Construction	Hotels & restaurants	Wholesale & retail trade; repairs	Real estate, renting & business activities	Households & individuals <sup>2</sup>				Other <sup>3</sup>		Total lending to residents	
	Public sector	Private sector	Public sector	Private sector						Lending for house purchase	Consumer credit	Other lending	Total	Public sector	Private sector	Public sector <sup>4</sup>	Private sector
2003	82.9	1.0	60.1	75.4	184.8	201.1	206.9	288.2	118.5	442.2	36.1	131.6	610.0	12.6	145.2	225.1	1,761.6
2004	94.5	0.8	58.0	68.9	153.7	217.0	205.6	290.3	138.0	539.1	80.9	98.5	718.4	9.9	145.5	214.8	1,885.9
<b>2005</b>																	
Jan.	90.7	0.8	60.6	66.6	150.7	214.5	209.2	288.9	142.7	546.9	81.2	97.5	725.5	11.3	137.8	213.9	1,885.4
Feb.	93.4	0.7	59.0	68.4	149.3	217.2	209.4	288.5	143.1	568.5	81.4	89.4	739.3	10.2	137.6	213.5	1,902.5
Mar.	94.4	0.7	60.8	68.6	142.6	214.2	215.9	297.5	151.7	579.1	81.4	88.0	748.5	11.4	137.8	213.9	1,930.3
Apr.	92.6	0.7	60.5	68.8	141.7	217.4	214.4	294.7	145.8	585.1	82.2	85.3	752.7	10.9	133.6	209.8	1,924.0
May	94.1	0.7	56.1	68.3	143.1	207.6	212.3	293.4	137.5	593.0	83.6	87.3	763.9	22.4	136.0	206.8	1,928.5
June	93.8	1.2	54.7	66.8	140.8	202.4	209.6	294.6	153.7	601.9	84.4	88.4	774.7	23.7	132.2	206.4	1,941.9
July	52.0	1.1	57.5	67.0	139.3	199.3	206.9	290.2	155.0	609.8	85.2	90.0	785.0	23.2	145.7	166.7	1,955.6
Aug.	53.2	1.1	54.2	66.3	133.7	200.8	186.6	286.3	175.5	617.2	86.2	90.4	793.9	25.8	149.4	167.0	1,959.7
Sept.	52.7	1.7	54.6	67.6	135.2	201.2	202.7	296.8	182.7	623.0	85.7	91.7	800.4	26.1	147.0	167.3	2,001.4
Oct.	55.5	2.8	53.4	67.9	132.1	204.3	203.4	294.7	182.7	632.3	87.8	93.3	813.4	26.2	151.6	166.6	2,021.4
Nov.	56.3	2.7	52.6	67.5	132.4	207.4	201.8	294.9	183.1	642.8	89.5	90.7	823.0	26.1	152.2	166.3	2,033.5
Dec.	58.1	3.0	55.5	67.8	131.5	215.6	203.8	296.7	190.7	653.1	91.3	92.1	836.6	30.6	153.0	172.2	2,070.6
<b>2006</b>																	
Jan.	72.2	2.1	56.2	69.1	131.0	219.0	200.8	292.8	201.0	660.3	91.6	91.6	843.5	30.6	149.6	186.9	2,080.9
Feb.	73.8	2.1	56.9	69.6	133.8	218.5	203.5	290.5	203.8	670.1	90.7	92.0	852.7	27.8	148.4	186.6	2,094.9
Mar.	73.9	2.2	58.0	71.5	112.3	229.9	208.7	300.6	211.3	680.0	92.4	87.0	859.5	51.2	146.9	188.7	2,137.2
Apr.	72.8	2.2	56.8	72.0	111.7	232.4	207.8	298.3	213.9	685.7	93.7	91.6	871.1	50.4	115.8	185.0	2,120.1
May	71.9	2.1	55.5	72.9	111.9	240.0	208.1	297.3	216.0	692.4	96.0	92.0	880.4	50.5	113.8	182.9	2,137.4
June	73.5	2.5	49.9	78.9	113.0	243.9	205.8	299.5	217.7	700.4	97.0	95.6	893.1	51.0	114.7	179.2	2,164.2
July	73.2	2.7	48.1	82.0	112.7	245.6	206.4	292.8	226.7	709.4	97.8	96.9	904.0	51.3	109.4	177.5	2,177.4
Aug.	73.0	3.3	45.6	85.0	112.6	245.7	203.2	288.6	229.5	718.3	99.2	97.9	915.4	51.6	108.8	175.1	2,187.3
Sept.	73.5	3.4	46.6	87.0	112.4	248.4	204.2	304.4	235.6	729.2	103.4	95.2	928.1	52.4	111.8	177.5	2,230.2
Oct.	75.4	3.6	45.1	88.4	114.1	237.4	206.8	301.9	250.6	738.9	103.9	99.1	941.9	51.9	102.4	177.8	2,241.8
Nov.	75.0	3.7	43.9	94.7	113.4	240.3	210.7	299.2	254.5	747.4	105.6	100.2	953.2	51.9	107.7	175.7	2,272.5
Dec.	77.2	3.9	45.2	101.1	114.5	251.7	211.6	306.9	263.1	759.8	107.5	99.0	966.4	52.6	110.8	180.9	2,324.2

<sup>1</sup> Splits between public & private sector are only indicated where the public sector has a significant role.

<sup>2</sup> Excluding loans to unincorporated bodies such as partnerships, sole proprietors and non-profit institutions. Loans to such bodies are classified by their main activity.

<sup>3</sup> Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial intermediation, community, recreational & personal service activities and to extra-territorial bodies & organisations.

<sup>4</sup> Total public sector loans shown in this column do not add up to the public sector borrowing by economic activity since loans to the public sector are only indicated where it is deemed that the sector has a significant role in that activity.

**TABLE 1.11 - OTHER MONETARY FINANCIAL INSTITUTIONS  
LOANS BY SECTOR**

*Lm millions*

End of Period	Lending to residents						Lending to non-residents	Total lending
	General government <sup>1</sup>	Insurance companies	Other financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total		
2003	89.5	2.4	3.5	1,107.2	707.4	1,910.1	2,156.3	4,066.4
2004	55.6	3.1	3.5	1,153.5	817.1	2,032.7	2,490.4	4,523.1
<b>2005</b>								
Jan.	55.8	3.1	3.5	1,147.0	824.7	2,034.2	2,521.2	4,555.3
Feb.	54.1	3.1	5.5	1,158.7	831.0	2,052.5	2,510.9	4,563.4
Mar.	52.8	3.6	7.4	1,182.6	835.6	2,082.0	2,506.0	4,588.0
Apr.	50.7	3.3	4.5	1,167.6	846.2	2,072.4	2,610.2	4,682.5
May	50.9	3.1	8.0	1,156.2	856.6	2,074.8	2,778.3	4,853.1
June	51.6	3.2	3.7	1,162.4	867.6	2,088.4	2,840.5	4,928.9
July	51.0	3.2	3.3	1,117.0	876.5	2,051.0	2,977.7	5,028.7
Aug.	51.4	7.1	3.4	1,108.4	886.2	2,056.5	3,336.8	5,393.3
Sept.	53.3	7.3	4.6	1,139.7	894.5	2,099.3	3,956.3	6,055.5
Oct.	51.1	7.1	4.6	1,143.8	907.3	2,114.0	3,708.4	5,822.4
Nov.	51.0	7.0	4.4	1,147.5	916.8	2,126.7	3,347.5	5,474.2
Dec.	53.0	7.2	5.7	1,175.5	930.0	2,171.4	3,578.1	5,749.6
<b>2006</b>								
Jan.	52.9	7.1	5.6	1,194.8	937.8	2,198.1	3,578.9	5,777.0
Feb.	49.9	7.1	6.1	1,201.4	948.4	2,213.0	3,838.2	6,051.2
Mar.	50.7	7.1	3.0	1,234.3	963.4	2,258.5	4,049.5	6,308.0
Apr.	49.3	7.2	3.5	1,234.4	974.6	2,269.0	4,369.3	6,638.3
May	49.0	7.0	2.8	1,241.4	986.4	2,286.5	4,346.9	6,633.4
June	49.3	7.0	2.8	1,251.5	998.9	2,309.5	4,687.2	6,996.6
July	49.7	7.0	2.7	1,256.4	1,012.6	2,328.4	4,556.9	6,885.3
Aug.	50.0	6.9	2.6	1,251.3	1,025.1	2,335.8	4,786.3	7,122.1
Sept.	50.0	6.9	3.1	1,278.1	1,041.3	2,379.4	4,808.4	7,187.9
Oct.	49.4	6.9	6.0	1,278.8	1,058.5	2,399.5	4,699.9	7,099.4
Nov.	49.4	7.8	5.8	1,291.4	1,073.9	2,428.2	4,842.4	7,270.6
Dec.	50.8	8.6	6.4	1,327.7	1,091.7	2,485.1	4,700.9	7,186.0

<sup>1</sup>Including extra-budgetary units.

**TABLE 1.12 - OTHER MONETARY FINANCIAL INSTITUTIONS LOANS BY CURRENCY AND ORIGINAL MATURITY**

*Lm millions*

End of period	Lending to residents																Lending to non-residents	Total lending			
	Non-financial companies								Households & non-profit institutions										Other sectors <sup>1</sup>		
	MTL				EUR				MTL				EUR						MTL	EUR	Other
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year							
2003	447.0	603.0	4.1	35.5	6.4	11.3	83.5	618.0	0.2	4.3	0.5	0.9	93.8	1.2	0.4	1,910.0	2,156.3	4,066.4			
2004	412.6	663.9	11.1	39.7	9.2	16.9	91.6	717.6	0.3	4.6	1.7	1.2	60.5	1.4	0.3	2,032.7	2,490.4	4,523.1			
<b>2005</b>																					
Jan.	403.2	666.9	8.6	39.1	12.1	17.1	92.7	725.3	0.3	4.5	0.7	1.2	60.8	1.4	0.2	2,034.2	2,521.2	4,555.3			
Feb.	414.1	669.1	6.0	41.4	11.2	16.9	90.9	733.2	0.3	4.5	0.8	1.2	59.2	3.3	0.2	2,052.5	2,510.9	4,563.4			
Mar.	423.6	682.5	6.1	42.4	10.8	17.2	87.2	742.3	0.3	4.6	0.1	1.2	62.2	1.4	0.2	2,082.0	2,506.0	4,588.0			
Apr.	417.3	677.8	5.7	38.4	11.7	16.7	88.9	750.9	0.7	4.5	0.1	1.2	57.0	1.3	0.2	2,072.4	2,610.2	4,682.5			
May	414.3	668.3	6.1	41.3	12.5	13.8	89.1	760.8	0.8	4.5	0.1	1.3	60.5	1.3	0.2	2,074.8	2,778.3	4,853.1			
June	414.6	670.2	6.9	42.7	14.0	14.0	88.4	772.1	0.7	4.9	0.1	1.3	57.1	1.3	0.0	2,088.4	2,840.5	4,928.9			
July	378.9	674.2	7.6	43.8	6.8	5.8	86.1	783.5	0.7	4.9	0.1	1.2	56.1	1.3	0.0	2,051.0	2,977.7	5,028.7			
Aug.	370.4	663.5	7.2	55.5	6.0	5.8	85.7	793.0	1.2	5.0	0.1	1.1	57.0	4.9	0.0	2,056.5	3,336.8	5,393.3			
Sept.	373.0	669.8	7.0	76.3	7.7	5.9	84.5	802.8	0.6	5.4	0.1	1.1	58.9	6.1	0.0	2,099.3	3,956.3	6,055.5			
Oct.	376.3	662.2	8.0	83.9	7.6	5.8	86.1	813.4	0.7	5.8	0.1	1.1	56.7	6.1	0.0	2,114.0	3,708.4	5,822.4			
Nov.	379.7	663.1	8.3	82.3	8.3	5.9	86.2	822.6	0.7	6.1	0.1	1.1	56.3	6.0	0.0	2,126.7	3,347.5	5,474.2			
Dec.	369.5	673.3	7.4	113.0	8.0	4.4	87.7	834.2	0.6	6.5	0.1	1.0	58.6	7.2	0.1	2,171.4	3,578.1	5,749.6			
<b>2006</b>																					
Jan.	360.1	674.9	23.4	124.8	7.2	4.2	86.7	842.7	0.6	6.7	0.2	1.0	58.2	7.2	0.0	2,198.1	3,578.9	5,777.0			
Feb.	358.0	678.7	25.3	127.0	8.3	4.1	92.6	847.4	0.6	6.7	0.0	1.0	56.0	7.2	0.0	2,213.0	3,838.2	6,051.2			
Mar.	370.2	690.1	25.9	132.0	10.3	5.9	94.7	860.3	0.2	6.9	0.0	1.2	55.9	4.9	0.0	2,258.5	4,049.5	6,308.0			
Apr.	369.4	684.4	27.5	136.4	10.9	5.7	97.5	867.7	1.0	7.3	0.0	1.1	55.1	4.9	0.0	2,269.0	4,369.3	6,638.3			
May	366.5	676.3	28.6	153.3	11.5	5.3	98.1	878.4	1.1	7.7	0.1	0.9	53.9	4.8	0.0	2,286.5	4,346.9	6,633.4			
June	373.3	681.0	29.2	153.6	9.4	5.0	98.0	890.4	1.0	8.6	0.1	0.9	54.2	4.8	0.0	2,309.5	4,687.2	6,996.6			
July	366.9	687.9	29.1	158.4	9.1	5.0	99.2	902.6	0.8	8.8	0.0	1.1	54.6	4.8	0.0	2,328.4	4,556.9	6,885.3			
Aug.	356.9	691.3	28.3	161.6	8.4	4.7	99.8	913.4	1.2	9.2	0.0	1.3	31.6	27.8	0.0	2,335.8	4,786.3	7,122.1			
Sept.	369.9	702.6	26.9	162.6	11.1	5.0	84.1	944.9	0.3	10.5	0.1	1.4	32.0	28.1	0.1	2,379.4	4,808.4	7,187.9			
Oct.	365.7	706.9	28.9	163.0	9.3	5.0	89.5	956.5	0.6	10.5	0.0	1.4	34.5	27.8	0.0	2,399.5	4,699.9	7,099.4			
Nov.	365.1	713.9	27.3	170.7	9.5	4.9	90.7	968.5	0.7	12.6	0.0	1.3	35.2	27.8	0.0	2,428.2	4,842.4	7,270.6			
Dec.	388.8	725.3	30.0	169.6	9.1	4.8	93.8	982.8	1.0	12.7	0.1	1.3	36.5	29.3	0.0	2,485.1	4,700.9	7,186.0			

<sup>1</sup> Including general government and financial sector companies other than MFIs.

**TABLE 1.13 - AGGREGATED STATEMENT OF ASSETS AND LIABILITIES**  
**INVESTMENT FUNDS<sup>1</sup>**  
*liabilities*

*Lm millions*

End of period	Loans	Shareholders' units/ funds	External liabilities <sup>2</sup>	Share capital	Reserves	Other liabilities <sup>3</sup>	Total liabilities
2003	0.3	348.6	2.7	12.3	1.3	0.7	366.1
2004	0.2	388.1	1.3	37.2	1.6	2.0	430.4
<b>2005</b>							
Mar.	4.1	406.4	1.2	29.2	15.8	4.3	461.0
June	0.3	431.1	1.5	18.3	30.4	2.7	484.3
Sept.	0.2	447.9	1.3	24.0	38.7	4.8	517.0
Dec.	0.1	476.3	1.3	81.5	2.0	3.2	564.4
<b>2006</b>							
Mar.	0.1	522.3	4.9	104.7	2.5	6.5	640.9
June	0.1	508.0	4.6	87.2	2.3	4.5	606.8
Sept.	0.1	496.9	4.5	84.4	2.3	3.2	591.3
Dec.	0.2	489.5	3.4	86.2	2.3	1.5	583.1

**TABLE 1.13 - AGGREGATED STATEMENT OF ASSETS AND LIABILITIES**  
**INVESTMENT FUNDS<sup>1</sup>**  
*assets*

*Lm millions*

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets <sup>4</sup>	Fixed and other assets <sup>5</sup>	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2003	7.5	23.3	180.1	1.5	49.0	94.8	9.8	366.1
2004	5.0	26.2	200.5	2.1	68.8	116.8	10.9	430.4
<b>2005</b>								
Mar.	2.8	17.1	225.7	2.5	74.5	125.6	12.7	461.0
June	9.0	9.7	240.3	2.6	73.2	136.1	13.4	484.3
Sept.	5.5	11.0	265.0	2.8	81.3	137.6	13.8	517.0
Dec.	22.4	14.8	267.9	3.4	99.8	142.1	14.1	564.4
<b>2006</b>								
Mar.	36.9	34.7	277.2	5.6	125.5	151.2	9.9	640.9
June	33.3	20.5	285.6	5.0	101.1	151.7	9.5	606.8
Sept.	11.7	21.3	298.2	4.6	93.9	154.3	7.3	591.3
Dec.	6.9	21.8	296.3	3.0	87.7	160.1	7.1	583.1

<sup>1</sup> The investment funds sector comprises resident collective investment schemes. Figures for professional investor funds are excluded. As from 2006, data for those collective investment schemes with a net asset value of less than 2% of the total assets of the sector are estimated.

<sup>2</sup> Includes loans, creditors, accruals, shareholders' units/ funds and other liabilities to non-resident counterparties.

<sup>3</sup> Includes creditors, accruals and other liabilities.

<sup>4</sup> Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.

<sup>5</sup> Includes debtors, currency (both Maltese lira and foreign), prepayments and other assets.



**TABLE 1.14 MONETARY POLICY OPERATIONS OF THE CENTRAL BANK OF MALTA**
*Lm thousands*

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos <sup>1</sup>			Marginal lending during the period <sup>2</sup>	Term deposits <sup>3</sup>			Overnight deposits <sup>4</sup>
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
2003	-	-	-	-	281,700	287,900	104,300	-
2004	-	-	-	-	108,220	143,520	21,000	3,700
<b>2005</b>								
Jan.	-	-	-	-	89,900	81,100	29,800	15,000
Feb.	-	-	-	-	89,200	90,000	29,000	3,700
Mar.	23,000	-	23,000	6,300	44,700	63,700	10,000	-
Apr.	9,000	23,000	9,000	-	40,900	50,900	-	58,600
May	34,300	16,300	27,000	-	23,700	16,700	7,000	-
June	6,000	27,000	6,000	-	41,200	47,200	1,000	23,300
July	7,300	13,300	-	-	38,700	12,200	27,500	25,900
Aug.	-	-	-	-	66,350	49,550	44,300	-
Sept.	-	-	-	-	215,000	178,800	80,500	50,550
Oct.	-	-	-	-	276,700	271,500	85,700	3,600
Nov.	-	-	-	2	339,400	350,800	74,300	30,100
Dec.	-	-	-	11	372,000	399,500	46,800	15,900
<b>2006</b>								
Jan.	-	-	-	228	367,900	314,000	100,700	1,100
Feb.	-	-	-	23	443,500	423,200	121,000	52,450
Mar.	-	-	-	160	473,700	515,700	79,000	12,800
Apr.	-	-	-	-	302,600	312,300	69,300	-
May	-	-	-	78	297,200	288,400	78,100	900
June	-	-	-	-	592,300	523,400	147,000	18,500
July	-	-	-	-	597,900	605,900	139,000	-
Aug.	-	-	-	26	638,700	597,900	179,800	6,300
Sept.	-	-	-	43	737,400	765,700	151,500	34,500
Oct.	-	-	-	-	576,100	575,100	152,500	3,500
Nov.	-	-	-	-	568,800	589,600	131,700	16,100
Dec.	-	-	-	3,000	621,900	646,900	106,700	8,800

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

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

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

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

**TABLE 1.15 FINANCIAL MARKETS**

	2003	2004	2005				2006			
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
<b>INTEREST RATES (%)</b>										
<b>Central Bank of Malta</b>										
Central intervention rate	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.50	3.50	3.75
Money market intervention rates:										
Term deposit rate	2.95	2.95	2.95	3.20	3.20	3.20	3.20	3.45	3.45	3.70
Reverse repo rate	3.05#	3.05#	3.00	3.27	3.30#	3.30#	3.30#	3.55#	3.55#	3.80#
Rate on standby (collateralised) loans	3.55	4.50	4.50	4.75	4.25	4.25	4.25	4.50	4.50	4.75
Rate on overnight deposits	0.30	1.50	1.50	1.75	2.25	2.25	2.25	2.50	2.50	2.75
Remuneration on required reserves	2.70	2.75	2.75	3.00	3.00	3.00	3.00	3.25	3.25	3.50
<b>Interbank market offered rates</b>										
Overnight	2.95	2.95	2.95	3.21	3.24	3.18	3.15	3.38	3.35	4.54
1 week	2.96	2.95	2.95	3.24	3.26	3.27*	3.25	3.41	3.38	3.78*
1 month	2.98	2.98	2.98	3.25	3.26	3.29*	3.32*	3.59*	3.59*	3.86*
3 month	3.00*	2.80	3.01*	3.29*	3.30*	3.32*	3.34	3.69*	3.73*	3.99*
<b>Other Monetary Financial Institutions</b>										
Weighted average deposit rate	2.46	2.04	2.01	2.08	2.11	2.13	2.17	2.20	2.29	2.37
Current deposits	0.44	0.47	0.46	0.42	0.45	0.45	0.50	0.59	0.56	0.57
Savings deposits	1.01	0.95	0.95	1.17	1.17	1.17	1.17	1.17	1.18	1.17
Time deposits	3.45	2.87	2.84	2.90	2.94	2.97	3.00	3.03	3.14	3.27
Weighted average lending rate	5.29	5.33	5.39	5.59	5.55	5.48	5.47	5.71	5.71	5.90
Non-financial companies	5.77	5.80	5.82	6.01	6.03	5.95	5.93	6.13	6.16	6.31
Households and individuals	4.53	4.67	4.80	5.02	4.97	4.93	4.92	5.15	5.13	5.38
Consumer credit	5.53	6.21	6.51	6.72	6.69	6.70	6.71	6.94	6.91	7.42
House purchase	4.50	4.34	4.35	4.58	4.58	4.52	4.52	4.73	4.72	4.95
Other lending	5.29	5.17	6.08	6.44	6.04	6.09	6.14	6.40	6.32	6.46
<b>Government securities</b>										
Treasury bills (primary market)										
1 month	-	2.96	-	3.26	3.26	-	-	-	3.55	3.51
3 month	2.94	2.96	2.98	3.27	3.26	3.22	3.20	3.45	3.65	3.91
6 month	2.93	2.97	2.98	3.28	3.26	3.23	3.23	3.27	3.75	4.00
1 year	3.13	2.97	-	3.50	3.40	3.22	3.46	3.70	3.87	4.20
Treasury bills (secondary market)										
1 month	2.95	2.95	2.96	3.26	3.26	3.20	3.20	3.46	3.55	3.75
3 month	2.94	2.96	2.98	3.27	3.26	3.22	3.20	3.46	3.65	3.90
6 month	2.93	2.97	2.98	3.28	3.26	3.27	3.23	3.52	3.75	4.00
1 year	2.98	2.97	3.29	3.51	3.40	3.32	3.46	3.70	3.86	4.20
Long-term debt securities										
2 year	3.39	3.21	3.30	3.55	3.53	3.30	3.39	3.69	3.89	4.18
5 year	4.37	4.26	4.21	3.88	3.74	3.65	3.63	3.99	4.07	4.17
10 year	4.71	4.70	4.72	4.56	4.41	4.38	4.35	4.27	4.34	4.33
15 year	4.96	4.97	4.96	4.96	4.96	4.96	4.38	4.47	4.48	4.48
<b>MSE SHARE INDEX</b>	2,126	3,069	3,442	3,431	3,938	4,981	6,509	5,428	5,141	4,873

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

\* denotes Central Bank of Malta fixing rate average.

- denotes that no transactions occurred during the reference period.

**TABLE 2.1 GENERAL GOVERNMENT REVENUE AND EXPENDITURE <sup>1</sup>***Lm millions*

Period	Revenue			Expenditure			Deficit (-) /surplus (+)	Primary deficit (-) /surplus (+) <sup>2</sup>
	Current	Capital	Total	Current	Capital	Total		
2003	705.0	10.1	715.1	744.1	156.5	900.7	-185.6	-121.4
2004	754.5	36.6	791.1	789.1	95.5	884.5	-93.5	-22.9
2005	779.1	75.6	854.7	810.7	105.8	916.5	-61.8	14.7
2006	831.4	64.6	895.9	848.0	101.5	949.5	-53.6	23.1
<b>2005</b>								
Mar.	148.0	18.4	166.4	197.4	25.8	223.2	-56.7	-40.4
June	187.1	13.9	201.0	208.5	30.8	239.3	-38.3	-17.2
Sept.	204.9	14.7	219.6	194.1	27.0	221.1	-1.5	16.8
Dec.	239.0	28.6	267.6	210.7	22.1	232.8	34.8	55.5
<b>2006</b>								
Mar.	173.9	12.3	186.2	205.6	26.5	232.1	-45.8	-23.1
June	199.5	15.2	214.7	207.3	14.9	222.2	-7.6	8.9
Sept.	206.1	14.1	220.3	211.4	21.0	232.3	-12.0	11.1
Dec.	251.8	23.0	274.8	223.7	39.2	262.9	11.8	26.3

<sup>1</sup> Based on ESA95 methodology. Data are provisional.<sup>2</sup> Deficit(-)/surplus(+) excluding interest paid.

Sources: Eurostat; NSO.

**TABLE 2.2 GENERAL GOVERNMENT REVENUE BY MAIN COMPONENTS <sup>1</sup>***Lm millions*

Period	Current revenue							Capital revenue			Total revenue	Memo: Fiscal burden <sup>2</sup>
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other current revenue	Total	Capital taxes	Capital transfers	Total		
2003	221.5	243.0	150.1	37.4	47.5	5.5	705.0	2.7	7.5	10.1	715.1	617.3
2004	222.5	279.5	155.1	44.1	42.1	11.2	754.5	4.0	32.5	36.6	791.1	661.1
2005	229.9	299.3	171.5	43.7	29.8	4.9	779.1	7.5	68.1	75.6	854.7	708.2
2006	257.4	325.5	167.6	46.0	27.1	7.8	831.4	6.3	58.3	64.6	895.9	756.8
<b>2005</b>												
Mar.	22.4	67.1	34.1	10.2	12.8	1.4	148.0	1.2	17.2	18.4	166.4	124.8
June	58.6	69.5	40.3	8.5	8.6	1.5	187.1	2.8	11.2	13.9	201.0	171.2
Sept.	67.1	80.2	43.6	9.9	2.8	1.3	204.9	1.8	12.9	14.7	219.6	192.7
Dec.	81.8	82.5	53.5	15.1	5.5	0.7	239.0	1.8	26.8	28.6	267.6	219.5
<b>2006</b>												
Mar.	38.4	74.3	35.7	11.4	12.8	1.3	173.9	1.4	10.9	12.3	186.2	149.8
June	60.4	80.4	40.1	9.8	7.1	1.7	199.5	1.7	13.5	15.2	214.7	182.5
Sept.	64.9	84.0	42.1	10.3	3.1	1.7	206.1	1.6	12.6	14.1	220.3	192.6
Dec.	93.7	86.8	49.7	14.6	4.0	3.0	251.8	1.7	21.3	23.0	274.8	231.8

<sup>1</sup> Based on ESA95 methodology. Data are provisional.<sup>2</sup> The fiscal burden comprises taxes and social security contributions.

Sources: Eurostat; NSO.

**TABLE 2.3 GENERAL GOVERNMENT EXPENDITURE BY MAIN COMPONENTS<sup>1</sup>***Lm millions*

Period	Current expenditure							Capital expenditure			Total expenditure
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other current expenditure	Total	Investment	Capital transfers	Total <sup>2</sup>	
2003	277.9	249.1	64.2	89.0	41.0	22.9	744.1	95.2	59.8	156.5	900.7
2004	282.7	257.2	70.5	104.0	37.1	37.6	789.1	39.5	70.7	95.5	884.5
2005	287.8	270.1	76.5	100.0	42.4	33.9	810.7	104.9	17.5	105.8	916.5
2006	290.8	284.2	76.7	122.1	40.6	33.7	848.0	97.2	12.2	101.5	949.5
<b>2005</b>											
Mar.	70.9	67.5	16.3	21.0	11.7	9.9	197.4	20.6	4.3	25.8	223.2
June	72.6	69.6	21.1	25.3	11.0	8.9	208.5	27.6	3.0	30.8	239.3
Sept.	71.5	62.2	18.3	24.6	7.0	10.6	194.1	23.4	3.2	27.0	221.1
Dec.	72.8	70.9	20.7	29.1	12.7	4.5	210.7	33.2	7.0	22.1	232.8
<b>2006</b>											
Mar.	72.8	67.8	22.7	26.2	6.8	9.4	205.6	24.3	1.5	26.5	232.1
June	72.5	73.0	16.5	26.5	12.3	6.7	207.3	13.4	2.5	14.9	222.2
Sept.	72.8	68.7	23.1	29.0	7.5	10.3	211.4	19.7	2.1	21.0	232.3
Dec.	72.8	74.7	14.4	40.5	14.0	7.3	223.7	39.8	6.1	39.2	262.9

<sup>1</sup> Based on ESA95 methodology. Data are provisional.<sup>2</sup> Capital expenditure total includes acquisitions less disposals of non-financial non-produced assets.

Sources: Eurostat; NSO.

**TABLE 2.4 GENERAL GOVERNMENT EXPENDITURE BY FUNCTION<sup>1</sup>***Lm millions*

Period	General public services	Defence	Public order & safety	Economic affairs	Environment protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2003	116.1	16.4	33.0	191.7	16.8	27.9	115.9	10.7	115.6	256.3	900.7
2004	151.0	19.2	32.2	135.4	18.2	21.1	119.3	11.6	111.1	265.3	884.5
2005	149.0	19.2	33.0	131.6	21.0	20.8	134.3	14.9	115.9	276.9	916.5

<sup>1</sup> Based on Classification of Functions of Government (COFOG). Data are provisional.

Source: Eurostat; NSO.

**TABLE 2.5 GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENT <sup>1</sup>***Lm millions*

Period	Change in debt	Deficit (-) / surplus (+)	Deficit-debt adjustment							Total
			Transactions in main financial assets				Valuation effects	Other changes in volume	Other <sup>2</sup>	
			Currency and deposits	Loans	Debt securities	Shares and other equity				
2003	201.9	-185.6	66.5	-22.8	0.0	0.7	-0.9	0.0	-27.2	16.4
2004	89.9	-93.5	-0.7	-3.9	0.0	0.3	-4.5	-1.2	6.5	-3.6
2005	45.4	-61.8	30.7	0.2	0.0	-25.5	-13.1	-5.7	-3.0	-16.3
2006	-45.2	-53.6	12.4	-1.2	0.0	-94.0	-0.3	0.0	-15.7	-98.7

<sup>1</sup> Based on ESA95 methodology. Data are provisional.<sup>2</sup> Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).

Source: Eurostat.

**TABLE 2.6 GENERAL GOVERNMENT DEBT AND GUARANTEED DEBT OUTSTANDING***Lm millions*

Period	Debt securities			Loans			Total general government debt <sup>1</sup>	Government guaranteed debt <sup>2</sup>
	Short-term	Long-term	Total	Short-term	Long-term	Total		
2003	232.3	907.1	1,139.3	55.5	110.2	165.7	1,305.1	272.6
2004	245.4	1,011.4	1,256.7	40.4	97.8	138.2	1,395.0	302.9
2005 <sup>4</sup>	190.2	1,122.4	1,312.6	32.9	94.9	127.8	1,440.4	307.9
<b>2005</b>								
Mar.	239.3	1,051.8	1,291.1	31.6	102.5	134.1	1,425.2	299.2
June	215.3	1,088.6	1,303.9	32.6	98.7	131.3	1,435.1	297.0
Sept.	174.5	1,122.0	1,296.5	33.8	97.5	131.3	1,427.8	326.7
Dec.	190.2	1,122.4	1,312.6	32.9	94.9	127.8	1,440.4	307.9
<b>2006</b>								
Mar.	179.0	1,147.4	1,326.3	10.7	115.5	126.2	1,452.5	303.0
June	121.3	1,147.4	1,268.7	7.2	116.1	123.3	1,392.0	272.2
Sept.	153.6	1,133.7	1,287.2	8.0	112.5	120.4	1,407.7	282.5
Dec.	160.5	1,123.7	1,284.1	9.1	102.0	111.1	1,395.2	297.3

<sup>1</sup> In line with Maastricht criteria, which defines general government debt as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. Data are provisional.<sup>2</sup> Represents outstanding balances on central government guaranteed debt.

Sources: Eurostat; NSO.

**TABLE 2.7 TREASURY BILLS ISSUED AND OUTSTANDING<sup>1</sup>***Lm millions*

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding <sup>3</sup> and held by		
		OMFIs	Others <sup>2</sup>	Total	MFIs	Others <sup>2</sup>	Total
2003	712.6	607.7	124.4	732.1	198.3	34.0	232.3
2004	595.7	502.3	106.5	608.8	200.4	45.0	245.4
<b>2005</b>							
Jan.	40.0	14.8	14.1	29.0	184.0	50.3	234.3
Feb.	47.0	61.0	9.8	70.8	208.5	49.6	258.1
Mar.	36.5	8.2	9.6	17.7	202.7	36.6	239.3
Apr.	33.2	33.4	3.4	36.8	210.7	32.3	242.9
May.	48.7	10.0	2.0	12.0	184.1	22.2	206.2
June	51.5	58.5	2.1	60.6	197.3	18.0	215.3
July	64.8	39.5	14.7	54.2	175.1	29.6	204.7
Aug.	32.0	17.8	3.6	21.4	167.6	26.5	194.1
Sept.	48.3	21.0	7.6	28.6	147.5	27.0	174.5
Oct.	49.3	38.8	16.2	55.0	147.8	32.4	180.1
Nov.	34.5	17.6	9.7	27.3	134.9	38.1	173.0
Dec.	31.4	36.1	12.5	48.6	150.9	39.3	190.2
<b>2006</b>							
Jan.	52.0	19.4	13.6	33.0	129.6	41.7	171.3
Feb.	35.3	19.0	24.7	43.7	122.4	57.2	179.6
Mar.	45.8	20.3	24.9	45.3	114.7	64.3	179.0
Apr	27.6	15.0	15.5	30.5	111.9	69.9	181.8
May	35.4	6.5	14.1	20.6	101.7	65.3	167.0
June	61.7	7.0	9.0	16.0	64.5	56.9	121.3
July	30.5	30.1	13.5	43.6	80.9	53.5	134.4
Aug.	28.5	22.0	9.7	31.7	87.8	49.7	137.5
Sept.	18.2	19.1	15.2	34.3	94.3	59.3	153.6
Oct.	43.7	12.4	9.8	22.2	76.7	55.4	132.1
Nov.	29.6	47.0	13.9	60.9	105.3	58.2	163.4
Dec.	17.4	6.5	8.0	14.5	107.2	53.3	160.5

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

Source: Central Bank of Malta; The Treasury.

**TABLE 2.8 TREASURY BILLS ISSUED AND OUTSTANDING<sup>1</sup>**  
*as at end-December 2006*

*Lm millions*

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary Market		Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding <sup>5</sup>
			Retail CBM offer rate (%) <sup>2</sup>	Wholesale CBM offer rate (%) <sup>3</sup>	OMFIs	Others <sup>4</sup>	MFIs	Others <sup>4</sup>	
06/01/2006	05/01/2007	3.32	N/A	N/A	8.0	0.4	8.4	0.0	8.4
13/10/2006	12/01/2007	3.65	3.69	3.72	0.0	7.7	0.8	6.9	7.7
20/10/2006	19/01/2007	3.62	3.71	3.73	0.0	0.7	0.7	0.0	0.7
03/11/2006	02/02/2007	3.74	3.74	3.77	7.0	5.0	8.9	3.0	12.0
11/08/2006	09/02/2007	4.02	3.76	3.78	12.0	0.5	12.4	0.1	12.5
17/11/2006	16/02/2007	3.90	3.78	3.80	18.0	8.2	18.0	8.2	26.2
01/12/2006	02/03/2007	3.92	3.81	3.84	5.5	5.5	5.5	5.5	11.0
07/12/2006	09/03/2007	3.91	3.83	3.85	0.0	2.2	0.0	2.2	2.2
15/09/2006	16/03/2007	3.79	3.85	3.87	0.0	0.3	0.1	0.2	0.3
23/06/2006	23/03/2007	3.47	3.86	3.89	0.0	4.7	0.0	4.7	4.7
29/09/2006	30/03/2007	3.75	3.88	3.90	0.5	0.0	0.5	0.0	0.5
30/03/2006	30/03/2007	3.46	3.88	3.90	0.0	14.0	0.6	13.4	14.0
13/10/2006	13/04/2007	3.76	3.89	3.92	0.4	0.5	0.4	0.5	0.9
10/11/2006	11/05/2007	4.00	3.92	3.95	12.0	0.8	12.0	0.8	12.8
07/09/2006	08/06/2007	3.89	3.95	3.98	0.5	0.1	0.5	0.1	0.6
30/06/2006	28/06/2007	3.70	3.97	4.00	7.0	1.3	7.0	1.3	8.3
06/10/2006	06/07/2007	3.82	3.98	4.00	9.0	0.8	9.0	0.8	9.8
10/11/2006	10/08/2007	4.07	4.01	4.03	10.0	0.0	10.0	0.0	10.0
22/09/2006	20/09/2007	3.87	4.04	4.06	12.0	4.7	12.0	4.7	16.7
15/12/2006	14/12/2007	4.20	4.15	4.18	1.0	0.2	1.0	0.2	1.2
<b>Total</b>					<b>102.9</b>	<b>57.6</b>	<b>107.9</b>	<b>52.6</b>	<b>160.5</b>

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

<sup>2</sup> For amounts lower than Lm50,000.

<sup>3</sup> For amounts equal to or higher than Lm50,000.

<sup>4</sup> Includes the Malta Government sinking fund.

<sup>5</sup> On 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million, and on 27 November 2002 this was raised further to Lm300 million.

Note: N/A implies rates not quoted as the bill is close to maturity.

Source: Central Bank of Malta; The Treasury.



**TABLE 2.9 MALTA GOVERNMENT LONG-TERM DEBT  
SECURITIES OUTSTANDING<sup>1</sup>**  
*as at end-December 2006*

*Lm millions*

Coupon rate (%)	Year of maturity	Year of issue	Issue price (Lm)	ISMA Yield (%)	Interest dates	Held by		Amount
						MFIs	Others	
7.35	2007	1997	100	4.17	18/04 - 18/10	15.7	9.0	24.8
5.90	2007 (II)	1999	100	4.02	23/04 - 23/10	9.0	1.0	10.0
5.60	2007 (III)	2000	100	4.06	10/06 - 10/12	23.5	11.8	35.3
7.20	2008	1998	100	4.22	10/06 - 10/12	9.3	0.7	10.0
7.20	2008 (II)	1998	100	4.21	28/02 - 28/08	21.3	8.8	30.0
7.00	2009	1999	100	4.19	30/06 - 30/12	0.0	0.1	0.1
5.90	2009 (II)	1999	100	4.20	01/03 - 01/09	14.7	10.3	25.0
5.90	2009 (III)	2000/2005	100/107.8	4.19	30/03 - 30/09	56.7	7.6	64.3
5.90	2010	1999	100	4.19	19/05 - 19/11	13.7	1.3	15.0
5.75	2010 (II)	2000	100	4.19	10/06 - 10/12	16.6	1.9	18.5
7.00	2010 (III) <sup>2</sup>	2000	100	4.18	30/06 - 30/12	0.0	0.5	0.5
5.40	2010 (IV)	2003/2004	100/104.5	4.20	21/02 - 21/08	10.3	37.7	48.0
7.50	2011	1996	100	4.17	28/03 - 28/09	7.6	7.4	15.0
6.25	2011 (II)	2001	100	4.19	01/02 - 01/08	20.8	19.2	40.0
7.00	2011 (III) <sup>2</sup>	2002	100	4.18	30/06 - 30/12	0.0	0.1	0.1
7.80	2012	1997	100	4.16	24/05 - 24/11	10.7	23.8	34.5
7.00	2012 (II) <sup>2</sup>	2002	100	4.20	30/06 - 30/12	0.0	0.2	0.2
5.70	2012 (III) FI <sup>3</sup>	2005	100/108/108.5/109.7	4.19	30/03 - 30/09	58.6	57.4	116.0
7.80	2013	1997	100	4.22	18/04 - 18/10	10.6	23.7	34.3
6.35	2013 (II)	2001	100	4.21	19/05 - 19/11	0.8	25.2	26.0
7.00	2013 (III)	2003	100	4.23	30/06 - 30/12	0.0	0.1	0.1
6.60	2014	2000	100	4.24	30/03 - 30/09	0.8	9.7	10.5
6.45	2014 (II)	2001	100	4.26	24/05 - 24/11	7.7	22.3	30.0
5.10	2014 (III)	2003/2004	100/103.25	4.25	06/01 - 06/07	10.3	36.7	47.0
7.00	2014 (IV) <sup>2</sup>	2004	100	4.27	30/06 - 30/12	0.0	1.7	1.7
5.10	2014 (III) FI	2006	105.5	4.25	06/01 - 06/07	0.0	19.2	19.3
6.10	2015	2000	100	4.28	10/06 - 10/12	9.4	20.6	30.0
5.90	2015 (II) FI <sup>3</sup>	2002/2003	100/102	4.30	09/04 - 09/10	0.7	39.5	40.2
7.00	2015 (III)	2005	100	4.31	30/06 - 30/12	0.0	0.3	0.3
7.00	2015	2005	100	4.31	03/05 - 03/11	0.0	0.3	0.3
6.65	2016	2001	100	4.31	28/03 - 28/09	2.8	27.2	30.0
4.80	2016 (II) FI <sup>3</sup>	03/04/2006	100/101/104	4.33	26/05 - 26/11	15.0	65.0	80.0
7.00	2016 (III)	2006	100	4.34	30/06 - 30/12	0.0	1.5	1.5
7.80	2018	1998	100	4.38	15/01 - 15/07	16.2	53.8	70.0
6.60	2019	1999	100	4.42	01/03 - 01/09	11.8	32.2	44.0
5.00	2021 FI/(I)FI <sup>3</sup>	2004/2005	100	4.48	08/02 - 08/08	6.7	103.3	110.0
5.10	2022	2004	100	4.49	16/02 - 16/08	0.8	29.7	30.5
5.50	2023	2003	100	5.50	06/01 - 06/07	0.1	33.7	33.8
<b>Total</b>						<b>382.3</b>	<b>744.3</b>	<b>1,126.6</b>

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

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

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

Source: Central Bank of Malta; MSE.

**TABLE 2.10 MALTA GOVERNMENT LONG-TERM DEBT SECURITIES  
OUTSTANDING BY REMAINING TERM TO MATURITY<sup>1</sup>**

*Lm millions*

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16 yrs and over	Total
2003	44.6	209.4	310.5	270.7	77.8	913.0
2004	55.0	243.8	342.4	269.2	104.3	1,014.7
<b>2005</b>						
Mar.	99.4	281.4	350.5	199.0	124.3	1,054.7
June	75.9	281.4	385.5	199.0	149.3	1,091.2
Sept.	44.4	281.4	425.8	199.0	174.3	1,125.0
Dec.	44.4	281.4	426.2	199.0	174.3	1,125.3
<b>2006</b>						
Mar.	44.4	281.4	426.2	224.0	174.3	1,150.3
June	89.7	276.2	416.2	194.0	174.3	1,150.3
Sept.	55.3	291.2	420.4	305.5	64.3	1,136.6
Dec.	70.0	417.2	351.1	254.5	33.8	1,126.6

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

Sources: Central Bank of Malta; MSE.

**TABLE 2.11 GENERAL GOVERNMENT EXTERNAL LOANS  
BY TYPE OF CREDITOR<sup>1</sup>**

*Lm millions*

End of Period	Official bilateral entities <sup>2</sup>	Official multilateral organisations <sup>3</sup>	Private commercial banks <sup>4</sup>	Total
2003	13.6	59.0	13.4	86.0
2004	11.2	57.4	10.5	79.1
2005	9.5	55.7	8.4	73.6
<b>2006<sup>5</sup></b>				
Mar.	9.3	55.7	7.3	72.3
June	8.4	55.4	7.3	71.1
Sept.	8.3	55.4	6.2	69.9
Dec.	7.4	47.4	6.3	61.1

<sup>1</sup> Including external loans of the extra budgetary units.

<sup>2</sup> Bilateral loans are loans from governments and their agencies (including central banks) and loans from autonomous bodies.

<sup>3</sup> Multilateral organisations include regional development banks and other multilateral and inter-governmental

<sup>4</sup> Commercial bank loans are loans from private banks or financial institutions.

<sup>5</sup> Provisional.

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

**TABLE 2.12 GENERAL GOVERNMENT EXTERNAL LOANS  
BY CURRENCY <sup>1</sup>**

*Lm millions*

End of Period	GBP	JPY	EUR	USD	Other	Total
2003	0.3	0.9	77.2	7.5	0.1	86.0
2004	0.2	0.6	72.9	5.3	0.1	79.1
2005	0.1	0.4	68.3	4.6	0.1	73.6
<b>2006 <sup>2</sup></b>						
Mar.	0.1	0.4	67.2	4.4	0.1	72.3
June	0.1	0.4	66.7	3.8	0.1	71.1
Sept.	0.1	0.4	65.5	3.8	0.1	69.9
Dec.	0.1	0.3	57.7	2.9	0.1	61.1

<sup>1</sup> Including external loans of the extra budgetary units.

<sup>2</sup> Provisional.

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

**TABLE 2.13 GENERAL GOVERNMENT EXTERNAL LOANS  
BY REMAINING TERM TO MATURITY**

*Lm millions*

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
2003	1.3	14.8	15.6	53.1	-	1.2	86.0
2004	0.6	22.4	9.2	45.7	0.1	1.0	79.1
2005	7.3	12.5	8.3	44.4	0.1	1.0	73.6
<b>2006 <sup>1,2</sup></b>							
Mar.	8.2	10.4	8.2	44.4	0.1	1.0	72.3
June	8.2	9.8	7.7	44.3	0.1	1.0	71.1
Sept.	8.2	8.8	7.6	44.3	0.1	0.9	69.9
Dec.	0.4	8.3	7.1	44.3	0.1	0.9	61.1

<sup>1</sup> Including external loans of the extra budgetary units. With respect to the quarterly statistics in this table, the remaining term to maturity classification is applicable as from end of the reference quarter.

<sup>2</sup> Provisional.

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

**TABLE 3.1 MALTESE LIRA EXCHANGE RATES AGAINST MAJOR CURRENCIES<sup>1</sup>**

*end of period closing middle rates*

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD	
2003	0.4317	2.9197	1.6351	312.16	3.6104	3.8859	3.7692	
2004	0.4343	3.1393	1.6252	321.71	3.5536	4.0301	3.7866	
2005	0.4293	2.7570	1.6012	323.95	3.6230	3.7588	3.2072	
2006	0.4293	3.0699	1.5639	364.89	3.7463	3.8869	3.5642	
<b>2006</b>								
July	7	0.4293	2.9863	1.6146	340.89	3.6507	3.9760	3.3203
	14	0.4293	2.9483	1.6021	342.07	3.6374	3.9128	3.3277
	21	0.4293	2.9542	1.5900	342.31	3.6572	3.9187	3.3517
	28	0.4293	2.9645	1.5900	340.89	3.6622	3.8813	3.3565
Aug.	4	0.4293	2.9787	1.5756	343.93	3.6753	3.9200	3.3689
	11	0.4293	2.9754	1.5701	345.29	3.6788	3.8811	3.3545
	18	0.4293	2.9868	1.5854	345.74	3.6844	3.9274	3.3478
	25	0.4293	2.9743	1.5744	348.65	3.6830	3.9143	3.2892
Sept.	1	0.4293	2.9852	1.5683	350.27	3.6770	3.9061	3.3026
	7	0.4293	2.9736	1.5814	344.97	3.6834	3.8993	3.2859
	15	0.4293	2.9525	1.5681	347.02	3.7131	3.9223	3.3046
	22	0.4293	2.9863	1.5695	346.87	3.6840	3.9632	3.3246
	29	0.4293	2.9471	1.5805	347.97	3.6995	3.9596	3.2966
Oct.	6	0.4293	2.9371	1.5658	348.35	3.7009	3.9512	3.3032
	13	0.4293	2.9168	1.5708	348.84	3.7180	3.8849	3.3182
	20	0.4293	2.9406	1.5601	347.89	3.6972	3.8719	3.2984
	27	0.4293	2.9612	1.5621	349.21	3.7042	3.8578	3.3202
Nov.	3	0.4293	2.9557	1.5567	349.22	3.7137	3.8453	3.3442
	10	0.4293	2.9971	1.5658	351.82	3.7082	3.9032	3.3840
	17	0.4293	2.9769	1.5782	352.08	3.7259	3.8944	3.4128
	24	0.4293	3.0478	1.5768	352.70	3.6841	3.9180	3.4531
Dec.	1	0.4293	3.0861	1.5672	358.25	3.6995	3.9031	3.5247
	7	0.4293	3.0927	1.5756	356.20	3.7000	3.9142	3.5529
	15	0.4293	3.0707	1.5618	361.37	3.7213	3.9171	3.5453
	22	0.4293	3.0742	1.5642	364.00	3.7332	3.9076	3.5469
	29	0.4293	3.0699	1.5639	364.89	3.7463	3.8869	3.5642

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

**TABLE 3.2 MALTESE LIRA EXCHANGE RATES AGAINST  
MAJOR CURRENCIES**

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

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD
2003	0.4261	2.6543	1.6237	307.39	3.5683	4.0806	3.7134
2004	0.4279	2.9061	1.5853	314.19	3.6085	3.9469	3.7801
2005	0.4299	2.8959	1.5910	318.35	3.6015	3.7978	3.5121
2006	0.4293	2.9260	1.5882	340.24	3.6642	3.8828	3.3182
<b>2005</b>							
Jan.	0.4323	3.0375	1.6163	313.64	3.5787	3.9668	3.7166
Feb.	0.4310	3.0233	1.6008	317.03	3.5965	3.8701	3.7441
Mar.	0.4317	3.0590	1.6044	321.60	3.5885	3.8929	3.7222
Apr.	0.4299	3.0101	1.5884	322.99	3.5995	3.8944	3.7178
May	0.4293	2.9564	1.5930	315.30	3.5989	3.8604	3.7147
June	0.4293	2.8337	1.5579	307.93	3.5848	3.6956	3.5206
July	0.4293	2.8055	1.6016	313.98	3.6293	3.7285	3.4338
Aug.	0.4293	2.8623	1.5970	316.96	3.6178	3.7612	3.4541
Sept.	0.4293	2.8532	1.5788	316.88	3.6099	3.7292	3.3657
Oct.	0.4293	2.7997	1.5877	321.52	3.6085	3.7127	3.2952
Nov.	0.4293	2.7471	1.5828	325.25	3.5991	3.7355	3.2487
Dec.	0.4293	2.7631	1.5829	327.09	3.6070	3.7263	3.2118
<b>2006</b>							
Jan.	0.4293	2.8233	1.5983	325.81	3.6082	3.7644	3.2703
Feb.	0.4293	2.7825	1.5913	327.91	3.6302	3.7514	3.1988
Mar.	0.4293	2.7992	1.6047	328.18	3.6541	3.8470	3.2380
Apr.	0.4293	2.8576	1.6178	334.50	3.6687	3.8832	3.2739
May	0.4293	2.9753	1.5916	332.33	3.6253	3.8957	3.3029
June	0.4293	2.9488	1.5987	337.85	3.6330	3.9820	3.2821
July	0.4293	2.9561	1.6026	341.74	3.6538	3.9319	3.3340
Aug.	0.4293	2.9850	1.5774	345.80	3.6744	3.9108	3.3399
Sept.	0.4293	2.9677	1.5726	347.45	3.6891	3.9243	3.3100
Oct.	0.4293	2.9381	1.5674	348.68	3.7039	3.8997	3.3160
Nov.	0.4293	3.0010	1.5699	351.88	3.7089	3.8866	3.4082
Dec.	0.4293	3.0776	1.5665	360.73	3.7210	3.9163	3.5440

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

**TABLE 3.3 BALANCE OF PAYMENTS -  
CURRENT AND CAPITAL ACCOUNTS**

*(transactions)*

*Lm millions*

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit			
2003	975.0	1217.6	520.0	337.2	340.8	350.4	103.9	93.2	-58.7	7.1	0.5
2004 <sup>1</sup>	937.0	1239.2	544.0	359.3	333.0	355.9	120.0	100.4	-120.9	29.9	1.3
2005 <sup>1</sup>	885.3	1274.9	560.6	403.2	416.6	471.8	226.4	103.5	-164.6	71.2	4.4
2006 <sup>1</sup>	988.3	1403.0	623.6	493.4	625.2	657.9	365.2	181.1	-133.1	66.4	1.6
<b>2005</b> <sup>1</sup>											
Mar.	198.2	281.6	98.6	87.7	90.6	102.2	51.9	23.8	-55.9	17.1	0.3
June	220.7	323.9	146.0	100.1	98.5	112.0	52.9	25.2	-43.2	14.4	0.2
Sept.	213.8	307.9	193.9	104.9	101.2	111.8	53.9	22.0	16.1	12.8	0.6
Dec.	252.6	361.4	122.0	110.4	126.2	145.7	67.7	32.4	-81.6	27.0	3.2
<b>2006</b> <sup>1</sup>											
Mar.	220.7	335.5	108.4	100.8	137.9	151.5	90.0	30.1	-60.8	11.5	0.4
June	248.2	370.7	159.2	124.0	146.0	153.4	86.6	35.8	-43.9	12.9	0.3
Sept.	238.7	349.0	209.3	126.7	172.7	186.5	111.5	54.9	15.3	13.9	0.4
Dec.	280.6	348.0	146.6	142.0	168.5	166.4	77.1	60.2	-43.8	28.1	0.5

<sup>1</sup> Provisional.

<sup>2</sup> Figures may not add up due to rounding.

Source: NSO.

**TABLE 3.4 BALANCE OF PAYMENTS -  
FINANCIAL ACCOUNT**  
(transactions)

*Lm millions*

Period	Financial Account <sup>1</sup>										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2003	-207.2	365.1	-591.6	-7.2	-1.8	10.8	-23.0	550.8	-54.7	41.2	10.8
2004 <sup>2</sup>	0.6	138.8	-723.3	1.6	-249.0	242.9	-438.7	1025.4	69.2	67.6	24.8
2005 <sup>2</sup>	8.6	201.2	-929.9	12.7	-383.9	376.0	-969.2	1862.1	-80.6	96.9	0.8
2006 <sup>2</sup>	1.8	573.0	-825.9	-6.0	290.3	-382.9	-1460.8	1973.9	-35.7	127.7	-59.3
<b>2005<sup>2</sup></b>											
Mar.	13.6	49.3	-61.8	6.4	-21.1	15.7	10.0	44.4	35.4	91.8	-52.7
June	13.4	59.6	11.5	-0.2	-23.1	21.4	-247.4	203.6	17.6	56.5	-27.4
Sept.	-19.0	50.2	-243.2	1.1	-72.5	70.1	-1105.5	1367.3	-97.3	-48.7	20.4
Dec.	0.6	42.2	-636.5	5.4	-267.2	268.7	373.7	246.8	-36.3	-2.7	60.5
<b>2006<sup>2</sup></b>											
Mar.	0.0	57.6	-139.6	-4.0	-239.7	246.4	-520.4	622.5	55.8	78.6	-28.9
June	0.0	352.2	-694.7	-6.7	272.4	-367.7	-799.2	1335.0	-71.2	20.0	11.3
Sept.	1.9	68.9	150.3	5.8	56.0	-61.3	-186.0	-35.1	-39.2	-38.6	9.8
Dec.	-0.1	94.3	-141.9	-1.0	201.5	-200.3	44.8	51.4	18.9	67.7	-51.6

<sup>1</sup> A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.

<sup>2</sup> Provisional.

Source: NSO.

**TABLE 3.5 OFFICIAL RESERVE ASSETS***Lm millions*

End of period	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange			Total
				Currency and deposits	Securities other than shares	Other reserve assets <sup>1</sup>	
2003	0.6	15.2	20.5	681.6	225.1	1.6	944.6
2004	0.6	15.3	20.0	399.7	435.5	0.0	871.1
<b>2005</b>							
Jan.	0.6	15.5	20.3	353.0	473.0	-0.4	862.0
Feb.	0.6	15.5	20.1	377.6	446.8	-0.1	860.5
Mar.	0.6	15.6	20.2	342.5	452.2	0.0	831.1
Apr.	0.6	15.6	20.2	295.7	484.6	-0.7	816.0
May	0.6	16.1	20.7	241.2	543.4	-3.8	818.2
June	0.7	16.2	20.8	289.5	495.3	-2.1	820.4
July	0.7	16.1	20.7	315.8	501.6	1.0	855.9
Aug.	0.7	16.3	20.7	293.8	560.3	1.6	893.4
Sept.	0.7	16.4	20.8	287.2	585.3	0.2	910.6
Oct.	0.7	16.4	20.8	325.6	585.2	-1.0	947.7
Nov.	0.8	16.7	20.9	296.6	606.7	-1.9	939.8
Dec.	0.8	16.7	21.0	290.6	609.8	0.8	939.7
<b>2006</b>							
Jan.	1.3	16.5	20.7	239.1	633.2	1.1	911.9
Feb.	1.5	16.9	20.9	244.4	630.0	-1.2	912.5
Mar.	1.5	16.6	20.6	203.4	635.2	1.4	878.7
Apr.	1.6	16.4	20.2	215.2	613.0	2.6	869.0
May	1.0	16.4	20.1	305.7	588.6	3.5	935.3
June	1.0	16.4	20.1	323.4	577.5	1.4	939.8
July	1.8	16.4	20.1	317.4	591.1	-0.2	946.6
Aug.	1.7	16.6	20.0	350.0	579.5	-2.1	965.7
Sept.	1.3	16.8	20.2	376.6	570.9	-1.0	984.8
Oct.	1.3	16.7	20.1	362.7	588.0	-2.7	986.1
Nov.	1.3	16.7	19.8	340.2	587.7	0.4	966.1
Dec.	1.3	16.8	19.8	355.3	569.2	-0.2	962.2

<sup>1</sup> Comprising gains or losses on financial derivatives (net).**TABLE 3.6 INTERNATIONAL INVESTMENT POSITION (IIP)***end of period amounts**Lm millions*

Period	Direct investment		Portfolio investment		Financial derivatives		Other investments		Official reserve assets	IIP (net)
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
2003	316.3	1123.7	2404.3	141.3	1.8	10.8	2491.4	4116.8	944.6	765.7
2004 <sup>1</sup>	337.0	1261.9	3051.9	154.1	255.6	265.1	2876.2	4948.2	871.1	762.3
2005 <sup>1</sup>	329.0	1421.3	4299.9	181.9	653.1	650.2	4053.4	7144.7	939.7	877.0

<sup>1</sup> Provisional.

Source: NSO.



**TABLE 3.7 MALTA'S FOREIGN TRADE***Lm millions*

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2003	928.3	1,281.3	(353.0)
2004 <sup>1</sup>	905.4	1,315.4	(410.0)
2005 <sup>1</sup>	822.9	1,316.8	(493.9)
2006 <sup>1</sup>	935.8	1,436.0	(500.2)
<b>2005<sup>1</sup></b>			
Jan.	59.6	101.6	(42.0)
Feb.	61.5	88.9	(27.4)
Mar.	67.3	101.6	(34.3)
Apr.	67.1	106.1	(39.0)
May	71.9	120.7	(48.8)
June	70.4	104.9	(34.6)
July	64.9	111.1	(46.1)
Aug.	65.2	99.1	(33.9)
Sept.	74.2	106.7	(32.5)
Oct.	72.0	129.2	(57.3)
Nov.	84.5	138.4	(53.3)
Dec.	64.3	108.5	(44.2)
<b>2006<sup>1</sup></b>			
Jan.	72.8	95.7	(22.9)
Feb.	61.5	123.2	(61.7)
Mar.	84.0	129.3	(45.3)
Apr.	75.7	119.7	(44.0)
May	83.1	121.4	(38.3)
June	78.6	132.2	(53.6)
July	72.9	121.9	(49.0)
Aug.	73.2	123.6	(50.4)
Sept.	83.6	111.1	(27.5)
Oct.	84.5	129.0	(44.5)
Nov.	93.4	122.9	(27.4)
Dec.	72.4	105.9	(33.5)

<sup>1</sup> Provisional.

Source: NSO.

**TABLE 3.8 DIRECTION OF TRADE - TOTAL EXPORTS**
*Lm millions*

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	120.2	95.2	31.5	39.0	305.6	109.0	15.7	430.3	255.2	134.2	108.6	928.3
2004 <sup>1</sup>	140.6	97.5	27.0	31.0	296.1	102.9	12.2	411.2	225.5	141.8	126.9	905.4
2005 <sup>1</sup>	121.9	101.0	43.0	39.0	305.0	92.1	33.4	430.5	181.5	113.1	97.8	822.9
2006 <sup>1</sup>	139.9	121.0	34.1	51.2	346.2	88.4	40.7	475.3	262.8	118.3	79.4	935.8
<b>2005<sup>1</sup></b>												
Jan.	11.0	6.7	2.2	3.1	23.0	6.6	2.2	31.9	13.3	8.2	6.2	59.6
Feb.	8.9	7.3	1.7	2.9	20.8	7.6	2.0	30.5	13.8	10.4	7.0	61.5
Mar.	9.6	7.7	2.0	3.9	23.2	9.5	2.3	35.0	13	10.4	8.9	67.3
Apr.	9.9	9.4	2.9	4.0	26.1	7.6	2.2	35.9	12	10.6	8.7	67.1
May	10.7	8.8	3.1	3.9	26.4	9.7	2.7	38.9	13.3	11.0	8.7	71.9
June	10.8	7.3	3.3	2.6	24.1	10.0	2.5	36.5	19.1	9.7	5.0	70.4
July	8.6	9.7	3.4	3.0	24.8	6.8	3.0	34.6	15.6	7.6	7.1	64.9
Aug.	8.9	9.0	2.3	2.4	22.5	7.1	2.7	32.4	16.4	7.5	8.9	65.2
Sept.	11.2	9.3	4.6	3.1	28.2	6.5	3.7	38.4	18.0	9.6	8.3	74.2
Oct.	10.8	9.2	4.5	2.9	27.4	7.2	3.9	38.4	14.8	9.0	9.7	72.0
Nov.	10.9	9.9	10.0	3.6	34.4	7.6	2.7	44.8	17.6	11.3	10.8	84.5
Dec.	10.6	6.8	3.0	3.6	24.0	5.9	3.2	33.2	14.6	7.8	8.7	64.3
<b>2006<sup>1</sup></b>												
Jan.	10.1	8.6	2.2	3.2	24.0	7.3	1.9	33.1	20	12.7	7.0	72.8
Feb.	10.2	8.6	2.4	3.5	24.7	7.6	2.2	34.5	15.6	8.8	2.5	61.5
Mar.	11.6	11.5	3.6	4.0	30.7	6.7	3.1	40.5	27.1	9.9	6.5	84.0
Apr.	12.0	9.3	2.8	4.9	29.1	7.1	3.3	39.5	16.9	10.2	9.2	75.7
May	12.2	10.7	3.7	6.1	32.6	9.4	3.2	45.3	19.7	10.0	8.1	83.1
June	12.1	8.7	3.0	6.3	30.1	8.5	4.7	43.3	19.6	8.5	6.1	78.8
July	11.5	9.9	2.9	4.5	28.7	7.7	4.0	40.4	19.3	7.7	5.5	72.9
Aug.	12.1	9.8	2.4	6.0	30.2	6.4	1.8	37.4	20	8.1	7.7	73.2
Sept.	12.8	12.4	3.0	2.8	31.0	6.8	4.7	42.5	23.4	10.4	7.2	83.6
Oct.	11.7	11.4	3.2	2.9	29.3	7.4	3.8	40.5	25.4	11.9	6.7	84.5
Nov.	12.1	11.6	2.8	2.3	28.8	8.8	5.4	45.0	31.2	10.4	7.8	93.4
Dec.	11.5	8.5	2.1	4.9	27.1	4.7	1.5	33.3	24.6	9.7	5.0	72.4

<sup>1</sup> Provisional.

Source: NSO.

**TABLE 3.9 DIRECTION OF TRADE - TOTAL IMPORTS***Lm millions*

Period	EU (of which):								All others (of which):			Total
	Euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other Euro area	Total							
2003	218.9	101.0	294.4	118.2	732.5	118.6	16.3	867.4	201.7	103.9	108.3	1,281.3
2004 <sup>1</sup>	171.4	116.4	335.9	135.1	758.8	157.4	35.5	951.7	210.2	69.9	83.6	1,315.4
2005 <sup>1</sup>	121.3	106.5	408.4	143.0	779.1	143.7	31.8	954.7	179.4	69.7	113.0	1,316.8
2006 <sup>1</sup>	133.5	110.4	406.2	152.9	803.0	146.1	33.0	982.1	272.2	76.7	105.0	1,436.0
<b>2005<sup>1</sup></b>												
Jan.	10.4	8.6	30.0	10.4	59.3	12.5	2.6	74.4	15	4.2	8.0	101.6
Feb.	7.6	8.4	27.2	8.7	51.9	10.6	1.6	64.1	12.3	4.7	7.8	88.9
Mar.	10.5	9.9	31.0	10.0	61.4	10.5	2.1	74.0	14.8	4.1	8.7	101.6
Apr.	9.3	8.7	29.7	14.6	62.4	10.2	3.0	75.6	14.2	4.4	11.9	106.1
May	12.0	10.2	38.0	13.2	73.4	13.3	4.3	91.0	14.8	5.1	9.8	120.7
June	7.8	9.2	24.2	12.5	53.8	9.6	2.3	65.7	17.4	7.4	14.4	104.9
July	11.5	9.2	32.3	13.5	66.4	14.7	2.7	83.8	15.7	3.0	8.6	111.1
Aug.	11.1	6.9	29.4	12.1	59.6	11.8	1.2	72.6	16	4.7	5.8	99.1
Sept.	11.0	8.9	29.9	11.0	60.8	11.7	2.2	74.8	15.3	4.5	12.2	106.7
Oct.	12.0	8.6	51.5	13.0	85.1	14.3	4.0	103.4	15.1	5.0	5.7	129.2
Nov.	11.1	11.1	46.8	13.3	82.2	13.7	2.4	98.3	14.8	17.8	7.4	138.4
Dec.	7.0	6.8	38.4	10.8	62.9	10.8	3.3	77.0	14	4.8	12.7	108.5
<b>2006<sup>1</sup></b>												
Jan.	4.7	8.2	24.9	9.2	47.1	9.9	2.9	59.8	19.5	5.4	11.0	95.7
Feb.	11.7	11.7	35.5	12.1	70.9	9.6	3.0	83.5	14	13.2	12.5	123.2
Mar.	10.7	9.9	29.3	13.4	63.2	13.1	2.9	79.3	19	7.5	23.6	129.3
Apr.	11.9	8.1	41.4	14.0	75.4	11.5	3.1	90.0	19.4	5.9	4.4	119.7
May	10.2	11.1	34.1	15.8	71.1	12.2	1.7	85.0	22.5	7.3	6.6	121.4
June	11.2	8.2	47.6	14.9	81.9	10.1	4.4	96.3	20.8	6.3	8.8	132.2
July	13.3	9.4	36.8	16.4	75.9	14.7	0.5	91.1	21.6	4.9	4.3	121.9
Aug.	9.9	7.8	32.0	10.7	60.4	13.7	3.1	77.1	35.3	5.7	5.5	123.6
Sep.	12.6	8.6	31.0	11.2	63.4	11.1	2.4	76.9	24.3	5.3	4.6	111.1
Oct.	10.9	9.0	35.7	11.0	66.6	15.3	5.6	87.5	29.1	5.7	6.7	129.0
Nov.	14.1	10.1	26.8	13.5	64.4	15.3	1.1	80.8	27.9	6.7	7.4	122.9
Dec.	12.3	8.3	31.1	10.9	62.6	9.6	2.6	74.8	18.8	3.0	9.4	105.9

<sup>1</sup> Provisional.

Source: NSO.

**TABLE 3.10 TOTAL EXPORTS BY COMMODITY SECTIONS<sup>1,2</sup>***Lm millions*

Period	Food & live animals	Beverages & tobacco	Mineral fuels etc.	Chemicals	Semi-manufactured goods	Machinery & transport	Manufactured articles	Miscellaneous <sup>3</sup>	Total
2003	34.3	16.3	51.7	19.0	48.8	576.7	177.5	4.0	928.3
2004 <sup>1</sup>	30.9	14.2	39.2	23.9	50.6	575.2	167.8	3.6	905.4
2005 <sup>1</sup>	30.4	9.0	9.1	41.0	54.0	513.2	163.5	3.0	822.9
2006 <sup>1</sup>	46.9	8.0	13.1	53.3	49.2	599.0	159.8	5.9	935.8
<b>2005<sup>1</sup></b>									
Jan.	1.4	0.6	0.3	1.5	4.7	38.0	12.9	0.2	59.6
Feb.	2.8	0.9	0.3	1.9	4.0	38.6	12.8	0.1	61.5
Mar.	1.7	0.4	0.4	3.3	4.7	40.5	15.7	0.6	67.3
Apr.	1.5	0.5	0.6	3.6	5.4	41.7	13.8	0.2	67.1
May	3.1	0.6	0.8	1.6	4.8	46.7	14.1	0.3	71.9
June	3.7	0.7	0.8	4.1	4.2	44.5	12.2	0.2	70.4
July	3.7	0.8	1.0	3.5	5.1	36.6	14.0	0.2	64.9
Aug.	2.5	1.1	1.1	5.2	3.9	39.3	12.0	0.1	65.2
Sept.	2.2	1.1	1.3	4.6	5.3	46.8	12.7	0.2	74.2
Oct.	2.2	1.3	1.0	4.3	4.7	42.9	15.3	0.2	72.0
Nov.	3.4	0.6	1.0	4.4	4.2	54.3	16.3	0.3	84.5
Dec.	2.2	0.4	0.5	3.0	3.0	43.3	11.7	0.2	64.3
<b>2006<sup>1</sup></b>									
Jan.	2.1	0.4	0.5	3.8	5.0	48.9	11.7	0.4	72.8
Feb.	0.7	0.5	0.5	2.7	3.2	43.6	9.9	0.3	61.4
Mar.	9.1	0.6	0.6	4.7	4.2	52.2	12.4	0.3	84.0
Apr.	2.7	0.5	0.8	5.1	3.7	52.4	10.2	0.3	75.7
May	4.0	1.3	0.9	5.8	4.5	51.6	14.3	0.7	83.1
June	4.1	0.5	1.0	3.4	4.6	51.6	13.3	0.2	78.6
July	2.0	0.4	1.4	5.6	3.8	46.2	13.1	0.6	72.9
Aug.	2.3	0.6	1.1	4.1	2.8	49.5	12.6	0.1	73.2
Sept.	2.6	1.0	1.2	5.9	5.2	52.7	14.6	1.4	83.6
Oct.	5.0	1.0	0.9	4.8	4.4	52.8	14.8	0.6	84.5
Nov.	9.4	0.9	0.6	4.9	4.4	51.9	20.9	0.4	93.4
Dec.	2.9	0.3	3.6	2.2	3.4	47.6	12.0	0.5	72.4

<sup>1</sup> Provisional.<sup>2</sup> Includes domestic exports and re-exports.<sup>3</sup> Includes crude materials inedible except fuels and animal/vegetable fats & oils.

Source: NSO.

**TABLE 3.11 IMPORTS BY COMMODITY SECTIONS**

*Lm millions*

Period	Food & live animals	Beverages & tobacco	Mineral fuels etc.	Chemicals	Semi-manufactured goods	Machinery & transport equipment	Manufactured articles	Miscellaneous <sup>2</sup>	Total
2003	116.2	24.8	102.1	103.1	145.4	621.3	143.0	25.4	1,281.3
2004 <sup>1</sup>	123.0	22.6	107.5	111.3	147.3	626.1	155.7	21.8	1,315.4
2005 <sup>1</sup>	129.2	17.4	140.8	114.7	145.6	578.6	166.1	24.4	1,316.8
2006 <sup>1</sup>	131.6	16.4	131.1	124.9	145.3	676.8	181.8	28.2	1,436.0
<b>2005<sup>1</sup></b>									
Jan.	8.7	1.0	11.2	8.9	8.9	51.2	9.5	2.2	101.6
Feb.	8.5	1.0	8.9	8.9	11.1	38.4	10.3	1.9	88.9
Mar.	9.4	1.0	5.7	9.5	12.6	47.4	14.3	1.6	101.6
Apr.	9.3	1.2	12.4	9.2	12.2	45.9	14.3	1.6	106.1
May	11.9	2.3	10.7	10.5	15.0	52.7	15.5	2.1	120.7
June	11.8	1.2	9.0	9.7	11.5	46.5	13.6	1.6	104.9
July	11.3	2.2	13.1	10.9	13.2	45.2	13.1	2.1	111.1
Aug.	11.4	1.8	5.4	9.8	11.0	45.0	12.2	2.6	99.1
Sept.	10.2	1.5	11.6	9.4	11.9	44.9	15.4	2.0	106.7
Oct.	12.7	1.5	16.5	9.4	13.4	55.6	18.1	2.0	129.2
Nov.	13.3	1.3	16.1	10.2	13.1	63.9	17.9	2.5	138.4
Dec.	10.6	1.4	20.4	8.2	11.8	41.9	11.9	2.2	108.5
<b>2006<sup>1</sup></b>									
Jan.	8.5	1.0	7.5	10.5	10.2	43.7	12.1	2.0	95.7
Feb.	8.8	0.8	16.6	9.2	10.7	60.6	14.0	2.5	123.2
Mar.	10.5	1.2	4.8	10.1	14.0	67.9	18.7	1.9	129.3
Apr.	9.3	1.1	16.2	10.6	11.0	53.7	15.4	2.2	119.7
May	11.4	1.8	3.2	11.5	14.4	55.1	21.2	2.6	121.4
June	12.9	2.1	22.0	10.3	13.9	54.7	14.0	1.9	132.2
July	11.0	1.8	12.2	10.7	11.5	56.1	14.7	2.9	121.9
Aug.	9.6	1.4	9.6	10.2	9.7	67.7	13.1	3.0	123.6
Sept.	11.0	1.4	9.9	10.0	10.2	53.0	13.3	2.5	111.1
Oct.	11.8	1.5	15.2	11.8	13.1	56.7	16.5	2.4	129.0
Nov.	13.5	1.4	4.7	10.3	14.0	62.7	14.2	2.1	122.9
Dec.	13.2	0.9	10.3	9.1	11.8	45.8	12.8	2.1	105.9

<sup>1</sup> Provisional.

<sup>2</sup> Includes crude materials inedible except fuels and animal/vegetable fats & oils.

Source: NSO.

**TABLE 4.1a GROSS DOMESTIC PRODUCT, GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS<sup>1</sup>**  
*at current market prices*

*Lm millions*

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net		
2003	1,184.8	396.5	359.0	-33.8	1,906.4	1,486.0	1,538.8	-52.8	1,853.5	1,848.6
2004	1,236.5	414.0	364.7	-43.0	1,972.2	1,524.7	1,608.5	-83.8	1,888.4	1,860.8
2005	1,295.5	419.1	401.8	27.8	2,144.2	1,534.5	1,688.3	-153.7	1,990.5	1,923.3
2006	1,356.4	443.2	411.8	4.0	2,215.3	1,735.7	1,851.5	-115.8	2,099.6	2,072.6
<b>2005</b>										
Mar.	301.1	99.8	86.3	18.0	505.2	318.8	373.7	-54.9	450.2	435.5
June	318.0	108.1	109.2	0.9	536.1	386.8	424.9	-38.1	498.0	482.1
Sept.	327.1	104.6	94.8	-11.3	515.2	431.8	417.5	14.3	529.4	515.6
Dec.	349.3	106.7	111.5	20.2	587.8	397.1	472.1	-75.0	512.8	490.1
<b>2006</b>										
Mar.	314.7	107.9	111.2	9.3	543.1	362.6	428.1	-65.4	477.6	465.4
June	333.7	108.8	96.2	34.9	573.6	434.7	482.8	-48.1	525.6	518.3
Sept.	341.2	111.1	99.7	-12.1	539.8	480.2	462.7	17.5	557.3	546.0
Dec.	366.8	115.4	104.8	-28.1	558.8	458.2	477.9	-19.7	539.1	542.9

<sup>1</sup> Provisional.

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

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

Source: NSO.

**TABLE 4.1b GROSS DOMESTIC PRODUCT AND EXPENDITURE COMPONENTS<sup>1</sup>**  
*at constant 2000 prices*

*Lm millions*

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption <sup>2</sup>	General government consumption	Gross fixed capital formation	Changes in inventories <sup>3</sup>	Total	Exports of goods and services	Imports of goods and services	Net	
2003	1,126.7	349.0	331.5	-31.3	1,775.9	1,579.0	1,677.4	-98.4	1,677.6
2004	1,148.1	353.7	333.8	-39.0	1,796.6	1,655.8	1,767.6	-111.8	1,684.8
2005	1,172.9	352.1	362.1	25.4	1,912.5	1,612.8	1,790.5	-177.7	1,734.8
2006	1,203.6	365.8	358.5	3.3	1,931.2	1,635.1	1,782.0	-146.9	1,784.3
<b>2005</b>									
Mar.	276.2	85.3	77.8	16.5	455.8	345.3	400.5	-55.2	400.6
June	287.1	90.4	98.4	0.8	476.7	412.7	458.9	-46.2	430.5
Sept.	299.3	87.5	85.4	-10.4	461.8	428.9	438.7	-9.7	452.1
Dec.	310.3	88.9	100.5	18.5	518.2	425.9	492.5	-66.6	451.6
<b>2006</b>									
Mar.	283.0	89.5	97.3	8.6	478.4	344.4	410.3	-65.9	412.5
June.	293.1	89.4	83.0	30.5	496.0	419.6	473.8	-54.2	441.8
Sept.	303.2	91.4	85.7	-10.6	469.7	440.4	445.8	-5.4	464.3
Dec.	324.3	95.4	92.5	-25.2	487.1	430.7	452.1	-21.4	465.7

<sup>1</sup> Provisional.

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

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

Source: NSO.

**TABLE 4.2 TOURIST DEPARTURES BY NATIONALITY<sup>1</sup>**
*Thousands*

Period	EU (of which):								All others (of which):				Total
	Euro area (of which):					UK	Other EU	Total	Russia	USA	Others	Total	
	France	Germany	Italy	Other Euro area	Total								
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	16.6	18.1	110.2	145.0	1,170.6
2006	73.4	125.8	112.5	151.1	462.9	431.3	79.3	973.5	21.8	17.0	112.0	150.7	1,124.2
<b>2005</b>													
Jan.	1.7	6.5	6.2	3.8	18.2	22.2	2.8	43.2	0.8	1.1	8.0	9.9	53.1
Feb.	2.8	5.5	3.1	3.5	15.0	21.9	1.9	38.8	0.4	0.5	4.8	5.6	44.4
Mar.	3.2	8.9	5.7	8.2	26.0	32.9	4.0	62.8	0.3	0.9	7.3	8.4	71.3
Apr.	11.0	11.7	6.6	11.5	40.8	31.8	6.1	78.7	0.3	1.3	8.0	9.6	88.3
May	12.1	16.7	5.7	16.4	51.0	41.9	6.5	99.4	0.8	2.2	10.1	13.1	112.6
June	6.3	11.3	6.5	14.5	38.5	52.2	7.3	98.0	3.3	2.8	9.9	16.0	113.9
July	12.4	12.3	11.4	21.4	57.5	47.4	12.0	116.9	3.0	2.6	13.2	18.8	135.8
Aug.	12.8	13.2	26.9	25.0	77.9	71.6	10.2	159.7	3.9	1.9	12.8	18.6	178.3
Sep.	8.2	17.2	8.3	16.8	50.4	60.0	10.0	120.3	1.3	1.5	10.4	13.3	133.6
Oct.	7.9	18.4	5.9	17.6	49.9	53.9	10.3	114.0	1.3	1.5	12.6	15.3	129.3
Nov.	1.9	10.2	3.7	7.8	23.6	30.8	5.2	59.6	0.9	1.3	7.8	10.0	69.7
Dec.	2.2	6.3	2.5	5.3	16.2	16.0	1.9	34.0	0.4	0.7	5.3	6.4	40.4
<b>2006</b>													
Jan.	2.9	4.6	5.0	4.1	16.6	23.3	2.3	42.2	0.5	0.8	7.0	8.3	50.5
Feb.	2.5	6.8	3.3	3.9	16.5	23.8	1.1	41.5	0.4	0.7	4.7	5.8	47.3
Mar.	3.0	9.6	4.4	7.0	24.1	28.4	2.3	54.8	0.4	1.3	7.8	9.6	64.3
Apr.	8.5	12.9	12.1	13.4	46.8	36.3	5.0	88.1	0.7	1.4	7.6	9.7	97.8
May	10.7	10.2	6.5	17.4	44.8	38.6	7.3	90.7	1.3	1.6	9.1	12.0	102.7
June	7.6	14.0	8.2	14.5	44.3	43.7	8.2	96.1	2.0	1.9	9.0	12.9	109.0
July	9.4	10.2	14.5	19.5	53.7	41.5	13.1	108.3	5.1	2.6	15.8	23.5	131.8
Aug.	12.2	11.4	31.0	21.9	76.6	56.4	11.0	143.9	5.2	1.2	13.9	20.4	164.3
Sep.	5.3	14.4	10.9	19.4	50.0	45.1	10.8	105.8	2.7	1.6	11.8	16.1	122.0
Oct.	5.8	14.8	6.0	16.0	42.7	46.8	10.6	100.2	1.7	1.6	12.9	16.2	116.4
Nov.	3.8	10.8	5.6	8.4	28.5	27.6	5.6	61.7	1.4	1.5	6.9	9.8	71.5
Dec.	1.6	6.1	5.0	5.5	18.3	19.7	2.0	40.0	0.4	0.6	5.4	6.5	46.5

<sup>1</sup> Based on the NSO's inbound tourism survey. Data refer to tourist departures by air and sea. Annual figures are not available prior to 2005.

Data are not normally subject to revision.

Source: NSO.



**TABLE 4.3 LABOUR MARKET INDICATORS  
BASED ON ADMINISTRATIVE RECORDS**

*Thousands*

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>3</sup>	Number	% <sup>4</sup>
2003	103.9	41.7	145.7	97.7	40.1	137.8	6.3	6.0	1.6	3.8	7.8	5.4
2004	103.6	42.0	145.7	97.0	40.4	137.4	6.6	6.4	1.7	3.9	8.3	5.7
2005 <sup>5</sup>	103.2	42.7	145.9	97.4	41.1	138.4	5.8	5.7	1.6	3.7	7.4	5.1
<b>2005<sup>5</sup></b>												
Jan.	103.5	42.3	145.7	96.9	40.6	137.6	6.5	6.3	1.7	3.9	8.2	5.6
Feb.	103.3	42.3	145.6	96.9	40.6	137.5	6.4	6.2	1.7	4.0	8.1	5.6
Mar.	103.2	42.3	145.5	96.8	40.6	137.5	6.4	6.2	1.7	3.9	8.0	5.5
Apr.	103.1	42.2	145.3	97.0	40.6	137.6	6.1	6.0	1.6	3.7	7.7	5.3
May	103.1	42.3	145.4	97.4	40.8	138.2	5.8	5.6	1.5	3.5	7.2	5.0
June	103.2	42.6	145.7	97.7	41.1	138.8	5.5	5.3	1.4	3.4	6.9	4.8
July	103.6	43.0	146.6	98.1	41.5	139.5	5.5	5.3	1.6	3.7	7.1	4.8
Aug.	103.4	43.0	146.4	97.8	41.4	139.2	5.6	5.4	1.6	3.7	7.2	4.9
Sept.	103.7	43.2	146.9	98.1	41.5	139.7	5.6	5.4	1.6	3.8	7.2	4.9
Oct.	103.0	43.0	146.0	97.5	41.4	138.9	5.5	5.4	1.6	3.7	7.1	4.9
Nov.	103.0	43.1	146.0	97.4	41.5	138.9	5.6	5.4	1.6	3.8	7.2	4.9
Dec.	102.4	42.9	145.3	96.7	41.3	137.9	5.7	5.6	1.7	3.9	7.4	5.1
<b>2006<sup>5</sup></b>												
Jan.	102.4	43.0	145.5	96.5	41.3	137.8	5.9	5.8	1.8	4.1	7.7	5.3
Feb.	102.5	43.1	145.6	96.6	41.3	138.0	5.9	5.7	1.8	4.2	7.7	5.3
Mar.	102.6	43.2	145.8	96.7	41.4	138.1	5.9	5.8	1.8	4.1	7.7	5.3
Apr.	102.7	43.2	145.9	96.9	41.5	138.3	5.8	5.7	1.7	4.0	7.5	5.2
May	102.7	43.3	145.9	97.1	41.7	138.8	5.6	5.4	1.6	3.7	7.1	4.9
June	103.0	43.5	146.5	97.5	42.0	139.4	5.5	5.4	1.5	3.6	7.1	4.8
July	103.1	43.9	147.0	97.7	42.3	139.9	5.4	5.3	1.7	3.8	7.1	4.8
Aug.	102.9	43.9	146.8	97.4	42.2	139.6	5.5	5.3	1.7	3.9	7.2	4.9
Sept.	102.9	43.9	146.8	97.4	42.2	139.6	5.5	5.3	1.7	3.9	7.2	4.9
Oct.	102.5	44.0	146.5	97.0	42.3	139.3	5.5	5.4	1.7	3.8	7.2	4.9
Nov.	102.6	44.1	146.8	97.0	42.4	139.5	5.6	5.5	1.7	3.9	7.3	5.0

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

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

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

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

<sup>5</sup> Provisional.

Source: ETC.

**TABLE 4.4 LABOUR MARKET INDICATORS BASED ON  
THE LABOUR FORCE SURVEY**

*Thousands*

Period <sup>1</sup>	Labour supply			Gainfully occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Number	% <sup>2</sup>	Number	% <sup>3</sup>	Number	% <sup>4</sup>
2003	110.1	49.9	159.9	102.3	45.5	147.8	7.8	7.1	4.3	8.7	12.1	7.6
2004	110.4	48.9	159.3	103.3	44.5	147.9	7.1	6.4	4.4	9.0	11.5	7.2
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.4	4.7	8.9	11.9	7.2
<b>2006</b>												
Mar.	113.2	50.6	163.8	105.3	45.8	151.0	7.9	7.0	4.8	9.5	12.7	7.8
June	111.4	53.3	164.7	104.1	47.8	152.0	7.2	6.5	5.5	10.3	12.7	7.7
Sept.	110.5	54.3	164.8	103.8	49.9	153.7	6.7	6.1	4.4	8.1	11.1	6.8
Dec.	111.1	52.7	163.8	104.1	48.6	152.7	6.9	6.2	4.1	7.8	11.0	6.7

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

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

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

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

Source: NSO.

**TABLE 4.5 PROPERTY PRICES INDEX BASED ON  
ADVERTISED PRICES**

*(base 2000 = 100)*

Period	Total	Apartments	Maisonettes	Terraced Houses	Others <sup>1</sup>
2003	129.3	128.2	128.0	130.5	122.8
2004	155.6	157.0	155.4	151.1	153.8
2005	170.9	173.7	176.7	188.9	160.3
2006	177.0	178.3	187.0	196.2	175.0
<b>2005</b>					
Mar.	167.9	176.5	171.8	192.5	145.3
June	169.0	163.5	176.3	182.8	170.0
Sept.	172.2	178.0	172.1	190.9	164.9
Dec.	174.6	176.6	186.6	189.3	160.9
<b>2006</b>					
Mar.	174.8	174.9	189.4	194.1	177.0
June	181.5	180.7	187.2	194.1	185.6
Sept.	175.3	179.3	186.3	194.1	168.8
Dec.	176.2	178.4	185.3	202.2	168.6

<sup>1</sup> Consists of town houses, houses of character and villas.

Source: *CBM estimates.*

**TABLE 4.6 DEVELOPMENT PERMITS FOR COMMERCIAL, SOCIAL AND OTHER PURPOSES<sup>1</sup>**

Period	Commercial and Social								Other permits <sup>5</sup>	Total permits
	Agriculture	Manufacturing <sup>2</sup>	Warehousing, retail & offices <sup>3</sup>	Hotels & tourism related	Restaurants & bars	Social <sup>4</sup>	Parking	Total		
2003	242	26	181	15	24	91	134	713	2,685	3,398
2004	261	31	192	8	25	49	105	671	2,583	3,254
2005	293	33	217	16	25	43	103	730	2,980	3,710
2006	267	38	169	9	26	30	84	623	3,129	3,752

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

<sup>2</sup> Includes quarrying.

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

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

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

Source: Malta Environment & Planning Authority.

**TABLE 4.7 DEVELOPMENT PERMITS FOR DWELLINGS, BY TYPE<sup>1</sup>**

Period	Number of permits <sup>2</sup>			Number of units <sup>3</sup>				
	New dwellings <sup>4</sup>	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2003	1,321	517	1,838	4,548	1,085	414	81	6,128
2004	1,378	435	1,813	5,265	966	353	123	6,707
2005	1,852	570	2,422	7,539	1,058	363	121	9,081
2006	2,502	492	2,994	8,961	932	375	141	10,409

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

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

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

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

Source: Malta Environment & Planning Authority.

**TABLE 4.8 INFLATION RATES MEASURED BY THE  
RETAIL PRICES INDEX<sup>1</sup>**

*(base 1946 = 100)*

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
1946	100.00	-	<i>(continued)</i>		
1947	104.90	4.90	1976	256.20	0.56
1948	113.90	8.58	1977	281.84	10.01
1949	109.70	-3.69	1978	295.14	4.72
1950	116.90	6.56	1979	316.21	7.14
1951	130.10	11.29	1980	366.06	15.76
1952	140.30	7.84	1981	408.16	11.50
1953	139.10	-0.86	1982	431.83	5.80
1954	141.20	1.51	1983	428.06	-0.87
1955	138.80	-1.70	1984	426.18	-0.44
1956	142.00	2.31	1985	425.17	-0.24
1957	145.70	2.61	1986	433.67	2.00
1958	148.30	1.78	1987	435.47	0.42
1959	151.10	1.89	1988	439.62	0.95
1960	158.80	5.10	1989	443.39	0.86
1961	164.84	3.80	1990	456.61	2.98
1962	165.16	0.19	1991	468.21	2.54
1963	168.18	1.83	1992	475.89	1.64
1964	172.00	2.27	1993	495.59	4.14
1965	174.70	1.57	1994	516.06	4.13
1966	175.65	0.54	1995	536.61	3.98
1967	176.76	0.63	1996	549.95	2.49
1968	180.42	2.07	1997 <sup>2</sup>	567.95	3.27
1969	184.71	2.38	1998	580.61	2.23
1970	191.55	3.70	1999	593.00	2.13
1971	196.00	2.32	2000	607.07	2.37
1972	202.52	3.33	2001	624.85	2.93
1973	218.26	7.77	2002	638.54	2.19
1974	234.16	7.28	2003	646.84	1.30
1975	254.77	8.80	2004	664.88	2.79
			2005	684.88	3.01
			2006	703.88	2.77

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

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

**TABLE 4.9 MAIN CATEGORIES OF RETAIL PRICES INDEX**  
(base December 2002 = 100)

Period	All Items Index	12-month moving average rates of change (%) <sup>1</sup>										
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & Comm.	Personal care & health	Recreation & culture	Other goods & services
2003	100.7	1.3	2.3	2.7	-6.4	2.2	0.0	-1.0	2.6	3.3	0.4	4.2
2004	103.6	2.8	0.2	9.2	-2.5	3.8	1.3	2.2	4.0	5.1	1.2	8.0
2005	106.7	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	109.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
<b>2005</b>												
Jan.	104.7	2.7	-0.1	8.6	-2.6	3.8	2.8	2.3	4.3	5.0	1.3	7.5
Feb.	105.3	2.8	-0.1	7.9	-2.5	3.8	4.3	2.3	4.5	4.7	1.3	7.1
Mar.	105.8	2.8	-0.1	7.1	-2.0	4.1	5.8	2.3	4.8	4.5	1.4	6.7
Apr.	106.3	2.8	-0.1	6.4	-1.9	4.2	7.3	2.3	4.9	4.2	1.5	6.1
May	106.7	2.9	0.2	5.8	-1.9	4.4	8.8	2.3	5.1	4.1	1.4	5.5
June	106.7	2.9	0.6	5.2	-2.0	4.7	10.3	2.4	5.0	4.1	1.4	4.9
July	105.8	2.8	0.5	4.6	-2.8	4.9	11.8	2.4	4.6	4.0	1.4	4.5
Aug.	105.8	2.7	0.6	4.1	-2.6	5.2	13.2	2.5	4.3	3.9	1.3	4.2
Sept.	106.6	2.8	0.9	3.6	-1.9	5.2	14.6	2.5	4.1	3.8	1.2	3.9
Oct.	108.4	2.9	1.5	3.0	-1.2	5.1	16.1	2.3	4.0	3.7	1.1	3.6
Nov.	109.0	2.9	1.6	2.5	-0.7	5.1	19.6	2.2	3.9	3.6	1.1	3.2
Dec.	109.0	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
<b>2006</b>												
Jan.	107.1	3.0	1.8	2.3	-0.7	5.1	23.3	2.2	3.7	3.6	0.9	2.8
Feb.	107.7	2.9	1.6	2.3	-0.7	5.2	23.6	2.2	3.7	3.5	0.8	2.8
Mar.	109.1	2.9	1.7	2.4	-0.8	4.9	25.3	2.2	3.6	3.5	0.6	2.6
Apr.	110.3	3.0	1.8	2.4	-0.9	4.7	26.9	2.2	3.7	3.4	0.5	2.6
May	110.9	3.0	1.7	2.5	-0.8	4.6	28.2	2.2	3.9	3.4	0.4	2.6
June	110.5	3.1	1.5	2.6	-0.6	4.6	29.6	2.1	4.2	3.3	0.3	2.6
July	110.0	3.3	1.7	2.5	0.4	4.6	30.8	2.0	4.5	3.4	0.2	2.6
Aug.	109.5	3.4	1.7	2.5	0.8	4.6	31.9	1.9	4.6	3.3	0.1	2.5
Sept.	110.2	3.4	1.8	2.4	0.3	4.6	33.2	1.8	4.8	3.3	0.0	2.5
Oct.	110.6	3.3	1.7	2.4	-0.6	4.7	34.2	1.7	4.5	3.2	0.0	2.4
Nov.	109.9	3.0	1.8	2.3	-1.3	4.7	30.0	1.6	3.9	3.1	-0.1	2.4
Dec.	109.9	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3

<sup>1</sup> 12-month moving average rates of change in the RPI sub-indices were compiled by the CBM.

Source: NSO.

**TABLE 4.10 MAIN CATEGORIES OF HARMONISED INDEX OF CONSUMER PRICES**  
(base 2005=100)

Period	12-month moving average rates of change (%)													
	All Items Index	All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Communications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2003	94.9	1.9	2.0	1.2	-6.8	1.9	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004	97.5	2.7	-0.3	13.0	-2.5	2.8	2.8	6.9	4.0	10.2	0.2	3.0	2.6	5.8
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
<b>2005</b>														
Jan.	96.1	2.6	-0.7	11.9	-2.6	3.2	2.9	6.8	4.1	11.8	0.4	2.7	2.4	5.5
Feb.	96.7	2.7	-0.6	10.8	-2.4	3.6	2.9	6.4	4.1	13.7	0.6	2.4	2.2	5.2
Mar.	97.1	2.7	-0.6	9.7	-2.0	4.2	2.9	6.1	4.2	15.5	0.8	2.1	2.0	5.0
Apr.	100.7	2.6	-0.5	8.7	-1.9	4.7	2.8	5.7	4.2	17.1	1.0	1.9	1.3	4.6
May	101.3	2.5	-0.1	7.6	-1.9	5.2	2.7	5.9	4.2	18.6	1.1	1.7	0.6	4.3
June	101.3	2.4	0.3	6.6	-2.0	5.8	2.7	6.0	4.2	17.3	1.2	1.6	-0.1	3.9
July	101.4	2.3	0.3	5.7	-2.8	6.4	2.8	5.8	3.8	16.0	1.3	1.5	-0.1	3.7
Aug.	101.7	2.3	0.2	4.7	-2.6	7.0	2.8	5.7	3.6	14.8	1.5	1.4	0.2	3.6
Sept.	101.7	2.2	0.6	3.7	-1.9	7.3	2.7	5.6	3.4	13.6	1.6	1.2	-0.4	3.5
Oct.	102.6	2.2	1.3	2.8	-1.2	7.7	2.6	5.5	3.4	12.4	1.8	1.4	-0.9	3.3
Nov.	99.8	2.4	1.5	1.9	-0.7	8.5	2.5	5.4	3.5	11.2	1.8	1.5	-0.2	3.1
Dec.	99.9	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
<b>2006</b>														
Jan.	98.3	2.6	1.9	1.7	-0.7	9.5	2.4	5.4	3.6	8.8	1.8	1.7	0.2	2.9
Feb.	98.9	2.6	1.6	1.6	-0.8	9.6	2.4	5.2	3.8	7.1	1.7	1.9	0.5	2.9
Mar.	100.0	2.6	1.7	1.5	-0.8	9.8	2.5	5.0	3.9	5.4	1.5	2.0	0.7	2.9
Apr.	104.2	2.7	1.9	1.4	-0.9	10.2	2.5	4.9	4.2	3.9	1.5	2.0	1.1	2.9
May	104.8	2.8	1.7	1.4	-0.8	10.5	2.5	4.7	4.6	2.4	1.5	2.1	1.5	3.0
June	104.6	2.9	1.5	1.3	-0.6	10.8	2.5	4.6	5.0	2.1	1.4	2.2	1.8	3.0
July	105.0	3.1	1.7	1.2	0.4	11.2	2.4	4.6	5.4	1.8	1.2	2.2	1.8	3.1
Aug.	104.7	3.1	1.9	1.1	0.8	11.5	2.3	4.6	5.7	1.5	0.9	2.3	1.6	3.0
Sept.	104.9	3.2	2.0	1.0	0.3	11.9	2.2	4.5	6.0	1.2	0.6	2.4	2.0	3.0
Oct.	104.3	3.1	1.8	0.9	-0.6	12.3	2.2	4.4	5.7	0.9	0.4	2.4	2.2	2.9
Nov.	100.7	2.8	2.0	0.7	-1.2	11.4	2.1	4.2	4.9	0.7	0.3	2.5	1.9	2.9
Dec.	100.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8

Source: NSO, Eurostat.

# GENERAL NOTES

## PART 1 MONETARY, BANKING, FINANCIAL MARKETS AND INVESTMENT FUNDS

### **Institutional balance sheets**

The balance sheets published in Tables 1.1 and 1.2 are based on accounting principles. Consequently, the data in these tables might differ from those shown in other tables compiled according to statistical concepts and methodologies.

### **General monetary statistical standards**

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

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

Monetary data are based on the classification of transactions by the residence of the transactor, who may either be a resident or a non-resident of Malta. A transactor is an economic entity that is capable in its own right of owning assets, incurring liabilities and engaging in economic activities with other entities. The internationally agreed residence criterion for the purposes of statistical compilation is based on the transactor's 'centre of economic interest'.

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

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

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

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



- (a) Monetary financial institutions (MFIs)
- (b) Other financial intermediaries and financial auxiliaries
- (c) Insurance companies and pension funds
- (d) General government
- (e) Non-financial companies
- (f) Households and non-profit institutions (NPISH)

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

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

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

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

- (b) **Other financial intermediaries and financial auxiliaries:**

Other financial intermediaries are non-monetary financial companies (excluding insurance companies and pension funds) principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than MFIs. The principal activities of these institutions may include one or more of the following: long-term financing, financial leasing, factoring, security and derivative dealing, receiving deposits and/or close substitutes for deposits from MFIs only, and managing investment trusts, unit trusts and other collective investment schemes.

Financial auxiliaries are companies that are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediaries themselves. The following are examples of companies classified in this sector: insurance, loan and securities brokers, investment advisers, flotation companies that manage issues of securities, central supervisory authorities of financial intermediaries and financial markets when these are separate institutional units, managers of pension funds and mutual funds and companies providing stock exchange and insurance exchange services.

(c) **Insurance companies and pension funds:**

This sector comprises non-monetary financial companies principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance companies consist of incorporated mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or groups of units.

Pension funds included in this sector are those that are constituted as separate from the units that created them. They are established for the purpose of providing retirement benefits for specific groups of employees. They have their own assets and liabilities, and they engage in financial transactions on their own account. These funds are organised and directed by individual private or government employers, or jointly by individual employers and their employees, and towards which the employees and/or employers make regular contributions.

(d) **General government:**

General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. This is sub-divided into:

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

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

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

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

This sector comprises companies not engaged in any form of financial intermediation but engaged principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities, which are subdivided into:

i. **Public non-financial companies**, i.e. companies that are subject to control by government units.

Control over a company is defined as the ability to determine general corporate policy by choosing appropriate directors or by owning more than half of the voting shares or otherwise controlling more than half of the shareholders' voting power. In addition, the government may secure control over a company or corporation by a special decree or regulation that enables it to determine corporate policy or to appoint the directors. These state-owned non-financial companies are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services to the market, and/or to be charging economically-significant prices, and/or more than 50% of their production costs are covered by their sales.

ii. **Private non-financial companies**, i.e. companies that are controlled by non-government units, whether resident or non-resident.

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

This sector comprises individuals or groups of individuals that are consumers and producers of goods and non-financial services exclusively intended for their own final consumption. It includes non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households and market-producing co-operatives, partnerships and sole proprietorships that are not recognised as independent legal entities.

### **Classification of economic activities**

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

### **Measures of money**

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

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

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

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

with the non-bank sector and the banks' issues of debt securities, all with an agreed maturity of up to and including two years.

### **The Monetary Base**

**The monetary base (M0)** is defined as currency in issue together with the OMFIs' deposits with the Central Bank of Malta. Currency in issue comprises both currency in circulation and holdings of national currency by the banks. OMFIs' deposits with the Central Bank of Malta exclude term deposits.

### **Compilation and valuation principles**

Monetary statistics are based on a consolidation of the monthly financial statements provided by the local OMFIs and the Central Bank of Malta. The OMFIs must submit data to the Central Bank not later than twelve calendar days following the end of the reporting month or quarter. Branches and subsidiaries of OMFIs operating in Malta but whose head offices/parent companies are located abroad are also obliged to submit similar data. The reporting institutions compile monthly financial information in line with international accounting norms as established by the International Accounting Standards Committee. In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank.

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

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

### **Release of monetary statistics**

Monthly provisional consolidated monetary statistics are posted on the Central Bank of Malta's website generally by the end of the month following the reference month. Such monetary statistics are considered provisional since the Central Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting

procedures. Subsequently, such provisional monetary data, together with related analytical information, are released to the press through the Bank's monthly '*Statistical Release on Monetary Aggregates and their Counterparts*' and, in more detail, in the Central Bank of Malta's *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. When major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

### **Financial market indicators**

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

The weighted average deposit rates on current, savings and time deposits refer to the interest rates applicable on resident Maltese lira deposits only. These rates are calculated by multiplying each amount by the different rates on each type of deposit and dividing by the total amount of each type of deposit. The weighted average rate on time deposits is calculated on all time deposits. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents in local currency by the interest rate applied thereto and dividing by the total amount.

The primary market Treasury bill rates are the weighted averages of the rates attached to the bills that are taken up by bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign implies that no transactions occurred during the reference period. Meanwhile, the secondary market yields represent the wholesale selling rates quoted by the Central Bank of Malta at the end of the reference period for amounts of Lm50,000 or over in each respective tenor. Interest rates on Malta Government long-term debt securities represent average International Securities Market Association (ISMA) redemption yields on applicable stocks with the periods specified referring to the remaining term to maturity. ISMA yields are quoted on the basis of an annual compounding period, irrespective of how many coupon periods per annum the stock has.

The Malta Stock Exchange (MSE) share index is calculated real-time during each trading day. It is based on the last closing trade prices of the shares of all eligible companies and weighted by their current market capitalisation. The index has a base of 1,000 initiating on 27 December 1995.

### **Investment funds**

The investment funds sector consists of the collective investments schemes licensed by the MFSA that have a centre of economic interest in Malta, other than professional investor funds and money market funds. The balance sheet is aggregated and therefore includes, among the assets and liabilities, holdings by investment funds of shares/units issued by other investment funds.

## **PART 2 GOVERNMENT FINANCE**

Tables in this section show the general government fiscal position compiled on the basis of ESA 95 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays. The table showing the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. It is mainly explained by government transactions in financial assets, such as through privatization receipts or the utilization of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government, which mainly relate to the non-financial public sector companies. Government guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank of Malta on behalf of government - which loans already feature in the calculation of government external debt. They also include guarantees on loans taken by, or granted by, the extra-budgetary units.

The methodology underlying the compilation of data on the external loans of general government is generally consistent with the standards of the World Bank's Debtor Reporting System (DRS). Data refer to external loans with an original maturity of one year and over. Debt is recognised when disbursement of funds is effected. Data are converted to Maltese liri using end-of-period exchange rates.

## **PART 3 EXCHANGE RATES, EXTERNAL TRANSACTIONS AND POSITIONS**

Exchange rates statistics show the end-of-period and average exchange rates of the Maltese lira against other currencies. The Maltese lira average exchange rates are calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics are generally in line with the IMF Balance of Payments Manual (BPM05). The conventions of the system are also in line with the IMF manual. Credit entries are recorded for e.g. exports, income receivable and financial items, reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable and financial items, reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis non-residents of Malta and are, in most cases, valued at current market prices.

The official reserve assets concept is also in line with the IMF's Balance of Payments Manual (BPM05). Official reserve assets refer to the country's international reserves, which are those external assets that

are readily available to, and controlled by, the monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitudes of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes.

#### **PART 4 REAL ECONOMY**

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 95 standards except for the labour market indicators, which are based on the ETC's administrative records, and the RPI. Data on development permits are sourced from the Malta Environment and Planning Authority (MEPA).

Labour market statistics comprise those compiled on the basis of the NSO's Labour Force Survey (LFS) and the ETC's administrative records. The LFS is based on a random sample of private households using concepts and definitions outlined by Eurostat according to methodologies established by the International Labour Organisation (ILO). As from March 2004, data are based on a weekly survey carried out throughout the reference quarter, whereas from June 2005 data are weighted using a new procedure and are, thus, not strictly comparable with figures prior to this period. The labour market data based on the administrative records of the ETC represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with the ETC itself. ETC data on unemployment are based on the number of persons registering for work under Part 1 and Part 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2000/1. On the other hand, the HICP covers all household final consumption expenditure irrespective of nationality or residence status. Consequently, the HICP uses weights that cover not only private and institutional household expenditure but also tourism expenditure in Malta. The differences in these weighting schemes account significantly for the monthly disparities in the RPI and the HICP.

The sources of data used in the compilation of the Central Bank's property prices index are the properties advertised for sale in all localities in Malta and Gozo in the property section of a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month within the quarter. The property types include flats and maisonettes, both in shell and in finished form, together with terraced houses, townhouses, houses of character and villas. Indices for each property type are derived on the basis of median prices weighted by the number of observations in each property category. The overall index is a Fischer chained index, calculated as the square root of the product of the chained Laspeyres and the chained Paasche indices. Annual data are derived as an average of the quarterly indices. Prices of commercial properties are excluded from the index.