

Central Bank of Malta



Quarterly Review

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ABBREVIATIONS

ECB	European Central Bank
EBRD	European Bank for Reconstruction and Development
ESCB	European System of Central Banks
EMU	European Monetary Union
ETC	Employment and Training Corporation
EU	European Union
GDP	Gross Domestic Product
IMF	International Monetary Fund
MFSA	Malta Financial Services Authority
MSE	Malta Stock Exchange
NSO	National Statistics Office
OECD	Organisation for Economic Co-Operation and Development
OPEC	Organisation of Petroleum Exporting Countries
WTO	World Trade Organisation

ECONOMIC SURVEY

1. FOREWORD

During the first and second quarters of 2004 the Central Bank of Malta left the central intervention rate unchanged at 3%. The Bank's policy stance reflected its assessment of economic and financial developments in Malta and abroad and was consonant with its monetary policy strategy, which is based on pegging the Maltese lira to a basket of major currencies.

The decline in the Bank's net foreign assets recorded during the final quarter of 2003 was partly reversed in the first quarter of 2004 but resumed during the second quarter, partly because of the increased cost of oil imports. Although inflation rose sharply at the beginning of the year under the impact of the increase in the standard VAT rate, inflationary pressures subsequently moderated. The information available on money and credit aggregates, as well as data from the labour market, pointed to subdued economic activity, although there were some signs of a recovery in exports as external demand picked up. In these circumstances, the Bank left its monetary policy stance unchanged.

With the Bank keeping the central intervention rate constant, domestic money market interest rates were virtually unchanged during the first quarter of 2004 and going into the following quarter. But the premium on Maltese lira short-term rates, which had remained steady at around 60 basis points throughout the first quarter, narrowed gradually in the second quarter as money market rates abroad rose. Domestic Government bond yields were stable during the first quarter of 2004 but eased marginally going into the second quarter.

Broad money, M3, expanded during the first quarter, putting on 1.9% and reversing the drop registered during the previous quarter. Monetary expansion was driven by growth in domestic credit which, in turn, was fairly evenly divided between net claims on central Government and claims on other residents, mainly households. Otherwise, growth in credit to the private sector remained weak. The net foreign assets of the banking system as a whole decreased slightly.

Official GDP data for the first quarter of 2004 had not yet been published at the time of writing, but the available information on the performance of the main sectors of the economy during the quarter suggests that the export-oriented sectors were recovering, although domestic demand remained subdued. Manufacturing sales and merchandise trade data indicate a pick-up in exports, while earnings from tourism also rose. However, domestic sales by manufacturing firms and imports of consumer goods decreased compared to the corresponding quarter of 2003. Generally slack conditions in the labour market and the absence of sustained inflationary pressures also point to continued weakness in domestic demand.

Meanwhile, responses to the Bank's latest business perceptions survey show that, after having declined for three consecutive quarters, business confidence recovered during the second quarter, with most firms expecting the performance of the Maltese economy to improve over the coming months.¹ This boost to confidence was mainly driven by renewed optimism amongst export-oriented manufacturing firms, which reported further growth in turnover. The tourism industry also reported a slight increase in sales. Overall, activity in the

¹ The survey was carried out between April and May 2004.

domestically-oriented sectors remained below normal, however, with activity levels in manufacturing and distribution reported to have fallen, although some improvement was registered in financial services and construction. Looking ahead, export-oriented firms expected a substantial improvement during the second quarter of 2004, whereas firms catering for the domestic market were more cautious.

The available information shows that labour market conditions remained slack during the March quarter. Data compiled by the ETC showed that the unemployment rate had risen further, to 6.1% in January, as the gainfully occupied population continued to contract. However, towards the end of the quarter the number of registered unemployed began to decline, suggesting some pick-up in labour demand. According to the latest Labour Force Survey, which was carried out during the quarter, unemployment dropped from 7.9% in December to 7.2% during the first quarter.

The twelve-month moving average rate of inflation based on the Retail Prices Index, accelerated from 1.3% in December to 1.8% in March and continued to rise in the second quarter, reaching almost 2% in May. The year-on-year inflation rate was more volatile, going up

sharply at the beginning of the quarter as a result of the increase in the standard VAT rate in January, before dropping at the end of the quarter.

The deficit on the current account of the balance of payments widened during the first quarter of 2004 when compared to the corresponding quarter of 2003, as a surplus on the income account swung into deficit. This shift offset a narrowing of the merchandise trade gap and an increased surplus on services. After excluding movements in the international reserves, net inflows on the capital and financial account increased.

As for fiscal developments, the deficit on the Consolidated Fund increased marginally during the first quarter of 2004, compared with the corresponding period of the previous year. A rise in total expenditure, inflated by differences in the timing of pension-related outlays, offset higher revenues. However, the primary balance, which excludes interest payments from expenditure, improved, suggesting that the fiscal stance was relatively less expansionary during the period. Moreover, data for the first five months of the year show that the deficit on the Consolidated Fund contracted over the corresponding period of 2003.

2. THE INTERNATIONAL ENVIRONMENT

The world economy

This year the industrialised economies are set to grow at their fastest rates since the global slowdown that followed the collapse of the hi-tech boom in 2000.¹ Although inflation is expected to remain low, interest rates are set to rise. In 2004 the US, British and Japanese economies should register growth rates above 3%, while the euro area is expected to continue lagging behind. In confirmation of this trend, during the first quarter of 2004 the broad-based economic expansion that took place in America and Japan was overshadowed by slow growth in continental Europe.

Economic and monetary developments in the major economies

The American economy grew at its fastest year-on-year rate since 2000, expanding by

4.8% in real terms during the first quarter of 2004 (see Table 2.1). Consumption grew by 4.3% boosted by increased household wealth, which was stimulated by rising real estate and mutual fund values. Meanwhile, private investment spending increased by 10.9%. Over the previous quarter, GDP grew at an annualised rate of 3.9%. Despite this rapid growth, the unemployment rate stood at 5.7% in March, unchanged from its end-December level. Inflation remained low, averaging 1.8% over the quarter, although rises in consumer prices in April and May have raised fears that inflation may begin to accelerate (see Table 2.2).

The Federal Reserve Bank left its target for the federal funds rate unchanged at 1% until the end of the second quarter. Then, as was widely expected, in its meeting of 29-30 June it raised the federal funds rate target by 25 basis points to 1.25%. This followed surprisingly robust job growth in May, together with rising prices, against a backdrop of solid economic expansion.

Table 2.1
REAL GDP

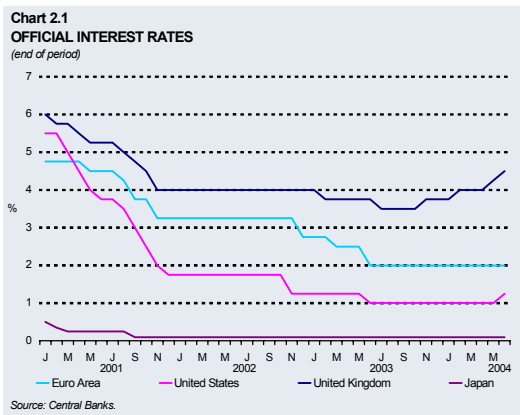
% change compared with the same period a year earlier

	2003				2004	
	Q1	Q2	Q3	Q4	Q1	Q2 ¹
United States	2.1	2.4	3.6	4.3	4.8	5.3
Euro area	0.7	0.1	0.4	0.7	1.3	1.8
EU - 25	1.0	0.6	0.7	1.1	1.6	n/a
United Kingdom	1.8	2.1	2.2	2.9	3.4	3.1
Japan	2.7	2.1	1.9	3.1	5.6	4.3

¹ Forecasts.

Sources: Bureau of Economic Analysis, US; Consensus Forecasts; Eurostat; Economic and Social Research Institute, Japan; National Statistics, UK.

¹ This outlook is based on recent projections published by the OECD, the IMF, the European Commission and Consensus Forecasts.



Real GDP in the enlarged EU grew at an annual rate of 1.6% during the first quarter of 2004 as compared to 1.1% in the previous quarter.

Although the major euro area economies continued to lag behind other industrialised countries, output in the euro area gathered pace, registering 1.3% growth for the first quarter compared with 0.7% in the fourth quarter. Domestic demand expanded by 1%, although net exports also contributed. In France, household spending and investment were strong, while the German and Italian economies picked up

moderately. Unemployment, however, rose to 9% in March from 8.9% in December. Euro area inflation fell to 1.7% in the first quarter from 2.1% in the previous quarter. It is expected that economic growth in the euro area will accelerate, supported by strong global demand and upbeat confidence, although high prices of oil and raw materials may boost inflation and dampen growth.

The ECB decided to keep the minimum bid rate on the main refinancing operations unchanged at 2%, with inflation remaining under control (see Chart 2.1). Official interest rates were also held steady in the second quarter.

Real GDP in the United Kingdom grew by 3.4% in the first quarter compared to 2.9% in the fourth quarter, supported by strong domestic demand. Private consumption expenditure put on 3%, the highest year-on-year growth rate since the second quarter of 2002. Strong domestic activity was countered by weak external demand, partly as a result of the strength of the pound sterling. Inflation remained below the Bank of England's target, with the CPI rate averaging 1.3% during the quarter. The unemployment rate fell to 4.7% for the three months ending in March 2004.

Table 2.2
CONSUMER PRICE INDEX

% change compared with the same period a year earlier

	2003				2004	
	Q1	Q2	Q3	Q4	Q1	Q2 ¹
United States	2.9	2.2	2.2	1.9	1.8	2.5
Euro area	2.3	2.0	2.0	2.1	1.7	2.3
United Kingdom	1.5	1.3	1.4	1.4	1.3	1.5
Japan	-0.2	-0.3	-0.2	-0.3	-0.1	-0.1

¹ Forecasts.

Source: Consensus Forecasts.

The Bank of England tightened monetary policy gradually during the first months of 2004. In February the Bank of England increased the repo rate by 25 basis points following rising consumer debt and continued buoyancy in consumer spending. Subsequently, the Bank raised the repo rate by a quarter percentage point in both May and June, bringing it up to 4.5%.

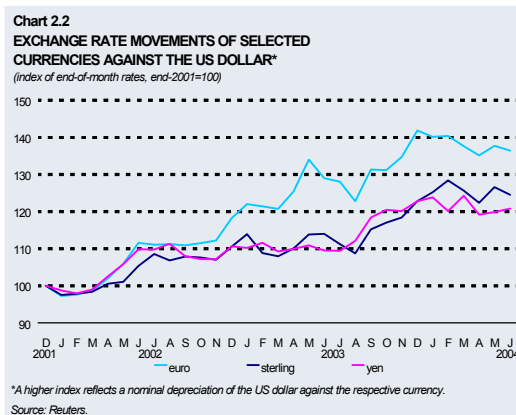
Real GDP growth in Japan continued to accelerate, hitting 5.6% in the three months to March, supported by buoyant business investment, consumer spending and exports. Reflecting the strength of domestic economic activity, imports also increased, which dampened GDP growth. Unemployment dropped to 4.7% in March from 4.9% in December. In Japan falling prices moderated although there were no signs of a rapid end to deflation.

Despite strong economic data and moderating deflationary pressures, the Bank of Japan maintained an unchanged monetary policy stance during the first quarter.

Foreign exchange markets

During the first quarter, the US dollar appreciated by 3% against the euro, while it depreciated by 2.3% and 1.2% against the pound sterling and the yen, respectively (see Table 2.3). During the second quarter, the dollar appreciated against the yen and, to a lesser extent, against the pound sterling and the euro.

The euro's prolonged rally against the US dollar came to a halt in January following statements by euro area Ministers of Finance expressing concern about excessive volatility in exchange rates and data showing increased capital flows to the US. The dollar was also supported by the Federal Reserve's positive outlook on the American economy and robust GDP data for the fourth quarter. In the early weeks of February, however, the European currency appreciated following the



G7 communiqué on exchange rate movements. Towards the end the month and into most of March, it resumed its decline vis-à-vis the dollar, despite the widening US current account deficit. The euro's depreciation was driven by continued net portfolio flows to the US, positive US labour market data and calls for interest rate cuts in the euro area.

The yen appreciated slightly against the dollar in the first few weeks of the quarter in response to robust export growth and positive overall economic conditions. In February the situation was reversed on market speculation about the Japanese authorities continued intervention in the foreign exchange market. In March the yen generally strengthened as the strong performance of the export sector had a positive impact on the domestic economy.

Rapid economic growth in Britain supported the pound sterling against the US dollar in January and early February. The pound then lost ground amid concerns about the UK trade deficit before recovering in the second half of March, supported by evidence of buoyant private consumption.

Commodities

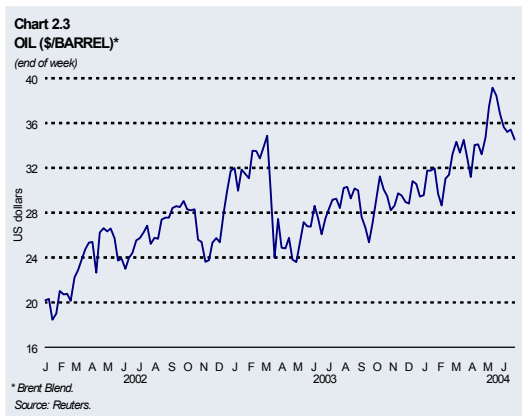
The price of oil rose by 6.9% during the first quarter of 2004, with Brent Blend reaching

Table 2.3
EXCHANGE RATES OF SELECTED CURRENCIES
AGAINST THE US DOLLAR - FIRST QUARTER 2004

	US\$/euro	US\$/stg	yen/US\$
Average for January	1.2617	1.8228	106.43
Average for February	1.2642	1.8676	106.56
Average for March	1.2273	1.8288	108.90
Average for the quarter	1.2511	1.8397	107.29
Opening rate on 30.03.04	1.2192	1.8219	105.66
Opening rate on 31.12.03	1.2570	1.7802	106.92
Lowest exchange rate during the quarter ¹	1.2090 (29 Mar.)	1.7869 (20 Jan.)	105.34 (12 Feb.)
Highest exchange rate during the quarter ¹	1.2917 (18 Feb.)	1.9118 (18 Feb.)	112.11 (8 Mar.)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from opening rate on 31.12.03 to opening rate on 30.03.04	-3.0	2.3	1.2

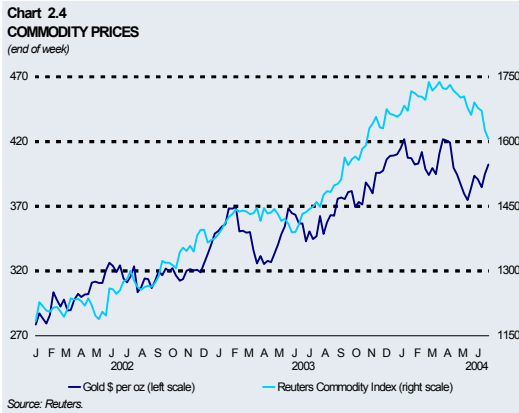
¹ The high/low exchange rates are daily opening rates of the relevant currencies.

Source: Reuters.



its highest level during the quarter at \$34.9 per barrel in mid-March (see Chart 2.3).² Oil prices in January were supported by strong demand, partly due to the cold weather, and by the historically low levels of commercial stocks. OPEC's decision to cut output caused prices to surge after mid-February. High demand from the US and China and further prospects of output cuts boosted prices further. However, at the end of the quarter oil prices declined unexpectedly following a rise in US crude and gasoline inventories, ending March at \$32.4.

² Brent Blend is a North Sea crude oil that serves as a benchmark grade and is widely traded on the New York Mercantile Exchange.



In the second quarter, the price of oil rallied to reach its peak of \$39.4 per barrel in the beginning of June following terrorist attacks in Iraq and persistently low inventories. By the end of June the oil price had levelled off to \$34 per barrel.

Stronger global demand, the perceived weakness of the US dollar and speculative behaviour

supported non-oil commodity prices in the first quarter of 2004 (see Chart 2.4). In US dollar terms, the Reuters Commodity Index rose by 3.8% over the quarter.³ However, non-oil commodity prices reversed their trend going into the second quarter following uncertainty over future demand for raw materials.

The price of gold went up by 2.8% during the first quarter, closing at \$426.3. At the beginning of January gold reversed its earlier upward trend as investors started to sell their holdings, although a weak dollar prevented gold from dipping below \$397 an ounce. Later on, the weakness of the dollar led to increased demand from Europe and Asia, helping gold to appreciate. In the last weeks of February and early March, gold fell as investors continued to sell. However, as the dollar fell later in March investors sought a safe haven asset. The upward trend in the price of gold was reversed during the second quarter as the US dollar strengthened on the foreign exchange market.

³ The Reuters Commodity Index is a weighted index of the prices of seventeen commodities including food, beverages, vegetable oils, agricultural raw materials and metals, excluding gold.

3. MONETARY AND FINANCIAL DEVELOPMENTS

During the first five months of 2004 the Central Bank of Malta left the central intervention rate unchanged at 3%. Money market interest rates and bond yields also remained stable. Growth in the money supply was stronger and the contraction recorded in the last quarter of 2003 was reversed in the first quarter of 2004, as there were fewer issues of new bonds. The increase in the money supply was mainly reflected in narrow money, as low interest rates induced savers to hold onto liquid instruments. Whereas domestic credit continued to grow, the net foreign assets of the banking system declined slightly. In contrast with the second half of 2003, credit to the Government expanded during the first quarter of 2004. But growth in credit to the private sector, with the notable exception of lending to the

personal sector for house purchases, remained weak. Meanwhile, the local equity market continued to recover.

The monetary base

The monetary base (M0), which consists of currency in issue and bank deposits with the Bank (excluding term deposits), expanded by Lm10.4 million, or 1.7%, in the first quarter of 2004 (see Table 3.1). This largely reflected an increase in bank reserve deposits, which rose by Lm9.8 million. Currency in issue added a mere Lm0.6 million, with a seasonal drop in January being compensated for over the following two months. On an annual basis, the rate of growth of M0 recovered, rising from 1.7% in December to 6.9% in March, before slowing to 5.83% in May.

Lower Government deposits and a drop in the Bank's "shares and other equity", the latter

Table 3.1
THE MONETARY BASE AND ITS SOURCES

	<i>Lm millions</i>			
	2003 Dec.	2004 Mar.	Change	
			Amount	%
Currency in issue	485.4	486.0	0.6	0.1
Bank deposits with the Central Bank of Malta ¹	137.9	147.7	9.8	7.1
MONETARY BASE	623.3	633.7	10.4	1.7
CENTRAL BANK OF MALTA ASSETS				
Foreign assets	980.0	975.3	-4.7	-0.5
Claims on central Government	7.8	8.3	0.5	6.4
Fixed and other assets	9.9	9.9	0	0
<i>less</i>				
REMAINING LIABILITIES				
Government deposits	83.3	70.6	-12.7	-15.2
Other deposits	2.5	1.8	-0.7	-28.0
Foreign liabilities	60.9	43.3	-17.6	-28.9
Other liabilities	115.5	142.3	26.8	23.2
Shares and other equity	112.2	101.9	-10.3	-9.2

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

Table 3.2**MONETARY AGGREGATES***(Changes on the previous quarter)**Lm millions*

	2003								2004	
	Q1		Q2		Q3		Q4		Q1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
NARROW MONEY (M1)	21.6	1.6	65.2	4.7	17.1	1.2	21.2	1.4	50.9	3.4
Currency in circulation	4.2	1.0	11.3	2.6	4.1	0.9	4.0	0.9	7.1	1.5
Deposits withdrawable on demand	17.4	1.9	53.9	5.7	13.0	1.3	17.2	1.7	43.9	4.3
INTERMEDIATE MONEY (M2)	6.2	0.2	54.2	1.9	13.6	0.5	-4.8	-0.2	54.1	1.9
Narrow money (M1)	21.6	1.6	65.2	4.7	17.1	1.2	21.2	1.4	50.9	3.4
Deposits with agreed maturity										
up to 3 months	0.6	2.3	0.9	3.1	0.3	1.0	-1.0	-3.4	0.9	3.1
up to 2 years	-16.0	-1.2	-11.9	-0.9	-3.8	-0.3	-25.0	-1.9	2.3	0.2
BROAD MONEY (M3)¹	6.2	0.2	54.2	1.9	13.6	0.5	-4.8	-0.2	54.1	1.9

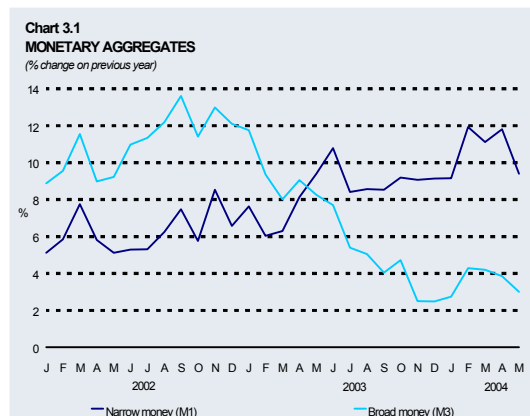
¹ Since the amount of marketable instruments issued by the MFI sector is negligible, at present M2 is equal to M3.

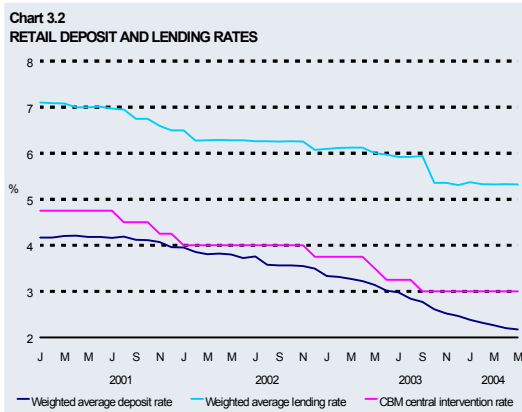
reflecting the transfer of profits to the Government, contributed to the rise in the monetary base. However, this increase was dampened by an upward jump in other liabilities as a result of higher term deposits with the Bank. Meanwhile, maturing repos with foreign counterparties simultaneously reduced both the Bank's foreign liabilities and its foreign assets, thereby exerting a neutral impact on M0.

Monetary aggregates

Broad money (M3) expanded by Lm54.1 million, or 1.9%, during the first quarter of 2004, reversing the previous quarter's contraction of 0.2% (see Table 3.2). The recovery in M3 reflected the lack of Government and corporate sector bond issues together with the prevailing low interest rate environment – and hence the low opportunity cost of holding monetary instruments - during the quarter. The annual growth rate of M3 thus

picked up from 2.5% in December to 4.2% in March, contrary to the downward trend in evidence since the fourth quarter of 2002 (see Chart 3.1). But it slowed down to 3% in May, following portfolio shifts away from deposits and into newly issued Government bonds.





Monetary expansion was fuelled by growth in narrow money (M1), which rose by Lm50.9 million, or 3.4%. This mainly reflected an increase in deposits withdrawable on demand, although currency in circulation also contributed. The annual growth rate of M1 thus accelerated from 9.1% in December to 11.1% in March, before

falling back to 9.4% in May.

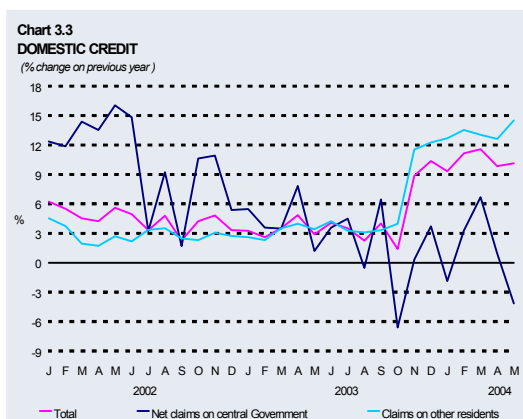
Intermediate money (M2), which consists of M1 plus short-term deposits other than those withdrawable on demand, increased by Lm54.1 million, or 1.9%, during the March quarter (see Table 3.2). Apart from the rise in M1 mentioned earlier, time deposits with an agreed maturity of up to two years also rose slightly, partly compensating for the previous quarter's drop. On the one hand, the prevailing low interest rates encouraged savers to shift funds away from long-term deposits - which do not form part of broad money - into deposits with a shorter maturity that are included in the aggregate. Yet this effect was mitigated by portfolio shifts from short-term time deposits into alternative assets such as bonds and equities.

The weighted average interest rate on Maltese lira deposits continued to decline (see Chart 3.2),

Table 3.3
COUNTERPARTS OF MONETARY GROWTH
(Changes on the previous quarter)

	<i>Lm millions</i>									
			2003				2004			
	Q1		Q2		Q3		Q4		Q1	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY (M3)	6.2	0.2	54.2	1.9	13.6	0.5	-4.8	-0.2	54.1	1.9
DOMESTIC CREDIT	41.0	1.7	41.7	1.7	-7.9	-0.3	174.0	7.0	75.2	2.8
Net claims on central Government	18.9	3.5	34.9	6.3	-31.6	-5.3	-2.3	-0.4	36.3	6.5
Claims on other residents	22.1	1.2	6.8	0.4	23.6	1.3	176.3	9.2	38.9	1.9
NET FOREIGN ASSETS	8.0	0.6	24.1	1.8	52.7	4.0	30.0	2.2	-2.7	-0.2
Central Bank of Malta	5.0	0.6	43.1	4.9	13.5	1.5	-24.1	-2.6	13.0	1.4
Banks	3.0	0.7	-19.1	-4.5	39.3	9.7	54.2	12.2	-15.7	-3.2
<i>less</i>										
OTHER COUNTERPARTS OF M3¹	42.9	4.7	11.5	1.2	31.2	3.2	208.8	20.7	18.4	1.5

¹ Other counterparts of M3 include the capital base of the MFI sector, longer-term financial liabilities, provisions, interest accrued and unpaid and other liabilities, less fixed and other assets. They are equal to the difference between M3 and the sum of domestic credit and net foreign assets.



falling from 2.46% at the end of December to 2.17% in May. This was due to lower interest rates on time deposits, as the average rate on demand and savings deposits remained broadly unchanged. The narrowing gap between the rates offered on time deposits and the more liquid current and savings deposits may also explain the increased preference for liquid instruments.

Counterparts of monetary expansion

Domestic credit expanded by Lm75.2 million, or 2.8%, during the first quarter of 2004, with the increase being evenly divided between higher net claims on central Government and claims on other residents (see Table 3.3). On an annual basis credit growth, which in the previous quarter was boosted by an exceptional transaction, rose from 10.4% in December to 11.6% in March, before easing to 10.2% in May (see Chart 3.3).

Net claims on central Government added Lm36.3 million, or 6.5%, during the quarter, offsetting the contraction recorded in the previous two quarters. This mainly reflected a rise in bank holdings of Treasury bills, although a drop in Government deposits with the Central Bank of Malta also contributed. The annual growth rate of these claims continued to fluctuate widely, ending the quarter at 6.7%, up from 3.7% three months earlier, before dropping back to -4.2% in May,

when Government deposits were boosted by the proceeds from new bond issues.

Claims on other residents grew by Lm38.9 million, or 1.9%, during the first three months of 2004, mainly on account of the addition of six months' interest to borrowers' loan accounts in March. On an annual basis their growth rate stabilised at around 13%, before rising to 14.5% in May (see Chart 3.3). Apart from the exceptional boost recorded in November last year, there appears to have been a modest pick-up in claims on other residents in recent quarters.

Loans and advances, which represent almost 90% of claims on other residents, increased by Lm40.2 million, or 2.2%, during the March quarter, driven by further growth in loans to the private sector (see Table 3.4). While most of this increase reflected the debiting of interest charges to loan accounts mentioned earlier, borrowing by households also continued to expand at a strong pace, supported by a robust demand for house loans. Otherwise, underlying growth in loans to other sectors remained generally weak, with loans to the electricity, gas & water supply industry, in particular, registering a sharp decline. Meanwhile, lending rates remained stable throughout the five month period to May (see Chart 3.2).

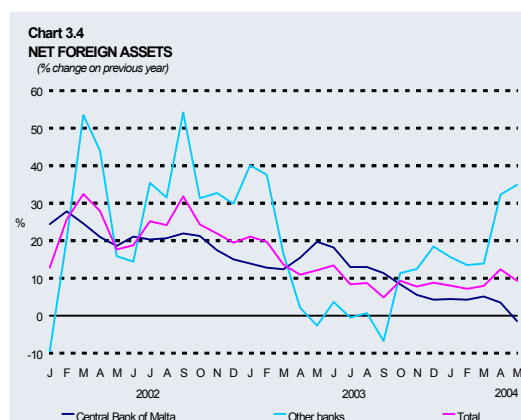


Table 3.4
CLAIMS ON OTHER RESIDENTS¹

Lm millions

	2003	2004	Change	
	Dec.	Mar.	Amount	%
Claims on the private sector	1900.3	1941.0	40.7	2.1
Claims on public non-financial companies	189.9	188.0	-1.9	-1.0
Claims on other general government ²	0.6	0.7	0.1	16.7
TOTAL	2090.7	2129.7	39.0	1.9
<i>of which:</i>				
LOANS AND ADVANCES				
Electricity, gas & water supply	61.1	56.6	-4.5	-7.4
Transport, storage & communication	135.4	139.3	3.9	2.9
Agriculture	7.2	7.4	0.2	3.0
Fishing	2.0	1.9	-0.1	-4.2
Manufacturing	141.0	138.9	-2.1	-1.5
Construction	201.1	200.7	-0.4	-0.2
Hotels & restaurants	206.9	209.5	2.6	1.3
Wholesale & retail trade; repairs	288.2	293.3	5.1	1.8
Real estate, renting & business activities	117.3	120.6	3.3	2.8
Households & individuals	611.7	642.4	30.7	5.0
Other ³	61.7	63.2	1.5	2.4
TOTAL LOANS AND ADVANCES	1833.6	1873.8	40.2	2.2

¹ Claims on other residents consist mainly of loans and advances (including bills discounted) and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies. Interbank claims are excluded.

² In Malta, this refers to the local councils.

³ Includes mining and quarrying, public administration, education, health and social work, community recreation and personal activities, extra-territorial organisations and bodies and non-bank financial institutions.

The net foreign assets of the banking system shed Lm2.7 million, or 0.2%, in the first quarter of 2004, after having risen steadily throughout 2003 (see Table 3.3). To a certain extent, this reflected a swap transaction following the bond issue by the European Investment Bank (EIB) in March, but it may also be a sign that the factors previously pushing up the banks' net foreign assets had

subsided further. This included the narrowing of the interest rate premium on Maltese lira assets observed since mid-2003. On an annual basis, growth in the net foreign assets of the banking system remained stable at around 8% during the March quarter (see Chart 3.4), but it edged up to just over 9% in May, mainly as a result of an injection of equity capital into a foreign-owned

bank during April.

During the March quarter the Central Bank of Malta's net foreign assets increased by Lm13 million, or 1.4%, largely due to net purchases of foreign exchange from the rest of the banking system. These led to a Lm15.7 million (3.2%) contraction in the net foreign holdings of the rest of the banking system. In April, however, the Bank's net foreign assets fell slightly, but those of the rest of the banking system rose sharply, reflecting the injection of foreign capital mentioned earlier.

As regards the other counterparts to M3, these gained Lm18.4 million, or 1.5%, during the March quarter (see Table 3.3). The banks' other liabilities dropped on account of the shift from long-term time deposits not included in broad money into deposits forming part of the money supply. However, there was a larger drop in the banks' other assets on account of the debiting of interest to customers' loan accounts.

The money market

Throughout the first five months of 2004, the Bank kept the central intervention rate unchanged at 3%. Hence, during the period, domestic money market interest rates remained broadly stable and close to the rates applied by the

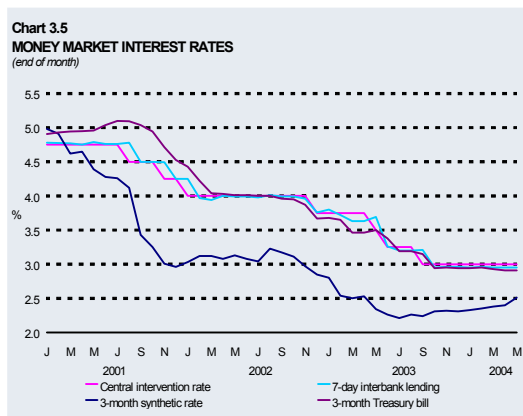
Bank in its open market operations. As money market rates abroad continued to rise gradually, however, the interest rate premium on short-term Maltese lira assets (see Chart 3.5) continued to narrow.

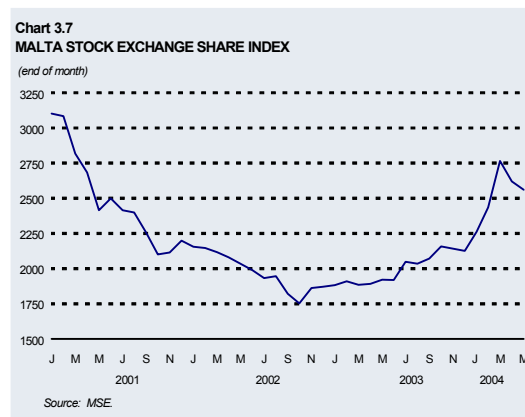
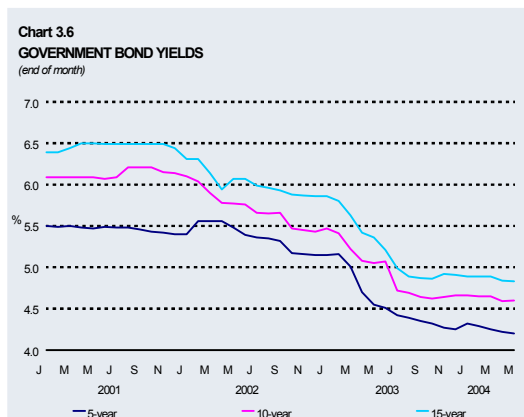
In the first three months of 2004 the Bank continued to absorb liquidity from the rest of the banking system through weekly auctions of 14-day term deposits. The average holding of term deposits with the Bank thus rose to Lm140.7 million, up from Lm133.7 million in the previous quarter. The interest rate paid on these deposits remained at the 2.95% floor.

Turnover in the interbank market moderated during the March quarter, but, at Lm28.6 million, was still above the average recorded over the past two years. Interbank deals were struck with terms to maturity of up to one month, but loans with a maturity of two weeks or less remained the most popular. The interest rate on one-week interbank loans held steady at 2.95% until May.

The Treasury relied more heavily on short-term debt financing in the first quarter of 2004, with Lm146 million worth of Treasury bill issues exceeding maturing bills valued at Lm125.3 million. The three-month bill remained the most popular, accounting for around three-fifths of the total amount issued, although higher recourse was made to bills with longer maturities. Once more, banks were the main participants in the primary market for Treasury bills, purchasing over four-fifths of the bills issued. The yield on the three-month bill remained stable at around 2.94% during the March quarter, halting the downward trend in evidence in the previous quarters, before ending May marginally lower at 2.91%.

Turnover in the secondary market for Treasury bills fell from Lm39.8 million to Lm21.7 million during the March quarter. Trading involving the Bank amounted to Lm18.1 million, with transactions being conducted mainly with the rest





of the banking system. Remaining activity reflected net purchases of securities by banks from other financial institutions. As in the primary market, yields in the secondary market remained broadly unchanged, with the interest rate on the three-month Treasury bill standing at 2.93% in May.

Since the yield on domestic three-month Treasury bills remained stable during the first five months of 2004, the spread between local yields and the synthetic three-month yield, which is a weighted average of money market yields on the currencies making up the Maltese lira basket, narrowed by 23 basis points (see Chart 3.5). Nevertheless, at the end of May, it still stood at 40 basis points.

The capital market

In contrast with the buoyant activity seen in previous quarters, there was only one bond issue on the primary market in the first quarter of 2004. This issue was that of an international financial institution, the EIB, which in February launched Lm10 million worth of bonds maturing in 2009 and carrying a coupon rate of 3.8%. Demand for these triple-A rated bonds was strong and the issue was subsequently listed on the MSE. On the domestic front, however, neither the public nor the private sector raised funds through new bond issues

during the quarter. In April, meanwhile, Lm18.7 million in Government bonds was redeemed, and this was followed by stock issues amounting to Lm65 million in May.

As regards the secondary market, turnover in Government bonds declined to just under Lm15 million, but the volume remained slightly higher than the quarterly average for the last two years. The Bank accounted for Lm2.2 million of total turnover, while other investors took up the remainder. Activity was again concentrated on a small number of securities, but they were evenly spread between short- and long-term maturities. Bond yields eased slightly during the five-months to end-May, with the benchmark 10-year Government bond yield falling to 4.6% (see Chart 3.6).

The volume of transactions in the secondary market for corporate bonds also declined in the first quarter, falling from Lm2.4 million to Lm2 million. Trading was broadly spread among securities whereas yields moved slightly lower. As in recent years, activity remained low in spite of a growing number of listed bonds, showing a preference among investors for keeping their holdings up to maturity.

In contrast, activity in the equity market gathered further momentum, where in the first quarter the

value of traded shares almost doubled to Lm10.1 million. Of this, close to four-fifths involved the largest three listed equities, but increased activity was also recorded with respect to other shares.

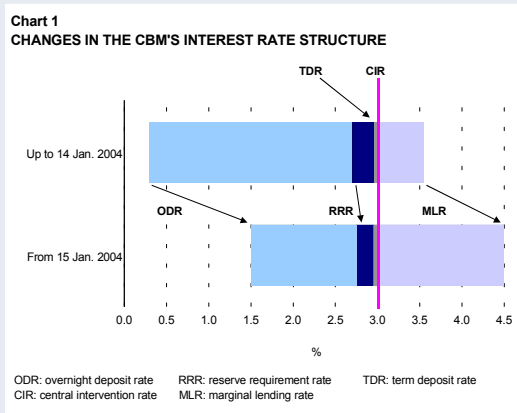
The MSE share index thus continued to recover, gaining some 30% in the first quarter. In April and May, however, the index lost some ground, settling at the 2561.3 level (see Chart 3.7).

Box 1: CHANGES IN THE MONETARY POLICY OPERATIONAL FRAMEWORK USED BY THE CENTRAL BANK OF MALTA

The Governor of the Central Bank of Malta is responsible for taking decisions on monetary policy, acting on the advice of the Monetary Policy Advisory Council (MPAC). The central intervention rate – the Bank’s main instrument of monetary policy – is announced after each MPAC meeting. Since 26 September 2003, the Bank has maintained the central intervention rate unchanged at 3%. However, as from 15 January 2004 the Bank adjusted its monetary policy operational framework, revising the method of establishing the rate of remuneration on overnight and reserve deposits and the interest rate on the marginal lending facility.

The overnight deposit rate – the rate which credit institutions earn when placing funds overnight at the Bank – was revised upwards and set at a narrower margin of 150 basis points below the central intervention rate instead of the previous margin of 295 basis points. At the same time, the marginal lending rate – the rate at which banks can borrow overnight from the Central Bank – was also revised upwards, from 55 to 150 basis points above the central intervention rate. The overnight deposit rate and the marginal lending rate thus rose from 0.3% to 1.5% and from 3.55% to 4.5%, respectively (see Chart 1). These changes introduced a narrower, but symmetric corridor, removing a potential bias in favour of borrowing banks, which were previously being offered a rate that was relatively less penal when compared to the remuneration received in case they placed surplus funds in the overnight deposit facility.

As from 15 January the remuneration rate on reserve requirements, which credit institutions are obliged to hold with the Central Bank, is linked to the central intervention rate at a discount of 25 basis points, rather than being fixed at 2.7%.



Thus, the remuneration rate rose to 2.75%. In the case of credit institutions operating in foreign currency, remuneration was also linked at a discount of 25 basis points to the policy rate of their respective base currency.

These operational changes were implemented to remove possible distortions in the Bank’s interest rate structure rather than as a form of monetary tightening. Thus, the transmission mechanism - the channels through which monetary impulses from the Bank, in the form of changes to the terms on borrowing and deposit facilities offered to credit institutions, may impact on market interest rates and ultimately on economic activity and prices - should become more transparent and efficient.

Low returns on overnight deposits coupled with the low cost marginal lending facility could have influenced banks’ portfolio management strategies. Banks were facing a situation where their unutilised funds were earning very low returns on the overnight deposit facility, whereas access to funds - should these be needed to meet the reserve requirement obligations of banks - was available at a relatively low cost.

Overall this could have supported high demand for short-term assets, introducing a downward bias in turnover and rates offered in the interbank market, where banks borrow or lend funds to each other. To a lesser extent, it may also have had a similar impact on the effective rate which banks were bidding for in the auctions for 14-day deposits with the Bank.

As regards the rate of remuneration on reserve requirements, this was previously fixed and was, therefore, unaffected by changes in official interest rates, in spite of the fact that such requirements also serve as an important policy tool. Reserve requirements create predictable demand for base money, ensuring greater leverage by the Bank on the monetary creation process in the country. They act as an implicit tax on banks' funds since banks are unable to use such funds to earn higher returns on other

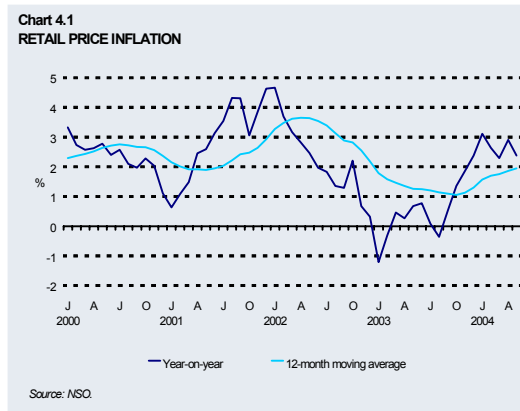
assets. This implicit tax creates an anomaly in the financial system, by penalising banks as against non-bank financial intermediaries. By linking their remuneration to the central intervention rate, this distortion has been reduced. Furthermore, the return on reserve requirements is now free to move in line with the central intervention rate, thus reflecting the monetary policy stance more closely.

While removing a number of distortions, these changes in the Bank's operational framework had a minimal impact on the day-to-day conduct of monetary operations. Due to the current systemic liquidity in the banking system, banks still relied significantly on 14-day term deposit auctions, whose remuneration conditions were not changed. Furthermore, as expected there was no significant impact on bank lending and deposit rates.

4. OUTPUT, PRICES AND EMPLOYMENT

Although GDP data for the first quarter of 2004 were not available at the time of writing, various indicators point to a pick-up in economic activity. The performance of the manufacturing sector continued to strengthen, with a significant number of enterprises reporting improved sales and investment. Gross tourism earnings also grew despite a further drop in the number of arrivals. The higher receipts registered by manufacturing and tourism contributed towards a significant narrowing of the external deficit on goods and services.

Domestic demand remained weak, mainly on account of adverse labour market developments. The number of the gainfully occupied dropped further, while unemployment rose on a year-on-year basis. Consequently, local sales by manufacturing industry and imports of consumer goods were down on their year-ago level, although in both cases the results of the first



quarter may have been affected by the exceptional rise in private consumption that occurred prior to the increase in the standard VAT rate in January. The reduction in levies and the change in the VAT collection regime that were introduced upon EU accession in May, may also have led consumers to postpone purchases to later months. The weakness of domestic demand during the quarter can also be gauged from a slight fall in year-on-year inflation, despite the increase in the VAT rate.

Table 4.1
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI
Year-on-year % changes

	Mar. 2003	Dec. 2003	Mar. 2004
Food	3.3	4.2	1.0
Beverages & tobacco	5.3	7.4	10.3
Clothing & footwear	-10.5	1.4	-4.8
Housing	1.3	3.0	4.2
Water, electricity, gas & fuels	0.2	0.0	0.4
H/hold equip. & house maint. cost	-2.1	-0.8	1.4
Transport & communication	-0.3	0.2	1.5
Personal care & health	1.8	4.1	6.8
Recreation & culture	1.1	-0.5	0.2
Other goods & services	3.3	6.4	9.2
All items	0.5	2.4	2.3

Source: NSO.

Retail prices

The twelve-month moving average rate of inflation continued on the upward trend in evidence since November 2003, rising to 1.8% in March 2004 and edging up further to almost 2.0% in May (see Chart 4.1). On the other hand, the year-on-year change in the Retail Prices Index (RPI), which had risen sharply in the final quarter of 2003, fell slightly by 0.1 percentage points to 2.3% during the first quarter of 2004. It stood at 2.4% in May.

The decline in year-on-year inflation during the first quarter of 2004, which occurred despite the increase in the VAT rate in January, was attributable to a sharp deceleration in the annual rate of change of food prices and a fall in the prices of clothing and footwear. Together, these two factors offset increases in the rate of inflation of the remaining sub-indices (see Table 4.1).

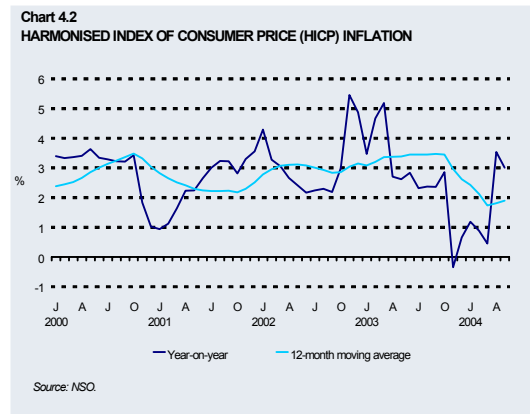
The fall in the annual rate of change of food prices during the March quarter mainly reflected a decline in the annual rate of change in the prices of fruit and vegetables, a result of higher production volumes. To an extent, the Maltese lira's appreciation against the euro and lower inflation overseas may also have translated into lower prices of imported foodstuffs. The 4.8% drop in the prices of clothing and footwear compared to a year earlier reflected price reductions on a wide range of wearing apparel.

All the remaining sub-sectors of the RPI reported increases in their annual rates of inflation. The rate of change of the transport and communications sub-index, which has a very large weight in the RPI basket, rose from 0.2% in December to 1.5% in March. This mainly resulted from an increase in fuel prices in January in line with developments on international markets.

Meanwhile, the higher inflation rates in the personal care and health and the other goods and services sub-indices were the main factors behind the rise in the Bank's measure of underlying inflation – which focuses on those sub-indices that tend to show persistent changes.¹

On 18 May, the NSO published for the first time the harmonised index of consumer prices (HICP) for Malta, with data going back to January 1996. All EU Member States are obliged to publish this index on a monthly basis since it is the officially recognised measure of prices within the EU. It is not the intention to replace the existing RPI, which is published according to national needs and definitions, with the HICP.

The RPI and the HICP differ, mainly in weighting schemes, the population base, index methodology and coverage. Whereas the weights of the various sub-indices of the RPI are based on expenditure by private households only, those of the HICP include also expenditure by institutional households and by tourists. The inclusion of the latter leads to a much higher weight being given to the restaurants and hotels sub-index. Furthermore, the RPI is a fixed weight and fixed-base index, while the HICP is a



¹ For a detailed explanation of the Bank's measure of underlying inflation, see A. Demarco, "A New Measure of Core Inflation for Malta" in this *Review*.

Table 4.2**INFLATION RATES OF COMMODITY SECTIONS IN THE HICP***Year-on-year % changes*

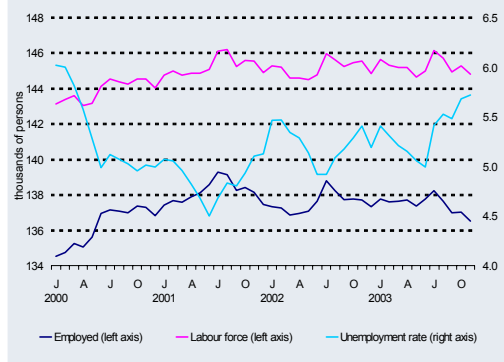
	Mar. 2003	Dec. 2003	Mar. 2004
Food & non-alcoholic beverages	3.5	4.2	0.5
Alcoholic beverages & tobacco	0.4	10.5	14.1
Clothing & footwear	-4.6	1.4	-4.8
Housing, water, electricity, gas & other fuels	0.2	2.4	3.1
Furniture, household equipment & routine maintenance	-0.2	0.1	2.3
Health	2.1	8.1	9.9
Transport	1.6	1.3	2.5
Communications	1.0	-1.5	-0.2
Recreation & culture	1.8	-1.7	-1.1
Education	7.1	4.2	4.2
Restaurants & hotels	19.8	-6.6	-7.0
Miscellaneous goods & services	1.4	3.4	6.3
All items	5.2	0.7	0.5

Source: NSO.

chain index with weights revised annually and newly significant goods and services being introduced each year. The RPI is made up of ten sub-indices, whereas the HICP is made up of twelve, based on the Classification of Individual Consumption by Purpose, an international classification system.

The twelve-month moving average HICP rate of inflation fell to 1.7% in March 2004, from 2.6% in December 2003 (see Chart 4.2). Over the same period a decline was also registered in the year-on-year rate, which fell by 0.2 percentage points to 0.4%. Data for April and May 2004, however, indicate an increase in both the twelve-month moving average and the year-on-year rate. The twelve-month moving average rate stood at 1.9% in May, while the annual change in the HICP rose sharply to 3.6% in April before easing to 3.0% in May.

The main factors behind the decline in year-on-

Chart 4.3 LABOUR MARKET TRENDS

year HICP inflation during the March quarter were slower growth in the prices of food and non-alcoholic beverages and a fall in the prices of clothing and footwear (see Table 4.2). These, together with the further decline of the restaurants and hotels sub-index, outweighed increases in the inflation rates in the remaining sub-indices.

The labour market²

Data compiled by the Employment and Training Corporation (ETC) indicate that in January 2004

the gainfully occupied population contracted by 175 when compared to December 2003 (see Chart 4.3). As a result of a significant increase in the

Table 4.3
LABOUR MARKET DEVELOPMENTS

Number of persons

	Jan. 2004	Change over Dec.	Annual change
Labour supply	144,853	444	-801
Unemployed	8,794	619	915
Unemployment rate (%)	6.1	0.4	0.7
Gainfully occupied	136,059	-175	-1,716
<i>of which:</i>			
Private direct production	36,367	-224	-1,621
<i>including:</i>			
Agriculture & fisheries	2,285	0	43
Quarrying, construction & oil drilling	6,919	53	57
Manufacturing	27,163	-277	-1,721
Private market services	51,994	-72	471
<i>including:</i>			
Wholesale & retail	16,040	24	267
Insurance & real estate	1,320	8	31
Transport, storage & communications	5,910	-26	-174
Hotels & catering establishments	8,799	-131	-180
Community & business	12,776	40	586
Others	7,146	13	-59
Public sector	46,724	127	-472
<i>including:</i>			
Government departments	30,263	-13	-35
Armed Forces, R.S.C. & Airport Co.	1,672	-12	-17
Government-controlled companies	6,461	177	-720
Independent statutory bodies	8,328	-25	300
Temporarily employed	974	-6	-94
Memorandum item:			
Self-employed	15,691	37	163

Source: NSO.

² Statistics for February and March were not available at the time of writing.

Table 4.4**MANUFACTURING PERFORMANCE - SELECTED INDICATORS¹***Lm millions*

	2003				2004
	Q1	Q2	Q3	Q4	Q1
Change in exports	6.9	11.6	10.0	8.0	11.7
<i>of which:</i>					
Radio, TV, telecoms, etc.	3.2	3.1	17.4	4.6	2.5
Electrical machinery	-0.5	-0.1	-1.2	-0.3	2.0
Medical & precision equipment	0.7	1.4	0.6	1.5	2.5
Printing & publishing	2.3	-0.2	3.0	0.3	0.6
Textiles	0.7	1.7	-0.4	-0.6	3.9
Clothing & leather	0.1	-0.7	-7.4	-2.5	-4.0
Other	0.4	6.4	-2.0	5.0	4.2
Change in local sales	1.8	-1.6	-0.9	0.9	-2.1
<i>of which:</i>					
Fabricated metal products ²	1.3	0.3	-0.2	-0.2	-1.2
Furniture	-1.1	-1.8	-1.9	0	-0.6
Clothing	-0.2	-0.8	0.2	0.6	0.6
Food & beverages	0.8	1.2	2.0	-0.2	1.2
Other	1.0	-0.5	-1.0	0.7	-2.1
Change in net investment	0.3	1.4	-0.3	3.5	3.2
<i>of which:</i>					
Radio, TV, telecoms, etc.	-1.7	0.7	0.2	0.8	1.4
Food & beverages	0.8	1.7	0.7	2.0	-0.8
Printing & publishing	0.1	0.1	-1.0	0.2	4.0
Chemicals	0.1	0.1	-0.7	1.2	-0.5
Other	1.0	-1.2	0.5	-0.7	-0.9

¹ Figures in this Table represent the change from the same period of the previous year.

² The basic metals sub-sector is included with this sub-sector following the reclassification exercise by NSO.

Source: NSO.

number of the registered unemployed, the unemployment rate rose to 6.1%, the highest level since February 1987.

Overall, the private sector accounted for all the jobs lost, as the number of persons employed in the public sector rose during the month, boosted by a significant increase in employment in government-controlled companies (Table 4.3).

The lower employment in the private sector was mostly due to drops in employment in manufacturing, although reductions in hotels and catering establishments and in transport, storage & communications also contributed.

On a year-on-year basis, the labour supply was down by 801 while the number of the gainfully occupied fell by 1,716. As a result, the number of

the unemployed rose by more than 900 and the unemployment rate added 0.7 percentage points. The contraction in the gainfully occupied population over the year to January 2004 was mainly due to job losses in manufacturing and, to a lesser extent, in government-controlled companies. By contrast, employment in private market services rose. Apart from the privatisation of Malta International Airport,³ which boosted employment in the community and business sub-sector, this was also attributable to job creation in the distributive trades. The number of self-employed persons also increased over the year.

Data on unemployment for May 2004 show that the number of people registering for work during that month stood at 8,104, down by 235 from the April level but still 783 higher on a year-to-year basis. While the decline in May was spread across all age brackets and involved both the long and the short-term unemployed, the year-on-year increase was entirely accounted for by persons over twenty who had been registering for a short time only.

The results of the Labour Force Survey (LFS) for the second quarter of 2004 are not strictly comparable to those of the survey carried out in the same quarter of 2003. This is because until December 2003 the LFS was carried out on a quarterly basis during a specific week, which was then taken to represent the whole quarter. As from the beginning of 2004, however, the NSO has been carrying out the survey on an ongoing basis. Owing to seasonal factors, therefore, a small upward bias in the data relative to earlier LFS data is expected.

The LFS indicates that the labour supply increased between March 2003 and March 2004. However, this development led to a rise in the

number of the unemployed, as the gainfully occupied population contracted during the period. The number of the unemployed went up by 942 and the unemployment rate rose to 7.2% from 6.6% a year earlier.

The decline in the gainfully occupied in the year to March 2004 mainly involved female workers. Thus while male employment increased by 1,448 during the period, the female gainfully occupied population fell by 1,591. This was entirely attributable to a drop in female part-time employment, which had previously been moving on an upward trend. A similar trend was observed in the activity rate, which, although higher than in March 2003, fell in the case of females.⁴ Meanwhile, the number of the self-employed was up from the year-ago level.

Of the total number of unemployed, 44.9% had been actively seeking work for less than a year, compared to 52.2% in March 2003. This indicates an increase in the long-term unemployment rate. The majority of unemployed persons in March 2003 were aged 15-24, making up 48.8% of the total - compared with 40.4% last year.

In the first quarter, according to the LFS, the average gross annual salary was up by around Lm117, or 2.3%, from the previous year's level.

Manufacturing

Manufacturing activity continued to increase in the first quarter of 2004, supported by growth in exports of electronic components, medical and precision equipment and electrical machinery. Thus, manufacturing turnover reached Lm254.1 million, up by 3.9% over the same period last year, despite a fall in domestic sales. Nevertheless, employment in the sector continued to decline

³ Recorded in the ETC data in February 2003.

⁴ The activity rate represents the share of the labour force, which comprises both the employed and unemployed, as a percentage of the population aged between 15 and 64 years.

while investment in capital equipment rose sharply.

It should be noted that in the period under review, an NSO reclassification exercise affected the comparability of the data with those for previous quarters. The exercise addressed two issues. The first was the change in type of activity by certain enterprises, from manufacturing to wholesale trade, following the removal of import levies. The second related to changes in some firms' product mix. Firms often produce a range of products, which although related fall under multiple categories.⁵ The NSO classifies each firm in the NACE category that describes its largest product line, and this has recently resulted in considerable changes.

During the first quarter of 2004, exports by manufacturing firms grew by Lm11.7 million, or 6.1%, on a year-on-year basis. Firms in the radio, TV and telecoms sub-sector, which is the largest manufacturing sub-sector, reported an increase in the value of export sales of Lm2.5 million, or 2.1%, over the same period last year. Although substantial, this was less than the Lm4.6 million year-on-year rise reported in the previous quarter. Significant export gains were also recorded by manufacturers of electrical machinery and of medical and precision equipment. Exports of textiles also increased substantially, but these were offset by drops in exports of clothing and leather goods (see Table 4.4).

By contrast, domestic sales by manufacturing firms were down by Lm2.1 million, or 3.9%, on a year-on-year basis. Nevertheless, local sales of food and beverages were up by Lm1.2 million, while sales by firms producing clothing, plastic and rubber products and other non-metallic minerals also grew.⁶ These increases were not

enough to outweigh drops reported under fabricated metal products and various other categories, including textiles, other transport equipment and tobacco.

Meanwhile, employment in manufacturing contracted by 7.4% when compared to the same quarter last year, mostly due to further redundancies in the clothing and leather sub-sectors. Reductions were also reported by firms in the radio, TV & telecoms sub-sector and by the chemicals industry. On the other hand, producers of medical and precision equipment took on 241 employees. To some extent, these sectoral changes may reflect the NSO reclassification exercise rather than actual lay-offs or additions. Nevertheless, owing to the overall drop in employment in manufacturing, the sector's gross wage bill declined by 3.2% to Lm 30.7 million, notwithstanding the payment in March of a statutory one-time supplement to compensate for the VAT increase in January.

Expenditure on capital equipment continued to rise strongly during the quarter under review. Net investment stood at Lm14.2 million, up by Lm3.2 million from the year-ago level. The bulk of this investment took place in the printing & publishing and the electronics sub-sectors.

Tourism

Activity in the tourism sector remained subdued during the first quarter of 2004, although the decline in arrivals was less pronounced than in the previous quarter. On a year-on-year basis, arrivals were down by 2,783, or 1.6%, as against the 7.2% decline recorded in the fourth quarter of 2003. However, this relative improvement must be seen in the light of the fact that year-ago levels were already relatively low. Notwithstanding the drop

⁵ Economic activity is classified according to the *Nomenclature des Activités Economiques dans les Communautés Européennes* (NACE).

⁶ Producers of plastic and rubber and other non-metallic minerals are included in the 'other' category of Table 4.4.

in tourist arrivals, however, the sector's gross earnings rose by 14.4% to Lm50.4 million during the quarter under review. This substantial growth in earnings may reflect an increase in the average length of stay and higher demand for conference and incentive travel.

Tourist arrivals from the UK, Malta's main source market, continued to decline. The fall of 3,491 represented a 4.6% drop from the same quarter of 2003. Arrivals from Germany, Malta's second largest market, continued to slide (see Table 4.5). By contrast, visitors from Italy and Scandinavia showed a considerable increase.

Meanwhile, cruise passenger arrivals were sharply down from last year's levels, as no cruise ships visited Malta in January, while the number of

arrivals declined in February and March.

The survey carried out by the Malta Hotels and Restaurants Association for the first quarter of 2004 indicates that despite an increase in conference and incentive business, a key market segment for five-star hotels, overall occupancy rates in these hotels were down by five percentage points from last year's level. Hotels in the three-star category also reported a decline in occupancy, while occupancy rates in four-star hotels remained unchanged. The latter result, however, was conditioned by a reduction in the supply of rooms in four-star establishments following a number of closures in the previous quarter. Average achieved room rates during the quarter were higher in the case of three-star and five-star hotels but were lower in the four-star category.⁷

Table 4.5
TOURIST ARRIVALS BY NATIONALITY

Year-on-year change	2003				2004
	Q1	Q2	Q3	Q4	Q1
Total arrivals	-5,689	20,534	-5,309	-16,749	-2,783
<i>of which:</i>					
UK	5,061	9,914	8,905	-8,650	-3,491
Germany	-1,675	-1,886	-10,538	-2,196	-3,351
France	-1,152	367	-989	-1,943	-1,445
Italy	-2,039	31	-4,810	118	2,947
Netherlands	-317	-346	-1,827	-1,095	-1,294
Scandinavia ¹	-480	1,355	1,934	1,636	1,085
Austria	-950	4,649	656	-387	519
Belgium	-9	1,012	-875	-422	-349
Switzerland	920	739	782	-706	-599
Libya	-1,749	-481	-14	-321	402
Others	-3,299	5,180	1,467	-2,783	2,793

¹ Denmark, Finland, Norway and Sweden.

Source: NSO.

⁷ These are defined as revenue net of VAT divided by the number of room-nights sold.

Data on tourist arrivals will no longer be available from the beginning of May. Consequently, the analysis in the next issue of the *Review* will be based on the monthly survey data on departures. The information from this survey differs from the arrivals data because of the time interval between arrivals and departures and also because tourist departures by sea are temporarily being excluded from the survey. For instance, the data for the first quarter show that tourist departures were down by 3.2%, as against the 1.6% drop in the number of arrivals.

Meanwhile, data on accommodation from the departures survey shows that in spite of the drop

in the number of tourists visiting the island, the average tourist's length of stay rose marginally year-on-year, to 10.4 nights. The four- and three-star hotel categories registered an increase in the average length of stay, while 5-star hotels reported a drop of 5.7% to 5.3 nights.

Provisional data for April show a 2.6% decline in departures from the year-ago level. In the same month, cruise passenger arrivals rose by 18.7% on a year-on-year basis, as a drop in the number of passengers from Spain was compensated for by increases in the number of passengers from France and the United States.

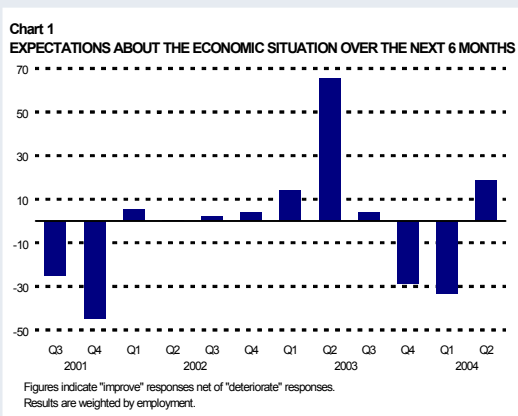
Box 2: BUSINESS PERCEPTIONS SURVEY - SECOND QUARTER 2004

Introduction

The Bank's latest business perceptions survey shows a strong recovery in business confidence during the second quarter of 2004 after three successive quarterly declines. This mainly resulted from renewed optimism about the short-term prospects for the Maltese economy among export-oriented manufacturers, although a pick-up was also registered by firms catering for the local market. This wide-ranging improvement in sentiment partly reflected heightened economic activity in some sectors of the economy during the first quarter of the year. Thus while both locally and export-oriented manufacturing firms as well as tourism operators reported a slowdown in activity, order books in the construction industry, the distributive trades and other service firms were up from the preceding quarter. This notwithstanding, the majority of respondents in the export-oriented sectors were quite upbeat about their own prospects for the coming months, even though firms in the machinery & equipment sub-sector, which includes the electronics industry, remained cautious. By contrast, manufacturing establishments producing for the domestic market, especially those in the food & beverages sub-sector, were generally pessimistic.

Business sentiment – second quarter 2004

Business sentiment improved substantially during the second quarter of 2004 (see Chart 1). While the proportion of firms expecting no significant improvement in the local economic situation over the next six months remained virtually unchanged from the previous survey, the share of those projecting a worsening situation fell by nearly 26 percentage points, with the share of optimistic firms rising by the same amount. This recovery in sentiment was felt by both export- and locally-oriented survey



participants, although the turnaround was strongest in exporting firms. The majority of manufacturing establishments, with the notable exception of locally-oriented food & beverage manufacturers, were more bullish than at the time of the previous survey. Business sentiment improved strongly amongst those sub-sectors (such as clothing & footwear, printing & publishing and machinery & equipment) that in the previous survey had reported a marked decline in optimism. A large rise in confidence was also reported by respondents in the tourism, construction & real estate, financial and industrial services sectors. The rebound in optimism was less marked amongst firms in the distributive trades and in professional services.

Activity levels – first quarter 2004

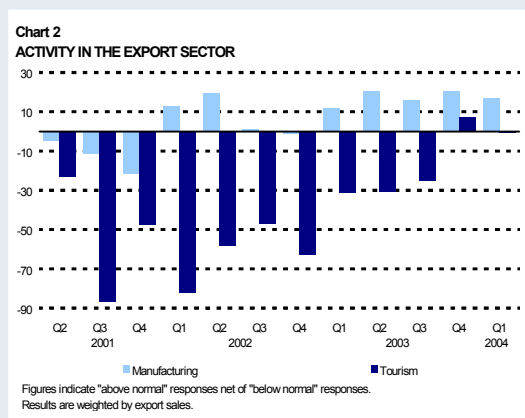
In the export-oriented sectors, activity levels/order books deteriorated marginally during the first quarter of 2004. On the domestic front, however, the survey provided mixed signals. While activity in services, including real estate, improved substantially compared with the previous survey period, a higher proportion of locally-oriented manufacturing establishments reported below normal activity levels/orders. In

the construction industry and the distributive trades, meanwhile, activity levels improved marginally.

Export-oriented sectors

The performance of the export-oriented sectors deteriorated slightly during the first quarter of 2004, as the number of manufacturing firms reporting above normal order books declined somewhat while tourism activity, as reported by respondents, fell to normal levels (see Chart 2).

Overall, export-oriented manufacturers reported further growth in turnover during the first quarter of the year. The decline in activity in the clothing & footwear sub-sector continued to level out, with some establishments actually registering an increase in turnover. Operators in the paper & printing and chemicals sub-sectors also reported improved export growth during the first three months of 2004. On the other hand, sales by the machinery & equipment sub-sector expanded at a slower pace than that reported in the previous survey. Overall, export-oriented manufacturers indicated that profits grew at a sharper pace than sales during the quarter, as firms continued to shed workers while selling prices improved marginally. On the other hand, wage inflation picked up significantly, although it remained below retail price inflation.

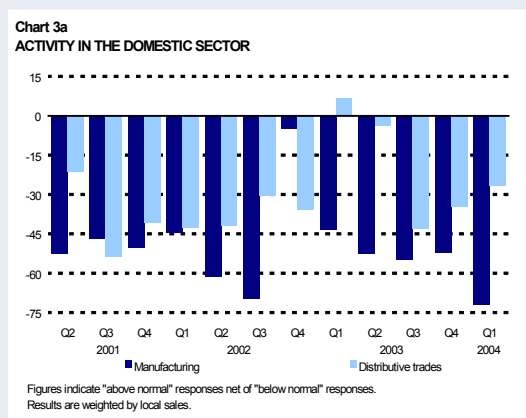


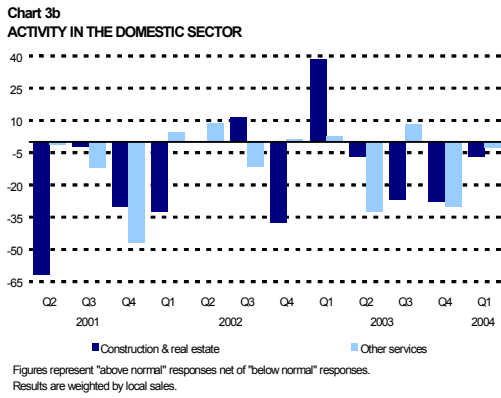
Respondents from the tourism industry (mainly from the middle accommodation range) also reported a slight increase in sales during the first three months of the year. Profit margins, however, continued to decline as labour costs and employment in the sector continued to rise while selling prices dropped further.

Locally-oriented sectors

Although activity in the locally-oriented sectors, overall, remained below normal, a significant number of respondents reported a notable improvement since the last quarter of 2003 (see Charts 3a and 3b).

Only manufacturing establishments catering for the domestic market reported a large drop in their activity levels/orders. This deterioration was principally experienced by respondents from the food & beverages sub-sector, which comprises half of the survey sample in this segment of manufacturing industry. Although firms in this sub-sector reported a slight improvement in turnover, profits were depressed by significant reductions in selling prices. In this environment, operators in this sector continued to shed labour. Other locally-oriented manufacturing concerns did not fare as badly, with sales in some sub-sectors, such as paper & printing and chemicals, actually rising. Profit margins were, however,





squeezed across the board, as firms faced lower selling prices. Meanwhile, although average wages in locally-oriented manufacturing firms continued to rise, the increase was more restrained than that reported by export-oriented manufacturers.

Respondents from the distributive trades indicated that while sales dropped during the first three months of 2004, profits and employment were stable. Financial services firms had a good first quarter, with both sales and profits rising significantly. Construction concerns also saw their turnover rise, but profits remained stable as prices remained unchanged while payroll costs rose. On the other hand, real estate firms reported a marked rise in property prices.

Outlook - second quarter 2004

Export-oriented sectors expect a substantial improvement during the second quarter of 2004. Manufacturers project that turnover growth will continue to recover strongly, although firms in the largest sub-sector - machinery & equipment - were less enthusiastic. Profits should, however, expand at a slower pace as, according to most survey participants, selling prices are set to fall.

On the other hand, wage inflation is thought to be on the decline. As a result, employment is expected to rise. Firms in the tourism sector are even more upbeat, anticipating a rebound in sales and profits and a further intake of workers. Operating margins are projected to recover, as selling prices should rise marginally while wage inflation is expected to stabilise.

The outlook of operators in the domestically-oriented sectors was more cautious. Manufacturing firms expect their sales to remain unchanged during the second quarter, but at the cost of reduced selling prices. Profit margins will also be eroded by expected wage inflation, which should remain relatively low and stable. Consequently domestically-oriented firms, particularly those in the food & beverages sub-sector, will probably again resort to cutbacks in their labour complements. Participants from the distributive trades and the construction & real estate sub-sector project a relatively stable second quarter in terms of sales and profits. Wage inflation should moderate, while upward pressures on prices, including real estate, are set to dampen. Meanwhile, service firms, especially those in financial services, expect their activity levels to continue to pick up during the second quarter of 2004.

In summary, replies to the latest business perceptions survey suggest that export activity should improve during the coming months, while some locally-oriented sectors could also register gains. However, pockets of pessimism remain, particularly amongst locally-oriented food & beverages manufacturers, while profits continue to decline due to lower selling prices and, to a lesser extent, wage inflation. Labour market conditions are projected to remain weak, although there could be growth in employment in some sectors.

Methodological Notes

1. The results presented in this Box are derived from a survey carried out among 142 companies between April and May 2004. This periodic exercise has been conducted since 1995. As much as possible, the sample is kept unchanged between quarters.
2. The surveyed firms employed 16,829 workers (nearly a quarter of all private sector workers) and had an aggregate annual turnover of Lm522.4 million (equivalent to a third of Malta's GDP), of which nearly half was exported.
3. The sample was composed of 55 manufacturing firms, 17 tourism-related enterprises, 30 operators in the distributive trades, 13 construction and real estate concerns, and 27 services companies. Thus, the survey has a more comprehensive coverage of the manufacturing sector relative to other areas of the economy.
4. Replies are weighted according to three different factors - the respondents' relative share of employment, local sales and export sales.
5. The weight given to any particular firm in terms of turnover is capped at Lm20 million to ensure that the overall results do not simply reflect the replies of the largest business concerns.
6. The survey is somewhat biased towards medium-sized and large firms, with approximately half of all respondents employing more than 50 workers. Thus it may not be indicative of trends affecting small firms.
7. Participants are asked about their perceptions of the prospects for the Maltese economy over the next six months and the current state of their activity levels/order books. They are also asked to indicate the approximate percentage change in employment, profitability, sales, imports, finished stocks, average cost of labour, and selling prices during the previous quarter, and to make forecasts for the current one.
8. Every six months, firms are also asked about their short-term expectations for 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.

5. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

The deficit on the current account of the balance of payments widened in the first three months of 2004 when compared to the corresponding period in 2003, as the income account turned significantly negative. This outweighed a wider surplus on services and a narrower merchandise trade gap. After excluding movements in reserve assets, net inflows on the capital and financial account increased. At the same time, the official reserves dropped for the second consecutive

quarter, albeit at a slower pace than in the previous quarter.

During the first quarter of 2004, the Maltese lira appreciated against the euro and depreciated against the US dollar and the pound sterling after having gained against both these currencies throughout 2003.

The current account

Compared with the first quarter of 2003, the current account deficit increased by Lm16 million to Lm58.8 million, chiefly because of

Table 5.1
EXTERNAL BALANCES¹

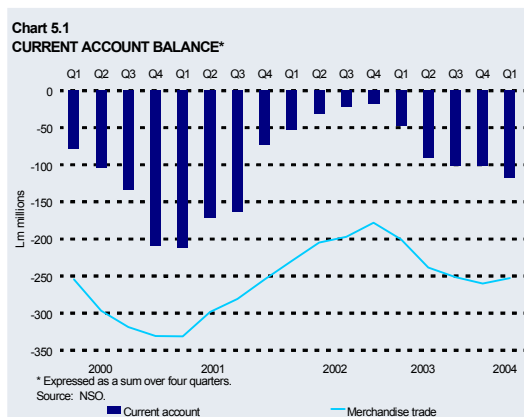
	<i>Lm millions</i>			
			Q1	
	2003		2004	
	Credit	Debit	Credit	Debit
Current account balance		42.8		58.8
Goods and services	311.6	362.6	325.4	365.3
Goods balance		62.1		55.0
Goods	224.7	286.8	236.4	291.5
Services balance	11.1		15.0	
Services	87.0	75.8	88.9	73.9
Transport	21.2	35.1	15.7	36.4
Travel	44.0	17.2	50.4	17.9
Other services	21.7	23.5	22.9	19.6
Income (net)	14.5			12.3
Current transfers (net)		6.3		6.5
Capital and financial account balance²	16.3		56.2	
Capital account balance	0.3		0.2	
Financial account balance	16.0		56.0	
Direct investment	3.4		22.2	
Portfolio investment		62.5		184.4
Financial derivatives	0		5.8	
Other investment	75.1		212.4	
Movements in reserves³		1.9		2.3
Net errors and omissions	28.4			0.4

¹ Provisional.

² Excludes movements in official reserves.

³ Excludes revaluation adjustments.

Source: NSO.



the sharp turnaround in the income account. On the other hand, the merchandise trade gap contracted by 11.4% while the surplus on

services widened by more than a third (see Table 5.1).

Taking a longer-term perspective, the current account deficit - shown as a moving sum over four quarters - has tended to increase from the exceptionally low levels recorded in 2002 (see Chart 5.1).¹ A wider merchandise trade gap, coupled with developments in the income account, has not been offset by the increased surplus recorded in services.

Merchandise trade²

After widening throughout 2003, the shortfall on merchandise trade narrowed by Lm7.8 million, or 9.2%, in the first quarter of 2004 in

Table 5.2
MERCHANDISE TRADE
(based on Customs data)

	<i>Lm millions</i>			
	2003	Q1 2004	Change Amount	%
Imports	305.5	310.8	5.3	1.7
Consumer goods	69.6	68.9	-0.7	-1.0
Industrial supplies	158.6	144.6	-14.0	-8.8
Capital goods & others	50.4	67.3	16.9	33.5
Fuel & lubricants	26.9	30.0	3.1	11.5
Exports	221.0	235.2	14.2	6.4
Domestic	192.8	207.3	14.5	7.5
Re-exports	28.2	27.9	-0.3	-1.1
Trade balance	-84.5	-76.7	7.8	9.2

¹ Provisional.

Source: NSO.

¹ In 2002 the current account deficit had narrowed substantially owing to the sale of aircraft.

² Customs data are recorded on a cost, insurance and freight basis. These data are then adjusted in the compilation of balance of payments statistics to cater for differences in coverage, valuation and timing. Additionally, insurance and freight are allocated to the services account. As a result, the figures for imports and exports shown in Table 5.1 do not tally with those shown in Table 5.2.

comparison to the previous corresponding period (see Table 5.2).

With domestic exports growing at a faster pace than in 2003, total exports increased by 6.4% in the first quarter of the year, after having declined during the previous three quarters. Exports of machinery and transport equipment expanded further as the global semi-conductor market continued to recover, while exports of chemical goods, mainly pharmaceutical products, continued to increase. Exports of foods also expanded after having contracted during the previous two quarters. On the other hand, re-exports dropped by 1.1% as the rise in miscellaneous manufactured articles was outweighed by a drop in most of the other categories, particularly food, beverages and tobacco.

Imports, which - in nominal terms - were broadly stable during the previous quarter, expanded by 1.7%, compared to the corresponding quarter of 2003. Higher imports of yachts linked to a local registration scheme, which until March provided for a temporary reduction in VAT, accounted for most of the increase in the capital goods category. Imports of fuels and lubricants also increased, probably in response to rising oil prices. Conversely, imports of industrial supplies and of consumer goods, which had expanded throughout 2003, dropped by 8.8% and 1% respectively during the quarter reviewed. Food and beverages accounted for the entire drop in imports of consumer goods, possibly because wholesalers in the food sector postponed purchases in anticipation of the removal of levies on certain products upon Malta's accession to the EU in May.

The merchandise trade gap continued to narrow

in April as a reduction in imports exceeded a decline in exports.

Services, income and transfers

Compared to the corresponding quarter of 2003, the surplus on services widened by Lm3.9 million to Lm15 million. This was attributable to higher net travel receipts and a reversal of the negative balance on other services. These positive movements offset an increased deficit on transport.

Travel receipts expanded at a faster rate than that recorded throughout 2003, increasing by Lm6.3 million, while travel payments rose less rapidly. As a result, net travel receipts increased by Lm5.7 million. On account of lower payments for miscellaneous business, professional and technical services, the balance on the other services component shifted from a deficit of Lm1.8 million to a surplus of Lm3.3 million. Conversely, the deficit on transport continued to widen as receipts from other transport continued to drop, while freight payments increased.

A substantial change was recorded in the income account, as a surplus of Lm14.5 million was turned into a deficit of Lm12.3 million. This development, which contributed significantly to the widening of the current account deficit, was due to movements in the reinvested earnings component, which records dividends and undistributed profits by foreign-owned firms operating in Malta. Whereas such profits fell during the first quarter of 2003, resulting in a positive balance on the income account, during the quarter reviewed undistributed profits, notably those of the banking sector, increased. This led to large outflows on the income account.³

³ When profits are made by a foreign-owned subsidiary, the transaction is recorded as an outflow (a debit entry) in the income account. If these profits are reinvested in the company, they appear as an inflow (a credit entry) in the direct investment component of the capital and financial account.

The capital and financial account

Net inflows on the capital and financial account, after excluding movements in reserve assets, persisted into the first quarter. Although they declined by Lm6.6 million when compared to the previous quarter, they expanded by Lm40 million when compared to the corresponding period of 2003. This expansion, which was mainly driven by the banking sector, reflected higher net inflows on direct investment and on other investment. To a considerable extent, and in line with the pattern observed in recent quarters, these inflows were re-invested abroad, leading to net outflows on the portfolio investment account (see Chart 5.2).

Net inflows on other investment increased by Lm137.3 million to Lm212.4 million, after having dropped in the previous quarter. This was mainly attributable to a significant pick-up in liabilities in the first quarter of 2004, as non-residents' deposits with the banking sector increased. These inflows were partly offset by loans issued by the banking sector to non-residents, which for balance of payments purposes are recorded as outflows on other investment.

Meanwhile, direct investment inflows increased from Lm3.4 million to Lm22.2 million over the

quarter reviewed, reflecting the increase in profits reinvested by foreign-owned subsidiaries operating in Malta mentioned earlier.

On the other hand, net portfolio outflows increased for the fifth consecutive quarter, rising by Lm121.9 million to Lm184.4 million.⁴ Investments in debt securities accounted for virtually all the portfolio investment outflows recorded in recent years, with equity investments being negligible. These outflows have increased steadily in recent quarters as banks continued to invest in foreign bonds and notes.

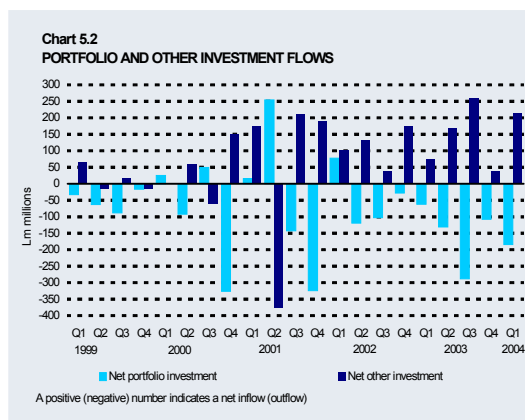
Net errors and omissions, which had fluctuated widely in recent quarters, dropped to Lm0.4 million during the quarter reviewed.

As a result of these developments, reserve assets dropped for the second consecutive quarter, albeit slightly, shedding Lm2.3 million in the first three months of the year.

The Maltese lira

During the first quarter of the year, the Maltese lira gained ground against the euro while it depreciated against the US dollar, the pound sterling and the Japanese yen. Movements of the Maltese lira against major currencies reflect the composition of the Maltese lira currency basket, in which the euro has a 70% weight. As a result of the latter, fluctuations in the Maltese lira/euro exchange rate continued to be limited despite the euro's weakness against all other major currencies. The lira appreciated by 1.3% against the European unit in the first three months of 2004, after having depreciated throughout most of 2002 and 2003 (see Chart 5.3).

In contrast, the Maltese currency's upward trend against the US dollar for most of this period was reversed, so that over the first quarter of the year



⁴ A new category, 'financial derivatives', is now being shown as a separate category of the financial account. As can be seen in Table 5.1, financial derivatives represented only a small proportion of the financial account.

Table 5.3**MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES**

Period	euro/Lm	US\$/Lm	stg/Lm	yen/Lm
Average for Q1 2004	2.3346	2.9212	1.5869	313.4
Average for Q1 2003	2.3723	2.5477	1.5889	302.9
% change	-1.6	14.7	-0.1	3.5
Closing rate on 30.03.2004	2.3471	2.8628	1.5685	302.7
Closing rate on 31.12.2003	2.3163	2.9197	1.6351	312.2
% change	1.3	-1.9	-4.1	-3.0

the \$/Lm rate declined by 1.9%. The lira also lost ground against sterling and the yen, dropping by 4.1% and 3% against the latter currencies, respectively (see Table 5.3).

On average, when compared to the first quarter of 2003, the Maltese lira weakened by 1.6% against the euro. On the same basis it appreciated sharply against the US dollar and to a lesser extent against the Japanese yen.

The trends observed during the first quarter of 2004 were partly reversed in the second quarter as the lira picked up against sterling and the yen. On the other hand, it lost ground against the euro,

albeit marginally, and continued to depreciate against the US dollar.

The nominal effective exchange rate of the Maltese lira (NEER) ended March 0.4% higher when compared to its end-December rate. This strengthening reflected the appreciation of the Maltese lira against the euro, which encompasses the largest trade weight in the NEER index. At the same time, the real effective exchange rate (REER) remained broadly unchanged as the impact of the nominal effective appreciation of the lira was offset by a more favourable inflation differential. This implies that inflation in Malta's trading partners and competitors exceeded domestic inflation.⁵

Chart 5.3
EXCHANGE RATE MOVEMENTS OF THE
MALTESE LIRA AGAINST SELECTED CURRENCIES*
(Index of end-of-month rates, end-1999 = 100)

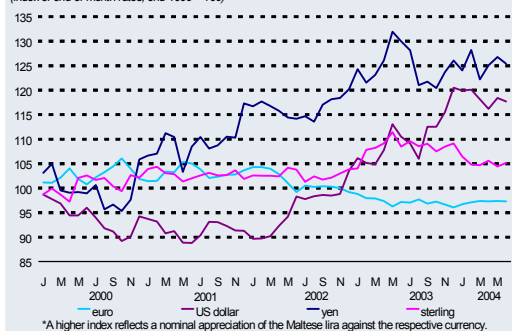
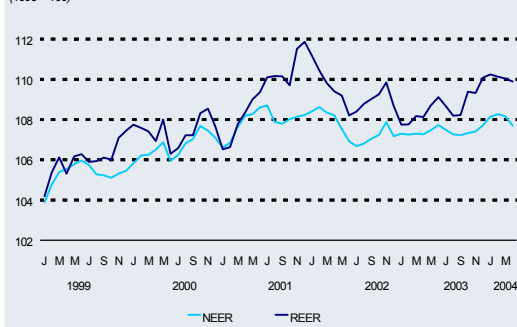


Chart 5.4
REAL AND NOMINAL EFFECTIVE EXCHANGE RATE
INDICES FOR THE MALTESE LIRA
(1995 = 100)



⁵ The REER index covers twenty-five countries and uses double weights, allowing for the importance of competitor countries in foreign markets. Consumer price indices are used as a measure of prices.

6. GOVERNMENT FINANCE

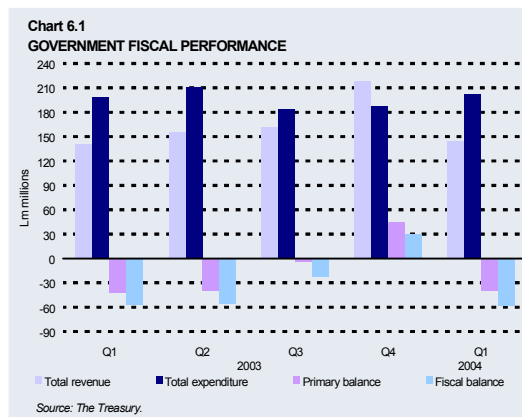
In the first quarter of 2004 the Consolidated Fund recorded a deficit, in line with the usual seasonal pattern. Compared with the corresponding period of 2003, the deficit widened by Lm0.6 million to Lm58.2 million (see Chart 6.1). A rise in total expenditure, inflated by differences in the timing of pension-related outlays, offset higher revenues. However, the primary balance, which excludes interest payments from expenditure, improved by Lm2.3 million, suggesting a relatively less expansionary fiscal stance.

More recent information on the fiscal position shows that in the first five months of the year the deficit, at Lm85.8 million, was Lm18.8 million smaller than in the corresponding period of 2003, as revenue increased more rapidly than expenditure.

Revenue

Revenue for the first three months of the year rose by Lm3 million, or 2.1%, when compared to the corresponding period of 2003 (see Table 6.1). Indirect tax revenue surged but was dampened by a sizeable drop in revenue from non-tax sources. Indirect taxes yielded an additional 25.5% mainly fuelled by higher revenues from VAT and licences. Receipts from VAT rose by Lm6 million as a result of increased commercial activity and, to a lesser extent, the higher VAT rate in effect as from 1 January 2004. Higher receipts from licences, which included a one-off payment of Lm5 million when national lottery operations were privatised, were also recorded. An additional Lm1.9 million were collected from duty on documents on transfers of immovable property, while customs and excise duties were up by Lm0.9 million on account of higher duties on cigarettes.

Direct tax revenues were broadly unchanged. Taxes on capital gains boosted income tax



revenue but direct taxes were adversely affected by a drop in social security contributions that resulted from weak labour market conditions. Meanwhile, non-tax revenue dipped by Lm12.5 million, mainly because of lower Central Bank of Malta profits.

Expenditure

Government expenditure was Lm3.6 million, or 1.8%, higher in the first quarter of 2004. A marked decline in capital expenditure helped moderate a significant rise in recurrent expenditure.

Recurrent expenditure increased by Lm13 million, driven by a Lm10.3 million rise in spending on programmes and initiatives. Within this expenditure category, social security benefits put on almost Lm10 million, as retirement benefits were up by Lm6.3 million, mainly due to differences in the recording of payments compared to 2003. Other expenditure increases resulted from the compensation bonus, which amounted to Lm2.8 million by end-March, awarded by Government to ease the pressure of the higher standard VAT rate, and higher refunds in relation to income tax.

Contributions to Government entities increased by Lm1.3 million over 2003 but this was entirely due to the inclusion, under this expenditure

Table 6.1
GOVERNMENT BUDGETARY OPERATIONS

	<i>Lm millions</i>			
	2003 Q1	2004 Q1	Change Amount	Change %
Revenue	141.0	144.0	3.0	2.1
Direct tax	47.0	47.2	0.2	0.4
Income tax	22.4	24.4	2.1	9.3
Social security contributions ¹	24.7	22.8	-1.9	-7.7
Indirect tax	59.8	75.1	15.3	25.5
Value Added Tax	27.6	33.6	6.0	21.9
Customs and excise duties	13.6	14.5	0.9	6.6
Licences, taxes and fines	18.6	27.0	8.3	44.8
Non-tax revenue	34.1	21.6	-12.5	-36.5
Central Bank of Malta profits	24.8	15.0	-9.8	-39.5
Other revenues ²	9.3	6.6	-2.7	-28.8
Expenditure	198.6	202.2	3.6	1.8
Recurrent expenditure ¹	166.1	179.2	13.0	7.9
Personal emoluments	48.7	47.4	-1.3	-2.7
Operational and maintenance	16.0	15.7	-0.2	-1.5
Programmes and initiatives	69.2	79.5	10.3	14.9
Contributions to entities	16.8	18.2	1.3	8.0
Interest payments	15.3	18.2	3.0	19.5
Other expenditures	0.2	0.1	0	-11.3
Capital expenditure	32.5	23.0	-9.4	-29.1
Primary balance ³	-42.4	-40.0	2.3	5.5
Consolidated Fund Balance ⁴	-57.6	-58.2	-0.6	-1.1

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 expenditure excluding interest payments.

⁴ Revenue less expenditure.

Source: *The Treasury*.

category, of transfers to the Drainage Directorate that were previously accounted for under other headings. As a result, spending on personal

emoluments and operations and maintenance both declined, by Lm1.3 million and Lm0.2 million, respectively. Larger transfers to the Malta College

Table 6.2**CENTRAL GOVERNMENT DEBT¹***Lm millions*

	2003				2004
	Q1	Q2	Q3	Q4	Q1
Balance on the Consolidated Fund	-57.6	-56.1	-22.1	30.4	-58.2
<i>Changes in</i>					
Gross central Government debt	56.9	53.3	21.9	50.6	19.9
Malta Government stocks	27.0	0	43.0	29.9	0
Treasury bills	29.9	23.4	-21.1	-18.7	20.7
Local loans	0	0	0	0	0
Foreign loans	0	30.0	0	-2.5	-0.8

¹ Excluding extra-budgetary units.

Sources: Central Bank of Malta; The Treasury.

of Arts, Science and Technology (MCAST) and to the Malta Environmental and Planning Authority (MEPA) were offset by lower transfers to other entities. Meanwhile, Government debt servicing costs increased as a rising level of outstanding debt pushed interest payments up by Lm3 million.

However, capital outlays dropped by Lm9.4 million, thus limiting expenditure growth. The drop in capital expenditure reflected lower spending on roads, the new Government hospital and subsidies to the shipyards.

Government debt and financing operations

The fiscal imbalance for the first quarter was partly financed through short-term borrowing, that is,

Treasury bills, which rose by Lm20.7 million (see Table 6.2) and by drawings on Government deposits with the Central Bank. On the other hand, loans declined by Lm0.8 million, mainly as a result of exchange rate fluctuations affecting the value of foreign debt. As a result, total outstanding gross Government debt reached Lm1,279.5 million, an increase of Lm19.9 million over the end-December level and a year-on-year rise of Lm145.7 million.¹

As at the end of March 2004, gross Government debt was divided as follows: Lm913 million, or 71.4%, in Malta Government stocks; Lm253 million, or 19.8%, in Treasury bills; and the remaining Lm113.7 million, or 8.9%, in loans. Foreign and domestic loans amounted to Lm71.8 million and Lm41.8 million, respectively.

¹ These data exclude debt contracted by extra-budgetary units that form part of central Government and by local Government. Local Government borrowings from banks amounted to Lm0.7 million in March 2004.

A NEW MEASURE OF CORE INFLATION FOR MALTA

Alexander Demarco*

Price stability – the goal of monetary policy

The maintenance of price stability is the main goal that many central banks seek to attain. It follows that for the purposes of monetary policy decision-making, price developments need to be thoroughly analysed. The consumer or retail price index (RPI) is one of the major indicators of price inflation that is used world-wide for this purpose. This stems partly from the fact that retail prices are more readily available - because they are easily observable - than, for example, wholesale and producer prices. Retail prices ultimately represent the value, in monetary terms, of the cost to consumers of goods and services. Wage claims are, therefore, often based on past and expected developments in retail prices, rather than on those in wholesale or producer prices because it is the former that ultimately affect the purchasing power or well-being of households.¹

The maintenance of price stability means ensuring that the value, or purchasing power, of money is kept relatively stable over time. Rising prices of goods and services would imply that the value of money was being eroded, since a given amount of money would be unable to acquire the same amount of goods and services that it did previously. This does not mean that central banks target zero inflation. Central banks usually aim at keeping the rate of inflation close to a specified target. They respond to excessive inflation by raising the price of money (the interest rate), so as to restore the attractiveness of saving relative to consumption and investment, dampen demand

pressures on prices and thus maintain the purchasing power of money.

Relevance for monetary policy - headline or core inflation?

A key issue relating to the role of monetary policy is whether central banks should respond to changes in the overall RPI. This question arises from the fact that although there is general agreement that prolonged inflation is a monetary phenomenon, in the short run the RPI can be disturbed by temporary non-monetary factors. The latter include sector-specific shocks, such as the effects of weather on food prices. Measurement errors in the RPI arise partly from the fact that it is impossible to monitor the prices of all goods and services and because price movements fail to reflect qualitative changes. Moreover, many prices cannot be fully flexible in the short to medium term. However, central banks are only interested in responding to economy-wide shocks, rather than to those that are sector-specific or temporary, since it is the former and not the latter that affect all goods and services in an economy. Besides, generalised inflation is the only type over which monetary policy can have some influence. Rather than focusing solely on trends in headline inflation as measured by the overall change in the RPI, many central banks therefore attempt to measure and monitor the underlying rate of inflation, usually known as core inflation. The latter is a measure of retail price inflation excluding temporary sector-specific shocks.

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¹ Nevertheless, according to the January 2002 issue of the *European Weekly Analyst* (a Goldman Sachs publication), changes in producer prices were found to be a good lead indicator for core consumer price inflation in the euro area.

Traditional ways of measuring core inflation

The problem with measuring core inflation essentially lies in how to remove sector-specific shocks from movements in the RPI so as to obtain a measure that only reflects those changes in prices that are due to aggregate shocks. A simple but crude measure of core inflation is the twelve-month moving average of past headline rates of inflation. By means of this measure, temporary fluctuations in the RPI are smoothed out, but the method suffers from the problem of timeliness in capturing turning points in inflation - an important consideration for monetary policy decisions.²

A more popular approach is to exclude from the RPI the prices of those items that are believed to suffer from a high incidence of sector-specific shocks. The prices that are typically excluded are those of seasonal food items and energy, while price fluctuations attributable to changes in indirect tax rates are similarly excluded. The Central Bank of Malta traditionally measured core inflation (termed RPIEX in this article) by adopting the year-on-year change of each sub-index in the RPI except those for food and clothing and footwear, which were included as twelve-month moving averages to iron out seasonal fluctuations. The effects on prices of changes in indirect taxes were also stripped out.

An alternative view of core inflation

Core inflation is defined as that part of aggregate inflation that persists, and is therefore correlated with future inflation.³ This definition is particularly relevant for central bankers, as monetary policy is conducted within a forward-

looking framework. Several explanations of what causes persistence in inflation have been put forward. For instance, the nature of underlying shocks in an economy and the pricing behaviour of firms are important factors contributing to the on-going element of price changes. Similarly, if aggregate demand and supply shocks are persistent, changes in sectoral prices could also become persistent. In turn, the effects of sectoral price changes on aggregate inflation can be persistent if firms cannot frequently change their prices due to costs of price adjustment, or to the manner in which prices and wages are contracted in goods and labour markets.

Central banks should, therefore, focus on the persistence of underlying price changes, rather than on attempting to exclude certain sectors or sector-specific shocks from their measures of core inflation. This implies that more weight should be given to those items that display most persistence in price changes and less weight to those that show little or no persistence. This approach provides more information about future inflation than the more traditional methods of measuring core inflation.

Construction of the persistence-weighted measure of core inflation

The concept of the persistent component of inflation, mentioned above, can in practice be operationalised.⁴ The persistence-weighted core inflation measure, denoted as Core Retail Price Inflation Persistence (CRPIP), is made up of the same components as the RPI, but each component is assigned a weight based on the degree of persistence in price inflation of each commodity, rather than on expenditure patterns of

² The use of moving averages helps to make any particular data series smoother, but has the disadvantage of producing peaks and troughs that do not coincide with the actual data set, and always lag behind those observed in the original data series.

³ See Blinder (1997).

⁴ See Cutler (2001).

households. These weights are derived as follows:

A first order autoregressive model for each component in the RPI is run, using monthly data and annual inflation rates, so that:

$$\pi_{i,t} = a_i + b_i \pi_{i,t-12} + D_1 + \dots + D_n + e_{i,t} \quad [1]$$

where:

$\pi_{i,t}$ = year-on-year rate of inflation of commodity i at time t (months)

a_i = constant term for commodity i

b_i = persistence coefficient for commodity i

D_n = seasonal dummy variable

$e_{i,t}$ = error term for commodity i at time t

Thus, in equation [1], the estimated coefficient b_i represents the measure of persistence of that commodity's past annual rate of inflation. If b_i is negative, then this implies that last year's rise in inflation is reversed in the current period, thereby signalling mean reversion in the annual rate of inflation of that commodity. In simple terms, inflation in this case does not persist. Consequently, commodities exhibiting a negative persistence coefficient are assigned a weight of zero in the CRPIP. For commodities with a positive b_i , on the other hand, their weight is simply equal to the size of the persistence coefficient, with the positive weights normalised to sum to unity.

Up to 2001, the National Statistics Office (NSO) did not monitor price changes in all the sub-indices of the RPI every month. For example, prices of clothing and footwear were monitored four times a year, while prices of items included in the recreation and culture index were monitored every quarter. Consequently, seasonal dummies (D_1, \dots, D_n), reflecting the pattern of price monitoring for each specific sub-index, have been

inserted in equation [1].

In measuring CRPIP, weights are allowed to change each year to allow for possible changes in the size of the coefficients over time. This is done by estimating the equation for each commodity (including those that may have yielded a zero or negative b_i) recursively, adding successively an extra year's worth of data. Thus, for example, the annual weights for 1998 are derived by estimating the equations using data up to 1997, while those for 1999 are obtained by lengthening the sample period of estimation up to 1998, and so on.

The persistence-weighted measure for Malta

The application of this approach to measuring core inflation for Malta was attempted by using the ten broad sub-indices of the RPI. Ideally, the 108 (98 in the Household Budgetary Survey for 1994⁵) components making up the RPI, based on the Household Budgetary Survey (HBS) for 2000, should have been used, but such data were not available. Nevertheless, the exercise still produced interesting results. In calculating the persistence weights, monthly data starting from January 1990 were used. Due to data constraints, it was decided that the persistence-weighted measure of core inflation should be calculated as from 1997. This would be sufficient to discern a medium-term trend, particularly following the liberalisation of trade in the late 1980s and early 1990s, and to compare it to the previous measure of core inflation, RPIEX. Consequently, the persistence weights for 1997 were determined by using regression analysis, based on an Ordinary Least Squares (OLS) estimation of equation [1] for each of the 10 sub-indices of the RPI. The weights for subsequent years were estimated by using the same technique, adding another twelve months of data for each year. Thus, for each sub-index eight estimations were made, with eighty regression equations estimated overall.⁶

⁵ See Household Budgetary Survey 1994, pp. 58-74.

⁶ Further information on the regression results can be obtained from the author on request.

The results from such estimations show a coefficient less than zero for four sub-indices, namely food, beverages & tobacco, water, electricity, gas & fuels, and transport & communication. This means that inflation in each of these four sub-indices tends to exhibit mean reversion, indicating that changes in the prices of these items are temporary. These results remained unaltered when the sample period was extended from 1997 up to 2003.

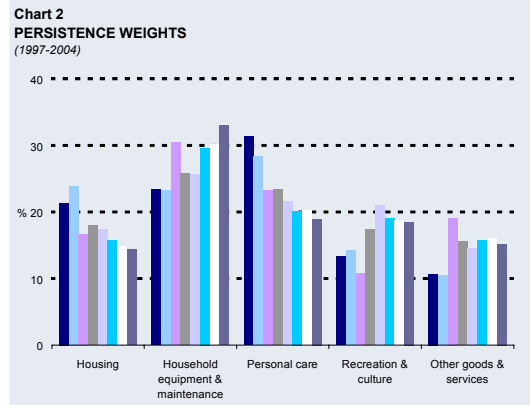
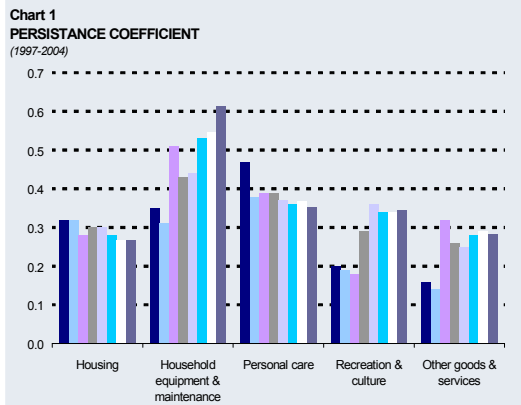
The results for the four sub-groups were not surprising. A close inspection of these sub-indices reveals that they mainly comprise: goods and services supplied by the public sector, where price changes are less frequent and essentially administered by policy; goods that until recently were subject to price controls; or those whose prices are sensitive to climatic conditions. For example, fresh food items account for around a quarter of the weight of the food index. Furthermore, the volatility of prices of fresh food items on account of the influence of weather conditions on supply tends to have a strong impact on the movements of the food index. As regards the water, electricity, gas & fuels index, the HBS for 2000 shows that the items included in this sub-index are all determined by the Government.⁷ In this case, price changes are infrequent, so inflation in this sub index does not persist. Similarly, the transport & communication index is highly influenced by Government policy as around 53% (56% in the HBS 1994) of the weight of this index is assigned to telephone and mail charges; motor vehicle fuel; car licences; public transport fares; and air and sea travel fares (the latter two are dominated by national carriers). Meanwhile, local beer, soft drinks and cigarettes account for about 85% of the beverages and tobacco sub-index. Changes in prices of such beverages have until very recently been subject to approval by Government, whereas price changes of cigarettes are mainly influenced by

changes in excise duties announced by Government.

The only sub-index displaying a zero coefficient, indicated by a low t-test statistic, was the clothing & footwear sub-group. The negligible incidence of persistent inflation in this index is probably attributable to the high degree of competition and relatively low level of domestic labour input in the selling prices of such commodities.

By contrast, the remaining sub-indices were found to have a positive coefficient, and hence to be characterised by persistent inflation. These included housing, household equipment & house maintenance, personal care & health, recreation & culture, and other goods & services. Interestingly, these five sub-groups include a high content of non-tradable goods and services, where the share of domestic labour input tends to be rather high, or they have a market structure that tends to be characterised by a lower degree of competition. Examples include the housing index, 70% of which comprises services related to rents, construction work and repairs of white goods, and household equipment & house maintenance, where almost half of the weight is assigned to the manufacture of furniture and soft furnishings, which also benefited from protective levies until November 2002. Meanwhile, health services and medicine (imported by a small number of importers), account for just over half of the personal care & health index, which like the remainder of this sub-sector are relatively price inelastic. At the same time, school fees, books, stationery goods, and services related to recreation account for over 70% of the weight in the recreation & culture index, thus including a high degree of labour content. Finally, almost half of the other goods & services index comprises various kinds of domestic services, while another 30% consists of domestically produced cleaning materials, which

⁷ In the HBS for 1994, these amounted to around 80% of this sub-index.



also tend to be relatively price inelastic.

Chart 1 illustrates the persistence coefficient for each of the five sub-indices that were found to have a positive coefficient for each year between 1997 and 2004. As the Chart shows, for housing and personal care & health, the degree of persistence remained relatively stable throughout the period. As regards housing, the coefficient was at around 0.3, while in the case of personal care and health this was at around 0.37 between 1998 and 2004. In the case of recreation and culture, the coefficient was stable at around 0.2 between 1997 and 1999, but then jumped to around 0.34 in the following five years. Meanwhile, the persistence coefficient for other goods & services was at around 0.15 in the first two years of estimation (1996 and 1997), but rose in subsequent estimations before stabilising at around 0.28. By contrast, the degree of persistence for household equipment & house maintenance showed a stronger tendency to grow over time, rising from 0.35 in 1997 to 0.61 by 2004.

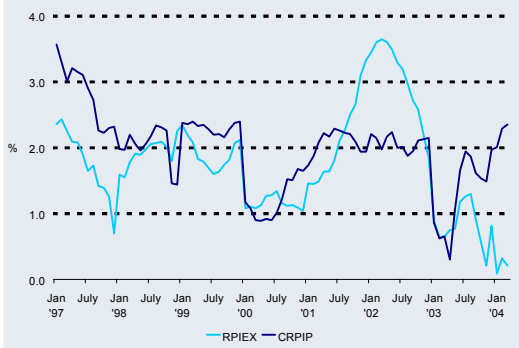
The coefficients for each of the five commodity groups in the RPI were then normalised to sum to one for each particular year to determine the weights to be assigned for each sub-index (see Chart 2). As the persistence coefficients change, so do the weights. The weight for the household

equipment and house maintenance component increased from 23% to about a third of the overall index, so that by 2004 it had the largest weight among the five commodity sub-groups. Similarly, the weight assigned to recreation & culture, and other goods & services commodity groups initially increased, but then remained relatively stable between the years 2000 and 2004 at 19% and 15% respectively. By contrast the weight for the housing, and personal care & health sub-indices declined over time. In the former index, the weight dropped from 21% in 1997 to 14% by 2004, thus becoming the commodity sub-group with the lowest weight. Meanwhile, the weight for personal care & health fell from 31% to 19%, thus ranking second, together with recreation & culture.

Policy implications

Chart 3 depicts changes in core inflation as measured by the traditional method (RPIEX) of smoothing the food and clothing & footwear indices, and excluding the effect of indirect taxes, together with the new measure of persistence-weighted core inflation (CRPIP). The Chart clearly shows that between January 1997 and May 2001 both measures of core inflation generally followed the same trend, although between January 1997 and December 1999 CRPIP was on average around

Chart 3
CORE INFLATION MEASURES
(year-on-year % change)

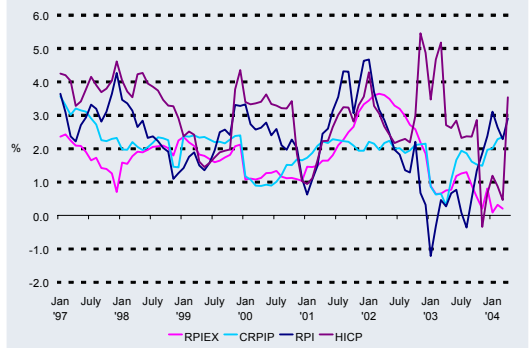


half a percentage point higher than the RPIEX measure, with the difference narrowing somewhat thereafter. After May 2001, however, the two measures followed diverging trends, except during the twelve months of 2003.

The RPIEX measure indicates a steep upward trend in core inflation, peaking at 3.7% by March 2002 and subsequently falling to 1.9% by the end of that year, whereas the CRPIP suggests that core inflation tended to stabilise after May 2001 to around 2.1% up to the end of 2002. Undoubtedly, this divergence between the two measures of core inflation would give a contrasting signal to monetary policy makers. The RPIEX measure would have suggested a case for successive corrections in the monetary policy stance, whereas the CRPIP measure would favour an unchanged monetary policy. Given that monetary policy strategy in Malta is based on an exchange rate peg, however, the Central Bank of Malta also takes into consideration other factors, including developments in the external reserves and interest rate movements in the countries whose currencies are included in the Maltese lira basket.

The reason behind this divergence in trends between the two measures of core inflation essentially lies in the fact that food prices, which are captured in RPIEX (but not in CRPIP),

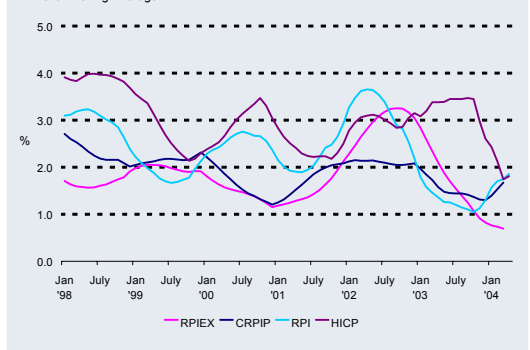
Chart 4
INFLATION MEASURES
(year-on-year % change)



experienced an upward shock after May 2001. This upward spike in food prices was probably linked to the closure of a large retail chain in the grocery sector, which had negative repercussions on supply. This shock turned out to be temporary and RPIEX declined sharply during 2002.

During 2003, both measures of core inflation followed similar trends, although for different reasons. The sharp downward trend in the CRPIP measure over the first half of 2003 essentially reflected the effect of the removal of levies on furniture. This had a significant influence on the household equipment & house maintenance sub-group, which accounts for around a third of the weight in the new core

Chart 5
INFLATION MEASURES
12-Month Moving Average



inflation index. On the other hand, the drop in RPIEX during the early part of 2003 continued to be driven by the food index. But while the new measure of core inflation rose to 2.4% by March 2004, the RPIEX measure continued to follow a downward trend. This divergence in trend in 2004 was essentially underpinned by the decline in inflation in the food index and especially in the clothing & footwear sub-group, which are both included in RPIEX (albeit in a smoothed manner) but absent in the CRPIP measure. Thus, while the new core inflation measure indicates that underlying inflation has returned to its trend level, following the temporary decline due to the removal of levies, the RPIEX measure would suggest that core inflation continued to fall to its lowest levels since January 1997.

Meanwhile, Charts 4 and 5 compare the two measures of core inflation, on a year-on-year and twelve-month moving average basis respectively, to the corresponding measures of headline inflation, as given by the RPI and the Harmonised Index of Consumer Prices (HICP). These comparisons essentially show that the new core inflation index (CRPIP) fluctuates less than the RPIEX measure and is generally also lower than headline inflation, both with respect to the RPI and HICP measures. This applies to both the year-on-year and twelve-month moving average measures of inflation. Thus, for the purposes of inflation targeting, the CRPIP measure provides a more useful guide to policy makers.

Conclusion

This paper discusses a persistence-weighted measure of core inflation. It is based on the principle that core inflation is that part of inflation that persists and is therefore correlated with future inflation. The application of the persistence-weighted core inflation measure for Malta shows that underlying inflation is relatively more stable than other measures and that, from an inflation targeting perspective, this measure of core inflation is more useful for the policy maker. Nevertheless, it must be stressed that these results need to be treated with caution since, due to unavailability of data, the proposed measure was based on the ten broad sub-indices and should be ideally refined to reflect the inflation characteristics of all the individual components making up the RPI.

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THE ADOPTION OF THE EUROPEAN SYSTEM OF ACCOUNTS 1995 FRAMEWORK IN THE NATIONAL ACCOUNTS OF MALTA

Aaron George Grech & Christopher Pace*

Introduction

The national accounts are undoubtedly the most comprehensive data sets compiled by national statistics offices in the attempt to present a detailed picture of economic activity. These statistics, especially the data on the GDP, are used by analysts and policymakers mainly in two ways: to make a time-series assessment of economic developments within a particular country; and to evaluate that country's relative performance vis-à-vis other countries. Compilers of national accounts must, therefore, adopt methodologies which ensure that economic activity is captured in its entirety and is measured consistently across time and space according to standardised definitions and concepts, a task that is becoming ever more difficult in today's dynamic global environment.

While the demand for statistics is growing continuously, spurred by requests for information by policymakers, financial markets and international institutions, economies are becoming increasingly difficult to measure. Most governments are removing administrative and economic controls that previously constituted the prime source for data collection. In addition, economic structures are shifting away from the primary and secondary sectors (agriculture, quarrying, construction and manufacturing)

towards service industries that require little physical input and whose output is harder to capture. These challenges should be easier to face if national statistics offices co-ordinate their efforts and create internationally acceptable measures of economic activity. A major framework of this kind is the European System of National and Regional Accounts (ESA 1995) developed by Eurostat, the EU's statistical agency.¹

Malta's National Statistics Office (NSO) recently released its first estimates of GDP at market prices computed according to this methodology. The previous compilation method was based on guidelines developed in the 1950s and 60s, when economic structures were very different. These data were, therefore, no longer comparable with those of many developed countries using more modern methods and definitions. This paper briefly sets out the main implications of the transition to ESA 1995, and evaluates its results on a preliminary basis. The first part of the paper describes the statistical framework underpinning the new data. These are then compared with the results given by the previous methodology and utilised to conduct a benchmarking exercise with the EU Member States. New indicators that have become available under the new framework are also presented and analysed.

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¹ See Eurostat (1996).

1. The statistical framework underpinning the new GDP data

Eurostat describes its ESA 1995 methodology as “an internationally compatible accounting framework for a systematic and detailed description of a total economy (that is, a region, country or group of countries), its components, and its relations with other total economies”.² The full sequence of accounts consists of twenty tables, starting from the production process and ending with the balance sheet of the economy (and its different institutional sectors).³ This section of the paper will provide an outline of the institutional sectors and a simplified map of the sequence of accounts.

1.1 Institutional sectors

The ESA 1995 framework categorises the economy according to institutional sectors, grouping similar types of economic units. First, it distinguishes between resident and non-resident institutional units. An enterprise is said to be a resident unit of, or to have a centre of economic interest in, an economic territory when it is engaged in a significant amount of production there or when it owns land or buildings located there over a long period of time. Non-resident units are referred to as the ‘rest of the world’ sector. Resident units are split into profit and non-profit institutional units, on the basis of whether or not the unit’s main concern is the recording of a surplus of revenues over expenditure.

Profit institutional units comprise two sectors:

- *Non-financial corporations* - institutional units engaged in the market production of goods and non-financial services (such as

manufacturing firms and hotels).

- *Financial corporations* - entities that provide financial intermediation and auxiliary financial services (such as banks, insurance firms and exchange bureaux).

The non-profit sector comprises:

- *General government* - legal entities established by political processes that have legislative, judicial or executive authority whose output is not sold on the market. In the Maltese context this sector comprises the Consolidated Fund, the Treasury Clearance Fund and other public funds, local councils and extra-budgetary units. The latter are publicly-owned entities whose revenues cover less than half their production costs.
- *Households* - when they function as producing (and not solely consuming) units (such as farmers producing for their own consumption).
- *Non-profit institutions serving households (NPISH)* - legal or social entities whose status does not permit them to be a source of income, profit or other financial gain (such as band clubs and churches).

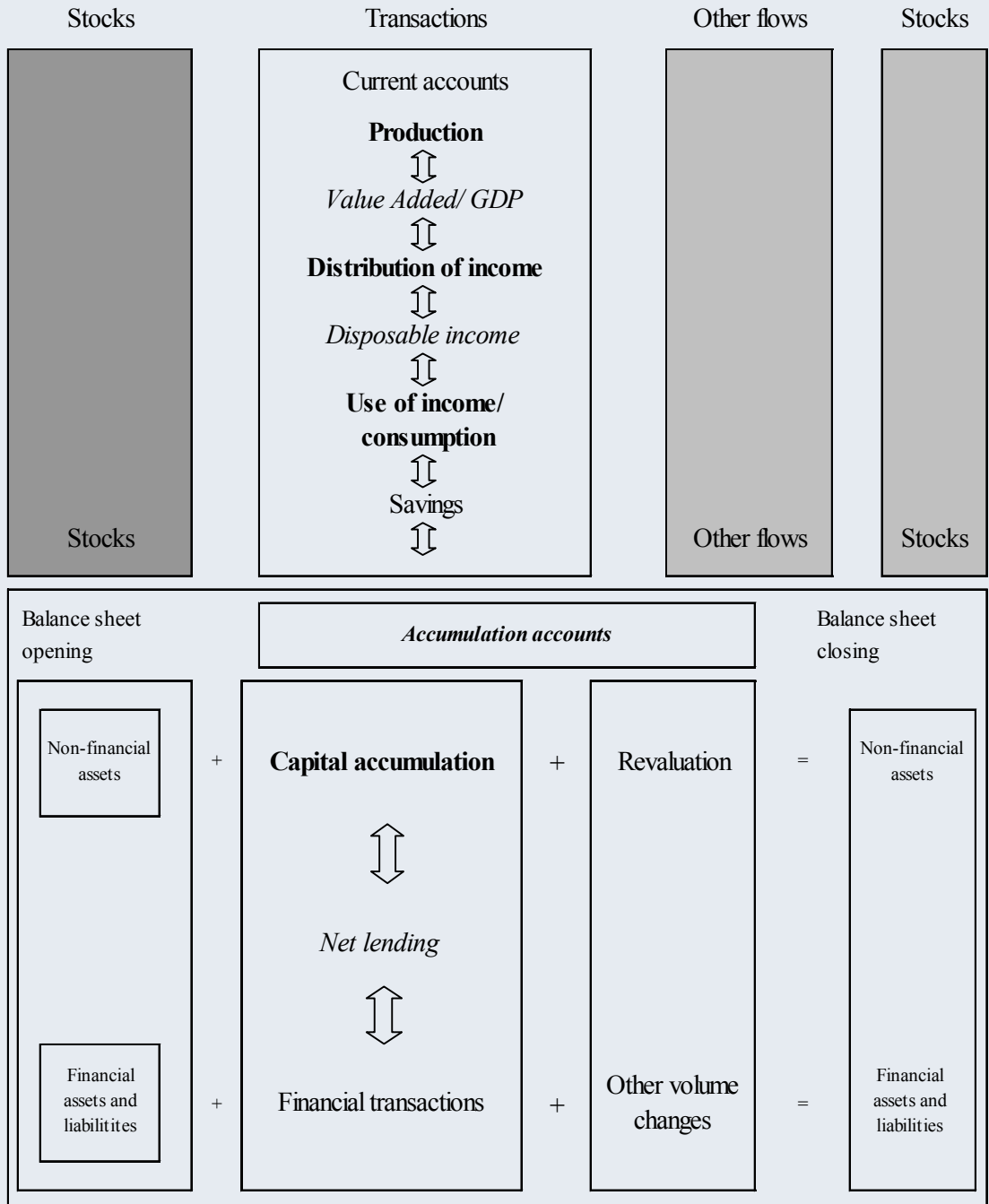
1.2 The sequence of accounts - a simplified map

In the ESA 1995 framework, transactions are recorded in specific accounts arranged in a sequence, where the balancing item on one account is carried down to the next account in the sequence. The balancing items, which are accounting constructs, operate as connections between accounts and show the result at that specific stage. The structure comprises three broad categories: current accounts,

² Ibid.

³ The ESA 1995 “is broadly consistent with the 1993 SNA with regard to definitions, accounting rules and classification, although it incorporates certain differences that make it more in line with use in the EU”. See Carson & Laliberté (2001).

Chart 1 The ESA 95 Sequence of Accounts*



* Adapted from IMF (2000).

accumulation accounts and balance sheets (see Chart 1). Current accounts record recurrent flow transactions. Accumulation accounts incorporate flow transactions that affect assets or liabilities, as well as non-transaction changes in assets and liabilities (such as valuation changes). Balance sheets show the value of stocks of assets and liabilities at given points in time.

1.2.1 Current accounts

Current accounts record the production of goods and services, the generation of incomes by production, the subsequent distribution and redistribution of incomes among institutional units, and the use of incomes for purposes of consumption or saving. Thus they contain the three different computations of GDP - the production, income and expenditure approaches. Very few countries attempt to derive the three approaches independently of one another. Components of the value added, expenditure and income flows are sometimes estimated from the same basic data source, while some components are derived as residuals.⁴

The production account

The production account records transactions relating to the production process, which is the first stage where an inflow is injected into the system of national accounts. The starting point is the computation of gross output, or the economic value resulting from the production of goods and services, valued at basic prices.⁵ The value of goods and services consumed as inputs in a production process, known as

intermediate consumption at purchasers' prices⁶, is subtracted from output to derive the gross value added of each sector of the economy.⁷ Thus, gross value added can be seen as the contribution made by a particular production process to the generation of economic value. By adding the difference between taxes and subsidies on products, the GDP (from the production side) at market prices is derived. If the consumption of fixed capital is subtracted at this stage, the final result of the production account is the total net value added generated in the economy during a given period.

The computation of GDP from the production side is a complex process. One of the main problems concerns the valuation of output, especially for sectors such as general government and financial corporations. Most government units produce non-market output, that is, collectively consumed services or goods, such as street lighting and road maintenance, which are sold at prices that do not reflect their market value or are provided free of charge. In lieu of adequate market prices, the output of non-market units has to be valued at its cost of production. The estimation of the output of financial corporations raises similar concerns. For most industries, output is measured as the value of sales of goods and services adjusted for changes in inventories. The financial intermediation sector, however, only earns explicit charges and fees on a limited range of the services it provides. It garners most of its profits by means of spreads between the interest rates it offers to savers and those charged to borrowers. Given the complexity involved in calculating the

⁴ Organisation for Economic Co-operation and Development (2001).

⁵ The basic price is "the amount receivable by the producer from the purchaser for a unit of a good and service produced as output minus any tax payable, and plus any subsidy receivable...excluding any transport charges...". Ibid.

⁶ The purchaser's price is "the amount paid by the producer, excluding any deductible VAT or similar deductible tax, in order to take delivery of a unit of a good or service...includes any transport charges paid separately by the purchaser to take delivery at the required time and place." Ibid.

⁷ The EU classifies economic activities using the *Nomenclature générale des activités économiques dans les Communautés Européennes* (NACE). Industries are grouped into sixty categories, which can be aggregated into broader categories. The NSO has released data with a 17-industry breakdown.

contribution of financial intermediation to other production processes and subtracting it as intermediate consumption, ESA 95 creates a notional sector in the national accounts that purchases the imputed output of the financial intermediaries but has no output of its own. This sector is called the financial intermediation service implicitly measured (FISIM). The FISIM includes the difference between the interests and dividends paid in order to raise funds and the property income derived from the use of such funds.

The distribution of income accounts

The next set of accounts, called the distribution of income accounts, essentially constitutes the income side computation of GDP, which is then modified to calculate disposable income. The income approach “adds up all incomes earned by resident individuals or corporations in the production of goods and services”.⁸ Gross value added is carried down from the production account to the generation of income account. The latter breaks down gross value added in terms of the primary incomes generated in the production process by employees, the self-employed, government and producing enterprises. Government’s share is constituted by net taxes on production, while the share of labour, known as compensation of employees, covers wages and salaries gross of income tax plus any employer contributions paid on their behalf (such as national insurance contributions) plus the value of any benefits in kind (such as free petrol). These accounts are designed to show whether value added covers these two shares, and thus indicate the extent to which the production process results in an operating surplus before accounting for interest costs, rents and other financial charges. This surplus also includes mixed income, that is, the revenue

generated by unincorporated household-owned enterprises where the owners are not paid wages.

National income is computed by adding property income, that is, the returns on financial assets or tangible non-produced assets such as land, to primary incomes. To calculate disposable income, cash and in-kind transfers to and from the government and abroad must also be accounted for. Cash transfers comprise taxes levied on income and wealth and social security benefits and contributions. The in-kind transfers are mainly education and health services provided by the government free of charge.

The use of disposable income account

The remaining GDP compilation approach, that is, the expenditure-side computation, is found in the ESA 1995 framework in the use of disposable income account. The expenditure approach measures total final expenditure on goods and services produced in the economy. This total is obtained from the sum of final consumption expenditure by households, NPISH and government on goods and services; gross capital formation (capital expenditure on fixed and intangible assets, changes in inventories and acquisitions less disposals of valuables); and net exports of goods and services. Finally this sum is subtracted from disposable income to calculate savings - the balancing item that is carried over to the accumulation accounts.

1.2.2 Accumulation accounts

The current accounts, taken as an entire sequence, demonstrate how the flow of savings arises. Accumulation accounts show how savings, supplemented by borrowing, are used to finance the accumulation of assets and/or the repayment of liabilities.

⁸ National Statistics Office (UK).

Capital account

The capital account records transactions involving the acquisition of non-financial assets. Savings - the balancing item from the current accounts - are added to net capital transfers to derive the change in net worth. Capital transfers are transactions, either in cash or in kind, in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, or in which cash is transferred to enable the recipient to acquire another asset, or in which the funds realised by the disposal of another asset are transferred. The flow of total gross capital formation and changes in other non-financial assets (such as the change in inventories) is then subtracted from the flow of savings to calculate net lending/ borrowing.

Financial account

The balancing item on the capital account - net lending/ borrowing - is carried down to the financial account. This account records “by type of financial instrument, the changes in the financial assets and liabilities that compose net lending or borrowing”.⁹ The financial account is the final account in the full sequence of accounts that records transactions, and so the change in net financial assets should explain the net lending/ borrowing carried down from the capital account. Any discrepancies are due to compilation errors, and thus serve as a quality indicator of the ESA 1995 set of accounts.

Other changes in assets accounts

The value of financial assets does not change solely as a result of transactions. Changes in value due to movements in asset prices are recorded in the revaluation account while other changes, such as catastrophic losses, are

recorded in another account.

1.2.3 Balance sheets

The ESA 1995 framework concludes with the compilation of balance sheets for the whole economy. An economy’s balance sheet is a statement of the values of the assets (financial and non-financial) and liabilities at a particular point in time of its resident institutional units. The opening balance sheet shows the values of all assets and liabilities at the beginning of the accounting period. The balancing item between assets and liabilities is the economy’s net worth, a measure of wealth in the economy constituting the sum of its non-financial assets and net claims on the rest of the world. The changes in the balance sheet account bring together transactions from the capital, financial and other changes in assets accounts. These are then recorded in the closing balance sheet to give the value at the end of the accounting period of all the economy’s assets and liabilities and its resulting net worth.

2. Comparing the new and old GDP data

The NSO have been compiling national accounts data since 1954. The framework used until last year was the United Nation’s System of National Accounts (SNA) 1953, revised in 1968 and 1993.¹⁰ In 2003, the NSO published its first GDP estimates based on the ESA 1995 methodology, including for the first time the GDP from the production side.¹¹ The implementation of this framework involved a major overhaul of the existing national accounts framework, as the NSO sought to ensure the exhaustiveness of its data sources and to extend coverage. This was done by introducing new surveys and by means of database sharing arrangements with various institutions, such as the Registry of Companies and the VAT office.

⁹ Eurostat (1996).

¹⁰ See National Statistics Office (1999).

¹¹ See National Statistics Office (2003).

Table 1
NOMINAL GDP: LEVELS AND GROWTH RATES

	1999	2000	2001	2002
GDP at market prices (Lm millions)				
SNA 1953	1456.1	1562.8	1634.4	1680.4
ESA 1995	1576.4	1668.3	1752.7	1803.8
<i>Difference in Lm millions</i>	<i>120.3</i>	<i>105.5</i>	<i>118.3</i>	<i>123.3</i>
<i>Difference in percentage points</i>	<i>8.3</i>	<i>6.8</i>	<i>7.2</i>	<i>7.3</i>
Nominal GDP growth (%)				
SNA 1953	-	5.8	5.1	2.9
ESA 1995	-	7.3	4.6	2.8

Source: NSO.

Consequently, data on various smaller and non-corporate enterprises, such as those in the NPISH category, were collected and compiled for the first time.¹² Government statistics were also enlarged to include “all institutions which are other non-market producers whose output is intended for individual and collective consumption, and are mainly financed by compulsory payments made by units belonging to other sectors, and all institutional units principally engaged in the redistribution of national income and wealth”.¹³ These changes resulted, among other things, in an upward revision of Malta’s nominal GDP of, on average, Lm117 million between 1999 and 2002, or 7.4% (see Table 1). The new methodology also indicates that average nominal GDP growth for 2000-2002 was 4.9%, up from the previous 4.6%.

While the differences in the overall level and growth rate of GDP may appear to be relatively small, the ESA 1995 data shed new light on the structure of the Maltese economy. Taken from the income-side computation, the new GDP data indicate that both compensation of employees

and gross operating surplus and mixed income are much larger than seemed to be the case under the old compilation. On average, compensation of employees during 1999-2002 came to Lm775.8 million under the ESA 1995 framework, which is Lm72 million, or 10.2%, more than the amount reported under the old methodology. Although data on total full-time equivalent employment have not yet been published by the NSO, this suggests that the average wage in Malta is significantly higher than previously thought. Similarly, the gross operating surplus and mixed income component was, on average, Lm81.8 million, or 12.5%, higher than the corresponding component in the SNA 1953 national accounts.

The expenditure-side computation of GDP compiled according to the new framework also shows some major differences. The ESA 1995 data indicate that exports and imports together constitute 172.5% of nominal GDP, down from 189.6% under the old methodology. The degree of openness of the Maltese economy, although still one of the highest in the world, is therefore

¹² The final consumption of the NPISH sector stood at Lm27.9 million in 2002, or 1.6% of GDP.

¹³ General government consumption expenditure was reported at Lm383.5 million in 2002, compared with the Lm340.9 million reported as government consumption expenditure for the same year under the old framework.

Table 2
DIFFERENCE IN BREAKDOWNS (AVERAGE 1999-2002)

	%	
	SNA 1953	ESA 1995
Breakdown in GDP by income components		
Compensation of employees	44.5	45.6
Gross operating surplus and mixed income	41.1	43.1
Taxes less subsidies	14.4	11.3
Breakdown in GDP by expenditure components		
Private consumption expenditure	63.8	66.9
Government consumption expenditure	19.5	20.9
Gross fixed capital formation	23.4	22.9
Changes in inventories	-1.0	-0.8
Exports of goods and services	92.0	83.3
Imports of goods and services	-97.6	-89.2
Statistical discrepancy	-	-3.9

Source: NSO.

Table 3
BREAKDOWN OF PRIVATE CONSUMPTION (1999)¹

	% of total	
	SNA 1953	ESA 1995
Food, beverages & tobacco	32.7	25.5
Clothing & footwear	7.7	7.6
Furniture, furnishings, housing, gross rent, fuel & power	17.3	20.1
Medical care & health expenses	4.3	2.9
Transport & communication	22.6	22.4
Recreation, entertainment, education & culture	9.7	10.6
Miscellaneous goods & services ²	26.7	33.7
Balance of expenditure of residents & non-residents	-20.9	-22.7

¹ Some categories have been merged to facilitate comparisons.

² Including outlays in restaurants and hotels.

Source: NSO.

Table 4
BREAKDOWN OF GDP BY INDUSTRY (2000)¹

	<i>% of total</i>		
	SNA 1953	ESA 1995	
Agriculture & fishing	2.3	2.5	
Construction & quarrying	2.8	4.6	
Manufacturing	25.6	22.7	
Transport & communication	6.5	10.7	
Wholesale & retail trades	11.0	10.8	
Insurance, banking & real estate	8.0	6.4	
Property income	10.5	11.8	
Private services	11.6	7.7	
Public administration	14.8	Other community, personal services	3.8
		Public administration	6.8
		Education	5.6
		Health & social work	4.9
Government enterprises	6.1	Electricity, gas & water supply	1.8

¹ Some categories have been merged to facilitate comparisons.

Source: NSO.

around a tenth less than was previously indicated by official data. The size of the external deficit, however, remained roughly at the levels reported under the SNA 1953 accounts. Conversely, the new GDP data indicate a much larger share of consumption, both private and public, in aggregate expenditure (see Table 2). Total final consumption expenditure was, on average, reported to be Lm174.2 million, or 13.2%, higher than the corresponding component in the SNA 1953 accounts. Given that the figures for total imports of goods and services remained broadly unchanged, this upward revision suggests that the import content of consumption is smaller than previously thought (see below).¹⁴

The two national accounting frameworks employ different classifications of private consumption, which are not strictly comparable.¹⁵ However, an analysis of the breakdown of private consumption reveals that under the ESA 1995 framework outlays on food, beverages and tobacco make up a significantly smaller proportion of total consumption outlays (see Table 3). By contrast, the new GDP methodology reports a larger expenditure on miscellaneous goods and services, a category that is dominated by outlays on restaurant and hotel services. This may in part reflect the fact that, under the ESA 1995, expenditure by tourists in Malta is higher than under the SNA 1953 framework. Outlays on

¹⁴ It should be noted, however, that the ESA 1995 framework includes a statistical discrepancy which balances the total of the expenditure components with the results of the output approach computation of GDP. The size of the discrepancy is close to the difference (in terms of percentage points of GDP) between consumption under the two sets of GDP data.

¹⁵ This breakdown, as defined in the SNA 1953 set of accounts, is only available up to 1999.

Table 5
PER CAPITA VOLUME INDICES OF GDP IN PPS

EU-15 = 100

	1999	2000	2001	2002
EU-15 + acceding countries	91	91	91	91
<i>Selected EU countries</i>				
Portugal	70	70	71	71
Greece	65	66	67	71
Spain	84	83	84	84
<i>Acceding countries</i>				
Czech Republic	-	60	61	62
Estonia	35	37	39	40
Cyprus	74	76	78	76
Latvia	34	35	37	39
Hungary	48	49	51	53
Malta	71	71	70	69
Poland	41	41	41	41
Slovenia	67	66	68	69
Slovakia	43	44	45	47

Source: Eurostat.

other services (such as rent and recreation), which are more labour-intensive and hence have a lower import content, are significantly larger than those reported in the SNA 1953 set of accounts.

The most consequential innovation of the new national accounting framework is the compilation of GDP data from the production side, which is the primary approach under the ESA 1995 framework. Previously, the NSO concentrated mainly on the income-side compilation. The new data can be used to define economic activity in finer detail and, more importantly, are fully consistent with the classifications used for other related data, such as those on employment and credit. One of the main changes introduced was the apportioning of public sector activity into specific economic areas. Thus, for example,

activity in the Public Works Department is recorded under construction and quarrying, resulting in a more accurate measurement of this kind of economic activity (see Table 4). This apportionment also affected the size of the transport & communication sector. But there appear to have been only slight changes in the relative size of other traditionally private sector activities, such as wholesale & retail and agriculture & fisheries. Other ESA 1995 categories give very similar shares when accumulated to form categories comparable to those in the SNA 1953 accounts. However, the size of the manufacturing sector is significantly smaller under the new framework, while the share of services is correspondingly greater. This is in line with the previously mentioned indication of a lower import content in gross output.

Table 6
PRICE LEVEL INDICES OF GDP

EU-15 = 100

	1999	2000	2001	2002
EU-15 + acceding countries	96	96	96	96
<i>Selected EU countries</i>				
Portugal	71	71	72	73
Greece	78	75	76	76
Spain	80	81	82	83
<i>Acceding countries</i>				
Czech Republic	-	43	47	51
Estonia	47	48	51	53
Cyprus	80	80	80	82
Latvia	39	43	44	45
Hungary	43	45	47	53
Malta	63	66	68	67
Poland	45	49	55	53
Slovenia	70	68	69	70
Slovakia	39	41	41	42

Source: Eurostat.

3. New indicators and comparative data available under the ESA framework

The transition to the ESA 1995 framework not only leads to a reassessment of the size and structure of the Maltese economy, as described above, but also greatly enhances the scope for the use of national accounts data by analysts and policymakers. The new methodology allows direct comparisons to be made between the Maltese economy and those of other countries that use the same compilation method.¹⁶ At the same time, the new GDP data can be used to compute a host of previously unavailable economic indicators.¹⁷

Following the NSO's adoption of ESA 1995, Eurostat published data on Malta's per capita GDP in purchasing power parity terms, comparing it with that of the current and prospective EU Member States (see Table 5).¹⁸ Purchasing power parities are price relatives that show the ratio of the prices in national currencies of the same basket of goods and services in different countries. Thus these data, which are not distorted by differences in exchange rates or in the deflators used, provide an accurate benchmark of the real volume of production/total expenditure in per capita terms in Malta compared with the EU average. From them it emerges that

¹⁶ See Eurostat (2004).

¹⁷ This process is expected to continue as the ESA 1995 project is still in its early stages. See National Statistics Office (2003).

¹⁸ See Eurostat (2003).

Table 7
COMPARATIVE BREAKDOWN OF GDP BY MAIN AGGREGATES (2002)

	%	
	Malta	EU-15
Breakdown of GDP by income components		
Compensation of employees	44.8	51.2
Gross operating surplus and mixed income	40.0	36.4
Taxes less subsidies	15.2	12.4
Breakdown of GDP by expenditure components		
Private consumption	68.7	58.3
Government consumption	21.3	20.6
Gross fixed capital formation (including inventories)	18.9	19.4
Exports of goods and services	77.7	35.1
Imports of goods and services	-81.4	-33.4
Statistical discrepancy	-5.2	0

Sources: Eurostat; NSO.

Malta, with Slovenia, has the second-highest GDP per capita among the new EU Member States, and one that is only marginally below that of Greece and Portugal. In terms of overall price relativity, the situation appears to be quite similar, although

prices in Malta have more room for catching up than those in Cyprus and Slovenia (see Table 6).

The new data reveal several differences between the structure of the EU-15 and that of the Maltese

Table 8
GROSS OPERATING SURPLUS & MIXED INCOME
AS A PERCENTAGE OF GROSS VALUE ADDED (2000)

	%	
	Malta	EU-15
Agriculture & fisheries	78.1	75.3
Manufacturing, quarrying & energy	51.0	39.9
Construction	52.7	41.2
Wholesale & retail, repairs, hotels, transport, communication	52.7	44.4
Financial intermediation, real estate, renting & business	73.6	64.9
Public administration, education, health, other services	24.6	22.4
Overall economy	50.8	44.7

Sources: Eurostat; NSO.

Table 9
COMPARATIVE BREAKDOWN OF HOUSEHOLD
FINAL CONSUMPTION EXPENDITURE (2000)

	%	
	Malta	EU-15
Food & non-alcoholic beverages	20.6	12.4
Alcoholic beverages, tobacco	4.0	3.5
Clothing & footwear	7.6	6.3
Housing, water, electricity, gas & other fuels	10.4	20.1
Furnishings, household equipment & maintenance	9.5	6.6
Health	2.8	3.1
Transport	17.5	13.2
Communication	5.6	2.4
Recreation & culture	10.1	9.4
Education	1.3	0.9
Restaurants & hotels	21.4	8.8
Miscellaneous goods & services	9.2	9.5
Balance of expenditures of residents abroad & expenditures of non-residents on the economic territory	-20.0	3.8

Sources: Eurostat; NSO.

economy (see Table 7). For instance, employee compensation in 2002 accounted for a significantly smaller share of overall income in Malta than in the EU-15. This lesser wage share reflects the lower employment rate in Malta, which in 2002 stood at 54.5%, as against 64.2% in the EU-15. On the other hand, the share of the self-employed in total employment was virtually identical. The share of profits was relatively higher across the board (see Table 8), but the greatest disparities were in manufacturing and construction, suggesting that the wage bill in these sectors was lower than in the EU-15.

Expenditure-side data reflect the openness and small size of the Maltese economy. Thus, while

the EU-15 countries as a whole typically have a positive trade balance, the Maltese economy runs a structural deficit in its external trade. This, in turn, can in part be explained in terms of the relative stage of development. Lower-income economies usually are net borrowers, investing more than they are able to save. Although the data (see Table 7) indicate that gross fixed capital formation as a percentage of GDP in Malta is similar to the EU-15, this is largely due to the large negative inventory change in the data for Malta. At the same time, while the share of consumption in GDP is substantially higher in Malta than in the EU-15, one must keep in mind the existence of a large statistical discrepancy in the Maltese data that may distort the comparison.¹⁹

¹⁹ The statistical discrepancy is the difference between GDP computed from the production side and the sum of the expenditure components.

Table 10
COMPARATIVE BREAKDOWN OF GROSS VALUE ADDED
BY INDUSTRY (2000)

	%	
	Malta	EU-15
Agriculture	2.8	2.2
Fishing	0.2	0.1
Mining & quarrying	0.3	0.7
Manufacturing	21.5	20.5
Electricity, gas & water	2.2	2.2
Construction	4.3	5.6
Wholesale & retail, repairs	12.1	12.0
Hotels & restaurants	8.1	3.0
Transport & communication	11.5	7.3
Financial intermediation	4.4	5.3
Real estate, renting & business	12.8	22.1
Public administration, defence & social security	7.4	6.6
Education	6.1	5.1
Health & social work	5.3	6.4
Other community, social & personal services	4.0	3.9
Private households with employees	0.2	0.5
Extra-territorial organisations & bodies	0	0.1
FISIM	-3.2	-3.6

Sources: Eurostat; NSO.

A breakdown of household final consumption expenditure reveals that consumption patterns are roughly similar (see Table 9). The Maltese spend relatively more on food, beverages, tobacco, clothing and footwear, and less than the EU-15 on utilities and heating fuels. This may be because of the longer and colder winters in Europe and the large subsidies on water and electricity enjoyed by consumers in Malta. Expenditure on transport, communication, restaurants and hotels is also substantially higher in Malta, partly reflecting the large outlays on these categories by tourists, which account for more than a fifth of total consumption expenditure in Malta. By contrast,

consumption by EU-15 households in other countries exceeds that of visiting tourists.

The importance of the tourism industry in the Maltese economy can also be gauged from the data on value added, which show that hotels and restaurants account for 8.1% of overall gross value added, more than double the proportion in the EU-15. The share of transport and communication is also significantly higher in Malta, while that of manufacturing and public sector activities are only marginally larger. By contrast, the data for the EU-15 indicate a much more extensive real estate, renting and business

Table 11
SELECTED COMPARATIVE INDICATORS (2000)

	%	
	Malta	EU-15
Mining & quarrying		
Value added as a percentage of output	55.1	56.8
Operating surplus as a percentage of output	24.9	35.1
Manufacturing		
Value added as a percentage of output	27.0	30.5
Operating surplus as a percentage of output	10.7	9.6
Electricity, gas & water		
Value added as a percentage of output	38.2	34.1
Operating surplus as a percentage of output	-1.5	21.2
Construction		
Value added as a percentage of output	57.6	35.0
Operating surplus as a percentage of output	25.0	10.4
Wholesale & retail, repairs		
Value added as a percentage of output	81.7	50.2
Operating surplus as a percentage of output	42.1	6.4
Hotels & restaurants, transport & communication, real estate, renting & business		
Value added as a percentage of output	52.3	45.4
Operating surplus as a percentage of output	22.4	17.9

Sources: Eurostat; NSO.

sector, and a larger share of construction, health, social work and financial intermediation in economic activity. It is estimated that the overall value added per worker in the Maltese economy in 2000 was about 84% of that in the EU-15 countries.²⁰ While productivity in financial intermediation, transport, communication, hotels and restaurants is on a par with that in Europe, certain smaller sectors such as mining, quarrying

and utilities lag far behind. Thus, while there are still possibilities for productivity gains in the Maltese economy, it seems that in order to catch up with the EU-15 the main emphasis will have to be on increasing the employment rate and bringing it closer to the European average.

In terms of the share of value added in total

²⁰ This estimate is based on employment data computed from labour force survey data for both Malta and the EU-15. Eurostat usually computes value added per worker on the basis of national accounts employment data. However, the NSO has yet to publish these data.

Table 12
SECTORAL PERFORMANCE INDICATORS FOR MALTA (2000)

	Net value added to output	Employee compensation to net value added	Operating surplus to output
Agriculture	51.5	23.0	39.4
Fishing	21.0	53.4	9.5
Mining & quarrying	43.8	43.1	24.9
Manufacturing	23.1	56.0	10.7
Electricity, gas & water	21.4	119.5	-1.5
Construction	52.5	51.9	25.0
Wholesale & retail, repairs	75.5	43.6	42.1
Hotels & restaurants	38.7	64.2	13.6
Transport & communication	39.5	60.6	15.3
Financial intermediation	57.0	51.1	27.9
Real estate, renting & business	47.9	19.8	38.4
Public administration, defence & social security	57.3	100.0	0
Education	73.2	90.5	6.8
Health & social work	58.9	91.9	4.7
Other community, social & personal services	64.3	64.4	21.9
Private households with employees	100.0	5.3	94.7
Extra-territorial organisations & bodies	87.3	100.0	0
Overall economy	38.1	61.1	15.0

Source: NSO.

output (see Table 11), the Maltese economy compared well with the EU-15 in 2000. This indicates that despite the high dependence on imports, Maltese firms are still able to enhance the value of products. For example, manufacturers in Malta create 27% of the total value of their output locally, only marginally less than their European counterparts. Their profitability is also slightly higher. On the other hand, the performance of the electricity, gas and water supply sector in Malta compares unfavourably with that in the EU-15, with the sector operating at a loss and wages

constituting a far larger share of its output. Construction, wholesale and retail, by contrast, appear to be characterised by substantially higher profit margins. National accounts data indicate that operators in the distributive trades are allocating to themselves a margin of over 40% of the final value of the product or service they offer to consumers. This is more than seven times the margin charged by their counterparts in the EU-15. However, the size of this margin may be a consequence of the small size of the market and the relatively small turnover. The net value added

per employee in the distributive trades is in fact below the average for the whole economy, indicating that earnings per capita in the sector are not out of line with the rest of the economy.²¹ Since the market is small, operators in this industry have to charge high margins in order to achieve an income that is comparable to that earned in other areas of activity. The same considerations apply to construction, agriculture and fisheries and other mainly locally-oriented sectors, such as financial services and real estate.

Operating margins in these sectors are in fact quite high when compared with the overall average of 15% (see Table 12). It should be kept in mind, however, that the imputed wage of self-employed persons is included with “operating surplus and other mixed income” under the ESA 95 methodology, inflating the gross operating margin calculations. Hence, in sectors such as construction, agriculture, mining, quarrying, real estate, wholesale and retail, where there are many sole traders, employee compensation as a percentage of net value added is relatively low. By contrast, publicly-owned sectors tend to have a large wage share, reflecting the labour intensity of the product or service provided. On an overall basis, around 38% of the total gross output of the Maltese economy is constituted by locally-generated net value added. The highest value added components are to be found in services and the construction sector, as these are labour-intensive and use few imports. However, even manufacturing and tourism have a significant value added component, and one that compares favourably with the European average.

Conclusion

The release of ESA 1995 GDP data for Malta has ushered in great changes in the way in which the

Maltese economy can be analysed. The new data are comparable with those of other EU Member States, permitting analysts and policymakers to better assess the relative performance of the Maltese economy and the “catching up” that needs to be achieved to converge with the European average. They also provide more statistical information on the various economic activities that take place in Malta, and thus a more comprehensive picture of the local economy. The new national accounts, in particular, permit the computation of a number of indicators, such as gross operating rates and the value added component of output. These reveal that the Maltese economy has achieved a relatively high degree of convergence with the European average, especially when compared with other new Member States. This results from the high degree of openness and the prevalence of European foreign direct investment in the island. Productivity levels and operating margins appear to be quite close to the EU average in the manufacturing sector and in market-oriented services such as financial intermediation, hotels, transport and communication. However, some industries, such as the utilities, greatly underperform compared with their European counterparts while the employment rate lags significantly behind that of the EU-15.

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²¹ Computed on the basis of LFS data, earnings per employee stood at Lm7,441 in 2000 in the wholesale and retail sector, in contrast to Lm8,519 in the overall economy.

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NEWS NOTES

LOCAL NEWS

Central Bank of Malta joins the ESCB

Upon Malta's accession to the EU on 1 May 2004, the Central Bank of Malta became a member of the European System of Central Banks. The ESCB is made up of the European Central Bank and the national central banks of all EU Member States.

The central banks of Member States outside the euro area are required to pay a minimal percentage of their subscribed capital as a contribution to the operational costs of the ECB. Upon attaining membership of the ESCB, the Central Bank of Malta paid EUR252,023.87, which amounts to 7% of its share in the subscribed capital of the ECB. The shares of national central banks in the ECB's capital are compiled on the basis of the shares of the respective Member State in the total population and the gross domestic product of the EU, with weightings adjusted every five years. The share of the Central Bank of Malta is 0.0647%.

On 1 May the Governor of the Central Bank of Malta became a member of the General Council of the ECB, where he has held observer status since June 2003. All Bank staff participating on ESCB committees have also had their status upgraded from observer to member.

Malta submits its Convergence Programme

In May the Government of Malta submitted its first Convergence Programme to the EU, covering

the period 2004-2007. This programme, compiled by the Ministry of Finance, sets out Malta's fiscal policy objectives within a macroeconomic policy framework. It aims to reduce the excessive deficit to below 3% by 2006, and the general Government debt-to-GDP ratio to 70.4% by 2007.

ECOFIN's recommendation for Malta¹

On 24 May the EU's Economic and Financial Committee (EFC) concluded that the budgetary situation in Malta indicates the existence of an excessive general government deficit and gross debt. On 24 June the Commission of the EU addressed its opinion to the Council of the EU on the existence of an excessive deficit in Malta in accordance with Article 104(5) of the Treaty. Following this, on 5 July the ECOFIN council recommended, in particular, that the Maltese authorities take action, in a medium term framework, to bring the deficit below 3% of GDP in 2006 in line with the path specified in the Convergence Programme. It also recommended that the rise in the debt ratio be brought to a halt in 2005.

Malta joins the European Investment Bank (EIB)

Upon accession to the EU, Malta, represented by the Minister of Finance, became a member of the Board of Governors of the EIB. The EIB is the main financing institution of the EU. All twenty-five Member States contribute to the EIB's subscribed capital which amounts to EUR163.6 billion. Malta's capital subscription in the EIB will amount to EUR69,804,000, representing 0.043% of the EIB's total subscribed

¹ ECOFIN is an EU Council whose members are the ministers responsible for economic and financial affairs of the Member States.

capital. In terms of Article (5) of the EIB statute, Malta's paid up contribution to the capital of the EIB will be EUR3,692,450, to be paid in eight instalments.

Fitch Ratings assigns new Country Ceiling rating to Malta

On 29 April Fitch Ratings, the international rating agency, assigned Country Ceiling ratings to the ten new members of the EU, including Malta, in view of their imminent entry into the EU. The Country Ceiling rating will replace the sovereign Long-Term Foreign Currency rating (LTFC) as the effective cap on all ratings within each country. The new rating was assigned at two notches above the LTFC rating for each of the new members of the EU. Consequently, Malta's new Country Ceiling rating was established at 'AA-'.

Central Bank of Malta Penalties for Offences and Infringements (Amendments) Regulations, LN 330

On 11 June the Central Bank of Malta Penalties for Offences and Infringements (Amendment) Regulations 2004, were published in the Government Gazette. These list the administrative penalties which may be imposed by the Bank without recourse to a court hearing.

Issue of Malta Government Stock

On 17 May the Government launched Lm40 million worth of 5% MGS 2021 (I) and Lm25 million worth of 4.8% MGS 2016 (II) Fungibility Issue. The 5% Stock was issued at par while the 4.8 % Stock was issued at a price of Lm101 per Lm100 stock. The stock was oversubscribed.

On 30 June the Government issued directly to the Foundation for Church Schools 7% Malta Government Stock 2014 (IV), for a nominal value of Lm1.7 million.

Supplies and Services Act (Cap.117), Gold (Control) (Repeal) Regulations, 2004, LN 38

On 17 January the Gold (Control) Regulations, 1996, were repealed through Legal Notice 38. These regulations empowered the Commissioner of Inland Revenue to approve and monitor the importation into Malta of gold bullion by licensed dealers or artificers to be used for the local manufacture of gold trinkets, and to require dealers to keep records relating to the use of imported gold.

Banking Act (Cap.371), European Passport Rights for Credit Institutions Regulations, 2004, LN 88

On 20 February regulations were issued bringing into effect a notification procedure which credit institutions must follow in order to establish a branch or provide services in another EU Member State.

Banking Act (Cap.371), Credit Institutions (Reorganisation and Winding Up) Regulations, 2004, LN 228

On 30 April, regulations were issued on the procedure to be followed when a credit institution with branches in other Member States, has to be wound up. In such cases, the winding-up process is subject to a single bankruptcy proceeding initiated in the Member State where the credit institution has its registered office (home state) and is governed by a single bankruptcy law, that of the home state.

Bank of Valletta signs 200m euros syndicated loan

On 21 June, the Bank of Valletta signed a EUR200 million syndicated term loan facility. The mandated lead arrangers and underwriters of this facility were Bayerische Landesbank AG, ING

Bank NV and San Paolo IMI SpA. The facility was launched at a level of EUR120 million euros, but attracted commitments well in excess of EUR200 million. The facility is to be used primarily for refinancing and general corporate requirements of the bank, and comprises two equal tranches, one maturing after three years and the other after five years.

INTERNATIONAL NEWS

ECOFIN meetings

During the second quarter of 2004 the ECOFIN Council met on 11 May and 2 June. During the May meeting - the first since EU enlargement - the ministers agreed on two draft directives on financial services relating to transparency requirements and the new structure of EU committees. The Council approved the report on this year's update of the Broad Economic Policy Guidelines (BEPGs) which calls for structural reforms, the efficient functioning of markets, sustainable growth and fiscal consolidation. The Council also adopted several conclusions including those on the European Investment Bank's external lending, the measurement of potential output, savings tax, financial integration and statistical requirements with reference to EMU.

G7/G8 summit meetings²

Meetings of the G7 finance ministers were held in Washington on 23-24 April and in New York on 22-23 May 2004. The ministers confirmed that the global economy was strengthening. However, they also noted the presence of risks that could pose a threat to the strong recovery of the world

economy. They called for more flexibility in exchange rates and for oil-producing countries to increase production. They also reaffirmed their commitment to the rapid conclusion of the Doha round on trade liberalisation.³

A G8 Heads of States meeting at Sea Island, Georgia, USA on 8-10 June welcomed the favorable economic outlook but called for more balanced energy policies to increase energy supplies and encourage more efficient use of energy. The meeting called for progress on WTO negotiations in order to deepen, broaden and extend the present economic expansion.

IMF and World Bank spring meetings

The International Monetary and Financial Committee (IMFC) and the joint World Bank-IMF Development Committee met in Washington on 24-25 April. The IMFC welcomed the more positive global economic outlook but warned that fiscal imbalances, geopolitical uncertainties, oil prices and the transition to higher interest rates posed significant risks to global economic strengthening. Macroeconomic and structural reforms were thus necessary to consolidate world economic recovery. The Development Committee noted that while progress had been made on many fronts, most of the Millennium Development Goals would not be met by developing countries particularly in sub-Saharan Africa.

EBRD annual meeting

The 2004 EBRD Annual Meeting was held in London on 18-19 April. The Board of Governors

² G8 is an annual meeting where the head of states or government of the most developed economies - including France, the United States, Britain, Germany, Japan, Italy, Canada, Russia and the EU - discuss major economic and political issues (the G7 excludes Russia). Ministers also meet regularly throughout the year, in particular at the meeting of the finance ministers and central bank governors.

³ The Doha round of multilateral trade negotiations was launched in the Qatari capital in late 2001 and is due to be completed by the end of 2004.

welcomed the EBRD's positive financial results and emphasised that it would continue to increase the focus of its operations in Russia and the CIS. The Board of Governors also acknowledged that eight of its countries of operations have become members of the EU and pledged to continue to assist them in the reform process.

Three currencies enter the ERM II⁴

On 27 June the European Commission announced that the Estonian kroon, the Lithuanian litas, and the Slovenia tolar had joined the Exchange Rate Mechanism (ERM II). The central rates were fixed at 15.6466 kroon, 3.4528 litas and 239.64 tolar to the euro, with a standard band of plus or minus 15% around the central parity rate.

⁴ Before adopting the euro, Member States must meet a number of convergence criteria including participation in the Exchange Rate Mechanism (ERM II), which obliges Member States to keep their currencies pegged to the euro for at least two years without severe tensions.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

(as at end-March 2004, unless otherwise indicated)

CAPITAL CITY	Valletta	
AREA	316 km ²	
CURRENCY UNIT	Maltese lira exchange rates: Lm1 = US\$2.8628 Lm1 = euro 2.3471	
CLIMATE	Average temperature (1990-2003): Dec. - Feb.	13.2° C
	June - Aug.	26.2° C
	Average annual rainfall (1990-2003)	613.9mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at current market prices (Dec. 2003)	1.6%
	GDP per capita at current market prices (Dec. 2003)	US\$11,704
	GDP per capita in PPS relative to the EU-25 average ¹ (Dec. 2003)	73%
	Ratio of gross general government debt to GDP ² (Dec. 2003)	72%
	Ratio of general government deficit to GDP ² (Dec. 2003)	9.7%
	Retail Price Index - inflation rate ⁴	1.8%
	Harmonised Index of Consumer Prices - inflation rate ⁴	1.7%
	Ratio of exports of goods and services to GDP (Dec. 2003)	83%
	Ratio of current account deficit to GDP (Dec. 2003)	6%
	Employment rate ³	54.4%
	Unemployment rate ³	7.2%
POPULATION	Total Maltese and foreigners (Dec. 2003)	399,867
	Males	198,099
	Females	201,768
	Age composition in % of population (Dec. 2003)	
	0 - 14	18%
	15 - 64	69%
	65 +	13%
Average annual growth rate (1990-2003)	0.79%	
Density per km ² (Dec. 2003)	1,265	
HEALTH	Life expectancy at birth - Males (Dec. 2003)	76.4
	- Females (Dec. 2003)	80.4
	Crude birth rate, per 1,000 Maltese inhabitants (Dec. 2003)	10.1
	Crude mortality rate, per 1,000 Maltese inhabitants (Dec. 2003)	7.9
	Doctors (Dec. 2003)	1137
EDUCATION	Combined gross enrolment ratio % (2001/2002)	77
	Number of schools (2001/2002)	303
	Teachers per 1,000 students (Dec. 2003)	86
	Adult literacy rate: % age 10+ (Dec. 2003)	92.8
LIVING STANDARDS	Human Development Index (HDI): rank out of 177 countries (2002)	31
	Mobile phone subscriptions	290,887
	Private motor vehicle licences	202,608
	Internet subscribers	80,453

¹ Provisional.

² Estimated data in the Excessive Deficit Procedure Notification.

³ Labour Force Survey, NSO. As from this quarter this figure was compiled by an evenly spread survey throughout the 13 weeks of the quarter and not on one specific reference week representing the whole quarter.

⁴ The inflation rate is derived as a twelve month moving average.

Sources: Central Bank of Malta; Eurostat; Ministry of Finance; NSO; UNDP.

The monetary and financial statistics shown in the 'Statistical Tables' annex are compiled from information submitted to the Central Bank of Malta by the following credit institutions, as at March 2004:

Deposit Money Banks

APS Bank Ltd.
Bank of Valletta plc
HSBC Bank Malta plc
Lombard Bank (Malta) plc
HSBC Home Loans (Malta) Ltd. (from January 2001)
Volksbank Malta Ltd. (from November 2002)
BAWAG Malta Bank Ltd. (from October 2003)
First International Merchant Bank plc (from October 2003)

International Banking Institutions

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

PART 1: MONEY AND BANKING

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TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA

Liabilities

Lm thousands

End of period	Currency notes & coins issued	IMF-related liabilities	Deposits				Capital & reserves	Foreign liabilities ²	Other liabilities ¹
			Banks ¹	Government	Other	Total			
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	3,655	48,837
2001	441,829	18,281	146,789	69,080	7,644	223,513	95,069	-	48,649
2002	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
July	471,576	15,922	261,529	84,406	8,361	354,296	96,091	2,499	36,211
Aug.	472,417	15,922	289,896	67,959	7,731	365,586	96,192	5,386	37,413
Sept.	475,795	15,922	289,866	67,763	8,276	365,905	90,689	7,624	39,067

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central Government	Other residents	Total			
Oct.	475,818	15,922	301,884	65,194	8,489	375,567	90,682	2,395	39,848
Nov.	474,370	15,922	261,164	94,206	10,633	366,003	90,653	4,819	41,156
Dec.	485,373	14,639	242,162	83,198	8,456	333,815	88,225	25,497	45,468
2004									
Jan.	477,011	14,639	292,241	70,700	7,245	370,186	87,943	14,013	33,685
Feb.	480,596	14,639	290,852	74,211	7,379	372,442	89,304	13,661	33,747
Mar.	486,005	14,639	282,376	70,448	7,666	360,490	89,658	7,800	29,530

¹ Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (from January 1995). From December 2001, term deposits by banks previously classified as "Other Liabilities" are classified as "Bank Deposits".

² Data prior to 2001 were included with "Other Liabilities".

**TABLE 1.1 STATEMENT OF ASSETS AND LIABILITIES
CENTRAL BANK OF MALTA**

Assets

Lm thousands

End of period	External reserves				IMF currency subscription	Malta Government securities & advances	Fixed & other assets	Total assets/ Total liabilities
	Gold	IMF-related assets ¹	Convertible currencies ²	Total				
1998	688	40,429	598,855	639,972	19,086	24,322	50,696	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	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
July	480	36,682	882,228	919,389	32,715	8,464	16,026	976,595
Aug.	515	37,470	903,181	941,166	32,715	2,941	16,092	992,914
Sept.	503	36,620	906,154	943,277	32,715	3,153	15,856	995,001

End of period	External Assets				IMF currency subscription	Central Government securities	Other assets	Total assets/ Total liabilities
	Gold	IMF- related assets ²	Other	Total				
Oct.	504	36,673	910,671	947,847	32,715	3,744	15,925	1,000,231
Nov.	507	36,319	895,535	932,361	32,715	11,819	16,028	992,922
Dec.	497	35,686	899,365	935,547	31,431	7,772	18,266	993,016
2004								
Jan.	492	35,745	908,614	944,851	31,431	5,908	15,286	997,476
Feb.	481	35,765	913,786	950,032	31,431	7,618	15,308	1,004,389
Mar.	523	36,228	896,106	932,858	31,431	8,329	15,504	988,122

¹ Includes IMF Reserve Position and holdings of SDRs.

² 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 BANKS**

Liabilities

Lm thousands

End of period	Deposits ¹				Foreign liabilities ²	Capital & reserves	Other liabilities
	Demand	Savings	Time	Total			
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	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	297,163	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	1,043,193	297,127	401,387
July	281,553	742,923	1,619,020	2,643,496	1,046,568	297,127	406,127
Aug.	280,262	755,188	1,628,766	2,664,216	1,063,210	297,127	411,457
Sept.	283,638	765,827	1,620,026	2,669,491	1,022,531	302,118	411,314

End of period	Resident deposits ¹				External liabilities	Debt securities issued	Capital & reserves	Other liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
Oct.	1,040,829	29,344	1,622,654	2,692,827	1,056,493	31,834	414,591	354,223
Nov.	1,046,820	28,235	1,599,771	2,674,826	1,059,350	31,690	596,394	371,642
Dec.	1,047,817	28,782	1,599,172	2,675,771	1,077,630	46,638	599,982	350,120
2004								
Jan.	1,060,800	29,375	1,596,415	2,686,590	1,095,935	46,598	600,927	353,314
Feb.	1,089,950	29,356	1,591,050	2,710,356	1,189,417	46,564	603,897	339,199
Mar.	1,094,169	29,668	1,592,750	2,716,588	1,207,806	49,817	601,519	340,872

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

² From September 1992, the bulk of foreign liabilities belonging to a Deposit Money Bank was transferred to its offshore bank subsidiary.

TABLE 1.2 STATEMENT OF ASSETS AND LIABILITIES
DEPOSIT MONEY BANKS
Assets

Lm thousands

End of period	Cash & deposits with Central Bank of Malta ¹	Foreign assets	Local lending & Bills discounted	Local investments	Fixed & other assets	Total assets/ total liabilities
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	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	151,027	4,399,661
July	277,958	1,302,899	1,912,632	744,518	155,312	4,393,318
Aug.	312,372	1,329,512	1,903,063	721,744	169,318	4,436,009
Sept.	314,116	1,283,146	1,938,457	728,874	140,862	4,405,455

End of period	Balances held with Central Bank of Malta ¹	Loans	Securities other than shares	Shares & other equity	External assets	Other assets	Total Assets/ total liabilities
Oct.	322,345	1,878,803	651,510	35,403	1,352,794	309,114	4,549,969
Nov.	279,929	1,890,276	659,820	214,854	1,357,872	331,149	4,733,901
Dec.	260,873	1,909,892	622,093	216,477	1,405,740	335,064	4,750,141
2004							
Jan.	312,047	1,902,807	607,539	215,368	1,406,513	339,089	4,783,363
Feb.	307,741	1,905,858	628,275	214,980	1,495,175	337,404	4,889,433
Mar.	298,278	1,947,956	649,840	211,193	1,500,755	308,579	4,916,602

¹ Includes holdings of cash.

**TABLE 1.3 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				
1999	4,027	10,203	7,093	21,323	2,453,948	188,740	39,045	2,703,056
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	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
July	596	2,457	1,064	4,117	2,513,736	169,733	20,914	2,708,500
Aug.	680	3,544	454	4,678	2,872,514	169,782	25,978	3,072,951
Sept.	2,916	915	836	4,667	2,789,117	170,848	28,181	2,992,813

End of period	Resident deposits				External liabilities	Capital & reserves	Other liabilities	Total liabilities
	Withdrawable on demand	Redeemable at notice	With agreed maturity	Total				
Oct.	903	-	240	1,143	2,653,619	180,378	2,706	2,837,847
Nov.	1,049	-	242	1,290	2,561,798	185,528	3,213	2,751,830
Dec.	464	-	491	955	2,748,650	182,443	2,526	2,934,574
2004								
Jan	366	-	258	624	2,811,509	185,362	2,847	3,000,343
Feb	415	-	281	696	2,778,925	190,700	3,300	2,973,622
Mar	255	-	285	539	2,893,122	201,506	3,477	3,098,645

**TABLE 1.3 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
1998	1,236	1,652,699	996	231,290	5,729	1,891,950
1999	1,892	2,417,710	6,135	260,458	16,860	2,703,056
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	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
July	1,222	2,687,743	7,020	8,571	3,943	2,708,500
Aug.	1,354	3,052,321	6,688	8,589	3,999	3,072,951
Sept.	1,382	2,971,456	6,685	8,580	4,710	2,992,813

End of period	Balances held with Central Bank of Malta ¹	External assets	Loans	Securities other than shares	Shares and other equity	Other assets	Total assets
Oct.	-	2,820,718	128	-	623	16,377	2,837,845
Nov.	-	2,734,717	126	-	662	16,324	2,751,830
Dec.	-	2,917,645	121	-	613	16,194	2,934,573
2004							
Jan.	-	2,983,356	120	-	629	16,238	3,000,342
Feb.	-	2,956,685	120	-	633	16,183	2,973,622
Mar.	-	3,081,612	122	-	633	16,278	3,098,644

¹ Includes holdings of cash.

TABLE 1.4a 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				
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	644,163	330,271	974,434	594,660	1,944,221	619,795	3,158,676
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	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	403,697	1,325,205	729,233	2,368,868	716,401	3,814,502
July	527,842	1,931,288	2,459,131	916,890	430,338	1,347,228	731,401	2,350,408	724,550	3,806,359
Aug.	518,377	1,920,329	2,438,706	935,781	446,110	1,381,890	730,944	2,373,156	716,496	3,820,596
Sept.	523,298	1,962,161	2,485,460	935,653	442,953	1,378,606	738,817	2,374,408	750,841	3,864,066

TABLE 1.4b MONETARY FINANCIAL INSTITUTIONS (MFIs) SURVEY¹

Lm thousands

End of period	Domestic credit			Net foreign assets			Broad money (M3)	Other counterparts to broad money (net)	Total assets/liabilities
	Net claims on central Government ²	Claims on other residents	Total	Central Bank of Malta	Other Monetary Financial Institutions	Total			
Oct.	558,529	1,924,263	2,482,792	952,444	463,400	1,415,844	2,862,027	1,036,609	3,898,636
Nov.	588,584	2,072,355	2,660,938	934,950	471,441	1,406,391	2,848,795	1,218,535	4,067,329
Dec.	559,456	2,090,738	2,650,195	919,029	497,106	1,416,135	2,850,695	1,215,637	4,066,330
2004									
Jan.	552,270	2,086,948	2,639,218	937,630	482,425	1,420,055	2,866,471	1,192,802	4,059,272
Feb.	570,852	2,089,530	2,660,382	943,386	483,518	1,426,905	2,895,069	1,192,219	4,087,287
Mar.	595,715	2,129,648	2,725,363	932,032	481,439	1,413,471	2,904,751	1,234,084	4,138,834

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

² Central Government deposits held with MFIs are netted from this figure.

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 Government deposits and balances belonging to non-residents.

TABLE 1.5 MONETARY BASE AND MONETARY AGGREGATES

Lm thousands

End of period	Monetary base (M0)			Broad money (M3)						
				Narrow money (M1)			Quasi-money			
	Currency issued	Bank deposits with Central Bank of Malta	Total	Currency in circulation	Demand deposits	Total	Savings deposits	Time deposits	Total	Total
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	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
July	471,576	139,529	611,105	452,458	278,943	731,401	737,987	1,612,421	2,350,408	3,081,809
Aug.	472,417	112,896	585,313	454,221	276,722	730,944	751,513	1,621,643	2,373,156	3,104,100
Sept.	475,795	131,166	606,961	456,444	282,373	738,817	759,693	1,614,715	2,374,408	3,113,225

End of period	Monetary base (M 0)			Broad money (M 3)									
				Intermediate money (M 2)						Repurchase agreements	Debt securities with agreed maturity up to 2 years	Total (M 3)	
	Currency issued	M F Balances with Central Bank	Total (M 0)	Currency in circulation	Deposits withdrawable on demand		Total (M 1)	Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years				Total (M 2)
					Demand	Savings							
Oct.	475,818	137,887	613,706	456,084	289,164	733,905	1,479,153	29,340	1,353,508	2,862,002	25	-	2,862,027
Nov.	474,370	150,668	625,038	456,987	293,018	737,625	1,487,630	28,181	1,332,958	2,848,769	26	-	2,848,795
Dec.	485,373	137,885	623,258	460,424	273,666	758,308	1,492,398	28,778	1,329,492	2,850,668	26	-	2,850,695
2004													
Jan.	477,011	143,258	620,269	461,806	266,693	771,319	1,499,818	29,371	1,337,256	2,866,446	25	-	2,866,471
Feb.	480,596	151,271	631,867	464,226	275,150	792,655	1,532,031	29,352	1,333,687	2,895,069	-	-	2,895,069
Mar.	486,005	147,696	633,702	467,489	289,094	786,758	1,543,341	29,664	1,331,746	2,904,751	-	-	2,904,751

TABLE 1.6 MONETARY POLICY OPERATIONS OF THE CENTRAL BANK OF MALTA
Lm thousands

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos ¹			Marginal lending facility during the period ²	Term deposits ³			Overnight deposit facility ⁴
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
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
2003	-	-	-	1,000	3,519,200	3,518,920	1,677,500	106,400
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
July	-	-	-	-	242,200	265,700	122,000	29,100
Aug.	-	-	-	1,000	339,000	284,000	177,000	1,500
Sept.	-	-	-	-	333,900	352,220	158,700	1,000
Oct.	-	-	-	-	362,500	357,200	164,000	6,100
Nov.	-	-	-	-	268,400	321,900	110,500	4,500
Dec.	-	-	-	-	281,700	287,900	104,300	-
2004								
Jan.	-	-	-	2,300	296,000	251,300	149,000	5,350
Feb.	-	-	-	-	285,600	295,000	139,600	-
Mar.	-	-	-	100	292,500	297,400	134,700	5,900

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 1.7a DEPOSITS WITH ALL BANKING INSTITUTIONS
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			
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	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
July	2,116,196	456,710	20,707	63,213	2,321,043	335,783	2,656,826	815,921	3,472,747
Aug.	2,129,058	451,262	20,694	78,513	2,327,898	351,629	2,679,527	842,895	3,522,422
Sept.	2,144,306	438,268	19,740	81,311	2,334,424	349,201	2,683,625	905,119	3,588,744

TABLE 1.7b DEPOSITS HELD WITH OTHER MONETARY FINANCIAL INSTITUTIONS
analysis by ownership

Lm thousands

End of Period	Resident deposits by owner						Resident deposits	Non-resident deposits	Total deposits
	Central Government	Other sectors							
		Other general Government	Financial intermediaries and financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total			
Oct.	19,942	6,484	44,901	446,355	2,176,288	2,674,028	2,693,971	893,003	3,586,974
Nov.	18,906	5,766	52,077	425,964	2,173,403	2,657,210	2,676,116	861,834	3,537,950
Dec.	17,766	6,852	51,299	420,469	2,180,340	2,658,961	2,676,726	850,927	3,527,653
2004									
Jan.	18,742	6,623	53,119	416,981	2,191,751	2,668,473	2,687,215	964,582	3,651,796
Feb.	19,132	5,951	62,967	420,886	2,202,116	2,691,920	2,711,052	1,018,570	3,729,622
Mar.	19,829	7,740	51,740	427,765	2,210,052	2,697,298	2,717,127	1,024,388	3,741,515

¹ Includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (as from January 1998). 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 1.8 DEPOSIT LIABILITIES OF THE OTHER MONETARY FINANCIAL INSTITUTIONS ¹
analysis by currency

Lm thousands

End of period	Resident deposits					Non-resident deposits		Total deposits
	Maltese lira	euro	sterling	US dollar	Other	Maltese lira	Other	
2002	2,293,881	77,068	115,339	111,574	22,939	35,579	872,847	3,529,227
2003								
Jan.	2,322,673	79,410	121,466	109,991	18,524	36,182	826,404	3,514,650
Feb.	2,309,612	78,730	118,707	106,892	18,124	36,856	823,630	3,492,551
Mar.	2,296,684	79,749	123,098	111,742	16,613	46,957	791,421	3,466,264
Apr.	2,324,302	96,210	116,828	96,251	15,239	44,758	832,303	3,525,891
May	2,339,021	96,019	120,441	93,238	15,366	44,488	787,851	3,496,425
Jun.	2,357,660	90,946	115,508	88,915	19,123	52,948	763,445	3,488,545
July	2,338,447	98,371	114,938	85,632	19,437	52,085	763,836	3,472,747
Aug.	2,345,289	102,146	118,127	91,103	22,862	51,380	791,515	3,522,422
Sept.	2,351,781	99,823	118,216	90,836	22,708	51,650	853,469	3,588,744
Oct.	2,345,891	115,277	127,052	84,819	22,221	49,362	896,237	3,640,860
Nov.	2,336,049	107,952	127,904	82,355	22,783	47,907	866,588	3,591,539
Dec.	2,319,822	103,928	130,196	98,049	25,352	47,978	809,676	3,535,001
2004								
Jan.	2,328,490	103,466	129,467	99,393	27,849	47,662	921,353	3,657,680
Feb.	2,345,358	97,888	137,062	104,184	28,012	47,683	975,293	3,735,480
Mar.	2,351,784	96,968	137,613	103,986	27,707	50,269	974,119	3,742,446

¹ As from October 2003 includes also loans granted to the reporting banks.

TABLE 1.9 CURRENCY IN CIRCULATION*Lm thousands*

End of period	Currency issued and outstanding			Less currency held by banking system ²	Currency in circulation
	Notes ¹	Coins	Total		
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	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
July	453,611	17,964	471,576	19,118	452,458
Aug.	454,236	18,181	472,417	18,196	454,221
Sept.	457,673	18,122	475,795	19,350	456,444
Oct.	457,701	18,117	475,818	19,734	456,084
Nov.	456,331	18,039	474,370	17,383	456,987
Dec.	467,098	18,275	485,373	24,949	460,424
2004					
Jan.	458,965	18,046	477,011	15,205	461,806
Feb.	462,682	17,914	480,596	16,371	464,226
Mar.	468,052	17,954	486,005	18,516	467,489

¹ 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 purposes of this classification, the banking system includes Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (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
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	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
July	471,576	110,120	306,761	29,489	7,241	-	453,611
Aug.	472,417	109,884	307,666	29,481	7,205	-	454,236
Sept.	475,795	109,754	310,593	30,071	7,255	-	457,673
Oct.	475,818	109,526	311,236	29,733	7,206	-	457,701
Nov.	474,370	109,309	310,891	29,055	7,076	-	456,331
Dec.	485,373	109,703	319,411	30,818	7,165	-	467,097
2004							
Jan.	477,011	109,411	313,683	28,854	7,016	-	458,965
Feb.	480,596	109,974	316,423	29,279	7,006	-	462,682
Mar.	486,005	110,176	320,918	29,847	7,111	-	468,052

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY¹*Lm thousands*

Period	Liquid assets			Net short-term liabilities ³	Ratios (%)	
	Actual	Required	Excess		Liquidity	Advances to deposits ²
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	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
July	1,073,066	578,819	494,247	1,929,398	55.6	72.4
Aug.	1,127,699	597,035	530,664	1,990,118	56.7	71.4
Sept.	1,057,229	589,718	467,511	1,965,726	53.8	72.6
Oct.	1,082,194	598,670	483,524	1,995,568	54.2	69.1
Nov.	1,021,931	615,716	406,215	2,052,386	49.8	70.0
Dec.	984,411	609,245	375,166	2,030,816	48.5	70.7
2004						
Jan.	983,669	606,021	377,648	2,020,071	48.7	70.4
Feb.	987,354	601,148	386,206	2,003,827	49.3	69.8
Mar.	999,502	609,923	389,579	2,033,078	49.2	69.7

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. From 15 November 1994, Banking Directive No. 5 established a minimum of 30% liquid asset ratio, net of deductions.

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 ASSETS*Lm thousands*

Period	Cash & deposits with Central Bank of Malta ¹	Treasury bills	Interbank deposits	Marketable debt securities ²	Total liquid assets
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	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
July	134,067	233,858	150,657	554,484	1,073,066
Aug.	190,650	212,998	173,203	550,848	1,127,699
Sept.	174,016	217,201	128,608	537,404	1,057,229
Oct.	189,383	277,799	122,692	542,320	1,082,194
Nov.	126,748	221,450	98,778	574,955	1,021,931
Dec.	129,234	183,902	101,688	569,587	984,411
2004					
Jan.	173,727	169,978	114,670	525,294	983,669
Feb.	167,383	186,681	110,671	522,619	987,354
Mar.	157,458	207,875	109,319	524,850	999,502

¹ Excludes balances held as reserve deposits.² 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
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
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	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
Sept.	Amount	235,904	606,023	357,995	990,225	2,190,147
	Interest Rate	5.43	4.91	6.15	3.98	4.75
Dec.	Amount	221,568	640,370	346,975	996,480	2,205,392
	Interest Rate	-	-	-	-	-
2004						
Jan.	Amount	229,815	648,535	342,590	995,432	2,216,372
	Interest Rate	-	-	-	-	-
Feb.	Amount	231,422	655,379	345,013	977,929	2,209,742
	Interest Rate	-	-	-	-	-
Mar.	Amount	232,915	663,627	352,735	981,296	2,230,573
	Interest Rate	-	-	-	-	-

¹ For the purposes 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 the heading are actual figures, while those in the rest of the Table are in Lm thousands as indicated.

**TABLE 1.14 DEPOSIT MONEY BANK LOANS AND ADVANCES
OUTSTANDING BY MAIN SECTOR¹**

Lm thousands

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
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	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
July	87,230	122,334	79,105	9,367	177,443	94,842	232,150	288,460
Aug.	85,220	118,983	77,806	9,347	179,917	95,670	232,532	281,970
Sept.	86,197	122,122	74,923	9,588	185,132	99,068	235,555	289,316

End of period	Electricity, gas & water supply	Transport, storage & communication	Financial intermediation	Agriculture & fishing	Manufacturing	Construction	Hotels & restaurants ³	Wholesale & retail trade; repairs
Oct.	85,857	138,148	83,681	9,490	181,670	169,719	212,883	292,491
Nov.	86,660	136,199	79,238	9,464	182,747	171,839	209,285	290,814
Dec.	83,891	135,507	74,873	9,237	184,823	201,132	206,872	288,171
2004								
Jan.	80,976	140,987	77,924	9,190	178,309	197,512	205,727	281,635
Feb.	79,769	140,647	73,201	9,279	179,336	193,346	204,739	281,182
Mar.	78,217	139,378	71,518	9,318	181,459	200,700	209,504	293,256

¹ Includes bills discounted as from October 2003.

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

³ Excluding related construction activities.

**TABLE 1.14 DEPOSIT MONEY BANK LOANS AND ADVANCES
OUTSTANDING BY MAIN SECTOR¹ (continued)**

Lm thousands

End of period	Personal				Other services ³	All other	Total local lending	Foreign lending	Total
	House purchases ²	Consumer durable goods	Other	Total					
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	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.	367,054	41,645	99,196	507,895	89,965	142,391	1,859,978	258,905	2,118,883
Mar.	372,824	42,007	101,891	516,722	92,440	148,175	1,902,415	258,156	2,160,571
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
July	410,993	40,392	96,820	548,205	102,918	155,247	1,897,301	258,747	2,156,048
Aug.	413,110	40,906	98,713	552,729	99,574	154,510	1,888,258	261,472	2,149,730
Sept.	424,054	40,395	107,889	572,338	92,505	156,820	1,923,564	266,583	2,190,147

End of period	Real estate, renting & business activities	Households & individuals				Other (residual) ³	Total lending to residents	Lending to non-residents	Total
		Lending for house purchase	Consumer credit	Other lending	Total				
Oct.	125,872	426,921	34,743	127,877	591,744	58,233	1,949,788	291,669	2,241,457
Nov.	124,141	436,387	34,710	128,986	602,505	62,995	1,955,887	288,420	2,244,307
Dec.	122,798	446,541	35,542	125,175	609,917	56,461	1,973,681	374,130	2,347,811
2004									
Jan.	121,784	447,738	35,294	129,925	616,270	55,068	1,965,383	371,927	2,337,309
Feb.	122,951	452,926	34,951	134,286	624,657	57,401	1,966,508	359,769	2,326,277
Mar.	121,620	464,843	34,955	136,266	640,431	61,610	2,007,011	461,775	2,468,786

¹ Includes bills discounted as from October 2003.

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

³ Includes mining and quarrying, public administration, education, health and social work, community recreational and personal activities, extra-territorial organisations and bodies.

**TABLE 1.15a LOANS AND ADVANCES OUTSTANDING
TO THE PRIVATE AND PUBLIC SECTORS BY CATEGORY¹**

Lm thousands

End of period	Energy & water		Transport, storage & communication		Agriculture & fisheries		Manufacturing	
	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector
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	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
Sept.	383	85,814	43,863	78,259	9,586	2	122,191	19,550

End of period	Shipbuilding & ship repair	Building & construction		Hotel, restaurant & tourist trades		Wholesale & retail trades	
	Private /public sector	Private sector	Public sector	Private sector	Public sector	Private sector	Public sector
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	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
Sept.	44,383	97,468	1,600	232,089	3,466	289,304	12

End of period	Personal	Other services		All other		Total local lending		
		Private sector	Public sector	Private sector	Public sector	Private sector	Public sector	Total
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	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
Sept.	572,338	81,363	11,142	156,686	2,171	1,604,550	247,120	1,851,670

¹ Loans and advances extended by Deposit Money Banks, Other Banking Institutions (up to December 2000) and International Banking Institutions (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 1.15b DEPOSIT MONEY BANK LOANS AND ADVANCES TO RESIDENTS
analysis by sector and category

In thousands

End of period	Electricity, gas & water supply		Transport, storage & communication			Agriculture & Fishing			Financial intermediation		
	General government & public non-financial companies	Other	General Government ent	Public non-financial companies	Other	General Government ent	Public non-financial companies	Other	General Government ent	Public non-financial companies	Other
Oct.	84,981	875	79	77,482	60,586	48	-	9,442	1	1,300	82,381
Nov.	85,822	839	81	75,584	60,534	53	-	9,411	1	1,300	77,937
Dec.	82,882	1,009	82	79,989	55,435	60	-	9,177	401	907	73,565
2004											
Jan.	79,956	1,020	82	82,107	58,799	68	-	9,122	401	935	76,588
Feb.	78,776	993	82	81,455	59,110	17	-	9,262	390	900	71,912
Mar.	77,284	932	82	82,300	56,997	8	-	9,310	384	918	70,216

End of period	Manufacturing		Construction			Hotels & restaurants			Wholesale and retail trade repairs		
	General Government & public non-financial companies	Other	General Government ent	Public non-financial companies	Other	General Government ent	Public non-financial companies	Other	General Government ent	Public non-financial companies	Other
Oct.	61,793	119,877	-	1,400	168,319	-	3,035	209,848	4	140	292,347
Nov.	61,727	121,020	-	1,400	170,439	-	2,926	206,360	4	-	290,809
Dec.	61,434	123,388	-	3,900	197,232	-	2,893	203,979	4	161	288,006
2004											
Jan.	60,662	117,646	-	1,400	196,112	-	2,862	202,865	4	-	281,631
Feb.	58,318	121,018	-	1,400	191,945	-	2,933	201,806	2	-	281,181
Mar.	60,643	120,816	-	3,933	196,767	-	2,711	206,792	-	-	293,256

End of period	Households & individuals	Real estate, renting & business activities			Other			Total lending to residents of Malta		
		General government ent	Public non-financial companies	Other	General Government ent	Public non-financial companies	Other	General Government ent	Public non-financial companies	Other
Oct.	591,744	1,106	-	124,765	9,783	335	48,115	38,108	203,380	1,708,300
Nov.	602,505	1,110	-	123,031	10,225	292	52,478	78,983	161,540	1,715,364
Dec.	609,917	1,138	-	121,660	10,800	478	45,184	79,053	166,076	1,728,552
2004										
Jan.	616,270	1,038	-	120,746	9,033	2,371	43,664	76,924	163,997	1,724,462
Feb.	624,657	1,041	-	121,910	11,399	1,476	44,525	76,926	161,263	1,728,319
Mar.	640,431	1,051	-	120,569	11,373	167	50,070	77,068	163,786	1,766,157

TABLE 1.16 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				
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	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
July	480	882,228	36,682	919,389	2,499	916,890	-	916,890
Aug.	515	903,181	37,470	941,166	5,386	935,781	-	935,781
Sept.	503	906,154	36,620	943,277	7,624	935,653	-	935,653

End of period	Central Bank of Malta ²					
	External assets				External liabilities	Net external assets (A)
	Gold	IMF-related assets	Other	Total		
Oct.	633	36,673	954,687	991,993	39,549	952,444
Nov.	636	36,319	939,420	976,376	41,426	934,950
Dec.	624	35,686	943,648	979,957	60,928	919,029
2004						
Jan.	619	35,745	950,801	987,165	49,536	937,630
Feb.	606	35,765	956,037	992,407	49,021	943,386
Mar.	657	36,228	938,446	975,332	43,300	932,032

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 held with the Central Bank of Malta, and other official funds held with the Treasury.

TABLE 1.16 NET FOREIGN ASSETS OF THE BANKING SYSTEM¹*(continued)**Lm thousands*

End of period	Deposit money banks ²			Total (A+B)	International banking institutions ²			Grand total (A+B+C)
	Assets	Liabilities	Net (B)		Assets	Liabilities	Net (C)	
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	770,896	2,738,724	2,535,186	203,538	974,434
2001	828,701	722,868	105,833	866,261	2,444,196	2,226,910	217,286	1,083,546
2002	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.	1,266,474	1,032,584	233,890	1,123,030	2,444,223	2,273,457	170,766	1,293,796
May	1,238,948	1,021,480	217,468	1,142,486	2,417,272	2,243,020	174,251	1,316,738
June	1,273,046	1,043,193	229,853	1,151,361	2,477,243	2,303,399	173,844	1,325,205
July	1,302,899	1,046,568	256,331	1,173,221	2,687,743	2,513,736	174,007	1,347,228
Aug.	1,329,512	1,063,210	266,302	1,202,083	3,052,321	2,872,514	179,807	1,381,890
Sept.	1,283,146	1,022,531	260,614	1,196,267	2,971,456	2,789,117	182,339	1,378,606
Oct.	1,352,794	1,056,493	296,301	1,248,745	2,820,718	2,653,619	167,099	1,415,844
Nov.	1,357,872	1,059,350	298,522	1,233,472	2,734,717	2,561,798	172,919	1,406,391
Dec.	1,405,740	1,077,630	328,110	1,247,140	2,917,645	2,748,650	168,995	1,416,135
2004								
Jan.	1,406,513	1,095,935	310,578	1,248,208	2,983,356	2,811,509	171,847	1,420,055
Feb.	1,495,175	1,189,417	305,758	1,249,144	2,956,685	2,778,925	177,760	1,426,905
Mar.	1,500,755	1,207,806	292,949	1,224,981	3,081,612	2,893,122	188,490	1,413,471

¹ 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 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 1.17 FINANCIAL MARKET RATES

	1998	1999	2000	2001	2002	2003				2004
						Mar.	June	Sept.	Dec.	Mar.
INTEREST RATES										
Central Bank of Malta										
Central intervention rate	5.45	4.75	4.75	4.25	3.75	3.75	3.25	3.00	3.00	3.00
Money market interventions										
Term deposit rate	5.43	4.70	4.72	4.22	3.70	3.70	3.20	2.95	2.95	2.95
Reverse repo rate	5.50	4.80	4.80	4.29	3.80#	3.80#	3.30#	3.05#	3.05#	3.05#
Standby (collateralised) loan facility	6.00	5.30	5.30	4.80	4.30	4.30	3.80	3.55	3.55	4.50
Overnight deposit facility	-	1.80	1.80	1.30	0.80	0.80	0.30	0.30	0.30	1.50
Reserve requirements remuneration	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.75
Interbank market offered rates										
Overnight	5.50	4.75	4.75	3.65	3.73*	3.69	3.23*	3.20	2.95	2.95
1 week	5.56	4.74	4.78	4.25	3.76*	3.63*	3.26*	3.21	2.96	2.95*
1 month	5.70	4.75	4.90	4.58*	3.80*	3.73*	3.27*	3.00*	2.98*	2.82
3 month	5.95	5.27	4.92*	4.82*	3.90*	3.76*	3.34*	3.03*	3.00*	3.00*
Deposit Money Banks										
Weighted average deposit rate	4.42	4.32	4.17	3.96	3.49	3.27	3.01	2.77	2.46	2.26
Current	1.49	1.11	1.32	1.48	1.12	0.93	0.75	0.71	0.44	0.45
Savings	3.04	2.81	2.52	2.22	1.80	1.64	1.43	1.23	0.99	0.99
Time	5.35	5.43	5.25	4.98	4.39	4.23	4.06	3.77	3.45	3.17
Weighted average lending rate	8.08	7.28	7.23	6.50	6.07	6.12	5.97	5.94	5.31	5.32
Government securities										
Treasury bills										
1 month	5.43	5.05	4.85	4.80	4.00	-	-	-	-	-
3 month	5.49	4.95	4.90	4.53	3.67	3.46	3.38	3.15	2.94	2.93
6 month	5.50	4.97	4.94	5.04	3.80	3.57	3.35	3.11	2.93	2.92
1 year	5.50	5.12	5.03	5.08	4.40	4.40	3.52	3.13	-	2.92
Government stocks										
2 year	-	-	-	-	-	3.91	3.55	3.64	3.39	3.12
5 year	5.80	5.46	5.33	5.40	5.15	5.13	4.61	4.38	4.37	4.32
10 year	6.00	5.55	5.99	6.15	5.43	5.40	5.11	4.73	4.71	4.70
15 year	6.47	6.03	6.39	6.44	5.86	5.85	5.36	4.94	4.96	5.03
MALTA STOCK EXCHANGE SHARE INDEX	1211	3278	3376	2200	1871	1885	1920	2071	2126	2765

Note: # denotes the corridor linked to the central intervention rate.

* denotes Central Bank of Malta fixing rate average.

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
2003	736,704	2,517	739,221	753,436	103,969	857,405	-118,184	102,070	32,196	134,266	16,082
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
July	57,735	100	57,836	59,064	12,821	71,885	-14,049	44,424	-	44,424	30,375
Aug.	64,378	416	64,794	56,208	7,045	63,253	1,541	-	-	-	1,541
Sept.	54,921	76	54,997	59,303	5,316	64,619	-9,621	-	-	-	-9,621
Oct.	64,321	14	64,335	62,339	6,146	68,484	-4,149	-	-	-	-4,149
Nov.	59,838	-	59,838	54,246	7,278	61,524	-1,687	26,913	-	26,913	25,226
Dec.	118,079	387	118,466	82,437	6,366	88,803	29,662	3,087	-	3,087	32,749
2004											
Jan.	48,208	319	48,527	59,025	9,398	68,413	-19,887	-	-	-	-19,887
Feb.	52,363	-	52,363	56,494	7,137	63,631	-11,268	-	-	-	-11,268
Mar.	50,326	-	50,326	70,908	6,508	77,416	-27,090	-	-	-	-27,090

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 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 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
2003	205,218	188,427	123,910	89,160	61,576	668,291	68,413	736,704	2,517	739,221
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
July	12,069	15,173	12,051	8,577	5,257	53,128	4,607	57,735	100	57,836
Aug.	24,387	16,055	9,421	7,306	5,395	62,563	1,815	64,378	416	64,794
Sept.	16,261	15,329	8,695	6,993	5,535	52,811	2,110	54,921	76	54,997
Oct.	16,503	15,768	13,246	9,482	5,808	60,806	3,515	64,321	14	64,335
Nov.	17,141	14,266	11,180	7,768	5,411	55,766	4,072	59,838	-	59,838
Dec.	46,574	32,426	13,420	10,286	5,416	108,121	9,958	118,079	387	118,466
2004										
Jan.	7,184	6,505	10,319	7,575	4,754	36,337	11,871	48,208	319	48,527
Feb.	9,404	11,284	11,867	11,775	4,746	49,077	3,286	52,363	-	52,363
Mar.	7,843	12,244	11,421	7,604	5,041	44,153	6,173	50,326	-	50,326

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 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
2003	28,372	34,095	41,501	103,969
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
July	4,778	3,034	5,009	12,821
Aug.	1,913	1,486	3,646	7,045
Sept.	976	2,185	2,155	5,316
Oct.	1,029	3,708	1,409	6,146
Nov.	2,918	3,090	1,270	7,278
Dec.	987	3,685	1,695	6,366
2004				
Jan.	1,762	1,045	6,581	9,389
Feb.	2,917	889	3,331	7,137
Mar.	1,775	1,874	2,858	6,508

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

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

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

**TABLE 3.1a GROSS CENTRAL GOVERNMENT¹ DEBT AND
GOVERNMENT GUARANTEED DEBT OUTSTANDING**

Lm thousands

End of period	Domestic securities ²			Loans ⁴	Total Government debt	Government guaranteed debt ⁵
	Treasury bills	Malta Government stocks ³	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	463,867
1999	83,320	712,184	795,504	44,349	839,853	456,494
2000	172,987	712,729	885,716	39,250	924,966	445,227
2001	159,459	812,854	972,313	40,378	1,012,691	395,333
2002	218,831	813,030	1,031,861	45,100	1,076,961	356,155
2003	232,286	913,029	1,145,315	114,462	1,259,777	273,312
2003						
Mar.	248,740	839,963	1,088,703	45,103	1,133,806	344,159
June	272,060	839,963	1,112,023	75,101	1,187,124	325,480
Sept.	251,007	883,029	1,134,036	75,051	1,209,087	324,085
Dec.	232,286	913,029	1,145,315	114,462	1,259,777	273,312
2004						
Mar.	253,000	913,029	1,166,029	113,650	1,279,679	265,722

¹ Extra Budgetary Units are not included.

² Not consolidated with the Malta Government Sinking Fund.

³ Including local development registered stocks.

⁴ Includes local and foreign loans.

⁵ 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. Excludes state guarantees on ex-Malta Drydocks and ex-Malta shipbuilding loans but includes guarantees on loans to Extra Budgetary Units.

Sources: Malta Stock Exchange; Ministry of Finance; The Treasury.

TABLE 3.1b GROSS GENERAL GOVERNMENT DEBT OUTSTANDING¹*Lm thousands*

End of period	General Government						
	Central Government					Local councils	Total general Government debt ¹
	Treasury bills ²	Malta Government stocks ²	Loans ³	Extra budgetary units ⁴	Central Government debt		
1996	87,674	349,063	51,844	25,342	513,923	227	514,150
1997	54,767	523,369	50,501	34,564	663,202	146	663,348
1998	55,535	633,369	46,513	149,011	884,428	213	884,641
1999	79,082	704,937	44,186	56,747	884,952	346	885,298
2000	140,464	697,161	39,353	77,173	954,151	324	954,475
2001	156,029	805,915	40,494	73,861	1,076,298	419	1,076,717
2002 ⁵	189,930	805,572	45,154	67,071	1,107,727	542	1,108,269
2003 ⁶	232,286	906,883	114,474	59,412	1,313,056	674	1,313,730

¹ In line with the Maastricht Convergence criteria, which defines general government debt as total gross debt at nominal value outstanding at the end of the year and consolidated between and within sectors of general government.

² Consolidated with the Malta Government Sinking Fund and other sectors within the general government sector.

³ Includes local and foreign loans.

⁴ Extra Budgetary Units are publicly owned entities whose revenues cover less than half their production costs.

⁵ Half finalized.

⁶ Estimate.

Sources: Excessive Deficit Procedure Notifications; Financial Reports.

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
2003	712,638	607,680	124,413	732,093	198,271	34,015	232,286
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
July	52,000	39,095	2,937	42,032	241,040	21,052	262,092
Aug.	76,060	41,280	15,695	56,975	214,733	28,274	243,007
Sept.	61,000	44,964	24,036	69,000	219,180	31,827	251,007
Oct.	34,007	31,994	5,006	37,000	218,979	35,021	254,000
Nov.	21,000	21,276	910	22,186	227,287	27,899	255,186
Dec.	47,000	16,198	7,902	24,100	198,271	34,015	232,286
2004							
Jan.	51,000	23,354	9,646	33,000	171,226	43,060	214,286
Feb.	38,186	50,293	2,707	53,000	188,691	40,409	229,100
Mar.	36,100	52,044	7,956	60,000	211,258	41,742	253,000

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 10 January 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 16 December 1996, the maximum amount of permissible outstanding bills was raised from Lm100 million to Lm200 million and, subsequently, to Lm300 million on 27 November 2002.

TABLE 3.3 MALTA GOVERNMENT STOCKS

(Outstanding as at end-March 2004)¹

Lm thousands

Stock	Year of maturity	Year of issue	Issue price Lm	Interest dates	Held by		Amount
					Banking system	Others ²	
6.70 % MGS	2004	1994	100	23 Apr. - 23 Oct.	10,446	8,254	18,700
6.80 % MGS	2004 (II)	1998	100	15 Jan. - 15 July	22,770	3,082	25,852
7.25 % MGS	2005	1997	100	24 May - 24 Nov.	18,257	5,243	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	28,987	2,513	31,500
7.00 % MGS	2006 ³	1994	100	19 May - 19 Nov.	1,616	8,384	10,000
7.00 % MGS	2006 (IV)	1996	100	30 June - 30 Dec.	-	167	167
7.25 % MGS	2006 (II)	1995	100	1 Feb. - 01 Aug.	6,253	12,997	19,250
7.25 % MGS	2006 (III) ⁴	1996	100	20 Jan. - 20 July	7,350	7,650	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,487	8,263	24,750
5.90 % MGS	2007 (II)	1999	100	23 Apr. - 23 Oct.	8,998	1,002	10,000
5.60 % MGS	2007 (III)	2000	100	10 June - 10 Dec.	22,632	12,618	35,250
7.20 % MGS	2008	1998	100	10 June - 10 Dec.	8,813	1,187	10,000
7.20 % MGS	2008 (II)	1998	100	28 Feb. - 28 Aug	20,371	9,629	30,000
7.00 % MGS	2009 ³	1999	100	30 June - 30 Dec.	-	65	65
5.90 % MGS	2009 (II)	1999	100	1 Mar. - 1 Sept.	14,131	10,869	25,000
5.90 % MGS	2009 (III)	2000	100	30 Mar. - 30 Sept.	40,669	4,631	45,300
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,657	1,343	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,541	1,959	18,500
7.00 % MGS	2010 (III) ³	2000	100	30 June - 30 Dec.	-	545	545
5.40 % MGS	2010 (IV)	2003	100	21 Feb. - 21 Aug.	3,159	31,841	35,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,433	7,567	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	18,336	21,664	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.	14,375	20,125	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.	1,892	19,108	21,000
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	11,912	22,338	34,250
6.35 % MGS	2013 (II)	2002	100	19 May. - 19 Nov.	356	25,644	26,000
7.00 % MGS	2013 (III)	2003	100	30 June - 30 Dec.	-	67	67
6.60 % MGS	2014	2000	100	30 Mar. - 30 Sept.	871	9,629	10,500
5.10 % MGS	2014	2003	100	6 Jan. - 6 July	82	29,918	30,000
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,707	22,293	30,000
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	9,854	20,146	30,000
5.90 % MGS	2015 (II) FI	2002/2003	100/102	9 Apr. - 9 Oct.	656	39,544	40,200
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	2,980	27,020	30,000
4.80 % MGS	2016 (II)	2003	100	26 May - 26 Nov	2,517	27,483	30,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	17,702	52,298	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	12,070	31,930	44,000
5.50 % MGS	2023	2003	100	6 Jan. - 6 July	217	33,616	33,833
Total					370,097	542,932	913,029

¹ Latest available data.

² Include non-resident banks.

³ 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 Lm 110 per Lm 100 nominal.

⁴ Interest is payable on 20 January and 20 July except for the last coupon payment which is payable on the redemption date.

Source: MSE.

**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	16 yrs and over	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	44,552	209,417	310,528	270,700	77,833	913,030
2004						
Mar.	99,552	224,782	310,663	244,200	33,833	913,030

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
2003	13,595	59,021	-	72,616
2004⁴				
Mar.	13,447	58,357	-	71,804

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-

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.

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

**TABLE 3.6 GOVERNMENT EXTERNAL LOANS
BY CURRENCY**

Lm thousands

End of period	FFr	stg	DM	yen	euro	US\$	Lit	Others	Total
1990	252	3,777	4,811	-	7,024	4,953	7,731	8,947	37,495
1991	200	3,686	4,515	-	12,901	4,431	9,833	9,140	44,706
1992	170	1,250	4,816	-	15,671	4,774	12,033	9,683	48,397
1993	109	1,283	4,373	-	16,097	4,355	15,596	8,667	50,480
1994	58	235	4,181	-	16,267	3,546	22,694	9,281	56,262
1995	34	-	3,930	7,574	9,041	2,896	22,309	7,649	53,433
1996	16	-	3,339	5,568	11,408	2,444	22,479	6,535	51,789
1997	-	-	2,801	4,583	10,500	7,268	22,001	3,296	50,449
1998	-	-	2,524	4,146	10,267	6,474	20,922	2,179	46,513
1999	-	-	2,036	3,904	9,549	6,945	19,835	2,080	44,349
2000	-	-	1,664	2,631	8,477	6,660	18,350	1,468	39,250
2001	-	-	1,310	1,426	14,184	14,181	8,530	747	40,378
2002	-	-	-	465	39,734	4,764	-	136	45,099
2003	-	289	-	917	63,789	7,485	-	136	72,616
2004¹									
Mar.	-	301	-	945	62,877	7,547	-	134	71,804

¹ Provisional.

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

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

**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
2003	464	11,257	6,582	53,111	-	1,202	72,616
2004²							
Mar.	2,034	14,045	9,504	45,055	133	1,033	71,804

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

**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	1.6351	-	2.9197	2.3163	-	-	-	-	312.16	3.610
2003										
Oct. 3	1.6300	-	2.7106	2.3380	-	-	-	-	300.77	3.615
10	1.6475	-	2.7492	2.3276	-	-	-	-	298.27	3.605
17	1.6228	-	2.7097	2.3408	-	-	-	-	297.36	3.636
24	1.6240	-	2.7568	2.3356	-	-	-	-	301.78	3.613
31	1.6101	-	2.7272	2.3438	-	-	-	-	298.28	3.635
Nov. 7	1.6119	-	2.6743	2.3486	-	-	-	-	295.16	3.690
14	1.6278	-	2.7425	2.3355	-	-	-	-	297.47	3.660
21	1.6281	-	2.7778	2.3319	-	-	-	-	302.32	3.605
28	1.6249	-	2.7994	2.3311	-	-	-	-	306.29	3.608
Dec. 5	1.6341	-	2.8191	2.3258	-	-	-	-	304.53	3.620
12	1.6286	-	2.8440	2.3255	-	-	-	-	306.71	3.605
19	1.6317	-	2.8824	2.3208	-	-	-	-	310.39	3.610
26	1.6296	-	2.8808	2.3218	-	-	-	-	309.21	3.620
2004										
Jan. 2	1.6351	-	2.9197	2.3163	-	-	-	-	312.16	3.610
9	1.6145	-	2.9719	2.3195	-	-	-	-	316.96	3.638
16	1.6016	-	2.9030	2.3303	-	-	-	-	307.79	3.656
23	1.6004	-	2.9514	2.3266	-	-	-	-	312.82	3.645
30	1.5950	-	2.9049	2.3327	-	-	-	-	307.07	3.650
Feb. 6	1.5956	-	2.9486	2.3287	-	-	-	-	312.34	3.651
13	1.5808	-	2.9974	2.3303	-	-	-	-	315.82	3.676
20	1.5733	-	2.9567	2.3368	-	-	-	-	318.97	3.686
27	1.5705	-	2.9096	2.3420	-	-	-	-	317.54	3.699
Mar. 5	1.5721	-	2.8959	2.3426	-	-	-	-	321.57	3.695
12	1.5921	-	2.8601	2.3379	-	-	-	-	318.40	3.663
19	1.5753	-	2.8724	2.3435	-	-	-	-	307.52	3.659
26	1.5723	-	2.8602	2.3458	-	-	-	-	302.10	3.647

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 1 January 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	-	-	-	-	288.87	3.590
2003	1.6237	-	2.6543	2.3470	-	-	-	-	307.39	3.568
2003										
Jan.	1.5667	-	2.5330	2.3831	-	-	-	-	300.80	3.485
Feb.	1.5881	-	2.5548	2.3717	-	-	-	-	304.89	3.480
Mar.	1.6121	-	2.5554	2.3620	-	-	-	-	302.91	3.469
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
July	1.6387	-	2.6613	2.3400	-	-	-	-	315.87	3.621
Aug.	1.6392	-	2.6124	2.3451	-	-	-	-	310.37	3.612
Sept.	1.6341	-	2.6344	2.3446	-	-	-	-	302.66	3.629
Oct.	1.6298	-	2.7328	2.3358	-	-	-	-	299.35	3.617
Nov.	1.6203	-	2.7373	2.3390	-	-	-	-	298.95	3.647
Dec.	1.6306	-	2.8539	2.3239	-	-	-	-	307.65	3.613
2004										
Jan.	1.6084	-	2.9341	2.3250	-	-	-	-	312.06	3.642
Feb.	1.5800	-	2.9518	2.3346	-	-	-	-	314.60	3.673
Mar.	1.5723	-	2.8775	2.3443	-	-	-	-	313.54	3.676

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 1 January 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	39,376	490,902	747,770	-256,868
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	569,901	54,250	624,151	1,007,796	-383,645
1997	563,950	64,980	628,930	984,231	-355,300
1998	664,816	47,169	711,985	1,034,921	-322,936
1999	712,436	78,700	791,136	1,136,233	-345,097
2000	977,535	94,909	1,072,444	1,492,377	-419,933
2001	790,038	90,646	880,684	1,226,421	-345,737
2002 ¹	794,300	166,840	961,140	1,227,534	-266,394
2003 ¹	816,389	112,102	928,491	1,279,832	-351,341
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	9,792	68,730	103,820	-35,090
Mar.	72,677	6,901	79,578	107,714	-28,136
Apr.	65,698	11,615	77,313	116,978	-39,665
May	63,641	11,502	75,143	107,847	-32,704
June	69,870	11,212	81,082	108,472	-27,390
July	69,110	9,253	78,363	117,050	-38,687
Aug.	64,494	6,275	70,769	95,207	-24,438
Sept.	74,406	6,516	80,922	107,262	-26,340
Oct.	67,787	9,294	77,081	112,342	-35,261
Nov.	71,086	8,068	79,154	101,905	-22,751
Dec.	77,464	10,184	87,648	107,246	-19,598
2004¹					
Jan.	64,343	6,430	70,773	91,452	-20,679
Feb.	66,338	9,492	75,830	94,566	-18,736
Mar.	76,207	11,945	88,152	124,684	-36,532

¹ Provisional.

Source: NSO.

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	357,889
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	592,422
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
2003 ¹	109,020	31,494	95,235	120,195	55,250	22,115	134,202	360,980	928,491
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.	9,522	2,748	7,384	10,561	4,581	1,855	8,717	27,340	72,708
Feb.	8,657	2,875	8,147	8,630	5,020	1,591	8,068	25,742	68,730
Mar.	10,119	2,937	8,738	11,764	5,016	1,373	9,610	30,022	79,579
Apr.	8,570	2,594	7,048	10,359	5,758	3,935	10,595	28,454	77,313
May	8,336	2,704	9,013	9,078	5,853	2,082	9,223	28,854	75,143
June	8,835	4,420	8,202	10,254	5,546	1,294	9,801	32,729	81,081
July	8,874	2,249	8,296	9,047	5,608	1,439	10,574	32,276	78,363
Aug.	6,996	1,774	5,911	8,604	3,081	1,895	12,307	30,201	70,769
Sept.	10,838	2,243	8,115	11,060	3,525	1,180	13,219	30,741	80,921
Oct.	8,814	2,396	7,211	11,513	3,801	2,283	13,357	27,706	77,081
Nov.	10,305	2,111	8,170	9,770	3,422	1,470	13,767	30,139	79,154
Dec.	9,154	2,443	9,000	9,555	4,039	1,718	14,964	36,776	87,649
2004¹									
Jan.	9,226	2,532	7,321	9,552	3,951	1,694	12,907	23,590	70,773
Feb.	9,218	1,828	7,901	11,004	4,272	1,955	12,485	27,167	75,830
Mar.	8,511	3,009	8,795	13,235	3,735	3,013	11,961	35,893	88,152

¹ Provisional.

Source: NSO.

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
2003 ¹	118,638	294,408	29,696	218,912	100,988	104,719	102,364	310,106	1,279,831
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	8,848	8,906	8,498	24,915	103,820
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	28,674	116,978
May	10,574	24,643	2,134	18,241	8,238	9,064	9,306	25,647	107,847
June	10,259	24,799	2,208	15,788	8,440	10,642	10,234	26,101	108,471
July	10,373	31,082	3,012	19,470	8,882	8,714	8,412	27,105	117,050
Aug.	10,011	17,715	2,720	16,373	6,870	7,971	6,397	27,150	95,207
Sept.	11,324	22,222	2,441	17,314	7,861	8,245	8,826	29,029	107,262
Oct.	10,700	25,609	2,978	19,763	9,077	9,119	7,587	27,509	112,342
Nov.	8,970	27,222	2,338	18,149	8,625	9,163	5,496	21,942	101,905
Dec.	9,267	23,492	2,143	21,422	7,599	9,100	9,703	24,520	107,246
2004¹									
Jan.	8,763	16,178	2,182	16,417	6,333	7,000	6,624	27,955	91,452
Feb.	11,158	20,748	1,990	14,544	9,239	10,091	6,550	20,246	94,566
Mar.	16,040	33,449	7,402	17,961	9,086	8,930	7,421	24,395	124,684

¹ Provisional.

Source: NSO.

TABLE 4.6 DOMESTIC EXPORTS BY COMMODITY SECTIONS
Lm thousands

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & 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
2003 ¹	33,140	1,959	2,457	218	4	14,846	44,733	549,219	169,664	133	816,389
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.	1,204	70	326	19	2	811	4,239	48,830	17,079	96	72,677
Apr.	1,376	121	182	9	-	574	3,656	46,091	13,688	-	65,698
May	2,616	17	189	33	-	804	4,942	42,043	12,996	-	63,641
June	2,400	147	180	20	-	1,363	3,850	47,161	14,748	-	69,870
July	3,114	190	144	27	-	1,519	3,792	43,683	16,640	-	69,110
Aug.	2,481	463	217	19	-	1,134	2,017	47,366	10,787	10	64,494
Sept.	2,526	156	156	15	2	2,256	3,477	49,818	15,971	27	74,406
Oct.	2,100	270	224	8	-	520	3,591	48,802	12,272	-	67,787
Nov.	1,908	111	226	29	-	2,488	4,312	48,683	13,329	-	71,086
Dec.	11,313	146	252	18	-	1,976	3,855	44,740	15,164	-	77,464
2004¹											
Jan.	1,131	672	355	5	-	1,739	3,634	42,044	14,720	43	64,343
Feb.	946	99	126	-	-	3,589	3,216	45,267	13,028	65	66,338
Mar.	2,598	134	273	3	-	1,841	4,852	51,427	15,044	34	76,207

¹Provisional.

Source: NSO.

TABLE 4.7 IMPORTS BY COMMODITY SECTIONS
Lm thousands

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/vegetable fats & oils	Chemicals	Semi-manufactured goods	Machinery & 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	620,510
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
2003 ¹	116,764	24,788	12,101	102,070	2,548	103,155	145,434	619,221	142,993	10,756	1,279,831
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	48,734	10,755	1,561	103,820
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	58,773	13,033	769	116,978
May	8,957	2,313	1,164	8,277	173	8,562	12,600	49,711	15,248	842	107,847
June	7,936	1,820	1,075	7,527	140	8,426	12,969	55,406	12,561	612	108,471
July	9,613	3,360	926	13,723	237	10,842	13,720	52,275	11,662	692	117,050
Aug.	10,677	1,926	835	10,038	181	7,953	10,038	43,385	9,169	1,004	95,207
Sept.	11,673	2,019	827	7,758	339	8,987	11,468	51,296	12,006	888	107,262
Oct.	10,683	1,759	997	7,415	246	9,532	12,860	52,603	15,495	752	112,342
Nov.	10,028	1,837	943	7,008	186	8,578	12,264	47,770	12,429	862	101,905
Dec.	10,321	1,998	1,183	5,759	174	8,482	10,873	56,121	11,453	882	107,246
2004¹											
Jan.	7,825	1,435	768	14,245	187	7,806	9,120	41,750	7,714	600	91,452
Feb.	6,831	1,023	1,154	8,814	127	8,965	10,137	44,989	11,347	1,178	94,566
Mar.	8,518	1,519	1,007	6,997	196	10,050	12,492	70,304	12,465	1,135	124,684

¹ Provisional.

Source: NSO.

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	994,273	289,430	409,475	33,400	1,604,256	3,330,834	1,772,601	1,558,233	-54,255	1,503,978
2001 ⁶	1,041,866	326,641	379,506	-39,289	1,428,122	3,136,846	1,506,473	1,630,373	11,742	1,642,115
2002 ⁶	1,079,361	339,927	350,648	-74,996	1,497,659	3,192,600	1,506,973	1,685,627	2,558	1,688,185
2003 ⁶	1,092,792	366,861	419,242	-69,910	1,446,747	3,255,732	1,543,567	1,712,165	29,423	1,726,052
2002⁶										
Mar.	250,755	85,835	90,176	-11,082	322,708	738,392	342,637	395,755	5,676	401,431
June	272,253	87,859	65,548	-5,973	397,001	816,688	396,128	420,560	15,698	436,258
Sept.	288,723	83,011	95,547	-46,325	396,122	817,078	378,369	438,709	9,195	447,904
Dec.	267,630	83,222	99,377	-11,616	381,828	820,441	389,839	430,602	-28,011	402,591
2003⁶										
Mar.	254,921	97,613	99,706	-5,243	317,734	764,731	370,673	394,058	14,268	408,326
June	274,024	92,603	114,732	-25,369	369,169	825,159	395,697	429,462	70	429,532
Sept.	288,704	82,422	97,676	-19,261	391,840	841,381	391,490	449,891	15,085	464,976
Dec.	275,143	94,223	107,128	-20,037	368,004	824,461	385,707	438,754	-15,536	423,218

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

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

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

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

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

⁶ Provisional.

Source: NSO.

TABLE 5.2 TOURIST ARRIVALS BY NATIONALITY¹

Period	United Kingdom	Italy	North Africa ²	Germany	Scandinavian countries ³	United States	All others	Total
1995	461,159	97,384	43,534	187,761	38,531	10,945	276,657	1,115,971
1996	398,899	89,439	56,958	184,110	40,420	11,969	271,993	1,053,788
1997	436,899	90,190	45,702	193,020	39,248	14,924	291,178	1,111,161
1998	448,763	90,558	44,508	203,199	39,997	17,641	337,574	1,182,240
1999	422,368	92,726	52,537	212,430	50,607	18,558	365,004	1,214,230
2000	428,780	92,522	52,275	204,749	52,075	19,269	366,043	1,215,713
2001	451,530	93,564	39,167	160,262	52,334	19,986	363,302	1,180,145
2002	444,335	100,875	31,676	142,106	43,257	20,080	351,485	1,133,814
2003	459,565	94,175	-	125,811	47,702	20,657	378,691	1,126,601
2003								
Jan.	20,602	2,439	-	3,821	1,816	1,266	10,908	40,852
Feb.	26,679	3,431	-	6,815	1,972	1,231	15,611	55,739
Mar.	28,141	4,871	-	14,540	2,573	1,668	21,789	73,582
Apr.	37,870	6,755	-	14,810	4,402	1,685	37,219	102,741
May	40,584	6,992	-	12,425	4,256	2,289	42,202	108,748
June	45,727	9,512	-	9,961	5,615	2,606	41,946	115,367
July	58,470	13,809	-	11,119	6,784	2,108	53,559	145,849
Aug.	55,854	23,521	-	12,760	3,963	1,616	51,322	149,036
Sept.	53,443	7,639	-	11,546	5,443	1,867	39,757	119,695
Oct.	42,444	4,827	-	15,477	6,021	1,683	31,407	101,859
Nov.	27,552	3,611	-	7,449	3,242	1,560	15,039	58,453
Dec.	22,199	6,768	-	5,088	1,615	1,078	17,932	54,680
2004⁴								
Jan.	17,622	4,102	-	3,670	2,168	1,312	12,201	41,075
Feb.	24,115	3,877	-	6,780	1,969	1,141	15,982	53,864
Mar.	30,194	5,709	-	11,375	3,309	2,026	19,838	72,451

¹ The collection of this data was discontinued by the NSO as from March 2004. This exercise will be replaced by the NSO's inbound tourism survey.

² The collection of this data was discontinued. From January 2003 these statistics are included in the "All Others" category.

³ Scandinavian countries include Denmark, Norway, Sweden and Finland.

⁴ Data for 2004 is provisional

Source: NSO.

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 ³
1995	102,158	35,612	137,770	97,241	34,709	131,950	4,917	4.8	903	2.5	5,820	4.2
1996	103,323	36,944	140,267	97,493	35,702	133,195	5,830	5.6	1,242	3.4	7,072	5.0
1997	103,540	37,294	140,834	97,065	36,076	133,141	6,475	6.3	1,218	3.3	7,693	5.5
1998	103,235	37,951	141,186	96,460	36,816	133,276	6,775	6.6	1,135	3.0	7,910	5.6
1999	103,568	39,040	142,608	96,478	37,824	134,302	7,090	6.8	1,216	3.1	8,306	5.8
2000	103,831	40,185	144,016	97,689	39,139	136,828	6,142	5.9	1,046	2.6	7,188	5.0
2001	104,094	40,791	144,885	97,933	39,519	137,452	6,161	5.9	1,272	3.1	7,433	5.1
2002	103,668	41,169	144,837	97,494	39,827	137,321	6,174	6.0	1,342	3.3	7,516	5.2
2003	102,851	41,558	144,409	96,245	39,989	136,234	6,606	6.4	1,569	3.8	8,175	5.7
2003												
Jan.	104,245	41,409	145,654	97,853	39,922	137,775	6,392	6.1	1,487	3.6	7,879	5.4
Feb.	104,169	41,496	145,665	97,932	40,026	137,958	6,237	6.0	1,470	3.5	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
May	103,289	41,368	144,657	97,379	39,957	137,336	5,910	5.7	1,411	3.4	7,321	5.1
June	103,372	41,624	144,996	97,492	40,266	137,758	5,880	5.7	1,358	3.3	7,238	5.0
July	103,865	42,264	146,129	97,690	40,525	138,215	6,175	5.9	1,739	4.1	7,914	5.4
Aug.	103,587	42,102	145,689	97,336	40,301	137,637	6,251	6.0	1,801	4.3	8,052	5.5
Sept.	103,233	41,689	144,922	96,968	40,012	136,980	6,265	6.1	1,677	4.0	7,942	5.5
Oct.	103,373	41,893	145,266	96,850	40,167	137,017	6,523	6.3	1,726	4.1	8,249	5.7
Nov.	102,965	41,825	144,790	96,421	40,092	136,513	6,544	6.4	1,733	4.1	8,277	5.7
Dec.	102,851	41,558	144,409	96,245	39,989	136,234	6,606	6.4	1,569	3.8	8,175	5.7
2004												
Jan.	103,246	41,607	144,853	96,304	39,755	136,059	6,942	6.7	1,852	4.5	8,794	6.1
Feb.	103,315	41,716	145,031	96,344	39,857	136,201	6,971	6.7	1,859	4.5	8,830	6.1

¹ As a percentage of male labour supply.

² As a percentage of female labour supply.

³ As a percentage of total labour supply.

Sources: ETC; NSO.

TABLE 5.4 LABOUR MARKET INDICATORS BASED ON THE LABOUR FORCE SURVEY¹

End of period	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	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	109,661	49,977	159,638	101,159	45,883	147,042	8,502	7.8	4,094	8.2	12,596	7.9
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.	109,800	49,584	159,384	102,613	46,185	148,798	7,187	6.5	3,399	6.9	10,586	6.6
June	110,729	50,134	160,863	103,638	45,180	148,818	7,091	6.4	4,954	9.9	12,045	7.5
Sept.	110,038	49,730	159,768	101,706	44,896	146,602	8,332	7.6	4,834	9.7	13,166	8.2
Dec.	109,661	49,977	159,638	101,159	45,883	147,042	8,502	7.8	4,094	8.2	12,596	7.9
2004												
Mar.	111,734	48,449	160,183	104,061	44,594	148,655	7,673	6.9	3,855	8.0	11,528	7.2

¹ The Labour Force Survey is carried out on a quarterly basis using a random sample of private households. As from this quarter this figure was compiled on an evenly spread survey throughout the 13 weeks of the quarter and not on one specific reference week representing the whole quarter.

² As a percentage of male labour supply.

³ As a percentage of female labour supply.

Source: NSO.

**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 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
			2003	646.84	1.30

¹ The Index of Inflation (Base 1946=100) is compiled by the NSO 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 December 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
2003	100.75
2003	
Jan.	99.12
Feb.	99.60
Mar.	100.36
Apr.	100.40
May	100.73
June	100.88
July	100.54
Aug.	100.47
Sept.	100.82
Oct.	101.91
Nov.	101.75
Dec.	102.38
2004	
Jan.	102.20
Feb.	102.23
Mar.	102.66

Note: The New Retail Price Index is based on the Household Budgetary Survey carried out by the 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: Central Bank of Malta; NSO.

TABLE 5.9 HARMONISED INDEX OF CONSUMER PRICES*(Base 1996 = 100)*

Period	Index (all items)	12 month moving average (total)
1998	107.8	3.7
1999	110.2	2.3
2000	113.6	3.0
2001	116.4	2.5
2002	120.1	3.2
2003	123.2	2.6
2003		
Jan.	120.7	3.1
Feb.	121.1	3.2
Mar.	122.2	3.4
Apr.	123.1	3.4
May	123.9	3.4
June	124.1	3.5
July	124.7	3.5
Aug.	124.8	3.5
Sept.	124.6	3.5
Oct.	125.4	3.5
Nov.	121.6	3.0
Dec.	122.8	2.6
2004		
Jan.	122.2	2.4
Feb.	122.2	2.1
Mar.	122.8	1.7

Source: NSO

GENERAL NOTES

INSTITUTIONAL BALANCE SHEETS

The balance sheets published in Tables 1.1, 1.2 and 1.3 are based on accounting principles. Consequently, data in these Tables might differ from data shown in other Tables compiled using statistical concepts and methodology.

MONEY AND BANKING STATISTICS

Since October 2003, the compilation of monetary statistics has been consistent with internationally agreed statistical concepts and methodology as published in the IMF's *Monetary and Financial Statistics Manual* (2000), ECB Regulation 2001/13 concerning the consolidated balance sheet of the Monetary Financial Institutions (MFI) sector and the European System of Accounts (ESA 1995).

Measures of money

The Bank compiles data on three main monetary aggregates - narrow money (M1), intermediate money (M2) and broad money (M3).

Narrow money (M1) includes the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. Demand deposits exclude uncleared effects drawn on deposit money banks and cheques and other items in the process of collection, but include non-government deposits with the Central Bank of Malta.

Intermediate money (M2) comprises M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years.

Broad money (M3) comprises M2 and the banks' repurchase agreements with the non-bank sector and banks' debt securities issues with an agreed maturity of up to and including two years. It therefore includes the resident non-bank sector's holdings of bank notes and coins in circulation, the resident non-bank and non-government deposits irrespective of denomination, the banks' repurchase agreements with the non-bank sector and the banks' issues of debt securities, all with an agreed maturity of up to and including two years.

The Monetary Base (M0) is defined as currency issued and the credit institutions' deposits with the Central Bank of Malta. Currency issued comprises currency in circulation and holdings of national currency by the banks in their tills. Credit institutions' deposits with the Central Bank of Malta exclude term deposits.

Compilation and valuation principles

Monetary statistics are based on a consolidation (or aggregation where indicated) of the monthly financial statements provided by the local credit institutions and the Central Bank of Malta. The credit

institutions must submit data to the Bank no later than twelve calendar days following the end of the reporting month or quarter. Branches and subsidiaries of credit institutions operating in Malta but headquartered abroad are also obliged to submit similar financial information. The reporting institutions compile monthly financial information in line with international accounting norms as issued by the International Accounting Standards Committee. In certain instances, credit institutions are required to submit the returns in accordance with specific statistical requirements of the Bank.

Monetary data show the stock positions, which are outstanding balances on a particular date (end-month, end-quarter or end-year). Monetary aggregates are consolidated for the MFI sector, thus all identifiable interbank transactions are eliminated. Assets and liabilities are generally reported at market or fair value and on accrual basis. Thus the effects of transactions and other events are recognised when they occur rather than when cash is received or paid. Transactions are recorded at the time of change in ownership of a financial asset. Within this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by the other. Instruments are reported in accordance with their maturity at issue, that is, by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed.

All financial assets and liabilities are reported on a gross basis. Loans - which include overdrafts, bills discounted and any other facility whereby funds are lent - are reported at their book value and gross of all related provisions, both general and specific. Financial assets and liabilities that have demonstrable value - as well as non-financial assets - are considered as on-balance sheet items. Other financial instruments which are conditional on the occurrence of uncertain future events, such as contingent instruments, are not given on-balance sheet recognition. Only the gains and losses on the latter instruments are treated as on-balance sheet.

Transactions in foreign currency are recorded in the reporting currency using the exchange rate at the date of the transaction. At the balance sheet date, assets and liabilities denominated in foreign currencies are converted into Maltese liri at the exchange rate in effect at the end of the reporting period.

Release of monetary statistics

Monthly consolidated monetary statistics are posted on the Central Bank of Malta 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 Bank's monthly 'Statistical release on monetary aggregates and their counterparts' and in the Central Bank of Malta'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 may either be residents or non-residents of Malta, a transactor being an 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'.

The term 'centre of economic interest' indicates that there exists some location within the economic

territory on or from which a unit engages, and intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more). Those companies solely undertaking international business activities, including shipping activities, which have a physical presence and undertake a significant degree of economic activity in Malta, are considered as resident units.

Transactors not meeting the above-mentioned criteria are considered to be non-resident units, that is, units that have their 'centre of economic interest' in other countries. Diplomatic bodies, embassies, consulates and other entities of a foreign government located in Malta are, however, considered as residents of the country they are representing and not of Malta.

Sector classification of the Maltese economy

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

- (a) Monetary financial institutions (MFIs);
- (b) Other financial institutions (including insurance companies);
- (c) General government;
- (d) Non-financial companies;
- (e) Households and non-profit institutions.

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) **Monetary financial institutions** (MFIs) consist of:

i. The **central bank**, which is the national financial institution that exercises control over key aspects of the financial system and whose principal function it is to issue currency, to maintain the internal and external value of the currency and to hold all or part of the international reserves of the country.

ii. The **credit 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 make investments in securities. Credit institutions licensed in Malta comprise banks licensed by the competent authority under the Banking Act (Cap. 371). In accordance with the Banking Co-ordination Directives of December 1977 and December 1989 (77/780/EEC and 89/646/EEC), a credit institution is "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".

This sector is also subdivided into deposit money banks (DMBs) and international banking institutions (IBIs), the latter as from January 1995. DMBs are credit institutions that accept deposits and grant loans to both residents and non-residents. IBIs are credit institutions that accept deposits and grant loans predominantly to non-residents. Other banking institutions (OBIs), comprising mainly long-term lending institutions, were included with the banking sector category up to December 2000.

(b) **Other financial institutions** consist of:

i. **Other financial intermediaries and financial auxiliaries, except insurance companies and pension funds** - this subsector consists of non-monetary financial companies (excluding insurance companies and pension funds) principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than MFIs. Financial auxiliaries consist of companies which are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediators themselves.

ii. **Insurance companies and pension funds**, which comprise non-monetary financial companies principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance companies consist of incorporated mutual and other entities whose principal function is to provide life, accident, health, fire or other forms of insurance to individual institutional units or group of units. Pension funds included in this sector are those that are constituted as separate from the units that created them. They are established for the purposes of providing retirement benefits for specific groups of employees.

(c) **General government:**

General government includes all institutional units principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. For statistical reporting purposes, the sector general government in Malta comprises the central government sector and the other general government sector, the latter comprising solely the local government sector.

i. **Central government** includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory. It thus includes departments, ministries, and offices of government located in the country and embassies, consulates, military establishments and other institutions of government located outside the country. Also included in this sector are the public non-market units. These comprise those institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or involved in the redistribution of national income and wealth. These units/entities do not charge “economically significant” prices and/or did not cover at least 50% of their production costs in sales over the last years.

ii. **Other general government** in Malta comprises solely the local government sector. Local government includes administrative departments, councils or agencies whose competence covers only a restricted part of the economic territory of a country.

(d) **Non-financial companies:**

This sector comprises companies not engaged in any form of financial intermediation but engaged principally in the production of market goods and non-financial services. Included in this sector are market-producing co-operatives, partnerships and sole proprietorships recognised as independent legal entities. This sector includes public non-financial companies, that is, companies that are

subject to control by government units, and private non-financial companies, that is, companies controlled by non-government resident or non-resident units.

(e) **Households and non-profit institutions:**

This sector comprises individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively intended for their own final consumption. Included in this sector are non-profit institutions principally engaged in the production of non-market goods and services intended for particular sections of households.

Financial market indicators

The statutory interest rates used by the Central Bank of Malta and other indicative bench-mark money market rates are given as end-of-period rates as a percentage per annum. The repurchase agreement/term deposit rates are the prevailing rates actually dealt in at the end of the month or the rates offered by the Central Bank of Malta. The interbank market offered rates shown are the prevailing rates in dealings between banks in the official interbank market.

The weighted average deposit rates on current, savings and time deposits pertain to the deposit money banks' interest rates applicable on resident Maltese lira deposits. The weighted average rate on time deposits is calculated on time deposits with a one year maturity. These rates 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 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, which are obtained from the official rates quoted by the Treasury, are primary market weighted average yields. These are weighted averages of the rates attached to the bills that are taken up by the bidders at the weekly auction. Treasury bills are classified by original maturity. 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 MSE share index measures movements in the price of all ordinary shares listed in the official list of the MSE. It is a market capitalisation index which weights the price and number of shares of each listed firm. The index has a base of 1,000 initiating on 27 December 1995.

International reserves

The international reserves concept is in line with the IMF's *Balance of Payments Manual* (BPM5). 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.

PUBLIC DEBT STATISTICS

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 MSE. 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 of Malta on behalf of government - these loans already feature in the calculation of government external debt.

STATISTICS ON EXTERNAL TRANSACTIONS

Tables 4.1 and 4.2 show the end-of-period and average exchange rates of the Maltese lira against other main currencies, respectively. These Maltese lira exchange rates are calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta midpoint rates. The Bank also releases further related information on its website.

GOVERNMENT FINANCE AND REAL ECONOMY INDICATORS

Public finance, trade, national accounts and other general economic statistics are obtained from the NSO and the Ministry of Finance and Economic Affairs. Further details may be obtained from the website of the NSO. Statistics on building and construction are obtained from the Malta Environment and Planning Authority.