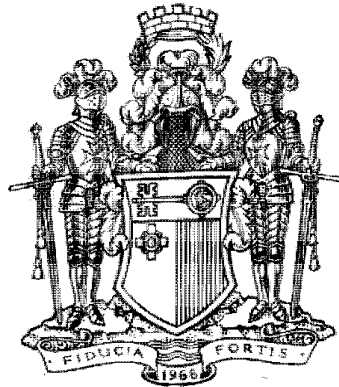


Central Bank of Malta



Quarterly Review

September 2000

Vol. 33 No. 3

The Quarterly Review is prepared and issued by the Economics Department of the Central Bank of Malta. Opinions expressed do not necessarily reflect the official views of the Bank. Articles appearing in this issue may be reprinted in whole or in part provided the source is quoted.

For Copies of the Quarterly Review apply to:-

The Manager
Economics Department
Central Bank of Malta
Castille Place
Valletta CMR 01
Malta

Telephone: (356) 247480
Facsimile: (356) 243051
(356) 234546

Internet: www.centralbankmalta.com

ISSN 0008-9273

Printed by Interprint Limited

CONTENTS

ECONOMIC SURVEY

1. General Overview	5
2. The International Environment	7
3. The Domestic Economy	14
4. The Balance of Payments and the Maltese Lira	22
5. Government Finance	30
6. Monetary and Financial Developments	33
7. The Banking System	41

THE CENTRAL BANK'S BUSINESS PERCEPTIONS SURVEY : RESULTS FOR THE THIRD QUARTER OF 2000	46
---	-----------

PREPARING FOR ECONOMIC AND MONETARY UNION (EMU) : A MALTESE PERSPECTIVE	53
--	-----------

NEWS NOTES	59
-------------------	-----------

FINANCIAL POLICY CALENDAR	62
----------------------------------	-----------

STATISTICAL TABLES	71
---------------------------	-----------

Note: The cut-off date for information published in the Economic Survey is September 1, 2000.
For figures published in the Statistical Tables, the cut-off date is September 7, 2000.

ECONOMIC SURVEY

1. GENERAL OVERVIEW

The latest economic indicators point to a generally sustained rate of activity during the first half of 2000, although higher oil prices had a dampening effect on the profitability of the energy and transport sectors. Manufactured exports expanded significantly, driven in the main by the major firms in the sector, which are also investing heavily in plant and equipment. Tourist activity recovered during the second quarter, making up for the weak performance reported earlier in the year. The results of the business perceptions survey conducted by the Central Bank indicate that the expansion in manufactured exports is likely to continue, but the outlook for tourism seems less certain. Construction activity should continue to recover, while business in the distributive trades should remain stable. Employment data seem to confirm a moderate pick-up in overall activity. At the same time, the gradual but steady tightening of fiscal policy should prevent overheating demand pressures from building up.

Indeed, inflationary pressures remained generally subdued. The headline inflation rate edged up to 2.7% during the second quarter of 2000, but this continued to reflect the lagged one-time effects of changes in indirect taxes that are expected to be deflationary in the longer term. It is estimated that underlying inflation, a measure that excludes the effects of changes in indirect taxes and of seasonal fluctuations on prices, actually declined. This not only reflected the current state of domestic markets, characterised as they are by relatively weak demand and increased competition, but also a drop in imported inflation on account of the low rates of inflation in trading partner countries and the weakness of the euro in recent months.

Labour market data are consistent with a recovery in economic activity during the first half of 2000. Employment in construction, the export-oriented manufacturing sector and services increased, while the unemployment rate dropped to 4.5%.

The fiscal deficit is declining in line with projections. The improved fiscal position is almost entirely attributable to increased tax revenue, as growth in recurrent expenditure remains sustained.

In the external sector, there was a deterioration in the current account during the second quarter of 2000 as the expansion in exports failed to keep up with import demand. The latter was, however, boosted by higher imports of capital goods that are expected to improve the economy's export base. The current account was also adversely affected by the increase in oil prices. At the same time, the capital account was characterised by continuing portfolio investment outflows, in part reflecting the liberalisation of exchange controls.

As a result of these balance of payments developments, the Central Bank's external reserves declined during the period. This was, however, made up for by a rise in foreign assets held by the rest of the banking system. At the same time, the demand for domestic bank credit remained subdued, leading to a further slowdown in the rate of monetary expansion. The latter was conditioned by investor interest in non-monetary financial assets. Capital market yields edged upwards during the period, mirroring developments in interest rates abroad.

In setting interest rate policy, the Central Bank took account of the developments in the country's balance of payments and the persistent but narrowing fiscal deficit. On the other hand, it noted that import demand was in good part

oriented towards capital goods and industrial supplies, inflationary pressures were subdued, and interest rates on the component currencies of the Maltese lira basket remained steady. For this reason, the Central Bank kept official interest rates unchanged during the June quarter. The Bank, however, continues to monitor closely the effects of developments in the country's balance of payment's position and in interest rates abroad.

The Central Bank's projections for 2000 continue to indicate that economic growth will be strongly underpinned by export activities. Domestic demand may recover moderately on account of increased construction activity, in part reflecting the commencement of a number of capital projects. The timing of expenditure on these projects is, however, as yet somewhat uncertain. They may impact more strongly on demand next

year rather than in 2000. However, an excessive rebounding of domestic demand should be curtailed by the tightening of the fiscal stance.

Against this economic scenario, the Central Bank expects Malta's real GDP growth rate in 2000 to be moderately higher than that estimated by the Bank for 1999, though this will largely depend on the extent to which rising oil prices continue to erode the profitability of the energy and transport sectors. The unemployment rate is expected to stabilise later in the year, while inflation may be somewhat higher than in 1999, conditioned by domestic demand developments and by an increase in imported inflation fuelled by higher oil prices. In these circumstances, the Central Bank's monetary policy will continue to strive to achieve long-term balance in macroeconomic conditions, particularly with respect to price stability and the sustainability of the balance of payments.

2. THE INTERNATIONAL ENVIRONMENT

The World Economy

During the second quarter of 2000, the world economy continued to rebound strongly from the 1997-98 slowdown associated with the crisis in emerging-market economies. Indeed, the major new risk was that the increasingly rapid global expansion would gather an excessive pace. Against this background, the IMF was projecting world-output growth of 4.7% in 2000, up from 3.3% in 1999.

The US economy continued to register above-potential growth, while economic recovery in the euro area strengthened further. Although the inflation environment remained relatively benign, central banks continued to tighten monetary

policy in order to pre-empt inflationary pressures, particularly in view of rising oil prices. In Japan, a number of economic indicators pointed to the initial stages of a recovery in the first half of this year.

In the meantime, economic recovery continued to gather momentum in almost all the other Asian countries, except Indonesia, while most countries in South America also continued to recover strongly.

The **United States** economy continued to expand vigorously during the quarter under review, with GDP growing at 6% on a year-on-year basis, compared with 5% in the first quarter of 2000. This growth was fuelled mainly by strong business investment and inventory building, which outweighed a slower growth in consumer spending. Productivity, meaning the output per hour of workers outside the farm sector, rose by

Table 2.1
INTERNATIONAL ECONOMIC INDICATORS

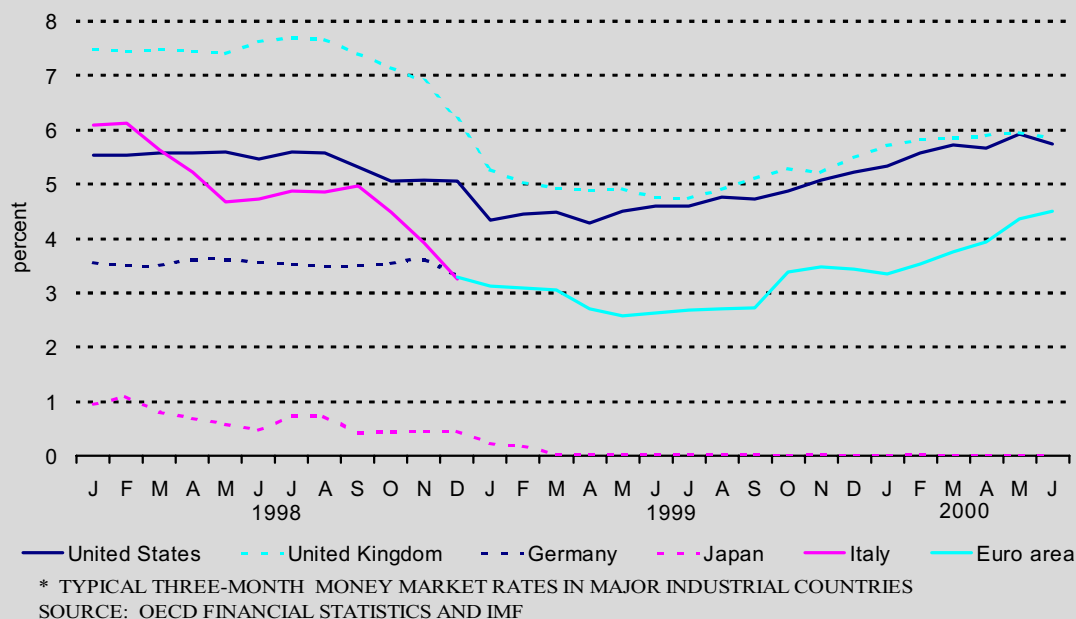
	Real GDP % change			Inflation (Consumer prices) % change			Current account balance US\$ billions		
	1998	1999	2000 ¹	1998	1999	2000 ¹	1998	1999	2000 ¹
Canada	3.1	4.2	4.3	1.0	1.7	2.1	-11.1	-2.9	3.0
United States	4.3	4.2	4.9	1.6	2.2	2.5	-221.0	-340.8	-444.3
Japan	-2.5	0.3	1.7	0.6	-0.3	0.1	120.8	107.0	117.5
France	3.2	2.9	3.7	0.8	0.5	1.3	40.7	37.7	32.5
Germany	2.2	1.5	2.9	0.9	0.6	1.2	-4.7	-19.8	-10.5
Italy	1.5	1.4	2.9	2.0	1.7	2.2	23.2	12.0	17.3
United Kingdom	2.2	2.1	2.9	3.4	1.6	2.0	-1.1	-20.7	-25.7
Advanced countries	2.4	3.2	4.2	1.5	1.4	1.9	43.1	-133.7	-212.9
Developing countries	3.2	3.8	5.6	10.1	6.5	5.7	-89.9	-32.7	-11.6
Countries in transition ²	-0.7	2.4	4.9	21.8	43.7	19.5	-24.8	-5.3	-7.5

¹ Forecasts

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

SOURCE: IMF, *World Economic Outlook*, Spring 2000, Autumn 2000.
OECD, *Economic Outlook*, June 2000.

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



5.1% year-on-year during the quarter, the highest gain since 1983. Thus, although labour-market conditions remained tight, with unemployment standing at 4% in June, unit-labour costs declined by 0.4% year-on-year, the first such decline since 1984. On the negative side, personal savings continued to fall while the US trade deficit widened to a record \$110.22 billion, as imports continued to outpace exports.

Against the background of buoyant consumer demand and tight labour markets, the Federal Reserve, on May 16, raised both the target for the Federal Funds rate and the more symbolic discount rate by 50bps. Hence, the Federal Funds rate reached 6.5%, while the discount rate hit 6.0%. Moreover, the Bank indicated that it was prepared to raise rates further in the months ahead. Money-market rates rose in May in line with the official rate rise. In fact, money-market rates stood slightly above the Federal Funds rate

throughout the quarter.

Economic growth in the **euro area** continued to pick up during the June quarter, with GDP growing at 3.8% on a year-on-year basis. In June, industrial confidence hit a record high while manufacturing activity continued to register significant growth, mainly on account of a combination of buoyant demand within the euro zone and rising export sales - the latter supported by the relative weakness of the euro against other major currencies. Meanwhile, the unemployment rate fell to 9.1% in June, compared with 9.9% a year earlier. On the negative side, the euro-zone current account turned to a deficit in June from last year's surplus. This mainly reflected the narrowing of the merchandise-trade surplus, as higher oil prices and the depreciating euro pushed up the prices of imports. In fact, import prices rose by 32.5% year-on-year in the first half of this year, outpacing the strong 23.3% rise in exports.

The **German** economy continued to recover strongly, with GDP growing by 3.1% year-on-year during the quarter, mainly on the back of a rise in consumption and a significantly higher contribution from foreign trade. Growth in output led to a higher demand for labour that, in turn, brought about a further reduction in unemployment. While manufacturing output and a large part of the services sector grew strongly, the construction sector continued to contract. Meanwhile, the **French** economy continued to register a well-balanced recovery, with GDP expanding by 3.3% from a year ago. This occurred mainly on the back of strong consumer demand and exports, combined with considerable progress on structural reform. French industrial output continued to expand, as strong demand and investment kept manufacturing output at peak levels. In **Italy**, consumer confidence continued to rise, as households grew more optimistic about the overall economic situation and their own financial prospects. Italian business confidence hit an all-time high in May, mainly on account of a pick up in domestic demand. Activity in the manufacturing sector expanded for the twelfth consecutive month in June, while services-sector activity continued to expand at a strong pace.

Against the background of rising inflation expectations in the euro area, the European Central Bank (ECB) raised its three leading interest rates twice during the quarter. This was intended as a pre-emptive measure against the upside risks to price stability in the medium term, particularly in view of the significant decline in the external value of the euro. On April 27, the ECB increased rates by 25bps, so that its main refinancing rate reached 3.75%, while on June 8 it raised rates further, by a bigger-than-expected 50bps, pushing its refinancing rate up to 4.25%. Moreover, the Bank announced it would switch to variable-rate money-market auctions as from June 28. Consequently, euro-zone money-market rates went up further and stood above the ECB's refinancing rate during the quarter.

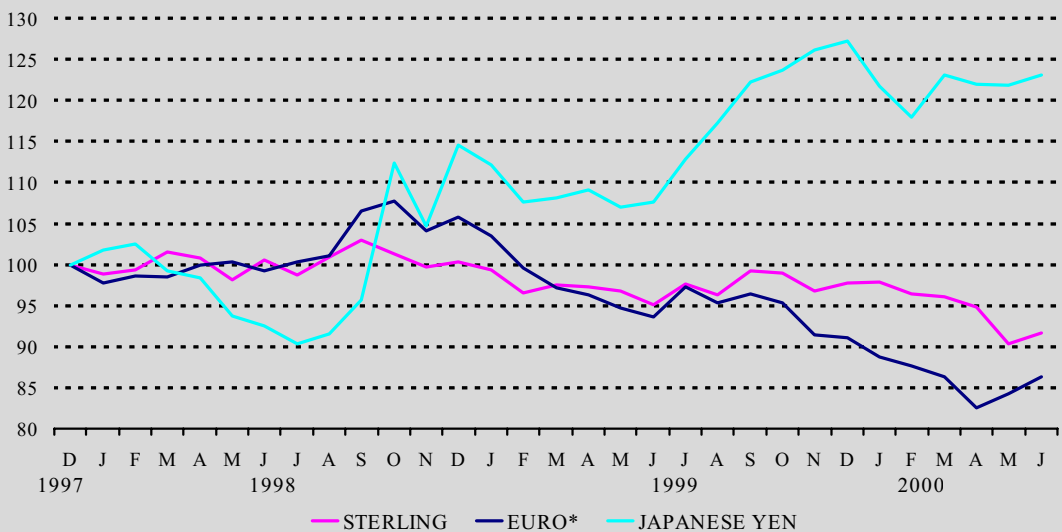
In the **United Kingdom**, GDP grew by 3.2% year-on-year in the second quarter, amid signs that economic growth was slowing down. Growth in Britain's manufacturing sector slowed to its lowest level for a year, mainly on account of the strong pound and growing competition. In contrast, the services sector registered a pick up in both domestic and export growth during the quarter. Nevertheless, services-sector firms were less inclined to raise prices as business confidence was down when compared with the previous quarter. The average-earnings growth rate slowed down to 4.1% year-on-year during the quarter, from 4.6% in the three months to May. This occurred despite the increasing tightness in the labour market, with the unemployment rate falling to 5.5% in June.

Against signs of a slowdown in British economic growth, the Bank of England kept its repo rate unchanged, at 6%, during the quarter. Meanwhile, money-market rates continued to rise, standing slightly below the repo rate in April and May but rising above it in June.

The **Japanese** economy continued to move towards a self-sustaining recovery, with GDP growing at 0.8% year-on-year during the June quarter, marking a second consecutive quarter of growth. Japanese industrial activity continued to expand, largely reflecting information-technology related and automobile production, as well as a rise in public investment. Nevertheless, domestic consumption remained rather weak and the Japanese economy was still relying heavily on exports to help pull it out of recession. At 4.7%, the unemployment rate in June remained high by Japanese standards. Moreover, the number of bankruptcies continued to grow, in part because Japanese banks became more rigorous in their lending practices.

The Bank of Japan kept its easy monetary policy unchanged during the quarter in order to support Japan's nascent economic recovery and combat deflationary pressures. Meanwhile, money-market

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.

rates remained just above 0%.

Foreign-Exchange Markets

During the second quarter of 2000, the foreign-exchange markets were mainly characterised by the pound sterling’s broad weakness. The euro fluctuated widely against the dollar, mainly reflecting the markets’ perception of the strength of the euro-zone economy relative to that of the US. On its part, the yen tended to weaken against the dollar until around mid-May. Subsequently, however, the Japanese unit strengthened considerably, mainly on the back of renewed expectations of an economic recovery in Japan which would bring an end to the Bank of Japan’s very low interest-rate policy.

In early April, the dollar weakened against both the euro and sterling. The European currency was supported by expectations of higher interest

rates in the euro area, while the pound gained from the euro’s strength and rose to around \$1.6 on April 4. In contrast, the dollar tended to strengthen against the Japanese yen, as the latter suffered broad-based losses - mainly on account of an aggressive foreign-exchange market intervention by the Bank of Japan, political uncertainty caused by Premier Obuchi’s serious illness and substantial selling of Japanese equities by foreign investors.

Subsequently, however, the euro fell across the board when it failed to register gains following sharp falls in US equity prices. Political uncertainty in Italy after Premier D’Alema’s resignation and warnings from Austria’s far-right leader Haider that his country should consider quitting the EU added to the euro’s negative sentiment. The euro was further undermined by European officials’ apparent indifference to the currency’s weakness and criticism highlighting

the slow progress being made in the process of deregulation in the euro area. The underlying problem for the euro continued to be the outflow of direct-investment funds. Against the dollar, the euro continued to fall until it bottomed at around \$0.89 per euro on May 5.

Around mid-April, the yen rebounded across the board, after the governor of the Bank of Japan hinted that the Bank's near-zero interest-rate policy could be halted before the end of this year. At this stage, the yen was also supported by the fact that, contrary to widespread expectations, the communiqué after a G-7 meeting did not express any concern regarding the Japanese currency's strength. Meanwhile, the pound rebounded against the dollar and rose to record levels against the euro. Besides the euro's broad-based losses, the pound benefited from the prospect of a near-term monetary tightening by the Bank of England.

Towards the end of April, however, the dollar strengthened against the other major currencies, supported by strong economic growth in the US. The pound was undermined by soft British GDP growth data for the first quarter, which dampened expectations of an imminent repo-rate rise, while the yen was depressed by the record-high Japanese unemployment rate for March.

The dollar started the month of May on a strong footing, particularly against the euro, supported by expectations of higher interest rates in the US. Similarly, the pound appreciated against both the euro and the yen. After some fluctuations, the dollar rose further, ahead of a Federal Open Market Committee (FOMC) meeting that was expected to raise interest rates further. The dollar's rise was more pronounced against the yen, as the latter, at this stage, was depressed by a widening interest-rate differential vis-a-vis the dollar and by a notable decline in the value of Japanese equities. Against the pound, the dollar rose to six-year highs after it was announced that the Bank of England's monetary-policy committee had debated intervening on the foreign-exchange

markets to weaken sterling and as foreign investors' unwound overweight positions in UK equities.

Following the Fed's aggressive monetary tightening, the dollar rose sharply on foreign exchange markets, as investors thought the US economic expansion would remain strong despite the Fed's efforts to slow down the pace of growth. Later, however, the dollar weakened against both the euro and the yen, mainly on account of technical factors. The euro rose across the board, benefiting from a sustained fall in US equity prices together with renewed expectations of central-bank intervention in the foreign-exchange markets and indications of higher interest rates from the ECB. On its part, the yen also strengthened, as Japanese institutions reduced their purchases of foreign assets while foreigners bought Japanese-government bonds. Moreover, the Japanese unit was supported by prospects that the Bank of Japan might soon abandon its zero interest-rate policy.

Towards the end of May, the dollar even fell against sterling and weakened further against the euro, as it was undermined by sentiment that the US economy might not sustain its edge over its major industrialised partners. In contrast, the dollar rebounded against the yen, as the latter was hit by fresh doubts regarding Japan's economic recovery and the collapse of Daihaku Mutual Life Insurance Company.

In early June, the dollar continued to fall against both the euro and the pound, following a softer-than-expected US employment report for May, which reinforced growing evidence that the US economy had started to slow down. After some fluctuations, the dollar fell notably against a broadly-strong yen, which benefited from renewed expectations of an imminent economic recovery in Japan. In contrast, the dollar appreciated against the euro, which was undermined by the prospect of unchanged euro-zone interest rates for the immediate future,

rumours of mergers and acquisitions favouring sterling, and heavy selling of euros for yen.

Towards the end of June, however, the European currency firmed against most of the other major currencies after the ECB implemented its first variable-rate tender, which took its average refinancing rate to 4.32%. On its part, the dollar rebounded against the yen after regional US manufacturing data showed the American economy was still remarkably strong, while rumours spread that Japan's recovery might not be as solid as expected earlier.

Commodities

During the second quarter of 2000 the price of **gold** rose by around 1.1%, ending June at US\$283.70 per ounce. The gold price tended to fall in April and in most of May, mainly on account of rising equity prices and expectations of further gold sales by central banks. Towards the end of May, however, the gold price rebounded and followed

an upward trend throughout June, reflecting an increase in demand for the metal. This was mainly brought about by a higher volume of physical buying, supported by a sustained improvement in economic conditions worldwide. Moreover, a weaker US dollar induced hedge funds to abandon dollar positions and buy back gold.

The prices of **base metals** fell by nearly 1.0% during the quarter. In early April, base-metal prices declined in response to falling equity prices in the US. Towards the end of April, however, the prices of base metals rebounded and appreciated further through May. This took place mainly on the back of both technical and trade buying, prompted by continued falls in inventories against the backdrop of robust economic activity in the US and Europe. Nevertheless, in June nickel prices fell notably on the London Metal Exchange, dragging other metal prices lower, mainly on account of speculative selling. In other metal markets the tone was firmer, however, with aluminium rising on consumer and speculative

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

	US\$ per EURO	US\$ per STG	Yen per US\$
Average for April	0.9480	1.5833	105.42
Average for May	0.9070	1.5096	108.20
Average for June	0.9493	1.5081	106.24
Average for the quarter	0.9348	1.5337	106.62
Closing rate on 30.06.00	0.9532	1.5196	105.56
Closing rate on 30.03.00	0.9535	1.5926	105.60
Lowest exchange rate during the quarter ¹	0.8915 (May 05)	1.4737 (May 24)	103.76 (Apr. 17)
Highest exchange rate during the quarter ¹	0.9667 (June 19)	1.5977 (Apr. 04)	109.88 (May 11)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from closing rate on 30.03.00 to closing rate on 30.06.00	0.0	-4.6	0.0

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

buying supported by stronger fundamentals. Copper prices also rose, reflecting US investment-fund activity and news of floods and an earthquake in Chile – a major producer.

Meanwhile the price of **oil** rose by around 17.8% to US\$30.18 per barrel during the quarter. In early April, oil prices fell on expectations of an increase in output. Around mid-April, however, oil prices rebounded after the International Energy Agency warned that higher output was needed in order to meet rising demand in the advanced countries in the second half of the year and to rebuild stocks. In May, speculators and hedge funds pushed the market higher on signs that OPEC was unlikely to raise output in the immediate future. Moreover, expectations of strong summer demand in the US pushed prices back up for refined products, in turn lifting crude oil. After mid-June, however, world-oil prices weakened somewhat as expectations grew that OPEC was planning to raise output in July. Nevertheless, oil prices soon rebounded as the cartel members approved only a modest increase in supply on June 21. Towards the end of June, oil prices rose further, following an explosion at the biggest refinery in Kuwait and concerns over low heating-oil stocks in the US.

During the quarter, **food** prices rose by 0.3% from their end-March levels. This mainly reflected higher prices for sugar and cocoa, which outweighed lower prices for most of the other food items, particularly soyabeans, corn and coffee. Sugar prices continued to rise on expectations that the surplus in world production was about to shrink notably. Brazil's sugar harvest was forecast to be smaller than previously expected, while European growers planted less sugar beet. Meanwhile, sentiment in the market had been bolstered by expectations that China would import sugar for the first time in three years. Cocoa prices also tended to rise, supported by an improved technical outlook and concerns over crop prospects in the Ivory Coast. In contrast, surpluses continued to undermine the prices of crops like soyabeans and maize. Moreover, coffee prices fell to seven-year lows, depressed by oversupply and expectations of bumper crops from major producers.

Meanwhile, the prices of **non-food agricultural commodities** fell by about 6.4% during the quarter, mainly on account of oversupplies, particularly of rubber. The prices of cotton and wool rose, however, reflecting trade and speculative buying.

3. THE DOMESTIC ECONOMY

The performance of the Maltese economy during the second quarter of 2000 was negatively affected by the rise in oil prices, which led to a significant drop in the profits of the national airline and the state-owned energy utility. Economic growth continued to be driven mainly by export activity in the electronics sector and, to a lesser extent, in tourism. Labour market data showed a further decline in the unemployment rate, which stood at 4.5% in June. At the same time, an increase in the headline inflation rate to 2.7% continued to reflect the lagged effects of changes in indirect taxes, with subdued domestic demand and low imported inflation keeping underlying inflation in check.

Meanwhile, the Central Office of Statistics (COS) has published provisional data on GDP at factor cost and at current market prices for the first two quarters of the year. An indication of overall GDP growth at constant prices was also provided.

GDP Trends during the First Half of 2000

GDP at factor cost, which is the sum of gross wages and profits earned by the different economic sectors, grew by 4.6% during the first half of 2000. As Table 3.1 shows, the manufacturing sector, which includes the electronics industry, generated around 40% of this expansion and was chiefly responsible for the modest overall acceleration in growth. In fact, the leading electronics firm in Malta is currently undergoing significant expansion.

Table 3.1

SOURCES OF GDP GROWTH AT FACTOR COST BY INDUSTRY¹

(January - June)

	1999	2000	%
Agriculture and Fisheries	-0.1	0.1	
Construction and Quarrying	-0.2	-0.2	
Manufacturing	-0.5	1.8	
Transport and Communication	0.0	0.7	
Wholesale and Retail	0.3	1.1	
Insurance, Banking and Real Estate	1.0	1.2	
Government Enterprises	1.2	-1.7	
Public Administration	0.7	0.6	
Property Income	1.1	0.6	
Private Services	1.1	0.4	
GDP at Factor Cost	4.5	4.6	

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

Table 3.2**SOURCES OF GDP GROWTH AT CURRENT MARKET PRICES BY CATEGORY OF EXPENDITURE***(January - June)*

	<i>Lm millions</i>	
	1999	2000
Private Consumption Expenditure	39.6	38.0
Government Consumption Expenditure	5.1	7.3
Gross Fixed Capital Formation	-2.5	33.8
Inventory Changes	-8.0	20.5
Exports of Goods and Services	43.9	131.6
Imports of Goods and Services	-43.6	-188.5
GDP at Market Prices	34.5	42.7
of which:		
GDP at Factor Cost	26.2	28.4
Taxes on Expenditure less Subsidies	8.3	14.3

SOURCE: Central Office of Statistics

GDP growth was also positively affected by the improved performance of the insurance, banking and real estate sector and the wholesale and retail trades. At the same time, despite the impact of increasing fuel costs on the profits of the national airline, the transport and communication sector also contributed significantly to GDP growth during the period. The reported increases in the wholesale and retail and the transport and communication sectors' incomes may, however, reflect one-off effects of changes in labour data reporting practices, including statistical adjustments, and the same can be said for the increase in the agriculture and fisheries sector's contribution to growth.

Other sectors that contributed to the growth in GDP at factor cost during the first half of 2000 were public administration, property income and private services. The growth in the contribution of public administration reflected both an increase in the number of Government employees and higher wages. The contribution of property income,

which consists mainly of interest on holdings of Government Stocks, and that of private services, was smaller than in 1999. The decline in the former reflected both the deceleration in the rate of increase of the public debt and lower interest rates, while that of the private services sector reflected the continued weakness of domestic demand.

The latter was also reflected in the income of the construction industry, which continued to decline. Government enterprises also contributed negatively to growth, mainly due to the effects of sharply higher oil prices on Enemalta's profits.

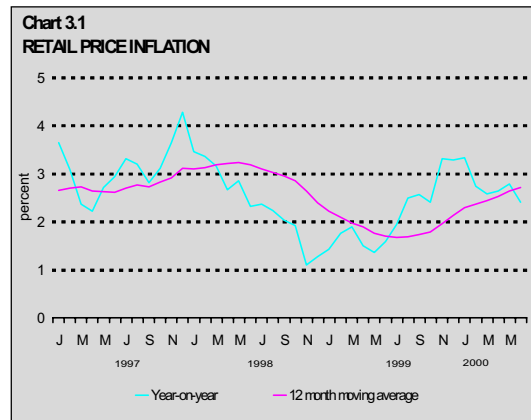
GDP at current market prices is derived by adding indirect taxes net of subsidies to the factor cost data. On this measure, GDP growth is reported to have accelerated to 6% in the first half of 2000, up from 5.1% in the same period last year. As can be seen from Table 3.2, however, a significant part of this acceleration was due to an increase in net indirect taxes collected by Government, rather

than to an expansion in wages and profits.

All categories of expenditure contributed to the growth in GDP at current market prices, though a substantial part of the increase was generated by inventory investment¹. As can be seen from Table 3.2, growth in private consumption expenditure was somewhat lower than in 1999, a fact which is not consistent with the faster expansion of factor incomes in the wholesale and retail trades, though it may explain the deceleration in the services sector. The contribution of Government consumption to expenditure-side GDP growth was mainly the result of higher employment and average wages in the public sector. The increase in gross fixed capital formation, though in part caused by one-off events such as the construction of the Gozo ferries, was significant, especially against the background of the declines experienced in recent years. This development essentially reflected sizeable investment undertaken by the largest electronics firm in Malta and the speeding up of construction work on the new public hospital. The growth in exports in the main 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.

The COS data indicate that expenditure side GDP at constant market prices grew by 5.6% in the first quarter of 2000, up from 4% in the same quarter last year. Conversely, real GDP growth slowed down to 2.1% in the second quarter, from 4.5% in the same quarter last year. However, no information regarding the real growth rates of the various expenditure components for the first half of the year is yet available.

Taken together, these data point to a moderate acceleration in underlying economic activity, driven mainly by the electronics sector. The



performance of the construction industry and the services sector, however, would seem to indicate that domestic demand remained subdued during the first half of 2000 – though this is not supported by the reported increase in activity in the wholesale and retail sector. At the same time, the rise in oil prices is an adverse supply shock whose effects are so far being absorbed by the profits of the national airline and the local energy utility.

Retail Prices

The headline rate of inflation rose to 2.7% during the second quarter of 2000, up from 2.4% at the end of the previous quarter, with the rise essentially reflecting the gradual absorption of the increases in indirect taxes introduced in the last budget. In fact, at the end of June, the year-on-year measure of inflation, which is a more timely indicator of current movements in prices, was lower than the twelve-month moving average rate. Moreover, at the end of June, the Retail Price Index (RPI) was lower than at the end of 1999, indicating that during the six months to June the price increases brought about by the budgetary fiscal measures had been offset by a decline in underlying inflation. The latter development probably reflected the effects of growing

¹ Inventory investment is not directly measured in the official statistics, however. It is assumed to be the difference between GDP from the expenditure side and that from the incomes side.

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

	June 1999	Dec. 1999	June 2000
Food	0.1	0.8	1.8
Beverages and tobacco	7.4	9.0	6.6
Clothing and footwear	0.2	-1.0	0.7
Housing	1.2	0.1	0.9
Fuel, light and power	-0.5	0.1	3.1
Durable household goods	1.6	2.9	0.8
Transport and communications	2.4	3.1	6.0
Personal health and care	3.4	3.0	3.0
Education, entertainment and recreation	2.3	1.5	0.9
Other goods and services	1.2	3.0	1.9
All items	1.7	2.1	2.7

SOURCE: Central Office of Statistics

competition in the local distribution sector and the slight easing of imported inflation due to the persistent weakness of the euro.

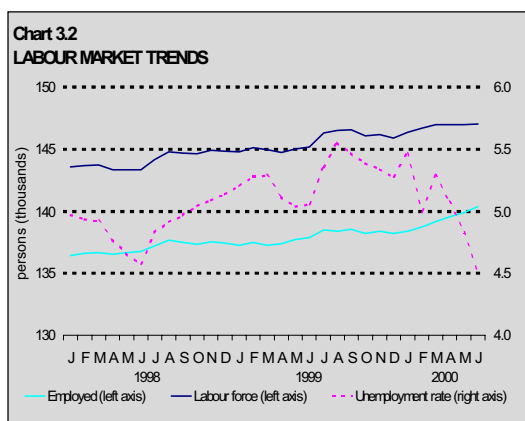
Table 3.3 shows the changes recorded in the different sub-indices of the RPI on a twelve-month moving average basis. These indicate that, once again, the main impetus to inflation during the quarter under review came from the food, the fuel, light and power, and the transport and communications sub-indices, reflecting the budgetary measures that came into effect in January 2000. At the same time, there was a stronger seasonal rise in the clothing index in May this year. Conversely, lower prices were registered in a number of other sub-indices that together make up nearly 30% of the RPI.

The headline rate of inflation is expected to continue to rise slightly during the coming months until it fully absorbs the impact of the budget tax measures. Subsequently, however, it should begin to decline, reflecting the relative absence of inflationary pressures during the first half of 2000. Imported inflation may also ease in

the short run as the euro is not expected to appreciate significantly against the Maltese lira in the coming months, whereas the price of oil should stabilise. At the same time, domestically-generated inflationary pressures are expected to remain weak, partly in response to the tighter fiscal policy stance, and partly on account of the general restraint in prices being exercised by the local distribution and manufacturing sectors as a result of increased competition and the removal of levies.

The Labour Market

The unemployment rate fell by 0.8 percentage points during the second quarter of 2000 to stand at 4.5% in June, the lowest level in the last three years. This decline was mainly due to the fact that whereas labour supply growth slowed down - following the exceptional rise registered in the first quarter - the rate of job creation remained sustained. The number of the gainfully occupied, in fact, is reported to have gone up by nearly 1240 between March and June, as can be seen from Table 3.4. At the same time, there was a



substantial rise in the number of persons holding only a part-time job.

The private sector accounted for virtually all the new jobs created during the quarter. Employment in the directly productive sectors rose by 475, more than half of these being in the electronics sub-sector. The construction industry added on nearly a hundred new workers, while higher levels of employment were also registered in the food and beverages, printing, rubber and non-metallic products sub-sectors of manufacturing industry.

Table 3.4
LABOUR MARKET DEVELOPMENTS

Number of persons

	June 2000	Quarterly change	Annual change
Labour supply	146,993	81	1,818
Unemployed	6,609	-1,157	-726
Unemployment rate (%)	4.5	-0.8	-0.6
Gainfully occupied	140,384	1,238	2,544
of which:			
Private direct production	37,856	475	815
including:-			
Agriculture & fisheries	2,591	34	71
Quarrying, construction & oil drilling	5,631	93	410
Manufacturing	29,634	348	334
Private market services	50,137	689	1,652
including:-			
Wholesale & retail	15,769	66	523
Insurance & real estate	1,342	-43	-14
Transport, storage & communications	6,484	167	763
Hotels & catering establishments	9,288	300	86
Community & business	9,994	98	187
Others	7,260	101	107
Public sector	47,741	74	133
including:-			
Government departments	30,706	17	404
Armed Forces, R.S.C. & Airport Co.	1,663	-7	54
Government-controlled companies	7,308	103	-198
Independent statutory bodies	8,064	-39	-127
Temporarily employed	4,650	0	-56

SOURCE: Employment and Training Corporation

Table 3.5
PART-TIME EMPLOYMENT

Number of persons

	June 2000	Change in number of persons	
		Previous quarter	Year-ago period
Part-time employees holding full-time jobs	17,279	606	290
Part-time employment as primary job	17,625	921	2,705
Total part-time employment	34,904	1,527	2,995

SOURCE: Employment and Training Corporation.

The number of the gainfully occupied in the private market services sector expanded by nearly 690 during the quarter. About two-thirds of this increase took place in the tourism industry, as employment in hotels and catering establishments and in the transport, storage and communications sub-sector (which includes tourism-related services such as tourist guides) rose by 300 and 167, respectively. The wholesale and retail sector also expanded its workforce, albeit at a much slower rate than in the March quarter. The community and business and the personal services sub-sectors generated most of the remaining expansion in employment in services.

The number of the self-employed continued to grow at an exceptional rate during the quarter, going up by 315 from the previous quarter's level. This development has featured prominently in the labour data throughout the first half of 2000. In fact, nearly a third of the increase in the gainfully occupied population during this period occurred in this category. Better enforcement of employment regulations may have contributed to this development.

Meanwhile, part-time employment rose by around 1530, or 4.6%, between March and June 2000, as Table 3.5 shows. This was broadly in line with the increase registered during the same period of 1999, and in the main reflected the approach of the peak tourist season. An increase of 3.6% was in fact

registered in the number of persons having both a full-time and a part-time job during the quarter. At the same time the upward trend in the number of people holding only a part-time job remained in evidence, with an addition of about 920, or 5.5%. This category of workers accounted for more than 90% of the year-on-year rise in part-time employment. Two-thirds of this increase was, in turn, due to higher female participation.

The number of unemployed persons fell by 726, or 10%, over the twelve months to June 2000, despite the significant growth in the labour supply recorded during the period. It should be noted, however, that this drop mostly affected the younger age bracket and those who had been registering for less than 20 weeks. The surge in job creation had no effect on hardcore unemployment. In fact, at the end of June, the number of the unemployed aged over 50, and of those who had been registering for over a year, was higher than a year earlier.

Tourism

During the second quarter of 2000, tourist arrivals were up by more than 11,000, or 3.3%, on a year-on-year basis. However this increase was in large part attributable to the timing of the Easter, which in 1999 had boosted arrivals in the first quarter and depressed those in the second. In fact, tourist arrivals during the first half of the year

Table 3.6**TOURIST ARRIVALS BY NATIONALITY**

Nationality	April - June 2000			January - June 2000		
	Arrivals	Annual Growth (%)	Share (%)	Arrivals	Annual Growth (%)	Share (%)
UK	119,114	3.3	33.9	183,915	-5.2	34.5
Germany	63,401	0.4	18.1	105,786	3.2	19.8
France	27,451	7.6	7.8	35,760	2.1	6.7
Italy	23,117	17.1	6.6	33,071	6.8	6.2
Netherlands	19,944	-4.7	5.7	26,332	-4.1	4.9
Scandinavia ¹	15,077	-7.3	4.3	21,409	-0.3	4.0
Austria	12,288	25.5	3.5	16,594	6.2	3.1
Libya	10,577	-3.8	3.0	21,177	17.9	4.0
Belgium	7,615	-13.0	2.2	10,142	-10.3	1.9
Switzerland	6,030	-11.9	1.7	8,799	-19.6	1.6
Others	46,531	9.0	13.3	70,430	3.0	13.2
Total	351,145	3.3	100	533,415	-0.4	100

¹ Scandinavian countries include Denmark, Norway and Sweden.
Note: Figures may not add up due to rounding.
SOURCE: Central Office of Statistics.

were still down by over 2,000, or 0.4%, when compared with the same period last year, though gross earnings from tourism were up by 1.9% from their 1999 level. Meanwhile, cruise passenger arrivals were significantly down from last year's levels.

As can be seen from Table 3.6, which gives a breakdown of arrivals by nationality, tourism from the UK recovered somewhat during the June quarter of 2000. In fact, UK arrivals were up by 3.3% during this period, the first quarterly rise in five quarters. Furthermore most of the increase was registered in May, and thus was not attributable to the timing of Easter. Other source markets that saw a significant expansion in arrivals during the quarter included Italy, Austria, and France. On the other hand, Malta's penetration of the German market slowed down, with second quarter arrivals from Germany

remaining virtually unchanged from last year's level, while declines were registered in the Scandinavian, Dutch, Belgian and Swiss markets.

Tourist activity during the first half of 2000 was largely conditioned by the industry's disappointing performance in the British market during the first quarter of the year. In fact, as a result of this, arrivals from the UK during the six months to June were down by nearly 10,000, or 5.2% from their level in the corresponding period of 1999. Increasing competition, particularly with regards to the quality of the environment and the services offered, is gradually denting the UK's share in total arrivals, in spite of the current strength of the British economy and of sterling. Furthermore, arrivals from the UK are not expected to improve significantly in the coming months, although the intensification of marketing efforts should begin to yield concrete results in the

longer term.

The British market, however, was not the only one to produce a disappointing performance. A significant decline was also registered in arrivals from Belgium, the Netherlands and Switzerland, while arrivals from Scandinavia, which had been a major source of growth during 1999, also recorded a slight drop. Similarly, although arrivals from Germany, Malta's second largest source market, rose by 3.2% during the first half of the year, this was a markedly slower rate of increase than the 9.7% growth registered in the same period in 1999. The same can be said of the Austrian market,

arrivals from which grew at a slower rate during 2000. At the same time, gains were recorded in two important markets, France and Italy, in which Malta had performed badly during the first half of 1999, while arrivals from Libya were up by nearly 18% from last year's level.

Cruise passenger activity contracted significantly during the second quarter of 2000, with 9,600 fewer arrivals. As a result of this decline, which more than offset the rise registered in the first quarter, the number of cruise passengers visiting Malta during the first half of the year was down by 10.5% from last year's level.

4. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

Provisional data for the second quarter show that the deficit on the current account of Malta's balance of payments widened considerably. This was mainly on account of a rise in imports of capital goods and industrial supplies, though the hike in oil prices on international markets also contributed. Net inflows on the capital and

financial account were well below last year's level, though this was largely due to the substantial inflows of capital then recorded in connection with the sale of Mid-Med Bank to the HSBC Group.

Meanwhile, in contrast to the previous two quarters, the Maltese lira lost some ground against the euro. At the same time, the depreciation of the lira against the US dollar was

Table 4.1
BALANCE OF INTERNATIONAL PAYMENTS¹

	Apr-June			
	1999		2000	
	Credit	Debit	Credit	Debit
CURRENT ACCOUNT BALANCE		15.6		43.7
Goods and services balance		16.8		52.3
Merchandise trade balance		51.6		80.5
Merchandise f.o.b. (including ship building and repairing)	205.2	256.8	269.8	350.3
Services balance (net)	34.8		28.2	
Transportation	30.8	43.1	33.6	50.6
Travel	67.1	19.4	70.4	20.6
Other services	22.1	22.7	19.8	24.4
Official	2.0	4.5	2.0	2.3
Private	20.1	18.2	17.8	22.1
Income (net)		4.5	4.3	
Dividends, reinvested earnings, interest, other	124.1	128.6	111.6	107.2
Unrequited transfers (net)	5.6		4.3	
Official	0.4	1.0	3.4	2.1
Private	12.2	5.9	8.1	5.1
CAPITAL AND FINANCIAL ACCOUNT BALANCE (Net)	9.2		10.6	
CAPITAL ACCOUNT BALANCE	6.5		6.0	
FINANCIAL ACCOUNT BALANCE	2.7		4.6	
Direct investment	148.7		32.6	
Portfolio investment		88.2		87.5
Other investment		9.6	53.2	
Reserve assets		48.2	6.2	

¹ Provisional COS data compiled on an accruals basis.

more subdued, while the local currency strengthened somewhat against sterling.

The Current Account¹

As can be seen from Table 4.1, the deficit on the current account stood at Lm43.7 million during the second quarter of 2000 – up by Lm28 million from last year. This was mainly due to a widening of the merchandise trade deficit, though a deterioration in the services account also contributed.

Merchandise Trade

The **merchandise trade** gap widened from almost Lm52 million last year to just over Lm80 million during the quarter under review, as imports grew

faster, both in absolute and in percentage terms, than exports. As Table 4.2 shows, however, the rise in merchandise imports was to a large extent due to imports of capital goods and industrial supplies, which were up by almost Lm23 million and Lm63 million, respectively, from last year's levels. These increases were, in turn, mainly attributable to substantial investment by the leading firm in the electronics industry. Another factor that contributed to the rise in imports was the hike in oil prices, which boosted the value of imports of fuel and lubricants by Lm14.5 million during the quarter. It should be borne in mind, however, that about half the oil imported into Malta is re-exported, so that the net contribution to the trade deficit from this source is estimated at around Lm7 million.

Table 4.2
MERCHANDISE TRADE
(based on Customs Data)

	April-June		Change
	1999	2000	
Imports	281.9	385.2	103.3
Industrial supplies	156.5	219.3	62.8
Capital goods and others	46.3	69.0	22.7
Consumer goods	67.1	70.4	3.3
Food and beverages	21.6	22.3	0.7
Durable goods	30.8	32.4	1.6
Others	14.7	15.7	1.0
Fuel and lubricants	12.0	26.5	14.5
Exports	196.7	264.9	68.2
Domestic	180.1	239.1	59.0
Re-exports	16.6	25.8	9.2
Trade balance	-85.2	-120.3	-35.1

SOURCE: Central Office of Statistics

¹ Compiled on an accruals basis.

Services and Investment Income

The June quarter surplus on the **services** account, at Lm28.2 million, was down by Lm6.6 million from last year's level. This contraction in part reflected the surge in imports, which gave rise to higher transportation costs. Indeed, net payments on the transportation account were up by Lm4.7 million, as can be seen from the Table, though an increase of Lm4 million in net outflows was also recorded on the other services account. The latter essentially reflected higher payments for insurance and professional fees. These outflows, however, were in part compensated for by a rise in net receipts from tourism, which advanced by just over Lm2 million.

Meanwhile, the **investment income** account swung from a negative balance of Lm4.5 million in the second quarter of 1999 to a surplus of virtually the same magnitude during the quarter under review. This was mainly attributable to a reduction in interest payments on foreign debt which was only partly offset by a drop in undistributed profits and earnings reinvested locally by foreign owned enterprises.

At the same time, the net surplus on **unrequited transfers** declined by Lm1.3 million, as an increase in tax receipts from non-residents was partly offset by smaller private inward transfers.

The Capital and Financial Account

The capital and financial account remained in surplus during the second quarter of 2000. Nevertheless, if movements in reserves were to be excluded, net capital inflows were sharply down: from Lm57.4 million in 1999 to Lm4.3 million². The financial account was responsible for the greater part of this drop, as the surplus on the capital account was only marginally smaller than in 1999. The monetary sector reported an

increase of around Lm36 million in net outflows, though these mainly reflected the transactions of international banking institutions, which have little impact on the Maltese economy. But the non-monetary sector, which includes the Government, private and public corporations and private individuals, reported a drop in net inflows of just over Lm16 million compared to the June quarter last year - when the sale of Mid-Med Bank to the HSBC Group had boosted foreign direct investment inflows. The latter was also reflected in the increase, of around Lm47 million, in net inflows from other investment, as a substantial increase in receivables in the June quarter of 1999 was followed by a reduction of Lm12 million in the same account in the quarter under review. Meanwhile, portfolio investment outflows were practically unchanged from last year's level.

As a result of these developments, the balance of payments ended the second quarter with an overall deficit of Lm39.3 million. The official reserves, however, fell by only Lm6.2 million during the quarter, with the difference being due to accounting adjustments and statistical errors and omissions.

Year-to-Date Developments in the Balance of Payments

During the first half of the year 2000, the current account deficit widened by just over Lm51 million to nearly Lm73 million. A Lm43.5 million widening of the merchandise trade gap was mainly responsible for this deterioration. This was, in turn, mainly attributable to a rise in imports of industrial supplies, which were up by Lm101.1 million, and of capital goods, which rose by almost Lm40 million, though imports of consumer goods, up by Lm10.5 million, also contributed. The fuel import bill, net of re-exports, rose by around Lm11 million. At the same time, the

² Additions to the reserves are shown as a debit entry, while a loss of reserves is shown as a credit in the balance of payments.

Table 4.3**BALANCE OF INTERNATIONAL PAYMENTS ¹***Lm millions*

	Jan-June			
	1999		2000	
	Credit	Debit	Credit	Debit
CURRENT ACCOUNT BALANCE		21.6		72.7
Goods and services balance		38.0		96.2
Merchandise trade balance		90.4		133.9
Merchandise f.o.b. (including ship building and repairing)	394.2	484.6	511.8	645.7
Services balance (net)	52.4		37.8	
Transportation	52.7	77.2	61.5	90.9
Travel	113.3	34.7	115.4	36.6
Other services	39.7	41.5	42.1	53.6
Official	4.1	7.3	4.2	5.0
Private	35.6	34.2	24.3	48.6
Income (net)	8.0		16.6	
Dividends, reinvested earnings, interest, other	214.0	206.0	235.8	219.2
Unrequited transfers (net)	8.3		6.7	
Official	1.9	2.7	3.9	4.3
Private	22.9	13.7	20.1	13.0
CAPITAL AND FINANCIAL ACCOUNT BALANCE (Net)	30.4		77.4	
CAPITAL ACCOUNT BALANCE	6.0		5.2	
FINANCIAL ACCOUNT BALANCE	24.4		72.2	
Direct investment	155.2		43.2	
Portfolio investment		124.3		59.2
Other investment	38.3		49.7	
Reserve assets		44.8	38.5	

¹ Provisional COS data compiled on an accruals basis.

surplus on services declined by Lm14.6 million, partly reflecting the higher transportation costs associated with the rise in merchandise imports, and higher payments for insurance and

professional fees. Net receipts from travel remained stable at just under Lm79 million. Meanwhile, the developments in the investment income account highlighted earlier led to a rise in

Table 4.4
MERCHANDISE TRADE

(based on Customs Data)

Lm millions

	January-June		Change
	1999	2000	
Imports	533.7	710.3	176.6
Industrial supplies	304.2	405.3	101.1
Capital goods and others	80.4	119.6	39.2
Consumer goods	125.1	135.6	10.5
Food and beverages	40.9	43.7	2.8
Durable goods	56.0	60.4	4.4
Others	28.2	31.5	3.3
Fuel and lubricants	24.0	49.8	25.8
Exports	385.8	503.8	118.0
Domestic	349.9	455.8	105.9
Re-exports	35.9	48.0	12.1
Trade balance	-147.9	-206.5	-58.6

SOURCE: Central Office of Statistics

net inflows of just under Lm9 million.

Table 4.5
BALANCE OF PAYMENTS BASED
ON BANKING TRANSACTIONS¹

Lm millions

	2th Qtr	
	1999	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.

As regards the capital and financial account, developments during the first six months of the year largely reflected the transactions that occurred during the second quarter highlighted earlier. Thus, there was a Lm36.3 million drop in net capital and financial inflows, excluding movements in reserve assets. The latter, meanwhile, declined by Lm38.5 million.

Foreign Exchange Transactions³

Foreign exchange transactions effected through the local banking system during the June quarter reflected the deterioration in the overall balance of payments position outlined above. Thus, the overall surplus on such transactions, at Lm39.1 million, was around Lm15 million lower than that recorded in the corresponding quarter last year. This resulted from lower net capital inflows, as current account transactions yielded a larger surplus.

³ Between residents and non-residents, and on a cash settlement basis effected through the local banking system.

Meanwhile, during the quarter, the net foreign assets of the banking system rose by almost Lm64 million. The difference between the overall balance and the change in net foreign assets, amounting to Lm24.6 million, reflected revaluation and other accounting adjustments, the latter mainly relating to transactions of international banking institutions.

The Maltese Lira

During the second quarter of 2000, the euro recovered some ground against the US dollar on international markets while sterling depreciated against all the other major currencies. As a result, the Maltese lira depreciated against all major currencies except sterling.

After having appreciated against the euro throughout the previous two quarters, the Maltese lira lost 1.3% against the European unit

during the June quarter. This depreciation, however, occurred entirely in June, when the euro/Lm exchange rate fell to EUR2.4194, its lowest point for the quarter, after having reached a record high of EUR2.5319 against the European currency during the first week of May. Despite the June depreciation, the value of the Maltese lira at the end of the quarter was, on average, still nearly 5% up on the year-ago level.

Meanwhile, the Maltese lira continued to lose ground against the dollar, ending the quarter almost 1% down from its end-March value. The depreciation, however, took place mainly in April and May, when the dollar/Lm rate touched a low of USD2.2259. Thereafter, the Maltese lira began to appreciate in dollar terms, though not enough to recover all the ground lost since the end of March. On average, during the quarter, the Maltese lira's value in terms of the dollar was down by 7.4% from its value in the second quarter

Table 4.6

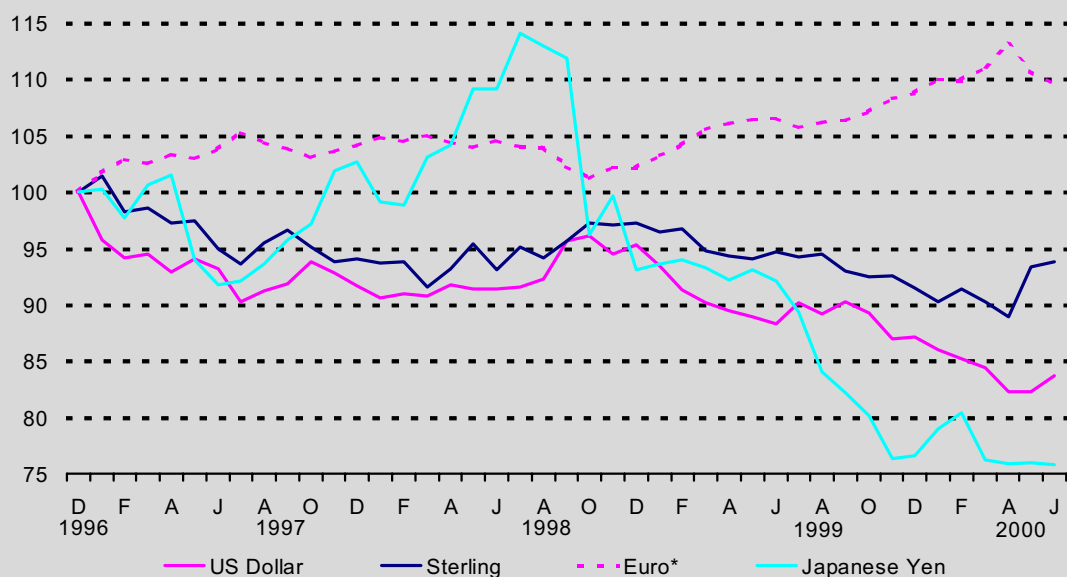
EXCHANGE RATES OF THE MALTESE LIRA AGAINST SELECTED MAJOR CURRENCIES

Period	EURO ¹	US\$	STG	YEN
Average for 2nd Qtr. 2000	2.4659	2.3041	1.5035	245.6
Average for 2nd Qtr. 1999	2.3518	2.4872	1.5475	300.4
% Change	4.9	-7.4	-2.8	-18.2
Closing rate on 30.06.2000	2.4300	2.3263	1.5372	245.0
Closing rate on 30.03.2000	2.4621	2.3465	1.4781	246.4
% change	-1.3	-0.9	4.0	-0.6
High for 2nd Qtr.	2.5319	2.3680	1.5507	251.7
	(May 04)	(Apr. 05)	(June 15)	(Apr. 11)
% change from average	2.7	2.8	3.1	2.5
Low for 2nd Qtr.	2.4194	2.2259	1.4479	238.7
	(June 19)	(May 19)	(May 04)	(May 19)
% change from average	-1.9	-3.4	-3.7	-2.8

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

Chart 4.1
EXCHANGE-RATE MOVEMENTS OF THE MALTESE LIRA AGAINST SELECTED CURRENCIES

(index of end-of-month rates, end-1996 = 100)



of 1999.

The generally downward trend of the Maltese lira against sterling observed over the past five quarters continued through April and the first week of May, with the sterling/Lm rate falling to Stg1.4479 on May 4. Thereafter, however, the Maltese lira began to appreciate sharply against the UK currency, in terms of which it gained 4% in value by the end of the quarter, reaching a 9-month peak of Stg1.5507 on June 15. Nevertheless, the average value of the Maltese lira in terms of sterling during the quarter was still 2.8% lower than in the second quarter of 1999.

Against the Japanese yen, the Maltese lira remained relatively stable during the quarter under

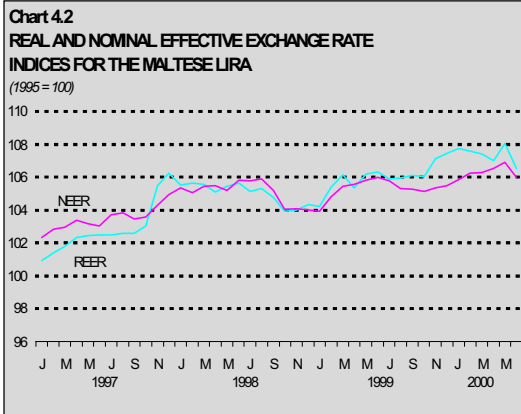
review, as Chart 4.1 shows. Indeed, between the end of March and the end of June, the Maltese lira only lost around half a percentage point in value vis-à-vis the yen. Nevertheless, the yen/Lm rate during the quarter was, on average, more than 18% lower than in the second quarter last year.

The latest developments in Malta’s external competitiveness as measured by movements in the Nominal Effective Exchange Rate (NEER)⁴ and the Real Effective Exchange Rate (REER)⁵ indices for the Maltese lira computed by the Central Bank of Malta are illustrated in Chart 4.2.

As can be seen from the Chart, the upward trend of the NEER index persisted until May, when the index stood 0.6% up from its level in March as the

⁴ 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.

⁵ 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.



euro fell to record lows against the dollar. The recovery of the euro in June, however, sparked off a sharp drop in the NEER index, which fell by almost 1% from its level in the previous month. Indeed, the index then stood at its lowest level since February 2000. Nevertheless, the average

level of the NEER index during the quarter was still 0.3% above its level in the previous quarter and 0.65% higher than in the corresponding quarter 1999.

Meanwhile, the REER index fluctuated rather widely. The downward trend in evidence since January was briefly interrupted in May, when the index rose by 1%. As with the NEER index, this partly reflected the euro's fall to record lows during that month, though it was also due to a jump in the domestic rate of inflation on account of the seasonal increase in the prices of clothing and footwear. Indeed, in June, the REER index fell by 1.4%, thus ending the quarter 1.0% down from its March level, implying a gain in competitiveness over the quarter. Nevertheless, the average level of the REER index during the quarter was still 1.2% higher than in the corresponding quarter of 1999.

5. GOVERNMENT FINANCE

Fiscal operations during the second quarter of 2000 resulted in a small surplus, compensating for the widening of the fiscal deficit reported in the March quarter. As a result, the underlying improvement in the fiscal position noted in that quarter is now being reflected in the actual figures,

and these figures, on which the analysis in this chapter will focus, suggest that the deficit reduction target for the year 2000 is likely to be met.

Ordinary Revenue

The contraction in the fiscal deficit during the first six months of 2000 was the result of a much faster

Table 5.1
GOVERNMENT BUDGETARY OPERATIONS

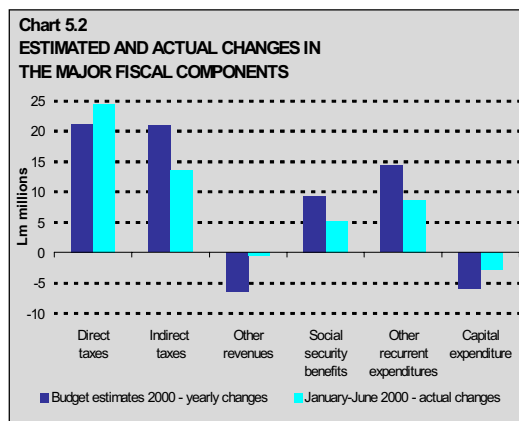
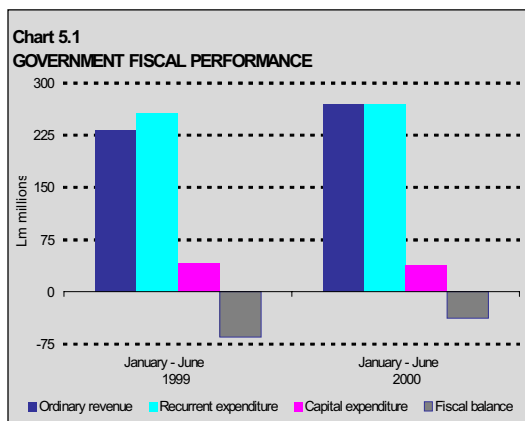
	<i>Lm millions</i>				
	2000	1999	2000	Change	
	Qtr. 2	Qtr. 1 - Qtr. 2	Qtr. 1 - Qtr. 2	Qtr. 1 - Qtr. 2	Amount
ORDINARY REVENUE	152.9	231.6	269.2	37.6	16.2
Direct tax	66.0	85.8	110.3	24.5	28.6
Income tax	40.2	45.6	64.4	18.8	41.2
Social security contributions ¹	25.8	40.2	45.9	5.7	14.2
Indirect tax	58.4	98.5	112.1	13.6	13.8
Consumption tax	25.1	40.1	50.1	10.0	24.9
Customs and excise duties	14.9	25.3	27.3	2.0	7.9
Licences, taxes and fines	18.4	33.1	34.7	1.6	4.8
Non-tax revenue	28.5	47.3	46.8	-0.5	-1.1
Central Bank profits	17.1	30.2	27.1	-3.1	-10.3
Other ²	11.4	17.1	19.7	2.6	15.2
RECURRENT EXPENDITURE¹	118.4	255.5	269.3	13.8	5.4
Social security benefits ³	40.3	96.5	101.7	5.2	5.4
Interest payments	12.3	25.9	27.3	1.4	5.4
Other	65.8	133.1	140.3	7.2	5.4
CURRENT BALANCE	34.5	-23.9	-0.1	23.8	-
CAPITAL EXPENDITURE	21.9	41.3	38.3	-3.0	-7.3
TOTAL EXPENDITURE	140.3	296.8	307.6	10.8	3.6
FISCAL BALANCE	12.6	-65.2	-38.4	26.8	-

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*



expansion in ordinary revenues than in total expenditure. This can be seen from Table 5.1 and Chart 5.1. In fact, whereas ordinary revenues increased by nearly Lm38 million, entirely due to a higher tax intake, expenditures were up by only Lm10.8 million. Indeed, the fiscal measures introduced in the last Budget, together with improved efficiency in revenue collection, have had a positive impact on the performance of both direct and indirect tax revenues, which respectively contributed two-thirds and a third of the increase in ordinary revenues. As Table 5.1 shows, nearly Lm19 million more was collected from income tax during the first six months of the year. This was mainly due to the bringing forward of the collection of provisional taxes, though the revision in the taxable income bands and a more efficient collection process also contributed. Meanwhile, as a result of the increase in rates, revenue from social security contributions was up by Lm6 million. VAT, in turn, generated a year-on-year increase of Lm10 million, of which close to 40% reflected the extension of the tax base to petrol and telephony services. On the other hand, non-tax revenues remained stable, since a Lm3 million drop in Central Bank profits transferred to Government was compensated for by higher revenues from other non-tax sources.

As can be seen from Chart 5.2, higher revenues

from direct taxes in the first half of 2000 surpassed the planned increase for the year as a whole,¹ whereas the increase in revenue from indirect taxes was well above the 50% benchmark. This large expansion in tax revenues was in part due to the slow start in revenue collection in 1999 and consequently, in the second half of the year revenue growth is expected to slow down. Nonetheless it seems clear that the revenue targets for 2000 should be attained.

Expenditure

The overall increase in Government expenditure during the first half of 2000 was kept to Lm11 million, since an additional Lm14 million in recurrent expenditure was partly offset by a Lm3 million drop in capital expenditure. Close to 40% of the increase in the former reflected higher expenditures on social security benefits, which were boosted by payments of pension arrears. A further Lm4 million represented the compensation payment for the removal of the bread subsidy. In turn, interest payments were Lm1.4 million higher than in the same period last year, in line with the higher stock of debt. On the other hand, transfers to the Water Services Corporation were down by Lm4 million, as the Corporation's cash flow improved, while capital expenditure was down by Lm3 million. The drop in capital expenditure

¹ As indicated in the last Budget Estimates.

Table 5.2
GOVERNMENT FINANCING OPERATIONS

	<i>Lm millions</i>				
	1999			2000	
	Qtr. 2	Qtr. 3	Qtr.4	Qtr. 1	Qtr. 2
FISCAL BALANCE	-33.4	-18.8	-39.6	-50.9	12.6
<i>Financed by:</i> ¹					
Local loans	0.0	78.8	0.0	0.0	0.0
Sale of assets	26.6	10.9	35.8	0.0	12.0
Foreign loans	-1.0	-1.5	0.4	0.0	-1.9
Grants	6.4	1.5	1.8	0.0	6.0
Increase in stock of Treasury bills outstanding	20.5	-29.3	-18.9	30.9	11.2
Decrease in Government deposits	-35.5	-37.5	18.1	9.2	0.0

¹ Negative figures indicate an application of funds.

SOURCE: The Treasury

mainly reflected the fact that the costs of construction of the new hospital in 2000 fell short of the outlays on oil exploration incurred in 1999.

As can be seen from Chart 5.2, recurrent expenditure increases during the first half of the year were just over 50% of the increase budgeted for the year as a whole, whereas the drop in capital expenditure was in line with budget expectations. This suggests that if in the second half of the year recurrent expenditure growth slows down slightly while capital expenditure remains under control, the expenditure cap targets for 2000 should be attained.

Financing²

During the second quarter Government continued to rely on Treasury bill issues to meet its financing needs. Thus, the outstanding balance of Malta Government Stocks remained unchanged at Lm712 million,³ while the stock of Treasury bills outstanding rose by Lm11 million, as Table 5.2 shows. At the same time, the Government also received Lm6 million by way of grants and another Lm12 million as the final instalment for the sale of its majority shareholding in Mid-Med Bank plc to the HSBC Group.

² Financing mismatches in the first and second quarter of 2000 reflect the fact some expenditure items were recorded in the first quarter but paid out in the second quarter.

³ The issue of Malta Government Stocks during June represented a roll over of existing stock when the latter matured. The total outstanding stock of debt thus remained unchanged.

6. MONETARY AND FINANCIAL DEVELOPMENTS

The rate of expansion of broad money continued to slow down during the quarter under review. As collective investment schemes expanded further, and as the Government and private firms issued securities on the capital market, savings and time deposits increased only modestly. Monetary growth was driven mainly by an increase in the net foreign assets of the banking system that outweighed a small drop in domestic credit and growth in the net non-monetary liabilities of the banking system.

As the Central Bank left official interest rates unchanged during the quarter, money market interest rates remained stable. However, the decline in Government bond yields in evidence since late 1998 appears to have been checked, while equity prices fell.

The Monetary Base

The **monetary base**, M0, consists of currency in issue and banks' deposits with the Central Bank, excluding term deposits. After having contracted by 2.6% during the previous quarter, the monetary base expanded by 3.6% during the quarter under review, so that its annual rate of growth rose to 6.8% in June. As Table 6.1 shows, currency in issue accounted for most of the increase in M0 during the quarter.

The Table also shows the assets and the remaining liabilities on the Central Bank's balance sheet, which are the counterparts to the monetary base. *Ceteris paribus*, an increase in the Bank's assets raises the monetary base, whereas an increase in the Bank's remaining liabilities lowers it. During the quarter reviewed, the volume of term deposits used by the Bank to absorb liquidity from the banking system fell, while the Bank also used repos to inject liquidity into the system. This switch in the conduct of the Bank's open market operations lowered the Bank's non-monetary

Table 6.1
THE MONETARY BASE AND ITS SOURCES

	Mar. 2000	June 2000	Change
			<i>Lm millions</i>
Currency in issue	396.2	409.7	13.5
Banks' deposits with the Central Bank	133.1	138.9	5.8
Monetary base	529.3	548.6	19.3
Central Bank assets			
Foreign assets	708.9	703.4	-5.5
Claims on Government	7.9	6.6	-1.2
Fixed and other assets	73.1	72.6	-0.5
<i>Less:</i>			
Remaining liabilities			
Government deposits	88.5	84.8	-3.6
Capital and reserves	89.1	89.1	0.0
Other liabilities	83.0	60.2	-22.9

Table 6.2
MONETARY AGGREGATES

(Changes on the previous quarter)

Lm millions

	1999				2000					
	2nd Qtr.		3rd Qtr.		4th Qtr.		1st Qtr.		2nd Qtr.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. NARROW MONEY	27.4	5.2	2.5	0.5	25.3	4.6	-23.3	-4.0	23.2	4.2
Currency in circulation	11.8	3.2	-1.8	-0.5	7.5	2.0	-8.8	-2.3	12.2	3.2
Demand deposits	15.5	9.8	4.3	2.5	17.9	10.0	-14.5	-7.4	11.0	6.1
2. QUASI-MONEY	55.4	3.2	19.7	1.1	32.7	1.8	29.5	1.6	7.9	0.4
Savings deposits	19.4	3.2	-1.5	-0.2	18.1	2.9	3.7	0.6	-16.9	-2.6
of which FCDs ¹	0.4	0.4	7.3	6.4	0.4	0.3	-1.3	-1.0	5.1	4.2
Time deposits	36.0	3.1	21.2	1.8	14.6	1.2	25.7	2.1	24.8	2.0
of which FCDs ¹	-2.0	-2.7	3.6	4.9	-2.9	-3.8	2.8	3.8	5.8	7.6
3. BROAD MONEY	82.8	3.6	22.3	0.9	58.0	2.4	6.2	0.3	31.1	1.3

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

liabilities and raised the Bank's other assets. Both these factors, in turn, combined to boost M0.

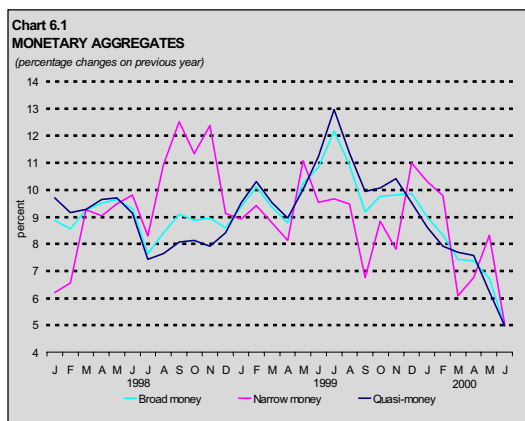
Monetary Aggregates

Broad money, M3, expanded during the June quarter, but its annual growth rate continued to slow down as collective investment schemes and issues of securities on the primary capital market offered alternative investment outlets to savers¹. Thus, during the quarter, M3 grew by a modest Lm31.1 million, or 1.3%, as Table 6.2 shows. This was a smaller increase than that recorded during the second quarter of 1999, and, as a result, the annual growth rate of M3 continued to decelerate, dropping from 7.4% in March to 5% in June. In contrast with the previous two quarters, corporate deposits contracted, while deposits belonging to households expanded. Furthermore, residents' deposits denominated in foreign currency grew more rapidly than Maltese lira deposits.

Growth in the more liquid components of broad money accounted for most of the increase in M3 during the quarter reviewed. Thus, **narrow money**, or M1, which consists of currency in circulation and demand deposits, expanded by Lm23.2 million, or 4.2%, almost reversing the drop recorded during the previous quarter. Nevertheless, the annual rate of growth of M1 ended the quarter at 5%, more than a full percentage point below its end-March level.

Currency in circulation continued to fluctuate, expanding by Lm12.2 million, or 3.2%, during the quarter reviewed, and thus overturning the drop recorded during the previous quarter. The largest increase in currency in circulation took place in April, possibly because of the timing of Government payments. Similarly, after having contracted during the previous quarter, demand deposits expanded by Lm11 million, or 6.1%, during the quarter reviewed. The latter fluctuated widely during the quarter, rising sharply in May

¹ According to Malta Stock Exchange Quarterly Reports, the market capitalisation of local collective investment schemes rose from Lm295.3 million at the end of February to Lm326.7 million at the end of May.



and dropping in June, partly as a result of movements in deposits belonging to collective investment schemes. During the quarter as a whole, however, deposits belonging to households and private firms contributed to the increase.

Sustained growth in collective investment schemes, issues of securities on the capital market and falling interest rates on savings and time deposits combined to dampen **quasi-money** growth during the quarter reviewed. Thus, quasi-money increased only moderately, rising by 0.4% during the quarter. This was the smallest quarterly increase recorded during the past ten years. Consequently, as can be seen in Chart 6.1, the annual rate of growth of quasi-money continued to fall, dropping from 7.8% in March to 5% in June.

Savings deposits dropped by Lm16.9 million, or 2.6%, during the June quarter, reversing the small rise recorded during the previous quarter. They fell especially sharply in May, when two companies launched issues of securities on the capital market. Savings deposits belonging to private firms contracted by Lm10.1 million, or 9.8%, while bearer deposits continued to decrease. In contrast with the overall fall, savings deposits denominated in foreign currency expanded by Lm5.1 million during the quarter. Time deposits

continued to expand at the pace recorded during the previous quarter, adding Lm24.8 million, or 2%. The shift in favour of the more liquid, shorter-term deposits continued. Thus, as in the previous quarter, deposits with a term to maturity of less than a year accounted for almost all the quarterly increase, rising by Lm20 million.

Determinants of Monetary Expansion

Monetary expansion during the quarter reviewed was driven by growth in the net foreign assets of the banking system. The impact of the rise in the banks' net foreign assets on monetary aggregates, however, was dampened by growth in net non-monetary liabilities and by a small fall in domestic credit.

For the first time since the end of 1992, **domestic credit** contracted - by Lm3.5 million, or 0.2% - as net claims on Government fell and loan demand from the rest of the economy remained weak. As a result, the annual rate of credit growth continued to decelerate, as Chart 6.2 indicates, dropping by almost two percentage points to 7.1% in June.

After having risen during the previous quarter, net claims on Government resumed their downward trend during the quarter reviewed, when, as Table 6.3 shows, they contracted by Lm21.2 million, or 5.5%. As a result, the annual rate of growth of such claims turned negative, dropping to -4.6%. The contraction in the banks' net claims on Government mainly reflected a fall in their holdings of Government stocks.

Claims on the private and parastatal sectors increased by Lm17.7 million, or 1%, during the quarter. The annual rate of growth of such claims continued to slow down, dropping by just under one percentage point to 10%. Investments in securities issued by private firms rose by Lm12.1 million, or 27%. In contrast, loans and advances grew more sluggishly, with total credit rising by just Lm5.6 million, or 0.3%, during the quarter. Apart from weak loan demand, slower growth in

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

	1999				2000					
	2nd Qtr.		3rd Qtr.		4th Qtr.		1st Qtr.		2nd Qtr.	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY	82.8	3.6	22.3	0.9	58.0	2.4	6.2	0.3	31.1	1.3
1. DOMESTIC CREDIT	30.8	1.6	31.9	1.6	18.3	0.9	91.5	4.6	-3.5	-0.2
a) Net claims on Govt.	1.9	0.5	-21.4	-5.6	-4.0	-1.1	28.7	8.0	-21.2	-5.5
Gross claims on Govt.	37.4	8.6	16.2	3.4	-22.0	-4.5	19.5	4.2	-21.2	-4.3
Central Bank	-1.1	-13.1	9.1	129.5	-10.0	-61.8	1.7	27.7	-1.2	-15.4
Banks	38.5	9.0	7.1	1.5	-12.1	-2.5	17.8	3.8	-20.0	-4.2
less										
Government deposits ¹	35.5	63.3	37.5	41.0	-18.1	-14.0	-9.2	-8.3	0.0	0.0
Central Bank	35.6	78.6	35.2	43.5	-19.9	-17.2	-7.7	-8.1	-3.6	-4.1
Banks	-0.1	-0.9	2.3	21.7	1.9	14.4	-1.5	-9.8	3.6	26.9
b) Claims on private and parastatal sectors	28.9	1.9	53.2	3.4	22.3	1.4	62.8	3.8	17.7	1.0
2. NET FOREIGN ASSETS	57.9	6.8	42.4	4.7	-5.5	-0.6	-61.2	-6.4	63.7	7.2
Monetary authorities	48.6	7.6	9.8	1.4	44.8	6.4	-31.4	-4.2	-5.5	-0.8
Banks	9.4	4.3	32.7	14.5	-50.3	-19.5	-29.8	-14.3	69.2	38.9
less										
3. OTHER ITEMS (NET)	6.0	1.2	52.0	10.6	-45.2	-8.3	24.1	4.9	29.1	5.6

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

bank lending could also reflect the increasing importance of the capital market and non-bank financial intermediaries as sources of finance for the larger private firms.

Credit to public sector enterprises contracted for the fifth quarter in a row, dropping by Lm2.4 million, or 1%. Lower credit to state-owned manufacturing firms and to the energy and water sector offset an increase in bank lending to public entities in the transport, storage and communications sector. Although private sector credit went up by Lm8.1 million, credit demand from the private sector generally slowed down, with the annual growth rate dropping to 12.9%.

As Table 6.4 shows, personal lending, which

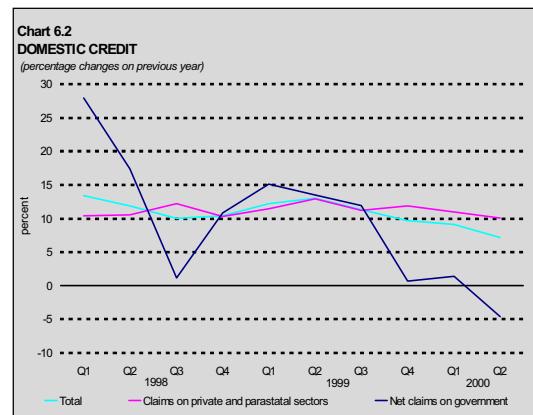


Table 6.4**CREDIT TO SELECTED CATEGORIES OF BORROWER¹***Lm millions*

	2000		2000	
	1st Qtr.	2nd. Qtr.	Change	%
	Amount	Amount		
Personal	350.0	368.0	17.9	5.1
Manufacturing	211.9	206.1	-5.7	-2.7
Wholesale and retail	287.1	288.3	1.2	0.4
Tourism	237.3	235.8	-1.5	-0.6
All Other	158.4	159.2	0.8	0.5

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

expanded by 5.1%, accounted for the entire credit growth during the quarter. Credit to the wholesale and retail trades and to “all other” borrowers increased only marginally, while lending to manufacturing firms and to the tourism industry actually decreased - by 2.7% and 0.6%, respectively. The decline in credit to the tourism sector may be attributable to the issue of bonds by some firms in the industry, which could have led them to reduce their borrowings from the banking system.

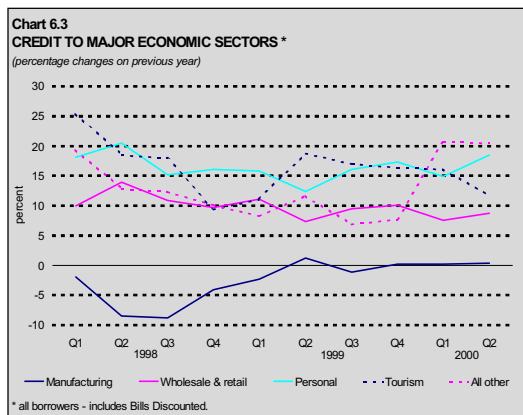
As Chart 6.3 shows, the strong growth in personal lending during the June quarter boosted the annual growth rate, which rose from 14.8% in March to 18.5% in June. The annual rate of

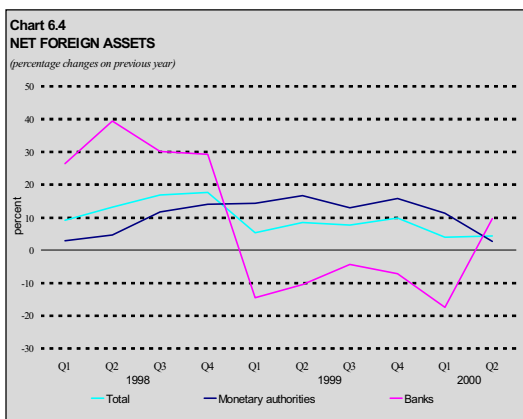
growth of credit to the wholesale and retail trades also accelerated, to 8.7%, while that of credit to the tourism industry dropped by over four percentage points to 11.7%. At the same time, the annual rate of growth of credit to the “all other” borrowers category remained stable at just over 20%.

The **net foreign assets** of the banking system recovered considerably during the quarter, rising by Lm63.7 million, or 7.2%, after having fallen during the previous two quarters, as Table 6.3 shows. As a result, their annual rate of growth rose from 3.9% in March to 4.3% in June.

However, the Central Bank’s external reserves continued to decline, dropping by Lm5.5 million, despite the receipt of the final payment in connection with the privatisation of Mid-Med Bank, mainly because of sales of foreign exchange to the banks and payments for fuel imports. Thus, the annual rate of growth of the net foreign assets of the monetary authorities fell sharply, as Chart 6.4 shows, dropping to 2.6% in June.

The net foreign assets of the rest of the banking system thus accounted for the entire increase during the June quarter. Following two successive quarterly falls, they expanded by Lm69.2 million, or almost 40%. The net foreign assets of the domestic banks expanded by Lm28.6 million, as





the deposit money banks built up their foreign asset positions largely through purchases of foreign currencies from the Central Bank². At the same time, the net foreign assets of the international banks increased by Lm40.6 million, largely as a result of changes in provisions and in shareholders' funds. This rise had little impact on monetary aggregates, being mainly reflected in an increase in other items (net).

Other items (net) consist of the non-monetary liabilities of the banking system, such as capital and reserves, provisions, debentures issued and accrued interest payable, less other assets, including premises and equipment and accrued interest receivable. During the quarter reviewed, these net liabilities continued to expand, rising by Lm29.1 million, or 5.6%. In particular, higher profits of the international banks and a drop in their other assets boosted the net non-monetary liabilities of the banking system as a whole. This outweighed the increase in accrued interest receivable reported by the domestic banks.

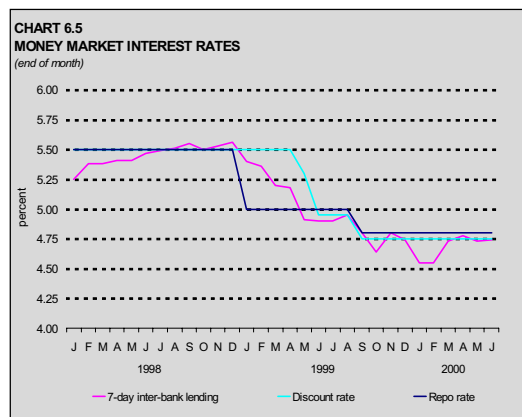
The Money Market

The Central Bank left its central intervention rate and its discount rate unchanged at 4.75% during the quarter, as Chart 6.5 shows. The Bank continued to use **open market operations** to

influence the volume of liquidity in the banking system and keep short-term interest rates stable. Open market operations are generally carried out through weekly auctions of fourteen-day funds. Since liquidity in the banking system fell during the quarter reviewed, the volume of funds absorbed by the Central Bank through auctions of term deposits dropped from Lm163.4 million during the previous quarter to Lm61.9 million. At the same time, the Bank injected Lm26.8 million into the banking system through repos. As the central intervention rate remained unchanged, interest rates applied in open market operations were stable. The interest rate paid on term deposits ended the June quarter at the end-March level of 4.72%. All repos were carried out at 4.8% throughout the quarter.

The value of short-term **inter-bank loans** continued to contract, halving again to Lm73.1 million during the quarter reviewed. In contrast with the recent trend, which saw an increase in the average length of such loans, most inter-bank loans had terms to maturity of seven days or less during the quarter. The seven-day inter-bank lending rate eased from 4.73% in March to 4.7% in June.

The banks' participation in the primary **Treasury bill** market partly explains the drop in liquidity in



² For the purposes of this analysis, domestic banks include deposit money banks, their international banking subsidiaries and other banking institutions.

the banking system. The Treasury issued Lm92.2 million worth of bills during the June quarter, up from Lm72.9 million during the previous quarter, with banks subscribing to almost three-quarters of this amount. Bills were issued with terms to maturity ranging from one month to one year, although 91-day bills continued to account for most of the total. The primary market yield on the latter rose to 4.89% in April, but ended the quarter at 4.86%, just one basis point above the end-March level.

Activity in the secondary Treasury bill market picked up moderately during the quarter reviewed, with turnover rising by 8.7% to Lm16.8 million. Deals that did not involve the Central Bank, which rose to Lm12.2 million, accounted for the entire increase. In contrast, Central Bank purchases and sales dropped to Lm2.5 million and Lm2.2 million, respectively.

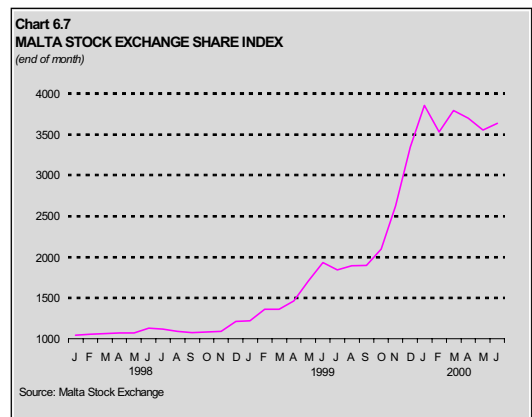
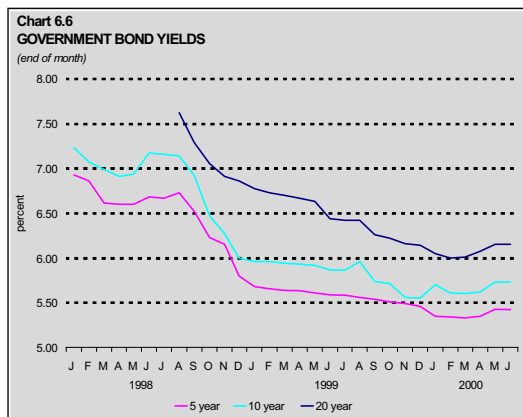
The Capital Market

Both the private sector and the Government tapped the primary market during the quarter reviewed through issues of equity and debt securities. In May, International Hotel Investments plc, a subsidiary of the Corinthia Group, issued Lm10 million worth of equity and Lm5 million worth of convertible bonds. During the same month, Plaza Centres plc, a commercial property developer, issued Lm2.9 million worth of

shares. These securities were admitted to the official list of the Malta Stock Exchange and secondary market trading in them began in June.

At the end of May, the Government launched Lm58.5 million worth of bonds to replace maturing debt. The bonds were issued in three tranches, with terms to maturity of seven, ten and fifteen years and coupon rates of 5.6%, 5.75% and 6.1%, respectively. Banks took up Lm30.1 million, with the non-bank public taking up Lm16.7 million. Other institutional investors bought the remaining Lm11.7 million. The Central Bank did not subscribe to any of these stocks. Whereas private investors sought long-term bonds with higher coupon rates, the banks generally preferred bonds with terms to maturity of up to ten years. Retail investors were offered stocks at par, while amounts above Lm50,000 were allocated by auction.

Activity in the secondary market for **Government stocks** remained stable. Turnover decreased slightly, to Lm21.1 million, as the value of deals that did not involve the Central Bank dropped to Lm15.4 million. As in the previous quarter, the Central Bank was a net buyer of bonds, making purchases and sales of Lm3.5 million and Lm2.3 million, respectively. Trading in just one stock, the 7.8% MGS 2018, accounted for around a third of the quarter's turnover. Government bond yields increased during the quarter, as Chart 6.6



shows, possibly signalling an end to the trend decline that began towards the end of 1998. Thus, the yield on ten-year Government stocks rose by 13 basis points, reaching 5.73% at the end of June.

Activity in the secondary **corporate bond** market (including trading in preference shares) nearly trebled during the quarter reviewed, with turnover rising by Lm1.1 million to Lm1.8 million. Market activity was dominated by trading in Bank of Valletta subordinated bonds, which began in April and reached Lm1.2 million. Movements in

corporate bond yields were mixed.

Turnover in the **equity market**, which had risen to Lm42.5 million during the previous quarter, dropped to Lm18 million during the quarter reviewed. Trading in most listed equities declined, although activity in the shares of Plaza Centres plc, which began during the quarter, reached Lm1.6 million. Share prices fluctuated considerably during the quarter, as Chart 6.7 shows, but the Malta Stock Exchange Share Index ended the quarter at 3,635.88, or 4% below its value at the end of March.

7. THE BANKING SYSTEM

The main developments in the domestic banking system during the second quarter of 2000 included sluggish growth in resident deposits on the liability side of the banks' balance sheet, and further additions to their foreign asset portfolio on the asset side. The banks' profitability fell, but this was entirely due to the exceptional one-off performance recorded in the previous quarter. At the same time, the deposit money banks' capital and liquidity remained well above the statutory requirements. Meanwhile, the international banking sector resumed growth, thereby compensating in part for the contraction recorded in the previous quarter.

Deposit Money Banks' Balance Sheet

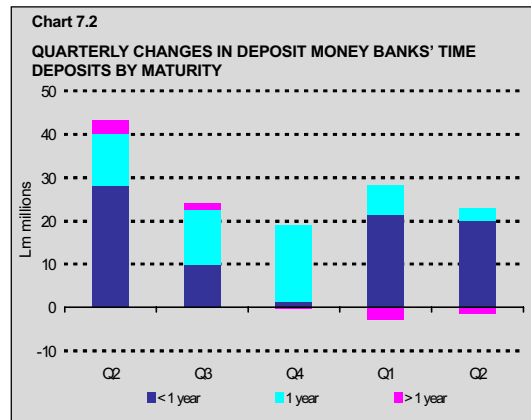
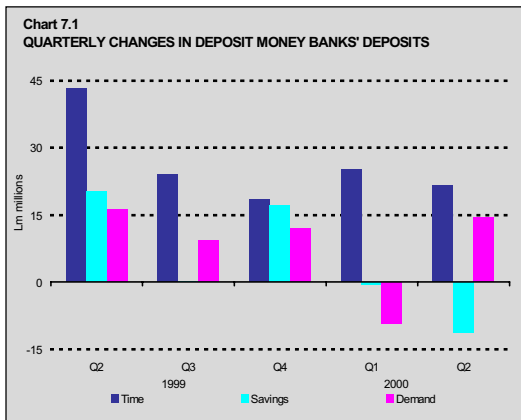
The aggregate balance sheet of the deposit money banks grew by 3.3%, during the second quarter of 2000. Higher inter-bank deposits and foreign liabilities generated most of the increase in the banks' funds, which in turn were mainly channeled into their foreign asset portfolio.

Liabilities

Resident deposits rose by Lm24.4 million during the quarter, a larger increase than that recorded in the previous quarter. As can be seen from Chart 7.1, higher demand deposits offset a drop in savings deposits and compensated for a smaller increase in time deposits. Nonetheless, the share of resident deposits' in the banks' aggregate

Table 7.1
DEPOSIT MONEY BANKS' BALANCE SHEET

	1999				2000	
	Mar	Jun	Sep	Dec	Mar	Jun
<i>Lm millions</i>						
ASSETS						
Cash and deposits with CBM	137.7	135.6	164.1	169.9	162.3	162.5
Foreign assets	581.8	595.6	620.9	615.1	653.7	713.5
Loans and advances	1,380.8	1,390.0	1,437.6	1,464.4	1,537.7	1,542.4
Local investments	519.4	581.9	590.0	574.2	592.6	583.8
Fixed and other assets	116.1	141.1	120.8	168.5	124.0	169.7
LIABILITIES						
Capital and reserves	116.0	116.0	116.0	126.8	137.8	137.8
Foreign liabilities	330.2	322.1	342.8	356.4	379.6	405.4
Other domestic liabilities	410.7	447.7	483.0	469.9	498.8	550.1
Deposits	1,878.7	1,958.3	1,991.6	2,039.0	2,054.2	2,078.6
Time	1,132.2	1,175.4	1,199.4	1,217.9	1,242.9	1,264.4
Savings	595.4	615.5	615.6	632.7	632.0	620.7
Demand	151.1	167.4	176.6	188.5	179.2	193.5
AGGREGATE BALANCE SHEET	2,735.7	2,844.2	2,933.3	2,992.1	3,070.3	3,171.9



balance sheet dropped by a further 1.4 percentage points, to 65.5%, suggesting that the more attractive rates of return offered on alternative investment vehicles are exerting a dampening effect on deposit growth. At the same time, as Chart 7.2 shows, deposits with a maturity of less than a year remained the main source of growth of time deposits, since a further slowdown was recorded in the growth of time deposits with a longer maturity.

Meanwhile, the deposit money banks' **foreign liabilities** rose by Lm25.8 million. This was due to an increase in foreign repos and an expansion in their non-resident deposit base. At the same time, the banks' **other domestic liabilities** grew by Lm51.3 million, with around 60% of the increase reflecting higher inter-bank deposits.

Assets

Loans and advances, which are the largest asset item on the deposit money banks' balance sheet, were up by Lm4.7 million during the June quarter. Advances to the private sector were up by Lm7.7 million. The largest increase was recorded in personal loans, which put on Lm13.9 million, but overall private sector credit growth was more modest, as other sectors borrowed less. Advances to the public sector were also

down, by Lm3 million, during the quarter under review.

Meanwhile, the deposit money banks added Lm59.7 million to their **foreign asset portfolio**. As can be seen from Chart 7.3, this was more than double the increase in their foreign liabilities and reflected mainly higher foreign security holdings in view of rising interest rates abroad. In contrast, the banks reduced their **local investments** by Lm8.8 million, mainly by downsizing their portfolio of Malta Government securities. On the other hand, their **fixed and other assets** rose by Lm45.7 million to Lm169.7 million. Half of this increase reflected higher inter-bank claims, while the rest was attributable to the build-up of interest receivable on the banks' loan portfolio.

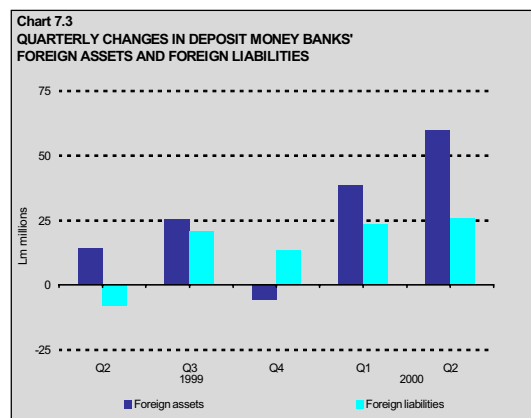


Table 7.2**DEPOSIT MONEY BANKS' INCOME AND EXPENDITURE STATEMENT***Lm millions*

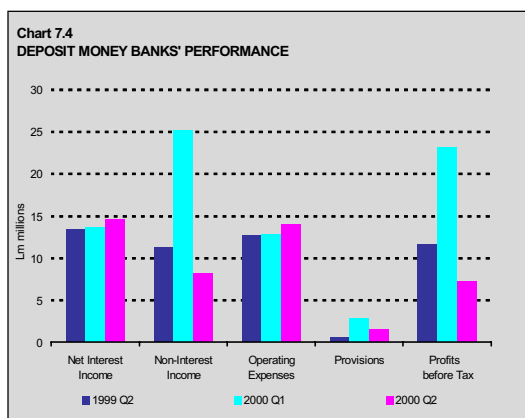
	1999	2000	
	Qtr. 2	Qtr.1	Qtr. 2
Interest income	42.7	44.3	46.7
Interest expenses	29.3	30.7	32.2
Net interest income	13.4	13.6	14.5
Fees and commissions	2.2	2.8	3.3
Foreign exchange gains	1.6	2.3	1.7
Other non-interest income	7.5	19.9	3.1
Total non-interest income	11.3	25.1	8.1
GROSS INCOME	24.7	38.7	22.7
Wages	6.5	7.8	7.9
Rent, dep'n and similar expenses	2.3	2.3	2.4
Other	3.9	2.7	3.6
Operating expenses	12.7	12.8	14.0
Provisions	0.5	2.8	1.5
PROFITS BEFORE TAX	11.6	23.1	7.2

Deposit Money Banks' Profitability, Capital Adequacy and Liquidity

Following the boost in profits reported in the first quarter of 2000 due to a one-off transfer of past profits from an international subsidiary to its local parent bank, the deposit money banks' **profits**

before tax stabilized at Lm7.2 million during the second quarter of the year. As can be seen from Table 7.2 and Chart 7.4, the banks' **net interest income**, at Lm14.5 million, was marginally up from the previous quarter's level, since the increase in their interest income outweighed the increase in interest expenses. On the other hand, their **non-interest income**, at Lm8.1 million, was less than in the previous quarter - mainly because of the exceptional boost to such income in the first quarter mentioned earlier. On the other hand, the deposit money banks' **operating expenses** rose by Lm1.2 million, though their overall expenditure growth was contained by the lowering of provision **charges** to Lm1.5 million, as can be seen from the Table.

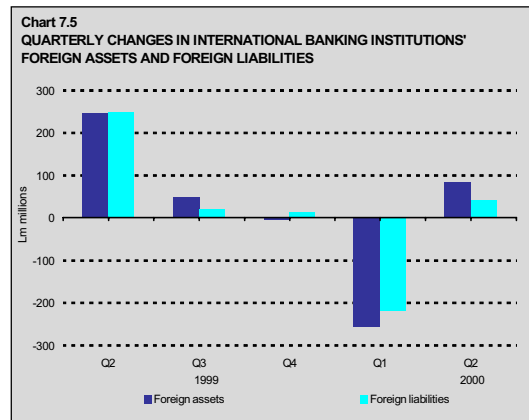
The banks' **capital adequacy ratio**, which measures the value of their own funds to a measure of risk-weighted assets and off-



balance sheet items, dropped marginally in the second quarter, from 13.39% to 13.3%. Similarly, the banks' **liquidity ratio**, which compares the value of the liquid assets in their portfolio to their net short-term liabilities, shed one percentage point to 48.5%. Nevertheless, at these levels, both ratios were well above statutory requirements.

International Banks

The balance sheet of the international banking sector, which includes international banks that conduct business almost exclusively with non-residents, expanded by 2.7% during the second quarter of 2000, thus reversing some of the contraction recorded in the previous quarter. As Table 7.3 and Chart 7.5 show, the international



banks increased their **foreign liabilities** by Lm41.7 million, as lower balances due to other banks abroad and a drop in non-resident

Table 7.3
INTERNATIONAL BANKING INSTITUTIONS' BALANCE SHEET

	1999				2000	
	Mar	Jun	Sep	Dec	Mar	Jun
ASSETS						
Cash and money at call	1.5	1.6	2.1	1.9	2.1	2.2
Foreign assets	2,127.5	2,374.9	2,423.2	2,417.7	2,160.7	2,244.8
<i>Foreign securities</i>	1,092.2	1,293.6	1,361.7	1,192.5	1,072.0	1,029.6
<i>Loans and advances to non-residents</i>	639.6	692.9	723.1	815.2	780.2	728.0
<i>Other foreign assets</i>	395.6	388.5	338.4	410.0	308.5	487.2
Loans to residents	1.3	2.0	4.5	6.1	7.0	6.9
Local investments	232.0	246.0	235.5	260.5	275.2	283.7
Other domestic assets	18.2	22.9	35.6	16.9	47.8	23.6
LIABILITIES						
Capital and reserves	172.9	175.0	179.9	188.7	182.4	184.1
Foreign liabilities	2,172.8	2,421.7	2,441.3	2,453.9	2,234.0	2,275.7
<i>Balances due to other banks abroad</i>	1,044.9	1,307.4	1,311.8	1,121.0	881.5	859.6
<i>Non-resident deposits</i>	1,023.8	1,038.6	1,014.6	1,079.3	1,027.4	983.4
<i>Other foreign liabilities</i>	104.2	75.7	114.9	253.6	325.1	432.7
Resident deposits	20.2	20.1	18.5	21.3	25.1	26.3
Other domestic liabilities	14.5	30.7	61.3	39.0	51.3	75.2
AGGREGATE BALANCE SHEET	2,380.4	2,647.5	2,701.0	2,703.1	2,492.8	2,561.2

deposits were offset by increases in these banks' other foreign liabilities. On the other hand, **resident deposits** with the international banks rose marginally, to Lm26.3 million, whereas **other domestic liabilities** grew from Lm51.3 million to Lm75.2 million.

Meanwhile, the international banks' **foreign assets** – which represent 88% of their total assets - increased from Lm2,160.7 million to Lm2,244.8 million. This mainly reflected an increase in foreign repos and the build-up of interest receivable. These more than compensated for a drop in the international banks' foreign security holdings and in their loans and advances to non-residents. At the same time, there was practically no change in the international banks' **loans to residents**. However, these banks increased their **local investments** by Lm8.5 million, mainly in the form of higher

deposits by international banks with their parent banks in Malta.

Other Banking Institutions

As in the previous quarter, some growth was recorded in the aggregate balance sheet of the other banking institutions. In fact, total assets rose from Lm160.9 million in March to Lm163.6 million in June. Loans and advances to the private sector, which represent 89% of these institutions' total assets, were up by Lm3.4 million. On the other hand, claims on Government dropped, as the institutions downsized their portfolio of Malta Government stocks, which more than offset an increase in their holdings of Treasury bills. On the liability side, deposits with the other banking institutions were practically unchanged, since higher private sector deposits compensated for the withdrawal of Government deposits.

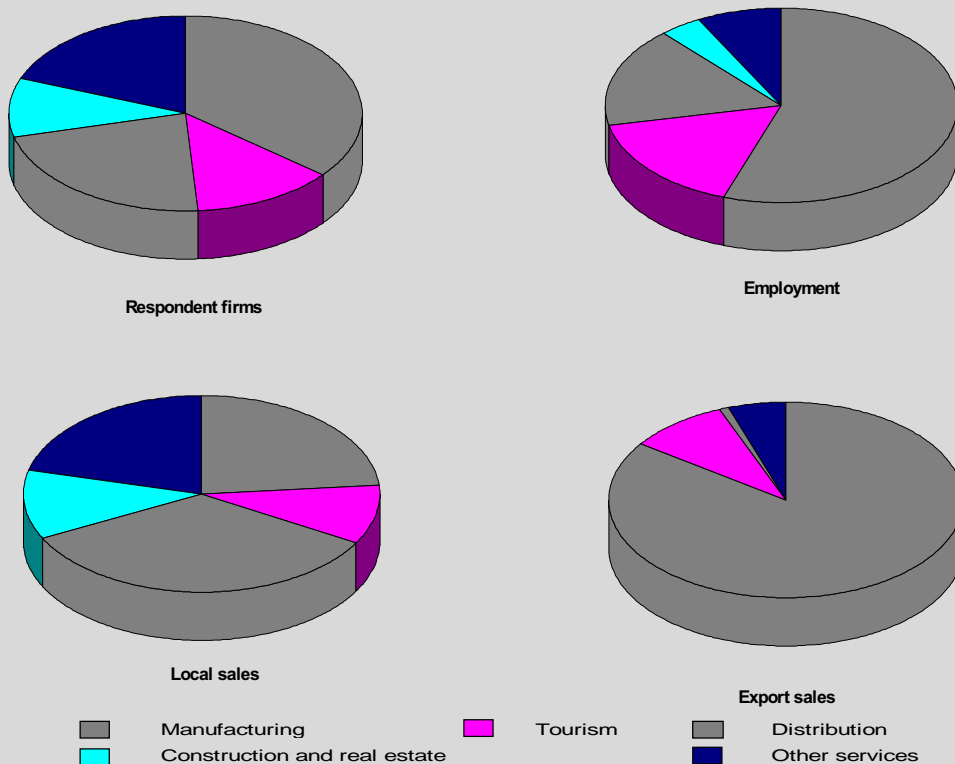
THE CENTRAL BANK'S BUSINESS PERCEPTIONS SURVEY: RESULTS FOR THE THIRD QUARTER OF 2000

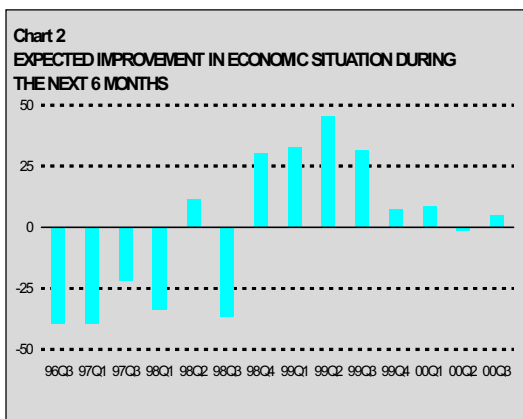
Introduction

The latest Central Bank's business perceptions survey presents mixed evidence on the level of business activity during the second quarter of 2000. What is clear is that economic growth remained export-led, underpinned by the electronics sub-sector. But the construction sector also reported an improvement in its

activity. On the other hand, operators in the tourism industry did not register the recovery that they had expected during the quarter, and activity remained well below the year-ago level. Domestic demand also appears to have remained weak, affecting firms in the domestically-oriented manufacturing sectors and the distributive trades negatively. Nevertheless, respondents' outlook

Chart 1
CHARACTERISTICS OF THE SAMPLE



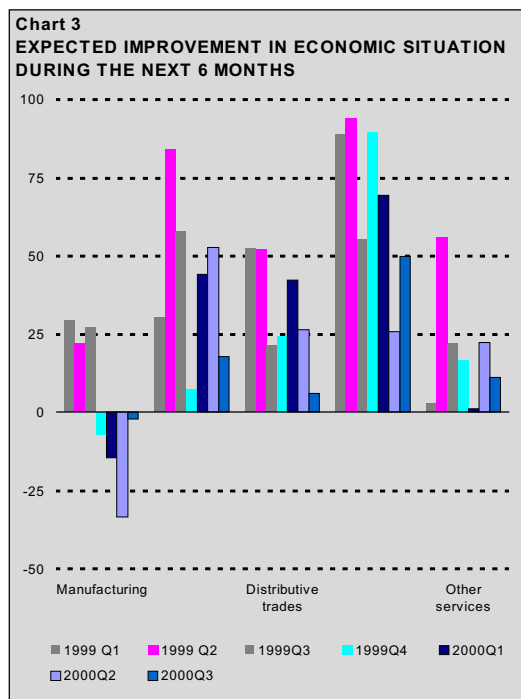


regarding the overall economic situation during the next six months remained more or less unchanged.

The survey, undertaken during July and August, covered a sample of 131 firms, employing over 16,000 workers, or 22% of the private sector's work force. The firms surveyed had an overall annual turnover of Lm421.5 million, which was almost equally divided between local and export sales. Although the sample was biased towards the larger firms, no single enterprise was allowed to dominate the sample and its composition was kept as far as possible unchanged in order to permit comparisons with the results of previous surveys. The responses of each firm were weighted on the basis of its level of employment, local turnover and export sales, in order to reflect its relative importance within its sector and the Maltese economy. The distribution of the respondent firms by economic sectors, and their relative share of employment, local sales and exports are illustrated in Chart 1.

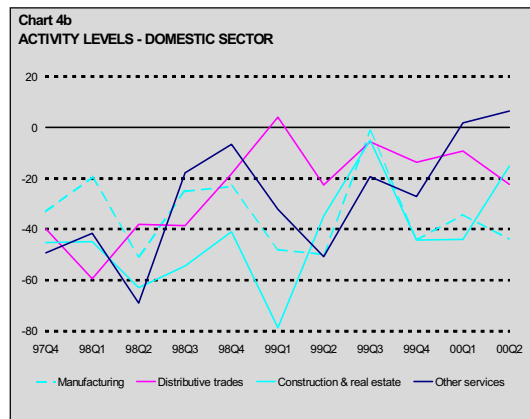
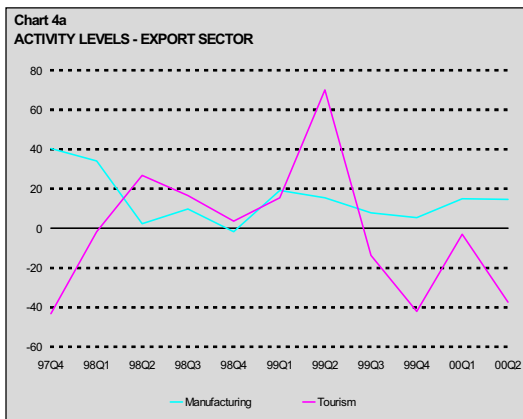
Business Optimism and Medium-Term Expectations

The overall level of business optimism is gauged by the number of respondents expecting an improvement rather than a worsening of the economic situation over the coming six months. Responses are weighted in accordance with each



firm's relative share in total employment, and added together in order to arrive at an overall indicator. This indicator has moved on a downward trend since the second quarter of 1999, as can be seen from Chart 2. However, according to the responses in the latest survey, there has been some recovery in optimism in recent months.

This result, however, masks pronounced sectoral differences in perceptions. Optimism in the construction and real estate sector rebounded during the third quarter, after having dropped throughout the first half of 2000. Furthermore, firms in the manufacturing sector were far less pessimistic than previously, as can be seen from Chart 3. This, however, mainly reflected the responses of export-oriented firms, as firms producing for the local market continued to express concern about their future prospects. At the same time, operators in the tourism, services and distributive trades sectors were less optimistic than previously. It should be noted that



in almost all cases, the balance of responses was quite low, indicating that sentiment was mixed in most sectors.

The majority of respondents to the survey concurred with the view that the rate of inflation was set to accelerate over the next six months. This response may in part reflect the upward trend followed by the headline inflation rate during the last twelve months and growing concern about fuel prices. Survey respondents are also projecting a decline in the unemployment rate in the next two quarters, probably reflecting their perception of some recovery in construction activity as work on certain projects accelerates. Overall investment is also expected to increase during the next twelve months, mainly in the machinery and other equipment sector.

Activity Levels – Second Quarter 2000

According to the survey, most economic sectors continued to operate below their normal level of activity during the second quarter of 2000. The tourism sector, in particular, seems to have had a particularly slow second quarter. On the other hand, the export-oriented manufacturing sector and the other services sector reported an above-normal level of activity.

Activity in export-oriented manufacturing firms remained stable during the quarter, at around the

same level as last year. This notwithstanding the fact that the machinery and other equipment sub-sector appears to have decreased its rate of expansion when compared with the first quarter of the year. The food and beverages sector also reported a below normal level of export activity, in contrast with the very positive results achieved in previous quarters. Most other manufacturing sub-sectors, however, reported an improvement in their export turnover. Meanwhile, as can be seen from Chart 4a, operators in the tourism sector continued to report a below normal level of activity for the fourth consecutive quarter, as competition in this sector intensified. Moreover, the number of bed-nights on offer appears to be growing faster than the demand for them, leading to a drop in occupancy levels. In fact, tourist arrivals during the twelve-months to June barely increased when compared to the previous twelve months.

Most domestically-oriented firms continued to operate below their normal level of activity during the second quarter of 2000, with the only exceptions being the financial and professional services sub-sectors. Activity in the manufacturing sector remained depressed, reflecting the problems being faced by the chemicals, furniture, clothing and footwear, and food and beverages sub-sectors. These sub-sectors are at present having to restructure their operations in a context of weak domestic demand

and increased foreign competition. Surveyed firms in the distributive trades also reported a decreased level of activity when compared with the previous quarter, as can be seen from Chart 4b. In contrast, respondents from the construction sector reported higher activity levels. This may in part be related to seasonal factors, although activity was also boosted by the acceleration of work on certain major projects.

Sectoral Performance and Short-Term Expectations

This section examines in greater detail the performance of each sector in terms of employment, profitability and turnover, and compares it with the projections made in the previous survey. The respondents' expectations for the coming three months, i.e. the third quarter of 2000, are also commented upon.

Manufacturing

The actual out-turn for the manufacturing exporting sector during the second quarter of 2000 fell somewhat short of expectations, as Table 1 shows. Export turnover grew at a much slower rate than expected, reflecting a drop in the export sales of the food and beverages, the clothing and footwear, and the paper and printing sub-sectors. The sales of the machinery and other equipment sub-sector also grew at half the expected rate. Nevertheless, the export-oriented manufacturing sector still increased its demand for labour significantly, though this was mainly on account of the expansion of the largest electronics firm. As a result, profits grew by about a third of the projected rate, with many sub-sectors registering a lower profitability level than in the previous quarter. The situation is not expected to improve substantially in the next quarter, when profits are expected to decline. Employment should, however, continue to grow, partly to cater

Table 1
THE MANUFACTURING SECTOR
a. Export activity¹

	1999Q2	1999Q3	1999Q4	2000Q1	2000Q2		2000Q3	%
					Expected ³	Outcome ⁴	Expected ⁴	
Change in employment	1.1	-0.7	-0.1	0.6	2.1	2.6	0.7	
Change in profitability	0.6	0.8	1.3	-3.2	1.5	0.5	-0.6	
Change in sales	-0.7	1.3	1.4	-1.2	2.1	0.4	1.5	

b. Domestic sales²

	1999Q2	1999Q3	1999Q4	2000Q1	2000Q2		2000Q3	%
					Expected ³	Outcome ⁴	Expected ⁴	
Change in employment	-0.3	-2.0	-0.9	0.3	1.2	1.2	-0.2	
Change in profitability	1.1	0.0	1.1	-1.2	0.3	-0.2	-1.0	
Change in sales	0.9	-0.5	0.1	-1.7	2.2	-0.3	-0.1	

¹ Figures are weighted by export sales.

² Figures are weighted by local sales.

³ As reported in the 2000Q2 survey.

⁴ As reported in the 2000Q3 survey.

for the anticipated increase in sales, especially in the food and beverages and the paper and printing sub-sectors, though the electronics industry is also set to expand its operations further.

Domestically-oriented manufacturing firms seem to have experienced an unexpected slowdown in their activity during the second quarter of 2000. Whereas respondents increased the number of their employees in line with expectations, the projected recovery in sales failed to materialise, as turnover was reported to have declined for the second quarter in a row. As a result, operators in this sector registered a slight contraction in their profitability. Furthermore, respondents indicated that activity was not set to improve in the third quarter, when they are expecting another drop in their profitability and turnover levels, together with a marginal downsizing of their work force.

Tourism

Respondents from the tourism sector indicated that in the second quarter of 2000 they had failed to register the expected upturn in activity. Turnover, in fact, rose only marginally during the quarter, in contrast with the large increase that had been reported in the same quarter last year. Nevertheless, operators still opted to increase their work force, although by much less than projected previously. Respondents also reported

a slight rise in profitability for the first time since the third quarter of 1999. Projections for the third quarter of 2000 appear to be restrained, even though turnover is expected to rise by 2.1%, mainly due to seasonal factors. Despite this expected increase in turnover and a marginal contraction in their work force, operators are projecting a rise of only 0.9% in their profits, reflecting the low margins prevailing in the industry.

Distributive Trades

Activity levels in the distributive sector during the second quarter of 2000 were broadly in line with expectations, as can be seen from Table 3. A modest recovery was reported in sales, with growth accelerating slightly, though it still remained below last year's levels. The main factor contributing to this recovery appears to have been the general restraint in pricing policies. Profitability did not drop as expected, though this was mainly due to the fact that respondents reported a contraction in their work force. The moderate recovery in sales is projected to continue during the third quarter of 2000, though growth is expected to remain well below that recorded in the same period of 1999. The distributive sector's profitability is also expected to rise, despite the projected increase in its labour force and a marginal rise in selling prices.

Table 2
THE TOURISM SECTOR¹

	1999Q2	1999Q3	1999Q4	2000Q1	2000Q2		2000Q3	%
					Expected ²	Outcome ³	Expected ³	
Change in employment	1.1	1.2	-0.4	1.1	3.1	1.7	-0.3	
Change in profitability	2.8	2.6	-1.6	0.0	3.4	0.7	0.9	
Change in sales	5.4	2.7	-0.9	0.1	2.6	0.3	2.1	

¹ Figures are weighted by export sales, as the export activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.

² As reported in the 2000Q2 survey.

³ As reported in the 2000Q3 survey.

Table 3**THE DISTRIBUTIVE TRADE SECTOR¹**

%

	1999Q2	1999Q3	1999Q4	2000Q1	2000Q2		2000Q3
					Expected ²	Outcome ³	Expected ³
Change in employment	0.3	0.6	-0.7	-0.1	0.4	-0.4	1.6
Change in profitability	-1.3	-0.1	-0.4	-1.0	-0.5	0.1	0.8
Change in sales	1.0	2.3	0.5	-0.6	0.4	0.6	0.8
Change in selling prices	-0.3	-1.2	0.7	0.4	0.2	0.1	0.2
Change in stocks	3.2	0.9	1.3	0.3	0.4	0.5	0.7

¹ Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.

² As reported in the 2000Q2 survey.

³ As reported in the 2000Q3 survey.

Construction and Real Estate

Activity in the construction sector rebounded significantly in the second quarter of 2000. The commencement of certain large projects and the acceleration of work on the new hospital were probably the main causes of this upturn. As a result, profit margins recovered from the dismal levels reported in previous surveys, in spite of an increase in the industry's work force and the stability of selling prices. Furthermore, respondents indicated that they expected business to improve further during the third quarter, to the extent that selling prices are projected to rise for the first time this year. The

construction industry's profits, employment and sales are also expected to grow at a faster rate during the third quarter of 2000.

Other Services

As Table 5 shows, activity in the services sector remained generally sustained during the second quarter of 2000, although it fell somewhat short of expectations. The slower growth in sales could have been in part caused by the sharper rise in selling prices. Although service firms remain broadly positive about short-term prospects, they are expecting some deceleration in growth during

Table 4**THE CONSTRUCTION AND REAL ESTATE SECTOR¹**

%

	1999Q2	1999Q3	1999Q4	2000Q1	2000Q2		2000Q3
					Expected ²	Outcome ³	Expected ³
Change in employment	0.5	0.5	0.0	-0.3	0.7	1.2	1.5
Change in profitability	-0.1	-0.2	-0.3	-0.2	0.5	1.2	1.4
Change in sales	0.6	1.0	0.6	-0.2	1.4	2.3	3.2
Change in selling prices	-0.4	-0.1	0.3	-0.6	0.1	0.0	2.0

¹ Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.

² As reported in the 2000Q2 survey.

³ As reported in the 2000Q3 survey.

Table 5
THE OTHER SERVICES SECTOR¹

	1999Q2	1999Q3	1999Q4	2000Q1	2000Q2	2000Q3	%
					Expected ²	Outcome ³	Expected ³
Change in employment	1.0	1.3	-0.2	1.6	2.5	1.6	0.3
Change in profitability	0.7	1.4	0.9	1.3	2.3	1.4	1.0
Change in sales	0.7	1.5	1.7	0.7	3.3	1.3	1.6
Change in selling prices	0.8	0.2	0.5	0.3	0.2	0.7	0.5

¹ Figures are weighted by local sales, as the local activity of the sector is its predominant line of business and is more interesting for the purposes of analysis.

² As reported in the 2000Q2 survey.

³ As reported in the 2000Q3 survey.

the third quarter of 2000. In particular, the sector's demand for labour is not projected to rise at the 1999 rate, whereas profit margins are set to decrease.

Conclusion

The Central Bank's latest business perceptions survey indicates that the export-oriented manufacturing sector, particularly the electronics sub-sector, remained the main engine of economic growth during the second quarter of 2000. At the same time, the construction sector is showing signs of recovery, though growth in this sector remained crucially dependent on public sector projects. The services sector also continued to register a healthy rate of growth. As a result, the majority of survey respondents were confident that unemployment would continue to decline over the coming six months.

On the other hand, the locally-oriented manufacturing sector and the distributive trades

are not reporting any significant recovery in domestic demand. Furthermore, increased competition is continuing to drive profitability downwards. Operators in the tourism sector are also reporting a similar state of affairs, with turnover remaining below normal levels and selling prices remaining stable.

In terms of short- to medium-term expectations, the prospects for export activity remain positive, driven by tourism and by the machinery sub-sector within manufacturing. Domestically-oriented operators also continue to expect a slight recovery in demand, partly to be stimulated by work on a number of capital projects. These developments should not have any significant repercussions on domestic inflation. Meanwhile, the responses to the survey also indicate that Malta's balance of payments position may continue to deteriorate, especially in view of higher imports of capital goods as a result of the continued expansion of certain manufacturing sub-sectors.

PREPARING FOR ECONOMIC AND MONETARY UNION (EMU) :

A MALTESE PERSPECTIVE

The European Union Summit held in Helsinki in December 1999 marked an important step forward in Malta's bid for EU membership. During that meeting, the EU officially announced that it recognised Malta as a candidate country for membership and negotiations officially started in February this year. Although the EU has not yet fixed a specific date for accession, it clearly indicated that this would largely depend on how much progress Malta, like all other candidate countries, made with regard to the adoption and the implementation of the *acquis communautaire* during the pre-accession period.

One of the conditions for EU membership is that, after accession, each country will be expected to participate in Economic and Monetary Union (EMU), with the status of "member state with a derogation". Indeed, the EU has clearly stated that new member states will be obliged to eventually adopt the euro after fulfilling all the necessary requirements, and no opt-outs will be allowed. As a result, Malta must, like all other candidate countries, embark, at an early stage, on preparations for its subsequent involvement in the Eurosystem. These concern four distinct areas of policy: the legislative framework affecting the monetary and financial sector; the infrastructure of the financial system; economic policies influencing nominal and real convergence; and monetary policy and exchange rate strategies. This paper highlights the direction that the preparatory tasks should take in each of these four areas.

The Legislative Framework

Except of course for those areas, in which a transitional arrangement may be negotiated, the implementation of the *acquis communautaire* is a formal prerequisite for accession to the EU. For participation in EMU compliance with the *acquis*

would require, in particular, changes in legislation in the monetary and financial field. These changes concern three main areas, namely: central bank legislation; other legislation that may affect the Eurosystem's operations; and legal requirements for sustaining financial stability and a sound banking system.

The necessary amendments to the Central Bank of Malta Act (CBMA) must address three fundamental issues. The first concerns the strengthening of the independence of the Central Bank. In this regard, the required amendments to the CBMA should focus mainly on lengthening the term of office of the Governor and the other board members, and specifying the procedures to be followed in case of dismissal. Furthermore, the powers granted to the Minister of Finance under the existing legislation to issue directions to the Central Bank would also have to be abolished. The second issue concerns the objectives of monetary policy. Compliance with the *acquis* clearly requires the CBMA to explicitly declare price stability as the primary aim of monetary policy. At the same time, the Central Bank's power to impose administrative controls on interest rates would have to be abolished, as this would conflict with the goal of establishing a properly functioning money market where interest rates are determined by market forces. The third issue relates to the prohibition of monetary financing of fiscal deficits and privileged access to credit by the public sector. Effectively, such monetary financing has been prohibited since the start of this year, when a legal notice issued by the Minister of Finance brought into effect the termination of the Government's short-term borrowing facility at the Central Bank, known as the Ways and Means facility, which in practice had not been resorted to for several years. However, the law currently still permits the Central

Bank to purchase Government securities on the primary market, although in practice the Central Bank does not intervene in the primary market. The Central Bank has already drafted the necessary amendments and these are expected to be ratified by Parliament during the early part of 2001.

A second area of possible changes in legislation concern Malta's civil and commercial law. The *acquis* requires that these do not impede the use of various financial instruments for monetary operations. The current legislation does not seem to present any difficulties in this regard as all the instruments currently used by the European System of Central Banks (ESCB) in its monetary operations are generally covered by the local banking and financial legislation.

Finally, the *acquis* obliges candidate countries to establish a legal framework that is conducive to creating a sound banking system and ensuring financial stability. More specifically, adequate legislation on bankruptcy, the adoption of acceptable accounting standards, effective prudential supervision, the avoidance of moral hazard and further privatisation of financial institutions will be required. In this regard, a lot of work has already been carried out as the new Banking Act of 1994 was based on EU recommendations and directives. For example, the EU's "Own Funds", "Solvency Ratio" and "Large Exposure" directives have all been implemented. Bank licensing conditions are also consistent with those of the EU and the banking supervision department at the Central Bank has been strengthened and enhanced over the years. Legislation on money laundering has been enacted and related regulations are all in line with the relevant EU directive. Furthermore, accounting legislation obliges firms to adopt international accounting principles in their financial reporting systems. At the same time, public sector control of commercial banks has been reduced substantially, so that by the end of 1999 all credit institutions were controlled by

private interests. More recently, the capital adequacy directive has also been implemented. The remaining work in this area primarily concerns the establishment of a deposit protection scheme. However, a working group has been set up by the Central Bank to recommend how such a scheme could be introduced. The working group will complete its work by the second half of next year.

The Infrastructure of the Financial System

A second area that requires preparatory work for eventual participation in EMU concerns the financial infrastructure of the Maltese economy. In this regard, members of the Eurosystem are required to install a payment system that provides a high standard of cross-border payment facilities. More specifically, wholesale payment systems and securities settlement systems must be operated on the basis of real time gross settlement. Furthermore, domestic payment systems must be inter-linked with TARGET, which is the cross border payment system adopted by the ESCB for the Euro zone as a whole. These requirements stem from the fact that an integrated financial infrastructure is necessary for the operation of the single monetary policy and to facilitate the operations of market participants in the euro zone.

From a local perspective, the Central Bank's accounting system already operates on a real time basis, although this would eventually have to be linked to the TARGET system. However, all banking institutions, as well as the Malta Stock Exchange will have to adopt a real time gross settlement system, which would link them all into one network. The establishment of a real time gross settlement system would facilitate the link between the domestic system and TARGET. To implement this strategy, a committee has been set up and is currently examining which system is most suited for Malta, given the small volume of transactions and the specific needs of local customers. A payment systems user group,

involving the local banks and the Malta Stock Exchange, has also been formed with the aim of harmonising standards in the payment systems used by these institutions.

Other preparatory work related to the financial infrastructure mainly involves the compilation and standards of statistics. In this regard, monetary, banking and balance of payments statistics must conform to the standards and practices of Eurostat and the European Central Bank (ECB), which is the head office of the ESCB and is located at Frankfurt. This is necessary because the ECB will require a historical series of such data to be able to assess the impact of the adoption of the euro by accession countries on the euro area-wide aggregates. Since such changes usually require very long lead times, it is necessary for work in this field to begin well before accession. Currently, these statistics are compiled according to IMF standards, and these are broadly consistent with EU requirements. Indeed, the Central Bank has already started to provide Eurostat with monetary and financial data. Nevertheless, work is already being undertaken to identify the necessary changes in methodologies, especially in the reporting system for banking statistics. After the changes in statistical methodologies have been set in place, the next step would entail the implementation of an electronic system of transmission of statistical data to the ECB and Eurostat. As a first step in this process the Central Bank is examining the IT systems adopted by members of the Euro zone.

Nominal and Real Convergence

The formal requirements for participation in EMU consist of a number of nominal convergence yardsticks, known as the Maastricht criteria. Although their fulfilment is not a mandatory precondition for accession, the obligation to eventually adopt the euro represents an incentive to move towards the attainment of such targets. The convergence criteria include a 3% fiscal deficit ratio (as a percentage of GDP); a 60% public debt

ratio (as a percentage of GDP); an inflation rate at not more than one-and-a-half points above the average of the three best performing EMU states; long term interest rates at no more than one-and-a-half points above the average of the three best performing EMU states (as regards inflation); and an exchange rate which is linked to the euro and maintains that level within a band of +/- 15% for a period of at least two years after EU accession.

Malta's long term interest rates are within the limits set by the Maastricht criteria, while its public debt/GDP ratio is only just above the 60% threshold. The fiscal deficit/GDP ratio, however, is still considerably above the 3% ceiling. Nevertheless, there is now widespread recognition that the fiscal deficit is too large and should be reduced substantially over the next few years. The Government in fact is in the second year of its medium term plan to achieve the 3% target by the year 2004.

Malta's current rate of inflation is slightly above the convergence limit. This partly reflects the expansionary stance of fiscal policy as well as Malta's wage indexation system which awards cost of living increases on the basis of inflation trends during the previous year. It is expected that a higher inflation rate will persist in Malta if differences in productivity growth across economic sectors are not matched by corresponding differences in real wage growth. In sum, a uniform nation-wide system of wage indexation can have a negative impact on competitiveness would not be compatible with participation in a single currency area or with a fixed exchange rate system.

While the achievement of nominal convergence through the Maastricht criteria is a necessary precondition for participation in EMU, too much focus on achieving such nominal convergence may divert attention from a more essential long term objective which is the achievement of real economic convergence. Indeed, accession countries may be in a position to meet the nominal

convergence criteria even before they have made significant progress on their market reforms to enable them to achieve a higher degree of real economic convergence with EMU member states. Consequently given the more advanced stage of development of EU member states economic policy in EU accession states including Malta should be geared towards achieving a greater degree of real convergence with the EU member states.

Malta's ability to participate successfully in European monetary union will to a large extent depend on how well Malta's economy integrates with that of the EU and how well its economic structure adjusts to that of EU member states. Indeed according to optimum currency area theory there are essentially three characteristics that favour participation in a single currency area. The first is a high degree of labour mobility or flexibility. Second, the smaller an economy and the more open it is to trade, the more suitable it is for monetary union with other countries. However, under certain circumstances, especially if there are vast differences in economic structures, a high degree of openness may make an economy more vulnerable to asymmetrical trade shocks. Thus, similarity in economic structures, particularly in production and trade, is a third important criterion for monetary union.

In this regard, the small size of the Maltese economy, with GDP amounting to a mere 0.04% of EU-wide GDP, and its high degree of openness, with exports and imports each totalling between 90-100% of GDP, imply that Malta would benefit from participating in EMU. Furthermore, the EU's share in Malta's trade is very high, accounting for about 53% of merchandise exports and nearly 70% of imports of goods, while around 85% of Malta's tourist traffic originates from EU countries. The implementation of further trade liberalisation measures, such as the removal of protective levies, and eventually membership, are likely to strengthen the island's trading relationships with the Union even further.

Meanwhile, a comparison of Malta's economic structure, in terms of the sectoral distribution of value added and employment, with that of the EU does not reveal any notable divergences, except with respect to public administration and private services, although these divergences may be reduced by the implementation of further trade liberalisation measures. The share of public administration in Malta's economy is significantly higher than the average of the EU, and also of other Mediterranean states that are already members of the Union. At the same time, the share of the private services sector, excluding the wholesale and retail trades, in total employment is markedly lower than the average of the EU.

The large share of the public sector in total employment suggests that there exists an opportunity to increase overall productivity in the Maltese economy. This opportunity stems from the fact that public sector employment is often associated with lower levels of productivity relative to private sector employment. Thus, if resources were to be diverted away from the public sector and applied to profitable private investment projects, there is scope for improving wages and profits in Malta, thereby raising standards of living. Indeed, policies aimed at reducing the size of the public sector would both help achieve the goal of reducing the fiscal deficit and, at the same time, generate productivity gains, thus boosting living standards, provided that there exist the entrepreneurial skills which create profitable investment opportunities. Furthermore, structural measures aimed at developing an economy based on market principles and free competition would help ensure sustainable economic growth and stability. This would, in turn, place the Maltese economy on the path towards achieving both real and nominal convergence.

Monetary Policy and Exchange Rate Strategies

The prospect of participating in the EU's

exchange rate mechanism, known as ERM II¹ and of subsequently adopting the euro would require a review of the current monetary policy and exchange rate strategies adopted by the Central Bank of Malta. As mentioned earlier, price stability is not explicitly the declared objective of monetary policy in the CBMA, though, as mentioned above, changes in the Act are being made in this regard. Nevertheless, since its inception, the Central Bank's monetary policy has been indirectly pursuing the goal of price stability via the adoption of the exchange rate as a nominal anchor. This stems from the fact that in view of the high degree of openness of the Maltese economy and the strong impact of imported inflation on domestic prices pegging the exchange rate of the Maltese lira to the currencies of major trading partners effectively links Malta's rate of inflation to theirs. Thus, the adoption of the exchange rate as an intermediate target for monetary policy implies that monetary policy measures are necessarily subordinated to exchange rate strategies.

Presently, the Maltese lira currency basket comprises the euro, with a weight of 56.8%, and the US dollar and sterling, both with an equal weight of 21.6%. This implies that the Central Bank of Malta's monetary policy is designed to bring down domestic inflation to the weighted average rate of these three areas. In reality, differences between the domestic rate of inflation and imported inflation do exist, and such deviations in part reflect structural inefficiencies in the Maltese economy, shielded as it is by a number of trade and capital controls. To the extent that capital controls are liberalised, the adoption of a unilateral exchange rate peg (i.e. the present arrangement) limits the room for manoeuvre for monetary policy, for example in counteracting fiscal imbalances, and hence its degree of independence.

In the past, the interest rate setting process was determined directly by Government, partly through its control of credit institutions, but with the support of restrictive trade and capital controls. However, since 1994, the granting of operational independence to the Central Bank paved the way for the development of a more market-oriented approach to monetary policy via open market operations aimed at influencing liquidity in the banking system. Furthermore, interest rates have been effectively liberalised as ceilings on bank lending rates were raised to a very high level. However, the gradual dismantling of capital controls necessarily implies that the scope for pursuing an independent monetary policy is somewhat limited. However this loss of monetary autonomy would be compensated by the benefits gained through participation in the single currency area, The adoption of the euro would bring the added benefits of reduced transaction costs arising from currency conversions; a reduced risk premium, and hence lower interest rates; and greater price transparency.

The successful use of the exchange rate as a nominal anchor since the early 1970s undoubtedly places Malta in a favourable position to pursue the ESCB's monetary strategy. Indeed, the significant weight that the euro currently enjoys in the Maltese lira basket implies a less dramatic shift in the anchor currency, especially if the UK's participation in monetary union precedes Malta's entry into ERM II.

The exchange rate strategy in the period prior to participation in EMU is, therefore, expected to be directed towards strengthening the link with the euro. This would provide a stronger impetus towards convergence in inflation and interest rates with those prevailing in the euro zone, provided that the measures required to achieve

¹ ERM II links the currencies of EU member states outside the euro area to the euro. The mechanism is based on central exchange rates against the euro with a standard fluctuation band of +/-15%. Participation in ERM II is voluntary, but members of the EU would be expected to join the mechanism as a prelude to adopting the single currency.

both nominal and real convergence are implemented. In this regard it must be stressed that the liberalisation of capital movements, which constitutes one of the fundamental principles of the *acquis* that has to be implemented, will expose the exchange rate to greater pressures. With the removal of capital controls, targeting the exchange rate without importing the monetary policy of the euro zone would no longer be possible. Thus, with the loss of monetary autonomy arising from the eventual removal of capital controls, a supportive fiscal policy and greater labour market and wage flexibility will become all the more crucial if the commitment to the exchange rate peg is to be maintained.

The need for greater labour market and wage flexibility stems from the fact that with the removal of capital controls Maltese capital would tend to move overseas to those countries that offer the highest rate of return, commensurate with the desired level of risk. The adoption of a fixed exchange rate regime or participation in EMU would imply that investors are not exposed to exchange rate risks in determining whether to locate their capital in Malta or in any other member state participating in the single currency program. Hence, it is important that labour resources are utilised in an efficient manner to prevent domestic costs from rising at a faster pace than in competitor countries, especially within the currency union. Excessive wage increases or inefficient labour market practices would simply lead to relatively higher costs and imply that investors could earn a higher rate of return elsewhere. This could result in cross-border capital flight and hence higher unemployment levels. Similarly, a fiscal policy that is, for example, excessively expansionary, generally gives rise to higher inflationary pressures, both in the goods and the labour market, thus eroding the country's competitiveness. This would adversely affect private investment flows and therefore, again, is conducive towards creating pressures on the exchange rate.

The Central Bank, as the institution responsible

for monetary policy in Malta, is monitoring closely exchange rate developments in the EU. The Bank will be expected to join ERM II, prior to Malta's participation in EMU and its adoption of the single currency. Indeed, membership in ERM II, for a period of at least two years, is a necessary prerequisite for eventual participation in stage three of EMU, as it constitutes one of the Maastricht criteria, as mentioned above. The ERM II arrangement requires the Maltese lira to be completely pegged to the euro, but with a fluctuation margin of +/- 15% around the central rate. This margin would allow some degree of autonomy in domestic monetary policy. Monetary policy during ERM II membership must, however, be geared towards attaining an inflation rate consistent with that of the euro zone. This is partly to satisfy the nominal convergence criteria requirements, and partly to avoid locking the exchange rate at an inappropriate level when Malta enters the euro zone.

In summary it can be said that the prospect of participation in EMU is providing Malta with new challenges during the pre-accession period. These include preparatory work related to changes in the country's legal framework and its financial infrastructure, as well as the formulation of monetary policy and exchange rate strategies intended to ensure a smooth transition to the adoption of the euro. However, the implementation of further trade liberalisation measures, and the removal of capital controls, will also provide a major challenge for the Malta as it strengthens its links with the global economy and the international financial system. Against this background Malta will have to continue to pursue sound economic policies based on market principles and free competition, as well as fiscal prudence, which are necessary requirements for the creation of a stable macro-economic environment, and hence economic growth. Furthermore, as international experience has shown, Malta should maintain a sound financial system, which is another important prerequisite for macroeconomic balance and a stable exchange rate.

NEWS NOTES

Malta - EU Accession Negotiations

In the first week of July, the French Government, which took over the rotating presidency of the EU at the beginning of the month, informed the Maltese Government that nine new chapters will be opened for negotiation with Malta during its six-month term. Once again Malta was allowed to open the largest number of chapters out of the six applicant countries of the Helsinki group. The chapters to be covered under the French presidency are: Economic and Monetary Union (EMU), the free movement of capital, statistics, social policy, fisheries, company law, consumer protection, transport and competition policy. Negotiations on these chapters are considered to be more difficult since Malta is expected to demand transition periods or derogations with respect to some of them - such as competition policy, the free movement of capital and social policy. On September 18, a revised National Plan for the Adoption of the Acquis (NPAA) was published after approval by the Cabinet Committee for EU Affairs.

Commonwealth Finance Ministers' Meeting held in Malta

On September 19, the Prime Minister inaugurated the annual meeting of the Commonwealth Finance Ministers, which was held in Malta with the theme "New challenges for the international financial institutions in supporting growth and development." The Commonwealth Ministers focussed on four main issues – overcoming barriers to debt relief for the heavily indebted poor countries; new challenges for the IMF and the World Bank in supporting growth and development; offshore financial centres and the OECD's Harmful Tax Competition initiative; and measures to support small states. Ministers and delegates from 54 countries attended the meeting.

Lm10 Note Ceases to be Legal Tender

On July 31, the Central Bank of Malta announced that the Lm10 note of the 4th issue, which was issued on March 17, 1986, would cease to be legal tender after September 13, 2000. This note will, however, continue to be exchangeable at the Central Bank and all branches of local credit institutions up to January 31, 2001. Thereafter, it will continue to be exchangeable at the Central Bank only for a ten-year period up to September 13, 2010.

Moody's Confirms Maltese Banks' Ratings

On July 19, Moody's credit rating agency confirmed Bank of Valletta's and HSBC Bank Malta's financial strength rating of 'D+'. According to Moody's, this stable rating outlook rested on the banks' strong domestic franchise and well-diversified operations. At the same time, it reflected the significant deterioration in asset quality and sharp increase in non-performing loans that the Maltese banking system has experienced because of the slowdown in economic growth in recent years.

Institutional Developments in the Banking Sector

On August 4, Bank of Valletta announced that, with effect from 1st October, as part of its overall Group review, the operations currently undertaken by two of the Group subsidiaries, Card Services Ltd and Valletta Investment Bank Ltd would be integrated. This would consolidate at Group level the credit card processing and the investment banking and capital market operations of the Group.

On August 31, HSBC Bank p.l.c (Malta Branch) – formerly known as Midland Bank p.l.c. (Malta branch) - ceased operations after it voluntarily

surrendered its Investment Services and Banking licences following the transfer of its functions to HSBC Bank Malta p.l.c.

On September 22, Bank of Valletta p.l.c. set up a new company, BOV Stockbrokers Limited (BOVSL), to provide stockbroking services to the Bank's customers and to other companies in the BOV Group. The company is expected to start operations in early 2001.

On September 22, Bank of Valletta announced the opening of a representative office in Tunisia. The office will be mainly responsible for promoting the development and servicing of trade and business relations between Malta and Tunisia.

Legislative Amendments

On July 14, through Legal Notice No 124, the Minister of Finance amended the first schedule of the Malta Stock Exchange Regulations 2000. Amongst other issues the amendment allows for a "person" rather than an "individual" to obtain a stockbroking licence. The amendments also replace the existing Stock Exchange Committee with a College of Stockbroking Firms.

On August 25, the Minister of Finance, through Legal Notice 156, issued the Prevention of Money Laundering (Amendment) Regulations 2000. These regulations amend the Prevention of Money Laundering Regulations, 1994. The amended regulations, amongst other things, introduced the concept of "reputable jurisdiction". This allows for the recognition of other jurisdictions which follow international standards and practices in combating money laundering.

Redemption and Issue of Government Stock

On August 29, the Minister of Finance authorised the redemption of Lm10.5 million worth of 6.5% Malta Government Stock 1995 and Lm17.5 million

worth of 6.6% Malta Government Stock 2000 (VI). On September 5, the Government launched two issues of stock for a total nominal value of Lm28 million. The purpose of these stocks was to repay the stocks which were redeemed. These new stocks, which were issued at par, were the 5.9% Malta Government (Conversion) Stock 2009 (III), of which Lm17.5 million were issued, and the 6.6% Malta Government (Conversion) Stock 2014, of which Lm10.5 million were issued.

On June 30, the Government announced the creation and direct issue to the Foundation for Church Schools of a stock for the nominal value of Lm544,900. This stock, which was to be issued at par, was the 7% MGS 2010.

Issue of Bonds

On September 7, Bank of Valletta p.l.c. announced that it would be offering for sale to the public \$25 million worth of bonds, with a coupon of 8%, maturing on October 2, 2010. Bank of Valletta retained the option to extend this sum to \$50 million in the event of oversubscription. This bond issue was the first in Malta to be denominated in a foreign currency. It was also the first time that a bond issue had been rated by two major credit rating agencies. Moody's assigned the bond an A3 rating, while Fitch assigned the rating A-. These ratings are identical to the ratings assigned by the agencies to the bank itself.

On September 20, Eden Leisure Finance p.l.c., a fully owned subsidiary of Eden Group Ltd, announced that it would be offering for sale to the public Lm10 million worth of bonds with a coupon of 6.7%, maturing on 2010. The proceeds from the bond are to be used to finance the redevelopment of the Eden Leisure Group's project in St. George's Bay.

On September 22, United Finance p.l.c., a subsidiary of United Group of Companies, announced the issue of Lm3 million worth of

bonds with a coupon of 6.75%, maturing in 2008. Each of the 30,000 bonds has a face value of Lm100. As the bonds were oversubscribed, the Company exercised its over-allotment option and increased the issue to Lm4 million.

Middle Sea Acquires 51 Per Cent Shareholding in Mapfre Progress SpA

On August 8, Middle Sea Insurance p.l.c paid Lm1.8 million to acquire a 51 per cent shareholding in Mapfre Progress Spa, together with the option to buy more shares in the company. Mapfre Progress, which is a subsidiary of the Spanish firm Corporacion Compania Internacional de Reaseguros, is a non-life insurance company based in Sicily and operating in the south of Italy. As a result of this transaction, the company's capital increased to \$8.5 million.

New Licences

On July 18, the Malta Stock Exchange issued stockbrokers' licences to Atlas Stockbroking Limited and to Epic Stockbrokers Limited.

On September 29, Crystal Finance Investments Ltd, which on September 4 were given a category 4 licence by the Malta Financial Services Centre, were appointed as the representatives in Malta for UBS Investment Funds. On the same day, UBS listed 58 of its investment funds on the Malta Stock Exchange.

Double Taxation Agreement

On July 4, through Legal Notice No 119, it was announced that a double taxation agreement between the Government of Malta and the Republic of Lebanon signed on February 23, 1999 entered into force on February 10, 2000.

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 (Amendment) 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.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

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

CAPITAL CITY	Valletta	
AREA	316 km ²	
CURRENCY UNIT	Lira - Exchange rates: Lm1 = US\$2.3263 Lm1 = EURO2.4300	
CLIMATE	Average temperature (1991-1998): December - February	13.3° C
	June - August	25.9° C
	Average annual rainfall (1990 - 1998)	622.4mm
POPULATION	Total	380,849
	Males	188,886
	Females	191,963
	Average annual growth rate (1990 - 1999)	0.8%
	Density per km ²	1,205
	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
	GDP GROWTH	At current market prices (1999)
GDP PER CAPITA	At current market prices (1999)	US\$9,525
OTHER DOMESTIC	Ratio of Gross Government Debt to GDP (Dec 1999)	58.0%
	Ratio of Government Deficit to GDP (Dec 1999)*	7.9%
	Retail Price Inflation	2.71%
	Ratio of Exports of Goods and Services to GDP	91.3%
	Ratio of Current Account Deficit to GDP	4.1%
	Gainfully Occupied	140,384
	Unemployment Rate	4.5%
EDUCATION	Number of schools (Dec 1998)	350
	Number of teachers (Dec 1998)	7,907
	Number of pupils/students (Dec 1998)	101,136
LIVING STANDARDS	Doctors (per 1000 inhabitants) (Dec 1999)	3.2
	Telephone Lines (per 1000 inhabitants)	524
	TV licences (per 1000 inhabitants)	566
	Motor vehicle licences (per 1000 inhabitants)	641

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 June 2000:

Deposit Money Banks

APS Bank Ltd.
Bank of Valletta plc
HSBC Bank Malta plc
HSBC Bank plc - Malta Branch
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)

PART 1: MONEY AND BANKING

	Statement of Assets and Liabilities of:	
Table 1.1	Central Bank of Malta	76
Table 1.2	Deposit Money Banks	78
Table 1.3	Other Banking Institutions	80
Table 1.4	International Banking Institutions	82
Table 1.5	Monetary Survey	84
Table 1.6	Banking Survey	85
Table 1.7	Narrow Money and Quasi-Money	86
Table 1.8	Deposits with All Banking Institutions (Analysis by Ownership and Type)	87
Table 1.9	Currency in Circulation	88
Table 1.10	Denominations of Maltese Currency Issued and Outstanding	89
Table 1.11	Deposit Money Bank Liquidity	90
Table 1.12	Deposit Money Bank Liquid Assets	91
	Loans and Advances Outstanding by Main Sector:	
Table 1.13	Deposit Money Banks	92
Table 1.14	Other Banking Institutions	94
Table 1.15	Loans and Advances Outstanding to the Private and Public Sectors by Category	96
	Loans and Advances classified by Size and Interest Rates:	
Table 1.16	Deposit Money Banks	97
Table 1.17	Other Banking Institutions	98
Table 1.18	Selected Interest Rates in Malta (Percent per annum)	99
Table 1.19	Net Changes in Selected Liquid Asset Holdings of the Non-Bank Public	100

PART 2: GOVERNMENT FINANCE

Table 2.1	Government Revenue and Expenditure	101
Table 2.2	Government Revenue by Major Sources	102
Table 2.3	Government Capital Expenditure by Type of Investment	103

PART 3: PUBLIC DEBT

Table 3.1	Treasury Bills Issued and Outstanding	104
Table 3.2	Malta Government Stocks	105
Table 3.3	Malta Government Stocks by Remaining Term to Maturity	106
Table 3.4	Government External Debt by Type of Creditor	106
Table 3.5	Government External Debt by Currency	107
Table 3.6	Government External Debt by Remaining Term to Maturity	107

PART 4: EXTERNAL TRANSACTIONS

Table 4.1	Net Foreign Assets of the Banking System	108
Table 4.2	Maltese Lira Exchange Rates Against Major Currencies (End of Period Rates)	110
Table 4.3	Maltese Lira Exchange Rates Against Major Currencies (Averages for the Period)	111
Table 4.4	Malta's Foreign Trade	112
Table 4.5	Direction of Trade - Total Exports	113
Table 4.6	Direction of Trade - Imports	114
Table 4.7	Domestic Exports by Commodity Sections	115
Table 4.8	Imports by Commodity Sections	116

PART 5: REAL ECONOMY INDICATORS

Table 5.1	Gross National Product (By Category of Expenditure at Current Market Prices)	117
Table 5.2	Tourist Arrivals by Nationality	118
Table 5.3	Labour Market	119
Table 5.4	Building Applications Approved by Purpose and Floor Space Area	120
Table 5.5	Number of Applications Approved by Type of Dwelling	120
Table 5.6	Inflation Rates (Base 1946=100)	121
Table 5.7	Retail Price Index (Base 1995=100)	122

GENERAL METHODOLOGICAL NOTES ON THE COMPILATION OF MONEY AND BANKING STATISTICS

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA¹
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

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 MALTA¹**

Assets

Ln 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

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

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

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	20,568	72,856
May	-	-	-	198	62,052	20,568	73,023
June	-	-	-	198	65,216	20,568	73,252

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

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

**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

TABLE 1.5 MONETARY SURVEY¹

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money ⁵ [M]	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

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 SURVEY¹
Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money [Ml]	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

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-MONEY¹

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

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 INSTITUTIONS¹
Analysis by Ownership and Type

Lm thousands

End of Period	Resident Deposits by Owner				Resident Deposits by Type		Total Resident Deposits	Non-Resident Deposits	Total Deposits
	Personal ²	Corporate/ Business	Government	Public Sector ³	Maltese Lira Deposits	Foreign Currency Deposits ⁴			
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

¹ Includes Deposit Money Banks, Other Banking Institutions and International Banking Institutions.

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.

⁴ Including External Maltese Lira deposits.

TABLE 1.9 CURRENCY IN CIRCULATION*Ln thousands*

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System ²	Currency in Circulation
	Notes ¹	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

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	0	380,156
Feb.	397,423	107,004	244,423	23,681	6,109	0	381,217
Mar.	396,223	106,808	243,225	23,808	6,157	0	379,998
Apr.	402,860	107,257	247,761	25,176	6,303	0	386,497
May	404,674	107,454	249,123	25,113	6,446	0	388,135
June	409,680	108,020	252,728	25,716	6,496	0	392,960

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

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY¹
Ln thousands

End of Period	Liquid Assets						Ratios (%)		
	Actual		Required		Excess		Liquidity		Advances ² to Deposits
	Total	Local	Total	Local	Total	Local	Total	Local	
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

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*Ln 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

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

**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.	121,505	51,300	39,236	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

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

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.	108,269	94	514	108,877	1,382	5,538	149,325	780,357	929,682
Apr.	108,934	91	816	109,841	1,352	5,617	149,138	800,690	949,828
May	109,547	88	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

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 CATEGORY¹**

Lm thousands

End of Period	Energy and Water		Transport, Storage and Communication		Agriculture and Fisheries		Manufacturing	
	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
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

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

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

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 RATES¹**

Lm thousands

End of Period	Size of Loans and Advances ²						Total	
	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		
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				Total	
	Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000		
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

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 RATES¹

Lm thousands

End of Period	Size of Loans and Advances ²						Total
	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	
1985 Amount	311	16,917	12,409	5,602	2,342	18,836	56,417
1985 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
1986 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
1987 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
1988 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
1989 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
1990 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					Total
	Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000		
1991 Amount	61,280	21,205	25,115	110,876		218,476
1991 Interest Rate	6.94	7.50	7.80	8.33		7.80
1992 Amount	67,581	25,883	25,648	130,910		250,022
1992 Interest Rate	6.96	7.57	7.68	7.53		7.39
1993 Amount	71,826	26,920	27,975	132,272		258,993
1993 Interest Rate	7.01	7.79	7.32	6.06		6.64
1994 Amount	72,419	26,430	23,598	84,019		206,466
1994 Interest Rate	7.01	7.83	7.99	7.27		7.33
1995 Amount	71,733	23,374	11,961	40,410		147,478
1995 Interest Rate	7.02	7.77	8.01	7.01		7.22
1996 Amount	72,239	27,013	11,213	38,914		149,379
1996 Interest Rate	7.01	7.83	8.14	7.01		7.24
1997 Amount	72,449	30,590	10,607	28,214		141,860
1997 Interest Rate	7.02	7.79	8.10	7.09		7.28
1998 Amount	73,437	37,087	11,131	25,775		147,430
1998 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
Mar. Interest Rate	7.03	7.65	8.19	7.11		7.30
June Amount	68,217	37,406	10,429	21,513		137,565
June Interest Rate	6.37	6.91	7.45	6.55		6.63
Sept. Amount	68,702	39,920	10,049	20,721		139,392
Sept. Interest Rate	6.40	6.90	7.43	6.43		6.62
Dec. Amount	67,983	41,112	8,824	19,818		137,738
Dec. 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
Mar. Interest Rate	6.40	6.80	7.58	6.53		6.62
June Amount	68,215	49,517	8,402	19,759		145,893
June Interest Rate	6.41	6.73	7.51	6.51		6.59

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 MALTA¹
(Percent per annum)

	1994	1995	1996	1997	1998	1999	2000	
							Mar.	June
Central Bank								
Discount Rate	5.50	5.50	5.50	5.50	5.50	4.75	4.75	4.75
Central Intervention Rate ²	-	-	-	-	5.45	4.75	4.75	4.75
Injection Rate	-	-	-	-	5.50	4.80	4.80	4.80
Absorption Rate	-	-	-	-	5.40	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
7 day Repo	-	5.50	5.40	5.50	5.50	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
Overnight Deposit Facility ⁴	2.50	2.50	-	-	-	1.80	1.80	1.80
Reserve Requirements	2.50	2.50	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
1 month	-	-	-	5.38	5.70	4.75	4.85	4.90
3 month	-	-	-	5.51	5.95	5.27	5.27	5.27
Deposit Money Banks⁵								
Average Weighted Deposit Rate	3.95	4.00	4.24	4.39	4.42	4.32	4.22	4.18
Current	0.15	0.16	0.42	1.37	1.49	1.11	1.19	1.19
Savings	3.00	3.00	3.01	3.02	3.04	2.81	2.58	2.54
Time	5.00	5.01	5.29	5.35	5.35	5.43	5.31	5.29
Average Weighted Lending Rate	7.26	7.49	7.93	8.04	8.08	7.28	7.31	7.37
Government Securities								
Treasury Bills								
1 month	-	-	5.00	5.19	5.43	5.05	5.05	4.82
3 month	-	4.94	5.01	5.25	5.49	4.95	4.85	4.85
6 month	-	5.16	5.29	5.31	5.48	4.97	4.95	4.94
1 year	-	5.34	5.36	5.40	5.49	5.12	5.12	5.06
Government Stocks ⁶								
1 year	-	-	5.12	5.30	5.58	4.86	5.03	5.01
5 year	5.79	6.60	6.65	6.82	5.80	5.46	5.33	5.42
10 year	6.65	7.08	7.23	7.26	6.00	5.55	5.60	5.73
15 year	-	-	7.49	7.62	6.47	6.03	5.95	5.94
20 year	-	-	-	-	6.86	6.14	6.01	6.15

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 PUBLIC¹

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

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

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

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

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

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

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

SOURCE: *The Treasury*

**TABLE 2.3 GOVERNMENT CAPITAL EXPENDITURE
BY TYPE OF INVESTMENT¹**

Lm thousands

Period	Productive	Infrastructure	Social	Total
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

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 OUTSTANDING¹*Lm thousands*

End of Period	Amount Maturing During Period	Amount Issued and Taken up by			Amount Outstanding ⁴ and held by		
		Banking System ²	Non-Bank ³ Public	Total	Banking System ²	Non-Bank ³ Public	Total
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
2000⁴							
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

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 - March 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.	9,357	1,143	-	10,500
6.65 % MGS	2000 (VI)		1997	100	24 May - 24 Nov.	14,415	3,085	-	17,500
3.00 % MGS	2001	1	1991	100	15 June - 15 Dec.	302	198	-	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.	21,469	1,131	-	22,600
6.50 % LDRS	2001		1994	100	15 July - 15 Jan.	1,407	593	-	2,000
6.50 % LDRS	2001 (II)		1994	100	19 May - 19 Nov.	6,505	3,495	-	10,000
6.75 % LDRS	2001 (III)		1995	100	28 Apr. - 1 Aug.	4,866	4,134	-	9,000
6.75 % LDRS	2001 (IV)		1996	100	20 Jan. - 30 July	5,035	2,465	-	7,500
7.75 % LDRS	2002		1992	100	3 Apr. - 3 Oct.	3,572	16,628	-	20,200
6.90 % LDRS	2002 (II)		1995	100	10 Jun. - 10 Dec.	4,642	5,358	-	10,000
6.90 % LDRS	2002 (III)		1995	100	30 Mar. - 30 Sept.	7,568	4,932	-	12,500
6.90 % LDRS	2002 (IV)		1997	100	30 Mar. - 30 Sept.	19,089	4,661	-	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.	5,448	15,385	-	20,833
6.70 % MGS	2004		1994	100	23 Apr. - 23 Oct.	8,106	10,594	-	18,700
6.80 % MGS	2004 (II)		1998	100	15 Jan. - 15 July	21,446	4,406	-	25,852
7.25 % MGS	2005		1997	100	10 Jun. - 10 Dec.	16,157	7,343	-	23,500
5.60 % MGS	2005 (II)		1999	100	1 Feb. - 1 Aug.	13,435	3,065	-	16,500
5.60 % MGS	2005 (IIB)		1999	100	1 Feb. - 1 Aug.	6,176	8,824	-	15,000
7.00 % MGS	2006		1994	100	19 May - 19 Nov.	780	9,220	-	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.	4,476	14,774	-	19,250
7.25 % MGS	2006 (III)		1996	100	20 Jan. - 20 July	6,226	8,774	-	15,000
7.35 % MGS	2007		1997	100	18 Apr. - 18 Oct.	13,179	11,571	-	24,750
5.90 % MGS	2007 (II)		1999	100	23 Apr. - 23 Oct.	8,646	1,354	-	10,000
5.60 % MGS	2007 (III)		2000	100	10 Jun. - 10 Dec.	6,716	3,284	-	10,000
7.20 % MGS	2008		1998	100	28 Feb. - 15 July	7,368	2,632	-	10,000
7.20 % MGS	2008 (II)		1998	100	30 Mar. - 30 Sept.	17,189	12,811	-	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.	10,178	14,822	-	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.	6,661	8,339	-	15,000
7.80 % MGS	2012		1997	100	24 May - 24 Nov.	13,558	20,942	-	34,500
7.80 % MGS	2013		1997	100	18 Apr. - 18 Oct.	13,533	20,717	-	34,250
6.10 % MGS	2015		2000	100	10 Jun. - 10 Dec.	7,000	23,000	-	30,000
7.80 % MGS	2018		1998	100	15 Jan. - 15 July	23,545	46,455	-	70,000
6.60 % MGS	2019		1999	100	1 Mar. - 1 Sept.	10,119	33,881	-	44,000
Total						360,393	352,336	-	712,728

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 MATURITY¹**

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

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, Accountant General's Office; 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

¹ Euro replaced ECU as from January 1, 1999.

² Provisional

SOURCE: Financial Report, Accountant's General; Central Bank of Malta from end 2000.

**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

¹ Provisional.

SOURCE: Financial Report, Accountant General's Office; Central Bank of Malta (as from end 1999)

TABLE 4.1 NET FOREIGN ASSETS OF THE BANKING SYSTEM ¹

Lm thousands

Period	Monetary Authorities							Total (A+B)
	Central Bank of Malta				Government & Parastatal Companies ²			
	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

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

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 CURRENCIES¹**

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										
Jan. 7	1.4991	4.6811	2.4629	2.3934	4634.28	15.700	5.274	96.550	259.04	3.849
14	1.4913	4.7032	2.4494	2.4047	4656.12	15.774	5.299	97.005	259.71	3.881
21	1.4778	4.7291	2.4412	2.4180	4681.82	15.861	5.329	97.540	255.32	3.894
28	1.4758	4.7683	2.4003	2.4380	4720.62	15.992	5.373	98.349	252.69	3.929
Feb. 4	1.4972	4.7541	2.3825	2.4307	4706.58	15.945	5.356	98.056	256.62	3.910
11	1.4926	4.7569	2.3866	2.4322	4709.34	15.954	5.360	98.114	260.88	3.905
18	1.4931	4.7536	2.3895	2.4305	4706.02	15.943	5.356	98.044	265.63	3.898
25	1.4966	4.7527	2.3851	2.4300	4705.19	15.940	5.355	98.027	264.55	3.910
Mar. 3	1.4941	4.7803	2.3591	2.4442	4732.54	16.033	5.386	98.597	254.07	3.927
10	1.4928	4.7867	2.3543	2.4474	4738.87	16.054	5.393	98.729	249.83	3.935
17	1.5003	4.7710	2.3597	2.4394	4723.30	16.001	5.376	98.404	249.39	3.935
24	1.4923	4.7737	2.3690	2.4407	4725.93	16.010	5.379	98.459	253.55	3.889
30	1.4781	4.8155	2.3465	2.4621	4767.34	16.151	5.426	99.329	246.44	3.919
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

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 CURRENCIES¹**

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

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
1999¹					
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

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
1999²									
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

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
1999²									
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

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
1999¹											
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

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-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1985	45,515	9,029	6,715	42,468	2,722	25,675	99,045	85,291	32,452	5,227	354,139
1986	39,027	9,857	6,858	20,953	1,418	27,908	101,589	96,466	38,540	5,497	348,113
1987	41,781	8,667	7,515	25,065	1,533	30,817	100,904	128,181	38,306	10,107	392,876
1988	46,779	8,736	8,817	20,346	1,620	34,705	104,787	166,198	45,423	10,021	447,432
1989	53,383	7,766	7,748	32,607	1,623	36,041	114,386	208,388	47,100	6,764	515,806
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,509
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997 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
1999¹											
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

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	913,623	271,208	329,273	11,337	1,320,329	2,845,770	1,399,086	1,446,684	497,000	1,447,181
1999⁶										
Mar.	207,761	65,724	69,549	17,754	281,248	642,036	305,480	336,556	12,575	349,131
June	235,221	70,001	88,140	-8,091	333,370	718,641	349,358	369,283	-4,580	364,703
Sept.	234,859	65,462	79,552	-25,291	361,250	715,832	345,232	370,600	10,831	381,431
Dec.	235,782	70,021	92,032	26,965	344,461	769,261	399,016	370,245	-18,329	351,916
2000										
Mar.	227,392	71,970	91,121	20,845	344,681	756,009	391,116	364,893	12,102	376,995
June	253,568	71,091	100,340	9,278	401,587	835,864	452,263	383,601	4,289	387,890

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

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

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 RATES¹
(Base 1946 = 100)

Year	Index	Inflation Rate (%)	Year	Index	Inflation Rate (%)
1946	100.00	-	<i>(Continued)</i>		
1947	104.90	4.90	1974	234.16	7.28
1948	113.90	8.58	1975	254.77	8.80
1949	109.70	-3.69	1976	256.20	0.56
1950	116.90	6.56	1977	281.84	10.01
1951	130.10	11.29	1978	295.14	4.72
1952	140.30	7.84	1979	316.21	7.14
1953	139.10	-0.86	1980	366.06	15.76
1954	141.20	1.51	1981	408.16	11.50
1955	138.80	-1.70	1982	431.83	5.80
1956	142.00	2.31	1983	428.06	-0.87
1957	145.70	2.61	1984	426.18	-0.44
1958	148.30	1.78	1985	425.17	-0.24
1959	151.10	1.89	1986	433.67	2.00
1960	158.80	5.10	1987	435.47	0.42
1961	164.84	3.80	1988	439.62	0.95
1962	165.16	0.19	1989	443.39	0.86
1963	168.18	1.83	1990	456.61	2.98
1964	172.00	2.27	1991	468.21	2.54
1965	174.70	1.57	1992	475.89	1.64
1966	175.65	0.54	1993	495.59	4.14
1967	176.76	0.63	1994	516.06	4.13
1968	180.42	2.07	1995	536.61	3.98
1969	184.71	2.38	1996	549.95	2.49
1970	191.55	3.70	1997 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 INDEX¹*(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

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, i.e. 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 accommodation, pool their income and wealth and who consume certain types of goods and services collectively. The latter are those involved in small-scale production that provides employment and income for individuals or their families.

Measures of Money

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

Notes and Coin in circulation outside the banking system

Deposits (non-bank), including:

 Demand (current)

 Savings

 Time (fixed) deposits

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