Central Bank of Malta

Quarterly Review

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ECONOMIC SURVEY

1. GENERAL OVERVIEW

The rate of economic growth accelerated somewhat during the first nine months of 2000, in the main reflecting an improved performance by the major manufacturing exporters. The electronics sub-sector, in particular, reported a substantial increase in both output and investment. Growth in the services sector, however, and particularly in tourism, was less pronounced. Domestic demand remained generally subdued, although some signs of an incipient recovery became apparent in the construction and in the wholesale and retail sectors. Due to the less expansionary stance of fiscal policy, however, a strong recovery in domestic demand was not expected. Meanwhile, the negative supply shock associated with the increase in oil prices on international markets was absorbed by the public utilities, which sheltered the rest of the economy from an increase in resource costs.

The subdued domestic demand, lower imported inflation and an increased degree of competition in domestic markets all contributed to restrain underlying inflationary pressures. The “headline” average inflation rate, however, increased steadily during the first half of the year, peaking at 2.8%, before easing in later months. While underlying inflationary pressures currently give no cause for concern, a relatively high headline inflation rate could dent competitiveness through the wage-indexation process.

According to official labour market data, the unemployment rate stood at 4.4% in September 2000, down from over 5% towards the end of 1999. The number of new jobs reported to have been created during the first nine months of 2000 was around four times that for the whole of 1999.

Revised estimates for Government’s financial position in 2000 indicate a decline in the fiscal deficit/GDP ratio from 8.5% to 6%. Ordinary revenue rose strongly during the year, reflecting the new tax measures and improved methods of tax collection. Concurrently, growth in recurrent expenditure was more contained, while capital expenditure declined.

The deficit on the external current account widened perceptibly during the first nine months of the year, in the main reflecting the increase in oil prices as well as imports of capital goods by manufacturing exporters. Thus, the current account deficit reflected in good part an increase in productive investment rather than a drop in domestic saving. To this extent it is deemed to be reversible, as investment should increase productive export capacity while oil prices are expected to return to more normal levels in coming months.

Broad money growth slowed down considerably during the first nine months of 2000, as investor interest was increasingly attracted by non-monetary forms of financial investment. The slowdown in monetary growth also reflected a drop in net foreign assets. The Central Bank kept its intervention rate unchanged during the period as, in spite of the increase in short term interest rates abroad, long term rates in Malta became more competitive. Furthermore, the Bank considered that outflows of capital remained moderate and were due more to changes in the financial infrastructure than to interest rate differentials. Underlying inflationary pressures, moreover, remained subdued, and the widening of the current account deficit was not attributable to excessive domestic demand.

The Budget for 2001 incorporated a number of efficiency-improvement goals intended to further reduce the fiscal deficit to around 5% of GDP, in line with Government's six-year strategy to bring the deficit down to between 3% and 4% of GDP by 2004. This is expected to be achieved in spite of the substantial increase in recurrent expenditure arising from the implementation of the current Civil Service collective agreement.

The reduction in the fiscal deficit could continue to have a dampening effect on economic growth in the short run, particularly by curbing domestic demand, but this effect is expected to be much less pronounced in 2001. In the long run, however, it is expected to promote growth by improving the allocation of resources, allowing more scope for private sector development and encouraging productive investment. A healthier budget balance would also improve Malta's credit rating and bring its economy more in line with that of its major trading partners.

Taken together, the currently available indicators point to a somewhat stronger rate of GDP growth in 2001 than in 2000. Growth in 2001 could to a larger extent be driven by domestic demand as work on major capital projects begins and Government expenditure increases. An excessive rebounding of domestic demand is however not expected, as the fiscal stance will essentially be tighter. Export growth is expected to benefit from the investment undertaken in 2000, but could be dented by a negative performance in the tourism sector which will be affected by increased competition and a restructuring of subsidy schemes.

Inflation is expected to continue on a general downward trend, though this may be moderated by a recovery of domestic demand and a possible rise in imported inflation.

In these circumstances, the Central Bank, in implementing its monetary policy, will continue to strive to promote long-term balance in Malta's macroeconomic environment, particularly with respect to price stability and the sustainability of the balance of payments. The Bank will also continue to monitor closely, and actively participate in, the processes involved in Malta's transition towards EU membership, particularly where the further liberalisation and development of the financial sector is concerned.

2. THE INTERNATIONAL ENVIRONMENT

The World Economy

During the third quarter of 2000, global economic conditions continued to improve, supported by the strength of the US economy, a robust expansion in Europe and a nascent, albeit fragile, recovery in Japan. Nevertheless, imbalances in the three main currency areas remained large while higher oil prices became an increasing concern. Against this background, the IMF was projecting world-output growth of 4.7% in 2000, up from 3.4% in 1999.

Economic indicators for the **advanced industrial countries** during the quarter pointed to a moderation in activity towards more sustainable levels in the US and a probable peak in growth in the euro zone. Although headline inflation rates rose in response to higher energy prices, underlying inflation in most advanced economies remained subdued. Accordingly, most central banks kept official interest rates unchanged during the quarter. The IMF projected the overall GDP growth of the advanced industrial countries to rise to 4.2% in 2000 from 3.2% in 1999.

In the **developing countries**, growth was expected to accelerate to 5.6% in 2000, up from 3.8% in 1999. Southeast Asia continued to recover strongly, helped by rising domestic demand and higher exports, while Latin America was expected to post relatively strong growth, fuelled by buoyant exports and rising investment and consumer spending.

Economic activity in most of the **countries in transition** continued to improve during the quarter. The Russian economy continued to recover from the financial crisis of 1998. Moreover, it benefited from higher world-oil prices

Table 2.1

INTERNATIONAL ECONOMIC INDICATORS

	Real GDP % change			Inflation (Consumer prices) % change			Current account balance US$ billions		
	1998	1999	2000[1]	1998	1999	2000[1]	1998	1999	2000[1]
Canada	3.3	4.5	4.7	1.0	1.7	2.3	-11	-2	10
United States	4.4	4.2	5.2	1.6	2.2	3.2	-217	-331	-419
Japan	-2.5	0.2	1.4	0.6	-0.3	-0.2	121	107	121
France	3.2	2.9	3.5	0.7	0.6	1.5	39	39	36
Germany	2.1	1.6	2.9	0.6	0.7	1.7	-5	-20	-4
Italy	1.5	1.4	3.1	1.7	1.7	2.5	20	8	11
United Kingdom	2.6	2.1	3.1	2.7	2.3	2.0	-1	-18	-21
Advanced countries	2.4	3.2	4.2	1.5	1.4	2.3	51	-134	-176
Developing countries	3.5	3.8	5.6	10.1	6.6	6.2	-94	-24	21
Countries in transition[2]	-0.8	2.4	4.9	21.8	43.8	18.3	-26	-4	7

[1] Forecasts

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

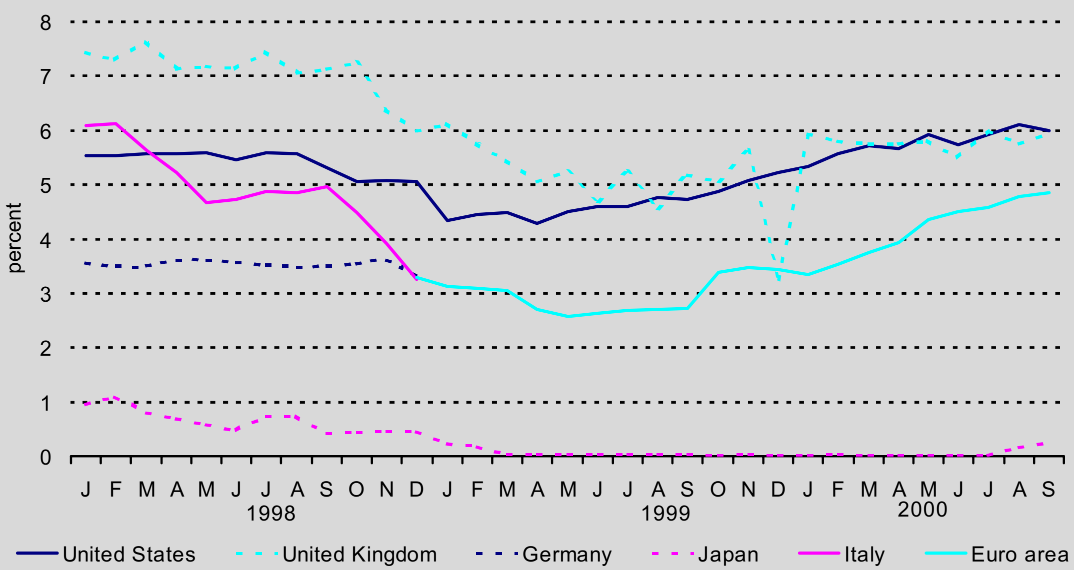
SOURCE: IMF, ***World Economic Outlook,*** *September 2000* and a competitive exchange rate. Meanwhile, stronger-than-expected Russian domestic demand and higher energy prices provided support for the rest of the Commonwealth of Independent States. Thus, the combined GDP of the countries in transition was projected to grow by 4.9% in 2000, up from 2.4% in 1999.

Economic and Monetary Developments in the Major Economies

Economic growth in the **United States** slowed down significantly in the third quarter of 2000, with GDP growing at a weaker-than-expected 5.3%, year-on-year, down from 6.1% in the previous quarter. As a result, firms scaled back their inventory building and moderated their spending on new equipment. Meanwhile, the rate of growth of industrial production fell sharply when compared with the previous quarter. The US merchandise-trade deficit widened to a record $115.42 billion in the September quarter, mainly on account of a notable rise in imports, reflecting higher oil prices and inventory building ahead of Christmas. In spite of the slow-down in growth, consumer spending rose by 4.5% during the quarter, up from 3.1% in the second quarter, while construction spending rose by 2.4% in September, up from 1.8% in August. Moreover, productivity, meaning the hourly output of workers outside the farm sector, rose by 5.0% year-on-year during the quarter, nearly the same as in the previous quarter. Thus, although labour-market conditions tightened further, with unemployment falling to 3.9% in September, unit-labour costs were up by a mere 0.1% on an annual basis. On the fiscal side, the US budget surplus soared to a record $237 billion in fiscal year 2000 which ended on September 30, nearly twice the $124 billion surplus posted in the preceding tax year.

Against this background of strong growth in labour productivity, the Federal Reserve left

Chart 2.1
SHORT-TERM INTEREST RATES *
(monthly averages)



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

official interest rates unchanged during the quarter. Thus, the target for the Federal Funds rate remained at 6.5%. Money-market rates rose modestly in July and August but fell slightly in September. Nevertheless, they stood below the Federal Funds rate throughout the quarter.

Economic growth in the **euro area** slowed down in the September quarter, with GDP estimated to have grown by 3.6% year-on-year, down from 3.7% in the second quarter. This deceleration was mainly a consequence of higher euro-zone interest rates and a decline in manufacturing-sector optimism. In fact, manufacturing activity slowed down for the fifth consecutive month in September. Meanwhile, the services sector also signalled an easing in the rate of expansion. Labour-market rigidities continued to prevent unemployment from falling significantly, with the jobless rate still at 9.0% in September, only slightly below 9.1% in June. Meanwhile, the Euro-zone's merchandise trade balance turned into a 1.0 billion-euro deficit in August, from a 2.6 billion-euro surplus a year earlier, mainly on account of higher oil prices.

In **Germany**, GDP growth slowed down to 2.8% year-on-year during the quarter, from 3.1% in the June quarter. Industrial-output growth slowed down to 4.8% in September, from 5.4% in August. Although the services sector grew for the seventeenth consecutive month in September, firms reported mounting concern over pressure on their profit margins from sharply rising fuel costs and ecological taxes. In contrast, consumer spending remained robust, with retail sales rising by 3.2% year-on-year in September. Unemployment continued to fall albeit at a slow pace, with the jobless rate standing at 9.4% in September. Meanwhile, **French** economic growth moderated slightly, with GDP growing by 3.1% year-on-year during the quarter, down from 3.4% in the second quarter. France's consumer confidence fell considerably in September. This occurred against the backdrop of a slow-down in job creation and widespread discontent over rising fuel prices. In contrast, industrial activity rebounded strongly. **Italy**'s GDP grew by a lower-than-expected 2.5% year-on-year during the quarter. Growth was mainly generated by foreign demand, as domestic demand remained weak. Both the manufacturing and the services sectors registered a moderation in growth in September. In contrast, the positive trend in employment was confirmed in July, with the jobless rate falling to 10.5%, down from 10.7% in April.

Against the background of rising inflation expectations in the euro area, the European Central Bank (ECB) raised its three leading interest rates by a further 25bps on August 31. Accordingly, the Bank's main refinancing rate reached 4.5%. Meanwhile, money-market rates rose further, standing above the ECB's refinancing rate during the quarter.

In the **United Kingdom**, GDP growth slowed down to 3.0% year-on-year in the third quarter, from 3.5% in the previous quarter. This mainly reflected a moderation in growth in the services sector, the main contributor to Britain's economic growth. In contrast, industrial output was estimated to have grown in all sectors during the September quarter. The average-earnings growth rate rose to 4.1% year-on-year during the quarter, from 4.0% in the three months to August, as labour-market conditions tightened further and the unemployment rate fell to 5.4%. The UK's merchandise-trade deficit narrowed to 2.3 billion pounds in August, from 3.0 billion pounds in July, as an increase in imports was outweighed by a larger increase in exports.

Against signs of a slow-down in British economic growth and a muted inflation environment, the Bank of England kept its repo rate unchanged, at 6%, during the quarter. Meanwhile, UK money-market rates tended to fluctuate around the repo rate.

The **Japanese** economy continued to move gradually towards a self-sustaining recovery, led by business-sector activity, which generated rising profits and capital spending, and helped by an accommodating macroeconomic policy. Accordingly, Japanese business sentiment improved in the third quarter. Nevertheless, the recovery remained fragile as consumer demand remained weak in view of cost-cutting measures by firms, high unemployment and worries about pensions. Moreover, corporate bankruptcies rose for the tenth consecutive month in August and marked the second-highest figure for the year. Japan's trade surplus fell for the third successive month in September, as imports increased by more than exports, mainly on account of rising oil prices.

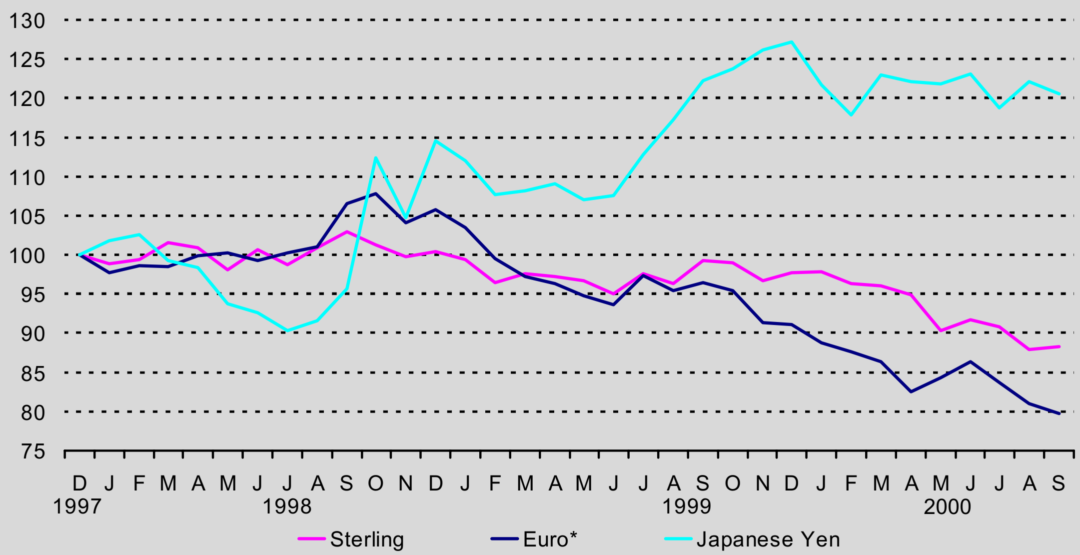
The Bank of Japan maintained an accommodating monetary policy during the quarter in order to support the recovery. Nevertheless, on August 11, the Bank raised its overnight-call-rate target to 0.25% from 0%. In so doing, the Bank asserted its independence in its monetary-policy management. Consequently, Japanese money-market rates rose during the quarter.

Foreign-Exchange Markets

The dollar tended to rise against the other major currencies during the September quarter, supported by strong economic fundamentals in the US relative to other countries. In contrast, the euro tended to fall across the board, undermined by structural rigidities in the euro area and a continued flow of capital out of the euro area to the US.

In early July, the dollar tended to rise against both the pound and the yen. The pound was undermined by weak economic data, which reinforced expectations that British interest rates were near to their peak. Meanwhile, the yen suffered from uncertainty about Japan's economic recovery. In contrast, the dollar fell modestly against the euro, which was supported by

Chart 2.2
EXCHANGE-RATE MOVEMENTS OF SELECTED CURRENCIES AGAINST THE US DOLLAR
(index of end-of-month rates, end-1997=100)



* ECU UNTIL DECEMBER 1998; EURO FROM JANUARY 1999

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

	US$ per EURO	US$ per STG	Yen per US$
Average for July	0.9409	1.5092	107.86
Average for August	0.9061	1.4893	108.00
Average for September	0.8722	1.4347	106.82
Average for the quarter	0.9064	1.4777	107.56
Closing rate on 30.09.00	0.8804	1.4624	107.79
Closing rate on 30.06.00	0.9532	1.5196	105.56
Lowest exchange rate during the quarter[1]	0.8494 (Sept. 20)	1.3993 (Sept. 18)	105.75 (Sept. 06)
Highest exchange rate during the quarter[1]	0.9561 (July 11)	1.5193 (July 26)	109.36 (Aug. 01)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 30.06.00 to closing rate on 30.09.00	-7.6	-3.8	-2.1

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

expectations of higher interest rates in the euro area. Shortly afterwards, however, the dollar rebounded against a broadly weak euro. After some fluctuations, the dollar rose across the board, supported by comments from Fed Chairman Greenspan indicating that US worker productivity remained strong. Around mid-July, the dollar rose sharply against the yen, which was depressed by the collapse of department-store operator Sogo Co Ltd. Against the euro, the dollar firmed further despite the enactment of long-awaited tax reforms in Germany. Subsequently, however, the dollar fell against both the pound and the euro as financial markets revised their expectations of monetary tightening in the US after Mr. Greenspan stated that the economy appeared to be slowing down.

Meanwhile, the pound rose across the board, as Chancellor of the Exchequer Brown announced plans to increase government spending. Moreover, a rise in mortgage lending in May together with robust retail sales in June and buoyant GDP growth in the second quarter reinforced the view that the British economy might not be slowing down as sharply as expected earlier.

Towards the end of July, however, the dollar rebounded against the European currencies while it continued to rise against the yen, mainly on the back of stronger-than-expected US economic fundamentals. In contrast, a rather negative UK industrial-trends report depressed the pound while weaker-than-expected euro-zone money supply data for June undermined the euro. On its part, the yen continued to weaken across the board amid doubts about Japan’s economic recovery and concerns about further business failures.

In August, the dollar tended to strengthen against both the euro and the pound, supported by expectations of solid economic growth and tame inflation, which would keep funds flowing into US assets. Nevertheless, the dollar fell against the yen mainly on account of technical factors and renewed expectations that the Bank of Japan could soon end its near-zero interest-rate policy. Meanwhile, the pound fell almost continuously against the dollar and fluctuated against the euro, following indications of a relatively subdued inflation outlook and expectations of merger-related flows from the UK to the euro area.

The dollar started September on a weaker footing against both the yen and the euro, after softer-than-expected US employment and manufacturing data reinforced expectations of an economic slow-down in the US. Shortly afterwards, however, the dollar resumed its upward trend against the euro, which was depressed by heavy speculative sales. The dollar also strengthened against the yen as the markets realised that Japan's GDP figures were not strong enough to encourage a large enough volume of yen buying.

After mid-September, however, the dollar fell against both the yen and the pound. The yen benefited from seasonal factors while the pound was supported by a positive industrial-trends survey, which contrasted with an earlier rumour of a worsening trend. Nevertheless, the dollar strengthened further against the euro, following a report indicating further mergers and acquisitions of American companies by European firms. Then, towards the end of the month, central-bank intervention caused the dollar to weaken against the European currency. In contrast, sterling strengthened against the euro, mainly on account of merger-and acquisition-related flows from the euro area into the UK.

Commodities

During the third quarter of 2000 the price of **gold** fell by around 3.2%, ending September at US$274.75 per ounce. Gold was undermined by speculative-fund selling, sales by central banks (including the Bank of England, the Swiss National Bank and the Central Bank of Canada), high oil prices and a strong US dollar. At the same time, the weakness of the Asian currencies depressed physical demand from Asia.

The prices of **base metals** rose by nearly 5.5% during the quarter. The price of copper on the London Metal Exchange reached US$2000 a tonne for the first time in nearly three years. This reflected a sharp rise in demand brought about by both speculative and physical buying, particularly from China. Meanwhile, the prices of lead and zinc also rose, mainly on account of a significant supply shortage. In contrast, the price of nickel fell in August and September, undermined by a large increase in supplies of stainless-steel scrap[1].

Meanwhile, the price of **oil** rose by around 1.2% to US$30.54 per barrel during the quarter. In July, oil prices tended to ease on expectations that OPEC was likely to increase output substantially. Nevertheless, world-oil prices rebounded sharply in early August, following the publication of a report by the American Petroleum Institute that indicated a surprisingly big drop in US crude inventories. Oil prices continued to rise through August and most of September on doubts whether Saudi Arabia would stick to its plan to raise production. Concerns about low oil supplies were exacerbated by mechanical problems at some US refineries and indications that OPEC was eager to increase oil-export revenues. On September 10, OPEC members agreed to raise output by 800,000 bpd as from October 1. This decision, however, garnered only a lukewarm response from major consuming nations. By mid-September oil prices rose further amid fears of supply disruptions in the wake of escalating tensions in the Middle East. Towards the end of September, however, oil prices receded somewhat after the US decided to release oil from its emergency reserve.

[1] Nickel and stainless-steel scrap are close substitutes.

During the quarter, **food** prices fell by 3.3% from their end-June levels. This mainly reflected lower prices for coffee, soyabean oil and sugar. In contrast, the prices of soyabean, corn and wheat rose during the quarter. Coffee prices fell almost continuously, mainly on account of an oversupply in world markets, expectations that a global coffee-retention plan would be ineffective, and fund selling. Sugar prices continued to rise in July, on the back of heavy buying from speculators and robust demand from importing countries, but fell in August and September. In contrast, soyabean prices rebounded in July and rose steadily through August, as forecasts for more hot and dry weather in the Midwest encouraged substantial speculative buying. Similarly, corn and wheat prices rebounded sharply in September.

Meanwhile, the prices of **non-food agricultural commodities** fell by 1.6% during the quarter. Rubber prices were depressed by the prospect of further sales by the International Natural Rubber Organisation (INRO), which was expected to continue to implement its stockpile-liquidation plan. Moreover, demand was rather weak as leading consumers shut facilities for a summer break. Lumber prices also fell, mainly on account of oversupplies. In contrast, the prices of both cotton and wool tended to rise during the quarter. Cotton stocks continued to contract but demand rose, as cotton prices were more competitive than the prices of synthetic fibres. Meanwhile, the demand for wool strengthened, mainly on the back of restocking by mills, while Australian production continued to decline.

Box 1: DEVELOPMENTS IN INTERNATIONAL ECONOMIC CO-OPERATION

IMF and World Bank Annual Meetings

On September 24-25, Finance Ministers and Central Bank Governors met in Prague for the fifty-fifth Annual Meetings of the International Monetary Fund and the World Bank. The plenary sessions were preceded by meetings of the International Monetary and Financial Committee (IMFC) and the Development Committee.

The **International Monetary and Financial Committee (IMFC)**, which as from April 2000 replaced the Interim Committee as the IMF's principal advisory body, welcomed the strengthening of global economic growth but remained mindful of the risks associated with the continuing economic and financial imbalances in the global economy. The Committee welcomed the gradual improvement in the terms and conditions of market access for emerging-market countries and strongly supported the objective of making globalisation work for the benefit of all. In this regard, the Committee called upon the IMF and the international community to continue to strengthen their efforts to avoid crises and, when crises do occur, to reduce their spillover effects. With regard to the reform of the IMF, the Committee welcomed the agreement reached on modifications that were intended to enhance the precautionary nature of the Contingent Credit Lines (CCL) and to preserve the revolving nature of the IMF's resources. The Committee agreed that IMF surveillance should be strengthened further and welcomed the recent initiatives in a range of areas, particularly the continuing efforts to improve the IMF's understanding of its members' economies. In the context of ongoing efforts to enhance the transparency and openness of the Fund, the Committee welcomed the Executive Board's agreement to adopt a general policy of voluntary publication of Article IV and use of IMF resources staff reports and other country papers. The Committee also endorsed the report by the Managing Director on the involvement of the private sector in crisis prevention and management and strongly welcomed the Executive Board's decision to establish an independent evaluation office (EVO) to help the Fund improve its future operations and enhance its accountability.

The **Development Committee**, which deals with matters related to the transfer of real resources to developing countries, focused on the benefits and risks of globalisation. Ministers re-emphasised their commitment to strengthen the World Bank, the IMF, and other multilateral institutions as allies in an effort to reduce global poverty. Accordingly, they endorsed a number of areas of Bank involvement in co-operation with relevant international organisations. These included facilitating the international movement of goods, services, and factors of production; fostering a broad inclusion in the benefits of globalisation and mitigating major economic and social problems; preserving and protecting the environment; and creating and sharing knowledge relevant to development. Ministers noted the Bank's valuable role, in partnership with the IMF and other international agencies, in strengthening the international-financial architecture. This included helping to develop appropriate standards and codes, taking account of the developing-country perspective in areas important to financial resilience and integration into the global financial system, and assisting countries to strengthen their related institutions and policies. Ministers also pointed to the importance for all nations of increased national and international efforts to combat cross-border financial abuse, such as money laundering. They urged the Bank to expand its program of technical and advisory support as a significant contribution to greater participation by developing countries in a more open and equitable world trading system. Ministers welcomed the Bank's overall approach for low-income countries and its proposals for achieving greater coherence among various program documents and instruments. They also welcomed the progress achieved in implementing the HIPC (Heavily Indebted Poor Countries) Initiative and urged that all appropriate steps be taken to further strengthen the process.

Asia-Europe Meeting (ASEM 3)

On October 19-20, Heads of Government of 25 European and Asian nations attended the third Asia-Europe Meeting (ASEM 3) in Seoul. During the meeting, leaders discussed the situation on the Korean Peninsula within the context of encouraging developments in relations between the Republic of Korea (South Korea) and the Democratic People's Republic of Korea (North Korea). Leaders shared the view that peace and stability on the Korean Peninsula were closely linked to those of both the Asia-Pacific region and the world as a whole. Accordingly, they adopted the "Seoul Declaration for Peace on the Korean Peninsula". Leaders also committed themselves to promote and protect human rights. Country-members agreed to intensify efforts to launch a new round of world-trade liberalisation talks at the earliest opportunity. Moreover, leaders planned to focus on several other issues, which included closer co-operation against money laundering, the smuggling of immigrants and other forms of international crime.

Asia-Pacific Economic Co-operation (APEC) Forum

On November 15-16, leaders of APEC countries gathered in Brunei for their eighth annual summit. The APEC leaders reaffirmed their vision of a community of open and interdependent economies as a means to strengthen their ability to grow in the global market. As the process of globalisation had a strong potential to generate higher living standards, country-members discussed ways how their nations could benefit from globalisation. Leaders committed themselves to continue to participate in international forums in order to help shape the global economy and create a more secure and stable financial environment. In this regard, leaders welcomed the efforts of the G-20 Countries, the Financial Stability Forum of the IMF, the international financial institutions and other forums to strengthen the international financial architecture. They also asked their ministers to develop systems of good governance and strong institutional frameworks. Subsequently, country-members reiterated the need to launch a new World Trade Organisation (WTO) round in 2001, which would benefit all WTO members, particularly the least-developed and developing economies. Accordingly, leaders welcomed the progress made to develop the strategic APEC plan on building capacity to implement WTO agreements. Leaders also welcomed the progress that had been made during the past year in the WTO accession negotiations for China and urged rapid completion of these negotiations.

European Union Finance Ministers' Meeting

On November 27, EU Finance Ministers. meeting in Brussels, agreed to curb tax evasion within the Union. The Ministers agreed to lift several tax breaks for firms and to share information on individuals' savings income so that it could be taxed in their country of origin. However, for a seven-year transition period, countries opposed to this swapping of information would be able to impose a withholding tax on income from savings instead. The Ministers also agreed to streamline the way decisions should be taken on technical aspects of Economic and Monetary Union (EMU). Moreover, they reviewed the progress made in speeding the adoption of new financial-services legislation as part of a drive to make the EU more competitive. Without debate, the Ministers also agreed on technical amendments to legislation on the common currency to take account of Greece's planned membership of the euro zone as from January 1, 2001.

European Union Nice Summit

On December 7-11, EU Heads of State met in Nice for their biannual European Summit. The summit, which ended the six-month French Presidency, agreed on a new treaty, to be known as the Treaty of Nice, which incorporated institutional reforms in view of EU enlargement. The Leaders agreed on a method for limiting the future size of the European Commission and on increasing its president's powers. In this regard, they accepted a proposal whereby the five big EU member-states would give up their second commissioner in 2005, when the current executive's term expires. Each new member-state would receive one commissioner until the Union numbered 27 nations, at which point EU leaders would set a permanent ceiling of fewer than 27 commissioners, to be appointed by rotation among member-states. The summit agreed to extend majority voting to 29 policy areas and six personnel appointments that previously required unanimity. The Leaders also agreed that groups of eight or more states could proceed with closer integration in chosen areas, provided other states would be free to join them at a later date.

With regard to the voting scheme, the qualified majority was set at 258 votes out of 342, with 89 votes required for a blocking minority. When the EU would have reached 27 member states, the blocking minority would increase to 91 votes. Any decision taken under treaty provisions on the basis of a proposal by the European Commission would require 258 votes from a simple majority of member-states. All other decisions would require 258 votes and at least two-thirds of member-states - a higher threshold than before. In addition, any member-state could invoke a clause requiring a check that the coalition supporting a majority decision represented at least 62% of the total EU population. The Treaty of Nice was expected to be formally signed early in 2001 and ratified by all 15 EU national parliaments and the European Parliament by 2002.

Besides agreeing on the Treaty, the EU Leaders formally endorsed a Charter of Fundamental Rights, which though not legally binding, enshrined basic political, economic and religious freedoms. The Summit adopted a proposal entitled "Declaration on the Future of the Union" and agreed to hold a new conference in 2004 in order to define the division of powers between the EU and member-states. The conference would also discuss the status of the Charter of Fundamental Rights, the role of national parliaments in EU affairs and ways to simplify EU treaties. Finally, leaders approved plans for an EU defence initiative and proposals for future relations with NATO that would give the EU access to NATO assets for crisis-management operations where the Alliance as a whole was not involved.

3. THE DOMESTIC ECONOMY

During the first nine months of the current year, the Maltese economy grew at a slightly faster pace than in the same period in 1999. This acceleration was largely driven by the continued expansion of the electronics industry, both in terms of exports and investment. The latter factor was enough to offset a marked drop in the profits of the State-owned energy utility resulting from the rise in international oil prices. Domestic demand does not appear to have recovered significantly, and growth in consumption expenditure continued to be channelled primarily towards imported goods. This notwithstanding, unemployment continued to decline, falling to 4.4% in September. At the same time, headline inflation stabilised at 2.7%, as the lagged effects of the changes in indirect taxes introduced in the November 1999 Budget appeared to have been fully absorbed.

Gross Domestic Product

Provisional data published by the Central Office of Statistics (COS) indicate that during the nine months to September 2000 GDP grew by 4.3% in real terms. This was a faster rate of expansion than the revised 3.3% growth rate for the comparable period of 1999. Growth in 2000 was conditioned by the negative impact of higher oil prices on the profits of a number of State enterprises. The economy continued to be driven by the export-oriented sector, but gross fixed capital formation also increased during the period,

Table 3.1

SOURCES OF GDP GROWTH AT FACTOR COST BY INDUSTRY[1]

(January - September)

%

	1999	2000
Agriculture and Fisheries	-0.1	0.0
Construction and Quarrying	-0.3	0.1
Manufacturing	0.6	3.2
Transport and Communication	0.1	0.6
Wholesale and Retail	0.2	0.6
Insurance, Banking and Real Estate	0.5	1.6
Government Enterprises	0.3	-1.1
Public Administration	0.8	0.6
Property Income	1.4	0.4
Private Services	1.0	0.6
GDP at Factor Cost	**4.4**	**6.5**

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

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

contributing positively to economic growth.

According to the COS data, GDP at factor cost, which is the sum of gross wages and profits earned by different economic sectors, grew by 6.5% during the first nine months of 2000, compared with 4.4% in the same period last year. As Table 3.1 shows, the manufacturing sector, which includes the electronics industry, generated around half of this expansion and was chiefly responsible for the moderate acceleration in growth. This, in spite of the fact that a number of sub-sectors of manufacturing industry, particularly those producing for the local market, were facing reduced demand and in the process of restructuring their operations. The growth in consumption registered during the period was not directed towards domestically produced goods, as a survey carried out by the Department of Industry (the results of which are outlined below) shows.

About a third of the overall growth in factor earnings was generated by the improved performance of the insurance, banking and real estate and the wholesale and retail sectors. The rise in the earnings of the financial sector, however, appears to have been confined to the banking sub-sector. At the same time, the increase in the contribution of the distributive trades was underpinned by a significant rise in employment within this sector and higher profits from sales of imported goods. Meanwhile, despite the impact of rising fuel costs on the profits of the national airline, the transport and communication sector also contributed significantly to GDP growth.

On the other hand, as the Table shows, there was a slowdown in the growth rate of the private services sector, public administration and property income. In particular, the contribution to growth of property income, which consists mainly of interest on holdings of Government securities and bank deposits, declined by a full percentage point when compared with the same period last year. This was attributable to two factors: the slower rate of growth of the public debt; and lower

Table 3.2

SOURCES OF GDP GROWTH AT CONSTANT MARKET PRICES BY CATEGORY OF EXPENDITURE[1]

(January - September)

%

	1999	2000
Growth in real GDP	**3.3**	**4.3**
of which:		
Private Consumption Expenditure	3.3	3.6
Government Consumption Expenditure	0.5	0.6
Gross Fixed Capital Formation	0.1	4.2
Inventory Changes	-0.4	3.5
Exports of Goods and Services	5.1	5.2
Imports of Goods and Services	-5.3	-12.8

[1] The figures for 1999 have been revised; those for 2000 are provisional.

SOURCE: Central Office of Statistics

domestic interest rates. In the private services sector, the main factor behind the deceleration was the weaker performance of the tourism industry, though other domestically-oriented services also continued to be affected by the persistent weakness of domestic demand.

Meanwhile the rise in the international price of oil and its impact on the profits of Enemalta, together with the implementation of a voluntary early retirement scheme by a State-owned telecommunications firm, led to a drop of Lm10.5 million in the contribution to GDP of the Government enterprises sector. As a result, the sector's contribution to growth during the period was negative, as the Table shows.

Economic growth can be analysed further in terms of developments in expenditure-side GDP, both in nominal and in real terms. An analysis in real terms, moreover, has the advantage of removing the effects of price changes, and thus provides a clearer picture of the effective growth of the Maltese economy when compared with earlier periods. Such an analysis is provided by Table 3.2, which gives a breakdown of the sources of GDP growth at constant market prices by category of expenditure.

As the Table shows, real GDP during the first nine months of 2000 grew at a significantly faster rate than in the same period last year. However, as can also be seen from the Table, a significant part of this growth was generated by inventory investment, which is a statistical discrepancy between income-side GDP and the main expenditure components. At the same time, on account of the high import content of these expenditure components, the combined growth of private consumption, exports and gross fixed capital formation barely exceeded the growth in imports of goods and services.

The rate of growth of consumer's expenditure in real terms accelerated slightly, to 5.8%, during the first nine months of 2000, up from 5.4% in the same period last year. This occurred despite the fact that household disposable income grew by only 1.6% in real terms during the period, implying that the increased consumption was financed by a reduction in household saving. Furthermore, a large part of the increased consumption was directed towards imports, particularly motor vehicles, as the domestic sales of manufacturing establishments were reported to have dropped for the second consecutive year.

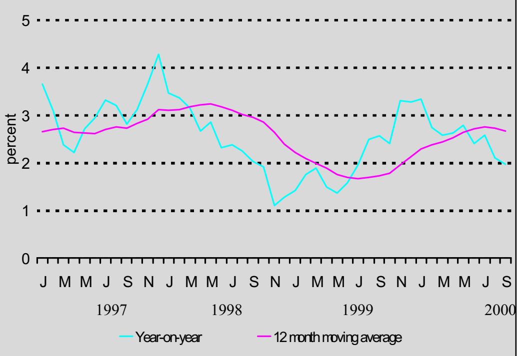
Similarly, the increase in gross fixed capital formation was matched by a rise in imports of capital goods. In fact, investment in construction, where the import content is low, dropped by 3.7% in real terms, despite the stepping up of work on the new hospital. Investment in machinery, however, expanded by 30.1%, reflecting the sizeable expansion programme undertaken by the leading electronics firm reported in another section of this Review.

The growth in exports also reflected the buoyant activity in the electronics sector, and resulted in a commensurate rise in imports of industrial supplies and capital goods - though the import bill was also boosted by rising oil prices. At the same time, the drop in tourism earnings adversely affected the rate of growth in services.

Retail Prices

The headline rate of inflation stabilised at 2.7% during the third quarter of 2000, as the twelve-month moving average measure started to be influenced by the lack of inflationary pressures during the first nine months of the year. In fact, as can be seen from Chart 3.1, the year-on-year measure of inflation, which is a more timely indicator of price movements, has been consistently below the headline rate throughout the last four months. On its part, the twelve-month moving average measure appears to have fully absorbed the effects of the indirect tax measures introduced in the November 1999 Budget. Nevertheless, as can be seen from the

Chart 3.1
RETAIL PRICE INFLATION



Chart, the headline rate of inflation at the end of September 2000 was up by nearly a full percentage point from its year-ago level.

Table 3.3 shows the changes in the different sub-indices of the RPI on a twelve-month moving average basis. This confirms that the main impetus to inflation during the September quarter came from the fuel, light and power, the housing and the transport and communications sub-indices, reflecting the previously mentioned indirect tax measures. The twelve-month moving average change in the clothing and footwear sub-index also continued to rise, though this was mainly due to a spike in prices during May. On the other hand, the rate of inflation of the food sub-index decreased when compared with the previous quarter. The latter development reflected the lower seasonal increase in the prices of food items during the summer months. Meanwhile, the prices of durable household goods fell on average during the last twelve months, as the Table shows.

The headline rate of inflation should remain subdued in the coming months, in the absence of any further indirect tax measures impinging on the RPI. On the one hand, imported inflation is expected to remain broadly stable, particularly if price levels benefit from the drop in the Maltese lira value of imports from the euro-zone area. Furthermore, the rate of inflation in Malta's main trading partners is not expected to increase substantially, provided fuel prices stabilise. At the same time, the gradual removal of import levies is exerting downward pressure on retail price inflation, as local producers adjust their prices to reflect the more competitive market situation. Domestically-generated inflationary pressures are

Table 3.3
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI
12-month moving average (% changes)

	Sept. 1999	June 2000	Sept. 2000
Food	0.2	1.8	1.4
Beverages and tobacco	8.2	6.6	5.4
Clothing and footwear	-0.2	0.7	0.8
Housing	0.3	0.9	1.6
Fuel, light and power	0.0	3.1	4.8
Durable household goods	2.3	0.8	-0.4
Transport and communications	2.2	6.0	7.1
Personal health and care	3.1	3.0	3.3
Education, entertainment and recreation	1.7	0.9	1.4
Other goods and services	2.2	1.9	0.9
All items	**1.7**	**2.7**	**2.7**

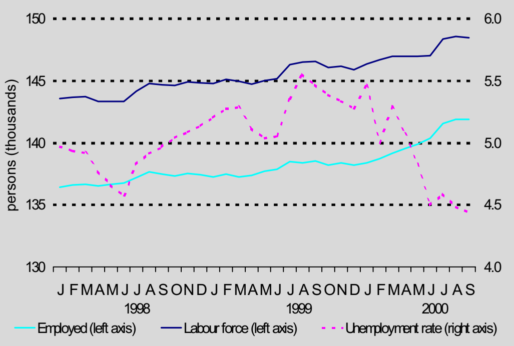
SOURCE: Central Office of Statistics

also expected to remain weak in the short-term, though they might increase later due to tightening labour market conditions and the rise in civil service salaries as from the beginning of January 2001.

The Labour Market

The unemployment rate dropped by 0.1 percentage points to 4.4% during the third quarter of 2000, its lowest level in more than three years. This was also the first time since 1994 that the unemployment rate declined during the third quarter of the year, when the influx of school leavers into the labour market boosts the labour supply. The latter, in fact, rose by nearly 1460 during the quarter, the largest quarterly rise since 1997[1]. The rate of job creation, however, also accelerated sharply during the quarter, with the net increase in employment reaching 1473 – once again the largest gain on record since 1997. Excluding temporary employment, in order to eliminate the break in series due to the 1998 revision in labour data, the rise registered during this quarter would emerge as the second largest increase ever recorded in the gainfully occupied population[2].

Chart 3.2
LABOUR MARKET TRENDS



As can be seen from Table 3.4, the higher demand for labour was experienced by all the main sectors of the economy during the quarter, though the private services sector accounted for nearly two-thirds of the overall increase. Private direct production registered nearly 400 new jobs, with the bulk of the increase occurring in the electronics sub-sector. The construction industry also increased its workforce significantly[3], reflecting the acceleration of work on the new hospital. Employment in most manufacturing sub-sectors slowed down when compared to earlier quarters, though this may be a seasonal phenomenon as the summer months are characterised by the temporary shutdown of many manufacturing establishments.

The number of the gainfully occupied in private market services expanded by nearly 914 during the quarter reviewed. About 40% of this increase was attributable to the tourism industry, as employment in hotels and catering establishments and in the transport, storage and communications sub-sector (which includes tourist guides) rose seasonally during the quarter. Another 20% of the rise in employment was generated by the wholesale and retail trades. Community and business services accounted for more than 230 of the new jobs during the quarter. Public sector employment rose by 160 during the third quarter of 2000, as firms with majority government shareholding increased their demand for labour.

Meanwhile, as Table 3.5 shows, part-time employment rose by around 1780, or 5.1%, to 36,680 between July and September 2000. This was a significantly larger increase than that recorded during the same quarter in 1999, when part-time employment had risen by 1028, or 3.2%. The number of persons employed primarily on a part-time basis, in fact, grew at a faster pace

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[1] Prior to 1998, labour data included student workers during the third quarter. This factor boosted both the labour supply and the gainfully occupied population by nearly 2000 persons.

[2] The largest quarterly growth in employment occurred during the first quarter of 1995, as the introduction of VAT led a number of previously unregistered workers to disclose their status.

[3] For the fourth consecutive quarter.

Table 3.4
LABOUR MARKET DEVELOPMENTS
Number of persons

	Sept. 2000	Quarterly change	Annual change
Labour supply	**148,451**	**1,458**	**1,926**
Unemployed	**6,594**	**-15**	**-1,417**
Unemployment rate (%)	**4.4**	**-0.1**	**-1.0**
Gainfully occupied	**141,857**	**1,473**	**3,343**
of which:			
Private direct production	**38,255**	**399**	**1,280**
including:-			
Agriculture & fisheries	2,605	14	93
Quarrying, construction & oil drilling	5,758	127	617
Manufacturing	29,892	258	570
Private market services	**51,051**	**914**	**1,887**
including:-			
Wholesale & retail	15,957	188	585
Insurance & real estate	1,339	-3	-65
Transport, storage & communciations	6,555	71	632
Hotels & catering establishments	9,594	306	199
Community & business	10,229	235	75
Others	7,377	117	461
Public sector	**47,901**	**160**	**210**
including:-			
Government departments	30,714	8	141
Armed Forces, R.S.C. & Airport Co.	1,659	-4	51
Government-controlled companies	7,457	149	114
Independent statutory bodies	8,071	7	-96
Temporarily employed	**4,650**	**0**	**-34**

SOURCE: Employment and Training Corporation

during the third quarter of 2000, when their number rose by 1480. In contrast, the increase in the number of persons having both a full-time and a part-time job, at 303, was only slightly larger than that recorded the year before.

Despite the large rise in the gainfully occupied population, the number of persons on the unemployment register fell only slightly during the quarter. This means that the increase in the number of new jobs was only slightly larger than the rise in the labour supply. Furthermore, during the September quarter, there was a slight reversal of the prevailing trend - namely, the ever-increasing proportion of unemployed persons aged over 50 and of the long-term unemployed. The number of persons in these categories in fact dropped slightly, whereas the number of unemployed persons aged under 30 years, and who have been registering for less than 20 weeks, increased. This may point to a further drop in unemployment in the coming months, as school leavers are gradually absorbed by the labour market.

Table 3.5
PART-TIME EMPLOYMENT
Number of persons

	September 2000	Change in number of persons	
		Previous quarter	Year-ago period
Part-time employees holding full-time jobs	17,582	303	820
Part-time employment as primary job	19,105	1,480	2,930
Total part-time employment	**36,687**	**1,783**	**3,750**

SOURCE: Employment and Training Corporation.

Manufacturing

Although the COS data indicate that the manufacturing sector generated nearly half the increase in factor incomes during the first nine months of 2000, a detailed sectoral breakdown of the value-added by manufacturing is not yet available. The performance of each sub-sector of manufacturing industry can, however, be gauged by analysing its export turnover, domestic sales and net investment, compared to the same period of 1999. It should be borne in mind, however, that the data used for this purpose is at current market prices, and is based on a survey conducted by the Department of Industry, which does not cover the entire manufacturing sector.

Subject to this qualification, the results of this survey, summarised in Table 3.6, confirm that the bulk of manufacturing sector activity was accounted by the communication equipment and apparatus sub-sector, which in turn is dominated by a single foreign-owned electronics firm. The latter increased its operations in Malta substantially during the first nine months of 2000. In fact, the export turnover of the communication equipment and apparatus sub-sector rose by Lm183.2 million compared with the same period of 1999, while net investment in the sub-sector rose to Lm35.8 million, from Lm2.7 million last year. It may be useful to exclude this special factor in order to analyse the underlying trend in the rest of the manufacturing sector. Once this adjustment is made, it can be seen that the sales of the remainder of the manufacturing sector were up by only Lm0.2 million during the first nine months of 2000, against Lm7.3 million in the same period last year.

Export turnover during the nine months to September 2000 rose marginally, by Lm0.4 million, if the communication equipment and apparatus sub-sector is excluded. This result, however, masks pronounced sub-sectoral differences. In particular, the furniture and other manufacturing sub-sector registered a positive turnaround in export sales during 2000. The food and beverages sub-sector also recorded a larger increase than in the corresponding period of 1999. Conversely, the wearing apparel and the printing and publishing sub-sectors saw their export sales drop by a combined Lm8.2 million during the period, compared with an increase of Lm6.4 million during the corresponding period in 1999.

The local sales of the manufacturing sector continued to drop during 2000, albeit at a slower rate than last year. However this result essentially reflected the improved performance of the tobacco industry, whose domestic sales rose by Lm3.8 million as against a slight drop in 1999. The furniture and other manufacturing sub-sector also recorded a smaller year-to-year drop in sales.

As stated previously, the communication

Table 3.6

MANUFACTURING PERFORMANCE - SELECTED INDICATORS

(based on a survey of representative firms conducted by the Department of Industry)

Lm millions

	January - September	
	1999	2000
Growth in exports	**37.1**	**183.6**
of which:		
Communication equipment and apparatus	26.2	183.2
Furniture and other manufacturing	-0.7	4.3
Plastic and rubber	2.5	2.9
Food and beverages	1.4	2.1
Other	7.7	-8.9
Growth in local sales	**-3.6**	**-0.2**
of which:		
Tobacco	-0.4	3.8
Furniture and other manufacturing	-1.3	-0.3
Other non-metallic minerals	-1.9	-1.1
Printing and publishing	1.1	0.2
Other	-1.1	-2.8
Net investment	**8.0**	**30.4**
of which:		
Communication equipment and apparatus	2.7	35.8
Plastic and rubber	2.8	-2.9
Chemicals	1.9	-1.3
Printing and publishing	1.1	-0.9
Other	-0.5	-0.3

SOURCE: Department of Industry

apparatus and other equipment sub-sector accounted for the bulk of net manufacturing investment during the first nine months of 2000. If this sub-sector were to be excluded, net investment in manufacturing would have dropped by Lm5.4 million when compared with the same period of 1999. The plastic and rubber, the chemicals, and the paper and printing sub-sectors all cut down on investment during 2000. At the same time, the results of the Department of Industry's survey indicate that most manufacturing enterprises, particularly those producing for the local market, are under-investing. Excluding the communication equipment and other apparatus sub-sector, net investment by the remainder of the manufacturing industry would amount to 2.7% of overall turnover, that is below the level of the previous two years.

Tourism

During the third quarter of 2000 tourist arrivals were up by 0.6% when compared with the same

Table 3.7

TOURIST ARRIVALS BY NATIONALITY

Nationality	July-September 2000			January - September 2000		
	Arrivals	Annual Growth (%)	Share (%)	Arrivals	Annual Growth (%)	Share (%)
UK	150,359	6.4	34.2	334,274	-0.3	34.3
Germany	58,641	-2.9	13.3	164,427	0.9	16.9
Italy	44,714	-6.2	10.1	77,785	-1.1	8.0
France	28,802	1.1	6.5	64,562	1.6	6.6
Netherlands	26,939	1.6	6.1	53,271	-1.3	5.5
Scandinavia[1]	16,501	5.3	3.7	37,910	2.1	3.9
Libya	13,560	-7.6	3.2	34,737	6.4	3.6
Belgium	12,543	-1.0	2.8	22,685	-5.4	2.3
Switzerland	7,529	12.3	1.7	16,328	-7.5	1.7
Austria	6,517	-19.4	1.5	23,111	-2.5	2.3
Others	74,505	-1.7	16.9	144,935	0.6	14.9
Total	**440,610**	**0.6**	**100**	**974,025**	**0.1**	**100**

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

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics.

period last year, while arrivals during the first nine months of the year were up by 0.1%. Gross earnings from tourism during the nine months to September, however, were down by Lm4.9 million, or 2.3%, from their 1999 level. Meanwhile, cruise passenger arrivals were also significantly below the level recorded during the first nine months of 1999.

As can be seen from Table 3.7, which gives a breakdown of arrivals by nationality, tourism from the UK continued to recover during the quarter reviewed, with arrivals from this source rising by 6.4%. Increased arrivals were also recorded from a number of other source markets, such as Russia (included in the "others" category), the Scandinavian countries, the Netherlands and Switzerland. Nevertheless, Malta's improved penetration of these markets was offset by the negative results achieved in other, larger markets. Thus, arrivals from Germany, Malta's second largest source market, were down by 2.9% during the September quarter, after having grown at a relatively slow rate in the previous quarters. Arrivals from Italy and Austria were also sharply down. A significant drop in arrivals from the countries grouped in the 'others' category was also registered.

Tourist arrivals during the nine months to September were practically unchanged from 1999 levels. Nevertheless, data on the average length of stay indicate a substantial drop, explaining the decline in gross earnings during the same period.

The industry's overall performance was undoubtedly conditioned by trends in a number of important source markets. Thus, the increase in arrivals from the UK reported in the second and third quarters was not large enough to completely offset the drop that had been registered during the first quarter of the year. As a result, UK arrivals during the nine months to September were down by 0.3%. This was, however, a marked improvement compared with the same period of 1999.

On the other hand, the results obtained in several other European source markets showed a deterioration. Thus, fewer arrivals were registered from Belgium, the Netherlands, Austria and Switzerland. At the same time, arrivals from Scandinavia and Germany, which had both been major sources of growth during 1999, were up by a negligible amount during 2000. By contrast, a significant improvement was recorded in arrivals from France, while arrivals from Russia were up by 16.7% when compared with the same period last year.

Cruise passenger activity was again subdued during the third quarter of 2000, with arrivals falling by 17%. This was the second consecutive quarterly drop, and, as a result, the number of cruise passengers visiting Malta during the first nine months of the year was down by 14% from last year's level.

Box 2 : BUSINESS PERCEPTIONS SURVEY : FOURTH QUARTER 2000

Introduction

The Central Bank's latest business perceptions survey suggests that during the September quarter economic growth continued to be generated primarily by export-oriented manufacturing firms. On the other hand, in the tourism sector respondents reported a below-normal level of activity. The survey also presents mixed evidence on the state of domestic demand during the quarter. Whereas the distributive trades appear to have experienced an upturn in activity, the domestically-oriented manufacturing and services sectors showed relatively little change from the previous quarter. Meanwhile, the construction sector reported a decline in activity.

Business Optimism and Medium Term Expectations

In the Bank's survey, the level of business optimism is gauged on the basis of the number of respondents expecting an improvement rather than a worsening of the economic situation over the next six months. As can be seen from Chart 1, there has been a gradual recovery in optimism since the second quarter of 2000.

The slight improvement in the level of business optimism during the September quarter was mainly attributable to the manufacturing sector. The latter was, in turn, underpinned by the positive sentiment of firms in the machinery and other equipment sub-sector. Respondents from the manufacturing sector had been pessimistic about economic prospects throughout the previous four quarters. Sentiment amongst export-oriented firms has, however, steadily improved. By contrast, firms producing for the domestic market remain concerned about their future prospects. On their part, operators in the distributive trades expressed a more optimistic view.

The latter positive outlook may to some extent reflect the expected seasonal boom in consumption during the Christmas season. Underlying domestic demand conditions are not expected to improve significantly in the coming months. Respondents from the construction sector showed a reduced degree of optimism, and sentiment in this sector remained far below historical levels. Meanwhile, a significant majority of operators in the services sector were expecting a deterioration in economic activity levels in the coming six months. Respondents from the tourism sector expressed the same medium-term expectation.

Chart 1
EXPECTED IMPROVEMENT IN ECONOMIC SITUATION DURING THE NEXT 6 MONTHS

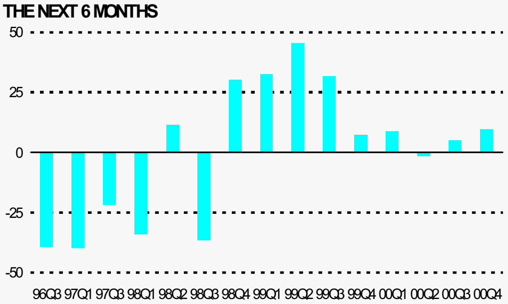
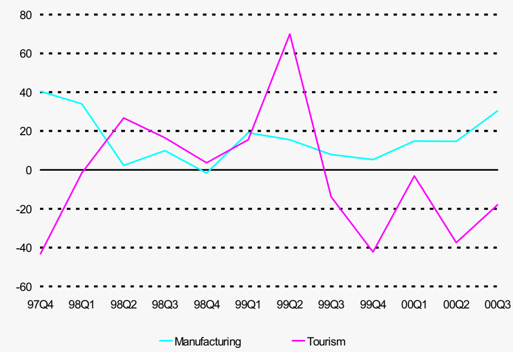


Chart 2a
ACTIVITY LEVELS - EXPORT SECTOR



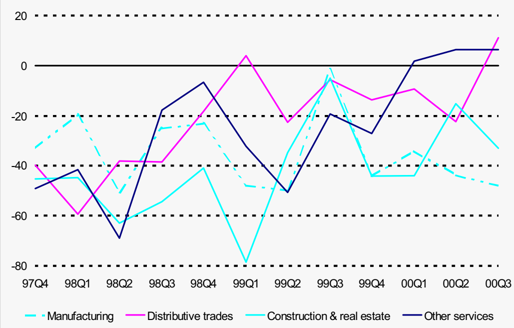
Activity Levels – Third Quarter 2000

Though some improvement was recorded during the third quarter of 2000, a number of sectors continued to report below normal levels of activity. Furthermore, the higher activity level reported by the manufacturing export industry appears to have occurred mainly in the machinery and other equipment sub-sector, which includes electronics. In fact, the leading firm within this sub-sector is currently expanding its production capacity. Meanwhile, however, export turnover in a number of sub-sectors, such as clothing and footwear and furniture, was lower during the quarter. As can be seen from Chart 2a, operators in the tourism sector continued to report a below normal level of activity for the sixth quarter in a row. This is broadly in line with the slowdown in tourist arrivals and the drop in bednights stayed reported during the period.

Most domestically-oriented firms continued to operate below their normal level of activity during the third quarter of 2000, with the only exceptions being firms in the distributive trades and in the financial and professional services sub-sectors. Manufacturing firms producing for the local market reported that they were operating substantially below their capacity during the quarter. At the same time, firms in the construction and real estate sector indicated that their overall turnover remained below the 1999 level.

The services sector, whose performance had been steadily improving since the second quarter of 1999, also appears to be slowing down. The industrial services sub-sector continued to register lower levels of activity, probably reflecting the state of the domestically-oriented manufacturing sector. At the same time, activity in the financial and professional services sub-sectors decelerated, in line with the reduction in turnover on the Malta Stock Exchange during the period. By contrast, surveyed firms in the distributive trades reported a substantial increase in activity when compared with the June quarter, as can be seen from Chart 2b. The improved performance in this sector is in line with the rise in private consumption mentioned in an earlier section of this Review.

Chart 2b
ACTIVITY LEVELS - DOMESTIC SECTOR



Conclusion

In terms of short- to medium-term expectations, the prospects for export activity would, therefore appear to be positive, driven by the electronics sub-sector. The latter is expected to expand at a rate that should be more than sufficient to offset the weak performance of the tourism industry. Domestic demand is also expected to pick up as a result of the Christmas season, though it is yet unclear whether there is also an incipient underlying recovery under way. As a result the prospects for domestically-oriented manufacturing firms remain unclear. Operators in the services and construction sectors are also becoming increasingly cautious in their expectations, suggesting that domestic demand might not increase substantially in the near future. Nevertheless the responses to the latest survey indicate that the level of employment should continue to grow at a healthy pace, and inflation is expected to remain broadly stable.

4. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

The across-the-board weakening in Malta's current account noted in the first half of the year continued during the September quarter, but was more noticeable in the services balance. On a year-on-year basis, the current account balance swung from a surplus of Lm30.3 million in 1999 to a deficit of Lm2 million. Meanwhile, the Maltese lira resumed its upward trend against the euro after this had been interrupted by a brief recovery of the European currency in June. Against the US dollar and the Japanese yen, however, the Maltese lira continued to lose ground, while against sterling its losses were more contained.

The Current Account[1]

Merchandise Trade

The merchandise trade gap widened further during the quarter, continuing the trend observed in the first two quarters of the year. In fact, from Lm57 million in the September quarter last year, the

Table 4.1
BALANCE OF INTERNATIONAL PAYMENTS

Lm millions

	July-Sept.			
	1999		2000	
	Credit	Debit	Credit	Debit
CURRENT ACCOUNT BALANCE	**30.3**			**2.0**
Goods, services and income	**25.5**			**4.6**
Goods and services	**13.8**			**8.9**
Merchandise trade balance		**56.8**		**62.3**
Merchandise f.o.b.	190.8	247.6	274.4	336.7
Services balance (net)	**70.6**		**53.4**	
Transportation	45.9	44.9	48.4	55.1
Travel	95.1	24.5	88.2	25.7
Other services	20.4	21.4	21.2	23.6
Income (net)	**11.7**		**4.3**	
Compensation of Employees	1.5	0.7	0.9	0.7
Investment Income	132.5	121.7	108.8	104.7
Current Transfers	11.8	7.0	10.0	7.4
CAPITAL AND FINANCIAL ACCOUNT BALANCE (Net)		**15.4**	**24.0**	
CAPITAL ACCOUNT BALANCE	**4.4**			**0.4**
FINANCIAL ACCOUNT BALANCE		**19.8**	**24.3**	
Direct investment	50.2		23.9	
Portfolio investment		86.5	52.3	
Other investment	25.7			58.3
Reserve Assets		9.2	6.4	

[1] Compiled on an accruals basis.

Table 4.2
MERCHANDISE TRADE
(based on Customs Data)

Lm millions

	July-Sept. 1999	July-Sept. 2000	Change
Imports	**270.9**	**368.3**	**97.4**
Industrial supplies	**158.1**	**218.6**	**60.5**
Capital goods and others	**38.9**	**57.5**	**18.6**
Consumer goods	**62.3**	**65.2**	**2.9**
Food and beverages	21.8	22.4	0.6
Durable goods	26.0	26.8	0.8
Others	14.5	16.0	1.5
Fuel and lubricants	**11.6**	**27.0**	**15.4**
Exports	**187.8**	**272.2**	**84.4**
Domestic	167.2	247.4	80.2
Re-exports	20.6	24.8	4.2
Trade balance	**-83.1**	**-96.1**	**-13.0**

SOURCE: Central Office of Statistics

trade gap widened to Lm62.3 million during the quarter under review. Both exports and imports were up from 1999 levels: while in percentage terms exports increased at a faster rate than imports, the increase in imports outweighed the rise in exports in value terms.

However, as Table 4.2 shows, imports of industrial supplies and capital goods were mainly responsible for the increase in imports. This, in turn, mainly reflected investment outlays – and increased activity - undertaken by a leading electronics firm, though investment related to the provision of mobile telephony services and the rise in oil prices also contributed. In fact, the value of oil imports more than doubled, to Lm27 million, during the quarter. If re-exports of oil were to be excluded, however, the net addition to the quarter's trade deficit on account of higher oil prices would amount to Lm8.4 million.

Services and Investment Income

The surplus on the services account contracted further during the September quarter, falling by just over Lm17 million from the corresponding year-ago level. In part, this deterioration was linked to the rise in imports, which pushed up transportation costs. In fact, the balance on the transportation account swung from a surplus of Lm1 million in the third quarter of 1999 to a deficit of Lm6.7 million this year. The surplus on the travel account also contracted, by around Lm8 million, during the quarter. In part, this reflected the relatively weak performance of the tourism sector, but a 5% rise in expenditure by Maltese nationals travelling abroad also contributed. Meanwhile, the negative balance on other services widened by Lm1.4 million. This mainly reflected higher payments for insurance and business services, the latter mainly connected with the setting up of a second firm providing mobile telephony services.

Net investment income from abroad was down by Lm7.4 million during the quarter. This was due to a reduction in interest income on foreign assets, which was only partly offset by a drop in reinvested earnings and undistributed profits of foreign owned firms operating in Malta.

Meanwhile, net current transfers from abroad declined further, falling by Lm2.2 million, reflecting a drop in inward private transfers.

The Capital and Financial Account

The capital and financial account was in surplus by Lm24 million during the quarter. This contrasted with the Lm15.4 million deficit recorded in the September quarter of 1999. Even if movements in the official reserves were to be excluded, the financial account would have shown a substantial, though smaller, improvement. This turnaround, however, was entirely attributable to the monetary sector, particularly the international banking institutions, which reported an increase in net inflows of about Lm38 million. In contrast, the non-monetary sectors recorded an increase in net outflows of

Table 4.3

BALANCE OF INTERNATIONAL PAYMENTS

Lm millions

	Jan-Sept.			
	1999		2000	
	Credit	Debit	Credit	Debit
CURRENT ACCOUNT BALANCE	**9.7**			**85.0**
Goods, services and income		**3.5**		**94.3**
Goods and services		**23.3**		**105.1**
Merchandise trade balance		**146.8**		**196.2**
Merchandise f.o.b.	585.5	732.3	786.2	982.4
Services balance (net)	**123.5**		**91.1**	
Transportation	98.9	121.9	109.9	146.0
Travel	208.5	59.2	203.6	62.3
Other services	60.0	62.8	63.1	77.2
Income (net)	**19.8**		**10.8**	
Compensation of Employees	3.3	2.3	2.7	2.3
Investment Income	344.9	326.1	342.8	332.4
Current Transfers	36.6	23.4	34.0	24.7
CAPITAL AND FINANCIAL ACCOUNT BALANCE (Net)	**5.6**		**101.3**	
CAPITAL ACCOUNT BALANCE	**10.3**		**4.8**	
FINANCIAL ACCOUNT BALANCE		**4.7**	**96.5**	
Direct investment	192.7		67.1	
Portfolio investment		210.9		6.8
Other investment	67.5			8.8
Reserve Assets		54.0	45.0	

around Lm14 million. This was partly attributable to a Lm5 million drop in capital transfers to Government and partly to a Lm4.5 million decline in net foreign direct investment inflows, mainly on account of an increase in direct investment abroad by residents. Net portfolio investment outflows were also up - by about Lm1 million - while other investment outflows, mainly trade credits - rose by just over Lm4 million.

As a result of these developments, the balance of payments (excluding movements in reserves) ended the quarter with an overall surplus of Lm15.6 million. Nevertheless, the official reserves declined by Lm6.4 million during the quarter. Accounting adjustments and errors and omissions, particularly with regard to capital flows, account for this discrepancy.

Year-to-Date Developments in the Balance of Payments

During the first nine months of the year, the current account swung from a surplus of around Lm9.7 million in 1999 to a deficit of Lm85 million in 2000. The merchandise trade gap widened by around Lm50 million, with the greater part of the increase being attributable to imports of capital goods and industrial supplies and a further Lm20 million to higher oil prices. At the same time, the surplus on the services account was down by Lm32.4 million, as the rise in imports pushed up transportation costs, causing the deficit in the transportation account to widen by around Lm13 million. The surplus on the travel account was down by Lm8 million, reflecting the developments during the third quarter outlined above, while the shortfall in receipts from other services, at Lm14.1 million, was mainly attributable to higher insurance payments and fees for business services. Net receipts from investment income were down by Lm9 million, while the balance on current inward transfers contracted by almost Lm4 million.

Meanwhile, net inflows on the capital and financial account, excluding movements in the

Table 4.4
MERCHANDISE TRADE
(based on Customs Data)

Lm millions

	Jan.-Sept. 1999	Jan.-Sept. 2000	Change
Imports	**804.6**	**1,078.7**	274.1
Industrial supplies	**462.3**	**623.9**	161.6
Capital goods and others	**119.3**	**177.1**	57.8
Consumer goods	**187.4**	**200.8**	13.4
Food and beverages	62.7	66.1	3.4
Durable goods	82.0	87.2	5.2
Others	42.7	47.5	4.8
Fuel and lubricants	**35.6**	**76.8**	41.2
Exports	**573.6**	**776.0**	202.4
Domestic	517.1	703.2	186.1
Re-exports	56.5	72.8	16.3
Trade balance	**-231.0**	**-302.7**	-71.7

SOURCE: Central Office of Statistics

official reserves, were down by Lm3.3 million during the period. The non-monetary sector recorded a drop in net inflows of almost Lm31 million, partly because the 1999 figures had been boosted by the proceeds of the sale of Mid-Med Bank to the HSBC Group. This was partly offset by a Lm27.5 million increase in net receipts by the monetary sector.

Thus, the Lm85 million current account deficit recorded during the first three quarters of the year was financed by capital inflows amounting to Lm56 million and a Lm45 million reduction in the official reserves. The discrepancy is due to accounting adjustments and statistical errors and omissions.

Foreign Exchange Transactions[2]

Foreign exchange transactions effected through the local banking system during the third quarter of the year 2000 confirmed the trends in the accruals-based balance of payments outlined above. Thus, the overall balance swung from a Lm37 million surplus during the third quarter of 1999 to a net outflow of Lm35.6 million in the corresponding quarter of the year. In line with this trend, current transactions resulted in net payments of Lm30 million, as against net receipts of around Lm25 million in 1999. This was mainly attributable to a significant rise in payments connected with merchandise trade, though a decline in net receipts from services, broadly reflecting the developments highlighted earlier, also contributed.

The balance on capital account transactions similarly swung from a net inflow of Lm11.5 million to a loss of Lm5.6 million, mostly reflecting an increase in portfolio investment outflows. Meanwhile, the net foreign assets of the banking system declined by around Lm17 million, with the difference between this and the overall balance being mainly attributable to revaluation and accounting adjustments, particularly those arising from the transactions of international banking institutions.

Table 4.5

BALANCE OF PAYMENTS BASED ON BANKING TRANSACTIONS[1]

Lm millions

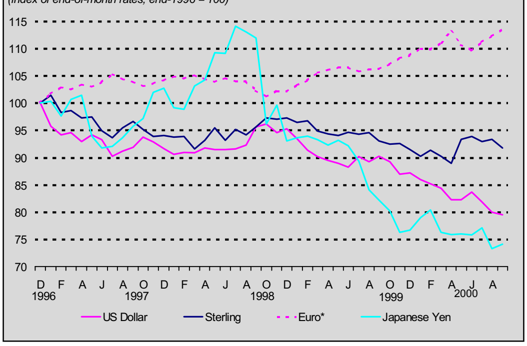
	3rd Qtr 1999	3rd Qtr 2000
Current account	7.4	21.2
Capital and financial account	47.0	17.8
Overall balance	**54.3**	**39.1**

Note: Figures may not add up due to rounding.
[1] Provisional. Compiled from data based on transactions effected through the local banking system.

The Maltese Lira

During the third quarter of the year 2000 the euro resumed the downward path against the US dollar in evidence since its launch. This followed a brief recovery towards the end of the previous quarter. As a result, the Maltese lira once again

Chart 4.1
EXCHANGE-RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES
(index of end-of-month rates, end-1996 = 100)



[2] Between residents and non-residents, and on a cash settlement basis effected through the local banking system.

Table 4.6

EXCHANGE RATES OF THE MALTESE LIRA AGAINST SELECTED MAJOR CURRENCIES

Period	EURO[1]	US$	STG	YEN
Average for 3rd Qtr. 2000	2.4825	2.2483	1.5217	241.9
Average for 3rd Qtr. 1999	2.3590	2.4737	1.5449	280.3
% Change	5.2	-9.1	-1.5	-13.7
Closing rate on 29.09.2000	2.5171	2.2090	1.5037	239.4
Closing rate on 30.06.2000	2.4300	2.3263	1.5372	245.0
% change	3.6	-5.0	-2.2	-2.3
High for 3rd Qtr.	2.5378	2.3256	1.5437	252.1
	(Sept. 20)	(July 11)	(Sept. 13)	(July 26)
% change from average	2.2	3.4	1.4	4.2
Low for 3rd Qtr.	2.4320	2.1515	1.4957	229.2
	(July 06)	(Sept. 20)	(Aug. 09)	(Sept. 12)
% change from average	-2.0	-4.3	-1.7	-5.2

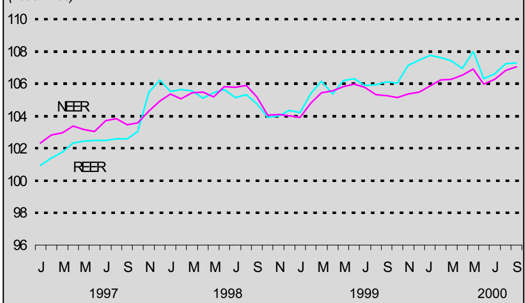
[1] EURO replaced the ECU as from January 1, 1999.

appreciated against the euro and lost ground against the other major currencies.

The latest developments in Malta's external competitiveness in terms of the Nominal Effective Exchange Rate (NEER)[3] and the Real Effective Exchange Rate Index (REER)[4] indices for the Maltese lira, as computed by the Central Bank of Malta, are illustrated in Chart 4.2. As the Chart shows, both indices followed an upward trend during the quarter.

Following the dip registered in June, the NEER index resumed its gradual upward trend during each month of the quarter under review, rising by 1% between June and September. This sustained rise was entirely linked to the renewed depreciation of the euro. On average, the NEER index during the third quarter of the year 2000 was 1.2% higher than in the corresponding quarter of 1999.

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



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

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

Similarly, the REER index rose by 0.9% between June and September. This increase entirely reflected the rise of the NEER index, as Malta's rate of inflation relative to that of competitor countries – whose inflation rates accelerated on account of higher oil prices - continued to decline[5]. Furthermore, domestic inflation began to decline during the quarter, as the effects of the budgetary measures introduced at the turn of the year began to wear off. On average, the REER index during the third quarter of the year 2000 stood 1% higher than in the same quarter in 1999. This mainly reflected the persistent weakness of the euro and the developments in price inflation, both domestically and abroad, highlighted above.

[5] Domestically, the rise in oil prices was not passed on to consumers.

5. GOVERNMENT FINANCE

Fiscal trends during the third quarter of 2000 continued to suggest that the deficit reduction target for the year would be met. In fact, during the first nine months of the year the fiscal deficit narrowed by nearly Lm22 million to around Lm62 million. This improvement in Government finances reflected a buoyant tax revenue performance that outpaced expenditure growth.

Ordinary Revenue

Tax revenues surged by almost Lm40 million, or 13%, between January and September 2000, but a Lm3 million drop in revenues from non-tax sources – in particular Central Bank profits -

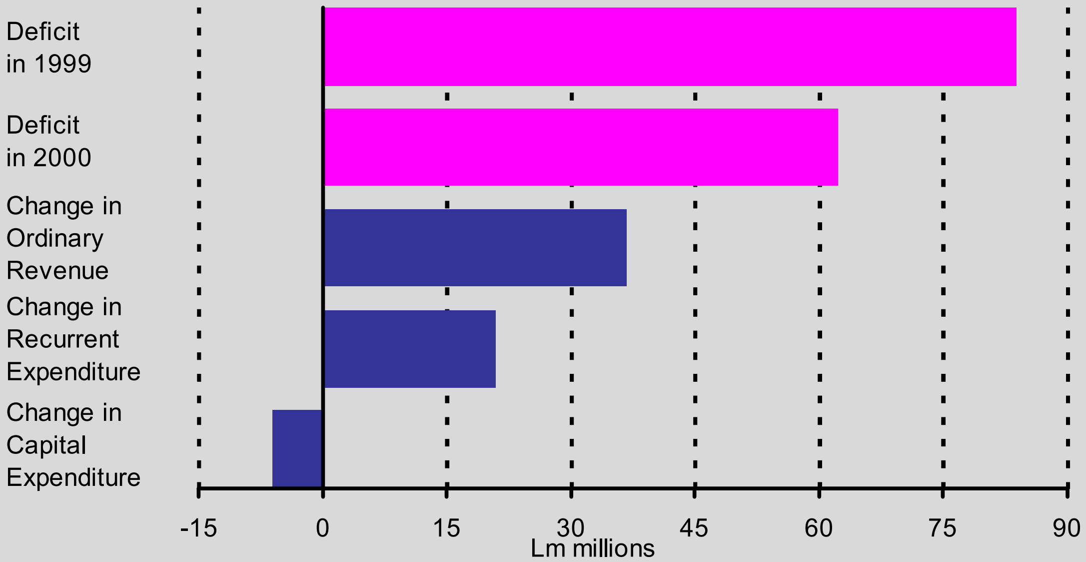
Table 5.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	2000	1999	2000	Change Qtr. 1 - Qtr. 3	
	Qtr. 3	Qtr. 1 - Qtr. 3	Qtr. 1 - Qtr. 3	Amount	%
ORDINARY REVENUE	133.5	**366.0**	**402.7**	36.7	10.0
Direct tax	67.5	**154.4**	**177.8**	23.4	15.2
Income tax	40.1	90.3	104.5	14.2	15.7
Social security contributions[1]	27.4	64.1	73.3	9.2	14.4
Indirect tax	58.4	**154.3**	**170.5**	16.2	10.5
Consumption tax	27.4	63.6	77.5	13.9	21.9
Customs and excise duties	14.4	40.9	41.7	0.8	2.0
Licences, taxes and fines	16.6	49.8	51.3	1.5	3.0
Non-tax revenue	7.6	**57.3**	**54.4**	-2.9	-5.1
Central Bank profits	0.0	30.2	27.1	-3.1	-10.3
Other[2]	7.6	27.1	27.3	0.2	0.7
RECURRENT EXPENDITURE[1]	137.3	**385.6**	**406.6**	21.0	5.4
Social security benefits[3]	50.7	149.4	152.4	3.0	2.0
Interest payments	15.3	38.5	42.6	4.1	10.6
Other	71.3	197.7	211.6	13.9	7.0
CURRENT BALANCE	-3.8	**-19.6**	**-3.9**	15.7	-
CAPITAL EXPENDITURE	20.0	**64.3**	**58.3**	-6.0	-9.3
TOTAL EXPENDITURE	157.3	**449.9**	**464.9**	15.0	3.3
FISCAL BALANCE	-23.8	**-83.9**	**-62.2**	21.7	-

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

Chart 5.1
GOVERNMENT FISCAL PERFORMANCE
(JANUARY - SEPTEMBER 2000)



dampened ordinary revenue growth. A more efficient tax collection process and the measures introduced in the budget for 2000 were the main factors that boosted Government revenues. As can be seen from Table 5.1, income tax and VAT each contributed Lm14 million more than in 1999, whereas social security contributions rose by Lm9 million. The year-to-date increase in income tax revenues decelerated slightly during the third quarter, as the increases noted in the first six months of the year were in part due to the anticipated collection of provisional taxes. Nonetheless, the increase in income tax revenues during the nine months to September surpassed that indicated for the whole of 2000 in the budget estimates. Meanwhile, revenues from VAT continued to grow steadily. In fact, when compared to last year, VAT brought in close to Lm5 million more in every quarter, with the extension of the tax base to petrol and telephony services providing half the increase. Hence, as with direct taxes, VAT performance surpassed expectations.

Expenditure

As Chart 5.1 shows, during the nine months to September 2000 recurrent expenditure advanced at a slower pace than ordinary revenues. Overall expenditure growth was further moderated by a drop in capital expenditure. Recurrent expenditures were up by Lm21million, or 5.4%, from last year's level, as the compensation payment for the removal of bread subsidies, additional health-related expenditure and higher public debt servicing costs each boosted Government expenditure by around Lm4 million. Meanwhile, social security payments were up by Lm3 million from the 1999 level. In turn, transfers to the Water Services Corporation were Lm1.5 million less than in 1999, mirroring the Corporation's improved cash flow. Capital

Table 5.2
GOVERNMENT DEBT AND FINANCING OPERATIONS

Lm millions

	1999		2000		
	Qtr. 3	Qtr.4	Qtr. 1	Qtr. 2	Qtr. 3
FISCAL BALANCE	**-18.8**	**-39.6**	**-50.9**	**12.6**	**-23.8**
Financed by: [1]					
Local loans	78.8	0.0	0.0	0.5	0.0
Sale of assets	10.9	35.8	0.0	12.0	0.0
Foreign loans	-1.5	0.4	0.0	-1.9	0.0
Grants	1.5	1.8	0.0	6.0	0.0
Increase in stock of Treasury bills outstanding	-29.3	-18.9	30.9	11.2	19.5
Decrease in Government deposits	-37.5	18.1	9.2	0.0	17.0
GROSS PUBLIC DEBT	**858.4**	**839.9**	**870.9**	**880.8**	**900.2**
Malta Government Stocks	712.2	712.2	712.2	712.7	712.7
Treasury Bills	102.3	83.3	114.3	125.5	145.0
Foreign Loans	44.0	44.4	44.4	42.5	42.5

[1] Negative figures indicate an application of funds.

SOURCE: The Treasury

expenditure, as mentioned previously, was also down, by Lm6 million, from the 1999 level, since the 1999 figures included expenditures on oil drilling and the terminal benefits paid to Kalaxlokk employees, which outweighed the higher expenditures on the construction of the new hospital in 2000.

Financing

Throughout 2000 Government has relied to a large extent on short-term finance to meet its revenue shortfall. As can be seen from Table 5.2, additional Treasury bills were issued during the September quarter, taking the outstanding stock of such bills up by Lm20 million to Lm145 million. Hence, gross outstanding public debt reached Lm900 million by the end of September. No change was recorded in the outstanding amount of Malta Government Stocks and foreign loans during the quarter, but the Government obtained further finance by drawing down Lm17 million from its deposits with the banking system.

6. MONETARY AND FINANCIAL DEVELOPMENTS

Despite the issue of securities on the capital market by both the Government and the private sector, the slowdown in monetary expansion evident during the first half of the year was checked during the September quarter. The private sector clearly preferred to hold liquid monetary assets, as quasi-money contracted for the first time in ten years. Monetary growth was driven almost entirely by an increase in credit to the private sector that was dampened by a drop in the net foreign assets of the banking system.

Liquidity in the banking system decreased as banks participated actively in the primary Treasury bill market. Nevertheless, since the Central Bank kept official interest rates unchanged, money market interest rates remained stable. In the capital market, however, long-term bond yields rose, while equity prices continued to fall in relatively thin trading.

The Monetary Base

The **monetary base**, M0, is a measure of the Central Bank's monetary liabilities that is made up of currency in issue and banks' deposits with the Central Bank, excluding term deposits. M0 expanded by just Lm0.9 million, or 0.2%, during the quarter reviewed, as a large increase in July was matched by a similar drop in August. The annual rate of growth of the monetary base, which had risen to 6.8% in June, declined to 2.3% in September. As Table 6.1 shows, currency in issue accounted for the entire increase in the monetary base during the September quarter.

Changes in the Central Bank's assets and in its remaining liabilities generally influence movements in M0. For example, *ceteris paribus*, an increase in the Central Bank's assets raises the monetary base, whereas an increase in the Bank's remaining liabilities lowers it. During the quarter reviewed these changes broadly cancelled each other out. Thus, as can be seen in the Table, a drop in the Central Bank's external reserves was offset by an increase in its other assets, including repos, while a sharp drop in Government deposits

Table 6.1
THE MONETARY BASE AND ITS SOURCES

Lm millions

	June 2000	Sept. 2000	Change
Currency in issue	409.7	413.8	4.2
Banks' deposits with the Central Bank	138.9	135.6	-3.3
Monetary base	**548.6**	**549.5**	**0.9**
Central Bank assets			
Foreign assets	703.4	697.5	-5.9
Claims on Government	6.6	7.0	0.4
Fixed and other assets	72.6	79.0	6.4
Less:			
Remaining liabilities			
Government deposits	84.8	68.4	-16.4
Capital and reserves	89.1	89.1	0.0
Other liabilities	60.2	76.7	16.5

Table 6.2
MONETARY AGGREGATES
(Changes on the previous quarter)

Lm millions

	1999				2000					
	3rd Qtr.		4th Qtr.		1st Qtr.		2nd Qtr.		3rd Qtr.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. NARROW MONEY	**2.5**	**0.5**	**25.3**	**4.6**	**-23.3**	**-4.0**	**23.2**	**4.2**	**28.3**	**4.9**
Currency in circulation	-1.8	-0.5	7.5	2.0	-8.8	-2.3	12.2	3.2	5.9	1.5
Demand deposits	4.3	2.5	17.9	10.0	-14.5	-7.4	11.0	6.1	22.4	11.6
2. QUASI-MONEY	**19.7**	**1.1**	**32.7**	**1.8**	**29.5**	**1.6**	**7.9**	**0.4**	**-7.1**	**-0.4**
Savings deposits	-1.5	-0.2	18.1	2.9	3.7	0.6	-16.9	-2.6	-17.5	-2.8
of which FCDs[1]	7.3	6.4	0.4	0.3	-1.3	-1.0	5.1	4.2	-8.0	-6.3
Time deposits	21.2	1.8	14.6	1.2	25.7	2.1	24.8	2.0	10.5	0.8
of which FCDs[1]	3.6	4.9	-2.9	-3.8	2.8	3.8	5.8	7.6	7.1	8.7
3. BROAD MONEY	**22.3**	**0.9**	**58.0**	**2.4**	**6.2**	**0.3**	**31.1**	**1.3**	**21.2**	**0.9**

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

was matched by growth in other liabilities, principally current profits and customers' deposits[1].

Monetary Aggregates

Broad money, M3, expanded by Lm21.2 million, or 0.9%, during the quarter reviewed, and its annual rate of growth, which had been moving on a downward trend, stabilised. Maltese lira deposits with the banking system accounted for most of the quarter's increase in M3, as residents' foreign currency deposits remained largely unchanged.

As in the previous quarter, the private sector showed a clear preference for the more liquid components of broad money during the quarter reviewed. In fact, **narrow money**, M1, which consists of currency in circulation and demand deposits, accounted for the entire increase in broad money during the quarter, rising by Lm28.3 million, or 4.9%. As Chart 6.1 shows, the annual rate of growth of M1 accelerated sharply as a result, rising from 5% in June to 9.6% in September.

In turn, demand deposits, which expanded by Lm22.4 million, accounted for most of the increase in narrow money during the quarter. These

Chart 6.1
MONETARY AGGREGATES
(percentage changes on previous year)

[1] An Lm8 million increase in customers' deposits largely reflected a change in the accounting treatment of items in the course of collection that came into effect in August. After this change, items in the course of collection were no longer netted against customers' deposits but against deposits belonging to banks.

deposits were boosted by an increase in corporate current accounts and in customers' deposits held with the Central Bank, with the latter rising partly because of the accounting change referred to earlier. At the same time, currency in circulation expanded by Lm5.9 million, or 1.5%.

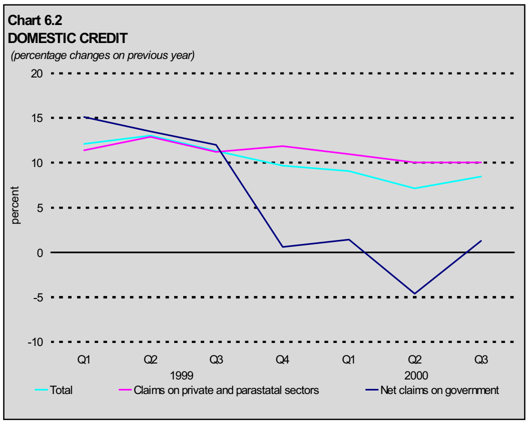
The slowdown in **quasi-money** growth that was noted during the June quarter became more pronounced during the quarter under review when a Lm7.1 million contraction was registered, as Table 6.2 shows. As a result, the annual rate of quasi-money growth declined further to 3.4% in September.

Savings deposits contracted sharply for the second successive quarter, dropping by Lm17.5 million, or 2.8%, and accounting for the entire fall in quasi-money. The decline was most pronounced in September, when both the Government and the private sector issued securities on the capital market. Corporate savings deposits, which contracted by Lm11.9 million, accounted for most of the quarterly fall.

Meanwhile, time deposits registered the smallest quarterly increase since 1992, rising by Lm10.5 million (0.8%), as growth in deposits belonging to households offset a drop in those belonging to private firms. As Table 6.2 shows, foreign currency time deposits accounted for a significant proportion of the quarterly rise. In contrast with the pattern observed during the first half of the year, when short-term deposits grew fastest, deposits with a term to maturity of one year accounted for the entire September quarter gain.

Determinants of Monetary Expansion

Monetary growth during the third quarter was driven by domestic credit, mainly bank loans to the private sector. This was partly offset by a drop in the net foreign assets of the banking system and by an increase in the banks' net non-monetary liabilities.



Domestic credit expanded by Lm57.5 million, or 2.8%, during the quarter reviewed. Almost four-fifths of the increase took place in September, when the banks charged six months' interest to borrowers' loan accounts. Although such seasonal changes have a relatively small impact on the annual growth rate, this picked up slightly to 8.3% in September.

During the quarter the banking system's net claims on Government[2] expanded by less than Lm1 million, as Table 6.3 shows. While Government deposits with the banking system decreased by Lm17.7 million, the banks reduced their holdings of Government securities by a similar amount. Nevertheless, the annual growth rate of net claims on Government swung from -4.6% in June to 1.2% in September as Chart 6.2 shows.

Claims on the private and parastatal sectors accounted for almost the entire increase in domestic credit during the quarter reviewed. As can be seen in Table 6.3, they rose by Lm56.7 million, or 3.3%, during the period. Nevertheless, the annual rate of growth edged down marginally,

[2] Net claims on Government consist of the banking system's holdings of Government securities minus Government deposits with it.

Table 6.3
DETERMINANTS OF MONETARY GROWTH
(Changes on the previous quarter)

Lm millions

	1999				2000					
	3rd Qtr.		4th Qtr.		1st Qtr.		2nd Qtr.		3rd Qtr.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY	**22.3**	**0.9**	**58.0**	**2.4**	**6.2**	**0.3**	**31.1**	**1.3**	**21.2**	**0.9**
1. DOMESTIC CREDIT	**31.9**	**1.6**	**18.3**	**0.9**	**91.5**	**4.6**	**-3.5**	**-0.2**	**57.5**	**2.8**
a) Net claims on Govt.	-21.4	-5.6	-4.0	-1.1	28.7	8.0	-21.2	-5.5	0.9	0.2
Gross claims on Govt.	16.2	3.4	-22.0	-4.5	19.5	4.2	-21.2	-4.3	-16.8	-3.6
Central Bank	9.1	129.5	-10.0	-61.8	1.7	27.7	-1.2	-15.4	0.4	5.5
Banks	7.1	1.5	-12.1	-2.5	17.8	3.8	-20.0	-4.2	-17.1	-3.7
less										
Government deposits[1]	37.5	41.0	-18.1	-14.0	-9.2	-8.3	0.0	0.0	-17.7	-17.4
Central Bank	35.2	43.5	-19.9	-17.2	-7.7	-8.1	-3.6	-4.1	-16.4	-19.4
Banks	2.3	21.7	1.9	14.4	-1.5	-9.8	3.6	26.9	-1.3	-7.4
b) Claims on private and parastatal sectors	53.2	3.4	22.3	1.4	62.8	3.8	17.7	1.0	56.7	3.3
2. NET FOREIGN ASSETS	**42.4**	**4.7**	**-5.5**	**-0.6**	**-61.2**	**-6.4**	**63.7**	**7.2**	**-8.2**	**-0.9**
Monetary authorities	9.8	1.4	44.8	6.4	-31.4	-4.2	-5.5	-0.8	-5.9	-0.8
Banks	32.7	14.5	-50.3	-19.5	-29.8	-14.3	69.2	38.9	-2.4	-1.0
less										
3. OTHER ITEMS (NET)	**52.0**	**10.6**	**-45.2**	**-8.3**	**24.1**	**4.9**	**29.1**	**5.6**	**28.1**	**5.1**

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

to 9.9%. Bank lending, including discounted bills, makes up the bulk of these claims. Although bank lending increased by Lm53.4 million during the quarter, the rise was mainly due to interest charges and the annual rate of growth continued to slow down. Meanwhile, the banks' holdings of securities issued by private firms increased by Lm3.2 million.

The banks continued to reduce their exposure to public sector enterprises during the quarter reviewed. Thus, despite interest charges, bank credit to state-owned enterprises, principally in the manufacturing sector, dropped by Lm12.2 million, or 5.2%, as some enterprises repaid outstanding debts. Private sector credit, in contrast, expanded by Lm65.6 million, or 4.7%. Consequently, the annual rate of growth of private sector lending accelerated to 13.6% in September from 12.9% in June.

The analysis of the increase in credit by category of borrower, shown in Table 6.4, is heavily influenced by a major reclassification of loan facilities by one reporting bank, as well as by interest charges. The reclassification involved a drop in credit to the construction industry, to the "other services" sector and to "all other" borrowers and a corresponding increase in lending to manufacturing industry and to the

Table 6.4

CREDIT TO SELECTED CATEGORIES OF BORROWER[1]

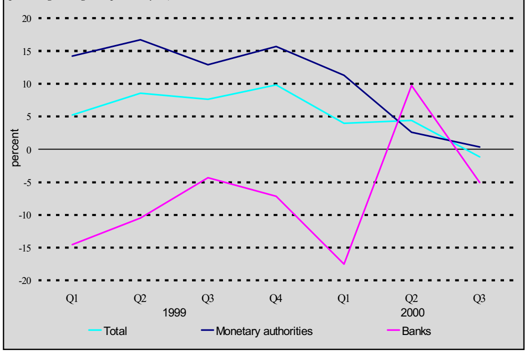
Lm millions

	2000 2nd Qtr. Amount	2000 3rd Qtr. Amount	Change	%
Transport, storage and communication	78.6	97.4	18.8	23.9
Manufacturing	206.1	221.3	15.1	7.3
Building and construction	97.4	87.8	-9.6	-9.9
Tourism	235.8	238.7	2.9	1.2
Wholesale and retail	288.3	293.7	5.5	1.9
Personal	368.0	388.0	20.1	5.5
All other	159.2	162.9	3.7	2.3

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

"transport, storage and communications" sector. Mainly as a result of this, construction lending dropped by Lm9.6 million during the quarter, while lending to manufacturing firms and to the "transport, storage and communications" sector expanded by Lm15.1 million and Lm18.8 million, respectively. Personal credit, which was hardly affected by the reclassification, continued to account for the largest proportion of the quarterly lending increase, expanding by Lm20.1 million, or 5.5%. In contrast, credit to the tourism industry and to the distribution sector grew less rapidly.

Chart 6.3
NET FOREIGN ASSETS
(percentage changes on previous year)



After having risen during the previous quarter, the **net foreign assets** of the banking system dropped by Lm8.2 million during the quarter reviewed. As a result, their annual growth rate turned negative, as can be seen in Chart 6.3, dropping to –1.2% in September.

The net foreign assets of the monetary authorities continued to contract, mainly because of the rising cost of fuel imports. As Table 6.3 shows, they shed a further Lm5.9 million, or 0.8%, during the quarter reviewed. Consequently, their annual growth rate continued to decline, dropping to just above zero at the end of September. Meanwhile, the net foreign assets of the rest of the banking system fell by Lm2.4 million, or 1%, with the international banks accounting for the entire decrease[3].

The net non-monetary liabilities of the banking system, which are shown as **other items (net)**, increased during the quarter reviewed, dampening monetary expansion[4]. During the quarter, other items (net) expanded by Lm28.1 million, or 5.1%. This growth largely reflected the Bank of Valletta bond issue in September and a

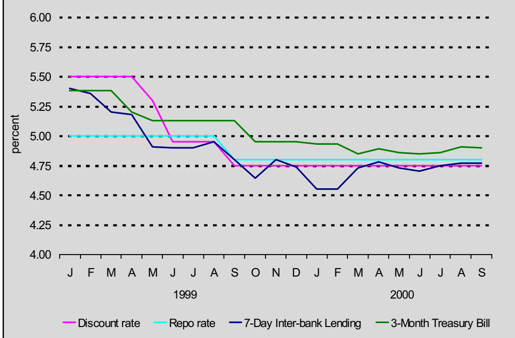
[3] For the purposes of this analysis, international banks exclude deposit money banks' international banking subsidiaries.
[4] Other items (net) include the banking system's non-monetary liabilities, such as capital and reserves, debentures, provisions and accrued interest payable, minus its other assets, such as premises and accrued interest receivable.

drop in accrued interest receivable.

The Money Market

The Central Bank left official interest rates unchanged at 4.75% during the third quarter. Consequently, both the repo rate and the rate paid on term deposits remained at their end-June levels of 4.8% and 4.72%, respectively. With no change in official interest rates, money market rates in general were stable during the quarter, as Chart 6.4 shows.

Chart 6.4
MONEY MARKET INTEREST RATES
(end of month)



The Bank continued to use **open market operations** to influence the level of liquidity in the banking system and, hence, ensure that short-term interest rates remained consistent with its monetary policy objectives. The Bank injected funds through repos when the banks were short of liquidity and absorbed funds through auctions of term deposits when they were excessively liquid. Open market operations were generally carried out through auctions of 14-day money, although the Bank also conducted bilateral repos when necessary. Since the banking system was on balance short of liquidity during the quarter, the volume of term deposits auctioned by the Bank fell to Lm38.7 million. At the same time, the aggregate value of repos carried out went up from Lm26.8 million during the second quarter to Lm48.2 million.

The decline in activity in the **inter-bank market** continued, with the value of short-term inter-bank loans falling by Lm26 million to Lm47.1 million. Moreover, most of the loans traded in the market had terms to maturity of seven days or less. In fact, the seven-day inter-bank lending rate rose by 7 basis points to 4.77% during the quarter as the banking system was short of liquidity.

During the quarter reviewed, the Government resorted to issues of **Treasury bills**, with terms to maturity ranging between one and six months, to raise short-term funds. The value of bills issued on the primary market thus increased by over one third to Lm124.3 million. As in the previous quarter banks participated actively in the primary market, taking up 54.1% of the amount issued, with the non-bank public, including Malta Government Sinking Funds, accounting for the remainder. Primary market yields edged up slightly, with that on 91-day bills rising by 4 basis points to 4.9% at the end of September.

Increased primary market activity spilled over onto the secondary market for Treasury bills, where turnover more than doubled during the quarter reviewed to Lm37.9 million. Transactions that did not involve the Central Bank accounted for most of the activity, or Lm21.7 million. The Central Bank was also active as market maker, making purchases and sales of bills worth Lm10.1 million and Lm6.1 million, respectively. Secondary market Treasury bill yields rose slightly.

The Capital Market

Both the Government and the private sector tapped the **primary market** to raise long-term funds in September. The Government issued Lm28 million worth of bonds to replace maturing debt. The bonds were issued in two tranches, with terms to maturity of nine and fourteen years, and coupon rates of 5.9% and 6.6%, respectively. The increase in coupon rates over earlier bond issues and, indeed, over secondary market yields, stimulated demand and the issue was

Chart 6.5
GOVERNMENT BOND YIELDS
(end of month)

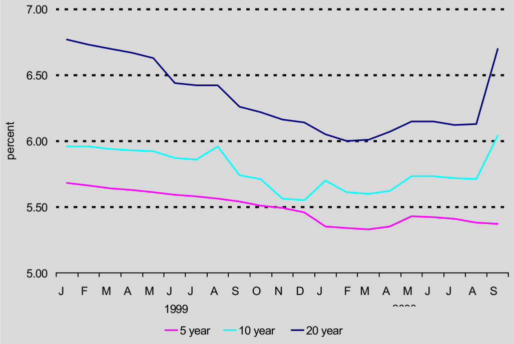
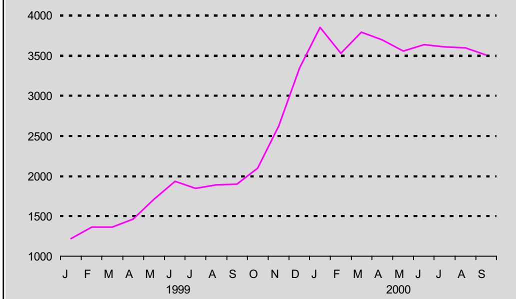


Chart 6.6
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)



Source: Malta Stock Exchange

oversubscribed. Stocks were allotted evenly between bank and non-bank investors. Whereas retail investors were allotted stocks at par, investors who bid in excess of Lm50,000 were allotted stocks by auction. The Central Bank did not participate in the primary market.

In September, Bank of Valletta plc issued US$36.5 million (approximately Lm16.3 million) worth of ten-year 8% bonds. At the same time, United Finance plc, part of a motor vehicle importing and leasing group, issued Lm4 million worth of bonds with a term to maturity of eight years and a coupon rate of 6.75%. Both issues were oversubscribed. The bonds were listed on the Malta Stock Exchange and began trading in October. Another private issue launched during September closed in the following month.

Trading in the secondary market for **Government stocks**, which had been stable during the second quarter, halved during the quarter reviewed. Turnover dropped from Lm21.1 million to Lm9.4 million, as deals that did not involve the Central Bank dropped by Lm7.7 million. To a small extent, the Bank was a net seller of bonds, making sales and purchases worth Lm1.3 million and Lm0.6 million, respectively. As the coupon rates offered on the stocks issued on the primary market were above prevalent bond yields, bond prices fell and yields on long-term Government stocks in the secondary market rose. As can be seen in Chart 6.5, the yield on ten-year Government bonds rose by 31 basis points to 6.04%, while the twenty-year bond yield ended the quarter at 6.7%, 55 basis points above its end-June level.

Activity in the secondary **corporate bond**[5] market dropped during the quarter reviewed, with total turnover falling to Lm1 million. Trading in Bank of Valletta bonds accounted for more than three quarters of the total turnover. Corporate bond yields generally rose.

Turnover in listed **equities** continued on the downward trend that began during the second quarter, dropping to Lm6.2 million from Lm18 million. Trading in Maltacom and Bank of Valletta shares dominated the market, accounting for over half the value of equity trades between them. The Malta Stock Exchange Share Index continued to lose ground, as Chart 6.6 shows, falling by 3.6% to 3503.26 at end-September.

[5] Including preference shares.

7. THE BANKING SYSTEM

During the third quarter, investor interest turned to the capital market, causing a slowdown in resident deposit growth[1] and dampening the balance sheet expansion of the deposit money banks. On the assets side, the banks reduced their local investments further, whereas a reported increase in loans and advances mainly reflected interest charges on outstanding balances. The banks' profitability fell during the quarter, as their gross income declined and provisions for bad debts were increased. The capital structure and liquidity levels of the domestic banks nevertheless remained healthy. Meanwhile, the international banks continued to expand vigorously.

Deposit Money Banks' Balance Sheet

Liabilities

During the September quarter, growth in **resident deposits** slowed further, with only Lm4 million being added, as investors channelled more of their savings into new capital market instruments or portfolio investment abroad. As can be seen from Chart 7.1, savings deposits which had been falling since the first quarter of the year, lost further ground in the third quarter. In fact, savings deposits shed Lm20 million, with both the

Table 7.1
DEPOSIT MONEY BANKS' BALANCE SHEET

Lm millions

	1999			2000		
	Jun	Sep	Dec	Mar	Jun	Sep
ASSETS						
Cash and deposits with CBM	136	164	170	162	163	**172**
Foreign assets	596	621	615	654	713	**713**
Loans and advances	1,390	1,438	1,464	1,538	1,542	**1,593**
Local investments	582	590	574	593	584	**566**
Fixed and other assets	141	121	169	124	170	**131**
LIABILITIES						
Capital and reserves	116	116	127	138	138	**138**
Foreign liabilities	322	343	356	380	405	**396**
Other domestic liabilities	448	483	470	499	550	**558**
Deposits	1,958	1,992	2,039	2,054	2,079	**2,083**
Time	1,175	1,199	1,218	1,243	1,264	**1,273**
Savings	616	616	633	632	621	**601**
Demand	167	177	188	179	193	**209**
AGGREGATE BALANCE SHEET	2,844	2,933	2,992	3,070	3,172	**3,175**

[1] This may seem to be inconsistent with the fact, pointed out in the previous chapter, that the slowdown in monetary expansion was checked. This apparent inconsistency may be explained, *inter alia*, by the fact that, apart from deposits with the deposit money banks, broad money includes currency in circulation and resident deposits with the rest of the banking system.

Chart 7.1
QUARTERLY CHANGES IN DEPOSIT MONEY BANKS' DEPOSITS

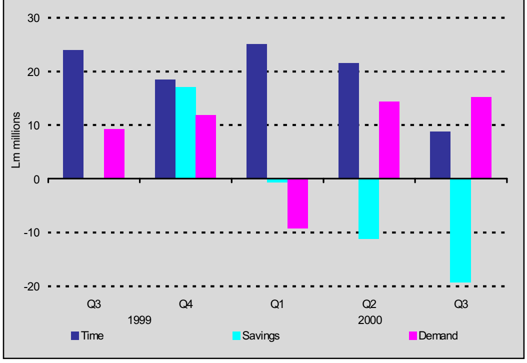
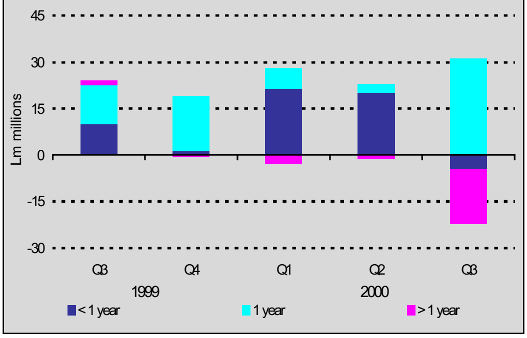


Chart 7.2
QUARTERLY CHANGES IN DEPOSIT MONEY BANKS' TIME DEPOSITS BY MATURITY



personal and the corporate sectors contributing to the reduction. At the same time, growth in time deposits decelerated further, with Lm9 million being added. This was entirely attributable to the personal sector, as corporate time deposits dropped during the quarter. Furthermore, as Chart 7.2 shows, only the one-year time deposit category contributed to this growth, as deposits with a shorter or longer term to maturity both contracted. On the other hand, demand deposits rose by Lm16 million under the impact of higher corporate sector deposits.

Meanwhile, as can be seen from Table 7.1, the banks' **foreign liabilities** dropped by Lm9 million, standing at Lm396 million at the end of September. At this level, foreign liabilities made up approximately one-eighth of the banks' total liabilities. The non-resident deposit base shrank, but the overall drop in the banks' foreign liabilities was dampened through higher balances due to foreign banks. On the other hand, banks added Lm8 million to their **other domestic liabilities**. This mainly reflected the issue of bonds by one institution, which more than compensated for the decline in inter-bank deposits.

Assets

The deposit money banks' **loans and advances** portfolio expanded by Lm51 million during the third quarter. Private sector credit rose by Lm62 million, boosted by the six-monthly interest charges that are added to customers' loan accounts at the end of September. The largest increases recorded were in credit to the private manufacturing sector and the transport and communications sector, respectively, up by Lm25 million and Lm16 million. However, overall credit growth was dampened by a Lm11 million drop in credit to the public sector, when some loans were repaid. Hence, the share of public sector credit in total credit dropped by one percentage point to 13.3%.

As Chart 7.3 shows, the banks' **foreign asset portfolio** was practically unchanged during the quarter. Banks reduced their money at call abroad and loans to non-residents, but built up a larger

Chart 7.3
QUARTERLY CHANGES IN DEPOSIT MONEY BANKS' FOREIGN ASSETS AND FOREIGN LIABILITIES

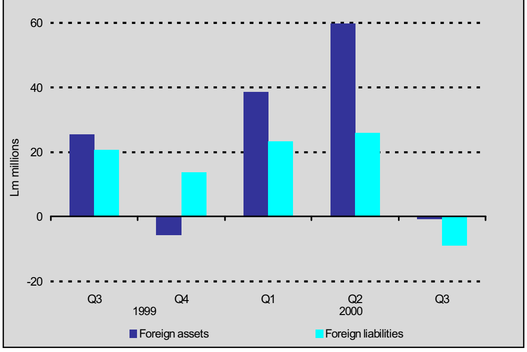


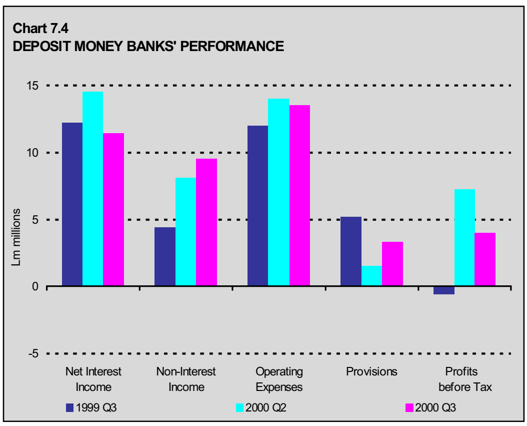
Table 7.2

DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE STATEMENT

Lm millions

	1999	2000	
	Qtr.3	Qtr. 2	Qtr.3
Interest income	42.4	46.7	44.6
Interest expense	30.2	32.2	33.2
Net interest income	**12.2**	**14.5**	**11.4**
Fees and commissions	2.9	3.3	2.5
Foreign exchange gains	1.7	1.7	2.3
Other non-interest income	-0.2	3.1	4.8
Total non-interest income	**4.4**	**8.1**	**9.5**
GROSS INCOME	**16.6**	**22.7**	**20.9**
Wages	7.9	7.9	8.1
Rent, dep'n and similar expenses	1.8	2.4	2.5
Other	2.2	3.6	2.8
Operating expenses	**12.0**	**14.0**	**13.5**
Provisions	**5.2**	**1.5**	**3.3**
PROFITS BEFORE TAX	**-0.6**	**7.2**	**4.0**

foreign securities portfolio. Furthermore, the deposit money banks reduced their **local investments** – mainly holdings of Malta Government securities - by Lm18 million. On the other hand, bank **deposits with the Central Bank** were topped up by Lm9 million. In contrast, their **fixed and other assets** fell by Lm39 million, with half of the drop being attributable to a decline in claims among banking institutions and the rest reflecting lower accrued interest due - the counterpart to the increase in loans and advances mentioned earlier.



Deposit Money Banks' Profitability, Capital Adequacy and Liquidity

The banks' profit performance deteriorated in the third quarter, when **profits before tax** of Lm4 million were reported, as against Lm7.2 million in the June quarter. As can be seen from Table 7.2 and Chart 7.4, the reduced profitability partly stemmed from an increase to Lm3.3 million in **provisions** for bad and doubtful debts. Concurrently, **net interest income** declined compared to the second quarter, as interest income fell while interest expenses continued to rise. On the other hand, n**on-interest income**, at Lm9.5 million, was up from the previous quarter's

Table 7.3
INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET

Lm millions

	1999			2000		
	Jun	Sep	Dec	Mar	Jun	Sep
ASSETS						
Cash and money at call	2	2	2	2	2	2
Foreign assets	**2,375**	**2,423**	**2,418**	**2,161**	**2,245**	**2,709**
Foreign securities	1,294	1,362	1,193	1,072	1,030	1,087
Loans and advances to non-residents	693	723	815	780	728	883
Other foreign assets	388	338	410	308	487	739
Loans to residents	2	5	6	7	7	7
Local investments	246	236	261	275	284	298
Other domestic assets	23	36	17	48	24	35
LIABILITIES						
Capital and reserves	175	180	189	182	184	181
Foreign liabilities	**2,422**	**2,441**	**2,454**	**2,234**	**2,276**	**2,752**
Balances due to other banks abroad	1,307	1,312	1,121	881	860	1,002
Non-resident deposits	1,039	1,015	1,079	1,027	983	1,057
Other foreign liabilities	76	115	254	325	433	694
Resident deposits	20	19	21	25	26	26
Other domestic liabilities	31	61	39	51	75	93
AGGREGATE BALANCE SHEET	**2,647**	**2,701**	**2,703**	**2,493**	**2,561**	**3,052**

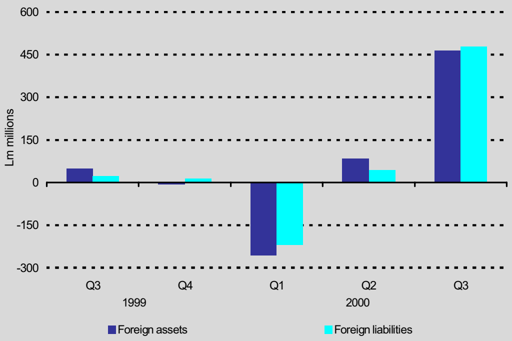
level. On the expenditure front, **operating costs** dropped marginally, to Lm13.5 million. Wage costs, however, rose slightly to Lm8.1 million, equivalent to 60% of total operating costs.

The deposit money banks continued to maintain a healthy capital base and ample liquidity, both of which were in excess of statutory requirements. The banks' **capital adequacy ratio**, a measure of own funds relative to risk-weighted assets, was practically unchanged from the previous quarter, and at 13.2% was significantly above the 8% requirement. At the same time, the banks' **liquidity ratio**, which compares the value of liquid assets to net short-term liabilities, in spite of shedding 3 percentage points, dropping to 45.3%, remained well above the 30% requirement.

International Banks

The international banking sector grew by 19% during the September quarter when, as Table 7.3 shows, offshore banks and subsidiaries or branches of foreign banks reached a balance sheet total of Lm3,052 million. This growth was in the main financed through higher **foreign liabilities**, which rose by Lm476 million over the quarter, as foreign banks and other non-residents increased their deposits in Malta. On the other hand, no change was reported in the amount of resident deposits held with the international banks. Other domestic liabilities, however, were Lm18 million higher, mainly reflecting the profits for the quarter. In turn, capital and reserves dropped marginally, to Lm181 million.

Chart 7.5
QUARTERLY CHANGES IN INTERNATIONAL BANKING INSTITUTIONS' FOREIGN ASSETS AND FOREIGN LIABILITIES



As Chart 7.5 shows, the increase in the international banks' funds were channeled into additional **foreign assets**, which rose by Lm464 million over the quarter. In fact, the international banks increased their foreign security holdings, extended further credit to non-residents, and added to their inter-branch claims. On the other hand, outstanding loans to residents by these banks remained unchanged. Their local investments, however, were up by Lm14 million, mainly reflecting an increase in deposits with their parent banks in Malta. The international banks' other domestic assets were up by Lm11 million.

Other Banking Institutions

The aggregate balance sheet of the other banking institutions grew again in the September quarter. Thus, **total assets** reached Lm167 million, up from Lm164 million in June. Growth was entirely attributable to higher loans and advances, which make up approximately 90% of these institutions' total assets. This balance sheet expansion was financed through time and inter-bank deposits, with each contributing half of the overall increase in the other banking institutions' funds.

THE BUDGET ESTIMATES FOR 2001 : AN OVERVIEW OF THE GOVERNMENT'S BUDGETARY OPERATIONS

Steering public finances back onto a sustainable track is the current priority of fiscal policy. Accordingly, Government aims to proceed with the deficit reduction strategy embarked on in 1999 and to lower the deficit further, to Lm83 million, or 5% of GDP, in 2001. This should safeguard Malta's long-term economic growth prospects by easing pressure on the balance of payments, curbing domestic inflationary pressures and improving efficiency in the allocation of resources.

An upward revision in the salaries of civil servants and the preparations for accession to the European Union will boost Government expenditure during 2001, but further rationalisation in other areas should dampen this effect. In turn, the progressiveness of the tax system, further efficiency gains in the tax collection process and additional revenues from new measures are expected to generate a larger increase in ordinary revenues, thereby reducing the fiscal imbalance further.

Fiscal Performance in 2000

Revised projections for 2000 show a fiscal deficit of Lm95 million for the year, compared to a shortfall of Lm124 million in 1999. This improvement in Government finances is double that originally targeted as revenues received an additional boost from efficiency gains in the tax collection process. The fiscal deficit/GDP ratio is hence estimated at 6% in 2000, 2.5 percentage points lower than in 1999.

Comparison with 1999 out-turn

Ordinary revenues were up by Lm52 million during 2000, compared to an increase of Lm32 million in recurrent expenditures. Concurrently, capital expenditure was down by almost Lm9 million. As

Table 1
FISCAL PERFORMANCE IN 2000

Lm millions

	Estimated Changes
Increase in	
ORDINARY REVENUE	**52.1**
Income Tax	21.7
Social Security Contributions[1]	12.5
Value Added Tax	20.0
Customs and Excise Duties	0.8
Licences, Taxes and Fines	1.4
Central Bank Profits	-3.1
Other[2]	-1.2
Increase in	
RECURRENT EXPENDITURE[1]	**32.2**
Personal Emoluments	7.7
Social Security Benefits[3]	9.2
Contributions to Entities	0.3
Operational and Maintenance	6.9
Interest Payments	4.4
Other	3.7
Decrease in	
CAPITAL EXPENDITURE	**8.7**
Narrowing of **FISCAL DEFICIT**	**28.6**

1 Excludes Social Security contributions to the social security account.
2 Excludes sale of shares.
3 Includes social security benefits, family and social welfare, care of the elderly and treasury pensions.

SOURCE: *Diskors tal-Budget 2001*
Financial Estimates 2001

is Table 1 shows, the fiscal deficit is thus expected to narrow by around Lm29 million.

Income tax revenues surged by almost Lm22 million, accounting for slightly more than 40% of the entire increase in ordinary revenue. Some Lm4 million of this increase was due to the revision in the taxable income bands that resulted in higher average tax rates for higher-income households. VAT, in turn, netted Lm20 million more than in 1999, of which close to Lm8 million was attributable to the extension of the tax base to petrol and telephony services. At the same time, revenue from social security contributions was up by around Lm13 million, partly on account of the increase in the contribution rate. In contrast, revenue from non-tax sources was some Lm4 million less than in 1999, mainly due to lower Central Bank profits transferred to Government.

Social security benefits continued to boost recurrent expenditure during 2000, up by Lm9 million from the 1999 level. Around two-thirds of this increase reflected higher expenditure on retirement pensions. Salary increases and higher Government employment in turn boosted personal emoluments by almost Lm8 million. Meanwhile, operational and maintenance expenses were up by Lm7 million, mainly in health-related areas. Similarly, interest payments continued to absorb additional resources, rising by Lm4 million from the 1999 level in line with the growing stock of debt. At the same time, a drop of around Lm9 million in capital expenditure moderated in part the overall expenditure increase. In fact, additional expenditure on the construction of the new hospital in 2000 fell short of those incurred on oil drilling in 1999, while cuts in subsidies generated further cost savings.

Comparison with original estimates

The improvement in Government finances during 2000 exceeded the original target on account of a stronger-than-anticipated increase in ordinary revenues that offset a small overshoot in recurrent expenditures. As Table 2 shows, the revised estimates indicate that a further Lm16 million will have been collected from ordinary sources before the end of the year. This reflected improved efficiency in income tax collection, particularly with regards to the payment of provisional taxes, and tighter enforcement of VAT. In fact, compared to the original estimates, income tax is expected to yield an additional Lm13 million, whereas a further Lm5 million will accrue from VAT. Revenue from duties on cigarettes is, however, expected to be below target, dampening slightly the overall revenue increase. At the same

Table 2
THE FISCAL DEFICIT IN 2000

Lm millions

	Original Estimates	Revised Estimates	Difference
Ordinary Revenue	540.5	556.7	16.2
Recurrent Expenditure	551.8	554.3	2.5
Capital Expenditure	97.9	97.4	-0.5
DEFICIT	**109.2**	**95.0**	**14.2**

SOURCE: Diskors tal-Budget 2001
Financial Estimates 2001

time, recurrent expenditure may exceed the budgeted amount by around Lm2.5 million. The ever-increasing cost of medicines and medical equipment, and higher interest payments were the main factor behind this overshoot. This was partially mitigated by lower-than-expected spending on personal emoluments as some vacancies in the public sector remained unfilled during 2000. Further savings, on social security benefits, are attributable to a lower-than-normal number of retirements and tighter controls on benefit payments.

Projected Fiscal Performance in 2001

In 2001 the budgetary stance is focused on further efficiency gains in revenue collection, especially through curbing tax evasion and avoidance practices. Few new fiscal measures have been introduced, so as to allow the economy to adapt to the current system with the benefit of continuity. Expenditure growth, in turn, will be driven primarily by the civil service collective agreement that will boost personal emoluments and increase outlays on social security benefits. The progressive nature of the direct tax system in Malta should, however, dampen the overall impact of these expenditure increases on public finances, acting as an automatic stabiliser through tax claw-backs. Another major development is the additional expenditure that will be undertaken to finance the National Programme for the Adoption of the Acquis, to prepare Malta for accession to the European Union.

Measures for 2001

The principal measures announced in the Budget Speech for 2001 were[1]:

- enforcement of income tax on fringe benefits;
- extension of the 15% withholding tax on interest income to interest earnings from collective investment schemes;
- a 5% increase in the excise duty on cigarettes;
- reclassification of the health and education sectors as “exempt without credit” for the purposes of VAT, which means that the providers of such services will no longer be entitled to claim refunds of VAT;
- abolition of preferential duty rates on cars imported for car hire business purposes.

The following measures were also announced:

- a cost of living increase of Lm1.50 per week;
- exchange controls to be relaxed further, with the limits being doubled in many instances;
- protective levies on imports to be scaled down further;
- the VAT rate on equipment using alternative energy sources to be reduced;
- a pricing mechanism for medicines and pharmaceuticals provided by Government to be introduced;
- retail fuel prices are to begin to reflect prices on international markets as from 2002.

Ordinary revenues, recurrent and capital expenditures in 2001

As a result of the expected economic growth, better tax enforcement, and the fiscal measures outlined above, ordinary revenue growth is expected to outpace that in recurrent expenditure by around Lm10 million in 2001, whereas capital expenditure is set to decline by almost Lm2 million. Hence, as Table 3 shows, the fiscal balance should improve by a further Lm12 million, bringing the deficit for the year down to Lm83 million.

Ordinary sources are expected to yield Lm53 million in additional revenues when compared to

[1] For further details refer to the “Diskors tal-Budget 2001” published by the Ministry of Finance.

Table 3
FISCAL PERFORMANCE IN 2001

	Lm millions Estimated Changes
Increase in	
ORDINARY REVENUE	**53.4**
Income Tax	13.2
Social Security Contributions[1]	12.9
Value Added Tax	11.0
Customs and Excise Duties	5.9
Licences, Taxes and Fines	6.9
Other[2]	3.6
Increase in	
RECURRENT EXPENDITURE[1]	**43.2**
Personal Emoluments	24.3
Social Security Benefits[3]	16.1
Contributions to Entities	3.2
Operational and Maintenance	-5.0
Interest Payments	-0.6
Other	5.2
Decrease in	
CAPITAL EXPENDITURE	**1.7**
***Narrowing of* FISCAL DEFICIT**	**12.0**

1 Excludes Social Security contributions to the social security account.
2 Excludes sale of shares, but includes EU funds financing.
3 Includes social security benefits, family and social welfare, care of the elderly and treasury pensions.

SOURCE: *Diskors tal-Budget 2001*
Financial Estimates 2001

2000. Income tax and social security contributions are each expected to generate Lm13 million more. VAT, in turn, is projected to yield an additional Lm11 million. A further Lm7 million is expected from licenses, of which around two-thirds from the operations of telephony services and betting offices. Other non-tax revenues are expected to contribute almost Lm4 million more than in 2000, mostly due to funds obtained from the European Union.

On the other hand, recurrent expenditure is set to rise by Lm43 million, mainly driven by the civil service collective agreement[2]. This should boost personal emoluments by Lm24 million and trigger a Lm7 million rise in social security benefit payments. Other social security benefits are expected to grow by Lm9 million, as expenditure on pensions continues to absorb more resources. This will be mitigated by a decline in expenditure on children's allowances as employees' incomes continue to rise and fewer families remain eligible for such allowances. In turn, contributions to entities are to rise by Lm3 million, reflecting increased expenditure on the Tax Compliance Unit and the University. On the other hand, interest payments will remain practically unchanged as the lower interest rates at which maturing stocks were rolled-over are expected to compensate for the higher stock of outstanding debt. Capital expenditure, in turn, is expected to drop by almost Lm2 million on account of lower subsidies to parastatal companies.

Microeconomic Considerations

The Budget Speech outlined the Government's plans to address some inefficiencies and distortions in the present tax system. The aggregation of fringe benefits with taxable income should discourage tax avoidance behaviour aimed

[2] The agreement stipulated that between 1996 and 2000 Civil Service employees were to have their remuneration increased only by cost of living adjustments. In 2001, however, salaries were to be adjusted to reflect the normal wage drift over those years and to restore relative wage differentials.

at minimising the tax burden through carefully selected "tax-efficient" remuneration methods. Minor amendments to the VAT legislation and preferential duty rates should have a similar effect and also simplify tax administration. In turn, the imposition of withholding tax on interest income from collective investment schemes will remove the tax advantage previously enjoyed by such schemes. It will therefore level the playing field and be more equitable.

Macroeconomic Effects

Overall, the reduction in the fiscal deficit in 2001 is expected to be less pronounced than in 2000, mainly on account of the increased outlays on personal emoluments. The latter, by increasing disposable incomes and consumer demand is expected to boost real GDP growth somewhat. This will, however, be partially offset by higher imports. In subsequent years, the effect on GDP growth is expected to be negligible, as the expansionary effect of the salary adjustment on domestic output will mainly be of a one-off nature. In turn, the inflationary effects should be minimal[3] as the brunt of the expansion in domestic demand will be absorbed by the balance of payments, with a consequent deterioration in the external deficit/ GDP ratio.

Meanwhile, mounting healthcare costs and higher international fuel prices are also continuing to inflate Government expenditure. Greater reliance on the price mechanism is thus seen as the most efficient way to rationalise expenditure on these items. The prospective reform of the pension system should likewise produce savings on outlays, hence safeguarding the sustainability of the system.

At the same time, the Government is proceeding with further liberalisation in both the goods and the financial markets. This should enhance efficiency in the allocation of resources and promote the further integration of the Maltese economy within the global economy. The scaling down of protective levies may have some negative effects in the short run, but these will be outweighed by dynamic gains in the longer run. The further liberalisation of capital controls should, in turn, help savers to channel their money where they can expect to earn the highest risk-adjusted returns, even in this case achieving a better allocation of resources.

Conclusion

The planned reduction in the deficit for 2001 hinges on the attainment and consolidation of efficiency gains in the collection of taxes. This avoids additional distortions in the economy while ensuring a more evenly spread tax burden. The removal of distortions should also benefit the supply side of the economy, which is the ultimate source of long-term growth. From a medium-term perspective, however, to ensure a sustainable fiscal position, expenditure growth needs to be reined in further, especially when the potential for efficiency gains in the revenue collection process has been fully exhausted.

[3] This assumes that Civil Service wage award is not replicated in the private sector.

SOURCES AND CONSEQUENCES OF FINANCIAL INSTABILITY AND THE IMPORTANCE OF A SOUND REGULATORY REGIME

by Michael C. Bonello

*Governor of the Central Bank of Malta**

I am delighted to have the honour of addressing such a distinguished audience once again and I would indeed like to thank you, Mr President and the Committee of the Malta Centre of the Chartered Institute of Bankers for giving me this opportunity. I would also like to pay tribute to the Malta Centre for its constant endeavours to promote the highest professional standards in our banking industry during the past 40 years.

Last year I dwelt on domestic macroeconomic policy issues, emphasising the importance of structural reform and fiscal restraint. I had also stressed that the only proper goal for monetary policy is price stability. A stable macroeconomic environment, however, requires not only low inflation, but also a sound financial sector. This involves efficient financial markets where transactions can take place at prices reflecting demand and supply, as well as healthy financial institutions capable of meeting contractual obligations without interruption or outside assistance. Stability in the financial sector and price stability are, therefore, inextricably interrelated. Failure to maintain one form of stability creates an uncertain operating environment for the other, with causality running in both directions.

This evening I propose to discuss the sources of threats to financial stability and possible preventive measures; and – given the primary importance of banks in the financial system – bank regulation and supervision.

A cursory look at global economic developments during the past two decades reveals that episodes of financial instability are more frequent than is often supposed. Indeed, according to a study by the International Monetary Fund, between 1980 and 1996 more than 130 countries experienced significant banking sector problems. Since that study was published, other episodes of severe financial instability have been recorded in South East Asia, Russia and Brazil.

But not every episode of financial market instability can be termed a crisis. A financial crisis has been defined as "a major and contagious collapse of the financial system, entailing the inability to provide payments services or to allocate funds for investment". In other words, a financial crisis is a bout of instability so severe that the financial system cannot perform its two key functions.

The first of these functions is the provision of payments services. Most payments to-day are not carried out using cash but by transfers of funds held with banks. A collapse of the payments system, usually the result of a bank failure, implies that money loses its primary function as a medium of exchange.

The second major role that the financial system performs is that of channelling surplus funds from savers to investors. In this way, it promotes the efficient use of capital, lets entrepreneurs take advantage of investment opportunities and leads to economic growth. If the financial system cannot perform this function, credit dries up and, in a crisis, many borrowers are driven into insolvency.

* Address delivered at the Annual Dinner of the Malta Centre of the Chartered Institute of Bankers on November 9, 2000.

Given the importance of a healthy financial system for the economy, it is not surprising that the direct costs of financial crises can be huge. Those associated with the recent bank crisis in Indonesia, for example, have been estimated at over half that country's GDP. Even in industrial countries costs can be significant. For example, rescuing Finnish banks during the early 1990s absorbed more than 10% of Finland's output.

Why do financial crises occur? A combination of factors is probably at work, with different elements coming to the fore in individual episodes.

The traditional view has been that crises are a response to past excesses. During periods of rapid economic growth, as in the first half of the 1990s in Malta, firms are more willing to borrow and banks are quite happy to lend. As the economy slows down, borrowers suffer from cash-flow problems and non-performing bank loans increase. At this point, unexpected bad news may provoke a financial crisis. Another, more recent, perspective focuses on the inherent instability of the banking business. Banks are engaged in transforming liquid liabilities (deposits) into illiquid assets (loans). Because of this maturity mismatch, even healthy banks are vulnerable to bank runs, which may spread across the financial system.

To contain the risks inherent in their business, banks must ensure that the quality of their assets remains high. I, therefore, welcome the recent review of loan portfolios undertaken by the local banks that has included measures to recover amounts due, increased provisions and, importantly, strengthened internal controls within their overall risk management strategy. It is also vital, however, that even as loan quality is reassessed, credit continues to flow to those borrowers that are clearly in a position to meet their obligations. Otherwise, even healthy borrowers may be placed under undue financial strain.

In order to put these comments in their proper perspective, I should also acknowledge that Maltese banks continue to maintain high capital adequacy and liquidity ratios. These ratios stand at around 15% and 45%, respectively, well above the minimum prudential standards of 8% and 30%.

The growing recourse in Malta to alternatives to bank finance, such as the issue of securities on the capital market, is also a positive development which the Central Bank welcomes. In particular, expanding the capital base of private firms through equity issues makes for healthier corporate balance sheets and supports the stability of the banking system. In this regard, I must also stress the vital importance of transparency and accuracy in the financial statements of private firms. The members of the banking and accounting professions bear an important responsibility in this regard.

But the causes of financial instability may lie outside the financial system itself. For example, the problem of bank runs is worsened by the fact that depositors do not have perfect information about banks, and often cannot distinguish solvent from insolvent institutions. In such a situation, a bank run could well be nothing more than a rational response to uncertainty. Because of this possibility, ill-informed media comment and gratuitous remarks on the lending practices and on the financial health of individual banking institutions, such as have been made repeatedly in Malta during the past year, can be dangerous. The authors of such comments must be prepared to assume responsibility for the consequences which their allegations could have, not only for the depositors and shareholders of individual banks, but for the financial system as a whole. They should also understand that banks are bound by law not to reveal information on their customers, except in very specific instances.

The Central Bank, too, in the performance of its regulatory and supervisory role is similarly bound and cannot, therefore, comment on the institutions it supervises. This does not, however, mean, as some commentators have recently claimed, that the Bank is failing to fulfil its statutory responsibilities. The Central Bank routinely examines all areas of the banks' operations, including any significant exposures that they may have on their books. This enables the Central Bank to establish the credit risk and asset quality of lending portfolios. But the Bank is precluded from divulging the findings of its inspectors. It does, however, regularly address any concerns it may have to the Boards of Directors and senior management of the banks, and subsequently ensures that appropriate remedial action has been taken.

Legal factors can also contribute to financial instability. Poor regulation and supervision of banks and other financial institutions encourages risk-taking behaviour that fuels financial instability. Hence the importance of an effective and professional supervisory regime, a topic to which I shall return later. Wider legal issues are also important: bankruptcy laws, for example, may make it hard for banks to collect their debts and thus increase the likelihood of bank failure.

Finally, the structure of the financial sector itself also plays a role. There is a trade-off between competition and financial stability. For example, the increased efficiency brought about by greater competition lowers banks' profit margins and may encourage them to engage in riskier business to compensate. Thus, the liberalisation of the financial sector, if not backed by a sound regulatory regime, could expose banks to unfamiliar risks. This is particularly true in cases where banks are allowed to engage in business that they previously could not carry out, or where new institutions are allowed to venture into the business of banking.

The international community is aware that global financial markets can swiftly punish countries that show signs of financial distress. Moreover, with capital increasingly mobile across continents, a crisis in one country can spread rapidly across the globe. In recognition of these threats, major efforts are now under way to strengthen the architecture of the global financial system. Part of this work is aimed at helping to resolve crises once they have occurred, by addressing issues such as debt restructuring and emergency financing for countries in trouble. A second area of work, however, focuses on crisis prevention. Here the emphasis is on standards, transparency and strengthening domestic financial systems.

In an attempt to counter threats to financial stability, the relevant international institutions have established guidelines and standards of best practice. Thus, the Basle Committee on Banking Supervision has long been working on standards related to the prudential supervision of banks, laying down rules on cross-border authorisation and supervision of international banking groups, capital adequacy and risk management. These standards form the basis of the European Union's directives on banks, which, in turn, have inspired the banking directives issued by the Central Bank of Malta. Similar international initiatives have been taken with regard to insurance and securities trading in recognition of the fact that threats to financial stability may arise in these areas too.

In addition, to allay concerns that inadequate data may contribute to failure to detect incipient threats to financial stability, the International Monetary Fund has set standards on the publication of key economic and financial indicators. In this context Malta has just become the twelfth country to adopt the General Data Dissemination System, which is a framework to guide countries in the dissemination of such statistics. The IMF has also issued codes of practice on transparency in policy making to improve the flow of information from policy makers to key players in financial markets. Finally, the Fund has just launched a new programme designed to assess the strengths, vulnerabilities and risks to member States' financial systems on the basis of their adherence to accepted international standards. I am pleased to say that the three domestic financial sector regulators, the Malta Financial Services Centre, the Malta Stock Exchange and the Central Bank of Malta will be participating in this programme.

These developments and initiatives affect Malta directly. The country depends on foreign direct investment to develop higher-value-added activities and sustain growth. But we can only attract investment if we are perceived to be a profitable location characterized by macroeconomic and financial stability. This applies even more strongly to our efforts to become an important international financial services centre. The financial sector can only continue to develop if Malta is perceived to be a reliable, well-regulated jurisdiction. In turn, this requires an appropriate institutional framework and the application of the highest international standards.

In this regard, the Central Bank of Malta has played, and continues to play, a major role. First, in common with many other central banks, the Bank is statutorily charged with overall responsibility for financial stability. This systemic role is closely related to the Bank's roles in conducting monetary policy and in overseeing the payments system. In addition, through its open market operations and its foreign exchange trading, the Central Bank has an intimate knowledge of the domestic money and capital markets; while as the authority responsible for bank supervision, it has access to a regular flow of quantitative and qualitative information which allow it to continuously assess the health of key players in the financial system. Furthermore, the Central Bank can provide liquidity directly to individual institutions by acting as lender of last resort. In this capacity, the Bank can head off threats to the stability of the banking system and, by extension, to the entire financial sector.

In view of these considerations and of the growing complexity of our financial system, we intend to strengthen the coordination of the financial stability functions in the Central Bank by establishing an *ad hoc* unit. This unit will research and analyse ways of promoting and maintaining a stable financial system and will monitor developments. By focusing on systemic aspects, the unit will help to enhance confidence in the domestic financial system, strengthen Malta's image abroad and thus also help to attract foreign investment. The efficiency of this unit would be highly dependent upon the timely availability of all the relevant information. While most of this information is already available within the Central Bank, the remainder will need to be supplied by other sources, including the other financial sector regulators with whom we already have a good working relationship.

A second important aspect of the Central Bank's role dates back to 1994 when the Minister of Finance appointed the Bank as the Competent Authority responsible for the prudential regulation and supervision of banks and financial institutions. The Bank's expertise had, in fact, developed since 1970 when its officials first acted as bank inspectors. During the 1990s, the Bank upgraded its supervisory practices, setting up a specialist team of supervisors capable of overseeing banks on an on-going basis through on-site inspections and the off-site examination of prudential returns. It is a source of pride for the entire banking community that the high standards attained in the performance of this function have been recognised internationally. Central Bank officials have, in fact, often formed part of teams of examiners mandated by the Council of Europe Select Committee of Experts on Anti-Money Laundering Measures to evaluate financial, regulatory and supervisory structures in its member States; and earlier this year, the International Monetary Fund chose Malta to be one of 40 countries whose regulatory framework for banking supervision will form part of a database of international best practice.

In recent years, the supervisory role of central banks has been the subject of some debate internationally. On one view, the prudential supervision of the entire financial system should be entrusted to a single agency outside the central bank. Although in most countries the central bank is still responsible for supervising banks, a number of mainly industrial countries have in fact transferred this responsibility to another agency. Foremost among these are the United Kingdom and Australia. Two arguments are usually put forward to justify shifting bank supervision away from central banks and towards a "mega-regulator".

The first centres on a possible conflict of interest between the central bank's monetary policy role and its role as a supervisor of banks. When the banking system is under stress, it is argued, central banks may be tempted to ease their monetary policy stance and provide liquidity support to banks. This can jeopardise the pursuit of price stability, which should be a central bank's primary aim.

In practice, however, such a conflict of interest would rarely arise, particularly where the central bank adopts an inflation target as the cornerstone of monetary policy. This is because a weak banking system is normally associated with an economic downturn and an absence of inflationary pressures. In these circumstances, a looser monetary policy stance would indeed be appropriate.

Furthermore, there are considerable synergies between bank supervision and the conduct of monetary policy. For example, in the United States the Federal Reserve is strongly opposed to any move to transfer supervision away from it, arguing that the insights into banking business gained by its supervisors allow it to obtain a more accurate picture of economic conditions generally. Rather than seeing a conflict of interest, the Fed stresses the important beneficial links between the supervisory function and its conduct of monetary policy. In the European Union, too, with responsibility for monetary policy no longer in national hands, central banks are increasingly turning their attention to financial stability issues and, particularly, to bank supervision. Seven out of eleven national central banks in the euro area are already responsible for overseeing banks in varying degrees. Even the Bundesbank, which has shared responsibility for bank supervision with the Federal Banking Supervisory Office since 1962, is now claiming sole jurisdiction on two grounds. First, it enjoys strong links with banks through the payments system and its standing credit facilities which increase the efficiency of the supervisory process. Second, the Bundesbank believes that its involvement in prudential supervision is necessary if it is to carry out its responsibilities to reduce systemic risk.

The second argument in favour of placing the responsibility for banking supervision outside the central bank is that the traditional distinctions between different types of financial institution no longer hold. Banks now offer insurance products; mutual funds compete for bank deposits; and financial markets offer increasingly attractive alternatives to financial intermediation. In addition, large financial conglomerates have sprung up, with subsidiaries active in a wide range of financial activities. Regulatory structures are often unable to cope with such rapid changes. In the United Kingdom, for example, before the Financial Services Authority was set up, there were nine different regulators for the financial industry. This implied a risk that no single supervisor would be able to obtain a clear overall picture of a financial conglomerate's position. In addition, there was also a risk of regulatory arbitrage, with firms preferring to conduct business in areas that were supervised by the weakest regulator.

The strength of this argument clearly depends on the characteristics of the national financial system being considered. More advanced financial systems, in which conglomerates are especially important, may benefit from having a "mega-regulator". The extent to which this applies to Malta to-day, however, is debatable. Despite the increase in the number of investment services providers and the diversification of some insurance services firms into fund management, most Maltese financial services firms carry out their business along traditional lines. For example, deposits still account for more than two-thirds of bank liabilities, suggesting that the business of banks remains predominantly that of banking.

The key question which needs to be answered, therefore, is this: do the synergies between banking supervision and the core central banking functions outweigh the advantages which could be gained by having all the different spheres of financial sector activity supervised by a single regulator?

In Malta this question has not yet been adequately addressed in the terms I have just put forward. *A priori*, there is a strong case for leaving the current system alone, simply because it has worked relatively well. The Maltese banking system has indeed enjoyed over a quarter of a century of stability. In part, this is because the Central Bank has evolved a sound framework of prudential regulation, developed effective internal supervisory structures and built up a team of qualified and experienced staff in the area. The findings of a survey conducted this year among over 100 central banks and other regulators by Prof. Goodhart of the London School of Economics are significant in this respect. They suggest that a centralised regulator outside the central bank tends to be more lawyer-based and more protective of customer-related than of systemic concerns. Moreover, the reputation the Central Bank of Malta enjoys both locally and abroad as bank supervisor adds to the credibility of the local banking system. It would be unwise to underestimate the value of these achievements. As Peter Sinclair, the director of a Bank of England think-tank, recently cautioned:

> "Whatever the institutional arrangements a country has established for safeguarding its financial stability, there are powerful practical reasons for not altering them inadvisedly. There are costs and risks associated with the transition from one regime to another."

If, after due debate, the decision is however taken to move the responsibility for bank supervision away from the Central Bank - and it should be noted here that such a decision is the prerogative of the Government - a number of issues related to the transition need to be carefully examined and resolved beforehand.

First, the transfer of responsibilities must not be allowed to weaken the current regulatory and supervisory framework. It is imperative that there be no gaps in the supervision of existing banks and financial institutions as the transfer takes place. Second, if it is to be credible, the transfer should enjoy as broad a measure of support as possible. Third, care should be taken not to jeopardise Malta's good standing with international standard-setting bodies and credit rating agencies. Finally, there would need to be a clear agreement between the Central Bank, the Malta Stock Exchange, the Malta Financial Services Centre and the Ministry of Finance laying down the modalities for cooperation among these entities. The memoranda of understanding drawn up in the United Kingdom and Australia may be useful models in this respect. An alternative could be the arrangement adopted in the United States, where the Federal Reserve acts an "umbrella supervisor" to oversee conglomerates, while bank supervisors and other functional supervisors retain their individual responsibilities.

Any agreement reached must cover two key issues. One is the regular and timely exchange of information between the supervisory bodies, the Central Bank and the Ministry of Finance. As the agency responsible for overall financial stability, the Central Bank will need access to information on markets and institutions of systemic importance. Conversely, supervisors may require information that the Central Bank obtains through its oversight of the payments system and the conduct of its open market operations. Supervisory data may also be required in the conduct of monetary policy.

Secondly, agreement would be necessary on the procedures to be followed in case the Central Bank is ever called upon to act as a lender of last resort. A contingency plan must be drawn up detailing the specific role of each institution in a crisis and the precise steps to be followed by each. Such an agreement is vital because experience abroad has shown that the onset of a crisis, when it does occur, can be extremely swift, even a matter of hours. In such cases, the Central Bank will need to be reassured that the institution to which it is making funds available is still solvent. To do so, the Bank will require access to information gathered by supervisors and may need a rapid assessment of the health of the borrowing institution to be made. The Ministry of Finance should also be involved in the process, because it is unlikely that such operations could be carried out without some commitment to use public funds.

It is only when an understanding has been reached on these broad issues that plans can be drawn up for the transfer of responsibilities. The issues here include statutory amendments, the recruitment of qualified staff by the new banking supervisor, mechanisms for the transfer of records, and public relations, both at home and abroad. The transfer should take place gradually, according to an agreed timetable. The timing of the transfer is also important in the light of the EU accession process, given the demands that this is making on senior staff in all the institutions concerned.

In conclusion, because of its close links with the health of the payments system and the conduct of monetary policy, financial stability is a major concern of the Central Bank. That is why, and independently of any decision which might be taken on the location of the supervisory function, the Central Bank feels obliged to reinforce its capacity to ensure overall financial stability. With regard to bank supervision, I have argued that while there are strong reasons in favour of removing this responsibility from the Central Bank, there are equally weighty arguments against. Any decision taken in this area must, therefore, be the fruit of thorough analysis and dispassionate debate. An eventual transfer of responsibilities must be carefully thought through, command broad support and be efficiently implemented. Above all, on no account must the current stability and integrity of Malta's financial system be put at risk.

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[1] See Carl-Johan Lindgren, Gillian Garcia and Matthew I. Saal. (1996). Bank Soundness and Macroeconomic Policy. Washington D.C: International Monetary Fund.

[2] E. Philip Davis (1999). "Financial Data Needs for Macro-Prudential Surveillance: What are the Key Indicators of Risks to Domestic Financial Stability?" in Davies, E.P., Robert Hamilton, Robert Heath, Fiona Mackie and Aditya Narain. Financial Market Data for International Financial Stability. London: Bank of England

[3] See Frederic S. Mishkin. (2000). The Economics of Money, Banking and Financial Markets. Addison-Wesley, p. 307.

[4] See Christian Hawkesby. (2000). "Central Banks and Supervisors: the Question of Institutional Structure", in Liisa Halme, Christian Hoawkesby, Juliette Healey, Indrek Saapar and Farouk Soussa Financial Stability and Central Banks. London: Bank of England

[5] Hawkesby, *op. cit.*

[6] See Deutsche Bundesbank. (2000). "The Deutsche Bundesbank's involvement in banking supervision". Deutsche Bundesbank Monthly Report. September 2000, pp 31 – 43.

[7] Peter Sinclair. (2000). Introduction to Financial Stability and Central Banks, Papers Prepared for the Central Bank Governors' Symposium at the Bank of England on Friday June 2, 2000.

THE FREE MOVEMENT OF CAPITAL

by David Pullicino
*Deputy Governor of the Central Bank of Malta**

Introduction

The free movement of capital, and hence the liberalisation of the capital account, is a precondition for EU membership. I will, therefore, focus mainly on the strategy which has been adopted to liberalise capital controls. I will then make some general comments on the impact which the initial package of capital liberalisation measures has had on the capital account. As the chapter of EU law on the free movement of capital also covers the payment system and the prevention of money laundering, I will conclude by briefly referring to the initiatives that have been taken to come in line with both EU and international standards in these specific areas.

I would like, however, to commence with some remarks on the rationale for capital account liberalisation and the benefits that may be derived from it. In putting forward these views I would like to emphasise that liberalisation of the capital account would have been necessary for Malta even in the absence of its EU membership obligation, as capital mobility is a prerequisite for moving forward with the overall liberalisation process we have started and is necessary if we wish to take advantage of the substantial benefits that participation in the global economy has to offer.

Benefits of capital account liberalisation

It may be appropriate here to clarify the meaning of capital account liberalisation, as capital flows, in fact, include not only the movement of financial assets between countries, but also that of debt principal and repayments, portfolio equity and direct and real estate investment. Hence, liberalising the capital account means freeing all the flows that are recorded in the capital account of a country's balance of payments. Capital account liberalisation normally follows financial sector liberalisation, a process which involves structural reforms in the domestic financial sector and the de-regulation of interest rates.

One of the reasons for the phenomenal growth in international financial transactions and capital flows over the last decade has been the removal of statutory restrictions on capital account transactions by a large number of countries, in particular developing countries. Full currency convertibility, or, in other words, the total liberalisation of the capital account, paves the way for a more efficient allocation of savings and increases a country's attractiveness to foreign investors. It gives businesses and individuals access to new markets and increases the funding available for trade and investment. In addition, cross border competition widens the choice of investments available to investors, provides opportunities for portfolio diversification and encourages domestic financial markets to become more efficient.

Capital account liberalisation is, however, not without risk as recent events in Asia, Russia and Latin America have shown. If the process is mishandled, a loss of confidence could trigger reversals of capital flows and in their wake balance of payments difficulties, currency, and possibly also banking crises. In many cases such problems arise because domestic financial markets may be distorted by inappropriate tax policies, or there may be macroeconomic imbalances and/or shortcomings in bank supervision and regulation.

* Address delivered at a conference on "Negotiating the Four Freedoms" held on November 10, 2000.

Thus, liberalising the capital account before strengthening the domestic financial system creates an environment in which serious economic problems and financial crisis could easily arise. It is, therefore, necessary that when controls are liberalised this is done in an orderly and well sequenced manner, accompanied by sound macroeconomic policies. There must also be a resilient domestic financial system in which it is possible to obtain accurate and timely financial and economic data.

It is relevant to mention that developing countries that have liberalised their markets have normally enjoyed significant net capital inflows, with the benefits that these have brought with them, while those that have retained restrictions have, in general, received a far smaller share of inflows and experienced lower economic growth rates.

The liberalisation of the capital account in Malta has proceeded at a gradual pace, beginning in the late eighties. Over this ten year period, the Maltese Authorities have implemented important structural reforms in the financial sector, including the deregulation of interest rates and the establishment of capital and money markets. The Authorities also recognised the importance of strengthening the financial regulatory framework and of upgrading the banking supervisory function before exposing the economy to unrestricted inflows and outflows of capital. Over the last two years macroeconomic policies have been designed to bring about more stability to the economy following years in which an expansionary fiscal stance had resulted in a sharp widening of the budget deficit.

These reforms have, as will be explained in more detail later, enabled a plan to be put in place for the removal of almost all remaining controls over a period of three years.

EU requirements on the free movement of capital

This leads me to focus briefly on the EU position on the free movement of capital. This subject is covered by Chapter 4 of the *EU Treaty establishing the European Community*, entitled *Capital and Payments,* of which Article 56 states that:

1. *Within the framework of the provisions set out in this chapter, all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited.*
2. *Within the framework of the provisions set out in this Chapter, all restrictions on payments between Member States and third countries shall be prohibited.*

Two other articles are also relevant, namely Articles 119 and 120, which refer to safeguard measures that may be applied in cases of balance of payments difficulties.

It is quite clear, therefore, that the free movement of capital as defined in the Treaty involves not only the prohibition of restrictions on the movement of capital, but also the prohibition of restrictions on cross-border payments. It is important to note that this freedom extends well beyond the actual capital transaction or the payment itself, and must be seen as a freedom which applies to the underlying right to, say, invest in real estate or make a direct investment in an undertaking.

In order to implement the provisions of Chapter 4 of the EU Treaty, a very comprehensive directive was drawn up by the Commission in 1988. The Directive 88/361 lists in detail the capital transactions that had to be liberalised. It covered practically every type of transaction that could be undertaken between residents of an economy and non-residents and vice versa. In general it covered direct investment, investments in real estate, operations in securities on the capital and money market, operations in current and deposit accounts with financial institutions, financial loans and credits and various other personal capital movements – while at the same time stating that the list was not to be considered a restrictive list of transactions.

The free movement of capital is an essential feature of Community law, and all accession countries will be expected to have removed restrictions on all capital transactions by their accession date. While transitional arrangements may be negotiated, it is not expected that any derogations will be granted in this area unless there are exceptional circumstances justifying them.

Malta's programme for capital account liberalisation

The chapter on the free movement of capital is one of the chapters that has been opened under the French Presidency. Malta's position paper in this regard has been discussed within the Malta-EU Steering Action Committee and also at Cabinet level. I will not go into the details of the position paper, but it is known that Malta will not be seeking any transitional arrangements and will be removing restrictions on all transactions over a three year period - except in the case of real estate, where it will be requesting a derogation for the acquisition of secondary residences by non-residents. Malta, in physical size, is by far the smallest of the accession countries and has the highest population density. This, it feels, constitutes a valid reason for asking for a derogation based on social and environmental grounds. Meanwhile, in the case of direct investment by non-residents in those sectors of economic activity where investment is currently restricted, the pace of liberalisation will depend on the stance of government policy with regard to the freedom of establishment and the freedom to provide services.

Malta's capital account liberalisation programme is explained in the National Plan for the Adoption of the Acquis (NPAA). The programme commenced at the beginning of this year when a first package of liberalisation measures came into effect after these had been announced by the Minister of Finance in his Budget Speech in November 1999. The measures included the removal of restrictions on investments with a long term maturity, in particular direct investment, both outward and inward. At the same time, however, a number of more modest liberalisation measures concerning capital transactions of a medium to short term nature were also introduced.

A second package of liberalisation measures is expected to come into effect from the beginning of next year and should be announced by the Minister in his Budget Speech later this month[1]. It is expected that this second package will continue to build on the first package which removed restrictions on a variety of transactions, even though limits on the amounts that could be transacted were retained.

Impact of capital account liberalisation measures on the balance of payments.

The monitoring of the measures introduced is an ongoing exercise, and the analysis of this flow of information is, as noted above, critical to the success of Malta's liberalisation process. The Central Bank has, for example, recorded an increased amount of capital outflows by way of personal portfolio investment as a result of the progressive easing of capital controls in this area. This, was to be expected, as higher investment limits and a wider choice of investment products became available. Active marketing by the growing number of fund management companies operating locally has been a contributing factor to this diversification, but the plan to remove capital controls over a three-year period is moving satisfactorily and there seem to be no obstacles to removing almost all restrictions on capital movements within this timeframe.

[1] These measures were in fact announced by the Minister of Finance in the Budget Speech on November 20, 2000.

Plans for legislative changes

Meanwhile it is planned that, over the next year or so, the Exchange Control Act will be thoroughly revised to include only safeguard clauses - that is, clauses that would enable the Authorities to use controls only in an emergency situation related to a balance of payments crisis. The amended legislation will also include provisions that oblige residents involved in external transactions to continue reporting these for statistical purposes. This will allow the Central Bank to retain the flow of information presently available through the administration of exchange controls. In turn, this will give statistical agencies in Malta access to accurate information on balance of payments transactions, external debt and the country's international investment position.

It is relevant to mention some of the administrative arrangements that have taken place at the Bank in relation to the gradual liberalisation of capital controls. From the beginning of the year 2000, the Central Bank changed the name of its Exchange Control Department to Capital Flows Department, and while a section of the Department continues to deal with the vetting of transactions which are not yet fully liberalised, another was established to focus almost entirely on the collection and retention of statistical data relevant to the compilation of the balance of payments.

Payment systems

I will now turn briefly to the two other areas that are also included in the EU chapter on the free movement of capital. Here, too, Malta plans to come in line with EU requirements and standards before accession.

Obviously, having a free and well functioning payment system is essential, because there can be no free movement of capital without the means to move that capital from one area of economic activity to another, and it is the responsibility of the Central Bank of Malta to ensure the proper functioning of the payment system. A payment system can be defined as the infrastructure needed to facilitate the transmission of money, both domestically and from one country to another. Money can of course be transmitted in the form of cash, by means of cheques, in electronic form or even through the use of plastic cards.

The development of our payment system has been followed very closely in Malta's membership process, and I am pleased to say that we have been able to develop a system which today ensures real time settlement of inter-bank obligations and which will, over the next couple of years, be able to integrate into the wider European ring of payment systems through TARGET, the European Central Bank's real time linking system. The inclusion of a section on payment systems in the amended Central Bank of Malta Act will ensure the application of the provisions of the *Acquis* relating to finality of settlements within a payment system, and the provisions of Directive EC 97/5 relating to cross border payments.

An executive Payments System Committee was set up earlier this year to formulate the rules and regulations that would govern the payment system. This will ensure that the market is better served with a rapid and secure electronic infrastructure to facilitate payments which today are, in most cases, made by cheque. The Committee will also be responsible for the management of the payment system's infrastructure in Malta. Meanwhile, a Payment System User Group (including representatives of the Malta Stock Exchange, since this institution is responsible for the securities settlements system), has been set up to accelerate progress towards the standardisation of payment flows within the domestic banking system and to endeavor to reduce paper-based settlements to a minimum. Further functionality has been added to the Real Time Gross Settlement System (RTGS) with the straight through processing of high value inter-bank settlements via the SWIFT network.

Prevention of money laundering

I will conclude with some remarks about the steps we have taken to meet EU standardswhere the prevention of money laundering is concerned. Malta's legislation on the prevention of money laundering, including measures and provisions for safeguarding the financial system, appears to be in full compliance with the *Acquis*. Secondary legislation, consisting of the Prevention of Money Laundering Regulations, came into force in December 1994. To ensure that these comply more fully with EU law, the Regulations, which apply to all agents in the financial sector, were recently extended to the gaming sector. The obligations imposed on persons subject to these regulations include procedures for identification, record keeping, reporting of suspicious transactions and staff training. Furthermore, the regulations are to be tightened further, and a legal notice amending the secondary legislation has accordingly been drafted and is due to be issued shortly. These amendments will provide for the exchange of information on suspicious transactions between members of a banking or financial services group. It will also introduce the concept of a reputable jurisdiction within the context of bank-to-bank transactions. These amendments will bring the record-keeping obligation further in line with the related EU Directive.

The responsibility for monitoring, upgrading, developing and implementing the various anti-money laundering provisions in Malta is shared between the Office of the Attorney General, the law enforcement agency (the Malta Police) and the financial sector regulatory bodies. These are represented on the *ad hoc* Joint Steering Committee that analyses and makes recommendations in this regard. It is expected that a Financial Intelligence Unit will be set up shortly to take over these responsibilities. This means that even in this field Malta is almost in full compliance with EU law. Thus, by next year, it is envisaged that Malta will in fact be completely in line with the requirements of the *Acquis* and implementing international best practice.

NEWS NOTES

Malta - EU Accession Negotiations

- During October, the revised *National Programme for the Adoption of the Acquis* (NPAA) was approved by the House of Representatives.
- Also in October, another three chapters in the accession negotiation process were provisionally closed. These are: Culture and Audiovisual; Statistics; and Consumer and Health Protection.
- In November the European Commission published its annual reports on progress made over the past twelve months by the countries applying for EU accession.
- During the same month Malta closed another two chapters in the negotiation process, Company Law and Economic and Monetary Union, bringing the number of provisionally closed chapters to 12.
- During their summit in Nice on December 7 - 11–, the EU leaders reaffirmed their commitment to welcome as new Member States those applicant countries that were ready for membership as from the end of 2002. They also expressed their hope that the new member countries would be able to join in time for the next elections to the European Parliament that are to be held in June 2004.
- The Nice Treaty incorporated reforms to the way the 15-nation bloc functions as it prepares for enlargement. Changes were made to the composition of the European Commission and to the size and voting procedure of the Council of Ministers. Malta was assigned 3 votes in the Council of Ministers and 5 votes in the European Parliament. Malta was also assigned one Commissioner, 5 seats in the EU's Economic and Social Committee (Ecosoc) and another 5 seats in the Committee of Regions.

European Central Bank Seminar on Accession Process

A seminar on the EU accession process was jointly organised in Vienna on 14 and 15 December 2000 by the European Central Bank (ECB) and the Oesterreichische Nationalbank (OeNB), the Austrian central bank. This seminar brought together representatives of the Eurosystem (which consists of the ECB and the national central banks of the 12 countries of the euro area) and the central bank governors of the 12 EU accession countries. The Vienna seminar was the second such seminar on the accession process following the one held in Helsinki in November 1999. Important monetary issues relating to the smooth future integration of accession countries' central banks into the European System of Central Banks (ESCB) were discussed at the seminar and also exchange rate arrangements and co-operation between the Eurosystem and the central banks of the accession countries. The Governor of the Central Bank of Malta, Mr Michael C Bonello, attended the seminar and was a lead speaker in a discussion on price dynamics, competitiveness and monetary policy in the context of a fixed exchange rate regime.

Budget 2001

On November 21 the Minister of Finance presented the Budget Estimates for the year 2001 to Parliament. The Budget included a number of policy measures among which are:

Cost of living increase: A weekly increase in wages of Lm1.50 was awarded to compensate for the rise in the cost of living during the year to September 2000.

Direct taxation: The Income Tax Act will be enforced with regard to certain fringe benefits attached to employment. The benefits to be taxed were listed in a separate document presented with the Budget.

Indirect taxation: Value added tax on health and education were 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 was 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.

Liberalisation of exchange controls: Exchange controls were 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 was raised from Lm50,000 per year to Lm150,000.
- The allowance for foreign portfolio investment by residents was raised from Lm15,000 per year to Lm30,000.
- Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents were permitted to invest, in foreign assets, up to a maximum of five per cent of the funds invested in the 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 was 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 was extended to one year while other bodies corporate and local retail outlets are now 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 were 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 was liberalised completely.
- All restrictions were removed with regard to the amount of assets that emigrants may transfer abroad.
- All restrictions were removed 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.

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

Developments in the Banking Sector

On October 11 the Central Bank of Malta, as the Competent Authority, issued a banking licence to a Turkish bank, Akbank T.A.S.. The bank is licensed to carry out the business of banking from Malta through the establishment of a branch and is authorised to operate with non-residents only and to transact in all currencies except the Maltese Lira.

On November 6 the Central Bank of Malta, as the Competent Authority, issued a banking licence to Sparkasse Bank Malta plc. The bank, a wholly owned subsidiary of Sparkasse Schwaz, an Austrian savings bank, is authorised to operate with non-residents only and to transact in all currencies except the Maltese lira.

Issue of Commemorative Coin

On October 13 the Central Bank of Malta issued a rectangular commemorative coin to mark the new millennium. The coin, which is legal tender in Malta for the value of Lm5, was struck at the Royal Mint, UK, and forms part of the Masterpiece Millennium Collection. It is a silver-proof coin with cameos coated in 22-carat gold. The obverse of the coin shows the armorial bearings of Malta and the Central Bank of Malta, while the reverse shows two Romano-Maltese coins, believed to be among the earliest coins in circulation, dating back to the third century A.D.

Capital Market Developments

New Share and Bond Issues

On October 27 Malta Government Privatisation plc announced that it would be offering for sale to the public Lm10 million worth of five-year bonds which would give holders the right to convert them into shares in companies which are to be privatised during the term of the bonds. Unless previously converted into shares, the bonds would be redeemed at a premium of 15 per cent on November 14, 2005.

On November 8 Datatrak Holdings Plc announced that it would be offering for sale to the public Lm4 million worth of shares with a nominal value of Lm1 each share. The shares, which form part of a single class of shares, were all taken up on the day of issue. Datatrak was the first company to be listed on the Alternative Companies Listing at the Malta Stock Exchange.

On December 7 Tumas Investments plc, a wholly owned subsidiary of Tumas Group, issued at par Lm4.2 million worth of secured notes carrying an interest rate of 6.7 per cent and maturing in 2006, unless redeemed previously at the option of the company. The issue, which is fully guaranteed by Spinola Development Company Ltd, another fully owned subsidiary of Tumas Group, was acquired entirely by Bank of Valletta plc, which will, in turn, be seeking to place part of the issue with institutional investors.

Review of Malta Stock Exchange Council Notice

On December 5 the Council of the Malta Stock Exchange revised 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 will become effective as from January 1, 2001.

Government Sale of Shares in Middle Sea Insurance plc

On Novemer 20 the Government announced that it would be offering for sale to eligible investors 863,625 shares of a nominal value of Lm0.50 each in Middle Sea Insurance p.l.c. to those persons who were shareholders in Mid-Med Bank plc as at the close of the business on April 5, 1999 and whose address on the register of members is in Malta.

Developments in Financial Services

On October 6 Fexco Investment Services (Malta) Ltd (FISML) launched the Commerz International Capital Management (CICM) Funds in Malta. FISML was licensed to conduct investment services business by the Malta Financial Services Centre on August 4. Commerz International

Capital Management is a wholly owned subsidiary of the Commerzbank Group.

On October 13 Amalgamated Investments SICAV plc, which was licensed as a collective investment scheme by the Malta Financial Services Centre (MFSC) on September 27, launched Amalgamated Growth & Investment Income Fund, with an initial net asset value of Lm17.3 million. A large component of the fund is in Maltese securities along with international equity and fixed interest components.

Double Taxation Agreements

On October 30 the Governments of Malta and Finland signed an agreement for the avoidance of double taxation with respect to taxes on income.

On December 15 the Governments of Malta and Russia signed an agreement for the avoidance of double taxation with respect to taxes on income as well as an agreement to prevent fiscal evasion with respect to income tax.

FINANCIAL POLICY CALENDAR

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

1997

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

November 27 : *Central Bank Adjusts Repo Rate Structure*

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

December 23: *Central Bank Issues Capital Adequacy Directive*

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

1998

February 2: *Central Bank Raises Intervention Rates*

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

April 28: *Minister Issues Representative Offices Regulations*

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

April 30: *Central Bank Institutes Central Intervention Rate*

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

May 18: *Malta Stock Exchange Starts Trading Daily*

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

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

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

November 25 : *Measures Introduced in the 1999 Budget*

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

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

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

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

The revision of the basket will entail the following changes:

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

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

December 29 : *Value Added Tax Re-introduced*

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

1999

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

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

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

January 21: *Central Bank Lowers Intervention Rate*

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

March 29: *Central Bank Lowers Intervention Rate Again*

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

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

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

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

May 6 : *Central Bank lowers Discount Rate*

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

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

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

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

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

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

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

June 24 : *Central Bank Lowers Discount Rate Again*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

compensate for the removal of the subsidy on local bread.

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

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

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

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

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

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

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

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

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

2000

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

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

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

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

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

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

April 28 : ***Bearer Accounts Phased out***

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

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

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

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

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

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

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

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

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

1) **Cost of living increase:** A weekly increase in wages of Lm1.50 to compensate for the rise in the cost of living during the year to September 2000.

2) **Direct taxation:** The Income Tax Act is to be enforced with regard to certain fringe benefits attached to employment. The benefits to be taxed are listed in a separate document presented with the Budget.

3) **Indirect taxation:** Value added tax on health and education are reclassified as exempt without credit while profits made by travel agents on tickets for travel abroad are to become taxable at the full rate. Catering establishments in factories, schools and industrial zones are to start charging value added tax. Excise duty on cigarettes is increased while the duty on alcoholic beverages is henceforth to be calculated on the basis of the alcohol content of the beverage concerned. Levies on a number of imported industrial products are to be scaled down further, while income from collective investment schemes is to be subject to tax.

4) **Liberalisation of exchange controls:** Exchange controls are further liberalised and the relative administrative procedures are to be speeded up. The measures include:

   - An increase in the allowance for travel purposes from Lm5,000 to Lm10,000 per trip.
   - An increase in the limit for cash gifts from Lm5,000 to Lm10,000 per year.
   - An increase in the amount of foreign currency which can be exported to effect merchandise payments overseas.
   - An increase in the limits on imports and exports of local currency from Lm25 to Lm1,000.
   - The amount that residents are permitted to invest in real estate overseas is raised from Lm50,000 per year to Lm150,000.
   - The allowance for foreign portfolio investment by residents is raised from Lm15,000 per year to Lm30,000.
   - Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are permitted to invest in foreign assets up to a maximum of five per cent of the funds invested in a scheme.
   - The amount of foreign currency which a resident may retain in the form of cash or in a foreign currency (demand) account with local credit institutions is raised to Lm10,000 from Lm2,500.
   - The period during which export-oriented local companies are permitted to maintain export proceeds with local banks in foreign currency is extended to one year while other bodies corporate and local retail outlets are henceforth permitted to maintain demand, savings and time deposits in foreign currency accounts provided such deposits originate from business activities and the balance does not exceed Lm10,000.
   - Lending and borrowing activities are liberalised completely, subject to the condition that such lending or borrowing is for maturity periods of over one year.
   - The granting of guarantees by residents and vice versa is liberalised completely.

- All restrictions with regard to the amount of assets that emigrants may transfer abroad are removed.
- All restrictions on payments by residents in respect of endowments to *bona fide* foreign institutions, dowry payments and payments in connection with the settlement of debts by immigrants in their previous country of residence are removed.

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

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

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

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

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

CAPITAL CITY	Valletta	
AREA	316 km^2	
CURRENCY UNIT	Lira - Exchange rates: Lm1 = US$2.2090	
	Lm1 = EURO2.5171	
CLIMATE	Average temperature (1991-1998): December - February	13.3^o C
	June - August	25.9^o C
	Average annual rainfall (1990 - 1998)	622.4mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices (1999)	6.2%
	GDP per capita at current market prices (1999)	US$9,525
	Ratio of Gross Government Debt to GDP (Dec 1999)	58.0%
	Ratio of Government Deficit to GDP (Dec 1999)*	7.9%
	Retail Price Inflation	2.67%
	Ratio of Exports of Goods and Services to GDP (Dec 1999)	91.3%
	Ratio of Current Account Deficit to GDP (Dec 1999)	4.1%
	Gainfully Occupied	141,857
	Unemployment Rate	4.4%
POPULATION	Total (Jun 2000)	380,849
	Males (Jun 2000)	188,886
	Females (Jun 2000)	191,963
	Age composition in percent of population (1999)	
	0 - 19	28%
	20 - 59	55%
	60 +	17%
	Average annual growth rate (1990 - 1999)	0.8%
	Density per km^2	1,205
HEALTH	Life expectancy at birth - Males (Dec 1999)	75.1
	- Females (Dec 1999)	79.3
	Crude birth rate, per 1000 inhabitants (Dec 1999)	11.4
	Crude mortality rate, per 1000 inhabitants (Dec 1999)	8.1
	Doctors (per 1000 inhabitants) (Dec 1999)	3.2
EDUCATION	Number of schools (Dec 1998)	350
	Number of teachers (Dec 1998)	7,907
	Number of pupils/students (Dec 1998)	101,136
	Teachers (per 1000 students)	78
LIVING STANDARDS	Telephone Lines (per 1000 inhabitants)	524
	TV licences (per 1000 inhabitants)	569
	Motor vehicle licences (per 1000 inhabitants)	644

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

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

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

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

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

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

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

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

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

Liabilities

Lm thousands

End of Period	Currency Notes and Coin Issued	IMF Related Liabilities	Deposits				Capital and Reserves	Other Liabilities
			Banks[2]	Government	Other	Total		
1985	279,018	7,916	121,948	23,701	35,161	180,810	2,500	77,088
1986	282,993	7,099	121,416	8,292	35,525	165,223	2,500	95,514
1987	308,115	7,472	105,595	8,480	45,720	159,795	3,500	113,808
1988	322,096	9,209	96,981	29,923	33,608	160,512	3,500	106,380
1989	327,881	10,624	77,739	6,054	32,383	116,176	3,500	136,239
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	155,743
1993	364,013	24,620	67,173	2,437	37,349	106,959	4,500	163,740
1994	379,082	24,213	179,625	1,725	52,384	233,734	41,000	178,292
1995	367,444	22,553	80,026	20,194	21,502	121,722	41,000	187,134
1996	380,246	20,159	72,027	22,785	10,516	105,328	41,000	177,233
1997	384,655	20,079	100,511	24,503	10,941	135,955	41,000	135,780
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	35,265
1999								
Jan.	381,437	19,014	107,394	58,667	13,572	179,633	93,050	37,044
Feb.	381,418	19,014	116,073	63,226	14,627	193,926	93,050	33,695
Mar.	387,984	19,014	115,900	45,300	13,142	174,342	93,050	30,468
Apr.	388,645	19,014	114,919	61,586	10,897	187,402	93,050	31,066
May	393,179	19,014	121,093	44,430	12,190	177,713	93,050	36,431
June	398,989	19,014	114,939	80,909	10,840	206,687	93,050	36,937
July	397,655	19,014	124,117	70,419	11,370	205,907	93,050	41,466
Aug.	397,917	19,014	156,106	84,825	6,161	247,092	93,050	31,486
Sept.	397,594	19,014	139,573	116,113	7,313	262,999	93,050	36,975
Oct	395,372	19,014	122,388	85,958	9,317	217,663	93,050	67,816
Nov.	396,629	19,014	147,301	104,221	9,646	261,168	93,050	43,120
Dec.	418,485	19,014	124,786	96,188	12,424	233,398	89,050	58,597
2000								
Jan.	396,341	19,014	145,330	83,271	10,013	238,614	89,050	68,853
Feb.	397,423	19,014	143,987	74,198	9,260	227,445	89,050	63,281
Mar.	396,223	19,014	133,109	88,442	6,608	228,158	89,050	57,401
Apr.	402,860	19,014	145,746	84,252	8,311	238,310	89,050	44,678
May	404,674	19,014	145,744	85,720	8,877	240,341	89,050	40,439
June	409,680	19,014	138,941	84,799	3,426	227,166	89,050	37,728
July	413,532	19,014	165,272	41,518	7,361	214,150	89,050	37,010
Aug.	413,856	19,014	134,252	54,570	10,448	199,270	89,050	44,067
Sept.	413,846	19,014	135,632	68,376	11,585	215,592	89,050	46,055

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

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

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

Assets

Lm thousands

End of Period	External Reserves				IMF Currency Subscription	Malta Government Securities and Advances	Fixed and Other Assets	Total Assets/ Total Liabilities
	Gold & Other Precious Metals	IMF Related Assets[2]	Convertible Currencies[3]	Total				
1985	58,601	32,217	352,031	442,849	7,208	252	97,023	547,332
1986	61,498	34,079	364,929	460,506	5,763	296	86,774	553,339
1987	62,402	34,399	382,367	479,168	6,156	4,121	103,245	592,690
1988	59,531	35,168	396,440	491,139	8,100	1,853	100,605	601,697
1989	27,050	34,004	403,172	464,226	9,523	2,876	117,795	594,420
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	80,134	559,376
1992	9,101	30,061	435,856	475,018	21,720	62,305	88,687	647,730
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
1999								
Jan.	687	40,429	607,197	648,313	19,086	14,163	28,616	710,179
Feb.	708	40,723	601,767	643,198	32,853	15,706	29,346	721,102
Mar.	700	32,635	603,855	637,189	32,853	8,081	26,735	704,857
Apr.	724	33,378	617,741	651,843	32,852	7,927	26,555	719,177
May	598	33,662	617,811	652,070	33,490	6,205	27,621	719,387
June	670	33,756	651,330	685,755	33,490	7,026	28,406	754,677
July	511	33,783	655,530	689,824	33,490	6,188	27,589	757,092
Aug.	628	34,372	658,210	693,210	33,490	15,678	46,179	788,558
Sept.	711	34,443	660,353	695,507	33,490	16,123	64,511	809,632
Oct.	721	34,727	685,074	720,522	33,490	9,124	29,779	792,915
Nov.	700	35,558	706,631	742,890	33,490	6,142	30,459	812,981
Dec.	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000								
Jan.	747	35,457	696,386	732,590	34,955	5,880	38,446	811,872
Feb.	703	35,698	679,413	715,815	34,955	8,755	36,687	796,212
Mar.	743	36,168	672,023	708,934	34,955	7,858	38,099	789,846
Apr.	758	36,494	662,527	699,779	34,955	9,508	49,670	793,912
May	714	36,745	674,299	711,758	35,664	11,757	34,338	793,517
June	746	36,569	666,080	703,396	35,664	6,644	36,933	782,637
July	632	36,699	648,329	685,660	35,664	8,003	43,429	772,756
Aug.	742	37,647	648,026	686,414	35,664	5,863	37,316	765,256
Sept.	739	37,664	659,122	697,525	35,664	7,009	43,360	783,557

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

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

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

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES DEPOSIT MONEY BANKS

Liabilities

Lm thousands

End of period	Deposits[1]				Foreign Liabilities[2]	Capital and Reserves	Other Liabilities[2]
	Demand	Savings	Time	Total			
1985	35,479	108,092	233,402	376,973	17,829	14,438	27,074
1986	36,658	123,750	253,982	414,390	18,153	14,451	27,284
1987	39,014	141,234	274,943	455,191	23,861	15,314	34,594
1988	38,632	170,129	303,843	512,604	34,275	15,488	40,822
1989	42,042	197,848	358,776	598,666	41,871	18,143	50,039
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
1999							
Jan.	139,241	588,241	1,112,910	1,840,392	320,684	116,537	397,953
Feb.	142,255	588,984	1,133,477	1,864,716	341,033	116,037	393,631
Mar.	151,143	595,396	1,132,209	1,878,748	330,233	116,038	410,698
Apr.	155,904	600,538	1,144,757	1,901,199	333,207	116,038	418,969
May	158,760	616,288	1,151,305	1,926,353	346,722	116,038	463,262
June	167,375	615,510	1,175,437	1,958,322	322,142	116,038	447,717
July	165,240	626,683	1,186,612	1,978,535	310,439	116,038	451,128
Aug.	186,361	620,362	1,196,491	2,003,214	316,323	116,038	448,560
Sept.	176,570	615,635	1,199,391	1,991,597	342,760	116,038	482,953
Oct.	177,589	622,238	1,194,747	1,994,574	360,777	126,829	457,693
Nov.	180,388	619,806	1,214,111	2,014,305	375,900	126,564	496,997
Dec.	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000							
Jan.	185,249	634,977	1,230,290	2,050,516	357,721	134,572	454,280
Feb.	185,122	636,432	1,235,465	2,057,019	363,167	137,539	469,567
Mar.	179,232	632,027	1,242,900	2,054,159	379,585	137,763	498,837
Apr.	181,370	631,505	1,253,497	2,066,372	373,234	137,762	531,091
May	198,017	619,243	1,263,245	2,080,505	390,789	137,762	533,851
June	193,457	620,728	1,264,408	2,078,593	405,417	137,762	550,139
July	198,660	615,581	1,268,922	2,083,163	400,159	137,762	529,192
Aug.	215,243	611,214	1,268,959	2,095,416	388,768	137,762	523,923
Sept.	208,684	601,428	1,273,144	2,083,256	396,423	137,762	557,812

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

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

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES DEPOSIT MONEY BANKS

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets/ Total Liabilities
1985	127,181	66,672	206,617	25,610	10,234	436,314
1986	127,549	73,337	238,191	25,972	9,229	474,278
1987	113,208	81,041	266,542	51,101	17,068	528,960
1988	103,605	102,386	302,242	77,784	17,172	603,189
1989	86,401	143,194	368,305	87,049	23,770	708,719
1990	58,349	197,787	458,246	100,284	32,334	847,000
1991	62,790	246,499	480,495	147,050	26,847	963,681
1992	93,816	330,111	539,405	147,048	32,488	1,142,868
1993	83,250	378,598	627,635	212,779	35,457	1,337,719
1994	194,501	417,411	707,355	210,540	46,545	1,576,352
1995	100,638	557,355	938,406	234,379	49,960	1,880,738
1996	96,777	588,571	1,079,552	263,194	114,236	2,142,330
1997	125,183	534,756	1,205,349	365,333	120,979	2,351,600
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
1999						
Jan.	131,573	590,502	1,315,984	502,703	134,804	2,675,566
Feb.	131,404	603,986	1,323,648	511,447	144,932	2,715,417
Mar.	137,672	581,764	1,380,828	519,365	116,088	2,735,717
Apr.	136,871	581,534	1,390,205	541,971	118,832	2,769,413
May	137,220	628,469	1,385,577	572,589	128,520	2,852,375
June	135,616	595,614	1,390,000	581,878	141,111	2,844,219
July	143,186	594,067	1,385,244	585,580	148,063	2,856,140
Aug.	171,737	607,959	1,374,469	578,855	151,116	2,884,136
Sept.	164,088	620,920	1,437,598	589,968	120,775	2,933,348
Oct.	169,530	627,642	1,432,473	569,908	140,319	2,939,873
Nov.	163,587	633,802	1,440,936	573,994	201,447	3,013,766
Dec.	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000						
Jan.	181,324	622,306	1,471,461	574,457	147,541	2,997,089
Feb.	178,691	624,779	1,478,851	583,519	161,452	3,027,292
Mar.	162,346	653,737	1,537,667	592,581	124,013	3,070,344
Apr.	157,818	680,893	1,532,392	601,602	135,754	3,108,459
May	174,635	701,269	1,540,180	579,465	147,358	3,142,907
June	162,544	713,463	1,542,353	583,807	169,744	3,171,911
July	179,381	721,804	1,538,138	559,368	151,585	3,150,276
Aug.	157,982	720,846	1,533,560	573,450	160,031	3,145,869
Sept.	180,772	704,008	1,592,966	566,345	131,162	3,175,253

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES OTHER BANKING INSTITUTIONS

Liabilities

Lm thousands

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

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

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

TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES OTHER BANKING INSTITUTIONS

Assets

Lm thousands

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

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

TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES INTERNATIONAL BANKING INSTITUTIONS

Liabilities

Lm thousands

End of Period	Resident Deposits				Foreign Liabilities	Capital and Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999								
Jan.	3,336	8,312	11,451	23,099	1,857,887	169,668	9,062	2,059,716
Feb.	3,490	8,887	7,776	20,153	1,963,418	168,464	7,357	2,159,392
Mar.	2,729	8,618	8,806	20,153	2,172,812	172,940	14,524	2,380,429
Apr.	3,200	9,984	8,061	21,245	2,278,923	173,295	13,211	2,486,673
May	3,233	9,506	7,093	19,832	2,191,874	171,885	27,115	2,410,706
June	4,053	8,764	7,254	20,071	2,421,691	174,972	30,727	2,647,461
July	2,356	9,773	7,109	19,238	2,388,079	173,516	44,919	2,625,752
Aug.	1,615	8,307	6,598	16,520	2,462,994	173,356	55,561	2,708,432
Sept.	3,217	8,482	6,822	18,521	2,441,337	179,915	61,259	2,701,032
Oct.	3,258	9,791	7,518	20,566	2,411,863	189,748	56,409	2,678,587
Nov.	3,603	9,504	7,200	20,307	2,351,000	189,157	40,863	2,601,326
Dec.	4,027	10,203	7,093	21,323	2,453,948	188,740	39,045	2,703,056
2000								
Jan.	4,002	9,595	4,871	18,467	2,246,372	196,215	42,533	2,503,587
Feb.	4,595	11,611	5,313	21,519	2,224,277	196,408	48,364	2,490,568
Mar.	4,553	12,977	7,588	25,118	2,233,955	182,422	51,290	2,492,784
Apr.	4,344	13,369	7,646	25,359	2,258,627	182,665	59,069	2,525,721
May	4,831	12,818	8,733	26,382	2,409,834	179,076	79,602	2,694,894
June	5,281	11,273	9,716	26,270	2,275,687	184,060	75,195	2,561,212
July	5,266	11,980	9,822	27,068	2,436,195	182,806	75,595	2,721,665
Aug.	5,087	12,023	9,790	26,900	2,697,332	182,026	80,847	2,987,105
Sept.	4,684	11,699	9,802	26,185	2,752,139	180,975	92,666	3,051,965

TABLE 1.4 STATEMENT OF ASSETS AND LIABILITIES INTERNATIONAL BANKING INSTITUTIONS

Assets

Lm thousands

End of Period	Cash and Deposits with Central Bank	Foreign Assets	Local Lending and Bills Discounted	Local Investments	Fixed and Other Assets	Total Assets
1995	712	241,121	157	161,931	3,825	407,746
1996	937	462,902	37	200,098	4,405	668,379
1997	867	817,949	598	217,221	5,249	1,041,884
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999						
Jan.	1,206	1,817,268	1,180	235,186	4,876	2,059,716
Feb.	1,211	1,924,453	1,469	226,998	5,261	2,159,392
Mar.	1,468	2,127,489	1,253	231,985	18,235	2,380,429
Apr.	1,735	2,236,889	1,294	235,637	11,118	2,486,673
May	1,755	2,146,475	1,573	241,012	19,893	2,410,706
June	1,574	2,374,948	1,959	246,043	22,939	2,647,461
July	1,741	2,355,802	1,931	246,786	19,492	2,625,752
Aug.	1,916	2,437,607	1,697	237,474	29,738	2,708,432
Sept.	2,118	2,423,200	4,539	235,536	35,640	2,701,032
Oct.	2,135	2,392,778	6,269	243,979	33,425	2,678,587
Nov.	2,018	2,332,304	6,438	249,741	10,825	2,601,326
Dec.	1,892	2,417,710	6,135	260,458	16,860	2,703,056
2000						
Jan.	2,248	2,187,697	7,123	277,348	29,172	2,503,587
Feb.	2,048	2,168,107	7,637	276,952	35,824	2,490,568
Mar.	2,078	2,160,660	7,019	275,193	47,835	2,492,784
Apr.	1,988	2,178,957	7,230	290,513	47,033	2,525,721
May	2,017	2,333,017	7,444	297,520	54,897	2,694,894
June	2,244	2,244,813	6,907	283,676	23,573	2,561,212
July	2,292	2,396,183	6,541	295,140	21,509	2,721,665
Aug.	2,241	2,662,484	7,034	293,428	21,918	2,987,105
Sept.	2,175	2,709,192	6,998	298,494	35,106	3,051,965

TABLE 1.5 MONETARY SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money[5] [M1]	Quasi-Money[6]	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government[2]	Claims on Private & Parastatal Sectors[3]	Total	Monetary Authorities	DMBs & IBIs[4]	Total				
1985	-18,018	212,809	194,791	485,945	48,843	534,788	316,565	353,063	59,951	729,579
1986	-3,025	244,689	241,664	493,865	55,184	549,049	318,456	385,663	86,594	790,713
1987	23,395	276,418	299,813	505,969	57,180	563,149	350,404	421,506	91,052	862,962
1988	24,841	311,231	336,072	515,671	68,111	583,782	362,193	478,115	79,546	919,854
1989	54,976	376,120	431,096	492,054	101,323	593,377	367,957	559,678	96,838	1,024,473
1990	86,123	470,848	556,971	456,727	131,675	588,402	384,453	648,123	112,797	1,145,373
1991	119,535	548,041	667,576	439,857	154,388	594,245	406,690	726,031	129,100	1,249,763
1992	121,591	608,202	729,793	492,220	260,418	752,638	408,552	830,008	243,871	1,482,431
1993	137,329	697,769	835,098	549,490	267,609	817,099	425,064	941,503	285,630	1,652,197
1994	150,632	782,019	932,651	690,434	316,907	1,007,341	463,547	1,106,721	369,724	1,939,992
1995	179,754	1,024,801	1,204,555	580,700	228,369	809,069	436,760	1,253,054	323,810	2,013,624
1996	238,942	1,146,429	1,385,371	554,119	196,713	750,832	454,089	1,413,169	268,945	2,136,203
1997	320,627	1,276,804	1,597,431	561,668	166,502	728,170	479,899	1,565,848	279,854	2,325,601
1998	350,202	1,417,559	1,767,761	639,991	217,114	857,105	523,628	1,693,146	408,092	2,624,866
1999										
Jan.	356,489	1,407,704	1,764,194	648,332	219,188	867,520	514,924	1,711,743	405,046	2,631,714
Feb.	361,975	1,415,756	1,777,733	643,217	223,109	866,326	516,617	1,729,950	397,491	2,644,058
Mar.	375,707	1,477,760	1,853,467	637,208	209,401	846,609	525,867	1,736,430	437,778	2,700,076
Apr.	387,384	1,481,187	1,868,570	651,862	189,916	841,778	533,448	1,754,249	422,651	2,710,348
May	399,026	1,511,647	1,910,673	652,089	224,722	876,811	542,445	1,775,435	469,605	2,787,484
June	377,623	1,511,636	1,889,259	685,774	218,872	904,646	553,260	1,798,029	442,616	2,793,905
July	388,653	1,507,486	1,896,139	689,843	237,583	927,427	550,780	1,819,862	452,923	2,823,565
Aug.	378,199	1,496,050	1,874,248	693,229	254,735	947,964	563,731	1,821,901	436,581	2,822,213
Sept.	356,840	1,562,933	1,919,773	695,526	251,475	947,001	555,807	1,819,501	491,465	2,866,774
Oct.	357,342	1,559,900	1,917,242	720,541	237,741	958,282	559,453	1,821,528	494,542	2,875,524
Nov.	348,660	1,562,000	1,910,660	742,909	200,154	943,062	563,610	1,839,037	451,075	2,853,722
Dec.	353,539	1,586,815	1,940,354	740,339	201,594	941,933	581,175	1,854,927	446,186	2,882,287
2000										
Jan.	367,701	1,593,928	1,961,629	732,609	174,934	907,543	567,948	1,867,558	433,667	2,869,172
Feb.	388,626	1,602,100	1,990,726	715,834	173,909	889,743	567,107	1,877,018	436,343	2,880,468
Mar.	382,220	1,662,133	2,044,353	708,953	172,034	880,987	557,886	1,883,951	483,504	2,925,340
Apr.	394,252	1,656,692	2,050,945	699,798	191,274	891,071	569,486	1,891,843	480,687	2,942,016
May	374,381	1,668,209	2,042,590	711,777	197,376	909,153	587,552	1,891,614	472,577	2,951,744
June	363,748	1,678,711	2,042,459	703,415	241,023	944,438	581,079	1,891,683	514,134	2,986,896
July	383,919	1,674,366	2,058,286	685,679	239,819	925,498	593,031	1,892,439	498,314	2,983,784
Aug.	384,154	1,670,482	2,054,636	686,433	254,448	940,881	612,809	1,888,741	493,967	2,995,517
Sept.	364,425	1,732,618	2,097,043	697,544	230,002	927,546	609,343	1,883,190	532,056	3,024,589

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

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

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

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

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

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

TABLE 1.6 BANKING SURVEY[1]

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money [M1]	Quasi-Money	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government	Claims on Private & Parastatal Sectors	Total	Monetary Authorities	All Banking Institutions[2]	Total				
1985	-17,354	217,574	200,220	485,945	60,332	546,277	316,558	359,348	70,590	746,497
1986	-2,371	248,831	246,460	493,865	68,176	562,041	318,450	392,425	97,626	808,501
1987	24,761	283,310	308,071	505,969	71,210	577,179	350,392	428,834	106,024	885,250
1988	28,259	325,539	353,798	515,671	78,197	593,868	362,185	486,307	99,174	947,666
1989	58,264	390,212	448,476	492,054	109,022	601,076	367,951	566,793	114,808	1,049,552
1990	91,177	486,841	578,018	456,727	139,860	596,587	384,438	657,223	132,944	1,174,605
1991	119,535	576,846	696,381	439,857	169,052	608,909	406,689	726,245	145,634	1,278,568
1992	121,591	638,078	759,669	492,220	198,759	690,979	408,551	830,231	211,866	1,450,648
1993	137,329	720,680	858,009	549,490	187,664	737,154	425,063	941,658	228,442	1,595,163
1994	150,632	816,586	967,218	690,434	187,106	877,540	463,547	1,106,721	274,490	1,844,758
1995	179,896	1,044,865	1,224,761	580,700	232,230	812,930	436,760	1,254,635	346,296	2,037,691
1996	239,084	1,190,485	1,429,569	554,119	199,999	754,118	454,089	1,414,215	315,383	2,183,687
1997	321,469	1,323,259	1,644,728	561,668	173,541	735,209	479,899	1,567,091	332,947	2,379,937
1998	355,996	1,459,815	1,815,811	639,991	224,137	864,128	523,628	1,698,959	457,352	2,679,939
1999										
Jan.	362,256	1,453,216	1,815,472	648,332	226,207	874,539	514,924	1,725,230	449,856	2,690,011
Feb.	367,762	1,461,464	1,829,227	643,217	230,144	873,361	516,617	1,745,200	440,770	2,702,587
Mar.	381,511	1,528,467	1,909,978	637,208	216,219	853,427	525,867	1,752,841	484,696	2,763,405
Apr.	393,284	1,531,208	1,924,491	651,862	196,750	848,612	533,448	1,764,575	475,080	2,773,103
May	404,828	1,555,903	1,960,731	652,089	231,577	883,666	542,445	1,786,514	515,439	2,844,397
June	383,426	1,557,364	1,940,790	685,774	225,593	911,367	553,260	1,808,234	490,663	2,852,157
July	393,160	1,554,176	1,947,336	689,843	244,391	934,235	550,780	1,831,170	499,620	2,881,570
Aug.	382,704	1,542,211	1,924,914	693,229	261,501	954,730	563,731	1,831,002	484,912	2,879,645
Sept.	362,075	1,610,603	1,972,678	695,526	258,247	953,773	555,807	1,827,983	542,661	2,926,451
Oct.	362,377	1,607,470	1,969,847	720,541	244,262	964,803	559,419	1,828,827	546,403	2,934,650
Nov.	353,215	1,610,735	1,963,950	742,909	206,517	949,425	563,610	1,846,624	503,141	2,913,375
Dec.	358,094	1,632,866	1,990,960	740,339	207,936	948,275	581,148	1,860,653	497,435	2,939,235
2000										
Jan.	372,256	1,634,295	2,006,551	732,609	181,161	913,770	567,902	1,873,635	478,785	2,920,321
Feb.	393,181	1,642,786	2,035,967	715,834	180,152	895,986	567,063	1,883,279	481,610	2,931,952
Mar.	386,775	1,695,651	2,082,426	708,953	178,160	887,113	557,843	1,890,114	521,583	2,969,539
Apr.	396,115	1,690,856	2,086,972	699,798	197,382	897,179	569,443	1,897,938	516,770	2,984,151
May	376,252	1,702,691	2,078,943	711,777	203,650	915,427	587,512	1,897,793	509,065	2,994,371
June	365,619	1,713,349	2,078,968	703,415	247,382	950,797	581,038	1,898,000	550,726	3,029,764
July	385,798	1,708,247	2,094,046	685,679	246,150	931,829	592,984	1,898,465	534,426	3,025,875
Aug.	386,240	1,705,220	2,091,460	686,433	260,751	947,184	612,778	1,896,201	529,665	3,038,644
Sept.	366,516	1,770,001	2,136,517	697,544	236,412	933,956	609,303	1,890,933	570,237	3,070,473

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

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

TABLE 1.7 NARROW MONEY AND QUASI-MONEY[1]

Lm thousands

End of Period	Narrow Money [M1]			Currency in Circulation as % of Broad Money	Quasi-Money			Broad Money [M3]
	Currency in Circulation	Demand Deposits	Total		Savings Deposits	Time Deposits	Total	
1985	273,337	43,221	316,558	40.4	122,888	236,460	359,348	675,906
1986	273,779	44,671	318,450	38.5	135,209	257,216	392,425	710,875
1987	300,225	50,167	350,392	38.5	150,228	278,606	428,834	779,226
1988	314,299	47,886	362,185	37.0	178,138	308,169	486,307	848,492
1989	319,405	48,546	367,951	34.2	205,298	361,495	566,793	934,744
1990	330,305	54,133	384,438	31.7	260,691	396,532	657,223	1,041,661
1991	344,342	62,347	406,689	30.4	310,302	415,943	726,245	1,132,934
1992	337,635	70,916	408,551	27.3	367,108	463,123	830,231	1,238,782
1993	353,258	71,805	425,063	25.8	415,292	526,366	941,658	1,366,721
1994	365,910	97,637	463,547	23.3	462,441	644,280	1,106,721	1,570,268
1995	351,779	84,981	436,760	20.8	510,842	743,793	1,254,635	1,691,395
1996	362,068	92,021	454,089	19.4	537,269	876,946	1,414,215	1,868,304
1997	363,765	116,134	479,899	17.8	574,125	992,966	1,567,091	2,046,990
1998	369,493	154,135	523,628	16.6	585,131	1,113,828	1,698,959	2,222,587
1999								
Jan.	366,801	148,123	514,924	16.4	592,908	1,132,322	1,725,230	2,240,154
Feb.	364,414	152,203	516,617	16.1	594,300	1,150,900	1,745,200	2,261,817
Mar.	367,039	158,829	525,867	16.1	601,396	1,151,445	1,752,841	2,278,708
Apr.	371,739	161,709	533,448	16.2	607,321	1,157,254	1,764,575	2,298,023
May	376,464	165,981	542,445	16.2	623,006	1,163,508	1,786,514	2,328,958
June	378,885	174,375	553,260	16.0	620,802	1,187,432	1,808,234	2,361,494
July	380,023	170,757	550,780	16.0	632,095	1,199,075	1,831,170	2,381,950
Aug.	377,572	186,159	563,731	15.8	624,856	1,206,146	1,831,002	2,394,733
Sept.	377,115	178,692	555,807	15.8	619,346	1,208,637	1,827,983	2,383,791
Oct.	378,008	181,412	559,419	15.8	627,625	1,201,202	1,828,827	2,388,247
Nov.	378,013	185,597	563,610	15.7	625,583	1,221,041	1,846,624	2,410,234
Dec.	384,593	196,555	581,148	15.8	637,402	1,223,251	1,860,653	2,441,800
2000								
Jan.	376,844	191,057	567,902	15.4	640,057	1,233,578	1,873,635	2,441,536
Feb.	376,481	190,582	567,063	15.4	643,792	1,239,487	1,883,279	2,450,342
Mar.	375,782	182,060	557,843	15.4	641,146	1,248,968	1,890,114	2,447,957
Apr.	383,836	185,607	569,443	15.6	637,934	1,260,004	1,897,938	2,467,381
May	384,508	203,004	587,512	15.5	626,549	1,271,244	1,897,793	2,485,306
June	387,937	193,102	581,038	15.6	624,232	1,273,768	1,898,000	2,479,038
July	390,998	201,986	592,984	15.7	620,543	1,277,922	1,898,465	2,491,449
Aug.	391,655	221,122	612,778	15.6	617,484	1,278,717	1,896,201	2,508,979
Sept.	393,851	215,452	609,303	15.8	606,694	1,284,239	1,890,933	2,500,236

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

TABLE 1.8 DEPOSITS WITH ALL BANKING INSTITUTIONS[1]

Analysis by Ownership and Type

Lm thousands

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal[2]	Corporate/ Business	Government	Public Sector[3]	Maltese Lira Deposits	Foreign Currency Deposits[4]			
1985	326,832	43,676	182	15,809	380,592	5,907	386,499	12,321	398,820
1986	359,609	44,258	132	19,872	416,695	7,176	423,871	14,261	438,132
1987	396,878	50,148	294	18,207	454,139	11,388	465,527	17,892	483,419
1988	452,890	56,578	139	17,326	512,009	14,924	526,933	26,326	553,259
1989	523,196	71,826	1,225	18,037	579,360	34,924	614,284	37,505	651,789
1990	609,524	81,398	2,158	14,847	642,867	65,060	707,927	60,241	768,163
1991	681,830	84,192	1,815	14,722	702,698	79,861	782,559	78,584	861,143
1992	766,751	107,243	2,029	15,519	793,705	97,837	891,542	118,074	1,009,616
1993	877,873	109,876	2,704	20,254	904,531	106,176	1,010,707	139,558	1,150,265
1994	1,029,646	136,222	2,211	23,963	1,069,068	122,974	1,192,042	170,199	1,362,241
1995	1,170,640	151,510	6,744	24,214	1,196,977	156,131	1,353,108	236,180	1,589,288
1996	1,322,162	160,545	8,952	26,691	1,345,124	173,226	1,518,350	363,449	1,881,799
1997	1,466,011	190,603	10,000	30,148	1,513,978	182,784	1,696,762	578,884	2,275,646
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
1999									
Jan.	1,628,622	215,422	11,192	39,537	1,697,168	197,605	1,894,773	1,071,477	2,966,250
Feb.	1,637,496	212,490	11,338	53,193	1,710,282	204,235	1,914,517	1,090,086	3,004,602
Mar.	1,654,016	214,279	10,780	47,302	1,728,172	198,205	1,926,377	1,091,879	3,018,256
Apr.	1,664,432	227,311	11,262	45,494	1,752,975	195,524	1,948,499	1,173,797	3,122,296
May	1,673,248	232,271	10,828	49,414	1,764,576	201,284	1,965,860	1,142,038	3,107,898
June	1,690,872	258,450	10,681	38,518	1,800,671	197,850	1,998,521	1,110,825	3,109,345
July	1,704,364	260,611	12,370	46,699	1,819,792	204,252	2,024,044	1,180,068	3,204,112
Aug.	1,697,125	278,826	11,612	52,305	1,833,096	206,773	2,039,868	1,194,919	3,234,787
Sept.	1,708,713	266,803	13,001	40,781	1,819,857	209,441	2,029,298	1,087,081	3,116,379
Oct	1,699,068	289,822	15,196	33,390	1,826,017	211,458	2,037,476	1,035,753	3,073,229
Nov.	1,700,365	301,959	13,226	35,572	1,849,598	201,524	2,051,122	1,117,943	3,169,065
Dec.	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000									
Jan.	1,703,847	328,097	14,003	38,070	1,879,444	204,573	2,084,017	1,026,177	3,110,195
Feb.	1,706,244	341,645	13,820	34,710	1,886,111	210,308	2,096,419	988,081	3,084,500
Mar.	1,709,700	344,161	13,413	32,590	1,890,022	209,842	2,099,864	1,108,481	3,208,345
Apr.	1,726,427	341,458	16,072	31,227	1,906,425	208,759	2,115,184	1,127,282	3,242,466
May	1,721,351	360,254	14,631	29,084	1,911,062	214,258	2,125,320	1,135,221	3,260,541
June	1,733,261	334,112	17,020	43,301	1,907,050	220,644	2,127,694	1,089,386	3,217,079
July	1,737,807	330,034	16,660	41,391	1,906,281	219,611	2,125,892	1,082,536	3,208,429
Aug.	1,739,345	335,241	16,281	48,885	1,915,407	224,345	2,139,752	1,138,971	3,278,723
Sept.	1,746,241	328,828	15,760	45,282	1,915,357	220,754	2,136,111	1,141,280	3,277,391

[1] Includes Deposit Money Banks, Other Banking Institutions and International Banking Institutions. For the purposes of this table, deposits include uncleared effects.

[2] Includes Bearer Deposits as from January 1985.

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

TABLE 1.9 CURRENCY IN CIRCULATION

Lm thousands

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System[2]	Currency in Circulation
	Notes[1]	Coin	Total		
1985	273,302	5,716	279,018	5,681	273,337
1986	277,483	5,510	282,993	9,214	273,779
1987	301,576	6,539	308,115	7,890	300,225
1988	314,771	7,325	322,096	7,797	314,299
1989	319,856	8,025	327,881	8,476	319,405
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
1998	375,209	15,702	390,911	21,418	369,493
1999					
Jan.	365,866	15,571	381,437	14,636	366,801
Feb.	365,933	15,484	381,418	17,003	364,414
Mar.	372,406	15,578	387,984	20,946	367,039
Apr.	373,046	15,599	388,645	16,906	371,739
May	377,519	15,660	393,179	16,715	376,464
June	383,117	15,872	398,989	20,104	378,885
July	381,513	16,143	397,655	17,632	380,023
Aug.	381,644	16,273	397,917	20,345	377,572
Sept.	381,294	16,300	397,594	20,479	377,115
Oct.	379,103	16,269	395,372	17,365	378,008
Nov.	380,420	16,209	396,629	18,616	378,013
Dec.	401,999	16,486	418,485	33,893	384,593
2000					
Jan.	380,156	16,185	396,341	19,497	376,844
Feb.	381,217	16,206	397,423	20,942	376,481
Mar.	379,998	16,225	396,223	20,440	375,782
Apr.	386,497	16,364	402,860	19,025	383,836
May	388,135	16,539	404,674	20,166	384,508
June	392,960	16,720	409,680	21,743	387,937
July	396,579	16,953	413,532	22,534	390,998
Aug.	396,639	17,217	413,856	22,200	391,655
Sept.	396,599	17,247	413,846	19,995	393,851

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

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

TABLE 1.10 DENOMINATIONS OF MALTESE CURRENCY ISSUED AND OUTSTANDING

Lm thousands

End of Period	Total Notes & Coins[1]	Currency Notes					
		Lm20	Lm10	Lm5	Lm2	Lm1	Total
1985	279,018	-	210,276	57,581	-	5,445	273,302
1986	282,993	74,798	162,286	34,470	2,952	2,977	277,483
1987	308,115	114,701	152,639	29,308	3,716	1,212	301,576
1988	322,096	128,777	153,006	28,210	3,882	896	314,771
1989	327,881	137,386	150,490	26,885	4,304	791	319,856
1990	339,519	143,772	154,214	27,325	4,681	723	330,715
1991	354,513	147,013	165,736	26,666	4,833	685	344,933
1992	350,611	112,591	195,027	26,772	5,092	662	340,144
1993	364,013	118,509	202,241	26,036	5,170	634	352,590
1994	379,082	122,770	211,079	26,965	5,816	-	366,630
1995	367,444	121,395	201,474	25,510	5,730	-	354,109
1996	380,246	123,243	210,985	26,211	5,859	-	366,298
1997	384,655	118,144	219,736	25,853	6,099	-	369,832
1998	390,911	109,720	234,117	24,174	5,793	-	373,804
1999							
Jan.	381,437	108,654	227,455	22,641	5,724	-	364,474
Feb.	381,418	108,231	227,526	23,092	5,751	-	364,600
Mar.	387,984	108,684	232,396	24,095	5,880	-	371,055
Apr.	388,645	108,656	233,148	23,933	5,995	-	371,732
May	393,179	109,455	236,147	24,518	6,097	-	376,217
June	398,989	109,616	240,839	25,200	6,172	-	381,827
July	397,655	109,453	240,515	25,360	6,184	-	381,512
Aug.	397,917	109,056	240,756	25,535	6,298	-	381,645
Sept.	397,594	108,413	241,598	25,046	6,238	-	381,295
Oct.	395,372	108,038	240,361	24,527	6,177	-	379,103
Nov.	396,629	107,722	242,553	24,051	6,094	-	380,420
Dec.	418,485	108,626	259,366	27,738	6,270	-	402,000
2000							
Jan.	396,341	107,036	243,575	23,472	6,073	-	380,156
Feb.	397,423	107,004	244,423	23,681	6,109	-	381,217
Mar.	396,223	106,808	243,225	23,808	6,157	-	379,998
Apr.	402,860	107,257	247,761	25,176	6,303	-	386,497
May	404,674	107,454	249,123	25,113	6,446	-	388,135
June	409,680	108,020	252,728	25,716	6,496	-	392,960
July	413,532	108,501	254,810	26,783	6,485	-	396,579
Aug.	413,856	107,914	255,839	26,315	6,571	-	396,639
Sept.	413,846	107,650	255,864	26,460	6,625	-	396,599

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

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY[1]

Lm thousands

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

Period	Liquid Assets			Net Short-term Liabilities[3]	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to Deposits[2]
1995	396,803	307,172	89,631	1,023,907	38.8	70.3
1996	498,944	346,358	152,586	1,154,527	43.2	72.0
1997	526,117	362,841	163,276	1,209,469	43.5	71.0
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
1999						
Jan.	587,932	391,140	196,792	1,303,801	45.1	71.5
Feb.	626,471	385,787	240,684	1,285,958	48.7	71.0
Mar.	635,938	387,540	248,398	1,291,801	49.2	73.5
Apr.	640,718	392,554	248,164	1,308,514	49.0	73.1
May	611,526	399,070	212,456	1,330,234	46.0	71.9
June	649,401	410,992	238,409	1,369,974	47.4	71.0
July	650,573	401,308	249,265	1,337,694	48.6	70.0
Aug.	686,408	407,686	278,722	1,358,954	50.5	68.6
Sept.	650,079	405,400	244,679	1,351,334	48.1	72.2
Oct.	712,994	430,876	282,118	1,436,252	49.6	71.8
Nov.	644,689	454,070	190,619	1,513,568	42.6	71.5
Dec.	694,529	459,454	235,075	1,531,512	45.3	71.8
2000						
Jan.	699,743	453,697	246,046	1,512,322	46.3	71.8
Feb.	696,179	453,569	242,610	1,511,896	46.0	71.9
Mar.	756,710	457,653	299,057	1,525,511	49.6	74.9
Apr.	718,435	457,262	261,173	1,524,208	47.1	74.2
May	731,493	455,400	276,093	1,518,001	48.2	74.0
June	751,182	464,301	286,881	1,547,671	48.5	74.2
July	669,797	461,318	208,479	1,537,726	43.6	73.8
Aug.	657,932	460,913	197,019	1,536,377	42.8	73.2
Sept.	701,167	464,329	236,838	1,547,763	45.3	76.5

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

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

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

TABLE 1.12 DEPOSIT MONEY BANK LIQUID ASSETS

Lm thousands

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

Period	Cash and Deposits with CBM[3]	Treasury Bills	Inter-Bank Deposits	Marketable Debt Securities[4]	Total Liquid Assets
1995	21,565	30,142	61,887	283,209	396,803
1996	20,264	67,173	70,741	340,766	498,944
1997	26,359	26,791	55,462	417,505	526,117
1998	31,064	33,110	47,280	485,394	596,848
1999					
Jan.	25,587	61,589	47,787	452,969	587,932
Feb.	23,213	70,958	52,266	480,034	626,471
Mar.	25,309	72,982	57,751	479,896	635,938
Apr.	25,328	91,611	52,430	471,349	640,718
May	17,867	93,252	65,442	434,965	611,526
June	18,602	113,432	59,118	458,249	649,401
July	24,328	118,065	46,656	461,524	650,573
Aug.	47,682	101,204	78,977	458,545	686,408
Sept.	36,833	83,690	39,983	489,573	650,079
Oct.	37,371	77,255	86,243	512,125	712,994
Nov.	13,071	75,201	44,818	511,599	644,689
Dec.	50,995	75,929	67,768	499,837	694,529
2000					
Jan.	43,378	76,951	71,182	508,232	699,743
Feb.	39,335	87,366	62,985	506,493	696,179
Mar.	43,823	99,851	90,260	522,776	756,710
Apr.	27,797	113,753	50,524	526,361	718,435
May	55,437	89,894	69,613	516,549	731,493
June	35,538	102,799	87,481	525,364	751,182
July	22,378	73,046	63,685	510,688	669,797
Aug.	8,244	77,732	58,077	513,879	657,932
Sept.	38,408	102,460	64,933	495,366	701,167

[1] 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.

[2] 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.

[3] Excludes balances held as reserve deposits.

[4] 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

Lm thousands

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

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
1999								
Jan.	106,391	77,796	50,745	10,723	195,748	82,057	171,629	242,178
Feb.	106,231	81,658	50,492	9,879	193,649	82,229	175,156	243,250
Mar.	108,733	82,764	49,052	10,028	203,219	84,648	185,743	259,513
Apr.	108,382	82,405	46,383	9,933	200,469	84,901	185,278	260,861
May	110,044	80,820	45,707	10,069	198,162	84,281	187,405	256,064
June	108,145	83,460	43,432	9,905	196,933	84,610	191,455	257,370
July	106,247	82,713	41,648	9,988	194,743	84,250	192,472	257,848
Aug.	103,448	82,093	41,122	10,103	190,530	85,776	192,645	255,442
Sept.	110,512	82,887	43,005	10,219	196,973	90,667	199,456	267,289
Oct.	107,948	80,041	42,465	10,224	194,969	90,592	201,675	266,376
Nov.	109,516	74,952	41,241	10,161	196,002	95,653	199,732	265,093
Dec.	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000								
Jan.	104,711	75,572	49,128	10,742	194,719	95,706	209,042	265,286
Feb.	102,265	75,739	49,283	10,317	194,323	96,130	206,591	270,511
Mar.	101,866	73,341	60,499	10,726	202,848	98,220	219,814	278,165
Apr.	99,570	72,741	59,445	10,992	198,715	96,576	219,899	275,697
May	97,888	76,158	59,752	10,760	199,912	97,419	220,318	278,800
June	99,848	72,965	62,784	10,732	197,466	97,011	218,932	279,471
July	99,091	72,520	63,231	11,280	197,482	93,774	222,173	276,605
Aug.	97,153	71,364	63,739	11,175	199,329	94,785	219,560	274,643
Sept.	94,027	93,077	65,427	11,449	212,983	87,500	222,525	285,320

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

Lm thousands

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

End of Period	Personal				Other[2] Services	All Other	Total Local Lending	Foreign Lending	Total
	House[1] Purchases	Consumer Durable Goods	Other	Total					
1993	16,055	3,539	38,791	58,385	16,612	62,787	626,677	5,925	632,602
1994	35,531	8,977	19,547	64,055	22,331	56,093	705,874	6,344	712,218
1995	46,424	22,882	21,951	91,256	36,670	82,438	935,659	13,546	949,205
1996	60,553	32,934	29,163	122,650	46,113	95,315	1,077,636	13,970	1,091,606
1997	78,443	35,966	25,988	140,397	54,456	113,555	1,187,172	14,340	1,201,512
1998	91,733	44,627	26,324	162,684	60,829	125,524	1,292,314	5,205	1,297,519
1999									
Jan.	96,747	46,577	26,456	163,258	60,575	122,897	1,283,997	5,020	1,289,017
Feb.	107,302	47,858	27,030	164,079	60,550	123,981	1,291,154	5,158	1,296,312
Mar.	96,747	46,577	26,456	169,780	64,530	128,265	1,346,275	5,481	1,351,756
Apr.	105,040	55,074	18,996	179,110	72,666	121,580	1,351,968	5,164	1,357,132
May	106,907	53,015	21,107	181,029	65,888	129,748	1,349,217	5,203	1,354,420
June	107,302	47,858	27,030	182,190	67,043	128,936	1,353,479	5,406	1,358,885
July	108,210	48,070	28,548	184,828	67,152	126,401	1,348,290	6,659	1,354,949
Aug.	109,257	48,082	28,910	186,249	67,523	122,542	1,337,473	7,489	1,344,962
Sept.	112,919	49,116	32,112	194,147	75,243	129,485	1,399,883	7,913	1,407,796
Oct.	118,701	55,163	28,114	201,978	73,268	124,633	1,394,169	7,753	1,401,922
Nov.	119,400	49,804	36,397	205,601	77,995	126,662	1,402,608	6,788	1,409,396
Dec.	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707
2000									
Jan.	117,017	49,454	39,395	205,866	80,460	142,241	1,433,473	7,135	1,440,608
Feb.	117,989	49,281	42,985	210,255	79,875	145,479	1,440,768	7,239	1,448,007
Mar.	135,396	52,443	52,042	212,041	88,653	152,646	1,498,819	7,177	1,505,996
Apr.	124,781	51,145	44,083	220,009	83,606	155,462	1,492,712	7,497	1,500,209
May	126,941	51,226	44,454	222,621	82,898	154,963	1,501,489	7,256	1,508,745
June	129,268	51,486	45,773	226,527	84,325	154,217	1,504,278	8,067	1,512,345
July	130,443	51,545	48,200	230,188	80,968	153,660	1,500,972	7,386	1,508,358
Aug.	132,064	51,412	48,764	232,240	80,675	152,910	1,497,573	7,443	1,505,016
Sept.	135,514	52,595	52,602	240,711	86,458	157,300	1,556,777	5,321	1,562,098

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

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

Lm thousands

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

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

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

Lm thousands

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

End of Period	Personal				Other[2] Services	All Other	Total Local Lending	Foreign Lending[3]	Grand Total
	House[1] Purchases	Consumer Durable Goods	Other	Total					
1993	82,830	16	120	82,966	2,712	7,063	179,706	79,287	258,993
1994	84,500	16	68	84,584	4,822	7,957	201,426	5,040	206,466
1995	86,135	38	72	86,245	1,841	3,272	146,937	86,619	233,556
1996	90,613	62	142	90,817	1,924	2,810	148,912	245,450	394,362
1997	95,247	52	130	95,429	1,987	3,103	142,089	447,503	589,592
1998	103,321	77	88	103,486	1,741	2,946	148,119	606,667	754,786
1999									
Jan.	103,441	74	87	103,602	1,723	3,045	145,736	608,327	754,063
Feb.	103,534	71	111	103,716	1,709	3,203	145,925	619,956	765,881
Mar.	107,407	73	143	107,623	1,727	2,920	149,079	639,900	788,979
Apr.	99,223	69	142	99,434	1,707	2,845	139,436	656,794	796,230
May	99,359	83	135	99,577	1,646	2,968	139,538	647,665	787,202
June	99,449	84	134	99,667	1,605	3,248	139,255	693,143	832,398
July	99,939	82	133	100,154	1,584	3,279	138,599	705,593	844,192
Aug.	99,382	78	132	99,592	1,560	2,990	137,456	672,965	810,420
Sept.	102,502	80	134	102,716	1,578	2,937	142,998	723,328	866,326
Oct.	103,124	80	182	103,332	1,556	5,229	144,506	691,523	836,029
Nov.	103,280	84	193	103,557	1,520	5,358	144,659	773,989	918,648
Dec.	103,070	92	190	103,352	1,504	4,767	143,623	815,458	959,081
2000									
Jan.	103,514	96	273	103,882	1,467	5,700	144,885	812,518	957,403
Feb.	104,021	91	415	104,527	1,369	6,190	145,886	812,948	958,834
Mar.	117,464	74	2486	108,877	1,382	5,538	149,325	780,357	929,682
Apr.	108,934	91	816	109,841	1,352	5,617	149,138	800,690	949,828
May	109,547	88	1074	110,709	1,283	5,506	149,964	807,963	957,927
June	111,388	84	1386	112,858	1,262	4,856	152,625	728,149	880,774
July	112,442	80	1683	114,204	1,242	4,898	152,015	893,479	1,045,494
Aug.	113,845	75	2039	115,959	1,212	5,298	153,888	901,224	1,055,112
Sept.	117,464	74	2486	120,024	1,219	5,515	157,897	883,621	1,041,518

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

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

Lm thousands

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1993	443	29,924	4,522	41,884	5,767	106	97,063	10,966
1994	454	38,744	3,751	50,572	7,422	66	103,901	12,122
1995	779	80,039	14,808	57,403	8,790	149	120,933	13,975
1996	808	86,053	15,512	64,830	11,615	217	131,073	17,599
1997	928	97,177	17,045	61,622	11,030	188	131,061	21,707
1998	1,080	105,820	31,877	52,368	10,949	154	132,176	24,158
1999	910	107,996	33,107	47,279	10,765	-	134,461	22,999
2000								
Mar.	966	100,900	31,858	45,405	11,171	-	141,454	21,800
June	469	99,379	31,332	46,836	11,111	-	137,041	22,307
Sept.	495	93,532	47,646	49,393	11,834	-	156,527	12,191

End of Period	Shipbuilding and Shiprepair	Building and Construction		Hotel, Restaurant and Tourist Trades		Wholesale and Retail Trades	
	Private /Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1993	64,579	26,519	1,552	62,931	1,173	117,249	2,284
1994	66,500	41,367	1,960	75,076	1,360	141,719	3,488
1995	63,536	62,494	3,534	103,211	1,071	183,703	729
1996	64,113	71,200	3,077	131,948	2,425	210,967	52
1997	60,460	69,231	2,974	171,964	2,525	226,681	6
1998	47,781	79,743	2,800	188,312	2,068	245,854	6
1999	46,909	94,189	2,666	218,053	2,830	269,119	9
2000							
Mar.	47,883	95,911	2,704	232,041	4,137	280,159	10
June	46,109	94,776	2,608	230,240	4,418	281,376	21
Sept.	51,723	85,116	2,646	233,278	4,456	287,173	18

End of Period	Personal	Other Services		All Other		Total Local Lending		
		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Total
1993	141,351	14,774	4,550	62,064	7,786	534,579	162,908	697,487
1994	148,639	22,042	5,111	58,248	5,802	603,138	185,205	788,343
1995	177,501	28,370	10,141	79,318	6,392	783,019	234,014	1,017,033
1996	213,467	37,851	10,186	93,483	4,642	921,650	249,505	1,171,155
1997	235,826	47,722	8,721	111,191	5,467	1,026,212	257,314	1,283,526
1998	266,170	54,748	7,822	124,727	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,723	1,524,562
2000								
Mar.	320,918	79,972	10,063	155,372	3,496	1,353,580	232,640	1,586,220
June	339,385	75,401	10,186	155,746	3,327	1,359,824	232,244	1,592,068
Sept.	360,735	77,231	10,446	159,211	3,604	1,427,174	220,081	1,647,255

[1] Loans and advances extended by Deposit Money Banks, Other Banking Institutions and International Banking Institutions. Public sector companies comprise entities that are subject to control by Government, control being defined as the ability to determine general corporate policy. Includes interest in suspense.

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

Lm thousands

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

End of Period		Size of Loans and Advances [2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.62	7.46	6.66	7.09
1992	Amount	56,552	125,587	99,836	257,192	539,167
	Interest Rate	7.24	7.71	7.55	6.62	7.11
1993	Amount	62,835	134,049	117,056	318,662	632,602
	Interest Rate	7.49	7.92	7.79	6.53	7.15
1994	Amount	75,537	156,107	133,338	347,239	712,218
	Interest Rate	7.60	7.99	7.90	6.61	7.26
1995	Amount	97,779	213,428	210,382	427,616	949,205
	Interest Rate	7.89	8.06	7.96	6.89	7.49
1996	Amount	109,058	249,572	237,482	495,517	1,091,606
	Interest Rate	8.03	8.35	8.34	7.13	7.76
1997	Amount	99,412	279,695	254,113	568,291	1,201,512
	Interest Rate	7.95	8.40	8.47	7.32	7.87
1998	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
1999						
Mar.	Amount	112,735	335,110	307,145	596,770	1,351,756
	Interest Rate	8.02	8.35	8.48	7.42	7.94
June	Amount	129,976	350,659	322,025	556,229	1,358,885
	Interest Rate	7.41	7.78	7.78	6.79	7.34
Sept.	Amount	135,757	359,476	314,725	597,840	1,407,796
	Interest Rate	7.41	7.71	7.84	6.68	7.27
Dec.	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest Rate	7.33	7.62	7.66	6.55	7.16
2000						
Mar.	Amount	145,197	398,187	341,181	621,431	1,505,996
	Interest Rate	7.36	7.65	7.67	6.52	7.16
June	Amount	154,805	404,425	324,065	629,049	1,512,345
	Interest Rate	7.41	7.58	7.58	6.53	7.12
Sept.	Amount	158,395	414,316	324,357	664,467	1,562,098
	Interest Rate	7.43	7.58	7.61	6.44	7.09

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

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

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

Lm thousands

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

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

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

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

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

	1994	1995	1996	1997	1998	1999	2000		
							Mar.	June	Sept.
Central Bank									
Discount Rate	5.50	5.50	5.50	5.50	5.50	4.75	4.75	4.75	4.75
Central Intervention Rate [2]	-	-	-	-	5.45	4.75	4.75	4.75	4.75
Injection Rate	-	-	-	-	5.50	4.80	4.80	4.80	4.80
Absorption Rate	-	-	-	-	5.40	4.70	4.70	4.70	4.70
Repurchase Agreements									
7 day Reverse Repo	-	4.94	5.01	5.22	5.43	4.70	4.72	4.72	4.72
7 day Repo	-	5.50	5.40	5.50	5.50	4.80	4.80	4.80	4.80
Standby (Collateralised) Loan Facility [3]	5.75	6.00	6.00	6.00	6.00	5.30	5.30	5.30	5.30
Overnight Deposit Facility [4]	2.50	2.50	-	-	-	1.80	1.80	1.80	1.80
Reserve Requirements	2.50	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Interbank Market Offered Rates									
1 week	-	-	-	5.26	5.56	4.74	4.73	4.74	4.77
1 month	-	-	-	5.38	5.70	4.75	4.85	4.90	4.90
3 month	-	-	-	5.51	5.95	5.27	5.27	5.27	5.27
Deposit Money Banks [5]									
Average Weighted Deposit Rate	3.95	4.00	4.24	4.39	4.42	4.32	4.22	4.18	4.16
Current	0.15	0.16	0.42	1.37	1.49	1.11	1.19	1.19	1.24
Savings	3.00	3.00	3.01	3.02	3.04	2.81	2.58	2.54	2.54
Time	5.00	5.01	5.29	5.35	5.35	5.43	5.31	5.29	5.27
Average Weighted Lending Rate	7.26	7.49	7.93	8.04	8.08	7.28	7.31	7.37	7.21
Government Securities									
Treasury Bills									
1 month	-	-	5.00	5.19	5.43	5.05	5.05	4.82	4.86
3 month	-	4.94	5.01	5.25	5.49	4.95	4.85	4.85	4.90
6 month	-	5.16	5.29	5.31	5.48	4.97	4.95	4.94	4.94
1 year	-	5.34	5.36	5.40	5.49	5.12	5.12	5.06	5.03
Government Stocks [6]									
1 year	-	-	5.12	5.30	5.58	4.86	5.03	5.01	5.02
5 year	5.79	6.60	6.65	6.82	5.80	5.46	5.33	5.42	5.37
10 year	6.65	7.08	7.23	7.26	6.00	5.55	5.60	5.73	6.04
15 year	-	-	7.49	7.62	6.47	6.03	5.95	5.94	6.62
20 year	-	-	-	-	6.86	6.14	6.01	6.15	6.70

[1] End of period rates.

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

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

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

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

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

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

Lm thousands

End of Period	Currency in Circulation	Deposits				Net Investments Abroad[2]	Total Non-Bank
		Demand	Savings	Time	Total		
1985	-10,347	5,722	18,608	27,444	51,774	-422	41,005
1986	442	1,450	12,321	20,756	34,527	-200	34,769
1987	26,446	5,496	15,019	21,390	41,905	-136	68,215
1988	14,074	-2,287	27,910	29,563	55,192	42	69,308
1989	5,106	660	27,160	53,326	81,146	-166	86,086
1990	10,900	5,587	55,393	35,037	96,017	-215	106,702
1991	14,037	8,214	49,611	19,411	77,236	-7,399	83,875
1992	-6,707	8,569	56,806	47,180	112,555	-9,500	96,348
1993	15,623	889	48,184	63,243	112,316	-8,737	119,202
1994	12,652	25,832	47,149	117,914	190,895	-16,969	186,578
1995	-14,141	-12,040	48,370	99,511	135,841	-14,069	107,631
1996	10,289	7,040	26,427	133,153	166,620	-13,087	163,822
1997	1,697	24,113	36,856	116,020	176,989	-14,603	164,083
1998	5,728	38,001	11,006	120,862	169,869	-10,553	165,044
1999							
Jan.	-2,692	-6,012	7,777	18,494	20,259	-1,179	16,388
Feb.	-2,387	4,080	1,392	18,578	24,050	-642	21,021
Mar.	2,624	6,626	7,096	545	14,267	-859	16,032
Apr.	4,701	2,880	5,925	5,809	14,614	-1,614	17,700
May	4,725	4,272	15,685	6,254	26,211	-1,190	29,745
June	2,421	8,394	-2,204	23,924	30,114	-1,841	30,694
July	1,137	-3,617	11,293	11,643	19,319	-2,108	18,349
Aug.	-2,451	15,402	-7,239	7,071	15,234	-1,650	11,133
Sept.	-457	-7,467	-5,510	2,491	-10,486	-729	-11,672
Oct.	892	2,719	8,279	-7,435	3,564	-1,444	3,012
Nov.	6	4,185	-2,042	19,839	21,982	-564	21,423
Dec.	6,579	10,959	11,819	2,209	24,987	-715	30,851
2000							
Jan.	-7,748	-5,498	2,655	10,327	7,484	-1,115	-1,379
Feb.	-363	-475	3,735	5,909	9,169	-2,239	6,567
Mar.	-699	-8,522	-2,646	9,481	-1,687	-464	-2,850
Apr.	8,053	3,547	-3,212	11,036	11,371	-900	18,524
May	673	17,397	-11,385	11,241	17,252	-470	17,455
June	3,428	-9,902	-2,317	2,523	-9,696	-683	-6,951
July	3,061	8,884	-3,689	4,154	9,350	-589	11,822
Aug.	658	19,136	-3,059	795	16,872	-711	16,818
Sept.	2,196	-5,670	-10,790	5,522	-10,938	-593	-9,335

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

TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE

Lm thousands

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary[1]	Grants	Total	Ordinary[1]	Capital[2]	Total		Local Loans	Foreign Loans	Total	
1985	216,848	248	217,096	187,086	40,560	227,646	-10,550	-	3,453	3,453	-7,097
1986	224,388	289	224,677	195,655	44,809	240,464	-15,787	-	1,175	1,175	-14,612
1987	221,055	2	221,057	208,739	54,881	263,620	-42,564	-	103	103	-42,461
1988	254,489	14,256	268,745	223,540	50,464	274,004	-5,259	46,885	-6,885	40,000	34,741
1989	277,348	8,131	285,479	244,425	76,321	320,745	-35,266	5,200	1,043	6,243	-29,023
1990	329,890	7,678	337,568	273,415	108,276	381,690	-44,122	34,200	13,841	48,041	3,919
1991	355,932	16,374	372,306	301,909	115,493	417,403	-45,097	30,375	9,110	39,485	-5,612
1992	341,766	16,392	358,158	330,014	58,017	388,032	-29,874	36,000	878	36,878	7,004
1993	388,179	8,428	396,607	368,624	59,673	428,297	-31,690	28,800	2,902	31,702	12
1994	416,068	12,853	428,921	410,365	62,340	472,705	-43,784	28,700	11,305	40,005	-3,779
1995	482,834	4,517	487,351	452,478	70,344	522,823	-35,472	32,500	655	33,155	-2,317
1996	447,470	20,805	468,275	505,195	73,527	578,722	-110,447	70,178	3,044	73,222	-37,225
1997[3]	504,415	9,809	514,224	538,276	103,392	641,668	-127,444	167,463	3,095	170,558	43,114
1998	539,070	10,043	549,113	569,150	96,846	665,997	-116,884	110,000	-	110,000	-6,884
1999	628,168	9,684	637,852	584,834	106,129	690,965	-53,113	54,530	-	54,530	1,417
1999											
Jan.	37,406	-	37,406	44,773	4,440	49,214	-11,808	-	-	-	-11,808
Feb.	40,734	-	40,734	42,574	5,865	48,439	-7,705	-	-	-	-7,705
Mar.	36,512	-	36,512	43,444	5,697	49,142	-12,630	-	-	-	-12,630
Apr.	59,889	-	59,889	56,019	7,551	63,570	-3,681	-	-	-	-3,681
May	42,457	6,410	48,867	44,073	11,198	55,270	-6,403	-	-	-	-6,403
June	63,880	-	63,880	48,027	6,589	54,616	9,264	-	-	-	9,264
July	44,508	-	44,508	63,543	6,274	69,817	-25,309	-	-	-	-25,309
Aug.	60,964	1,465	62,429	44,266	11,067	55,333	7,096	-	-	-	7,096
Sept.	52,088	-	52,088	41,448	5,617	47,065	5,023	54,530	-	54,530	59,553
Oct.	51,606	25	51,631	49,104	7,798	56,902	-5,271	-	-	-	-5,271
Nov.	43,331	-	43,331	42,899	10,571	53,470	-10,139	-	-	-	-10,139
Dec.	94,793	1,784	96,577	64,664	23,462	88,127	8,450	-	-	-	8,450
2000											
Jan.	29,283	-	29,283	42,101	6,247	48,348	-19,065	-	-	-	-19,065
Feb.	44,871	12	44,883	55,727	4,487	60,213	-15,330	-	-	-	-15,330
Mar.	54,337	-	54,337	65,515	5,683	71,199	-16,862	-	-	-	-16,862
Apr.	50,467	902	51,369	42,237	8,703	50,940	429	-	-	-	429
May	65,978	5,087	71,065	47,142	5,327	52,469	18,596	-	-	-	18,596
June	61,420	-	61,420	42,660	7,892	50,553	10,867	-	-	-	10,867
July	46,437	-	46,437	67,839	7,181	75,020	-28,583	-	-	-	-28,583
Aug.	49,063	-	49,063	43,745	5,208	48,953	110	-	-	-	110
Sept.	51,589	-	51,589	45,345	7,528	52,873	-1,284	-	-	-	-1,284

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

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

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

SOURCE: The Treasury

TABLE 2.2 GOVERNMENT REVENUE BY MAJOR SOURCES

Lm thousands

Period	Tax Revenue						Non-Tax Revenue[3]	Ordinary Revenue[4]	Foreign Grants	Total Revenue
	Income Tax	National Insurance[1] Contributions	V.A.T. & C.E.T.	Licences, Taxes & Fines[2]	Customs & Excise	Total				
1985	44,553	52,024	-	9,789	39,607	145,973	70,875	216,848	248	217,096
1986	43,590	52,280	-	10,777	43,891	150,538	73,850	224,388	289	224,677
1987	42,998	53,491	-	11,663	46,868	155,020	66,035	221,055	2	221,057
1988	46,740	57,938	-	14,302	54,679	173,659	80,830	254,489	14,256	268,745
1989	51,128	58,388	-	17,662	61,273	188,451	88,897	277,348	8,131	285,479
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
1999										
Jan.	5,496	6,029	6,186	4,186	3,807	25,704	11,702	37,406	-	37,406
Feb.	5,904	8,670	5,142	5,144	3,978	28,838	11,896	40,734	-	40,734
Mar.	7,505	11,059	8,107	6,171	1,496	34,338	2,174	36,512	-	36,512
Apr.	11,053	13,512	6,618	6,496	7,083	44,762	15,127	59,889	-	59,889
May	8,870	12,704	7,001	6,311	4,338	39,224	3,233	42,457	6,410	48,867
June	6,819	10,772	7,090	4,820	4,600	34,101	29,779	63,880	-	63,880
July	8,431	11,822	9,029	6,212	6,325	41,819	2,689	44,508	-	44,508
Aug.	16,372	11,131	7,188	6,004	3,463	44,158	16,806	60,964	1,465	62,429
Sept.	19,875	13,326	7,262	4,461	5,831	50,755	1,333	52,088	-	52,088
Oct.	15,348	11,300	7,686	6,708	3,433	44,475	7,131	51,606	25	51,631
Nov.	9,447	12,840	7,200	5,923	4,759	40,169	3,162	43,331	-	43,331
Dec.	13,234	21,109	6,514	5,524	6,313	52,694	42,099	94,793	1,784	96,577
2000										
Jan.	8,197	4,722	8,348	4,858	1,686	27,810	1,472	29,283	-	29,283
Feb.	7,303	13,587	8,301	5,406	5,827	40,424	4,447	44,871	12	44,883
Mar.	8,745	13,909	8,358	6,021	4,881	41,914	12,423	54,337	-	54,337
Apr.	15,037	12,180	8,355	7,200	5,302	48,074	2,393	50,467	902	51,369
May	14,003	13,573	8,361	5,191	4,694	45,822	20,156	65,978	5,087	71,065
June	11,164	13,053	8,358	6,050	4,912	43,537	17,883	61,420	-	61,420
July	11,485	12,588	9,142	5,845	4,817	43,877	2,560	46,437	-	46,437
Aug.	13,618	14,591	9,229	4,800	4,858	47,096	1,967	49,063	-	49,063
Sept.	14,911	13,813	9,087	5,888	4,738	48,437	3,152	51,589	-	51,589

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

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

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

[4] As from 1992, excludes the contribution by the Public Corporations/Authorities towards their own capital programme.

SOURCE: The Treasury

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

Lm thousands

Period	Productive	Infrastructure	Social	Total
1985	20,329	17,181	3,050	40,560
1986	18,855	18,830	7,124	44,809
1987	24,860	19,909	10,112	54,881
1988	25,734	15,478	9,252	50,464
1989	41,672	20,645	14,004	76,321
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997[2]	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
1999				
Jan.	3,268	670	502	4,440
Feb.	4,014	1,156	695	5,865
Mar.	2,541	1,980	1,176	5,697
Apr.	3,888	2,348	1,315	7,551
May	4,531	5,616	1,052	11,198
June	3,248	1,942	1,399	6,589
July	3,346	1,091	1,838	6,274
Aug.	8,078	1,643	1,346	11,067
Sept.	2,740	1,511	1,366	5,617
Oct.	5,605	-1,819	4,013	7,798
Nov.	3,276	3,846	3,449	10,571
Dec.	7,945	7,531	7,986	23,462
2000				
Jan.	4,671	768	808	6,247
Feb.	1,927	963	1,596	4,486
Mar.	1,640	2,196	1,847	5,683
Apr.	4,144	1,582	2,977	8,703
May	2,098	1,957	1,272	5,327
June	2,639	3,310	1,944	7,892
July	3,971	1,581	1,629	7,181
Aug.	1,549	1,770	1,888	5,208
Sept.	2,697	2,674	2,157	7,528

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

SOURCE: The Treasury

TABLE 3.1 TREASURY BILLS ISSUED AND OUTSTANDING[1]

Lm thousands

End of Period	Amount Maturing During Period	Amount Issued and Taken up by			Amount Outstanding[4] and held by		
		Banking System[2]	Non-Bank[3] Public	Total	Banking System[2]	Non-Bank[3] Public	Total
1987	-	28,427	1,173	29,600	28,405	1,195	29,600
1988	74,600	57,897	2,103	60,000	14,640	360	15,000
1989	17,000	20,915	1,085	22,000	19,675	325	20,000
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
1999							
Jan.	15,661	11,000	10,541	21,541	71,379	18,214	89,593
Feb.	26,357	9,800	19,342	29,142	78,958	13,420	92,378
Mar.	34,789	22,250	31,239	53,489	76,881	34,197	111,078
Apr.	36,419	33,250	16,751	50,001	97,769	26,891	124,660
May	39,529	23,800	23,603	47,403	99,326	33,208	132,534
June	45,539	38,300	1,130	39,430	120,292	6,133	126,425
July	38,160	27,500	22,647	50,147	120,994	17,418	138,412
Aug.	27,487	3,000	19,447	22,447	116,138	17,234	133,372
Sept.	31,118	-	-	-	97,808	4,446	102,254
Oct.	45,428	15,200	7,102	22,302	74,457	4,671	79,128
Nov.	23,647	18,000	10,019	28,019	77,453	6,047	83,500
Dec.	180	-	-	-	77,832	5,488	83,320
2000[4]							
Jan.	27,829	22,000	9,335	31,335	80,780	6,046	86,826
Feb.	9,072	16,939	9,602	26,541	91,941	12,354	104,295
Mar.	5,039	11,707	3,300	15,007	102,020	12,243	114,263
Apr.	13,214	23,900	14,419	38,319	117,084	22,284	139,368
May	52,691	22,800	1,838	24,638	97,270	14,045	111,315
June	15,007	21,497	7,735	29,232	106,844	18,696	125,540
July	42,423	11,000	47,841	58,841	85,104	56,854	141,958
Aug.	29,668	34,000	3,418	37,418	93,125	53,583	146,708
Sept.	32,732	22,168	5,832	28,000	107,802	37,174	144,976

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

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

Lm thousands

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Dates of Interest	Held By			Amount
					Banking System	Non-Bank Public	Govt. Sinking Fund	
6.50 % LDRS	2000 (IV)	1995	100	30 Mar. - 30 Sept.	9,359	1,141	-	10,500
6.65 % MGS	2000 (VI)	1997	100	24 May - 24 Nov.	14,418	3,082	-	17,500
3.00 % MGS	2001 [1]	1991	100	15 June - 15 Dec.	307	193	-	500
3.00 % MGS	2001 (II) [1]	1991	100	17 Aug. - 17 Feb.	387	113	-	500
3.00 % MGS	2001 (III) [1]	1991	100	21 Mar. - 21 Sept.	868	132	-	1,000
3.00 % MGS	2001 (IV) [1]	1991	100	19 Oct. - 19 Apr.	617	83	-	700
6.15 % LDRS	2001 (V)	1998	100	19 May - 19 Nov.	21,468	1,132	-	22,600
6.50 % LDRS	2001	1994	100	15 July - 15 Jan.	1,409	591	-	2,000
6.50 % LDRS	2001 (II)	1994	100	19 May - 19 Nov.	6,435	3,565	-	10,000
6.75 % LDRS	2001 (III)	1995	100	28 Apr. - 1 Aug.	4,908	4,092	-	9,000
6.75 % LDRS	2001 (IV)	1996	100	20 Jan. - 30 July	5,057	2,443	-	7,500
7.75 % LDRS	2002	1992	100	3 Apr. - 3 Oct.	3,666	16,534	-	20,200
6.90 % LDRS	2002 (II)	1995	100	10 Jun. - 10 Dec.	4,719	5,281	-	10,000
6.90 % LDRS	2002 (III)	1995	100	30 Mar. - 30 Sept.	7,587	4,913	-	12,500
6.90 % LDRS	2002 (IV)	1997	100	30 Mar. - 30 Sept.	19,118	4,632	-	23,750
7.00 % LDRS	2003 [2]	1993	100	18 Feb. - 18 Aug.	9,852	18,215	-	28,067
7.00 % MGS	2003 (II)	1993	100	3 Jul. - 3 Jan.	5,443	15,390	-	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	8,163	10,537	-	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	21,456	4,396	-	25,852
7.25 % MGS	2005	1997	100	10 Jun. - 10 Dec.	16,173	7,327	-	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	19,630	11,870	-	31,500
7.00 % MGS	2006	1994	100	19 May - 19 Nov.	859	9,141	-	10,000
7.00 % MGS	2006 (IV)	1996	100	20 Jan. - 20 July	-	167	-	167
7.25 % MGS	2006 (II)	1995	100	28 Apr. - 1 Aug.	4,533	14,717	-	19,250
7.25 % MGS	2006 (III)	1996	100	20 Jan. - 20 July	6,245	8,755	-	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	13,187	11,563	-	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Ot	8,647	1,353	-	10,000
5.60 % MGS	2007 (III)	2000	100	10 Jun. - 10 Dec.	6,789	3,211	-	10,000
7.20 % MGS	2008	1998	100	28 Feb. - 15 July	7,369	2,631	-	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	17,202	12,798	-	30,000
7.00 % MGS	2009	1999	100	1 Mar. - 1 Sept.	-	65	-	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	10,068	14,932	-	25,000
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	14,138	862	-	15,000
5.75 % MGS	2010 (II)	2000	100	10 Jun. - 10 Dec.	16,362	2,138	-	18,500
7.00 % MGS	2010 [2]	2000	100	30 June - 30 Dec.	-	545	-	545
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	6,658	8,342	-	15,000
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	13,534	20,966	-	34,500
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	13,526	20,724	-	34,250
6.10 % MGS	2015	2000	100	10 Jun. - 10 Dec.	7,030	22,970	-	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	23,214	46,786	-	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	10,100	33,900	-	44,000
Total					360,501	352,228	-	712,729

[1] Interest thereon exempted from income tax.

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

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

SOURCE: Malta Stock Exchange.

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

Lm thousands

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

[1] Refers to the maximum redemption period.

TABLE 3.4 GOVERNMENT EXTERNAL DEBT BY TYPE OF CREDITOR

Lm thousands

Period	Official Bilateral Entities[1]	Official Multilateral Organisations[2]	Private Commercial Banks[3]	Total
1985	39,472	3,052	-	42,524
1986	32,630	2,809	-	35,439
1987	27,319	2,522	-	29,841
1988	26,057	2,081	-	28,138
1989	23,978	2,911	-	26,889
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
1999	28,101	12,344	3,904	44,349
2000				
Mar.	25,099	15,010	3,897	44,006
June	24,381	14,755	3,378	42,514
Sept.	24,133	14,922	3,478	42,533

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

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

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

[4] Provisional.

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

TABLE 3.5 GOVERNMENT EXTERNAL DEBT BY CURRENCY

Lm thousands

Period	FFr	Stg	DM	Yen	EURO[1]	US$	Lit	Others	Total
1985	488	7,830	5,519	-	2,654	10,897	38	15,098	42,524
1986	449	4,741	5,781	-	2,533	8,842	-	13,092	35,438
1987	401	4,365	5,672	-	2,368	6,858	-	10,176	29,840
1988	329	4,293	5,060	-	2,049	6,702	-	9,704	28,137
1989	300	3,616	5,092	-	2,901	6,152	-	8,829	26,890
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000 [2]									
Mar.	-	-	1,993	3,897	9,400	7,170	19,758	1,789	44,006
June	-	-	1,846	3,378	9,082	7,190	19,212	1,806	42,514
Sept.	-	-	1,792	3,478	8,959	7,557	19,230	1,516	42,533

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

[2] Provisional

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

TABLE 3.6 GOVERNMENT EXTERNAL DEBT BY REMAINING TERM TO MATURITY

Lm thousands

Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1985	38	1,573	10,972	14,865	10,806	4,270	42,524
1986	0	1,694	8,736	10,684	10,306	4,019	35,438
1987	151	1,105	11,453	7,242	6,170	3,720	29,841
1988	176	1,950	13,436	3,799	5,060	3,716	28,137
1989	23	1,459	12,710	3,699	5,092	3,906	26,889
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	0	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000 [1]							
Mar.	-	13,558	13,403	14,386	1,355	1,305	44,006
June	-	12,705	13,071	12,754	2,668	1,316	42,514
Sept.	-	12,626	13,567	13,774	1,298	1,268	42,533

[1] Provisional.

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

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

Lm thousands

Period	Monetary Authorities							
	Central Bank of Malta				Government & Parastatal Companies[2]			Total (A+B)
	Gold and Other Precious Metals	Convertible Currencies	IMF Related Assets [3]	Total (A)	Foreign Currency Deposits [5]	Other Official Funds [4,5]	Total (B)	
1990	12,979	380,527	33,618	427,124	15,874	1,765	17,639	444,763
1991	6,437	366,822	37,175	410,434	4,459	11,992	16,451	426,885
1992	9,101	435,857	30,061	475,019	4,874	12,337	17,211	492,230
1993	10,216	490,358	32,827	533,401	4,347	11,747	16,094	549,495
1994	7,314	577,501	32,829	617,644	61,672	11,118	72,790	690,434
1995	3,596	471,090	34,007	508,693	60,844	11,163	72,007	580,700
1996	3,646	468,523	36,408	508,577	34,739	10,803	45,542	554,119
1997	1,311	501,379	38,912	541,602	9,086	10,980	20,066	561,668
1998	688	598,874	40,429	639,991	-	-	-	639,991
1999								
Jan.	687	607,216	40,429	648,332	-	-	-	648,332
Feb.	708	601,786	40,723	643,217	-	-	-	643,217
Mar.	700	603,874	32,635	637,208	-	-	-	637,208
Apr.	724	617,760	33,378	651,862	-	-	-	651,862
May	598	617,830	33,662	652,089	-	-	-	652,089
June	670	651,349	33,756	685,774	-	-	-	685,774
July	511	655,549	33,783	689,843	-	-	-	689,843
Aug.	628	658,229	34,372	693,229	-	-	-	693,229
Sept.	711	660,372	34,443	695,526	-	-	-	695,526
Oct.	721	685,093	34,727	720,541	-	-	-	720,541
Nov.	700	706,650	35,558	742,909	-	-	-	742,909
Dec.	737	704,084	35,517	740,339	-	-	-	740,339
2000								
Jan.	747	696,405	35,457	732,609	-	-	-	732,609
Feb.	703	679,432	35,698	715,834	-	-	-	715,834
Mar.	743	672,042	36,168	708,953	-	-	-	708,953
Apr.	758	662,546	36,494	699,798	-	-	-	699,798
May	714	674,318	36,745	711,777	-	-	-	711,777
June	746	666,099	36,569	703,415	-	-	-	703,415
July	632	648,348	36,699	685,679	-	-	-	685,679
Aug.	742	648,045	37,647	686,433	-	-	-	686,433
Sept.	739	659,141	37,664	697,544	-	-	-	697,544

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

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

(Continued)

Lm thousands

Period	Deposit Money Banks [2] & Other Banking Institutions			Total (A+B+C)	International Banking Institutions [2]			Grand Total (A+B+C+D)
	Assets	Liabilities	Net (C)		Assets	Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	554,059	339,032	215,027	795,727	233,535	216,332	17,203	812,930
1996	585,607	407,831	177,776	731,895	453,720	431,497	22,223	754,118
1997	532,762	410,258	122,504	684,172	804,388	753,351	51,037	735,209
1998	596,369	514,407	81,962	721,953	1,606,314	1,464,139	142,175	864,128
1999								
Jan.	611,995	531,019	80,976	729,308	1,765,350	1,620,119	145,231	874,539
Feb.	639,804	555,839	83,965	727,182	1,854,224	1,708,045	146,179	873,361
Mar.	617,730	550,882	66,848	704,056	2,050,512	1,901,141	149,371	853,427
Apr.	614,929	553,849	61,080	712,942	2,157,362	2,021,693	135,670	848,612
May	663,192	575,066	88,126	740,215	2,051,003	1,907,552	143,451	883,666
June	630,996	558,451	72,545	758,319	2,286,056	2,133,008	153,048	911,367
July	626,166	543,509	82,657	772,500	2,266,158	2,104,424	161,734	934,235
Aug.	641,277	543,961	97,316	790,545	2,332,226	2,168,041	164,185	954,730
Sept.	660,375	573,525	86,850	782,376	2,304,576	2,133,179	171,397	953,773
Oct.	661,669	594,036	67,634	788,175	2,278,456	2,101,828	176,628	964,803
Nov.	668,041	612,114	55,927	798,836	2,210,225	2,059,635	150,590	949,425
Dec.	647,620	601,424	46,196	786,535	2,275,154	2,113,414	161,740	948,275
2000								
Jan.	660,033	625,940	34,093	766,702	2,039,167	1,892,099	147,068	913,770
Feb.	663,869	619,549	44,320	760,154	2,003,861	1,868,029	135,832	895,986
Mar.	693,492	646,899	46,593	755,546	1,998,920	1,867,353	131,567	887,113
Apr.	721,346	654,725	66,621	766,419	2,009,968	1,879,207	130,761	897,179
May	741,620	674,963	66,657	778,434	2,156,397	2,019,403	136,993	915,427
June	756,570	681,365	75,205	778,620	2,064,449	1,892,272	172,177	950,797
July	762,049	683,700	78,349	764,028	2,205,767	2,037,966	167,801	931,829
Aug.	765,414	671,294	94,120	780,553	2,461,583	2,294,952	166,631	947,184
Sept.	752,926	683,185	69,741	767,285	2,492,061	2,325,390	166,671	933,956

[1] On cash accounting basis.

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

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

End of Period Rates

End of Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1985	1.6378	5.7980	2.3593	2.6544	3955.37	17.789	6.532	118.673	472.76	4.896
1986	1.8341	5.2555	2.7090	2.5322	3661.89	17.405	5.935	109.511	432.97	4.393
1987	1.7151	5.0784	3.2081	2.4652	3753.48	17.240	5.714	106.365	390.83	4.113
1988	1.6775	5.3756	3.0107	2.5858	3954.55	18.344	6.070	112.871	378.90	4.555
1989	1.8539	5.0392	2.9686	2.5005	3771.61	17.233	5.694	105.831	426.81	4.589
1990	1.7335	5.0006	3.3249	2.4349	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	2.4448	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	2.2136	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	2.2678	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	2.2083	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	2.1586	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	2.2173	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	2.3101	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	2.2640	4382.63	14.870	4.990	91.360	300.71	3.645
1999	1.4983	4.7163	2.4230	2.4114	4669.13	15.818	5.314	97.276	247.64	3.870
2000										
Apr. 7	1.4850	4.8053	2.3467	2.4569	4757.25	16.116	5.414	99.112	247.26	3.868
14	1.4823	4.7995	2.3568	2.4539	4751.49	16.097	5.408	98.992	248.36	3.857
21	1.4703	4.8508	2.3227	2.4802	4802.27	16.269	5.466	100.050	244.06	3.901
28	1.4572	4.9062	2.2885	2.5085	4857.11	16.455	5.528	101.192	245.35	3.944
May 5	1.4716	4.9135	2.2609	2.5122	4864.38	16.479	5.536	101.344	244.81	3.885
12	1.4918	4.8861	2.2580	2.4982	4837.24	16.387	5.505	100.778	245.48	3.881
19	1.5034	4.9043	2.2259	2.5075	4855.22	16.448	5.526	101.153	238.65	3.891
26	1.5336	4.8264	2.2581	2.4677	4778.17	16.187	5.438	99.548	242.63	3.858
June 2	1.5312	4.7802	2.3065	2.4441	4732.39	16.032	5.386	98.594	249.69	3.849
9	1.5375	4.7673	2.3110	2.4375	4719.59	15.989	5.372	98.327	247.19	3.811
16	1.5376	4.7529	2.3255	2.4301	4705.40	15.941	5.355	98.032	247.03	3.794
23	1.5314	4.7833	2.3031	2.4456	4735.44	16.042	5.390	98.657	239.95	3.795
30	1.5372	4.7527	2.3263	2.4300	4705.22	15.940	5.355	98.028	244.97	3.787
July 7	1.5318	4.7735	2.3124	2.4407	4725.76	16.010	5.379	98.456	248.62	3.770
14	1.5288	4.7976	2.2923	2.4530	4749.61	16.090	5.406	98.953	247.85	3.800
21	1.5191	4.8062	2.2970	2.4574	4758.14	16.119	5.415	99.130	250.00	3.815
28	1.5183	4.8237	2.2810	2.4663	4775.42	16.178	5.435	99.490	249.98	3.818
Aug. 4	1.5020	4.8756	2.2539	2.4928	4826.82	16.352	5.494	100.561	244.35	3.849
11	1.5052	4.8576	2.2662	2.4837	4809.04	16.292	5.473	100.191	246.17	3.856
18	1.5126	4.8505	2.2630	2.4800	4801.97	16.268	5.465	100.043	246.27	3.877
25	1.5207	4.8606	2.2429	2.4852	4811.99	16.302	5.477	100.252	240.44	3.838
Sept. 1	1.5295	4.8756	2.2180	2.4928	4826.80	16.352	5.494	100.561	236.36	3.868
8	1.5211	4.9259	2.1845	2.5186	4876.62	16.521	5.550	101.599	230.03	3.898
15	1.5401	4.9164	2.1695	2.5137	4867.26	16.489	5.540	101.404	233.57	3.842
22	1.5161	4.8943	2.2183	2.5024	4845.34	16.415	5.515	100.947	238.16	3.823
29	1.5037	4.9230	2.2090	2.5171	4873.81	16.511	5.547	101.540	239.40	3.841

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

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

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

Averages for the Period

Period	Stg	DM	US$	Euro[2]	Lit	FFr	NLG	Bfr	Yen	Sfr
1985	1.6580	6.2643	2.1385	2.8057	3750.50	19.121	7.066	126.340	507.67	5.225
1986	1.7374	5.5167	2.5482	2.5969	3788.76	17.609	6.221	113.492	427.88	4.535
1987	1.7696	5.2001	2.8981	2.5107	3750.50	17.391	5.859	108.044	419.37	4.313
1988	1.6987	5.3029	3.0251	2.5565	3928.82	17.989	5.968	111.002	387.38	4.417
1989	1.7528	5.3898	2.8712	2.6048	3932.95	18.288	6.080	112.939	395.63	4.688
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
1999										
Jan.	1.5958	4.4284	2.6345	2.2693	4393.90	14.886	5.001	91.542	297.98	3.643
Feb.	1.5814	4.4945	2.5749	2.2980	4449.59	15.074	5.064	92.702	300.48	3.673
Mar.	1.5619	4.5481	2.5317	2.3254	4502.57	15.254	5.125	93.806	303.11	3.708
Apr.	1.5556	4.5759	2.5049	2.3396	4530.10	15.347	5.156	94.379	299.64	3.747
May	1.5462	4.5933	2.4971	2.3485	4547.33	15.405	5.175	94.738	304.52	3.764
June	1.5408	4.6298	2.4597	2.3672	4583.47	15.528	5.217	95.491	297.07	3.775
July	1.5547	4.6234	2.4472	2.3639	4577.16	15.506	5.209	95.360	292.67	3.792
Aug.	1.5507	4.5927	2.4909	2.3482	4546.75	15.403	5.175	94.726	282.32	3.758
Sept.	1.5294	4.6256	2.4829	2.3650	4579.29	15.513	5.212	95.404	265.80	3.788
Oct	1.5212	4.6053	2.5217	2.3547	4559.25	15.446	5.189	94.987	267.37	3.754
Nov	1.5176	4.6569	2.4629	2.3810	4610.34	15.619	5.247	96.051	258.04	3.822
Dec	1.5063	4.7000	2.4294	2.4030	4652.95	15.763	5.296	96.939	249.08	3.847
2000										
Jan.	1.4895	4.7109	2.4438	2.4087	4663.81	15.800	5.308	97.165	257.19	3.879
Feb.	1.4929	4.7533	2.3903	2.4303	4705.81	15.942	5.356	98.040	261.57	3.906
Mar.	1.4943	4.7799	2.3594	2.4439	4732.09	16.031	5.386	98.588	251.49	3.922
Apr.	1.4767	4.8261	2.3384	2.4675	4777.80	16.186	5.438	99.540	246.59	3.883
May	1.4990	4.8749	2.2595	2.4925	4826.16	16.350	5.493	100.547	244.47	3.880
June	1.5348	4.7677	2.3145	2.4377	4719.99	15.990	5.372	98.335	245.79	3.805
July	1.5265	4.7904	2.3029	2.4493	4742.45	16.066	5.398	98.803	248.52	3.799
Aug.	1.5120	4.8645	2.2510	2.4872	4815.81	16.315	5.481	100.332	243.14	3.857
Sept.	1.5265	4.9110	2.1911	2.5110	4861.92	16.471	5.534	101.293	234.13	3.844

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

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

TABLE 4.4 MALTA'S FOREIGN TRADE

Lm thousands

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1985	169,244	17,856	187,100	354,138	-167,038
1986	180,317	14,351	194,668	348,113	-153,445
1987	190,706	17,883	208,589	392,876	-184,287
1988	217,147	18,774	235,921	447,432	-211,511
1989	273,607	20,798	294,405	515,809	-221,404
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,650	-362,710
1996	569,900	54,250	624,150	1,007,800	-383,650
1997 [1]	563,950	64,980	628,930	984,230	-355,300
1998 [1]	664,816	47,169	711,985	1,034,920	-322,935
1999 [1]	712,436	78,700	791,136	1,136,233	-345,097
1999 [1]					
Jan.	57,862	3,885	61,747	80,991	-19,243
Feb.	52,532	10,664	63,196	77,721	-14,526
Mar.	59,381	4,725	64,106	93,077	-28,971
Apr.	60,765	5,270	66,035	96,717	-30,682
May	62,810	4,801	67,611	96,835	-29,224
June	56,572	6,577	63,149	88,326	-25,177
July	54,937	8,565	63,502	94,479	-30,977
Aug.	55,839	6,761	62,600	84,606	-22,006
Sept.	56,430	5,223	61,653	91,843	-30,190
Oct.	66,792	7,471	74,263	113,316	-39,053
Nov.	65,198	7,334	72,532	109,076	-36,544
Dec.	63,319	7,424	70,743	109,247	-38,504
2000					
Jan.	65,101	8,189	73,290	97,234	-23,944
Feb.	73,737	6,441	80,178	109,873	-29,695
Mar.	77,789	7,560	85,349	117,792	-32,443
Apr.	75,781	8,302	84,083	121,585	-37,502
May	82,989	9,681	92,670	129,519	-36,849
June	80,300	8,790	89,090	134,735	-45,645
July	79,330	8,549	87,879	127,747	-39,868
Aug.	73,144	8,468	81,612	119,349	-37,737
Sept.	94,902	7,746	102,648	121,346	-18,698

[1] Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics.

TABLE 4.5 DIRECTION OF TRADE - TOTAL EXPORTS

Lm thousands

Period	United Kingdom	Italy	Germany[1]	France	Other EU	Libya	United States	Others	Total
1985	29,940	17,691	57,291	5,069	14,513	11,948	11,884	38,763	187,099
1986	26,554	20,986	61,916	6,652	13,494	9,729	14,872	40,465	194,668
1987	28,354	30,045	64,492	4,772	13,638	18,494	16,080	32,714	208,589
1988	31,022	41,132	63,918	9,869	14,492	14,585	26,304	34,599	235,921
1989	31,489	89,333	66,087	15,616	15,886	15,917	16,430	43,648	294,406
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,946
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997[2]	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,913
1998[2]	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
1999[2]	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,141
1999[2]									
Jan.	6,213	2,949	7,709	11,834	4,302	2,885	11,092	14,763	61,747
Feb.	3,927	2,686	8,071	13,402	4,938	1,315	15,743	13,113	63,195
Mar.	5,412	2,782	8,319	13,499	4,500	1,668	10,954	16,972	64,106
Apr.	6,297	3,599	9,318	10,895	4,669	1,229	13,924	16,105	66,036
May	6,246	3,854	8,154	10,276	4,487	1,210	14,763	18,622	67,612
June	4,522	4,943	7,117	9,180	4,508	1,286	15,187	16,406	63,149
July	5,444	3,000	7,919	8,254	5,088	2,019	16,392	15,387	63,503
Aug.	6,630	2,697	8,353	9,081	3,013	1,153	13,546	18,127	62,600
Sept.	4,329	2,332	8,204	9,274	3,749	1,744	13,548	18,474	61,654
Oct.	7,280	3,345	10,758	8,617	5,198	2,179	15,235	21,651	74,263
Nov.	9,421	3,798	8,809	9,197	1,837	1,000	13,383	25,087	72,532
Dec.	7,481	2,873	6,659	6,879	4,055	2,506	14,854	25,437	70,744
2000									
Jan.	7,118	2,400	7,210	9,275	4,267	459	18,626	23,935	73,290
Feb.	6,416	3,528	9,783	7,754	4,806	2,698	19,611	25,582	80,178
Mar.	6,836	3,564	9,354	4,740	4,021	1,207	20,129	35,498	85,349
Apr.	6,659	3,252	9,179	5,570	5,163	814	22,233	31,213	84,083
May	5,800	3,209	9,508	7,463	4,299	765	26,284	35,342	92,670
June	4,836	3,653	8,625	9,004	3,884	643	28,240	30,205	89,090
July	6,603	2,700	8,790	5,282	4,296	927	25,184	34,097	87,879
Aug.	5,182	2,207	7,507	5,060	2,279	1,611	23,380	34,386	81,612
Sept.	6,511	3,388	7,979	8,439	4,544	2,632	28,832	40,323	102,648

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

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

TABLE 4.6 DIRECTION OF TRADE - IMPORTS

Lm thousands

Period	United Kingdom	Italy	Netherlands	France	Germany[1]	Other EU	United States	Others	Total
1985	65,746	81,846	10,663	14,509	63,100	22,132	20,314	75,828	354,138
1986	61,306	81,153	10,962	14,746	65,832	18,035	18,156	77,923	348,113
1987	67,589	74,482	12,562	13,602	68,231	21,982	42,131	92,297	392,876
1988	79,917	99,675	12,882	22,157	66,173	20,558	42,707	103,363	447,432
1989	82,304	155,780	14,723	28,596	66,446	35,433	20,184	112,343	515,809
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997[2]	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998[2]	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999[2]	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,234
1999[2]									
Jan.	7,972	14,389	1,827	16,418	7,316	4,603	9,291	19,174	80,990
Feb.	8,373	13,615	1,853	15,115	8,443	5,711	5,867	18,744	77,721
Mar.	11,233	15,560	2,199	16,694	10,126	6,204	7,140	23,922	93,078
Apr.	11,923	16,209	1,906	17,446	10,177	6,796	9,121	23,139	96,717
May	11,173	15,162	1,645	18,078	8,794	7,224	7,037	27,722	96,835
June	8,900	16,367	1,950	14,686	10,740	5,864	6,699	23,120	88,326
July	10,645	15,293	2,428	18,105	10,866	6,573	7,451	23,118	94,479
Aug.	10,787	12,406	2,089	15,199	8,763	5,240	8,164	21,958	84,606
Sept.	9,604	15,696	1,986	16,562	9,572	4,904	8,903	24,616	91,843
Oct.	11,792	20,505	2,891	22,831	9,729	6,916	9,066	29,586	113,316
Nov.	11,407	16,682	2,609	22,583	10,143	6,860	9,447	29,345	109,076
Dec.	9,927	17,989	2,314	23,304	8,900	6,280	7,778	32,755	109,247
2000									
Jan.	7,813	17,390	1,758	16,116	7,916	5,588	8,188	32,465	97,234
Feb.	9,714	21,702	2,036	20,274	10,083	6,727	10,514	28,823	109,873
Mar.	10,987	21,919	2,456	21,671	10,544	7,404	11,065	31,745	117,791
Apr.	10,984	19,952	2,067	17,340	9,876	6,576	11,951	42,839	121,585
May	10,266	20,364	2,315	26,984	9,541	8,766	11,875	39,407	129,518
June	8,992	20,170	3,628	21,216	10,833	6,971	17,622	45,304	134,736
July	11,235	23,759	2,525	21,246	11,311	9,753	13,915	34,003	127,747
Aug.	8,746	16,712	2,644	25,498	9,265	7,430	12,361	36,693	119,349
Sept.	9,415	21,243	2,033	21,775	10,526	6,136	12,344	37,874	121,346

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

[2] Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

TABLE 4.7 DOMESTIC EXPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1985	6,202	5,410	1,603	616	21	1,953	17,953	33,371	101,990	125	169,244
1986	4,561	4,864	1,247	16	3	2,404	20,210	45,021	101,868	121	180,317
1987	4,208	4,569	1,541	20	1	2,911	23,099	54,949	99,322	86	190,706
1988	4,967	2,661	2,015	2	12	2,532	24,960	83,646	96,228	124	217,147
1989	5,077	2,091	2,560	8	8	3,022	28,033	137,137	95,529	142	273,607
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,723
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997 [1]	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,932
1998 [1]	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999 [1]	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,441
1999[1]											
Jan.	686	46	208	-	-	1,237	4,829	37,134	13,645	77	57,862
Feb.	453	93	63	-	-	1,458	3,248	35,445	11,413	358	52,531
Mar.	797	188	26	-	-	1,168	4,288	39,998	12,824	93	59,382
Apr.	1,062	119	132	-	-	1,312	5,322	38,414	14,344	59	60,766
May	2,428	263	73	-	-	1,010	3,852	42,017	13,081	87	62,811
June	876	189	160	-	-	1,012	4,394	39,562	10,336	43	56,572
July	827	102	56	-	-	1,127	3,865	35,857	13,044	60	54,938
Aug.	2,728	294	23	-	-	918	3,586	35,369	12,848	74	55,840
Sept.	1,615	199	92	-	-	1,205	3,365	38,110	11,822	21	56,430
Oct.	1,900	227	256	-	-	1,574	5,338	41,603	15,807	86	66,792
Nov.	1,205	199	157	-	-	1,201	4,632	44,816	12,912	75	65,198
Dec.	910	157	200	-	-	996	3,343	47,147	10,543	22	63,319
2000											
Jan.	385	15	344	-	-	810	3,659	51,342	8,465	80	65,101
Feb.	965	97	357	-	-	941	5,317	53,454	12,600	6	73,737
Mar.	748	253	151	-	-	1,086	4,917	56,958	13,668	8	77,789
Apr.	1,604	302	71	-	-	863	4,362	56,549	12,029	1	75,781
May	1,970	459	186	-	-	706	4,628	62,897	12,126	16	82,989
June	1,368	402	189	-	-	1,094	4,873	61,272	11,095	7	80,300
July	1,565	283	162	-	-	1,161	4,652	56,966	14,541	-	79,330
Aug.	2,221	326	84	-	-	953	3,917	55,211	10,423	10	73,144
Sept.	2,426	228	123	-	-	1,470	4,289	72,514	13,851	-	94,901

[1] Provisional.

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

TABLE 4.8 IMPORTS BY COMMODITY SECTIONS

Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/ Vegetable Fats and Oils	Chemicals	Semi-Manufac-tured Goods	Machinery and Transport Equipment	Manufac-tured Articles	Miscel-laneous	Total
1985	45,515	9,029	6,715	42,468	2,722	25,675	99,045	85,291	32,452	5,227	354,139
1986	39,027	9,857	6,858	20,953	1,418	27,908	101,589	96,466	38,540	5,497	348,113
1987	41,781	8,667	7,515	25,065	1,533	30,817	100,904	128,181	38,306	10,107	392,876
1988	46,779	8,736	8,817	20,346	1,620	34,705	104,787	166,198	45,423	10,021	447,432
1989	53,383	7,766	7,748	32,607	1,623	36,041	114,386	208,388	47,100	6,764	515,806
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,509
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997 [1]	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998 [1]	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
1999 [1]	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,239
1999[1]											
Jan.	7,447	877	746	5,518	171	6,327	9,559	43,591	6,034	720	80,991
Feb.	6,468	875	1,228	3,005	173	6,507	11,416	38,877	8,506	667	77,721
Mar.	8,861	924	1,100	3,594	201	7,198	12,876	45,434	12,005	887	93,078
Apr.	8,306	1,346	1,245	4,120	336	6,804	12,934	49,291	11,743	592	96,717
May.	7,700	1,747	1,004	3,187	143	6,705	13,495	53,007	9,215	633	96,836
June	7,587	1,672	1,050	4,719	176	6,859	12,000	45,273	8,301	690	88,327
July	6,920	1,879	1,346	3,520	211	7,942	13,843	50,158	7,981	677	94,479
Aug.	9,369	1,228	961	2,725	317	6,669	9,680	43,751	9,317	588	84,606
Sept.	7,743	1,414	1,221	5,267	113	6,330	9,911	47,534	11,482	829	91,844
Oct.	10,072	1,628	1,028	10,797	163	7,216	11,365	58,394	12,076	576	113,316
Nov.	10,302	1,729	1,320	2,794	171	7,232	12,371	59,747	12,831	579	109,076
Dec.	8,641	2,683	938	9,479	170	6,642	11,238	59,091	9,384	979	109,248
2000											
Jan.	7,997	1,087	773	8,612	124	6,736	10,290	54,792	6,385	440	97,234
Feb.	7,659	709	1,453	6,708	345	7,309	11,906	61,226	11,865	692	109,873
Mar.	8,765	1,271	1,289	7,949	136	8,136	12,586	64,400	12,453	806	117,792
Apr.	8,805	1,727	913	10,546	213	7,344	11,492	66,016	13,707	823	121,585
May.	9,015	1,247	1,199	5,861	196	8,077	14,945	75,592	12,053	1,334	129,519
June	7,177	1,559	1,343	10,028	198	7,966	12,363	81,719	11,762	620	134,736
July	7,247	2,362	995	9,972	145	7,719	12,734	71,578	14,173	821	127,747
Aug.	9,246	1,867	845	6,316	165	7,374	10,237	71,689	10,657	952	119,348
Sept.	8,820	2,032	1,140	10,692	111	7,548	10,254	69,100	10,727	920	121,346

[1] Provisional

Note: Figures may not add up due to rounding.

SOURCE: Central Office of Statistics

TABLE 5.1 GROSS NATIONAL PRODUCT

By Category of Expenditure at Current Market Prices

Lm thousands

Period	Consumers' Expenditure[1]	Government Consumption Expenditure[2]	Gross Fixed Capital Formation[3]	Inventory Changes[4]	Exports of Goods & Services	Total Final Expenditure	*Less* Imports of Goods & Services	**Gross Domestic Product**	Net Investment Income from Abroad[5]	**Gross National Product**
1985	333,239	84,309	125,871	7,883	345,155	896,457	420,475	475,982	38,785	514,767
1986	343,369	89,508	122,327	8,179	370,228	933,611	421,742	511,869	28,056	539,925
1987	351,187	98,249	153,453	-2,377	429,593	1,030,105	480,934	549,171	30,661	579,832
1988	387,567	105,185	166,405	8,150	480,024	1,147,331	540,880	606,451	28,343	634,794
1989	425,515	119,613	188,437	9,903	543,463	1,286,931	616,792	670,139	35,763	705,902
1990	460,845	129,153	232,611	12,668	626,415	1,461,692	726,947	734,745	55,017	789,762
1991	494,504	147,055	239,144	15,556	701,865	1,598,124	791,249	806,875	49,663	856,538
1992	531,350	164,335	240,874	145	804,056	1,740,760	866,010	874,750	41,695	916,445
1993	561,498	188,862	276,804	3,708	896,325	1,927,197	987,163	940,034	35,481	975,515
1994	608,288	209,519	305,388	9,957	994,410	2,127,562	1,099,028	1,028,534	19,331	1,047,865
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999[6]	913,220	271,208	329,273	11,634	1,320,404	2,845,739	1,399,055	1,446,684	497	1,447,181
1999[6]										
Mar.	207,572	65,724	69,549	17,943	281,248	642,036	305,480	336,556	12,575	349,131
June	234,210	70,001	88,140	-7,080	333,370	718,641	349,358	369,283	-4,580	364,703
Sept.	236,119	65,462	79,552	-26,422	361,090	715,801	345,201	370,600	10,831	381,431
Dec.	235,319	70,021	92,032	27,193	344,696	769,261	399,016	370,245	-18,329	351,916
2000										
Mar.	227,257	71,970	91,121	23,457	344,132	757,937	390,927	367,010	12,130	379,140
June	249,362	71,341	106,174	9,328	401,587	837,792	452,263	385,529	-5,893	379,636
Sept.	255,045	68,378	99,894	-11,008	439,385	851,694	452,009	399,685	5,533	405,218

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

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

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

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

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

[6] Provisional.

SOURCE: Central Office of Statistics

TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY

Period	United Kingdom	Italy	North Africa[1]	Germany[2]	Scandinavian Countries[3]	United States	All Others	Total
1985	256,468	43,810	49,603	56,998	19,990	6,836	84,159	517,864
1986	329,390	36,475	28,484	59,711	23,177	5,199	91,753	574,189
1987	446,686	43,551	48,014	70,228	22,484	7,099	107,881	745,943
1988	476,578	50,678	40,669	77,644	22,533	8,734	107,010	783,846
1989	492,899	53,223	34,111	91,717	23,273	9,831	123,257	828,311
1990	450,002	64,039	38,881	130,203	29,444	9,934	149,273	871,776
1991	458,523	64,008	50,094	136,452	17,891	8,809	159,259	895,036
1992	525,629	76,045	43,882	153,531	21,851	9,302	172,142	1,002,382
1993	520,778	85,671	53,465	176,077	21,276	10,314	195,632	1,063,213
1994	530,385	98,746	45,337	200,281	29,920	11,973	259,581	1,176,223
1995	461,159	97,384	43,534	187,761	32,979	10,945	282,209	1,115,971
1996	398,899	89,439	56,958	184,110	33,338	11,969	279,075	1,053,788
1997	436,899	90,190	45,702	193,020	33,576	14,924	296,850	1,111,161
1998	448,763	90,558	44,508	203,199	35,414	17,641	342,157	1,182,240
1999	422,368	92,726	52,537	212,430	46,365	18,558	369,156	1,214,230
1999								
Jan.	17,937	2,976	2,319	8,000	1,321	1,031	11,107	44,691
Feb.	24,585	3,480	2,778	11,266	1,215	1,145	14,738	59,207
Mar.	36,038	4,772	3,109	20,105	2,666	1,810	23,137	91,637
Apr.	35,356	6,957	3,202	20,332	4,196	1,456	33,387	104,886
May	36,944	5,819	4,272	24,217	4,783	2,064	38,820	116,919
June	43,043	6,974	4,860	18,613	7,283	2,026	35,341	118,230
July	45,561	13,910	5,995	19,567	6,652	2,066	55,726	149,477
Aug.	50,956	25,612	6,759	19,260	3,871	1,253	51,458	159,169
Sept.	44,808	8,170	5,040	21,549	5,154	1,519	43,075	129,315
Oct.	38,374	5,492	5,306	25,523	5,492	1,882	33,308	115,377
Nov.	30,452	3,299	4,849	14,279	2,515	1,366	16,630	73,390
Dec.	18,314	5,265	4,048	9,719	1,217	940	12,429	51,932
2000								
Jan.	14,674	2,623	3,986	10,976	1,619	994	9,845	44,717
Feb.	21,473	2,545	3,650	11,978	1,806	1,032	13,003	55,487
Mar.	28,654	4,786	4,485	19,431	2,907	1,651	20,152	82,066
Apr.	36,082	8,108	3,146	24,858	4,791	1,503	39,152	117,640
May	40,982	5,502	4,175	19,489	5,073	1,924	35,657	112,802
June	42,050	9,507	4,754	19,054	5,213	2,053	38,072	120,703
July	49,278	13,329	6,026	21,446	6,319	2,002	54,363	152,763
Aug.	52,760	22,528	6,449	18,174	4,054	1,651	49,705	155,321
Sept.	48,321	8,857	4,826	19,021	6,128	1,740	43,633	132,526

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

SOURCE: Central Office of Statistics

TABLE 5.3 LABOUR MARKET

End of Period	Labour Supply			Gainfully Occupied			Unemployment[1]					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Amount	Percent[2]	Amount	Percent[3]	Amount	Percent
1985	92,835	29,850	122,685	85,058	27,689	112,747	7,777	8.4	2,161	7.2	9,938	8.1
1986	93,404	30,204	123,608	86,785	28,324	115,109	6,619	7.1	1,880	6.2	8,499	6.9
1987	95,764	31,787	127,551	91,133	30,788	121,921	4,631	4.8	999	3.1	5,630	4.4
1988	97,633	32,493	130,126	93,475	31,498	124,973	4,158	4.3	995	3.1	5,153	4.0
1989	98,040	32,916	130,956	93,980	32,155	126,135	4,060	4.1	761	2.3	4,821	3.7
1990	98,655	33,628	132,283	94,331	32,865	127,196	4,324	4.4	763	2.3	5,087	3.8
1991	100,039	35,218	135,257	96,029	34,309	130,338	4,010	4.0	909	2.6	4,919	3.6
1992	101,470	35,687	137,157	96,982	34,627	131,609	4,488	4.4	1,060	3.0	5,548	4.0
1993	102,086	36,348	138,434	96,813	35,446	132,259	5,273	5.2	902	2.5	6,175	4.5
1994	100,424	35,677	136,101	95,593	34,923	130,516	4,831	4.8	754	2.1	5,585	4.1
1995	103,211	36,868	140,079	98,778	36,054	134,832	4,433	4.3	814	2.2	5,247	3.7
1996	104,058	38,332	142,390	98,878	37,267	136,145	5,180	5.0	1,065	2.8	6,245	4.4
1997	104,747	39,190	143,937	98,700	38,088	136,788	6,047	5.8	1,102	2.8	7,149	5.0
1998	104,908	39,916	144,824	98,478	38,909	137,387	6,430	6.1	1,007	2.5	7,437	5.1
1999												
Jan.	104,774	39,973	144,747	98,321	38,898	137,219	6,453	6.2	1,075	2.7	7,528	5.2
Feb.	105,025	40,073	145,098	98,468	38,977	137,445	6,557	6.2	1,096	2.7	7,653	5.3
Mar.	104,861	40,068	144,929	98,301	38,965	137,266	6,560	6.3	1,103	2.8	7,663	5.3
Apr.	104,717	40,013	144,730	98,358	38,970	137,328	6,359	6.1	1,043	2.6	7,402	5.1
May	104,808	40,166	144,974	98,538	39,135	137,673	6,270	6.0	1,031	2.6	7,301	5.0
June	104,823	40,352	145,175	98,593	39,247	137,840	6,230	5.9	1,105	2.7	7,335	5.1
July	105,317	40,970	146,287	98,862	39,597	138,459	6,445	6.1	1,373	3.4	7,828	5.4
Aug.	105,421	41,076	146,497	98,646	39,725	138,371	6,775	6.4	1,351	3.3	8,126	5.5
Sept.	105,307	41,218	146,525	98,531	39,983	138,514	6,776	6.4	1,235	3.0	8,011	5.5
Oct.	105,032	41,025	146,057	98,321	39,870	138,191	6,711	6.4	1,155	2.8	7,866	5.4
Nov.	105,066	41,094	146,160	98,379	39,978	138,357	6,687	6.4	1,116	2.7	7,803	5.3
Dec.	104,848	41,053	145,901	98,237	39,969	128,206	6,611	6.3	1,084	2.6	7,695	5.3
2000												
Jan.	105,019	41,322	146,341	98,188	40,166	138,354	6,831	6.5	1,156	2.8	7,987	5.5
Feb.	105,205	41,464	146,669	98,378	40,295	138,673	6,827	6.5	1,169	2.8	7,996	5.5
Mar.	105,345	41,567	146,912	98,672	40,474	139,146	6,673	6.3	1,093	2.6	7,766	5.3
Apr.	105,263	41,692	146,955	98,827	40,676	139,503	6,436	6.1	1,016	2.4	7,452	5.1
May	105,228	41,717	146,945	99,104	40,750	139,854	6,124	5.8	967	2.3	7,091	4.8
June	105,133	41,860	146,993	99,433	40,951	140,384	5,700	5.4	909	2.2	6,609	4.5
July	105,789	42,550	148,339	100,087	41,449	141,536	5,702	5.4	1,101	2.6	6,803	4.6
Aug.	105,853	42,703	148,556	100,262	41,618	141,880	5,591	5.3	1,085	2.5	6,676	4.5
Sept.	105,816	42,635	148,451	100,176	41,681	141,857	5,640	5.3	954	2.2	6,594	4.4

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

[2] As a percentage of male labour supply.

[3] As a percentage of female labour supply.

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

TABLE 5.4 BUILDING APPLICATIONS APPROVED BY PURPOSE AND FLOOR SPACE AREA

sq. m (thousands)

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

SOURCE: Planning Authority.

TABLE 5.5 NUMBER OF APPLICATIONS APPROVED BY TYPE OF DWELLING

	Apartments	Maisonettes	Terraced Houses	Other	Total
1993	1,192	651	1,016	114	2,973
1994	1,744	1,219	1,014	149	4,126
1995	2,142	1,114	1,160	195	4,611
1996	1,862	1,399	745	221	4,227
1997	1,441	1,030	462	92	3,025
1998	2,587	1,125	434	152	4,298
1999	2,480	879	348	106	3,813

SOURCE: Planning Authority.

TABLE 5.6 INFLATION RATES[1]

(Base 1946 = 100)

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

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

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

TABLE 5.7 RETAIL PRICE INDEX[1]

(Base 1995 = 100)

Period	All Items
1985	78.87
1986	80.47
1987	80.81
1988	81.57
1989	82.28
1990	84.73
1991	86.88
1992	88.30
1993	91.96
1994	95.76
1995	99.57
1996	102.05
1997	105.39
1998	107.74
1999	110.04
1999	
Jan.	108.62
Feb.	109.06
Mar.	109.46
Apr.	108.92
May	109.64
June	109.60
July	109.49
Aug.	110.13
Sept.	110.62
Oct.	110.82
Nov.	111.81
Dec.	112.26
2000	
Jan.	112.24
Feb.	112.05
Mar.	112.28
Apr.	111.78
May	112.69
June	112.23
July	112.32
Aug.	112.44
Sept.	112.80

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

SOURCE: Central Office of Statistics

General Methodological Notes on the Compilation of Money and Banking Statistics

General Standards

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

Determination of Residence

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

Sector Classification of the Maltese Economy

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

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

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

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

(i) Central Bank of Malta

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

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

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

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

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

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

Measures of Money

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

 Demand (current)
 Savings
 Time (fixed) deposits

Compilation Process

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

Basis of Calculation

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

Valuation

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

Central Bank Publications

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

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

Part 2 Government Finance

The Treasury

Part 3 Public Debt

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

Part 4 External Transactions

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

Part 5 Real Economy

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