

Central Bank of Malta



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For copies of the Quarterly Review apply to:-

The Manager
External Relations Office
Central Bank of Malta
Castille Place
Valletta CMR 01
Malta

Telephone: (+356) 2550 0000

Facsimile: (+356) 2550 2500

Internet: www.centralbankmalta.com

e-mail: info@centralbankmalta.com

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CONTENTS

ECONOMIC SURVEY

1. Foreword	5
2. The International Environment	7
3. Output, Prices and Employment	12
Box 1: Revised Outlook for 2003	21
Box 2: Business Perceptions Survey	23
4. The Balance of Payments and the Maltese Lira	27
5. Government Finance	34
6. Monetary and Financial Developments	38

EMPLOYMENT AND LABOUR INPUT IN THE MALTESE ECONOMY

Aaron George Grech

CHANGES IN THE COMPILATION OF MONEY AND BANKING STATISTICS IN MALTA	53
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NEWS NOTES	61
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FINANCIAL POLICY CALENDAR	64
----------------------------------	-----------

STATISTICAL TABLES	75
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Note: The cut-off date for information published in chapters 2,5 and 6 of the Economic Survey is September 12, 2003; the cut-off date for the remaining chapters is October 3, 2003.

The cut-off date for figures published in the Statistical Tables is September 12, 2003, except for data on BOP and GDP, where the cut-off dates are September 29, 2003 and October 3, 2003 respectively.

Figures in Tables may not add up due to rounding.

ECONOMIC SURVEY

1. FOREWORD

During the second quarter of 2003 the Central Bank of Malta lowered its central intervention rate by twenty-five basis points twice, in May and in June, bringing it down to 3.25%. In September the Bank made a further cut to 3%. These decisions taken by the Governor in the Monetary Policy Advisory Council reflected the Bank's assessment of economic and financial developments in Malta and abroad and were consonant with its monetary policy strategy, which is based on pegging the Maltese lira to a basket of major currencies.

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

Similar considerations prompted the further easing of the monetary policy stance in September. The Bank's external reserves continued to expand, liquidity in domestic financial markets remained high and inflation declined further. The economic climate was characterised by weak demand and rising unemployment, with short-term prospects being clouded by lower growth forecasts for the euro area, a key export market for Malta.

According to data released by the National Statistics Office in October, the economy grew slowly during the second quarter of the year, with real GDP rising by just 0.9% compared with the corresponding quarter of 2002. Domestic demand decelerated, with Government consumption expenditure slowing down considerably and private consumption falling in real terms. Underlying investment spending also grew less rapidly than in the first quarter. A large, negative inventory investment figure, which also includes a statistical discrepancy, also dampened GDP growth significantly. In contrast, exports recovered after the previous quarter's contraction.

The replies to the Bank's latest business perceptions survey, which was carried out between July and August 2003, show that, after the surge in optimism that had followed the referendum and election results, business sentiment returned to its previous, relatively cautious mood. During the second quarter, according to respondents, domestic sales by manufacturing firms contracted and activity in the distribution, construction and services sectors slowed down. In contrast, firms in both manufacturing and tourism reported that export sales had risen, albeit at a slower pace than in the previous quarter.

Data compiled by the Employment and Training Corporation showed the unemployment rate in April remaining unchanged at the March level of 5.2%. In subsequent months, however, the number of those registering as unemployed continued to rise, suggesting that economic activity in the third quarter remained subdued.

The downward trend in the headline rate of inflation in evidence since the second half of 2002 continued during the second quarter of 2003 and extended into July and August. The twelve-month moving average rate of inflation fell from

1.5% in March to 1.3% in June, whereas the year-on-year inflation rate picked up in the second quarter before falling in July and turning negative in August.

The fiscal stance remained strongly expansionary during the June quarter, with the deficit narrowing only slightly compared with the previous quarter. Revenue picked up, in line with the small upturn in economic activity, but expenditure also increased. The deficit widened further in July.

The current account of the balance of payments swung into deficit during the second quarter of 2003, after having been in surplus during the corresponding quarter of 2002. This was principally attributable to a widening in the merchandise trade gap that reflected an exceptional rise in exports during the June quarter last year. At the same time, the surplus on income decreased, while that on services grew. During the June quarter, net inflows on the capital and financial account persisted, picking up compared with the previous quarter but slowing down relative to the same quarter last year. The official reserves expanded for the fourth consecutive quarter.

Following a slow down in the previous two quarters, broad money expanded by 1.9% during the quarter reviewed, driven by further growth in domestic credit and the net foreign assets of the banking system. In July, however, broad money contracted, reflecting a shift from bank deposits into Government and corporate bonds. As a result, domestic credit declined, but the net

foreign assets of the banking system continued to expand.

In the light of new information concerning both the external environment and domestic developments, the Bank has revised its outlook for 2003. On the basis of the revised forecast, real GDP growth in 2003 is expected to reach 1% - 1.3%, rather than the 3.1% to 3.7% range published in its *Annual Report* for 2002. This revision was prompted by a deterioration in growth prospects for the semiconductor industry, the continued drop in domestic inventories, and the worsening in the external balance.

Growth in 2003 is expected to be driven by domestic demand, mainly spurred on by a stronger fiscal stimulus, with the budget deficit for the year now estimated at around 7.4% of GDP. As a result, growth in Government consumption is forecast to rise, while investment growth is to accelerate, mainly underpinned by higher Government expenditure on capital projects. By contrast, external demand is expected to remain weak, partly on account of the poor performance of Malta's main trading partners. Thus, exports are projected to grow by around 0.8% in 2003, but imports are expected to rise more strongly, fuelled by Government spending. As a result, the deficit in the external goods and services account is projected to widen to between 6.5% and 6.7% of GDP. Slow economic growth is expected to push up the unemployment rate, albeit by less than had been originally anticipated. The twelve-month moving average inflation rate is projected to end the year at 1.4% - 1.6%.

2. THE INTERNATIONAL ENVIRONMENT

The World Economy

Despite reduced geopolitical uncertainties, a fall in oil prices and lower interest rates, the global economic recovery failed to gather momentum during the second quarter of 2003. In the United States, growth was mainly driven by defence spending, while within the euro area it almost ground to a halt. Only in Japan did the economic situation improve significantly. Against this background, the IMF, in its September *World Economic Outlook*, projected a gradual global recovery in 2003, with normal growth only resuming during 2004.

Economic and Monetary Developments in the Major Economies

The United States economy expanded at an annual rate of 2.5% in the June quarter, reflecting a surge in Government expenditure, particularly on

defence, and an upturn in business and consumer spending. Private domestic expenditure was up by 1.3% from the year-ago level, while corporate profits adjusted for inventory valuation and capital consumption increased by 15.3%. Although the GDP data showed a slight improvement from the 2% growth rate registered in the March quarter, exports fell by 1%, while, up to the end of August, the unemployment rate remained stuck at 6.1%. At the same time, consumer price inflation fell to 2.2% in the June quarter, from 2.9% in the March quarter. Against this background, the United States economy is expected to grow at an annual rate of 2.7% during the third quarter of 2003, and by 2.6% in the year as a whole.

Although the expansionary fiscal and monetary policy stance, along with strong productivity growth, seemed to provide sufficient support to economic activity, the United States economy had yet to exhibit sustainable growth. Hence, with inflationary expectations becoming progressively more subdued, the Fed judged that a slightly more expansive monetary policy would add further

Table 2.1

REAL GDP¹

	2002				2003		
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3 ²
United States	1.4	2.2	3.3	2.9	2.0	2.5	2.7
European Union	0.4	1.0	1.2	1.3	1.0	0.5	n/a
Euro area	0.3	0.8	0.9	1.1	0.8	0.2	0.3
United Kingdom	1.1	1.6	2.3	2.3	2.1	1.8	1.4
Japan	-3.1	-0.3	1.5	2.5	2.8	2.1	1.6

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

²Estimates.

Sources: Eurostat; Consensus Forecasts, London: Consensus Economics Inc, September 2003

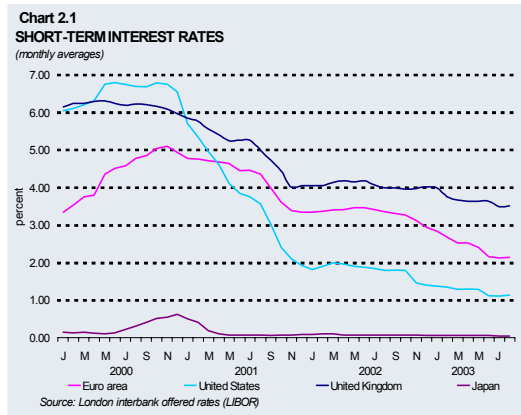
support to the economy, and accordingly, on June 25, it lowered its official interest rate by 25 basis points to 1%. Consequently, money market rates continued their gradual decline, as Chart 2.1 shows.

In the euro area output contracted by 0.1% when compared with the previous quarter, but expanded by 0.2% compared with the corresponding quarter a year earlier, as against the 0.8% annual growth registered in the March quarter. Growth was mainly driven by household and government spending, which rose by 1.2% and 1.7%, respectively, but was dampened by a contraction in investment and exports, which shrank by 1.2% and 0.6%, and by a 1.8% increase in imports. Meanwhile, year-on-year consumer price inflation in the euro area eased slightly, reaching 2% on average during the June quarter, as Table 2.2 shows.

Against this background of weak activity in most of the euro area economies, the outlook for the area remained uncertain. In fact, the European Commission forecast quarter-on-quarter GDP growth ranging between zero and 0.4% in the third quarter of 2003, and revised downwards its growth forecasts for the whole year to 0.5% from a previous estimate of 0.7%.

After taking into account the receding inflationary pressures in the area and the increased downside risks to growth, the European Central Bank cut the minimum bid rate on its main refinancing operations to 2% on June 5, from 2.5% previously.

Meanwhile, in the United Kingdom GDP grew at an annual rate of 1.8% during the June quarter, compared to 2.1% in the March quarter, led by buoyant consumer demand and public expenditure. Production in the industrial sector expanded moderately, following two successive quarters of sharp contraction, while output in the services sector grew by 0.3%. Concurrently,



however, the trade balance worsened as exports fell. At the same time, consumer price inflation remained unchanged at an average of 2.9% during the quarter. Overall, the OECD expected the British economy to expand at an annual rate of 2.5% during 2003.

Although inflation had moved above the UK Government's target due to higher oil prices and labour costs, the Bank of England considered these developments to be temporary. Hence, against the backdrop of weak domestic and global demand, the Bank, on July 10, reduced its repo rate by 25 basis points to 3.5%. Meanwhile, UK money market rates, which had remained below the Bank's repo rate between April and July, moved above the official rate in August.

In the meantime, the economic situation in Japan improved significantly. Gross domestic product rose by 1% when compared with the March quarter and by 2.1% when compared with the corresponding quarter a year earlier. Moreover, growth was mainly driven by an increase in capital spending, which rose by 4.7% from the previous quarter, and by a strong rebound in exports. Despite the optimism generated by these developments, however, the Japanese economy was still considered vulnerable, weighed down by

Table 2.2
INFLATION¹

	2002				2003		
	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2	Qtr. 3 ²
United States	1.2	1.3	1.6	2.2	2.9	2.2	2.1
Euro area	2.6	2.1	2.1	2.3	2.3	2.0	2.0
United Kingdom	2.4	1.9	2.0	2.6	2.9	2.9	2.8
Japan	-1.4	-0.9	-0.8	-0.5	-0.2	-0.2	-0.3

¹ Percentage change in consumer prices compared with the same period a year earlier.

² Estimates.

Sources: Reuters; Consensus Forecasts, London: Concensus Economics Inc., September 2003

persistent deflation, the massive bad loans held by its banking system and a historically high unemployment rate. Against this background, the Japanese economy is forecast to expand at an annual rate of 1.9% during 2003.¹

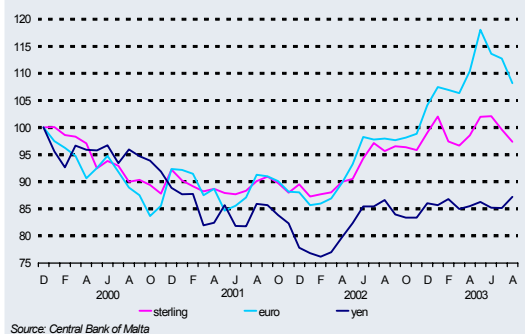
Despite the fact that economic activity in Japan had improved, the Bank of Japan was still concerned about the impact of SARS on East Asian economies and the unstable stock and foreign exchange markets. Against this background the Japanese central bank eased monetary policy during April and May, when it raised its target balance of current accounts held with it, and again in June, when it decided to start purchasing asset-backed securities. Meanwhile, as can be seen from Chart 2.1, Japanese money market rates remained stable at just above zero throughout the period from April to August.

Foreign Exchange Markets

The US dollar's decline - and its subsequent recovery - against the other major currencies was the most notable feature of foreign exchange markets during the June quarter, as Chart 2.2

shows. The initial decline, which extended a trend that had begun in the first quarter of 2002, was mainly due to weaker than expected economic data, a persistently high unemployment rate, and scepticism about the American authorities' commitment to a strong dollar policy. As Table 2.3 shows, the dollar, on balance, lost 6.9% and 5.6% of its value against the euro and sterling, respectively, over the quarter, although it strengthened slightly against the Japanese yen.

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



Source: Central Bank of Malta

¹ See Consensus Forecasts.

In April and early May the dollar lost ground against both the euro and sterling due to a growing perception among investors that a US-led recovery would be much slower than anticipated. This nervousness was mainly fuelled by a Federal Reserve statement that suggested further weakness in the economy, sluggish activity in the manufacturing sector and a weak labour market. Meanwhile, the Japanese yen remained relatively stable against the dollar as the Japanese authorities intervened in the foreign exchange market to prevent an appreciation of their currency.

During the second half of May and early June, the dollar lost further ground against both the euro and sterling as further signs of sluggishness in the pace of the United States' economic recovery emerged. This poor performance was exacerbated

by a widening of the fiscal and current account deficits, along with a series of unexpectedly weak economic data releases. In late June, however, following the Fed's decision to ease monetary policy and amid encouraging signs of an improvement in both business and consumer confidence, the dollar staged a recovery, even against sterling, as can be inferred from Table 2.3. Against the Japanese yen, however, the dollar remained relatively stable even at this stage, as the Japanese monetary authorities intervened heavily in the foreign exchange market to prevent the yen from strengthening and threatening Japan's fragile economic recovery.

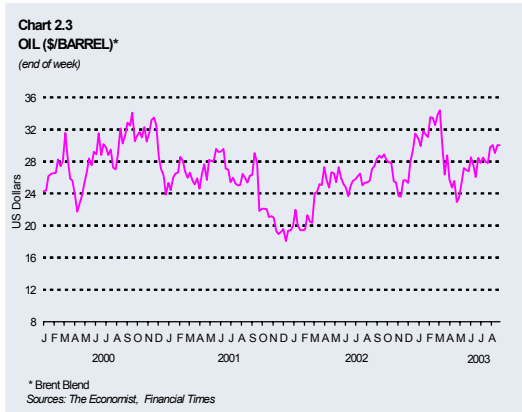
The dollar strengthened further against the euro and sterling during July and August, as Chart 2.2 shows. Hopes that a strong recovery was under way in the United States together with a series of

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

	US\$/euro	US\$/stg	yen/US\$
Average for April	1.0861	1.5748	119.80
Average for May	1.1570	1.6229	117.26
Average for June	1.1678	1.6608	118.32
Average for the quarter	1.1370	1.6195	118.46
Opening rate on 30.06.03	1.1431	1.6528	119.85
Opening rate on 28.03.03	1.0694	1.5647	120.17
Lowest exchange rate during the quarter ¹	1.0605	1.5543	115.25
	(Apr. 07)	(Apr. 08)	(May 19)
Highest exchange rate during the quarter ¹	1.1875	1.6847	120.78
	(May 30)	(June 17)	(Apr. 07)
Percentage appreciation (+)/depreciation (-) of the currency vs the dollar from opening rate on 28.03.03 to opening rate on 30.06.03	6.9	5.6	-0.3

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

Source: Central Bank of Malta.



poor economic data releases in the euro area were the main factors behind the dollar's renewed strength at this stage.

Oil

Oil prices continued to decline during April as US-led forces advanced rapidly towards Baghdad and concerns about the possibility of a lengthy war in Iraq receded. In May and June, however, the price of Brent blend, a benchmark price, rose modestly in response to a decline in US and European crude oil stocks and weather-related factors in the Gulf of Mexico. Thus, by the end of June, the price of Brent blend stood at \$28.45 per barrel, or 1.1% below its end-March value. During July and August Brent prices continued to rise, as Chart 2.3 shows, after a decision by OPEC not to raise production quotas lifted oil prices. Consequently, by the end of August, Brent blend stood at \$29.99 per barrel, up by 4.3% from its end-March level.

3. OUTPUT, PRICES AND EMPLOYMENT

Although activity picked up slightly during the second quarter of 2003, the Maltese economy's underlying performance remained weak. The Gross Domestic Product (GDP) grew in real terms, but the modest growth recorded only partly reversed the previous quarter's contraction. Private consumption contracted for the second time in three quarters, while Government current expenditure, although still high, slowed down sharply. In addition, inventory changes, which partly reflect a statistical error, remained large and negative, reducing real GDP growth considerably. These factors were, however, offset by improved

tourism activity and growth in investment, mainly construction.

The Maltese economy thus appears to be growing below its potential rate, and this view is corroborated by the latest data on unemployment and inflation. In August, in fact, the number of the unemployed rose by 8.6% from the year-ago level, while in the same month the year-on-year inflation rate turned a negative 0.4%, down from a positive 0.5% at the end of the March quarter.

Gross Domestic Product

After having contracted during the first quarter of 2003, the economy returned to a positive growth rate during the quarter under review. As can be seen from Table 3.1, GDP at factor cost, which is

Table 3.1
SOURCES OF GDP GROWTH BY INDUSTRY¹

	2002			2003	
	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2
GDP at factor cost	2.1	2.3	3.0	-0.1	1.9
of which:					
Agriculture and fisheries	-0.1	0.0	1.1	0.3	0.4
Construction and quarrying	0.6	0.2	0.2	0.0	0.0
Manufacturing	-0.2	2.2	1.8	-0.2	-0.2
Transport and communication	-0.8	0.5	-0.1	-1.2	0.1
Wholesale and retail	0.5	0.3	0.0	0.7	0.2
Insurance, banking and real estate	0.9	-1.5	-1.1	0.1	0.4
Government enterprises	1.0	-0.2	0.7	-0.1	0.2
Public administration	0.7	0.4	0.3	1.0	0.8
Property income	-1.0	-0.2	-0.6	-1.6	-0.6
Private services	0.5	0.7	0.7	0.8	0.8
GDP at current market prices	3.7	3.3	1.6	-0.7	1.5

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

Source: National Statistics Office.

the sum of profits and employment income earned across the economy, expanded by 1.9% during the quarter, after having contracted slightly during the March quarter. This recovery was mainly attributable to a pronounced turnaround in the transport and communications sub-sector. In addition, the drop in property income arising from lower interest rates moderated significantly, while the tourism industry's profits recovered from the previous year's levels, completely offsetting declines in the profits of other private service industries. Overall, factor earnings data show that while employment income grew by 5% during the June quarter, profits dropped by a further 1.4%, mainly in manufacturing. This decline in

profitability suggests that wage inflation may be eroding competitiveness, but it is also partly due to a deterioration in the terms of trade. In fact, the export price deflator fell by 4.4% during the quarter, while import prices, on average, dropped by just 2.4%.

Before commenting on the GDP data, it may be worth describing in some detail the implications of a major transaction that occurred during the second quarter of 2002, namely the national airline's sale-and-leaseback of its entire fleet of aircraft. This had resulted in a substantial drop in that quarter's gross fixed capital formation,¹ but had concurrently boosted export sales by a similar

Table 3.2
GDP GROWTH BY CATEGORY OF EXPENDITURE

	%				
	2002			2003	
	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2
Percentage changes at constant market prices					
Private consumption expenditure	2.7	2.9	-1.3	2.2	-1.9
Government consumption expenditure	7.2	0.5	-4.4	16.4	7.3
Gross fixed capital formation	-35.3	-3.7	-3.2	9.6	70.6
Exports of goods and services	5.2	4.8	9.8	-1.6	-1.7
Imports of goods and services	3.4	1.9	0.5	8.5	3.3
Growth in real GDP	2.9	2.4	0.4	-1.6	0.9
<i>of which:</i> ¹					
Private consumption expenditure	1.7	1.9	-0.9	1.4	-1.2
Government consumption expenditure	1.3	0.1	-0.8	3.3	1.4
Gross fixed capital formation	-8.4	-0.8	-0.8	2.1	10.6
Inventory changes	6.6	-1.5	-4.6	0.1	-5.2
Exports of goods and services	4.8	4.3	7.9	-1.3	-1.6
Imports of goods and services ²	-3.2	-1.6	-0.4	-7.2	-3.0

¹ These figures show the change in each component of real GDP as a percentage of the corresponding quarters' real GDP (expenditure-side) in the previous year. This shows the contribution of each expenditure component to the overall rate of growth of real GDP.

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

Source: National Statistics Office.

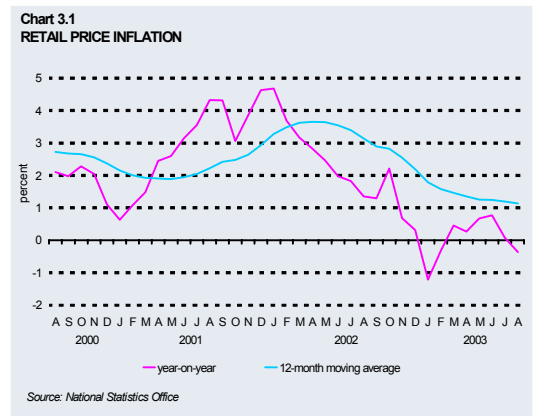
¹ Since this component is defined as acquisitions less disposals of fixed assets, this transfer of ownership had to be classified as disinvestment.

amount, equivalent to around 10% of the quarter's nominal GDP. As a result, the current year's figures show a surge in investment and a drop in exports, as Table 3.2 shows. If this exceptional factor were to be excluded, however, the data would look significantly different, as underlying expenditure on gross fixed capital formation grew at a slower pace than in the first quarter, while exports of goods and services recovered from the March quarter's contraction.

While visible exports and tourism earnings continued to rise during the June quarter, domestic demand decelerated. Though it remained above last year's levels, growth in Government current expenditure slowed down considerably from the March quarter's double-digit rise. At the same time, private consumption fell by 1.9% in real terms. Imports of consumer goods expanded at a slower pace than in the first quarter, while manufacturing industry's domestic sales and household spending on services such as recreation and entertainment, fell. However, although the decline in private consumption dampened growth significantly, as Table 3.2 shows, the main contractionary influence was exerted by the large and negative inventory investment figure. The latter component of GDP, which is not directly measured, but is included in the statistical discrepancy between income and expenditure side GDP, wiped away over five percentage points from the second quarter's real GDP growth.

Retail Prices

The downward trend in the headline rate of inflation in evidence since the second half of 2002 continued into the second quarter of 2003 and even into July and August, as Chart 3.1 shows. Thus, the twelve-month moving average rate of inflation fell to 1.3% in June from 1.5% in March, although over the same period the year-on-year rate rose by 0.3 percentage points to 0.8% before



falling again in July and turning negative in August.

The slight rise in the year-on-year rate of inflation rate during the June quarter was mainly driven by increases in housing costs, as a result of which the year-on-year percentage change in the housing index rose to 6.0%, from 1.3% in the March quarter. This mainly reflected higher charges for various house maintenance works. However, increases in the prices of medicinal and toiletry items, which gave rise to a significant year-on-year increase in the personal care and health subindex, also contributed. At the same time, the year-on-year decline in the clothing and footwear subindex moderated, as prices of such items rose during the quarter under review.

The increased inflationary pressures registered by these subindices were partly offset by lower price pressures in the other sub-indices. Thus, the year-on-year percentage change of the food subindex, which has a 24% weighting in the RPI basket, fell to 1.4% during the quarter, from 3.3% in the March quarter. This was partly attributable to a drop in the prices of fresh fruit and vegetables during the three months to June. Furthermore, contrary to the long established trend, the year-on-year percentage change in the

Table 3.3
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

Year-on-year (percentage changes)

	June 2002	Mar. 2003	June 2003
Food	1.8	3.3	1.4
Beverages and Tobacco	8.9	5.3	5.8
Clothing and Footwear	-3.0	-10.5	-7.0
Housing	3.3	1.3	6.0
Water, Electricity, Gas and Fuels	5.2	0.2	0.2
H/hold Equip. & House Maint. Cost	-0.4	-2.1	-1.2
Transport and Communication	0.3	-0.3	-0.2
Personal Care and Health	3.2	1.8	4.4
Recreation and Culture	3.5	1.1	-0.7
Other Goods and Services	1.8	3.3	2.3
All items	2.0	0.5	0.8

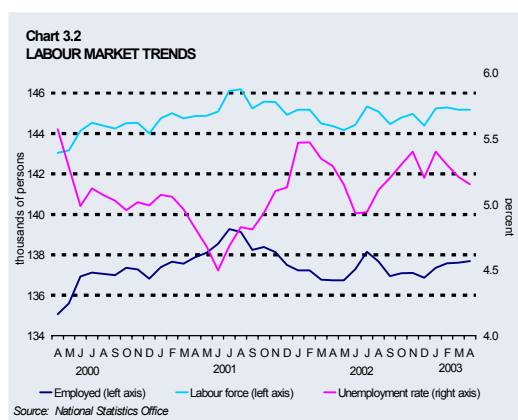
Source: National Statistics Office

recreation and culture subindex declined during the quarter, mainly reflecting lower prices of audiovisual equipment.

It should be noted that although inflation during the June quarter was low, prices rose at a faster pace than in Malta's main trading partners and competitors. The Bank's measure of underlying inflation, which focuses on those RPI subindices that tend to show persistent changes, also rose markedly during the quarter. However, as mentioned previously, year-on-year inflation fell in July, while in August, the most recent month for which data are available, year-on-year inflation turned negative. This was mainly attributable to steep falls in the prices of clothing and footwear, the index for which fell by 15% from its June reading. Thus, the headline rate of inflation continued to decline and is expected to remain low through the rest of the year.

The Labour Market

Data compiled by the Employment and Training Corporation (ETC) indicate that in April the unemployment rate stood at 5.2%,² the same level as in March. However, as can be seen from Table 3.4, there was a pick-up in labour market activity



² Employment data for May and June were not available at the time of writing.

Table 3.4
LABOUR MARKET DEVELOPMENTS

Number of persons

	Apr. 2003	Change over Mar.	Annual change
Labour supply	145,181	-2	609
Unemployed	7,480	-84	-157
Unemployment rate (%)	5.2	0.0	-0.1
Gainfully occupied	137,701	82	766
of which:			
Private direct production	37,776	-71	-236
including:			
Agriculture & fisheries	2,269	10	79
Quarrying, construction & oil drilling	6,902	5	-32
Manufacturing	28,605	-86	-283
Private market services	51,675	203	1,644
including:			
Wholesale & retail	15,724	47	298
Insurance & real estate	1,276	5	-31
Transport, storage & communications	6,049	-18	-11
Hotels & catering establishments	8,968	18	-36
Community & business	12,187	44	958
Others	7,471	107	466
Public sector	47,213	-32	-572
including:			
Government departments	30,284	-52	-23
Armed Forces, R.S.C. & Airport Co.	1,673	-6	50
Government-controlled companies	7,208	35	-728
Independent statutory bodies	8,048	-9	129
Temporarily employed	1,037	-18	-70

Source: National Statistics Office

during the month, with the number of the gainfully occupied rising slightly, while those registering as unemployed fell by an approximately equal amount.

As the Table shows, private market services accounted for the entire increase in the number of the gainfully occupied during the month under

review. In fact, the growth in employment was mainly driven by an increased demand for labour in recreation services, although job creation in the wholesale and retail trades and in the community and business subsector also contributed. Against this, employment in the other main sectors, that is, private direct production and the public sector, as well as

temporary employment, was down from the previous month's level.

The decline in employment in direct production was primarily due to the loss of jobs in the manufacturing sector. This, in turn, mainly reflected the effects of the global economic slowdown on exporting firms and of restructuring programmes in the domestically-oriented ones. Meanwhile, the decline in public sector employment was mainly concentrated in government departments.

Table 3.4 also shows that the gainfully occupied population as at end-April was up by 766 from the year-ago level. Again, private market services accounted for the entire increase, with employment in this sector surging by 1,644 from the previous year's level. By contrast, the complement in the public sector was down by 572, accounting for over a third of jobs lost, mainly due to the early retirement schemes offered to workers in the shipbuilding and ship-repair sectors. Meanwhile, job losses in manufacturing and in quarrying and construction caused total employment in direct production to contract. As a result of these developments, the number of persons on the unemployment register at the end of April stood at 7,480. This was down by 157 (2.1%) from the year-ago level, as the Table shows.

Meanwhile, more recent data on unemployment published by the ETC show that the number of people registering for work at the end of August stood at 8,052, up by 572 from the end-April level and by 640 from the August 2002 reading. This indicates that, unless growth in the labour supply during the intervening months exceeds that registered during the same period last year, by end-August the unemployment rate will rise above the end-April level. The increase in the number of the unemployed, however, although spread across all age brackets, involved those who had been registering for a short period only. In fact, a

decline was reported in the number of the long-term unemployed.

Manufacturing

Activity in manufacturing industry continued to expand at a steady rate during the June quarter. In fact, turnover reached Lm252.6 million, up by 3.1% from the level recorded in the same quarter last year. Underpinning this increase were exports of food and beverages, electronic components, textiles and medical and precision equipment. At the same time, although employment in manufacturing continued to decline, the sector's gross wage bill continued to trend upwards. In addition, investment by manufacturing firms was marginally up from the year-ago level. For the first six months of the year, manufacturing turnover was up by Lm14.8 million from the previous year's level, while investment by the sector remained relatively stable.

As can be seen from Table 3.5, exports of manufactured goods during the quarter under review were up by Lm9.7 million from the year-ago level, with exports of electronic components accounting for Lm2.9 million of the increase. The latter was, however, smaller than the quarterly increases recorded during the second half of 2002, reflecting the adverse market conditions facing the electronics industry globally. At the same time, significant gains were recorded by the food and beverages industry, while firms producing transport equipment, medical and precision instruments and textiles also reported positive results. By contrast, the clothing industry reported a sharp drop in export sales, while declines were also registered by the electrical machinery and the printing and publishing subsectors.

Meanwhile, domestic sales fell by over Lm2 million, as an increase in sales of food and beverages was not enough to offset a downturn in sales by other subsectors of manufacturing

Table 3.5**MANUFACTURING PERFORMANCE - SELECTED INDICATORS¹***Lm millions*

	Apr. - June		Jan. - June	
	2002	2003	2002	2003
Change in exports	-14.6	9.7	-47.2	16.0
<i>of which:</i>				
Radio, T.V., telecom, etc.	-4.9	2.9	-41.2	6.1
Electrical machinery	-3.5	-0.2	-4.4	-0.8
Printing and publishing	2.4	-0.2	3.8	2.1
Other	-8.6	7.2	-5.4	8.6
Change in local sales	5.0	-2.2	8.6	-1.2
<i>of which:</i>				
Tobacco	0.0	-0.2	-0.5	0.1
Clothes	0.9	-0.8	1.0	-1.1
Food and beverages	1.1	1.2	2.0	2.0
Other	3.0	-2.4	6.1	-2.2
Change in net investment	3.5	0.2	2.3	-0.1
<i>of which:</i>				
Food and beverages	-0.7	1.7	-1.0	2.5
Printing and publishing	1.5	0.1	1.6	0.2
Furniture	0.3	-0.2	1.4	0.3
Other	2.4	-1.4	0.3	-3.1

¹ Figures in this Table represent the change over the same quarter of the previous year.

Source: National Statistics Office.

industry. The most remarkable drop was reported by the furniture industry, but a decline in sales was also reported by firms in the clothing, tobacco, chemical, and radio, TV and telecom subsectors.

Notwithstanding the increase in turnover, employment in manufacturing continued to decline, falling by 3.8% on a year-on-year basis. This was mainly due to restructuring in the clothing and leather and in the plastic and rubber subsectors. By contrast, firms in the electronics industry continued to hire additional workers. Furthermore, the quarterly gross wage bill of the

manufacturing sector rose by 3.6% over the year, reaching Lm30.5 million.

Investment in manufacturing picked up somewhat during the quarter under review. The main engine behind this increase were firms in the food and beverage subsector, which stepped up their investment by Lm1.7 million, although firms in the electronics industry also undertook new investment during the quarter. In the remaining subsectors, investment spending either remained stable or declined marginally. The most notable decreases were registered in the plastic and rubber and the textiles subsectors.

Table 3.6
TOURIST ARRIVALS BY NATIONALITY

	May - June 2003			Jan. - June 2003		
	Arrivals	Annual Growth (%)	Share (%)	Arrivals	Annual Growth (%)	Share (%)
UK	86,311	6.8	38.5	199,603	8.1	40.2
Germany	22,386	-14.7	10.0	62,372	-5.4	12.5
France	19,793	6.4	8.8	37,921	-2.0	7.6
Italy	16,504	-0.7	7.4	34,000	-5.6	6.8
Netherlands	9,644	0.1	4.3	18,658	-3.4	3.8
Scandinavia ¹	9,871	18.1	4.4	20,634	4.4	4.2
Austria	8,365	19.2	3.7	17,220	27.4	3.5
Belgium	5,376	7.4	2.4	10,221	10.9	2.1
Switzerland	3,868	10.9	1.7	10,313	19.2	2.1
Libya	3,473	-9.7	1.5	8,788	-20.2	1.8
Others	38,524	8.4	17.2	77,299	2.5	15.6
Total	224,115	4.2	100.0	497,029	3.1	100.0

¹Denmark, Finland, Norway and Sweden.

Source: National Statistics Office.

Tourism

The recovery in tourism activity observed in the first four months of 2003 carried through May and June, with arrivals growing by 4.2% on an annual basis and gross earnings from tourism rising by nearly 10%.³ Cruise liner activity picked up even more strongly, with an exceptionally large number of cruise ships visiting the Grand Harbour in May. For the six months to June, tourist arrivals were up by 3.1% from the 2002 level, while earnings rose by 7.8%.

Arrivals from the UK, Malta's main source market, continued to trend upwards, rising by 6.8% when compared to the same two months in 2002. In fact, nearly two-thirds of the overall rise in the number of arrivals originated from the British market. As can be seen from Table 3.6,

increases were also registered in arrivals from France, another major source market, and from Austria, Scandinavia, Switzerland and Belgium. On the other hand, arrivals from Germany, Malta's second largest source market, continued to slide, despite efforts to make good the losses suffered in this market in recent years. Arrivals from Italy were also down marginally, while arrivals from Libya fell by 9.7% from the year-ago level.

According to the quarterly survey conducted by the Malta Hotels and Restaurants Association (MHRA), hotel occupancy in both the 5 and the 4-star hotel category improved during the two months under review, but it continued to deteriorate in the 3-star category. Whilst volumes recovered, however, the average achieved room

³ The National Statistics Office has recently published the first inbound survey based on departures. This commentary however was based on tourist arrivals. Eventually, the commentary will be based on the new inbound survey.

rates⁴ for 5- and 4-star hotels were the lowest since 1999. By contrast, room rates in the 3-star hotel category were higher. For the first six months of the year, hotel occupancy was lower in 5-star and 3-star hotels but marginally up in the 4-star category. It should be noted, however, that bed-stock in 5-star hotels has increased, and the number of room nights sold in such hotels was

up by 26% when compared with the same period in 2002.

During July, the latest month for which data are available, growth in tourist arrivals slowed down to 2.4%, as continued strong growth in arrivals from the UK was partly offset by a sharp fall in arrivals from continental Europe.

⁴ This rate represents revenue from accommodation as a proportion of the number of room nights sold.

Box 1 : REVISED OUTLOOK FOR 2003

In its *Annual Report* for 2002, the Central Bank of Malta had published an economic forecast for 2003. The Bank's forecasts are periodically reviewed during the year to take into account new information concerning both the external environment and domestic developments. The revised forecast, which can be seen in Table 1, shows economic growth in 2003 at 1% - 1.3%, rather than the 3.1% to 3.7% range estimated earlier.

Growth in 2003 is expected to be driven by domestic demand, mainly spurred by a stronger fiscal stimulus, with the budget deficit for 2003 now estimated at around 7.4% of GDP. As a result, growth in Government consumption is forecast to rise, while investment growth is to accelerate, mainly underpinned by higher expenditure on capital projects. By contrast,

external demand is expected to remain weak, partly on account of the poor performance of Malta's major trading partner countries. Thus, exports are projected to grow by around 0.8% in 2003, but imports are expected to rise more strongly, fuelled by Government spending. As a result, the deficit in the external goods and services account is projected to widen to between 6.5% and 6.7% of GDP. The slow growth in the Maltese economy, mainly driven by weakness in the external sector and slower growth in private consumption, is expected to lead to a rise in the unemployment rate, albeit by less than had originally been anticipated. Inflation is projected to ease further to 1.4% - 1.6%.

The downward revision to the growth forecast for 2003 mainly reflected a deterioration in the

Table 1
GDP FORECASTS FOR 2003

	Mar. 2003 Estimate %	Sept. 2003 Revision %
GDP growth at constant market prices	3.1 – 3.7	1.0 – 1.3
Growth in GDP components at constant market prices		
Private consumption expenditure	1.8 – 2.4	1.4 – 1.9
Government consumption expenditure	0.9 – 1.5	4.2 – 4.4
Gross fixed capital formation	3.3 – 3.9	6.6 – 6.8
Exports of goods and services	1.8 – 2.4	0.7 – 0.9
Imports of goods and services	2.3 – 2.9	3.8 – 4.0
Inventory changes (% of previous year)	(2.8)–(3.4)	(3.8) – (4.2)
Unemployment rate	5.2 – 5.6	5.2 – 5.4
Inflation rate	1.4 – 1.8	1.4 – 1.6
Fiscal borrowing requirement (% of GDP)	4.0 – 4.4	7.3 – 7.5
External goods and services deficit (% of GDP)	5.3 – 5.9	6.5 – 6.7

prospects for the semiconductor industry, the continued drop in domestic inventories, and the worsening in the external balance. The reassessment of the prospects for the semiconductor industry led to a lower exports figure which, in turn, accounted for around half of the overall downward revision in GDP growth in 2003. For the past three years, inventory changes, which also incorporate the statistical discrepancy element, have remained negative and large relative to GDP. Therefore, the drop in inventories in 2003 has been revised upwards to around 4% of real GDP.

The fiscal deficit is now estimated to widen further as public finance data for the first eight months of the year show a stronger than expected rise in both recurrent and capital expenditure. As a result, the rate of growth of Government consumption expenditure has been revised to around 4.3%, while the acceleration in capital expenditure is projected to raise the rate of growth of gross fixed capital

formation to 6.6% - 6.8%.

The higher than expected rate of Government dissaving implies an increased deficit in the external goods and services account, as the Table shows. Apart from the downward revision to export growth, the added fiscal stimulus has boosted the projected rise in imports to 3.8% - 4%.

Despite the change in the fiscal outlook for 2003, the forecast for inflation has been revised downwards slightly as, due to the very high degree of openness of the Maltese economy, fiscal policy has a stronger impact on the external balance. Meanwhile, weaker growth in the semiconductor industry is not expected to have a significant impact on the labour market. However, the stronger fiscal stimulus is projected to have some positive effect on employment, so that the rate of unemployment is now forecast to rise to around 5.3%, compared with the upper limit of 5.6% anticipated in the *Annual Report*.

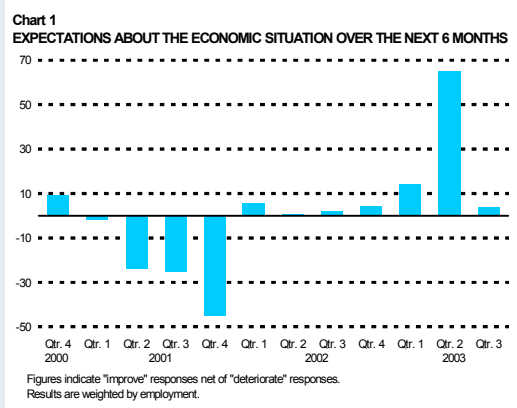
Box 2 : BUSINESS PERCEPTIONS SURVEY

Introduction

The Central Bank of Malta's latest business perceptions survey, carried out between July and August, shows that after the surge in optimism in the immediate aftermath of the general elections, business sentiment returned to its previous, relatively cautious, mood. For most sectors, in fact, the expected pick-up in activity failed to materialise. In particular, the number of locally-oriented firms that reported below normal activity levels increased significantly, especially in the construction and services sectors. Furthermore, although the performance of the export-oriented sectors remained fairly positive during the second quarter, respondents were more pessimistic about the prospects for the near future. The survey suggests that sales by the electronics subsector were expected to contract during the third quarter, while tourism-related firms expect very little growth in turnover. Given this environment, the number of reporting firms planning to invest in new capacity fell sharply, and the majority of survey respondents anticipated a rise in unemployment over the next six months.

Business Sentiment – Third Quarter 2003

As can be seen from Chart 1, the surge in optimism recorded during the second quarter of 2003 was not sustained. Business sentiment, in fact, reverted to the cautiously positive levels that had prevailed in the preceding quarters.¹ The reversal in sentiment was felt across most sectors, with the proportion of sampled firms expecting the economic situation to deteriorate over the coming six months rising to 23.8%, up from 0.8% in the previous survey. The most pessimistic sectors were manufacturing, especially the machinery and equipment sub-sector,² and tourism, but even respondents from the distributive trades and the construction industry



were far less optimistic than previously. Business sentiment, however, remained quite upbeat in the services sector, particularly in real estate - where the degree of optimism actually increased.

The state of business confidence can also be gauged from the expectations of firms concerning inflation and unemployment. The majority of respondents expecting higher unemployment over the coming six months rose in the latest survey, while the number of those projecting an acceleration in inflation remained unchanged. Furthermore, most of the sampled firms continued to state that they did not consider the current period to be appropriate to initiate important developments within their company. In a similar vein, the number of firms intending to invest in new machinery and equipment fell sharply.

Activity Levels – Second Quarter 2003

Export-oriented sectors

This reassessment of expansion plans is, in part, explained by the fact that capacity utilisation has remained persistently below the levels reported in late 2000 and early 2001. In the export sector, in fact, the results of the latest survey suggest that

¹ By contrast, the surge in optimism that had been reported following the general elections of 1998 had persisted for a further three quarters.

² Mainly comprising firms producing electronic components.

capacity utilisation stood at 84%, down from nearly 90% in 2001, prior to the global economic slowdown. Furthermore, although the majority of manufacturing exporters operating above normal levels increased during the second quarter, as can be seen from Chart 2, respondents indicated that growth in export sales slowed down to 1.6%, from 2.3% in the previous quarter. A similar deceleration was registered in the tourism sector, where the expansion in sales dropped to 1.3%, from 2.3% in the March quarter.

Manufacturing firms reported a contraction in export sales by the clothing and footwear, furniture and paper and printing subsectors. At the same time, however, sales by the machinery and equipment and food and beverages subsectors improved. Though employment increased marginally during the quarter, firms managed to contain the rise in their wage bill, as wages remained unchanged on average. Nevertheless, since selling prices rose only marginally, respondents reported only a slight increase in profits.

The survey shows that the performance of the tourism sector during the second quarter was modest, with turnover and profits expanding by 1.3% and 1.4%, respectively. Similarly, firms took on fewer new employees than anticipated, while selling prices did not rise by the projected margin. Consequently, as Chart 2 shows, the majority of

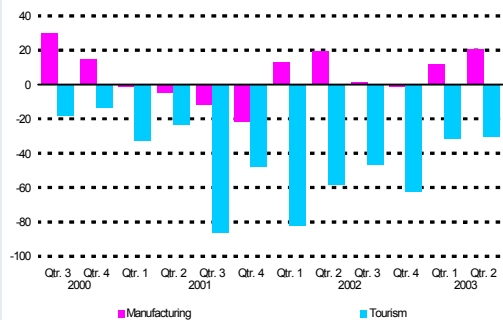
firms in the sector continued to operate below their normal activity levels.

Locally-oriented sectors

After the sharp rebound in sales that followed the general elections, domestically-oriented manufacturing firms reported a substantial slowdown in activity during the second quarter. In fact, domestic sales by manufacturing firms contracted by 0.9%. As a result, the number of firms operating below capacity increased, as can be seen from Chart 3a. Respondents indicated that, on average, capacity utilisation in this sector stood at 75% during the quarter, nearly 10 percentage points below the level prevailing in the export-oriented manufacturing firms. Consequently, domestically-oriented firms, especially those producing food and beverages and chemicals, shed labour during the quarter. Despite this, their profitability declined by nearly 2%, as falling prices and rising average labour costs squeezed operating margins. The decline in prices seemed to be concentrated in subsectors like food and beverages, furniture and chemicals, which were facing increased competition from imports following the removal of trade levies.

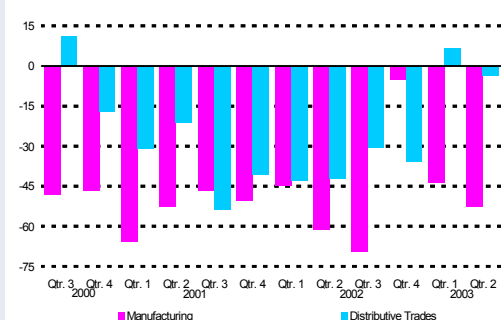
Activity also decelerated in the rest of the locally-oriented sectors, namely the distributive trades, construction and services. The majority of respondents from all these sectors, in fact,

Chart 2
ACTIVITY IN THE EXPORT SECTOR



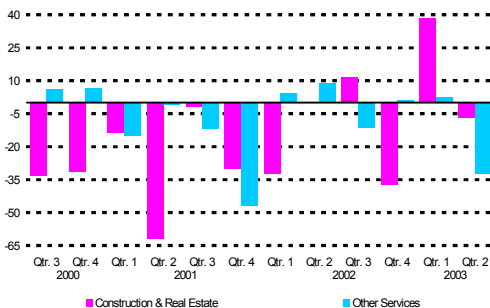
Figures indicate "above normal" responses net of "below normal" responses. Results are weighted by export sales.

Chart 3a
ACTIVITY IN THE DOMESTIC SECTOR



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

Chart 3b
ACTIVITY IN THE DOMESTIC SECTOR



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

reported that they were operating below normal activity levels - something that had not happened since the fourth quarter of 2001. Construction firms, in particular, reported a decline in activity, while financial and professional services firms said sales had increased by only half the anticipated margin and in the distributive trades sales rose only marginally. On the other hand, respondents from the real estate sector said that their turnover had expanded by 2.5% during the June quarter, in line with expectations. Meanwhile, employment rose across the services sector in response to the expected increase in sales, but this dented profitability.

Outlook - Third Quarter 2003

In line with the deterioration in business sentiment, firms are anticipating a rather weak performance in the third quarter of 2003. Export-oriented manufacturing firms expect growth in export sales to drop from 1.6% in the second quarter to just 0.2% in the third. In fact, manufacturers of food and beverages and machinery and equipment are projecting a slight decline in exports during the September quarter. The performance of the clothing and footwear subsector is also expected to remain broadly negative, with firms expecting further redundancies and drops in sales. By contrast,

sales by firms in printing and publishing and those exporting chemical products are set to increase sharply. From an industry perspective, however, the majority of manufacturing firms are projecting a decline in profits, as selling prices are expected to remain stable and wages to rise. They also expect employment to fall by 1%. Respondents from the tourism sector also expect activity to slow down in the third quarter, traditionally the high season for the industry. Profitability is also anticipated to decline marginally, dented by lower selling prices and increased employment levels, particularly as firms expect only a very slight increase in sales.

Locally-oriented firms, on the other hand, are cautiously optimistic about the September quarter. Domestic sales of locally manufactured goods are expected to grow by 0.8%, nearly reversing the drop registered during the second quarter. Nevertheless, even though locally-oriented manufacturing firms are projecting a decline in employment levels, their profitability is not expected to improve much. A further drop in selling prices is, in fact, being forecast, while average wages are expected to continue to rise. Turnover is also expected to rise across all the other locally-oriented sectors, especially in the distributive trades, finance and insurance and real estate. By contrast with the manufacturing firms, however, profitability in these sectors is expected to increase, with firms anticipating both a cut in their workforce and an abatement of wage inflation during the third quarter.

Looking further ahead, respondents are not envisaging any significant pick-up in activity. In fact, as was said earlier, the majority are anticipating an increase in unemployment over the next six months. The number of firms intending to invest has also fallen considerably, with respondents citing uncertainty about the future and the present shortage of orders as the main reason for their reluctance to expand capacity.

Methodological Notes

1. The results presented in this Box are derived from a survey that was carried out between July and August 2003 among 141 companies. This periodic exercise has been going on since 1995. As much as possible, the sample is kept unchanged between quarters.
2. The surveyed firms employed 17,805 workers (nearly a quarter of all private sector workers), and had an aggregate annual turnover of Lm525.9 million (equivalent to a third of Malta's GDP), of which more than half was exported.
3. The sample was composed of 55 manufacturing firms, 18 tourism-related enterprises, 30 operators in the distributive trades, 12 construction and real estate concerns, and 26 services companies. Thus, the survey has a more comprehensive coverage of manufacturing industry relative to other areas of the economy.
4. Replies are weighted according to three different factors, namely the respondents' relative share of employment, and of local sales and export sales, respectively.
5. In order that the overall results do not simply reflect the replies of the largest business concerns, the weight given to any particular firm in terms of turnover is capped at Lm20 million.
6. The survey is somewhat biased towards medium-sized and large firms, with 50% of all respondents employing more than 50 workers. Thus it may not be indicative of trends affecting smaller firms.
7. Participants are asked about their perceptions of the prospects for the Maltese economy during the next six months and the current state of their activity/order books. They are also asked to indicate the approximate percentage change in employment levels, profitability, sales, imports, stocks of finished goods, average cost of labour, and selling prices during the previous quarter, as well as to make forecasts for the current one.
8. Every six months, firms are also asked about their short-term expectations as to inflation and unemployment, and whether they consider the current period to be appropriate to initiate new developments. They are also asked to identify their present level of capacity utilisation/occupancy and whether they intend to invest during the following twelve months. In addition, participants indicate the two most important factors limiting investment and to what extent they think a change in the cost of finance would affect them.

4. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

The current account of the balance of payments, which had been in surplus in the second quarter of 2002, moved into deficit during the corresponding quarter of 2003, mainly on account

of a widening of the merchandise trade gap. The latter, in turn, reflected an exceptional rise in exports recorded during the June quarter last year. The capital and financial account continued to register a substantial surplus, but this was smaller than that registered in the same quarter of 2002. Meanwhile, the official reserves expanded for the fourth consecutive quarter.

Table 4.1

EXTERNAL BALANCES¹

Lm millions

	Apr.-June			
	2002		2003	
	Credit	Debit	Credit	Debit
Current account balance	11.7			31.9
Goods and services	381.8	389.0	360.1	390.0
Goods balance		37.7		76.3
Goods	264.1	301.9	236.9	313.2
Services balance	30.5		46.4	
Services	117.6	87.1	123.2	76.8
Transport	33.2	40.4	31.0	38.3
Travel	62.7	13.3	69.0	16.9
Other services	21.8	33.4	23.3	21.5
Income (net)	14.9		0.7	
Current transfers (net)	4.0			2.7
Capital and financial account balance²	42.3		32.0	
Capital account balance	1.2		1.0	
Financial account balance	41.1		31.0	
Direct investment	29.5		1.7	
Abroad	2.9			1.6
In Malta	26.5		3.3	
Portfolio investment		119.7		133.6
Assets		119.1		132.0
Liabilities		0.5		1.6
Other investment	131.3		162.9	
Assets	94.7		63.4	
Liabilities	36.6		99.5	
Movements in reserves³	9.0			43.4
Net errors and omissions		63.0	43.2	

¹ Provisional.

² Excluding movements in official reserves.

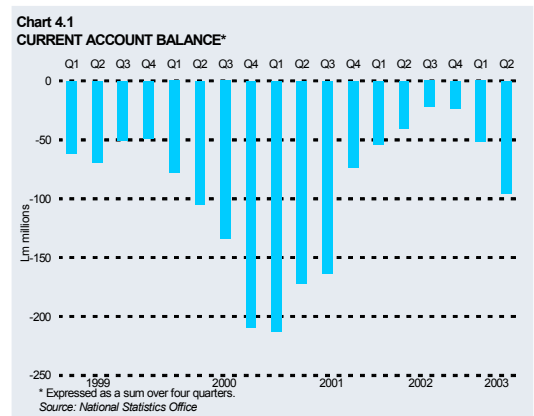
³ Excludes revaluation adjustments.

Source: National Statistics Office.

The Maltese lira, reflecting the developments in the international foreign exchange markets outlined earlier, continued to weaken against the euro and to appreciate against the US dollar, the pound sterling and the Japanese yen during most of the second quarter. Towards the end of June, and into July and August, however, these trends were reversed, with the lira losing ground against the dollar and the yen.

The Current Account

As can be seen from Table 4.1, the current account of the balance of payments swung from a surplus of Lm11.7 million in the June quarter of 2002 to a deficit of Lm31.9 million during the same quarter this year. This was essentially due to a widening of the merchandise trade gap which, coupled with a smaller surplus on income, outweighed a rise in net receipts from services.



Although the shift in the quarter reviewed mainly reflected extraordinary transactions recorded in the June quarter last year, the underlying deficit on the current account appears to have widened, as Chart 4.1 indicates.

Table 4.2
MERCHANDISE TRADE
(based on Customs data)

	<i>Lm millions</i>			
	Apr.-June		Change	
	2002 ¹	2003 ¹	Amount	%
Imports	322.3	334.4	12.1	3.8
Consumer goods	75.9	79.5	3.6	4.7
Industrial supplies	169.3	170.5	1.2	0.7
Capital goods and others	54.8	61.1	6.3	11.5
Fuel and lubricants	22.3	23.3	1.0	4.5
Exports	260.5	233.8	-26.7	-10.2
Domestic	190.4	198.9	8.5	4.5
Re-exports	70.1	34.9	-35.2	-50.2
Trade balance	-61.8	-100.6	-38.8	62.8

¹ Provisional

Source: National Statistics Office.

Merchandise trade¹

The negative balance on the merchandise trade account continued to widen during the second quarter of 2003, after having narrowed through most of 2001 and 2002. As can be seen from Table 4.2, the merchandise trade gap widened by Lm38.8 million compared with the same quarter last year, reflecting both a drop in exports and a rise in imports.

Exports, in fact, were down by 10.2% from last year's level, as re-exports, which in 2002 were boosted by the national airline's sale of its entire fleet of aircraft, fell by half. On the other hand, domestic exports, particularly of machinery and transport equipment, picked up during the quarter, although they grew at a slower pace than in the second half of 2002.

Imports also continued to expand during the quarter, increasing by Lm12.1 million, or 3.8%, on a year-on-year basis. Capital goods accounted for more than half of this increase, rising by Lm6.3 million. Consumer goods, which accounted for nearly a third of the increase, were up by Lm3.6 million.

Services and income

On the other hand, the surplus on services expanded by Lm15.9 million to Lm46.4 million. This was principally due to lower payments for insurance and other business services, which changed a deficit of Lm11.6 million on the "other services" account recorded in the June quarter last year to a surplus of Lm1.8 million. At the same time, the timing of Easter, which this year fell in the second quarter, probably contributed to the rise in net receipts from travel, which were up by

Lm2.6 million. This was the third consecutive quarterly increase in net travel receipts.

Meanwhile, higher dividend payments to non-resident shareholders by manufacturing firms and larger profits recorded by foreign-owned resident companies led to higher investment income outflows. Hence a smaller surplus was recorded on the income account compared with the June quarter of 2002.

The Capital and Financial Account

Net capital and financial inflows picked up when compared with the March quarter, but were lower than in the corresponding quarter last year. After excluding movements in the official reserves, net inflows on the capital and financial account, at Lm32 million, were down by Lm10.3 million compared with the second quarter of 2002.

The fall in the balance on the financial account compared to the corresponding quarter of 2002 reflected both lower net inflows of direct investment and increased net portfolio outflows. The former decreased by Lm27.8 million to Lm1.7 million. This was mainly attributable to resident firms reducing their liabilities to their parents overseas, giving rise to outflows during the quarter under review. Meanwhile, net portfolio investment outflows² increased by Lm13.9 million to Lm133.6 million, with the quarter reviewed being characterised by increased investment in equities by the non-monetary sector and in debt securities by the banks.

By contrast, other investment inflows increased by Lm31.6 million to Lm162.9 million, mainly reflecting a long term foreign loan taken by the

¹ Merchandise trade figures are compiled by the National Statistics Office from Customs Data, which are recorded on a cost, insurance and freight basis. These data are then adjusted in the compilation of the balance of payments to cater for differences in coverage, valuation and timing. In addition, insurance and freight are allocated to the services account. As a result, the figures for imports and exports shown in Table 4.1 do not tally with those shown in Table 4.2.

² Portfolio investment includes transactions in equity securities and debt securities in the form of bonds and notes, money market instruments and financial derivatives.

Government from the Council of Europe Development Bank to finance the new hospital. To a lesser extent, the monetary sector also increased its foreign liabilities during the second quarter of 2003.

For the fourth consecutive quarter, net errors and

omissions, which amounted to Lm43.2 million, were recorded on the credit side of the balance of payments account during the quarter under review. At the same time, the official reserves increased by Lm43.4 million during the quarter, as against the drop registered in the corresponding quarter of 2002.

Table 4.3

EXTERNAL BALANCES¹

Lm millions

	Jan.-June			
	2002		2003	
	Credit	Debit	Credit	Debit
Current account balance		3.4		75.4
Goods and services	692.6	716.5	671.0	750.7
Goods balance		72.9		138.4
Goods	483.4	556.3	461.5	599.9
Services balance	49.0		58.8	
Services	209.2	160.2	209.5	150.7
Transport	61.1	70.4	51.9	73.4
Travel	104.2	30.5	112.3	32.4
Other services	44.0	59.3	45.3	44.9
Income (net)	20.1		15.2	
Current transfers (net)	0.3			11.0
Capital and financial account balance²	68.1		46.6	
Capital account balance	1.4		1.3	
Financial account balance	66.7		45.3	
Direct investment		133.8	5.3	
Abroad		1.5		2.8
In Malta		132.3	8.1	
Portfolio investment		41.3		197.2
Assets		38.6		196.5
Liabilities		2.6		0.7
Other investment	241.8		237.2	
Assets	130.6		191.7	
Liabilities	111.2		45.5	
Movements in reserves³		15.0		45.2
Net errors and omissions		49.7		74.0

¹ Provisional.

² Excluding movements in official reserves.

³ Excludes revaluation adjustments.

Source: National Statistics Office.

Year-to-Date Developments

During the six months to June, the deficit on the current account of the balance of payments widened by Lm72 million to Lm75.4 million. As Table 4.3 indicates, this was mainly due to a widening of the merchandise trade gap.

As Table 4.4 shows, the shortfall on the merchandise trade account reached Lm185.2 million during the first half of the year, reflecting a 4.8% drop in exports and a 7% increase in imports. The drop in exports was entirely due to the exceptional sale of aircraft during the second quarter of 2002. On the import side, an increase in imports of industrial supplies accounted for roughly 40% of the rise, but higher imports of capital and consumer goods, as well as of fuels and lubricants, also contributed.

Meanwhile, as a result of higher private transfer payments to non-residents and lower receipts

from abroad, the current transfers account swung into deficit.

On the other hand, the surplus on the services account rose by Lm9.8 million to Lm58.8 million. This mainly reflected a sharp drop in payments for advertising and professional services, leading to a small surplus on the 'other services' component of the account. Furthermore, net travel receipts went up by Lm6.2 million as gross earnings from travel, which reflect spending by incoming tourists, increased by Lm8.1 million, while payments on foreign travel by residents of Malta rose by Lm1.9 million. Taken together, these factors outweighed a widening imbalance on transport that reflected lower receipts from charter hire.

As regards the positive balance on the capital and financial account, this narrowed by Lm21.5 million to Lm46.6 million, mainly reflecting an acceleration

Table 4.4
MERCHANDISE TRADE
(based on Customs data)

	<i>Lm millions</i>			
	Jan.-June		Change	
	2002 ¹	2003 ¹	Amount	%
Imports	598.4	640.0	41.6	7.0
Consumer goods	141.7	149.1	7.4	5.2
Industrial supplies	310.7	328.8	18.1	5.8
Capital goods and others	99.0	111.8	12.8	12.9
Fuel and lubricants	47.0	50.3	3.3	7.0
Exports	477.5	454.8	-22.7	-4.8
Domestic	378.4	391.8	13.4	3.5
Re-exports	99.1	63.0	-36.1	-36.4
Trade balance	-120.9	-185.2	-64.3	53.2

¹ Provisional

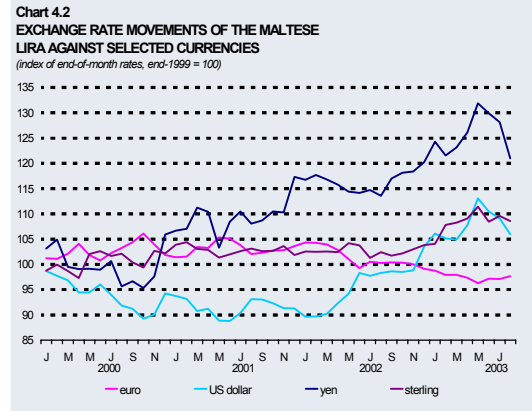
Source: National Statistics Office.

in net portfolio investment outflows. The latter rose to Lm197.2 million, driven by higher investment in debt securities by the banking system. At the same time, net inflows on the other investment account, which also largely reflect banking flows, dropped marginally to Lm237.2 million.

By contrast, the direct investment account recorded net inflows of Lm5.3 million, as opposed to net outflows of Lm133.8 million in the first half of last year. This improvement essentially reflected developments in the first quarter of 2002, when foreign-owned firms had repaid loans taken from their parents abroad.

The Maltese Lira

During the June quarter, the Maltese lira weakened further against the euro and strengthened against the US dollar, the pound sterling and the Japanese yen. This reflected the persistent appreciation of the euro in international foreign exchange markets into June. Indeed, as can be seen in Table 4.5, the lira ended the quarter down by 0.7% against the euro compared with the end-March rate and by 4.9% on average compared with the second quarter last year. Conversely, during the quarter, the lira strengthened sharply against the US dollar



and the Japanese yen, in terms of which it appreciated by 5.4% and 5.5%, respectively. This trend, however, was reversed towards the end of June and going into the third quarter, when the euro weakened on international markets. This can clearly be seen in Chart 4.2, which shows the lira edging up against the euro and simultaneously losing ground against the dollar and other major currencies.

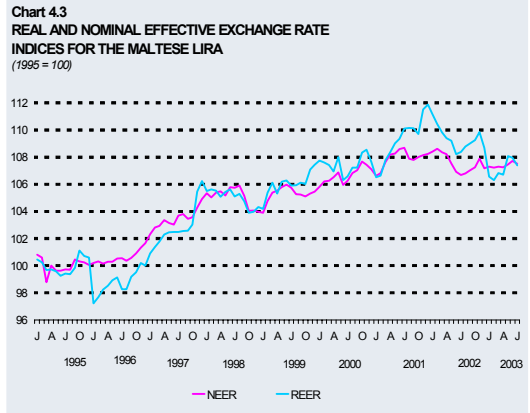
The nominal (NEER) and real (REER) effective exchange rate indices for the Maltese lira, as computed by the Central Bank of Malta, are

Table 4.5

MALTESE LIRA EXCHANGE RATES AGAINST SELECTED MAJOR CURRENCIES

Period	euro	US\$	stg	yen
Average for Qtr. 2 2003	2.3395	2.6588	1.6417	315.1
Average for Qtr. 2 2002	2.4593	2.2599	1.5458	286.6
% change	-4.9	17.7	6.2	9.9
Closing rate on 30.06.2003	2.3434	2.6771	1.6247	321.8
Closing rate on 31.03.2003	2.3600	2.5411	1.6215	304.9
% change	-0.7	5.4	0.2	5.5

illustrated in Chart 4.3. During the quarter under review, both the NEER and REER indices rose, going up by 0.4% and 1%, respectively. The rise in the NEER index primarily reflected the nominal appreciation of the Maltese lira against the dollar. The increase in the REER index reflected this nominal appreciation coupled with a faster rate of increase in Maltese retail prices compared with that experienced by Malta's main trading partners and competitors. In July, however, both the NEER and REER indices fell.



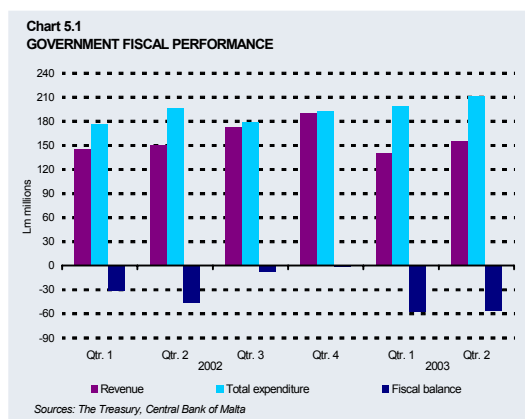
5. GOVERNMENT FINANCE

Budgetary operations during the first half of 2003 resulted in a deficit of Lm113.7 million on the Consolidated Fund, up by almost half from the corresponding period last year, as expenditure continued to grow faster than revenue.

During the second quarter the fiscal stance remained strongly expansionary, as may be seen in Chart 5.1. In fact, the deficit for the quarter was only slightly less than that recorded in the March quarter. Revenue picked up somewhat, boosted by improved macroeconomic conditions and the seasonal pattern of the Government's cash flow, but the increase was almost matched by that of expenditure.

Meanwhile, the Government announced that its financial results for 2003 were expected to fall short of the original targets. In particular, the deficit on the Consolidated Fund is expected to rise to over 7% of GDP, from 5.2% in 2002.

In fact, the latest available data, those for July, show that the surplus recorded in that month last year, when receipts from the Malta International Airport (MIA) land transfer agreement had boosted revenue, had swung to a deficit. As a



result, the shortfall for the first seven months of 2003 totaled Lm127.8 million, up by Lm55.3 million from year-ago levels.

Revenue

As Table 5.1 shows, Government revenue in the first six months of 2003 was only marginally up from the level for the same period last year, with higher receipts from direct taxation being offset by lower inflows from indirect taxes and non-tax sources. Revenue during the first half of the year was equivalent to 42% of the budget estimate for the entire year, down from 44.9% of the actual outturn in 2002. Furthermore, the fall in the ratio of receipts in the first half of the year to the projected annual figures was evident across all revenue categories.

Revenue from direct taxation was up by 3.9%, with the greater part of the increase resulting from higher social security contributions. The latter rose by Lm3.1 million, driven mainly by the increase in employment income. Income tax receipts, however, increased at a slower pace, dampened by the widening of the income tax bands announced in the 2003 Budget Speech.

Meanwhile, the yield from indirect taxation dipped by 0.3%. Flat private consumption expenditure, together with higher refunds, contributed to a small drop in net receipts from VAT. Income from licences, taxes and fines was also down, by 3%, in part reflecting the removal of levies on imported manufactured goods. These drops were, however, largely compensated for by additional revenue from customs and excise duties as a result of higher duties on tobacco products.

At the same time, revenue from non-tax sources was down by 8.5%. This mainly resulted from the non-recurrence of last year's income from the Investment Registration Scheme, although this was partly offset by higher dividends on investments and other miscellaneous receipts.

Table 5.1
GOVERNMENT BUDGETARY OPERATIONS

	<i>Lm millions</i>					
	2002	2003	2002	2003	Change 2002-2003	
	Qtr. 2	Qtr. 2	Qtr. 1- Qtr. 2	Qtr. 1- Qtr. 2	Qtr. 1- Qtr. 2	%
REVENUE	151.0	155.1	295.9	296.1	0.2	0.1
Direct tax	74.1	81.9	124.1	128.9	4.8	3.9
Income tax	44.1	49.9	70.6	72.3	1.7	2.4
Social security contributions ¹	30.0	31.9	53.5	56.6	3.1	5.8
Indirect tax	63.7	63.6	123.8	123.4	-0.4	-0.3
Value Added Tax	28.7	28.3	56.4	55.9	-0.5	-0.9
Customs and excise duties	14.3	15.2	27.5	28.8	1.3	4.7
Licences, taxes and fines	20.7	20.1	39.9	38.7	-1.2	-3.0
Non-tax revenue	13.2	9.8	48.0	43.9	-4.1	-8.5
Central Bank profits	0.0	0.0	25.7	24.8	-0.9	-3.5
Other ²	13.2	9.8	22.3	19.1	-3.2	-14.3
RECURRENT EXPENDITURE ¹	170.8	184.7	325.3	350.8	25.5	7.8
Personal emoluments	49.5	49.8	98.0	98.5	0.5	0.5
Operational and maintenance	13.2	12.4	26.1	28.4	2.3	8.8
Programmes and initiatives	74.6	84.6	136.0	153.8	17.8	13.1
Contributions to entities	19.3	21.3	32.6	38.1	5.5	16.9
Interest payments	14.1	16.4	32.4	31.7	-0.7	-2.2
Other	0.2	0.1	0.3	0.3	0.0	0.0
CURRENT BALANCE ³	-19.8	-29.6	-29.4	-54.7	-25.3	86.1
CAPITAL EXPENDITURE	26.3	26.5	48.6	59.0	10.4	21.4
TOTAL EXPENDITURE	197.1	211.2	373.9	409.8	35.9	9.6
FISCAL BALANCE ⁴	-46.1	-56.1	-78.0	-113.7	-35.7	45.8

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

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

³ Revenue less recurrent expenditure.

⁴ Revenue less total expenditure.

Source: *The Treasury*

Expenditure

Expenditure rose by Lm35.9 million, or 9.6%, during the six months to June. Total expenditure during this period, at Lm409.8 million, represented 52.6% of the estimate for the entire year, up from 50% at the same stage last year.

Recurrent expenditure was up by 7.8%, with more than two-thirds of the increase resulting from higher outlays on programmes and initiatives. In fact, the latter rose by Lm17.8 million, fuelled mainly by a rise in spending on welfare benefits, the agricultural support scheme and the public-private partnership landscaping project, though

the costs of the referendum on EU accession and the general elections also contributed.

On the other hand, the Government's wage bill remained practically unchanged from last year's level in spite of the wage increases awarded under the new civil service collective agreement. This partly reflected the fact that Mount Carmel Hospital and a number of Government departments were assigned the status of separate entities. As a result, their wage costs are now being wholly accounted for under 'contributions to entities'. In fact, as Table 5.1 shows, expenditure under the latter heading, which was also boosted by additional contributions to the Malta Drydocks and the Malta Environment and

Planning Authority, rose by nearly 17%.

At the same time, operational and maintenance expenditure increased by 8.8%, reflecting increased outlays on pharmaceutical supplies and utility services. In contrast, interest payments fell slightly, as maturing stocks were replaced with new issues carrying a lower coupon rate.

Capital expenditure rose by 21.4%, despite the non-recurrence of last year's disbursements on the voluntary resignation schemes for shipyard workers. The greater part of the increase reflected additional spending on the new hospital, though expenditure on the road-upgrading programme also increased considerably.

Table 5.2
GOVERNMENT DEBT AND FINANCING OPERATIONS

	<i>Lm millions</i>				
	2002			2003	
	Qtr. 2	Qtr. 3	Qtr. 4	Qtr. 1	Qtr. 2
FISCAL BALANCE	-46.1	-7.6	-2.1	-57.6	-56.1
<i>Financed by</i> ¹ :					
Increase in MGS outstanding	0.0	0.1	0.0	27.0	0.0
Increase in foreign loans	-2.0	-0.7	7.9	0.0	30.0
Proceeds from sale of assets	0.0	19.0	8.3	0.0	0.0
Contributions to sinking funds	-5.6	0.0	-5.3	0.0	-5.7
Sinking funds of converted loans	0.0	0.0	13.2	0.0	0.7
Increase in Treasury bills outstanding	5.8	-6.5	26.4	29.9	23.4
Decrease in Government deposits	31.6	-45.0	33.7	-34.3	6.8
Net cash movement and other funds ²	16.3	40.7	-82.1	35.0	0.9
GROSS GOVERNMENT DEBT	1,049.6	1,042.6	1,076.9	1,133.8	1,187.1
Malta Government stocks	812.9	813.0	813.0	840.0	840.0
Treasury bills	198.9	192.4	218.8	248.7	272.1
Foreign loans	37.9	37.2	45.1	45.1	75.1

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

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

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

Government Debt and Financing Operations

The major financing operations during the second quarter of 2003 involved an increase in the Government's foreign debt and the issue of additional Treasury bills. In fact, the external debt rose by Lm30 million, as Table 5.2 shows, after the Government received a loan from the Council of Europe Development Bank for the part-financing of the new hospital. Treasury bills outstanding increased by Lm23.4 million, while the Government drew down Lm6.8 million from its deposits with the banking system. On the other hand, the Government also

contributed Lm5.7 million to sinking funds for the redemption of foreign loans and domestic debt issued before 1999.

As a result of these developments, the gross Government debt at the end of June rose to Lm1187.1 million, up by Lm53.3 million from the end-March level. The share of foreign loans in the total rose from 4% at end-March to 6.3% at the end of June, and that of Treasury bills rose from 21.9% to 22.9%. At the same time, the share of Malta Government stocks (MGS) fell to 70.8% from 74.1% at the end of March.

6. MONETARY AND FINANCIAL DEVELOPMENTS

During the June quarter the Central Bank of Malta eased its monetary policy stance on two occasions, first in May and again in June, bringing the central intervention rate down to 3.25%. Money market rates, which had already moved below official rates in anticipation of an easing, remained relatively unchanged in April and May, but returned to a downward path during June and July. In the capital market, Government bond yields continued to decline while equities gained further ground.

Following a slowdown during the previous two quarters, monetary growth accelerated during the quarter under review, driven by a further expansion in both domestic credit and the net

foreign assets of the banking system. In July, however, broad money contracted, reflecting a shift from bank deposits into Government and corporate bonds. As a result, domestic credit declined, but the net foreign assets of the banking system continued to grow.

The Monetary Base

The monetary base, M0, which consists of currency in issue and banks' deposits with the Bank (excluding term deposits) expanded by Lm14.7 million, or 2.5%, during the June quarter. As Table 6.1 indicates, this was largely the result of further growth in currency in issue, which added Lm14.3 million, as banks' deposits with the Bank hardly changed. The annual growth rate of M0, however, fell to 4.7%, from 10.7% in the previous quarter, reflecting considerable fluctuations in growth during previous quarters.

Table 6.1
THE MONETARY BASE AND ITS SOURCES

	<i>Lm millions</i>		
	Mar. 2003	June 2003	Change
Currency in issue	456.8	471.1	14.3
Bank deposits with the Central Bank ¹	136.1	136.5	0.4
MONETARY BASE	592.9	607.6	14.7
CENTRAL BANK ASSETS			
Foreign assets	884.0	926.3	42.2
Claims on Government	2.6	2.4	-0.2
Fixed and other assets	50.8	49.8	-1.0
<i>Less:</i>			
REMAINING LIABILITIES			
Government deposits	74.5	65.2	-9.3
Other deposits	7.2	8.9	1.7
Foreign liabilities	5.8	4.8	-1.1
Other liabilities	161.3	195.9	34.6
Capital and reserves	95.8	96.1	0.3

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

The main counterpart to the growth in the monetary base was a notable expansion in the Bank's foreign assets, although there was also a reduction in Government deposits held with the Bank. Together, these developments offset the contractionary effects of a jump in the Bank's other liabilities, which originated mainly from an increase in outstanding term deposits with the Bank. These deposits, however, contracted in July, leading to a further small rise in the monetary base, despite an increase in Government deposits.

Monetary Aggregates

Following two quarters of relatively sluggish growth, broad money, or M3, picked up during the quarter under review, expanding by Lm59.2 million, or 1.9%. Whereas the previous slowdown mainly reflected developments in quasi-money, as Table

6.2 indicates, the recovery during the June quarter was driven by unusually strong growth in narrow money, particularly in demand deposits, although quasi-money also posted a modest increase. As a result, the annual growth rate of M3, depicted in Chart 6.1, stemmed its recent sharp falls to end June at 6.5%. It resumed its downward trend in July, however, reflecting a modest contraction during that month.

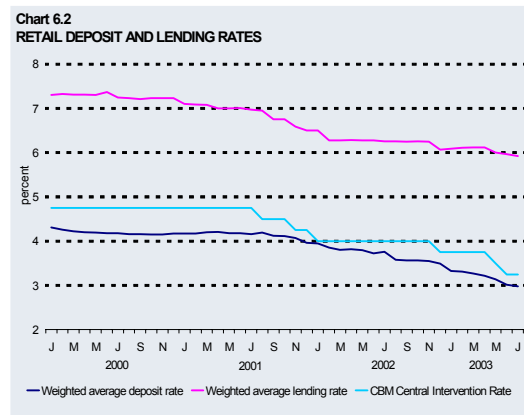
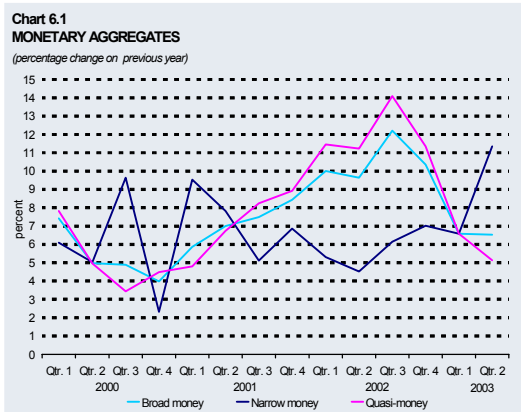
Narrow money, M1, expanded by Lm43.4 million, or 6.3% during the June quarter, mainly as a result of a surge in demand deposits, which in turn was driven by further growth in personal and corporate current account balances.¹ Currency in circulation, the other component of M1, also increased considerably, in line with the normal seasonal pattern. The continuing robust demand for M1 assets, which are mainly used for

Table 6.2
MONETARY AGGREGATES
(Changes on the previous quarter)

	<i>Lm millions</i>									
	2002						2003			
	Qtr. 2		Qtr. 3		Qtr. 4		Qtr. 1		Qtr. 2	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. NARROW MONEY	11.5	1.8	25.0	3.8	0.2	0.0	5.7	0.8	43.4	6.3
Currency in circulation	11.6	2.8	7.3	1.7	-1.2	-0.3	4.2	1.0	11.3	2.6
Demand deposits	-0.2	-0.1	17.7	7.9	1.4	0.6	1.5	0.6	32.1	13.1
2. QUASI-MONEY	45.5	2.1	82.2	3.6	22.5	1.0	-4.8	-0.2	15.8	0.7
Savings deposits	-5.6	-0.8	18.7	2.7	12.0	1.7	16.5	2.3	22.6	3.1
of which FCDs ¹	-6.1	-3.8	1.8	1.1	5.0	3.2	9.3	5.8	-11.1	-6.6
Time deposits	51.1	3.4	63.5	4.0	10.5	0.6	-21.3	-1.3	-6.9	-0.4
of which FCDs ¹	-2.9	-2.0	35.1	25.6	-10.2	-5.9	-6.2	-3.8	-5.8	-3.7
3. BROAD MONEY	56.9	2.0	107.2	3.7	22.8	0.8	0.8	0.0	59.2	1.9

¹ Foreign currency deposits, including External Maltese Lira deposits.

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



transaction purposes, may reflect the low opportunity cost of holding liquid instruments in an environment of low and falling interest rates. As a consequence, the annual growth rate of M1 rose further, to 11.4% at the end of June, from 6.6% three months earlier.

Meanwhile, quasi-money, which had contracted during the March quarter, also grew moderately during the quarter under review, as Table 6.2 shows. The annual growth rate, however, continued to decline, falling to 5.1% by the end of June. This slowdown in the annual growth rate of quasi-money, which has been in evidence since the second half of 2002, can partly be explained by slower capital inflows from abroad, as suggested by a concomitant deceleration in the growth of foreign currency deposits and in the net foreign assets of the banking system. Another factor behind the falling growth rate of quasi-money may be that declining bank deposit rates may have induced investors to prefer other assets, such as bonds. In fact, in July, quasi-money declined by Lm18.7 million, as investors subscribed to new issues of corporate and Government bonds.

The persistently sluggish growth in quasi-money during recent quarters reflects developments in time deposits. The latter contracted by Lm6.9 million during the quarter under review, mainly as a result of a further drop in personal balances.

This largely reflected a move to savings deposits, part of which was in anticipation of the July bond issues mentioned earlier. In addition, the shift was also associated with the launch of a new investment product by one of the banks.

Savings deposits, on the other hand, continued to register steady growth, rising by Lm22.6 million, as Table 6.2 shows. As in the previous two quarters, the growth in savings deposits was driven by the personal sector, reflecting a preference for liquid assets among households and the switch from time to savings deposits referred to above. Savings deposits, however, contracted sharply in July as the personal sector subscribed heavily to the bonds issued during that month.

Reflecting the cuts in official rates, the weighted average interest rate on Maltese lira deposits, illustrated in Chart 6.2, continued to decline, falling by 26 basis points to 3.01% in the three months to June. It eased further in July, as maturing time deposits were replaced by new ones to which lower rates were applied.

Counterparts to Monetary Expansion

As Table 6.3 shows, the main counterparts to monetary growth during the quarter under review were an increase in domestic credit and in the net

foreign assets of the banking system. These were partly offset by a relatively small increase in other items (net).

The gradual pick-up in domestic credit seen in the previous two quarters continued during the quarter under review, when credit expanded by Lm42.2 million, or 1.7%. As Table 6.3 shows, however, the greater part of this rise was accounted for by higher net claims on Government, although a modest expansion in claims on the private and parastatal sectors also

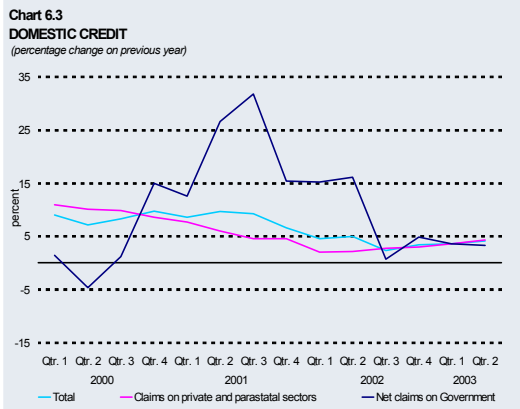
contributed. Thus, as Chart 6.3 shows, the annual growth rate of domestic credit extended its recent recovery, rising to 4.1% at the end of June. Domestic credit contracted substantially in July, however, mainly as a result of a drop in net claims on Government, which in turn was associated with the issue of Government bonds during that month.

Growth in claims on the private and parastatal sectors, which added Lm6.6 million, or 0.3%, during the quarter, remained modest by historical

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

	<i>Lm millions</i>									
			2002				2003			
	Qtr. 2		Qtr. 3		Qtr. 4		Qtr. 1		Qtr. 2	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY	56.9	2.0	107.2	3.7	22.8	0.8	0.8	0.0	59.2	1.9
1. DOMESTIC CREDIT	27.3	1.2	-5.8	-0.2	20.9	0.9	40.9	1.7	42.2	1.7
a) Net claims on Govt.	35.6	7.1	-51.3	-9.6	12.1	2.5	21.3	4.3	35.6	6.9
Gross claims on Govt.	4.0	0.7	-6.3	-1.1	-21.6	-3.7	55.6	10.0	28.8	4.7
Central Bank	0.4	9.7	-2.6	-53.0	1.9	82.6	-1.7	-38.5	-0.2	-8.3
Banks	3.5	0.6	-3.7	-0.6	-23.5	-4.1	57.2	10.4	29.0	4.8
Less:										
Government deposits ¹	-31.6	-40.8	45.0	98.2	-33.7	-37.1	34.3	60.0	-6.8	-7.5
Central Bank	-33.2	-49.7	43.8	130.6	-34.4	-44.4	31.5	73.3	-9.3	-12.4
Banks	1.5	14.0	1.2	9.9	0.6	4.7	2.8	19.9	2.4	14.3
b) Claims on private and parastatal sectors	-8.3	-0.4	45.6	2.5	8.8	0.5	19.6	1.0	6.6	0.3
2. NET FOREIGN ASSETS	24.3	2.1	145.6	12.4	-22.1	-1.7	7.4	0.6	24.3	1.9
Central Bank	-2.3	-0.3	59.9	7.7	33.3	4.0	4.3	0.5	43.3	4.9
Banks	26.6	7.3	85.7	22.0	-55.3	-11.6	3.0	0.7	-19.0	-4.5
Less:										
3. OTHER ITEMS (NET)	-5.3	-0.8	32.7	5.0	-23.9	-3.5	47.4	7.2	7.4	1.0

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



standards. Nevertheless, as Chart 6.3 indicates, the annual growth rate of such claims has been slowly edging higher in recent quarters, suggesting a gradual recovery in the demand for credit.

The sustainability of this recovery, however, is as yet not entirely clear. There remain concerns, for instance, about the general economic environment, both at home and abroad. In

addition, banks have continued to pursue cautious lending policies, while only the largest firms are able to turn to the capital market to finance their borrowing requirements. Furthermore, in spite of the decline in nominal interest rates illustrated in Chart 6.2, real lending rates, which are computed by deducting the rate of inflation from nominal rates, have been rising as a result of falling inflation.

As may be inferred from Table 6.4, most of the growth in claims on the private and parastatal sectors originated from an increase in bank holdings of corporate securities, as loans and advances to these sectors rose by only Lm1.3 million (0.1%). Personal credit, as well as lending to the construction industry, continued to expand, buoyed by a robust demand for loans to finance housing. But lending to manufacturing industry contracted for the fifth consecutive quarter, while credit to the tourism sector also declined as a firm that had issued bonds earlier in the year used part of the proceeds to repay bank loans.

Table 6.4
CREDIT TO SELECTED CATEGORIES OF BORROWER¹

	<i>Lm millions</i>			
	2003 Mar.	2003 June	Change Amount	%
Energy and water	93.9	87.5	-6.4	-6.8
Transport, storage and communication	126.9	127.2	0.3	0.2
Agriculture and fisheries	9.7	9.7	0.0	0.1
Manufacturing	191.6	187.4	-4.1	-2.2
Building and construction	96.7	100.0	3.3	3.5
Tourism	249.8	243.9	-5.9	-2.4
Wholesale and retail	300.3	299.5	-0.8	-0.3
Personal	529.5	545.0	15.5	2.9
Other services	92.6	86.8	-5.8	-6.3
All other	150.0	155.2	5.2	3.5
TOTAL	1,841.0	1,842.3	1.3	0.1

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

Net claims on Government grew by Lm35.6 million, or 6.9%, during the June quarter, mainly as a result of an increase in bank holdings of Government securities, in particular Treasury bills. Meanwhile, despite having received the proceeds of the Council of Europe loan referred to in the previous chapter, the Government also drew down its deposits with the Bank, contributing further to the rise in net claims on Government. Nevertheless, the annual growth rate of these claims fell to 3.3%, from 3.5% in the previous quarter.

The net foreign assets of the banking system rose by Lm24.3 million, or 1.9%, during the quarter under review, and continued to rise into July. Their annual growth rate, however, eased marginally to 13.3% in June, after dropping more sharply in the previous two quarters, as Chart 6.4 illustrates. These developments indicate a moderation in the growth of these assets, reflecting the deterioration in the current account of the balance of payments and the deceleration in non-bank capital inflows since the fourth quarter of 2002. In fact, as noted earlier, persistently sluggish growth in foreign currency deposits suggests that inflows associated with the repatriation of residents' foreign holdings, which during 2002 had been boosted by the Investment Registration Scheme, are continuing to slow

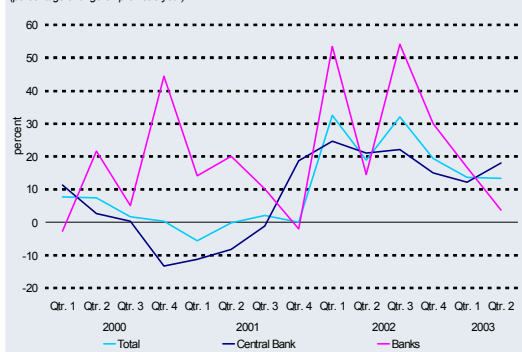
down. In addition, the interest rate differential between domestic and foreign assets has remained broadly unchanged for some time, as Chart 6.5 shows. Hence, net inflows related to portfolio shifts may also be slowing down considerably.

The net foreign assets of the Bank, which account for just over two-thirds of the total holdings of the banking system, rose by Lm43.3 million, or 4.9%, during the June quarter, as can be seen in Table 6.3. Most of the increase occurred in May and reflected the receipt of the proceeds of the Council of Europe loan referred to earlier. In addition, the Bank purchased considerable amounts of foreign exchange from the rest of the banking system. Thus, the annual growth rate of the Bank's net foreign assets, which had been gradually edging lower over the past year, jumped to 18% from 12.2% in the previous quarter. But the growth rate moved lower in July, following a drop in these assets.

In contrast, the net foreign assets of the rest of the banking system shed Lm19 million, or 4.5%, during the quarter under review. Their annual growth rate, which, as Chart 6.4 indicates, can be rather volatile, fell to 3.7% as a result. The contraction was entirely attributable to a drop in the holdings of the deposit money banks, which shed Lm24.5 million, or 9.6%. In turn, this fall mainly reflected the sales of foreign currency to the Bank referred to earlier, although the repayment of a foreign loan by a parastatal institution and a substantial contraction in foreign currency deposits may also have contributed. Meanwhile, the international banks' net foreign asset holdings registered a small increase. In July, moreover, a recovery in the domestic banks' holdings drove the banking system's net foreign assets higher.

Other items (net) added Lm7.4 million, or 1%, during the June quarter, reflecting a rise in the

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



other liabilities of both the international banks and the deposit money banks.² In the case of the latter, the increase mainly reflected a rise in reserves. On the other hand, the deposit money banks' other assets were boosted by growth in interest due and unreceived, which exerted a dampening effect on other items (net).

The Money Market

As mentioned earlier, the Bank eased its monetary policy stance further during the June quarter, lowering interest rates on two occasions. The central intervention rate was reduced by 25 basis points in May, and this was followed by a similar cut in June, so that it ended the quarter at 3.25%. Yields on other money market instruments, which, in anticipation of an easing had moved below the central intervention rate, continued to fall, as Chart 6.5 illustrates.

The banking system was once again characterised by excess liquidity, which the Bank absorbed through weekly auctions of 14-day term deposits. The Bank absorbed Lm883.6 million in this way, compared with Lm807.9 million in the March quarter, with the interest rate paid on these

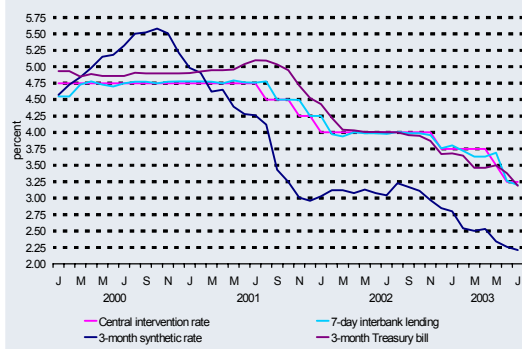
deposits falling by 50 basis points to 3.2%, following the cuts in official rates. As in the previous five quarters, the Bank did not inject any funds through reverse repos during the quarter under review.

With the banks being generally flush with liquidity, activity in the interbank market remained somewhat subdued. Turnover, at Lm15.7 million, was however higher than in the previous quarter, when interbank lending of Lm12.1 million was recorded. All deals were struck with a tenor of 17 days or less, with the rate on one-week loans falling to 3.2% at the end of July from 3.63% at the end of March.

The Treasury relied more heavily on the money market to raise short-term funds during the quarter, issuing Lm256.1 million worth of bills, up from Lm224.7 million in the March quarter.³ Just over two-thirds of the bills issued had a term to maturity of three months, with the rest having longer terms of up to one year. Once again banks dominated the bidding, purchasing well over four-fifths of the total amount issued, while other investors took up the rest. As can be seen from Chart 6.5, the yield on three-month bills remained relatively stable, at around 3.5%, in April and May. This was below the Bank's intervention rate, as the official rate cut at the end of May had already been factored in. The yield moved even lower thereafter, however, falling to 3.19% by the end of July.

During the June quarter, turnover in the secondary Treasury bill market, at Lm23.5 million, was roughly half of that recorded in the previous quarter. The Bank, in its role as market maker, purchased Lm3.6 million worth of bills and sold Lm0.2 million. The rest of the transactions were between other investors - although, in contrast

Chart 6.5
MONEY MARKET INTEREST RATES
(end of month)



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

³ The Treasury also bought back Lm6 million of the total amount issued during the quarter.

with the previous quarter, these did not include the Malta Government Sinking Funds. Yields in the secondary market followed those in the primary market downwards.

The synthetic three-month yield, which is a weighted average of money market yields on the three currencies that make up the Maltese lira basket, fell to 2.21% at the end of July, from 2.5% four months earlier, following monetary policy easing abroad. Since, as can be seen in Chart 6.5, the yield on similar instruments traded in the domestic money market fell by an identical amount, the gap between the two hardly changed, ending July at 98 basis points, from 96 points at end-March.

The Capital Market

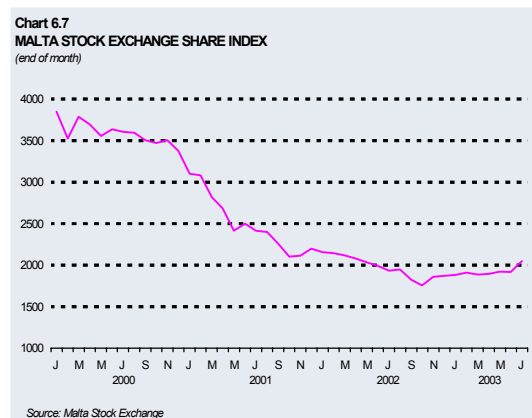
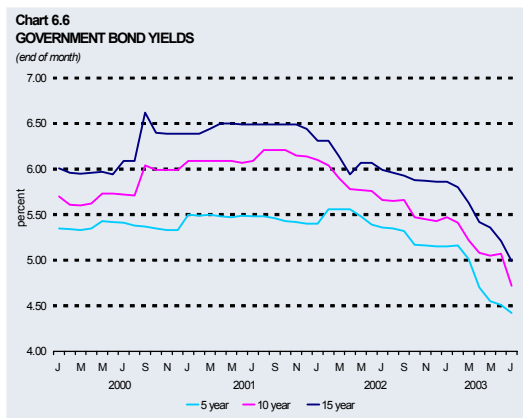
Activity in the primary capital market was subdued during the quarter under review, with no new issues of long-term corporate and Government debt securities taking place, following several issues during the previous quarters. Issuance activity picked up in July, however, when both Government and a private sector firm raised funds in the market. As with previous offerings, these issues were well received by the public and were heavily oversubscribed.

The Government adhered to its indicative

calendar for securities issues, with two stock issues and one redemption being effected in July. The issues were taken up mostly by households and, to a lesser extent, by collective investment schemes, with banks purchasing only a minimal amount. One issue consisted of Lm30 million worth of debt maturing in 2014 and offering a coupon rate of 5.1%, while the other consisted of Lm33.8 million worth of 5.5% MGS 2023.

Meanwhile, in the light of the cuts in interest rates and, possibly, on account of the cautious lending policies adopted by the banks, the corporate sector continued to seek alternative sources of finance to bank borrowing. Thus, in July, Mariner Finance plc sold 13 million euros worth of bonds, offering a coupon rate of 5.75% and redeemable in the period 2008-2010.

Activity in the secondary market for Government bonds picked up during the June quarter, with turnover more than doubling to Lm8.6 million, from Lm4 million in the previous quarter. Trading was, however, not widely spread across securities, with just under half of the total turnover being concentrated in one stock. As in recent quarters, the Bank's participation was minimal. Bond yields, depicted in Chart 6.6, fell rather steeply in the four months to July, with the 5-year yield, for instance, shedding almost 60 basis points during the period.



Turnover in the secondary market for corporate bonds fell slightly to Lm2.6 million during the quarter, from Lm3 million in the March quarter. Trading was spread among a broader range of securities, however, as activity in the less popular issues picked up. Corporate bond yields moved generally lower during the quarter, in line with yields on other instruments traded on the capital market.

Equity market trading was unchanged at

Lm3 million in the June quarter - although, in contrast with the previous quarter, it was mostly limited to a few securities. Share prices, which, as Chart 6.7 indicates, had slowly edged higher during the previous two quarters, advanced further in the four months to July. Thus, the Malta Stock Exchange Share Index rose by a total of 8.7% during this period, with most of the increase occurring in July.

EMPLOYMENT AND LABOUR INPUT IN THE MALTESE ECONOMY¹

*Aaron George Grech**

Introduction

The only currently available data series on employment in Malta that covers a reasonably long period is compiled by the Employment and Training Corporation (ETC) on the basis of “engagement and termination of employment” forms collected from employers. For the purposes of economic analysis, this series suffers from inherent weaknesses. The ETC collects the information primarily to determine who is entitled to receive unemployment benefits. The series focuses on full-time gainfully occupied persons and does not capture part-time employment.

By contrast, *Labour Force Surveys* (LFS) carried out by the National Statistics Office (NSO) offer a more comprehensive picture of labour market developments as they include part-timers.² These surveys provide data that are more easily comparable with those of other countries, yet they only date back to May 2000.³ Any assessment of employment in earlier periods must therefore rely on the ETC data series. There are no official data on full-time equivalent employment, which would be a more accurate measure of the contribution of labour to the productive process.⁴

An attempt to remedy these deficiencies was made in the *Central Bank of Malta Working*

Paper No. 1, using the ETC time series together with recent LFS data. In this paper two data series were constructed.⁵ The first, referred to as the ‘new employment series’, was based on a simple headcount of persons in full-time or part-time employment. Those with both a full-time and a part-time job were counted only once. The second, referred to as the ‘labour input series’, transformed the total number of part-timers (including those who also held a full-time job) into their full-time equivalent, using a conversion factor based on the average number of hours worked by part-timers relative to the full-time working week. The full-time equivalent part-timers were then added to the total number of full-timers to create a uniform series. This series can be used to determine important indicators like average wages and labour productivity.

Both series are highly dependent on a number of simplifying assumptions.⁶ It was assumed that,

- the average part-timer works 49% of the full-time working week;
- full-timers do not work overtime;
- 50% of part-timers also have a full-time job;
- there is a constant relation between the ETC and the LFS series.

* Aaron George Grech is a Research Officer in the Economic Analysis Office of the Economic Research Department of the Central Bank of Malta. He would like to thank Mr Anton Caruana Galizia, Mr Alexander F. Demarco and Dr Aleksander Markowski for their useful comments and suggestions. Any errors, as well as opinions expressed in the article, are the sole responsibility of the author.

¹ This article draws partly on Grech (2003).

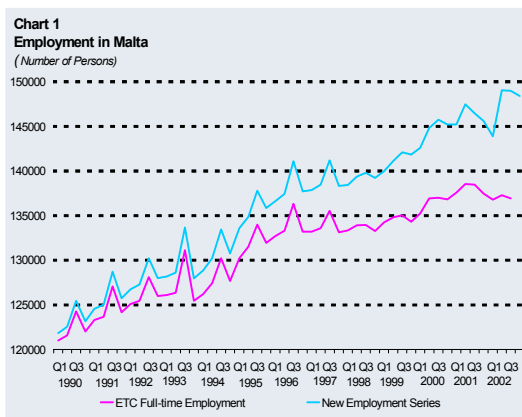
² For a detailed comparison of LFS and ETC methodologies and concepts, see Central Bank of Malta (2001), pp. 17-19, Box 1.

³ For a discussion on the strengths and limitations of using administrative records, see Office for National Statistics (2000).

⁴ Full-time equivalent employment refers to the number of full-time working weeks used in production, taking both full-time and part-time jobs into account.

⁵ See Grech (2003).

⁶ *Ibid.*



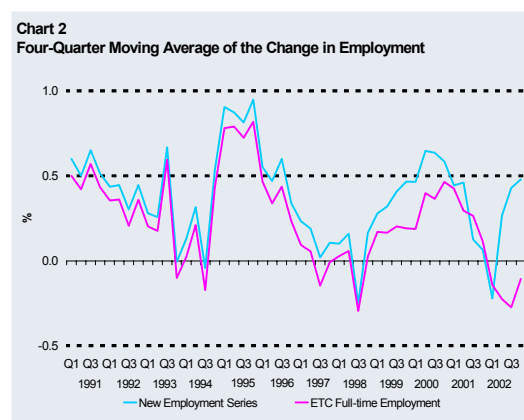
Assessing the New Employment Series

As expected, the inclusion of part-timers in the new employment series resulted in significantly higher numbers of employed persons than indicated in the ETC series, which only includes full-timers. Chart 1 illustrates how the two series increasingly diverge, reflecting the growing importance of part-timers in Malta's workforce, estimated to have grown from 2.5% of total employment in 1990 to 8.3% in 2002. This sharp rise is largely due to increased female participation in the labour market. Most women who participate in formal economic activity still prefer part-time employment, perhaps due to the persistence of social attitudes emphasising women's primary role as family carers together with a lack of childcare facilities. At the end of 2002 women constituted two-thirds of all part-time employees.⁷

Anecdotal evidence suggests that factors underlying the increase in part-time employment may have changed in recent years. A significant component of part-time employment traditionally consisted of housewives seeking to supplement the income of the main breadwinner, and students employed primarily in the tourism industry.⁸

The importance of this element may have diminished in recent years. Large firms in both the private and public sectors are increasingly contracting out ancillary operations like cleaning and catering - previously carried out by full-time employees - to firms employing part-timers. Favourable tax treatment of income from part-time employment has made it more attractive. While the 1995 *Census* indicated that just over 1,300 males were primarily employed as part-timers, the 2002 LFS showed that this number had risen to nearly 3,400.

The higher female participation rate and the shift in employment strategies and preferences together explain the marked discrepancy between the growth rates of full-time and part-time employment. Between 1998 and 2002, full-time employment expanded by a mere 2.5% while percentage growth in the part-time workforce was in double-digits. The rapid expansion of part-time employment can also be gauged from Chart 2, which shows that from 1991-2002 the new series nearly always grew at a faster pace than the ETC's full-time employment series.⁹ Whereas over this



⁷ Including full-timers working reduced hours. See National Statistics Office (2003), p. 8.

⁸ The 1995 *Census* suggests that students and housewives comprised nearly 30% of the total part-time aggregate at the time.

⁹ Four-quarter moving averages are used to smooth out seasonal fluctuations.

period the ETC's measure of full-time employment expanded by 0.9% on average, the new employment data series shows an average annual increase of 1.5%.

Chart 2 also indicates that from the third quarter of 2001 until the second quarter of 2002 the new series shows a worse performance than the full-time employment series of the ETC. This may be because firms initially reacted to the sharp downturn in economic activity in 2001 by reducing part-time staff while holding on to their full-time employees. When uncertainty about global economic conditions persisted, firms reduced their full-time labour complement but part-time employment increased sharply.

The new data series also gives a different picture of trends in the employment rate.¹⁰ In 2002 this rate was unchanged from its 1990 level as calculated in the ETC's full-time employment series illustrated in Table 1. By contrast, the new series including part-time employment shows the rate rising from 56% in 1990 to 60% in 2002. This growth is in line with the trend seen in the EU-15 countries in recent years, where the employment rate rose by 4.3 percentage points between 1995 and 2002.

Yet despite significant growth in recent years, female participation in the Maltese labour market still remains low when compared to EU Member States.¹¹ Increased part-time work opportunities

Table 1
EMPLOYMENT RATES¹

Year	Based on	Based on ETC	%
	New Employment Series	Full-time Employment Series	
1990	56.2	55.7	
1991	56.7	56.0	
1992	56.9	56.1	
1993	56.9	55.9	
1994	56.8	55.5	
1995	58.1	56.6	
1996	59.6	57.7	
1997	59.3	57.2	
1998	58.9	56.5	
1999	59.2	56.4	
2000	60.0	56.6	
2001	59.9	56.6	
2002 ²	60.3	55.7	

¹ Defined as the ratio of the total number of employed to the working age population (16-61 years).

² Working age population data for 2002 are Demographic Review estimates.

¹⁰ Defined as the ratio of the employed to the working age population (16-61 age bracket).

¹¹ In 2000 the female employment rate in the EU-15 stood at 56%, compared to 35% in Malta. See National Statistics Office (2003) and Eurostat (2003).

combined with flexible working conditions may result in a gradual convergence of the female participation rate in Malta and the European Union.

Implications of the Labour Input Series

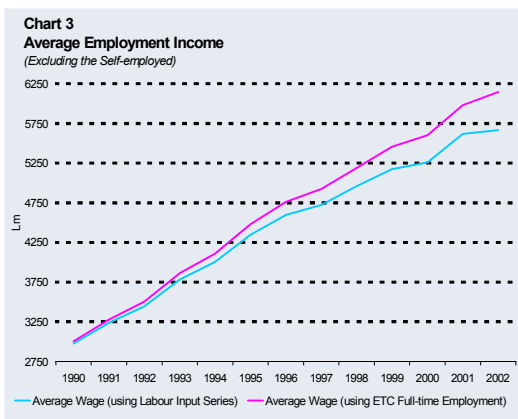
The number of employed persons is not a very useful variable for measuring average labour income and productivity. The number of hours worked is far more relevant. The number of employed could remain relatively stable over time as firms adjust to business conditions by changing the level of utilisation of the existing work force, through cutting overtime, working reduced hours and similar measures.¹²

Data on hours worked in the Maltese economy are not published on a regular basis. The only published information is in the 1995 *Census*, which records part-time work at an average of approximately 19.6 hours per week, or 49% of the full-time working week. In the absence of more detailed data produced at regular intervals, the full-time equivalent employment or labour input

series estimated on the basis of this information can – in a limited way – serve as an adequate proxy for the total number of hours worked.

Using the ETC's full-time employment series to compute average labour income and productivity effectively attributes total employment income to full-timers only. This could give a significantly distorted picture. Chart 3 compares average employment income levels as computed on the basis of the labour input and the ETC series. In both cases the self-employed are excluded from the employment aggregate, as the National Accounts definition of employment income refers exclusively to the income of employees.¹³ The annual employment income per full-time employee calculated on the basis of the full-time equivalent labour input series averaged around Lm5,600 in 2002, whereas the ETC's full-time employment series yielded an annual average remuneration of nearly Lm6,150.

These estimates were benchmarked against the periodic assessments of the average gross salary made in the LFS. For the data to be comparable, one must take into account that the employment income aggregate of the National Accounts on which the average salary is estimated includes social security contributions made by employers on behalf of their employees. The LFS aggregate is based on gross annual salary levels only. It is estimated that social security contributions made by employers amounted to approximately 8.1% of total employment income in 2002.¹⁴ If this amount is excluded, the average gross salary received by workers computed on the basis of the full-time equivalent labour input series would stand at Lm5,180, an amount very close to the Lm5,000 average gross annual income shown by the LFS



¹² See European Central Bank (2003), p. 51, Box 8.

¹³ See National Statistics Office (1999). The number of self-employed was taken from the breakdown of ETC full-time gainfully occupied data, and not from the LFS data, as the latter's reliability decreases when dealing with disaggregated categories. No measure of part-time self-employed was available and hence no similar adjustment to the estimated part-time aggregate could be made.

¹⁴ See Grech (2003).

Table 2**COMPARING EMPLOYMENT AND PRODUCTIVITY GROWTH¹**

Year	Sources of GDP Growth	Based on	Based on ETC
		Labour Input Series	Full-time Employment Series
1991	Labour input growth	2.2%	1.9%
	Labour productivity growth	4.1%	4.4%
1992	Labour input growth	1.6%	1.3%
	Labour productivity growth	3.1%	3.4%
1993	Labour input growth	1.2%	0.9%
	Labour productivity growth	3.0%	3.3%
1994	Labour input growth	0.9%	0.5%
	Labour productivity growth	2.1%	2.5%
1995	Labour input growth	3.6%	3.1%
	Labour productivity growth	5.7%	6.2%
1996	Labour input growth	2.0%	1.5%
	Labour productivity growth	2.0%	2.5%
1997	Labour input growth	0.5%	0.0%
	Labour productivity growth	4.3%	4.8%
1998	Labour input growth	0.2%	-0.2%
	Labour productivity growth	3.2%	3.6%
1999	Labour input growth	1.5%	0.7%
	Labour productivity growth	2.6%	3.4%
2000	Labour input growth	2.3%	1.5%
	Labour productivity growth	3.9%	4.9%
2001	Labour input growth	1.0%	1.1%
	Labour productivity growth	-2.2%	-2.3%
2002	Labour input growth	1.0%	-0.7%
	Labour productivity growth	-0.2%	1.9%

¹Productivity growth is defined as the percentage change in the real GDP per worker (including the self-employed).

carried out during the same period. By contrast, the *Economic Survey* gives average earnings for the same year as Lm5,700.¹⁵ This was probably computed on the basis of the number of full-time employees only.

Differences also arise when labour productivity is computed on the basis of real GDP per full-time employee. Computing productivity by taking

only full-time workers into account inevitably results in a significant over-estimation of productivity growth. The full-time equivalent labour input series implies an average annual increase in labour productivity of 2.7% between 1990 and 2002, which is significantly lower than the 3.2% productivity growth obtained when productivity is computed on the basis of the full-time gainfully occupied series of the ETC.

¹⁵ See Ministry for Economic Services (2002). The weekly salary in the *Economic Survey* was changed into an annual one.

The incorporation of data on part-time employment in employment statistics thus results in a different breakdown of the sources of GDP growth, that is, between the increase in the input of labour and improvements in labour productivity, as seen in Table 2. Malta's real GDP grew by an annual average of 4.2% between 1991 and 2002. The new estimates of full-time equivalent labour input indicate that 1.5 percentage points of this annual expansion were due to an increase in this input, while the remaining 2.7 percentage points were attributable to productivity gains. By contrast the ETC's full-time employment series implies that the importance of labour productivity as a source of economic growth, at 3.3 percentage points, was much more significant.

Conclusion

This paper attempts to assess more accurately the contribution of labour to the productive process in the Maltese economy. It shows that official labour market statistics provide only limited information on important new developments in this area, such as the recent sharp growth of part-time employment and variations in the number of hours worked. Accurate, timely and regular data on both these indicators are essential for a correct analysis of trends in the Maltese economy. In the absence of adequate data, a full-time equivalent data series was constructed, based on a number of assumptions, which incorporates, as far as possible, the contribution of part-time workers to the production process. As this series suggests a much sharper expansion in the number of jobs than the official data, this results in a downward reassessment of both average labour costs and productivity gains during the period.

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CHANGES IN THE COMPILATION OF MONEY AND BANKING STATISTICS IN MALTA

Introduction

Monetary statistics derived from the balance sheets reported each month by credit institutions to the Central Bank of Malta play a central role in the Bank's assessment of developments in both the banking sector and the Maltese economy as a whole. This article explores the changes to the process of collecting and compiling money and banking statistics by the Bank in order to bring these in line with the standards of the European Central Bank (ECB) and the International Monetary Fund (IMF). It also describes the changes in the related legislation, methodology and information technology framework, and indicates further modifications to the compilation of these statistics that are anticipated in the foreseeable future.

Developments in the Legal and Institutional Framework

The Bank's mandate to compile statistics is clearly stated in the amended Central Bank of Malta Act.¹ The Bank has the authority to define and impose its statistical reporting requirements and to establish the actual reporting population and standards for transmission so as to enable it to bring Malta's monetary and financial statistics in line with international standards.

As a first step in this direction the Bank has sought to strengthen its co-operation with other agencies involved in the collection of statistics. It has signed a Memorandum of Understanding with the Malta Financial Services Authority (MFSA) and a co-operation agreement with the National Statistics Office (NSO).

The Memorandum signed by the Bank and the MFSA in February 2003 establishes an ongoing

working relationship between the Bank and the Authority on matters related to financial stability. It also ensures full co-operation in the collection and exchange of statistical information. A standing committee meets regularly to enable the two agencies to exchange views, and to evaluate and consult on matters of mutual interest.

The NSO and the Bank have long co-operated closely in the collection and exchange of statistical information. However, the need to clarify the division of responsibilities and tasks between the two organisations in this area led to the signing of a co-operation agreement in July 2003. This agreement, which reflects similar arrangements found in most other EU member states, will help these institutions fulfil their obligations as laid down in both local and EU law.

Harmonising Maltese Money and Banking Statistics with International Standards

In line with European Union membership obligations and to prepare for eventual participation in the euro area, the Bank is harmonising its monetary statistics with EU norms. This upgrading of national standards involves substantial investment in information technology as new statistical systems are installed. These in turn require a long lead time to implement.

As Malta prepared for EU membership in the late nineties the Bank embarked on a project aimed at radically changing the monthly statistical returns submitted by credit institutions and by the Bank itself. The major part of this project has now been completed and, as a result, Malta's money and banking statistics are harmonised with international standards. Eventually, the Bank also

¹ On 10 September 2002 Parliament approved amendments to the Central Bank of Malta Act, Cap. 204. These amendments gave the Bank additional powers, *inter alia*, in the compilation of statistics.

aims to revise and expand the collection of statistics from the rest of the financial sector, to enable it to compile the financial accounts and a financial survey of Malta.

At the European level, the EU statistical agency Eurostat and the ECB collect, process and standardise economic and financial statistics for EU Member States. The ECB is responsible for monetary and financial statistics, while Eurostat is responsible for general economic, government finance and other statistics. The balance of payments and financial accounts are shared responsibilities. This division of work between Eurostat and the ECB is formalised in an agreement in which the exchange of statistical information is an important element.² As the monetary policy authority for the euro area, the ECB must be able to assess monetary and economic conditions in the countries concerned. It also monitors developments in the EU as a whole, as well as in the acceding countries.

Although at the time Malta's monetary statistics were not yet harmonised with ECB norms, in 2001 the Bank began providing statistics to the ECB on a monthly basis. In return, the ECB began to provide the Bank with the same type of information on other accession countries and EU member states for internal analytical purposes. Co-operation with the ECB is continuously increasing, especially since April 2003 when, following Malta's ratification of the EU Treaty, Central Bank of Malta officials were invited to participate as observers in all ESCB committees and working groups, including those dealing with statistics.

The Bank also provides monetary data to the IMF on a monthly basis. These are used by the

Fund in its surveillance of the economic policies of its members. In recent years the Fund established standards for the compilation and dissemination of statistical data (the General Data Dissemination System and the Special Data Dissemination Standard)³ and issued guidelines to members on how to achieve them.

The Bank has on a number of occasions sought technical assistance from the Fund in the area of monetary statistics. A mission from the Fund's Statistics Department visited the Bank in the Spring of 2001, mainly to review various methodological issues as well as the Bank's progress in meeting the guidelines of the Fund's GDDS. Malta was one of the first countries to participate in the GDDS and to observe the prescribed guidelines for dissemination of economic and financial statistics. Preparations are currently underway for Malta's full subscription to the SDDS.

Harmonisation of Statistical Methodology

Bringing monetary statistics in line with international norms is a continuous task. The role of international organisations such as the IMF and the ECB in this field is to strengthen internationally accepted standards in the monetary field. Such norms are a prerequisite for international comparability of harmonised data. They also facilitate the understanding of the relationships among the various sets of macro-statistics. These standards must continue to develop in line with developments in banking and financial markets.

The IMF's *Monetary and Financial Statistics Manual* is a key reference guide in this field. In addition, for EU Member States, two Regulations

² This Memorandum of Understanding was signed between Eurostat and the ECB in March 2003.

³ The IMF has developed these data dissemination standards to increase the level of information on economic and financial trends in different countries. The GDDS is primarily intended to provide a framework for evaluating needs for data improvement and to encourage improvements in the quality and accessibility of a country's statistics. The SDDS is a stricter standard which focuses on those countries that had, or were seeking, access to international capital markets.

issued by the ECB in 2001 set out the requirements for, respectively, balance sheet statistics of the Monetary Financial Institutions (MFIs) sector and statistics on interest rates.⁴

The process of developing harmonised monetary statistics within the European Union began with the identification of the institutions from which data were to be collected. The concept of Monetary Financial Institutions (MFIs) was adopted for this purpose. This replaced the previously used definition of All Banking Institutions (ABIs). MFIs comprise three main groups of institutions:

- central banks;
- resident credit institutions as defined in the Banking Act 1994 and in EU law. A credit institution is defined as “an undertaking whose business is to receive deposits or other repayable funds from the public (including the proceeds arising from the sales of bank bonds to the public) and to grant credit for its own account”.⁵ In Malta credit institutions are further sub-divided into Deposit Money Banks (DMBs) and International Banking Institutions (IBIs). The latter carry out transactions predominantly with non-residents;
- all other resident financial institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or to make investments in securities. This group mostly comprises Money Market Funds (MMFs). To identify the group, the ECB defines the term “close substitutes for deposits” in terms of liquidity characteristics, such as convertibility and marketability.

In complying with EU requirements the Bank first identified the reporting institutions. It then embarked on the process of redesigning the balance sheet reporting framework that had been in existence since 1994, when Banking Directive No. 6 (BD06) was issued. The collection of revised primary data through this new framework ensured that national monetary aggregates were compiled in accordance with recognised EU standards.

Due to the long lead time associated with the introduction of the new reporting framework, the preparatory work in this regard had been going on at the Bank for a number of years. The main objective was to harmonise balance sheets, classifying instruments by currency, original and residual maturity, economic sector and geographical breakdown of counterparties. Balance sheet data supplied at the end of each month in terms of outstanding balances are now broken down further in separate annexes. Reporting institutions are also obliged to submit statistics on ‘flows’. Such data are particularly useful when analysing changes in a time series, helping to identify developments that are due to actual transactions and to differentiate them from those that are attributable to revaluations, reclassifications and loan write-offs and write-downs. The identification and elimination of the latter helps analysts to give a more accurate picture of underlying trends over time.

In line with ECB requirements statistical coverage has also been extended to the reporting of intra- and cross-border positions with the euro area and the rest of the world, respectively. The balance sheet reporting system has also been designed to provide the data required for the calculation of the reserve base from which a credit institution’s reserve requirement is calculated. It is relevant to

⁴ Regulation ECB/2001/13 concerning the consolidated balance sheet of the MFI sector and Regulation ECB/2001/18 concerning statistics on interest rates applied by MFIs to deposits and loans *vis-à-vis* households and non-financial corporations.

⁵ Banking Co-ordination Directives 77/780/EEC of 12 December 1977 and 89/646/EEC of 30 December 1989.

point out that, as an MFI, the Bank itself also has to comply with the new reporting requirements. Consequently its balance sheet has been reformatted to bring it in line with the same statistical norms.

In order to synchronise the upgrading of the reporting systems and to ensure a smooth transition, a Technical Committee on Financial Statistics was set up in May 2000. The Committee includes representatives from the MFSA, the NSO, the Malta Banks Association, the Malta Stock Exchange and the credit and financial institutions themselves. The MFSA, as the single regulator of financial services in Malta and the authority responsible for the prudential supervision of banks, was actively involved in the implementation process.

The new reporting forms, which are received simultaneously by the Bank and the MFSA, have also been designed to cover some of the

requirements of the NSO from the MFI sector where national accounts and balance of payments statistics are concerned. Thus both the regulatory authorities and the MFIs are benefiting from a more homogeneous and streamlined reporting system.

To satisfy international reporting requirements, the deadline for submission of these returns by the MFIs was brought forward to the twelfth calendar day following the reference month. The deadline for submitting prudential supervisory returns was established as the fifteenth calendar day following the reference month.

By mid-2003 the revision of the reporting returns, together with the accompanying guidance notes and instructions, was completed. In July 2003 the MFIs began reporting end-June data based on the new balance sheet format. At the same time they continued to submit returns under the old reporting system for a period of four months in

Table 1
THE BALANCE SHEET OF THE MFI SECTOR

Assets	Liabilities
1. Currency and deposits	1. Currency in circulation
2. Loans (including repos)	2. Transferable deposits
3. Holding of securities other than shares	3. Other deposits
4. Holding of shares and other equities	4. Loans (including repos)
5. Financial derivatives	5. Deposits excluded from broad money
6. External assets	6. Money Market Fund (MMF) shares/units ¹
7. Fixed assets	7. Debt securities issued, included in broad money
8. Remaining assets	8. Debt securities issued, excluded from broad money
	9. Financial derivatives
	10. Capital and reserves
	11. External liabilities
	12. Remaining liabilities

¹ Data collection from MMFs is expected to be introduced in 2005.

order to ensure that the new system was functioning smoothly. Reporting under the old system was terminated in October when the new system officially came into effect.

The data collected from the credit institutions and the Bank were aggregated to produce the main instrument breakdowns on the assets side and the liabilities side of the MFI sector. These are shown in Table 1.

The consolidated balance sheet of the MFI sector provides the basis for the calculation of monetary aggregates and their counterparts. In line with the new EU reporting concepts the Bank revised its definitions of the main monetary aggregates, which now include narrow money (M1), intermediate money (M2) and broad money (M3):

- narrow money (M1) comprises the most liquid liabilities, namely currency in circulation and

deposits that are withdrawable overnight or on demand;

- intermediate money (M2) comprises M1 plus deposits with an original maturity of less than two years or a notice period of less than three months;
- broad money (M3), the most important of the aggregates, which comprises M2 plus repurchase agreements, money market fund shares/units and debt securities with an original maturity of up to two years.

As a result of the revisions to the monetary aggregates, quasi-money and the 'old' broad money series (M3) were discontinued from September 2003. The new M3 aggregate, based on the ECB's definition (see Table 2) of the broad money supply, was introduced from that month. There are some major conceptual differences

Table 2
CHANGES TO THE MONETARY AGGREGATES

The 'old' M1 (Narrow Money)

= Currency in circulation
+ Demand deposits

The 'new' M1 (Narrow Money)

= Currency in circulation
+ Demand deposits
+ Savings deposits withdrawable on demand

The 'old' M2

Was not in use

The 'new' M2 (Intermediate Money)

= M1
+ Savings deposits redeemable at notice
+ Time deposits with agreed maturity up to 2 years

The 'old' M3 (Broad Money)

= M1
+ Quasi-money:
 Savings deposits
 Time deposits¹

The 'new' M3 (Broad Money)

= M2
+ Repurchase agreements
+ Debt securities up to 2 years
+ Money Market Fund shares/units

¹ No maturity cut-off point.

between the 'old' and the 'new' M3 aggregate. For instance, the former included currency in circulation and deposits placed with credit institutions with no maturity cut-off point. The new definition, apart from currency in circulation, now includes repurchase agreements, as well as deposits and debt securities with a maturity of up to two years. It therefore excludes time deposits with an original term to maturity of more than two years. The 'new' M1 will now include those

savings deposits that are withdrawable on demand.

As for the counterparts to the monetary aggregates, the domestic credit series (see Table 3) continues to refer to, (a) credit extended by domestic credit institutions to non-bank residents (central government and other non-bank residents), and (b) other claims on non-bank residents. There are thus no major conceptual

Table 3	
CHANGES TO THE MAIN COUNTERPARTS OF M3	
The 'old' M3 counterparts	The 'new' M3 counterparts
Domestic credit	Domestic credit
Net claims on government	Credit to central government
Loans and advances	Loans
Securities other than shares	Securities other than shares
Claims on private and parastatal sectors	Credit to other non-MFI residents
Loans and advances	Loans
Securities other than shares	Securities other than shares
Shares and other equity	Shares and other equity
Net foreign assets	Net foreign assets
Central Bank of Malta	Central Bank of Malta
All Banking Institutions	Other MFIs
<i>Less</i> Other Items (net)	<i>Less</i> Longer-term financial liabilities
	Deposits with agreed maturity over 2 years
	Deposits redeemable at notice over 3 months
	Debt securities over 2 years
	<i>Less</i> Other counterparts net ¹

¹ Made up of capital and reserves, provisions, interest accrued and unpaid and other liabilities less fixed and other assets.

changes to the domestic credit counterpart other than those compensating changes within the overall aggregate itself as some entities previously falling within the non-government sector are reclassified under the central government sector.

The new definition of 'net foreign assets' will also not vary materially from the 'old' definition. However, since financial derivatives are now to be considered as on-balance sheet items, transactions in such instruments between resident MFIs and non-MFI entities will be included in domestic credit. Similar transactions between resident MFIs and non-residents will also feature in the net foreign asset counterpart.

The introduction of the new statistical system has created some problems, particularly where time series are concerned. Thus it will be some time before a long-run time series for the revised monetary aggregates is available, and in the meantime partial 'solutions' will have to be found. The compilation of flows data was the most problematic, but reclassifying clients' activities according to the new definitions of economic sectors also proved a difficult task.

The Information Technology Infrastructure

Information technology continues to play an important role in the transmission of statistics. Reporting agents are expected to submit statistical information to the Bank in electronic format. The Bank, in turn, will be transmitting the aggregated data to international agencies via an electronic delivery system, known as GESMES/TS. This is an encrypted electronic statistical data exchange system that is increasingly used by agencies abroad. Through this system the Bank has also been able to disseminate descriptive information on MFIs resident in Malta to the ECB. Information on Malta's MFIs has thus been added to the list of European MFIs displayed on the ECB's website, which is updated monthly.

Data received from reporting agents are being stored in a database that is housed at the Bank and is maintained jointly by the Bank and the MFSA. Due to their sensitivity, these data are subject to strict confidentiality, with access only being granted to authorised officials within the Bank and the MFSA. A number of checks are carried out to ensure the quality and consistency of the data when it is received. During this processing period, reporting agents are expected to respond to queries by the Bank on the data provided and to send revisions to the data if these are required.

The database incorporates extensive and sophisticated tools to facilitate the analysis of the stored information. It is expected that in the medium-term the database will be broadened to process and store financial accounts data and balance sheet data related to other financial institutions. Electronic transmission of data by respondents via the Internet or via a closed Intranet architecture is expected to be introduced in the coming years.

Future Developments

The harmonisation of statistics by the ESCB is a dynamic process that has to be continuously updated with further elaboration on conceptual issues particularly where the compilation of financial statistics is concerned. Hence, the Bank must continue to monitor developments in this regard and to strengthen further the quality of the data and their assessment. The impact of the proposed alignment of international accounting standards with worldwide statistical norms is also being assessed.

The collection of detailed data on electronic money (e-money), retail interest rates, financial markets and statistics on securities will be given priority in the near future. It is planned that, in the longer-term, the compilation of statistics on

securities will be based on a new centralised database containing extensive information about individual securities listed on the Malta Stock Exchange. This database will also be used extensively for balance of payments purposes and will eventually become part of a larger European securities database.

In the coming year the Bank will continue to broaden its sources of statistical coverage. While the Bank in the past did not collect data from Money Market Funds (MMFs), their inclusion in the newly defined MFI sector means that they must comply with certain statistical reporting requirements. As at June 2003, five such institutions were operating in Malta. A new reporting scheme, based on ECB standards but tailored to the types of business these institutions engage in, will be designed in the near future, and the first reporting returns are expected to be submitted in 2004.

Other developments in the months ahead will include the collection of harmonised data from other (non-monetary) financial institutions such as collective investment schemes. The existing reporting scheme for insurance companies and the remaining financial institutions will also be developed further.

Work on the compilation of Malta's Financial Accounts based on ESA 1995 on a quarterly basis is also expected to gain momentum. Financial accounts cover financial flows and a statement of financial assets and liabilities for each sector of the economy. There is a growing interest in, and demand for financial accounts to assist in economic analysis and policy research. The first financial accounts for Malta, which will be developed as a joint exercise between the Bank and the NSO, are expected to be released in 2004.

Conclusions

As the economy develops, and the needs of analysts evolve, Malta's money and banking

statistics have had to undergo substantial changes. The process described above should result in the collection and publication of better quality monetary data, issued regularly within stricter deadlines. The new data should lead to an improvement in the quality of the analysis of economic developments in Malta. The harmonisation of data with international standards implies that Maltese data will be comparable to similar information on other EU member states.

The objective of the Central Bank is to ensure that the quality of its statistics is continuously enhanced so that these will compare adequately with the standards achieved by EU member states. All local statistical agencies are working towards similar goals since it is recognised that good and timely data are prerequisites for proper economic analysis and policy making.

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NEWS NOTES

Central Bank of Malta Lowers Central Intervention Rate

On September 26 the Central Bank of Malta lowered the central intervention rate by 25 basis points to 3%. This decision was taken by the Governor following a meeting of the Monetary Policy Advisory Council, and was motivated by recent developments in Malta and abroad. The Central Bank's external reserves, a key indicator of the sustainability of the exchange rate peg, expanded in August and September thus reinforcing the underlying upward trend. This continued inflow of foreign exchange contributed to a further rise in financial market liquidity, leading to downward pressures on market rates. The decision to lower the official interest rate was also supported by the recent further fall in inflation, which stands below that of Malta's major trading partners. As a result, interest rates in real terms continue to exceed those abroad.

Due to the absence of pressures on the exchange rate peg and price stability, the Governor considered that an easing of the monetary policy stance was appropriate in an economic climate characterised by weak demand and rising unemployment. Short-term prospects are expected to be conditioned by the most recent downward revision to growth forecasts in Malta's leading export market. The Governor also welcomed the Government's declared intention to reduce the budget deficit. Fiscal consolidation should help redress the high deficit on the current account of the balance of payments, thus supporting the Bank's easier monetary policy stance.

External Transactions Act, Cap. 233

On September 2 Parliament enacted Act IX of 2003. Part VII replaces the Exchange Control Act with the External Transactions Act. This Act establishes a framework for the liberalisation of

external transactions while retaining safeguards to introduce measures and controls in the event of a balance of payments crisis or instability in the financial system. The new law also provides for the implementation of controls in co-operation with other countries following the imposition of sanctions by international organisations, as well as the collection of information on external transactions.

Prevention of Money Laundering Regulations 2003

On August 12 the Minister of Finance and Economic Affairs issued the Prevention of Money Laundering Regulations 2003 through Legal Notice 199 of 2003. These regulations repeal the 1994 Regulations and extend their application to amongst others, auditors, accountants, tax advisors, notaries and other independent legal professionals.

IMF Article IV Staff Report on Malta Published

On September 3 the International Monetary Fund (IMF) published the Staff Report for the 2003 Article IV Consultation with Malta. The Report gives a generally positive assessment of the Maltese economy, while noting that fiscal consolidation and structural reforms have lost momentum over the past year. The Fund also released a Public Information Notice (PIN) which summarises the views of the Executive Board as expressed during its discussion of the Malta Staff Report that concluded the Article IV consultation on August 18.

Financial System Stability Assessment (FSSA) Report on Malta

On September 3 the International Monetary Fund (IMF) also published a Financial System Stability Assessment (FSSA) report on the financial system in Malta. The report was prepared by an IMF/

World Bank Financial Sector Assessment Program (FSAP) mission that visited Malta in October 2002 and January 2003. The FSSA report notes that “Malta’s financial system appears to be healthy and well supervised but very concentrated and exposed to the country’s narrow economic base. Financial soundness indicators and stress tests indicate that the domestic banks are profitable, liquid and well capitalised.”

Financial Intelligence Analysis Unit (FIAU) Accepted as Full Member of Egmont Group

During its 11th plenary meeting held in Sydney from 23-25 July this year, Malta’s Financial Intelligence Analysis Unit (FIAU) was accepted as a full member of the Egmont Group of financial intelligence units.

Malta’s Credit Ratings Reviewed

On July 15 the rating agency Moody’s changed its outlook on Malta’s A3 country ceilings for foreign currency bonds and bank deposits from negative to stable, prompted by the outcomes of the referendum and general election held earlier this year which secured Malta’s future in the European Union. Moody’s saw that this historical decision signalled new development opportunities for Malta. The change also affects the A3 rating of the guaranteed debt of the Freeport Terminal (Malta) Ltd. The agency noted that far-reaching structural reforms - most of which are guaranteed by compliance with the EU *acquis* - will support the country’s A3 rating over the medium term.

On August 22 the rating agency Standard & Poor’s lowered Malta’s local currency sovereign credit ratings to ‘A+/A-1’ from ‘AA-/A-1+’, while affirming its ‘A/A-1’ foreign currency sovereign credit ratings. However the agency maintained a stable outlook, and explained that the lowering of the local currency ratings reflected a deterioration of Malta’s medium-term fiscal prospects.

The agency commented that the prospect of EU accession in May 2004 provides a policy anchor for structural reforms, including a sustained period of fiscal consolidation that is essential if Malta is to be among the first of the accession countries to join EMU. Membership of the Eurozone would effectively shield the country from financial stress related to the balance of payments.

On September 18 the international credit rating agency Fitch Ratings reaffirmed its long-term foreign currency rating at ‘A’, its short-term foreign currency at ‘F1’, and its long-term local currency at ‘AA-’. Fitch also confirmed that the outlook for long-term ratings remains stable, but added that the local currency rating can only be sustained if the 2004 budget contains convincing measures and shows serious resolve to reduce the Government’s deficit.

FIMBank Acquires London Forfaiting Company plc

On August 28 First International Merchant Bank plc through its subsidiary FIMBank (UK) acquired approximately 65% in nominal value of the shares of London Forfaiting Company plc. The acquisition price was stg.0.295 per share, totalling stg.30.9 million. The Malta Financial Services Authority (MFSA) had approved the deal on August 8.

Bank of Valletta Signs Syndicated Term Loan Facility

On August 19 Bank of Valletta plc signed a 100 million euros syndicated term loan facility. The mandated lead arrangers and underwriters of this facility were Bayerische Landesbank and Sumitomo Mitsui Banking Corporation Europe Limited. The facility was launched at a level of 70 million euros but attracted commitments in excess of 100 million euros and the issue was increased to this level. It will be used to refinance a 70 million

euros facility signed in July 1998, as well as for general corporate purposes.

Issue of Banking Licences

On July 23 the Malta Financial Services Authority (MFSA) issued a banking licence to BAWAG Malta Bank Limited, a wholly-owned subsidiary of the Bank für Arbeit und Wirtschaft AG of Vienna, to carry out the business of banking with both residents and non-residents. The bank is authorised to provide a number of ancillary services including money transmission, issuing and administering means of payment, safe custody services, and guarantees and commitments. It can also deal in foreign exchange, money market instruments, exchange and interest rate instruments, and transferable instruments.

On August 29 the MFSA issued a banking licence in terms of the Bank Act 1994 to Erste Bank (Malta) Limited, a wholly owned subsidiary of Erste Bank der Osterreichischen Sparkassen AG of Austria. The new licence

replaces that granted to the bank in September 1993 under the MFSC Act. The bank is licensed to carry out the business of banking with non-residents in any currency other than the Maltese lira. It is also licensed to provide additional services including guarantees and commitments, and dealing in money markets, foreign exchange and interest rate instruments and transferable instruments. It can also participate in share issues and provide services related to such issues, and provide portfolio management and advice.

Issue of Bonds by Mariner plc

On July 1 a Maltese company Mariner Finance plc, which is a subsidiary of Mariner SpA, offered for sale to the public 9 million euros worth of bonds with a coupon of 5.75%. The bonds were issued at par and have two optional early redemption dates (July 15, 2008; July 15, 2009). Any remaining balances will mature on 15 July 2010. As the bonds were oversubscribed the company exercised its over-allotment option and increased the issue to 13 million euros.

FINANCIAL POLICY CALENDAR

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

2000

March 10: Malta Stock Exchange Bye-Laws Amended

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

March 29: Italian Financial Aid to Malta

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

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

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

April 28: Bearer Accounts Phased Out

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

June 15: Malta Withdraws from Offshore Group of Banking Supervisors

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

July 14: Malta Stock Exchange Regulations Amended

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

August 25: Prevention of Money Laundering Regulations Amended

The Minister of Finance, through Legal Notice 156, issues the Prevention of Money Laundering (Amendment) Regulations, 2000. These regulations amend the Prevention of Money Laundering Regulations, 1994. Amongst other things, the amended regulations introduce the concept of "reputable

jurisdiction". This allows for the recognition of other jurisdictions which adhere to international standards in combating money laundering.

November 2: Measures Introduced in the Budget for 2001

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

- 1) **Cost of Living Increase:** A weekly increase in wages of Lm1.50 to compensate for the rise in the cost of living during the year to September 2000.
- 2) **Direct Taxation:** The Income Tax Act, 1948 is to be enforced with regard to certain fringe benefits attached to employment. The benefits to be taxed are listed in a separate document presented with the Budget.
- 3) **Indirect Taxation:** Value Added Tax on health and education are reclassified as exempt without credit while profits made by travel agents on tickets for travel abroad are to become taxable at the full rate. Catering establishments in factories, schools and industrial zones are to start charging Value Added Tax. Excise duty on cigarettes is increased while the duty on alcoholic beverages is henceforth to be calculated on the basis of the alcohol content of the beverage concerned. Levies on a number of imported industrial products are to be scaled down further, while income from collective investment schemes is to be subject to tax.
- 4) **Liberalisation of Exchange Controls:** Exchange controls are further liberalised and the relative administrative procedures are to be speeded up. The measures include:
 - An increase in the allowance for travel purposes from Lm5,000 to Lm10,000 per trip.
 - An increase in the limit for cash gifts from Lm5,000 to Lm10,000 per year.
 - An increase in the amount of foreign currency which can be exported to effect merchandise payments overseas.
 - An increase in the limits on imports and exports of local currency from Lm25 to Lm1,000.
 - The amount that residents are permitted to invest in real estate overseas is raised from Lm50,000 per year to Lm150,000.
 - The allowance for foreign portfolio investment by residents is raised from Lm15,000 per year to Lm30,000.
 - Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are permitted to invest in foreign assets up to a maximum of five per cent of the funds invested in a scheme.
 - The amount of foreign currency which a resident may retain in the form of cash or in a foreign currency (demand) account with local credit institutions is raised to Lm10,000 from Lm2,500.
 - The period during which export-oriented local companies are permitted to maintain export proceeds with local banks in foreign currency is extended to one year while other bodies corporate and local retail outlets are henceforth permitted to maintain demand, savings and time deposits in foreign currency accounts provided such deposits originate from business activities and the balance does

not exceed Lm10,000.

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

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

December 5: Malta Stock Exchange Council Reviews Notice

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

2001

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

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

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

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

July 5: Malta Stock Exchange Issues Draft Corporate Governance Code

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

September 27: *Central Bank Lowers Reserve Requirement Ratio*

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

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

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

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

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

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

- **Social Security System Reform:** Social security contributions are to be applied only to healthcare and pensions. Contributions earmarked for healthcare are to be used exclusively to finance the cost of healthcare and care of the elderly, while those earmarked for pensions are to be used to finance contributory pensions and related benefits only. All other benefits are to be provided for directly from the Consolidated Fund.

- **Liberalisation of Exchange Controls:** Exchange controls are further liberalised and the relative procedures are to be speeded up. The measures include:
 - An increase in the allowance for travel purposes from Lm10,000 per person per trip to Lm15,000.

 - An increase in the amount of foreign currency that can be exported by residents travelling overseas to effect payment for merchandise.

 - Quantitative restrictions on the amount that residents are permitted to invest in real estate overseas abolished.

 - The allowance for foreign portfolio investment by residents raised from Lm30,000 per year to Lm50,000.

 - Fund investment schemes (SICAVs) which collect funds in Maltese liri from residents are to be permitted to invest up to 10 per cent of such funds in foreign assets.

 - The amount of foreign currency which a resident may retain in the form of cash or in a demand deposit account denominated in foreign currency with local credit institutions is raised from Lm10,000 to Lm15,000.

 - The amount of foreign currency that may be placed with local credit institutions by corporate entities and retailers is raised from Lm10,000 to Lm15,000.

 - Locally registered fund management companies are to be permitted to seek a listing for their collective investment schemes on recognised international capital markets.

 - Locally registered financial and non-financial companies are to be permitted to seek a listing for their

bonds and related securities on recognised international money/capital markets as long as the securities have a maturity period of at least one year.

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

November 26: Central Bank Lowers Official Interest Rates

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

December 14: European Investment Bank – Malta Sign Framework Agreement

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

December 27: Prevention of Money Laundering Act, 1994 Amended

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

December 27: Appointment of Competent Authority

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

2002

January 31: *Central Bank Lowers Official Interest Rates*

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

March 1: *Establishment of Financial Intelligence Analysis Unit*

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

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

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

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

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

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

Euro – 1.6937
Pound Sterling – 0.3084
US Dollar – 0.2341

September 10: *Parliament Approves Amendments to Central Bank of Malta Act*

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

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

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

September 18: *Official Fixing of Interbank Rates Launched*

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

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

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

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

from June 2003 and the third on EU accession. The measures to be adopted as from January 1, 2003 include:

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

November 27: *Limit on Treasury Bill Issue Raised*

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

December 20: *Central Bank Lowers Official Interest Rates*

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

2003

January 3: *Appointment of Competent Authority*

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

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

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

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

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

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

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

May 27: *Central Bank Lowers Central Intervention Rate*

The Central Bank of Malta lowers the central intervention rate by 25 basis points to 3.50%.

June 24: *Central Bank Lowers Central Intervention Rate*

The Central Bank of Malta lowers the central intervention rate by 25 basis points to 3.25%.

August 12: *Minister of Finance and Economic Affairs issues Prevention of Money Laundering Regulations 2003*

On August 12 the Minister of Finance and Economic Affairs issues the Prevention of Money Laundering Regulations 2003 through Legal Notice 199 of 2003. The regulations repeal the 1994 Regulations and extend their application to, amongst others, auditors, accountants, tax advisors, notaries and other independent legal professionals.

September 2: *Exchange Control Act Replaced*

On September 2 Parliament enacts Act IX of 2003. Part VII replaces the Exchange Control Act with the External Transactions Act. This Act establishes a framework for the liberalisation of external transactions while retaining safeguards to introduce measures and controls in the event of a balance of payments crisis or instability in the financial system. The new law also provides for the implementation of controls in co-operation with other countries following the imposition of sanctions by international organisations, as well as the collection of information on external transactions.

September 26: *Central Bank Lowers Central Intervention Rate*

The Central Bank lowers the central intervention rate by 25 basis points to 3%.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-June 2003, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km ²	
CURRENCY UNIT	Maltese lira - Exchange rates: Lm1 = US\$2.6771 Lm1 = euro2.3434	
CLIMATE	Average temperature (1990-2002): December - February June - August	13.2° C 25.8° C
	Average annual rainfall (1990 - 2002)	591.3mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices (Dec. 2002)	2.7%
	GDP per capita at current market prices (Dec. 2002)	US\$9,756
	GDP per head in PPS relative to the EU-15 average (1999) ¹	55%
	Ratio of gross government debt to GDP (Dec 2002)	64.2%
	Ratio of government deficit to GDP (Dec 2002)	5.2%
	Retail price inflation	1.25%
	Ratio of exports of goods and services to GDP (Dec. 2002)	86%
	Ratio of current account deficit to GDP (Dec. 2002)	1.4%
	Employment rate ² (March 2003)	54.7%
	Unemployment rate ² (March 2003)	6.6%
POPULATION	Total Maltese and Foreigners (Dec. 2002)	397,296
	Males	196,836
	Females	200,460
	Age composition in percent of population (Dec. 2002)	
	0 - 19	26%
	20 - 59	57%
	60 +	17%
	Average annual growth rate (1990 - 2002)	0.8%
	Density per km ² (Dec. 2002)	1,257
HEALTH	Life expectancy at birth - Males (Dec. 2002)	75.8
	- Females (Dec. 2002)	80.5
	Crude birth rate, per 1000 inhabitants (Dec. 2002)	9.86
	Crude mortality rate, per 1000 inhabitants (Dec. 2002)	7.85
	Doctors per 1000 inhabitants (Dec. 2002)	3
EDUCATION	Combined gross enrolment ratio % (1999)	80%
	Number of schools (2001)	322
	Teachers per 1000 students (2001)	84
	Adult literacy rate : % age 15 and above (2000)	92%
LIVING STANDARDS	Human Development Index : Rank out of 175 countries (2001)	33
	Mobile phone subscriptions (Mar. 2003)	311,197
	Private motor vehicle licences	198,225
	Internet subscribers (Mar. 2003)	69,295

¹ Provisional

² Labour Force Survey, National Statistics Office.

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

Banking institutions submitting financial information to the Central Bank of Malta for statistical reporting purposes, as at June 2003:

Deposit Money Banks

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

International Banking Institutions

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

PART 1: MONEY AND BANKING

Statement of Assets and Liabilities of:

Table 1.1	Central Bank of Malta	80
Table 1.2	Deposit Money Banks	82
Table 1.3	Other Banking Institutions	84
Table 1.4	International Banking Institutions	86
Table 1.5	Banking Survey	88
Table 1.6	Monetary Base and Monetary Aggregates	89
Table 1.7	Monetary Policy Operations of the Central Bank of Malta	90
Table 1.8	Deposits with All Banking Institutions (Analysis by Ownership and Type)	91
Table 1.9	Currency in Circulation	92
Table 1.10	Denominations of Maltese Currency Issued and Outstanding	93
Table 1.11	Deposit Money Bank Liquidity	94
Table 1.12	Deposit Money Bank Liquid Assets	95
	Loans and Advances Outstanding by Main Sector:	
Table 1.13	Deposit Money Banks	96
Table 1.14	Other Banking Institutions	98
Table 1.15	Loans and Advances Outstanding to the Private and Public Sectors by Category	100
	Loans and Advances classified by Size and Interest Rates:	
Table 1.16	Deposit Money Banks	101
Table 1.17	Other Banking Institutions	102
Table 1.18	Financial Market Rates	103
Table 1.19	Net Foreign Assets of the Banking System	104

PART 2: GOVERNMENT FINANCE

Table 2.1	Government Revenue and Expenditure	106
Table 2.2	Government Revenue by Major Sources	107
Table 2.3	Government Capital Expenditure by Type of Investment	108

PART 3: PUBLIC DEBT

Table 3.1	Gross Government Debt and Government Guaranteed Debt Outstanding	109
Table 3.2	Treasury Bills Issued and Outstanding	110
Table 3.3	Malta Government Stocks	111
Table 3.4	Malta Government Stocks by Remaining Term to Maturity	112
Table 3.5	Government External Loans by Type of Creditor	112
Table 3.6	Government External Loans by Currency	113
Table 3.7	Government External Loans by Remaining Term to Maturity	113

PART 4: EXTERNAL TRANSACTIONS

Table 4.1	Maltese Lira Exchange Rates against Major Currencies (End of Period Rates)	114
Table 4.2	Maltese Lira Exchange Rates against Major Currencies (Averages for the Period)	115
Table 4.3	Malta's Foreign Trade	116
Table 4.4	Direction of Trade - Total Exports	117
Table 4.5	Direction of Trade - Imports	118
Table 4.6	Domestic Exports by Commodity Sections	119
Table 4.7	Imports by Commodity Sections	120

PART 5: REAL ECONOMY INDICATORS

Table 5.1	Gross National Product (By Category of Expenditure at Current Market Prices)	121
Table 5.2	Tourist Arrivals by Nationality	122
Table 5.3	Labour Market Indicators based on Administrative Records	123
Table 5.4	Labour Market Indicators based on the Labour Force Survey	123
Table 5.5	Number of Approved Commercial Property Applications, by Purpose	124
Table 5.6	Dwelling Units Granted Development Permission, by Type	124
Table 5.7	Inflation Rates (Base 1946=100)	125
Table 5.8	Retail Price Index (Base Dec. 2002=100)	126

GENERAL METHODOLOGICAL NOTES

127

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA¹
Liabilities

Lm thousands

End of Period	Currency Notes & Coins	IMF-Related Liabilities	Deposits				Capital & Reserves	Foreign Liabilities ³	Other Liabilities ²
			Banks ²	Government	Other	Total			
1990	339,519	12,103	45,762	9,631	21,833	77,226	4,500	-	131,825
1991	354,513	11,789	52,867	148	29,737	82,752	4,500	-	105,822
1992	350,611	22,987	78,498	5,664	29,727	113,889	4,500	-	145,648
1993	364,013	24,620	67,173	2,437	37,349	106,959	4,500	-	163,740
1994	379,082	24,213	73,025	1,725	52,384	233,734	41,000	-	178,292
1995	367,444	22,553	80,026	20,194	21,502	121,722	41,000	-	187,134
1996	380,246	20,159	71,627	22,785	10,516	105,328	41,000	-	177,233
1997	384,655	20,079	100,511	24,503	10,941	135,955	41,000	-	135,780
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	-	35,265
1999	418,485	19,014	124,786	96,188	12,424	233,398	89,050	-	58,597
2000	423,188	18,574	141,270	56,161	10,393	207,825	89,050	-	48,837
2001	441,829	18,281	146,789	69,080	7,644	223,513	95,069	-	48,649
2002									
Jan.	433,286	18,281	184,034	63,202	7,147	254,383	95,069	974	40,839
Feb.	433,412	18,281	196,509	71,124	6,700	274,333	95,069	3,510	32,747
Mar.	436,995	18,281	191,255	66,683	7,131	265,069	92,150	3,427	28,674
Apr.	441,559	18,281	195,707	40,231	7,779	243,716	92,078	-	29,983
May	444,631	18,230	211,105	32,114	7,732	250,951	91,997	-	31,294
June	449,887	18,230	199,102	33,523	3,748	236,374	95,554	-	35,958
July	455,342	18,230	181,684	70,739	7,527	259,949	95,595	1,905	35,252
Aug.	453,209	18,230	235,854	34,913	7,797	278,564	95,558	-	35,244
Sept.	456,448	18,230	197,634	77,314	7,104	282,053	99,614	1,255	38,413
Oct.	456,569	18,230	279,632	23,816	8,970	312,418	99,618	3,422	40,358
Nov.	451,950	18,230	289,979	23,767	8,139	321,884	99,596	5,081	41,965
Dec.	461,247	16,676	255,558	42,961	7,595	306,114	95,341	6,987	49,577
2003									
Jan.	450,395	16,676	282,620	49,124	7,508	339,252	100,211	2,291	35,960
Feb.	452,689	16,676	268,964	65,531	7,463	341,958	95,243	2,910	43,066
Mar.	456,791	16,676	250,596	74,451	7,196	332,243	95,789	5,838	30,137
Apr.	465,032	16,676	260,883	59,482	15,549	335,914	95,671	1,955	31,483
May	465,814	15,922	297,630	61,162	7,226	366,018	95,470	2,680	34,060
June	471,111	15,922	282,003	65,191	8,870	356,064	96,058	4,774	34,526

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

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

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

TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA¹
Assets

Lm thousands

End of Period	External Reserves				IMF Currency Subscription	Malta Government Securities & Advances	Fixed & Other Assets	Total Assets/ Total Liabilities
	Gold ²	IMF-Related Assets ³	Convertible Currencies ⁴	Total				
1990	12,979	33,618	380,527	427,124	10,913	22,209	104,927	565,173
1991	6,436	37,176	366,822	410,434	10,637	58,171	74,875	554,117
1992	9,101	30,061	435,856	475,018	21,720	62,305	78,592	637,635
1993	10,215	32,827	490,358	533,400	22,917	18,077	89,438	663,832
1994	7,314	32,829	577,501	617,644	22,635	39,221	176,821	856,321
1995	3,596	34,007	471,090	508,693	21,106	67,728	142,326	739,853
1996	3,646	36,408	468,523	508,577	19,070	74,284	122,035	723,966
1997	1,311	38,912	501,379	541,602	18,988	59,163	97,716	717,469
1998	688	40,429	598,855	639,972	19,086	24,322	31,609	714,991
1999	737	35,517	704,065	740,320	34,955	6,153	37,115	818,544
2000	452	36,940	606,752	644,144	35,222	9,178	98,930	787,474
2001	629	37,863	721,936	760,428	35,078	5,773	26,062	827,340
2002								
Jan.	697	38,105	743,818	782,621	35,078	5,021	20,112	842,831
Feb.	596	38,218	760,396	799,211	35,078	4,715	18,347	857,351
Mar.	601	38,191	747,664	786,456	35,078	4,554	18,507	844,596
Apr.	602	37,968	732,960	771,531	35,078	2,783	16,225	825,618
May	626	37,959	734,424	773,008	35,026	14,609	14,460	837,104
June	543	37,499	742,642	780,684	35,026	4,996	15,297	836,003
July	459	37,518	775,267	813,244	35,026	3,657	14,346	866,273
Aug.	469	37,636	789,541	827,645	35,026	2,901	15,233	880,806
Sept.	481	37,451	803,928	841,860	35,026	2,349	16,777	896,013
Oct.	472	37,418	837,792	875,682	35,024	2,305	17,603	930,614
Nov.	473	37,355	845,812	883,639	35,024	2,209	17,834	938,706
Dec.	473	37,512	842,862	880,847	33,470	4,289	17,335	935,942
2003								
Jan.	510	36,978	854,421	891,909	33,470	2,119	17,285	944,784
Feb.	759	37,335	862,145	900,239	33,470	2,633	16,200	952,543
Mar.	723	37,316	845,994	884,034	33,470	2,639	17,330	937,473
Apr.	461	36,800	853,834	891,095	33,470	4,288	17,878	946,731
May	474	36,035	891,189	927,699	32,715	2,268	17,283	979,964
June	458	36,453	889,371	926,283	32,715	2,421	17,036	978,454

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

² Includes small amounts of other precious metals.

³ Includes IMF Reserve Position and holdings of SDRs.

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

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES
DEPOSIT MONEY BANKS¹
Liabilities

Lm thousands

End of period	Deposits ²				Foreign Liabilities ³	Capital & Reserves	Other Liabilities ³
	Demand	Savings	Time	Total			
1990	50,056	252,039	392,290	694,385	66,112	28,112	58,391
1991	53,274	308,715	415,959	777,948	92,111	34,047	59,575
1992	57,858	365,000	463,673	886,531	62,030	37,209	157,098
1993	59,612	415,807	527,211	1,002,630	105,025	39,085	190,979
1994	72,368	462,793	644,546	1,179,707	95,275	79,290	222,080
1995	79,225	510,538	740,615	1,330,378	193,422	86,768	270,170
1996	87,248	538,177	871,318	1,496,743	229,597	96,090	319,900
1997	110,486	574,352	987,497	1,672,335	226,806	112,694	339,765
1998	145,973	581,875	1,102,040	1,829,888	305,527	115,258	395,919
1999	188,460	632,675	1,217,858	2,038,993	356,384	126,829	469,904
2000	192,206	623,727	1,296,731	2,112,664	404,679	158,523	566,664
2001	212,877	667,301	1,432,338	2,312,516	600,963	190,915	566,193
2002							
Jan.	207,599	672,267	1,456,245	2,336,111	609,256	197,029	557,983
Feb.	214,182	676,139	1,481,930	2,372,251	600,704	197,029	547,507
Mar.	220,395	679,315	1,507,325	2,407,035	551,166	197,029	547,919
Apr.	211,961	684,522	1,515,711	2,412,194	530,824	197,029	550,409
May	216,325	675,164	1,539,494	2,430,983	547,120	197,029	568,066
June	222,337	673,393	1,554,980	2,450,710	551,777	197,029	549,678
July	227,318	679,608	1,574,179	2,481,105	576,353	197,029	570,560
Aug.	229,186	685,225	1,597,585	2,511,996	573,381	199,529	572,574
Sept.	238,287	690,707	1,617,784	2,546,778	600,639	199,529	571,874
Oct.	242,311	685,468	1,606,764	2,534,543	638,009	203,197	581,963
Nov.	239,901	715,177	1,647,946	2,603,024	860,273	272,593	415,397
Dec.	245,190	714,116	1,648,268	2,607,574	1,038,562	272,793	414,820
2003							
Jan.	251,185	724,204	1,657,386	2,632,775	1,049,620	297,128	380,431
Feb.	251,491	714,989	1,648,298	2,614,778	1,034,531	297,128	375,880
Mar.	249,459	731,118	1,628,213	2,608,790	1,029,180	297,127	390,435
Apr.	254,647	735,794	1,642,450	2,632,891	1,032,584	297,127	386,260
May	263,970	748,382	1,635,936	2,648,288	1,021,480	297,127	381,808
June	278,620	755,702	1,623,632	2,657,954	1,043,126	297,127	401,427

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

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

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

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES
DEPOSIT MONEY BANKS¹
Assets

Lm thousands

End of Period	Cash & Deposits with Central Bank of Malta ²	Foreign Assets	Local Lending & Bills Discounted	Local Investments	Fixed and Other Assets ²	Total Assets/ Total Liabilities
1990	58,349	197,787	458,246	100,284	32,334	847,000
1991	62,790	246,499	480,495	147,050	26,847	963,681
1992	93,816	330,111	539,405	147,048	32,488	1,142,868
1993	83,250	378,598	627,635	212,779	35,457	1,337,719
1994	194,501	417,411	707,355	210,540	46,545	1,576,352
1995	100,638	557,355	938,406	234,379	49,960	1,880,738
1996	96,777	588,571	1,079,552	263,194	114,236	2,142,330
1997	125,183	534,756	1,205,349	365,333	120,979	2,351,600
1998	140,172	575,077	1,324,629	477,853	128,861	2,646,592
1999	169,909	615,109	1,464,365	574,198	168,529	2,992,110
2000	152,739	729,614	1,608,023	601,427	150,727	3,242,530
2001	180,312	791,844	1,866,440	663,006	168,985	3,670,587
2002						
Jan.	204,082	775,106	1,857,995	678,136	185,060	3,700,379
Feb.	216,099	783,042	1,851,058	686,937	180,355	3,717,491
Mar.	208,762	779,869	1,875,527	687,352	151,638	3,703,149
Apr.	210,393	787,860	1,867,400	670,868	153,935	3,690,456
May	229,492	804,092	1,869,243	680,513	159,857	3,743,197
June	219,129	800,505	1,858,564	690,186	180,811	3,749,194
July	203,203	859,109	1,874,360	694,623	193,753	3,825,047
Aug.	255,687	868,205	1,865,321	676,918	191,349	3,857,480
Sept.	247,575	930,015	1,897,856	689,543	153,832	3,918,820
Oct.	272,582	923,432	1,891,594	706,917	163,188	3,957,712
Nov.	300,919	1,114,732	1,898,787	692,563	144,287	4,151,287
Dec.	294,778	1,299,603	1,899,173	667,087	173,107	4,333,748
2003						
Jan.	304,093	1,307,320	1,890,261	700,389	157,890	4,359,953
Feb.	284,217	1,294,386	1,876,815	706,001	160,897	4,322,316
Mar.	272,104	1,283,624	1,919,127	720,555	130,121	4,325,531
Apr.	282,147	1,266,474	1,925,836	736,349	138,092	4,348,898
May	308,692	1,238,948	1,922,318	732,738	146,008	4,348,703
June	301,037	1,273,046	1,919,728	754,824	151,000	4,399,634

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

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

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES
OTHER BANKING INSTITUTIONS¹**

Liabilities

Lm thousands

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

¹ This Table was discontinued as from January 2001.

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

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

**TABLE 1.3 STATEMENT OF ASSETS AND LIABILITIES
OTHER BANKING INSTITUTIONS¹**

Assets

Lm thousands

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

¹ This Table was discontinued as from January 2001.

² From September 1992 up to December 1994, includes deposits of offshore subsidiaries of 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 & Reserves	Other Liabilities	Total Liabilities
	Demand	Savings	Time	Total				
1995	1,607	3,513	4,614	9,734	366,823	26,659	4,530	407,746
1996	1,301	4,209	7,246	12,756	616,842	33,056	5,725	668,379
1997	2,068	5,757	7,080	14,905	950,186	63,912	12,881	1,041,884
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999	4,027	10,203	7,093	21,323	2,460,629	188,740	40,418	2,711,110
2000	4,715	12,403	15,230	32,348	2,820,520	194,213	59,066	3,106,146
2001	5,426	11,259	16,153	32,838	2,348,815	256,729	17	2,638,400
2002								
Jan.	4,703	12,238	15,830	32,771	2,150,743	234,712	31,270	2,449,496
Feb.	5,926	14,143	15,257	35,326	2,097,070	232,695	28,621	2,393,711
Mar.	6,190	13,888	15,097	35,175	2,278,575	235,307	34,728	2,583,785
Apr.	6,209	11,856	17,472	35,537	2,279,988	236,434	37,719	2,589,678
May	6,778	12,720	16,699	36,197	2,345,702	238,268	39,907	2,660,075
June	7,653	15,085	18,784	41,521	2,319,044	240,205	30,329	2,631,100
July	4,481	17,811	18,839	41,131	2,374,221	239,003	44,777	2,699,132
Aug.	7,424	17,111	19,949	44,484	2,468,160	239,039	46,064	2,797,747
Sept.	6,432	17,195	19,603	43,230	2,450,095	239,707	45,337	2,778,369
Oct.	3,715	18,834	19,857	42,406	2,672,032	239,794	47,384	3,001,615
Nov.	124	5,097	850	6,071	2,503,992	157,713	20,913	2,688,689
Dec.	28	5,227	1,125	6,380	2,297,394	157,981	14,774	2,476,529
2003								
Jan.	294	5,571	1,336	7,201	2,161,655	162,453	10,417	2,341,726
Feb.	316	5,302	768	6,386	2,233,730	169,440	11,592	2,421,148
Mar.	312	3,848	789	4,949	2,250,377	169,477	14,479	2,439,283
Apr.	498	4,323	784	5,605	2,273,457	169,688	16,769	2,465,519
May	344	2,618	947	3,909	2,243,020	170,129	21,350	2,438,409
June	969	2,262	1,057	4,288	2,303,399	169,717	20,932	2,498,336

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

Assets

Lm thousands

End of Period	Cash & Deposits with Central Bank of Malta	Foreign Assets	Local Lending & Bills Discounted	Local Investments	Fixed & Other Assets	Total Assets
1995	712	241,121	157	161,931	3,825	407,746
1996	937	462,902	37	200,098	4,405	668,379
1997	867	817,949	598	217,221	5,249	1,041,884
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999	1,892	2,434,594	6,135	260,458	8,030	2,711,110
2000	2,078	2,819,021	6,128	267,663	11,256	3,106,146
2001	1,355	2,481,053	5,855	137,161	12,976	2,638,400
2002						
Jan.	1,467	2,282,661	6,967	146,809	11,592	2,449,496
Feb.	1,381	2,224,745	5,688	153,026	8,872	2,393,711
Mar.	1,354	2,412,549	6,523	154,654	8,705	2,583,785
Apr.	1,329	2,419,124	6,869	153,576	8,781	2,589,678
May	1,386	2,491,250	6,802	153,083	7,553	2,660,075
June	1,273	2,459,638	5,997	156,737	7,455	2,631,100
July	1,401	2,523,905	6,074	160,893	6,859	2,699,132
Aug.	1,284	2,616,453	5,861	167,203	6,945	2,797,747
Sept.	1,512	2,595,768	5,905	168,251	6,933	2,778,369
Oct.	1,507	2,802,706	5,424	187,108	4,870	3,001,615
Nov.	1,254	2,668,624	5,828	9,158	3,825	2,688,689
Dec.	1,141	2,456,089	6,426	8,860	4,013	2,476,529
2003						
Jan.	1,179	2,321,045	6,200	8,712	4,590	2,341,726
Feb.	1,223	2,400,272	5,753	8,767	5,133	2,421,148
Mar.	1,270	2,418,695	6,386	8,815	4,117	2,439,283
Apr.	1,214	2,444,223	7,759	8,635	3,687	2,465,519
May	1,212	2,417,272	7,940	8,405	3,580	2,438,409
June	1,156	2,477,243	7,385	8,556	3,996	2,498,336

TABLE 1.5 BANKING SURVEY¹

Lm thousands

End of Period	Domestic Credit			Net Foreign Assets			Narrow Money ⁴ (M1)	Quasi-Money ⁵	Other Items (Net)	Total Assets/ Liabilities
	Net Claims on Government ²	Claims on Private & Parastatal Sectors ³	Total	Central Bank of Malta	All Banking Institutions	Total				
1990	91,177	486,841	578,018	444,763	139,860	584,623	384,438	657,223	120,980	1,162,641
1991	119,535	576,846	696,381	426,885	169,052	595,937	406,689	726,245	145,634	1,292,318
1992	121,591	638,078	759,669	492,230	198,759	690,989	408,551	830,231	206,345	1,450,658
1993	137,329	720,680	858,009	549,495	187,664	737,159	425,063	941,658	219,292	1,595,168
1994	150,632	816,586	967,218	690,434	187,106	877,540	463,547	1,106,721	208,331	1,844,758
1995	179,896	1,044,865	1,224,761	580,700	242,107	822,807	436,760	1,254,635	356,173	2,047,568
1996	239,084	1,190,485	1,429,569	554,119	208,331	762,450	454,089	1,414,215	323,715	2,192,019
1997	321,469	1,323,259	1,644,728	561,668	182,760	744,428	479,899	1,567,091	342,166	2,389,156
1998	355,996	1,459,815	1,815,811	639,991	238,447	878,438	523,628	1,698,959	471,662	2,694,249
1999	358,094	1,632,866	1,990,960	740,339	228,835	969,174	581,148	1,860,653	518,334	2,960,134
2000	411,810	1,772,432	2,184,242	640,508	330,271	970,779	594,660	1,944,221	616,140	3,155,021
2001	475,109	1,853,194	2,328,303	760,428	323,119	1,083,546	635,487	2,117,464	658,898	3,411,850
2002										
Jan.	495,229	1,846,718	2,341,947	781,647	297,768	1,079,415	623,393	2,146,918	651,050	3,421,362
Feb.	495,352	1,841,413	2,336,764	795,701	310,013	1,105,714	631,833	2,177,936	632,709	3,442,479
Mar.	501,527	1,862,148	2,363,674	783,029	362,677	1,145,706	643,432	2,207,746	658,202	3,509,380
Apr.	507,518	1,859,405	2,366,922	771,531	396,172	1,167,703	641,205	2,219,955	673,466	3,534,625
May	536,446	1,864,488	2,400,934	773,008	402,520	1,175,529	647,223	2,234,657	694,583	3,576,463
June	537,159	1,853,849	2,391,007	780,684	389,321	1,170,006	654,888	2,253,210	652,916	3,561,013
July	502,239	1,872,217	2,374,456	811,339	432,439	1,243,778	665,438	2,280,521	672,275	3,618,234
Aug.	519,192	1,865,274	2,384,467	827,645	443,118	1,270,763	670,279	2,310,093	674,858	3,655,230
Sept.	485,833	1,899,411	2,385,244	840,606	475,049	1,315,655	679,886	2,335,418	685,595	3,700,899
Oct.	555,819	1,897,597	2,453,416	872,260	416,097	1,288,358	682,638	2,321,409	737,727	3,741,774
Nov.	543,943	1,904,805	2,448,748	878,558	419,091	1,297,649	675,290	2,361,216	709,891	3,746,397
Dec.	497,959	1,908,189	2,406,148	873,860	419,737	1,293,596	680,121	2,357,951	661,672	3,699,744
2003										
Jan.	522,170	1,896,269	2,418,439	889,618	417,091	1,306,709	677,963	2,375,357	671,828	3,725,148
Feb.	513,157	1,884,676	2,397,833	897,328	426,398	1,323,726	680,993	2,357,297	683,269	3,721,559
Mar.	519,247	1,927,805	2,447,052	878,196	422,762	1,300,958	685,794	2,353,109	709,107	3,748,009
Apr.	547,764	1,934,365	2,482,128	889,141	404,656	1,293,796	705,490	2,369,144	701,291	3,775,925
May	540,748	1,929,776	2,470,523	925,019	391,719	1,316,738	710,003	2,371,979	705,280	3,787,261
June	554,868	1,934,429	2,489,297	921,508	403,764	1,325,272	729,233	2,368,868	716,468	3,814,569

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

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

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

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

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

TABLE 1.6 MONETARY BASE AND MONETARY AGGREGATES
Lm thousands

End of Period	Monetary Base (M0) ¹			Broad Money (M3) ³						
	Currency Issued ²	Bank Deposits with Central Bank of Malta	Total	Narrow Money(M1)			Quasi-Money			Total
				Currency in Circulation	Demand Deposits ⁴	Total	Savings Deposits	Time Deposits	Total	
1990	339,519	45,762	385,281	330,305	54,133	384,438	260,691	396,532	657,223	1,041,661
1991	354,513	52,867	407,380	344,342	62,347	406,689	310,302	415,943	726,245	1,132,934
1992	350,611	78,498	429,109	337,635	70,916	408,551	367,108	463,123	830,231	1,238,782
1993	364,013	67,173	431,186	353,258	71,805	425,063	415,292	526,366	941,658	1,366,721
1994	379,082	73,025	452,107	365,910	97,637	463,547	462,441	644,280	1,106,721	1,570,268
1995	367,444	80,026	447,470	351,779	84,981	436,760	510,842	743,793	1,254,635	1,691,395
1996	380,246	71,627	451,873	362,068	92,021	454,089	537,269	876,946	1,414,215	1,868,304
1997	384,655	100,511	485,166	363,765	116,134	479,899	574,125	992,966	1,567,091	2,046,990
1998	390,911	115,195	506,107	369,493	154,135	523,628	585,131	1,113,828	1,698,959	2,222,587
1999	418,485	124,786	543,271	384,593	196,555	581,148	637,402	1,223,251	1,860,653	2,441,800
2000	423,188	141,270	564,459	396,303	198,357	594,660	629,389	1,314,832	1,944,221	2,538,881
2001	441,829	125,789	567,618	418,887	216,600	635,487	671,449	1,446,015	2,117,464	2,752,951
2002										
Jan.	433,286	130,034	563,320	413,797	209,596	623,393	677,542	1,469,376	2,146,918	2,770,311
Feb.	433,412	127,009	560,421	414,699	217,133	631,833	683,418	1,494,518	2,177,936	2,809,769
Mar.	436,995	98,755	535,750	419,090	224,343	643,432	687,713	1,520,033	2,207,746	2,851,178
Apr.	441,559	88,207	529,766	425,139	216,065	641,205	689,406	1,530,549	2,219,955	2,861,159
May	444,631	118,605	563,236	426,219	221,004	647,223	681,099	1,553,558	2,234,657	2,881,880
June	449,887	130,602	580,489	430,740	224,148	654,888	682,086	1,571,124	2,253,210	2,908,097
July	455,342	119,184	574,526	436,081	229,357	665,438	690,231	1,590,290	2,280,521	2,945,959
Aug.	453,209	133,854	587,063	435,774	234,505	670,279	695,268	1,614,825	2,310,093	2,980,372
Sept.	456,448	100,234	556,683	437,997	241,889	679,886	700,761	1,634,657	2,335,418	3,015,304
Oct.	456,569	127,632	584,201	437,968	244,670	682,638	697,044	1,624,365	2,321,409	3,004,047
Nov.	451,950	120,479	572,429	436,616	238,674	675,290	714,153	1,647,063	2,361,216	3,036,506
Dec.	461,247	151,558	612,805	436,831	243,290	680,121	712,788	1,645,163	2,357,951	3,038,072
2003										
Jan.	450,395	113,620	564,015	431,459	246,504	677,963	721,974	1,653,383	2,375,357	3,053,320
Feb.	452,689	138,964	591,653	433,321	247,672	680,993	713,379	1,643,918	2,357,297	3,038,290
Mar.	456,791	136,096	592,887	441,041	244,753	685,794	729,258	1,623,851	2,353,109	3,038,903
Apr.	465,032	131,883	596,916	446,294	259,196	705,490	733,117	1,636,027	2,369,144	3,074,634
May	465,814	144,630	610,444	448,999	261,004	710,003	743,195	1,628,784	2,371,979	3,081,982
June	471,111	136,503	607,614	452,335	276,898	729,233	751,905	1,616,963	2,368,868	3,098,101

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

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

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

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

TABLE 1.7 MONETARY POLICY OPERATIONS OF THE CENTRAL BANK OF MALTA*Lm thousands*

Period	Liquidity-injection				Liquidity-absorption			
	Reverse Repos ¹			Marginal Lending Facility ²	Term Deposits ³			Overnight Deposit Facility ⁴
	Amount Injected	Amount Matured	Amount Outstanding		Amount Absorbed	Amount Matured	Amount Outstanding	
1995	88,865	86,865	2,000	-	116,397	222,997	-	-
1996	1,275	3,275	-	-	248,800	227,900	20,900	-
1997	54,200	54,200	-	-	349,000	369,900	-	-
1998	241,300	237,300	4,000	-	173,000	173,000	-	-
1999	81,800	85,800	-	-	437,900	425,900	12,000	104,500
2000	244,900 ⁵	180,200	64,700	500	271,600	283,600	-	97,662
2001	859,000	918,700	5,000	8,550	77,200	56,200	21,000	120,200
2002	-	5,000	-	-	2,399,400	2,316,400	104,000	175,665
2002								
Jan.	-	5,000	-	-	105,300	72,300	54,000	5,700
Feb.	-	-	-	-	128,500	113,000	69,500	42,500
Mar.	-	-	-	-	222,000	199,000	92,500	14,800
Apr.	-	-	-	-	179,800	164,800	107,500	400
May	-	-	-	-	169,000	184,000	92,500	17,800
June	-	-	-	-	156,000	180,000	68,500	15,300
July	-	-	-	-	146,500	152,500	62,500	2,000
Aug.	-	-	-	-	194,500	155,000	102,000	20,200
Sept.	-	-	-	-	195,300	199,900	97,400	12,200
Oct.	-	-	-	-	261,800	207,200	152,000	13,500
Nov.	-	-	-	-	357,400	339,900	169,500	22,500
Dec.	-	-	-	-	283,300	348,800	104,000	8,765
2003								
Jan.	-	-	-	-	321,600	256,600	169,000	11,300
Feb.	-	-	-	-	242,500	281,500	130,000	7,000
Mar.	-	-	-	-	243,800	259,300	114,500	3,000
Apr.	-	-	-	-	253,300	238,800	129,000	7,400
May	-	-	-	-	332,500	308,500	153,000	25,300
June	-	-	-	-	297,800	305,300	145,500	10,200

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

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

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

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

⁵Includes Lm28 million bilateral repos.

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			
1990	609,524	81,398	2,158	14,847	642,867	65,060	707,927	60,241	768,163
1991	681,830	84,192	1,815	14,722	702,698	79,861	782,559	78,584	861,143
1992	766,751	107,243	2,029	15,519	793,705	97,837	891,542	118,074	1,009,616
1993	877,873	109,876	2,704	20,254	904,531	106,176	1,010,707	139,558	1,150,265
1994	1,029,646	136,222	2,211	23,963	1,069,068	122,974	1,192,042	170,199	1,362,241
1995	1,170,640	151,510	6,744	24,214	1,196,977	156,131	1,353,108	236,180	1,589,288
1996	1,322,162	160,545	8,952	26,691	1,345,124	173,226	1,518,350	363,449	1,881,799
1997	1,466,011	190,603	10,000	30,148	1,513,978	182,784	1,696,762	578,884	2,275,646
1998	1,615,056	206,658	11,839	32,788	1,674,107	192,234	1,866,341	1,076,060	2,942,401
1999	1,704,669	324,081	14,868	33,284	1,870,317	206,585	2,076,902	1,148,486	3,225,388
2000	1,786,776	322,578	13,443	40,557	1,938,548	224,808	2,163,356	1,118,099	3,281,454
2001	1,955,817	351,655	12,521	31,759	2,065,730	286,021	2,351,751	946,220	3,297,971
2002									
Jan.	1,972,992	360,149	13,061	32,019	2,086,279	291,941	2,378,220	958,350	3,336,570
Feb.	1,990,957	380,304	12,761	32,624	2,118,760	297,886	2,416,646	973,442	3,390,088
Mar.	2,016,442	399,950	10,811	30,172	2,139,107	318,270	2,457,377	1,045,915	3,503,292
Apr.	2,031,223	381,613	13,087	31,184	2,146,790	310,317	2,457,107	1,067,802	3,524,909
May	2,042,051	393,722	12,876	30,785	2,173,246	306,188	2,479,434	1,124,115	3,603,549
June	2,061,453	400,501	12,324	31,445	2,194,978	310,744	2,505,722	1,096,816	3,602,538
July	2,070,868	412,767	13,583	33,447	2,214,034	316,630	2,530,664	1,080,195	3,610,858
Aug.	2,091,972	425,903	13,390	38,501	2,246,770	322,996	2,569,766	1,095,208	3,664,974
Sept.	2,108,534	437,257	13,546	44,626	2,261,408	342,556	2,603,964	1,150,338	3,754,302
Oct.	2,110,034	405,568	13,586	57,639	2,261,060	325,767	2,586,827	1,103,409	3,690,236
Nov.	2,138,538	413,380	11,101	58,784	2,287,363	334,440	2,621,803	1,011,512	3,633,315
Dec.	2,121,567	426,933	14,189	58,112	2,279,244	341,557	2,620,801	908,426	3,529,227
2003									
Jan.	2,120,956	455,044	19,168	56,896	2,307,613	344,451	2,652,064	862,586	3,514,650
Feb.	2,109,743	451,060	17,590	53,672	2,294,497	337,568	2,632,065	860,486	3,492,551
Mar.	2,114,017	446,341	17,008	50,520	2,281,775	346,111	2,627,886	838,378	3,466,264
Apr.	2,131,526	450,777	19,724	46,803	2,309,409	339,421	2,648,830	877,061	3,525,891
May	2,139,655	450,920	20,603	52,908	2,321,773	342,313	2,664,086	832,339	3,496,425
June	2,136,304	460,819	19,441	55,588	2,340,337	331,815	2,672,152	816,393	3,488,545

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

² Includes bearer deposits.

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

⁴ Includes External Maltese lira deposits.

TABLE 1.9 CURRENCY IN CIRCULATION*Ln thousands*

End of Period	Currency Issued and Outstanding			Less Currency held by Banking System ²	Currency in Circulation
	Notes ¹	Coins	Total		
1990	330,715	8,804	339,519	9,214	330,305
1991	344,933	9,580	354,513	10,171	344,342
1992	340,144	10,467	350,611	12,976	337,635
1993	352,590	11,423	364,013	10,755	353,258
1994	366,630	12,452	379,082	13,171	365,910
1995	354,109	13,335	367,444	15,665	351,779
1996	366,297	13,949	380,246	18,178	362,068
1997	369,830	14,825	384,655	20,890	363,765
1998	375,209	15,702	390,911	21,418	369,493
1999	401,999	16,486	418,485	33,893	384,593
2000	405,713	17,476	423,188	26,885	396,303
2001	423,835	17,994	441,829	22,942	418,887
2002					
Jan.	415,470	17,816	433,286	19,489	413,797
Feb.	415,524	17,888	433,412	18,712	414,699
Mar.	419,238	17,757	436,995	17,906	419,090
Apr.	423,736	17,823	441,559	16,420	425,139
May	426,695	17,936	444,631	18,412	426,219
June	431,859	18,028	449,887	19,147	430,740
July	436,944	18,398	455,342	19,261	436,081
Aug.	434,661	18,549	453,209	17,435	435,774
Sept.	437,832	18,616	456,448	18,451	437,997
Oct.	438,034	18,535	456,569	18,601	437,968
Nov.	433,495	18,456	451,950	15,334	436,616
Dec.	443,905	17,343	461,247	24,416	436,831
2003					
Jan.	433,272	17,123	450,395	18,936	431,459
Feb.	435,652	17,037	452,689	19,369	433,321
Mar.	439,707	17,084	456,791	15,749	441,041
Apr.	447,809	17,223	465,032	18,738	446,294
May	448,445	17,369	465,814	16,815	448,999
June	453,582	17,529	471,111	18,776	452,335

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

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

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

Lm thousands

End of Period	Total Notes & Coins ¹	Currency Notes					
		Lm20	Lm10	Lm5	Lm2	Lm1	Total
1990	339,519	143,772	154,214	27,325	4,681	723	330,715
1991	354,513	147,013	165,736	26,666	4,833	685	344,933
1992	350,611	112,591	195,027	26,772	5,092	662	340,144
1993	364,013	118,509	202,241	26,036	5,170	634	352,590
1994	379,082	122,770	211,079	26,965	5,816	-	366,630
1995	367,444	121,395	201,474	25,510	5,730	-	354,109
1996	380,246	123,243	210,985	26,211	5,859	-	366,298
1997	384,655	118,144	219,736	25,853	6,099	-	369,832
1998	390,911	109,720	234,117	24,174	5,793	-	373,804
1999	418,485	108,626	259,366	27,738	6,270	-	402,000
2000	423,188	107,902	264,170	27,168	6,473	-	405,713
2001	441,829	108,832	280,699	27,647	6,656	-	423,834
2002							
Jan.	433,286	108,222	275,029	25,740	6,480	-	415,471
Feb.	433,412	107,981	275,327	25,752	6,464	-	415,524
Mar.	436,995	108,529	277,618	26,473	6,619	-	419,239
Apr.	441,559	109,463	280,777	26,826	6,671	-	423,737
May	444,631	110,608	282,231	27,044	6,812	-	426,695
June	449,887	110,753	286,321	27,932	6,853	-	431,859
July	455,342	111,246	289,939	28,734	7,025	-	436,944
Aug.	453,209	110,882	288,732	28,008	7,039	-	434,661
Sept.	456,448	110,773	291,621	28,424	7,014	-	437,832
Oct.	456,569	110,426	292,652	28,020	6,936	-	438,034
Nov.	451,950	109,824	290,109	26,739	6,823	-	433,495
Dec.	461,247	109,560	298,664	28,784	6,897	-	443,905
2003							
Jan.	450,395	108,876	291,267	26,391	6,739	-	433,273
Feb.	452,689	108,761	293,500	26,595	6,797	-	435,653
Mar.	456,791	109,065	296,674	27,116	6,851	-	439,706
Apr.	465,032	109,948	302,588	28,287	6,986	-	447,809
May	465,814	110,115	302,817	28,473	7,040	-	448,445
June	471,111	110,570	306,974	28,899	7,139	-	453,582

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

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY¹

Lm thousands

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

Period	Liquid Assets			Net Short-term Liabilities ³	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to Deposits ²
1995	396,803	307,172	89,631	1,023,907	38.8	70.3
1996	498,944	346,358	152,586	1,154,527	43.2	72.0
1997	526,117	362,841	163,276	1,209,469	43.5	71.0
1998	596,848	381,630	215,218	1,272,101	46.9	72.4
1999	694,529	459,454	235,075	1,531,512	45.3	71.8
2000	680,572	491,273	189,299	1,637,576	41.6	76.1
2001	899,098	524,456	374,642	1,748,188	51.4	80.7
2002						
Jan.	901,722	531,712	370,010	1,772,373	50.9	79.5
Feb.	918,821	517,718	401,103	1,725,727	53.2	78.0
Mar.	927,296	528,333	398,963	1,761,109	52.7	77.9
Apr.	921,314	519,963	401,351	1,733,210	53.2	77.4
May	930,250	527,042	403,208	1,756,808	53.0	76.9
June	925,305	533,951	391,354	1,779,837	52.0	75.8
July	924,845	540,240	384,605	1,800,799	51.4	75.5
Aug.	912,654	551,614	361,040	1,838,714	49.6	74.3
Sept.	937,243	561,530	375,713	1,871,766	50.1	74.5
Oct.	952,389	578,340	374,049	1,927,799	49.4	74.6
Nov.	999,137	579,447	419,690	1,931,490	51.7	72.9
Dec.	983,291	588,529	394,762	1,961,762	50.1	72.8
2003						
Jan.	1,024,617	586,688	437,929	1,955,628	52.4	71.8
Feb.	1,039,716	570,377	469,340	1,901,255	54.7	71.8
Mar.	1,066,884	569,323	497,561	1,897,743	56.2	73.6
Apr.	1,093,560	571,750	521,810	1,905,832	57.4	73.1
May	1,063,269	584,021	479,248	1,946,737	54.6	72.6
June	1,096,464	585,938	510,527	1,953,125	56.1	72.2

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

² Includes 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 ASSETS¹

Ln thousands

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

Period	Cash & Deposits with Central Bank of Malta ⁴	Treasury Bills	Interbank Deposits	Marketable Debt Securities ⁵	Total Liquid Assets
1995	21,565	30,142	61,887	283,209	396,803
1996	20,264	67,173	70,741	340,766	498,944
1997	26,359	26,791	55,462	417,505	526,117
1998	31,064	33,110	47,280	485,394	596,848
1999	50,995	75,929	67,768	499,837	694,529
2000	33,512	116,818	68,865	461,377	680,572
2001	59,754	135,845	115,894	587,605	899,098
2002					
Jan.	87,954	146,026	93,367	574,375	901,722
Feb.	98,555	158,674	102,891	558,701	918,821
Mar.	95,008	154,141	100,071	578,076	927,296
Apr.	102,057	151,428	108,269	559,560	921,314
May	118,898	151,395	91,780	568,177	930,250
June	95,934	165,667	99,732	563,972	925,305
July	93,230	174,952	93,026	563,637	924,845
Aug.	98,914	157,303	96,609	559,828	912,654
Sept.	94,113	170,272	120,130	552,728	937,243
Oct.	88,399	186,430	116,453	561,107	952,389
Nov.	152,702	171,859	111,893	562,683	999,137
Dec.	120,981	156,950	135,072	570,288	983,291
2003					
Jan.	153,795	183,519	132,431	554,872	1,024,617
Feb.	106,557	202,352	177,932	552,875	1,039,716
Mar.	112,774	218,173	175,576	560,361	1,066,884
Apr.	134,493	233,548	170,919	554,600	1,093,560
May	150,676	224,942	134,562	553,089	1,063,269
June	163,023	238,860	147,647	546,934	1,096,464

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

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

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

⁴ Excludes balances held as reserve deposits.

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

**TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES
OUTSTANDING BY MAIN SECTOR¹**

Lm thousands

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

End of Period	Energy & Water	Transport, Storage & Communication	All Banking Institutions ²	Agriculture & Fisheries	Manufacturing, Shiprepair/ Shipbuilding	Building & Construction	Hotel, Restaurant & Tourist Trades	Wholesale & Retail Trades
1993	30,367	22,872	108,896	5,571	149,018	28,071	30,288	113,810
1994	32,599	24,584	118,957	7,052	161,352	43,327	38,072	137,453
1995	80,818	54,998	65,563	8,560	188,815	65,489	79,242	181,810
1996	86,861	63,644	55,393	11,472	204,026	73,590	110,271	208,301
1997	98,105	69,171	45,735	10,755	205,140	71,593	154,104	224,161
1998	106,900	76,025	58,077	10,627	195,971	82,028	170,185	243,464
1999	108,906	75,977	43,186	10,305	196,285	96,482	204,228	267,183
2000	101,083	98,396	53,591	19,004	210,971	98,362	235,703	285,419
2001	95,225	107,097	101,419	10,374	202,597	85,169	245,567	295,397
2002								
Jan.	91,870	109,772	100,356	10,206	201,793	85,928	246,248	294,250
Feb.	91,398	106,819	98,192	10,202	204,989	86,287	247,579	291,394
Mar.	91,078	109,065	103,230	10,483	207,058	89,586	248,797	309,334
Apr.	89,602	104,352	98,121	10,496	208,068	87,892	247,445	309,324
May	89,045	102,590	95,670	10,399	207,105	91,296	247,925	308,628
June	89,596	105,708	93,320	10,505	202,658	88,585	246,472	299,262
July	89,796	128,781	90,358	10,554	201,904	91,412	247,156	295,737
Aug.	89,683	126,157	88,918	10,433	200,444	90,823	239,634	290,335
Sept.	91,982	132,950	90,236	10,419	196,374	93,784	244,898	296,294
Oct.	91,735	132,821	86,113	10,361	188,070	94,092	251,024	295,880
Nov.	94,991	130,419	86,463	10,153	189,172	92,781	252,449	293,196
Dec.	93,590	132,831	84,376	10,321	190,941	91,168	254,872	294,935
2003								
Jan.	90,782	126,746	82,918	9,700	188,361	95,344	251,531	289,993
Feb.	92,064	125,109	80,923	9,526	186,417	94,627	245,148	285,913
Mar.	93,883	126,628	80,868	9,733	190,217	96,670	249,631	297,448
Apr.	93,133	127,805	83,564	9,387	188,565	97,503	250,463	296,660
May	88,110	127,732	83,664	9,268	186,040	100,269	247,837	296,975
June	87,524	126,943	81,153	9,747	185,961	100,006	243,706	296,276

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

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

**TABLE 1.13 DEPOSIT MONEY BANK LOANS AND ADVANCES
OUTSTANDING BY MAIN SECTOR¹ (Continued)**

Lm thousands

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Total
	House Purchases	Consumer Durable Goods	Other	Total				
1990	13,448	1,827	14,470	29,745	53,836	453,283	2,547	455,830
1991	12,626	2,296	28,086	43,008	67,727	472,195	8,116	480,311
1992	15,374	3,577	34,917	53,868	79,704	529,317	9,850	539,167

End of Period	Personal				Other ³ Services	All Other	Total Local Lending	Foreign Lending	Total
	House Purchases ²	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	121,019	49,883	39,371	210,273	79,946	133,518	1,426,289	7,418	1,433,707
2000	137,293	52,959	53,582	243,833	65,828	161,752	1,573,942	8,956	1,582,898
2001	306,722	48,704	87,016	442,442	75,556	179,338	1,840,181	20,444	1,860,625
2002									
Jan.	309,170	47,685	87,161	444,016	70,151	177,807	1,832,397	20,031	1,852,428
Feb.	312,385	46,956	85,997	445,338	66,413	177,544	1,826,155	21,038	1,847,193
Mar.	320,532	46,464	88,677	455,673	71,267	155,733	1,851,304	22,476	1,873,780
Apr.	323,785	46,341	87,979	458,105	75,190	154,913	1,843,508	23,296	1,866,804
May	328,423	46,091	89,332	463,846	74,737	154,758	1,845,999	24,799	1,870,798
June	333,271	46,148	90,017	469,436	74,622	155,876	1,836,040	17,403	1,853,443
July	337,479	45,998	90,982	474,459	78,616	143,526	1,852,299	16,424	1,868,723
Aug.	343,263	44,964	90,260	478,487	82,729	146,634	1,844,277	15,884	1,860,161
Sept.	351,507	43,795	95,206	490,508	83,340	146,275	1,877,060	21,470	1,898,530
Oct.	357,056	44,330	97,595	498,981	80,753	141,982	1,871,812	21,207	1,893,019
Nov.	361,777	43,659	100,610	506,046	79,524	144,392	1,879,586	101,433	1,981,019
Dec.	367,124	43,302	97,897	508,323	81,977	137,594	1,880,928	265,492	2,146,420
2003									
Jan.	372,665	39,445	94,847	506,957	86,875	143,614	1,872,821	267,796	2,140,617
Feb.	382,540	41,406	121,031	507,895	89,965	142,391	1,859,978	258,905	2,118,883
Mar.	372,824	42,007	101,891	516,722	92,440	148,175	1,902,415	258,156	2,160,571
Apr.	377,770	40,830	104,848	523,448	89,875	149,244	1,909,647	255,718	2,165,365
May	382,000	40,344	105,753	528,097	85,339	153,209	1,906,540	257,233	2,163,773
June	382,540	41,406	109,744	533,690	86,658	152,513	1,904,177	258,451	2,162,628

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

² Includes also lending for the construction, modernisation or extension of dwellings.

³ Includes professional, repair and maintenance services.

**TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND
ADVANCES OUTSTANDING BY MAIN SECTOR¹**

Lm thousands

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

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

¹ This Table was discontinued as from January 2001.

TABLE 1.14 OTHER BANKING INSTITUTION LOANS AND ADVANCES OUTSTANDING BY MAIN SECTOR¹ (Continued)

Lm thousands

End of Period	Personal				All Other	Total Local Lending	Foreign Lending	Grand Total
	House Purchases ²	Consumer Durable Goods	Other	Total				
1990	63,880	22	133	64,035	7,978	102,978	70,152	173,130
1991	71,801	16	139	71,956	15,026	137,362	81,114	218,476
1992	78,913	11	168	79,092	17,542	162,835	87,187	250,022

End of Period	Personal				Other Services ³	All Other	Total Local Lending	Foreign Lending ⁴	Grand Total
	House Purchases ²	Consumer Durable Goods	Other	Total					
1993	82,830	16	120	82,966	2,712	7,063	179,706	79,287	258,993
1994	84,500	16	68	84,584	4,822	7,957	201,426	5,040	206,466
1995	86,135	38	72	86,245	1,841	3,272	146,937	86,619	233,556
1996	90,613	62	142	90,817	1,924	2,810	148,912	245,450	394,362
1997	95,247	52	130	95,429	1,987	3,103	142,089	447,503	589,592
1998	103,321	77	88	103,486	1,741	2,946	148,119	606,667	754,786
1999	103,070	92	190	103,352	1,504	4,767	143,623	815,458	959,081
2000									
Jan.	103,514	96	273	103,882	1,467	5,700	144,885	812,518	957,403
Feb.	104,021	91	415	104,527	1,369	6,190	145,886	812,948	958,834
Mar.	108,269	94	514	108,877	1,382	5,538	149,325	780,357	929,682
Apr.	108,934	91	816	109,841	1,352	5,617	149,138	800,690	949,828
May	109,547	88	1,074	110,709	1,283	5,506	149,964	807,963	957,927
June	111,388	84	1,386	112,858	1,262	4,856	152,625	728,149	880,774
July	112,442	80	1,683	114,204	1,242	4,898	152,015	893,479	1,045,494
Aug.	113,845	75	2,039	115,959	1,212	5,298	153,888	901,224	1,055,112
Sept.	117,464	74	2,486	120,024	1,219	5,515	157,897	883,621	1,041,518
Oct.	118,853	68	2,884	121,805	85	5,883	134,301	893,902	1,028,203
Nov.	119,376	66	3,103	122,545	84	4,742	133,891	930,404	1,064,294
Dec.	120,650	62	3,376	124,088	84	4,400	134,995	950,923	1,085,919

¹ This Table was discontinued as from January 2001.

² Includes also lending for the construction, modernisation or extension of dwellings.

³ Includes professional, repair and maintenance services.

⁴ As from January 1995, includes lending by International Banking Institutions.

**TABLE 1.15 LOANS AND ADVANCES OUTSTANDING
TO THE PRIVATE AND PUBLIC SECTORS BY 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
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	492	100,591	46,358	52,038	19,026	-	154,127	11,204
2001	931	94,294	48,637	58,460	10,357	17	136,204	23,421
2002								
Mar.	944	90,134	43,646	65,419	10,459	24	137,214	25,095
June	765	88,831	46,788	58,920	10,496	9	139,198	19,425
Sept.	792	91,190	44,293	88,657	10,398	21	129,807	21,914
Dec.	679	92,911	46,121	86,710	10,298	23	124,959	22,485
2003								
Mar.	1,000	92,883	46,791	79,837	9,726	7	127,729	18,766
June	325	87,199	47,983	78,960	9,737	10	123,398	16,374
End of Period	Shipbuilding and Shiprepair		Building and Construction		Hotel, Restaurant and Tourist Trades		Wholesale and Retail Trades	
	Private /Public Sector		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector
1996	64,113		71,200	3,077	131,948	2,425	210,967	52
1997	60,460		69,231	2,974	171,964	2,525	226,681	6
1998	47,781		79,743	2,800	188,312	2,068	245,854	6
1999	46,909		94,189	2,666	218,053	2,830	269,119	9
2000	46,897		95,986	2,550	234,173	4,253	285,627	5
2001	43,221		85,169	-	241,877	3,690	295,002	395
2002								
Mar.	45,815		89,581	5	245,204	3,593	309,165	169
June	45,040		88,575	10	242,891	3,581	299,005	257
Sept.	45,640		93,775	9	241,159	3,739	295,955	339
Dec.	44,462		91,161	7	249,129	5,743	294,697	238
2003								
Mar.	44,679		96,670	-	246,340	3,291	297,243	205
June	47,258		100,006	-	240,349	3,357	296,002	274
End of Period	Personal	Other Services		All Other		Total Local Lending		
		Private Sector	Public Sector	Private Sector	Public Sector	Private Sector	Public Sector	Total
1996	213,467	37,851	10,186	93,483	4,642	921,650	249,505	1,171,155
1997	235,826	47,722	8,721	111,191	5,467	1,026,212	257,314	1,283,526
1998	266,170	54,748	7,822	124,735	3,735	1,139,090	243,266	1,382,356
1999	313,625	72,137	9,313	136,060	2,225	1,285,929	238,800	1,524,729
2000	367,921	60,861	5,051	163,447	2,705	1,431,641	221,671	1,653,312
2001	442,442	65,936	9,620	174,853	5,778	1,503,702	236,602	1,740,304
2002								
Mar.	455,673	62,215	9,052	151,237	6,459	1,507,649	243,454	1,751,103
June	469,436	66,198	8,424	150,957	6,319	1,516,760	228,365	1,745,125
Sept.	490,508	75,463	7,877	136,533	11,104	1,521,089	268,084	1,789,173
Dec.	508,323	72,382	9,595	133,771	5,666	1,533,481	265,879	1,799,347
2003								
Mar.	516,722	84,877	7,563	143,728	6,237	1,572,950	251,344	1,824,294
June	533,690	75,609	11,049	148,946	6,227	1,579,639	247,114	1,826,753

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

**TABLE 1.16 DEPOSIT MONEY BANK LOANS AND ADVANCES
CLASSIFIED BY SIZE AND INTEREST RATES¹**

Lm thousands

End of Period	Size of Loans and Advances ²					
	Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total	
1991	Amount	50,248	107,285	90,773	232,005	480,311
	Interest Rate	7.25	7.66	7.46	6.66	7.09
1992	Amount	56,552	125,587	99,836	257,192	539,167
	Interest Rate	7.24	7.71	7.55	6.62	7.11
1993	Amount	62,835	134,049	117,056	318,662	632,602
	Interest Rate	7.49	7.92	7.79	6.53	7.15
1994	Amount	75,537	156,107	133,338	347,239	712,218
	Interest Rate	7.60	7.99	7.90	6.61	7.26
1995	Amount	97,779	213,428	210,382	427,616	949,205
	Interest Rate	7.89	8.06	7.96	6.89	7.49
1996	Amount	109,048	249,555	237,482	493,517	1,091,606
	Interest Rate	8.03	8.35	8.34	7.13	7.76
1997	Amount	102,780	279,156	249,940	555,127	1,201,512
	Interest Rate	7.95	8.40	8.47	7.32	7.87
1998	Amount	111,377	325,711	282,194	578,241	1,297,519
	Interest Rate	8.01	8.37	8.51	7.38	7.93
1999	Amount	138,814	373,630	334,746	586,516	1,433,707
	Interest Rate	7.33	7.62	7.66	6.55	7.16
2000	Amount	177,667	426,915	335,629	642,687	1,582,898
	Interest Rate	7.38	7.31	7.29	6.46	6.97
2001	Amount	222,816	497,299	351,893	788,641	1,860,625
	Interest Rate	6.70	6.87	7.22	5.50	6.33
2002						
Mar.	Amount	224,502	511,821	355,625	781,832	1,873,780
	Interest Rate	6.47	6.44	7.01	5.24	6.05
June	Amount	226,539	523,769	353,688	749,447	1,853,443
	Interest Rate	6.47	6.37	6.97	5.24	6.04
Sept.	Amount	228,414	535,827	356,907	777,382	1,898,530
	Interest Rate	6.43	6.32	6.98	5.23	6.01
Dec.	Amount	231,568	554,682	358,287	1,001,883	2,146,420
	Interest Rate	6.21	6.02	6.68	5.04	5.69
2003						
Mar.	Amount	232,765	579,593	354,363	993,850	2,160,571
	Interest Rate	6.17	5.97	6.72	4.53	5.45
June	Amount	235,457	588,418	358,575	980,178	2,162,628
	Interest Rate	5.59	5.25	6.11	3.98	4.85

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

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

**TABLE 1.17 OTHER BANKING INSTITUTION LOANS AND
ADVANCES CLASSIFIED BY SIZE AND INTEREST RATES¹**

Lm thousands

End of Period		Size of Loans and Advances ²				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
1991	Amount	61,280	21,205	25,115	110,876	218,476
	Interest Rate	6.94	7.50	7.80	8.33	7.80
1992	Amount	67,581	25,883	25,648	130,910	250,022
	Interest Rate	6.96	7.57	7.68	7.53	7.39
1993	Amount	71,826	26,920	27,975	132,272	258,993
	Interest Rate	7.01	7.79	7.32	6.06	6.64
1994	Amount	72,419	26,430	23,598	84,019	206,466
	Interest Rate	7.01	7.83	7.99	7.27	7.33
1995	Amount	71,733	23,374	11,961	40,410	147,478
	Interest Rate	7.02	7.77	8.01	7.01	7.22
1996	Amount	72,239	27,013	11,213	38,914	149,379
	Interest Rate	7.01	7.83	8.14	7.01	7.24
1997	Amount	72,449	30,590	10,607	28,214	141,860
	Interest Rate	7.02	7.79	8.10	7.09	7.28
1998	Amount	73,437	37,087	11,131	25,775	147,430
	Interest Rate	7.03	7.72	8.10	7.15	7.31
1999	Amount	67,983	41,112	8,824	19,818	137,738
	Interest Rate	6.40	6.86	7.59	6.51	6.58
2000						
Mar.	Amount	68,399	45,874	8,578	19,639	142,491
	Interest Rate	6.40	6.80	7.58	6.53	6.62
June	Amount	68,215	49,517	8,402	19,759	145,893
	Interest Rate	6.41	6.73	7.51	6.51	6.59
Sept.	Amount	68,447	56,062	8,418	18,349	151,302
	Interest Rate	6.40	6.65	7.61	6.58	6.58
Dec.	Amount	68,040	57,032	1,660	2,607	129,366
	Interest Rate	6.40	6.52	8.37	7.33	6.50

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

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

TABLE 1.18 FINANCIAL MARKET RATES

	1995	1996	1997	1998	1999	2000	2001	2002				2003	
								Mar.	June	Sept.	Dec.	Mar.	June
INTEREST RATES¹													
Central Bank of Malta													
Discount Rate	5.50	5.50	5.50	5.50	4.75	4.75	4.25	4.00	4.00	4.00	3.75	3.75	3.25
Central Intervention Rate ²	-	-	-	5.45	4.75	4.75	4.25	4.00	4.00	4.00	3.75	3.75	3.25
Money Market Interventions													
Term Deposit Rate ³	4.94	5.01	5.22	5.43	4.70	4.72	4.22	3.95	3.95	3.95	3.70	3.70	3.20
Reverse Repo Rate ³	5.50	5.40	5.50	5.50	4.80	4.80	4.29	4.05#	4.05#	4.05#	3.80#	3.80#	3.30#
Standby (Collateralised) Loan Facility ⁴	6.00	6.00	6.00	6.00	5.30	5.30	4.80	4.55	4.55	4.55	4.30	4.30	3.80
Overnight Deposit Facility ⁵	2.50	-	-	-	1.80	1.80	1.30	1.05	1.05	1.05	0.80	0.80	0.30
Reserve Requirements Remuneration	2.50	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
Interbank Market Offered Rates⁶													
Overnight	-	-	4.95	5.50	4.75	4.75	3.65	3.50	3.92*	3.97	3.73*	3.69	3.23*
1 week	-	-	5.26	5.56	4.74	4.78	4.25	3.97	3.99	3.99	3.76*	3.63*	3.26*
1 month	-	-	5.38	5.70	4.75	4.90	4.58*	4.15*	4.13*	4.16*	3.80*	3.73*	3.27*
3 month	-	-	5.51	5.95	5.27	4.92*	4.82*	4.35*	4.33*	4.25*	3.90*	3.76*	3.39*
Deposit Money Banks⁷													
Weighted Average Deposit Rate													
Current	0.16	0.42	1.37	1.49	1.11	1.32	1.48	1.05	1.10	1.27	1.12	0.93	0.75
Savings	3.00	3.01	3.02	3.04	2.81	2.52	2.22	1.98	1.97	2.00	1.80	1.64	1.43
Time	5.01	5.29	5.35	5.35	5.43	5.25	4.98	5.00	4.78	4.47	4.39	4.23	4.06
Weighted Average Lending Rate	7.49	7.93	8.04	8.08	7.28	7.23	6.50	6.28	6.28	6.25	6.07	6.12	5.97
Government Securities													
Treasury Bills ⁸													
1 month	-	5.00	5.19	5.43	5.05	4.85	4.80	4.10	4.10	4.00	4.00	4.00	4.00
3 month	4.94	5.01	5.25	5.49	4.95	4.90	4.53	4.04	4.01	3.96	3.67	3.46	3.38
6 month	5.16	5.30	5.30	5.50	4.97	4.94	5.04	4.75	4.14	4.10	3.80	3.57	3.35
1 year	5.34	5.40	5.40	5.50	5.12	5.03	5.08	4.40	4.40	4.40	4.40	4.40	3.52
Government Stocks ⁹													
1 year	5.00	-	-	-	-	4.99	4.47	4.15	4.40	4.10	3.74	3.52	3.05
5 year	6.60	6.65	6.82	5.80	5.46	5.33	5.40	5.56	5.39	5.32	5.15	5.01	4.51
10 year	7.08	7.23	7.26	6.00	5.55	5.99	6.15	5.90	5.76	5.66	5.43	5.22	5.07
15 year	-	7.49	7.62	6.47	6.03	6.39	6.44	6.14	6.07	5.93	5.86	5.63	5.21
20 year	-	-	-	6.86	6.14	6.60	6.55	6.40	-	-	-	-	-
MALTA STOCK EXCHANGE SHARE INDEX	1000	1004	1050	1211	3278	3376	2200	2118	1992	1809	1871	1885	1920

¹ End of period rates in percentages per annum.

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

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

⁴ Offered in terms of Article 15(1)(e) of the Central Bank of Malta Act, Cap. 204.

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

⁶ In the absence of dealing in the interbank market, rates indicated by an asterisk (*) represent the average of fixing rates compiled by the Central Bank of Malta. These are the rates at which credit institutions are prepared to deal in the local interbank market.

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

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

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

TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM¹
Lm thousands

End of Period	Central Bank of Malta ²							Total (A+B)
	Foreign Assets				Foreign Liabilities	Net (A)	Government & Parastatal Companies ⁵ (B)	
	Gold ³	Convertible Currencies	IMF-Related Assets ⁴	Total Foreign Assets				
1990	12,979	380,527	33,618	427,124	-	427,124	17,639	444,763
1991	6,437	366,822	37,175	410,434	-	410,434	16,451	426,885
1992	9,101	435,857	30,061	475,019	-	475,019	17,211	492,230
1993	10,216	490,358	32,827	533,401	-	533,401	16,094	549,495
1994	7,314	577,501	32,829	617,644	-	617,644	72,790	690,434
1995	3,596	471,090	34,007	508,693	-	508,693	72,007	580,700
1996	3,646	468,523	36,408	508,577	-	508,577	45,542	554,119
1997	1,311	501,379	38,912	541,602	-	541,602	20,066	561,668
1998	688	598,874	40,429	639,991	-	639,991	-	639,991
1999	737	704,084	35,517	740,339	-	740,339	-	740,339
2000	452	606,771	36,940	644,163	3,655	640,508	-	640,508
2001	629	721,936	37,863	760,428	-	760,428	-	760,428
2002								
Jan.	697	743,818	38,105	782,621	974	781,647	-	781,647
Feb.	596	760,396	38,218	799,211	3,510	795,701	-	795,701
Mar.	601	747,664	38,191	786,456	3,427	783,029	-	783,029
Apr.	602	732,960	37,968	771,531	0	771,531	-	771,531
May	626	734,424	37,959	773,008	0	773,008	-	773,008
June	543	742,642	37,499	780,684	0	780,684	-	780,684
July	459	775,267	37,518	813,244	1,905	811,339	-	811,339
Aug.	469	789,541	37,636	827,645	0	827,645	-	827,645
Sept.	481	803,928	37,451	841,860	1,255	840,606	-	840,606
Oct.	472	837,792	37,418	875,682	3,422	872,260	-	872,260
Nov.	473	845,812	37,355	883,639	5,081	878,558	-	878,558
Dec.	473	842,862	37,512	880,847	6,987	873,860	-	873,860
2003								
Jan.	510	854,421	36,978	891,909	2,291	889,618	-	889,618
Feb.	759	862,145	37,335	900,239	2,910	897,328	-	897,328
Mar.	723	845,994	37,316	884,034	5,838	878,196	-	878,196
Apr.	461	853,834	36,800	891,095	1,955	889,141	-	889,141
May	474	891,189	36,035	927,699	2,680	925,019	-	925,019
June	458	889,371	36,453	926,283	4,774	921,508	-	921,508

¹ On accrual basis.

² Up to 1998 this comprised the position of the Monetary Authorities, including the Central Bank of Malta and small amounts of Treasury balances. From 1998 it comprised only the foreign assets of the Central Bank of Malta.

³ Includes small amounts of other precious metals.

⁴ Includes IMF reserve position and holdings of SDRs.

⁵ Comprises customers' foreign currency deposits and sinking funds which are held with the Central Bank of Malta, and other official funds are held with the Treasury.

TABLE 1.19 NET FOREIGN ASSETS OF THE BANKING SYSTEM¹

(Continued)

Lm thousands

End of Period	Deposit Money Banks ²			Total (A+B+C)	International Banking Institutions ²			Grand Total (A+B+C+D)
	Assets	Liabilities	Net (C)		Assets	Liabilities	Net (D)	
1990	287,558	147,699	139,859	584,622	-	-	-	584,622
1991	344,598	175,546	169,052	595,937	-	-	-	595,937
1992	435,226	236,467	198,759	690,989	-	-	-	690,989
1993	487,521	299,857	187,664	737,159	-	-	-	737,159
1994	415,887	228,781	187,106	877,540	-	-	-	877,540
1995	566,204	341,373	224,831	805,531	236,148	218,872	17,276	822,807
1996	596,128	410,163	185,965	740,084	458,642	436,276	22,366	762,450
1997	544,672	413,917	130,755	692,423	815,080	763,075	52,005	744,428
1998	607,354	518,557	88,797	728,788	1,627,452	1,477,802	149,650	878,438
1999	661,557	605,673	55,884	796,223	2,377,807	2,204,857	172,951	969,174
2000	816,746	690,013	126,733	767,241	2,738,724	2,535,186	203,538	970,779
2001	828,701	722,868	105,833	866,261	2,444,196	2,226,910	217,286	1,083,546
2002								
Jan.	811,690	740,934	70,756	852,403	2,246,077	2,019,065	227,012	1,079,415
Feb.	815,240	732,960	82,280	877,981	2,192,547	1,964,814	227,733	1,105,714
Mar.	810,887	682,554	128,333	911,362	2,381,531	2,147,187	234,344	1,145,706
Apr.	818,601	659,929	158,672	930,203	2,388,383	2,150,883	237,500	1,167,703
May	834,071	674,967	159,104	932,112	2,461,271	2,217,855	243,416	1,175,529
June	828,067	675,274	152,793	933,477	2,432,076	2,195,547	236,529	1,170,006
July	883,849	700,416	183,433	994,772	2,499,165	2,250,158	249,007	1,243,778
Aug.	888,006	697,475	190,532	1,018,177	2,596,652	2,344,066	252,586	1,270,763
Sept.	948,197	724,853	223,344	1,063,950	2,577,586	2,325,881	251,705	1,315,655
Oct.	927,749	767,967	159,782	1,032,042	2,798,389	2,542,074	256,315	1,288,358
Nov.	1,114,732	860,273	254,459	1,133,017	2,668,624	2,503,992	164,632	1,297,649
Dec.	1,299,603	1,038,562	261,041	1,134,901	2,456,089	2,297,394	158,695	1,293,596
2003								
Jan.	1,307,320	1,049,620	257,701	1,147,319	2,321,045	2,161,655	159,390	1,306,709
Feb.	1,294,386	1,034,531	259,856	1,157,184	2,400,272	2,233,730	166,542	1,323,726
Mar.	1,283,624	1,029,180	254,445	1,132,640	2,418,695	2,250,377	168,317	1,300,958
Apr.	-	-	233,890	1,123,030	-	-	170,766	1,293,796
May	-	-	217,468	1,142,486	-	-	174,251	1,316,738
June	-	-	229,920	1,151,428	-	-	173,844	1,325,272

¹ As from 1995, data are on accrual basis.

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

TABLE 2.1 GOVERNMENT REVENUE AND EXPENDITURE*Lm thousands*

Period	Revenue			Expenditure			Deficit (-) or Surplus	Borrowing			Residual
	Ordinary ¹	Grants	Total	Ordinary ^{1,2}	Capital ³	Total		Local Loans ⁵	Foreign Loans	Total	
1990	329,890	7,678	337,567	273,415	108,276	381,690	-44,123	34,200	13,841	48,041	3,918
1991	355,932	16,374	372,306	301,909	115,493	417,403	-45,097	30,375	9,110	39,485	-5,612
1992	341,766	16,392	358,158	330,014	58,017	388,032	-29,874	36,000	878	36,878	7,004
1993	388,179	8,428	396,607	368,624	59,673	428,297	-31,690	28,800	2,902	31,702	12
1994	416,068	12,853	428,921	410,365	62,340	472,705	-43,784	28,700	11,305	40,005	-3,779
1995	482,834	4,517	487,351	452,478	70,344	522,823	-35,472	32,500	655	33,155	-2,317
1996	447,470	20,805	468,275	505,195	73,527	578,722	-110,447	70,178	3,044	73,222	-37,225
1997 ⁴	504,415	9,809	514,224	538,276	103,392	641,668	-127,444	167,463	3,095	170,558	43,114
1998	539,070	10,043	549,113	569,150	96,846	665,997	-116,884	110,000	-	110,000	-6,884
1999	628,168	9,684	637,852	584,834	106,129	690,965	-53,113	84,000	-	84,000	30,887
2000	632,754	9,549	642,303	617,677	98,552	716,232	-73,929	-	-	-	-73,929
2001	667,228	1,392	668,620	686,031	80,627	766,658	-98,038	121,977	6,823	128,800	30,762
2002	717,084	2,720	719,804	721,652	97,671	819,324	-99,520	40,591	10,563	51,155	-48,365
2002											
Jan.	49,311	25	49,336	56,539	3,136	59,675	-10,339	-	-	-	-10,339
Feb.	52,107	5	52,112	52,300	8,087	60,387	-8,275	-	-	-	-8,275
Mar.	51,031	213	51,244	53,388	11,121	64,509	-13,265	-	-	-	-13,265
Apr.	62,072	510	62,582	72,863	11,135	83,998	-21,416	-	-	-	-21,416
May	54,711	159	54,870	63,085	10,477	73,563	-18,693	-	-	-	-18,693
June	48,324	166	48,490	55,956	4,656	60,612	-12,122	-	-	-	-12,122
July	74,872	56	74,928	59,288	10,082	69,369	5,559	19,048	-	19,048	24,607
Aug.	54,751	25	54,776	54,607	6,419	61,026	-6,250	-	-	-	-6,250
Sept.	57,203	13	57,216	58,273	5,850	64,122	-6,906	-	-	-	-6,906
Oct.	57,224	9	57,233	58,455	5,525	63,980	-6,747	-	-	-	-6,747
Nov.	50,280	49	50,329	62,637	5,442	68,079	-17,750	11,077	-	11,077	-6,673
Dec.	105,198	1,490	106,688	74,261	15,742	90,003	16,685	10,466	10,563	21,030	37,715
2003											
Jan.	44,263	282	44,545	59,018	12,282	71,300	-26,755	-	-	-	-26,755
Feb.	55,284	5	55,289	59,745	9,625	69,370	-14,080	24,126	-	24,126	10,046
Mar.	49,216	102	49,318	55,535	10,561	66,096	-16,778	-	-	-	-16,778
Apr.	61,911	60	61,972	74,519	9,791	84,311	-22,339	-	-	-	-22,339
May	51,849	931	52,780	66,098	11,749	77,847	-25,068	-	32,196	32,196	7,128
June	54,909	143	55,052	64,924	4,989	69,912	-14,860	3,520	-	3,520	-11,340

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

² Includes total public debt servicing.

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

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

⁵ As from 2001 includes privatisation receipts and sinking funds of converted loans.

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

TABLE 2.2 GOVERNMENT REVENUE BY MAJOR SOURCES
Lm thousands

Period	Tax Revenue						Non-Tax Revenue ⁴	Ordinary Revenue ⁵	Foreign Grants	Total Revenue
	Income Tax	National Insurance Contributions ¹	VAT & CET ²	Licences, Taxes & Fines ³	Customs & Excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	110,092	329,890	7,678	337,567
1991	61,637	72,041	-	27,017	75,951	236,647	119,285	355,932	16,374	372,306
1992	71,353	80,469	-	29,448	82,310	263,580	78,186	341,766	16,392	358,158
1993	85,113	97,004	-	30,447	83,541	296,105	92,074	388,179	8,428	396,607
1994	87,852	101,663	-	46,127	72,059	307,701	108,367	416,068	12,853	428,921
1995	99,758	115,480	78,108	54,556	32,595	380,497	102,337	482,834	4,517	487,351
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,756	447,470	20,805	468,275
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,608	504,415	9,809	514,224
1998	110,561	135,656	72,628	60,678	52,698	432,221	106,849	539,070	10,043	549,113
1999	128,354	144,274	85,023	67,960	55,426	481,037	147,131	628,168	9,684	637,852
2000	149,511	162,017	104,065	70,449	55,141	541,182	91,572	632,754	9,549	642,303
2001	166,302	179,064	114,669	72,814	60,886	593,735	73,493	667,228	1,392	668,620
2002	190,175	181,142	117,505	86,047	59,811	634,679	82,404	717,084	2,720	719,804
2002										
Jan.	8,630	7,943	9,661	6,259	4,593	37,086	12,225	49,311	25	49,336
Feb.	8,025	11,242	8,726	7,622	3,810	39,425	12,682	52,107	5	52,112
Mar.	9,869	12,071	9,297	5,283	4,810	41,330	9,701	51,031	213	51,244
Apr.	18,050	15,952	9,982	7,592	4,700	56,276	5,796	62,072	510	62,582
May	12,368	15,966	11,013	7,158	5,231	51,736	2,975	54,711	159	54,870
June	13,621	13,041	7,759	5,952	4,331	44,704	3,620	48,324	166	48,490
July	18,244	14,186	10,961	11,053	5,586	60,030	14,842	74,872	56	74,928
Aug.	18,001	15,719	7,997	6,727	4,700	53,144	1,607	54,751	25	54,776
Sept.	18,733	15,155	7,825	7,075	6,374	55,162	2,041	57,203	13	57,216
Oct.	16,080	14,148	13,665	6,602	4,408	54,903	2,321	57,224	9	57,233
Nov.	8,618	15,809	10,249	7,354	4,991	47,021	3,259	50,280	49	50,329
Dec.	39,936	29,910	10,370	7,370	6,277	93,862	11,335	105,198	1,490	106,688
2003										
Jan.	5,015	7,714	9,856	5,553	4,229	32,366	11,897	44,263	282	44,545
Feb.	10,277	12,510	8,372	8,091	4,668	43,919	11,366	55,284	5	55,289
Mar.	7,065	12,633	9,333	4,975	4,748	38,754	10,463	49,216	102	49,318
Apr.	21,029	15,508	10,654	6,886	4,816	58,893	3,018	61,911	60	61,972
May	11,954	15,360	9,522	7,318	4,997	49,151	2,698	51,849	931	52,780
June	16,944	15,686	8,159	5,926	5,297	52,012	2,897	54,909	143	55,052

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

² Value Added Tax, Customs & Excise Tax.

³ Includes revenues from death and donation duties up to December 1994.

⁴ Includes mainly Central Bank of Malta profits, privatisation receipts (up to 2000), sinking funds of converted loans (up to 2000) and other miscellaneous receipts.

⁵ As from 1992, excludes the contribution by the public corporations/authorities towards their own capital programme.

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

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

Lm thousands

Period	Productive	Infrastructure	Social	Total
1990	49,509	44,121	14,646	108,276
1991	54,976	41,756	18,761	115,493
1992	32,310	9,032	16,675	58,017
1993	34,069	14,734	10,870	59,673
1994	36,323	13,993	12,024	62,340
1995	43,901	14,541	11,904	70,344
1996	36,818	19,282	17,418	73,527
1997 ²	50,256	32,344	20,792	103,392
1998	45,401	30,130	21,316	96,846
1999	52,480	27,515	26,137	106,129
2000	35,806	33,800	28,946	98,552
2001	26,400	26,872	27,355	80,627
2002	31,526	27,391	38,753	97,671
2002				
Jan.	1,740	1,128	268	3,136
Feb.	3,515	2,056	2,516	8,087
Mar.	4,192	3,162	3,767	11,121
Apr.	3,236	3,317	4,582	11,135
May	4,382	2,110	3,985	10,477
June	959	2,019	1,679	4,656
July	4,886	4,168	1,028	10,082
Aug.	1,673	1,712	3,033	6,419
Sept.	1,863	2,029	1,958	5,850
Oct.	1,130	1,790	2,605	5,525
Nov.	2,189	1,965	1,288	5,442
Dec.	1,761	1,937	12,044	15,742
2003				
Jan.	1,703	2,774	7,805	12,282
Feb.	2,899	3,426	3,300	9,625
Mar.	3,810	2,543	4,208	10,561
Apr.	2,167	1,989	5,635	9,791
May	3,018	3,801	4,931	11,749
June	2,174	2,375	440	4,989

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

² Including a loan to Malta Drydocks amounting to Lm24.6 million.

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

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

Lm thousands

End of Period	Domestic Debt			Foreign Loans	Total Government Debt	Government Guaranteed Debt ²
	Treasury Bills	Malta Government Stocks ¹	Total			
1995	71,406	285,951	357,357	53,433	410,790	414,488
1996	108,935	356,119	465,054	51,789	516,843	489,663
1997	89,980	523,369	613,349	50,449	663,798	490,973
1998	83,713	633,369	717,082	46,513	763,595	491,769
1999	83,320	712,184	795,504	44,405	839,909	483,111
2000	172,987	712,729	885,716	39,250	924,966	469,678
2001	159,459	812,854	972,313	40,378	1,012,691	416,822
2002	218,831	813,030	1,031,861	45,100	1,076,961	374,008
2002						
Mar.	193,078	812,854	1,005,932	39,908	1,045,839	414,773
June	198,871	812,854	1,011,725	37,923	1,049,648	396,932
Sept.	192,409	813,030	1,005,439	37,227	1,042,666	383,322
Dec.	218,831	813,030	1,031,861	45,100	1,076,961	374,008
2003						
Mar.	248,740	839,963	1,088,703	45,103	1,133,806	360,444
June	272,060	839,963	1,112,023	75,101	1,187,124	341,765

¹ Including Local Development Registered Stocks.

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

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

TABLE 3.2 TREASURY BILLS ISSUED AND 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 Public ³	Total	Banking System ²	Non-Bank Public ³	Total
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2001	470,335	317,377	160,304	477,681	137,423	22,036	159,459
2002	644,964	554,354	165,914	720,268	159,689	59,142	218,831
2002							
Jan.	58,954	58,606	6,394	65,000	141,095	24,410	165,505
Feb.	18,517	43,385	7,118	50,503	159,200	28,291	187,491
Mar.	57,681	46,354	16,914	63,268	156,224	36,854	193,078
Apr.	56,307	39,936	21,064	61,000	152,447	45,324	197,771
May	64,503	45,009	20,594	65,603	164,344	34,527	198,871
June	43,245	31,164	12,081	43,245	169,017	29,854	198,871
July	60,000	55,230	4,770	60,000	176,984	21,887	198,871
Aug.	77,603	52,936	6,713	59,649	158,500	22,417	180,917
Sept.	34,768	37,555	8,705	46,260	171,434	20,975	192,409
Oct.	59,000	45,305	7,695	53,000	163,315	23,094	186,409
Nov.	59,649	61,163	11,077	72,240	172,440	26,560	199,000
Dec.	54,737	37,711	42,789	80,500	159,689	59,142	218,831
2003							
Jan.	82,000	84,723	12,277	97,000	184,390	49,441	233,831
Feb.	43,240	32,736	12,004	44,740	203,743	31,588	235,331
Mar.	69,591	72,579	10,421	83,000	219,859	28,881	248,740
Apr.	82,000	89,635	7,365	97,000	236,886	26,854	263,740
May	73,740	59,987	16,073	76,060	226,041	34,019	260,060
June	71,000	73,213	9,787	83,000	240,022	32,038	272,060

¹ Amounts are at nominal prices.² Includes Central Bank of Malta, Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1995).³ Includes the Malta Government Sinking Fund.⁴ On January 10, 1995, the House of Representatives approved a motion empowering the Government to increase the issue of permissible outstanding Treasury Bills from Lm30 million to Lm100 million. On December 16, 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million and, subsequently, to Lm300 million on November 27, 2002.

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

Lm thousands

Stock	Year of Maturity	Year of Issue	Issue Price Lm	Interest Dates	Held By		Amount
					Banking System	Non-Bank Public	
7.00 % MGS	2003 (II)	1993	100	03 July - 3 Jan.	7,855	12,978	20,833
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	9,968	8,732	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	22,698	3,154	25,852
7.25 % MGS	2005	1997	100	10 June - 10 Dec.	18,129	5,371	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	24,865	6,635	31,500
7.00 % MGS	2006 ²	1994	100	19 May - 19 Nov.	1,453	8,547	10,000
7.00 % MGS	2006 (IV)	1996	100	20 Jan. - 20 July	-	167	167
7.25 % MGS	2006 (II)	1995	100	28 Apr. - 01 Aug.	6,169	13,081	19,250
7.25 % MGS	2006 (III) ¹	1996	100	20 Jan. - 20 July	7,279	7,721	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,469	8,281	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,984	1,016	10,000
5.60 % MGS	2007 (III)	2000	100	10 June - 10 Dec.	22,479	12,771	35,250
7.20 % MGS	2008	1998	100	28 Feb. - 15 July	8,810	1,190	10,000
7.20 % MGS	2008 (II)	1998	100	30 Mar. - 30 Sept.	20,355	9,645	30,000
7.00 % MGS	2009 ²	1999	100	1 Mar. - 1 Sept.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,111	10,889	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	40,665	4,635	45,300
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,629	1,371	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,539	1,961	18,500
7.00 % MGS	2010 (III) ²	2000	100	30 June - 30 Dec.	-	545	545
5.40 % MGS	2010 (IV)	2003	100	21 Feb. - 21 Aug.	2,953	32,047	35,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,421	7,579	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	18,294	21,706	40,000
7.00 % MGS	2011 (III)	2002	100	30 June - 30 Dec.	-	125	125
7.80 % MGS	2012	1997	100	24 May - 24 Nov.	13,800	20,700	34,500
7.00 % MGS	2012 (II)	2002	100	10 June - 30 Dec.	-	176	176
5.70 % MGS	2012 (III)	2002	100	30 Mar. - 30 Sept.	1,728	19,272	21,000
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	11,636	22,614	34,250
6.35 % MGS	2013 (II)	2002	100	18 Apr. - 18 Oct.	228	25,772	26,000
6.60 % MGS	2014	2000	100	30 Mar. - 30 Sept.	812	9,688	10,500
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,590	22,410	30,000
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	9,290	20,710	30,000
5.90 % MGS	2015 (II)	2002	100	9 Apr. - 9 Oct.	47	20,153	20,200
5.90 % MGS	2015 (II) FI	2003	102	9 Apr. - 9 Oct.	3,917	16,083	20,000
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	2,797	27,203	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	21,419	48,581	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	11,836	32,164	44,000
Total					374,225	465,738	839,963

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

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

Source: Malta Stock Exchange.

**TABLE 3.4 MALTA GOVERNMENT STOCKS
BY REMAINING TERM TO MATURITY¹**

Lm thousands

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

¹ Calculations are based on the maximum redemption period of the Malta Government Stock. With respect to the quarterly statistics in this Table, the remaining term to maturity classification is applicable as from the current end-year.

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

Lm thousands

End of Period	Official Bilateral Entities ¹	Official Multilateral Organisations ²	Private Commercial Banks ³	Total
1990	30,446	7,029	-	37,475
1991	31,806	12,901	-	44,707
1992	32,727	15,671	-	48,398
1993	34,383	16,097	-	50,480
1994	37,496	18,768	-	56,264
1995	30,268	15,150	8,015	53,433
1996	32,371	13,850	5,568	51,789
1997	30,200	15,666	4,583	50,449
1998	27,115	15,252	4,146	46,513
1999	28,101	12,344	3,904	44,349
2000	22,964	13,655	2,631	39,250
2001	20,037	18,915	1,426	40,378
2002	16,504	28,130	465	45,099
2003⁴				
Mar.	16,357	28,293	453	45,103
June	15,102	59,999	-	75,101

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

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

³ Commercial bank loans from private banks or financial institutions.

⁴ Provisional.

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

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

**TABLE 3.6 GOVERNMENT EXTERNAL LOANS
BY CURRENCY**

Lm thousands

End of Period	FFr	Stg	DM	Yen	Euro	US\$	Lit	Others	Total
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001	-	-	1,310	1,426	14,184	14,181	8,530	747	40,378
2002	-	-	-	465	39,734	4,764	-	136	45,099
2003¹									
Mar.	-	390	-	1,666	32,276	10,630	-	141	45,103
June	-	341	-	1,021	63,929	9,665	-	145	75,101

¹ Provisional.

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

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

**TABLE 3.7 GOVERNMENT EXTERNAL LOANS
BY REMAINING TERM TO MATURITY¹**

Lm thousands

End of Period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	-	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001	586	13,356	11,759	12,249	1,207	1,221	40,378
2002	514	13,172	6,851	22,160	1,194	1,208	45,099
2003²							
Mar.	1,568	12,855	8,270	21,203	-	1,207	45,103
June	1,036	12,270	7,501	53,076	-	1,218	75,101

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

² Provisional.

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

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

**TABLE 4.1 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
1990	1.7335	5.0006	3.3249	2.4349	3769.61	17.007	5.636	103.271	451.19	4.261
1991	1.7457	4.9610	3.2724	2.4448	3759.17	16.952	5.590	102.181	408.46	4.437
1992	1.7652	4.3188	2.6725	2.2136	3940.60	14.731	4.851	88.663	332.99	3.907
1993	1.7106	4.3911	2.5309	2.2678	4326.57	14.917	4.912	91.327	283.32	3.748
1994	1.7381	4.2086	2.7166	2.2083	4410.43	14.511	4.714	86.484	270.86	3.562
1995	1.8315	4.0648	2.8377	2.1586	4496.45	13.898	4.552	83.513	292.69	3.266
1996	1.6377	4.3146	2.7807	2.2173	4244.37	14.542	4.843	88.873	323.12	3.747
1997	1.5411	4.5682	2.5497	2.3101	4485.89	15.284	5.146	94.213	331.79	3.712
1998	1.5935	4.4287	2.6496	2.2640	4382.63	14.870	4.990	91.360	300.71	3.645
1999	1.4983	4.7163	2.4230	2.4114	4669.13	15.818	5.314	97.276	247.64	3.870
2000	1.5305	4.8033	2.2843	2.4559	4755.26	16.110	5.412	99.070	262.25	3.738
2001	1.5258	4.8874	2.2121	2.4989	4838.52	16.392	5.507	100.805	290.44	3.969
2002	1.5553	-	2.5074	2.3910	-	-	-	-	297.66	3.475
2003										
Jan. 3	1.5560	-	2.4879	2.3932	-	-	-	-	298.11	3.486
10	1.5634	-	2.5202	2.3860	-	-	-	-	300.39	3.486
17	1.5695	-	2.5385	2.3812	-	-	-	-	298.76	3.476
24	1.5724	-	2.5611	2.3772	-	-	-	-	302.37	3.485
31	1.5588	-	2.5710	2.3818	-	-	-	-	307.82	3.496
Feb. 7	1.5744	-	2.5626	2.3762	-	-	-	-	307.79	3.485
14	1.5839	-	2.5598	2.3727	-	-	-	-	308.35	3.487
21	1.6056	-	2.5612	2.3638	-	-	-	-	304.18	3.469
28	1.6155	-	2.5474	2.3615	-	-	-	-	300.99	3.456
Mar. 7	1.1685	-	2.6023	2.3540	-	-	-	-	303.38	3.451
14	1.6037	-	2.5538	2.3654	-	-	-	-	302.28	3.470
21	1.5993	-	2.5070	2.3728	-	-	-	-	303.95	3.500
28	1.6215	-	2.5411	2.3600	-	-	-	-	304.90	3.482
Apr. 4	1.6182	-	2.5329	2.3622	-	-	-	-	303.92	3.514
11	1.6146	-	2.5325	2.3637	-	-	-	-	305.22	3.537
17	1.6275	-	2.5610	2.3553	-	-	-	-	308.43	3.549
25	1.6257	-	2.5817	2.3536	-	-	-	-	312.45	3.537
May 2	1.6370	-	2.6268	2.3443	-	-	-	-	312.21	3.541
9	1.6658	-	2.6748	2.3286	-	-	-	-	313.87	3.514
16	1.6490	-	2.6834	2.3338	-	-	-	-	311.63	3.516
23	1.6699	-	2.7341	2.3211	-	-	-	-	319.63	3.530
30	1.6691	-	2.7391	2.3209	-	-	-	-	326.69	3.549
June 6	1.6473	-	2.7266	2.3300	-	-	-	-	323.90	3.600
13	1.6447	-	2.7403	2.3295	-	-	-	-	322.73	3.605
20	1.6301	-	2.7194	2.3370	-	-	-	-	321.61	3.606
27	1.6212	-	2.6792	2.3446	-	-	-	-	321.09	3.624

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

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

**TABLE 4.2 MALTESE LIRA EXCHANGE RATES
AGAINST MAJOR CURRENCIES¹**

Averages for the Period

Period	stg	DM	US\$	euro ²	Lit	FFr	NLG	Bfr	yen	Sfr
1990	1.7701	5.0852	3.1527	2.4733	3769.83	17.135	5.730	105.132	453.01	4.368
1991	1.7526	5.1258	3.1002	2.4979	3831.59	17.429	5.777	105.531	416.50	4.429
1992	1.7853	4.9033	3.1459	2.4287	3860.86	16.621	5.521	100.964	398.43	4.414
1993	1.7435	4.3273	2.6171	2.2347	4109.74	14.819	4.861	90.425	291.39	3.869
1994	1.7295	4.2916	2.6486	2.2296	4265.86	14.676	4.813	88.427	270.60	3.617
1995	1.7961	4.0601	2.8355	2.1669	4616.27	14.138	4.548	83.530	266.46	3.350
1996	1.7780	4.1731	2.7745	2.1852	4279.88	14.188	4.676	85.881	301.75	3.428
1997	1.5825	4.4900	2.5921	2.2921	4410.82	15.113	5.053	92.645	313.53	3.758
1998	1.5547	4.5282	2.5758	2.2957	4469.45	15.180	5.104	93.404	336.67	3.730
1999	1.5468	4.5895	2.5032	2.3470	4544.39	15.395	5.172	94.677	284.84	3.756
2000	1.5080	4.8388	2.2855	2.4741	4790.43	16.229	5.452	99.803	246.27	3.853
2001	1.5430	4.8533	2.2226	2.4815	4804.77	16.277	5.468	100.102	269.97	3.749
2002	1.5378	-	2.3100	2.4468	-	-	-	-	288.88	3.590
2002										
Jan.	1.5381	-	2.2034	2.4953	-	-	-	-	292.17	3.679
Feb.	1.5345	-	2.1832	2.5096	-	-	-	-	291.63	3.708
Mar.	1.5403	-	2.1908	2.5009	-	-	-	-	287.00	3.672
Apr.	1.5324	-	2.2098	2.4955	-	-	-	-	289.11	3.659
May	1.5455	-	2.2560	2.4607	-	-	-	-	285.16	3.585
June	1.5594	-	2.3140	2.4216	-	-	-	-	285.43	3.564
July	1.5345	-	2.3869	2.4035	-	-	-	-	281.63	3.515
Aug.	1.5364	-	2.3622	2.4154	-	-	-	-	281.23	3.535
Sept.	1.5270	-	2.3751	2.4214	-	-	-	-	286.71	3.548
Oct.	1.5256	-	2.3763	2.4219	-	-	-	-	294.36	3.548
Nov.	1.5362	-	2.4146	2.4117	-	-	-	-	293.45	3.539
Dec.	1.5437	-	2.4479	2.4039	-	-	-	-	298.66	3.528
2003										
Jan.	1.5667	-	2.5330	3.3831	-	-	-	-	300.80	3.485
Feb.	1.5881	-	2.5548	2.3717	-	-	-	-	304.89	3.480
Mar.	1.6121	-	2.5554	2.3620	-	-	-	-	302.91	3.469
Apr.	1.6247	-	2.5580	2.3568	-	-	-	-	306.75	3.527
May	1.6603	-	2.6956	2.3285	-	-	-	-	316.15	3.528
June	1.6400	-	2.7228	2.3331	-	-	-	-	322.26	3.593

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

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

TABLE 4.3 MALTA'S FOREIGN TRADE

Lm thousands

Period	Exports (f.o.b.)			Imports (c.i.f.)	Balance of Trade
	Domestic	Re-Exports	Total		
1990	328,736	29,153	357,889	620,510	-262,621
1991	371,993	33,461	405,454	684,000	-278,546
1992	451,526	39,377	490,903	747,770	-256,867
1993	476,747	41,579	518,326	830,920	-312,594
1994	547,209	45,213	592,422	918,766	-326,344
1995	629,720	45,220	674,940	1,037,657	-362,717
1996	569,900	54,250	624,150	1,007,800	-383,650
1997	563,950	64,980	628,930	984,230	-355,300
1998	664,816	47,169	711,985	1,034,920	-322,935
1999	712,436	78,700	791,136	1,136,233	-345,097
2000	977,535	94,910	1,072,445	1,492,376	-419,931
2001	790,038	90,646	880,684	1,226,422	-345,738
2002 ¹	794,300	166,840	961,140	1,227,534	-266,394
2001					
Jan.	74,272	6,131	80,403	109,984	-29,581
Feb.	68,179	5,603	73,782	97,880	-24,098
Mar.	81,367	6,195	87,562	120,438	-32,876
Apr.	62,803	6,743	69,546	98,656	-29,110
May	68,190	6,687	74,877	107,041	-32,164
June	70,687	9,511	80,198	103,835	-23,637
July	57,470	9,491	66,961	106,380	-39,419
Aug.	56,228	8,171	64,399	90,901	-26,502
Sept.	63,751	6,812	70,563	83,993	-13,430
Oct.	58,272	9,063	67,335	108,355	-41,020
Nov.	69,749	10,827	80,576	106,197	-25,621
Dec.	59,070	5,412	64,482	92,762	-28,280
2002¹					
Jan.	52,836	11,303	64,139	88,496	-24,357
Feb.	67,212	9,112	76,324	86,902	-10,578
Mar.	67,973	8,565	76,538	100,770	-24,232
Apr.	59,141	50,650	109,791	107,591	2,200
May	65,948	10,585	76,533	108,698	-32,165
June	65,591	8,871	74,462	106,001	-31,539
July	70,408	11,155	81,563	117,848	-36,285
Aug.	64,691	13,103	77,794	94,088	-16,294
Sept.	66,929	8,425	75,354	95,913	-20,559
Oct.	67,109	14,457	81,566	114,184	-32,618
Nov.	63,429	10,837	74,266	110,810	-36,544
Dec.	83,034	9,776	92,810	96,233	-3,423
2003¹					
Jan.	61,218	11,490	72,708	93,989	-21,281
Feb.	58,938	9,790	68,728	103,850	-35,122
Mar.	72,683	6,901	79,584	107,714	-28,130
Apr.	65,764	11,615	77,379	116,958	-39,579
May	63,819	11,502	75,321	108,055	-32,734
June	69,354	11,744	81,098	109,388	-28,290

¹ Provisional.

Source: National Statistics Office.

TABLE 4.4 DIRECTION OF TRADE - TOTAL EXPORTS
Lm thousands

Period	United Kingdom	Italy	Germany	France	Other EU	Libya	United States	Others	Total
1990	31,778	123,792	73,359	25,259	18,717	18,324	13,682	52,979	357,890
1991	29,699	156,341	72,138	36,739	20,092	22,343	17,026	51,076	405,454
1992	32,132	200,151	69,845	44,564	23,014	20,682	28,430	72,084	490,902
1993	41,826	167,140	81,008	53,947	27,835	25,136	38,897	82,537	518,326
1994	43,533	221,396	83,412	57,824	27,986	20,895	44,941	92,436	592,423
1995	50,654	205,015	101,243	82,417	42,762	15,221	62,918	114,716	674,940
1996	51,991	77,849	90,249	93,402	41,618	15,907	84,350	168,785	624,151
1997	51,219	35,726	82,171	121,705	54,486	25,122	91,201	167,283	628,930
1998	54,626	34,388	89,726	147,450	49,502	19,382	129,208	187,703	711,985
1999	73,202	38,858	99,390	120,388	50,344	20,194	168,621	220,144	791,136
2000	78,038	36,092	102,898	85,873	54,808	15,585	293,413	405,737	1,072,444
2001	76,310	30,304	115,132	82,197	59,865	21,835	174,370	320,670	880,684
2002 ¹	112,307	32,676	93,505	120,028	63,871	32,223	159,393	347,137	961,140
2001									
Jan.	4,772	2,231	8,648	7,573	4,511	414	21,734	30,520	80,403
Feb.	5,755	2,721	9,456	7,217	5,828	1,506	12,631	28,668	73,782
Mar.	7,758	2,443	9,744	9,328	5,737	1,418	19,250	31,884	87,562
Apr.	6,917	2,779	10,601	6,725	5,403	2,669	12,850	21,602	69,546
May	5,665	2,829	10,074	9,437	5,923	1,899	15,320	23,731	74,877
June	5,811	3,109	9,639	8,787	5,287	1,979	18,463	27,123	80,198
July	5,224	1,909	12,871	6,708	4,480	1,480	11,635	22,654	66,961
Aug.	6,004	1,732	8,700	4,588	4,595	2,639	10,893	25,248	64,399
Sept.	5,798	2,227	7,890	8,250	3,396	824	15,257	26,920	70,562
Oct.	7,256	2,372	9,574	5,066	4,919	2,174	10,065	25,908	67,334
Nov.	8,426	3,110	10,895	4,680	5,315	3,360	11,875	32,915	80,576
Dec.	6,924	2,842	7,040	3,838	4,471	1,473	14,397	23,497	64,482
2002¹									
Jan.	7,543	2,561	5,748	9,323	4,145	1,434	8,826	24,559	64,139
Feb.	9,763	4,308	9,762	9,830	5,769	2,742	10,111	24,039	76,324
Mar.	7,405	2,307	7,672	10,605	5,240	1,478	12,073	29,758	76,538
Apr.	8,042	2,669	7,557	7,682	5,294	4,603	50,593	23,351	109,791
May	8,839	3,145	6,810	9,899	5,531	2,983	11,100	28,226	76,533
June	8,030	2,260	6,367	11,421	4,360	2,793	10,177	29,054	74,462
July	12,043	3,039	10,303	8,627	6,988	4,559	8,027	27,977	81,563
Aug.	11,045	2,496	7,778	8,876	5,554	1,961	8,152	31,932	77,794
Sept.	9,406	2,315	8,254	11,328	5,189	3,021	9,266	26,575	75,354
Oct.	9,916	1,954	7,803	11,387	4,824	2,830	11,036	31,816	81,566
Nov.	9,488	2,814	8,134	9,533	5,436	1,983	9,703	27,175	74,266
Dec.	10,787	2,808	7,317	11,517	5,541	1,836	10,329	42,675	92,810
2003¹									
Jan.	9,511	2,748	7,384	10,561	4,592	1,855	8,716	27,341	72,708
Feb.	8,657	2,875	8,147	8,630	5,020	1,591	8,068	25,740	68,728
Mar.	10,119	2,937	8,738	11,764	5,022	1,373	9,610	30,021	79,584
Apr.	8,575	2,594	7,048	10,359	5,819	3,935	10,595	28,454	77,379
May	8,340	2,704	9,020	9,078	6,021	2,082	9,222	28,854	75,321
June	8,842	4,427	8,202	10,260	5,545	1,294	9,801	32,727	81,098

¹ Provisional.

Source: National Statistics Office.

TABLE 4.5 DIRECTION OF TRADE - IMPORTS
Lm thousands

Period	United Kingdom	Italy	Netherlands	France	Germany	Other EU	United States	Others	Total
1990	92,222	202,374	17,238	44,924	72,796	37,851	20,778	132,327	620,510
1991	100,648	248,463	20,153	31,658	75,155	38,730	27,737	141,456	684,000
1992	96,218	282,198	24,122	47,146	80,318	43,329	23,648	150,791	747,770
1993	111,392	225,929	21,927	69,763	118,712	46,929	72,449	163,819	830,920
1994	140,714	243,155	21,663	77,226	161,547	51,091	46,770	176,600	918,766
1995	161,570	284,777	23,817	86,623	126,235	76,374	62,350	215,911	1,037,657
1996	144,072	196,735	26,944	159,824	94,840	68,680	69,610	247,091	1,007,796
1997	145,152	199,137	25,712	163,026	98,276	71,505	77,968	203,455	984,231
1998	128,216	199,383	25,486	184,340	108,291	71,360	91,920	225,925	1,034,921
1999	123,736	189,873	25,697	217,021	113,569	73,175	95,964	297,199	1,136,233
2000	119,673	249,744	29,661	281,877	122,113	91,778	158,474	439,057	1,492,377
2001	123,100	244,409	28,401	184,030	107,409	92,707	141,822	304,544	1,226,422
2002 ¹	127,736	271,794	28,563	205,137	98,474	93,034	115,258	287,538	1,227,534
2001									
Jan.	9,111	19,820	2,509	23,637	8,596	6,841	12,274	27,196	109,984
Feb.	8,760	20,996	2,484	15,255	9,168	7,154	9,261	24,802	97,880
Mar.	11,189	22,727	2,034	16,494	9,932	8,993	13,428	35,641	120,438
Apr.	9,774	20,204	2,209	14,053	8,623	6,873	10,865	26,055	98,656
May	11,071	22,615	2,472	12,928	9,749	8,485	13,307	26,414	107,041
June	9,690	21,705	2,024	13,863	9,280	7,830	12,282	27,161	103,835
July	10,950	20,968	2,417	14,933	10,003	9,742	12,229	25,138	106,380
Aug.	9,340	15,856	2,735	11,994	7,207	8,203	9,489	26,077	90,901
Sept.	9,520	17,320	2,105	15,337	7,280	6,608	8,605	17,218	83,993
Oct.	13,078	22,820	2,793	13,338	11,035	8,364	13,691	23,236	108,355
Nov.	11,488	21,690	2,603	16,768	9,097	6,707	12,731	25,113	106,197
Dec.	9,129	17,688	2,016	15,430	7,439	6,907	13,660	20,493	92,762
2002¹									
Jan.	9,112	16,411	2,123	15,270	7,106	6,920	9,905	21,649	88,496
Feb.	8,819	16,856	2,254	14,397	7,683	6,622	9,071	21,200	86,902
Mar.	10,589	20,641	2,366	18,310	8,330	7,805	11,481	21,248	100,770
Apr.	11,753	22,914	2,226	18,769	8,928	7,779	10,211	25,011	107,591
May	13,523	24,858	2,184	18,823	8,574	7,594	9,837	23,305	108,698
June	9,949	24,424	2,557	18,625	8,800	8,383	7,362	25,901	106,001
July	11,921	29,743	3,093	19,351	9,011	9,663	9,648	25,418	117,848
Aug.	9,170	18,873	1,894	16,727	7,425	6,528	8,266	25,205	94,088
Sept.	9,011	22,993	2,133	15,059	8,447	7,007	8,914	22,349	95,913
Oct.	12,744	26,964	2,655	16,000	8,746	8,925	11,052	27,098	114,184
Nov.	12,115	23,228	2,580	17,219	8,036	8,015	11,174	28,443	110,810
Dec.	9,030	23,889	2,498	16,587	7,388	7,793	8,337	20,711	96,233
2003¹									
Jan.	9,119	20,842	2,244	17,705	5,339	6,427	10,603	21,710	93,989
Feb.	8,751	23,937	2,533	17,432	8,879	8,905	8,498	24,915	103,850
Mar.	9,944	25,557	2,531	17,691	11,043	7,929	7,215	25,804	107,714
Apr.	9,346	27,288	2,414	19,564	10,166	9,439	10,087	28,654	116,958
May	10,576	24,662	2,141	18,362	8,234	9,064	9,583	25,433	108,055
June	11,100	24,793	2,208	15,788	8,426	10,640	10,225	26,208	109,388

¹ Provisional.

Source: National Statistics Office.

TABLE 4.6 DOMESTIC EXPORTS BY COMMODITY SECTIONS
Ln thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,720
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,950
1998	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,436
2000	17,116	3,538	2,198	-	-	13,027	53,913	736,076	151,263	404	977,535
2001	20,809	5,197	2,013	19	-	16,003	50,701	537,944	156,945	407	790,038
2002 ¹	36,371	4,088	2,191	133	52	13,519	47,865	519,452	170,214	393	794,300
2001											
Jan.	1,758	291	111	-	-	1,668	4,066	55,162	11,199	18	74,272
Feb.	691	348	263	-	-	1,261	3,729	48,600	13,228	60	68,179
Mar.	604	505	136	-	-	1,443	4,946	60,244	13,423	67	81,367
Apr.	1,175	602	174	-	-	1,150	4,866	40,841	13,983	12	62,803
May	1,404	420	102	19	-	1,244	4,251	47,700	12,984	66	68,190
June	1,679	883	216	-	-	1,192	4,571	48,547	13,566	33	70,687
July	2,509	587	82	-	-	1,273	4,424	34,015	14,496	83	57,470
Aug.	3,287	468	237	-	-	1,621	3,459	35,460	11,685	10	56,228
Sept.	1,998	540	86	-	-	1,427	3,225	44,643	11,787	44	63,751
Oct.	1,191	326	227	-	-	1,191	4,958	36,521	13,842	14	58,272
Nov.	2,703	185	175	-	-	1,391	4,437	46,598	14,261	-	69,749
Dec.	1,810	42	204	-	-	1,142	3,769	39,613	12,491	-	59,070
2002¹											
Jan.	896	138	123	6	-	888	3,796	35,685	11,303	-	52,836
Feb.	1,096	164	339	16	27	1,075	5,228	43,725	15,417	124	67,212
Mar.	1,185	90	131	33	23	1,102	4,042	49,014	12,351	2	67,973
Apr.	1,619	618	259	12	-	1,225	3,926	37,499	13,901	62	59,141
May	1,909	671	64	-	-	1,508	3,554	45,811	12,417	14	65,948
June	833	1,326	168	12	-	807	3,436	46,371	12,637	-	65,591
July	2,821	244	220	35	-	1,459	4,284	41,213	20,079	55	70,408
Aug.	3,261	249	220	16	-	1,348	4,166	39,531	15,882	18	64,691
Sept.	2,373	244	140	-	2	1,358	3,404	44,323	15,045	40	66,929
Oct.	1,664	69	136	3	-	693	4,318	45,625	14,522	78	67,109
Nov.	1,258	187	266	-	-	940	4,403	43,049	13,326	-	63,429
Dec.	17,456	88	125	-	-	1,116	3,308	47,606	13,334	-	83,034
2003¹											
Jan.	1,224	140	248	7	-	729	3,771	41,678	13,411	-	61,218
Feb.	878	128	113	14	-	672	3,231	40,324	13,579	-	58,938
Mar.	1,210	70	326	19	2	811	4,239	48,830	17,079	96	72,683
Apr.	1,437	121	182	9	-	574	3,656	46,091	13,693	-	65,764
May	2,794	17	189	33	-	804	4,942	42,043	12,996	-	63,819
June	2,419	142	173	-	-	1,363	3,857	46,998	14,401	-	69,354

¹ Provisional.

Source: National Statistics Office.

TABLE 4.7 IMPORTS BY COMMODITY SECTIONS
Lm thousands

Period	Food and Live Animals	Beverages and Tobacco	Crude Materials Inedible except Fuels	Mineral Fuels etc.	Animal/Vegetable Fats and Oils	Chemicals	Semi-Manufactured Goods	Machinery and Transport Equipment	Manufactured Articles	Miscellaneous	Total
1990	53,916	7,378	12,517	31,775	1,815	42,700	120,135	284,110	54,455	11,707	620,509
1991	61,587	8,105	12,622	34,637	1,999	46,720	124,487	321,740	61,572	10,531	684,000
1992	66,414	7,691	13,692	35,054	2,125	50,691	126,723	361,673	74,568	9,139	747,770
1993	70,509	8,773	13,934	38,972	2,298	56,392	130,377	416,097	86,818	6,750	830,920
1994	64,696	14,526	16,526	40,765	2,479	63,575	131,231	482,024	93,266	9,678	918,766
1995	87,514	14,090	14,901	40,897	2,820	70,804	143,680	533,304	120,907	8,740	1,037,657
1996	91,768	13,590	12,842	53,763	2,867	74,282	141,770	486,082	119,614	11,218	1,007,796
1997	97,815	16,640	13,197	51,820	2,537	78,930	140,829	459,604	113,202	9,657	984,231
1998	96,699	15,541	14,478	39,281	2,789	80,132	143,251	520,242	113,370	9,139	1,034,921
1999	99,416	18,002	13,187	58,725	2,345	82,431	140,688	594,148	118,875	8,417	1,136,233
2000	103,644	18,785	13,597	106,476	2,239	92,470	144,994	852,574	146,821	10,774	1,492,377
2001	108,773	21,936	14,101	101,992	1,931	89,218	147,722	608,194	121,512	11,040	1,226,421
2002 ¹	115,208	22,784	12,906	102,929	2,347	96,730	150,822	591,354	122,022	10,454	1,227,534
2001											
Jan.	6,473	957	916	8,751	161	8,995	11,864	61,441	9,487	938	109,984
Feb.	6,924	1,731	1,382	8,941	153	6,692	11,584	50,659	8,926	886	97,880
Mar.	9,184	2,211	1,077	11,825	171	7,897	13,560	61,960	11,547	1,006	120,438
Apr.	7,886	1,613	1,327	5,334	195	6,990	12,153	50,851	11,583	726	98,656
May	10,018	2,482	1,328	6,095	105	7,365	14,526	52,441	11,559	1,123	107,041
June	8,207	2,768	1,137	9,967	100	6,444	13,284	51,444	9,390	1,094	103,835
July	9,912	1,759	1,157	7,678	301	8,266	13,513	52,123	10,697	974	106,380
Aug.	9,548	1,878	1,166	13,628	185	7,299	9,706	38,511	8,247	732	90,901
Sept.	10,172	1,086	949	6,834	126	6,446	10,345	37,765	9,363	906	83,992
Oct.	11,548	1,977	1,337	4,063	158	8,755	13,958	52,661	12,825	1,073	108,355
Nov.	10,176	2,195	1,055	9,888	140	7,343	12,748	51,420	10,403	829	106,197
Dec.	8,725	1,279	1,270	8,988	136	6,726	10,481	46,918	7,485	753	92,762
2002¹											
Jan.	8,889	1,053	962	9,628	371	7,034	11,670	41,214	6,835	840	88,496
Feb.	7,902	1,743	1,013	7,812	184	7,011	11,231	41,403	7,871	733	86,902
Mar.	8,844	2,435	1,007	7,267	117	8,234	12,328	49,586	10,288	664	100,770
Apr.	8,594	1,911	1,095	7,221	254	8,627	13,756	52,690	12,265	1,178	107,591
May	9,454	2,110	1,094	5,450	99	8,164	15,397	53,669	12,187	1,075	108,698
June	10,191	2,210	977	9,694	188	7,490	14,221	51,401	9,014	615	106,001
July	13,903	2,827	1,066	9,689	199	9,984	14,746	54,354	10,090	991	117,848
Aug.	7,954	2,135	918	8,872	149	7,784	9,536	47,828	8,077	835	94,088
Sept.	9,058	1,483	1,308	8,296	152	7,240	10,606	45,207	11,584	978	95,913
Oct.	10,716	1,763	1,266	7,953	281	9,496	14,117	53,626	13,722	1,245	114,184
Nov.	11,425	1,668	1,175	13,901	185	7,742	12,848	50,566	10,510	789	110,810
Dec.	8,278	1,446	1,025	7,146	168	7,924	10,366	49,810	9,559	511	96,233
2003¹											
Jan.	8,006	1,854	728	8,803	197	7,477	10,732	47,404	7,849	939	93,989
Feb.	9,063	2,312	1,162	9,923	262	7,729	12,319	48,764	10,755	1,561	103,850
Mar.	8,534	1,678	1,139	8,237	172	7,664	12,261	55,743	11,333	953	107,714
Apr.	11,273	1,912	1,122	7,602	241	8,923	13,330	58,753	13,033	769	116,958
May	9,072	2,314	1,164	8,277	173	8,562	12,600	49,805	15,281	808	108,055
June	7,939	1,821	1,075	7,527	140	8,428	12,972	55,487	13,406	592	109,388

¹ Provisional

Source: National Statistics Office.

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

Lm thousands

Period	Consumers' Expenditure ¹	Government Consumption Expenditure ²	Gross Fixed Capital Formation ³	Inventory Changes ⁴	Exports of Goods & Services	Total Final Expenditure	Less Imports of Goods & Services	Gross Domestic Product	Net Investment Income from Abroad ⁵	Gross National Product
1995	700,425	235,205	365,175	1,183	1,074,708	2,376,696	1,231,172	1,145,524	11,952	1,157,476
1996	764,901	259,790	345,265	-1,424	1,045,593	2,414,125	1,212,839	1,201,286	3,185	1,204,471
1997	803,493	264,053	326,443	3,009	1,095,775	2,492,773	1,204,554	1,288,219	4,096	1,292,315
1998	846,002	269,039	333,561	-10,657	1,194,676	2,632,621	1,270,297	1,362,324	-27,377	1,334,947
1999	915,014	272,587	339,975	9,383	1,321,307	2,858,266	1,402,167	1,456,099	12,437	1,468,536
2000	996,736	291,192	409,999	33,171	1,604,256	3,335,354	1,772,601	1,562,753	-54,255	1,508,498
2001 ⁶	1,044,664	328,564	378,935	-39,396	1,428,122	3,140,889	1,506,526	1,634,363	11,742	1,646,105
2002 ⁶	1,081,838	341,411	348,159	-73,032	1,473,125	3,171,500	1,493,538	1,677,962	6,434	1,684,396
2001 ⁶										
Mar.	234,103	78,728	95,833	23,264	344,561	776,489	388,431	388,058	11,767	399,825
June	263,369	80,929	94,204	-28,240	370,219	780,481	376,451	404,030	5,352	409,382
Sept.	277,424	81,528	92,678	-40,895	373,516	784,251	362,657	421,594	-931	420,663
Dec.	269,768	87,379	96,220	6,475	339,826	799,668	378,987	420,681	-4,446	416,235
2002 ⁶										
Mar.	251,573	85,842	89,021	-9,718	317,444	734,162	338,332	395,830	5,265	401,095
June	273,075	87,877	64,457	-1,609	390,079	813,879	394,761	419,118	14,560	433,678
Sept.	288,397	83,018	95,227	-48,492	392,054	810,204	374,518	435,686	15,017	450,703
Dec.	268,793	84,674	99,454	-13,214	373,548	813,255	385,927	427,328	-28,408	398,920
2003 ⁶										
Mar.	255,328	100,621	98,040	-9,430	317,287	761,846	368,724	393,122	14,312	407,434
June	269,560	95,825	114,919	-24,103	366,834	823,035	397,762	425,273	174	425,447

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

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

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

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

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

⁶ Provisional.

Source: National Statistics Office.

TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY

Period	United Kingdom	Italy	North Africa ¹	Germany	Scandinavian Countries ²	United States	All Others ¹	Total
1995	461,159	97,384	43,534	187,761	32,979	10,945	282,209	1,115,971
1996	398,899	89,439	56,958	184,110	33,338	11,969	279,075	1,053,788
1997	436,899	90,190	45,702	193,020	33,576	14,924	296,850	1,111,161
1998	448,763	90,558	44,508	203,199	35,414	17,641	342,157	1,182,240
1999	422,368	92,726	52,537	212,430	46,365	18,558	369,246	1,214,230
2000	428,780	92,522	52,275	204,749	46,273	19,268	371,846	1,215,713
2001	451,530	93,564	39,167	160,262	46,395	19,986	369,241	1,180,145
2002	444,335	100,875	31,676	142,106	38,951	20,080	355,791	1,133,814
2002								
Jan.	16,029	3,134	2,512	3,412	1,296	1,146	9,796	37,325
Feb.	21,854	3,494	2,214	8,051	1,785	1,527	14,414	53,339
Mar.	32,478	6,152	2,416	15,388	3,063	1,774	23,927	85,198
Apr.	33,435	6,611	2,023	12,845	3,493	1,574	31,160	91,141
May	38,813	6,576	2,166	13,964	3,400	2,193	38,948	106,060
June	42,019	10,041	2,544	12,273	4,955	2,024	35,265	109,121
July	52,656	15,300	3,522	13,096	6,064	1,883	49,966	142,487
Aug.	55,470	26,895	4,363	12,083	3,417	1,813	48,041	152,082
Sept.	50,736	7,584	3,077	20,784	3,754	1,593	37,792	125,320
Oct.	48,050	5,978	2,422	18,487	4,223	2,180	32,826	114,166
Nov.	29,489	3,973	1,705	6,974	2,134	1,292	16,929	62,496
Dec.	23,306	5,137	2,712	4,749	1,367	1,081	16,727	55,079
2003								
Jan.	20,602	2,439	-	3,821	1,567	1,266	11,157	40,852
Feb.	26,679	3,431	-	6,815	1,797	1,231	15,786	55,739
Mar.	28,141	4,871	-	14,540	2,262	1,668	22,100	73,582
Apr.	37,870	6,755	-	14,810	3,674	1,685	37,947	102,741
May	40,584	6,992	-	12,425	3,853	2,289	42,605	108,748
June	45,727	9,512	-	9,961	4,912	2,606	42,649	115,367

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

² Scandinavian countries include Denmark, Norway and Sweden.

Source: National Statistics Office.

TABLE 5.3 LABOUR MARKET INDICATORS BASED ON ADMINISTRATIVE RECORDS

End of Period	Labour Supply			Gainfully Occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent ¹	Amount	Percent ²	Amount	Percent
1995	102,158	35,612	137,770	97,241	34,709	131,950	4,917	4.8	903	2.5	5,820	4.2
1996	103,323	36,944	140,267	97,493	35,702	133,195	5,830	5.6	1,242	3.4	7,072	5.0
1997	103,540	37,294	140,834	97,065	36,076	133,141	6,475	6.3	1,218	3.3	7,693	5.5
1998	103,235	37,951	141,186	96,460	36,816	133,276	6,775	6.6	1,135	3.0	7,910	5.6
1999	103,568	39,040	142,608	96,478	37,824	134,302	7,090	6.8	1,216	3.1	8,306	5.8
2000	103,831	40,185	144,016	97,689	39,139	136,828	6,142	5.9	1,046	2.6	7,188	5.0
2001	104,094	40,791	144,885	97,933	39,519	137,452	6,161	5.9	1,272	3.1	7,433	5.1
2002												
Jan.	104,449	40,818	145,267	97,918	39,409	137,327	6,531	6.3	1,409	3.5	7,940	5.5
Feb.	104,398	40,799	145,197	97,840	39,416	137,256	6,558	6.3	1,383	3.4	7,941	5.5
Mar.	103,877	40,710	144,587	97,497	39,365	136,862	6,380	6.1	1,345	3.3	7,725	5.3
Apr.	103,844	40,728	144,572	97,485	39,450	136,935	6,359	6.1	1,278	3.1	7,637	5.3
May	103,702	40,788	144,490	97,498	39,569	137,067	6,204	6.0	1,219	3.0	7,423	5.1
June	103,476	40,951	144,427	97,546	39,760	137,306	5,930	5.7	1,191	2.9	7,121	4.9
July	103,826	41,506	145,332	98,115	40,040	138,155	5,711	5.5	1,466	3.5	7,177	4.9
Aug.	103,633	41,447	145,080	97,743	39,925	137,668	5,890	5.7	1,522	3.7	7,412	5.1
Sept.	103,274	41,186	144,460	97,200	39,740	136,940	6,074	5.9	1,446	3.5	7,520	5.2
Oct.	103,568	41,128	144,786	97,336	39,759	137,095	6,232	6.0	1,459	3.5	7,691	5.3
Nov.	103,709	41,269	144,978	97,334	39,778	137,112	6,375	6.2	1,491	3.6	7,866	5.4
Dec.	103,338	41,041	144,379	97,164	39,699	136,863	6,174	6.0	1,342	3.3	7,516	5.2
2003												
Jan.	103,943	41,298	145,241	97,551	39,811	137,362	6,392	6.2	1,487	3.6	7,879	5.4
Feb.	103,870	41,423	145,293	97,633	39,953	137,586	6,237	6.0	1,470	3.6	7,707	5.3
Mar.	103,791	41,392	145,183	97,640	39,979	137,619	6,151	5.9	1,413	3.4	7,564	5.2
Apr.	103,772	41,409	145,181	97,712	39,989	137,701	6,060	5.8	1,420	3.4	7,480	5.2

¹ As a percentage of male labour supply.² As a percentage of female labour supply.

Sources: National Statistics Office; Employment & Training Corporation.

TABLE 5.4 LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY¹

	Labour Supply			Gainfully Occupied			Unemployment					
	Males	Females	Total	Males	Females	Total	Males		Females		Total	
							Amount	Percent ²	Amount	Percent ³	Amount	Percent
2000	109,059	46,295	155,354	101,431	43,772	145,203	7,628	7.0	2,523	5.4	10,151	6.5
2001	110,233	45,518	155,751	103,607	41,980	145,587	6,626	6.0	3,538	7.8	10,164	6.5
2002												
Mar.	108,363	47,505	155,868	99,948	43,937	143,885	8,415	7.8	3,568	7.5	11,983	7.7
June	109,727	50,355	160,082	102,855	46,178	149,033	6,872	6.3	4,177	8.3	11,049	6.9
Sept.	110,379	48,743	159,122	103,512	45,450	148,962	6,867	6.2	3,293	6.8	10,160	6.4
Dec.	108,835	50,443	159,278	102,120	46,283	148,403	6,715	6.2	4,160	8.2	10,875	6.8
2003												
Mar. ⁴	109,800	49,584	159,384	102,613	46,185	148,798	7,187	6.5	3,399	6.9	10,586	6.6

¹ The Labour Force Survey is carried out on a quarterly basis using a random sample of private households.² As a percentage of male labour supply.³ As a percentage of female labour supply.⁴ Provisional.

Source: National Statistics Office

**TABLE 5.5 NUMBER OF APPROVED COMMERCIAL PROPERTY
APPLICATIONS, BY PURPOSE¹**

Period	Agriculture	Manufacturing	Warehousing/Retail/ Offices ²	Hotel/ Tourism	Recreational/ Social ³	Parking	Minor new works/ change of use	Other	Total
1993	168	64	400	26	70	176	666	1,350	2,920
1994	245	71	775	45	363	287	1,404	264	3,454
1995	293	69	924	27	434	188	1,731	411	4,077
1996	234	37	827	21	352	154	1,632	611	3,868
1997	248	49	545	28	362	169	1,594	949	3,944
1998	273	97	564	47	770	193	1,729	971	4,644
1999	231	112	858	29	378	205	1,600	740	4,153
2000	270	104	790	36	588	236	1,486	1,010	4,520
2001	312	58	1,019	24	485	214	1,095	1,491	4,698
2002 ⁴	283	58	378	13	168	154	1,141	1,760	3,955

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

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

³ Including applications for restaurants and café bars.

⁴ Provisional.

Source: Malta Environment & Planning Authority.

**TABLE 5.6 DWELLING UNITS GRANTED DEVELOPMENT PERMISSION,
BY TYPE¹**

Period	Apartments	Maisonettes	Terraced Houses	Other	Total
1993	1,192	651	1,016	114	2,973
1994	1,095	476	488	44	2,103
1995	1,910	1,064	1,094	161	4,229
1996	1,601	1,183	495	72	3,351
1997	1,656	1,060	570	125	3,411
1998	1,742	790	339	133	3,004
1999	1,452	473	271	77	2,273
2000	1,473	583	246	67	2,369
2001 ²	2,657	774	203	546	4,180
2002 ²	3,420	910	135	1,016	5,481

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

² Provisional.

Source: Malta Environment & Planning Authority.

TABLE 5.7 INFLATION RATES¹
(Base 1946 = 100)

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

¹ The Index of Inflation (Base 1946=100) is compiled by the National Statistics Office on the basis of the Retail Price Index in terms of Article 13 of the Housing (Decontrol) Ordinance, Cap. 158.

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

TABLE 5.8 RETAIL PRICE INDEX

(Base Dec. 2002 = 100)

Period	All Items
1995	83.58
1996	85.66
1997	88.33
1998	90.43
1999	92.36
2000	94.55
2001	97.32
2002	99.45
2002	
Jan.	99.24
Feb.	98.57
Mar.	98.67
Apr.	98.83
May	99.44
June	99.07
July	99.41
Aug.	99.80
Sept.	100.03
Oct.	100.22
Nov.	100.13
Dec.	100.00
2003	
Jan.	99.12
Feb.	99.60
Mar.	100.36
Apr.	100.40
May	100.73
June	100.88

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

Sources: National Statistics Office; Central Bank of Malta.

GENERAL METHODOLOGICAL NOTES

General Standards

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

Release of Monetary and Banking Statistics

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

Determination of ‘Residence’

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

Sector Classification of the Maltese Economy

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

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

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

referred to as the ‘external sector’ or the ‘rest of the world’).

- (a) As from January 2001, the **Banking Institutions** are divided into three subsectors :
- (i) Central Bank of Malta
 - (ii) Deposit Money Banks (DMB)
 - (iii) International Banking Institutions (IBI)

The **Central Bank of Malta** is a distinct corporate body having specialised functions. It is assigned the responsibilities normally assigned to the monetary authority of a country, which include the issuing of notes and coin, holding the external reserves of the country, ensuring monetary stability, and the safeguarding of a sound financial system. **Deposit Money Banks (DMB)** are those banking institutions that offer deposits payable on demand, transferable by cheque, or otherwise usable for making payments to non-bank enterprises and households. **International Banking Institutions (IBI)** are those banks that offer international banking facilities mainly to non-residents and accept deposits primarily from non-residents. Since international banking institutions are permitted to offer demand deposits to their customers, their assets and liabilities are consolidated with those of the deposit money banks in order to derive the statistical data for the *Banking Survey* (shown in the *Quarterly Review's* Statistical Tables annex). The consolidated data of the IBI sector do not distinguish between those institutions that are registered under the Banking Act 1994 and those that are registered under the Malta Financial Services Centre Act, 1988.

- (b) The principal function of **General/Central Government** is to carry out public policy through the production of non-market services, primarily for collective consumption, and the transfer of income, financed mainly by taxes on units in other sectors of the economy. For statistical reporting purposes only one level of government exists in Malta, namely the central government, which implies that all central government operations also constitute the operations of general government. Thus, central government currently includes the local councils and the public non-profit institutions (such as government appointed commissions, boards, agencies, foundations etc). Public corporations and authorities, often referred to as non-financial public institutions (NFPIs), are not included in this sector (see section d).
- (c) The **Private Corporate/Business Sector** comprises resident non-bank corporations under private ownership or control which are principally engaged in the production of market goods and non-bank services. These entities are collectively owned by shareholders that have the authority to appoint directors responsible for general management and may be a source of profit or other financial gain to their owners.
- (d) **Public Corporations and Authorities** include non-bank corporations/authorities (also referred to as the parastatal sector or the non-financial public institutions) that are subject to control by government. ‘Control’ is defined as the ability to determine general corporate policy. Such public corporations and authorities are normally involved in the production of industrial and commercial goods or the provision of services for individual or collective consumption on a large scale.

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

Measures of Money

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

- Notes and Coin in circulation outside the banking system
- Deposits (non-bank), including:
 - Demand (current)
 - Savings
 - Time (fixed) deposits

The **Monetary Base (M0)** is defined as currency in issue and banks' deposits with the Central Bank, excluding term deposits.

Compilation Process

Monetary and banking statistics are based on a consolidation of the monthly financial statements provided by the three subsectors of the local banking system. Figures for the Central Bank of Malta are obtained from the Bank's monthly balance sheet. The banking institutions have to submit data to the Central Bank of Malta no later than fifteen days following the end of the reporting month or quarter. Branches, agencies and offices of banking institutions operating in Malta and which are not incorporated in Malta are also obliged to submit financial information in the requested schedules. The institutions compile monthly financial information in line with the international accounting norms as issued from time to time by the International Accounting Standards Committee. The monthly financial data of the international banking institutions regulated by the Malta Financial Services Centre Act, 1988 are submitted directly to the Central Bank by the Malta Financial Services Centre.

Basis of Calculation

Generally, monetary data show stock positions, i.e. outstanding balances on a particular date (end-month, end-quarter or end-year). Monetary data aggregates are consolidated, thus all identifiable interbank transactions are eliminated. Assets and liabilities which are denominated in foreign currencies are converted into Maltese Liri (Lm) at the middle exchange rate in effect at the end of the reporting period.

Valuation

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

Official External Reserves

The *external reserves* concept is in line with the International Monetary Fund's *Balance of Payments Manual (Fifth Edition)*: It is based on a balance sheet framework and calculated on a gross basis. The types of external reserves covered in this measure comprise convertible currencies, IMF-related assets and holdings of gold. Convertible currencies comprise cash and bank balances denominated in foreign currency, placements with non-resident banks, the portfolio of non-resident investment securities and other foreign currency assets. IMF-related assets comprise holdings of Special Drawing Rights allocated to Malta or acquired in accordance with IMF requirements and the Reserve Tranche Position with the IMF.

Financial Market Rates

The statutory interest rates used by the Central Bank of Malta and other indicative benchmark money market rates are given as end-of-period rates in percentages per annum. The repurchase agreement/term deposit rates represent the prevailing rates as at the end of the month quoted from the last repurchase agreements session and the rates offered by the Central Bank. The interbank market offered rates are the prevailing rates in dealings between the banks in the official interbank market.

The weighted average deposits on current, savings and time deposits pertain to the Deposit Money Banks' interest rates on resident Maltese lira deposits. These are calculated by multiplying each amount by the different rates in each type of deposit and dividing by the total amount of each type of deposit. The weighted average lending rate is calculated by multiplying the amount of each loan or advance extended to residents in local currency by the interest rate applied thereto, and dividing by the total amount.

The interest rates applicable on government Treasury bills are obtained from the official rates quoted by the Treasury. These are weighted averages of the rates attached to the bills that are taken up by the bidders at the weekly auction. Interest rates on Malta Government Stocks represent weighted average gross redemption yields on applicable stocks with periods specified referring to remaining term to maturity. The Malta Stock Exchange Share Index measures movements in the price of all ordinary shares listed in the Official List of the Malta Stock Exchange. It is a market capitalisation index which weights the price and the number of shares of each listed firm. The index has a base of 1000 initiating on December 27, 1995.

Sources of other economic data:

Government Finance

The Treasury

Public Debt

Gross Government debt comprises the total amount of government debt outstanding denominated in domestic and in foreign currency. The source for data on Treasury bills and government external debt is the Central Bank of Malta, while the source for Malta Government Stocks is the Malta Stock Exchange. Also shown are data on debt guaranteed by government, which mainly relates to the non-financial public sector companies. Government guaranteed debt excludes guarantees on the MIGA and IBRD positions and government guarantees on foreign loans taken by the Central Bank on behalf of government: These loans already feature in the calculation of government external debt.

External Transactions

Exchange Rates – Central Bank of Malta

Foreign Trade – National Statistics Office

Real Economy

Gross Domestic Product – National Statistics Office

Tourist Arrivals – National Statistics Office

Labour Market – Employment and Training Corporation

Building and Construction – Planning Authority

Inflation – National Statistics Office