

# Central Bank of Malta



## Quarterly Review

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Notes: The cut-off date for information published in the Economic Survey is September 30, 2002.

For figures published in the Statistical Tables, the cut-off date is September 30, 2002, except for the GDP figures (Table 5.1), which were published on October 2, 2002.

Figures in Tables may not add up due to rounding.



# ECONOMIC SURVEY

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## 1. FOREWORD

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The Central Bank left the central intervention rate and the discount rate unchanged at 4% both during the second quarter of 2002 and throughout the third quarter. The Bank's decisions were based on its analysis of economic and financial developments in Malta and abroad.

The Bank's monetary policy strategy is based on pegging the Maltese lira to a basket of currencies made up of the euro, the US dollar and sterling. On August 23, 2002, the Monetary Authorities updated the weights of the component currencies of the basket to take into account current trends in Malta's external trade and likely future developments. Following the review, the weights of the euro, the dollar and sterling were set at 70%, 10% and 20%, respectively. The euro's increased weight in the basket should attenuate fluctuations in the exchange rate of the lira against that currency and thus have a beneficial impact on trade between Malta and its European partners and on domestic price levels.

Throughout the second and third quarters, considerable uncertainty as to the timing and the extent of the global economic recovery prompted major central banks around the world to leave official interest rates unchanged. As a result, the short-term Maltese lira interest rate premium remained relatively stable. Moreover, there were no underlying pressures on the external reserves. Although the Central Bank's net foreign assets fell in April, they rose during the remainder of the June quarter and into July and August. These developments supported the Bank's decision to keep interest rates unchanged.

Domestic developments also favoured an unchanged monetary policy stance as economic activity picked up somewhat during the second

quarter while inflationary pressures abated. In fact, output continued to recover during the second quarter, with growth in real Gross Domestic Product accelerating to 2.2%, from 1.2% in the March quarter. Investment also began to pick up again following the sharp decline recorded throughout 2001 and the first quarter this year, while private consumption expenditure continued to expand. Furthermore, Government consumption boosted domestic demand significantly as the fiscal deficit widened further.

Responses to the Bank's latest business perceptions survey, which was carried out between July and August, also indicate that activity levels continued to rise during the second quarter. The upturn, though modest, was spread across a number of sectors, particularly manufacturing industry and financial services. In contrast, activity levels in the distribution and tourism sectors were still reported to be below normal. Looking ahead, although the slowdown in tourism is expected to bottom out, respondents expected no major change in the economic situation during the second half of the year. Furthermore, in a development that went against the general pattern observed in the past two years, the majority of respondents considered the time appropriate to undertake new investment projects.

Labour market activity, nevertheless, remained subdued, with the gainfully occupied population dropping marginally during the two months to May, the latest month for which data are available. The number of registered unemployed also fell, however, with the unemployment rate edging down to 5.1%. Furthermore, the successful implementation of early retirement schemes in the shipbuilding and ship repair sectors led to a significant decline in public sector employment.

At the same time, inflationary pressures eased further, with the twelve-month moving average rate

of inflation dropping to 3.5% in June, while the year-on-year measure, which is a more timely indicator of price pressures, dropped to 2% from a peak of 4.7% in January.

The pick-up in domestic economic activity during the June quarter was reflected in the balance of payments. Increased domestic demand fuelled imports, which rose for the first time since the first quarter of 2001, while exports declined at a slower pace than in the previous three quarters. On the other hand, the surplus on services contracted as net receipts from professional services fell and the performance of the tourism sector worsened, with arrivals and earnings both down sharply. As a result, the deficit on the current account widened after having narrowed during the March quarter. The current account deficit was partly financed by net inflows on the capital and financial account, which led to a further expansion in the net foreign assets of the banking system.

This growth in the banking system's net foreign

assets, coupled with an increase in domestic credit, continued to fuel monetary expansion during the quarter reviewed. Credit growth recovered somewhat, though the acceleration was mainly driven by net claims on Government. Nevertheless, the high degree of liquidity in the banking system forced the Central Bank to continue absorbing funds through term deposit auctions to counter downward pressure on interest rates in domestic financial markets.

Meanwhile, in the light of the latest, and less optimistic, expectations about the global economy's performance, the Central Bank revised its growth forecasts for 2002. Following the revision, the Bank expects GDP growth for the year to be in the region of 2.9%, as against 3.3% in its June outlook, as projections for export growth have been scaled back. Imports are also expected to grow at a slower pace. Nevertheless, registered unemployment remains on track to end the year at 5.5%, while the Bank continues to expect the twelve-month moving average rate of inflation to fall to 2.5% by the end of the year.

## 2. THE INTERNATIONAL ENVIRONMENT

### The World Economy

During the second quarter doubts persisted about the timing and strength of a global economic recovery on account of the fragility of financial markets and the volatility in the United States stock market. In the euro area, growth showed only marginal improvement, while in Japan the appreciation of the yen and falling share prices increased doubts about the prospects for a steady recovery in spite of some positive economic data. Nevertheless, the IMF still saw a global recovery under way and expected this to accelerate in the second half of the year. At the same time, the Fund warned that political uncertainties in some parts of the world, together with volatility in the stock markets, still posed a risk to the upturn.

### Economic and Monetary Developments in the Major Economies

During the June quarter the pace of growth in the United States slowed down sharply as wary consumers reduced their spending in response to falling stock prices and business investment lost its momentum. GDP grew at an annual rate of 1.3% during the quarter, as against 5% in the March quarter. Despite this modest growth rate, corporate profits continued to rise, while businesses managed to build up inventories for the first time since the fourth quarter of 2000. The unemployment rate rose to 5.9%, however, as both the manufacturing sector and the telecommunications industry continued to shed labour.

Since the outlook for the economy had not changed since January, and because it did not deteriorate so much during last year's downturn, it was not expected to stage as large a rebound as it had done following past slumps. Thus, while

**Table 2.1**

### INTERNATIONAL ECONOMIC INDICATORS

	Real GDP % change			Inflation (Consumer prices) % change			Current account balance US\$ billions		
	2000	2001	2002 <sup>1</sup>	2000	2001	2002 <sup>1</sup>	2000	2001	2002 <sup>1</sup>
United States	3.8	0.3	2.2	3.4	2.8	1.5	-410.3	393.4	-479.6
European Union	3.5	1.6	1.1	2.3	2.6	2.1	-35.1	3.2	50.7
Euro area	3.5	1.5	0.9	2.4	2.6	2.1	-16.2	21.8	70.6
United Kingdom	3.1	1.9	1.7	2.1 <sup>3</sup>	2.1 <sup>3</sup>	1.9	-29.1	-29.5	-32.2
Japan	2.4	-0.3	-0.5	-0.8	-0.7	-1.0	119.6	87.8	119.3
Advanced countries	3.8	0.8	1.7	2.3	2.2	1.4	-227.1	-188.4	-210.3
Developing countries	5.7	3.9	4.2	6.1	5.8	5.7	66.7	39.6	18.9
Countries in transition <sup>2</sup>	6.6	5.0	3.9	20.2	15.9	11.4	27.1	11.8	1.4

<sup>1</sup> Forecasts.

<sup>2</sup> Includes countries of Central and Eastern Europe and the former USSR.

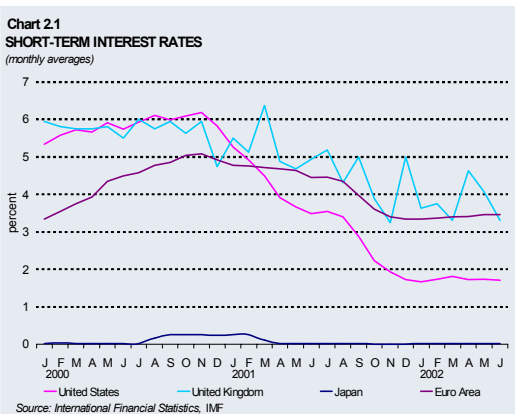
<sup>3</sup> Retail price index excluding mortgage interest.

Source: *World Economic Outlook*, Washington: International Monetary Fund, September 2002.

inflation remained remarkably low, the Federal Reserve kept official interest rates unchanged during the quarter. Meanwhile, money market rates stood below the Fed's benchmark rate throughout the period.

In the euro area, economic output rose by only 0.3% during the quarter as the recovery in domestic demand was more subdued, dampened by a lacklustre performance in both investment and consumption. The German economy again grew at an annual rate of 0.3%, as much as in the previous quarter, helped by stronger consumer spending and a slowdown in inventory decline. In France growth accelerated marginally, to 0.5% from 0.4% during the previous quarter, while in Italy growth similarly accelerated to 0.2% from 0.1% in the March quarter. At the same time, consumer price inflation in the area continued to ease, reaching 1.7% in June, which was well below the European Central Bank's (ECB's) 2% target.

Notwithstanding the decline in inflation in the euro area, the outlook for price stability in the medium term was less satisfactory than expected a few months earlier. Concurrently, the economic outlook was still subject to considerable uncertainty. Against this scenario, the ECB kept its refinancing rate unchanged during the quarter. Money market rates in the area also remained stable, although higher than the ECB's refinancing rate.



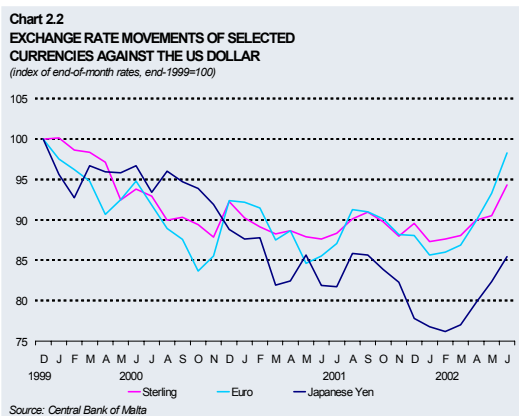
Meanwhile, in the United Kingdom GDP grew at an annual rate of 1.3% during the quarter, after having barely grown at all in the previous two quarters. Compared to the March quarter, however, GDP was up by only 0.6%, which was below expectations, as manufacturing output, which accounts for about a fifth of the UK economy, recorded the sharpest fall in more than two decades. On the other hand, the services sector grew at a quicker pace, keeping Britain one of the fastest growing economies among the industrial nations.

Although surging house prices, buoyant consumer spending, and strong forward-looking business surveys suggested that the UK economy was well on the road to recovery, the Bank of England, concerned lest it might throw a fragile recovery off course, left its key lending rate unchanged. Meanwhile, money market rates remained below the Bank's repo rate throughout the quarter.

Strong exports helped Japan's economy grow by 0.6% during the June quarter, but a revision wiped out the 5.7% growth recorded in the first three months of the year and other data pointed to weakness ahead. Based on new calculation methods, the June quarter rise was the first to be recorded in Japan in five quarters, and the result translated into an annualised growth of 1.9%. Nevertheless, while the data showed that consumption had risen by 0.3%, they also showed that investment was down by 0.5%.

Japan's central bank left its monetary policy unchanged during the quarter. Nevertheless, on account of the strong growth of Japanese exports, particularly to other Asian countries, the Bank upgraded its view of the economy. The Bank warned, however, that the pace of the recovery would slow down because the improvement in Japan's global trading partners was faltering. Meanwhile, as Chart 2.1 shows, Japanese money market rates remained unchanged at 0% throughout the quarter.





## Foreign Exchange Markets

As can be seen from Chart 2.2, the main development on the foreign exchange markets during the June quarter was the dollar's slide against the other leading currencies. This was mainly attributed to mounting concerns over the durability of the US economic recovery.

In April and early May the dollar weakened against both the euro and sterling, undermined by an increase in the US unemployment rate and an unexpectedly large drop in activity in the services sector. Subsequently, the dollar came under further pressure on concerns over the extent of the government's involvement in the Middle East conflict and the likely impact of higher oil prices on the recovery. Meanwhile, the Japanese yen, buoyed by a more optimistic economic assessment by the Japanese government, also strengthened against the dollar.

During the second half of May and early June, the dollar lost further ground against the euro and the yen due to a deterioration in business confidence and the US stock market's failure to respond to positive economic data. This induced the Japanese authorities to intervene heavily on the foreign exchange markets to curb the yen's strength in order to support Japan's export sector. Meanwhile, as the debate on the UK's possible

**Table 2.2**  
**AVERAGE EXCHANGE RATES OF THE EURO, STERLING AND THE YEN AGAINST THE US DOLLAR DURING JUNE QUARTER 2002**

	US\$ per Euro	US\$ per Stg	Yen per US\$
Average for April	0.8852	1.4416	130.90
Average for May	0.9169	1.4602	126.46
Average for June	0.9550	1.4833	123.46
Average for the quarter	0.9190	1.4617	126.94
Closing rate on 28.06.02	0.9885	1.5272	119.47
Closing rate on 28.03.02	0.8740	1.4259	132.59
Lowest exchange rate during the quarter <sup>1</sup>	0.8743	1.4264	119.47
	(Apr. 09)	(Apr. 01)	(June 28)
Highest exchange rate during the quarter <sup>1</sup>	0.9885	1.5272	133.41
	(June 28)	(June 28)	(Apr. 02)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 28.03.02 to closing rate on 28.06.02	13.1	7.1	9.9

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

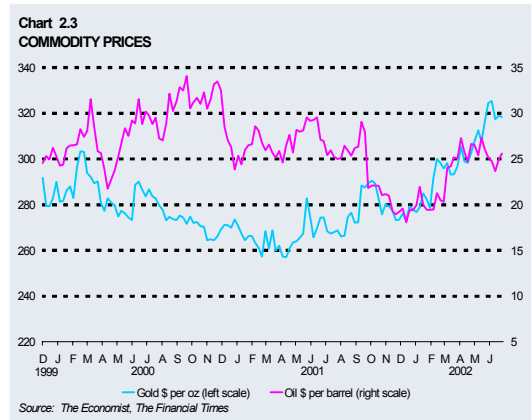
Source: Central Bank of Malta

entry into the European Monetary Union intensified, sterling weakened against the euro. As can be seen from Table 2.2, the dollar's woes deepened further late in June, as both the US trade deficit and the fiscal deficit widened by more than expected, and the currency was further undermined by worries over corporate earnings and accounting malpractices.

### Key Commodities

The second quarter of 2002 saw gold build upon its renewed role as a safe haven as political tensions in the Middle East, along with the problems besetting the US economy, prompted investors to move out of dollar positions into bullion. In fact by the end of June the price of gold rose to \$318.35 per ounce, up by 16% from a year earlier.

Meanwhile, after the increase registered in the first quarter of the year, the price of oil rose moderately, supported by speculation in



the futures markets on concern over the deteriorating situation in the Middle East. The upward pressure on oil prices eased in June, however, when Russia raised its output, signalling that it would abandon its agreement on export restraint with OPEC. Oil thus ended the quarter at \$25.95 per barrel, up by 4.1% from its end-March level.

### 3. OUTPUT, PRICES AND EMPLOYMENT

Economic activity continued to recover during the second quarter of 2002, with growth in real Gross Domestic Product (GDP) accelerating to 2.2%, from 1.2% in the March quarter. Gross fixed capital formation started to pick up again following the sharp drop recorded throughout 2001, as the slump in certain segments of manufacturing industry, such as electronics, seems to have bottomed out. The decline in exports, in fact, was more contained during the quarter. Consumption expenditure continued to expand, resulting in higher domestic sales by the manufacturing sector. Increased domestic demand fuelled imports, which rose for the first

time since the first quarter of 2001. On the other hand, the performance of the tourism sector worsened, with arrivals and earnings both down sharply.

Labour market activity, nevertheless, remained subdued, with the gainfully occupied population dropping marginally during the two months to May. The unemployment rate also fell, however, edging down to 5.1%. Furthermore, the implementation of early retirement schemes in the shipbuilding and ship repair sectors led to a significant decline in employment in the public sector.

At the same time inflationary pressures eased further, leading to the first drop in the headline inflation rate, to 3.5%, in nearly a year.

**Table 3.1**

#### SOURCES OF GDP GROWTH BY INDUSTRY<sup>1</sup>

%

	2001		2002	
	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2
<b>GDP at Factor Cost</b>	<b>2.9</b>	<b>0.7</b>	<b>1.6</b>	<b>1.3</b>
of which:				
Agriculture and fisheries	0.2	0.3	0.1	0.0
Construction and quarrying	0.4	0.3	0.4	0.5
Manufacturing	-3.0	-5.7	-2.1	-0.3
Transport and communication	0.1	0.9	-0.6	-1.1
Wholesale and retail	0.7	0.2	0.1	0.9
Insurance, banking and real estate	1.8	0.8	1.5	1.0
Government enterprises	0.7	0.5	0.5	0.5
Public administration	2.1	2.1	0.6	0.8
Property income	-0.5	0.8	0.7	-1.3
Private services	0.5	0.5	0.4	0.3
<b>GDP at Current Market Prices</b>	<b>4.1</b>	<b>3.8</b>	<b>2.6</b>	<b>3.1</b>

<sup>1</sup> The figures in the Table show the change in each component of GDP at factor cost as a percentage of the previous year's GDP at factor cost. This shows the contribution of each sector of activity to the overall rate of growth in GDP at factor cost.

Source: National Statistics Office

## Gross Domestic Product<sup>1</sup>

The recovery in economic activity observed during the first quarter of 2002 continued to gather pace during the second quarter, when real GDP growth accelerated to 2.2%, from 1.2% in the previous quarter. A sharp rebound in gross fixed capital formation, which had contracted throughout the preceding five quarters, contributed significantly to this acceleration. At the same time, the decline in export-oriented activity was more contained, while consumption expenditure expanded further. Nominal GDP growth also accelerated, rising from 2.6% during the March quarter to 3.1% during the quarter reviewed. The rise in the GDP deflator, which removes the effects of price changes to arrive at

real measures of output, slowed down to 0.9% from 1.4% in the previous quarter.

GDP at factor cost, i.e. the sum of profits and employment income, grew by 1.3% compared with the second quarter of 2001. As Table 3.1 shows, the rate of growth of GDP at factor cost was below the 1.6% rate registered during the March quarter. This deceleration can be traced to a significant drop in the income of the transport and communication sector. In particular, a sharp drop in revenue from passenger carriage probably lowered factor incomes in the air transport industry. Furthermore, property income contracted during the second quarter, reflecting lower interest rates on bank deposits and Government securities.

**Table 3.2**  
**GDP GROWTH BY CATEGORY OF EXPENDITURE**

	2001		2002		%
	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	
<b>Percentage changes at constant market prices</b>					
Private consumption expenditure	5.6	1.5	6.3	2.6	
Government consumption expenditure	8.1	1.7	7.5	7.5	
Gross fixed capital formation	-13.6	-11.9	-14.5	3.6	
Exports of goods and services	-9.2	-12.7	-6.4	-4.7	
Imports of goods and services	-14.7	-16.5	-13.0	3.5	
<b>Growth in real GDP</b>	<b>0.0</b>	<b>-1.5</b>	<b>1.2</b>	<b>2.2</b>	
<i>of which:</i> <sup>1</sup>					
Private consumption expenditure	3.5	0.9	3.8	1.7	
Government consumption expenditure	1.3	0.3	1.4	1.4	
Gross fixed capital formation	-3.6	-3.1	-3.7	0.9	
Inventory changes	-7.1	-5.5	-7.7	5.8	
Exports of goods and services	-9.0	-11.8	-5.7	-4.3	
Imports of goods and services <sup>2</sup>	14.9	17.6	13.0	-3.2	

<sup>1</sup> These figures show the change in each component of real GDP as a percentage of the previous year's real GDP (expenditure-side). This shows the contribution of each expenditure component to the overall rate of growth of real GDP. The figures for 2001 have been revised; those for 2002 are provisional.

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

Source: National Statistics Office

<sup>1</sup> The cut-off date for data in this section is October 2, 2002.

On the other hand, the wholesale and retail trades and the construction sector performed more strongly during the second quarter, while value-added in manufacturing industry dropped only marginally. A gradual recovery in manufacturing activity can also be inferred from the developments observed in the expenditure-side GDP and is borne out by the results of the quarterly survey of manufacturing firms carried out by the National Statistics Office (NSO), which are discussed below.

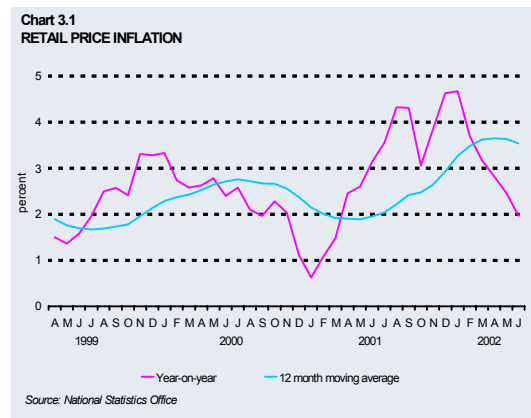
As for the components of real GDP computed from the expenditure side, gross fixed capital formation increased for the first time since the December quarter of 2000, rising by 3.6% and contributing nearly a full percentage point to GDP growth. The correction to inventory levels which had depressed imports last year also appears to have ended, adding to real GDP growth during the quarter reviewed. Imports of industrial supplies, in fact, increased slightly.

Investment in construction remained buoyant, rising by 11.2% in real terms, while the sharp contraction in investment in machinery observed in previous quarters seems to have bottomed out. In fact, merchandise trade data show that imports of capital goods rose by 9.4% in nominal terms, as investment by the manufacturing and telecommunications sectors began to pick up.

Private consumption expanded further, going up by 2.6% in real terms over the same quarter a year ago as can be seen in Table 3.2. Indeed, increased investment in certain specific areas of the economy may reflect a need to expand capacity in order to meet anticipated consumer demand. Local sales by manufacturing industry, for instance, rose by 7.5% during the second quarter, while data on the telecommunications sector indicate that demand in this area is also rising at a

sustained pace<sup>2</sup>. To some extent, growth in private consumption may have been fuelled by the expansion in Government recurrent expenditure, which rose by 7.5% in real terms for the second consecutive quarter.

The continued growth in consumption, together with the recovery in gross fixed capital formation, led to a widening of the deficit on external trade in goods and services during the quarter reviewed. Imports of goods and services rose by 3.5% in real terms after having declined for four consecutive quarters. Meanwhile, exports declined further, even if at a slower pace than in the previous three quarters, as the drop in exports of goods, particularly electronic components, moderated. On the other hand, exports of services contracted at a faster pace, reflecting weak tourism activity and lower revenue from passenger carriage and hospitality services. Malta's terms of trade, i.e. the ratio between export and import prices, deteriorated further during the June quarter, as import prices rose while export prices continued to fall. This deterioration in the terms of trade brought about the drop in the GDP deflator referred to earlier.



<sup>2</sup> Mobile phone subscriptions rose by over 79% during the twelve months to March 2002, while over the same period Internet subscriptions were up by nearly 39%.

## Retail Prices

Inflationary pressures abated further during the second quarter of 2002. Thus, the twelve-month moving average measure of inflation dropped slightly, to 3.5% in June, from 3.6% in March. This decline in the headline inflation rate was underpinned by the downward trend, in evidence since February, in the year-on-year change in the Retail Price Index (RPI). As can be seen from Chart 3.1, year-on-year inflation dropped from a peak of 4.7% in January to just 2% in June. As a result, Malta's year-on-year inflation rate started to converge with that prevailing in its major trading partners, after having diverged significantly during the second half of 2001 when domestic developments had contributed to a sharp rise in food prices.

During the quarter under review, the RPI rose by just 0.4% compared with the 1.6% increase registered in the corresponding period of 2001. This development was mainly attributable to lower food prices, which declined for the third consecutive quarter after having surged during most of 2001. Food prices fell by 0.8% during the

June quarter, as the prices of fresh fruit and vegetables dropped on the back of an increased volume of local agricultural production. At the same time, the prices of substitutes for beef, such as chicken and rabbit, which last year had been boosted by exceptionally high demand in the wake of the BSE scare, also declined significantly.

Another factor that lowered the year-on-year inflation rate during the second quarter was a below-normal rise in the clothing and footwear sub-index. The latter, which carries more than a tenth of the overall weight of the RPI, is highly seasonal and is monitored four times a year. As a rule, prices of clothing and footwear rise during the second quarter, reversing the drop that is usually recorded during the first quarter. This year, however, the sub-index rose by just 4.1% in May after having declined by 8.7% in January. As a result, in June clothing and footwear prices were down by 3% on a year-on-year basis.

The transport and communications sub-index was also lower during the quarter, generating a decline of nearly 0.2 percentage points in the year-on-year change in the RPI. This contraction mainly

**Table 3.3**

### INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

*12-month moving average (percentage changes)*

	June 2001	Mar. 2002	June 2002
Food	2.2	7.0	6.2
Beverages and tobacco	3.6	6.1	7.4
Clothing and footwear	-2.1	-0.2	0.2
Housing	4.2	3.8	3.4
Fuel, light and power	2.8	1.0	2.4
Durable household goods	-1.4	0.1	0.3
Transport and communications	3.1	1.8	1.4
Personal health and care	3.4	3.0	3.2
Education, entertainment and recreation	3.0	3.4	3.3
Other goods and services	0.2	0.9	0.9
<b>All items</b>	<b>1.9</b>	<b>3.6</b>	<b>3.5</b>

*Source: National Statistics Office*

reflected the reduction in the price of fuel in April in line with developments on international markets<sup>3</sup>. The prices of durable household goods, which mainly consist of furniture and household appliances, also fell. This downward adjustment in prices may reflect the local furniture industry's efforts to prepare for the final phase of the removal of levies on furniture imports. Meanwhile, upward price pressures persisted in the education, entertainment and recreation and other goods and services sub-indices.

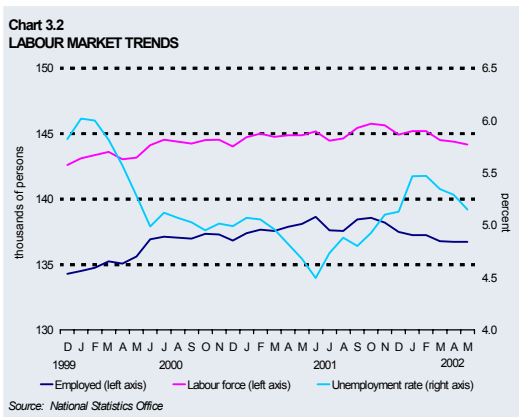
### The Labour Market

Data compiled by the Employment and Training Corporation (ETC) indicate that the unemployment rate fell to 5.1% in May<sup>4</sup>, down from 5.3% in March, in spite of a slight drop in the gainfully occupied population. As can be seen in Chart 3.2, the labour force continued to contract during the two months under review.

The successful implementation of early retirement schemes in the shipbuilding and ship repair sectors, which resulted in a decline of nearly 1% in public sector employment, accounted for much of the contraction in the labour supply in April

and May. On the other hand, employment in the private sector recovered slightly following the decline registered through the previous three quarters. Thus, the number of full-time gainfully occupied persons in the private sector increased by 419, with the rise being more or less equally spread between direct production and market services. In direct production, the greater part of the jobs created were generated by manufacturing establishments, mainly those producing food, textiles and electrical machinery; while hotels and catering establishments and wholesale and retail firms were the main contributors towards the increase in employment in market services. It should be noted, however, that the pace of job creation slackened somewhat compared to that registered during the same period last year, when the number of full-time jobs in the private sector had increased by 530. This deceleration was primarily attributable to a smaller rise in the workforce of the tourism industry during the two months under review.

In May the gainfully occupied population was down by 1,359 on a year earlier. As can be seen from Table 3.4, the public sector accounted for a large part of this contraction, due to the early retirement schemes mentioned previously. Nevertheless, employment in the private sector was down by nearly 400 on a year-on-year basis, as firms in manufacturing and tourism trimmed their workforces in response to a reduced turnover. Employment in the wholesale and retail trades, in transport and communications, banking, insurance and real estate also fell. The construction and the other services sectors were the only ones that added significantly to their existing labour force during the twelve months to May 2002. As a result of these developments, the number of persons on the unemployment register was up by 642, or 9.5%, on an annual basis, while



<sup>3</sup> The liberalisation of fuel prices was announced in the Budget for 2002. Besides linking local prices to those prevailing abroad, Government also intends to adjust the price of fuel gradually so that the state-owned energy utility covers all of its costs related to the importation, storage and distribution of this product.

<sup>4</sup> Employment data for June were not available at the time of writing.

**Table 3.4**  
**LABOUR MARKET DEVELOPMENTS**

*Number of persons*

	May 2002	Change over Mar. 2002	Annual change
<b>Labour supply</b>	<b>144,166</b>	<b>-334</b>	<b>-717</b>
<b>Unemployed</b>	<b>7,423</b>	<b>-302</b>	<b>642</b>
<b>Unemployment rate (%)</b>	<b>5.1</b>	<b>-0.2</b>	<b>0.5</b>
<b>Gainfully occupied</b>	<b>136,743</b>	<b>-32</b>	<b>-1,359</b>
of which:			
<b>Private direct production</b>	<b>38,090</b>	<b>192</b>	<b>-183</b>
including:			
Agriculture & fisheries	2,196	7	12
Quarrying, construction & oil drilling	6,827	19	175
Manufacturing	29,067	166	-370
<b>Private market services</b>	<b>50,085</b>	<b>227</b>	<b>-216</b>
including:			
Wholesale & retail	15,411	99	-133
Insurance & real estate	1,311	12	25
Transport, storage & communications	6,084	35	-50
Hotels & catering establishments	9,033	81	-449
Community & business	11,242	84	447
Others	7,004	-84	-56
<b>Public sector</b>	<b>47,479</b>	<b>-440</b>	<b>-903</b>
including:			
Government departments	30,238	-190	-456
Armed Forces, R.S.C. & Airport Co.	1,616	-11	-13
Government-controlled companies	7,906	10	-13
Independent statutory bodies	7,719	-249	-421
<b>Temporarily employed</b>	<b>1,089</b>	<b>-11</b>	<b>-57</b>

*Source: National Statistics Office*

the labour supply contracted by 717.

During the quarter under review the NSO published the results of the Labour Force Survey (LFS) carried out in March 2002. The latter, in line with ETC data, indicated a marked slowdown in labour market activity, with the unemployment rate rising to 7.7%, up from 6.5% in December and 6.1% in the same month of 2001. This mainly

reflected a contraction in the gainfully occupied population, which contributed to further reduce the activity rate. The latter, defined as the proportion of the working age population that participates in labour market activity, declined for the third consecutive quarter to stand at 57.4%. As regards average gross salary levels, the LFS results imply an increase of 5.9% over the previous year's levels. Thus in real terms, average



**Table 3.5****MANUFACTURING PERFORMANCE - SELECTED INDICATORS***Lm millions*

	Apr. - June		Jan. - June	
	2001	2002	2001	2002
<b>Growth in exports</b>	<b>-35.1</b>	<b>-15.7</b>	<b>-30.5</b>	<b>-49.3</b>
<i>of which:</i>				
Radio, T.V., Telecom, etc.	-48.2	-5.0	-47.6	-41.3
Electrical machinery	7.3	-3.5	9.1	-4.4
Printing and publishing	-1.1	2.4	1.0	3.8
Other	6.8	-9.6	7.0	-7.4
<b>Growth in local sales</b>	<b>3.4</b>	<b>4.1</b>	<b>5.3</b>	<b>6.7</b>
<i>of which:</i>				
Tobacco	0.7	0.3	1.3	-0.1
Clothes	0.2	1.2	0.6	1.5
Food and beverages	1.5	1.1	3.3	2.0
Other	0.9	1.5	0.0	3.4
<b>Growth in net investment</b>	<b>-9.8</b>	<b>0.6</b>	<b>-16.4</b>	<b>-2.8</b>
<i>of which:</i>				
Food and beverages	1.1	-0.9	1.5	-1.2
Printing and publishing	0.0	1.5	-0.7	1.6
Furniture	0.2	0.3	-0.3	1.4
Other	-11.1	-0.2	-16.9	-4.5

*Source: National Statistics Office*

gross wages were up by 2.7% in March 2002 on an annual basis.

**Manufacturing<sup>5</sup>**

Activity in the manufacturing sector continued to contract during the second quarter of 2002, dropping by 4.6% in the surveyed firms when compared with the corresponding quarter of 2001. However, this contraction in turnover was substantially smaller than the double-digit drops recorded in the previous four quarters, as the decline in the export sales of the electronics sub-

sector moderated further.

Overall, during the quarter reviewed export turnover was down by Lm15.7 million when compared to the same period of 2001. Furthermore, in contrast to what had occurred in previous quarters, the bulk of the contraction was generated outside the electronics sub-sector, as can be seen from Table 3.5. The latter's sales to foreign markets, in fact, only dropped by Lm5 million, the smallest fall in four quarters. However, the export turnover of most of the remaining sub-sectors decreased during the June quarter. In

<sup>5</sup> This section is based on the results of a survey of 454 manufacturing firms carried out by the NSO.

particular, firms producing electrical machinery reported a significant decline in their foreign turnover, which had been boosted to exceptionally high levels last year by a number of major contracts. On the other hand, the printing and publishing sub-sector registered a marked increase in its export sales during the quarter reviewed.

Manufacturing industry's domestic turnover remained buoyant, mainly on account of higher sales by establishments producing clothing and food and beverages, although the chemical, electronics, other transport equipment and the plastic and rubber sub-sectors also reported increased sales during the quarter. By contrast, the turnover of firms producing textiles, office machinery and fabricated metal products was down from the year-ago levels.

The bottoming out of the decline in overall manufacturing turnover had a positive impact on employment. Most manufacturing firms, with the exception of those operating in the clothing, footwear and leather sub-sectors, stopped shedding workers during the quarter. Overall employment, in fact, rose by 146, primarily in the electronics and food and beverages sub-sectors, in line with the labour market data discussed earlier. However, the number of gainfully occupied in the sample surveyed was down by 762, or 3.4%, from June last year. Firms producing furniture, medical and precision equipment, leather and clothing all experienced a drop of over one hundred workers when compared with the same quarter last year. Nevertheless, the manufacturing sector's wage bill increased by 1.9% on an annual basis, implying that wage inflation accelerated during the quarter.

Unlike previous quarters, net investment in manufacturing accelerated slightly during the period reviewed. In fact, net investment during the second quarter of 2002 was up by Lm0.6 million from the year-ago level. This was, however, solely due to the printing and publishing

and the electronics sub-sectors, which reported increases in net investment of Lm1.5 million and Lm0.9 million, respectively. Gross fixed capital formation in the remaining sub-sectors either remained stable or declined. The most significant decreases were those recorded in the medical precision equipment and the food and beverages sub-sectors.

## **Tourism**

Tourism activity contracted further during the second quarter of 2002, with arrivals dropping by 37,599, or 10.9%, from the previous year's level. This contraction, in percentage terms, was more than double that recorded during the previous quarter, when arrivals had been buoyed by the fact that Easter this year fell in March. Accommodation data indicate that similar trends prevailed in the number of bed-nights sold, as the average length of stay remained virtually unchanged. Cruise passenger activity, on the other hand, remained buoyant, with incoming passengers increasing by 12.3% over last year's levels. As a result of these developments, gross travel earnings fell by Lm7.7 million during the second quarter. Since this contraction, in percentage terms, mirrored that registered in arrivals, earnings per tourist remained roughly equivalent to those prevailing during the same quarter a year ago, indicating that the spending power of those visiting Malta had remained stable.

As can be seen from Table 3.6, the decline in arrivals was spread across all markets, with the exception of Italy, which experienced a marginal increase of 260 tourists. Inbound tourism from the United Kingdom and Germany, Malta's two main source markets, continued to account for a large part of the overall decline, with losses of 11,165 and 8,027, respectively. In addition, the industry's performance in the Scandinavian market deteriorated significantly, to the extent that, compared with the same quarter a year ago, around a quarter fewer Scandinavian tourists visited Malta during the period under review.

**Table 3.6****TOURIST ARRIVALS BY NATIONALITY**

	Apr.- June 2002			Jan.- June 2002		
	Arrivals	Annual Growth (%)	Share (%)	Arrivals	Annual Growth (%)	Share (%)
UK	114,267	-8.9	37.3	184,628	-7.9	38.3
Germany	39,082	-17.0	12.8	65,933	-16.6	13.7
France	28,487	-7.1	9.3	38,706	-7.1	8.0
Italy	23,228	1.1	7.6	36,008	6.9	7.5
Netherlands	14,229	-10.6	4.6	19,321	-9.7	4.0
Scandinavia <sup>1</sup>	11,848	-25.6	3.9	17,992	-21.3	3.7
Austria	9,445	-20.3	3.1	13,521	-18.4	2.8
Belgium	6,713	-4.3	2.2	9,218	-1.9	1.9
Switzerland	5,431	-26.6	1.8	8,654	-21.2	1.8
Libya	5,422	-27.7	1.8	11,018	-24.6	2.3
Others	48,170	-7.6	15.7	77,185	-1.5	16.0
<b>Total</b>	<b>306,322</b>	<b>-10.9</b>	<b>100.0</b>	<b>482,184</b>	<b>-8.8</b>	<b>100.0</b>

<sup>1</sup> Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office

At the same time, tourist accommodation data indicate that while the average length of stay increased only slightly, the number of bed-nights sold was down by over 10%. Although the number of tourists staying at five-star hotels remained virtually unchanged from last year's level, this category reported a 9.1% decline in occupancy on account of a lower average length of stay. Conversely, three- and four-star hotels registered a large increase in the number of bed-nights sold as well as in the average guest's length of stay. However, it should be noted that a large part of this rise was attributable to a reclassification exercise carried out last year, which resulted in an increase in the number of three- and four-star hotels at the expense of the lower

accommodation categories.

Data for the six months to June, which eliminate the distortions caused by the timing of Easter, show that the number of tourists visiting the Maltese Islands was down by 46,790, or 8.8%. Four-fifths of this contraction occurred during second quarter. The decline in the number of bed-nights sold, 8.1%, was slightly smaller than that in arrivals, implying a modest increase in tourists' average length of stay. Meanwhile, cruise passenger arrivals were up by 13,412, or 13.1% compared to the previous year. Nevertheless, during the first half of 2002, gross earnings from tourism were down by Lm12.6 million from the previous year's level, while earnings per tourist were down by 2.1%.

## Box 1 : REVISED OUTLOOK FOR 2002

The Central Bank periodically reviews its economic forecasts as new information, particularly concerning external demand conditions becomes available. Since early 2001, most leading industrial economies have experienced minimal growth and a high degree of volatility in major economic indicators. This has led international organisations to review their assessment of the strength of the global economic recovery. In fact, although the IMF still expects a recovery during 2002, it has revised its forecasts in the light of the uncertainty surrounding global growth prospects. In its latest *World Economic Outlook*, issued in September, the Fund scaled down its growth forecasts for most of the major economies, including the US, the UK and the euro area. Furthermore, specialised reports by other international analysts suggest that the global electronics industry is unlikely to recover as strongly as originally expected.

In the light of these revised growth forecasts for

Malta's main trading partners and the uncertain outlook for industrial sectors of export interest to Malta, the Central Bank has again revised its forecast for 2002. Growth in external demand is now expected to be around half a percentage point lower than originally estimated, and this will lead to a GDP growth rate of about 2.9%, compared with a mid-year estimate of 3.3%. The latter represented an upward revision to the original projection of 2.5%-3.0% after the Bank factored in an observed acceleration in Government capital expenditure and a more optimistic outlook for the global electronics industry at that stage.

As regards the expenditure components of GDP, the Bank's forecast for growth in private consumption, which was revised downwards to 1.2% in June, mainly on account of an increase in unemployment, remains unchanged. The forecast for growth in Government consumption, which was revised marginally upwards to 1.9% in June

### GDP FORECASTS FOR 2002

	Mar. 2002 Estimate %	June 2002 Revision %	Sept. 2002 Revision %
<b>GDP growth at constant market prices</b>	<b>2.5 – 3.0</b>	<b>3.3</b>	<b>2.9</b>
<b>Growth in GDP components at constant market prices</b>			
Private consumption expenditure	2.3 – 2.8	1.2	1.2
Government consumption expenditure	0.7 – 1.3	1.9	1.9
Gross fixed capital formation	3.5 – 4.0	4.2	3.9
Exports of goods and services	4.8 – 5.2	1.9	1.0
Imports of goods and services	7.3 – 7.8	3.5	2.3
Unemployment rate	5.0 – 5.5	5.5	5.5
Inflation rate	2.3 – 2.8	2.5	2.5
Fiscal borrowing requirement (% of GDP)	4.5 – 5.0	4.6	4.6
External goods and services deficit (% of GDP)	5.5 – 6.0	5.9	5.3

Source: *World Economic Outlook*, Washington: International Monetary Fund, September 2002.

on account of an observed rise in interest expenditure on public debt has also been left unchanged. The forecast for gross fixed capital formation, which was revised upwards to 4.2% in June because of the acceleration in Government capital expenditure referred to above, has been revised downwards to 3.8% as a result of expected weaker growth in foreign demand and a slower-than-expected recovery in the electronics industry. Meanwhile, the Bank's forecasts for export and import growth, already revised sharply downwards in June, have been further reduced in the light of weak growth in foreign demand and the less optimistic outlook for the global

electronics industry. The latest projections are for 1% and 2.3% growth in exports and imports, respectively. As a result, the goods and services balance on the external account is now expected to improve to 5.3% of nominal GDP, mainly on the back of lower growth in imports of capital goods.

The Bank also projects a decline in inventory levels, while forecasts for the fiscal borrowing requirement as a percent of nominal GDP and for the rate of inflation have been left unchanged at 4.6% and 2.5%, respectively. Unemployment is still expected to stand at 5.5% - the upper limit of the original forecast range.

## Box 2 : BUSINESS PERCEPTIONS SURVEY<sup>1</sup>

### Introduction

The Central Bank of Malta's latest business perceptions survey still detects signs of an incipient economic recovery, albeit to a lesser extent than the previous survey as the pick up in international demand has not yet materialised, constraining growth in both exports and local sales. This delay has also raised the level of uncertainty among respondents. Indeed, the vast majority of firms anticipate the current period of slow growth to persist at least in the short run.

### Business Sentiment and Short-term Expectations

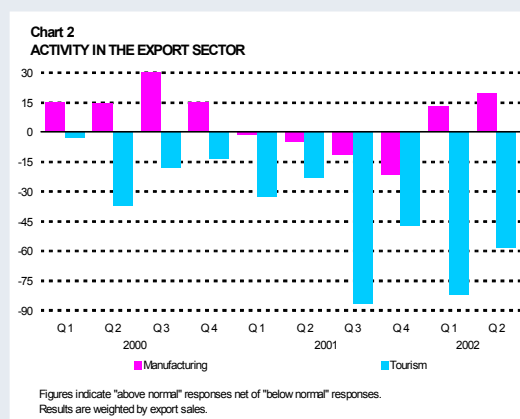
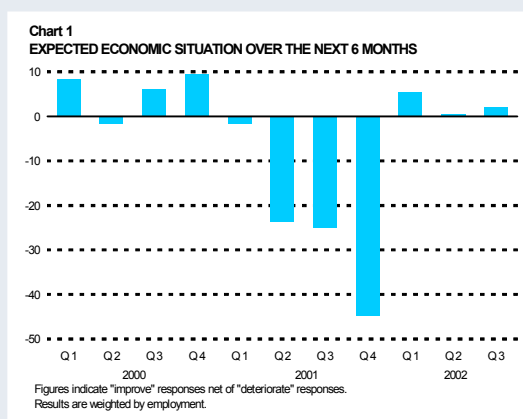
As can be seen from Chart 1, no major change in business sentiment was reported in the survey. Respondents were not confident that economic conditions would improve significantly during the second half of 2002; but neither did they expect a turn for the worse. In fact, about three-quarters of (employment-weighted) replies clustered around the status quo, while among the remainder optimistic views marginally exceeded negative ones.

### Activity Levels – Second Quarter 2002

#### Export-oriented sectors

According to the survey results, export activity during the second quarter picked up somewhat when compared with the March quarter, even though the improvement was less than originally forecast. Firms in the food and beverages and the paper and printing sectors reported a substantial rise in export sales, while a moderate recovery was noted in the electronics industry and in other sub-sectors, though this was less vigorous than originally envisaged. The downturn in tourism, however, was more marked than expected, while clothing and footwear firms also reported lower sales.

The weaker-than-expected turnover also depressed exporters' second-quarter profitability, which was below expectations. Even firms in the food and beverages sector reported lower profits, despite the rise in export sales, perhaps because they had increased their labour complement. New job creation was also reported by firms in the



<sup>1</sup> The survey was undertaken between July and August 2002. It covers a sample of 133 firms (including the leading firm in the electronics sector), employing 15,721 workers, with an aggregate annual turnover of Lm462 million. This includes Lm227 million in local sales and Lm235 million in export sales.

electronics and other manufacturing sectors. These more than compensated for the reported reduction in employment in the clothing and footwear and furniture sectors.

Chart 2 illustrates the reported increase in export manufacturing activity, which continued to recover following the downward trend observed throughout 2001. It also shows a slight improvement in the tourism sector, though activity levels here still remain well below normal. As the effects of last year's terrorist attacks on the US gradually dissipate, and if the global economic recovery gathers momentum, tourism activity is expected to stabilise and the sector's losses should become more contained.

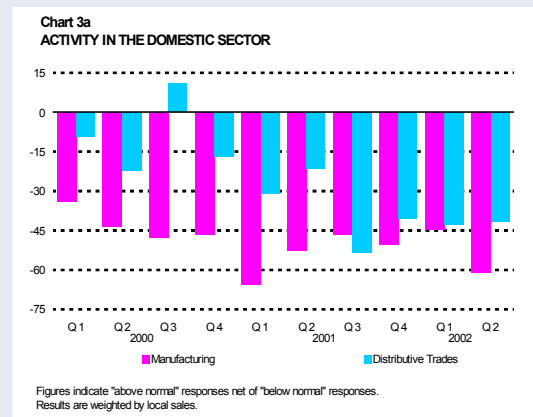
However, expectations for the third-quarter suggest that the recovery in export-oriented manufacturing activity could well lose momentum as economic indicators from Malta's main trading partners were less positive than those for the second quarter. Firms in the clothing and footwear sector anticipate lower exports than in the second quarter – a view that is shared by firms in other exporting sectors. At the same time, firms in the electronics and in the food and beverages sectors expect a slower rate of export growth. By contrast, tourism-related firms seem confident that the downturn in tourism will come to a halt by the third quarter. Overall, however, respondents indicated that unemployment might rise again during the quarter as export-oriented manufacturing firms, particularly those in the clothing and footwear sector and in "other manufacturing" are expecting to reduce their labour complement.

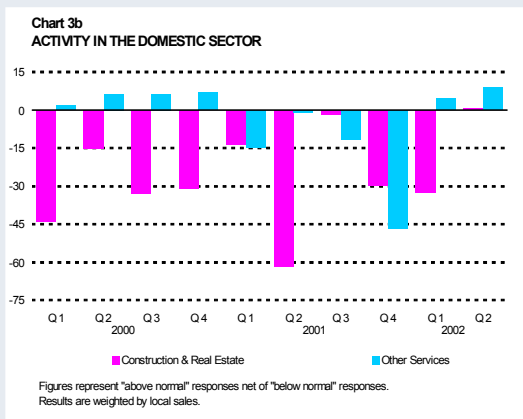
### **Locally-oriented sectors**

In the locally-oriented sectors, second quarter performance was better than in the first quarter across most sectors. Indeed, except in the wholesale and retail trades, which reported lower sales and profitability as well as downward pressure on selling prices, results for the second

quarter were better than had been anticipated in the previous survey. Consequently, while the expected increase in employment in the wholesale and retail sector was scaled down, domestically-oriented manufacturing firms reported stronger-than-expected sales and improved profitability. This was underpinned by the performance of the food and beverages sector and was boosted by seasonal factors. However, the furniture sector, as well as "other" manufacturing firms, also reported an improved turnover. With regard to construction and real estate, both reported further growth in sales, especially the latter, possibly reflecting the effects of lower interest rates on the demand for immovable property. Meanwhile, activity in the services sector, especially in financial services, remained buoyant, reflecting further substantial capital inflows.

Survey responses concerning activity levels in domestically-oriented firms broadly corroborate the above observations. As can be seen from Chart 3b, activity levels in the services sector continued to improve, as did those in construction and real estate. In the wholesale and retail sector, however, activity remained well below normal, and at practically the same level as in the previous quarter. Meanwhile, domestically-oriented manufacturing firms experienced a further decline in activity levels.





In the short run, locally-oriented firms expect no significant acceleration in activity. Firms in the wholesale and retail trades remain concerned over sales and profitability, which both seem set to decline further. Most domestically-oriented manufacturing firms also expect a drop in profitability and turnover. The only exceptions were the food and beverage sectors and the chemicals industry. The construction and real estate sector, however, still expects growth in sales, though at a slower pace than in the June quarter. Consequently, they expect profitability to decline. By contrast, the outlook of the locally-oriented services sector remains positive, with the sector expecting improved sales, profitability,

selling prices and employment levels. This optimistic outlook characterises the entire services sector, from financial services to industrial and professional services.

### Conclusion

As the results of the survey indicate, the magnitude and timing of the Maltese economy's recovery remains clouded with uncertainty. However, the downturn appears to have bottomed out and economic conditions to have stabilised, although it may be premature to anticipate an early recovery and a return to growth rates that are more consonant with the economy's small size and its stage of development. Nevertheless, some sectors, particularly services, appear to be experiencing an upturn. Furthermore, the majority of respondents to the latest survey, particularly those in export manufacturing activity, said they thought it was an appropriate time to undertake investment projects. This is an important development since it goes against the general pessimism of the past two years. Such investment should help to improve the efficiency, and therefore the competitiveness, of domestic firms, which in turn should enable them to win more export orders when economic growth in trading partner countries picks up. This, in turn, should have positive spillover effects on locally-oriented firms.



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

After having improved through most of 2001 and the first quarter of 2002, the balance of payments position deteriorated slightly during the quarter under review. The current account deficit

widened, both when compared with the previous quarter and when compared with the same quarter a year earlier, while net inflows on the capital and financial account were not sufficiently large to cover the current account shortfall. As a result, the overall balance ended the quarter in deficit and the official reserves (net of revaluation adjustments), which had risen continuously since the second quarter of 2001, declined slightly.

**Table 4.1**  
**EXTERNAL BALANCES<sup>1</sup>**

	<i>Lm millions</i>			
	Apr.- June			
	2001		2002	
	Credit	Debit	Credit	Debit
<b>Current account balance</b>		<b>1.3</b>		<b>29.9</b>
Goods and services	363.5	369.0	341.5	390.1
Goods balance		53.7		70.5
Goods	229.4	283.1	223.5	293.9
Services balance	48.2		21.8	
Services	134.1	86.0	118.0	95.2
Transport	35.6	43.1	33.5	47.9
Travel	70.4	18.3	62.7	14.0
Other services	28.1	24.6	21.8	34.3
Income (net)	2.0		14.7	
Compensation of employees	0.5	0.7	0.9	0.6
Investment income	173.6	171.5	88.2	73.9
Current transfers (net)	2.2		4.0	
<b>Capital and financial account balance<sup>2</sup></b>		<b>10.4</b>	<b>10.5</b>	
Capital account balance		0.3	1.3	
Financial account balance		10.2	9.3	
Direct investment	114.7		29.2	
Abroad	0.5		2.7	
In Malta	114.2		26.5	
of which Monetary Sector	129.5		0.4	
Portfolio investment	251.5			127.2
Assets	247.1			128.6
Liabilities	4.4		1.4	
Other investment		376.4	107.2	
Assets	27.5		70.2	
Liabilities		403.9	37.0	
<b>Overall balance</b>		<b>11.7</b>		<b>19.4</b>
<b>Movements in reserves<sup>3</sup></b>		<b>15.4</b>	<b>10.2</b>	
Net errors and omissions	27.2		9.2	

<sup>1</sup> Provisional.

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

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

Source: National Statistics Office

Meanwhile, the Maltese lira, reflecting the foreign exchange market developments outlined earlier, gained ground against the US dollar and, to a lesser extent, the pound sterling, but weakened against the euro. The depreciation in terms of the European unit, which has the largest weight in the Maltese lira basket, was reflected in a fall in the nominal and real effective exchange rate indices for the lira.

### The Current Account

As Table 4.1 shows, the current account deficit widened to Lm29.9 million from Lm1.3 million in the corresponding quarter of 2001, reflecting both a smaller surplus on services and a widening of the merchandise trade gap.

### Merchandise trade

The merchandise trade gap rose to Lm70.5 million, from Lm53.7 million a year earlier, as imports increased by Lm10.9 million while exports were

down by Lm5.9 million compared to the same quarter a year ago.

As can be seen from Table 4.2, which is based on customs data, higher purchases of consumer goods and capital goods were mainly responsible for the increase in imports, though purchases of industrial supplies and fuel, each up by nearly Lm1 million, also contributed. The marginal increase in the fuel import bill reflected higher volumes, as international oil prices were lower than a year earlier, and was in turn related to re-export activity rather than domestic consumption. In fact, domestic consumption of fuel was reported to be down from year-ago levels.

Meanwhile, the overall decline in exports masked opposing trends between domestic exports and re-exports. In fact, as the Table shows, domestic exports were down by Lm11.7 million compared to a year ago, reflecting the weak external demand conditions and, possibly, the lagged effects of the Maltese lira's real effective appreciation during

**Table 4.2**  
**MERCHANDISE TRADE**  
(based on Customs data)

	Apr.- June		Change
	2001 <sup>1</sup>	2002 <sup>1</sup>	
<b>Imports</b>	<b>309.5</b>	<b>322.4</b>	<b>12.9</b>
Consumer goods	71.2	77.5	6.3
Industrial supplies	164.9	165.7	0.8
Capital goods and others	52.0	56.9	4.9
Fuel and lubricants	21.4	22.3	0.9
<b>Exports</b>	<b>224.6</b>	<b>219.9</b>	<b>-4.7</b>
Domestic	201.7	190.0	-11.7
Re-exports	22.9	29.9	7.0
<b>Trade balance</b>	<b>-84.9</b>	<b>-102.5</b>	<b>-17.6</b>

<sup>1</sup> Provisional

Source: National Statistics Office

2001. In contrast, re-exports – mainly of fuels, machinery and transport equipment and beverages and tobacco - rose by Lm7.0 million.

### ***Services and investment income***

As Table 4.1 shows, however, the deterioration in the services account was the main factor behind the widening of the current account deficit, as net receipts on this account dropped to Lm21.8 million, from Lm48.2 million a year earlier. This deterioration in the services balance mainly resulted from higher outlays on advertising by the tourism industry, increased foreign payments for professional services, and lower receipts from services provided to non-residents by a firm in the hospitality industry. In addition, higher net outlays on freight and other transportation and a drop in net receipts from travel also contributed. Indeed, net receipts from travel were down by Lm3.4 million, as a Lm7.7 million contraction in gross tourism earnings was only partly offset by a Lm4.3 million decline in expenditure on foreign travel by Maltese residents.

The deterioration on the goods and services balance was partly offset by higher net income from abroad, which rose to Lm14.7 million from Lm2 million a year earlier. This was almost wholly attributable to the activities of international banks operating from Malta which, as a result of lower interest payments on their foreign liabilities, reported higher net investment income.

At the same time, the surplus on current transfers went up to Lm4 million, from Lm2.2 million during the June quarter of 2001. This mainly reflected higher receipts by way of cash gifts by the private sector.

### ***The capital and financial account***

After excluding movements in the official reserves, the capital and financial account ended

the quarter reviewed with a surplus of Lm10.5 million. This was wholly attributable to the ‘other investment’ component of the account, which recorded net inflows of Lm107.2 million, as against the Lm376.4 million net outflows recorded a year earlier. These movements mainly reflected the transactions of the monetary sector, though the non-monetary sector also contributed. Thus, the monetary sector which had reported a sharp decline in its loan liabilities during the second quarter of 2001, reported net inflows on this account during the quarter under review. The latter, in turn, were linked to a decline in the sector’s holdings of foreign currency and deposits and other short-term assets abroad. At the same time, the non-monetary sector reported lower net outflows on account of a decline in foreign currency deposits held abroad. This, in turn, may have been linked to the favourable effects of the Investment Registration Scheme on the financial account.

On the other hand, portfolio transactions resulted in net outflows of Lm127.2 million, as against the net inflows of Lm251.6 million recorded in 2001. This mainly reflected increased purchases of foreign bonds and money market instruments by the monetary sector, which during the second quarter of 2001 had reduced its holdings of such assets to finance loan liabilities maturing during that period. These outflows outweighed higher net portfolio inflows into local debt securities reported by the non-monetary sector, possibly in response to higher local interest rates.

Net foreign direct investment inflows stood at Lm29.2 million during the quarter reviewed, down from Lm114.7 million in the corresponding quarter of 2001<sup>1</sup>. This resulted mainly from lower reinvested earnings by the monetary sector, as the international banks had recorded extraordinary profits which were reinvested locally during the June quarter last year. This decline in foreign

<sup>1</sup> For balance of payments compilation purposes, foreign direct investment is any international investment in which an entity in one economy acquires a lasting interest in an enterprise in another economy. This comprises both the initial transaction between the two entities – i.e. the one that establishes the direct investment relationship – and all subsequent transactions between them. Currently, most foreign direct investment in Malta consists of the reinvested earnings (undistributed profits) of the international banks and those of foreign-owned non-monetary enterprises.

direct investment by the international banks was partly offset by higher direct investment inflows reported by the non-monetary sector, as the foreign parent of a leading manufacturing firm paid arrears linked to past exports to its local subsidiary.

The deficit on the current account was partly financed by the net inflow on the capital and

financial account and partly by a Lm10.2 million fall in the official reserves.

### Year-to-Date Developments

During the six months to June, the current account deficit widened to Lm52.7 million from Lm35.5 million in the corresponding period of 2001. As can be seen from Table 4.3, this was mainly

**Table 4.3**  
**EXTERNAL BALANCES**<sup>1</sup>

	<i>Lm millions</i>			
	Jan. - June			
	2001		2002	
	Credit	Debit	Credit	Debit
<b>Current account balance</b>		<b>35.5</b>		<b>52.7</b>
Goods and services	699.8	750.0	651.9	722.5
Goods balance		107.4		103.6
Goods	474.5	581.9	442.8	546.4
Services balance	57.2		33.0	
Services	225.3	168.1	209.1	176.1
Transport	64.2	84.4	60.9	84.0
Travel	116.7	34.9	104.2	31.3
Other services	44.4	48.8	44.0	60.7
Income (net)	12.9		19.6	
Compensation of employees	1.1	1.4	1.6	1.3
Investment income	219.7	206.5	175.0	155.8
Current transfers (net)	1.8			1.7
<b>Capital and financial account balance</b> <sup>2</sup>	<b>2.5</b>		<b>31.9</b>	
Capital account balance		0.3	1.6	
Financial account balance	2.8		30.3	
Direct investment		54.7		134.0
Abroad	0.1			1.8
In Malta		54.7		132.3
of which Monetary Sector		51.8		173.2
Portfolio investment	267.0			50.3
Assets	263.6			49.7
Liabilities	3.4			0.7
Other investment		209.5	214.7	
Assets	839.8		103.0	
Liabilities		1049.3	111.6	
<b>Overall Balance</b>		<b>33.0</b>		<b>20.8</b>
<b>Movement in reserves</b> <sup>3</sup>		<b>2.5</b>		<b>15.4</b>
Net errors and omissions	35.5		36.2	

<sup>1</sup> Provisional.

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

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

Source: National Statistics Office

attributable to a lower surplus on the services account, which roughly reflected the June quarter developments outlined above. Indeed, higher net payments for transportation and professional services, together with a Lm 8.9 million drop in net travel receipts, meant that overall receipts from services declined to Lm33 million, from Lm57.2 million a year earlier.

The unfavourable developments on the services account were partly offset by higher net investment income and a contraction of the merchandise trade gap. Thus, imports were down by Lm39.2 million during the six months to June, while exports declined by Lm29 million, mainly reflecting the first quarter developments in the merchandise trade account outline above. As can be seen from Table 4.4, the drop in imports was mainly attributable to lower purchases of industrial supplies, capital goods and fuel, which were partly offset by an increase in purchases of consumer goods. On the other hand, the decline

in exports was wholly attributable to a sharp drop in sales of electronic components, as re-exports surged by Lm18.9 million when compared with the corresponding period of 2001.

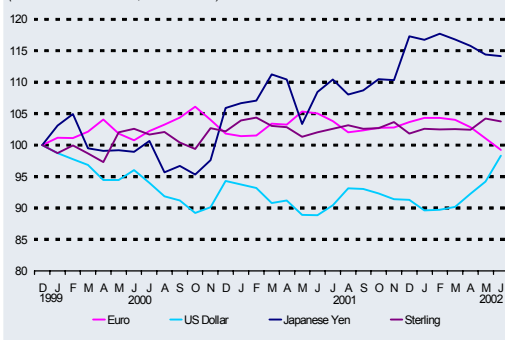
As regards capital and financial flows, net inflows during the six months to June rose to Lm31.9 million, from Lm2.5 million in the corresponding period of 2001. This mainly reflected higher net inflows on the 'other investment' component of the financial account, which in turn was heavily influenced by the flows recorded during the second quarter. These inflows were partly offset by a decline in inward direct investment together with higher portfolio investment outflows. Meanwhile, notwithstanding the fact that the overall balance of payments for the six months to June was in deficit by Lm20.8 million, the official reserves ended the period up by Lm15.4 million. This was entirely the result of the reserve accumulation that took place during the March quarter.

**Table 4.4**  
**MERCHANDISE TRADE**  
*(based on Customs data)*

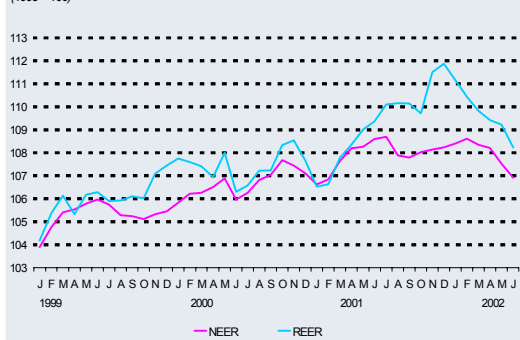
	Jan. - June		Change
	2001	2002	
<b>Imports</b>	<b>637.8</b>	<b>598.6</b>	<b>-39.2</b>
Consumer goods	133.9	144.0	10.1
Industrial supplies	348.6	306.2	-42.4
Capital goods and others	104.5	101.4	-3.1
Fuel and lubricants	50.8	47.0	-3.8
<b>Exports</b>	<b>466.4</b>	<b>437.4</b>	<b>-29.0</b>
Domestic	425.7	377.8	-47.9
Re-exports	40.7	59.6	18.9
<b>Trade balance</b>	<b>-171.4</b>	<b>-161.2</b>	<b>10.2</b>

*Source: National Statistics Office*

**Chart 4.1**  
EXCHANGE RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES  
(index of end-of-month rates, end-1999 = 100)



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



## The Maltese Lira

During the quarter under review the Maltese lira continued to appreciate against the US dollar and to lose ground against the euro, as Chart 4.1 shows. In fact, as can be seen from Table 4.5 the lira appreciated by 9% against the US dollar and lost 4.6% in terms of the euro during the quarter. Furthermore, the lira lost some of its past gains against the Japanese yen, in terms of which it was down by 2.3%. At the same time, on account of

the weakening of sterling against the euro, the lira gained 1.2% against the British currency.

Compared with the same quarter a year ago, the Maltese lira had on average appreciated by 3.3% against the US dollar, by 0.4% against sterling, and by 6.8% against the Japanese yen during the quarter reviewed. In contrast, over the same period, the lira was down by 1.8%, on average, against the euro.

**Table 4.5**

### EXCHANGE RATES OF THE MALTESE LIRA AGAINST MAJOR CURRENCIES

Period	Euro	US\$	Stg	Yen
Average for Qtr. 2 2002	2.4593	2.2599	1.5458	286.6
Average for Qtr. 2 2001	2.5041	2.1876	1.5391	268.2
% change	-1.8	3.3	0.4	6.8
Closing rate on 28.06.2002	2.3924	2.3818	1.5545	282.7
Closing rate on 28.03.2002	2.5070	2.1854	1.5361	289.3
% change	-4.6	9.0	1.2	-2.3
High for Qtr. 2	2.5070	2.3818	1.5704	293.7
	(Apr. 09)	(June 28)	(June 10)	(Apr. 02)
% change from average	1.9	5.4	1.6	2.5
Low for Qtr. 2	2.3924	2.1897	1.5284	280.7
	(June 28)	(Apr. 01)	(Apr. 23)	(May. 21)
% change from average	-2.7	-3.1	-1.1	-2.1

Movements in the nominal effective exchange rate (NEER)<sup>2</sup> and the real effective exchange rate (REER)<sup>3</sup> indices for the Maltese lira, as computed by the Central Bank of Malta, are depicted in Chart 4.2.

As the Chart shows, both the NEER and REER index continued to decline steeply during the

quarter reviewed, indicating a further improvement in the external competitiveness of the Maltese economy. Indeed, the NEER index fell by 1.26% during the quarter, mainly reflecting the depreciation of the Maltese lira against the euro. At the same time, the REER declined by 1.42%, partly reflecting lower domestic inflation and partly the decline of the NEER index.

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<sup>2</sup> The NEER index is based on a trade-weighted average of changes in the exchange rate of the lira against the currencies of Malta's major competitor countries, including its trading partners. A fall in the index represents a depreciation of the lira's average exchange rate, and vice versa.

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

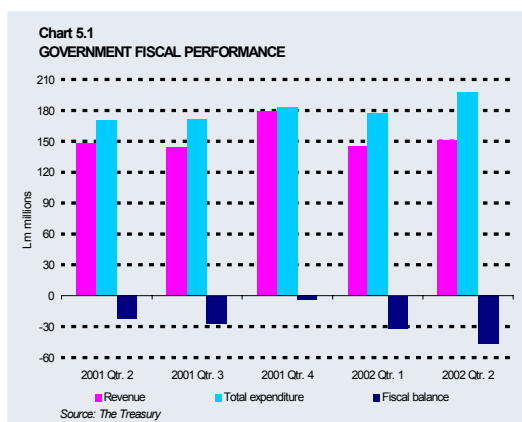
## 5. GOVERNMENT FINANCE

The fiscal deficit for the first half of 2002 stood at Lm78.5 million, or Lm24.6 million more than during the corresponding period last year and slightly above the Lm77.7 million shortfall targeted for the year as a whole. Revenue grew sluggishly, as nominal GDP growth remained below the 5% level projected in the 2002 Budget Estimates. At the same time, expenditures rose in line with projections.

As can be seen from Chart 5.1, the fiscal position deteriorated further during the second quarter. In fact, Government operations during the three months to June resulted in a negative balance of Lm46.6 million: one-and-a-half times the shortfall recorded in the March quarter and more than twice that recorded in the June quarter of 2001. The Government drew on its deposits with the banking system to finance most of the quarter's shortfall.

### Revenue

Government revenue increased by Lm10.5 million, or 3.7%, to Lm295.9 million during the six months to June. This represented 44.1% of the projected receipts for the year as a whole, down from 46.9% at the same stage last year.



Revenue from direct taxation, reflecting marginal employment income growth, was only slightly up from last year's level, as Table 5.1 shows. In fact, a Lm2.3 million increase in revenue from income tax was partly offset by a Lm0.5 million drop in receipts from social security contributions. The latter, though partly attributable to the slack labour market conditions, probably also reflected timing differences in the payment of contributions.

Revenue from indirect taxation rose by Lm10.4 million, or 9.2%, from last year's level. This increase mainly reflected higher receipts from licences, taxes and fines, as profits generated by the Public Lotto Department, previously treated as non-tax income, are now being included under this revenue heading, although fees in respect of an oil exploration contract and a rise in duty on documents also contributed. At the same time, the yield from customs and excise duties, boosted by a rise in duties on tobacco and petroleum products, grew by Lm2.2 million. The yield from VAT, however, was almost unchanged from last year's level.

Revenue from non-tax sources, at Lm48.1 million, was down by Lm1.7 million from last year's level, as additional income generated by the Investment Registration Scheme was largely offset by the above-mentioned transfer of lotto profits to the licences, taxes and fines heading, and lower receipts from dividends, rents, interest and other miscellaneous receipts, as well as lower Central Bank profits.

### Expenditure

Meanwhile, Government expenditure rose by Lm35.1 million, or 10.3%, to Lm374.4 million. At this level, expenditure was equivalent to half the amount projected for the year, and, as can be seen from Chart 5.2, this consistency with the Budget projections holds, broadly, across all the major expenditure categories. Partly as a result of the



**Table 5.1**  
**GOVERNMENT BUDGETARY OPERATIONS**

	<i>Lm millions</i>					
	2001	2002	2001	2002	Change 2001-2002	
	Qtr. 2	Qtr. 2	Qtr. 1- Qtr. 2	Qtr. 1- Qtr. 2	Qtr. 1- Qtr. 2	Qtr. 2
					Amount	%
<b>REVENUE</b>	<b>148.0</b>	<b>150.9</b>	<b>285.4</b>	<b>295.9</b>	<b>10.5</b>	<b>3.7</b>
<b>Direct tax</b>	<b>72.5</b>	<b>74.0</b>	<b>122.2</b>	<b>124.1</b>	<b>1.8</b>	<b>1.5</b>
Income tax	43.4	44.0	68.2	70.6	2.3	3.4
Social security contributions <sup>1</sup>	29.1	30.0	54.0	53.5	-0.5	-0.9
<b>Indirect tax</b>	<b>56.3</b>	<b>63.7</b>	<b>113.4</b>	<b>123.8</b>	<b>10.4</b>	<b>9.2</b>
Value Added Tax	27.2	28.8	55.8	56.4	0.7	1.2
Customs and excise duties	12.9	14.3	25.2	27.5	2.2	8.9
Licences, taxes and fines	16.3	20.7	32.4	39.9	7.5	23.1
<b>Non-tax revenue</b>	<b>19.3</b>	<b>13.2</b>	<b>49.8</b>	<b>48.1</b>	<b>-1.7</b>	<b>-3.5</b>
Central Bank profits	5.9	0.0	25.9	25.7	-0.2	-0.8
Other <sup>2</sup>	13.4	13.2	23.9	22.4	-1.5	-6.3
<b>RECURRENT EXPENDITURE</b> <sup>1</sup>	<b>145.5</b>	<b>171.3</b>	<b>292.8</b>	<b>325.8</b>	<b>33.0</b>	<b>11.3</b>
Personal emoluments	48.7	49.5	96.8	98.0	1.1	1.2
Operational and maintenance	8.7	13.3	21.6	26.1	4.5	21.0
Programmes and initiatives	68.7	74.5	128.6	136.0	7.3	5.7
Contributions to entities	6.1	19.2	16.2	32.6	16.3	100.6
Interest payments	13.3	14.6	29.2	32.9	3.6	12.4
Other	0.1	0.2	0.2	0.3	0.0	8.5
<b>CURRENT BALANCE</b> <sup>3</sup>	<b>2.6</b>	<b>-20.3</b>	<b>-7.4</b>	<b>-29.8</b>	<b>-22.5</b>	
<b>CAPITAL EXPENDITURE</b>	<b>24.9</b>	<b>26.3</b>	<b>46.5</b>	<b>48.6</b>	<b>2.1</b>	<b>4.5</b>
<b>TOTAL EXPENDITURE</b>	<b>170.3</b>	<b>197.5</b>	<b>339.3</b>	<b>374.4</b>	<b>35.1</b>	<b>10.3</b>
<b>FISCAL BALANCE</b> <sup>4</sup>	<b>-22.3</b>	<b>-46.6</b>	<b>-53.9</b>	<b>-78.5</b>	<b>-24.6</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 revenue from sale of assets and sinking funds of converted loans.

<sup>3</sup> Revenue less recurrent expenditure.

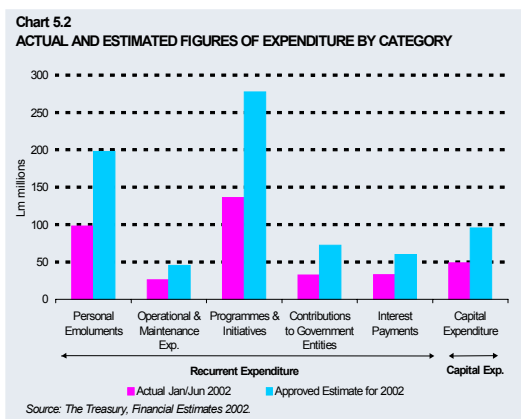
<sup>4</sup> Revenue less total expenditure.

Source: *The Treasury*

reclassification of certain subsidies that had previously been included under the Government's capital programme, recurrent outlays accounted for most of the increase in overall expenditure during the period. If the effects of this change in accounting policy were removed, however, growth in capital spending would have accounted for a

third of the overall expenditure increase.

The Government's wage bill edged upwards marginally, by Lm1.1 million, as a decline in the number of employees in Government departments was offset by the effect of annual increments on the total wage bill. Operational and maintenance



expenditures, however, rose by Lm4.5 million, fuelled by higher utility bills and increased costs of medical supplies. Meanwhile, higher outlays on social security benefits, Treasury pensions and the National Programme for the Adoption of the *Acquis* translated into a Lm7.3 million increase in the expenditure on programmes and initiatives. At the same time, interest payments were up by Lm3.6 million, with most of the increase arising from the Government's issue of additional long-term debt securities during 2001.

A Lm16.3 million surge in contributions to Government entities accounted for almost half the increase in recurrent expenditure. Some Lm13 million of this amount reflected the above-mentioned shifting to this expenditure category of subsidies that had previously been treated as capital expenditure, and of Malta Freeport's debt servicing costs, previously accounted for through the Treasury Clearance Fund. Other contributory factors included additional funds channelled to the Malta College for Arts, Science and Technology (MCAST) and the incorporation under this heading of expenditure incurred by the Malta Statistics Authority, the Roads Directorate

and the Licensing and Testing Directorate, all of which had previously been assigned separate votes. These developments raised the share of contributions to entities in total expenditure to 8.7% from 4.8% during the same period last year.

In spite of the above-mentioned reclassification of subsidies, capital spending still grew, by Lm2.1 million, or 4.5%, to Lm48.6 million. The cost of the voluntary resignation and early retirement schemes offered to workers at the shipbuilding and shiprepair yards limited the drop in capital expenditure attributed to the Economic Services Ministry to just Lm7.1 million. In addition, outlays on the construction of the new hospital rose by Lm6.7 million. Other notable increases were attributable to funds allocated to the Malta Tourism Authority, the Foundation for Tomorrow's Schools and the road construction programme.

### Government Debt and Financing Operations

As Table 5.2 shows, the Government financed its deficit for the second quarter mainly by running down its deposits with the Central Bank, although additional funds were raised through a Lm5.8 million issue of Treasury bills.<sup>1</sup>

In addition, during the second quarter of the year, the Government is estimated to have obtained some Lm16.8 million through sales of Treasury bills on the secondary market by the Malta Government Sinking Funds. Furthermore, apart from meeting its financing requirements, the Government also effected contributions to Sinking Funds of Lm5.6 million and reduced its external debt by Lm2 million.

As a result of these developments, the gross Government debt at the end of June stood at

<sup>1</sup> It should be pointed out, however, that any increase in the value of Treasury bills and Malta Government Stocks outstanding includes those purchased by the Malta Government Sinking Funds (MGSF). Such purchases, in turn, entail the use of funds that would otherwise be available to help finance the deficit, whereas MGSF sales of securities on the secondary market provide funds that the Government may use to finance its revenue shortfall.

Lm1,049.6 million, up by Lm3.8 million from the end-March level. The composition of the debt also changed marginally, as the share of Treasury

bills in the total rose to 19%, whereas Government stocks and foreign debt accounted for 77.4% and 3.6% of the total, respectively.

**Table 5.2**  
**GOVERNMENT DEBT AND FINANCING OPERATIONS**

*Lm millions*

	Qtr. 2	2001 Qtr. 3	Qtr. 4	2002 Qtr. 1	Qtr. 2
<b>FISCAL BALANCE</b>	<b>-22.3</b>	<b>-27.1</b>	<b>-4.3</b>	<b>-31.9</b>	<b>-46.6</b>
<i>Financed by<sup>1</sup>:</i>					
Increase in MGS outstanding	27.3	21.6	21.2	0.0	0.0
Increase in foreign loans	-1.8	-0.9	4.2	-0.5	-2.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0	0.0
Contributions to sinking funds	-6.2	0.0	-5.5	0.0	-5.6
Sinking funds of converted loans	0.0	0.0	22.0	0.0	0.0
Increase in Treasury bills outstanding	-10.8	8.2	-15.8	33.6	5.8
Decrease in Government deposits	18.9	-12.0	-4.6	4.1	31.6
Net cash movement and other funds <sup>2</sup>	-5.1	10.2	-17.2	-5.3	16.8
<b>GROSS GOVERNMENT DEBT</b>	<b>974.2</b>	<b>1003.2</b>	<b>1012.8</b>	<b>1045.8</b>	<b>1049.6</b>
Malta Government stocks	770.0	791.7	812.9	812.9	812.9
Treasury bills	167.1	175.3	159.5	193.1	198.9
Foreign loans	37.1	36.2	40.4	39.9	37.9

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

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

*Source: The Treasury and Central Bank of Malta estimates*

## 6. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank left official interest rates unchanged at 4% during the June quarter. The excess liquidity seen in the previous quarter persisted, however, forcing the Bank to continue absorbing funds through auctions of term deposits. As a result, pressure on money market rates was minimal, although Treasury bill yields fell slightly. In the capital market, Government bond yields also lost ground, while equities extended their downward trend.

Broad money, M3, expanded during the quarter, despite the issue of a number of corporate bonds, as households added to their bank deposits. This monetary expansion was matched by roughly equal increases in the net foreign assets of the banking system and in domestic credit. The rise in domestic credit was entirely driven by net claims on Government, as claims on the private

and parastatal sectors declined, reflecting a fall in credit to public sector enterprises.

### The Monetary Base

The monetary base, M0, expanded substantially during the quarter reviewed, reversing the abrupt contraction witnessed in the previous quarter. A Lm44.7 million increase in M0 translated into a percentage increase of 8.4%. As a result, the annual rate of growth of M0 climbed to 3.8% in June.

Most of the growth in the monetary base resulted from an increase in banks' reserve deposits with the Central Bank, although currency in issue, the other component of M0, also expanded.

As Table 6.1 indicates, a drop in Government deposits, which halved to Lm33.5 million during the quarter, was the principal counterpart to the rise in M0, although a decline in term deposits outstanding, which boosted banks' reserve

**Table 6.1**  
**THE MONETARY BASE AND ITS SOURCES**

	<i>Lm millions</i>		
	Mar. 2002	June 2002	Change
Currency in issue	437.0	449.9	12.9
Banks' deposits with the Central Bank <sup>1</sup>	98.8	130.6	31.8
<b>MONETARY BASE</b>	<b>535.8</b>	<b>580.5</b>	<b>44.7</b>
<b>CENTRAL BANK ASSETS</b>			
Foreign assets	786.5	780.7	-5.8
Claims on Government	4.6	5.0	0.4
Fixed and other assets	53.6	50.3	-3.3
<i>Less:</i>			
<b>REMAINING LIABILITIES</b>			
Government deposits	66.7	33.5	-33.2
Other deposits	7.1	3.7	-3.4
Foreign liabilities	3.4	0.0	-3.4
Other liabilities	139.5	122.7	-16.8
Capital and reserves	92.2	95.6	3.4

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

deposits with the Central Bank, also contributed. The contraction in outstanding term deposits is reflected in the Lm16.8 million drop in 'other liabilities' shown in the Table. In contrast with the previous four quarters, when M0 was boosted by considerable gains in the Central Bank's foreign assets, the latter fell during the June quarter, mitigating the expansionary effects of the other items already mentioned.

### Monetary Aggregates

After the unusually rapid growth in broad money, M3, observed in the previous quarter, the June quarter saw a more moderate increase of Lm56.9 million, or 2%, as Table 6.2 illustrates. Corporate deposits decreased slightly and deposits belonging to the personal sector expanded at a slower pace, partly because of the issue of

corporate bonds during the quarter<sup>1</sup>. In particular, foreign currency deposits contracted after several quarters of strong growth, with the fall being attributable entirely to corporate deposits. Hence, the annual rate of growth of M3, which, as Chart 6.1 shows, had been on a steady upward trend, levelled off at 9.6% in June.

Narrow money, M1, expanded by Lm11.5 million during the quarter reviewed. Although the quarterly growth rate, at 1.8%, was slightly higher than that recorded during the previous quarter, the annual growth rate fell further, as indicated in Chart 6.1, dropping from 5.3% in March to 4.5% three months later.

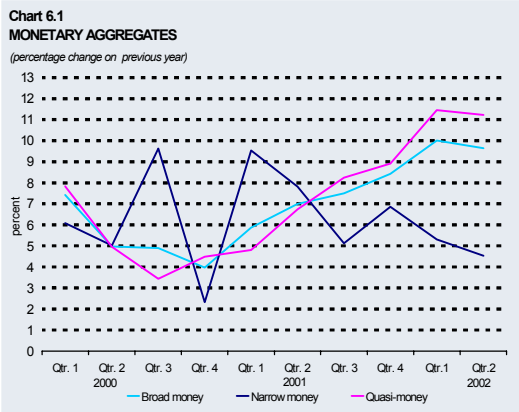
After a rise in the previous quarter, demand deposits fell by Lm0.2 million during the quarter

**Table 6.2**  
**MONETARY AGGREGATES**  
(Changes on the previous quarter)

	<i>Lm millions</i>									
	2001				2002					
	Qtr. 2		Qtr. 3		Qtr. 4		Qtr. 1		Qtr. 2	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. NARROW MONEY</b>	<b>15.5</b>	<b>2.5</b>	<b>14.1</b>	<b>2.2</b>	<b>-5.1</b>	<b>-0.8</b>	<b>8.0</b>	<b>1.3</b>	<b>11.5</b>	<b>1.8</b>
Currency in circulation	15.8	4.0	2.2	0.5	5.3	1.3	0.2	0.0	11.6	2.8
Demand deposits	-0.4	-0.2	11.9	5.5	-10.4	-4.6	7.7	3.6	-0.2	-0.1
<b>2. QUASI-MONEY</b>	<b>45.2</b>	<b>2.3</b>	<b>21.0</b>	<b>1.0</b>	<b>70.5</b>	<b>3.4</b>	<b>90.3</b>	<b>4.3</b>	<b>45.5</b>	<b>2.1</b>
Savings deposits	19.3	3.1	0.6	0.1	27.7	4.3	16.3	2.4	-5.6	-0.8
of which FCDs <sup>1</sup>	11.5	8.9	2.3	1.6	10.9	7.6	6.3	4.1	-6.1	-3.8
Time deposits	25.9	1.9	20.4	1.5	42.8	3.1	74.0	5.1	51.1	3.4
of which FCDs <sup>1</sup>	7.5	7.8	8.8	8.5	5.9	5.2	21.9	18.6	-2.9	-2.0
<b>3. BROAD MONEY</b>	<b>60.6</b>	<b>2.3</b>	<b>35.1</b>	<b>1.3</b>	<b>65.4</b>	<b>2.4</b>	<b>98.2</b>	<b>3.6</b>	<b>56.9</b>	<b>2.0</b>

<sup>1</sup> i.e. Foreign currency deposits, including external Maltese lira deposits.

<sup>1</sup> Information on the breakdown of deposits by maturity and type of owner relates to deposits with the deposit money banks only.



reviewed, with growth in corporate deposits being offset by a decline in personal current account balances. The decrease was softened by a reduction in uncleared effects as a result of the fact that the previous quarter's end happened to coincide with the Easter weekend. Hence, as can be seen from Table 6.2, the entire increase in M1 is attributable to the Lm11.6 million expansion in currency in circulation. The latter, which was more-or-less evenly spread across the three months, was in line with the normal seasonal pattern.

Quasi-money grew by Lm45.5 million, or by half as much as in the previous quarter. The quarterly growth rate fell to 2.1% as a result, although on account of the strong growth witnessed in the previous two quarters the annual rate, at 11.2%, remained above the average of the last five years.

Time deposits accounted for the entire rise in quasi-money during the quarter reviewed, going up by Lm51.1 million, or 3.4%, as Table 6.2 shows. This was mainly because households continued to place funds into one and two-year deposit accounts. In fact, overall, households added another Lm39 million to their time deposits, following a Lm34.9 million increase registered during the March quarter. Corporate time deposits, however, expanded more slowly. In particular, these deposits fell in April, as the increase in corporate foreign currency deposits

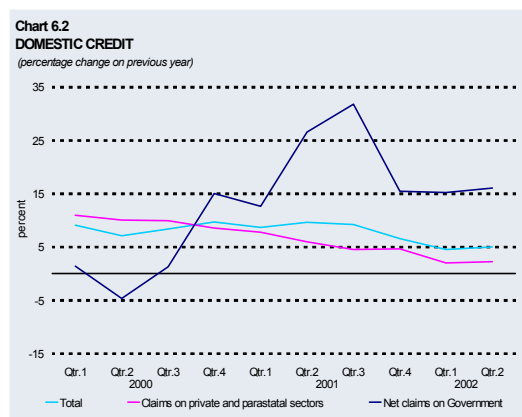
registered in March was reversed. Moreover, corporate foreign currency time deposits continued to decline during the remainder of the quarter, with the drop outweighing an increase in the holdings belonging to households and public sector enterprises.

In contrast, savings deposits contracted after a year of strong growth. The fall, of Lm5.6 million, or 0.8 %, reflected a drop in corporate deposits and slower growth in the personal category. In particular, a large corporate bond issue in May probably contributed to a significant decrease in households' savings deposits in that month. Foreign currency savings deposits decreased for the first time since the third quarter of 2000, with the dip occurring throughout the quarter. Both corporate and personal deposits declined.

### Counterparts to Monetary Expansion

In the second quarter domestic credit grew by Lm28.1 million, or 1.2%, which, as Table 6.3 indicates, is slightly below the previous quarter's rise. An expansion in net claims on Government was wholly responsible for the increase, which helped the annual rate of credit growth recover somewhat, to 5%, as Chart 6.2 illustrates.

By the end of June net claims on Government had increased by Lm35.6 million, or 7.1%, over their March value, pushing up the annual growth rate



marginally to 16.1%. This was mostly due to a Lm33.2 million contraction in Government deposits with the Central Bank, which halved during the quarter as the Government drew down deposits to finance its operations. Meanwhile, the banking system's holdings of Treasury bills increased at the expense of holdings of Government stocks, so that gross claims on Government rose by Lm4 million overall.

Meanwhile, after having expanded for three consecutive quarters, claims on the private and parastatal sectors fell by Lm7.5 million, or 0.4%, as

a drop in claims on public sector entities outweighed an increase in claims on the private sector. Proceeds from corporate bond issues were probably used to repay loans during the quarter, thus offsetting the addition of accrued interest to outstanding loans and advances in April. The annual rate of growth of claims on the private and parastatal sectors nevertheless increased slightly, to 2.2%, or just above the record low registered in March.

Loans and advances, which, as Table 6.4 shows, were down by Lm7.7 million, or 0.4%, accounted

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

	<i>Lm millions</i>									
	2001				2002					
	Qtr. 2		Qtr. 3		Qtr. 4		Qtr. 1		Qtr. 2	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>BROAD MONEY</b>	<b>60.6</b>	<b>2.3</b>	<b>35.1</b>	<b>1.3</b>	<b>65.4</b>	<b>2.4</b>	<b>98.2</b>	<b>3.6</b>	<b>56.9</b>	<b>2.0</b>
<b>1. DOMESTIC CREDIT</b>	<b>16.8</b>	<b>0.7</b>	<b>53.8</b>	<b>2.4</b>	<b>-3.8</b>	<b>-0.2</b>	<b>35.4</b>	<b>1.5</b>	<b>28.1</b>	<b>1.2</b>
a) Net claims on Govt.	27.5	6.3	20.1	4.3	-7.8	-1.6	26.4	5.6	35.6	7.1
Gross claims on Govt.	8.6	1.7	32.1	6.1	-3.2	-0.6	22.3	4.0	4.0	0.7
Central Bank	19.9	113.1	-25.7	-68.6	-6.0	-51.0	-1.2	-21.1	0.4	9.7
Banks	-11.3	-2.2	57.8	11.8	2.8	0.5	23.5	4.3	3.5	0.6
Less:										
Government deposits <sup>1</sup>	-18.9	-22.5	12.0	18.5	4.6	6.0	-4.1	-5.0	-31.6	-40.8
Central Bank	-18.1	-25.8	9.9	19.2	7.2	11.7	-2.4	-3.5	-33.2	-49.7
Banks	-0.8	-5.8	2.1	15.8	-2.6	-17.2	-1.7	-13.7	1.5	14.0
b) Claims on private and parastatal sectors	-10.7	-0.6	33.7	1.9	4.0	0.2	9.0	0.5	-7.5	-0.4
<b>2. NET FOREIGN ASSETS</b>	<b>120.3</b>	<b>13.9</b>	<b>11.8</b>	<b>1.2</b>	<b>87.4</b>	<b>8.8</b>	<b>61.3</b>	<b>5.7</b>	<b>24.2</b>	<b>2.1</b>
Central Bank	16.4	2.6	43.9	6.8	71.6	10.4	22.6	3.0	-2.3	-0.3
Banks	103.9	44.0	-32.0	-9.4	15.8	5.1	38.7	11.9	26.5	7.3
Less:										
<b>3. OTHER ITEMS (NET)</b>	<b>76.5</b>	<b>14.3</b>	<b>30.5</b>	<b>5.0</b>	<b>18.1</b>	<b>2.8</b>	<b>-1.5</b>	<b>-0.2</b>	<b>-4.6</b>	<b>-0.7</b>

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

**Table 6.4****CREDIT TO SELECTED CATEGORIES OF BORROWER<sup>1</sup>**

	<i>Lm millions</i>			
	2002		2002	
	Qtr. 1	Qtr. 2	Change	%
	Amount	Amount		
Energy and water	91.1	89.6	-1.5	-1.6
Transport, storage and communication	109.4	106.1	-3.4	-3.1
Agriculture and fisheries	10.5	10.5	0.0	0.2
Manufacturing	208.8	204.2	-4.6	-2.2
Building and construction	89.6	88.6	-1.0	-1.1
Tourism	249.0	246.7	-2.3	-0.9
Wholesale and retail	313.5	303.1	-10.4	-3.3
Personal	474.2	486.7	12.5	2.6
Other services	71.5	74.9	3.3	4.7
All other	157.8	157.3	-0.4	-0.3
<b>TOTAL</b>	<b>1,775.4</b>	<b>1,767.7</b>	<b>-7.7</b>	<b>-0.4</b>

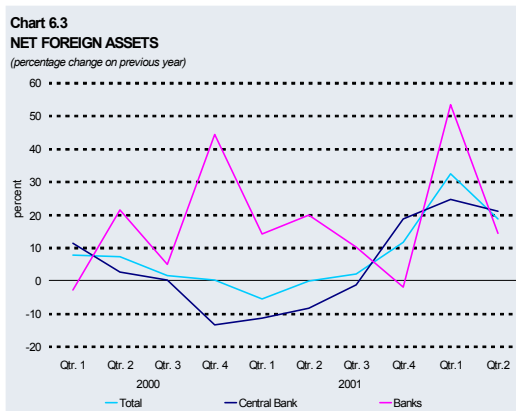
<sup>1</sup> Including bills discounted. Comprises credit to private and public sector borrowers.

for the entire fall in claims on the private and parastatal sectors, since banks increased their bond holdings only modestly during the quarter. Credit to the public sector declined by Lm15.1 million, as bank lending to Government controlled enterprises in the transport, storage and communications sector, as well as in manufacturing, contracted sharply.

In contrast, after two quarters of modest growth, loans and advances to the private sector expanded by Lm7.4 million during the quarter under review, lifting their annual growth rate to 2.9% from 1.6% in the March quarter. Personal credit rose once more, adding Lm12.5 million, with the greater part of the increase going towards housing. Meanwhile, credit to the private wholesale and retail trade fell by Lm10.5 million, with most of the contraction occurring in June, probably because proceeds from a bond issue were used to repay bank loans.

The net foreign assets of the banking system increased for the fifth consecutive quarter, ending

June up by Lm24.2 million, or 2.1%, from the end-March level. Nevertheless, the annual growth rate of the banking system's net foreign assets fell to 18.8%, as Chart 6.3 illustrates, primarily as a result of a base effect, as such assets had already risen sharply during the same quarter last year. The net foreign assets of the Central Bank fell during the quarter, as indicated in Table 6.3, so that the overall quarterly rise was accounted for by the rest of the banking system.





Following their decline towards the end of the previous quarter, the net foreign assets of the Central Bank fell again in April, reflecting foreign exchange swaps entered into by the Bank, in which it sold foreign exchange and simultaneously contracted to buy it back later. Such swap transactions continued throughout the quarter, but were partly offset by purchases of foreign exchange from the rest of the banking system, so that the net foreign assets of the Central Bank increased in May and June. Overall, the Lm2.3 million quarterly contraction in the Central Bank's net foreign assets was enough to reduce their annual growth rate slightly, to 21% in June, as Chart 6.3 shows.

Meanwhile, the net foreign assets of the rest of the banking system increased for the third successive quarter, adding Lm26.5 million, or 7.3%. However, as can be seen from Chart 6.3, the annual growth rate of these assets fell sharply to 14.4%, mainly reflecting wide fluctuations in the net foreign asset holdings of the international banks in the first half of last year.

The deposit money banks' net foreign assets rose by Lm19.7 million during the quarter, with all the increase occurring in April, coinciding with heightened activity in the foreign exchange swap market. During the rest of the quarter, the deposit money banks' holdings fell, probably due to sales of foreign exchange to the Central Bank, as well as the fall in residents' foreign currency deposits referred to earlier. In contrast, the net foreign assets of the international banks grew by a more modest Lm6.9 million, or 5.1%, during the three months under review, accounting for about a quarter of the total increase.

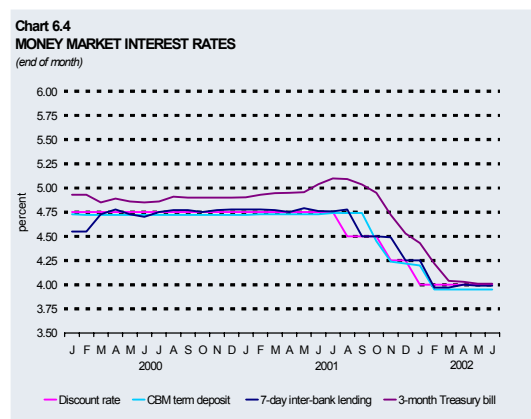
Meanwhile, following the March quarter's slight decrease, other items (net) contracted by another Lm4.6 million, or 0.7%, during the three months to

June<sup>2</sup>. This contraction reflected an expansion in the deposit money banks' accrued interest receivable, which outweighed a rise in provisions for bad and doubtful debts that pushed up other domestic liabilities. The other items (net) of the international banks hardly changed, as an increase in their capital and reserves was balanced by a fall in their other liabilities.

### The Money Market

The Central Bank left official interest rates unchanged during the second quarter of 2002. Since the banking system continued to be characterised by excess short-term liquidity throughout the quarter, however, the Bank held regular auctions of 14-day term deposits to absorb the surplus funds. In fact, the aggregate amount absorbed in this way during the June quarter reached Lm504.8 million, up from Lm455.8 million in the March quarter. Furthermore, as in the previous quarter, the Bank did not inject any funds through reverse repos. Given the unchanged monetary policy stance, the interest rate paid on term deposits also remained unchanged at 3.95%.

Interbank rates also remained virtually



<sup>2</sup> Other items (net) consist of the non-monetary liabilities of the banking system, such as debt securities issued and accrued interest payable, together with capital and reserves, less the banking system's other assets, including fixed assets and accrued interest receivable.

unchanged, with the rate charged on one week interbank lending rising marginally from 3.97% at the end of March to 3.99% three months later. Although the banking system generally remained flush with liquidity, the volume of interbank lending rose by Lm34.2 million to Lm41.7 million, with around three-quarters of the total turnover being recorded in May. In contrast with the pattern seen in the previous quarter, when interbank loans were struck with terms to maturity of seven days or less, during the quarter reviewed most interbank loans had terms to maturity ranging from one week to one month.

The Government continued to resort to the primary Treasury bill market to raise short-term funds during the quarter. The amount of bills issued, however, was slightly lower than in the previous quarter: Lm169.8 million, as against Lm178.8 million. Three-month bills accounted for more than four-fifths of the total, with six-month bills making up the remainder. Although banks continued to participate heavily in the primary market for Treasury bills, other investors, including Malta Government Sinking Funds and collective investment schemes, bought nearly a third of the amount issued. On a number of occasions the Treasury set a minimum bid price for bills. As can be seen from Chart 6.4, the primary market yield on 91-day bills remained virtually unchanged during the quarter, shedding just three basis points to 4.01% at end-June.

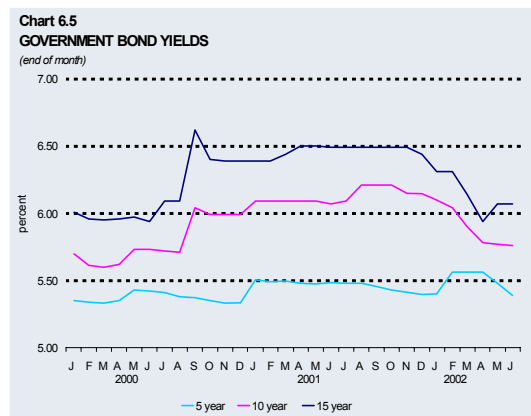
Turnover in the secondary Treasury bill market climbed to Lm82.6 million during the June quarter, the highest on record for over two years. Activity was split fairly evenly between transactions involving the Central Bank, which acts as a market maker in bills, and those between other investors. The Bank bought Lm24.4 million worth of bills and sold Lm17.1 million. Turnover that did not involve the Central Bank amounted to Lm41.1 million. In general, as in the primary market, Treasury bill yields in the secondary market fell slightly.

## The Capital Market

In June the Government issued Lm10 million worth of five-year bonds with a 5.6% coupon rate to roll over maturing debt. The bonds were offered at a premium of 0.5%, implying a yield of 5.48%, to retail investors, and by auction for bids exceeding Lm20,000. Non-bank investors took up all the issue, as banks showed a preference for shorter-term securities during the quarter under review.

Three private firms also resorted to the capital market for funds during the quarter, raising an aggregate of Lm18.5 million. In April, Hotel San Antonio p.l.c. sold Lm2.5 million worth of bonds with a coupon rate of 7.5% maturing in 2012. Mizzi Organisation Finance p.l.c. followed with a Lm10 million issue, to be paid back in seven to ten years, and paying a rate of 6.7%. Finally, Bay Street Finance p.l.c. raised Lm6 million by issuing paper carrying an 8% coupon rate, also maturing in 2012.

Turnover in the secondary Government stock market continued to decline, dropping to Lm7.7 million, from Lm8.9 million in the previous quarter, with the majority of deals not involving the Central Bank. As Chart 6.5 shows, yields on these securities generally continued to fall, in line with the recent downward trend. For example, yields

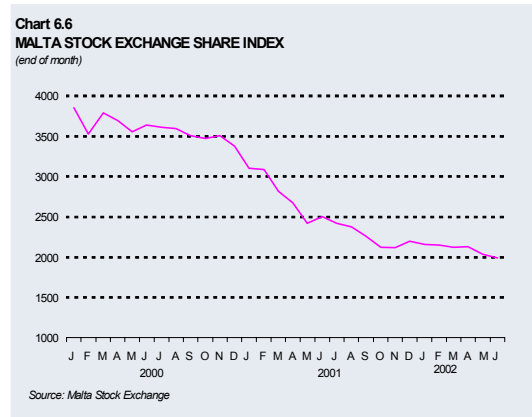


on five-year and ten-year Government stocks dropped by 17 basis points and 14 basis points to end the quarter at 5.39% and 5.76%, respectively, while those on 15-year bonds stabilised at 6.07% after having fallen to 5.94% in April.

Turnover in the secondary corporate bond market, including preference shares, increased by almost Lm2 million to Lm3.8 million. This surge in activity was mainly due to new issues being listed and traded on the secondary market. In general prices rose slightly, thus depressing yields.

Trading in the equity market surged to Lm11.8 million, up from Lm2.6 million in the March quarter. This rise was mainly due to a number of exceptional transactions, including the issue of new shares by one listed company and the transfer of significant blocks of shares in two other firms. As Chart 6.6 shows, however, share

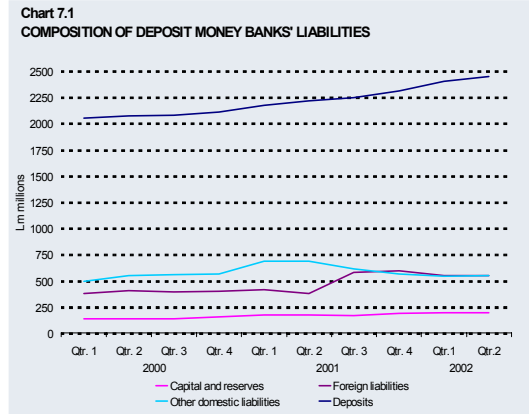
prices generally continued to fall. In fact, the Malta Stock Exchange Share Index shed 6% during the quarter, breaking below the 2,000 mark to end June at 1,991.1, a level last seen in late 1999.



## 7. THE BANKING SYSTEM

During the second quarter of 2002, the deposit money banks' aggregate balance sheet expanded by Lm46 million. This growth, which was sustained by deposit inflows, was larger than that recorded during the previous quarter. At the same time, bank credit contracted, amid signs of financial disintermediation, as a number of private firms issued bonds on the primary market and used a part of the proceeds to reduce existing bank debt. In response, the banks sought investment opportunities abroad, leading to an increase in their net foreign assets, and continued to add to their deposits with the Central Bank.

The banks registered profits before tax of Lm7.1 million during the three months to June, up by Lm0.9 million over the March quarter. Both net interest and non-interest income were higher, though a rise in operating expenses contained the ensuing increase in profits. Provisioning charges, though marginally lower than in the previous



quarter, remained substantial, reflecting the banks' adoption of more prudent risk assessment policies.

### Deposit Money Banks' Balance Sheet

#### Liabilities

As may be seen from Chart 7.1, deposits continued to expand, accounting for virtually all

**Table 7.1**

### DEPOSIT MONEY BANKS' BALANCE SHEET

*Lm millions*

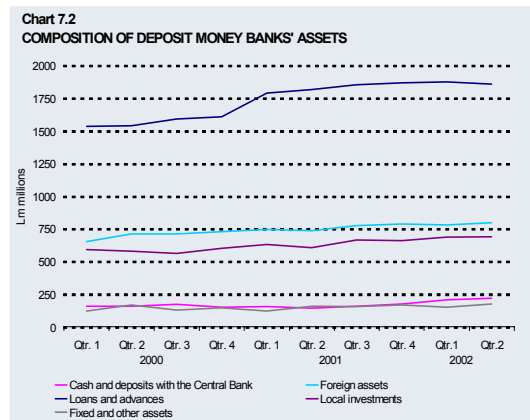
	June	2001 Sept.	Dec.	2002 Mar.	June
<b>ASSETS</b>					
Cash and deposits with CBM	145.4	159.8	180.3	208.8	219.1
Foreign assets	737.4	776.6	791.6	779.9	800.1
Loans and advances	1,815.8	1,855.9	1,866.4	1,875.5	1,858.6
Local investments	607.6	664.9	663.0	687.4	691.2
Fixed and other assets	161.7	158.4	168.9	151.6	180.1
<b>LIABILITIES</b>					
Deposits	2,217.1	2,249.1	2,312.5	2,407.0	2,450.7
Time	1,368.6	1,392.1	1,432.3	1,507.3	1,555.0
Savings	639.0	639.5	667.3	679.3	673.4
Demand	209.4	217.6	212.9	220.4	222.3
Foreign liabilities	382.6	584.1	599.6	551.2	551.8
Other domestic liabilities	691.2	613.2	566.8	547.8	549.6
Capital and reserves	177.0	169.2	191.2	197.2	197.2
<b>AGGREGATE BALANCE SHEET</b>	<b>3,467.8</b>	<b>3,615.6</b>	<b>3,670.2</b>	<b>3,703.2</b>	<b>3,749.2</b>

the additional funds available to the banks. Following an exceptional increase during the previous quarter, when they had gone up by 4.1%, customers' deposits rose by Lm43.7 million, or 1.8%, during the June quarter. As can be inferred from Table 7.1, time deposits were up by Lm47.7 million, with savers favouring maturity periods of one year or less, possibly reflecting expectations of more favourable investment opportunities over the short and medium-term. In contrast, savings deposits fell by Lm5.9 million as a small increase in personal balances was more than offset by a substantial drop in corporate foreign currency deposits. Meanwhile, demand deposits increased marginally as a drop in April was offset by gains during the following two months.

The deposit money banks' foreign liabilities remained virtually unchanged when compared to the end-March level. Balances due to other banks abroad fell substantially during the June quarter, but this was offset by an increase in non-resident deposits and other foreign liabilities. Meanwhile, other domestic liabilities rose by Lm1.8 million, in part on account of an upward revaluation of a bank's investments and in spite of the distribution of interim dividends.

### Assets

As Chart 7.2 shows, bank credit fell slightly during the second quarter. In fact, the quarter saw a contraction of the banks' loan book, down by Lm17 million, or 0.9%, to Lm1,858.6 million. Most of the decrease reflected lower advances to public sector manufacturing entities and Government-controlled enterprises involved in transport, storage and communications. Private sector borrowing also declined, as interbank advances dropped sharply and three firms used part of the proceeds derived from bond issues to refinance existing bank debt. However, spurred by low interest rates, the demand for credit by



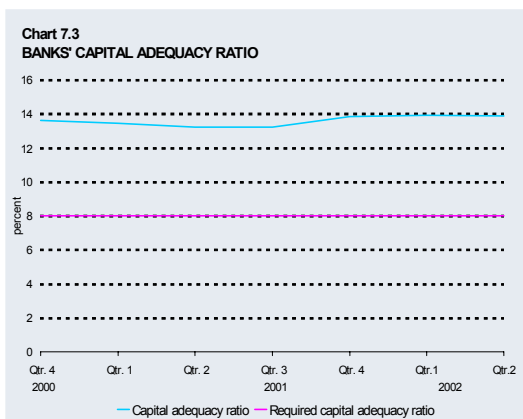
households continued to grow.

Banks used a part of their additional funds to expand their portfolio of foreign assets, which rose by Lm20.2 million, or 2.6%, from the previous quarter's level. In particular, the banks' holdings of non-Government foreign securities rose sharply, though this was partly offset by a reduction in money at call abroad and claims on foreign banks. Simultaneously, the banks' fixed and other assets rose by Lm28.5 million, reflecting the seasonal increase in accrued interest receivable and a rise in current balances due from Maltese credit institutions. The banks also added to their reserve assets, with their deposits with the Central Bank and cash holdings increasing by Lm10.3 million. Similarly, the banks' local investments edged upwards by Lm3.8 million, as an increase in their portfolio of Treasury bills was only partly offset by a fall in their holdings of Government long-term debt securities.

### Capital adequacy and liquidity

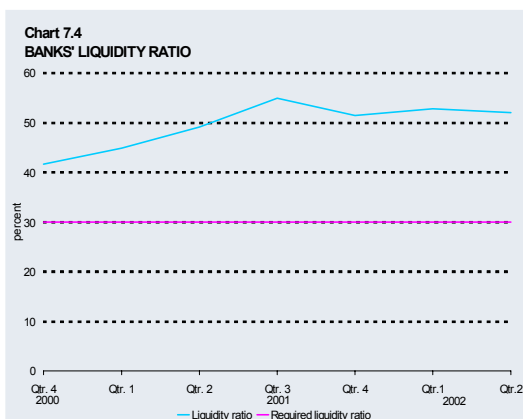
During the quarter under review, the deposit money banks' capital base retained its strength. In fact, the aggregate capital adequacy ratio<sup>1</sup>, a measure of the banks' own funds relative to their risk-weighted assets, remained at its previous-quarter level of 13.9% and solidly above the

<sup>1</sup> The capital adequacy ratio is calculated in accordance with Banking Directive BD/08.



statutory threshold of 8%, as Chart 7.3 shows. The banks' own funds, which include paid-up ordinary shares, retained earnings, subordinated capital and other reserves, fell by Lm3.7 million, to Lm255.3 million, partly reflecting a fall in the value of subordinated loan capital. This, however, was neutralised by a drop in their risk-weighted assets.

Meanwhile, the banks were in a slightly less liquid position when compared to the previous quarter. Thus, their aggregate liquidity ratio, a measure of liquid assets relative to net short-term liabilities, eased from 52.7% at end-March to 52% at the end of June, though it remained far above the mandatory minimum of 30%, as Chart 7.4 shows. The lowering of the liquidity ratio reflected the



combined effects of an increase in the banks' short-term liabilities and a small drop in their liquid assets, the latter on account of lower holdings of marketable debt securities.

## Deposit Money Banks' Performance

### *Profitability*

The deposit money banks' profit before tax for the second quarter totalled Lm7.1 million, Lm0.9 million more than in the previous quarter and equal to the year-ago level. As a result, cumulative profits for the first half of the year rose from Lm10.4 million in 2001 to Lm13.3 million in 2002, reflecting an increase in net interest income that was only partly offset by higher loan loss provisions and operating expenses.

As Table 7.2 shows, net interest income for the June quarter, at Lm18.8 million, was Lm1.2 million higher than that earned in the preceding quarter, reflecting a drop in interest payable as well as a small increase in gross interest income. The above-mentioned decline in bank credit put downward pressure on gross interest earnings, but this was more than compensated for by higher income on current balances due from domestic banks. At the same time, interest payable fell by Lm0.9 million, as last January's reduction in official interest rates continued to feed into interest rates on time deposits.

Non-interest income rose by Lm1.1 million and accounted for 28.5% of the banks' gross income during the second quarter. Fees and commissions, probably boosted by investment banking returns on corporate bond issues, were up by Lm0.7 million. However, in spite of the seasonal increase in tourist flows, gains on foreign exchange dealings were only marginally above the March quarter's receipts. Other non-interest revenue, mainly dividends, however, increased by Lm0.3 million.

**Table 7.2****DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE STATEMENT***Lm millions*

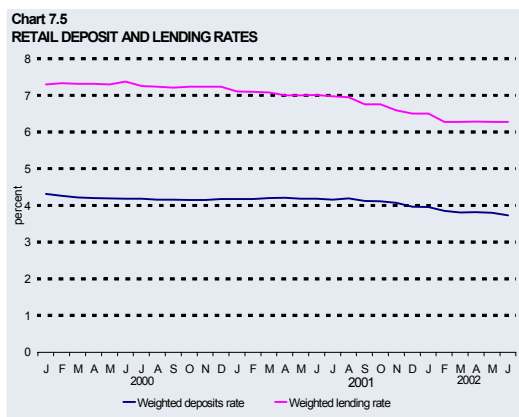
	2001	2002	
	Qtr. 2	Qtr.1	Qtr. 2
Interest income	50.2	47.1	47.4
Interest expenses	36.6	29.5	28.6
<b>Net interest income</b>	<b>13.7</b>	<b>17.6</b>	<b>18.8</b>
Fees and commissions	4.3	2.7	3.4
Foreign exchange gains	3.0	3.5	3.6
Other non-interest income	0.8	0.2	0.5
<b>Total non-interest income</b>	<b>8.9</b>	<b>6.4</b>	<b>7.5</b>
<b>GROSS INCOME</b>	<b>22.6</b>	<b>24.0</b>	<b>26.3</b>
Wages	8.6	8.3	9.0
Rent and similar expenses	3.0	2.9	3.5
Other	2.2	2.8	3.0
<b>Operating expenses</b>	<b>13.9</b>	<b>14.0</b>	<b>15.5</b>
<b>Provisions</b>	<b>1.6</b>	<b>3.8</b>	<b>3.7</b>
<b>PROFITS BEFORE TAX</b>	<b>7.1</b>	<b>6.2</b>	<b>7.1</b>

Meanwhile, the deposit money banks' operating expenses grew by Lm1.5 million to Lm15.5 million: the wage bill was up by Lm0.7 million, while additional depreciation charges accounted for most of the remaining increase. At the same time, the banks continued to pursue prudent provisioning policies, adding Lm3.7 million to their provisions, which largely relate to impaired loans, although the increase was slightly smaller than in the preceding quarter.

### *Retail lending and deposit rates*

As may be seen from Chart 7.5, the weighted-average lending rate on loans to residents remained stable throughout the second quarter, mirroring the Central Bank's decision to keep official interest rates unchanged. In contrast, the weighted-average rate on deposits fell by 9 basis points, to 3.72%, reflecting a drop in interest rates on time deposits. In turn, this decline reflected the

previous quarter's cut in official interest rates, since interest rates on term deposits adjust slowly as deposits mature and lower interest rates are applied to new ones. Consequently, the interest rate spread widened to 2.56%, from 2.47% at end-March.





### Box 3 : INTERNATIONAL BANKING INSTITUTIONS

During the second quarter the aggregate balance sheet of the international banking sector<sup>1</sup> expanded slightly, as Chart 1 shows. The increase in the sector's balance sheet value, however, mainly reflected the remarkable growth reported by one particular bank, which, coupled with the expansions reported by three other banks, offset a drop in assets reported by the remaining institutions.

Meanwhile, the international banks recorded profits before tax of Lm3.9 million during the quarter under review. This represented a drop of Lm6.8 million from the previous quarter's figure, primarily reflecting lower net interest income. Nevertheless, cumulative profits for the first half of the current year were up by Lm8.6 million from last year's level.

#### International Banking Institutions' Balance Sheet

During the June quarter, the aggregate balance sheet of the international banking sector grew by Lm47.3 million, or 1.8%, to Lm2,631.1 million. In

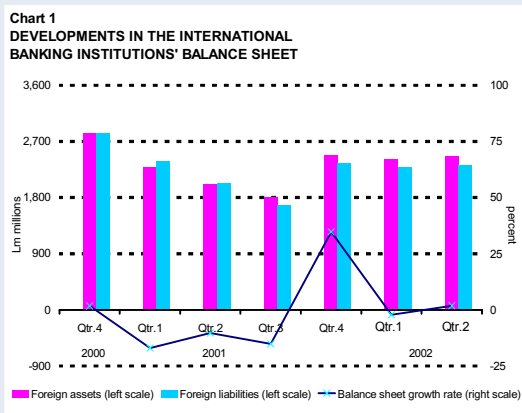
line with the conditions regulating these banks' operations in Malta, this expansion was largely financed by an increase in their foreign liabilities that was, in turn, used to build up their portfolio of foreign assets.

#### Assets and Liabilities

As can be seen from Table 1, the international banks' foreign liabilities grew by Lm40.4 million, or 1.8%, to Lm2,319 million. In spite of a small drop in current balances, non-resident deposits rose by Lm34.2 million, reflecting a steep rise in term deposits having maturity periods of six months and one year. Meanwhile, following a significant increase in time deposits placed with a particular institution, amounts owed to other banks abroad edged upwards by Lm7.1 million. Other foreign liabilities, at Lm930 million, were virtually unchanged from the end-March level. In fact, an increase in the value of securities sold under repurchase agreements compensated for a drop in funds provided by the parent banks of some institutions.

Residents' deposits with the international banks rose by Lm6.3 million, with most of the increase taking the form of additional demand and short-term time deposits. Dividend payments translated into a Lm4.4 million reduction in the sector's other domestic liabilities, though the decline was cushioned by the banks' second quarter profits. In contrast, capital and reserves rose by Lm4.9 million, following an increase in the paid-up capital of two banks.

The international banks' foreign assets stood at Lm2,459.9 million at the end of June, up by Lm47.4 million, or 2%, from the end-March level. In spite of a drop in their holdings of foreign Government



<sup>1</sup> The international banking sector consists of locally-based banks that carry out business almost exclusively with non-residents and in currencies other than the Maltese lira.



**Table 1**  
**INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET**

*Lm millions*

	June	2001 Sept.	Dec.	2002 Mar.	June
<b>ASSETS</b>					
Cash and money at call	2.1	1.5	1.4	1.4	1.3
Foreign assets	<b>2,006.9</b>	<b>1,797.8</b>	<b>2,484.1</b>	<b>2,412.5</b>	<b>2,459.9</b>
<i>Foreign securities</i>	787.1	656.7	1,006.6	859.1	966.9
<i>Loans and advances to non-residents</i>	799.9	850.6	1,195.8	1,084.1	1,177.2
<i>Other foreign assets</i>	419.8	290.5	281.7	469.3	315.8
Loans to residents	7.3	7.0	5.9	6.5	6.0
Local investments	278.3	141.6	137.1	154.7	156.5
Other assets	17.4	13.3	13.0	8.7	7.5
<b>LIABILITIES</b>					
Foreign liabilities	<b>2,021.5</b>	<b>1,682.2</b>	<b>2,347.6</b>	<b>2,278.6</b>	<b>2,319.0</b>
<i>Balances due to other banks abroad</i>	807.8	621.1	858.0	553.4	560.5
<i>Non-resident deposits</i>	750.5	596.6	692.2	794.3	828.5
<i>Other foreign liabilities</i>	463.2	464.5	797.4	930.9	930.0
Resident deposits	33.4	32.7	32.8	35.2	41.5
Other domestic liabilities	6.7	1.4	4.5	34.7	30.3
Capital and reserves	250.4	245.1	256.5	235.3	240.2
<b>AGGREGATE BALANCE SHEET</b>	<b>2,312.0</b>	<b>1,961.3</b>	<b>2,641.5</b>	<b>2,583.8</b>	<b>2,631.1</b>

long-term debt securities, their portfolio of foreign securities increased by Lm107.8 million through a particular bank's acquisition of additional foreign Treasury bills. Loans and advances to non-residents rose by Lm93.1 million, with the greater part of the increase reflecting the expansion of a single bank's credit portfolio. In contrast, the sector's other foreign assets fell by Lm153.5 million, as the previous quarter's surge in balances held with banks abroad was reversed.

Meanwhile, the banks' domestic investments were up by Lm1.8 million as they added to their deposits with Maltese deposit money banks. In contrast, a fall in debtors and expense prepayments led to a Lm1.2 million decline in their

other domestic assets. Loans advanced to residents fell by Lm0.5 million while reserve assets remained practically unchanged.

### **Profitability<sup>2</sup>**

The international banks' profit before tax for the June quarter amounted to Lm3.9 million, down by Lm6.8 million from that earned in the previous quarter, as Table 2 shows. However, the sector's profits for the first half of the year, at Lm14.6 million, were Lm8.6 million higher than in the first half of 2001, when extraordinary second quarter gains on foreign exchange transactions had compensated for the previous quarter's exceptional losses.

<sup>2</sup> The following analysis does not cover the performance of the three international banks that are licensed under the Malta Financial Services Act, 1988.

**Table 2****INTERNATIONAL BANKING INSTITUTIONS' INCOME AND EXPENDITURE STATEMENT<sup>1</sup>**

	<i>Lm millions</i>		
	2001	2002	
	Qtr. 2	Qtr. 1	Qtr. 2
Interest income	63.1	55.9	54.3
Interest expenses	53.4	42.0	46.2
Net interest income	9.7	13.9	8.1
Non-interest income	80.8	4.0	3.6
Non-interest expense	4.0	7.1	7.0
Provisions	0.1	0.1	0.8
<b>PROFIT BEFORE TAX</b>	<b>86.4</b>	<b>10.7</b>	<b>3.9</b>

<sup>1</sup> Excludes banks registered under Malta Financial Services Centre Act, 1988

Gross interest receivable was down by Lm1.6 million from the preceding quarter, partly because the contraction in the banks' portfolio of foreign Government long-term debt securities lowered interest income from these instruments. On the other hand, the additional non-resident time deposits that were placed with the sector led to a Lm4.2 million increase in interest payments. Consequently, the banks' net interest income fell by Lm5.8 million from the Lm13.9 million netted during the first three months

of the year.

Non-interest income dipped by Lm0.4 million, as losses on trading investments incurred by one bank were largely offset by another bank's gains on foreign exchange dealings. A Lm0.7 million increase in the banks' provisions, mainly in the form of general provisions for bad and doubtful debts, further reduced the sector's profits. Meanwhile, non-interest expenditure remained virtually unchanged at Lm7 million.

# THE FINANCIAL SECTOR IN MALTA: STRUCTURE, PERFORMANCE AND TRENDS

*Mr David A Pullicino and René G Saliba\**

## I. Introduction

Financial liberalisation and privatisation fundamentally transformed the Maltese financial system during the 1990s. Restrictions on bank interest rates were gradually removed and the relaxation of capital controls facilitated the growing integration of Maltese financial markets with those abroad. Laws governing the sector were entirely overhauled and a regulatory framework was introduced based on European Union legislation. Today, banks are almost entirely in private hands, the importance of non-bank intermediaries has increased and domestic financial markets have deepened somewhat. These developments have broadened considerably the scope and potential for further growth and deepening of the financial sector. On the other hand, the process has to be viewed within the context of the physical size of the Maltese economy. The latter – with a population of only about 391,000 and a geographical area of just 316 square kilometres – obviously imposes significant natural constraints, although these constraints could be mitigated somewhat by the opportunities arising from the globalisation process, particularly the provision of cross-border financial services from Malta.

## II. The Banking Sector

Despite the growth of non-bank financial intermediaries and the development of a domestic capital market, banks remain the principal financial

institutions in Malta. As at the end of 2001, there were 18 banks licensed to operate in or from Malta. Of these, five are deposit money banks catering largely for the domestic market. These are licensed to transact both in domestic and foreign currencies. The remaining 13 banks are licensed to carry on the business of banking almost exclusively with non-residents and in foreign currencies only.

### 1. Domestic Deposit Money Banks

The Maltese banking industry is highly concentrated, reflecting the small size of the domestic market and the history of the industry. Two large banks accounted for around 90% of deposits and loans at the end of 2001, with two small institutions taking up most of the remainder. The fifth institution, which is a subsidiary of one of the larger banks, focuses on housing finance by providing mortgage loans. The deposit money banks operate through seventy-five branches, or 0.2 branches per 1000 inhabitants – less than half the euro area average. At the end of 2001, they employed just over 3,600 people. This is equivalent to 10 per 1000 inhabitants, significantly higher than the euro area average of about 7 per 1000<sup>1</sup>.

In aggregate, the total assets of the five deposit money banks amounted to €9.2 billion at the end of 2001<sup>2</sup>. The value of their total assets more than doubled during the last seven years (Table 1).

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<sup>1</sup> European Central Bank (1999).

<sup>2</sup> Central Bank of Malta (2002), Table 1.2.

Meanwhile, in an indication that their role in the economy became even more important, the deposit money banks' assets rose from 164% of GDP in 1995 to 224% in 2001. These data suggest that the level of bank intermediation in Malta is high, albeit possibly less intense than before due to the increasing influence of alternative funding and investment sources.

The high financial intermediary role of the deposit money banks is also evidenced by the high propensity of residents to place their savings in bank deposits. In relation to GDP, such resident deposits have grown from 116% in 1995 to 141% in 2001. The bulk of these deposits emanate from the personal sector which, in 2001, accounted for 82% of total residents' deposits. The private

corporate sector, meanwhile, held 15% of the total, whereas public sector bodies held 3%. Of total residents' deposits at the end of 2001, 90% were denominated in Maltese liri and the rest in foreign currency. Conversely to the sustained popularity of bank deposits, currency in circulation has been consistently losing appeal. In fact, as a proportion of broad money, currency in circulation has declined from 21% in 1995 to 15% in 2001, well below the 30% level of the early 1990s and the historically high 46% share of the early 1980s.

Although residents' deposits remain the deposit money banks' most important source of funding, alternative sources of finance are becoming more important. Thus, deposits as a proportion of the banks' total liabilities declined from 71% in 1995 to

**Table 1**  
**DEPOSIT AND MONEY BANKS**

	1995		% of Total	2001		% of Total
	Amount			Amount		
	Lm	Euro		Lm	Euro	
<b>ASSETS</b>						
Cash and deposits with central bank	101	225	5.4	172	430	4.7
Loans and advances	938	2,087	49.9	1,866	4,662	50.9
Local investments	234	521	12.4	661	1,651	18.0
Foreign assets	557	1,239	29.6	792	1,979	21.6
Fixed and other assets	50	111	2.7	175	437	4.8
<b>LIABILITIES</b>						
Deposits	1,330	2,959	70.7	2,313	5,779	63.1
<i>of which:</i>						
Time	741	1,648	39.4	1,433	3,580	39.1
Savings	510	1,135	27.1	667	1,666	18.2
Current	79	176	4.2	213	532	5.8
Capital & reserves	87	194	4.6	191	477	5.2
Other domestic liabilities	270	601	14.4	561	1,402	15.3
Foreign liabilities	193	429	10.3	601	1,501	16.4
<b>TOTAL ASSETS/LIABILITIES</b>	<b>1,880</b>	<b>4,182</b>		<b>3,666</b>	<b>9,159</b>	
<b>BANK ASSETS/GDP (%)</b>		<b>164.2</b>			<b>223.7</b>	

Source: Central Bank of Malta

63% at the end of 2001 (Table 1). During the same period, the banks have been increasingly borrowing short-term funds from the Central Bank, in line with the development of open market operations, as well as longer-term finance from the domestic capital market. Syndicated loans from international banking consortia have also become a regular feature of the banks' funding sources, in the wake of an easing in capital account controls and a noticeable decline in international interest rates.

As for the banks' assets, the proportion of loans and advances to residents has remained largely constant, hovering around half the banks' total assets during the 1995 – 2001 period. However, with the growth in advances outpacing deposit expansion in recent years, the banks' advances-to-deposits ratio rose from 71% in 1995 to 81% at the end of 2001. In relation to GDP, credit by the domestic banks has surged from 95% in 1995 to 114% in 2001, again confirming the banks' dominant financial intermediation role.

The Maltese banking system is almost entirely in private hands, with around 90% of the share capital of the deposit money banks being held by private shareholders at the end of 2001. After having nationalised most of the banking system during the 1970s, the Maltese Government privatised three banks between 1994 and 1999. In particular, it sold the majority stake in one large bank to a major international banking group in 1999. The government's only remaining direct interest is a minority stake in one of the larger banks, which is slated for full privatisation in 2002. In this regard, consultations are currently under way between the Government and an international banking group. This should extend further the involvement of foreign banks in the Maltese banking scene, with foreign banks already controlling or having significant stakes in three of the other four local deposit money banks.

Maltese banks enjoy a broad capital base, with the ratio between the deposit money banks' own

funds and risk-weighted assets standing at 13.2% in 2001, compared with the statutory minimum of 8%. Aggregate profit before tax as a proportion of total assets has fluctuated during the past six years, rising to 1.2% in 2000 before falling to 0.7% in 2001. The banks' return on equity stood at some 12% in 2001.

## **2. International Banks**

At the end of 2001, thirteen banks were licensed to conduct business from Malta almost entirely with non-residents and in foreign currency only (Table 2). The number of international banks fell during 2001, as the financial crisis in Turkey led to the surrender or revocation of the licences of three branches of Turkish credit institutions in December of that year. Of the remaining banks, ten are licensed in terms of the Banking Act, 1994, whereas three operate as offshore banks in terms of the Malta Financial Services Centre Act. The latter type of banks is being phased out, reflecting the radical review effected in the Maltese legislative framework in 1994 when the policy objective shifted decisively away from the concept of promoting Malta as an offshore centre and towards fostering Malta as an international financial centre of repute. Accordingly, no new offshore banks were permitted to register in Malta after 1996, and by 2004, all banking licences granted prior to 1996 in terms of the Malta Financial Services Centre Act will expire. Discussions are under way with such existing licence holders to make them subject to the provisions of the Banking Act by the end of 2002.

As at the end of 2001, three international banks operated in Malta through branches, with the remainder being incorporated locally. The total assets of the international banks expanded from €908 million in 1995 to €6.2 billion at the end of 2001.

Since these international banks deal almost entirely with non-residents, they have a

**Table 2****INTERNATIONAL BANKS***(End of period)*

	1995	1996	1997	1998	1999	2000	2001
Number of banks	7	10	11	12	14	17	13
Total assets in Euro millions	908	1,481	447	4,297	6,548	7,626	6,197

*Source : Central Bank of Malta*

significant impact on Maltese balance of payments flows on a gross basis. On a net basis, however, their effect on the balance of payments is rather limited because inward and outward flows largely neutralise each other. Similarly, as yet, they contribute only marginally to employment and national income.

**III. The Non-Banking Sector****1. The Foreign Exchange Market in Malta**

The Maltese lira exchange rate is pegged to a trade-weighted basket of currencies which at the end of 2001 comprised the euro (56% weight), US dollar (22%) and sterling (22%).<sup>3</sup> The Central Bank of Malta publishes daily opening middle exchange rates and quotes real time exchange rates for spot deals throughout the day on Reuters. It also quotes on a daily basis forward rates (in terms of discount or premium expressed in pips) for up to one year on Reuters. Moreover, it quotes swap rates up to one year on request. On the other hand, there is as yet no market for futures and options.

The interbank foreign exchange market in Malta was liberalised in April 1995. Since then, the banks

are allowed to keep open positions and only square their books with the Central Bank if they deem fit or if they breach their authorised prudential limits. In terms of the Central Bank's prudential regulations, the maximum open net foreign currency position (spot net of forward) that the domestic banks may maintain cannot exceed 20% of the banks' own funds. Banks have also to abide by a maximum percentage limit of 12% of own funds for the amount of euro held and 5% for each of other individual currencies held.<sup>4</sup>

The Central Bank is continuously prepared to buy or sell spot foreign currency against the Maltese lira at a fixed spread of 0.25%. This commitment by the Central Bank to constantly provide liquidity to the deposit money banks has been very instrumental in instilling and maintaining the market's confidence with regard to the sustainability of the Maltese lira exchange rate peg and the relative stability of the Lm exchange rate.

In the spot market, the Central Bank readily deals with the banks and financial institutions in the three currencies constituting the Maltese lira exchange rate basket.<sup>5</sup> In the forward and swap market, the Central Bank in principle would prefer

<sup>3</sup> On 23 August 2002 the currency weights of the Maltese lira were changed to Euro 70%, UK sterling 20% and US dollar 10%.

<sup>4</sup> In this context, it is interesting to note that while the banks' overall net open positions within the 20% limit tends to be relatively stable, the banks have been effecting substantial shifts in their spot and forward foreign currency positions. These shifts have been largely driven by changes in the interest differential between the Maltese lira and the currencies of the Lm exchange rate peg. Thus, during periods, when the Lm premium widens – as in 1999 and 2001 – the banks tend to move to a decisively short spot position in favour of a long forward book. Conversely, the spot position is replenished and the forward book scaled down when the Lm premium narrows, as was the case in 2000.

<sup>5</sup> There are seventeen authorised foreign exchange dealers in Malta. Of these, four are deposit money banks and thirteen are financial institutions licensed to operate as foreign exchange bureaux and to provide money transmission services.

that deals are transacted in the interbank market without the involvement of the Central Bank. Accordingly, the Central Bank generally only conducts forward and swap deals with the banks for smoothing purposes, normally in circumstances where such deals cannot be cleared smoothly by the market.

### 1.1 Foreign exchange turnover

The annual volume of foreign exchange deals against the Maltese lira is around €5.5 billion (Table 3). The bulk of this turnover, €4.6 billion, is transacted by the deposit money banks with the public to service the general economy's balance of payments needs. As a proportion of total turnover, however, the banks' share has been contracting noticeably, from 94% in 1998 to 83% in 2001.<sup>6</sup> In relation to GDP, foreign exchange deals against the Maltese lira were equivalent to 134% in 2001, down from the 152% level of 1999. This ratio is on the low side considering that Malta has a very open economy and that the combined gross value of Malta's imports and exports of goods and services exceeds 200% of GDP. A contributing factor to this low ratio is the extensive use of foreign currency accounts by importers and exporters whereby export proceeds

are retained as foreign currency in order to finance subsequent import payments, with a view to minimising on exchange costs and exchange rate risk. Another factor is that the non-cash component of the foreign exchange market is still somewhat underdeveloped, partly due to certain restrictions on the capital account.

Bid-offer spreads for spot quotations in the foreign exchange market in Malta have been narrowing gradually in recent years in the wake of increasing capital account liberalisation. By 2001, spreads for Central Bank dealing with the banks and for interbank transactions were 25 basis points, whereas the banks' dealing with the public was at a spread of around 50 basis points. Such spreads, however, are still significantly on the high side, largely attributable to the small number of banks and the low level of competitive conditions.

### 1.2 Net foreign asset position

After declining during the 1995-97 period, the net foreign assets of the banking system in Malta have been picking up once more and at the end of 2001 stood at €2.7 billion, equivalent to 165% of GDP. Over two-thirds of these external assets are held by the Central Bank of Malta.<sup>7</sup> In terms

**Table 3**  
**FOREIGN EXCHANGE TURNOVER IN MALTA**

	<i>millions</i>							
	1998		1999		2000		2001	
	Lm	Euro	Lm	Euro	Lm	Euro	Lm	Euro
Overall turnover	1,593	3,618	2,217	5,364	2,247	5,517	2,202	5,501
Turnover/GDP(%)	116.9		152.3		144.2		134.4	

Source : Central Bank of Malta

<sup>6</sup> The financial institutions' turnover with the public is on a much smaller scale, being largely confined to the retail level. The volume, nevertheless, has been rising moderately in recent years and the share of the financial institutions has grown from 1% to almost 6% of overall turnover in the past four years.

<sup>7</sup> The remaining third of Malta's external reserves are held by the rest of the banking system. Whereas the international banks have been recording a substantial build-up in their net foreign assets, the deposit money banks had scaled down their external holdings significantly up to 1999 before replenishing them somewhat subsequently. While the foreign assets of the international banks are a function of these banks' external operations and hardly have any bearing on the domestic economy, those of the deposit money banks are highly instrumental in contributing to the economic development process in Malta.

of the Central Bank of Malta Act, the level of external reserves held by the Central Bank must not be less than 60% of the Bank's demand liabilities. This minimum ratio which has been in existence since the Central Bank's inception in 1968, was meant to provide sufficient flexibility to enable the economy to grow without undue shocks or constraints arising from adverse developments on the external account. In actual fact, however, the Central Bank's stock of external reserves has historically been maintained consistently at 100% and over. The Bank's reserves stood at 134% of the monetary base at the end of 2001. This strong backing, coupled with various healthy external indicators, gives considerable support to the credibility of Malta's exchange rate peg (Table 4).

Taking the commercial banking system as a whole, some 57% of total assets were denominated in foreign currency while 51% of all liabilities were foreign currency denominated. Whereas in the case of the international banks, all assets and liabilities were in foreign currency, in

the case of the domestic money banks, foreign items accounted for 22% of assets and 16% of liabilities. This suggests that, on aggregate, foreign assets and liabilities are generally fairly matched. The domestic banks tend to hedge their open external position against exchange rate risks by maintaining the currency composition of their foreign portfolio broadly in line with the relative proportion of each currency within the exchange rate peg.

## 2. The Money Market in Malta

### 2.1 The situation until the mid-1990's

Until 1994, the money market in Malta was dormant or practically non-existent except for a marginal amount of 91-day Treasury bills that was consistently rolled over at a fixed rate of interest, a rate which was administered by the Malta Treasury. At the time, monetary policy played a very subdued role as an instrument of economic policy and the system relied almost entirely on administered (direct) controls.

**Table 4**  
**EXTERNAL RESERVE POSITION**

*in millions unless otherwise stated*

Net Foreign Assets	1995		2001	
	Lm	Euro	Lm	Euro
Central Bank of Malta (CBM)	581	1293	760	1899
Domestic money banks	225	501	106	265
International banks	17	38	223	557
<b>Total net foreign assets</b>	<b>823</b>	<b>1831</b>	<b>1089</b>	<b>2721</b>
CBM reserves/monetary base (%)	130		134	
CBM reserves as months of imports	6.7		7.4	
CBM reserves/gross central government external debt (%)	1,096		1882	
CBM reserves/gross public sector external debt (%)	230		282	
Gross public sector external debt servicing/GDP (%)	4.1		1.2	

*Source: Central Bank of Malta*



In 1994, responsibility for the formulation of monetary policy was statutorily transferred from the Finance Minister to the Central Bank. The Bank embarked actively on a programme to develop an appropriate monetary policy operational framework and to foster conditions in the financial system that would promote more competition and efficiency in a more liberalised financial environment. The focus was four-pronged, aimed at introducing open market operations, kick-starting the interbank market, revamping the Treasury Bill market, and gradually liberalising interest rates and exchange controls. As a result of these measures, money market activity picked up strongly and from a level equivalent to 2% of GDP in 1993, it hiked to 126%

by 1998, before levelling off and declining thereafter to 79% in 2001 (Table 5).

## 2.2 Open market operations

The Central Bank's repo operations are fully collateralised by Malta Government Securities (with an initial margin of 1%) and are open to credit institutions licensed to operate in Maltese liri. The volume of open market operations has been rising gradually, reaching €2.3 billion in the first nine months of 2001. Whereas in previous years, the Central Bank mainly engaged in net absorption operations, in 2001 the Bank has been strongly injecting short-term funds into the banking system. This reflects a shift in the credit

**Table 5**  
**SELECTED INDICATORS OF THE MONEY MARKET**

Money Market	<i>Euro millions</i>									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	
<b>1. Treasury bill secondary market</b>	<b>36</b>	<b>72</b>	<b>188</b>	<b>595</b>	<b>1,092</b>	<b>782</b>	<b>693</b>	<b>184</b>	<b>371</b>	
(a) CBM sales	36	46	104	254	344	179	107	29	43	
(b) CBM purchases	0	26	83	288	625	264	107	48	151	
(c) Non-CBM deals	0	0	0	52	123	338	479	107	177	
<b>2. Interbank deals</b>	<b>0</b>	<b>35</b>	<b>265</b>	<b>558</b>	<b>1,345</b>	<b>2,169</b>	<b>2,306</b>	<b>740</b>	<b>519</b>	
<b>3. CBM open market operations</b>	<b>0</b>	<b>788</b>	<b>457</b>	<b>580</b>	<b>997</b>	<b>941</b>	<b>1,255</b>	<b>1,268</b>	<b>2,339</b>	
(a) Auctions of term deposits	0	738	0	23	58	323	1,058	667	193	
(b) Repos	0	49	198	28	126	548	198	601	2,146	
(c) Reverse repos	0	0	259	529	813	70	0	0	0	
<b>4. Total money market deals</b>	<b>36</b>	<b>895</b>	<b>909</b>	<b>1,733</b>	<b>3,434</b>	<b>3,892</b>	<b>4,254</b>	<b>2,192</b>	<b>3,228</b>	
<b>5. Total as a % of GDP</b>	<b>2</b>	<b>39</b>	<b>36</b>	<b>64</b>	<b>114</b>	<b>126</b>	<b>121</b>	<b>57</b>	<b>79</b>	

Notes:

- (1) Money Market turnover excludes primary issues of Treasury Bills which as from 1995 are auctioned on a weekly basis.
- (2) The Central Bank of Malta (CBM) acts as market maker for Treasury bills in the secondary market.
- (3) Weekly auctions of CBM Term Deposits were launched in July 1994 and continued until January 1995. Reverse Repos were introduced by the Central Bank on a bilateral basis in late December 1994. Weekly auctions of repos/ reverse repos were introduced in March 1995. In February 1998, term deposit auctions were reintroduced and replaced repos as the CBM's absorption tool.

*Source: Central Bank of Malta*

institutions' liquidity position from one of a structural surplus to one of structural shortage (although the system reverted back to surplus towards the end of 2001 under the impact of strong capital inflows, a deceleration in credit growth and a reduction in the Reserve Deposit Requirement from 5% to 4%).

### 2.3 Treasury bill market

Although the Treasury bill instrument was instituted in Malta about half a century ago, it played a very minor role in the financial system throughout most of this period as the Government preferred to finance its funding requirements from alternative sources including a short term advance facility from the Central Bank. In 1995, the Treasury bill primary market was given a new lease of life by the Treasury's decision to start holding weekly auctions of Treasury bills. Besides the standard 91-day maturity, other tenors were introduced which included the one month, six months and one year (and later nine months).<sup>8</sup> Besides boosting the primary market, these new measures also led to a sharp increase in turnover in the Treasury Bill secondary market.

The primary market has been underpinned by the government's commitment to issue Treasury bills on a weekly basis, including during periods, when it has a strong liquidity position. The objective is to maintain an active market on an ongoing basis independently of the government's borrowing requirement. However, due to the small number of market players, secondary market trading tends to be relatively thin, equivalent to only 10% of GDP in 2001.

### 2.4 Interbank market in Maltese liri

Until 1994, the interbank market in Malta did not exist as the banks shied away from each other in

respect of their funding requirements, relying instead on the Central bank's facilities. The introduction by the Central Bank of monetary operations in mid-1994 created a liquidity shortage in the money market which, in turn, encouraged the growth of the interbank market. By 1999, the volume of interbank deals reached €2.3 billion, equivalent to 66% of GDP although it then contracted substantially to 13% of GDP in 2001. Banks announce daily bid-offer quotations ranging from overnight to one year but most trading is concentrated in the overnight to 7-day category. Due to the small number of banks, the number of interbank deals is very limited, averaging only about five per week.<sup>9</sup>

## 3. The Capital Market in Malta

The commencement of trading on the Malta Stock Exchange in January 1992 gave a considerable boost to the capital market in Malta, widening the range of financial products available to Maltese savers and increasing the sources of finance available to borrowers.

### 3.1 Listings on the Malta Stock Exchange

The overall market capitalisation of all the securities listed on the Malta Stock Exchange (excluding collective investment schemes) rose by more than four-fold between 1995 and 2000, to reach €4.2 billion, equivalent to 111% of GDP (Table 6). In part, this was due to an increase in the number of listings from 54 to 62 but the major cause was an increase of more than three-fold in the average value of listed equities. With equities subsequently losing ground, market capitalisation fell back to €3.9 billion, by the end of 2001, equivalent to 96% of GDP.

The overall value of turnover on the Exchange (again excluding listed collective investment

<sup>8</sup> The new arrangement facilitated the *de facto* abolition of the Central Bank's advance facility to the government in 1996, albeit its *de jure* abolition was actually effected in January 2000.

<sup>9</sup> On 18 September 2002, the Central Bank has launched the official fixing of Interbank rates for the Maltese lira. The official interbank rates are referred to as MIBOR (Malta Interbank Offered Rate) and MIBID (Malta Interbank Bid Rate).

schemes) rose steadily up to 1999 when it reached €460 million or 13% of GDP. It fell sharply in subsequent years, no doubt conditioned by the pronounced decline in the share price index from its January 2000 peak. In relation to GDP, annual turnover has been hovering around one-tenth in recent years. Turnover as a proportion of market capitalisation is also around one-tenth, confirming that market-dealing is still very thin and relatively illiquid.

The number of investor accounts on the Central Securities Depository (CSD) of the Exchange stood at 125,259 at the end of 2001. These accounts represent 56,239 individual holders spread across all the different types of listed securities (other than collective investment schemes). This level is equivalent to about 14% of the total population in Malta.

Securities listed on the Malta Stock Exchange (MSE) can only be traded through licensed stockbrokers. At present, there are 19 licensed stockbrokers, of whom one is the Central Bank Broker, two represent subsidiaries of the two large domestic banks, and the rest operate through investment services firms. The Central Bank Broker is authorised to deal only in government securities and is the only broker who can trade as principal for his own account. The other stockbrokers can deal in all types of listed securities but cannot trade on their own account. They can only execute orders on behalf of clients. Thus, whereas the Central Bank Broker's dealing is quote-driven, the rest is order-driven. In effect, therefore, the Central Bank Broker is the only market maker in the market, servicing only Government securities. No market makers are as yet in operation for the non-government

**Table 6**  
**SELECTED INDICATORS OF THE CAPITAL MARKET**

Malta Stock Exchange	1995	1998	1999	2000	2001
<b>Total listed securities</b>					
Total listings	<b>54</b>	<b>59</b>	<b>61</b>	<b>62</b>	<b>62</b>
Total Market Capitalisation (MC) in Euro millions	1,003	2,263	3,856	4,249	3,931
Total MC/GDP (%)	35.5	67.4	107.6	110.9	96.0
Total turnover in Euro millions	102.8	306.2	460.1	365.8	423.4
Total turnover/GDP (%)	3.64	9.12	12.84	9.54	10.34
Total turnover/MC (%)	10.2	13.5	11.9	8.6	10.8
No of CSD accounts ('000)	77	102	98	110	125
<b>Number of deals:</b>					
Annual	2,500	8,500	16,839	17,057	9,526
Daily average	48	45	65	69	38
<b>MSE Share Index (1995=1000)</b>	<b>1000</b>	<b>1,288</b>	<b>3,342</b>	<b>3,376</b>	<b>2,200</b>

Note

The above exclude listed collective investment schemes and equities listed on the alternative companies list of the Malta Stock Exchange

Source: Central Bank of Malta

securities listed on the Exchange, with the exception of collective investment schemes. Such collective investment schemes, though being listed on the Exchange, can be traded outside the Exchange and the managers of these schemes provide a market-making facility. These schemes are open-ended funds, continuously issuing new shares on demand and redeeming shares on buy-back.

### 3.2 Fixed income market

The fixed income market in Malta comprises government bonds and corporate bonds which collectively had a market capitalisation of €2.4 billion at the end of 2001, equivalent to 59% of GDP.

Malta Government bonds represent the bulk of this amount, standing at €2.1 billion at the end of

2001. At this level, Government bonds represented 54% of all the securities listed on the Exchange. During the 1990s, the Government has been borrowing consistently and quite heavily from the domestic market to finance its recurring budget deficits. As a result, in relation to GDP, the market value of outstanding government bonds surged from 22% in 1995 to 52% in 2001. At the end of 2001, there were 37 different Government bond issues outstanding (Table 7). The tenor of these bonds (on date of issue) ranges from 3 years to 20 years, with the non-bank public traditionally showing a marked preference for longer-dated bonds due to the higher coupon rate, while banks tend to prefer a more balanced spread. At the end of 2001, some 32% of outstanding Government bonds was due to mature within 5 years, 54% within 6-15 years, and 14% over 15 years. The local deposit money banks held 49% of these bonds, collective investment schemes 4%, and the

**Table 7**  
**SELECTED INDICATORS OF THE FIXED INCOME MARKET**

Listed Fixed Income Securities	1995	1998	1999	2000	2001
<b>Government bond secondary market</b>					
Number of issues outstanding	45	46	46	41	37
Market Capitalisation (MC) in Euro millions	625	1,529	1,846	1,823	2,133
MC/GDP (%)	22.2	45.6	51.5	47.6	52.1
Turnover in Euro millions	57.4	254.5	122.8	154.9	333.6
Turnover/GDP (%)	2.0	7.6	3.4	4.0	8.1
Turnover/MC (%)	9.2	16.6	6.7	8.5	15.6
<b>Corporate bonds</b>					
Number of listings	2	3	5	10	12
Market Capitalisation (MC) in Euro millions	52	62	101	260	272
MC/GDP (%)	1.84	1.84	2.82	6.79	6.64
Turnover in Euro millions	0.9	3.5	5.0	11.1	37.5
Turnover/GDP (%)	0.03	0.10	0.14	0.29	0.92
Turnover/MC (%)	1.7	5.6	5.0	4.3	13.8

Source: Central Bank of Malta

general public 46%. The Central Bank concurrently held 1% in order to be able to provide market-making facilities, given that no private market makers were operating as yet.

All government bonds have been issued at a fixed coupon. No floating rate notes or zero coupon bonds have been issued to date. At the end of 2001, the yield for Malta Government securities stood at a spread over the peg currencies ranging from 88 basis points for the 5-year tenor to 124 basis points for the 20-year tenor. Notwithstanding that the Maltese government is likely to be able to borrow in the international capital market at a significantly narrower spread than this, the government has so far refrained from launching an international bond issue. Factors behind this strategy include the consistently brisk domestic demand for primary issues by the government, and the political commitment to maintain an active domestic primary market to the extent possible. Moreover, the government's annual borrowing requirement generally tends to be small in relation to the minimum size of a successful international bond issue.

Notwithstanding the apparent relative depth of the domestic government bond market (at 52% of GDP), turnover has tended to remain relatively thin, being less than 16% of market capitalisation. This reflects the tendency of a large proportion of bond holders to prefer to retain most of their holdings until maturity.

As regards corporate bonds, these have only been a relatively recent development. The number of listed corporate bonds has been edging up gradually, from 2 in 1995 to 12 in 2001. Market capitalisation, though growing, is still relatively modest, at €272 million or 7% of GDP in 2001. At this level, it represents 7% of total market capitalisation on the Exchange. The relatively low volume of outstanding corporate bonds suggests that the corporate sector so far has found it more convenient to tap alternative sources of funding,

particularly the local banks as well as overseas sources.

### **3.3 Stock market**

Since the commencement of trading on the Malta Stock Exchange in 1992, the growth in the number of listed companies has been somewhat slow, with only 13 being listed at the end of 2001 (Table 8). Contributing factors to this slow growth include the small size of the Maltese economy, the traditional resistance of the bigger family-controlled concerns to go public, the relative ease with which larger firms can obtain bank credit, and the quite stringent listing obligations introduced by the Exchange from its inception (in line with international best practice). Of the 13 listed companies, 5 represent privatised entities from the banking, telecommunications and insurance sectors. Whereas earlier privatisations were targeted largely at the general public, more recent initial public offerings are intended to forge new alliances with international strategic partners.

The growth in stock market capitalisation has been more remarkable, surging from €326 million at the end of 1995 to €2.2 billion in the first quarter of 2000. Besides new listings, the increase was fuelled by a three-fold hike in equity prices. In relation to GDP, stock market capitalisation rose from 12% in 1995 to 63% in early 2000. In subsequent months, however, equity prices trended sharply downwards, in the wake of a combination of domestic factors and international contagion. As a result, the market capitalisation of listed equities ended 2001 at €1.5 billion. This was equivalent to 37% of GDP, significantly below the euro area average. Three companies – all privatised entities – accounted for three-fourths of the entire market capitalisation of listed equities at the end of 2001.

The value of turnover in listed equities picked up strongly in the late 1990s, going up from €44 million in 1995 to €332 million in 1999 when the market was dominated by extremely

**Table 8****SELECTED INDICATORS OF THE STOCK MARKET**

Listed Equities	1995	1998	1999	2000	2001
<b>Equities</b>					
Number of issues outstanding	7	9	8	11	13
Market Capitalisation (MC) in Euro millions	326	672	1,909	2,166	1,526
MC/GDP (%)	11.6	20.0	53.3	56.5	37.3
Turnover in Euro millions	44.5	48.2	332.3	199.8	52.3
Turnover/GDP (%)	1.6	1.4	9.3	5.2	1.3
Turnover/MC (%)	13.7	7.2	17.4	9.2	3.4
<b>Listed collective investment schemes</b>					
Number of Primary Listings	2	12	19	30	51
Units in millions	n/a	25.4	52.1	120.9	126.0
Market Capitalisation in Euro millions	5.00	255.25	548.01	802.24	515.48
Number of secondary listings	nil	85	99	270	262

Note:

Collective investment schemes are not included in the total market capitalisation of the stock market.

*Source: Central Bank of Malta*

bullish sentiment. Notwithstanding this increased activity, the ratio of turnover to market capitalisation only reported a modest improvement, from 14% to 17% - which is very low by international standards. In the following two years, the volume of turnover decelerated sharply as investor interest, disillusioned by the collapse of equity prices, turned decisively in favour of fixed income products. As a result, by the end of 2001, equity turnover as a proportion of market capitalisation plummeted to 3%, highlighting the extremely thin trading conditions.

#### **IV. The Functioning of the Financial Sector in Malta**

##### **1. The Monetary Policy Transmission Mechanism**

The Maltese economy is both small and extremely open. This is a major factor conditioning

monetary policy strategy in Malta. Monetary policy in Malta is geared towards maintaining price stability by pegging the Maltese lira to a basket of currencies that broadly reflects the country's main trading patterns. The exchange rate peg has been in place since the establishment of the Central Bank of Malta in 1968, initially linked to sterling on account of historical and economic ties, and subsequently, in 1972, to a currency basket. Like many small open economies, Malta – whose GDP is roughly a half the combined total of exports and imports – selected the exchange rate as the nominal anchor to pursue the goal of price stability, as this directly links Malta's inflation to that prevailing in partner countries, which traditionally are low inflation countries.

In the past, strict controls on capital movements allowed the Maltese authorities to maintain the exchange rate peg while keeping nominal interest rates low and stable. The use of direct controls

hampered the development of the normal channels of money transmission seen in a more liberal financial environment. Following the extensive liberalisation process in the financial sector and the use of more market-oriented policy instruments in recent years, the money transmission mechanism in Malta is likely to have changed significantly. However, for various reasons, the effective impact of this transmission mechanism in Malta remains poorly understood and definitely needs to be assessed more thoroughly.

Some points, however, may be worth considering in this context. First, given the peg, the exchange rate channel of transmission does not normally operate in the Maltese case except when the authorities decide to devalue or revalue the currency. In this respect it is pertinent to point out that the Maltese lira was only devalued once, in response to the Exchange Rate Mechanism (ERM) crisis of autumn 1992. Whereas there have periodically been calls by Maltese exporters for a devaluation, the Central Bank has traditionally taken the view that for such an open economy as Malta, the import content of consumption, production and investment is so high that the potential benefits of devaluation are quickly lost because of the negative consequences of subsequent higher inflation. In the case of Malta, it is estimated that in the event of a nominal devaluation, the real exchange rate index tends to revert back to its original level within two years.

Second, changes in official interest rates tend to be rapidly transmitted to the interbank market and to retail bank deposit and lending rates. But the impact of changes in interest rates on aggregate demand, supply and the balance of payments is still unknown. This is not surprising given the historical record of relatively stable nominal interest rates in Malta. In general, it appears that any sustainable pick-up in industrial activity in Malta needs to be driven by supply-side measures, production rationalisation and restructuring to generate productivity gains,

rather than by adjustments in monetary policy instruments.

Finally, the dominant role exercised by the banks and the level of development of financial markets indicate that the so-called “credit channel” is likely to be important. In other words, it is not only the level of long-term interest rates that influences investment spending, but also the banks’ willingness to lend. Indeed, financial liberalisation may have been one factor behind the rapid growth in credit recorded during the mid-1990s. Borrowers, including households, that could have possibly been previously subject to some form of credit rationing due to the generally risk-averse nature of banks at that stage, tended to find access to finance easier as lending rates were liberalised and as the privatisation process spurred competition between formerly state-owned institutions.

## **2. The Present State of the Financial Markets in Malta**

The 1990s have been a period of significant development and growth for the financial sector in Malta. The advent of a considerable number of investment services providers and new investment products has generally led to a marked shift in investor preference from fixed income to variable income products. More corporate bodies are tapping the capital market or overseas institutions for their financing needs. These trends would seem to suggest that the level of financial intermediation of the domestic banks, while remaining very strong, is tending to decline somewhat. On the other hand, banks have branched out into other spheres of financial services including insurance, stockbroking, fund management and other investment services. (Table 9 gives an overview of the financial market by asset type).

With regard to the Central Bank’s monetary operations, an operational framework is firmly in place to enable the Bank execute its liquidity

**Table 9****TOTAL FINANCIAL ASSETS***breakdown by type of financial instrument**millions*

Financial Instrument	1995			2001		
	Lm	Euro	% of total excluding Lm Sicavs	Lm	Euro	% of total excluding Lm Sicavs
Resident bank deposits in Lm	1,197	2,663	53.7	2,066	5,161	45.6
Resident bank deposits in FC	156	347	7.0	285	712	6.3
Currency in circulation	352	783	15.8	419	1,047	9.3
Malta Government Stocks (MC)	281	625	12.6	853	2,131	18.8
Malta Government Treasury bills	71	158	3.2	160	401	3.5
Corporate bonds (MC)	23	51	1.0	108	270	2.4
Equities (MC)	146	325	6.6	610	1,524	13.5
Locally-based Sicavs (MC) of which:						
Foreign currency denominated	2	5	0.1	27	69	0.6
Lm-denominated	-	-	-	179	447	
<b>Total</b>	<b>2,228</b>	<b>4,958</b>		<b>4,708</b>	<b>11,761</b>	
<b>Total (excluding Lm-denominated Sicavs)</b>	<b>2,228</b>	<b>4,958</b>	<b>100.0</b>	<b>4,529</b>	<b>11,315</b>	<b>100.0</b>

## Notes

- (1) For the purpose of computing the % shares of the respective financial instruments, Lm-denominated SICAVs have been excluded from the total in order to avoid double counting.
- (2) MC = Market Capitalisation, FC = foreign currency.

Source: Central Bank of Malta

management operations effectively and to implement changes in the stance of monetary policy. Among the instruments at its disposal, the key element is the repo auction band which serves as the nominal anchor around which all money market rates are linked (Chart 1).

As regards the domestic financial markets, while the volume of activity has been generally growing, an underlying problem relates to the thinness of trading due to the small number of market participants. This at times leads to certain market imperfections, such as price rigidities and distortions as well as gaps in the yield curve. For instance, in the Treasury bill market, yields at

times do not move in line with other money market rates, and the official interest rate pass-through tends to lag behind.

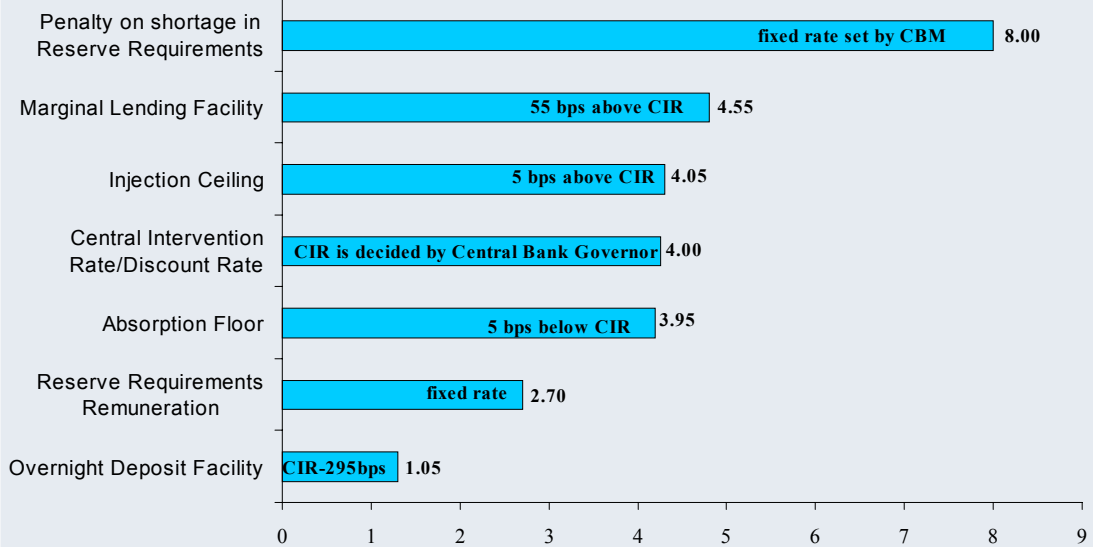
In the interbank market, the volume of trading is also constrained by the fact that deals are transacted on an unsecured basis and, therefore, are subject to the bilateral exposure limits set by each bank. Such arrangements often give rise to significant market mismatches, with banks being unable to clear their long or short positions in the market and having to resort to the Central Bank's standing facilities. Efforts are being made to address this by promoting an interbank repo market through the introduction of a master



**Chart 1**

**Interest rate structure of monetary policy instruments**

(as at end January 2002; in percent)



Note: CIR=Central Intervention Rate (set by the Governor on the advice of the Central Bank Monetary Policy Advisory Council); bps = basis points.

repurchase agreement which would provide a much safer trading environment for market participants. In this regard, it is to be noted, however, that the principle of set-off and netting under bankruptcy (which is essentially an Anglo-Saxon concept) is not legally enforceable under Maltese law (which is largely based on the Napoleonic Code). Draft legislation is currently being prepared to remedy this situation and come in line with international best practice with regard to netting.

As regards the securities market, an institutional gap that tends to contribute to thin trading is the lack of private market makers and primary dealers. In the case of government securities, the Central Bank has traditionally been providing this function in the secondary market. Up to the mid-1990s, the Central Bank was able to perform this role effectively by participating in primary market

issues in order to top up its trading balances. The policy decision taken some years ago for the Bank to cease any form of participation in the government primary market, while strengthening credibility in the monetary policy function, weakened drastically the market-making function. This is due to the fact that the larger part of persons investing in government securities in Malta tend to hold them till maturity, thus rendering it very difficult for the Bank to replenish its trading balances from the secondary market. The Central Bank has been consulting banks and stockbrokers with a view to facilitating the assumption of the market making function by the market. Three local banks have recently shown a very active interest in this regard, and thus it appears that private market-making facilities are likely to be introduced in the near term, both for bonds and equities. Such a development should contribute to stimulate a pick-up in secondary

market turnover and a more liquid market.

Another feature of the government bond market which needs to be addressed is the lack of depth of certain benchmark issues. As already indicated, the outstanding stock of Government bonds is distributed among 37 different issues, most of which are for very small amounts. There is thus considerable scope for rationalisation of the debt structure and consolidation of various issues (for instance under buyback and conversion programmes and stock switches into benchmark issues) so as to give greater depth and liquidity to the market. A step in this direction was made late in 2001 when the latest Government primary issue included the launching of a further tranche of a fungible issue which was first issued in 2000.

### **3. Exchange Control Liberalisation**

The exchange control regime has been extensively eased during the 1990s. Virtually all current account restrictions have already been lifted, while the capital account is being liberalised through a three-year programme. By the end of 2002, this programme is scheduled to be completed except for short-term capital flows and the purchase of secondary residences by non-residents which, because of their sensitive nature, need to be phased over a longer period to avoid potentially destabilising effects on such a small economy as Malta.

The ongoing process of capital account liberalisation is no doubt increasingly subjecting the domestic financial sector to the full impact of globalisation and external competition. As the liberalisation of capital movements gathers momentum, this may lead to increased exposure to volatile capital flows, but the existence of a robust regulatory framework in line with European Union directives should limit the degree of risk to the financial system. Interest rates will also become more volatile, increasing risk, and, possibly, driving the development of more sophisticated hedging devices in response.

The annual limit on investment abroad by Maltese persons over 18 years has been raised stepwise from about €20,000 in 1999 to about €125,000 (equivalent to 1200% of per capita GDP) on 1 January 2002, and various other capital account restrictions have been lifted. In the light of the much more liberal scenario, the Central Bank is committed to start focusing much more intensely on the importance of fostering external balance and on defending the exchange rate peg.

## **V. Trends in the Financial Sector in View of Integration in EU**

### **1. The Degree of Competition**

The description of the Maltese financial sector given above suggests that although the degree of competition has increased, it remains low due to the small size of the economy and the structural nature of the sector. For example, banking continues to dominate finance, with two institutions accounting for almost all the banking sector's assets. Staffing levels in the banks also appear to be relatively high, which may indicate that the market is not as competitive as it is abroad.

Nevertheless, the ongoing process of financial liberalisation and growing exposure to globalisation should inevitably increase the degree of competition in the Maltese financial sector. This process will impact on several factors.

For instance, in line with international trends, the banks are likely to lose further ground to other financial intermediaries, such as collective investment schemes, which offer alternatives to bank deposits. Prudential limits on large exposures and the need to reduce corporate debt levels may also prompt Maltese firms to issue capital market instruments to finance their operations, bypassing the banks in their role as intermediaries. Proposed reforms to the state pension system are also expected to offer

opportunities for further development in the investment services sector.

Moreover, restrictions on the free movement of capital are being gradually removed in accordance with the Maltese authorities' commitment to remove virtually all exchange controls by the end of 2002. This is expected to intensify competitive pressures from abroad and could ensue in much more volatility in capital movements and interest rates.

As regards the structure of the banking sector, the intensification of competitive pressures in recent years has led to a significant consolidation process. In fact, the two larger banks over the past three years have wound up their merchant banking subsidiaries and integrated these functions within their respective parent companies. It is envisaged that the same process will be applied to their offshore banking subsidiaries. Beyond these restructuring measures, however, it is doubtful whether additional consolidation or amalgamations would be called for – or indeed would be desirable – given the already very small number of domestic banks and the high degree of oligopolistic power already enjoyed by the larger banks.

## **2. Regulation and Supervision**

Until the end of 2001, the responsibility for regulating and supervising the financial system was divided between three agencies. The Central Bank of Malta was responsible for supervising banks and some non-bank financial institutions. The Malta Financial Services Centre, which was set up in 1994, supervised offshore banks, insurance companies and investment services firms. It was also responsible for company registration.

Finally, the Malta Stock Exchange, which began operations in 1992, regulates the listed securities market.

As from 1 January 2002, however, the Central Bank shed its regulatory and supervisory responsibilities, which were transferred to the Malta Financial Services Centre<sup>10</sup>. Under the new regime, the Bank will retain overall responsibility for the stability of the financial system and will still be able to support individual banks as lender of last resort if necessary. Thus, the Bank will be able to focus its attention more closely on the conduct of monetary policy.

The regulatory set-up regarding listed securities is also expected to be reviewed during 2002. In fact, legislation is scheduled to be passed shortly whereby the responsibility for regulating stockbrokers and certain aspects of the securities market will be transferred from the Malta Stock Exchange to the Malta Financial Services Centre<sup>11</sup>. Under such a scenario, the Malta Stock Exchange would focus exclusively on the operational side of providing an efficient trading platform and, to the extent that there would be interest from other parties to engage in such a service, the Exchange could become one recognised investment exchange, possibly among others. In this way, the Malta Financial Services Centre, as the sole regulatory body, would eventually be better placed to regulate financial services firms that increasingly compete across the traditional boundaries that used to define banking, insurance and investment services.

## **3. Exchange Rate Policy**

The fixed peg exchange rate regime has historically served the Maltese economy well. On the basis of various considerations – including the size and degree of openness of the economy,

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<sup>10</sup> By virtue of legislation which came into force on 1 October 2002, the Malta Financial Services Centre became known as the Malta Financial Services Authority (MFSA).

<sup>11</sup> By legislation which came into force on 1 October 2002, the MFSA became responsible for the regulation of stockbrokers. MFSA regulation of other aspects of the securities market will be assumed in the near future.

the degree of labour mobility and nominal flexibility of wages and prices, the nature of the financial system, the level of reserves, and the degree of capital mobility – preliminary studies would seem to suggest that, of the various options regarding exchange rate regimes, the fixed peg appears to be the most indicated for Malta in the transition to Economic and Monetary Union (EMU).

In this respect, one possibility could be that the commitment to a fixed rate could perhaps be increased even further by switching formally to a currency board (which in effect has been virtually the case in practice given the full reserve coverage of the Central Bank's demand liabilities to date). Generally speaking, one would expect a currency board arrangement to tend to reduce the possibility of speculative attacks (to the extent that the peg is sustainable) and would normally impose sound economic behaviour on the government. In the case of Malta, the Central Bank however currently feels that the appropriateness of a currency board regime still needs to be studied in more depth in order to come to a decision in this regard.

An issue which is much more clear is the objective to increase the euro's weighting in the Lm exchange rate basket in due course. A matter for consideration in this respect is whether the shift to a 100% link to the euro should be gradual or at one go. This choice would depend on the extent of volatility in the international foreign exchange markets. If the markets are not unduly volatile, a one-time adjustment would appear feasible. On the other hand, if markets are expected to be turbulent, a gradual approach to a 100% link would perhaps be preferable because of the risk of possible wide misalignments in exchange rates. Yet another issue, of course, relates to the exchange rate level at which to peg fully to the Euro. From preliminary studies carried out by the Central Bank of Malta, it would appear that there

are no grounds to suggest that there would be undue pressures to sustain the current exchange rate. Obviously, tests for exchange rate misalignment will have to be thoroughly undertaken prior to participation in ERM II in due course.

#### **4. Independent Monetary Policy**

From the legal perspective, the amendments that will be passed to the Central Bank of Malta Act within a few months should statutorily guarantee the independence of the Central Bank.

From a monetary transmission perspective, however, once the process of capital account liberalisation is fully completed, it will become even harder to pursue an independent monetary policy. Indeed, the interest rate channel as an autonomous means of affecting the real side of the economy, could become largely ineffective. Given the fixed exchange peg, under full capital account liberalisation, interest rate policy will need to be clearly focused on supporting the official reserves with a view to defending the peg and safeguarding the market's credibility in the sustainability of the exchange rate. Thus, under such a scenario, while interest rate changes would still have an effect on the real economy, the Central Bank would be unable to determine them autonomously.

#### **5. Payment System**

An amendment to the Central Bank of Malta Act is at present in the process of being discussed by Parliament. The amended Act would give the Bank the legal powers for the regulation and oversight of payment systems in Malta, in conformity with the objective of preventing systematic risk to the financial system. It would also provide protection for finality of payment and netting. Plans are in hand so that an upgraded and fully automated payment system (called the Malta Real-time Interbank Settlement System or

MaRIS) will be operational in mid-2002<sup>12</sup>. The system will use SWIFT Fin Services for messaging. It is expected that MaRIS will continue to settle all interbank Maltese liri transfers in respect of money market transactions, foreign exchange deals or other interbank settlements. Transactions involving sales and purchases of securities quoted on the Malta Stock Exchange will also be settled through the system. These developments should enable the local payments system infrastructure to move closer towards TARGET<sup>13</sup> functionality in due course.

## VI. Conclusion

The financial sector in Malta has undergone substantial change and development in recent years. The process of financial deregulation and privatisation have facilitated a more proactive and innovative banking sector and more developed money and capital markets. The small number of

key market players, however, has tended to restrain sufficient deepening of the market and turnover is still relatively thin. Full capital account liberalisation is likely generate considerable competitive pressures. Besides challenges, however, this process will also be presenting significant opportunities, which, if exploited well, should lead to higher efficiency and competitiveness. The results achieved so far should augur well for the future.

## VII. References

European Central Bank (1999): "Banking in the euro area: Structural features and trends", ECB Monthly Bulletin, April 1999, pp. 41-53.  
Central Bank of Malta: Annual Reports  
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<sup>12</sup> The Real-Time Gross Settlements (RTGS) system went live on the 26 August 2002 while MaRIS became fully operational on 1 October 2002. The RTGS system settles individual interbank Lm payments in real-time in Malta.

<sup>13</sup> TARGET, which stands for the Trans-European Automated Real-time Gross Settlement Express Transfer system, consists of the national RTGS systems of EU members which are interlinked so as to provide a uniform platform for the processing of the cross-border payments in euro.

## NEWS NOTES

### **Currency Weights of the Maltese Lira Basket Updated**

On August 23 the Monetary Authorities revised the weights of the component currencies of the Maltese lira basket so that these should reflect current trends and likely future developments in Malta's external trade more closely. This led to a larger weight being allocated to the euro, which besides being the currency of many of Malta's most important trading partners is also assuming a major role as an international reserve currency, while a smaller weight was given to the US dollar and sterling. As a result of this review, the new weights are as follows:

Euro – 70%  
Pound Sterling – 20%  
US Dollar – 10%

The new fixed currency portions that serve as the basis for deriving the daily exchange rate of the Maltese lira were changed as follows:

Euro – 1.6937  
Pound Sterling – 0.3084  
US Dollar – 0.2341

### **Parliament Approves Amendments to the Central Bank of Malta Act**

On September 10 Parliament approved Act XVII of 2002, which made provision regulating certain funds and amended various financial laws and laws regulating financial institutions. Part IV of this Act provided for amendments to the Central Bank of Malta Act. The amended Act makes price stability the primary objective of the Bank and establishes at law the Bank's independence, giving it greater operational flexibility. At the same time, the amendments made the Bank more publicly accountable in view of its total autonomy in the formulation and implementation of monetary policy. The amended Act brings into force the

complete liberalisation of interest rates and clearly defines the Bank's monetary policy function through the introduction of procedures for decision-making. It also confers on the Bank certain powers that were previously vested in the Minister of Finance, such as those relating to borrowing, lending and investment transactions.

The part of the Act relating to the Central Bank of Malta had to come into force on October 1, 2002 following the issue of Legal Notice 277 on September 24, 2002.

### **Official Fixing of Interbank Rates Launched**

On September 18 the Central Bank of Malta launched the official fixing of interbank rates for the Maltese Lira. These rates - to be referred to as MIBOR (Malta Interbank Offered Rate) and MIBID (Malta Interbank Bid Rate) - are intended to provide an interest rate benchmark for both liquidity offered and bid for by credit institutions in the Maltese lira money market on an unsecured basis. They will thus provide a basis for the pricing of money market and foreign exchange products in Malta. The interbank fixing will be conducted in the overnight, one week, one month, two month, three month, six month, nine month and twelve month tenors. MIBOR and MIBID will be fixed by the Central Bank every Wednesday and on the day following a change in the Bank's Central Intervention Rate, and will be computed on the basis of a simple average of all the interest rates communicated to the Bank during the fixing session.

### **Bank Holidays announced**

On July 26 the Minister of Finance, in exercise of the powers conferred on him by the Banking Act and after consultation with the Malta Financial Services Authority (MFSA) and the Central Bank, declared April 19 and December 26, 2003 and January 2, 2004 to be Bank Holidays. This was

announced through Legal Notice 219, published in the Government Gazette.

### **Malta's Sovereign Rating Reaffirmed**

On August 29 Fitch, the international credit rating agency, reaffirmed its single-‘A’ long-term and ‘F1’ short-term foreign currency credit ratings and double-‘A’-minus long-term local currency ratings for Malta. Fitch also confirmed that the outlook for Malta was stable, but added that next year’s referendum on membership of the European Union was critical for the country’s economic future.

### **Government Stock Issues**

On September 17 through Legal Notices Nos 266 and 267 of 2002, the Government announced the

issue of Lm15.25 million worth of 5.6% MGS 2007 (III) Fungibility Issue and Lm21 million worth of 5.7% MGS 2012 (III). Applications for the 5.6% MGS 2007 were by auction for bids in multiples of Lm250,000 at a rate not less than the current market price, while the 5.7% MGS 2012 (III) was to be issued at par for amounts not exceeding Lm20,000 and by auction for bids exceeding this amount.

### **Double Taxation Agreements**

The double taxation agreement between the Government of Malta and the Government of the Federal Republic of Germany signed on March 8, 2001, entered into force on December 27, 2001. This was announced in the Government Gazette on September 6, through Legal Notice 254 of 2002.

# FINANCIAL POLICY CALENDAR

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

**1999**

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

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

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

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

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

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

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

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

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

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

## **May 6 : *Central Bank Lowers Discount Rate***

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's discount rate by 25 basis points from 5.5% to 5.25%. The Bank's central intervention rate is left unchanged at 4.95%. In announcing the reduction in the discount rate, the Bank notes that official interest rates overseas, particularly in Malta's trading partner countries, had continued to fall, that domestic economic activity remained generally subdued, inflation had continued to fall, and the external reserves had remained stable. Nevertheless, the Bank also says that the Council remained concerned about the level of the Government's



borrowing requirement, that it would continue to pursue a monetary policy based on maintaining a fixed exchange rate for the Maltese lira, and that it stood ready to adjust official interest rates as necessary.

**May 7 : *Parliament Authorizes Government to Borrow Lm100 Million***

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

**May 7 : *Obligation to Create Sinking Funds in Connection with Local Borrowing Abolished***

Parliament amends Local Loan (Registered Stock and Securities) Ordinance, 1957 through Act IV of 1999. This removes the obligation on Government to create sinking funds in connection with new local borrowing. The obligation to create sinking funds in connection with overseas borrowing is, however, retained.

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

The Minister of Finance, through Legal Notice 91, amends Article 3 of the Statute of the Malta Stock Exchange. This amendment makes it possible for a stockbroker nominated by the Central Bank of Malta to execute transactions on behalf of the Government in quoted securities of companies or other entities owned wholly, or in part, by the Government, subject to certain conditions specified in the Malta Stock Exchange Act, 1990 itself.

**June 24 : *Central Bank Lowers Discount Rate Again***

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

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

The Central Bank of Malta, in terms of Section 38 of the Central Bank of Malta Act, 1967, lowers the minimum rate of interest that credit institutions may pay on deposits denominated in Maltese lira, other than current accounts, from 3 % per annum to 2.5 % per annum.

**September 7 : *Penalties for Offences Against Banking Act, 1994 Regulations Published***

The Minister of Finance, through Legal Notice 155 of 1999, publishes the Penalties for Offences Regulations 1999. These regulations specify the penalties, including fines and imprisonment terms, to be imposed on persons found guilty of having contravened specific provisions of the Banking Act, 1994. They also empower the Competent Authority to impose administrative penalties on persons who fail to comply with other provisions of the Banking Act, 1994. Such persons may appeal to the Tribunal for Financial Services against any decision imposing upon them an administrative penalty.

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

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

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

The Central Bank of Malta abolishes the minimum rate of interest that banks were obliged to pay on savings deposits, previously established in terms of section 38 of the Central Bank of Malta Act, 1967. As a result, credit institutions are allowed freely to determine the rate of interest payable on deposits made with them, not only in Maltese liri but in any currency. The Bank also removes the remaining limit on interest rates that banks are permitted to charge on loans in foreign currency.

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

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

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

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

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

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

### **November 22 : *Measures Introduced in the Budget for the Year 2000***

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

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

- 2) **Social Security Contributions:** As from January 1, 2000, employees' social security contributions are to go up from 9% to 10% of their basic pay, while the different income bands previously used to calculate the contribution rate of the self-employed are to be abolished. The rate of contribution on all income earned by the self-employed is to be 15%.
- 3) **Direct Taxation:** Income tax bands are to be revised, while guidelines are to be issued by the Commissioner of Inland on the taxation of fringe benefits. A tax compliance unit is to be set up within the Department of Inland Revenue.
- 4) **Indirect Taxation:** Excise duty on cigarettes goes up, while locally processed alcoholic beverages are no longer to be exempt from the payment of such duties. At the same time, the duty on transfers of immovable property is to be reduced, while the duties payable on the allocation of shares and on medical insurance cover are to be abolished altogether.
- 5) **Value Added Tax:** Value Added Tax, at the rate of 15%, is introduced on petrol and diesel with immediate effect, and on telephony with effect from January 1. Telephone consumer tariffs, however, are set to rise by five per cent.
- 6) **Exchange Control:** A number of measures are to be introduced to further liberalise exchange control and speed up the relative bureaucratic and administrative procedures. Current restrictions on the amount that companies registered or domiciled in Malta are allowed to invest in businesses abroad are to be abolished, while the overseas investment allowances for individuals and non-financial companies is to be raised from Lm8,000 to Lm15,000. Export-oriented companies in the services sector will be allowed to leave their receipts in foreign currency accounts for up to six months, while retailers will be allowed to maintain foreign currency and time deposit accounts up to a limit of Lm2,500. Insurance companies will be allowed to invest funds abroad freely, subject to control by the Malta Financial Services Centre.

#### **December 31: *Ways and Means Facility Abolished***

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

#### **December 31 : *Delegation of Exchange Control Authority to Malta Financial Services Centre***

The Minister of Finance, through Legal Notice 225 of 1999, appoints the Malta Financial Services Centre (MFSC) as an authorised dealer for the purposes of Sections 17, 18 and 32 of the Exchange Control Act, 1972 with effect from January 1, 2000. Through this legal notice, the responsibility for approving and vetting applications for the registration of companies with non-resident participation is transferred from the Central Bank of Malta to the Malta Financial Services Centre under delegated authority.

**2000**

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

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

**March 29 : *Italian Financial Aid to Malta***

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

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

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

**April 28 : *Bearer Accounts Phased Out***

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

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

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

**July 14 : *Malta Stock Exchange Regulations Amended***

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

**August 25 : *Prevention of Money Laundering Regulations Amended***

The Minister of Finance, through Legal Notice 156, issues the Prevention of Money Laundering (Amendment) Regulations, 2000. These regulations amend the Prevention of Money Laundering Regulations, 1994. Amongst other things, the amended regulations introduce the concept of "reputable jurisdiction". This allows for the recognition of other jurisdictions which adhere to international standards

in combating money laundering.

### **November 21: Measures Introduced in the Budget for 2001**

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

- 1) **Cost of Living Increase:** A weekly increase in wages of Lm1.50 to compensate for the rise in the cost of living during the year to September 2000.
- 2) **Direct Taxation:** The Income Tax Act, 1948 is to be enforced with regard to certain fringe benefits attached to employment. The benefits to be taxed are listed in a separate document presented with the Budget.
- 3) **Indirect Taxation:** Value Added Tax on health and education are reclassified as exempt without credit while profits made by travel agents on tickets for travel abroad are to become taxable at the full rate. Catering establishments in factories, schools and industrial zones are to start charging Value Added Tax. Excise duty on cigarettes is increased while the duty on alcoholic beverages is henceforth to be calculated on the basis of the alcohol content of the beverage concerned. Levies on a number of imported industrial products are to be scaled down further, while income from collective investment schemes is to be subject to tax.
- 4) **Liberalisation of Exchange Controls:** Exchange controls are further liberalised and the relative administrative procedures are to be speeded up. The measures include:
  - An increase in the allowance for travel purposes from Lm5,000 to Lm10,000 per trip.
  - An increase in the limit for cash gifts from Lm5,000 to Lm10,000 per year.
  - An increase in the amount of foreign currency which can be exported to effect merchandise payments overseas.
  - An increase in the limits on imports and exports of local currency from Lm25 to Lm1,000.
  - The amount that residents are permitted to invest in real estate overseas is raised from Lm50,000 per year to Lm150,000.
  - The allowance for foreign portfolio investment by residents is raised from Lm15,000 per year to Lm30,000.
  - Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are permitted to invest in foreign assets up to a maximum of five per cent of the funds invested in a scheme.
  - The amount of foreign currency which a resident may retain in the form of cash or in a foreign currency (demand) account with local credit institutions is raised to Lm10,000 from Lm2,500.
  - The period during which export-oriented local companies are permitted to maintain export proceeds with local banks in foreign currency is extended to one year while other bodies corporate and local retail outlets are henceforth permitted to maintain demand, savings and time deposits in foreign currency accounts provided such deposits originate from business activities and the balance does not exceed Lm10,000.

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

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

### **December 5: Malta Stock Exchange Council Reviews Notice**

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

## **2001**

### **January 10: Malta Appointed to OECD Task Force on Harmful Tax Practices**

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

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

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

### **July 5: Malta Stock Exchange Issues Draft Corporate Governance Code**

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

### **August 31: Central Bank Lowers Official Interest Rates**

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

### **September 27: *Central Bank Lowers Reserve Requirement Ratio***

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

### **October 31: *Malta Stock Exchange Issues Corporate Governance Code***

The Malta Stock Exchange publishes new bye-laws which include the code of principles of good corporate governance which the Exchange had issued on July 5 in draft form. Companies listed on the official list of the Exchange, as well as those on the alternative companies list, are encouraged to adopt the code. Listed companies are henceforth required to include a "Statement of Compliance" in their annual reports explaining to what extent they are complying with these principles and the measures they have taken to ensure compliance. Auditors are also required to report on these statements.

### **November 21: *Measures Introduced in the Budget for 2002***

The Minister of Finance, in presenting the Budget Estimates for the year 2002 to Parliament, announces a number of policy measures. These include:

- **Cost of Living Increase:** A weekly increase of Lm1.50 in wages and salaries as from January 1, 2002 to compensate for the rise in the cost of living during the year to September 2001.
- **Direct Taxation:** A revision of the tax bands for married couples who file a joint declaration of their income, resulting in savings of up to Lm145 per annum in income tax. The fringe benefit value of commercial vans and vehicles used by salesmen are no longer to be subject to tax.
- **Indirect Taxation:** Excise duties on cigarettes increased. Levies on a number of imported industrial products to be scaled down further.
- **Linkage of the Price of Oil to Price Movements in International Markets:** As announced in last year's budget, the prices of oil products are to be linked to prices on international markets. Reflecting current prices, the price of leaded petrol and diesel is raised with immediate effect, while that of unleaded petrol and kerosene is lowered. As from April, these prices are to be reviewed every three months to reflect average prices on international markets in the previous three months.
- **Support Scheme for the Agriculture Sector:** A support scheme for the agricultural sector is to be introduced as levies on agricultural imports are lifted.

- **Social Security System Reform:** Social security contributions are to be applied only to healthcare and pensions. Contributions earmarked for healthcare are to be used exclusively to finance the cost of healthcare and care of the elderly, while those earmarked for pensions are to be used to finance contributory pensions and related benefits only. All other benefits are to be provided for directly from the Consolidated Fund.
- **Liberalisation of Exchange Controls:** Exchange controls are further liberalised and the relative procedures are to be speeded up. The measures include:
  - An increase in the allowance for travel purposes from Lm10,000 per person per trip to Lm15,000.
  - An increase in the amount of foreign currency that can be exported by residents travelling overseas to effect payment for merchandise.
  - Quantitative restrictions on the amount that residents are permitted to invest in real estate overseas abolished.
  - The allowance for foreign portfolio investment by residents raised from Lm30,000 per year to Lm50,000.
  - Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are to be permitted to invest up to 10 per cent of such funds in foreign assets.
  - The amount of foreign currency which a resident may retain in the form of cash or in a demand deposit account denominated in foreign currency with local credit institutions is raised from Lm10,000 to Lm15,000.
  - The amount of foreign currency that may be placed with local credit institutions by corporate entities and retailers is raised from Lm10,000 to Lm15,000.
  - Locally registered fund management companies are to be permitted to seek a listing for their collective investment schemes on recognised international capital markets.
  - Locally registered financial and non-financial companies are to be permitted to seek a listing for their bonds and related securities on recognised international money/capital markets as long as the securities have a maturity period of at least one year.



- The granting of guarantees by residents in favour of non-residents is completely liberalised.
- All restrictions on the physical transfer overseas of certificates and other instruments denoting title to shares or securities are removed.
- **Foreign Investment Registration Scheme:** Maltese residents having undeclared investments abroad as at September 1, 2001 are to be given the opportunity to regularise their position until December 31, 2002. Holders of such investments who register them within this period are required to pay a one-time registration fee calculated as a percentage of the current market value of the registered investment.

**November 26 : *Central Bank Lowers Official Interest Rates***

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate and the discount rate by 25 basis points to 4.25%. All other official interest rates quoted by the Central Bank are similarly reduced by 25 basis points.

**December 14: *European Investment Bank – Malta Sign Framework Agreement***

The European Investment Bank (EIB) and Malta sign a framework agreement in view of Malta's prospective membership of the EU. The agreement, which is similar to bilateral agreements between sovereign states, is intended to broaden the scope of loans into social areas such as education and health. It is also aimed at increasing co-operation between Malta and the EIB with a view to promoting investment in Malta.

**December 27: *Prevention of Money Laundering Act, 1994 Amended***

Parliament enacts the Prevention of Money Laundering (Amendment) Act 2001. The Act provides for the setting up of a Financial Intelligence Analysis Unit to receive and analyse reports of transactions suspected to involve money laundering.

**December 27: *Appointment of Competent Authority***

The Minister of Finance, through Legal Notices Nos 324 and 325, appoints the Malta Financial Service Centre (MFSC) as the Competent Authority for the purposes of the Financial Institutions Act, 1994 and the Banking Act, 1994, with effect from January 1, 2002.

**2002**

**January 31 : *Central Bank Lowers Official Interest Rates***

The Monetary Policy Council of the Central Bank of Malta lowers the Bank's central intervention rate and the discount rate by 25 basis points to 4.00%. All other official interest rates quoted by the Central Bank are similarly reduced by 25 basis points.

**March 1 : *Establishment of Financial Intelligence Analysis Unit***

As a follow-up to the amendments to the Prevention of Money Laundering Act, 1994 enacted in December 2001, a Financial Intelligence Analysis Unit is established. The Unit is to assist the Government in furthering its commitment to enhance Malta's reputation as a financial services centre by fighting criminal abuse of Malta's financial services.

**August 23: *Currency Weights of Maltese Lira Basket Updated***

The Monetary Authorities decide to revise the weights of the component currencies of the Maltese lira basket so that these should reflect current trends and likely future developments in Malta's external trade more closely. The revision leads to a larger weight being allocated to the euro and a smaller weight to the US dollar and sterling.

As a result of the review, the new weights are as follows:

Euro – 70%  
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**September 10: *Parliament Approves Amendments to Central Bank of Malta Act***

Parliament approves Act XVII of 2002, which provides for the regulation of certain funds and amends various financial laws and laws regulating financial institutions. Part IV of the Act provides for amendments to the Central Bank of Malta Act. The amended Act makes price stability the primary objective of the Central Bank and establishes at law the Bank's independence, giving it greater operational flexibility. At the same time, in view of the Bank's total autonomy in the formulation and implementation of monetary policy, the amended Act makes the Bank more publicly accountable. It also brings into force the complete

liberalisation of interest rates and clearly defines the Bank's monetary policy function through the introduction of procedures for decision-making. It also confers on the Central Bank certain powers that were previously vested in the Minister of Finance, such as those relating to borrowing, lending and investment transactions.

The part of the Act relating to the Central Bank of Malta had to come into force on October 1, 2002 following the issue of Legal Notice 277 on September 24, 2002.

### **September 18: *Official Fixing of Interbank Rates Launched***

The Central Bank of Malta launches the official fixing of interbank rates for the Maltese Lira. These rates - referred to as MIBOR (Malta Interbank Offered Rate) and MIBID (Malta Interbank Bid Rate) - provide an interest rate benchmark for both liquidity offered and bid for by credit institutions in the Maltese lira money market on an unsecured basis. They also provide reference for the pricing of money market and foreign exchange products. The interbank fixing is to be conducted in the overnight, one week, one month, two month, three month, six month, nine month and twelve month tenors. MIBOR and MIBID are to be fixed by the Central Bank every Wednesday and on the day following a change in the Central Bank's Central Intervention Rate and computed by the Bank on the basis of a simple average of all the interest rates communicated to it during the fixing session.



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# STATISTICAL TABLES

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

(as at end-June 2002, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km <sup>2</sup>	
CURRENCY UNIT	Lira - Exchange rates: Lm1 = US\$2.3710 Lm1 = Euro2.3986	
CLIMATE	Average temperature (1991-2001): December - February	13.3° C
	June - August	25.8° C
	Average annual rainfall (1990 - 2001)	602.4mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices (Dec. 2001)	4.5%
	GDP per capita at current market prices (Dec. 2001)	US\$9,125
	GDP per head in PPS relative to the EU-15 average (2000)*	56
	Ratio of gross government debt to GDP (Dec. 2001)	62.2%
	Ratio of government deficit to GDP (Dec. 2001)	5.2%
	Retail price inflation	3.54%
	Ratio of exports of goods and services to GDP (Dec. 2001)	86%
	Ratio of current account deficit to GDP (Dec. 2001)	4.7%
	Gainfully occupied	137,306
	Unemployment rate	4.9%
POPULATION	Total Maltese and Foreigners (Dec. 2001)	394,641
	Males (Dec. 2001)	195,363
	Females (Dec. 2001)	199,278
	Age composition in percent of population (2000)	
	0 - 19	27%
	20 - 59	56%
	60 +	17%
	Average annual growth rate (1990 - 2001)	0.8%
	Density per km <sup>2</sup>	1,249
HEALTH	Life expectancy at birth - Males (Dec. 2000)	74.3
	- Females (Dec. 2000)	80.2
	Crude birth rate, per 1000 inhabitants (Dec. 2000)	11.16
	Crude mortality rate, per 1000 inhabitants (Dec. 2000)	7.75
	Doctors per 1000 inhabitants (Dec. 2000)	3.2
EDUCATION	Combined gross enrolment ratio % (1999)	80%
	Number of schools (1999/2000)	331
	Teachers per 1000 students (2000)	93
	Adult literacy rate : % age 15 and above (2000)	92%
LIVING STANDARDS	Human Development Index : Rank out of 162 countries (2000)	30
	Mobile phone subscriptions, per 1000 inhabitants (Mar. 2002)	640
	Private motor vehicle licences per 1000 inhabitants	482

\* Provisional

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

**List of banking institutions submitting financial information to the Central Bank of Malta for statistical reporting purposes, as at June 2002:**

**Deposit Money Banks**

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

**International Banking Institutions**

Akbank TAS  
Disbank Malta Ltd.  
Erste Bank (Malta) Ltd.  
First International Merchant Bank plc  
HSBC Overseas Bank (Malta) Ltd.  
Investkredit International Bank Malta Ltd.  
Izola Bank Ltd.  
Raiffeisen Malta Bank plc  
Sparkasse Bank Malta plc  
Tekstil Bankasi AS  
Turkiye Garanti Bankasi AS  
Volksbank Malta Ltd.



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

*Liabilities*

*Lm thousands*

End of Period	Currency Notes and Coin Issued	IMF-Related Liabilities	Deposits				Capital and Reserves	Foreign Liabilities <sup>3</sup>	Other Liabilities <sup>2</sup>
			Banks <sup>2</sup>	Government	Other	Total			
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	-	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	-	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	-	145,648
1993	364,013	24,620	67,173	2,437	37,349	106,959	4,500	-	163,740
1994	379,082	24,213	73,025	1,725	52,384	233,734	41,000	-	178,292
1995	367,444	22,553	80,026	20,194	21,502	121,722	41,000	-	187,134
1996	380,246	20,159	71,627	22,785	10,516	105,328	41,000	-	177,233
1997	384,655	20,079	100,511	24,503	10,941	135,955	41,000	-	135,780
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	-	35,265
1999	418,485	19,014	124,786	96,188	12,424	233,398	89,050	-	58,597
2000	423,188	18,574	141,270	56,161	10,393	207,825	89,050	-	45,182
<b>2001</b>									
Jan.	412,749	18,574	151,954	34,603	9,556	196,113	89,050	2,548	47,585
Feb.	413,863	18,574	154,375	62,982	9,617	226,974	89,050	4,274	29,743
Mar.	415,262	18,574	142,870	69,976	8,657	221,503	89,050	3,041	32,593
Apr.	421,757	18,574	150,629	51,821	9,651	212,101	89,050	2,803	29,204
May	426,201	18,574	157,537	53,558	11,009	222,103	89,050	1,486	32,187
June	429,727	18,574	129,375	51,908	10,145	191,429	89,050	2,863	34,295
July	434,373	18,574	147,841	50,620	10,537	208,998	89,050	1,100	36,185
Aug.	432,878	18,574	131,452	60,453	10,389	202,294	89,050	1,932	38,496
Sept.	429,428	18,574	138,417	61,852	13,726	213,995	89,050	3,698	43,864
Oct.	435,076	18,574	112,067	67,091	10,561	189,718	89,050	2,106	60,694
Nov.	430,082	18,574	107,284	93,988	10,164	211,436	89,050	1,030	64,788
Dec.	441,829	18,281	146,789	69,080	7,644	223,513	95,069	-	48,649
<b>2002</b>									
Jan.	433,286	18,281	184,034	63,202	7,147	254,383	95,069	974	40,839
Feb.	433,412	18,281	196,509	71,124	6,700	274,333	95,069	3,510	32,747
Mar.	436,995	18,281	191,255	66,683	7,131	265,069	92,150	3,427	28,674
Apr.	441,559	18,281	195,707	40,231	7,779	243,716	92,078	-	29,983
May	444,631	18,230	211,105	32,114	7,732	250,951	91,997	-	31,294
June	449,887	18,230	199,102	33,523	3,748	236,374	95,554	-	35,958

<sup>1</sup> Reclassification of data from December 1998 reflects changes in the presentation of the Central Bank of Malta's financial statements.

<sup>2</sup> Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995). As from December 2001 term deposits by banks which were previously classified as "Other Liabilities" are classified as "Banks' Deposits".

<sup>3</sup> Data prior to 2001 were included with "Other Liabilities".

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

*Assets*

*€m thousands*

End of Period	External Reserves				IMF Currency Subscription	Malta Government Securities and Advances	Fixed and Other Assets	Total Assets/ Total Liabilities
	Gold <sup>2</sup>	IMF-Related Assets <sup>3</sup>	Convertible Currencies <sup>4</sup>	Total				
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	80,134	559,376
1992	9,101	30,061	435,856	475,018	21,720	62,305	88,687	647,730
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
1999	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000	452	36,940	606,752	644,144	35,222	9,178	98,930	787,474
<b>2001</b>								
Jan.	406	36,978	593,415	630,799	35,222	14,909	85,689	766,618
Feb.	525	37,352	588,841	626,717	35,222	16,154	104,385	782,478
Mar.	524	37,445	593,656	631,625	35,222	17,603	95,573	780,023
Apr.	435	37,426	602,438	640,300	35,222	9,830	88,137	773,488
May	533	38,340	614,350	653,223	35,372	41,062	59,945	789,601
June	489	38,100	609,264	647,853	35,372	37,512	45,200	765,937
July	531	37,808	637,088	675,427	35,372	30,507	46,974	788,279
Aug.	534	37,837	649,545	687,916	35,372	19,239	40,696	783,223
Sept.	566	37,812	654,187	692,564	35,372	11,789	58,883	798,608
Oct.	527	37,822	682,931	721,281	35,372	8,024	30,542	795,218
Nov.	462	38,167	710,357	748,986	35,372	6,407	24,196	814,960
Dec.	629	37,863	721,936	760,428	35,078	5,773	26,062	827,340
<b>2002</b>								
Jan.	697	38,105	743,818	782,621	35,078	5,021	20,112	842,831
Feb.	596	38,218	760,396	799,211	35,078	4,715	18,347	857,351
Mar.	601	38,191	747,664	786,456	35,078	4,554	18,507	844,596
Apr.	602	37,968	732,960	771,531	35,078	2,783	16,225	825,618
May	626	37,959	734,424	773,008	35,026	14,609	14,460	837,104
June	543	37,499	742,642	780,684	35,026	4,996	15,297	836,003

<sup>1</sup> Reclassification of data from December 1998 reflects changes in Central Bank of Malta accounting policy.

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

<sup>3</sup> Includes IMF Reserve Position and holdings of SDRs.

<sup>4</sup> Valued according to the prevailing accounting policies as explained each year in the Notes to the Accounts in the Central Bank of Malta *Annual Report*.

**TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES**  
**DEPOSIT MONEY BANKS <sup>1</sup>**  
*Liabilities*

*Lm thousands*

End of period	Deposits <sup>2</sup>				Foreign Liabilities <sup>3</sup>	Capital and Reserves	Other Liabilities <sup>3</sup>
	Demand	Savings	Time	Total			
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
1999	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000	192,206	623,727	1,296,731	2,112,664	404,679	158,523	566,664
<b>2001</b>							
Jan.	205,665	624,893	1,321,837	2,152,395	407,805	177,039	672,988
Feb.	211,192	629,250	1,340,870	2,181,312	404,322	176,714	702,120
Mar.	212,583	619,316	1,343,006	2,174,905	417,137	176,714	690,255
Apr.	209,623	634,366	1,382,622	2,226,611	402,928	176,714	702,344
May	216,251	630,063	1,394,006	2,240,321	386,026	177,039	701,452
June	209,436	639,026	1,368,606	2,217,068	382,569	177,040	691,167
July	228,197	636,095	1,379,746	2,244,038	382,559	177,040	698,996
Aug.	214,351	650,004	1,389,291	2,253,646	394,763	177,040	747,367
Sept.	217,559	639,505	1,392,068	2,249,132	584,091	169,186	613,161
Oct.	226,097	654,631	1,407,035	2,287,763	551,510	191,044	564,518
Nov.	212,023	646,610	1,439,132	2,297,765	598,444	191,045	537,228
Dec.	212,870	667,301	1,432,345	2,312,516	599,626	191,246	566,794
<b>2002</b>							
Jan.	207,599	672,267	1,456,245	2,336,111	609,256	197,166	557,846
Feb.	214,182	676,139	1,481,930	2,372,251	600,704	197,166	547,370
Mar.	220,395	679,315	1,507,325	2,407,035	551,166	197,166	547,782
Apr.	211,961	684,522	1,515,711	2,412,194	530,824	197,166	550,272
May	216,325	675,164	1,539,494	2,430,983	547,120	197,166	567,929
June	222,337	673,393	1,554,980	2,450,710	551,768	197,166	549,550

<sup>1</sup> Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

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

<sup>3</sup> As from September 1992, the bulk of foreign liabilities belonging to a Deposit Money Bank was transferred to its offshore bank subsidiary.

**TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES**  
**DEPOSIT MONEY BANKS <sup>1</sup>**

*Assets*

*€m thousands*

End of Period	Cash and Deposits with Central Bank <sup>2</sup>	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets <sup>2</sup>	Total Assets/ Total Liabilities
1990	58,349	197,787	458,246	100,284	32,334	847,000
1991	62,790	246,499	480,495	147,050	26,847	963,681
1992	93,816	330,111	539,405	147,048	32,488	1,142,868
1993	83,250	378,598	627,635	212,779	35,457	1,337,719
1994	194,501	417,411	707,355	210,540	46,545	1,576,352
1995	100,638	557,355	938,406	234,379	49,960	1,880,738
1996	96,777	588,571	1,079,552	263,194	114,236	2,142,330
1997	125,183	534,756	1,205,349	365,333	120,979	2,351,600
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000	152,739	729,614	1,608,023	601,427	150,727	3,242,530
<b>2001</b>						
Jan.	167,665	741,428	1,733,354	602,689	165,091	3,410,227
Feb.	176,144	751,847	1,739,911	634,330	162,236	3,464,468
Mar.	157,672	749,183	1,793,027	634,613	124,516	3,459,011
Apr.	171,652	765,611	1,823,589	614,562	133,183	3,508,597
May	177,617	758,695	1,815,942	599,360	153,223	3,504,837
June	145,437	737,380	1,815,792	607,585	161,650	3,467,844
July	162,532	719,853	1,811,155	641,159	167,934	3,502,633
Aug.	157,031	779,222	1,806,213	648,651	181,699	3,572,817
Sept.	159,761	776,593	1,855,912	664,875	158,429	3,615,570
Oct.	146,852	745,955	1,857,538	695,562	148,928	3,594,835
Nov.	134,445	772,817	1,852,984	709,168	155,067	3,624,482
Dec.	180,312	791,551	1,866,422	662,996	168,901	3,670,182
<b>2002</b>						
Jan.	204,082	775,106	1,857,995	678,136	185,060	3,700,379
Feb.	216,099	783,042	1,851,058	686,937	180,355	3,717,491
Mar.	208,762	779,869	1,875,527	687,352	151,638	3,703,149
Apr.	210,393	787,860	1,867,400	670,868	153,935	3,690,456
May	229,492	803,729	1,869,243	680,876	159,857	3,743,197
June	219,129	800,136	1,858,564	691,218	180,148	3,749,194

<sup>1</sup> Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

<sup>2</sup> As from December 2001 term deposits by banks which were previously classified as "Fixed and other Assets" are classified as "Cash and Deposits with Central Bank."

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES  
OTHER BANKING INSTITUTIONS <sup>1</sup>**

*Liabilities*

*Lm thousands*

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

<sup>1</sup> This Table was discontinued as from January 2001.

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

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

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES  
OTHER BANKING INSTITUTIONS <sup>1</sup>**

*Assets*

*Lm thousands*

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Claims on				Total Assets/ Total Liabilities
			Government	Deposit Money Banks <sup>2</sup>	Private and Parastatal Sectors	Total	
1990	642	89,771	5,055	702	104,539	110,296	200,709
1991	7	98,099	-	6	138,210	138,216	236,322
1992	7	116,452	-	79,259	164,003	243,262	359,097
1993	7	118,603	-	96,772	181,756	278,528	397,138
1994	1	5,072	-	134,834	203,486	338,320	343,393
1995	140	3,876	142	-	147,040	147,182	151,198
1996	65	3,297	142	3,009	149,429	152,580	155,942
1997	94	7,047	842	2,487	142,170	145,499	152,640
1998	321	7,030	5,794	2,317	150,313	158,424	165,775
1999	368	6,545	4,555	3,013	139,217	146,785	153,698
<b>2000</b>							
Jan.	349	6,432	4,555	3,025	139,475	147,055	153,836
Feb.	307	6,449	4,555	3,029	139,949	147,533	154,289
Mar.	317	6,324	4,555	3,102	143,997	151,654	158,295
Apr.	325	6,307	1,863	2,952	143,589	148,404	155,036
May	323	6,475	1,871	2,958	144,214	149,043	155,841
June	326	6,561	1,871	3,074	147,402	152,347	159,234
July	332	6,534	1,879	3,054	147,092	152,025	158,891
Aug.	292	6,507	2,086	3,137	148,457	153,680	160,479
Sept.	303	6,608	2,091	3,159	152,790	158,040	164,951
Oct.	314	6,459	2,471	2,958	127,492	132,921	139,694
Nov.	302	6,692	2,480	3,044	128,166	133,690	140,684
Dec.	312	6,835	2,287	3,010	129,417	134,714	141,861

<sup>1</sup> This Table was discontinued as from January 2001.

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

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

*Liabilities*

*Lm thousands*

End of Period	Resident Deposits				Foreign Liabilities	Capital and Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999	4,027	10,203	7,093	21,323	2,460,629	188,740	40,418	2,711,110
2000	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
<b>2001</b>								
Jan.	4,178	12,848	15,678	32,704	2,118,901	227,026	23,149	2,401,781
Feb.	4,182	11,221	16,176	31,579	2,149,272	227,421	-53,189	2,355,084
Mar.	4,527	11,289	17,126	32,942	2,376,838	199,065	-32,104	2,576,742
Apr.	5,468	13,231	15,380	34,079	2,080,792	244,929	-64,355	2,295,445
May	4,900	12,454	15,784	33,138	2,154,427	243,043	8,398	2,439,006
June	5,484	11,714	16,206	33,405	2,021,493	250,363	6,696	2,311,957
July	5,169	11,144	16,096	32,409	1,865,588	251,354	9,484	2,158,835
Aug.	5,372	10,717	17,245	33,335	1,805,889	253,410	15,758	2,108,391
Sept.	5,466	11,135	16,057	32,658	1,682,173	245,114	1,351	1,961,296
Oct.	5,026	10,954	16,367	32,347	1,821,977	245,156	5,209	2,104,688
Nov.	5,486	10,339	16,036	31,861	1,834,314	250,200	19,366	2,135,740
Dec.	5,421	11,259	16,152	32,832	2,347,978	256,549	11	2,637,371
<b>2002</b>								
Jan.	4,703	12,238	15,830	32,771	2,150,743	248,315	17,667	2,449,496
Feb.	5,926	14,143	15,257	35,326	2,097,070	246,298	15,017	2,393,710
Mar.	6,190	13,888	15,097	35,175	2,278,575	235,307	34,728	2,583,785
Apr.	6,209	11,856	17,472	35,537	2,279,988	245,700	28,453	2,589,678
May	6,778	12,720	16,699	36,197	2,345,702	247,520	30,655	2,660,075
June	7,653	15,085	18,784	41,521	2,319,044	240,205	30,329	2,631,100



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

*Assets*

*Lm thousands*

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets
1995	712	241,121	157	161,931	3,825	407,746
1996	937	462,902	37	200,098	4,405	668,379
1997	867	817,949	598	217,221	5,249	1,041,884
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999	1,892	2,434,594	6,135	260,458	8,030	2,711,110
2000	2,078	2,819,021	6,128	267,663	11,256	3,106,146
<b>2001</b>						
Jan.	2,169	2,114,115	5,776	268,522	11,198	2,401,781
Feb.	1,887	2,059,090	6,819	276,347	10,940	2,355,084
Mar.	2,380	2,281,085	7,703	273,712	11,862	2,576,742
Apr.	2,194	1,993,143	8,231	279,991	11,886	2,295,445
May	2,302	2,129,162	7,983	286,874	12,685	2,439,006
June	2,103	2,006,877	7,261	278,348	17,368	2,311,957
July	2,360	1,847,609	6,655	284,848	17,362	2,158,835
Aug.	6,224	1,758,520	6,334	325,536	11,776	2,108,391
Sept.	1,469	1,797,836	7,002	141,641	13,348	1,961,296
Oct.	5,433	1,944,342	5,980	138,531	10,402	2,104,688
Nov.	1,463	1,975,832	6,122	138,420	13,904	2,135,740
Dec.	1,355	2,480,045	5,855	137,145	12,971	2,637,371
<b>2002</b>						
Jan.	1,467	2,282,894	6,967	146,576	11,592	2,449,496
Feb.	1,381	2,224,978	5,688	152,793	8,871	2,393,710
Mar.	1,354	2,412,549	6,523	154,654	8,705	2,583,785
Apr.	1,329	2,419,124	6,869	153,576	8,781	2,589,678
May	1,386	2,491,250	6,802	153,083	7,553	2,660,075
June	1,273	2,459,882	5,997	156,493	7,455	2,631,100

**TABLE 1.5 MONETARY SURVEY<sup>1</sup>**

*Lm thousands*

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money <sup>5</sup> (MI)	Quasi-Money <sup>6</sup>	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government <sup>2</sup>	Claims on Private & Parastatal Sectors <sup>3</sup>	Total	Central Bank of Malta	DMBs & IBIs <sup>4</sup>	Total				
1990	86,123	470,848	556,971	444,763	131,675	588,402	384,453	648,123	112,797	1,145,373
1991	119,535	548,041	667,576	426,885	154,388	594,245	406,690	726,031	129,100	1,249,763
1992	121,591	608,202	729,793	492,230	260,418	752,638	408,552	830,008	243,871	1,482,431
1993	137,329	697,769	835,098	549,495	267,609	817,099	425,064	941,503	285,630	1,652,197
1994	150,632	782,019	932,651	690,434	316,907	1,007,341	463,547	1,106,721	369,724	1,939,992
1995	179,754	1,024,801	1,204,555	580,700	228,369	809,069	436,760	1,253,054	323,810	2,013,624
1996	238,942	1,146,429	1,385,371	554,119	196,713	750,832	454,089	1,413,169	268,945	2,136,203
1997	320,627	1,276,804	1,597,431	561,668	166,502	728,170	479,899	1,565,848	279,854	2,325,601
1998	350,202	1,417,559	1,767,761	639,991	217,114	857,105	523,628	1,693,146	408,092	2,624,866
1999	353,539	1,586,815	1,940,354	740,339	187,110	927,449	581,175	1,854,927	431,702	2,867,803
<b>2000</b>										
Jan.	367,701	1,593,928	1,961,629	732,609	174,934	907,543	567,948	1,867,558	433,667	2,869,172
Feb.	388,626	1,602,100	1,990,726	715,834	173,909	889,743	567,107	1,877,018	436,343	2,880,468
Mar.	382,220	1,662,133	2,044,353	708,953	172,034	880,987	557,886	1,883,951	483,504	2,925,340
Apr.	394,252	1,656,692	2,050,945	699,798	191,274	891,071	569,486	1,891,843	480,687	2,942,016
May	374,381	1,668,209	2,042,590	711,777	197,376	909,153	587,552	1,891,614	472,577	2,951,744
June	363,748	1,678,711	2,042,459	703,415	241,023	944,438	581,079	1,891,683	514,134	2,986,896
July	383,919	1,674,366	2,058,286	685,679	239,819	925,498	593,031	1,892,439	498,314	2,983,784
Aug.	384,154	1,670,482	2,054,636	686,433	254,448	940,881	612,809	1,888,741	493,967	2,995,517
Sept.	364,425	1,732,325	2,096,750	697,544	238,906	936,450	609,343	1,883,190	540,667	3,033,200
Oct.	391,980	1,724,508	2,116,487	689,875	242,006	931,882	604,248	1,908,941	535,180	3,048,369
Nov.	407,362	1,740,287	2,147,649	665,206	268,198	933,404	603,770	1,930,403	546,881	3,081,054
Dec.	409,523	1,746,586	2,156,109	640,508	305,084	945,592	594,702	1,937,166	569,832	3,101,700

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

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

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

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

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

<sup>6</sup> Excludes Malta Government deposits and balances belonging to non-residents.

**TABLE 1.6 BANKING SURVEY<sup>1</sup>**

*€m thousands*

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money <sup>4</sup> (M1)	Quasi-Money <sup>5</sup>	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government <sup>2</sup>	Claims on Private & Parastatal Sectors <sup>3</sup>	Total	Central Bank of Malta	All Banking Institutions	Total				
1990	91,177	486,841	578,018	444,763	139,860	584,623	384,438	657,223	120,980	1,162,641
1991	119,535	576,846	696,381	426,885	169,052	595,937	406,689	726,245	145,634	1,292,318
1992	121,591	638,078	759,669	492,230	198,759	690,989	408,551	830,231	206,345	1,450,658
1993	137,329	720,680	858,009	549,495	187,664	737,159	425,063	941,658	219,292	1,595,168
1994	150,632	816,586	967,218	690,434	187,106	877,540	463,547	1,106,721	208,331	1,844,758
1995	179,896	1,044,865	1,224,761	580,700	242,107	822,807	436,760	1,254,635	356,173	2,047,568
1996	239,084	1,190,485	1,429,569	554,119	208,331	762,450	454,089	1,414,215	323,715	2,192,019
1997	321,469	1,323,259	1,644,728	561,668	182,760	744,428	479,899	1,567,091	342,166	2,389,156
1998	355,996	1,459,815	1,815,811	639,991	238,447	878,438	523,628	1,698,959	471,662	2,694,249
1999	358,094	1,632,866	1,990,960	740,339	228,835	969,174	581,148	1,860,653	518,334	2,960,134
2000	411,810	1,772,432	2,184,242	640,508	330,271	970,779	594,660	1,944,221	616,140	3,155,021
<b>2001</b>										
Jan.	439,406	1,765,522	2,204,928	628,251	328,837	957,088	606,511	1,964,824	590,680	3,162,015
Feb.	441,098	1,774,453	2,215,551	622,443	257,343	879,786	607,904	1,988,101	499,332	3,095,337
Mar.	435,325	1,826,170	2,261,496	628,584	236,293	864,877	611,018	1,980,762	534,593	3,126,373
Apr.	442,556	1,828,686	2,271,242	637,496	275,034	912,531	616,331	2,035,578	531,864	3,183,773
May	456,814	1,816,842	2,273,656	651,737	347,405	999,142	627,624	2,042,228	602,945	3,272,798
June	462,820	1,815,505	2,278,325	644,990	340,195	985,186	626,485	2,025,935	611,090	3,263,510
July	489,148	1,809,221	2,298,369	674,327	319,316	993,643	646,991	2,032,707	612,315	3,292,013
Aug.	476,029	1,799,599	2,275,627	685,984	337,091	1,023,075	631,146	2,056,323	611,234	3,298,703
Sept.	482,907	1,849,181	2,332,088	688,866	308,165	997,031	640,547	2,046,957	641,616	3,329,120
Oct.	504,802	1,849,192	2,353,994	719,175	316,810	1,035,985	647,212	2,077,673	665,094	3,389,979
Nov.	493,221	1,842,644	2,335,866	747,956	315,891	1,063,847	630,284	2,101,328	668,100	3,399,712
Dec.	475,099	1,853,176	2,328,275	760,428	323,992	1,084,419	635,475	2,117,470	659,749	3,412,695
<b>2002</b>										
Jan.	495,229	1,846,485	2,341,714	781,647	298,001	1,079,648	623,393	2,146,918	651,050	3,421,362
Feb.	495,352	1,841,180	2,336,531	795,701	310,246	1,105,947	631,833	2,177,936	632,709	3,442,479
Mar.	501,527	1,862,148	2,363,674	783,029	362,677	1,145,706	643,432	2,207,746	658,202	3,509,380
Apr.	507,518	1,859,405	2,366,922	771,531	396,172	1,167,703	641,205	2,219,955	673,466	3,534,625
May	536,446	1,864,851	2,401,297	773,008	402,157	1,175,166	647,223	2,234,657	694,583	3,576,463
June	537,159	1,854,637	2,391,795	780,684	389,205	1,169,890	654,888	2,253,210	653,588	3,561,685

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

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

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

<sup>4</sup> Excludes Malta Government deposits, balances belonging to non-residents as well as uncleared effects drawn on Deposit Money

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

**TABLE 1.7 MONETARY BASE AND MONETARY AGGREGATES**
*Lm thousands*

End of Period	Monetary Base (M0) <sup>1</sup>			Broad Money (M3) <sup>3</sup>						
				Narrow Money (M1)			Quasi-Money			
	Currency Issued <sup>2</sup>	Banks' Deposits with the Central Bank	Total	Currency in Circulation	Demand Deposits <sup>4</sup>	Total	Savings Deposits	Time Deposits	Total	
1990	339,519	45,762	385,281	330,305	54,133	384,438	260,691	396,532	657,223	1,041,661
1991	354,513	52,867	407,380	344,342	62,347	406,689	310,302	415,943	726,245	1,132,934
1992	350,611	78,498	429,109	337,635	70,916	408,551	367,108	463,123	830,231	1,238,782
1993	364,013	67,173	431,186	353,258	71,805	425,063	415,292	526,366	941,658	1,366,721
1994	379,082	73,025	452,107	365,910	97,637	463,547	462,441	644,280	1,106,721	1,570,268
1995	367,444	80,026	447,470	351,779	84,981	436,760	510,842	743,793	1,254,635	1,691,395
1996	380,246	71,627	451,873	362,068	92,021	454,089	537,269	876,946	1,414,215	1,868,304
1997	384,655	100,511	485,166	363,765	116,134	479,899	574,125	992,966	1,567,091	2,046,990
1998	390,911	115,195	506,107	369,493	154,135	523,628	585,131	1,113,828	1,698,959	2,222,587
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
<b>2001</b>										
Jan.	412,749	151,954	564,702	396,210	210,301	606,511	630,511	1,334,313	1,964,824	2,571,335
Feb.	413,863	154,375	568,239	393,154	214,750	607,904	634,277	1,353,824	1,988,101	2,596,005
Mar.	415,262	142,870	558,132	395,574	215,444	611,018	623,862	1,356,900	1,980,762	2,591,780
Apr.	421,757	150,629	572,385	402,297	214,034	616,331	640,897	1,394,681	2,035,578	2,651,909
May	426,201	157,537	583,738	405,512	222,112	627,624	635,547	1,406,681	2,042,228	2,669,853
June	429,727	129,375	559,102	411,395	215,090	626,485	643,177	1,382,758	2,025,935	2,652,420
July	434,373	147,841	582,214	413,360	233,631	646,991	639,827	1,392,880	2,032,707	2,679,698
Aug.	432,878	131,452	564,329	411,542	219,604	631,146	654,199	1,402,124	2,056,323	2,687,469
Sept.	429,428	138,417	567,844	413,554	226,993	640,547	643,754	1,403,203	2,046,957	2,687,503
Oct.	435,076	112,067	547,143	415,199	232,014	647,212	657,169	1,420,504	2,077,673	2,724,886
Nov.	430,082	107,284	537,366	412,110	218,174	630,284	649,660	1,451,668	2,101,328	2,731,612
Dec.	441,829	125,789	567,618	418,887	216,588	635,475	671,449	1,446,021	2,117,470	2,752,946
<b>2002</b>										
Jan.	433,286	130,034	563,320	413,797	209,596	623,393	677,542	1,469,376	2,146,918	2,770,311
Feb.	433,412	127,009	560,421	414,699	217,133	631,833	683,418	1,494,518	2,177,936	2,809,769
Mar.	436,995	98,755	535,750	419,090	224,343	643,432	687,713	1,520,033	2,207,746	2,851,178
Apr.	441,559	88,207	529,766	425,139	216,065	641,205	689,406	1,530,549	2,219,955	2,861,159
May	444,631	118,605	563,236	426,219	221,004	647,223	681,099	1,553,558	2,234,657	2,881,880
June	449,887	130,602	580,489	430,740	224,148	654,888	682,086	1,571,124	2,253,210	2,908,097

<sup>1</sup> Monetary Base (M0) comprises currency issued and the banks' deposits with the Central Bank of Malta (excluding term deposits).

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

<sup>3</sup> All categories of deposits included in the Broad Money (M3) figure as shown in this Table are netted of Malta Government deposits and balances belonging to non-residents.

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

**TABLE 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS<sup>1</sup>**  
*Analysis by Ownership and Type*

*Lm thousands*

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal <sup>2</sup>	Corporate/ Business	Government	Public Sector <sup>3</sup>	Maltese Lira Deposits	Foreign Currency Deposits <sup>4</sup>			
1990	609,524	81,398	2,158	14,847	642,867	65,060	707,927	60,241	768,163
1991	681,830	84,192	1,815	14,722	702,698	79,861	782,559	78,584	861,143
1992	766,751	107,243	2,029	15,519	793,705	97,837	891,542	118,074	1,009,616
1993	877,873	109,876	2,704	20,254	904,531	106,176	1,010,707	139,558	1,150,265
1994	1,029,646	136,222	2,211	23,963	1,069,068	122,974	1,192,042	170,199	1,362,241
1995	1,170,640	151,510	6,744	24,214	1,196,977	156,131	1,353,108	236,180	1,589,288
1996	1,322,162	160,545	8,952	26,691	1,345,124	173,226	1,518,350	363,449	1,881,799
1997	1,466,011	190,603	10,000	30,148	1,513,978	182,784	1,696,762	578,884	2,275,646
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
1999	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000	1,786,776	322,578	13,443	40,557	1,938,548	224,808	2,163,356	1,118,099	3,281,454
<b>2001</b>									
Jan.	1,799,723	335,256	13,085	51,100	1,972,683	226,481	2,199,164	1,113,275	3,312,439
Feb.	1,815,129	340,860	13,203	51,242	1,991,280	229,153	2,220,433	1,061,458	3,281,892
Mar.	1,819,987	340,129	13,859	47,762	1,982,213	239,522	2,221,735	840,501	3,062,236
Apr.	1,834,216	372,532	14,263	53,608	2,013,417	261,202	2,274,619	806,022	3,080,641
May	1,840,710	359,214	13,551	69,144	2,016,908	265,712	2,282,620	814,543	3,097,163
June	1,856,663	334,341	13,059	64,451	2,004,576	263,940	2,268,516	824,462	3,092,978
July	1,862,559	346,872	14,162	62,711	2,026,348	259,959	2,286,307	828,700	3,115,007
Aug.	1,872,982	342,209	14,998	67,980	2,015,181	282,992	2,298,173	820,812	3,118,985
Sept.	1,903,474	328,965	15,125	50,102	2,024,933	272,733	2,297,666	867,076	3,164,742
Oct.	1,927,122	335,148	14,541	51,218	2,054,391	273,641	2,328,032	864,094	3,192,126
Nov.	1,933,419	354,218	13,822	41,360	2,061,326	281,494	2,342,820	872,462	3,215,282
Dec.	1,955,817	351,653	12,521	31,759	2,065,730	286,021	2,351,751	946,220	3,297,971
<b>2002</b>									
Jan.	1,972,992	360,147	13,061	32,019	2,086,279	291,941	2,378,220	958,350	3,336,570
Feb.	1,990,957	380,300	12,761	32,624	2,118,760	297,886	2,416,646	973,442	3,390,088
Mar.	2,016,442	399,946	10,811	30,172	2,139,107	318,270	2,457,377	1,045,915	3,503,292
Apr.	2,031,223	381,613	13,087	31,184	2,146,790	310,317	2,457,107	1,067,802	3,524,909
May	2,042,051	393,722	12,876	30,785	2,173,246	306,188	2,479,434	1,124,115	3,603,549
June	2,061,453	400,501	12,324	31,445	2,194,978	310,744	2,505,722	1,096,816	3,602,538

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

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

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

<sup>4</sup> Includes External Maltese Lira deposits.

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

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System <sup>2</sup>	Currency in Circulation
	Notes <sup>1</sup>	Coins	Total		
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
1998	375,209	15,702	390,911	21,418	369,493
1999	401,999	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
<b>2001</b>					
Jan.	395,514	17,235	412,749	16,539	396,210
Feb.	396,788	17,076	413,863	20,709	393,154
Mar.	398,183	17,079	415,262	19,688	395,574
Apr.	404,502	17,254	421,757	19,460	402,297
May	408,935	17,266	426,201	20,689	405,512
June	412,284	17,442	429,727	18,331	411,395
July	416,685	17,688	434,373	21,013	413,360
Aug.	415,014	17,864	432,878	21,336	411,542
Sept.	411,542	17,886	429,428	15,874	413,554
Oct.	417,163	17,913	435,076	19,877	415,199
Nov.	412,309	17,773	430,082	17,972	412,110
Dec.	423,835	17,994	441,829	22,942	418,887
<b>2002</b>					
Jan.	415,470	17,816	433,286	19,489	413,797
Feb.	415,524	17,888	433,412	18,712	414,699
Mar.	419,238	17,757	436,995	17,906	419,090
Apr.	423,736	17,823	441,559	16,420	425,139
May	426,695	17,936	444,631	18,412	426,219
June	431,859	18,028	449,887	19,147	430,740

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

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

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

*Lm thousands*

End of Period	Total Notes & Coins <sup>1</sup>	Currency Notes					Total
		Lm20	Lm10	Lm5	Lm2	Lm1	
1990	339,519	143,772	154,214	27,325	4,681	723	330,715
1991	354,513	147,013	165,736	26,666	4,833	685	344,933
1992	350,611	112,591	195,027	26,772	5,092	662	340,144
1993	364,013	118,509	202,241	26,036	5,170	634	352,590
1994	379,082	122,770	211,079	26,965	5,816	-	366,630
1995	367,444	121,395	201,474	25,510	5,730	-	354,109
1996	380,246	123,243	210,985	26,211	5,859	-	366,298
1997	384,655	118,144	219,736	25,853	6,099	-	369,832
1998	390,911	109,720	234,117	24,174	5,793	-	373,804
1999	418,485	108,626	259,366	27,738	6,270	-	402,000
2000	423,188	107,902	264,170	27,168	6,473	-	405,713
<b>2001</b>							
Jan.	412,749	107,317	256,896	24,959	6,342	-	395,514
Feb.	413,863	107,375	257,886	25,110	6,417	-	396,788
Mar.	415,262	107,553	258,584	25,533	6,513	-	398,183
Apr.	421,757	108,073	263,559	26,233	6,637	-	404,502
May	426,201	108,607	266,892	26,707	6,729	-	408,935
June	429,727	108,864	269,583	27,038	6,799	-	412,284
July	434,373	109,198	273,008	27,573	6,907	-	416,686
Aug.	432,878	108,898	271,722	27,488	6,906	-	415,014
Sept.	429,428	108,627	269,109	26,979	6,828	-	411,543
Oct.	435,076	108,798	274,517	27,071	6,777	-	417,163
Nov.	430,082	108,282	271,504	25,967	6,556	-	412,309
Dec.	441,829	108,832	280,699	27,647	6,656	-	423,834
<b>2002</b>							
Jan.	433,286	108,222	275,029	25,740	6,480	-	415,471
Feb.	433,412	107,981	275,327	25,752	6,464	-	415,524
Mar.	436,995	108,529	277,618	26,473	6,619	-	419,239
Apr.	441,559	109,463	280,777	26,826	6,671	-	423,737
May	444,631	110,608	282,231	27,044	6,812	-	426,695
June	449,887	110,753	286,321	27,932	6,853	-	431,859

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

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

*Lm thousands*

End of Period	Liquid Assets						Ratios (%)		
	Actual		Required		Excess		Liquidity		Advances to Deposits <sup>2</sup>
	Total	Local	Total	Local	Total	Local	Total	Local	
1990	274,941	107,264	150,767	55,554	124,174	51,710	36.5	15.5	66.6
1991	287,661	132,913	171,073	62,197	116,588	70,716	33.6	17.1	62.8
1992	367,586	148,126	199,401	76,726	168,185	71,400	36.9	15.4	60.8
1993	364,351	183,054	240,800	88,897	123,551	94,157	30.3	16.5	62.6
1994	503,859	259,348	279,955	105,060	223,904	154,288	36.0	19.7	60.0
Period	Liquid Assets			Net Short-term Liabilities <sup>3</sup>	Ratios (%)				
	Actual	Required	Excess		Liquidity	Advances to Deposits <sup>2</sup>			
1995	396,803	307,172	89,631	1,023,907	38.8	70.3			
1996	498,944	346,358	152,586	1,154,527	43.2	72.0			
1997	526,117	362,841	163,276	1,209,469	43.5	71.0			
1998	596,848	381,630	215,218	1,272,101	46.9	72.4			
1999	694,529	459,454	235,075	1,531,512	45.3	71.8			
2000	680,572	491,273	189,299	1,637,576	41.6	76.1			
<b>2001</b>									
Jan.	666,449	482,163	184,286	1,607,211	41.5	80.5			
Feb.	665,232	478,375	186,857	1,594,584	41.7	79.8			
Mar.	680,293	455,222	225,071	1,517,408	44.8	82.4			
Apr.	734,736	468,383	266,353	1,561,277	47.1	81.9			
May	784,669	472,516	312,153	1,575,054	49.8	81.1			
June	786,257	480,868	305,389	1,602,892	49.1	81.9			
July	820,433	490,664	329,769	1,635,547	50.2	80.7			
Aug.	813,630	506,823	306,807	1,689,409	48.2	80.1			
Sept.	930,243	508,223	422,021	1,694,075	54.9	82.5			
Oct.	885,887	518,814	367,073	1,729,380	51.2	81.2			
Nov.	894,471	524,381	370,090	1,747,938	51.2	80.6			
Dec.	899,098	524,456	374,642	1,748,188	51.4	80.7			
<b>2002</b>									
Jan.	901,722	531,712	370,010	1,772,373	50.9	79.5			
Feb.	918,821	517,718	401,103	1,725,727	53.2	78.0			
Mar.	927,296	528,333	398,963	1,761,109	52.7	77.9			
Apr.	921,314	519,963	401,351	1,733,210	53.2	77.4			
May	930,250	527,042	403,208	1,756,808	53.0	76.9			
June	925,305	533,951	391,354	1,779,837	52.0	75.8			

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

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

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



**TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS <sup>1</sup>**

*Lm thousands*

End of Period	Cash and Deposits <sup>2</sup>		Other Specified Assets Maturing within 5 Years <sup>3</sup>		Total	
	Local	Foreign	Local	Foreign	Local	Foreign
1990	23,083	151,992	84,181	15,685	107,264	167,677
1991	24,153	122,743	108,760	32,005	132,913	154,748
1992	43,019	155,983	105,107	63,477	148,126	219,460
1993	26,353	71,611	156,701	109,686	183,054	181,297
1994	131,837	97,075	127,511	147,436	259,348	244,511
Period	Cash and Deposits with CBM <sup>4</sup>	Treasury Bills	Interbank Deposits	Marketable Debt Securities <sup>5</sup>	Total Liquid Assets	
1995	21,565	30,142	61,887	283,209	396,803	
1996	20,264	67,173	70,741	340,766	498,944	
1997	26,359	26,791	55,462	417,505	526,117	
1998	31,064	33,110	47,280	485,394	596,848	
1999	50,995	75,929	67,768	499,837	694,529	
2000	33,512	116,818	68,865	461,377	680,572	
<b>2001</b>						
Jan.	45,789	81,676	56,772	482,212	666,449	
Feb.	39,116	75,471	50,241	500,404	665,232	
Mar.	30,541	83,762	72,165	493,825	680,293	
Apr.	44,708	115,943	115,741	458,344	734,736	
May	55,103	92,214	120,707	516,645	784,669	
June	28,517	95,548	113,517	548,675	786,257	
July	32,113	124,357	113,524	550,439	820,433	
Aug.	32,962	129,387	90,447	560,834	813,630	
Sept.	26,675	144,350	182,254	576,964	930,243	
Oct.	42,716	170,653	70,875	601,643	885,887	
Nov.	36,129	178,923	70,935	608,484	894,471	
Dec.	59,754	135,845	115,894	587,605	899,098	
<b>2002</b>						
Jan.	87,954	146,026	93,367	574,375	901,722	
Feb.	98,555	158,674	102,891	558,701	918,821	
Mar.	95,008	154,141	100,071	578,076	927,296	
Apr.	102,057	151,428	108,269	559,560	921,314	
May	118,898	151,395	91,780	568,177	930,250	
June	95,934	165,667	99,732	563,972	925,305	

<sup>1</sup> Includes HSBC Home Loans (Malta) as from January 2001.

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

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

<sup>4</sup> Excludes balances held as reserve deposits.

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

**TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES  
OUTSTANDING BY MAIN SECTOR <sup>1</sup>**

*Lm thousands*

End of Period	Public Utilities	All Banking Institutions <sup>2</sup>	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1990	33,726	84,481	4,484	112,838	22,341	34,841	76,991
1991	42,597	59,455	5,872	115,657	24,802	28,557	84,520
1992	29,388	84,178	5,097	125,512	27,682	28,524	95,364

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions <sup>2</sup>	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
1999	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000	101,083	98,396	53,591	19,004	210,971	98,362	235,703	285,419
<b>2001</b>								
Jan.	98,504	102,751	54,508	11,175	203,726	97,450	239,472	276,329
Feb.	96,948	115,408	55,872	11,191	201,365	98,499	239,961	278,111
Mar.	100,530	118,290	57,905	10,874	203,538	94,538	243,393	295,681
Apr.	103,494	118,725	89,220	11,116	205,815	94,965	242,297	292,366
May	97,290	118,774	93,910	10,359	203,076	88,808	239,062	296,435
June	92,710	116,955	95,179	10,546	201,723	87,824	239,451	295,911
July	89,032	115,343	96,650	10,563	201,496	84,921	239,066	295,232
Aug.	88,460	112,326	99,467	11,224	203,855	86,864	234,516	292,473
Sept.	88,592	107,127	101,027	11,781	205,689	90,685	236,658	302,352
Oct.	87,851	102,056	101,750	11,672	207,217	89,522	240,455	301,084
Nov.	87,678	107,019	101,449	10,194	203,641	85,781	238,693	297,402
Dec.	95,225	107,097	101,419	10,374	202,597	85,169	245,567	295,397
<b>2002</b>								
Jan.	91,870	109,772	100,356	10,206	201,793	85,928	246,248	294,250
Feb.	91,398	106,819	98,192	10,202	204,989	86,287	247,579	291,394
Mar.	91,078	109,065	103,230	10,483	207,058	89,586	248,797	309,334
Apr.	89,602	104,352	98,121	10,496	208,068	87,892	247,445	309,324
May	89,045	102,590	95,670	10,399	207,105	91,296	247,925	308,628
June	89,596	105,708	93,320	10,505	202,658	88,585	246,472	299,262

<sup>1</sup> Includes HSBC Home Loans (Malta)Bank Ltd as from January 2001.

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

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

*Lm thousands*

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Total	
	House Purchases	Consumer Durable Goods	Other	Total					
1990	13,448	1,827	14,470	29,745	53,836	453,283	2,547	455,830	
1991	12,626	2,296	28,086	43,008	67,727	472,195	8,116	480,311	
1992	15,374	3,577	34,917	53,868	79,704	529,317	9,850	539,167	
End of Period	Personal				Other <sup>3</sup> Services	All Other	Total Local Lending	Foreign Lending	Total
	House Purchases	Consumer Durable Goods <sup>2</sup>	Other	Total					
1993	16,055	3,539	38,791	58,385	16,612	62,787	626,677	5,925	632,602
1994	35,531	8,977	19,547	64,055	22,331	56,093	705,874	6,344	712,218
1995	46,424	22,882	21,951	91,256	36,670	82,438	935,659	13,546	949,205
1996	60,553	32,934	29,163	122,650	46,113	95,315	1,077,636	13,970	1,091,606
1997	78,443	35,966	25,988	140,397	54,456	113,555	1,187,172	14,340	1,201,512
1998	91,733	44,627	26,324	162,684	60,829	125,524	1,292,314	5,205	1,297,519
1999	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707
2000	133,312	51,423	52,028	243,833	65,828	161,752	1,573,942	8,956	1,582,898
<b>2001</b>									
Jan.	263,042	51,159	65,703	384,626	74,670	156,779	1,699,990	11,273	1,711,263
Feb.	261,723	52,918	61,243	382,590	72,874	155,014	1,707,833	10,727	1,718,560
Mar.	272,563	52,981	64,056	397,730	87,587	150,937	1,761,003	10,666	1,771,669
Apr.	274,074	52,832	65,040	398,722	84,029	151,652	1,792,401	11,883	1,804,284
May	277,255	52,241	67,858	404,084	76,609	157,207	1,785,615	8,728	1,794,343
June	281,761	51,256	70,253	410,101	73,183	162,606	1,786,189	11,894	1,798,083
July	285,560	50,718	71,103	413,801	76,020	159,814	1,781,938	12,232	1,794,170
Aug.	287,997	50,230	70,960	415,430	69,088	164,117	1,777,819	12,451	1,790,270
Sept.	295,721	49,842	81,582	427,145	72,700	184,124	1,827,880	8,026	1,835,906
Oct.	299,619	49,926	86,248	435,793	72,351	180,040	1,829,791	14,985	1,867,390
Nov.	302,801	49,487	84,112	436,399	78,615	179,135	1,826,006	17,389	1,843,395
Dec.	306,722	48,704	87,016	442,442	75,556	179,320	1,840,163	20,444	1,860,607
<b>2002</b>									
Jan.	309,170	47,685	87,161	444,016	70,151	177,807	1,832,397	20,031	1,852,428
Feb.	312,385	46,956	85,997	445,338	66,413	177,544	1,826,155	21,038	1,847,193
Mar.	320,532	46,464	88,677	455,673	71,267	155,733	1,851,304	22,476	1,873,780
Apr.	323,785	46,341	87,979	458,105	75,190	154,913	1,843,508	23,296	1,866,804
May	328,423	46,091	89,332	463,846	74,737	154,758	1,845,999	24,799	1,870,798
June	333,271	46,148	90,017	469,436	74,622	155,876	1,836,040	17,403	1,853,443

<sup>1</sup> Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001.

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

<sup>3</sup> Includes professional, repair and maintenance services.

**TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND  
ADVANCES OUTSTANDING BY MAIN SECTOR <sup>1</sup>**

*Lm thousands*

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

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

<sup>1</sup> This Table was discontinued as from January 2001.

**TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR<sup>1</sup> (Continued)**

*Lm thousands*

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Grand Total	
	House Purchases <sup>2</sup>	Consumer Durable Goods	Other	Total					
1990	63,880	22	133	64,035	7,978	102,978	70,152	173,130	
1991	71,801	16	139	71,956	15,026	137,362	81,114	218,476	
1992	78,913	11	168	79,092	17,542	162,835	87,187	250,022	
End of Period	Personal				Other Services <sup>3</sup>	All Other	Total Local Lending	Foreign Lending <sup>4</sup>	Grand Total
	House Purchases <sup>2</sup>	Consumer Durable Goods	Other	Total					
1993	82,830	16	120	82,966	2,712	7,063	179,706	79,287	258,993
1994	84,500	16	68	84,584	4,822	7,957	201,426	5,040	206,466
1995	86,135	38	72	86,245	1,841	3,272	146,937	86,619	233,556
1996	90,613	62	142	90,817	1,924	2,810	148,912	245,450	394,362
1997	95,247	52	130	95,429	1,987	3,103	142,089	447,503	589,592
1998	103,321	77	88	103,486	1,741	2,946	148,119	606,667	754,786
1999	103,070	92	190	103,352	1,504	4,767	143,623	815,458	959,081
<b>2000</b>									
Jan.	103,514	96	273	103,882	1,467	5,700	144,885	812,518	957,403
Feb.	104,021	91	415	104,527	1,369	6,190	145,886	812,948	958,834
Mar.	117,464	74	2,486	108,877	1,382	5,538	149,325	780,357	929,682
Apr.	120,650	62	3,376	109,841	1,352	5,617	149,138	800,690	949,828
May	109,547	88	1,074	110,709	1,283	5,506	149,964	807,963	957,927
June	111,388	84	1,386	112,858	1,262	4,856	152,625	728,149	880,774
July	112,442	80	1,683	114,204	1,242	4,898	152,015	893,479	1,045,494
Aug.	113,845	75	2,039	115,959	1,212	5,298	153,888	901,224	1,055,112
Sept.	117,464	74	2,486	120,024	1,219	5,515	157,897	883,621	1,041,518
Oct.	118,853	68	2,884	121,805	85	5,883	134,301	893,902	1,028,203
Nov.	119,376	66	3,103	122,545	84	4,742	133,891	930,404	1,064,294
Dec.	120,650	62	3,376	124,088	84	4,400	134,995	950,923	1,085,919

<sup>1</sup> This Table was discontinued as from January 2001.

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

<sup>3</sup> Includes professional, repair and maintenance services.

<sup>4</sup> As from January 1995, includes lending by International Banking Institutions.

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

*Lm thousands*

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	808	86,053	15,512	64,830	11,615	217	131,073	17,599
1997	928	97,177	17,045	61,622	11,030	188	131,061	21,707
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
1999	910	107,996	33,107	47,279	10,765	-	134,583	22,999
2000	492	100,591	46,358	52,038	19,026	-	154,127	11,204
<b>2001</b>								
Mar.	506	100,024	60,143	58,147	10,874	-	141,825	16,216
June	509	92,201	60,894	56,061	10,546	-	134,976	22,215
Sept.	703	87,889	50,535	56,592	11,781	-	135,840	24,322
Dec.	931	94,294	48,637	58,460	10,357	17	136,204	23,421
<b>2002</b>								
Mar.	944	90,134	43,646	65,419	10,459	24	137,214	25,095
June	765	88,831	46,788	58,920	10,496	9	139,198	19,425

End of Period	Shipbuilding and Shiprepair	Building and Construction		Hotel, Restaurant and Tourist Trades		Wholesale and Retail Trades	
	Private/Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	64,113	71,200	3,077	131,948	2,425	210,967	52
1997	60,460	69,231	2,974	171,964	2,525	226,681	6
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
1999	46,787	94,189	2,666	218,053	2,830	269,119	9
2000	46,897	95,986	2,550	234,173	4,253	285,627	5
<b>2001</b>							
Mar.	46,578	91,952	2,586	239,095	4,298	295,681	-
June	45,633	85,824	2,000	235,285	4,166	295,911	-
Sept.	46,587	90,685	-	232,862	3,796	301,718	634
Dec.	43,221	85,169	-	241,877	3,690	295,002	395
<b>2002</b>							
Mar.	45,815	89,581	5	245,204	3,593	309,165	169
June	45,040	88,575	10	242,891	3,581	299,005	257

End of Period	Personal	Other Services		All Other		Total Local Lending		
		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Total
1996	213,467	37,851	10,186	93,483	4,642	921,650	249,505	1,171,155
1997	235,826	47,722	8,721	111,191	5,467	1,026,212	257,314	1,283,526
1998	266,170	54,748	7,822	124,735	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,723	1,524,652
2000	367,921	60,861	5,051	163,447	2,705	1,431,641	221,671	1,653,312
<b>2001</b>								
Mar.	397,730	82,336	5,251	152,591	2,809	1,475,319	233,323	1,708,642
June	410,101	65,788	7,395	163,616	3,058	1,465,624	230,555	1,696,179
Sept.	427,145	65,111	7,589	179,011	6,485	1,497,898	231,387	1,729,285
Dec.	442,442	65,936	9,620	174,835	5,778	1,503,684	236,602	1,740,286
<b>2002</b>								
Mar.	455,673	62,215	9,052	151,237	6,459	1,507,649	243,454	1,751,103
June	469,436	66,198	8,424	150,957	6,319	1,516,760	228,365	1,745,125

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

**TABLE 1.16 DEPOSIT MONEY BANK LOANS AND ADVANCES  
CLASSIFIED BY SIZE AND INTEREST RATES<sup>1</sup>**

*Lm thousands*

End of Period		Size of Loans and Advances <sup>2</sup>				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.66	7.46	6.66	7.09
1992	Amount	56,552	125,587	99,836	257,192	539,167
	Interest Rate	7.24	7.71	7.55	6.62	7.11
1993	Amount	62,835	134,049	117,056	318,662	632,602
	Interest Rate	7.49	7.92	7.79	6.53	7.15
1994	Amount	75,537	156,107	133,338	347,239	712,218
	Interest Rate	7.60	7.99	7.90	6.61	7.26
1995	Amount	97,779	213,428	210,382	427,616	949,205
	Interest Rate	7.89	8.06	7.96	6.89	7.49
1996	Amount	109,048	249,555	237,482	493,517	1,091,606
	Interest Rate	8.03	8.35	8.34	7.13	7.76
1997	Amount	102,780	279,156	249,940	555,127	1,201,512
	Interest Rate	7.95	8.40	8.47	7.32	7.87
1998	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
1999	Amount	158,395	414,316	324,357	664,467	1,433,707
	Interest Rate	7.43	7.58	7.61	6.44	7.09
2000	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest Rate	7.38	7.31	7.29	6.46	6.97
<b>2001</b>						
Mar.	Amount	260,229	492,134	342,367	676,939	1,771,669
	Interest Rate	7.28	7.54	7.72	6.56	7.16
June	Amount	219,371	471,836	348,323	758,553	1,798,083
	Interest Rate	7.14	7.38	7.64	6.06	6.84
Sept.	Amount	222,928	487,794	351,257	773,956	1,835,906
	Interest Rate	6.93	7.16	7.49	5.81	6.62
Dec.	Amount	222,816	497,281	351,893	788,641	1,860,607
	Interest Rate	6.70	6.87	7.22	5.50	6.33
<b>2002</b>						
Mar.	Amount	224,502	511,821	355,654	781,832	1,873,780
	Interest Rate	6.47	6.44	7.02	5.24	6.05
June	Amount	226,539	523,769	353,688	749,447	1,853,443
	Interest Rate	6.47	6.37	6.97	5.24	6.04

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

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

**TABLE 1.17 OTHER BANKING INSTITUTION LOANS AND  
ADVANCES CLASSIFIED BY SIZE AND INTEREST RATES<sup>1</sup>**

*Lm thousands*

End of Period	Size of Loans and Advances <sup>2</sup>					
	Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total	
1991	Amount	61,280	21,205	25,115	110,876	218,476
	Interest Rate	6.94	7.50	7.80	8.33	7.80
1992	Amount	67,581	25,883	25,648	130,910	250,022
	Interest Rate	6.96	7.57	7.68	7.53	7.39
1993	Amount	71,826	26,920	27,975	132,272	258,993
	Interest Rate	7.01	7.79	7.32	6.06	6.64
1994	Amount	72,419	26,430	23,598	84,019	206,466
	Interest Rate	7.01	7.83	7.99	7.27	7.33
1995	Amount	71,733	23,374	11,961	40,410	147,478
	Interest Rate	7.02	7.77	8.01	7.01	7.22
1996	Amount	72,239	27,013	11,213	38,914	149,379
	Interest Rate	7.01	7.83	8.14	7.01	7.24
1997	Amount	72,449	30,590	10,607	28,214	141,860
	Interest Rate	7.02	7.79	8.10	7.09	7.28
1998	Amount	73,437	37,087	11,131	25,775	147,430
	Interest Rate	7.03	7.72	8.10	7.15	7.31
1999	Amount	68,447	56,062	8,418	18,349	137,738
	Interest Rate	6.40	6.65	7.61	6.58	6.58
<b>2000</b>						
Mar.	Amount	68,399	45,874	8,578	19,639	142,491
	Interest Rate	6.40	6.80	7.58	6.53	6.62
June	Amount	68,215	49,517	8,402	19,759	145,893
	Interest Rate	6.41	6.73	7.51	6.51	6.59
Sept.	Amount	68,447	56,062	8,418	18,349	151,302
	Interest Rate	6.40	6.65	7.61	6.58	6.58
Dec.	Amount	68,040	57,032	1,660	2,607	129,366
	Interest Rate	6.40	6.52	8.37	7.33	6.50

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

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



**TABLE 1.18 FINANCIAL MARKET RATES**

	1995	1996	1997	1998	1999	2000	2001				2002	
							Mar.	June	Sept.	Dec.	Mar.	June
<b>INTEREST RATES <sup>1</sup></b>												
<b>Central Bank</b>												
Discount Rate	5.50	5.50	5.50	5.50	4.75	4.75	4.75	4.75	4.50	4.25	4.00	4.00
Central Intervention Rate <sup>2</sup>	-	-	-	5.45	4.75	4.75	4.75	4.75	4.50	4.25	4.00	4.00
Money Market Interventions												
Term Deposit Rate <sup>3</sup>	4.94	5.01	5.22	5.43	4.70	4.72	4.73	4.73	4.74	4.22	3.95	3.95
Reverse Repo Rate <sup>3</sup>	5.50	5.40	5.50	5.50	4.80	4.80	4.80	4.80	4.55	4.29	4.05#	4.05#
Standby (Collateralised) Loan Facility <sup>4</sup>	6.00	6.00	6.00	6.00	5.30	5.30	5.30	5.30	5.05	4.80	4.55	4.55
Overnight Deposit Facility <sup>5</sup>	2.50	-	-	-	1.80	1.80	1.80	1.80	1.55	1.30	1.05	1.05
Reserve Requirements Remuneration	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
<b>Interbank Market Offered Rates <sup>6</sup></b>												
Overnight	-	-	4.95	5.50	4.75	4.75	4.44	4.75	4.50	3.65	3.50	3.92*
1 week	-	-	5.26	5.56	4.74	4.78	4.77	4.76	4.50	4.25	3.97	3.99
1 month	-	-	5.38	5.70	4.75	4.90	4.87*	4.87*	4.73*	4.58*	4.15*	4.13*
3 month	-	-	5.51	5.95	5.27	4.92*	4.93*	4.93*	4.93*	4.82*	4.35*	4.33*
<b>Deposit Money Banks <sup>7</sup></b>												
Weighted Average Deposit Rate												
Current	0.16	0.42	1.37	1.49	1.11	1.32	1.33	1.11	0.90	1.48	1.05	1.10
Savings	3.00	3.01	3.02	3.04	2.81	2.52	2.58	2.59	2.47	2.22	1.98	1.97
Time	5.01	5.29	5.35	5.35	5.43	5.25	5.25	5.26	5.25	4.98	5.00	4.78
Weighted Average Lending Rate	7.49	7.93	8.04	8.08	7.28	7.23	7.08	7.01	6.75	6.50	6.28	6.28
<b>Government Securities</b>												
Treasury Bills <sup>8</sup>												
1 month	-	5.00	5.19	5.43	5.05	4.85	4.86	4.86	4.85	4.80	4.10	4.10
3 month	4.94	5.01	5.25	5.49	4.95	4.90	4.95	5.04	5.04	4.53	4.04	4.01
6 month	5.16	5.30	5.30	5.50	4.97	4.94	5.02	5.08	5.09	5.04	4.75	4.14
1 year	5.34	5.40	5.40	5.50	5.12	5.03	5.06	5.08	5.08	5.08	4.40	4.40
Government Stocks <sup>9</sup>												
1 year	5.00	-	-	-	-	4.99	5.06	5.01	5.04	4.47	4.15	4.40
5 year	6.60	6.65	6.82	5.80	5.46	5.33	5.50	5.49	5.46	5.40	5.56	5.39
10 year	7.08	7.23	7.26	6.00	5.55	5.99	6.09	6.07	6.21	6.15	5.90	5.76
15 year	-	7.49	7.62	6.47	6.03	6.39	6.44	6.49	6.49	6.44	6.14	6.07
20 year	-	-	-	6.86	6.14	6.60	6.60	6.60	6.60	6.55	6.40	-
<b>MALTA STOCK EXCHANGE SHARE INDEX</b>	1000	1004	1050	1211	3278	3376	2818	2500	2257	2200	2118	1992

<sup>1</sup> End of period rates in percentage per annum.

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

<sup>3</sup> From July 1999 the tenor of instruments auctioned by the Bank was increased from 7 days to 14 days. Until April 2002, the Central Bank of Malta injected rate was referred to as repo rate. As from May 2002, it is referred to as reverse repo rate. These rates are based on the actual rates dealt in as at the end of the month. When no auctions of reverse repos or term deposits are held, rates indicated by the # sign reflect the corridor (plus or minus 5 basis points) linked to the Central Intervention Rate.

<sup>4</sup> Offered in terms of Section 15(i)k of the Central Bank of Malta Act, 1967.

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

<sup>6</sup> In the absence of dealing in the interbank market, rates indicated by the \* sign represent the average of fixing rates compiled by the Central Bank of Malta. These are the rates at which credit institutions are prepared to deal in the local interbank market.

<sup>7</sup> Rates on resident Maltese lira deposits and loans extended to residents in local currency. The weighted average rate on time deposits is calculated on time deposits with a one year maturity.

<sup>8</sup> Treasury bill primary market weighted average yields. Treasury bills are classified by original maturity.

<sup>9</sup> Gross redemption yields on indicative stocks. Periods specified refer to remaining term to maturity.

**TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM <sup>1</sup>**

*Lm thousands*

End of Period	Central Bank of Malta <sup>2</sup>							Total (A+B)
	Foreign Assets				Foreign Liabilities	Net (A)	Government & Parastatal Companies <sup>5</sup> (B)	
	Gold <sup>3</sup>	Convertible Currencies	IMF-Related Assets <sup>4</sup>	Total Foreign Assets				
1990	12,979	380,527	33,618	427,124	-	427,124	17,639	444,763
1991	6,437	366,822	37,175	410,434	-	410,434	16,451	426,885
1992	9,101	435,857	30,061	475,019	-	475,019	17,211	492,230
1993	10,216	490,358	32,827	533,401	-	533,401	16,094	549,495
1994	7,314	577,501	32,829	617,644	-	617,644	72,790	690,434
1995	3,596	471,090	34,007	508,693	-	508,693	72,007	580,700
1996	3,646	468,523	36,408	508,577	-	508,577	45,542	554,119
1997	1,311	501,379	38,912	541,602	-	541,602	20,066	561,668
1998	688	598,874	40,429	639,991	-	639,991	-	639,991
1999	737	704,084	35,517	740,339	-	740,339	-	740,339
2000	452	606,771	36,940	644,163	3,655	640,508	-	640,508
<b>2001</b>								
Jan.	406	593,415	36,978	630,799	2,548	628,251	-	628,251
Feb.	525	588,841	37,352	626,717	4,274	622,443	-	622,443
Mar.	524	593,656	37,445	631,625	3,041	628,584	-	628,584
Apr.	435	602,438	37,426	640,300	2,803	637,496	-	637,496
May	533	614,350	38,340	653,223	1,486	651,737	-	651,737
June	489	609,264	38,100	647,853	2,863	644,990	-	644,990
July	531	637,088	37,808	675,427	1,100	674,327	-	674,327
Aug.	534	649,545	37,837	687,916	1,932	685,984	-	685,984
Sept.	566	654,187	37,812	692,564	3,698	688,866	-	688,866
Oct.	527	682,931	37,822	721,281	2,106	719,175	-	719,175
Nov.	462	710,357	38,167	748,986	1,030	747,956	-	747,956
Dec.	629	721,936	37,863	760,428	-	760,428	-	760,428
<b>2002</b>								
Jan.	697	743,818	38,105	782,621	974	781,647	-	781,647
Feb.	596	760,396	38,218	799,211	3,510	795,701	-	795,701
Mar.	601	747,664	38,191	786,456	3,427	783,029	-	783,029
Apr.	602	732,960	37,968	771,531	-	771,531	-	771,531
May	626	734,424	37,959	773,008	-	773,008	-	773,008
June	543	742,642	37,499	780,684	-	780,684	-	780,684

<sup>1</sup> On accrual basis

<sup>2</sup> Up to 1998, comprised the position of the Monetary Authorities, the latter including the Central Bank and small amounts of Treasury balances while as from 1998 comprising only the foreign assets of the Central Bank.

<sup>3</sup> Includes small amounts of other precious metals.

<sup>4</sup> Include IMF reserve position and holdings of SDRs.

<sup>5</sup> Comprising customers' foreign currency deposits and sinking funds which are held with the Central Bank of Malta, and other official funds are held with the Treasury.

**TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM <sup>1</sup>**  
(Continued)

*Lm thousands*

End of Period	Deposit Money Banks <sup>2</sup>			Total (A+B+C)	International Banking Institutions <sup>2</sup>			Grand Total (A+B+C+D)
	Assets	Liabilities	Net (C)		Assets	Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	566,204	341,373	224,831	805,531	236,148	218,872	17,276	822,807
1996	596,128	410,163	185,965	740,084	458,642	436,276	22,366	762,450
1997	544,672	413,917	130,755	692,423	815,080	763,075	52,005	744,428
1998	607,354	518,557	88,797	728,788	1,627,452	1,477,802	149,650	878,438
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000	816,746	690,013	126,733	767,241	2,738,724	2,535,186	203,538	970,779
<b>2001</b>								
Jan.	820,334	692,050	128,284	756,535	2,035,209	1,834,656	200,553	957,088
Feb.	830,697	695,791	134,906	757,349	1,980,240	1,857,803	122,437	879,786
Mar.	838,703	716,688	122,015	750,599	2,191,565	2,077,287	114,278	864,877
Apr.	855,136	707,105	148,031	785,527	1,903,618	1,776,615	127,003	912,531
May	852,812	700,611	152,202	803,938	2,035,045	1,839,842	195,203	999,142
June	833,667	693,126	140,541	785,531	1,910,590	1,710,936	199,654	985,186
July	810,241	692,997	117,244	791,571	1,757,221	1,555,150	202,072	993,643
Aug.	823,922	700,494	123,428	809,413	1,713,820	1,500,158	213,663	1,023,075
Sept.	816,784	715,148	101,636	790,502	1,757,645	1,551,116	206,529	997,031
Oct.	784,898	677,554	107,344	826,519	1,905,399	1,695,933	209,466	1,035,985
Nov.	811,613	723,783	87,830	835,786	1,937,036	1,708,975	228,061	1,063,847
Dec.	828,408	721,531	106,877	867,305	2,443,188	2,226,073	217,115	1,084,419
<b>2002</b>								
Jan.	811,690	740,934	70,756	852,403	2,246,310	2,019,065	227,245	1,079,648
Feb.	815,240	732,960	82,280	877,981	2,192,780	1,964,814	227,966	1,105,947
Mar.	810,887	682,554	128,333	911,362	2,381,531	2,147,187	234,344	1,145,706
Apr.	818,601	659,929	158,672	930,203	2,388,383	2,150,883	237,500	1,167,703
May	833,708	674,967	158,741	931,749	2,461,271	2,217,855	243,416	1,175,166
June	827,698	675,265	152,433	933,117	2,432,320	2,195,547	236,773	1,169,890

<sup>1</sup> As from 1995, data are on accrual basis.

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

**TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE**

*Lm thousands*

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary <sup>1</sup>	Grants	Total	Ordinary <sup>1,2</sup>	Capital <sup>3</sup>	Total		Local Loans <sup>5</sup>	Foreign Loans	Total	
1990	329,890	7,678	337,567	273,415	108,276	381,690	-44,123	34,200	13,841	48,041	3,918
1991	355,932	16,374	372,306	301,909	115,493	417,403	-45,097	30,375	9,110	39,485	-5,612
1992	341,766	16,392	358,158	330,014	58,017	388,032	-29,874	36,000	878	36,878	7,004
1993	388,179	8,428	396,607	368,624	59,673	428,297	-31,690	28,800	2,902	31,702	12
1994	416,068	12,853	428,921	410,365	62,340	472,705	-43,784	28,700	11,305	40,005	-3,779
1995	482,834	4,517	487,351	452,478	70,344	522,823	-35,472	32,500	655	33,155	-2,317
1996	447,470	20,805	468,275	505,195	73,527	578,722	-110,447	70,178	3,044	73,222	-37,225
1997 <sup>4</sup>	504,415	9,809	514,224	538,276	103,392	641,668	-127,444	167,463	3,095	170,558	43,114
1998	539,070	10,043	549,113	569,150	96,846	665,997	-116,884	110,000	-	110,000	-6,884
1999	628,168	9,684	637,852	584,834	106,129	690,965	-53,113	84,000	-	84,000	30,887
2000	632,754	9,549	642,303	617,677	98,552	716,232	-73,929	-	-	-	-73,929
2001	667,228	1,392	668,620	686,031	80,627	766,658	-98,038	121,977	6,823	128,800	30,762
<b>2001</b>											
Jan.	40,114	-	40,114	56,414	7,010	63,423	-23,309	-	-	-	-23,309
Feb.	60,572	28	60,600	45,948	4,175	50,123	10,477	-	-	-	10,477
Mar.	44,769	-	44,769	53,047	10,475	63,522	-18,753	30,000	-	30,000	11,247
Apr.	63,608	16	63,624	59,471	9,788	69,259	-5,635	-	-	-	-5,635
May	49,160	4	49,164	55,172	11,402	66,574	-17,410	-	-	-	-17,410
June	49,855	31	49,886	52,128	3,668	55,796	-5,910	27,488	-	27,488	21,578
July	51,745	354	52,099	59,443	6,775	66,218	-14,119	21,571	-	21,571	7,452
Aug.	56,395	9	56,404	50,205	8,947	59,152	-2,748	-	-	-	-2,748
Sept.	50,217	14	50,231	53,496	6,979	60,475	-10,244	-	-	-	-10,244
Oct.	59,251	374	59,625	56,890	4,943	61,833	-2,208	-	-	-	-2,208
Nov.	54,685	103	54,788	61,294	12,585	73,879	-19,091	20,941	6,823	27,764	8,673
Dec.	86,857	459	87,316	82,523	-6,120	76,404	10,912	21,977	-	21,977	32,889
<b>2002</b>											
Jan.	49,311	25	49,336	56,539	3,136	59,675	-10,339	-	-	-	-10,339
Feb.	52,107	5	52,112	52,300	8,087	60,387	-8,275	-	-	-	-8,275
Mar.	51,031	213	51,244	53,388	11,121	64,509	-13,265	-	-	-	-13,265
Apr.	62,072	510	62,582	72,863	11,135	83,998	-21,416	-	-	-	-21,416
May	54,711	159	54,870	63,085	10,477	73,563	-18,693	-	-	-	-18,693
June	48,324	166	48,490	55,956	4,656	60,612	-12,122	-	-	-	-12,122

<sup>1</sup> Includes the Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987). As from 1992, Ordinary Revenue excludes the contribution by the public authorities/corporations to their own capital programme; includes privatisation receipts and sinking funds of converted loans up to 2000.

<sup>2</sup> Includes total public debt servicing.

<sup>3</sup> As from 1992, excludes capital expenditure incurred by the public authorities/corporations.

<sup>4</sup> A loan to the Malta Drydocks Corporation amounting to Lm24.6 million is included under capital expenditure.

<sup>5</sup> As from 2001 includes privatisation receipts and sinking funds of converted loans.

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

**TABLE 2.2 GOVERNMENT REVENUE BY MAJOR SOURCES**
*Lm thousands*

Period	Tax Revenue						Non-Tax Revenue <sup>3</sup>	Ordinary Revenue <sup>4</sup>	Foreign Grants	Total Revenue
	Income Tax	National Insurance Contributions <sup>1</sup>	VAT & CET	Licences, Taxes & Fines <sup>2</sup>	Customs & Excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
2000	149,511	162,017	104,065	70,449	55,141	541,182	91,572	632,754	9,549	642,303
2001	166,302	179,064	114,669	72,814	60,886	593,735	73,494	667,229	1,392	668,620
<b>2001</b>										
Jan.	9,263	8,423	9,676	4,433	5,169	36,964	3,150	40,114	-	40,114
Feb.	7,083	12,057	9,651	4,163	3,247	36,201	24,371	60,572	28	60,600
Mar.	8,486	12,547	9,273	7,547	3,926	41,779	2,990	44,769	-	44,769
Apr.	19,984	15,645	9,018	5,415	4,614	54,676	8,932	63,608	16	63,624
May	10,753	15,966	9,384	5,762	3,958	45,823	3,337	49,160	4	49,164
June	12,650	12,117	8,759	5,075	4,314	42,915	6,940	49,855	31	49,886
July	13,083	13,583	9,450	8,149	4,113	48,378	3,367	51,745	354	52,099
Aug.	17,442	15,930	9,536	6,368	4,793	54,069	2,326	56,395	9	56,404
Sept.	14,703	14,285	8,569	5,213	4,803	47,573	2,644	50,217	14	50,231
Oct.	15,674	13,879	11,719	7,268	7,500	56,040	3,211	59,251	374	59,625
Nov.	10,628	14,761	11,042	6,951	7,797	51,179	3,506	54,685	103	54,788
Dec.	26,553	29,871	8,592	6,470	6,652	78,138	8,719	86,857	459	87,316
<b>2002</b>										
Jan.	8,630	7,943	9,661	6,259	4,593	37,086	12,225	49,311	25	49,336
Feb.	8,025	11,242	8,726	7,622	3,810	39,425	12,682	52,107	5	52,112
Mar.	9,869	12,071	9,297	5,283	4,810	41,330	9,701	51,031	213	51,244
Apr.	18,050	15,952	9,982	7,592	4,700	56,276	5,796	62,072	510	62,582
May	12,368	15,966	11,013	7,158	5,231	51,736	2,975	54,711	159	54,870
June	13,621	13,041	7,759	5,952	4,331	44,704	3,620	48,324	166	48,490

<sup>1</sup> Includes the Government's contribution to the National Insurance Fund (both its contribution as employer, and its contribution in terms of the Social Security Act, 1987).

<sup>2</sup> Includes revenues from death and donation duties up to December 1994.

<sup>3</sup> Includes mainly Central Bank of Malta profits, privatisation receipts (up to 2000), sinking funds of converted loans (up to 2000) and other miscellaneous receipts.

<sup>4</sup> As from 1992, excludes the contribution by the public corporations/authorities towards their own capital programme.

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

**TABLE 2.3 GOVERNMENT CAPITAL EXPENDITURE  
BY TYPE OF INVESTMENT<sup>1</sup>**

*Lm thousands*

Period	Productive	Infrastructure	Social	Total
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997 <sup>2</sup>	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
2001	26,400	26,872	27,355	80,627
<b>2001</b>				
Jan.	3,946	818	2,246	7,010
Feb.	2,303	1,528	344	4,175
Mar.	3,984	2,521	3,970	10,475
Apr.	3,383	3,078	3,327	9,788
May	2,998	6,637	1,767	11,402
June	2,856	2,597	-1,785	3,668
July	4,571	1,630	573	6,775
Aug.	2,198	1,600	5,149	8,947
Sept.	1,905	3,065	2,010	6,979
Oct.	1,729	1,851	1,362	4,943
Nov.	5,843	2,626	4,116	12,585
Dec.	-9,316	-1,079	4,276	-6,120
<b>2002</b>				
Jan.	1,740	1,128	268	3,136
Feb.	3,515	2,056	2,516	8,087
Mar.	4,192	3,162	3,767	11,121
Apr.	3,236	3,317	4,582	11,135
May	4,382	2,110	3,985	10,477
June	959	2,019	1,679	4,656

<sup>1</sup> As from 1992, excludes capital expenditure incurred by public corporations/authorities.

<sup>2</sup> Including a loan to Malta Drydocks amounting to Lm24.6 million.

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

**TABLE 3.1 GROSS GOVERNMENT DEBT AND GOVERNMENT  
GUARANTEED DEBT OUTSTANDING**

*Lm thousands*

End of Period	Domestic Debt			Foreign Loans	Total Government Debt	Government Guaranteed Debt <sup>2</sup>
	Treasury Bills	Malta Government Stocks <sup>1</sup>	Total			
1995	71,406	285,951	357,357	53,433	410,790	414,488
1996	108,935	356,119	465,054	51,789	516,843	489,663
1997	89,980	523,369	613,349	50,449	663,798	490,973
1998	83,713	633,369	717,082	46,513	763,595	491,768
1999	83,320	712,184	795,504	44,349	839,853	483,112
<b>2000</b>						
Mar.	114,263	712,184	826,447	44,006	870,453	490,091
June	125,540	712,729	838,269	42,514	880,783	481,197
Sept.	144,976	712,729	857,705	42,533	900,238	479,921
Dec.	172,987	712,729	885,716	39,250	924,966	469,678
<b>2001</b>						
Mar.	177,836	742,729	920,565	38,868	959,433	471,592
June	167,054	770,029	937,083	37,080	974,163	434,717
Sept.	175,295	791,654	966,949	36,226	1,003,175	421,433
Dec.	159,459	812,854	972,313	40,378	1,012,691	416,822
<b>2002</b>						
Mar.	193,078	812,854	1,005,932	39,908	1,045,840	414,773
June	198,871	812,854	1,011,725	37,923	1,049,648	396,932

<sup>1</sup> Including Local Development Registered Stocks.

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

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

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

End of Period	Amount Maturing During Period	Amount Issued and Taken up by			Amount Outstanding <sup>4</sup> and held by		
		Banking System <sup>2</sup>	Non-Bank Public <sup>3</sup>	Total	Banking System <sup>2</sup>	Non-Bank Public <sup>3</sup>	Total
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
<b>2001</b>							
Jan.	39,096	28,601	12,513	41,114	125,245	49,759	175,004
Feb.	16,770	18,500	2,580	21,080	144,047	35,267	179,314
Mar.	44,277	17,000	25,799	42,799	137,821	40,015	177,836
Apr.	49,469	14,000	16,378	30,378	119,826	38,919	158,745
May	31,811	9,000	18,589	27,589	127,242	27,281	154,523
June	46,822	26,150	33,203	59,353	126,667	40,387	167,054
July	22,825	35,669	8,837	44,506	147,420	41,315	188,735
Aug.	35,085	21,500	4,179	25,679	141,811	37,518	179,329
Sept.	48,386	27,115	17,110	44,225	146,998	28,297	175,295
Oct.	45,608	55,012	10,185	65,197	172,184	22,700	194,884
Nov.	41,786	35,610	3,323	38,933	180,222	11,809	192,031
Dec.	48,400	29,220	7,608	36,828	137,423	22,036	159,459
<b>2002</b>							
Jan.	58,954	58,606	6,394	65,000	145,995	29,510	165,505
Feb.	18,517	43,385	7,118	50,503	159,200	28,291	187,491
Mar.	57,681	46,354	16,914	63,268	156,084	39,687	193,078
Apr.	56,307	39,936	21,064	61,000	152,447	45,324	197,771
May	64,503	45,009	20,594	65,603	164,344	34,527	198,871
June	43,245	31,164	12,081	43,245	169,017	29,854	198,871

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



**TABLE 3.3 MALTA GOVERNMENT STOCKS**  
**(Outstanding as at end-June 2002)**

*Lm thousands*

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Interest Dates	Held By		Amount
					Banking System	Non-Bank Public	
6.90 % MGS	2002 (III)	1995	100	30 Mar. - 30 Sept.	8,066	4,434	12,500
6.90 % MGS	2002 (IV)	1997	100	30 Mar. - 30 Sept.	19,057	4,693	23,750
7.00 % MGS	2003	1993	100	18 Feb. - 18 Aug.	14,361	13,706	28,067
7.00 % MGS	2003 (II)	1993	100	03 July - 3 Jan.	7,856	12,977	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	9,730	8,970	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	22,654	3,198	25,852
7.25 % MGS	2005	1997	100	10 June - 10 Dec.	18,044	5,456	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	24,819	6,681	31,500
7.00 % MGS	2006	1994	100	19 May - 19 Nov.	1,433	8,567	10,000
7.00 % MGS	2006 (IV)	1996	100	20 Jan. - 20 July	-	167	167
7.25 % MGS	2006 (II)	1995	100	28 Apr. - 01 Aug.	5,995	13,255	19,250
7.25 % MGS	2006 (III)	1996	100	20 Jan. - 20 July	7,278	7,722	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,385	8,365	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,990	1,010	10,000
5.60 % MGS	2007 (III)	2000	100	10 June - 10 Dec.	7,185	12,815	20,000
7.20 % MGS	2008	1998	100	28 Feb. - 15 July	8,809	1,191	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	20,321	9,679	30,000
7.00 % MGS	2009	1999	100	1 Mar. - 1 Sept.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,240	10,760	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	40,847	4,453	45,300
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,908	1,092	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,538	1,962	18,500
7.00 % MGS	2010 (III)	2000	100	30 June - 30 Dec.	-	545	545
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,397	7,603	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	18,271	21,729	40,000
7.00 % MGS	2011 (III)	2002	100	30 June - 30 Dec	-	125	125
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	13,852	20,648	34,500
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	11,617	22,633	34,250
6.35 % MGS	2013 (II)	2002	100	18 Apr. - 18 Oct.	83	25,917	26,000
6.60 % MGS	2014	2000	100	30 Mar. - 30 Sept.	790	9,710	10,500
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,557	22,443	30,000
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	10,346	19,654	30,000
5.90 % MGS	2015 (II)	2002	100	28 Mar. - 28 Sept.	-	20,200	20,200
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	2,697	27,303	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	27,519	42,481	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	11,834	32,166	44,000
<b>Total</b>					<b>398,479</b>	<b>414,375</b>	<b>812,854</b>

<sup>1</sup> Interest is payable on 20 January and 20 July except for the last coupon payment which is payable on the redemption date.

<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.

Source: Malta Stock Exchange.

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

*Lm thousands*

End of Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	Over 16 yrs	Total
1990	3,500	93,285	10,000	-	-	106,785
1991	5,500	106,285	25,400	-	-	137,185
1992	1,000	125,285	41,400	-	-	167,685
1993	49,885	84,367	90,300	-	-	224,552
1994	37,900	95,352	110,000	10,000	-	253,252
1995	7,000	158,651	120,300	-	-	285,951
1996	15,800	213,302	112,017	15,000	-	356,119
1997	48,452	279,800	111,367	83,750	-	523,369
1998	46,750	255,650	177,219	83,750	70,000	633,369
1999	79,000	221,202	199,232	98,750	114,000	712,184
2000	53,800	214,902	205,777	124,250	114,000	712,729
2001	66,450	192,869	244,285	195,250	114,000	812,854
<b>2002</b>						
Mar.	115,350	188,719	234,035	160,750	114,000	812,854
June	85,150	198,719	234,035	180,950	114,000	812,854

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

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

*Lm thousands*

End of Period	Official Bilateral Entities <sup>1</sup>	Official Multilateral Organisations <sup>2</sup>	Private Commercial Banks <sup>3</sup>	Total
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001	20,037	18,915	1,426	40,378
<b>2002<sup>4</sup></b>				
Mar.	19,569	18,912	1,427	39,908
June	18,251	18,697	975	37,923

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

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

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

<sup>4</sup> Provisional.

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

**TABLE 3.6 GOVERNMENT EXTERNAL LOANS  
BY CURRENCY**

*Lm thousands*

End of Period	FFr	Stg	DM	Yen	Euro	US\$	Lit	Others	Total
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001	-	-	1,310	1,426	14,184	14,181	8,530	747	40,378
<b>2002<sup>1</sup></b>									
Mar.	-	-	-	1,427	23,892	14,218	-	371	39,908
June	-	-	-	975	30,937	5,661	-	350	37,923

<sup>1</sup> Provisional.

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

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

*Lm thousands*

End of Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	-	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001	586	13,356	11,759	12,249	1,207	1,221	40,378
<b>2002<sup>2</sup></b>							
Mar.	1,752	14,735	17,292	3,727	1,204	1,198	39,908
June	1,250	14,363	16,250	3,597	1,223	1,240	37,923

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

<sup>2</sup> Provisional.

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

**TABLE 4.1 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**  
*End of Period Rates*

End of Period	Stg	DM	US\$	Euro <sup>2</sup>	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.7335	5.0006	3.3249	2.4349	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	2.4448	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	2.2136	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	2.2678	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	2.2083	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	2.1586	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	2.2173	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	2.3101	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	2.2640	4382.63	14.870	4.990	91.360	300.71	3.645
1999	1.4983	4.7163	2.4230	2.4114	4669.13	15.818	5.314	97.276	247.64	3.870
2000	1.5305	4.8033	2.2843	2.4559	4755.26	16.110	5.412	99.070	262.25	3.738
2001	1.5258	4.8874	2.2121	2.4989	4838.52	16.392	5.507	100.805	290.44	3.969
<b>2002</b>										
Jan. 4	1.5428	-	2.2238	2.4801	-	-	-	-	291.04	3.670
11	1.5385	-	2.2172	2.4869	-	-	-	-	293.01	3.684
18	1.5365	-	2.2005	2.4979	-	-	-	-	292.44	3.673
25	1.5388	-	2.1760	2.5107	-	-	-	-	292.09	3.691
Feb. 1	1.5337	-	2.1728	2.5164	-	-	-	-	290.88	3.719
8	1.5437	-	2.1839	2.5026	-	-	-	-	293.31	3.685
15	1.5284	-	2.1885	2.5108	-	-	-	-	290.30	3.721
22	1.5339	-	2.1945	2.5033	-	-	-	-	293.33	3.704
Mar. 1	1.5330	-	2.1805	2.5122	-	-	-	-	290.60	3.707
8	1.5400	-	2.1950	2.4986	-	-	-	-	281.18	3.677
15	1.5468	-	2.2023	2.4896	-	-	-	-	284.14	3.640
22	1.5409	-	2.1988	2.4958	-	-	-	-	291.70	3.647
28	1.5361	-	2.1854	2.5070	-	-	-	-	289.26	3.678
Apr. 5	1.5327	-	2.1972	2.5025	-	-	-	-	290.34	3.669
12	1.5312	-	2.2008	2.5015	-	-	-	-	290.57	3.669
19	1.5319	-	2.2156	2.4924	-	-	-	-	288.86	3.658
26	1.5337	-	2.2288	2.4837	-	-	-	-	285.94	3.640
May. 3	1.5320	-	2.2483	2.4741	-	-	-	-	286.10	3.601
10	1.5394	-	2.2495	2.4683	-	-	-	-	287.80	3.590
17	1.5470	-	2.2559	2.4596	-	-	-	-	284.72	3.582
24	1.5533	-	2.2554	2.4556	-	-	-	-	282.10	3.578
31	1.5607	-	2.2825	2.4364	-	-	-	-	283.35	3.569
June 6	1.5670	-	2.2844	2.4313	-	-	-	-	285.23	3.586
14	1.5582	-	2.3021	2.4281	-	-	-	-	285.94	3.581
21	1.5566	-	2.3292	2.4157	-	-	-	-	284.39	3.551
28	1.5545	-	2.3818	2.3924	-	-	-	-	282.73	3.522

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

<sup>2</sup> The euro replaced the ECU as from January 1, 1999.

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES  
AGAINST MAJOR CURRENCIES<sup>1</sup>**  
*Averages for the Period*

Period	Stg	DM	US\$	Euro <sup>2</sup>	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	2.4741	4790.43	16.229	5.452	99.803	246.27	3.853
2001	1.5430	4.8533	2.2226	2.4815	4804.77	16.277	5.468	100.102	269.97	3.749
<b>2001</b>										
Jan.	1.5494	4.7729	2.2897	2.4403	4725.15	16.008	5.378	98.443	267.58	3.732
Feb.	1.5547	4.7961	2.2602	2.4522	4748.13	16.085	5.404	98.922	262.59	3.766
Mar.	1.5510	4.8190	2.2435	2.4639	4770.82	16.162	5.430	99.394	271.99	3.784
Apr.	1.5446	4.8563	2.2166	2.4830	4807.76	16.287	5.472	100.164	274.45	3.769
May	1.5355	4.8990	2.1904	2.5048	4849.97	16.430	5.520	101.043	266.69	3.841
June	1.5373	4.9372	2.1557	2.5244	4887.86	16.559	5.563	101.833	263.57	3.844
July	1.5332	4.9283	2.1680	2.5198	4879.02	16.529	5.553	101.649	270.06	3.814
Aug.	1.5500	4.8372	2.2276	2.4732	4788.80	16.223	5.450	99.769	270.54	3.746
Sept.	1.5376	4.8306	2.2493	2.4699	4782.31	16.201	5.443	99.634	267.39	3.690
Oct.	1.5432	4.8337	2.2400	2.4714	4785.35	16.211	5.446	99.697	271.63	3.657
Nov.	1.5391	4.8692	2.2119	2.4896	4820.54	16.331	5.486	100.430	270.66	3.650
Dec.	1.5406	4.8602	2.2181	2.4850	4811.57	16.300	5.476	100.243	282.50	3.666
<b>2002</b>										
Jan.	1.5381	-	2.2034	2.4953	-	-	-	-	292.17	3.679
Feb.	1.5345	-	2.1832	2.5096	-	-	-	-	291.63	3.708
Mar.	1.5403	-	2.1908	2.5009	-	-	-	-	287.00	3.672
Apr.	1.5324	-	2.2098	2.4955	-	-	-	-	289.11	3.659
May	1.5455	-	2.2560	2.4607	-	-	-	-	285.16	3.585
June	1.5594	-	2.3140	2.4216	-	-	-	-	285.43	3.564

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

<sup>2</sup> The euro replaced the ECU as from January 1, 1999.

**TABLE 4.3 MALTA'S FOREIGN TRADE**

*Lm thousands*

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,657	-362,717
1996	569,900	54,250	624,150	1,007,800	-383,650
1997	563,950	64,980	628,930	984,230	-355,300
1998	664,816	47,169	711,985	1,034,920	-322,935
1999	712,436	78,700	791,136	1,136,233	-345,097
2000	977,535	94,910	1,072,445	1,492,376	-419,931
2001 <sup>1</sup>	790,038	90,646	880,684	1,226,422	-345,738
<b>2001<sup>1</sup></b>					
Jan.	74,272	6,131	80,403	109,984	-29,581
Feb.	68,179	5,603	73,782	97,880	-24,098
Mar.	81,367	6,195	87,562	120,438	-32,876
Apr.	62,803	6,743	69,546	98,656	-29,110
May	68,190	6,687	74,877	107,041	-32,164
June	70,687	9,511	80,198	103,835	-23,637
July	57,470	9,491	66,961	106,380	-39,419
Aug.	56,228	8,171	64,399	90,901	-26,502
Sept.	63,751	6,812	70,563	83,993	-13,430
Oct.	58,272	9,063	67,335	108,355	-41,020
Nov.	69,749	10,827	80,576	106,197	-25,621
Dec.	59,070	5,412	64,482	92,762	-28,280
<b>2002<sup>1</sup></b>					
Jan.	52,822	11,349	64,171	88,459	-24,288
Feb.	67,083	9,348	76,431	86,915	-10,484
Mar.	67,890	8,656	76,546	100,781	-24,235
Apr.	58,878	9,676	68,554	107,752	-39,198
May	65,774	10,970	76,744	108,782	-32,038
June	65,550	9,218	74,768	105,900	-31,132

<sup>1</sup> Provisional.

Source: National Statistics Office.

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

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,940
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,930
1998	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,136
2000	78,038	36,092	102,898	85,873	54,808	15,585	293,413	405,737	1,072,444
2001 <sup>1</sup>	76,310	30,304	115,132	82,197	59,865	21,835	174,370	320,670	880,684
<b>2001<sup>1</sup></b>									
Jan.	4,772	2,231	8,648	7,573	4,511	414	21,734	30,520	80,403
Feb.	5,755	2,721	9,456	7,217	5,828	1,506	12,631	28,668	73,782
Mar.	7,758	2,443	9,744	9,328	5,737	1,418	19,250	31,884	87,562
Apr.	6,917	2,779	10,601	6,725	5,403	2,669	12,850	21,602	69,546
May	5,665	2,829	10,074	9,437	5,923	1,899	15,320	23,731	74,877
June	5,811	3,109	9,639	8,787	5,287	1,979	18,463	27,123	80,198
July	5,224	1,909	12,871	6,708	4,480	1,480	11,635	22,654	66,961
Aug.	6,004	1,732	8,700	4,588	4,595	2,639	10,893	25,248	64,399
Sept.	5,798	2,227	7,890	8,250	3,396	824	15,257	26,920	70,562
Oct.	7,256	2,372	9,574	5,066	4,919	2,174	10,065	25,908	67,334
Nov.	8,426	3,110	10,895	4,680	5,315	3,360	11,875	32,915	80,576
Dec.	6,924	2,842	7,040	3,838	4,471	1,473	14,397	23,497	64,482
<b>2002<sup>1</sup></b>									
Jan.	7,595	2,556	5,748	4,523	4,058	1,395	8,906	29,390	64,171
Feb.	9,863	4,314	9,753	5,492	5,738	2,743	10,122	28,406	76,431
Mar.	7,372	2,315	7,648	5,632	5,240	1,453	12,073	34,813	76,546
Apr.	8,017	2,682	7,557	4,582	5,309	4,604	9,163	26,640	68,554
May	8,861	3,151	6,810	5,853	5,651	2,981	11,141	32,296	76,744
June	8,172	2,261	6,376	9,576	4,287	2,928	10,176	30,993	74,768

<sup>1</sup> Provisional.

Source: National Statistics Office.

**TABLE 4.5 DIRECTION OF TRADE - IMPORTS**

*Lm thousands*

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,233
2000	119,673	249,744	29,661	281,877	122,113	91,778	158,474	439,057	1,492,377
2001 <sup>1</sup>	123,100	244,409	28,401	184,030	107,409	92,707	141,822	304,544	1,226,422
<b>2001<sup>1</sup></b>									
Jan.	9,111	19,820	2,509	23,637	8,596	6,841	12,274	27,196	109,984
Feb.	8,760	20,996	2,484	15,255	9,168	7,154	9,261	24,802	97,880
Mar.	11,189	22,727	2,034	16,494	9,932	8,993	13,428	35,641	120,438
Apr.	9,774	20,204	2,209	14,053	8,623	6,873	10,865	26,055	98,656
May	11,071	22,615	2,472	12,928	9,749	8,485	13,307	26,414	107,041
June	9,690	21,705	2,024	13,863	9,280	7,830	12,282	27,161	103,835
July	10,950	20,968	2,417	14,933	10,003	9,742	12,229	25,138	106,380
Aug.	9,340	15,856	2,735	11,994	7,207	8,203	9,489	26,077	90,901
Sept.	9,520	17,320	2,105	15,337	7,280	6,608	8,605	17,218	83,993
Oct.	13,078	22,820	2,793	13,338	11,035	8,364	13,691	23,236	108,355
Nov.	11,488	21,690	2,603	16,768	9,097	6,707	12,731	25,113	106,197
Dec.	9,129	17,688	2,016	15,430	7,439	6,907	13,660	20,493	92,762
<b>2002<sup>1</sup></b>									
Jan.	9,103	16,400	2,126	15,270	7,091	6,922	9,949	21,598	88,459
Feb.	8,831	16,858	2,260	14,356	7,669	7,047	9,094	20,799	86,914
Mar.	10,609	20,654	2,366	18,309	8,267	7,811	11,497	21,268	100,781
Apr.	11,906	22,878	2,231	18,770	8,911	8,097	10,220	24,739	107,752
May	13,511	24,869	2,187	18,826	8,857	7,419	9,830	23,283	108,782
June	9,944	24,947	2,555	18,298	9,146	7,674	7,364	25,972	105,900

<sup>1</sup> Provisional.

Source: National Statistics Office.



**TABLE 4.6 DOMESTIC EXPORTS BY COMMODITY SECTIONS**

*Lm thousands*

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,720
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,950
1998	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,436
2000	17,116	3,538	2,198	-	-	13,027	53,913	736,076	151,263	404	977,535
2001 <sup>1</sup>	20,809	5,197	2,013	19	-	16,003	50,701	537,944	156,945	407	790,038
<b>2001<sup>1</sup></b>											
Jan.	1,758	291	111	-	-	1,668	4,066	55,162	11,199	18	74,272
Feb.	691	348	263	-	-	1,261	3,729	48,600	13,228	60	68,179
Mar.	604	505	136	-	-	1,443	4,946	60,244	13,423	67	81,367
Apr.	1,175	602	174	-	-	1,150	4,866	40,841	13,983	12	62,803
May	1,404	420	102	19	-	1,244	4,251	47,700	12,984	66	68,190
June	1,679	883	216	-	-	1,192	4,571	48,547	13,566	33	70,687
July	2,509	587	82	-	-	1,273	4,424	34,015	14,496	83	57,470
Aug.	3,287	468	237	-	-	1,621	3,459	35,460	11,685	10	56,228
Sept.	1,998	540	86	-	-	1,427	3,225	44,643	11,787	44	63,751
Oct.	1,191	326	227	-	-	1,191	4,958	36,521	13,842	14	58,272
Nov.	2,703	185	175	-	-	1,391	4,437	46,598	14,261	-	69,749
Dec.	1,810	42	204	-	-	1,142	3,769	39,613	12,491	-	59,070
<b>2002<sup>1</sup></b>											
Jan.	909	138	74	-	-	910	3,806	35,673	11,263	48	52,822
Feb.	1,088	164	260	-	27	1,084	5,222	43,721	15,420	97	67,083
Mar.	1,132	90	119	-	23	1,102	4,085	48,997	12,341	-	67,890
Apr.	1,807	578	259	-	-	1,224	4,499	37,401	13,050	61	58,878
May	1,913	671	64	-	-	1,401	3,563	45,932	12,227	2	65,774
June	852	1,325	97	-	-	806	3,800	46,428	12,243	-	65,550

<sup>1</sup> Provisional.

Source: National Statistics Office.

**TABLE 4.7 IMPORTS BY COMMODITY SECTIONS**

*Lm thousands*

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,509
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,233
2000	103,644	18,785	13,597	106,476	2,239	92,470	144,994	852,574	146,821	10,774	1,492,377
2001 <sup>1</sup>	108,773	21,936	14,101	101,992	1,931	89,218	147,722	608,194	121,512	11,040	1,226,421
<b>2001<sup>1</sup></b>											
Jan.	6,473	957	916	8,751	161	8,995	11,864	61,441	9,487	938	109,984
Feb.	6,924	1,731	1,382	8,941	153	6,692	11,584	50,659	8,926	886	97,880
Mar.	9,184	2,211	1,077	11,825	171	7,897	13,560	61,960	11,547	1,006	120,438
Apr.	7,886	1,613	1,327	5,334	195	6,990	12,153	50,851	11,583	726	98,656
May	10,018	2,482	1,328	6,095	105	7,365	14,526	52,441	11,559	1,123	107,041
June	8,207	2,768	1,137	9,967	100	6,444	13,284	51,444	9,390	1,094	103,835
July	9,912	1,759	1,157	7,678	301	8,266	13,513	52,123	10,697	974	106,380
Aug.	9,548	1,878	1,166	13,628	185	7,299	9,706	38,511	8,247	732	90,901
Sept.	10,172	1,086	949	6,834	126	6,446	10,345	37,765	9,363	906	83,992
Oct.	11,548	1,977	1,337	4,063	158	8,755	13,958	52,661	12,825	1,073	108,355
Nov.	10,176	2,195	1,055	9,888	140	7,343	12,748	51,420	10,403	829	106,197
Dec.	8,725	1,279	1,270	8,988	136	6,726	10,481	46,918	7,485	753	92,762
<b>2002<sup>1</sup></b>											
Jan.	8,885	1,053	965	9,628	371	7,035	11,666	41,201	6,994	660	88,459
Feb.	7,902	1,745	1,019	7,814	184	7,011	11,234	41,408	7,870	729	86,915
Mar.	8,844	2,435	1,007	7,267	117	8,234	12,330	49,587	10,346	615	100,781
Apr.	8,594	1,911	1,255	7,221	240	8,615	13,700	53,913	11,128	1,176	107,752
May	9,544	2,110	1,094	5,450	99	8,164	15,399	53,691	12,190	1,041	108,782
June	8,356	2,214	1,096	9,692	173	7,446	14,271	53,914	8,135	602	105,900

<sup>1</sup> Provisional

Source: National Statistics Office.

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

*Lm thousands*

Period	Consumers' Expenditure <sup>1</sup>	Government Consumption Expenditure <sup>2</sup>	Gross Fixed Capital Formation <sup>3</sup>	Inventory Changes <sup>4</sup>	Exports of Goods & Services	Total Final Expenditure	Less Imports of Goods & Services	Gross Domestic Product	Net Investment Income from Abroad <sup>5</sup>	Gross National Product
1990	460,845	129,153	232,611	12,668	626,415	1,332,668	726,947	734,745	55,017	789,762
1991	494,504	147,055	239,114	15,556	701,865	1,451,186	791,249	806,875	49,663	856,538
1992	531,350	164,335	240,874	145	804,056	1,740,760	866,010	874,750	41,695	916,445
1993	561,498	188,862	276,804	3,708	896,325	1,927,197	987,163	940,034	35,481	975,515
1994	608,288	209,519	305,388	9,957	994,410	2,127,562	1,099,028	1,028,534	19,331	1,047,865
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999	915,014	272,587	339,975	9,383	1,321,307	2,858,266	1,402,167	1,456,099	12,437	1,468,536
2000 <sup>6</sup>	998,743	291,085	409,273	26,960	1,605,253	3,332,314	1,774,306	1,558,008	-54,255	1,503,753
2001 <sup>6</sup>	1,041,335	328,140	377,342	-46,518	1,429,226	3,129,525	1,501,981	1,627,544	-2,224	1,625,320
<b>2001 <sup>6</sup></b>										
Mar.	233,776	78,727	95,833	23,370	343,979	775,685	387,997	387,688	11,013	398,701
June	260,972	80,790	93,871	-28,646	371,049	778,036	374,813	403,223	2,190	405,413
Sept.	277,715	81,390	91,683	-44,660	373,299	779,427	361,250	418,177	950	419,127
Dec.	268,872	87,233	95,955	3,418	340,899	796,377	377,921	418,456	-16,377	402,079
<b>2002 <sup>6</sup></b>										
Mar.	256,662	85,904	87,846	-6,366	317,005	741,051	343,215	397,836	4,867	402,703
June	274,026	87,883	105,390	-5,635	349,769	811,433	395,842	415,591	14,367	429,958

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

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

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

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

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

<sup>6</sup> Provisional.

Source: National Statistics Office.

**TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY**

Period	United Kingdom	Italy	North Africa <sup>1</sup>	Germany	Scandinavian Countries <sup>2</sup>	United States	All Others	Total
1990	450,002	64,039	38,881	130,203	29,444	9,934	149,273	871,776
1991	458,523	64,008	50,094	136,452	17,891	8,809	159,259	895,036
1992	525,629	76,045	43,882	153,531	21,851	9,302	172,142	1,002,382
1993	520,778	85,671	53,465	176,077	21,276	10,314	195,632	1,063,213
1994	530,385	98,746	45,337	200,281	29,920	11,973	259,581	1,176,223
1995	461,159	97,384	43,534	187,761	32,979	10,945	282,209	1,115,971
1996	398,899	89,439	56,958	184,110	33,338	11,969	279,075	1,053,788
1997	436,899	90,190	45,702	193,020	33,576	14,924	296,850	1,111,161
1998	448,763	90,558	44,508	203,199	35,414	17,641	342,157	1,182,240
1999	422,368	92,726	52,537	212,430	46,365	18,558	369,246	1,214,230
2000	428,780	92,522	52,275	204,749	46,273	19,268	371,846	1,215,713
2001	451,530	93,564	39,167	160,262	46,395	19,986	369,241	1,180,145
<b>2001</b>								
Jan.	18,983	2,838	3,046	6,635	1,313	1,142	10,096	44,053
Feb.	22,328	2,845	2,371	10,823	1,942	1,270	14,313	55,892
Mar.	33,631	5,044	3,126	14,474	3,690	1,755	23,388	85,108
Apr.	34,451	8,820	2,876	17,982	5,288	2,225	36,157	107,799
May	47,562	5,198	3,007	15,438	4,770	2,576	37,096	115,647
June	43,419	8,950	3,166	13,689	5,873	2,606	42,772	120,475
July	53,234	14,424	4,316	17,598	6,695	2,111	52,132	150,510
Aug.	55,356	24,771	5,489	14,147	3,787	1,665	47,729	152,944
Sept.	51,047	7,800	3,845	19,206	4,821	1,326	43,171	131,216
Oct.	43,218	4,219	3,074	17,321	5,073	1,280	32,670	106,855
Nov.	28,405	3,647	2,206	7,809	1,968	1,145	15,318	60,498
Dec.	19,896	5,008	2,645	5,140	1,175	885	14,399	49,148
<b>2002</b>								
Jan.	16,029	3,134	2,512	3,412	1,296	1,146	9,796	37,325
Feb.	21,854	3,494	2,214	8,051	1,785	1,527	14,414	53,339
Mar.	32,478	6,152	2,416	15,388	3,063	1,774	23,927	85,198
Apr.	33,435	6,611	2,023	12,845	3,493	1,574	31,160	91,141
May	38,813	6,576	2,166	13,964	3,400	2,193	38,948	106,060
June	42,019	10,041	2,544	12,273	4,955	2,024	35,265	109,121

<sup>1</sup> North African countries include Algeria, Egypt, Libya, Morocco and Tunisia.

<sup>2</sup> Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office.

**TABLE 5.3 LABOUR MARKET**

End of Period	Labour Supply			Gainfully Occupied			Unemployment <sup>1</sup>					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent <sup>2</sup>	Amount	Percent <sup>3</sup>	Amount	Percent
1990	96,306	31,153	127,459	91,692	30,331	122,023	4,614	4.8	822	2.6	5,436	4.3
1991	97,241	32,210	129,451	92,922	31,257	124,179	4,319	4.4	953	3.0	5,272	4.1
1992	98,921	33,024	131,945	94,084	31,898	125,982	4,837	4.9	1,126	3.4	5,963	4.5
1993	99,239	33,174	132,413	93,333	32,130	125,463	5,906	6.0	1,044	3.1	6,950	5.2
1994	100,092	34,020	134,112	94,587	33,081	127,668	5,505	5.5	939	2.8	6,444	4.8
1995	102,158	35,612	137,770	97,241	34,709	131,950	4,917	4.8	903	2.5	5,820	4.2
1996	103,323	36,944	140,267	97,493	35,702	133,195	5,830	5.6	1,242	3.4	7,072	5.0
1997	103,033	37,241	140,274	96,558	36,023	132,581	6,475	6.3	1,218	3.3	7,693	5.5
1998	103,235	37,951	141,186	96,460	36,816	133,276	6,775	6.6	1,135	3.0	7,910	5.6
1999	103,568	39,040	142,608	96,478	37,824	134,302	7,090	6.8	1,216	3.1	8,306	5.8
2000	103,831	40,185	144,016	97,689	39,139	136,828	6,142	5.9	1,046	2.6	7,188	5.0
2001	103,967	40,962	144,929	97,806	39,690	137,496	6,161	5.9	1,272	3.1	7,433	5.1
<b>2001</b>												
Jan.	104,397	40,344	144,741	98,139	39,262	137,401	6,258	6.0	1,082	2.7	7,340	5.1
Feb.	104,598	40,401	144,999	98,344	39,323	137,667	6,254	6.0	1,078	2.7	7,332	5.1
Mar.	104,373	40,376	144,749	98,234	39,333	137,567	6,139	5.9	1,043	2.6	7,182	5.0
Apr.	104,363	40,503	144,866	98,411	39,474	137,885	5,952	5.7	1,029	2.5	6,981	4.8
May	104,363	40,520	144,883	98,525	39,577	138,102	5,838	5.6	943	2.3	6,781	4.7
June	104,352	40,818	145,170	98,754	39,887	138,641	5,598	5.4	931	2.3	6,529	4.5
July	103,267	41,189	144,456	97,670	39,945	137,615	5,597	5.4	1,244	3.0	6,841	4.7
Aug.	103,365	41,266	144,631	97,632	39,943	137,575	5,733	5.5	1,323	3.2	7,056	4.9
Sept.	104,209	41,223	145,432	98,439	40,009	138,448	5,770	5.5	1,214	2.9	6,984	4.8
Oct.	104,457	41,291	145,748	98,496	40,069	138,565	5,961	5.7	1,222	3.0	7,183	4.9
Nov.	104,415	41,217	145,632	98,289	39,915	138,204	6,126	5.9	1,302	3.2	7,428	5.1
Dec.	103,967	40,962	144,929	97,806	39,690	137,496	6,161	5.9	1,272	3.1	7,433	5.1
<b>2002</b>												
Jan.	104,237	40,942	145,179	97,706	39,533	137,239	6,531	6.3	1,409	3.4	7,940	5.5
Feb.	104,265	40,921	145,186	97,707	39,538	137,245	6,558	6.3	1,383	3.4	7,941	5.5
Mar.	103,723	40,777	144,500	97,343	39,432	136,775	6,380	6.2	1,345	3.3	7,725	5.3
Apr.	103,621	40,757	144,378	97,262	39,479	136,741	6,359	6.1	1,278	3.1	7,637	5.3
May	103,370	40,796	144,166	97,166	39,577	136,743	6,204	6.0	1,219	3.0	7,423	5.1

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

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

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

Source: *Employment and Training Corporation*.

**TABLE 5.4 NUMBER OF APPROVED COMMERCIAL PROPERTY APPLICATIONS, BY PURPOSE <sup>1</sup>**

Period	Agriculture	Manufacturing	Warehousing/ Retail/Offices <sup>2</sup>	Hotel/ Tourism	Recreational/ Social <sup>3</sup>	Parking	Minor new works/ change of use	Other	Total
1993	168	64	400	26	70	176	666	1,350	2,920
1994	245	71	775	45	363	287	1,404	264	3,454
1995	293	69	924	27	434	188	1,731	411	4,077
1996	234	37	827	21	352	154	1,632	611	3,868
1997	248	49	545	28	362	169	1,594	949	3,944
1998	273	97	564	47	770	193	1,729	971	4,644
1999	231	112	858	29	378	205	1,600	740	4,153
2000	270	104	790	36	588	236	1,486	1,010	4,520
2001	312	58	1,019	24	485	214	1,095	1,491	4,698

<sup>1</sup> This Table replaces the previous Table 5.4, which showed building applications approved by purpose and floor space area, as data on the latter are no longer available.

<sup>2</sup> Including applications for advertisements and for the mixed residential and retail purposes.

<sup>3</sup> Including applications for restaurants and café bars.

Source: Malta Environment & Planning Authority.

**TABLE 5.5 DWELLING UNITS GRANTED DEVELOPMENT PERMISSION, BY TYPE**

Period	Apartments	Maisonettes	Terraced Houses	Other	Total
1993	1,192	651	1,016	114	2,973
1994	1,095	476	488	44	2,103
1995	1,910	1,064	1,094	161	4,229
1996	1,601	1,183	495	72	3,351
1997	1,656	1,060	570	125	3,411
1998	1,742	790	339	133	3,004
1999	1,452	473	271	77	2,273
2000	1,473	583	246	67	2,369

Note: Changes to the data are mainly due to the policy adopted by Malta Environment & Planning Authority to reassess permit applications on a continuous basis.

Source: Malta Environment & Planning Authority.

**TABLE 5.6 INFLATION RATES<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	1974	234.16	7.28
1948	113.90	8.58	1975	254.77	8.80
1949	109.70	-3.69	1976	256.20	0.56
1950	116.90	6.56	1977	281.84	10.01
1951	130.10	11.29	1978	295.14	4.72
1952	140.30	7.84	1979	316.21	7.14
1953	139.10	-0.86	1980	366.06	15.76
1954	141.20	1.51	1981	408.16	11.50
1955	138.80	-1.70	1982	431.83	5.80
1956	142.00	2.31	1983	428.06	-0.87
1957	145.70	2.61	1984	426.18	-0.44
1958	148.30	1.78	1985	425.17	-0.24
1959	151.10	1.89	1986	433.67	2.00
1960	158.80	5.10	1987	435.47	0.42
1961	164.84	3.80	1988	439.62	0.95
1962	165.16	0.19	1989	443.39	0.86
1963	168.18	1.83	1990	456.61	2.98
1964	172.00	2.27	1991	468.21	2.54
1965	174.70	1.57	1992	475.89	1.64
1966	175.65	0.54	1993	495.59	4.14
1967	176.76	0.63	1994	516.06	4.13
1968	180.42	2.07	1995	536.61	3.98
1969	184.71	2.38	1996	549.95	2.49
1970	191.55	3.70	1997 <sup>2</sup>	567.95	3.27
1971	196.00	2.32	1998	580.61	2.23
1972	202.52	3.33	1999	593.00	2.13
1973	218.26	7.77	2000	607.07	2.37
			2001	624.85	2.93

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

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

**TABLE 5.7 RETAIL PRICE INDEX<sup>1</sup>***(Base 1995 = 100)*

Period	All Items
1990	84.73
1991	86.88
1992	88.30
1993	91.96
1994	95.76
1995	99.57
1996	102.05
1997	105.23
1998	107.74
1999	110.04
2000	112.65
2001	115.95
<b>2001</b>	
Jan.	112.95
Feb.	113.26
Mar.	113.94
Apr.	114.52
May	115.62
June	115.75
July	116.31
Aug.	117.30
Sept.	117.66
Oct.	116.82
Nov.	118.48
Dec.	118.76
<b>2002</b>	
Jan.	118.23
Feb.	117.44
Mar.	117.55
Apr.	117.75
May	118.47
June	118.03

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

*Source: National Statistics Office.*



## GENERAL METHODOLOGICAL NOTES

### General Standards

The methodology underlying the compilation of monetary and banking statistics is generally consistent with internationally agreed statistical concepts, definitions, and classifications as published in the International Monetary Fund's (IMF) "*Monetary and Financial Statistics Manual 2000*".

### Release of Monetary and Banking Statistics

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

### Determination of 'Residence'

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

### Sector Classification of the Maltese Economy

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

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

In addition to the above, there are those transactors that are considered to be non-residents (also referred

to as the 'external sector' or the 'rest of the world').

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

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

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

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

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

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

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

### Measures of Money

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

Notes and Coin in circulation outside the banking system

Deposits (non-bank), including:

Demand (current)

Savings

Time (fixed) deposits

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

### Compilation Process

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

### Basis of Calculation

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

## Valuation

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

## Official External Reserves

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

## Financial Market Rates

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 in percentages per annum. The repurchase agreement/term deposit rates represent the prevailing rates as at the end of the month quoted from the last repurchase agreements session and the rates offered by the Central Bank. The interbank market offered rates are the prevailing rates in dealings between the banks in the official interbank market.

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

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

## **Sources of other economic data:**

### **Government Finance**

The Treasury

### **Public Debt**

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

### **External Transactions**

Exchange Rates – Central Bank of Malta

Foreign Trade – National Statistics Office

### **Real Economy**

Gross Domestic Product – National Statistics Office

Tourist Arrivals – National Statistics Office

Labour Market – Employment and Training Corporation

Building and Construction – Planning Authority

Inflation – National Statistics Office