Central Bank of Malta

Quarterly Review

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Figures in Tables may not add up due to rounding.

ECONOMIC SURVEY

1. FOREWORD

Throughout the first quarter of 2003 the Central Bank left official interest rates unchanged. In May, however, and again in June, it lowered the central intervention rate by twenty-five basis points, bringing it down to 3.25%. These decisions, which were taken by the Governor in the Monetary Policy Advisory Council, reflected the Bank's analysis of economic and financial developments in Malta and abroad and were consonant with its monetary policy strategy, which is based on pegging the Maltese lira to a basket of major currencies.

The volatility in international financial markets and the prevalent climate of uncertainty were key factors supporting the Bank's decision to maintain an unchanged monetary policy stance during the March quarter. During the first three months of 2003 the prospects of war in Iraq, and its eventual outbreak, had a negative impact on the outlook for the global economy. These factors heightened the risks to domestic economic growth and the balance of payments performance. Although the Central Bank's external reserves continued to rise into the quarter, they did so at a slower pace.

During the second quarter, the continued weakness in the international economic environment, which had led to a drop in interest rates abroad, had also resulted in a widening of the premium on the Maltese lira beyond the level that seemed appropriate. At the same time, the ending of uncertainty over Malta's relations with the European Union, and the economic policy disciplines implied by membership, added to the credibility of the peg, which was underpinned by a further rise in the Central Bank's external reserves. The decision to ease the monetary policy stance was supported by these considerations and by expectations that inflationary pressures were unlikely to emerge in the near term and that economic activity in Malta would continue to expand at below its potential rate.

Indeed, according to data released by the National Statistics Office in July, the economy contracted during the first quarter of the year after having stalled during the previous quarter. In real terms, GDP declined by 1.9% compared with the corresponding quarter of 2002, reflecting a sharp deterioration in the external balance. At the same time, domestic demand recovered, driven mainly by increased Government current expenditure and, to a lesser extent, by investment spending. Although private consumption also expanded during the quarter, reversing the drop recorded during the final quarter of 2002, the growth rate remained subdued.

Replies to the Bank's latest business perceptions survey, which was carried out between April and May 2003, indicate that export sales by firms in manufacturing and tourism rose slightly during the first quarter of 2003. In contrast, local sales by manufacturing firms decreased, mainly reflecting a relatively poor performance by the food and beverage sector. Meanwhile, firms in other locally oriented sectors - including distribution, construction and services - reported moderate levels of activity. Nevertheless, business optimism rebounded sharply, possibly because the uncertainty about Malta's relations with the European Union dissipated and the war in Iraq ended fairly swiftly.

Despite the drop in output, unemployment declined during the first three months of 2003. The results of the latest Labour Force Survey showed that unemployment dropped to 6.6% in March, from 6.8% in December 2002, reflecting a combination of an increase in employment and a drop in the number of unemployed. In contrast, data compiled by the Employment and Training Corporation showed that the number of those registering as unemployed in January 2003 rose to 5.4% of the labour force from 5.2% a month earlier.

The downward trend in inflation observed since the middle of 2002 continued into the first quarter of 2003. The twelve-month moving average rate of inflation dropped to 1.5% in March from 2.2% in December, reflecting sharp falls in the year-on-year measure of inflation in January and February. Although the year-on-year inflation rate fluctuated in April and May, the twelve-month moving average rate fell further into May.

Fiscal policy was strongly expansionary during the quarter, as the GDP data indicate. After having narrowed during the previous quarter, the deficit in the Consolidated Fund widened to Lm57.6 million, nearly double the level recorded during the corresponding quarter of 2002. Revenue fell slightly, whereas both recurrent and capital spending surged. The deficit continued to expand into the second quarter.

The deficit on the current account of the balance of payments also widened considerably in the first three months of the year, reflecting a larger merchandise trade gap coupled with a smaller surplus on services and a wider deficit on current transfers. These developments more than offset an increased surplus on the income account. The deficit was partly financed by net inflows on the capital and financial account, which, though smaller than those recorded in the corresponding period of 2002, persisted into the first quarter of the year. At the same time, the official reserves rose further, albeit at a slower rate.

Despite a moderate pick-up in domestic credit and a small gain in the net foreign assets of the banking system during the quarter, monetary growth continued to decelerate during the quarter, with the annual rate of growth of broad money dropping to 6.6% in March from 10.4% in December. In April, however, broad money registered strong growth, driven by a robust expansion in domestic credit that offset a decline in the net foreign assets of the banking system.

As for the short-term outlook, the Central Bank expects the Maltese economy to resume growth following its first-quarter contraction. This is because part of the first quarter drop in exports of goods and services can be ascribed to temporary factors. In fact, firms continued to invest and to import industrial supplies, implying expectations of a recovery in external demand.

In its *Annual Report* for 2002, the Bank had indicated that the economy would expand by 3.1% - 3.7% during 2003 as investment spending and, to a lesser extent, exports picked up. Since those forecasts were made, however, projections for economic growth in the major industrial economies were adjusted downwards on a number of occasions. Consequently, the Central Bank has lowered its estimate of real GDP growth to take into account a weaker export performance and slower growth in private consumption. Details of its revised forecasts will be published in the September issue of the *Quarterly Review*. The Bank's inflation forecast remains unchanged, however, with the twelve-month moving average rate expected to range between 1.4% and 1.8% by the end of the year, while the registered unemployment rate is expected to remain stable between 5.2% and 5.6%.

2. THE INTERNATIONAL ENVIRONMENT

The World Economy

During the first quarter of 2003 the global economy remained fragile as a result of geopolitical tensions in the Middle East, higher oil prices and falling equity prices. In the United States, GDP growth remained subdued as the war in Iraq dented investor confidence, while in the euro area and in Japan economic activity stalled. Against this background, in April the IMF projected a weak global recovery in 2003, with normal growth only resuming during the first half of 2004.

Economic and Monetary Developments in the Major Economies

During the March quarter the pace of growth in the United States slowed down further as investment in equipment and software and private inventories contracted, and government spending decelerated sharply. As Table 2.1 shows, GDP grew at an annual rate of 2.1% during the quarter reviewed, as against 2.9% in the December quarter. Furthermore, despite higher corporate profits, firms did not increase employment and, as a result, the unemployment rate rose slightly to 6.1% in May, from 6% in December. Despite the modest growth rate, consumer spending remained strong while net exports increased. Annual consumer price inflation edged up to 2.8% in the March quarter, on average, from 2.2% in the December quarter. After the end of the Iraq war in April, the American economy was expected to recover as consumer and business spending were likely to pick up while oil prices were projected to fall.

The Federal Reserve attributed the hesitancy of the economic expansion to a temporary increase in oil prices and to geopolitical uncertainties. Once these uncertainties abated, the accommodative stance of monetary policy, coupled with ongoing growth in productivity, were seen as supporting an improving economic climate over time. Hence, the Federal Reserve kept official interest rates unchanged during the first three months of the year and into the second quarter. Meanwhile, money market rates continued their gradual

Table 2.1
REAL GDP[1]

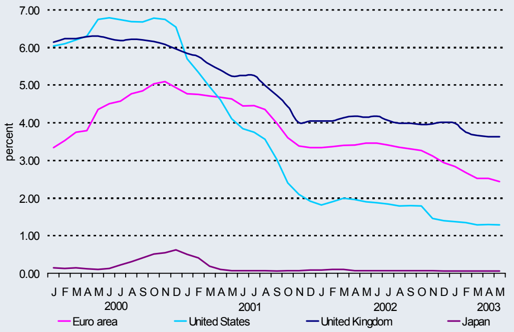
	2002				2003	
Country	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2[2]
United States	1.4	2.2	3.3	2.9	2.1	2.4
European Union	0.4	1.0	1.2	1.4	1.0	-
Euro area	0.3	0.8	1.0	1.2	0.8	0.8
United Kingdom	1.1	1.6	2.2	2.2	2.3	2.2
Japan	-3.1	-0.3	1.6	2.5	2.5	0.8

[1] Percentage change compared with the same period a year earlier.

[2] Estimates.

Source: *Eurostat*
Consensus Forecasts, London: Consensus Economics Inc., May 2003

Chart 2.1
SHORT-TERM INTEREST RATES
(monthly averages)



Source: London interbank offered rates (LIBOR)

decline, as Chart 2.1 shows, although they remained marginally above the federal funds rate throughout the first five months of 2003.

In the euro area output was flat when compared with the previous quarter but expanded by 0.8% over the corresponding quarter a year earlier, as against 1.2% in the December quarter. Growth was mainly driven by household and government expenditure, which rose by 0.3% and 0.2%, respectively, but was dampened by a contraction in investment and exports, which shrank by 1.4% and 0.6%, respectively. Meanwhile, annual consumer price inflation in the euro area eased slightly, reaching 2.2% on average during the March quarter, as Table 2.2 shows.

Against the background of sluggish activity in Germany and other parts of the euro area, the outlook for the euro area remains poor. In fact, the European Commission forecast quarter-on-quarter GDP growth in the second and third quarters of 2003 ranging between zero and 0.4%.

Since the outlook for price stability over the medium term had improved, mainly due to weak growth and the appreciation of the euro, the European Central Bank cut the minimum bid rate in its main refinancing operations twice during the first six months of the year: on March 6 and on June 5. This brought the Bank's refinancing rate down to 2%. During the first five months of 2003, euro area money market rates fell but were somewhat higher than the ECB refinancing rate.

Economic growth in the UK slowed down to 0.2% on a quarter-on-quarter basis during the first three months of the year, as growth in household spending slowed sharply to just 0.4% on the quarter, from 1.1% in the fourth quarter of 2002. Government spending, which rose by 1.4% on the quarter, made up for the slowdown. On an annual basis, however, the British economy expanded by 2.3%, on a par with the rates recorded during the previous two quarters. At the same time, consumer price inflation rose to an average of 3% in the first quarter, from 2.6% in the fourth quarter of last year. Furthermore, the IMF lowered its 2003 growth estimates for the British economy to 2% from 2.2%.

Although inflation had moved above the UK Government's target due to large rises in fuel and housing prices, the Bank of England considered these contributions to inflation as temporary. Therefore, against a backdrop of weak domestic and global demand, the Bank in February reduced its repo rate by 25 basis points to 3.75%. Meanwhile, UK money market rates remained below the Bank's repo rate throughout the first five months of the year.

In Japan GDP registered zero growth in the first three months of 2003 on a quarter-on-quarter basis, after expanding by 0.5% in the previous quarter. On an annual basis GDP growth remained unchanged at 2.5%. A sharp drop in exports offset any contributions to growth made by private consumption, investment and government spending. At the same time, the unemployment rate rose to 5.4% in March, as firms failed to hire more labour.

Concerned with stagnant economic activity, geopolitical uncertainty and the impact of the SARS epidemic on Asia, the Bank of Japan eased monetary policy during March, April and May, when it raised the target balance of current

Table 2.2
INFLATION[1]

Country	2002 Qtr. 1	2002 Qtr. 2	2002 Qtr. 3	2002 Qtr. 4	2003 Qtr. 1	2003 Qtr. 2[2]
United States	1.2	1.3	1.6	2.2	2.8	2.4
Euro area	2.6	2.1	2.1	2.3	2.2	1.9
United Kingdom	2.4	1.9	2.0	2.6	3.0	2.8
Japan	-1.4	-0.9	-0.8	-0.5	-0.6	-0.6

[1] Percentage change in consumer prices compared with the same period a year earlier.
[2] Estimates.

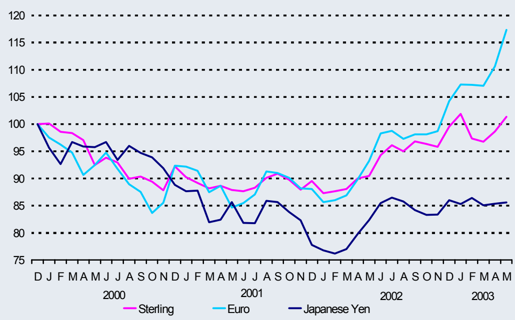
Source: Reuters
Consensus Forecasts, London: Concensus Economics Inc. (May 2003)

accounts held at the central bank. Meanwhile, as can be seen from Chart 2.1, Japanese money market rates remained stable at just above zero throughout the period from January to May.

Foreign Exchange Markets

The US dollar's depreciation against the euro was the most notable feature of foreign exchange markets during the March quarter, as Chart 2.2 shows. The weakening of the dollar was mainly linked to a relatively subdued macroeconomic performance in the United States and geopolitical uncertainty. Thus, as Table 2.3 shows, the dollar lost 2.7% of its value against the euro during the quarter, though it gained ground against the pound sterling and the Japanese yen.

Chart 2.2
EXCHANGE RATE MOVEMENTS OF SELECTED CURRENCIES AGAINST THE US DOLLAR
(index of end-of-month rates, end-1999=100)



Source: Reuters

During January, the dollar depreciated sharply against the euro and sterling, as investors became more wary about the possibility of an economic recovery in the United States. This nervousness was mostly fuelled by prolonged uncertainties in the financial markets, higher oil prices, and the risk that companies would postpone investment. Furthermore, the reluctance of the ECB and the Bank of England to ease monetary policy preserved a significant interest rate premium of the euro and sterling over the US currency.

In February, however, the dollar stabilised against the euro as a series of mixed economic data releases in the United States and delays to the outbreak of the war in Iraq improved investors' sentiment towards the United States currency. Concurrently, sterling depreciated against the dollar and the euro as the Bank of England unexpectedly eased monetary policy and trimmed its growth forecast. Meanwhile, the Bank of Japan intervened heavily in the foreign exchange market to prevent an appreciation of the yen against the dollar.

During early March the dollar lost further ground

Table 2.3
EXCHANGE RATES AGAINST THE US DOLLAR DURING THE MARCH QUARTER 2003

	US$/euro	US$/Stg	Yen/US$
Average for January	1.0628	1.6167	118.77
Average for February	1.0773	1.6108	119.33
Average for March	1.0815	1.5848	118.57
Average for the quarter	1.0739	1.6041	118.89
Closing rate on 28.03.03	1.0766	1.5671	119.99
Closing rate on 31.12.02	1.0488	1.6122	118.71
Lowest exchange rate during the quarter[1]	1.0368 (Jan. 03)	1.5647 (Mar. 28)	116.78 (Mar. 10)
Highest exchange rate during the quarter[1]	1.1041 (Mar. 10)	1.6529 (Feb. 05)	121.29 (Feb. 11)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 31.12.02 to closing rate on 28.03.03	2.7	-2.8	-1.1

[1] The high/low exchange rates are daily opening or closing rates of the relevant currencies.
Source: Central Bank of Malta

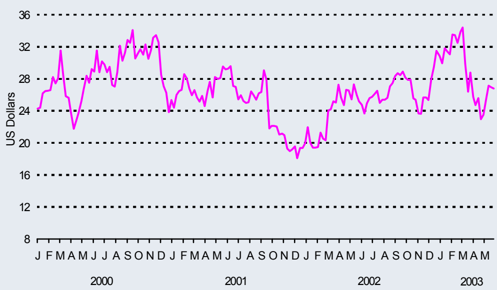
against the euro and sterling due to a fresh release of weak economic data and after comments made by the US Treasury Secretary about the dollar's value. Towards mid-March, however, the dollar appreciated sharply across the board as financial markets expected a swift and successful war in the Gulf region. By the end of quarter, however, the dollar resumed its downward trend, as the markets expected the war in Iraq to last longer, while the global economic outlook deteriorated.

In April and May the dollar lost further ground against the euro and sterling, as Chart 2.2 shows. Higher interest rate differentials on assets of other economies, an increase in the unemployment rate, along with strong scepticism about the American authorities' commitment to a strong currency policy adversely affected the US currency.

Oil

Oil prices continued to rise during most of the first quarter of 2003, supported by output disruptions in Venezuela, a sharp decline in US

Chart 2.3
OIL ($/BARREL)*
(end of week)



* Brent Blend
Source: The Economist, The Financial Times

crude oil stocks and the possibility of a conflict in Iraq. As a result, the price of Brent blend, a benchmark price, peaked at $34.41 at the beginning of March, or 9.3% above its end-December value. However, Brent prices fell sharply by the end of the quarter and, as Chart 2.3 shows, they plunged during the following quarter as the war in Iraq came to an end and OPEC raised production quotas in order to offset any fall in output resulting from the conflict. Consequently, Brent blend stood at $26.79 per barrel in early June, down by 14.9% from its end-December level.

Box 1: DEVELOPMENTS IN INTERNATIONAL ECONOMIC CO-OPERATION

Meeting of the Council of the European Union

On May 13 the European Union's Council of Ministers of Economic and Financial Affairs (ECOFIN) met in Brussels under the auspices of the Greek presidency. The Council discussed several issues – such as the preliminary draft community budget for 2004, the Stability and Growth Pact, economic and fiscal implications of ageing populations and taxation. With respect to the preliminary draft community budget the Commission is to prepare a package allowing the July ECOFIN Council to adopt a draft budget for 2004. The budget will take fully into account the forthcoming enlargement of the European Union in May 2004.

In the context of the cycle of reviewing Member States' updated stability and convergence programmes, the Council adopted an Opinion on the Stability Programme of Austria. The aim of these updated programmes is to provide information on how Member States intend to meet the objectives of the Pact, in particular the medium-term goal of Government budgets close to balance or in surplus. They also provide an indication of how the Member States have complied with the relevant recommendations of the Broad Economic Policy Guidelines (BEPGs), which focus on macroeconomic stability and growth, reform of the labour market and the market for goods and services.

With respect to economic and fiscal implications of ageing populations, the Council invited the Economic Policy Committee (EPC) to continue its work on the overall impact of ageing populations on public finances. The Council also held an orientation debate on deductibility of VAT.

EBRD Annual Meeting

On May 4-5 the European Bank for Reconstruction and Development (EBRD) held its Twelfth Annual Meeting in Tashkent, Uzbekistan. On this occasion, the Bank's Board of Governors confirmed that 2002 was another successful year for the Bank. In fact, despite the global economic slowdown the EBRD achieved the highest lending volume ever, while shifting its operations eastwards and focusing more on the countries that need greater help. Furthermore, the Board stressed the important role of the Bank of advancing economic and political transition in Eastern Europe and the former Soviet Union. In its final remarks, the Board suggested that the international community needed to reassess policies that affected developing countries, such as trade rules, and at the way in which it provided assistance.

IMF and World Bank Spring Meetings

On April 12-13 Finance Ministers and Central Bank Governors met in Washington DC for the Spring Meetings of the International Monetary and Financial Committee and the Development Committee of the IMF and the World Bank.

Meeting at a time of economic uncertainty, the International Monetary and Financial Committee reaffirmed its commitment to close international co-operation to strengthen confidence and support the global recovery. The Committee also said that in the advanced economies, sound fundamentals and policies should deliver stronger growth in the second half of the year. With inflationary pressures well contained, monetary policies should remain accommodative, and in many countries there was room to ease monetary policy further if needed. On the fiscal side, automatic stabilisers should be generally allowed to operate, though in many countries action was needed to address medium-term fiscal pressures, including those arising from ageing populations.

Meanwhile, the Committee stated that emerging countries would need to strengthen their policies aimed at macroeconomic stability and structural reforms and to build up their resilience to adverse global developments. Furthermore, the Committee said that the sustained implementation of sound policies, supported by strong ownership and the Monterrey Consensus, would remain key to reducing poverty and meeting the Millennium Development Goals (MDGs). These goals were agreed upon by world leaders at the Millennium summit in September 2000 in order to reduce poverty and improve living standards worldwide. On crisis prevention, the Committee reiterated the importance it attached to the strengthening of the IMF's crisis prevention capacity and welcomed the steps taken in many countries to improve economic resilience and financial stability. The Committee noted in particular the progress made in the standards and codes process and the Financial Sector Assessment Program (FSAP), and called on the IMF to continue to move forward with these initiatives to strengthen members' institutions, policy frameworks and financial sectors, including through technical assistance.

The Development Committee met to review the progress made in implementing the strategies, partnerships and actions agreed in Monterrey and Johannesburg to achieve the MDGs. The Committee noted that since its previous meeting, the global environment had become more uncertain. Slower economic growth, the war in Iraq and failure to make more substantive progress on the Doha Development Agenda added to the challenge of implementing the global development agenda. The Committee emphasised the need for policies by both developed and developing countries in partnership to generate stronger economic growth, complemented by actions to enhance the capacity of poor people to participate in growth and access key social services. Finally the Committee stressed the fact that trade remained crucially important to growth and poverty reduction, and at a time of global uncertainty, it was even more important to demonstrate that multilateral co-operation could succeed in meeting the targets set for the Doha Development Agenda.

3. OUTPUT, PRICES AND EMPLOYMENT

After having stalled during the final quarter of 2002, the economy contracted in the first quarter of 2003, reflecting a sharp deterioration in the external balance. The turnover of the export-oriented sectors, in fact, declined during the quarter, halting the positive trend that had emerged during the second half of 2002. However, a significant rise in imports of industrial supplies and capital goods suggests that firms perceived this drop to be a temporary blip caused by transitory factors, such as the Iraq crisis. Economic activity may also have been negatively affected by the domestic political uncertainty that preceded the EU referendum and the general elections. This is borne out by the fact that growth in private consumption remained sluggish, in spite of the expansionary fiscal stance and a significant rise in employment income. The latter was accompanied by a drop in unemployment, although firms continued to hire additional persons on a part-time, rather than a full-time basis. The headline inflation rate also declined further, reaching its lowest level in more than ten years.

Gross Domestic Product

The Maltese economy contracted during the first quarter of 2003. GDP at factor cost, which is the sum of profits and employment income, in fact declined by 0.3%,[1] as some sectors were hit by an

Table 3.1
SOURCES OF GDP GROWTH BY INDUSTRY[1]

%

	2002				2003
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1
GDP at factor cost	**1.0**	**1.9**	**2.2**	**2.6**	**-0.3**
of which:					
Agriculture and fisheries	0.0	-0.1	0.0	1.1	0.3
Construction and quarrying	0.4	0.5	0.2	0.2	0.1
Manufacturing	-2.1	-0.2	2.2	1.5	-0.2
Transport and communication	-0.4	-0.8	0.5	-0.1	-1.2
Wholesale and retail	-0.1	0.6	0.4	0.2	0.7
Insurance, banking and real estate	1.5	0.9	-1.5	-1.1	0.1
Government enterprises	0.4	1.0	-0.2	0.7	-0.1
Public administration	0.6	0.7	0.4	0.3	0.9
Property income	0.3	-1.0	-0.2	-0.6	-1.6
Private services	0.4	0.3	0.4	0.5	0.7
GDP at current market prices	**1.9**	**3.5**	**3.3**	**1.3**	**-0.8**

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

Source: National Statistics Office.

[1] This was the first drop in income-side GDP since the first quarter of 1997.

abrupt drop in demand. This resulted in a 6.5% contraction in profits, mainly in the manufacturing and the transport and communications sectors. The climate of uncertainty that pervaded the global economy prior to the war in Iraq was undoubtedly one of the main factors behind this development, although the political uncertainty on the domestic front ahead of the referendum on EU accession and the subsequent announcement of early general elections probably also contributed. In particular, the latter may have depressed private consumption, which grew by a mere 1.8%, even though employment income increased by 4.9% during the quarter. It should be noted, however, that while earnings from employment rose significantly during the period, household disposable income was negatively affected by a 15.8% drop in property income. To a large extent, the latter reflected the lower interest rates on public debt - which also depressed the profits of the banking, insurance and real estate sector, a major holder of Government securities.

As can be seen from Table 3.2, Malta's real GDP had grown continuously throughout 2002 before the first quarter reversal. The latter essentially reflected a decline in exports of goods and services, as growth in both manufacturing turnover and tourism earnings decelerated sharply compared with the preceding quarters. At the same time, net transport payments rose substantially, reflecting both the higher freight costs associated with a significant increase in imports and a substantial drop in receipts. The air

Table 3.2
GDP GROWTH BY CATEGORY OF EXPENDITURE

%

	2002				2003
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1
Year-on-year percentage changes in real terms					
Private consumption expenditure	6.4	2.6	3.0	-1.3	1.8
Government consumption expenditure	7.6	7.1	0.5	-4.4	15.9
Gross fixed capital formation	-13.4	4.5	-3.8	-3.3	10.2
Exports of goods and services	-7.9	-5.8	4.9	9.9	-0.9
Imports of goods and services	-14.1	3.4	1.9	0.5	9.1
Growth in real GDP	**0.2**	**2.1**	**2.3**	**0.1**	**-1.9**
of which: [1]					
Private consumption expenditure	3.9	1.7	2.0	-0.9	1.2
Government consumption expenditure	1.4	1.3	0.1	-0.8	3.2
Gross fixed capital formation	-3.4	1.1	-0.8	-0.8	2.2
Inventory changes	-8.6	6.5	-1.7	-5.0	-0.1
Exports of goods and services	-7.0	-5.4	4.4	8.0	-0.7
Imports of goods and services [2]	13.9	-3.2	-1.6	-0.4	-7.7

[1] 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.

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

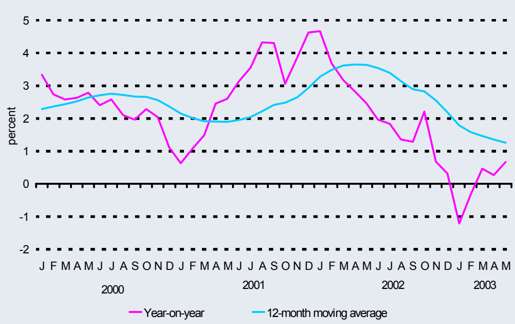
Source: National Statistics Office.

transport sector, in fact, reported a noticeable contraction in profits during the quarter, partly because the volume of tourists dropped by 3.2%.[2] Cruise liner traffic also dropped sharply on a year-to-year basis, with the number of cruise passengers visiting Malta falling by nearly 41%.

Despite the drop in exports of goods and services, imports rose by 9.1% in real terms. This mainly reflected an increase in imports of industrial supplies, as well as a rebound in imports of machinery that suggests that firms were upgrading their productive capacity. Imports of consumer goods were also up. In fact, as can be seen from Table 3.2, GDP growth was not dampened by a further reduction in inventories during the quarter. This may, in part, reflect a reported improvement in the terms of trade, as import prices declined slightly, while export prices rose for the first time since 2000.

Though private consumption expanded during the quarter, reversing the drop registered in the previous three months, the growth rate remained well below that recorded in the first three quarters of 2002, in spite of a substantial acceleration in Government expenditure and a widening of the fiscal deficit.

Chart 3.1
RETAIL PRICE INFLATION



Source: National Statistics Office

Retail Prices

As from January 2003, the National Statistics Office (NSO) introduced a new Retail Prices Index (RPI) series based on the 2000 Household Budgetary Survey. The new series, which takes December 2002 as its base, indicates that the downward trend in the headline rate of inflation observed since May 2002 continued into the first quarter of 2003. In fact, the twelve-month moving average rate of inflation fell to 1.46% in March from 2.19% in December, as Chart 3.1 shows. This decline in the headline rate of inflation was underpinned by sharp falls in the year-on-year change in the RPI. In fact, year-on-year inflation was negative in January and February, due to sharp falls in the prices of clothing and footwear, although in March it rose to 0.46%, slightly above the December level.

The spike in year-on-year inflation in March was primarily driven by higher food prices. In fact, the food sub-index increased by 3.3% during the quarter, following the 2.7% decline registered in the previous quarter. This rise was mainly attributable to increases in the average prices of fresh fruit and vegetables, as the irregular rainfall resulted in lower yields. In fact, the volume of domestic agricultural produce traded through the wholesale markets was down by 12.1% from the previous year's level. In addition, the Maltese lira's depreciation against the euro and higher inflation overseas may also have pushed up the prices of imported foodstuffs. Higher premiums on health insurance services also contributed to the March rise in the index.

On the other hand, the prices of clothing and footwear fell sharply during the quarter, as prices were slashed to a much greater extent than usual during the annual sales. This was the main factor behind the negative year-on-year inflation registered during January and February, although the abolition of the remaining levies on imports of

[2] Mainly due to the fact that Easter fell in April this year.

Table 3.3
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI
Year-on-year percentage changes

	Mar. 2002	Dec. 2002	Mar. 2003
Food	3.9	-2.7	3.3
Beverages and tobacco	9.0	5.4	5.3
Clothing and footwear	1.9	-6.0	-10.5
Housing	3.3	3.2	1.2
Water, electricity, gas and fuels	5.2	5.1	0.2
H/hold equip. & House maint. cost	0.5	-0.2	-2.1
Transport and communication	1.3	1.6	-0.3
Personal care and health	3.4	2.7	1.8
Recreation and culture	2.8	3.8	1.1
Other goods and services	0.7	2.8	3.3
All items	**3.2**	**0.3**	**0.5**

Source: National Statistics Office

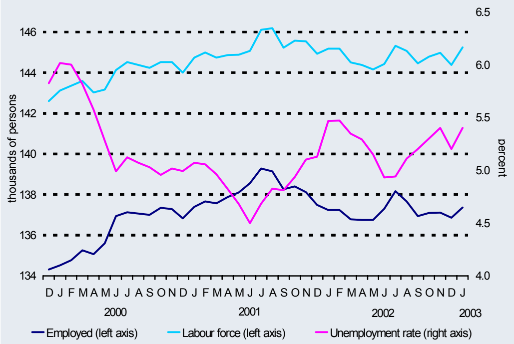
manufactured goods as from the beginning of January, which led to a fall in the prices of durable household goods, also contributed. Transport and communication prices, which have a 23% weight in the new RPI, also declined, while prices of all the remaining sub-indices rose at a slower pace than in the previous quarter.

Whereas the year-on-year inflation rate registered a slight increase during the quarter, the Central Bank's measure of underlying inflation, which focuses on those RPI sub-indices that tend to show persistent changes, decreased considerably during the same period. Meanwhile, year-on-year inflation fell further in April, although in May, the most recent month for which data are available, the year-on-year inflation rate accelerated somewhat. This was mainly attributable to increases in the prices of food and of personal care and health. However, due to the low year-on-year inflation rates registered since mid-2002, the moving average measure of inflation continued to decline, and it is expected to continue to do so during the third quarter.

The Labour Market[3]

Data compiled by the Employment and Training Corporation (ETC) indicate that, on a year-on-year basis, the labour supply, the number of the registered unemployed and that of full-time employees remained broadly unchanged in January, while the unemployment rate eased by 0.1% from the 2002 level. In the course of the year, public sector employment declined

Chart 3.2
LABOUR MARKET TRENDS



Source: National Statistics Office

[3] Statistics for February and March were not available at the time of writing.

Table 3.4
LABOUR MARKET DEVELOPMENTS
Number of persons

	Jan. 2003	Change over Dec.	Annual change
Labour supply	**145,241**	**862**	**-26**
Unemployed	**7,879**	**363**	**-61**
Unemployment rate (%)	**5.4**	**0.2**	**-0.1**
Gainfully occupied	**137,362**	**499**	**35**
of which:			
Private direct production	**37,886**	**181**	**-59**
including:			
Agriculture & fisheries	2,236	21	41
Quarrying, construction & oil drilling	6,848	45	95
Manufacturing	28,802	115	-195
Private market services	**50,817**	**289**	**967**
including:			
Wholesale & retail	15,659	63	337
Insurance & real estate	1,277	-6	-21
Transport, storage & communciations	6,099	14	44
Hotels & catering establishments	8,950	-19	-19
Community & business	11,605	70	533
Others	7,227	167	93
Public sector	**47,590**	**34**	**-811**
including:			
Government departments	30,298	-29	-405
Armed Forces, R.S.C. & Airport Co.	1,680	95	42
Government-controlled companies	7,633	-77	-119
Independent statutory bodies	7,970	45	-329
Temporarily employed	**1,069**	**-5**	**-62**

Source: National Statistics Office

substantially, following the early retirement schemes offered to workers in the shipbuilding and ship repair sectors. Meanwhile, employment in manufacturing contracted as export-oriented firms continued to be negatively affected by the global economic slowdown, while several locally-oriented firms downsized their labour force as part of their restructuring programmes. However, these drops were mitigated by substantial increases in employment in the wholesale and retail trades and the community and business sectors.

ETC data for May 2003 show that the number of people registering for work at the end of that month stood at 7,321, down from 7,879 in January and below the level recorded in May of the previous year. The decrease was spread across all age brackets and mainly involved those who had

Table 3.5
MANUFACTURING PERFORMANCE - SELECTED INDICATORS[1]

Lm millions

	Jan. - Mar. 2002	Jan. - Mar. 2003
Change in exports	**-32.7**	**6.0**
of which:		
Radio, T.V., telecom, etc.	-36.3	2.9
Electrical machinery	-0.9	-0.7
Printing and publishing	1.4	2.3
Other	3.1	1.4
Change in local sales	**3.6**	**1.3**
of which:		
Tobacco	-0.5	0.3
Clothes	0.1	-0.3
Food and beverages	0.8	1.2
Other	3.1	0.1
Change in net investment	**-1.1**	**-0.8**
of which:		
Food and beverages	-0.3	0.6
Printing and publishing	0.1	0.0
Furniture	1.1	0.5
Other	-2.0	-2.0

[1] Figures in this Table represent the change over the same quarter of the previous year.
Source: National Statistics Office

been registering for a short time only.

Meanwhile, the results of the Labour Force Survey (LFS) carried out by the NSO in the third week of March showed an improvement in labour market activity. In fact, contrary to the ETC data, the LFS indicated that unemployment had fallen to 6.6% in March, from 6.8% in December and 7.7% in March 2002. The creation of almost five thousand full-time as well as part-time places of work accommodated a decline of 1,397 in the number of unemployed as well as an increase of 3,516 in the economically active population. The activity rate, defined as the proportion of the working age population that participates in labour market activity, rose by 1.2 percentage points, year-on-year, to stand at 58.6%. As regards average gross salary levels, the LFS results show an increase of 0.2% over the previous year's level, which is slightly less than the rate of inflation. At face value this implies a decrease in real wages, but it might simply reflect changes in the composition of the sample.

Manufacturing

For the third consecutive quarter, manufacturing activity increased during the first quarter of 2003, albeit at a slower pace than in the previous quarter. In fact, turnover in manufacturing stood at Lm243 million, up by 3.1% from the year-ago level, compared with the 6.3% annual growth registered in the December quarter. Underlying the increase were sales by the radio, t.v. and telecom, the printing and publishing, as well as the food and beverage sub-sectors. Despite the continuing decline in employment in manufacturing, however, the wage bill for the sector rose substantially. At the same time, investment in manufacturing was marginally down from the year-ago level.

As can be seen from Table 3.5, export sales grew by Lm6 million on a year-on-year basis, as the semiconductor industry, the largest component of the manufacturing sector, continued to recover from the downturn experienced in 2001 and early 2002. This notwithstanding, the recovery seemed to be losing momentum, as the increase in sales during the quarter under review was smaller than that recorded in the December quarter. In contrast, firms in the printing and publishing sub-sector reported their highest-ever level of export sales. At Lm8.9 million, these were 35.2% higher than in the same quarter a year ago. Improvements in export performance were also registered by firms producing medical and precision equipment, textiles and food and beverages. By contrast, firms producing electrical machinery reported lower sales.

Meanwhile, local sales were up by 1.3% from the year-ago level, driven mainly by higher sales of food and beverages. The latter were partly offset by drops in sales of furniture and clothing.

Notwithstanding the increase in manufacturing activity, employment in the sector continued to decline. The major reason behind this was the shedding of workers by enterprises in the clothing and leather and plastic and rubber sub-sectors as a result of restructuring. By contrast, the textile and electronics sub-sectors continued to expand with the latter currently employing over 15% of the labour force in manufacturing. Meanwhile, the quarterly wage bill for the entire manufacturing sector rose by 8.6%.

The domestic uncertainty referred to above may partly explain why investment in manufacturing dropped by Lm0.8 million from the year-ago level during the quarter under review. This, coupled with spare capacity, may explain why enterprises producing electronic components and textiles cut their investment spending despite employing additional workers. By contrast, firms in the food and beverages sub-sector, as well as those in the furniture industry, reported an increase in net investment, possibly in response to the removal of import levies.

Tourism

Despite the instability in the Middle East and the outbreak of the SARS epidemic, the recovery in tourism observed during the fourth quarter of 2002 continued into the first four months of 2003. Thus, while failing to reach the levels recorded in 2001, tourist arrivals during January – April were up by 2.2%, on year-ago levels, as Table 3.6 shows, while gross earnings from tourism rose by 8.3%. At the same time however, the number of cruise liners was significantly lower than in the same period in the previous two years.

Arrivals from Malta's main source market, the UK, continued to trend upwards, rising by over 9% when compared to the same four months in 2002. Indeed, the intensive promotional efforts targeted at this market seem to be yielding results. At the same time, the number of arrivals from Germany, Malta's second largest source market, remained stable, while arrivals from Austria increased significantly. Other notable increases were recorded in the number of Belgian and Swiss tourists. On the other hand, the positive trend in the Italian market observed during 2002 seems to have stalled, with 1,895 fewer Italians visiting the island during the first four months of 2003, while drops were also registered in arrivals from France and the Netherlands. Meanwhile, arrivals from Libya continued to decline, dropping by more than a quarter from last year's level.

A survey recently conducted by the Malta Hotels

Table 3.6
TOURIST ARRIVALS BY NATIONALITY

	Jan. - Apr. 2003		
	Arrivals	Annual Growth (%)	Share (%)
UK	113,292	9.2	41.5
Germany	39,986	0.7	14.7
France	18,128	-9.8	6.6
Italy	17,496	-9.8	6.4
Netherlands	9,014	-6.9	3.3
Scandinavia[1]	10,763	0.9	3.9
Austria	8,855	36.2	3.2
Belgium	4,845	15.1	1.8
Switzerland	6,445	24.8	2.4
Libya	5,315	-25.9	2.0
Others	38,775	-4.5	14.2
Total	**272,914**	**2.2**	**100.0**

[1] Denmark, Finland, Norway and Sweden.

Source: National Statistics Office

and Restaurants Association (MHRA) indicates that during the first quarter of 2003 hotel occupancy[4] declined by 5% in the 5-star and 3-star hotel categories, but improved slightly in the 4-star sector. However, it should be borne in mind that during this period the supply of rooms in 5-star hotels rose significantly as a former 4-star hotel was upgraded to the higher category while a new 5-star hotel commenced operations. In fact, the number of 5-star room nights sold increased, while that of the 4-star room nights decreased. In addition, conference incentive travel fared worse than in 2002 during the period, as a number of conferences were cancelled on account of the war in Iraq and the SARS epidemic. According to the survey, bookings are expected to pick up in the second quarter, though downward pressure on selling prices was likely to persist.

Short-term Outlook

While the official GDP figures show that the Maltese economy contracted during the first quarter of 2003, a closer analysis of the various macroeconomic indicators suggests that the situation may improve later in the year. The decline in exports of goods and services was, in fact, primarily brought about by a sharp fall in net receipts from transportation. To a large extent this reflected such factors as the uncertainty that preceded the Iraq war, and in the case of the tourism industry, the timing of Easter and, possibly, the initial panic that followed the outbreak of SARS. The negative influence of these factors, however, appears to be dissipating quite rapidly.

Despite the fact that forecasts of global economic growth continue to be revised downwards,

[4] Defined as room nights sold as a proportion of room nights available.

domestic firms appear to remain confident of an eventual pick-up in demand. This is attested by the fact that gross fixed capital formation rose substantially during the March quarter, even though most firms may still be operating below capacity. Furthermore, the surge in imports of industrial supplies suggests that manufacturing enterprises are projecting an increase in demand. Besides, the results of the latest business perceptions survey carried out by the Central Bank[5] indicate that sentiment has rebounded substantially.

This in part reflects the fact that the survey was carried out in the immediate aftermath of the general elections, which closed the debate on Malta's EU accession. The uncertainty that preceded the elections may have dampened private consumption growth, which, in fact, reacted only marginally to the considerable fiscal stimulus observed during the first quarter. Household expenditure on goods and services, however, is not expected to accelerate significantly in the coming months, as the fiscal deficit should narrow substantially later in the year.

Nevertheless unemployment should continue to decline, as operators in both manufacturing and tourism are expecting increased activity during the second half of the year. At the same time, retail price inflation should remain relatively low, as foreign prices are expected to remain stable.

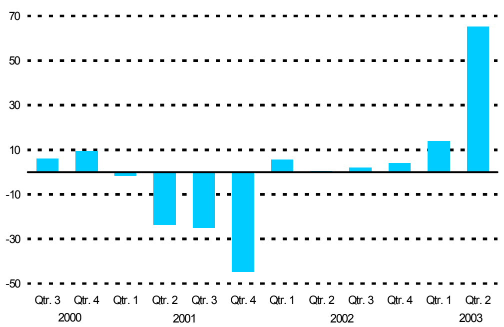
[5] The results of which are presented in more detail in Box 2 below.

Box 2 : BUSINESS PERCEPTIONS SURVEY

Introduction

The results of the latest business perceptions survey carried out by the Central Bank were to a large extent conditioned by the uncertain political climate, both locally and abroad, that characterised the start of 2003. The survey, which was conducted between April and May, indeed suggests that whereas the performance of the locally-oriented sectors during the March quarter was fairly muted, there was a rebound in activity following the general elections in April. Similarly, business sentiment rose markedly across a broad spectrum of surveyed enterprises following the elections. A similar mood change was also registered in the externally-oriented sectors, both manufacturing and tourism, where operators were projecting increased turnover during the second quarter, following the fairly rapid conclusion to the war in Iraq.

Chart 1
EXPECTATIONS ABOUT THE ECONOMIC SITUATION OVER THE NEXT 6 MONTHS*



*Figures indicate "improve" responses net of "deteriorate" responses.
Results are weighted by employment.

Business Sentiment – Second Quarter 2003

As can be seen from Chart 1, optimism surged during the second quarter of 2003, reaching the highest level ever since this survey was first undertaken. This surge in optimism probably reflected relief that many elements that had contributed to increase uncertainty during the first months of the year had dissipated fairly quickly. On the domestic front, the electoral consultations, which in Malta tend to have a distinct impact on the pace of economic activity, were concluded. In fact, the reported upsurge in sentiment resembles closely what had happened following the 1998 general elections.[1] Looking at the various locally-oriented sectors, the survey suggests that optimism has risen substantially amongst operators in the distributive trades, construction and, in particular, real estate. There also was a notable comeback in the business confidence of financial and industrial services firms. Interestingly, this upturn was less strongly felt amongst manufacturing establishments catering for the domestic market. As regards the externally-oriented sectors, the survey indicates a sharp pick-up in sentiment amongst manufacturing firms, particularly those in the machinery and equipment sub-sector,[2] and among firms in the tourism industry. Sentiment had been improving gradually in these sectors, and the quick resolution of the war in Iraq, which had initially been perceived as a substantial threat to global stability, may have helped to accelerate this trend.

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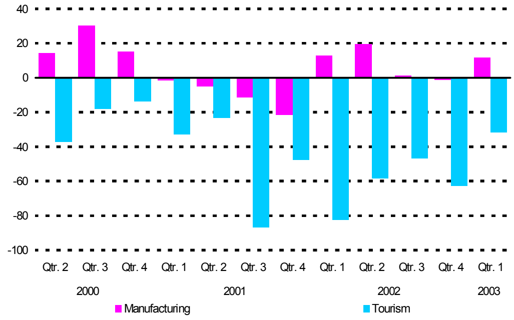
[1] The net balance of optimistic *vis-à-vis* pessimistic firms rose to 65.2 from the previous 13.9. In 1998 the balance shifted from –36.8 to 30.1 immediately after the elections.

[2] Which includes electronics.

Chart 2
ACTIVITY IN THE EXPORT SECTOR*



*Figures indicate "above normal" responses net of "below normal" responses.
Results are weighted by export sales.

Activity Levels – First Quarter 2003

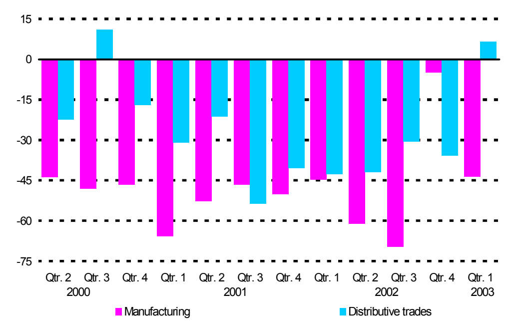
Export-oriented sectors

Chart 2 illustrates the net balance of export-oriented respondents indicating that their total order book/activity level at the time of the survey was above normal.[3] Both the tourism and manufacturing sectors reported a clear pick-up in activity compared with the previous quarters.

In line with the expectations expressed in the previous survey, the sales of the export-oriented manufacturing sector rose by 2.3% during the first quarter of 2003. Whereas the growth in turnover registered in the food and beverage and the machinery and equipment sub-sectors was below that projected in the preceding survey,[4] the out-turn for export-oriented clothing and footwear manufacturing establishments was much better than expected. Paper and printing firms also reported higher export sales. This recovery in turnover, however, had only a limited impact on profitability levels, as overall profits in manufacturing rose by just 0.7%. Selling prices, especially in the machinery and equipment sub-sector, in fact fell once again. Furthermore, the average cost of labour continued to rise, with its growth rate (2.8%) exceeding the rise in turnover. Overall employment increased during the quarter, although certain sub-sectors, notably clothing and footwear, reduced the number of their employees.

Meanwhile, survey participants from the tourism sector indicated that for the first time since the September 11, 2001 events, turnover increased during the quarter. The reported increase, which was slightly higher than 2%, was unexpected, as firms had projected a slight decline in the previous survey. In reaction to this development, respondent firms increased employment levels, which had been reduced significantly in previous quarters. This dented profits, which were also affected by a deterioration in operating margins. In fact, although operators in tourism reported an increase in selling prices during the quarter, this rise was outstripped by that of the cost of labour, which is the major item in the industry's cost structure.

Chart 3a
ACTIVITY IN THE DOMESTIC SECTOR*



*Figures indicate "above normal" responses net of "below normal" responses.
Results are weighted by local sales.

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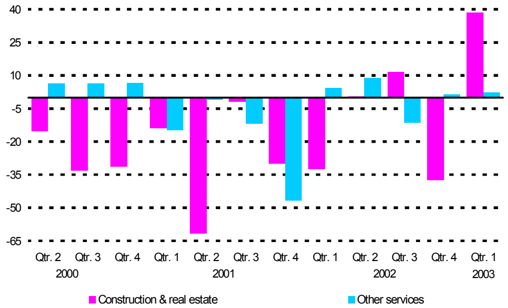
[3] Respondents are asked to take into account seasonal variations and price changes when answering this question. In practice, however, these factors may be difficult to ascertain.

[4] In fact, inventory levels in machinery and equipment rose by double the expected margin.

Chart 3b
ACTIVITY IN THE DOMESTIC SECTOR*



*Figures represent "above normal" responses net of "below normal" responses. Results are weighted by local sales.

Locally-oriented sectors

In the previous survey, which had been carried out in the first months of 2003, locally-oriented manufacturing establishments had predicted a 1% increase in sales for the first quarter. The latest survey, however, indicates that these expectations failed to materialise, as sales actually fell by 1.2% during the period. This essentially reflected a worse-than-expected performance of the food and beverage sub-sector. The negative effect on profitability levels of this drop in sales was further compounded by a decline in selling prices and an increase in average labour costs. Interestingly, the latter two developments, though in line with what was reported by export-oriented manufacturers, were significantly less pronounced.

The remaining locally-oriented sectors, namely the distributive trades, construction and services, reported that activity during the first quarter of 2003 was relatively moderate, in line with expectations. This lull may appear to be somewhat out of line with the surge in the number of respondents from the locally-oriented sectors reporting above-normal order books, illustrated in Charts 3a and 3b. However, this divergence may be explained by the fact that, prior to the referendum and the subsequent general elections, activity may have slowed down as economic agents delayed non-essential expenditure. As a result, once these events were over, i.e. in the period covered by the latest survey, a surge in activity was registered.[5]

Outlook - Second Quarter 2003

During the second quarter, manufacturing firms are expecting growth in export sales to slow down to 1.5%. While operators in the machinery and equipment sub-sector remain confident of a significant improvement in turnover, paper and printing and clothing and footwear enterprises are forecasting a contraction. However, overall profitability should improve, as prices are expected to stabilise for most sectors, while wage costs should grow more moderately than in the first quarter. Employment is expected to expand at a faster pace, with clothing and footwear firms anticipating no further redundancies. Meanwhile, according to respondents from the sector, the outlook for tourism is quite promising. Turnover is expected to grow by 5% during the quarter, resulting in higher profits and employment.

Locally-oriented firms are also generally optimistic. A recovery in the food and beverages and the furniture sub-sectors should help reverse the drop in sales registered during the March quarter. Though part of the increased revenue generated will be used to finance increased employment, profits are also expected to rise since firms believe that the acceleration in wage costs will abate further. Turnover is also expected to rise across all the other locally-oriented sectors, especially in the distributive trades and in finance and insurance. Profitability is not projected to improve significantly, however, as employment is expected to rise, while respondents (with the notable exception of real estate firms) expect selling prices to remain broadly stable.

[5] The actual question asked in the survey, in fact, concerns the current state of order books or activity, rather than their state in the quarter just ended.

Methodological Notes

1. The results presented in this Box are derived from a survey that was carried out between April and May 2003 among 147 companies. This periodic exercise has been going on since 1995. As much as possible, the sample is kept unchanged between quarters.

2. The surveyed firms employed 16,926 workers (nearly a quarter of all private sector workers) and had an aggregate annual turnover of Lm525.5 million (equivalent to a third of Malta's GDP), of which more than half was exported.

3. The sample was composed of 56 manufacturing firms, 18 tourism-related enterprises, 34 operators in the distributive trades, 12 construction and real estate concerns, and 26 services companies. Thus, the survey has a more comprehensive coverage of manufacturing industry relative to other areas of the economy.

4. Replies are weighted according to three different factors, namely the respondents' relative share of employment, and of local sales and export sales, respectively.

5. In order that the overall results do not simply reflect the replies of the largest business concerns, the weight given to any particular firm in terms of turnover is capped at Lm20 million.

6. The survey is somewhat biased towards medium-sized and large firms, with 50% of all respondents employing more than 50 workers. Thus it may not be indicative of trends affecting small firms.

7. Respondents are asked about their perceptions of the prospects for the Maltese economy during the next six months and the current state of their activity/order books. They are also asked to indicate the approximate percentage change in employment, profitability, sales, imports, finished stocks, average cost of labour and selling prices during the previous quarter, and to make forecasts for the current one.

8. Every six months firms are also asked about their short-term expectations as to inflation and unemployment, and whether they consider the current period to be appropriate to initiate new developments. They are also asked to identify their present level of capacity utilisation/occupancy and if they intend to invest during the following twelve months. In addition, participants indicate the two most important factors limiting investment and to what extent they think a change in the cost of finance would affect them.

4. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

The deficit on the current account of the balance of payments widened considerably in the first three months of the year, mainly as a result of a deterioration in the merchandise trade account.

The capital and financial account continued to register a surplus, but this was less pronounced than in the corresponding period of 2002. At the same time, the official reserves rose further, albeit at a slower rate.

Meanwhile, the persistent appreciation of the euro in international foreign exchange markets resulted in a strengthening of the Maltese lira against the

Table 4.1

EXTERNAL BALANCES [1]

Lm millions

	Jan.-Mar. 2002		Jan.-Mar. 2003	
	Credit	Debit	Credit	Debit
Current account balance		**15.2**		**43.7**
Goods and services	310.7	327.5	310.7	360.4
Goods balance		35.2		62.3
Goods	219.2	254.4	224.4	286.7
Services balance	18.4		12.6	
Services	91.5	73.1	86.3	73.7
Transport	27.8	30.0	21.0	34.9
Travel	41.5	17.3	43.3	15.4
Other services	22.2	25.9	22.0	23.3
Income (net)	5.3		14.5	
Current transfers (net)		3.7		8.6
Capital and financial account balance [2]	**25.8**		**15.4**	
Capital account balance	0.2		0.3	
Financial account balance	25.7		15.1	
Direct investment		163.2	3.6	
Abroad		4.5		1.2
In Malta		158.8	4.8	
Portfolio investment	78.4			63.8
Assets	80.5			64.5
Liabilities		2.1	0.7	
Other investment	110.5		75.3	
Assets	35.9		128.3	
Liabilities	74.6			53.0
Movements in reserves [3]		**25.6**		**1.9**
Net errors and omissions	**15.0**		**30.3**	

[1] Provisional.
[2] Excluding movements in official reserves.
[3] Excludes revaluation adjustments.
Source: National Statistics Office

US dollar, the pound sterling and the Japanese yen.

The Current Account

As can be seen from Table 4.1, the current account deficit widened to Lm43.7 million in the first quarter, in line with the usual seasonal pattern, but significantly higher than that recorded in the same quarter of 2002. This development stemmed mainly from a larger merchandise trade gap, coupled with a lower surplus on services and a wider deficit on current transfers. These movements more than offset an increased surplus on the income account.

Merchandise trade

Compared to the March quarter last year, the merchandise trade gap compiled on the basis of Customs data,[1] which is shown in Table 4.2, widened by Lm25.7 million to Lm84.8 million during the quarter reviewed. This widening reflected a rise in imports that completely outweighed an increase in exports. In April, the merchandise trade gap expanded further as imports continued to grow faster than exports.

During the quarter reviewed, imports increased by Lm29.4 million, or 10.6%, on a year-to-year basis. Industrial supplies accounted for 60% of the increase, suggesting that firms replenished stock levels after a rundown in the second half of last year. Imports of capital and consumer goods also continued to grow, by 13.2% and 5.6%, respectively, as domestic demand increased in the first quarter of the year. Furthermore, the higher imports of fuels and lubricants appeared to be linked to a surge in the price of oil as a result of the geopolitical tensions that marked the first three months of the year.

Table 4.2
MERCHANDISE TRADE
(based on Customs data)

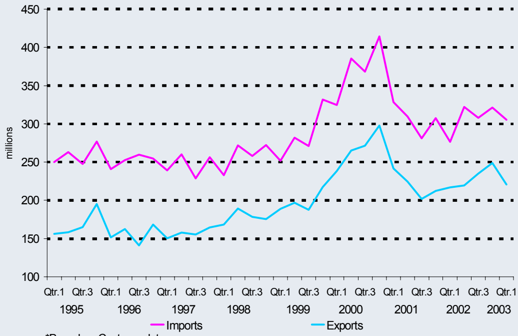
Lm millions

	Jan.-Mar.		Change	%
	2002 [1]	2003 [1]		
Imports	**276.2**	**305.6**	**29.4**	**10.6**
Consumer goods	65.9	69.6	3.7	5.6
Industrial supplies	140.9	158.5	17.6	12.5
Capital goods and others	44.7	50.6	5.9	13.2
Fuel and lubricants	24.7	26.9	2.2	8.9
Exports	**217.1**	**220.8**	**3.7**	**1.8**
Domestic	188.1	192.8	4.7	2.5
Re-exports	29.0	28.0	-1.0	-3.4
Trade balance	**-59.1**	**-84.8**	**-25.7**	**43.5**

Source: National Statistics Office

[1] Customs data are recorded on a cost, insurance and freight basis. These data are then adjusted in the compilation of balance of payments statistics to cater for differences in coverage, valuation and timing. In addition, insurance and freight are allocated to the services account. As a result, the figures for imports and exports shown in Table 4.1 do not tally with those shown in Table 4.2.

Chart 4.1
IMPORTS AND EXPORTS *



*Based on Customs data.

Source: National Statistics Office

The recovery in exports, which had begun in the second half of 2001, was reversed during the quarter reviewed. Exports dropped compared with the previous quarter, as can be seen in Chart 4.1, and rose by just 1.8% over the same quarter last year. Although exports of machinery and transport equipment and of miscellaneous articles rose by 1.6% and 7.8%, respectively, other categories of exports increased only marginally or declined.

Services and income and transfers

The current account deficit also widened because the surplus on services contracted by Lm5.8 million to Lm12.6 million. In turn, this was because the deficit on transportation went up by Lm11.7 million, as charter hire receipts dropped while payments increased. A larger surplus on the travel account partly offset this drop. Travel receipts edged up by Lm1.8 million, although the Easter holidays, which had fallen in March last year, fell in April this year, affecting tourist arrivals. Meanwhile, travel payments decreased by Lm1.9 million.

On the other hand, the income account registered a surplus of Lm14.5 million, up by Lm9.2 million from the corresponding quarter in 2002. Lower profits recorded by foreign-owned firms in Malta led to a drop in investment income outflows and explain most of the increased surplus on this account. Meanwhile, the deficit on current transfers widened by Lm4.9 million as taxes paid by international trading companies fell.

The Capital and Financial Account

After excluding movements in the official reserves, net inflows on the capital and financial account persisted into the first quarter of the year, albeit at a slower rate than that registered in the previous quarter and in the corresponding quarter of 2002. Compared with the March quarter last year, net inflows dropped by Lm10.4 million to Lm15.4 million, as can be seen in Table 4.1. During the quarter, residents reduced their holdings of foreign currency and deposits, resulting in capital inflows. Concurrently, they lowered their loan liabilities to non-residents and invested in foreign debt securities. At the same time, substantial direct investment outflows that had taken place during the corresponding quarter of the previous year were not repeated.

Developments in the financial account were driven mainly by portfolio investment flows, which resulted in net outflows of Lm63.8 million as opposed to net inflows of Lm78.4 million during the March quarter last year. Residents invested funds abroad during the period reviewed, after having reduced their asset holdings in the corresponding period of 2002, and continued to show a preference for debt instruments as opposed to equities. Furthermore, net inflows on the other investment account decreased by Lm35.2 million. Resident banks reduced their outstanding foreign borrowings and whereas non-residents had made large loan repayments to resident banks last year, these inflows did not occur to the same extent during the quarter reviewed. At the same time, residents continued to reduce their holdings of currency and deposits, albeit at a slower pace.

By contrast, the direct investment account recorded net inflows of Lm3.6 million during the first quarter of the year as opposed to net

Table 4.3

MALTESE LIRA EXCHANGE RATES AGAINST SELECTED MAJOR CURRENCIES

Period	Euro	US$	Stg	Yen
Average for Qtr. 1 2003	2.3723	2.5477	1.5889	302.9
Average for Qtr. 1 2002	2.5019	2.1925	1.5376	290.3
% change	-5.2	16.2	3.3	4.3
Closing rate on 28.03.2003	2.3600	2.5411	1.6215	304.9
Closing rate on 31.12.2002	2.3910	2.5074	1.5553	297.7
% change	-1.3	1.3	4.3	2.4

outflows of Lm163.2 million in the same quarter of 2002. This shift was essentially due to high loan repayments made last year by a foreign-owned bank to its parent company overseas, which were not repeated this year.

As Table 4.1 also shows, the official reserves put on Lm1.9 million, rising for the third consecutive quarter, albeit at a much slower pace than in the previous two quarters. Net errors and omissions amounted to Lm30.3 million. Net errors and omissions are volatile, but have generally been positive in recent quarters, implying a possible overestimation of the deficit on the current account or an underestimation of the capital and financial account surplus.

The Maltese Lira

During the quarter under review, the Maltese lira continued to weaken against the euro and to strengthen against the other major currencies, reflecting the persistent appreciation of the euro on international foreign exchange markets. As Table 4.3 shows, the lira dropped by 1.3% against the euro in the first quarter of the year and by 5.2% on average when compared to the first quarter of 2002. Meanwhile, the lira edged up by 4.3% against the pound sterling and by 2.4% and 1.3% against the Japanese yen and the US dollar, respectively. This trend persisted into April and May, as Chart 4.2 shows, as the lira continued to depreciate against the euro and to appreciate

Chart 4.2
EXCHANGE RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES
(index of end-of-month rates, end-1999 = 100)

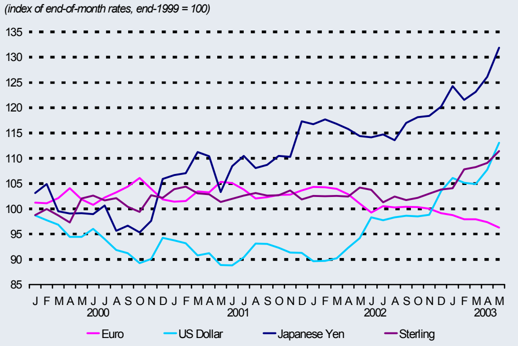
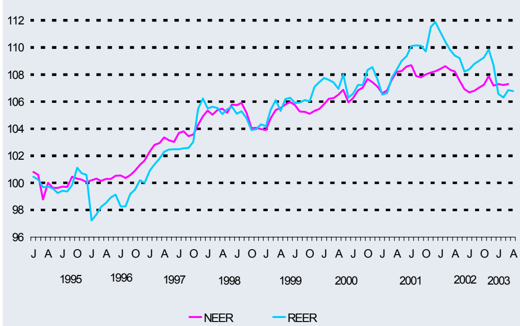


Chart 4.3
REAL AND NOMINAL EFFECTIVE EXCHANGE RATE INDICES FOR THE MALTESE LIRA
(1995 = 100)



against sterling, the US dollar and the yen.

Movements in the nominal (NEER) and real (REER) effective exchange rate indices for the Maltese lira are illustrated in Chart 4.3, which shows that following a trend increase during the second half of the 1990s and into 2001, the REER index has followed a downward path since early 2002.[2] As the Chart also indicates, the NEER index remained relatively stable during the quarter reviewed whilst the REER index dropped by 1.7% as inflation abroad was higher than in Malta. These trends continued into April.

[2] The REER index is computed by adjusting the NEER for movements in consumer prices. A drop in the REER is usually interpreted as signifying a gain of price competitiveness and vice versa.

5. GOVERNMENT FINANCE

The Government reported a deficit on the Consolidated Fund of Lm57.6 million for the March quarter, up by Lm25.7 million from the corresponding period of the preceding year. The deterioration in the fiscal position reflected a small contraction in revenue combined with higher expenditure growth, as can be seen from Chart 5.1. The fiscal imbalance was financed through additional short-term borrowing and new issues of Malta Government stocks.

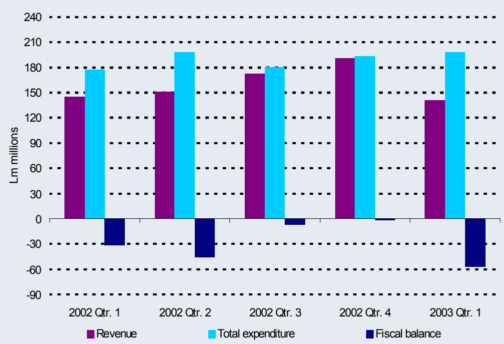
This deterioration in Government finances followed a relative improvement during the previous quarter, when a shortfall of just Lm2.1 million was recorded. However, the deficit for the whole of 2002, at Lm87.7 million, was Lm2.4 million higher than in the previous year.

Meanwhile, data for April indicate a similar trend. In fact, the Government reported a deficit of Lm21.9 million in April, such that the cumulative imbalance for the first four months of the year was Lm30.3 million higher than in the same period of 2002.

Revenue

As Table 4.1 shows, Government revenue during the March quarter was down by Lm3.9 million, or 2.7%, on year-ago levels. This reflected a fall in receipts from income tax, together with marginal, or negative, growth in revenue from other sources.

Chart 5.1
GOVERNMENT FISCAL PERFORMANCE



Source: The Treasury, Central Bank of Malta

Inflows from direct taxation were down by Lm3 million, or 6%. Factors contributing to this decline were the contraction in GDP during the quarter and tax relief measures, as the wider income bands announced in the 2003 Budget came into effect. This drop in receipts was only partly offset by an increase in social security contributions. At the same time, the yield from indirect taxation was almost unchanged from the previous year's level. Income from licences, taxes and fines declined by Lm0.6 million, mainly due to the removal of levies on imports of manufactured goods in January 2003, while VAT receipts were stable. However, revenue from customs and excise duties, boosted by higher duties on tobacco products, edged upwards.

Earnings from non-tax sources dipped by Lm0.7 million. Lower transfers of Central Bank profits, as well as the non-recurrence of income from the Investment Registration Scheme, outweighed additional miscellaneous receipts.

Expenditure

At the same time, Government expenditure rose by Lm21.8 million, or 12.3%, with the increase being more or less evenly distributed between recurrent and capital spending.

Recurrent expenditure rose by Lm11.6 million, or 7.5%. With regard to the cost of personal emoluments, these remained at last year's level. However, this was partly due to the assignment of a separate entity status to Mount Carmel Hospital, Heritage Malta and the Malta Council for Culture and the Arts. In fact, as from January 2003, Government effected direct contributions to these entities, whereas in previous years their costs had been distributed among various other expenditure items. This dampened the increase in the Government's wage bill but boosted expenditure

Table 5.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	2002 Qtr. 1	2003 Qtr. 1	Change Amount	%
REVENUE	**144.9**	**141.0**	**-3.9**	**-2.7**
Direct tax	**50.0**	**47.0**	**-3.0**	**-6.0**
Income tax	26.5	22.4	-4.1	-15.5
Social security contributions [1]	23.5	24.7	1.2	5.1
Indirect tax	**60.1**	**59.8**	**-0.3**	**-0.5**
Value Added Tax	27.7	27.6	-0.1	-0.4
Customs and excise duties	13.2	13.6	0.4	3.0
Licences, taxes and fines	19.2	18.6	-0.6	-3.1
Non-tax revenue	**34.8**	**34.1**	**-0.7**	**-2.0**
Central Bank profits	25.7	24.8	-0.9	-3.5
Other [2]	9.1	9.3	0.2	2.2
RECURRENT EXPENDITURE [1]	**154.5**	**166.1**	**11.6**	**7.5**
Personal emoluments	48.5	48.7	0.2	0.4
Operational and maintenance	12.9	16.0	3.1	24.0
Programmes and initiatives	61.4	69.2	7.8	12.7
Contributions to entities	13.3	16.8	3.5	26.3
Interest payments	18.3	15.3	-3.0	-16.4
Other	0.1	0.2	0.1	100.0
CURRENT BALANCE [3]	**-9.6**	**-25.1**	**-15.5**	**161.5**
CAPITAL EXPENDITURE	**22.3**	**32.5**	**10.2**	**45.7**
TOTAL EXPENDITURE	**176.8**	**198.6**	**21.8**	**12.3**
FISCAL BALANCE [4]	**-31.9**	**-57.6**	**-25.7**	**80.6**

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

[2] Includes grants but excludes revenue from sale of assets and sinking funds of converted loans.

[3] Revenue less recurrent expenditure.

[4] Revenue less total expenditure.

Source: *The Treasury*

on contributions to entities by Lm3.5 million.

Meanwhile, higher spending on medical supplies and utility services led to a Lm3.1 million rise in operational and maintenance expenditure. Programmes and initiatives increased by a substantial Lm7.8 million, as expenditure on extraordinary items, such as the referendum on European Union membership and the general elections, was accompanied by additional outlays on welfare benefits, the agriculture support scheme and the public-private partnership landscaping project. In contrast, interest payments were down by Lm3 million, in part due to the replacement of maturing stock with new issues carrying a lower coupon rate.

Capital expenditure rose by Lm10.2 million despite the non-recurrence of disbursements on the voluntary retirement schemes offered to shipyard workers in the first quarter of 2002. This was mainly on account of increased spending on the new hospital and on the road-upgrading programme.

Government Debt and Financing Operations

The deficit for the first quarter of 2002 was financed through a combination of short-term and long-term borrowing. In fact, as Table 5.2 shows, the amount of Treasury bills outstanding increased by Lm29.9 million and a further Lm27 million was raised in the form of Malta Government stocks (MGS).

Consequently, Gross Government debt at the end of the first quarter of 2003 amounted to Lm1,133.8 million, up by Lm56.9 million from the end-December level. The composition of the debt changed slightly, with the share of Treasury bills in the total rising from 20.3% to 21.9%, while the shares of MGS and foreign loans declined to 74.1% and 4%, respectively.

At the end of March credit institutions held some 45% of the MGS outstanding, while households held almost two-fifths of the Government's long-term domestic debt. The greater part of the remaining stocks were held by other financial intermediaries, such as collective investment schemes and insurance companies. On the other hand, banks held slightly less than nine-tenths of Treasury bills in issue, with other financial entities holding most of the remainder.

Table 5.2
GOVERNMENT DEBT AND FINANCING OPERATIONS

Lm millions

	2002				2003
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1
FISCAL BALANCE	**-31.9**	**-46.6**	**-7.1**	**-2.1**	**-57.6**
Financed by : [1]					
Increase in MGS outstanding	0.0	0.0	0.1	0.0	27.0
Increase in foreign loans	-0.5	-2.0	-0.7	7.9	0.0
Proceeds from sale of assets	0.0	0.0	19.0	8.3	0.0
Contributions to sinking funds	0.0	-5.6	0.0	-5.3	0.0
Sinking funds of converted loans	0.0	0.0	0.0	13.2	0.0
Increase in Treasury bills outstanding	33.6	5.8	-6.5	26.4	29.9
Decrease in Government deposits	4.1	31.6	-45.0	33.7	-34.3
Net cash movement and other funds [2]	-5.3	16.8	40.2	-82.1	35.0
GROSS GOVERNMENT DEBT	**1,045.8**	**1,049.6**	**1,042.6**	**1,076.9**	**1,133.8**
Malta Government stocks	812.9	812.9	813.0	813.0	840.0
Treasury bills	193.1	198.9	192.4	218.8	248.7
Foreign loans	39.9	37.9	37.2	45.1	45.1

[1] 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.

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

Source: Malta Stock Exchange, Ministry of Finance and Central Bank of Malta.

6. MONETARY AND FINANCIAL DEVELOPMENTS

The Central Bank left official interest rates unchanged at 3.75% during the first quarter of 2003. Money market rates weakened further, however, as monetary policy easing abroad increased expectations of a further cut in domestic interest rates. Meanwhile, whereas retail bank deposit rates moved lower, lending rates remained relatively unchanged. In the capital market, bond yields extended their downward trend, while equities stabilised, following a rebound in the previous quarter.

Following a slowdown towards the end of 2002, monetary growth continued to decelerate in the March quarter. This reflected both a shift from bank deposits into Government and corporate bonds and a possible moderation in capital inflows. Meanwhile, the net foreign assets of the banking system partly recovered from the previous quarter's drop, registering a small gain, while domestic credit also continued to pick up. In April, however, broad money registered strong growth, driven by a robust expansion in domestic credit that offset a decline in the net foreign assets of the banking system.

The Monetary Base

The monetary base, M0, is a measure of the Central Bank's monetary liabilities, and consists of currency in issue and banks' deposits with the Bank, excluding term deposits. M0 contracted by Lm19.9 million, or 3.2%, during the March quarter, mainly reflecting a fall in banks' reserve deposits, although a seasonal decline in currency in issue also contributed. The annual growth rate of M0, however, rose to 10.7%, from 8% in the previous quarter, since the monetary base had recorded a larger drop in the first quarter of 2002.

As Table 6.1 indicates, the main counterpart to the

Table 6.1
THE MONETARY BASE AND ITS SOURCES

Lm millions

	Dec. 2002	Mar. 2003	Change
Currency in issue	461.2	456.8	-4.5
Banks' deposits with the Central Bank[1]	151.6	136.1	-15.5
MONETARY BASE	**612.8**	**592.9**	**-19.9**
CENTRAL BANK ASSETS			
Foreign assets	880.8	884.0	3.2
Claims on Government	4.3	2.6	-1.7
Fixed and other assets	50.8	50.8	0.0
Less:			
REMAINING LIABILITIES			
Government deposits	43.0	74.5	31.5
Other deposits	7.6	7.2	-0.4
Foreign liabilities	7.0	5.8	-1.1
Other liabilities	170.3	161.3	-8.9
Capital and reserves	95.3	95.8	0.4

[1]Excluding term deposits, which are shown with "other liabilities".

contraction in the monetary base was an increase in Government deposits with the Central Bank. This offset the expansionary effects on M0 of a rise in foreign assets and a fall in other liabilities, of which the latter reflected the transfer of Central Bank profits to Government. Meanwhile, the monetary base edged higher in April, driven by a drop in Government deposits and, to a lesser extent, by a rise in the Bank's foreign assets.

Monetary Aggregates

Broad money, M3, which consists of currency in circulation and residents' deposits with the banking system, expanded by just Lm0.8 million during the March quarter, after growing by Lm22.8 million in the previous quarter. As a result, the annual growth rate of M3, depicted in Chart 6.1, continued to slide, firmly suggesting a break in the upward trend established during the previous two years. In April, however, the annual growth rate recovered slightly, following a robust expansion in broad money during that month.

Narrow money, M1, added Lm5.7 million, or 0.8%, during the quarter, largely as a result of a rebound in currency in circulation, which had declined in the previous quarter. In line with the normal seasonal pattern, currency in circulation registered a drop in January that was offset by growth in the following two months. Meanwhile, demand deposits moved higher, reflecting a rise in corporate balances that outweighed a drop in personal current account balances.[1] The annual growth rate of M1, which, as Chart 6.1 illustrates, had been rather volatile over recent quarters, edged down to 6.6% in the quarter under review.

The slowdown in monetary growth over the past two quarters reflected developments in quasi-money, as Table 6.2 indicates. Quasi-money contracted by Lm4.8 million, or 0.2%, during the

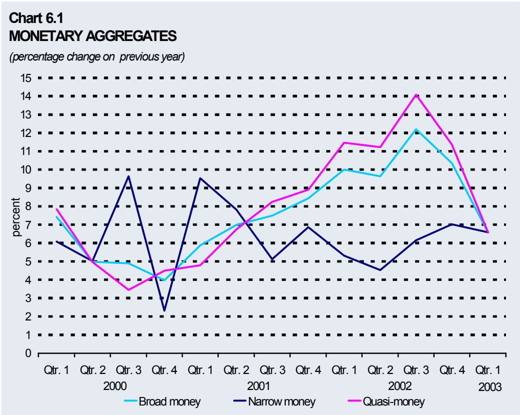
Table 6.2
MONETARY AGGREGATES
(Changes on the previous quarter)

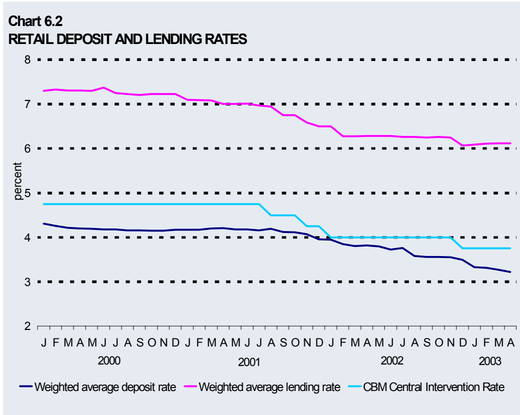
Lm millions

	2002								2003	
	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Qtr. 1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. NARROW MONEY	**7.9**	**1.3**	**11.5**	**1.8**	**25.0**	**3.8**	**0.2**	**0.0**	**5.7**	**0.8**
Currency in circulation	0.2	0.0	11.6	2.8	7.3	1.7	-1.2	-0.3	4.2	1.0
Demand deposits	7.7	3.6	-0.2	-0.1	17.7	7.9	1.4	0.6	1.5	0.6
2. QUASI-MONEY	**90.3**	**4.3**	**45.5**	**2.1**	**82.2**	**3.6**	**22.5**	**1.0**	**-4.8**	**-0.2**
Savings deposits	16.3	2.4	-5.6	-0.8	18.7	2.7	12.0	1.7	16.5	2.3
of which FCDs[1]	6.3	4.1	-6.1	-3.8	1.8	1.1	5.0	3.2	9.3	5.8
Time deposits	74.0	5.1	51.1	3.4	63.5	4.0	10.5	0.6	-21.3	-1.3
of which FCDs[1]	21.9	18.6	-2.9	-2.0	35.1	25.6	-10.2	-5.9	-6.2	-3.8
3. BROAD MONEY	**98.2**	**3.6**	**56.9**	**2.0**	**107.2**	**3.7**	**22.8**	**0.8**	**0.8**	**0.0**

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

[1] Information on the breakdown of deposits by type of owner and maturity relates to deposits with deposit money banks only.





March quarter, the first drop in over two years. This partly reflected portfolio shifts, with investors reducing their bank deposits in favour of bonds, following the substantial amount of debt securities issued. Furthermore, the strong capital inflows that characterised most of the past two years might be moderating, as evidenced by a deceleration in the annual growth rate of foreign currency deposits. Accordingly, the annual rate of growth of quasi-money continued to decline during the March quarter, falling to 6.6%, before rebounding slightly to 6.7% in April, after a solid increase in quasi-money during that month.

Time deposits accounted for the entire contraction in quasi-money during the March quarter, dropping by Lm21.3 million, as Table 6.2 shows. This was mainly due to a fall in personal balances, partly on account of the portfolio shifts mentioned above, although deposits belonging to public sector enterprises also declined. Corporate time deposits, on the other hand, moved modestly higher.

In contrast, savings deposits added Lm16.5 million, with most of the addition being denominated in foreign currencies. This development reflected strong growth in personal holdings and, to lesser extent, in deposits belonging to public sector enterprises, as corporate balances remained largely unchanged.

The weighted average interest rate on Maltese lira deposits, displayed in Chart 6.2, declined by 16 basis points to 3.33% during January, reflecting the cut in official interest rates during the previous month. It continued to soften in the following months, falling to 3.22% by the end of April, as maturing time deposits were renewed.

Counterparts to Monetary Expansion

Following a modest gain in the previous quarter, domestic credit continued to pick up during the quarter under review, reflecting stronger growth in both claims on Government and claims on the private and parastatal sectors, as Table 6.3 indicates. As a result, the annual rate of growth in credit, depicted in Chart 6.3, advanced to 3.5% from 3.3% in the previous quarter, and it

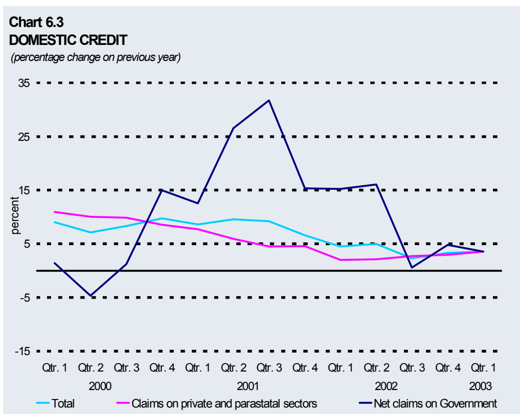


Table 6.3
COUNTERPARTS TO MONETARY GROWTH
(Changes on the previous quarter)

Lm millions

	2002								2003	
	Qtr. 1		Qtr. 2		Qtr. 3		Qtr. 4		Qtr. 1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY	**98.2**	**3.6**	**56.9**	**2.0**	**107.2**	**3.7**	**22.8**	**0.8**	**0.8**	**0.0**
1. DOMESTIC CREDIT	**35.4**	**1.5**	**27.3**	**1.2**	**-5.8**	**-0.2**	**20.9**	**0.9**	**41.3**	**1.7**
a) Net claims on Govt.	26.4	5.6	35.6	7.1	-51.3	-9.6	12.1	2.5	21.3	4.3
Gross claims on Govt.	22.3	4.0	4.0	0.7	-6.3	-1.1	-21.6	-3.7	55.6	10.0
Central Bank	-1.2	-21.1	0.4	9.7	-2.6	-53.0	1.9	82.6	-1.7	-38.5
Banks	23.5	4.3	3.5	0.6	-3.7	-0.6	-23.5	-4.1	57.3	10.4
Less:										
Government deposits[1]	-4.1	-5.0	-31.6	-40.8	45.0	98.2	-33.7	-37.1	34.3	60.0
Central Bank	-2.4	-3.5	-33.2	-49.7	43.8	130.6	-34.4	-44.4	31.5	73.3
Banks	-1.7	-13.7	1.5	14.0	1.2	9.9	0.6	4.7	2.8	19.9
b) Claims on private and parastatal sectors	9.0	0.5	-8.3	-0.4	45.6	2.5	8.8	0.5	20.0	1.0
2. NET FOREIGN ASSETS	**62.2**	**5.7**	**24.3**	**2.1**	**145.6**	**12.4**	**-22.1**	**-1.7**	**7.4**	**0.6**
Central Bank	22.6	3.0	-2.3	-0.3	59.9	7.7	33.3	4.0	4.3	0.5
Banks	39.6	12.2	26.6	7.3	85.7	22.0	-55.4	-11.7	3.1	0.7
Less:										
3. OTHER ITEMS (NET)	**-0.7**	**-0.1**	**-5.3**	**-0.8**	**32.7**	**5.0**	**-24.0**	**-3.5**	**47.8**	**7.2**

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

continued to increase in April as credit expanded further.

Claims on the private and parastatal sectors, which consist almost entirely of loans and advances, increased by Lm20 million, driven by the normal six-monthly debiting of interest to borrowers' loan accounts. The annual growth rate of these claims, which smoothes out such seasonal factors, continued to move higher, reaching 4% by the end of April. In fact, developments in the annual growth rate during recent quarters suggest a gradual pick-up in claims on the private and parastatal sectors, although growth still remains weak in comparison with previous years.

Whereas money market rates generally declined during the quarter, nominal lending rates, which had fallen in December, rose by 5 basis points to 6.12% in March and stabilised thereafter, as Chart 6.2 shows. Thus, some borrowers might have postponed taking out new loans in anticipation of a drop in rates, explaining part of the weakness in the underlying dynamics of credit. The latter, however, should also be seen in a context of

Table 6.4

CREDIT TO SELECTED CATEGORIES OF BORROWER[1]

Lm millions

	2002 Qtr. 4 Amount	2003 Qtr. 1 Amount	Change	%
Energy and water	93.6	93.9	0.3	0.3
Transport, storage and communication	133.6	126.9	-6.7	-5.0
Agriculture and fisheries	10.3	9.7	-0.6	-5.7
Manufacturing	192.4	191.6	-0.8	-0.4
Building and construction	91.2	96.7	5.5	6.0
Tourism	255.0	249.8	-5.2	-2.1
Wholesale and retail	298.1	300.3	2.3	0.8
Personal	522.4	529.5	7.1	1.4
Other services	82.1	92.6	10.5	12.7
All other	138.9	150.0	11.1	8.0
TOTAL	**1,817.7**	**1,841.0**	**23.4**	**1.3**

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

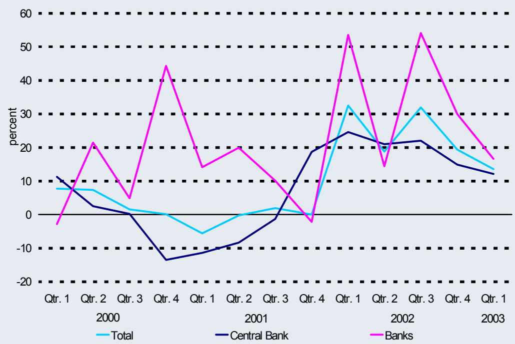
political uncertainty in the run up to the general elections in April.

Loans and advances, boosted by the interest charges referred to earlier, added Lm23.4 million, as Table 6.4 indicates. Although loans to most categories of borrower in the private sector increased, growth in personal borrowing, which had been particularly strong in recent quarters, moderated. Furthermore, borrowing by the tourism industry declined, as a particular firm in this sector issued bonds, using part of the proceeds to refinance its bank debt. Meanwhile, lending to public sector entities continued to decline.

Net claims on Government grew by almost twice as much as in the previous quarter, adding Lm21.3 million, or 4.3%, during the March quarter. This was entirely due to an increase in bank holdings of Treasury bills, which offset a rise in Government deposits with the Central Bank. In turn, the latter was largely a result of an increase in Government borrowing through the issue of Treasury bills and Government bonds. Despite the increase in net claims on Government, their annual growth rate fell to 3.5%, from 4.8% in the previous quarter, as Chart 6.3 shows.

After having contracted in the final quarter of 2002, the net foreign assets of the banking system recovered during the quarter under review, advancing by Lm7.4 million, or 0.6%. Their annual growth rate, illustrated in Chart 6.4, continued to decline, however, falling from 19.4% at the end of the previous quarter to 10.8% in April. This partly reflected a moderation in capital inflows, as suggested earlier, following the strong growth recorded during most of the past two years. To some extent, this was because the Investment Registration Scheme, which had accounted for part of the capital inflows recorded during 2002, no longer applied after the end of that year. Furthermore, inflows related to portfolio shifts could have slowed down, given that, as Chart 6.5 implies, the interest rate differential

Chart 6.4
NET FOREIGN ASSETS
(percentage change on previous year)



between domestic and foreign assets remained relatively stable during the quarter.

Following solid growth in the December quarter, the Central Bank's net foreign assets continued to expand during the quarter under review, albeit at a slower rate, increasing by Lm4.3 million, or 0.5%. This mainly reflected purchases of foreign currency from the rest of the banking system. As a consequence, the annual growth rate of such assets, which had gradually declined over the past year, fell to 12.2% from 14.9% in the previous quarter. In April, however, it recovered to 15.2% as growth in the Bank's net foreign assets picked up.

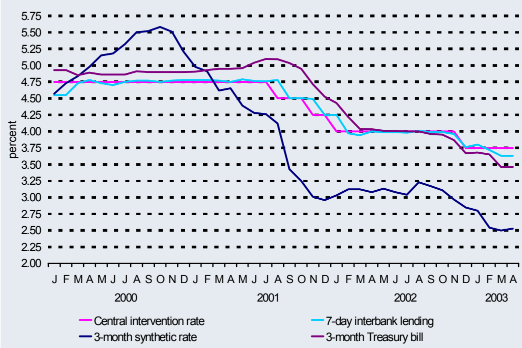
Meanwhile, the net foreign assets of the rest of the banking system put on Lm3.1 million, or 0.7%, after a sizeable drop in the December quarter. The net foreign assets of the international banks added Lm9.6 million, mainly because a particular institution increased its foreign assets, after it had raised capital from its parent. On the other hand, the domestic money banks' holdings fell by Lm6.6 million during the quarter, following the sales of foreign currency to the Central Bank referred to earlier, and they continued to decline in April.

Other items (net) put on Lm47.8 million, or 7.2%, during the March quarter.[2] This mostly reflected a drop in the deposit money banks' other assets, as interest accrued on outstanding loans was transferred to customers' loan accounts. Furthermore, the rise in the international banks' capital referred to above also contributed. Together, these outweighed a drop in the Central Bank's other liabilities, mainly brought about by the transfer of the Bank's profits to the Government.

The Money Market

The excess liquidity characterising the banking system in recent quarters persisted during the quarter under review, with the Central Bank holding regular auctions of 14-day term deposits to absorb surplus funds. Lm807.9 million were absorbed in this way, down from Lm902.5 million in the previous quarter, with the interest rate paid on these deposits remaining at 3.7%, which was the floor of the interest rate band within which the Bank was conducting its weekly auctions. This helped keep money market interest rates in line with the monetary policy stance, which was unchanged following the previous quarter's easing. Once again, the Bank did not inject any funds through reverse repos during the quarter.

Chart 6.5
MONEY MARKET INTEREST RATES
(end of month)



[2] 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.

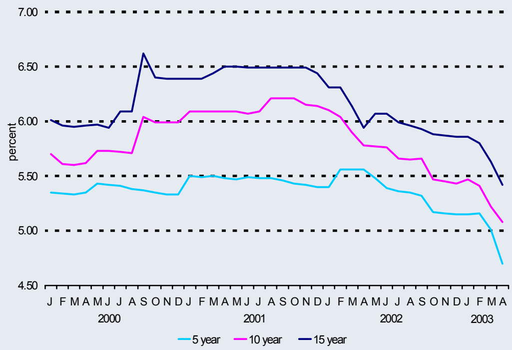
Turnover in the interbank market declined for the fourth consecutive quarter, falling to Lm12.1 million, from Lm22.8 million in the December quarter. This reflected the generally high level of liquidity in the banking system, with banks making less use of the interbank market for funding. Trading, most of which took place in January, was dominated by a few participants. Deals were struck with a tenor of 12 days or less, with the rate on one-week loans falling to 3.63% at the end of April, from 3.76% in December.

The Treasury continued to raise funds in the money market, issuing Lm224.7 million worth of bills, up from Lm205.7 million in the previous quarter. Once again, issues consisted mainly of bills with a three-month term to maturity, with six-month bills accounting for the remainder. Banks participated more heavily than in the previous quarter, purchasing over four-fifths of the total issued, while other investors took up the rest. As Chart 6.5 shows, the primary market three-month Treasury bill yield moved further below the central intervention rate during the quarter. This may have reflected expectations that the Central Bank would ease its monetary policy stance following cuts in official interest rates abroad. Thus, the yield dropped to 3.46% by the end of April, from 3.67% at the end of December.

Turnover in the secondary market for Treasury bills more than doubled to Lm47.5 million during the March quarter, up from Lm20.4 million in the previous three months. This reflected strong demand by banks, which were net purchasers, as well as increased participation by the Malta Government Sinking Funds. Activity involving the Central Bank, on the other hand, was minimal. As in the primary market, secondary market Treasury bill yields moved lower.

The synthetic three-month yield, which is a weighted average of money market yields on the three currencies that make up the Maltese lira basket, shed 32 basis points in the four months to April, following monetary policy easing abroad.

Chart 6.6
GOVERNMENT BOND YIELDS
(end of month)



Given that the yield on domestic three-month Treasury bills declined by a smaller amount, however, the spread between the two, depicted in Chart 6.5, widened to 93 basis points, from 82 points at end-December.

The Capital Market

The number of bond issues in the primary market increased during the March quarter, as issuance activity in the corporate sector remained robust, while Government, in line with its indicative calendar for securities issues, proceeded with the first Malta Government Stock issues for the year.

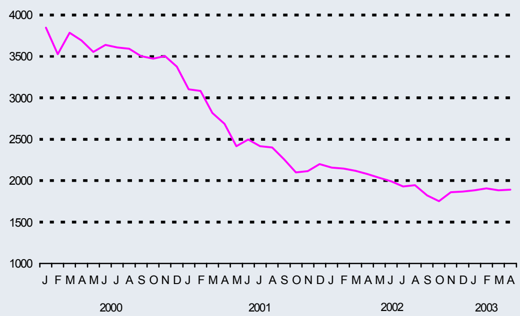
In February, Government raised Lm55 million through two bond issues and at the same time redeemed Lm28.1 million worth of stock. One issue consisted of Lm35 million worth of debt, maturing in 2010 and offering a coupon rate of 5.4%, while the other consisted of Lm20 million worth of 5.9% Malta Government Stock 2015. The non-bank public, mainly households and collective investment schemes, took up most of these issues.

The private sector continued to take advantage of falling bond yields, resorting to the capital market during the quarter under review. In February, International Hotels Investments p.l.c. raised a total of Lm9.4 million through two issues of ten-year bonds, one denominated in Maltese liri and the other in euros. While the euro-denominated debt offered a coupon rate of 6.2% for the first seven years, rising to 6.8% thereafter, the bonds denominated in Maltese liri offered a rate of 6.3%.

Turnover in the secondary market for Government stocks fell to Lm4 million in the three months to March, from Lm5.2 million in the previous quarter, with participation by the Central Bank once again being minimal. The Government bond issues referred to earlier, which were subsequently listed on the Stock Exchange, accounted for a notable part of total volume, with most of the rest being spread rather thinly among a few securities. Bond yields continued to decline in the quarter under review, as Chart 6.6 shows, partly reflecting developments in bond markets abroad.

Corporate bond trading on the secondary market edged up to Lm3 million, from Lm2.4 million in the previous quarter. Trading was mainly concentrated on a few securities, including the newly issued corporate bonds referred to earlier, following their admission to the Exchange. In general, corporate bond yields eased during the quarter, in line with yields on other fixed income securities.

Chart 6.7
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)



Source: Malta Stock Exchange

Volume in the equity market fell by Lm0.8 million to Lm3 million during the quarter under review, as the surge in activity recorded in some equities during the previous quarter tapered off. Equity prices, however, extended the gains recorded during the previous quarter, rising by 1.2% during the four months to April, as Chart 6.7 shows.

7. THE BANKING SECTOR[1]

Introduction

The Central Bank is responsible for ensuring the stability of the financial system in Malta. Financial stability can be defined as the preservation of the core economic functions of the financial system – that is, the channelling of savings into investment and the provision of an efficient payment system. A strong financial system is able to withstand shocks so that these core functions continue to be carried out. The necessary structure for the establishment of a sound and resilient financial system is described in Box 3.

Financial stability analysis assesses the strengths of the financial system while trying to identify whether there are any vulnerabilities within the economy that can give rise to instability. Hence, it does not only entail the analysis of the financial sector but also takes into account other elements of the wider economy, such as the real estate market, households and non-financial corporations which can have an impact on the financial sector. The health of the banking sector in particular is of utmost importance for central banks because it is closely related to two major central bank operations, that is, the payment system and the conduct of monetary policy.

The banking system in Malta, which accounts for 94% of the financial sector's assets[2] as at end-2002, remains both profitable and well capitalized, and enjoys adequate liquidity. Moreover, a robust legal and regulatory framework that is based on the highest international standards supports the banking system.

Deposit money banks operate within a narrow economic base owing to the small size of the economy and, as a result, their sectoral exposures are somewhat concentrated. Over the past years, the Maltese economy has become more service-oriented, with the aggregate contribution of market services to GDP exceeding that of direct production. Services account for around half of domestic output, with the tourism industry being a major part of the services sector. Manufacturing accounts for around 23% of GDP, while the financial services sector has continued to gain importance in the economy.

The Maltese financial sector is relatively small and highly concentrated but well regulated. The conduct of credit institutions is governed by the Banking Act 1994, which is supported by a number of Banking Directives, which are themselves based on international standards as laid down by the European Union and the Basle Committee on Banking Supervision. Moreover, compulsory adherence to International Auditing and Accounting Standards enhances market discipline and transparency. This framework is further supported by the Central Bank, which may provide a safety net in its lender-of-last-resort capacity, and by a Deposit Guarantee Scheme, which safeguards depositors.[3]

The banking system in Malta is composed of:

- credit institutions that transact with residents and non-residents, which are referred to as deposit money banks; and
- other credit institutions that transact only with non-residents, which are known as international banks.[4]

[1] This chapter, which was prepared by the Central Bank of Malta Financial Stability Office, focuses on issues related to financial stability and will henceforth appear in the June and December issues of the *Quarterly Review*.

[2] The financial sector's assets include those of the Central Bank of Malta, deposit money banks, international banks and locally-based insurance firms and collective investment schemes.

[3] The coverage limit is established as the lowest of either 90% of the deposit accounts or the equivalent of euro 20,000.

[4] International banks transact almost entirely with non-residents. The distinction between deposit money banks and international banks is administrative rather than legal as all credit institutions are subject to the same regulatory requirements.

Since international banks have a very limited impact on the stability of the Maltese financial system, this financial stability analysis mainly focuses on the deposit money banks.[5] The international banks are analysed separately.

Some of the most important indicators that help to assess the stability of the banking system are the capital adequacy position, profitability and the analysis of the asset quality. The data utilised in this analysis are mainly derived from regulatory and prudential returns submitted regularly by the banks. For the purpose of this analysis, and in accordance with financial stability goals, data are aggregated.

Deposit Money Banks

The value of the balance sheet of the deposit money banks has grown at a steady rate of about 8% over the last three years. The composition of assets and liabilities within the balance sheet has remained broadly stable, although as a result of generally slower credit growth, the proportion of bank holdings of investment securities has risen. This shift has resulted in the banks having a healthier liquidity position, since investment securities are considered to be highly liquid in nature and tradable.

Liquidity is high …

The level of liquidity within a banking system influences the ability of credit institutions to withstand shocks to their cash flow. Although the liquidity needs of a banking system may be difficult to measure accurately, particularly due to shifts in market perceptions and in public confidence, the financial stability assessment indicates that the current liquidity position of the deposit money banks in Malta is strong.

With overall deposit expansion outstripping growth in loans, credit institutions had little need

Chart 7.1a
MATURITY OF LOANS
(March 2003)

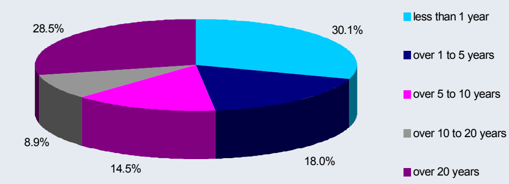
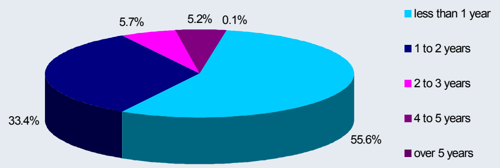


Chart 7.1b
MATURITY OF DEPOSITS
(March 2003)



to make use of wholesale funding. Chart 7.1a shows that 30% of total loans are short-term in nature, whereas Chart 7.1b shows that deposits with a term to maturity that expires within one-year account for 89% of total deposits. Since credit institutions have invested nearly a third of their assets in marketable securities and given that most of the deposit base is not considered as being volatile, it appears that the banking system should be able to accommodate any unexpected withdrawal of customer funds with little liquidity risk.

Furthermore, over the past few years the liquid asset ratio[6] has comfortably exceeded the 30%

[5] For the purposes of this analysis, Volksbank Malta Ltd has been included with the deposit money banks as from March 2003.

[6] The liquid asset ratio, set at 30%, is defined in terms of Banking Directive BD/05 as the proportion of eligible liquid assets to eligible short-term liabilities.

Chart 7.2
LIQUIDITY RATIOS

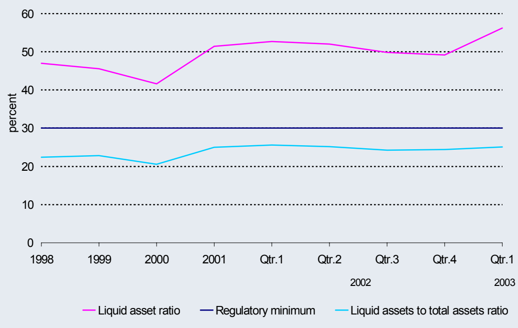
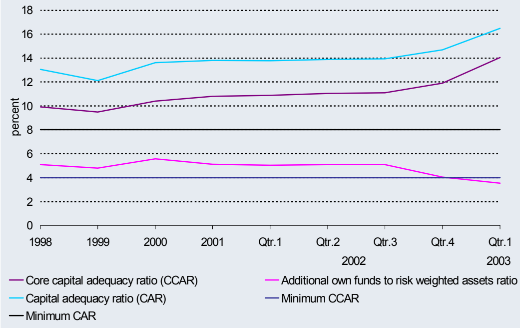


Chart 7.3
CAPITAL ADEQUACY RATIOS



benchmark. As at March 2003, this ratio stood at 56%, that is, nearly 3.6 percentage points above that recorded a year earlier. The liquid assets to total assets ratio, which stood at 25% in March 2003, also confirm the high liquidity of the banks. As Chart 7.2 shows, this ratio has remained relatively stable in recent years.

Capital adequacy is strong…

Apart from maintaining a high liquidity position, the banks continue to strengthen their capital base. The capital adequacy position determines whether credit institutions have the capacity to withstand shocks to their balance sheet. The capital adequacy ratio (CAR), which is the ratio of total own funds to risk-weighted assets, maintained by the Maltese banking system stands well above the regulatory minimum of 8% set by the Maltese authorities.[7] The relatively high levels of capital maintained by the deposit money banks serve as a buffer against risks emanating from the narrow economic base in which they operate.

The capital base has expanded considerably throughout the past five years, mainly due to increased retained earnings. As at March 2003, the CAR stood at 16.5% compared to 13.8% twelve months earlier. As can be seen from Chart 7.3, the ratio rose during the year to March 2003 due to a faster increase in total own funds than in risk-weighted assets. Moreover, the Core Capital Adequacy Ratio (CCAR), that is the ratio between original own funds[8] and risk-weighted assets, stood at 14.1% as at March 2003 as compared to the international benchmark of 4%. The Chart shows that both the capital adequacy and the core capital adequacy ratios have followed the same trend, implying that the rise in the former resulted from increased equity and reserves, which are the more robust components of capital.

Profitability[9] is sustainable…

Despite an uncertain international economic environment and a slowdown in the domestic economy, the net income of credit institutions has generally increased steadily since 1999. The ratio of non-interest expense to gross income,[10] which is shown in Chart 7.4, peaked during 2002 at 72.3%, mainly due to a larger increase in costs

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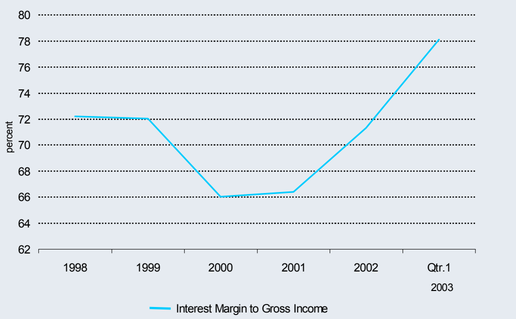
7 The 8% regulatory minimum is the international capital adequacy benchmark established by the Basle Committee for Banking Supervision. The capital adequacy regime is currently being revised by the Basle Committee under Basle II to take into account more fully the risks within the banking sector and the appropriate risk mitigation.
8 Original own funds are mainly composed of equity and reserves.
9 Caution is warranted when interpreting the profitability figures for 2003 since these figures have been annualised in order to be comparable to previous years.
10 Gross income is defined as net interest income plus non-interest income.

Chart 7.4
NON-INTEREST EXPENSE TO GROSS INCOME RATIO

Note: Caution is warranted when interpreting the profitability figures for 2003, since these been annualised in order to be comparable to previous years.

Chart 7.5
INTEREST MARGIN TO GROSS INCOME



Note: Caution is warranted when interpreting the profitability figures for 2003, since these figures have been annualised in order to be comparable to previous years.

(particularly write-offs) than income. Based on the March 2003 data, the annualized ratio for 2003 is calculated at about 54%.

Net interest income is the main source of profit for the banks. Despite a slower growth in lending volumes and an increased inflow of deposits, the interest margin has widened over the last four years as a result of asymmetrical adjustments to interest rates on deposits and loans following changes in the Central Bank's Central Intervention Rate (CIR). In addition, banks have been able to sustain their net interest income by holding more fixed income securities in a falling interest rate scenario. During 2002, net interest income rose by Lm5 million with respect to the previous year, reaching Lm69 million. Net interest income during the first quarter of 2003 reached Lm20.4 million, implying an annualized figure of Lm81.7 million.

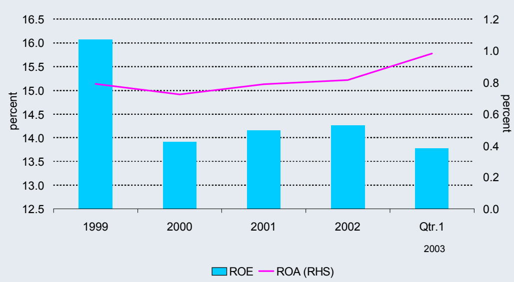
The income stream of the banks results from net interest earnings, non-interest fees and commissions, trading profits and dividends receivable. As Chart 7.5 shows, the share of net interest income in gross income has risen in recent years. During 2002, the interest margin to gross income stood at 71.3%, five percentage points higher than in 2001. The annualized ratio for 2003 is 78.1%.

After having bottomed out in 2000, as Chart 7.6 shows, the return on assets (ROA) recovered steadily, reaching 1% in March 2003, up by a fifth over the previous quarter. Although the value of assets and net income has increased, the rise in ROA is mainly attributable to growth in net income and a reduction in costs. The return on equity (ROE) has, however, dropped over the past four years from 16.1% in 1999 to 13.8% in March 2003 mainly as a result of an increase in average bank equity.

Assets and liabilities mix…

Events in both the international and domestic banking system show that the various risks faced by credit institutions often stem from the impairment of assets and/or the lack of diversification in their asset mix.

Chart 7.6
RETURN ON EQUITY (ROE) AND ASSETS (ROA)



Note: Caution is warranted when interpreting the profitability figures for 2003, s figures have been annualised in order to be comparable to previous years.

Charts 7.7a and Chart 7.7b show the various components of the balance sheet of the deposit money banks. As at March 2003, the lending portfolio accounted for nearly half of the banks' aggregated balance sheets. The loan and advances portfolio, which is normally considered to entail a higher risk when compared to other bank assets, is, moreover, highly concentrated due to Malta's narrow economic base.

The highest proportion of facilities is extended to the personal (household) sector, which accounted for 25.3% of total bank credit in March 2003. Household lending grew more rapidly in recent years than lending to the other economic sectors, possibly reflecting the continued rise in residential property prices. In fact, most lending to the personal sector finances the construction or purchase of property.

Chart 7.7a
ASSET PORTFOLIO COMPOSITION
(March 2003)

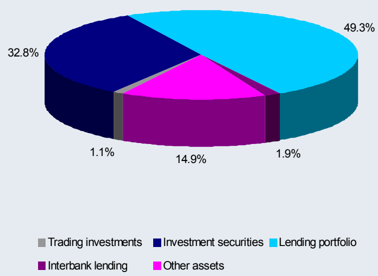
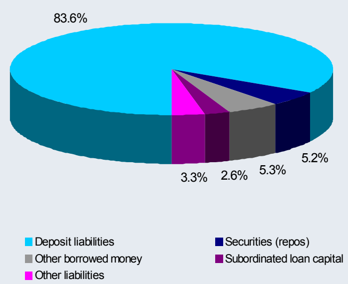


Chart 7.7b
LIABILITIES PORTFOLIO COMPOSITION
(March 2003)



Since 1998, households' gross disposable income has grown less rapidly than personal credit. However, falling interest rates have so far cushioned the financial burden of growing personal debt. Given that most loans are linked to a variable interest rate, any interest rate increases in the future could have an adverse impact on households' ability to service debt.

The proportion of loans to the manufacturing and wholesale and retail sectors decreased since 1998. This was, to a certain extent, influenced by the increasing importance of alternative sources of finance, such as the issuance of corporate bonds. A more detailed analysis of the sectoral concentration of loans can be found in the previous chapter of this *Review*.

As a result of improved credit risk identification, which led to the reclassification of the banks' lending portfolio, and stricter regulatory requirements, the ratio of non-performing loans[11] to gross loans (net of loans to credit and financial institutions) reached 18% in 2001. As Chart 7.8 shows, during 2002 the ratio of non-performing loans to gross loans dropped by 1.8 percentage points to 16.2% in December and declined further to 15.3% by March 2003.

While the financial position of the personal sector, which traditionally is a low default sector, is relatively sound, the corporate sector has faced some difficulties over the years in spite of lower debt-servicing costs. There is normally a positive correlation between economic activity and the ability of borrowers to repay their loans according to agreed plans. This would be usually reflected

[11] Non-performing loans (NPLs) gross of provisions and interest-in-suspense, are those loans and advances on which repayment is overdue by 90 days or more and those facilities considered as doubtful.

Chart 7.8
NON-PERFORMING LOANS & COVERAGE RATIO

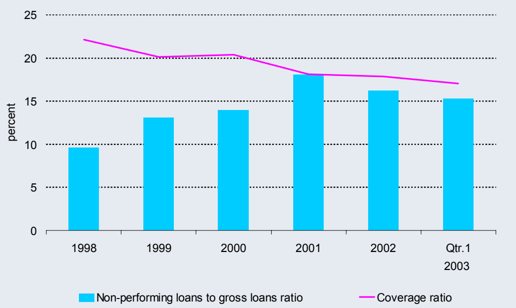
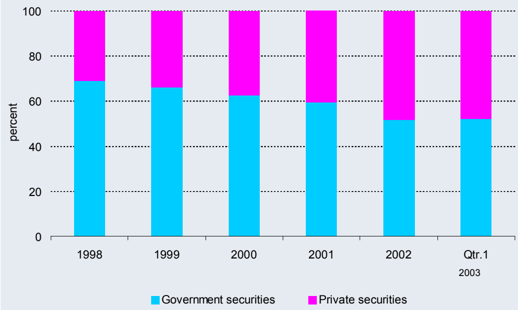


Chart 7.9
INVESTMENT SECURITIES PORTFOLIO



in those economic sectors that are more prone to suffer from tighter cash conditions, such as the wholesale and retail, the manufacturing and the hotel and restaurant sectors.

Apart from holding collateral for credit mitigation purposes, credit institutions also hold specific provisions in order to meet additional risks arising from doubtful loans. As at March 2003, the coverage ratio, that is the level of total provisions to non-performing loans, stood at 17%.

Investment securities are the second-largest part of the deposit money banks' asset portfolio accounting for 33% of total assets. The investment portfolio, which is weighted towards investment grade securities, normally carries less risk than the credit portfolio. As can be seen in Chart 7.9, more than half of the investment security portfolio is held in foreign and local government securities, which have low default risk. This implies not only more liquidity but also lower price sensitivity, since such markets are generally deeper than those for non-government securities. Moreover, in a falling interest rate scenario, holdings of fixed income assets have sustained the profitability of the banks.

While two major asset classes dominate the asset side of the balance sheet, the liability side is mainly composed of retail deposits, which in March 2003 accounted for nearly 84% of the banks' balance sheet. The remainder was made up of issued securities and subordinated loan capital, other borrowed money and other liabilities.

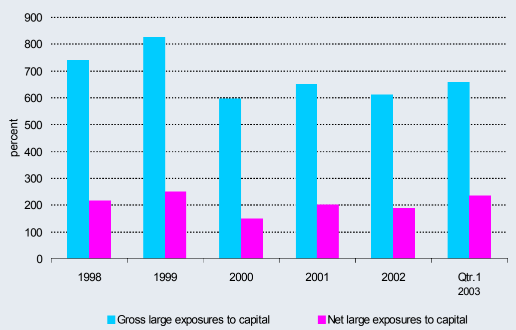
Risk exposure is mitigated…

Credit institutions limit their risk exposure to individual borrowers or groups of borrowers to control maximum losses should a customer or a number of connected customers fail. This is particularly true for the domestic sector, where the banking system operates in a narrow economic base, and where concentration of exposure is likely not only to particular economic sectors, but also to particular borrowers in that sector. Banking Directive (BD/02), which establishes the parameters for large exposures[12] to customers, sets a maximum limit of 25% of the own funds of credit institutions for any exposure to individual (or connected) customers. The Directive also sets a limit of 800% for large exposures on aggregate. These limits, which reflect international benchmarks, relate to the net exposure after taking into consideration specified collateral.

During the past years, as Chart 7.10 shows, credit

[12] A large exposure is an exposure (net of certain specific collateral defined by the Directive) that exceeds 10% of a credit institution's own funds.

Chart 7.10
LARGE EXPOSURES RATIOS



institutions have reduced the level of total gross large exposures from just over 800% in 1999 to 610% at the end of 2002 and 657% at end-March 2003. On a net basis, the large exposure level was 234% as at March 2003, significantly below the 800% maximum. The steady decrease in the level of large exposures may also be attributable to the fact that private companies are opting for alternative sources of finance, such as bonds.

Domestic credit institutions are resilient to risks

The above analysis shows that a number of factors contributed to some deterioration in the asset quality of the banks' lending portfolio during the last five years. Measures taken by the credit institutions themselves and by the regulatory authorities to establish more efficient internal control mechanisms on credit risk management have led to a re-assessment of credit facilities, some of which are now recognized as being non-performing. The recent economic slowdown may have also contributed to non-repayment of loans in some economic sectors, resulting in an increase in non-performing loans.

This deterioration appears to be contained by the banking system. Credit institutions are well capitalized; they have maintained their profitability; and they are also substantially liquid. Moreover, stress tests on the credit portfolio of the banking system show that credit institutions have a degree of resilience to these risks. It is appropriate, however, that credit institutions continue to maintain high levels of capital whilst improving their credit risk management in order to safeguard themselves against risks emanating from their balance sheet. At the same time, they will also have to face the competitive challenges posed by Malta's forthcoming integration in the European single market.

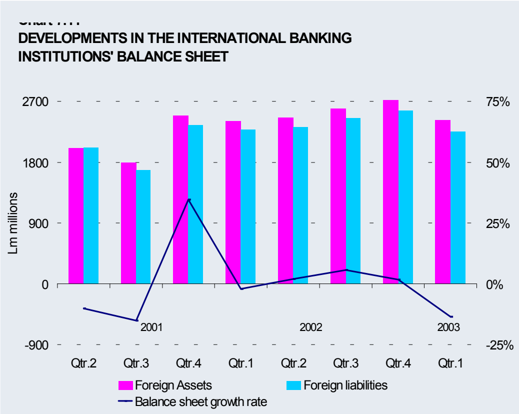
International Banking Institutions

International banks accounted for nearly two-fifths of the Maltese banking system's total assets as at March 2003. Notwithstanding this relatively large share, these banks have only a minimal influence on the domestic economy since they deal almost entirely with non-residents and in currencies other than the Maltese lira. International banks finance their operations from foreign sources, mainly from non-resident deposits, balances due to other banks abroad and interbranch transactions. These institutions have few significant links to the domestic banking system. They therefore have a limited impact on the stability of the local financial system.

The data relating to the first quarter of 2003 are not comparable to those relating to the previous year due to changes in the number of international banks operating in Malta. Some institutions ceased operations following strategic decisions by their parents, others either integrated their business with their parents or began to operate as a deposit money bank. Consequently, as at the end of March 2003 the international banking sector was made up of nine credit institutions: five subsidiaries, two branches, and two other institutions that have been incorporated and have their head office in Malta.

Balance sheet

As Chart 7.11 shows, after having expanded by nearly 2% during the last quarter of 2002, the



international banking sector's aggregate balance sheet contracted by 14% during the following quarter as a result of the institutional changes mentioned above.

During the first quarter of 2003, the international banks' foreign assets fell by 13.5% to Lm2,418.7 million, as can be seen from Table 1. Drops of Lm246.2 million in 'loans and advances to non-residents', mainly as a result of the institutional changes mentioned above, and of Lm173.7 million in 'other foreign assets' driven by the withdrawal of balances held with other banks abroad, were partly offset by a rise in foreign securities. In fact, the latter increased by 5%, equivalent to Lm42.4 million over the quarter, with government securities still accounting for the largest share of the investment portfolio.

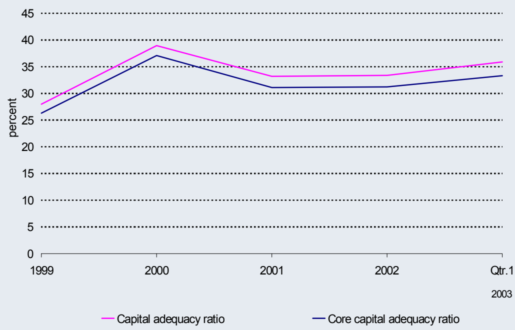
On the other hand, local investments remained stable in the March quarter, at around Lm9 million. They had shrunk substantially during the final quarter of 2002 as a result of the merger of an international banking subsidiary with its domestic parent.

Table 7.1
INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET

Lm millions

	2002				2003
	Mar.	June	Sept.	Dec.	Mar.
ASSETS					
Cash and money at call	1.4	1.3	1.5	5.3	1.3
Foreign assets	2,412.5	2,459.6	2,595.8	2,796.2	2,418.7
Foreign securities	859.1	966.9	1,031.3	841.9	884.3
Loans and advances to non-residents	1,084.1	1,177.2	1,320.4	1,441.9	1,195.7
Other foreign assets	469.3	315.4	244.1	512.4	338.7
Loans to residents	6.5	6.0	5.9	8.8	6.4
Local investments	154.7	156.7	168.3	8.9	8.8
Other assets	8.7	7.5	6.9	5.0	4.1
LIABILITIES					
Foreign liabilities	2,278.6	2,319.0	2,450.1	2,567.4	2,250.4
Balances due to other banks abroad	553.4	560.5	617.6	784.6	541.0
Non-resident deposits	794.3	828.5	886.2	538.9	450.6
Other foreign liabilities	930.9	930.0	946.3	1,244.0	1,258.8
Resident deposits	35.2	41.5	43.2	10.6	4.9
Other domestic liabilities	34.7	30.3	45.3	18.8	13.4
Capital and reserves	235.3	240.2	239.7	227.4	170.6
AGGREGATE BALANCE SHEET	**2,583.8**	**2,631.1**	**2,778.4**	**2,824.2**	**2,439.3**

Chart 7.12
CAPITAL ADEQUACY FOR INTERNATIONAL BANKS



Foreign liabilities dropped by Lm317 million in the first quarter of 2003, also reflecting the institutional changes mentioned above. During the quarter, the largest drop in the value of foreign liabilities was recorded in 'balances due to other banks abroad', amounting to Lm243.6 million. Furthermore, non-resident deposits contracted by Lm88.3 million. On the other hand, other foreign liabilities expanded by Lm14.8 million, as a result of an increase in 'securities sold under agreements to repurchase'. Resident deposits and other domestic liabilities decreased steadily over the last two quarters reaching Lm5 million and Lm13.4 million, respectively, as at March 2003.

During the March quarter, the capital base of the international banks, which is mainly composed of equity capital and reserves, decreased by Lm56.8 million largely because one institution began to operate as a deposit money bank. The contraction in the capital base was the net result of a drop of Lm62.4 million in paid up capital and a rise of Lm5.6 million in reserve funds. Despite this contraction, the capital adequacy ratio for the international banks stood at 35.9% as at March 2003, up from 33.4% in the previous quarter.[13] As Chart 7.12 shows, the international banks maintain a relatively high capital adequacy ratio, which results from the strength of their capital base, given the type of assets they hold.

Table 7.2

INTERNATIONAL BANKING INSTITUTIONS' INCOME AND EXPENDITURE STATEMENT

Lm millions

	2001	2002	2002 Qtr. 1	2003 Qtr. 1
Interest income	180.5	222.7	55.9	38.6
Interest expenses	195.1	176.6	42.0	37.6
Net interest income	-14.6	46.1	13.9	1.0
Non-interest income	74.0	19.4	4.0	12.3
Non-interest expense	40.6	45.0	7.1	10.3
Net non-interest income	33.4	-25.6	-3.1	2.0
Provisions	0.8	5.8	0.1	1.6
PROFIT BEFORE TAX	**18.0**	**14.7**	**10.7**	**1.3**

[13] Excludes banks registered under the Malta Financial Services Authority Act, Cap. 330 and Volksbank (Malta) Ltd.

Profitability[14]

During the first quarter of 2003, the international banking sector registered pre-tax profits of Lm1.3 million, as Table 2 shows, which were sharply below those recorded during the corresponding quarter of the previous year. Net interest income dropped to Lm1 million from Lm13.9 million in the corresponding quarter of 2002 mainly because one institution reclassified certain items of interest income as non-interest income, but also because of a decline in interest income earned by another institution.

On the other hand, during the quarter reviewed net non-interest income accounted for a larger share of profits than net interest income. Whereas during the corresponding period of 2002 international banks had reported net non-interest expenses of Lm3.1 million, during the quarter reviewed net non-interest income rose to Lm2 million. The swing was due to the reclassification referred to earlier, which boosted dividend income. However, an increase in fees and commissions payable and trading losses dampened the impact of the reclassification. Compared with the corresponding period of 2002, the international banks also increased their level of provisions during the quarter reviewed.

[14] Excludes banks registered under the Malta Financial Services Authority Act, Cap. 330 and Volksbank (Malta) Ltd.

Box 3: CREATING A STABLE FINANCIAL ENVIRONMENT[1]

Monetary and financial stability are of central importance to the effective functioning of a market economy. Stability in the financial sector improves the climate for channelling savings to investment and promotes the efficiency of the payment system. Disruptions in the financial sector can have severe adverse effects on economic activity and even on political structures. Maintaining stability is therefore the key objective of the financial authorities.

Financial stability has been defined as a condition where the financial system is able to withstand shocks without giving way to cumulative processes that impair the allocation of savings to investment and the processing of payments in the economy.[2] Severe financial instability, worse still a crisis, can be very costly. Output and growth opportunities are foregone. Severe financial distress can numb the effectiveness of standard macroeconomic tools, such as monetary and fiscal policies. The very social fabric of society can also come under strain as the experience of a number of emerging market economies attests. Over the past twenty years various countries experienced a banking crisis, with average costs ranging between 15% and 25% of GDP.[3] Countries affected included developed, transitional and developing countries alike. A crisis can hit a country irrespective of the size of its economy. The fiscal costs of a crisis in emerging market economies tend to be higher than those in developed countries, although a crisis in a large economy normally has a higher financial impact and/or a contagion effect on other countries. Therefore, the latter would be more of a threat to global financial stability. Higher interest rates, deterioration in banks' balance sheets, stock market declines and increases in uncertainty are among the factors that bring about financial instability. If all of these factors occur at the same time, and are substantial, the situation is likely to escalate into a full-scale financial crisis, with the consequent negative effects on the real economy.

Central banks have been concerned with financial stability issues since their inception. In many countries, price stability has been formally set as the main objective of the central bank. But price stability and financial stability are often seen as complementary: price stability contributes towards financial stability in the same way as a sound and efficient financial system enhances the implementation of monetary policy. The role of maintaining financial stability is therefore also an intrinsic part of a central bank's key monetary policy objective. This role has evolved as financial systems grew and became more sophisticated.

To create a financial sector that is more resilient to instability, whether emanating from shocks *within* a country's system (endogenous risks) or shocks that arrive from *outside* the system (exogenous risks), countries have taken several measures to reform their financial sector. Such reforms have affected the legal framework; financial sector oversight and the regulatory/supervisory structure; financial market infrastructure; payment systems; systemic protection through a public safety net; corporate governance and the overall risk management process; market discipline; fiscal policies; and the independence of the central bank.

Such reforms also increase the country's level of adherence to international standards and codes.

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1 This article is an abstract version of the first part of a paper entitled "Creating a Stable Financial Environment in Small Island States" presented by Mr Oliver Bonello, Senior Manager, Financial Stability Department, during the 2002 seminar organised by The Islands and Small States Institute – Foundation for International Studies, Valletta, Malta.

2 Tommaso Padoa-Schioppa "Central banks and financial stability". Frankfurt, European Central Bank, 2002.

3 Glenn Hoggarth and Victoria Saporta "Cost of banking instability: some empirical evidence". London, Bank of England, 2001.

A high level of adherence to such standards and codes is conducive to better identification of sources of vulnerability. The adoption of internationally accepted standards and codes of good practice makes an important contribution to a sounder financial sector and better functioning of financial markets. It also leads to better and more informed lending and investment decisions and better and more accountable policymaking. The main key standards and codes cover: transparency in monetary and financial policy; fiscal transparency; data dissemination; corporate governance; auditing and accounting; payment systems; banking supervision; securities and insurance regulation; market integrity and insolvency regimes.

Apart from the structural inefficiencies in the financial framework itself, and particularly in the banking system, an unstable macroeconomic environment is a key source of vulnerability in the financial system. Significant swings in the performance of the real economy, volatile interest rates, exchange rates, asset prices and high inflation rates make it difficult for banks and other financial institutions to assess accurately the credit and market risk they incur. Banks in many small developing and transition economies have limited scope to diversify these risks as much as is possible in larger industrial economies. Furthermore, large and volatile international capital flows often add to the challenges faced by banks in small and/or emerging countries. Therefore, sound macroeconomic policies are also major contributors to a stable financial system.

The following are some important institutional aspects of a stable financial environment.

The Legal Framework

A market economy requires stability and confidence to operate effectively and efficiently. The confidence that is necessary to support the financial system in a market economy requires a well-developed legal and regulatory framework. Inadequacies in a country's legal system should be eliminated and a sound legal framework should be introduced and kept updated with developments in the markets.

A sound and effective legal framework is not a guarantee against crises, but past crises have shown that inadequacies in a country's legal system contribute to the high cost of a crisis and delay the subsequent recovery.

The Regulatory Regime

Another important requisite for achieving financial stability is a strong prudential, regulatory and supervisory regime. In 1997 the Basel Committee on Bank Supervision issued a set of twenty-five 'Core Principles for Effective Bank Supervision' which now serve as a benchmark against which the effectiveness of different banking supervisory regimes can be assessed. In 1999 the Committee also published the 'Core Principles Methodology' to assist countries in their assessment of the level of compliance with the twenty-five core principles. The respective global authorities for insurance and securities regulation and for payment systems have issued similar benchmarks.

The independence of the supervisory agencies is very important. Independent supervisors can be in a better position to limit forbearance when dealing with problems in individual banks. An effective supervisory regime needs to be sufficiently transparent such that the supervisors can be seen to be exercising their powers to favour the objectives of maintaining a stable and sound financial system.

Remedial Action and Exit Policies

The proper role of central bank lender-of-last-resort facilities is to promptly provide temporary support to illiquid but solvent institutions, typically at a penalty rate and against collateral. Such lending can be an important instrument to prevent banking panics and runs that could cause sound institutions to become illiquid and precipitate their insolvency. In order for a lender-of-last-resort to operate effectively, without undermining market discipline, the central bank needs sufficient information from the supervisory authority to determine which banks are approaching insolvency, to be able to limit support to sound but liquidity-constrained institutions.

Apart from being independent, supervisors also need sufficiently flexible powers to efficiently deal with problematic banks. Where problems are remediable, supervisors will normally seek to identify and implement solutions that fully address their concerns; where they are not, the prompt and orderly exit of institutions that are no longer able to meet supervisory requirements is a necessary part of an efficient financial system. In some instances, the fiscal authorities may support insolvent institutions, particularly if they are systemically important. Deposit insurance arrangements are designed to compensate some classes of depositors in case of individual bank failures. A credible exit policy for problem banks is necessary for effective deposit insurance and lender-of-last-resort arrangements and for the maintenance of a sound and competitive banking system.

Public Infrastructure and Market Discipline

A well-developed public infrastructure can significantly contribute to the stability of the financial system. Such facilities would normally cover: a system of business laws including corporate, bankruptcy, contract, consumer protection and private property laws; comprehensive and well-defined accounting principles and rules that command wide international acceptance; a system of independent audits for companies so that users of financial statements, including banks, have independent assurance that the accounts provide a true and fair view of the financial position of the company and are prepared according to established accounting principles, with auditors held accountable for their work; effective banking supervision with well-defined regulations; and a secure and efficient payment and clearing system for the settlement of financial transactions where counterparty risks are controlled.

Effective market discipline is another line of defence against financial instability. This depends on an adequate flow of information to market participants, appropriate financial incentives to reward well-managed institutions, and arrangements that ensure that investors are not insulated from the consequences of their decisions. Among the issues to be addressed are corporate governance and ensuring that accurate, meaningful, transparent and timely information is provided by institutions to investors and creditors.

Corporate Governance

Recent company failures have led to widespread questioning of the quality and integrity of the information available to the market and the behaviour of some corporate executives. This has drawn further attention to the importance of sound corporate governance based on independent oversight and strong internal checks and balances. Competition in the financial system is becoming more intense, and the overall structure of the financial system is increasingly adapted to change. In such an ever-changing and challenging environment it has become critical for financial institutions in general, and banks in particular, to be managed by fit and proper directors and managers within a sound and prudent system of corporate governance.

The Organisation for Economic Co-operation and Development (OECD) has defined corporate governance as “a set of relationships between a company’s management, its board, its shareholders and other stakeholders”. The adoption of sound governance principles by boards of directors will strengthen the risk management process, which, in turn, will make businesses more efficient and resilient to instabilities.

Market participants and the regulatory authorities share between them the process of instilling and using sound governance practices. While market participants bear the ultimate responsibility for establishing good governance practices in their institutions, in order to gain and keep the confidence of their shareholders, clients, counterparties and the markets, regulatory authorities play a key role in instilling and overseeing implementation of the use of such good practices.

PRACTICAL AND POLICY ISSUES RELATED TO ECONOMIC AND MONETARY UNION

Introduction

The ten countries, including Malta, that will join the European Union (EU) on May 1, 2004 will, as is the case with the current EU Member States other than Denmark and the UK, be expected to adopt the euro as their national currency once they fulfil a number of economic and financial conditions laid down in the EU Treaties and supporting legislation. Admission to the euro area, therefore, is not automatic upon EU accession. Upon entering the EU, and until they meet the conditions to adopt the single currency, the ten countries will be considered participants in Economic and Monetary Union (EMU), but only as "Member States with a derogation".

It is relevant to point out that even at this early stage of transition to EMU, Malta already satisfies some of the relevant conditions. Others, however, will only start to be fulfilled in stages following EU accession. During this transitory period, the euro will continue to be treated as a foreign currency, while the Maltese lira will remain the only legal tender currency in Malta. The Central Bank of Malta will continue to determine monetary policy and to set official interest rates in Malta.

In preparation for full participation in EMU, steps will meanwhile be taken to gradually align Malta's macroeconomic policies with those of the euro area countries. This will have implications for exchange rate policy as well as for monetary and fiscal policy. Macroeconomic convergence will become more pronounced as Malta moves from the initial phases of EMU membership to the final stage, when it will participate fully in the euro area and adopt the euro as its national currency.

The remainder of this article will focus on the various conditions that have to be met during the different stages leading to the adoption of the single currency. Section 2 describes the requirements related to EMU that have to be met by the May 2004 EU accession date, while Section 3 gives an overview of Malta's obligations after accession and before the adoption of the euro, including membership of ERM II. This is discussed in section 4. The final section outlines the macroeconomic policy framework in the euro area and describes the final preparations for the adoption of the single currency.

Requirements to be Met by EU Accession

The basic requirements that must be met by the date of EU accession are referred to as the Copenhagen criteria and are listed below:

- the achievement of the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; and
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

Malta fulfils the Copenhagen criteria as confirmed by the European Commission in its regular reports on Malta's progress towards accession.

Other important, mostly legal, requirements that have to be fulfilled by accession include:

- the introduction of the necessary provisions safeguarding the independence of the Central Bank and the establishment of price stability as the primary objective[1] of the Bank in law;

[1] It is relevant to note that the only EU Member State that is exempt from this requirement is the UK, by virtue of its opt-out clause from EMU. The obligation to ensure compliance with the provisions of the ECB Statute on central bank independence also applies in fact to Denmark and Sweden even though they are not members of the Eurosystem as yet. (See for example, ECB 2002 Convergence Report)

- the prohibition of the direct financing and the granting of privileged access to credit to the public sector by the Central Bank, which complements the independence of the Bank and the price stability objective by reducing the chances of fiscal deficits being accommodated through the creation of money;
- the implementation of those parts of the *acquis* on EMU other than those provisions which do not apply to "Member States with a derogation" including the completion of the capital account liberalisation programme and increased co-operation between National Central Banks (NCBs) and the European Central Bank (ECB), particularly in the area of statistics; and
- participation in the Pre-Accession Fiscal Surveillance Procedure (PFSP).

The legal requirements of the *acquis* in the area of EMU have likewise been fulfilled, by way of the amendments to the Central Bank of Malta Act that entered into force in October 2002. The amended Act clearly identifies the maintenance of price stability as the primary objective of the Bank and prohibits the extension of credit and the granting of preferential access to credit to the public sector. It also includes a prohibition against external interference in the conduct of the Bank's affairs and in the formulation of monetary policy specifically. More generally, the Act is also in line with the applicable provisions of the Statute of the European System of Central Banks (ESCB) and the European Central Bank (ECB), although further amendments in this regard may have to be introduced later in anticipation of the Central Bank's full integration in the Eurosystem.

Progress has also been made with respect to the liberalisation of capital movements. The remaining controls relate to certain short-term capital flows that could have a destabilising effect on the domestic financial system and could negatively affect the balance of payments. These are expected to be removed by the date of EU accession.

The Pre-Accession Fiscal Surveillance Procedure (PFSP) was launched by the European Commission to help acceding countries gear up for the submission of information related to Convergence and Stability Programmes. Convergence Programmes are national medium-term budgetary and monetary strategies which are drawn up annually by EU Member States outside the euro area. They discuss the extent of progress achieved towards sustained economic convergence with the euro area, including adherence to the Stability and Growth Pact (SGP). Stability Programmes, on the other hand, are prepared in respect of euro area Member States. The contents of these two types of Programmes are very similar. Both adopt the medium-term objective for a budgetary position of close-to balance or surplus, and disclose the main underlying assumptions for data projections. Convergence Programmes, however, also present the medium-term monetary policy objectives and how these relate to price and exchange rate stability.[2] Convergence and Stability Programmes lie at the basis of assessments by the Council of Economic and Finance Ministers (ECOFIN Council) of whether a country's deficit is excessive or not; the progress achieved with respect to the fulfilment of the Maastricht criteria; and the other conditions that have to be met by Member States aspiring to join the euro area.

While participation in the PFSP is voluntary, all acceding countries take part. Since this exercise was launched in 2001, the Central Bank of Malta and the Economic Policy Division within the

[2] The contents of these programmes are specified in Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and surveillance and co-ordination of economic policies.

Ministry of Finance and Economic Affairs have been collaborating actively to submit reports on the notification of Government deficits and debt levels and a Pre-Accession Economic Programme (PEP) for Malta.

As is the case with monetary and exchange rate policy, however, fiscal policy in the period before accession clearly remains at the discretion of the national authorities, although the Maltese Government would be encouraged to pursue policies which would result in lower fiscal deficits, thus facilitating the achievement of other requirements in the final stage of EMU.

As far as the above conditions are concerned, therefore, these have either been fulfilled or are close to being satisfied.

Requirements that Apply upon EU Accession

Because Malta will continue to qualify as a "Member State with a derogation" for some time after EU accession, the circumstances in which macroeconomic policy will be set between EU accession and euro area entry will not differ significantly from those in the pre-accession phase. Malta will in fact continue to be exempt from the stricter rules that apply to euro area members. On the other hand, some of the reporting tasks and disciplinary procedures that Malta will be implementing before EU accession will be intensified.

There are four major aspects that differentiate this stage from the pre-accession period:

- Malta will be required to participate in the multilateral surveillance of Member States' macroeconomic policies;
- It would also become subject to the provisions of the SGP, except for the provisions on financial sanctions and the implementation of country specific recommendations issued by the ECOFIN Council;
- It will also be expected to fulfil the Maastricht criteria; and
- The Central Bank of Malta will become a member of the ESCB.

The remainder of this section examines these aspects in turn.

Participation in Economic and Fiscal Surveillance

The Treaty establishing the European Communities (EC Treaty) states that each Member State shall treat its exchange rate policy specifically, and its economic policies more generally, as a matter of common interest. EU legislation in this area makes it mandatory on all Member States, irrespective of whether they have adopted the euro or not, to co-ordinate their policies within the ECOFIN Council.

In practice, this obligation translates into a requirement to ensure that national economic policies are consistent with the Broad Economic Policy Guidelines (BEPG). These Guidelines are drawn up annually by the ECOFIN Council on the basis of what the EU institutions consider to be the economic objectives requiring the most urgent attention of the Member States. Each Member State, whether in the euro area or not, is expected to observe these Guidelines. Adherence with these Guidelines is in fact one of the themes that is regularly assessed by the Council.

The areas of policy that the Council monitors are quite broad and include: macroeconomic policy; the evolution of the exchange rate; budgetary positions; labour market developments; the functioning of goods and services markets; trends in costs and prices; progress with respect to the free movement of capital and the smooth functioning of payment systems.

If the ECOFIN Council determines that Malta is not observing the Guidelines, or that sizeable economic imbalances persist, it may issue economic policy recommendations to the Government. The latter would not be obliged to observe these recommendations at this stage, but would certainly be encouraged to do so.

The Excessive Deficit Procedure and the Stability and Growth Pact

At the same time, Malta would also become subject to the EU's Excessive Deficit Procedure (EDP), which aims at assessing the sustainability of public finances in the Member States and ensuring that national governments' financial positions remain under control. This Procedure is set out in the EC Treaty and in one of the Protocols annexed to it. It is further elaborated in a Council Resolution and three Council Regulations that are collectively referred to as the Stability and Growth Pact (SGP). Together this framework defines methods used to calculate the relevant fiscal indicators and the procedures through which these assessments are conducted, reported and acted upon at EU level.

The Treaty defines the financial position of the government as "excessive" if the government deficit/GDP ratio and debt/GDP ratio exceed 3% and 60%, respectively - unless these ratios are diminishing sufficiently and approaching these reference values at a satisfactory pace, or, if the excess is considered exceptional and temporary.[3] The SGP takes this requirement further. Member States have to run close-to-balance or surplus budgets over the medium-term. Thus, while the 3% limit would seem sufficient for the purpose of meeting the Maastricht criteria, which are discussed in more detail below, it is reasonable to assume that after accession Malta would still be expected to observe the medium-term objectives embedded in the SGP. As noted above, the Convergence Programmes to be prepared by non-euro area Member States in fact also refer to this medium-term objective.

In practice, participation in the EDP means that after accession Malta will have to regularly provide the European Commission with updated figures[4] on its government deficit and debt position by set deadlines.

If on the basis of the Convergence and Stability Programmes mentioned earlier, the ECOFIN Council decides that an excessive deficit exists, it might make specific recommendations to the Member State in question to correct the deficit.[5] The latter would in turn be expected to take the necessary corrective measures to rectify its position, unless there are special circumstances that preclude that from happening. If the Member State fails to implement the necessary measures by the required deadline without reason, the Council would then make its recommendations public. In this respect, Malta's position and that of the other Member States outside the euro area will not differ from that of euro area Members.

Yet whereas euro area Members are bound to implement any recommendations put forward by the ECOFIN Council and to prepare reports outlining their policy intentions and progress in that regard, Member States outside the euro area have no such obligation. Similarly, whereas euro area members who fail to implement the recommendations of the Council would be subject

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[3] A deficit is considered to be exceptional if the excess arises from an unusual event outside the control of the Member State and has a significant bearing on the financial position of the general government or if it reflects a severe economic downturn defined as an annual contraction in real GDP of at least 2%.

[4] In terms of Regulation 475/2000, by 1 March of each year, Member States must report to the Commission their planned government deficit for that year, the last estimate of their actual government deficit and debt for the previous year, and their actual deficits and debt levels for the previous four years but one. Updates of these figures are to be presented by 1 September each year.

[5] It is at the discretion of the Council to decide whether to make these recommendations public or not.

to financial sanctions,[6] these would not apply to Member States outside the euro area.

The Maastricht Criteria and ERM II

As noted above, joining the euro area is also conditional on meeting the Maastricht criteria, which are referred to below.

- The achievement of a high degree of price stability as reflected in an inflation rate which does not exceed that of the three best-performing Member States in terms of price stability by more than 1½ percentage points during the year preceding the examination.
- Sustainable government finances – as reflected in an annual government deficit and debt-to-GDP ratio that fall within the 3% and 60% reference values. Otherwise, the ratio must have declined substantially and continuously towards these reference values at a satisfactory pace.
- The observance of the normal fluctuation margins provided for by the exchange rate mechanism of the European Monetary System - now, the ERM II - for at least two years, without devaluing against the currency of any other Member State.
- The durability of convergence as reflected in a nominal long-term interest rate which is not more than 2 percentage points higher than that of the three best-performing Member States in terms of inflation. The idea is that the interest rate captures the perceptions of financial markets regarding the sustainability of domestic underlying economic conditions and the coherence of economic policies.

The Treaty, however, does not set a date by which these criteria are to be met. It is, however, relevant to note that the two-year period embedded in ERM II, which is discussed in the next section, implicitly conditions the date of entry in the euro area. In contrast with the other Maastricht criteria, membership of ERM II involves policy choices that are based partly on the opinion of the national authorities and partly on the views of the ECB and other Member States.

The Central Bank of Malta's Role in the ESCB

As noted above, upon accession the Central Bank of Malta will become a member of the ESCB. The ESCB comprises the ECB and the NCBs of all EU Member States, including those outside the euro area. The Eurosystem, on the other hand, only groups the ECB and the NCBs of those Member States that have adopted the euro as their national currency. Thus, on May 1, 2004, the Central Bank will become part of the ESCB, but not the Eurosystem.

In this phase, the Central Bank of Malta's participation in the ESCB will not affect the way monetary policy is conducted in Malta. The Bank will neither have an obligation to implement the ECB's monetary policy, nor the right to influence monetary policy decisions for the euro area. Monetary policy in Malta will continue to be set by the Central Bank and the Maltese lira will remain the only legal tender currency in the country.

Meanwhile, the Governor of the Central Bank will participate fully in meetings of the General Council of the ECB, which is composed of Governors of all the EU central banks. He will not, however, attend meetings of the Governing Council of the ECB, which is that body within the ECB that sets monetary policy for the euro area.

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[6] Initially, this sanction takes the form of the imposition of a non-interest bearing deposit with the Commission equivalent to 0.2% of GDP plus a variable component which is equal to 10% of the difference between the actual deficit/GDP ratio and the reference value of 3% in the year in which the deficit is deemed to be excessive. The total amount of this deposit may be increased each year, subject to a ceiling of 0.5% of GDP. Unless the deficit is corrected within two years, the deposit could well be converted into a fine.

Thus, although Malta would not have adopted the euro as its national currency at this stage, the Central Bank would still be expected to contribute to some of the tasks of the ECB. These include the collection of statistical information and the preparation of the ECB's Annual Reports. The Bank would also be expected to comply with any decisions taken by the Governing Council in areas such as payment systems, the standardisation of accounting procedures and reporting of operations undertaken by the NCBs. It would certainly also be involved in discussions aimed at co-ordinating preparations for Malta's entry into the euro area at a later stage. In particular, although it will be under no obligation to implement the ECB's monetary and reserve management policies, the Bank would still be expected to inform the ECB of foreign exchange interventions exceeding certain thresholds and to collaborate with the ECB to ensure the proper functioning of the Exchange Rate Mechanism (ERM) II, which is discussed in more detail below.

From this phase onwards, that is upon EU membership, Central Bank representatives will sit on ECB committees and working groups as of right (they currently attend in an observer capacity) and participate fully in their activities.

ERM II

ERM II is a system of exchange rates which provides a framework for exchange rate policy co-ordination between the Member States already in the euro area and those which have not adopted the euro to support the latter's efforts to achieve convergence with the euro area.

For each non-euro area Member State participating in the Mechanism, a central exchange rate between its currency and the euro is established, following a common procedure involving the ECB, the Economic and Financial Committee (EFC),[7] the European Commission and the other Member States. Once this central rate is agreed, the exchange rate cannot fluctuate outside the upper and lower limits of a band, which have been set at a maximum of +/-15% around the fixed central parity. A narrower band may be adopted by a participating country but this has to be approved by all the parties concerned.[8]

Under the rules of the system, the ECB and the NCBs of those Member States participating in the Mechanism may intervene on official foreign exchange markets to prevent the value of a participating Member State's exchange rate from diverging significantly from the agreed central rate, and therefore, to remain within the agreed fluctuation bands. Such intervention is only automatic when the exchange rate has reached the limits of the band.

The date of entry into ERM II is at the discretion of each country, although all ten countries are expected to participate in the Mechanism at some point following EU accession in line with their preparations for entry into the euro area.

For Malta, membership of ERM II will imply that the Maltese lira will be fully pegged to the euro. In practice it will also mean that the lira/euro exchange rate will be allowed to fluctuate around a central rate within the agreed fluctuation band. As with all other participants in ERM II, Malta would be expected to observe these bands for at least two years without devaluing its currency. A unilateral devaluation in this case would be regarded as a transgression of the rules of the system and would undermine the country's efforts

[7] The EFC is responsible for advising and preparing background work for the ECOFIN Council. In particular, it may be consulted in the procedure leading to decisions relating to ERM II and may be engaged in dialogue between ECOFIN, the ECB, finance ministries, the NCBs and the Commission.

[8] In terms of the Resolution of the European Council on the establishment of an exchange-rate mechanism of 16 June 1997, the adoption of narrow bands requires the agreement of the ministers of the euro area Member States, the ECB and the minister and central bank governor of the non-euro area Member State in question, following a common procedure involving the European Commission and after consulting the EFC.

to fulfil the other Maastricht criteria.

The central rate for the Maltese lira against the euro will be determined jointly by the Maltese authorities and their counterparts in the EU. The Maltese authorities will be expected to put forward their views on what constitutes an appropriate central rate and the width of the fluctuation band they would seek to maintain.

In the case of Malta, therefore, exchange rate policy in ERM II will differ from the current regime in three ways: the lira will be pegged to one currency; it may fluctuate in a band; and the Central Bank need not intervene in foreign exchange markets on its own.

The Maltese lira is currently pegged to a basket of currencies composed of the euro, the US dollar and the pound sterling. This arrangement is inconsistent with ERM II because it includes reference currencies other than the euro. A peg to just one currency, the euro, will thus have to be established before or upon entry to ERM II.

Currently there is no discrepancy between the actual exchange rate and that implied by the composition of the basket, as the lira does not fluctuate around the basket-determined exchange rate. In other words, the monetary authorities pursue an exchange rate peg with a zero fluctuation band. ERM II, on the other hand, allows for fluctuation bands around a central exchange rate, although EU legislation does not exclude the possibility of adopting zero bands. However, the application of a band that is narrower than the standard fluctuation bands requires the agreement of the ECB and the other Member States participating in ERM II.

Under the current system, the Central Bank of Malta alone intervenes in the foreign exchange markets to ensure that the value of the peg is maintained. In ERM II the Maltese lira/euro exchange rate will have the support of both the Central Bank and the other participants in the Mechanism, although such intervention would only be automatic at the margins and to the extent that it is not detrimental to the price stability objective. Interventions within the margins are at the discretion of the ECB and the other participating Member States.

The Final Stage of EMU – Joining the Euro Area

Once a non-euro area Member State participates in the ERM II for a period of at least two years without experiencing severe tensions it would be deemed to be in a position to enter EMU, on condition that it has also fulfilled the other Maastricht criteria. In this case, not only will it be able to join the euro area, but it will indeed be expected to do so.

The precise date of entry in the euro area will not be determined exclusively by the Member State itself. The Treaty specifies that it is the EU Council of Ministers, meeting in the composition of the Heads of States or Government of Member States in the euro area, which determines whether a particular Member State qualifies to join the euro area or not. Progress in this regard is assessed in Convergence Reports prepared by the ECB and the European Commission. Assessments are normally undertaken every two years, though the country would still be able to request the activation of an assessment at any other time. The choice of the date of entry in the euro area, therefore, cannot be taken unilaterally by the country concerned, but has to follow a set procedure.

From a local perspective, therefore, it is clear that because of the two-year minimum period for participation in ERM II stipulated by the Maastricht criteria, the earliest date on which Malta can consider entering the euro area is 1 May, 2006. This date would of course have to be extended further into the future if Malta fails to meet all the other Maastricht criteria by the time it has satisfied the ERM II criterion.

The Macroeconomic Policy Framework in the Euro Area

As soon as Malta joins the euro area, it will be subject to all the provisions of the Treaties and any other EU legislation governing EMU, including the whole series of subsidiary legislation and standards issued by the ECB. The provisions of the SGP will also apply to Malta in full. Thus, the Government will not only be expected to observe any policy recommendations originating from the ECOFIN Council, but will have an obligation to do so. Failure to do so could result in the application of financial sanctions.

The most important decision that will have to be taken on entering EMU is the irrevocable fixing of the value of the Maltese lira against the euro. The latter will then replace the Maltese lira as the national currency. This is a key aspect of monetary union since it implies that the possibility of adjusting the Maltese lira/euro exchange rate for domestic economic purposes is given up altogether.

Concurrently, the Central Bank would become a full member of the ESCB and form part of the Eurosystem. The right to make monetary policy decisions will be transferred to the Governing Council of the ECB, which is the central decision-making body responsible for setting monetary policy for the euro area. Official interest rates in Malta will no longer be determined by the Central Bank of Malta, but would instead reflect the decisions of the Governing Council of the ECB, which sets the monetary policy stance for the euro area as a whole.

The Governor's role in this context would be to participate in the Governing Council's deliberations. He will also have the right to vote on monetary policy decisions in accordance with the ECB's established voting system.

As a member of the Eurosystem, the Central Bank of Malta would assume the full rights and obligations of the ESCB. In particular, it will perform any monetary policy and foreign exchange operations delegated to it by the ECB, continue to monitor the stability of the payments system and contribute to the collection of statistics and the analysis of economic and financial issues relevant to the workings of the ESCB. In terms of ESCB legislation, it would also be expected to manage that part of its foreign reserves that will be transferred to the ECB. These tasks will have to be performed according to the standards set by the ECB.

Technical and Operational Preparations

The smooth adoption of the euro can only take place after a range of technical and operational preparations have been completed. The foreign reserves transfer mentioned above, for example, implies that the Central Bank will have to ensure that at the time of this transfer, it has sufficient external reserves which are acceptable to the ECB.[9] While the timing and modalities governing this transfer have yet to be determined by the ECB, it certainly has implications in terms of the evolution of the Central Bank's portfolio of external reserves.

Other preparations involve the domestic payment and securities settlement systems, which would have to be linked with whatever systems are in place at the EU level. Likewise, the legislative framework governing such systems will have to be harmonised with that of the ECB. The Central Bank would also have to set up a proper communication and information exchange system that would enable it to function as a member of the Eurosystem.

Some of the processes in question, particularly those in the legislative field, have already been completed or are close to completion. Others,

[9] Article 30 (1) of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank lists the currencies which are not acceptable to the ECB, including the euro and SDRs.

particularly those relating to the settlement of transactions, the creation of information exchange facilities and data analysis are still in the process of being implemented. Indeed, some of the required preparations can only be implemented at a later stage, either because their introduction is bound by the legal framework governing EMU, or because they have to be co-ordinated with the other Member States according to procedures that have yet to be announced by the ECB. The exact modalities for the changeover to euro notes and coins and the linkage of the domestic payment system with that of the EU are a case in point. Thus, for example, it is still to be decided whether the changeover to euro notes and coins in the ten new Member States will be a direct one, or whether there would be a step-by-step transition of the kind adopted for the current Members of the euro area.

The practical changes involved are not envisaged to present any insurmountable problems because, like all other NCBs in the euro area, the Central Bank of Malta is already participating in all the technical committees and working groups of the ECB that deal with these issues. Channels, therefore, already exist whereby Central Bank officials are able to present Malta's specific concerns and interests and to discuss practical issues of common interest.

The Changeover to Euro Notes and Coins

When all the above preparations have been completed and it is ascertained that all the relevant conditions for entry in the euro area have been met, Malta would be both able and expected to proceed to the final stage of EMU, the changeover to euro notes and coins. In a direct changeover, the introduction of euro bank notes and coins in Malta would take place concurrently with the adoption of the euro as the single currency. However, Malta could well be part of the Eurosystem without the euro entering into circulation in physical form. In this scenario, which characterised the changeover in the Member States that have already adopted the euro, the euro would first be introduced in electronic form only.

What is certain is that as soon as Malta joins the euro area, the euro would cease to be considered a foreign currency and would be recognised as legal tender and used as an electronic currency for accounting purposes and for executing transactions. The changeover will have widespread effects that reach well beyond the financial sector.

The Central Bank will play a lead role in initiating discussions and guiding interested parties on such matters as the value of the euro, the exchange of currency and the detection of counterfeit notes. Other preparations requiring the co-operation of the financial sector include the upgrading of cash-handling and vending machines, changes to the IT and accounting systems of businesses and other organisations, the testing of such systems and the adaptation of contracts, invoices and price lists.

Within the banking sector, the principal forum through which these discussions are taking place is the EU Committee for Banks,[10] which includes representatives of the Central Bank, the Malta Financial Services Authority, the Malta Bankers' Association and the credit institutions. There are, however, a number of other committees which meet on a regular basis to discuss specific technical issues.

Conclusion

Entry in the euro area is not automatic upon EU accession. It is dependent on the fulfilment of various economic and financial conditions and the implementation of a number of legal and operational tasks. This means that the adoption of

[10] This Committee was previously called the EU Advisory Committee for Banks. Further information about the role of the latter can be obtained from recent issues of the Bank's Annual Report.

the euro as the national currency will not take place immediately upon EU accession, but only when conditions for entry have been fulfilled. While some of the changes that have to be put in place have already been implemented, others can only be carried out in the post-EU accession period.

In particular, the date of entry in the euro area is conditioned by the requirement to participate in the ERM II for a minimum period of two years, and the achievement of the other related Maastricht convergence criteria. Furthermore, entry into the euro area has to be sanctioned by the euro-area Member States.

Upon entry in the euro area, monetary policy decisions will be taken by the ECB, and fiscal policy will become subject to all the provisions of the SGP, including the provisions on financial sanctions. Until then, monetary policy and fiscal policy will remain at the discretion of the Maltese authorities and the euro will continue to function as a foreign currency. As Malta progresses from EU accession, through the ERM II phase and, finally to the adoption of the euro as its national currency, the framework within which macroeconomic policy is formulated in Malta will become more demanding. At that point, Malta can benefit fully from participating in a single currency area that promises greater transparency in prices, a reduction in transactions costs and interest rates, and greater discipline in economic policy-making. The adoption of the euro should thus stimulate trade, enhance competition and lead to more rapid economic growth.

NEWS NOTES

Prime Minister Signs European Union Accession Treaty

On April 16 the Prime Minister signed the European Union Accession Treaty in Athens through which Malta, together with nine other countries, will accede to the European Union on May 1, 2004. On June 23 the House of Representatives began debating the European Union Bill, which aims at completing the ratification of the Treaty.

Central Bank Lowers Central Intervention Rate

On May 27 the Central Bank of Malta lowered the central intervention rate by 25 basis points to 3.50%. The decision was taken by the Governor following the Monetary Policy Advisory Council meeting that morning.

The Governor considered that there were grounds for believing that lower official interest rates were compatible with the maintenance of the exchange rate peg. The Central Bank's external reserves, which are a key indicator of the sustainability of the peg, had risen further in April and into the first half of May. At the same time, the continued weakness in the international economic environment had led to a drop in interest rates abroad, such that the interest rate differential in favour of the Maltese lira rose beyond the level that seemed appropriate in the circumstances. In this context, the Governor observed that the ending of uncertainty over Malta's relations with the European Union, and the economic policy disciplines implied by membership, added to the credibility of the peg. The persistence of high levels of liquidity in domestic financial markets also supported the decision to cut the central intervention rate.

Furthermore, in the light of the Bank's mandate to maintain price stability, the Council had also noted with satisfaction the drop in inflation registered during the first quarter of 2003, and had considered that inflationary pressures were unlikely to emerge in the near term. At the same time, sluggish growth in the main export markets suggested that economic activity in Malta would continue to expand at below its potential rate, despite the expansionary stance of fiscal policy. This consideration, too, favoured an easing of the monetary policy stance, though the Council was to continue to monitor the process of fiscal consolidation.

On June 24 the central intervention rate was lowered again by 25 basis points to 3.25%. The Governor stated that recent developments in the relevant indicators had rendered a further cut in the central intervention rate compatible with the maintenance of the exchange rate peg. The Central Bank's external reserves had expanded in May and remained stable going into June. At the same time, the international economic environment had continued to show signs of weakness, leading once again to downward revisions in growth forecasts and to lower official and market interest rates abroad. Consequently, despite the reduction in the Bank's central intervention rate in May, the interest rate differential in favour of the Maltese lira remained at a level that appeared high in the circumstances. Moreover, the other economic and financial conditions that had motivated the May decision – particularly the favourable short-term outlook for inflation, the high level of liquidity in the financial system and an economic growth rate that was likely to remain below potential – had continued to prevail.

IMF Consultation Mission in Malta

Between May 8 - 19 a consultation mission from the International Monetary Fund visited Malta to conduct discussions with the Government and the Central Bank under Article IV of the Fund's Articles of Agreement. The Mission also met representatives from the financial sector, industry and commerce and the trade unions. Similar periodic discussions are held with all members of the Fund in order to assess the prevailing economic and financial situation in the respective countries. In the case of Malta, such discussions are held every two years.

Redemption and Issue of Government Stock

On June 27 the Minister of Finance and Economic Affairs authorised the redemption of Lm20.9 million worth of 7% Malta Government Stock 2003(II). On the same day, the Government, through Legal Notices Nos. 141 and 142, launched two issues of stock for a nominal value of Lm63.8 million. These stocks were the 5.1% Malta Government Stock 2014 (II), of which Lm30 million were to be issued, and the 5.5% Malta Government Stock 2023, of which Lm33.8 million were to be issued. Both stocks were to be issued at par for amounts not exceeding Lm50,000 and by auction for bids exceeding this amount.

On June 27 the Government created and issued directly to the Foundation for Church Schools the 7% Malta Government Stock 2013 (III). The stock was for a nominal value of Lm66,700.

Confirmation of Bank of Valletta Credit Rating

On April 24 Fitch, an international credit rating agency, confirmed Bank of Valletta's long-term and short-term financial credit ratings at A- and F2, respectively. According to Fitch this stable rating outlook reflected the bank's position within the Maltese financial system, satisfactory profitability and a capital base that is well above the international standard.

Double Taxation Agreement with Estonia Comes into Force

On January 22 a double taxation agreement between the Government of Malta and the Government of Estonia, which had been signed on May 3, 2001, entered into force.

FINANCIAL POLICY CALENDAR

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

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 2: ***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.

- **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%
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 are as follows:

Euro – 1.6937
Pound Sterling – 0.3084
US Dollar – 0.2341

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.

November 25: ***Measures Introduced in the Budget for 2003***

The Minister of Finance, in presenting the Budget Estimates for the year 2003 to Parliament, announces a number of policy measures. These include:

- **Cost of living increase:** A weekly increase in wages of Lm1.75 to compensate for the rise in the cost of living during the year to September 2002.
- **Cost of living index for pensioners:** A cost of living index for pensioners is introduced. On the basis of this index, a weekly increase of Lm1.27 is awarded to compensate for the rise in pensioners' cost of living during the year to September 2002.
- **Direct taxation:** Income tax bands are opened up from three to five, resulting in reduced income tax for both single taxpayers and married couples. Farmers are to benefit from an improved tax system.
- **Indirect taxation:** Excise duties on cigarettes to be increased. Electricity consumption and cylinder gas are to be subject to value added tax (VAT) at 5% and 15% respectively, though Enemalta Corporation is to absorb the cost. Stamp duty on immovable property intended to be used as the purchaser's sole ordinary residence is to be reduced from 5% to 3% while stamp duty on immovable property transferred between members of the same family is to be calculated on the basis of the cost of the property. Taxation on racing cars and vintage cars is reduced, and vehicles that run solely on electrically driven systems and battery operated mopeds are to be exempt from registration tax.
- **Liberalisation of exchange controls:** Exchange controls are to be further liberalised. Forthcoming measures are to be introduced in three phases: the first with effect from January 2003, the second from June 2003 and the third on EU accession. The measures to be adopted as from January 1, 2003 include:

- Full liberalisation of purchase of foreign currency for travel purposes.
- Full liberalisation of imports/exports of cash being legal tender in Malta.
- Full liberalisation of purchase of foreign currency for export by residents travelling to make payments for merchandise imports.
- Increase in the amount of foreign currency that can be exported as cash gifts or for family subsistence purposes from Lm10,000 to Lm20,000.
- Increase in the amount of the annual exemption relative to the surrender of foreign currency to authorised dealers from Lm15,000 to Lm20,000.
- The allowance for foreign portfolio investment by residents is raised from Lm50,000 per annum to Lm100,000.
- Bodies corporate and local retail outlets receiving foreign currency in cash from business activities may retain up to Lm20,000 for use in such activities.
- Bodies corporate acting as commission agents for foreign companies may receive foreign currency payments from local customers as long as they remit them within one month of receipt.
- Local credit institutions allowed to grant credit facilities in Maltese lira for a period of six months to non-residents carrying on business in Malta.
- Residents allowed to give credit to non-residents for a minimum period of six months.
- Residents allowed to borrow in foreign currency for a minimum period of six months.
- Investment funds for residents denominated in Maltese lira allowed to invest up to 15 per cent of their shareholders' funds in foreign assets.
- Companies offering financial services to local clients allowed to maintain clients' accounts with foreign banks overseas.
- Reporting obligation for travellers carrying cash exceeding Lm5,000 to be enforced.

· **Replacement of the Exchange Control Act:** The Exchange Control Act is to be replaced by an External Transactions Act. This would provide the infrastructure for the total liberalisation of capital controls and for measures to deal with balance of payments crises.

November 27: ***Limit on Treasury Bill Issue Raised***

The House of Representatives approves a Resolution raising the ceiling on the amount of the Treasury bill issue from Lm200 million to Lm300 million.

December 20: ***Central Bank Lowers Official Interest Rates***

The Central Bank of Malta cuts the central intervention rate and the discount rate by 25 basis points to 3.75%. The decision is taken by the Governor, Mr Michael C Bonello, in terms of the Central Bank of Malta Act, at the end of the Monetary Policy Advisory Council meeting held that morning.

2003

January 3: ***Appointment of Competent Authority***

The Minister of Finance, through Legal Notices Nos. 1 and 2, appoints the Malta Financial Services Authority as the Listing and Competent Authority for the purposes of the Financial Markets Act.

January 3: ***Minister of Finance Issues Investor Compensation and Deposit Guarantee Schemes Regulations***

The Minister of Finance, through Legal Notices Nos. 6 and 7 of 2003, makes regulations to further strengthen consumer protection in the field of financial services. The Investor Compensation Scheme Regulations provide protection in cases related to licensed investment services providers that go out of business and cannot return money invested by them on behalf of their clients. On the other hand, the Deposit Guarantee Scheme Regulations establish a framework whereby depositors may be entitled to compensation in the event of a bank failure. Legal Notices Nos. 5 and 8 of 2003, also dated 3 January 2003, bring these regulations into force.

February 28: ***Minister of Finance Issues Central Bank of Malta (Penalties for Offences and Infringements) Regulations***

The Minister of Finance, through Legal Notice No. 75, issues the Central Bank of Malta (Penalties for Offences and Infringements) Regulations, 2003. Through these regulations, penalties may be imposed upon reporting agents, payment system participants and credit or financial institutions, and upon any body corporate that contravenes or fails to comply with specific duties laid down in the Central Bank of Malta Act.

March 5: ***Parliament Enacts Set-off and Netting on Insolvency Act, 2003***

Parliament enacts Act IV of 2003, which provides for the enforceability of set-off and netting on bankruptcy and insolvency and amends various other commercial and financial laws.

May 27: ***Central Bank Lowers Central Intervention Rate***

The Central Bank of Malta lowers the central intervention rate by 25 basis points to 3.50%. The decision is taken by the Governor following the Monetary Policy Advisory Council meeting held that morning.

June 24: ***Central Bank Lowers Central Intervention Rate***

The Central Bank of Malta lowers the central intervention rate by 25 basis points to 3.25%. The decision is taken by the Governor at the end of the Monetary Policy Advisory Council meeting held that morning.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS
(as at end-Mar. 2003, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km^2	
CURRENCY UNIT	Maltese lira - Exchange rates: Lm1 = US$2.5411	
	Lm1 = Euro2.3600	
CLIMATE	Average temperature (1991-2002): December - February	13.2° C
	June - August	25.8° C
	Average annual rainfall (1990 - 2002)	591.3mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices (Dec 2002)	2.5%
	GDP per capita at current market prices (Dec. 2002)	US$9,740
	GDP per head in PPS relative to the EU-15 average (2002)	55%
	Ratio of gross government debt to GDP (Dec 2002)	64.3%
	Ratio of government deficit to GDP (Dec 2002)	5.2%
	Retail price inflation	1.46%
	Ratio of exports of goods and services to GDP (Dec. 2002)	83.7%
	Ratio of current account deficit to GDP (Dec. 2002)	3.9%
	Employment rate[1]	54.7%
	Unemployment rate[1]	6.6%
POPULATION	Total Maltese and Foreigners (Dec. 2002)	397,296
	Males	196,836
	Females	200,460
	Age composition in percent of population (Dec. 2001)	
	0 - 19	27%
	20 - 59	56%
	60 +	17%
	Average annual growth rate (1990 - 2002)	0.8%
	Density per km^2	1,257
HEALTH	Life expectancy at birth - Males (Dec. 2001)	76.1
	- Females (Dec. 2001)	80.9
	Crude birth rate, per 1000 inhabitants (Dec. 2001)	10.05
	Crude mortality rate, per 1000 inhabitants (Dec. 2001)	7.65
	Doctors per 1000 inhabitants (Dec. 2001)	3
EDUCATION	Combined gross enrolment ratio % (1999)	80%
	Number of schools (2000/2001)	322
	Teachers per 1000 students (2001)	84
	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 (Dec. 2002)	491
	Internet subscribers per 1000 inhabitants (Mar. 2002)	146

[1] Labour Force Survey, National Statistics Office.

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 March 2003:

Deposit Money Banks
APS Bank Ltd.
Bank of Valletta plc
HSBC Bank Malta plc
Lombard Bank (Malta) plc
HSBC Home Loans (Malta) Bank Ltd.
Volksbank Malta Ltd.

International Banking Institutions
Akbank TAS
Disbank Malta Ltd.
Erste Bank (Malta) Ltd.
First International Merchant Bank plc
Investkredit International Bank Malta Ltd.
Izola Bank Ltd.
Raiffeisen Malta Bank plc
Sparkasse Bank Malta plc
Turkiye Garanti Bankasi AS

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

Liabilities

Lm thousands

End of Period	Currency Notes and Coin Issued	IMF-Related Liabilities	Deposits				Capital and Reserves	Foreign Liabilities [3]	Other Liabilities [2]
			Banks[2]	Government	Other	Total			
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	-	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	-	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	-	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
2001	441,829	18,281	146,789	69,080	7,644	223,513	95,069	-	48,649
2002									
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
July	455,342	18,230	181,684	70,739	7,527	259,949	95,595	1,905	35,252
Aug.	453,209	18,230	235,854	34,913	7,797	278,564	95,558	-	35,244
Sept.	456,448	18,230	197,634	77,314	7,104	282,053	99,614	1,255	38,413
Oct.	456,569	18,230	279,632	23,816	8,970	312,418	99,618	3,422	40,358
Nov.	451,950	18,230	289,979	23,767	8,139	321,884	99,596	5,081	41,965
Dec.	461,247	16,676	255,558	42,961	7,595	306,114	95,341	6,987	49,577
2003									
Jan.	450,395	16,676	282,620	49,124	7,508	339,252	100,211	2,291	35,960
Feb.	452,689	16,676	268,964	65,531	7,463	341,958	95,243	2,910	43,066
Mar.	456,791	16,676	250,596	74,451	7,196	332,243	95,789	5,838	30,137

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

[2] 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".

[3] Data prior to 2001 were included with "Other Liabilities".

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

Assets

Lm thousands

End of Period	External Reserves				IMF Currency Subscription	Malta Government Securities and Advances	Fixed and Other Assets	Total Assets/ Total Liabilities
	Gold [2]	IMF-Related Assets[3]	Convertible Currencies[4]	Total				
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	80,134	559,376
1992	9,101	30,061	435,856	475,018	21,720	62,305	88,687	647,730
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
1999	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000	452	36,940	606,752	644,144	35,222	9,178	98,930	787,474
2001	629	37,863	721,936	760,428	35,078	5,773	26,062	827,340
2002								
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
July	459	37,518	775,267	813,244	35,026	3,657	14,346	866,273
Aug.	469	37,636	789,541	827,645	35,026	2,901	15,233	880,806
Sept.	481	37,451	803,928	841,860	35,026	2,349	16,777	896,013
Oct.	472	37,418	837,792	875,682	35,024	2,305	17,603	930,614
Nov.	473	37,355	845,812	883,639	35,024	2,209	17,834	938,706
Dec.	473	37,512	842,862	880,847	33,470	4,289	17,335	935,942
2003								
Jan.	510	36,978	854,421	891,909	33,470	2,119	17,285	944,784
Feb.	759	37,335	862,145	900,239	33,470	2,633	16,200	952,543
Mar.	723	37,316	845,994	884,034	33,470	2,639	17,330	937,473

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

[2] Includes small amounts of other precious metals.

[3] Includes IMF Reserve Position and holdings of SDRs.

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

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES DEPOSIT MONEY BANKS [1]

Liabilities

Lm thousands

End of period	Deposits [2]				Foreign Liabilities [3]	Capital and Reserves	Other Liabilities [3]
	Demand	Savings	Time	Total			
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
1999	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000	192,206	623,727	1,296,731	2,112,664	404,679	158,523	566,664
2001	212,877	667,301	1,432,338	2,312,516	600,963	190,915	566,193
2002							
Jan.	207,599	672,267	1,456,245	2,336,111	609,256	197,029	557,983
Feb.	214,182	676,139	1,481,930	2,372,251	600,704	197,029	547,507
Mar.	220,395	679,315	1,507,325	2,407,035	551,166	197,029	547,919
Apr.	211,961	684,522	1,515,711	2,412,194	530,824	197,029	550,409
May	216,325	675,164	1,539,494	2,430,983	547,120	197,029	568,066
June	222,337	673,393	1,554,980	2,450,710	551,777	197,029	549,678
July	227,318	679,608	1,574,179	2,481,105	576,353	197,029	570,560
Aug.	229,186	685,225	1,597,585	2,511,996	573,381	199,529	572,574
Sept.	238,287	690,707	1,617,784	2,546,778	600,639	199,529	571,874
Oct.	242,311	685,468	1,606,764	2,534,543	638,009	203,197	581,963
Nov.	239,901	715,177	1,647,946	2,603,024	860,273	272,593	415,397
Dec.	245,190	714,116	1,648,268	2,607,574	1,038,369	272,793	414,620
2003							
Jan.	251,185	724,204	1,657,386	2,632,775	1,049,620	297,164	380,395
Feb.	251,491	714,989	1,648,298	2,614,778	1,034,531	297,164	375,844
Mar.	249,459	731,118	1,628,213	2,608,790	1,029,180	297,163	390,399

[1] Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001 and Volksbank Malta Ltd as from November 2002.

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

[3] 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 [1]
Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank [2]	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets [2]	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
2001	180,312	791,844	1,866,440	663,006	168,985	3,670,587
2002						
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	804,092	1,869,243	680,513	159,857	3,743,197
June	219,129	800,505	1,858,564	690,186	180,811	3,749,194
July	203,203	859,109	1,874,360	694,623	193,753	3,825,047
Aug.	255,687	868,205	1,865,321	676,918	191,349	3,857,480
Sept.	247,575	930,015	1,897,856	689,543	153,832	3,918,820
Oct.	272,582	923,432	1,891,594	706,917	163,188	3,957,712
Nov.	300,919	1,114,732	1,898,787	692,563	144,287	4,151,287
Dec.	294,778	1,299,371	1,899,160	667,083	172,963	4,333,355
2003						
Jan.	304,093	1,307,320	1,890,261	700,389	157,890	4,359,953
Feb.	284,217	1,294,386	1,876,815	706,001	160,897	4,322,316
Mar.	272,104	1,283,624	1,919,127	720,890	129,786	4,325,531

[1] Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001 and Volksbank Malta Ltd as from November 2002.

[2] 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 [1]

Liabilities

Lm thousands

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

[1] This Table was discontinued as from January 2001.

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

[3] In April 1991, a local financial institution issued Lm60 million worth of bonds, with the proceeds being utilised to repay credits 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 [1]

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Claims on				Total Assets/ Total Liabilities
			Government	Deposit Money Banks[2]	Private and Parastatal Sectors	Total	
1990	642	89,771	5,055	702	104,539	110,296	200,709
1991	7	98,099	-	6	138,210	138,216	236,322
1992	7	116,452	-	79,259	164,003	243,262	359,097
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
2000							
Jan.	349	6,432	4,555	3,025	139,475	147,055	153,836
Feb.	307	6,449	4,555	3,029	139,949	147,533	154,289
Mar.	317	6,324	4,555	3,102	143,997	151,654	158,295
Apr.	325	6,307	1,863	2,952	143,589	148,404	155,036
May	323	6,475	1,871	2,958	144,214	149,043	155,841
June	326	6,561	1,871	3,074	147,402	152,347	159,234
July	332	6,534	1,879	3,054	147,092	152,025	158,891
Aug.	292	6,507	2,086	3,137	148,457	153,680	160,479
Sept.	303	6,608	2,091	3,159	152,790	158,040	164,951
Oct.	314	6,459	2,471	2,958	127,492	132,921	139,694
Nov.	302	6,692	2,480	3,044	128,166	133,690	140,684
Dec.	312	6,835	2,287	3,010	129,417	134,714	141,861

[1] This Table was discontinued as from January 2001.

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

TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES INTERNATIONAL BANKING INSTITUTIONS

Liabilities

Lm thousands

End of Period	Resident Deposits				Foreign Liabilities	Capital and Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999	4,027	10,203	7,093	21,323	2,460,629	188,740	40,418	2,711,110
2000	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
2001	5,426	11,259	16,153	32,838	2,348,815	256,729	17	2,638,400
2002								
Jan.	4,703	12,238	15,830	32,771	2,150,743	234,712	31,270	2,449,496
Feb.	5,926	14,143	15,257	35,326	2,097,070	232,695	28,621	2,393,711
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	236,434	37,719	2,589,678
May	6,778	12,720	16,699	36,197	2,345,702	238,268	39,907	2,660,075
June	7,653	15,085	18,784	41,521	2,319,044	240,205	30,329	2,631,100
July	4,481	17,811	18,839	41,131	2,374,221	239,003	44,777	2,699,132
Aug.	7,424	17,111	19,949	44,484	2,468,160	239,039	46,064	2,797,747
Sept.	6,432	17,195	19,603	43,230	2,450,095	239,707	45,337	2,778,369
Oct.	3,715	18,834	19,857	42,406	2,672,032	239,794	47,384	3,001,615
Nov.	124	5,097	850	6,071	2,503,992	157,713	20,913	2,688,689
Dec.	28	5,227	1,125	6,380	2,297,394	157,981	14,774	2,476,529
2003								
Jan.	294	5,571	1,336	7,201	2,161,655	163,569	9,301	2,341,726
Feb.	316	5,302	768	6,386	2,231,446	170,556	12,760	2,421,148
Mar.	312	3,848	789	4,949	2,250,377	169,477	14,479	2,439,283

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
2001	1,355	2,481,053	5,855	137,161	12,976	2,638,400
2002						
Jan.	1,467	2,282,661	6,967	146,809	11,592	2,449,496
Feb.	1,381	2,224,745	5,688	153,026	8,872	2,393,711
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	2,459,638	5,997	156,737	7,455	2,631,100
July	1,401	2,523,905	6,074	160,893	6,859	2,699,132
Aug.	1,284	2,616,453	5,861	167,203	6,945	2,797,747
Sept.	1,512	2,595,768	5,905	168,251	6,933	2,778,369
Oct.	1,507	2,802,706	5,424	187,108	4,870	3,001,615
Nov.	1,254	2,668,624	5,828	9,158	3,825	2,688,689
Dec.	1,141	2,456,089	6,426	8,860	4,013	2,476,529
2003						
Jan.	1,179	2,321,045	6,200	8,712	4,590	2,341,726
Feb.	1,223	2,400,272	5,753	8,767	5,133	2,421,148
Mar.	1,270	2,418,695	6,386	8,815	4,117	2,439,283

TABLE 1.5 BANKING SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money [4] (M1)	Quasi-Money [5]	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government [2]	Claims on Private & Parastatal Sectors [3]	Total	Central Bank of Malta	All Banking Institutions	Total				
1990	91,177	486,841	578,018	444,763	139,860	584,623	384,438	657,223	120,980	1,162,641
1991	119,535	576,846	696,381	426,885	169,052	595,937	406,689	726,245	145,634	1,292,318
1992	121,591	638,078	759,669	492,230	198,759	690,989	408,551	830,231	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
2001	475,109	1,853,194	2,328,303	760,428	323,119	1,083,546	635,487	2,117,464	658,898	3,411,850
2002										
Jan.	495,229	1,846,718	2,341,947	781,647	297,768	1,079,415	623,393	2,146,918	651,050	3,421,362
Feb.	495,352	1,841,413	2,336,764	795,701	310,013	1,105,714	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	1,864,488	2,400,934	773,008	402,520	1,175,529	647,223	2,234,657	694,583	3,576,463
June	537,159	1,853,849	2,391,007	780,684	389,321	1,170,006	654,888	2,253,210	652,916	3,561,013
July	502,239	1,872,217	2,374,456	811,339	432,439	1,243,778	665,438	2,280,521	672,275	3,618,234
Aug.	519,192	1,865,274	2,384,467	827,645	443,118	1,270,763	670,279	2,310,093	674,858	3,655,230
Sept.	485,833	1,899,411	2,385,244	840,606	475,049	1,315,655	679,886	2,335,418	685,595	3,700,899
Oct.	555,819	1,897,597	2,453,416	872,260	416,097	1,288,358	682,638	2,321,409	737,727	3,741,774
Nov.	543,943	1,904,805	2,448,748	878,558	419,091	1,297,649	675,290	2,361,216	709,891	3,746,397
Dec.	497,955	1,908,176	2,406,131	873,860	419,698	1,293,557	680,121	2,357,951	661,616	3,699,688
2003										
Jan.	522,170	1,896,269	2,418,439	889,618	417,091	1,306,709	677,963	2,375,357	671,828	3,725,148
Feb.	513,157	1,884,676	2,397,833	897,328	428,682	1,326,010	680,993	2,357,297	685,553	3,723,843
Mar.	519,247	1,928,140	2,447,387	878,196	422,762	1,300,958	685,794	2,353,109	709,442	3,748,344

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

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

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

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

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

TABLE 1.6 MONETARY BASE AND MONETARY AGGREGATES

Lm thousands

End of Period	Monetary Base (M0)[1]			Broad Money (M3)[3]						
				Narrow Money(M1)			Quasi-Money			Total
	Currency Issued[2]	Banks' Deposits with the Central Bank	Total	Currency in Circulation	Demand Deposits[4]	Total	Savings Deposits	Time Deposits	Total	
1990	339,519	45,762	385,281	330,305	54,133	384,438	260,691	396,532	657,223	1,041,661
1991	354,513	52,867	407,380	344,342	62,347	406,689	310,302	415,943	726,245	1,132,934
1992	350,611	78,498	429,109	337,635	70,916	408,551	367,108	463,123	830,231	1,238,782
1993	364,013	67,173	431,186	353,258	71,805	425,063	415,292	526,366	941,658	1,366,721
1994	379,082	73,025	452,107	365,910	97,637	463,547	462,441	644,280	1,106,721	1,570,268
1995	367,444	80,026	447,470	351,779	84,981	436,760	510,842	743,793	1,254,635	1,691,395
1996	380,246	71,627	451,873	362,068	92,021	454,089	537,269	876,946	1,414,215	1,868,304
1997	384,655	100,511	485,166	363,765	116,134	479,899	574,125	992,966	1,567,091	2,046,990
1998	390,911	115,195	506,107	369,493	154,135	523,628	585,131	1,113,828	1,698,959	2,222,587
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
2001	441,829	125,789	567,618	418,887	216,600	635,487	671,449	1,446,015	2,117,464	2,752,951
2002										
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
July	455,342	119,184	574,526	436,081	229,357	665,438	690,231	1,590,290	2,280,521	2,945,959
Aug.	453,209	133,854	587,063	435,774	234,505	670,279	695,268	1,614,825	2,310,093	2,980,372
Sept.	456,448	100,234	556,683	437,997	241,889	679,886	700,761	1,634,657	2,335,418	3,015,304
Oct.	456,569	127,632	584,201	437,968	244,670	682,638	697,044	1,624,365	2,321,409	3,004,047
Nov.	451,950	120,479	572,429	436,616	238,674	675,290	714,153	1,647,063	2,361,216	3,036,506
Dec.	461,247	151,558	612,805	436,831	243,290	680,121	712,788	1,645,163	2,357,951	3,038,072
2003										
Jan.	450,395	113,620	564,015	431,459	246,504	677,963	721,974	1,653,383	2,375,357	3,053,320
Feb.	452,689	138,964	591,653	433,321	247,672	680,993	713,379	1,643,918	2,357,297	3,038,290
Mar.	456,791	136,096	592,887	441,041	244,753	685,794	729,258	1,623,851	2,353,109	3,038,903

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

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

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

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

TABLE 1.7 MONETARY POLICY OPERATIONS OF THE CENTRAL BANK OF MALTA

Lm thousands

Period	Liquidity-injection				Liquidity-absorption			
	Reverse Repos[1]			Marginal Lending Facility[2]	Term Deposits[3]			Overnight Deposit Facility[4]
	Amount Injected	Amount Matured	Amount Outstanding		Amount Absorbed	Amount Matured	Amount Outstanding	
1995	88,865	86,865	2,000	-	116,397	222,997	-	-
1996	1,275	3,275	-	-	248,800	227,900	20,900	-
1997	54,200	54,200	-	-	349,000	369,900	-	-
1998	241,300	237,300	4,000	-	173,000	173,000	-	-
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900[5]	180,200	64,700	500	271,600	283,600	-	97,662
2001	859,000	918,700	5,000	8,550	77,200	56,200	21,000	120,200
2002	-	5,000	-	-	2,399,400	2,316,400	104,000	175,665
2002								
Jan.	-	5,000	-	-	105,300	72,300	54,000	5,700
Feb.	-	-	-	-	128,500	113,000	69,500	42,500
Mar.	-	-	-	-	222,000	199,000	92,500	14,800
Apr.	-	-	-	-	179,800	164,800	107,500	400
May	-	-	-	-	169,000	184,000	92,500	17,800
June	-	-	-	-	156,000	180,000	68,500	15,300
July	-	-	-	-	146,500	152,500	62,500	2,000
Aug.	-	-	-	-	194,500	155,000	102,000	20,200
Sept.	-	-	-	-	195,300	199,900	97,400	12,200
Oct.	-	-	-	-	261,800	207,200	152,000	13,500
Nov.	-	-	-	-	357,400	339,900	169,500	22,500
Dec.	-	-	-	-	283,300	348,800	104,000	8,765
2003								
Jan.	-	-	-	-	321,600	256,600	169,000	11,300
Feb.	-	-	-	-	242,500	281,500	130,000	7,000
Mar.	-	-	-	-	243,800	259,300	114,500	3,000

[1]The Central Bank of Malta injects liquidity into the banking sector through an auction of reverse repos in the event of a liquidity shortage. The maturity period of reverse repos is 14 days.

[2]The Central Bank of Malta provides the marginal lending facility to credit institutions in order to satisfy their liquidity needs arising from normal banking business.

[3]The Central Bank of Malta accepts placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity in the banking sector. The maturity period of these term deposits is 14 days. Up to February 1997 excess liquidity in the banking system was absorbed using repos.

[4]The Central Bank of Malta provides the overnight deposit facility to credit institutions to absorb temporary liquidity excesses that could not be taken up by the market.

[5]Includes Lm28 million bilateral repos.

TABLE 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS[1]

Analysis by Ownership and Type

Lm thousands

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal[2]	Corporate/ Business	Government	Public Sector[3]	Maltese Lira Deposits	Foreign Currency Deposits[4]			
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
2001	1,955,817	351,655	12,521	31,759	2,065,730	286,021	2,351,751	946,220	3,297,971
2002									
Jan.	1,972,992	360,149	13,061	32,019	2,086,279	291,941	2,378,220	958,350	3,336,570
Feb.	1,990,957	380,304	12,761	32,624	2,118,760	297,886	2,416,646	973,442	3,390,088
Mar.	2,016,442	399,950	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
July	2,070,868	412,767	13,583	33,447	2,214,034	316,630	2,530,664	1,080,195	3,610,858
Aug.	2,091,972	425,903	13,390	38,501	2,246,770	322,996	2,569,766	1,095,208	3,664,974
Sept.	2,108,534	437,257	13,546	44,626	2,261,408	342,556	2,603,964	1,150,338	3,754,302
Oct.	2,110,034	405,568	13,586	57,639	2,261,060	325,767	2,586,827	1,103,409	3,690,236
Nov.	2,138,538	413,380	11,101	58,784	2,287,363	334,440	2,621,803	1,011,512	3,633,315
Dec.	2,121,567	426,933	14,189	58,112	2,279,244	341,557	2,620,801	908,426	3,529,227
2003									
Jan.	2,120,956	455,044	19,168	56,896	2,307,613	344,451	2,652,064	862,586	3,514,650
Feb.	2,109,743	451,060	17,590	53,672	2,294,497	337,568	2,632,065	860,486	3,492,551
Mar.	2,114,017	446,341	17,008	50,520	2,281,775	346,111	2,627,886	838,378	3,466,264

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

[2] Includes bearer deposits.

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

[4] 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[2]	Currency in Circulation
	Notes[1]	Coins	Total		
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
1998	375,209	15,702	390,911	21,418	369,493
1999	401,999	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,835	17,994	441,829	22,942	418,887
2002					
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
July	436,944	18,398	455,342	19,261	436,081
Aug.	434,661	18,549	453,209	17,435	435,774
Sept.	437,832	18,616	456,448	18,451	437,997
Oct.	438,034	18,535	456,569	18,601	437,968
Nov.	433,495	18,456	451,950	15,334	436,616
Dec.	443,905	17,343	461,247	24,416	436,831
2003					
Jan.	433,272	17,123	450,395	18,936	431,459
Feb.	435,652	17,037	452,689	19,369	433,321
Mar.	439,707	17,084	456,791	15,749	441,041

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

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

TABLE 1.10 DENOMINATIONS OF MALTESE CURRENCY ISSUED AND OUTSTANDING

Lm thousands

End of Period	Total Notes & Coins[1]	Currency Notes					
		Lm20	Lm10	Lm5	Lm2	Lm1	Total
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
2001	441,829	108,832	280,699	27,647	6,656	-	423,834
2002							
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
July	455,342	111,246	289,939	28,734	7,025	-	436,944
Aug.	453,209	110,882	288,732	28,008	7,039	-	434,661
Sept.	456,448	110,773	291,621	28,424	7,014	-	437,832
Oct.	456,569	110,426	292,652	28,020	6,936	-	438,034
Nov.	451,950	109,824	290,109	26,739	6,823	-	433,495
Dec.	461,247	109,560	298,664	28,784	6,897	-	443,905
2003							
Jan.	450,395	108,876	291,267	26,391	6,739	-	433,273
Feb.	452,689	108,761	293,500	26,595	6,797	-	435,653
Mar.	456,791	109,065	296,674	27,116	6,851	-	439,706

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

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY[1]

Lm thousands

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

Period	Liquid Assets			Net Short-term Liabilities[3]	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to Deposits[2]
1995	396,803	307,172	89,631	1,023,907	38.8	70.3
1996	498,944	346,358	152,586	1,154,527	43.2	72.0
1997	526,117	362,841	163,276	1,209,469	43.5	71.0
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000	680,572	491,273	189,299	1,637,576	41.6	76.1
2001	899,098	524,456	374,642	1,748,188	51.4	80.7
2002						
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
July	924,845	540,240	384,605	1,800,799	51.4	75.5
Aug.	912,654	551,614	361,040	1,838,714	49.6	74.3
Sept.	937,243	561,530	375,713	1,871,766	50.1	74.5
Oct.	952,389	578,340	374,049	1,927,799	49.4	74.6
Nov.	999,137	579,447	419,690	1,931,490	51.7	72.9
Dec.	983,291	588,529	394,762	1,961,762	50.1	72.8
2003						
Jan.	1,024,617	586,688	437,929	1,955,628	52.4	71.8
Feb.	1,039,716	570,377	469,340	1,901,255	54.7	71.8
Mar.	1,066,884	569,323	497,561	1,897,743	56.2	73.6

[1] Up to September 1990, Deposit Money Banks were required to hold an amount equivalent to 25% of their total deposit liabilities in the form of specified liquid assets. In October 1990, the required minimum total liquidity ratio was reduced to 20%. Consequently, the required minimum local liquidity ratio was reduced from 12.5% to 8% of local deposit liabilities. As from 15 November 1994, Banking Directive No. 5 established a minimum of 30% liquid asset ratio, net of deductions. Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001 and Volksbank Malta Ltd as from November 2002.

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

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

TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS[1]

Lm thousands

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

Period	Cash and Deposits with CBM[4]	Treasury Bills	Interbank Deposits	Marketable Debt Securities[5]	Total Liquid Assets
1995	21,565	30,142	61,887	283,209	396,803
1996	20,264	67,173	70,741	340,766	498,944
1997	26,359	26,791	55,462	417,505	526,117
1998	31,064	33,110	47,280	485,394	596,848
1999	50,995	75,929	67,768	499,837	694,529
2000	33,512	116,818	68,865	461,377	680,572
2001	59,754	135,845	115,894	587,605	899,098
2002					
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
July	93,230	174,952	93,026	563,637	924,845
Aug.	98,914	157,303	96,609	559,828	912,654
Sept.	94,113	170,272	120,130	552,728	937,243
Oct.	88,399	186,430	116,453	561,107	952,389
Nov.	152,702	171,859	111,893	562,683	999,137
Dec.	120,981	156,950	135,072	570,288	983,291
2003					
Jan.	153,795	183,519	132,431	554,872	1,024,617
Feb.	106,557	202,352	177,932	552,875	1,039,716
Mar.	112,774	218,173	175,576	560,361	1,066,884

[1] Includes HSBC Home Loans (Malta) as from January 2001 and Volksbank Malta Ltd as from November 2002.

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

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

[4] Excludes balances held as reserve deposits.

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

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

Lm thousands

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

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions [2]	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
1999	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000	101,083	98,396	53,591	19,004	210,971	98,362	235,703	285,419
2001	95,225	107,097	101,419	10,374	202,597	85,169	245,567	295,397
2002								
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
July	89,796	128,781	90,358	10,554	201,904	91,412	247,156	295,737
Aug.	89,683	126,157	88,918	10,433	200,444	90,823	239,634	290,335
Sept.	91,982	132,950	90,236	10,419	196,374	93,784	244,898	296,294
Oct.	91,735	132,821	86,113	10,361	188,070	94,092	251,024	295,880
Nov.	94,991	130,419	86,463	10,153	189,172	92,781	252,449	293,196
Dec.	93,590	133,251	84,376	10,321	190,941	91,168	254,872	295,067
2003								
Jan.	90,782	126,746	82,918	9,700	188,361	95,344	251,531	289,993
Feb.	92,064	125,109	80,923	9,526	186,417	94,627	245,148	285,913
Mar.	93,883	126,628	80,868	9,733	190,217	96,670	249,631	297,448

[1] Includes HSBC Home Loans (Malta)Bank Ltd as from January 2001 and Volksbank Malta Ltd as from November 2002.

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

TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR[1] *(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[3] Services	All Other	Total Local Lending	Foreign Lending	Total
	House Purchases	Consumer Durable Goods[2]	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	137,293	52,959	53,582	243,833	65,828	161,752	1,573,942	8,956	1,582,898
2001	306,722	48,704	87,016	442,442	75,556	179,338	1,840,181	20,444	1,860,625
2002									
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
July	337,479	45,998	90,982	474,459	78,616	143,526	1,852,299	16,424	1,868,723
Aug.	343,263	44,964	90,260	478,487	82,729	146,634	1,844,277	15,884	1,860,161
Sept.	351,507	43,795	95,206	490,508	83,340	146,275	1,877,060	21,470	1,898,530
Oct.	357,056	44,330	97,595	498,981	80,753	141,982	1,871,812	21,207	1,893,019
Nov.	361,777	43,659	100,610	506,046	79,524	144,392	1,879,586	101,433	1,981,019
Dec.	367,124	43,302	97,897	508,323	81,977	137,029	1,880,915	265,492	2,146,407
2003									
Jan.	372,665	39,445	94,847	506,957	86,875	143,614	1,872,821	267,796	2,140,617
Feb.	367,054	41,645	99,196	507,895	89,965	142,391	1,859,978	258,905	2,118,883
Mar.	372,824	42,007	101,891	516,722	92,440	148,175	1,902,415	258,156	2,160,571

[1] Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001 and Volksbank Malta Ltd as from November 2002.
[2] Includes also lending for the construction, modernisation or extension of dwellings.
[3] Includes professional, repair and maintenance services.

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

Lm thousands

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

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

[1] This Table was discontinued as from January 2001.

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

Lm thousands

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Grand Total
	House Purchases[2]	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[3]	All Other	Total Local Lending	Foreign Lending[4]	Grand Total
	House Purchases[2]	Consumer Durable Goods	Other	Total					
1993	82,830	16	120	82,966	2,712	7,063	179,706	79,287	258,993
1994	84,500	16	68	84,584	4,822	7,957	201,426	5,040	206,466
1995	86,135	38	72	86,245	1,841	3,272	146,937	86,619	233,556
1996	90,613	62	142	90,817	1,924	2,810	148,912	245,450	394,362
1997	95,247	52	130	95,429	1,987	3,103	142,089	447,503	589,592
1998	103,321	77	88	103,486	1,741	2,946	148,119	606,667	754,786
1999	103,070	92	190	103,352	1,504	4,767	143,623	815,458	959,081
2000									
Jan.	103,514	96	273	103,882	1,467	5,700	144,885	812,518	957,403
Feb.	104,021	91	415	104,527	1,369	6,190	145,886	812,948	958,834
Mar.	108,269	94	514	108,877	1,382	5,538	149,325	780,357	929,682
Apr.	108,934	91	816	109,841	1,352	5,617	149,138	800,690	949,828
May	109,547	88	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

[1] This Table was discontinued as from January 2001.
[2] Includes also lending for the construction, modernisation or extention of dwellings.
[3] Includes professional, repair and maintenance services.
[4] As from January 1995, includes lending by International Banking Institutions.

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

Lm thousands

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
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
2001	931	94,294	48,637	58,460	10,357	17	136,204	23,421
2002								
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
Sept.	792	91,190	44,291	88,657	10,397	21	129,804	21,914
Dec.	679	92,911	46,541	86,710	10,298	23	124,959	22,485
2003								
Mar.	1,000	92,883	46,791	79,837	9,726	7	127,729	18,766

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
2001	43,221	85,169	-	241,877	3,690	295,002	395
2002							
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
Sept.	45,640	93,768	9	241,103	3,739	295,880	339
Dec.	44,462	91,161	7	249,129	5,743	294,829	238
2003							
Mar.	44,679	96,670	-	246,340	3,291	297,243	205

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
2001	442,442	65,936	9,620	174,853	5,778	1,503,702	236,602	1,740,304
2002								
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
Sept.	490,508	75,463	7,877	136,533	11,104	1,521,089	268,084	1,789,173
Dec.	508,323	72,382	9,595	133,206	5,666	1,533,468	265,879	1,799,347
2003								
Mar.	516,722	84,877	7,563	143,728	6,237	1,572,950	251,344	1,824,294

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

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

Lm thousands

End of Period		Size of Loans and Advances [2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.66	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
2001	Amount	222,816	497,299	351,893	788,641	1,860,625
	Interest Rate	6.70	6.87	7.22	5.50	6.33
2002						
Mar.	Amount	224,502	511,821	355,625	781,832	1,873,780
	Interest Rate	6.47	6.44	7.01	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
Sept.	Amount	228,414	535,827	356,907	777,382	1,898,530
	Interest Rate	6.43	6.32	6.98	5.23	6.01
Dec.	Amount	231,568	554,669	358,287	1,001,883	2,146,407
	Interest Rate	6.21	6.02	6.68	5.04	5.69
2003						
Mar.	Amount	232,765	579,593	354,363	993,850	2,160,571
	Interest Rate	6.17	5.97	6.72	4.53	5.45

[1] For the purpose of this classification, these include loans and advances extended to residents and non-residents in domestic and foreign currencies. Interest rates are weighted averages of each size group. Includes HSBC Home Loans (Malta) Bank Ltd as from January 2001 and Volksbank Malta Ltd as from November 2002.

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

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

Lm thousands

End of Period		Size of Loans and Advances [2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	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
2000						
Mar.	Amount	68,399	45,874	8,578	19,639	142,491
	Interest Rate	6.40	6.80	7.58	6.53	6.62
June	Amount	68,215	49,517	8,402	19,759	145,893
	Interest Rate	6.41	6.73	7.51	6.51	6.59
Sept.	Amount	68,447	56,062	8,418	18,349	151,302
	Interest Rate	6.40	6.65	7.61	6.58	6.58
Dec.	Amount	68,040	57,032	1,660	2,607	129,366
	Interest Rate	6.40	6.52	8.37	7.33	6.50

[1] 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.

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

TABLE 1.18 FINANCIAL MARKET RATES

	1995	1996	1997	1998	1999	2000	2001	2002				2003
								Mar.	June	Sept.	Dec.	Mar.
INTEREST RATES [1]												
Central Bank												
Discount Rate	5.50	5.50	5.50	5.50	4.75	4.75	4.25	4.00	4.00	4.00	3.75	3.75
Central Intervention Rate [2]	-	-	-	5.45	4.75	4.75	4.25	4.00	4.00	4.00	3.75	3.75
Money Market Interventions												
Term Deposit Rate [3]	4.94	5.01	5.22	5.43	4.70	4.72	4.22	3.95	3.95	3.95	3.70	3.70
Reverse Repo Rate [3]	5.50	5.40	5.50	5.50	4.80	4.80	4.29	4.05#	4.05#	4.05#	3.80#	3.80#
Standby (Collateralised) Loan Facility [4]	6.00	6.00	6.00	6.00	5.30	5.30	4.80	4.55	4.55	4.55	4.30	4.30
Overnight Deposit Facility [5]	2.50	-	-	-	1.80	1.80	1.30	1.05	1.05	1.05	0.80	0.80
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
Interbank Market Offered Rates [6]												
Overnight	-	-	4.95	5.50	4.75	4.75	3.65	3.50	3.92*	3.97	3.73*	3.69
1 week	-	-	5.26	5.56	4.74	4.78	4.25	3.97	3.99	3.99	3.76*	3.63*
1 month	-	-	5.38	5.70	4.75	4.90	4.58*	4.15*	4.13*	4.16*	3.80*	3.73*
3 month	-	-	5.51	5.95	5.27	4.92*	4.82*	4.35*	4.33*	4.25*	3.90*	3.76*
Deposit Money Banks [7]												
Weighted Average Deposit Rate	4.00	4.24	4.39	4.42	4.32	4.17	3.96	3.81	3.72	3.56	3.49	3.27
Current	0.16	0.42	1.37	1.49	1.11	1.32	1.48	1.05	1.10	1.27	1.12	0.93
Savings	3.00	3.01	3.02	3.04	2.81	2.52	2.22	1.98	1.97	2.00	1.80	1.64
Time	5.01	5.29	5.35	5.35	5.43	5.25	4.98	5.00	4.78	4.47	4.39	4.23
Weighted Average Lending Rate	7.49	7.93	8.04	8.08	7.28	7.23	6.50	6.28	6.28	6.25	6.07	6.12
Government Securities												
Treasury Bills [8]												
1 month	-	5.00	5.19	5.43	5.05	4.85	4.80	4.10	4.10	4.00	4.00	4.00
3 month	4.94	5.01	5.25	5.49	4.95	4.90	4.53	4.04	4.01	3.96	3.67	3.46
6 month	5.16	5.30	5.30	5.50	4.97	4.94	5.04	4.75	4.14	4.10	3.80	3.57
1 year	5.34	5.40	5.40	5.50	5.12	5.03	5.08	4.40	4.40	4.40	4.40	4.40
Government Stocks [9]												
1 year	5.00	-	-	-	-	4.99	4.47	4.15	4.40	4.10	3.74	3.52
5 year	6.60	6.65	6.82	5.80	5.46	5.33	5.40	5.56	5.39	5.32	5.15	5.01
10 year	7.08	7.23	7.26	6.00	5.55	5.99	6.15	5.90	5.76	5.66	5.43	5.22
15 year		7.49	7.62	6.47	6.03	6.39	6.44	6.14	6.07	5.93	5.86	5.63
20 year	-	-	-	6.86	6.14	6.60	6.55	6.40	-	-	-	-
MALTA STOCK EXCHANGE SHARE INDEX	1000	1004	1050	1211	3278	3376	2200	2118	1992	1809	1871	1885

1 End of period rates in percentage per annum.

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

3 From July 1999 the tenor of instruments auctioned by the Bank was increased from 7 days to 14 days. 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 hash sign (#) reflect the corridor (plus or minus 5 basis points) linked to the Central Intervention Rate.

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

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

6 In the absence of dealing in the interbank market, rates indicated by an asterisk (*) 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.

7 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.

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

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

TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM [1]

Lm thousands

End of Period	Central Bank of Malta [2]							Total (A+B)
	Foreign Assets				Foreign Liabilities	Net (A)	Government & Parastatal Companies [5] (B)	
	Gold [3]	Convertible Currencies	IMF-Related Assets [4]	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
2001	629	721,936	37,863	760,428	-	760,428	-	760,428
2002								
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
July	459	775,267	37,518	813,244	1,905	811,339	-	811,339
Aug.	469	789,541	37,636	827,645	-	827,645	-	827,645
Sept.	481	803,928	37,451	841,860	1,255	840,606	-	840,606
Oct.	472	837,792	37,418	875,682	3,422	872,260	-	872,260
Nov.	473	845,812	37,355	883,639	5,081	878,558	-	878,558
Dec.	473	842,862	37,512	880,847	6,987	873,860	-	873,860
2003								
Jan.	510	854,421	36,978	891,909	2,291	889,618	-	889,618
Feb.	759	862,145	37,335	900,239	2,910	897,328	-	897,328
Mar.	723	845,994	37,316	884,034	5,838	878,196	-	878,196

[1] On accrual basis.

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

[3] Includes small amounts of other precious metals.

[4] Include IMF reserve position and holdings of SDRs.

[5] 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 [1]

(Continued)

Lm thousands

End of Period	Deposit Money Banks [2]			Total (A+B+C)	International Banking Institutions [2]			Grand Total (A+B+C+D)
	Assets	Liabilities	Net (C)		Assets	Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	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
2001	828,701	722,868	105,833	866,261	2,444,196	2,226,910	217,286	1,083,546
2002								
Jan.	811,690	740,934	70,756	852,403	2,246,077	2,019,065	227,012	1,079,415
Feb.	815,240	732,960	82,280	877,981	2,192,547	1,964,814	227,733	1,105,714
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	834,071	674,967	159,104	932,112	2,461,271	2,217,855	243,416	1,175,529
June	828,067	675,274	152,793	933,477	2,432,076	2,195,547	236,529	1,170,006
July	883,849	700,416	183,433	994,772	2,499,165	2,250,158	249,007	1,243,778
Aug.	888,006	697,475	190,532	1,018,177	2,596,652	2,344,066	252,586	1,270,763
Sept.	948,197	724,853	223,344	1,063,950	2,577,586	2,325,881	251,705	1,315,655
Oct.	927,749	767,967	159,782	1,032,042	2,798,389	2,542,074	256,315	1,288,358
Nov.	1,114,732	860,273	254,459	1,133,017	2,668,624	2,503,992	164,632	1,297,649
Dec.	1,299,371	1,038,369	261,002	1,134,862	2,456,089	2,297,394	158,695	1,293,557
2003								
Jan.	1,307,320	1,049,620	257,701	1,147,319	2,321,045	2,161,655	159,390	1,306,709
Feb.	1,294,386	1,034,531	259,856	1,157,184	2,400,272	2,231,446	168,826	1,326,010
Mar.	1,283,624	1,029,180	254,445	1,132,640	2,418,695	2,250,377	168,317	1,300,958

[1] As from 1995, data are on accrual basis.

[2] For the purposes of this Table only, the amounts of HSBC Overseas Bank (Malta) Ltd. (up to November 2002) and Bank of Valletta International Ltd. (up to August 2001), i.e. the offshore subsidiaries of HSBC Bank Malta plc and Bank of Valletta plc, respectively, are being classified with the Deposit Money Banks and not with the International Banking Institutions, as shown in other Tables. Includes data belonging to the Other Banking Institutions' sector up to December 2000.

TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE

Lm thousands

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary[1]	Grants	Total	Ordinary[1,2]	Capital[3]	Total		Local Loans[5]	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[4]	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
2002	717,081	2,721	719,803	721,652	97,672	819,324	-99,522	40,591	10,563	51,155	-48,367
2002											
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
July	74,872	56	74,928	59,288	10,082	69,369	5,559	19,048	-	19,048	24,607
Aug.	54,751	25	54,776	54,607	6,419	61,026	-6,250	-	-	-	-6,250
Sept.	57,203	13	57,216	58,273	5,850	64,122	-6,906	-	-	-	-6,906
Oct.	57,224	9	57,233	58,455	5,525	63,980	-6,747	-	-	-	-6,747
Nov.	50,280	49	50,329	62,637	5,442	68,079	-17,750	11,077	-	11,077	-6,673
Dec.	105,198	1,490	106,688	74,261	15,742	90,003	16,685	10,466	10,563	21,030	37,715
2003											
Jan.	44,263	282	44,545	59,018	12,282	71,300	-26,755	-	-	-	-26,755
Feb.	55,284	5	55,289	59,745	9,625	69,370	-14,080	24,126	-	24,126	10,046
Mar.	49,216	102	49,318	55,535	10,561	66,096	-16,778	-	-	-	-16,778

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

[2] Includes total public debt servicing.

[3] As from 1992, excludes capital expenditure incurred by the public authorities/corporations.

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

[5] 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[3]	Ordinary Revenue[4]	Foreign Grants	Total Revenue
	Income Tax	National Insurance Contributions [1]	VAT & CET	Licences, Taxes & Fines[2]	Customs & Excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
2000	149,511	162,017	104,065	70,449	55,141	541,182	91,572	632,754	9,549	642,303
2001	166,302	179,064	114,669	72,814	60,886	593,735	73,493	667,228	1,392	668,620
2002	190,175	181,142	117,503	86,047	59,813	634,679	82,404	717,081	2,721	719,802
2002										
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
July	18,244	14,186	10,961	11,053	5,586	60,030	14,842	74,872	56	74,928
Aug.	18,001	15,719	7,997	6,727	4,700	53,144	1,607	54,751	25	54,776
Sept.	18,733	15,155	7,825	7,075	6,374	55,162	2,041	57,203	13	57,216
Oct.	16,080	14,148	13,665	6,602	4,408	54,903	2,321	57,224	9	57,233
Nov.	8,618	15,809	10,249	7,354	4,991	47,021	3,259	50,280	49	50,329
Dec.	39,936	29,910	10,370	7,370	6,277	93,862	11,335	105,198	1,490	106,688
2003										
Jan.	5,015	7,714	9,856	5,553	4,229	32,366	11,897	44,263	282	44,545
Feb.	10,277	12,510	8,372	8,091	4,668	43,919	11,366	55,284	5	55,289
Mar.	7,065	12,633	9,333	4,975	4,748	38,754	10,463	49,216	102	49,318

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

[2] Includes revenues from death and donation duties up to December 1994.

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

[4] 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[1]

Lm thousands

Period	Productive	Infrastructure	Social	Total
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997[2]	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
2001	26,400	26,872	27,355	80,627
2002	31,526	27,391	38,753	97,671
2002				
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
July	4,886	4,168	1,028	10,082
Aug.	1,673	1,712	3,033	6,419
Sept.	1,863	2,029	1,958	5,850
Oct.	1,130	1,790	2,605	5,525
Nov.	2,189	1,965	1,288	5,442
Dec.	1,761	1,937	12,044	15,742
2003				
Jan.	1,703	2,774	7,805	12,282
Feb.	2,899	3,426	3,300	9,625
Mar.	3,810	2,543	4,208	10,561

[1] As from 1992, excludes capital expenditure incurred by public corporations/authorities.

[2] 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 [2]
	Treasury Bills	Malta Government Stocks [1]	Total			
1995	71,406	285,951	357,357	53,433	410,790	414,488
1996	108,935	356,119	465,054	51,789	516,843	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	491,769
1999	83,320	712,184	795,504	44,405	839,909	483,112
2000	172,987	712,729	885,716	39,250	924,966	469,678
2001	159,459	812,854	972,313	40,378	1,012,691	416,822
2002	218,831	813,030	1,031,861	45,100	1,076,961	374,008
2002						
Mar.	193,078	812,854	1,005,932	39,908	1,045,839	414,773
June	198,871	812,854	1,011,725	37,923	1,049,648	396,932
Sept.	192,409	813,030	1,005,439	37,227	1,042,666	383,322
Dec.	218,831	813,030	1,031,861	45,100	1,076,961	374,008
2003						
Mar.	248,740	839,963	1,088,703	45,103	1,133,806	360,444

[1] Including Local Development Registered Stocks.

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

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

TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING[1]

Lm thousands

End of Period	Amount Maturing During Period	Amount Issued and Taken up by			Amount Outstanding[4] and held by		
		Banking System[2]	Non-Bank Public[3]	Total	Banking System[2]	Non-Bank Public [3]	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
2001	470,335	317,377	160,304	477,681	137,423	22,036	159,459
2002	644,964	554,354	165,914	720,268	159,689	59,142	218,831
2002							
Jan.	58,954	58,606	6,394	65,000	141,095	24,410	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	156,224	36,854	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
July	60,000	55,230	4,770	60,000	176,984	21,887	198,871
Aug.	77,603	52,936	6,713	59,649	158,500	22,417	180,917
Sept.	34,768	37,555	8,705	46,260	171,434	20,975	192,409
Oct.	59,000	45,305	7,695	53,000	163,315	23,094	186,409
Nov.	59,649	61,163	11,077	72,240	172,440	26,560	199,000
Dec.	54,737	37,711	42,789	80,500	159,689	59,142	218,831
2003							
Jan.	82,000	84,723	12,277	97,000	184,390	49,441	233,831
Feb.	43,240	32,736	12,004	44,740	203,743	31,588	235,331
Mar.	69,591	72,579	10,421	83,000	219,859	28,881	248,740

[1] Amounts are at nominal prices.

[2] Includes Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995).

[3] Including the Malta Government Sinking Fund.

[4] On January 10, 1995, the House of Representatives approved a motion empowering the Government to increase the issue of permissable outstanding Treasury Bills from Lm30 million to Lm100 million. On December 16, 1996, the maximum amount of permissable outstanding bills was raised from Lm100 million to Lm200 million and, subsequently, to Lm300 million on November 27, 2002.

TABLE 3.3 MALTA GOVERNMENT STOCKS
(Outstanding as at end-March 2003)

Lm thousands

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Interest Dates	Held By		Amount
					Banking System	Non-Bank Public	
7.00 % MGS	2003 (II)	1993	100	03 July - 3 Jan.	7,855	12,978	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	9,968	8,732	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	22,698	3,154	25,852
7.25 % MGS	2005	1997	100	10 June - 10 Dec.	18,129	5,371	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	24,865	6,635	31,500
7.00 % MGS	2006 [2]	1994	100	19 May - 19 Nov.	1,453	8,547	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.	6,169	13,081	19,250
7.25 % MGS	2006 (III) [1]	1996	100	20 Jan. - 20 July	7,279	7,721	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,469	8,281	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,984	1,016	10,000
5.60 % MGS	2007 (III)	2000	100	10 June - 10 Dec.	22,479	12,771	35,250
7.20 % MGS	2008	1998	100	28 Feb. - 15 July	8,810	1,190	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	20,355	9,645	30,000
7.00 % MGS	2009 [2]	1999	100	1 Mar. - 1 Sept.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,111	10,889	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	40,665	4,635	45,300
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,629	1,371	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,539	1,961	18,500
7.00 % MGS	2010 (III) [2]	2000	100	30 June - 30 Dec.	-	545	545
5.40 % MGS	2010 (IV)	2003	100	21 Feb. - 21 Aug.	2,953	32,047	35,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,421	7,579	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	18,294	21,706	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.	13,800	20,700	34,500
7.00 % MGS	2012 (II)	2002	100	10 June - 30 Dec.	-	176	176
5.70 % MGS	2012 (III)	2002	100	30 Mar. - 30 Sept.	1,728	19,272	21,000
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	11,636	22,614	34,250
6.35 % MGS	2013 (II)	2002	100	18 Apr. - 18 Oct.	228	25,772	26,000
6.60 % MGS	2014	2000	100	30 Mar. - 30 Sept.	812	9,688	10,500
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,590	22,410	30,000
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	9,290	20,710	30,000
5.90 % MGS	2015 (II)	2002	100	9 Apr. - 9 Oct.	47	20,153	20,200
5.90 % MGS	2015 (II) FI	2003	102	9 Apr. - 9 Oct.	3,917	16,083	20,000
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	2,797	27,203	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	21,419	48,581	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	11,836	32,164	44,000
Total					374,225	465,738	839,963

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

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

Source: Malta Stock Exchange.

TABLE 3.4 MALTA GOVERNMENT STOCKS BY REMAINING TERM TO MATURITY [1]

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	Over 16 yrs	Total
1990	3,500	93,285	10,000	-	-	106,785
1991	5,500	106,285	25,400	-	-	137,185
1992	1,000	125,285	41,400	-	-	167,685
1993	49,885	84,367	90,300	-	-	224,552
1994	37,900	95,352	110,000	10,000	-	253,252
1995	7,000	158,651	120,300	-	-	285,951
1996	15,800	213,302	112,017	15,000	-	356,119
1997	48,452	279,800	111,367	83,750	-	523,369
1998	46,750	255,650	177,219	83,750	70,000	633,369
1999	79,000	221,202	199,232	98,750	114,000	712,184
2000	53,800	214,902	205,777	124,250	114,000	712,729
2001	66,450	192,869	244,285	195,250	114,000	812,854
2002	48,900	213,969	255,211	180,950	114,000	813,030
2003						
Mar.	65,385	209,417	310,461	210,700	44,000	839,963

[1] 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[1]	Official Multilateral Organisations[2]	Private Commercial Banks[3]	Total
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001	20,037	18,915	1,426	40,378
2002	16,504	28,130	465	45,099
2003 [4]				
Mar.	16,357	28,293	453	45,103

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

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

[3] Commercial bank loans from private banks or financial institutions.

[4] Provisional.

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

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
2002				465	39,734	4,764		136	45,099
2003 [1]									
Mar.	-	390	-	1,666	32,276	10,630	-	141	45,103

[1] Provisional.

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

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

TABLE 3.7 GOVERNMENT EXTERNAL LOANS BY REMAINING TERM TO MATURITY [1]

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
2002	514	13,172	6,851	22,160	1,194	1,208	45,099
2003 [2]							
Mar.	1,568	12,855	8,270	21,203	-	1,207	45,103

[1] With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the current end-year.

[2] Provisional.

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

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

TABLE 4.1 MALTESE LIRA EXCHANGE RATES AGAINST MAJOR CURRENCIES[1]

End of Period Rates

End of Period		Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
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
2002		1.5553	-	2.5074	2.3910	-	-	-	-	297.66	3.475
2002											
Oct.	4	1.5200	-	2.3789	2.4241	-	-	-	-	292.92	3.545
	11	1.5280	-	2.3875	2.4192	-	-	-	-	296.32	3.541
	18	1.5229	-	2.3593	2.4256	-	-	-	-	295.27	3.563
	25	1.5228	-	2.3675	2.4244	-	-	-	-	293.17	3.553
Nov.	1	1.5397	-	2.4055	2.4114	-	-	-	-	293.55	3.524
	8	1.5343	-	2.4329	2.4100	-	-	-	-	292.83	3.527
	15	1.5352	-	2.4202	2.4114	-	-	-	-	292.39	3.536
	22	1.5287	-	2.4198	2.4143	-	-	-	-	296.97	3.553
	29	1.5428	-	2.3942	2.4116	-	-	-	-	293.21	3.557
Dec.	6	1.5408	-	2.4279	2.4078	-	-	-	-	300.44	3.543
	12	1.5466	-	2.4365	2.4041	-	-	-	-	299.85	3.548
	20	1.5378	-	2.4660	2.4041	-	-	-	-	297.58	3.515
	27	1.5515	-	2.4862	2.3954	-	-	-	-	298.38	3.484
2003											
Jan.	3	1.5560	-	2.4879	2.3932	-	-	-	-	298.11	3.486
	10	1.5634	-	2.5202	2.3860	-	-	-	-	300.39	3.486
	17	1.5695	-	2.5385	2.3812	-	-	-	-	298.76	3.476
	24	1.5724	-	2.5611	2.3772	-	-	-	-	302.37	3.485
	31	1.5588	-	2.5710	2.3818	-	-	-	-	307.82	3.496
Feb.	7	1.5744	-	2.5626	2.3762	-	-	-	-	307.79	3.485
	14	1.5839	-	2.5598	2.3727	-	-	-	-	308.35	3.487
	21	1.6056	-	2.5612	2.3638	-	-	-	-	304.18	3.469
	28	1.6155	-	2.5474	2.3615	-	-	-	-	300.99	3.456
Mar.	7	1.1685	-	2.6023	2.3540	-	-	-	-	303.38	3.451
	14	1.6037	-	2.5538	2.3654	-	-	-	-	302.28	3.470
	21	1.5993	-	2.5070	2.3728	-	-	-	-	303.95	3.500
	28	1.6215	-	2.5411	2.3600	-	-	-	-	304.90	3.482

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

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

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

Averages for the Period

Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	2.4741	4790.43	16.229	5.452	99.803	246.27	3.853
2001	1.5430	4.8533	2.2226	2.4815	4804.77	16.277	5.468	100.102	269.97	3.749
2002	1.5378	-	2.3100	2.4468	-	-	-	-	288.88	3.590
2002										
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
July	1.5345	-	2.3869	2.4035	-	-	-	-	281.63	3.515
Aug.	1.5364	-	2.3622	2.4154	-	-	-	-	281.23	3.535
Sept.	1.5270	-	2.3751	2.4214	-	-	-	-	286.71	3.548
Oct.	1.5256	-	2.3763	2.4219	-	-	-	-	294.36	3.548
Nov.	1.5362	-	2.4146	2.4117	-	-	-	-	293.45	3.539
Dec.	1.5437	-	2.4479	2.4039	-	-	-	-	298.66	3.528
2003										
Jan.	1.5667	-	2.5330	2.3831	-	-	-	-	300.80	3.485
Feb.	1.5881	-	2.5548	2.3717	-	-	-	-	304.89	3.480
Mar.	1.6121	-	2.5554	2.3620	-	-	-	-	302.91	3.469

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

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

TABLE 4.3 MALTA'S FOREIGN TRADE

Lm thousands

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,657	-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[1]	790,038	90,646	880,684	1,226,422	-345,738
2002[1]	793,061	127,324	920,385	1,227,534	-307,149
2001 [1]					
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
2002 [1]					
Jan.	52,836	11,303	64,139	88,496	-24,357
Feb.	67,212	9,112	76,324	86,902	-10,578
Mar.	67,973	8,565	76,538	100,770	-24,232
Apr.	59,331	9,218	68,549	107,591	-39,042
May	65,948	10,585	76,533	108,698	-32,165
June	65,591	8,871	74,462	106,001	-31,539
July	70,408	11,155	81,563	117,848	-36,285
Aug.	64,691	13,103	77,794	94,088	-16,294
Sept.	65,499	10,342	75,841	95,913	-20,072
Oct.	67,109	14,457	81,566	114,184	-32,618
Nov.	63,429	10,837	74,266	110,810	-36,544
Dec.	83,034	9,776	92,810	96,233	-3,423
2003 [1]					
Jan.	61,196	11,490	72,686	93,989	-21,303
Feb.	58,938	9,792	68,730	103,850	-35,120
Mar.	72,677	6,695	79,372	107,717	-28,345

[1] Provisional.

Source: National Statistics Office

TABLE 4.4 DIRECTION OF TRADE - TOTAL EXPORTS

Lm thousands

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,940
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[1]	76,310	30,304	115,132	82,197	59,865	21,835	174,370	320,670	880,684
2002[1]	112,048	32,689	93,526	120,028	63,876	32,215	117,961	348,042	920,385
2001 [1]									
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
2002 [1]									
Jan.	7,543	2,561	5,748	9,323	4,145	1,434	8,826	24,559	64,139
Feb.	9,763	4,308	9,762	9,830	5,769	2,742	10,111	24,039	76,324
Mar.	7,405	2,307	7,672	10,605	5,240	1,478	12,073	29,758	76,538
Apr.	8,042	2,669	7,557	7,682	5,294	4,603	9,161	23,541	68,549
May	8,839	3,145	6,810	9,899	5,531	2,983	11,100	28,226	76,533
June	8,030	2,260	6,367	11,421	4,360	2,793	10,177	29,054	74,462
July	12,043	3,039	10,303	8,627	6,988	4,559	8,027	27,977	81,563
Aug.	11,045	2,496	7,778	8,876	5,554	1,961	8,152	31,932	77,794
Sept.	9,147	2,328	8,275	11,328	5,194	3,013	9,266	27,290	75,841
Oct.	9,916	1,954	7,803	11,387	4,824	2,830	11,036	31,816	81,566
Nov.	9,488	2,814	8,134	9,533	5,436	1,983	9,703	27,175	74,266
Dec.	10,787	2,808	7,317	11,517	5,541	1,836	10,329	42,675	92,810
2003 [1]									
Jan.	9,511	2,748	7,384	10,561	4,581	1,855	8,716	27,330	72,686
Feb.	8,657	2,875	8,147	8,630	5,020	1,591	8,068	25,742	68,730
Mar.	10,117	2,937	8,738	11,764	5,022	1,368	9,609	29,817	79,372

[1] Provisional.

Source: National Statistics Office

TABLE 4.5 DIRECTION OF TRADE - IMPORTS

Lm thousands

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,233
2000	119,673	249,744	29,661	281,877	122,113	91,778	158,474	439,057	1,492,377
2001[1]	123,100	244,409	28,401	184,030	107,409	92,707	141,822	304,544	1,226,422
2002[1]	127,733	271,794	28,563	205,132	98,474	93,032	115,258	287,548	1,227,534
2001[1]									
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
2002[1]									
Jan.	9,112	16,411	2,123	15,270	7,106	6,920	9,905	21,649	88,496
Feb.	8,819	16,856	2,254	14,397	7,683	6,622	9,071	21,200	86,902
Mar.	10,589	20,641	2,366	18,310	8,330	7,805	11,481	21,248	100,770
Apr.	11,750	22,914	2,226	18,769	8,928	7,777	10,211	25,016	107,591
May	13,523	24,858	2,184	18,823	8,574	7,594	9,837	23,305	108,698
June	9,949	24,424	2,557	18,625	8,800	8,383	7,362	25,901	106,001
July	11,921	29,743	3,093	19,351	9,011	9,663	9,648	25,418	117,848
Aug.	9,170	18,873	1,894	16,727	7,425	6,528	8,266	25,205	94,088
Sept.	9,011	22,993	2,133	15,054	8,447	7,007	8,914	22,354	95,913
Oct.	12,744	26,964	2,655	16,000	8,746	8,925	11,052	27,098	114,184
Nov.	12,115	23,228	2,580	17,219	8,036	8,015	11,174	28,443	110,810
Dec.	9,030	23,889	2,498	16,587	7,388	7,793	8,337	20,711	96,233
2003[1]									
Jan.	9,119	20,842	2,244	17,705	5,339	6,427	10,603	21,710	93,989
Feb.	8,751	23,937	2,533	17,432	8,879	8,905	8,498	24,915	103,850
Mar.	9,944	25,560	2,531	17,691	11,043	7,930	7,215	25,803	107,717

[1] Provisional.
Source: National Statistics Office

TABLE 4.6 DOMESTIC EXPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufac-tured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscel-laneous	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[1]	20,809	5,197	2,013	19	-	16,003	50,701	537,944	156,945	407	790,038
2002[1]	36,569	4,128	2,192	133	52	13,478	48,938	518,391	168,799	379	793,061
2001 [1]											
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
2002 [1]											
Jan.	896	138	123	6	-	888	3,796	35,685	11,303	-	52,836
Feb.	1,096	164	339	16	27	1,075	5,228	43,725	15,417	124	67,212
Mar.	1,185	90	131	33	23	1,102	4,042	49,014	12,351	2	67,973
Apr.	1,808	618	259	12	-	1,224	4,526	37,451	13,370	62	59,331
May	1,909	671	64	-	-	1,508	3,554	45,811	12,417	14	65,948
June	833	1,326	168	12	-	807	3,436	46,371	12,637	-	65,591
July	2,821	244	220	35	-	1,459	4,284	41,213	20,079	55	70,408
Aug.	3,261	249	220	16	-	1,348	4,166	39,531	15,882	18	64,691
Sept.	2,382	284	141	-	2	1,318	3,877	43,310	14,161	26	65,499
Oct.	1,664	69	136	3	-	693	4,318	45,625	14,522	78	67,109
Nov.	1,258	187	266	-	-	940	4,403	43,049	13,326	-	63,429
Dec.	17,456	88	125	-	-	1,116	3,308	47,606	13,334	-	83,034
2003 [1]											
Jan.	1,224	140	248	7	-	729	3,771	41,677	13,400	-	61,196
Feb.	878	128	113	14	-	672	3,231	40,324	13,579	-	58,938
Mar.	1,204	70	326	19	2	811	4,239	48,830	17,079	96	72,677

[1] 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[1]	108,773	21,936	14,101	101,992	1,931	89,218	147,722	608,194	121,512	11,040	1,226,421
2002[1]	115,208	22,784	13,158	102,928	2,330	96,580	150,822	593,989	119,283	10,455	1,227,534
2001 [1]											
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
2002 [1]											
Jan.	8,889	1,053	962	9,628	371	7,034	11,670	41,214	6,835	840	88,496
Feb.	7,902	1,743	1,013	7,812	184	7,011	11,231	41,403	7,871	733	86,902
Mar.	8,844	2,435	1,007	7,267	117	8,234	12,328	49,586	10,288	664	100,770
Apr.	8,594	1,911	1,255	7,221	240	8,615	13,697	53,882	10,997	1,179	107,591
May	9,454	2,110	1,094	5,450	99	8,164	15,397	53,669	12,187	1,075	108,698
June	10,191	2,210	977	9,694	188	7,490	14,221	51,401	9,014	615	106,001
July	13,903	2,827	1,066	9,689	199	9,984	14,746	54,354	10,090	991	117,848
Aug.	7,954	2,135	918	8,872	149	7,784	9,536	47,828	8,077	835	94,088
Sept.	9,058	1,483	1,400	8,295	149	7,102	10,665	46,650	10,133	978	95,913
Oct.	10,716	1,763	1,266	7,953	281	9,496	14,117	53,626	13,722	1,245	114,184
Nov.	11,425	1,668	1,175	13,901	185	7,742	12,848	50,566	10,510	789	110,810
Dec.	8,278	1,446	1,025	7,146	168	7,924	10,366	49,810	9,559	511	96,233
2003 [1]											
Jan.	8,006	1,854	728	8,803	197	7,477	10,732	47,404	7,849	939	93,989
Feb.	9,063	2,312	1,162	9,923	262	7,729	12,319	48,764	10,755	1,561	103,850
Mar.	8,534	1,678	1,139	8,237	172	7,664	12,261	55,747	11,333	953	107,717

[1] Provisional

Source: National Statistics Office

TABLE 5.1 GROSS NATIONAL PRODUCT

By Category of Expenditure at Current Market Prices

Lm thousands

Period	Consumers' Expenditure [1]	Government Consumption Expenditure [2]	Gross Fixed Capital Formation [3]	Inventory Changes [4]	Exports of Goods & Services	Total Final Expenditure	*Less* Imports of Goods & Services	**Gross Domestic Product**	Net Investment Income from Abroad [5]	**Gross National Product**
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999	915,014	272,587	339,975	9,383	1,321,307	2,858,266	1,402,167	1,456,099	12,437	1,468,536
2000 [6]	996,736	291,192	409,475	33,695	1,604,256	3,335,354	1,772,601	1,562,753	-54,255	1,508,498
2001 [6]	1,045,247	328,564	378,730	-39,764	1,428,122	3,140,899	1,506,526	1,634,373	11,742	1,646,115
2002 [6]	1,083,897	341,393	388,632	-76,568	1,431,440	3,168,794	1,493,538	1,675,256	6,434	1,681,690
2001 [6]										
Mar.	234,171	78,728	95,833	23,195	344,561	776,488	388,431	388,057	11,767	399,824
June	263,593	80,929	94,204	-28,465	370,219	780,480	376,451	404,029	5,352	409,381
Sept.	277,555	81,528	92,473	-40,813	373,516	784,259	362,657	421,602	-931	420,671
Dec.	269,928	87,379	96,220	6,319	339,826	799,672	378,987	420,685	-4,446	416,239
2002 [6]										
Mar.	251,899	85,842	88,732	-10,095	317,309	733,687	338,332	395,355	5,265	400,620
June	273,561	87,859	105,463	-2,386	348,615	813,112	394,761	418,351	14,560	432,911
Sept.	289,110	83,018	94,983	-49,057	391,992	810,046	374,518	435,528	15,017	450,545
Dec.	269,327	84,674	99,454	-15,031	373,524	811,498	385,927	426,021	-28,048	397,613
2003 [6]										
Mar.	255,559	100,224	98,295	-10,504	317,074	760,648	368,450	392,198	14,312	406,510

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

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

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

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

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

[6] Provisional.

Source: National Statistics Office

TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY

Period	United Kingdom	Italy	North Africa[1]	Germany	Scandinavian Countries[2]	United States	All Others	Total
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
2002	444,335	100,875	31,676	142,106	38,951	20,080	355,791	1,133,814
2002								
Jan.	16,029	3,134	2,512	3,412	1,296	1,142	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
July	52,656	15,300	3,522	13,096	6,064	1,883	49,966	142,487
Aug.	55,470	26,895	4,363	12,083	3,417	1,813	48,041	152,082
Sept.	50,736	7,584	3,077	20,784	3,754	1,593	37,792	125,320
Oct.	48,050	5,978	2,422	18,487	4,223	2,180	32,826	114,166
Nov.	29,489	3,973	1,705	6,974	2,134	1,292	16,929	62,496
Dec.	23,306	5,137	2,712	4,749	1,367	1,081	16,727	55,079
2003								
Jan.	20,602	2,439	-	3,821	1,567	1,266	11,157	40,852
Feb.	26,679	3,431	-	6,815	1,797	1,231	15,786	55,739
Mar.	28,141	4,871	-	14,540	2,262	1,668	22,100	73,582

[1] The collection of such data was discontinued as from January 2003. Such statistics are being included in the "All Others" category.

[2] Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office

TABLE 5.3 LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS

End of Period	Labour Supply			Gainfully Occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent[1]	Amount	Percent[2]	Amount	Percent
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	103,540	37,294	140,834	97,065	36,076	133,141	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	104,094	40,791	144,885	97,933	39,519	137,452	6,161	5.9	1,272	3.1	7,433	5.1
2002	103,338	41,041	144,379	97,164	36,699	136,863	6,174	6.0	1,342	3.3	7,516	5.2
2002												
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
June	103,476	40,951	144,427	97,546	39,760	137,306	5,930	5.7	1,191	2.9	7,121	4.9
Sept.	103,274	41,186	144,460	97,200	39,740	136,940	6,074	5.9	1,446	3.5	7,520	5.2
Dec.	103,338	41,041	144,379	97,164	39,699	136,863	6,174	6.0	1,342	3.3	7,516	5.2
2003												
Jan.	103,943	41,298	145,241	97,551	39,811	137,362	6,392	6.1	1,487	3.6	7,879	5.4

[1] As a percentage of male labour supply.

[2] As a percentage of female labour supply.

Source: National Statistics Office; Employment & Training Corporation.

TABLE 5.4 LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY [1]

	Labour Supply			Gainfully Occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent[2]	Amount	Percent[3]	Amount	Percent
2000												
Dec.	109,059	46,295	155,354	101,431	43,772	145,203	7,628	7.0	2,523	5.4	10,151	6.5
2001												
Mar.	109,246	45,368	154,614	102,598	42,584	145,182	6,648	6.1	2,784	6.1	9,432	6.1
June	110,866	47,346	158,212	103,730	43,752	147,482	7,136	6.4	3,594	7.6	10,730	6.8
Sept.	110,242	45,716	155,958	103,289	42,786	146,075	6,953	6.3	2,930	6.4	9,883	6.3
Dec.	110,233	45,518	155,751	103,607	41,980	145,587	6,626	6.0	3,538	7.8	10,164	6.5
2002												
Mar.	108,363	47,505	155,868	99,948	43,937	143,885	8,415	7.8	3,568	7.5	11,983	7.7
June	109,727	50,355	160,082	102,855	46,178	149,033	6,872	6.3	4,177	8.3	11,049	6.9
Sept.	110,379	48,743	159,122	103,512	45,450	148,962	6,867	6.2	3,293	6.8	10,160	6.4
Dec.	108,835	50,443	159,278	102,120	46,283	148,403	6,715	6.2	4,160	8.2	10,875	6.8
2003												
Mar.[4]	109,800	49,584	15,984	102,613	46,185	148,798	7,187	6.5	3,399	6.9	10,586	6.6

[1] The Labour Force Survey is carried out on a quarterly basis by using a random sample of private households.

[2] As a percentage of male labour supply.

[3] As a percentage of female labour supply.

[4] Provisional.

Source: National Statistics Office

TABLE 5.5 NUMBER OF APPROVED COMMERCIAL PROPERTY APPLICATIONS, BY PURPOSE [1]

Period	Agriculture	Manufacturing	Warehousing/Retail/ Offices [2]	Hotel/ Tourism	Recreational/ Social [3]	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
2002 [4]	283	58	378	13	168	154	1,141	1,760	3,955

[1] 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.

[2] Including applications for advertisements and for the mixed residential and retail purposes.

[3] Including applications for restaurants and café bars.

[4] Provisional.

Source: Malta Environment & Planning Authority

TABLE 5.6 DWELLING UNITS GRANTED DEVELOPMENT PERMISSION, BY TYPE [1]

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
2001 [2]	2,657	774	203	546	4,180
2002 [2]	3,420	910	135	1,016	5,481

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

[2] Provisional.

Source: Malta Environment & Planning Authority

TABLE 5.7 INFLATION RATES[1]
(Base 1946 = 100)

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

[1] The Index of Inflation (Base 1946=100) is compiled by the National Statistics Office on the basis of the Retail Price Index in terms of Section 10C of the Housing (Decontrol) (Amendment) Act 1979.
[2] Following the revision of the utility rates in November 1998, the index and the rate of inflation for the year 1997 were revised to 567.08 and 3.11% respectively. Consequently, the rate of inflation for 1998 would stand at 2.39%.

TABLE 5.8 RETAIL PRICE INDEX

(Base Dec. 2002 = 100)

Period	All Items
1995	83.58
1996	85.66
1997	88.33
1998	90.43
1999	92.36
2000	94.55
2001	97.32
2002	99.45
2002	
Jan.	99.24
Feb.	98.57
Mar.	98.67
Apr.	98.83
May	99.44
June	99.07
July	99.41
Aug.	99.80
Sept.	100.03
Oct.	100.22
Nov.	100.13
Dec.	100.00
2003	
Jan.	99.12
Feb.	99.60
Mar.	100.36

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

Source: National Statistics Office; Central Bank of Malta.

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