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	Economic 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 third and fourth 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 aims at maintaining price stability by pegging the Maltese lira to a currency basket.

During the third quarter the Bank's net foreign assets expanded, partly reflecting the seasonal increase in activity in the tourism sector. During the fourth quarter, however, they contracted as the usual seasonal currency flows were exacerbated by increased payments for imports of oil and consumer goods, with the latter rising partly in response to the full liberalisation of trade earlier in the year. Inflation rose during the third quarter and into the fourth, with price developments being influenced significantly by a number of particular factors, including fiscal measures and fuel costs. The performance of the domestic economy during the first three quarters of the year continued to be subdued, with weak output growth being driven by moderate expansion in domestic demand.

In the absence of any changes to the central intervention rate, domestic money market interest rates remained stable throughout the third quarter and into November. Money market rates abroad rose slightly during the period, leading to a small fall in the premium on Maltese lira short-term rates, which narrowed by five basis points between the end of June and end-November. In contrast, the long-term premium on the Maltese lira widened to around 70 basis points in November, reflecting lower long-term rates abroad coupled with a small rise in domestic Government bond yields.

Monetary expansion moderated during the third quarter, reflecting a slowdown in demand for monetary assets and portfolio shifts into Government bonds. Broad money added 0.7% during the quarter, after having risen by 1.2% during the previous quarter. Domestic credit and the net foreign assets of the banking system both continued to expand, although underlying credit growth was moderate.

Data on GDP released in November showed that the Maltese economy grew by 1.4% in real terms during the third quarter when compared to the corresponding quarter of 2003. Investment rose strongly, while both Government and private consumption also buoyed domestic demand. The contribution of net exports to growth was negative, however, as imports rose faster than exports. For the first three quarters of the year, real GDP was up by 0.6%.

During the third quarter nominal GDP expanded by 2.2%, as a rise in compensation of employees outweighed a drop in gross operating surplus and mixed income. Increased taxes on production and imports also raised measured GDP. The services sector drove the rise in gross value added during the quarter, while value added declined in manufacturing and in electricity, gas & water supply.

Meanwhile, responses to the Bank's latest Business Perceptions Survey show that business sentiment hardly changed.[1] As in the previous Survey, nearly half the respondents indicated neutral expectations on the general performance of the Maltese economy over the coming months.

[1] The Survey was carried out between October and November 2004.

Similarly, among the rest more firms expected the economy to worsen rather than to improve. The manufacturing sector remained pessimistic on balance, although less so than in the previous Survey, while most respondents from the service and tourism industries anticipated no change in the general economic situation. Turning to the firms' views about their own performance, the Survey results suggest that export performance deteriorated during the third quarter, but results for domestically-oriented sectors were mixed. Looking ahead to the fourth quarter, most respondents did not expect a turnaround in activity. Whereas domestically-oriented sectors envisaged some improvement, export-oriented firms anticipated lower sales and downward pressure on prices.

According to information compiled by the ETC, labour market activity, which had picked up slightly during the second quarter, stabilised during the third. The gainfully-occupied population declined and the number of registered unemployed increased, pushing the unemployment rate up marginally to 5.6%. The number of registered unemployed remained broadly unchanged in October, though it was down slightly on a year earlier.

The upward trend in inflation persisted during the third quarter. The twelve-month moving average rate, based on the Retail Prices Index, accelerated from 2% in June to 2.6% in September. However, the year-on-year inflation rate fluctuated during the quarter, although it ended September at 2.7%, the same rate as in June. Inflation during the quarter was mostly driven by the cost of transport & communications, which mainly reflected increased fuel costs, but was offset by lower prices of clothing & footwear. Inflation continued to rise going into the fourth quarter, with the twelve-month moving average rate reaching 2.8% in November.

The current account of the balance of payments swung into deficit during the third quarter of 2004, recording a shortfall of Lm32 million. The shift resulted from increased outflows on the investment income account and, to a lesser extent, from a wider merchandise trade gap, which exceeded a larger surplus on services. After excluding movements in international reserves, net inflows of Lm30.3 million were recorded on the capital and financial account, driven mainly by the banking sector.

Turning to fiscal developments, the deficit on the Consolidated Fund continued to narrow during the third quarter of 2004, compared with the corresponding period of the previous year, as revenue expanded more rapidly than expenditure. This brought the deficit for the first nine months of the year down by Lm25.9 million to Lm109.9 million.

According to the Estimates presented with the Budget in November, the deficit on the Consolidated Fund should fall to Lm93.9 million during 2004 and to Lm76.1 million in 2005. Nevertheless, the expansionary stance of fiscal policy is expected to persist, as capital spending is projected to increase, largely financed by official grants from abroad. The Budget contained a number of measures aimed at increasing revenue, lowering the need for subsidies and raising potential output. The further fiscal consolidation envisaged in the Budget, as well as measures aimed at increasing productivity and flexibility in the economy, complement the Bank's monetary policy strategy and contribute to macroeconomic stability.

2. THE INTERNATIONAL ENVIRONMENT

The world economy

After the brisk economic expansion recorded in the second half of 2003 and in early 2004, global growth is expected to slow down moderately in 2005. Projections by international economic organisations indicate that the US economy will grow by around 3.3%, while euro area growth will lag behind at around 2%. The outlook for the Japanese economy dimmed somewhat, due to weaker external demand and the transition to a new method of compiling national accounts that led to downward data revisions. Meanwhile, the main downside risks to global growth seem to emerge from high and volatile oil prices and the widening external and internal imbalances in the US.

Economic and monetary developments in the major economies

In the third quarter of 2004, US economic growth decelerated further, after easing in the previous quarter (see Table 2.1). Real GDP nevertheless grew by a healthy 4%, year-on-year, chiefly propelled by robust personal consumption and a deceleration in imports. The unemployment rate declined from 5.6% in June to 5.4% in September, with further encouraging signs from the labour market emerging in October, when employment rose relatively strongly. Inflation declined throughout the three months to September, averaging 2.7% over the quarter (see Table 2.2). However, inflation concerns returned in the fourth quarter, principally on account of persistently higher oil prices.

The Federal Reserve raised its target for the federal funds rate by 25 percentage points twice during the third quarter, to 1.5% in August and to 1.75% in September, as the economy continued to strengthen (see Chart 2.1). On 10 November, the Fed raised its target rate by another 25 points to 2%, and on 14 December to 2.25% as it proceeded on a gradual tightening of its monetary policy.

Activity in the euro area slowed down in the third quarter of 2004, with annual GDP growth falling to 1.8%, from 2.1% in the previous quarter. A fall in

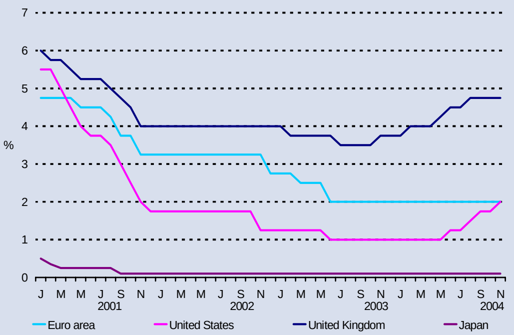
Table 2.1
REAL GDP
% change compared with the same period a year earlier

	2003			2004			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]
United States	2.3	3.5	4.4	5.0	4.8	4.0	3.9
Euro area	0.1	0.3	0.8	1.4	2.1	1.8	1.8
EU - 25	0.6	0.7	1.2	1.8	2.4	2.1	n/a
United Kingdom	2.1	2.2	2.9	3.4	3.6	3.1	2.8
Japan	0.9	1.0	1.6	4.3	3.0	2.6	2.5

[1] Forecasts.

Sources: Bureau of Economic Analysis, US; Consensus Forecasts; Bank of Japan; Eurostat; National Statistics, UK.

Chart 2.1
OFFICIAL INTEREST RATES
(end of period)



Source: Central banks.

net exports was the main factor behind the deceleration, as domestic demand in the area surged, with investment growing faster than private consumption. Both Germany and France registered slower growth, while growth in Italy remained moderate. The Spanish economy continued to expand relatively fast.

Euro-area unemployment in September stood at 8.9%, unchanged over July and August, while inflation fell from 2.3% in July to 2.1% in September. In fact, average inflation in the area was slightly lower in the third quarter, as higher energy prices were more than compensated for by lower food prices. However, the rapid escalation in the price of oil, coupled with the strong appreciation of the euro, appeared to be dampening the euro area's growth outlook for the fourth quarter.

Against this background, the ECB left the minimum bid rate on its main refinancing operations unchanged at 2% throughout the third quarter and the first two months of the fourth quarter. However, it reiterated its concerns about inflation amid persistently high oil prices.

Growth in the British economy moderated during the third quarter, when GDP was estimated to have grown by 3.1% at an annual rate, down from 3.6% in the second quarter. The deceleration was partly attributed to a decline in the production sector, following a weakening in the manufacturing side and a fall in oil and gas extraction from the North Sea. There were also indicators of slowing housing market activity. Meanwhile, UK inflation fell to 1.1% in September, but rising energy costs pushed it up to 1.2% in October. The unemployment rate continued to decline, reaching 4.6% in September.

The Bank of England kept the repo rate at 4.5% in

Table 2.2
CONSUMER PRICE INDEX
% change compared with the same period a year earlier

	2003			2004			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]
United States	2.1	2.2	1.9	1.8	2.8	2.7	3.3
Euro area	2.0	2.0	2.1	1.7	2.3	2.2	2.3
United Kingdom	1.3	1.4	1.4	1.3	1.4	1.2	1.3
Japan	-0.3	-0.2	-0.3	-0.1	-0.3	-0.1	0.1

[1] Forecasts.

Sources: Consensus Forecasts; Eurostat.

July but raised it to 4.75% in August on the grounds of robust output growth. There were no subsequent increases in official UK interest rates as medium-term inflation expectations appeared to remain well anchored to the 2% target.

Japan's growth figures for the first three quarters of 2004 were marked down substantially following the adoption of a new compilation method to reflect price changes more accurately. As a result, the GDP growth figure for the three months to September was revised downwards to 2.6%, from 3.8% under the old system. Using the new system's figures, the third quarter shows another consecutive fall in GDP growth, although private consumption remained firm. The Japanese unemployment rate stood at 4.6% in September, while the year-on-year rate of decline in consumer prices averaged 0.1% during the quarter. Meanwhile, the Bank of Japan remains committed to its policy of quantitative easing until it is sure that deflation has ended.

Foreign exchange markets

During the third quarter, the US dollar depreciated by 2% against the euro. However, it strengthened by 1.9% against the yen and by 0.3% against sterling (see Table 2.3). During the fourth quarter, the US dollar showed general weakness and fell against all major trading currencies (see Chart 2.2).

Between July and September the euro moved within a range of 1.2002 and 1.2449 against the US dollar. The euro's rise in the first half of July was interrupted following upbeat comments on the US

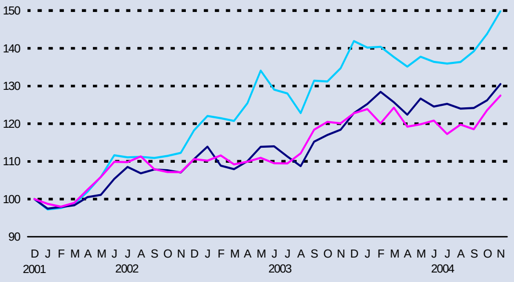
Table 2.3
EXCHANGE RATES OF SELECTED CURRENCIES AGAINST THE US DOLLAR - THIRD QUARTER 2004

	USD/EUR	USD/GBP	JPY/USD
Average for July	1.2277	1.8431	109.29
Average for August	1.2184	1.8204	110.36
Average for September	1.2219	1.7939	110.10
Average for the quarter	1.2227	1.8191	109.92
Opening rate on 30.09.04	1.2328	1.8000	110.76
Opening rate on 30.06.04	1.2082	1.8055	108.65
Lowest exchange rate during the quarter[1]	1.2002 (30 Aug.)	1.7754 (6 Sept.)	107.94 (12 July)
Highest exchange rate during the quarter[1]	1.2449 (19 July)	1.8744 (19 July)	111.94 (30 July)
% appreciation (+)/depreciation (-) of the currency vs the US dollar from opening rate on 30.06.04 to opening rate on 30.09.04	2.0	-0.3	-1.9

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

Source: Reuters.

Chart 2.2
EXCHANGE RATE MOVEMENTS OF SELECTED CURRENCIES AGAINST THE US DOLLAR*
(index of end-of-month rates, end-2001=100)



*A higher index reflects a nominal appreciation of the currency against the US dollar.
Source: Reuters.

economic outlook from the Chairman of the Federal Reserve. The subsequent further appreciation of the euro was again halted in late August by remarks by Fed officials that the US recovery appeared to be self-sustaining in spite of oil price pressures. But the euro strengthened gradually against the US dollar throughout September, partly on worries that high oil prices would dampen US economic activity. In October, however, in the run-up to the US presidential elections, the euro began to appreciate sharply against the US dollar, and it continued to do so well into the fourth quarter.

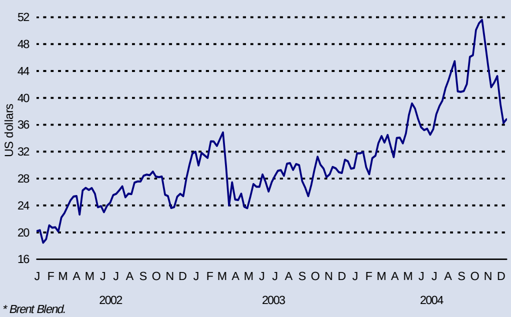
In contrast with the second quarter, the yen was relatively stable vis-à-vis the US dollar during the third quarter. In the second half of July, it lost ground against the US dollar, depressed by losses in Japanese share prices, worries about its technology sector and high oil prices. In August, however, the Japanese currency began to recover ahead of the expected repatriation of interest payments on US Treasuries. In September the yen remained broadly stable in US dollar terms, before appreciating sharply in October and November.

In July the pound sterling rose to a four-month high against the US dollar, reflecting the weakness of the US currency. However, sterling declined in August after weaker-than-expected UK housing market data led financial markets to anticipate an early end to the Bank of England's tightening cycle. But sterling reversed course again in September, after which it strengthened continuously against the weakening US dollar in line with other major currencies.

Commodities

The third quarter of 2004 was marked by a significant rise in oil prices, with Brent Blend increasing by 39% during the period (see Chart 2.3). Prices surged in July and reached a peak of nearly $46 per barrel by mid-August. They then subsided towards the $39-$43 per barrel range after an easing of supply-side concerns, chiefly, a more stable political situation in Venezuela, a revival in Iraqi exports and a boost in OPEC spare capacity. But a strong recovery in the second week of September extended the upward trend in oil prices which was due, in part, to renewed fears of supply disruptions, particularly in Nigeria, the Middle East and Russia. In addition, growing world demand for oil, especially from Asia (notably China) and the US, proved stronger than expected, putting further upward pressure on prices.

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



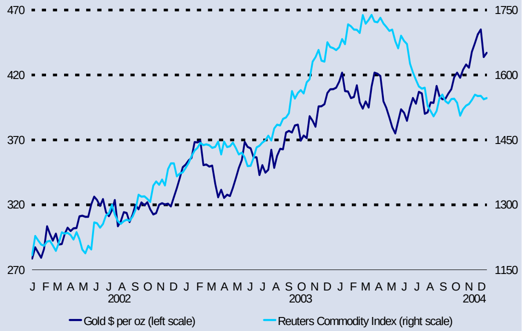
** Brent Blend.*
Source: Reuters.

In the fourth quarter the price of oil soared further to reach new highs of $52 per barrel before easing in mid-October. Crude prices fell considerably thereafter as supply concerns for the near future waned. However, projections of a sustained growth in global demand for oil are expected to keep prices relatively high in the coming months.

Meanwhile, non-oil commodity prices as evidenced by movements in the Reuters Commodity Index continued to fall during July, mainly reflecting a decline in food prices (see Chart 2.4). Fluctuations in the Index were minimal during the remainder of the third quarter. In US dollar terms, the Index dropped by only 2.9% during the third quarter, compared to the 7.9% fall registered in the previous quarter.

The price of gold went up by 6.1% during the third quarter, closing at $418 per ounce in September. In general, the gold price was inversely linked to that of the US dollar, although robust physical demand also supported it. In early December, gold hit its highest levels in more than sixteen years, reaching $455 per ounce amid expectations that the US dollar would weaken further, making the metal cheaper for holders of other currencies.

Chart 2.4
COMMODITY PRICES
(end of week)



Source: Reuters.

3. MONETARY AND FINANCIAL DEVELOPMENTS

During the third quarter of 2004 and up to the end of November, the Central Bank of Malta kept the central intervention rate unchanged at 3%. While money market rates showed little variation during this period, in line with official rates, yields on Government and corporate bonds moved generally higher. At the same time, a strong recovery in the equity market during the third quarter more than offset the previous quarter's drop, and the MSE share index rose further in October before levelling off in November.

Monetary growth moderated during the third quarter, reflecting a slowdown in demand for monetary assets and portfolio shifts into Government bonds following further primary market issues in August. Among the counterparts of broad money (M3), domestic credit continued to expand, driven by further growth in loans to the private sector. The net foreign assets of the banking system also increased, reflecting a notable rise in the Bank's holdings. In October broad money fell slightly, owing partly to portfolio shifts into equity-linked deposits, which do not form part of M3. Meanwhile, domestic credit increased further but the net foreign assets of the banking system registered a small decline.

The monetary base

The monetary base (M0) expanded by Lm16.7 million during the third quarter, after having risen by Lm12.9 million in the second quarter (see Table 3.1). The increase in M0 mainly reflected a rise in bank deposits with the Central Bank of Malta, although a small increase in currency in circulation also contributed.[1] The annual growth rate of M0

Table 3.1
THE MONETARY BASE AND ITS SOURCES

Lm millions

	2004 June	2004 Sept.	Change Amount	Change %
Currency in issue	502.3	503.8	1.5	0.3
Bank deposits with the Central Bank of Malta[1]	144.3	159.5	15.2	10.5
MONETARY BASE (M0)	**646.6**	**663.3**	**16.7**	**2.6**
CENTRAL BANK OF MALTA ASSETS				
Foreign assets	943.2	972.3	29.1	3.1
Claims on central Government	6.5	20.5	14.0	215.4
Fixed and other assets	11.2	11.3	0.1	0.9
less				
REMAINING LIABILITIES				
Government deposits	84.5	93.7	9.2	10.9
Other deposits	2.8	5.4	2.6	92.9
Foreign liabilities	36.3	43.6	7.3	20.1
Other liabilities	92.0	96.0	4.0	4.3
Shares and other equity	98.6	102.0	3.4	3.4

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

[1] Bank deposits exclude term deposits placed by the banks with the Central Bank of Malta.

remained volatile, rising from 6.4% in June to 9.3% in September, before falling back to 6.2% in October.

A substantial increase in the Bank's foreign assets, which mainly reflected purchases of foreign currency from the rest of the banking system, was the main factor driving growth in M0. This was accompanied by an increase in the Bank's claims on central Government. On the other hand, an expansion in the Bank's remaining liabilities exerted a dampening effect on M0 (see Table 3.1). In October the Bank's foreign assets fell, resulting in a contraction in the monetary base.

Monetary aggregates

Monetary growth moderated during the third quarter, with M3 expanding by Lm21.1 million, or 0.7%, after having risen by 1.2% in the second quarter (see Table 3.2). The slowdown reflected further shifts into Government bonds (following new issues in August), and, to a lesser extent, into equity-linked products. In addition, while the low level of interest rates continued to fuel the build-up of liquid assets, particularly those included in M1, these expanded at a slower pace than in the previous quarter. The annual growth rate of M3 rose from 3.4% in June to 3.7% in September, before falling back to 3.2% in October, reflecting a small contraction in M3 during that month (see Chart 3.1).

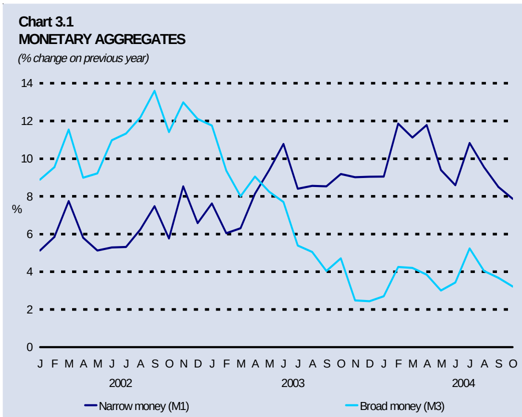
Demand for narrow money (M1) continued to be driven by the low opportunity cost of holding liquid assets in the current interest rate environment. In addition, the pick-up in inflation may have increased demand for M1 for transaction purposes. M1 expanded by Lm17.3 million, or 1.1%, during the third quarter, with both currency in circulation and deposits withdrawable

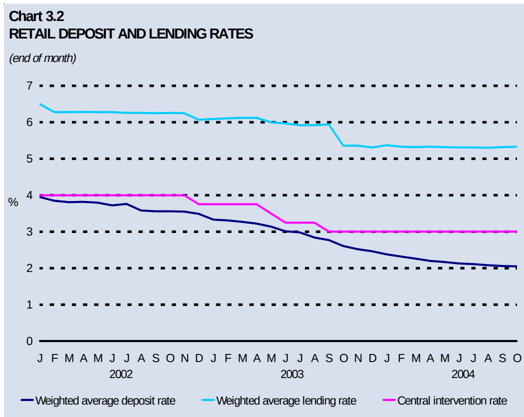
Table 3.2
MONETARY AGGREGATES
(Changes on the previous quarter)

Lm millions

	2003				2004					
	Q3		Q4		Q1		Q2		Q3	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
NARROW MONEY (M1)	**17.1**	**1.2**	**19.8**	**1.3**	**52.4**	**3.5**	**35.7**	**2.3**	**17.3**	**1.1**
Currency in circulation	4.1	0.9	4.0	0.9	7.1	1.5	14.1	3.0	2.5	0.5
Deposits withdrawable on demand	13.0	1.3	15.8	1.6	45.3	4.4	21.6	2.0	14.8	1.4
INTERMEDIATE MONEY (M2)	**13.6**	**0.5**	**-6.2**	**-0.2**	**55.5**	**2.0**	**34.5**	**1.2**	**21.1**	**0.7**
Narrow money (M1)	17.1	1.2	19.8	1.3	52.4	3.5	35.7	2.3	17.3	1.1
Deposits redeemable at notice up to 3 months	0.3	1.0	-1.0	-3.4	0.9	3.1	-0.3	-0.9	0.3	0.9
Deposits with agreed maturity up to 2 years	-3.8	-0.3	-25.0	-1.9	2.3	0.2	-0.9	-0.1	3.6	0.3
BROAD MONEY (M3)[1]	**13.6**	**0.5**	**-6.2**	**-0.2**	**55.5**	**2.0**	**34.5**	**1.2**	**21.1**	**0.7**

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





on demand moving higher. The increase in M1, however, was only half as great as that recorded in the previous quarter, suggesting that the demand for liquid assets, while remaining strong, is moderating. As a result, the annual growth rate of M1 eased from 8.6% in June to 8.5% in September, declining further to 7.9% in October.

Intermediate money (M2) expanded by Lm21.1 million, or 0.7%, as the increase in M1 was augmented by a small rise in deposits with an agreed maturity of up to two years (see Table 3.2). On an annual basis these deposits continued to decline, reflecting portfolio shifts into non-monetary assets during earlier quarters. Nevertheless, their annual growth rate recovered slightly, from -2% in June to -1.5% in September, before falling back to -1.9% in October to reflect a decrease in such deposits during that month.

The weighted average interest rate on Maltese lira deposits continued to decline, falling from 2.13% in June to 2.05% in October (see Chart 3.2). Average interest rates on current and savings deposits remained broadly unchanged during this period, ending October at 0.48% and 0.96%, respectively. The average interest rate on time deposits, in contrast, extended its downward trend, falling from 3% in June to 2.89% in October. Whereas deposit rates fell, the weighted average lending rate rose slightly, to 5.33% in October from 5.31% in June.

Counterparts of monetary expansion

Both domestic credit and the net foreign assets of the banking system had a positive impact on monetary growth during the third quarter. The banking system's net foreign assets expanded by Lm13.4 million, or 0.9%, while domestic credit grew by Lm33.3 million, or 1.2% (see Table 3.3). A substantial part of the increase in domestic credit, however, reflected the addition of six-months' accrued interest to borrowers' loan accounts in September, which also contributed to an increase in 'other counterparts of M3'. Thus, it had a neutral effect on monetary growth. Domestic credit expanded further in October, but the net foreign assets of the banking system registered a small decline in that month.

The upward trend in the annual rate of credit growth in evidence since the fourth quarter of 2003 continued during the third quarter of 2004, rising from 10.7% in June to 12.4% in September, where it remained until the end of October (see Chart 3.3). This reflected further growth in claims on other residents, which rose by Lm45.6 million, or 2.1%, during the quarter. Most of this increase, in turn, originated from loans and advances (see Table 3.4), which were mainly driven higher by the

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

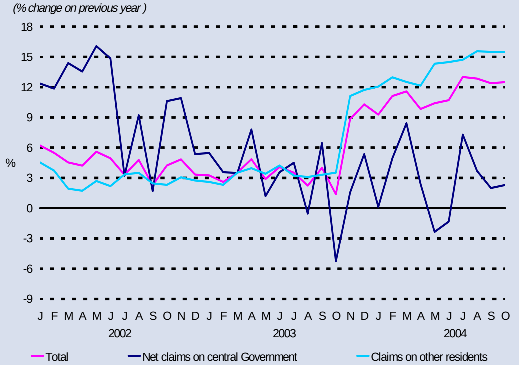
Lm millions

	2003				2004					
	Q3		Q4		Q1		Q2		Q3	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BROAD MONEY (M3)	**13.6**	**0.5**	**-6.2**	**-0.2**	**55.5**	**2.0**	**34.5**	**1.2**	**21.1**	**0.7**
DOMESTIC CREDIT	**-7.9**	**-0.3**	**172.5**	**7.0**	**76.6**	**2.9**	**24.8**	**0.9**	**33.3**	**1.2**
Net claims on central Government	-31.6	-5.3	6.7	1.2	37.0	6.5	-20.0	-3.3	-12.3	-2.1
Claims on other residents	23.6	1.3	165.8	8.7	39.7	1.9	44.8	2.1	45.6	2.1
NET FOREIGN ASSETS	**52.7**	**4.0**	**30.8**	**2.2**	**-2.4**	**-0.2**	**47.0**	**3.3**	**13.4**	**0.9**
Central Bank of Malta	13.5	1.5	-23.3	-2.5	13.2	1.4	-26.2	-2.8	21.8	2.4
Banks	39.3	9.7	54.2	12.2	-15.7	-3.2	73.2	15.2	-8.4	-1.5
less										
OTHER COUNTERPARTS OF M3[1]	**31.2**	**3.2**	**209.6**	**20.8**	**18.7**	**1.5**	**37.2**	**3.0**	**25.6**	**2.0**

[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.

debiting of accrued interest to loan accounts referred to previously. However, there was also modest growth in underlying loans, most notably to the electricity, gas and water supply sector, to non-bank financial institutions (included under "Other" in the Table) and to households (mainly for house purchases). Lending continued to be supported by a further decline in the real interest rate, as the weighted average nominal lending rate remained largely unchanged (see Chart 3.2) while inflation continued to pick up.[2] On the other hand, some corporations in the transport, storage and communications sub-sector repaid bank loans, while reclassifications were the main factor behind a drop in credit to manufacturing firms. The weak rise in lending to the wholesale and retail trades may reflect improved liquidity in the sector following the change in the tax collection procedures that came into effect from 1 May. As from that date, VAT is being collected at the retail stage rather than directly on importation.

Chart 3.3
DOMESTIC CREDIT
(% change on previous year)



[2] Inflation is measured as the annual change in the 12-month moving average Harmonized Index of Consumer Prices (HICP).

Table 3.4
CLAIMS ON OTHER RESIDENTS[1]

Lm millions

	2004 June	2004 Sept.	Change Amount	Change %
Claims on the non-bank private sector	1979.4	2024.7	45.3	2.3
Claims on the non-bank public sector	184.7	184.9	0.2	0.1
Claims on other general government[2]	0.7	0.7	0	0
TOTAL	**2164.8**	**2210.4**	**45.6**	**2.1**
of which:				
LOANS AND ADVANCES				
Electricity, gas & water supply	86.1	92.4	6.3	7.3
Transport, storage & communication	132.4	126.5	-5.9	-4.5
Agriculture	7.6	7.7	0.1	1.3
Fishing	1.7	1.8	0.1	5.9
Manufacturing	126.8	122.1	-4.7	-3.7
Construction	202.4	209.0	6.6	3.3
Hotels & restaurants	204.6	205.8	1.2	0.6
Wholesale & retail trade; repairs	288.8	290.4	1.6	0.6
Real estate, renting & business activities	119.6	122.7	3.1	2.6
Households & individuals	670.5	697.7	27.2	4.1
Other[3]	64.1	73.6	9.5	14.8
TOTAL LOANS AND ADVANCES	**1904.5**	**1949.9**	**45.4**	**2.4**

[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.

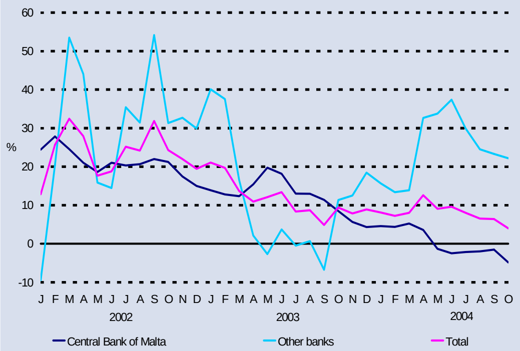
[2] In Malta, this refers to the local councils.

[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.

Net claims on central Government decreased by Lm12.3 million, or 2.1%, during the third quarter, mainly as a result of a drop in bank holdings of Treasury bills and an increase in Government deposits with the Central Bank of Malta. The latter were boosted by receipts from new Government stock issues in August. The annual growth rate of net claims on central Government first rose from -1.3% in June to 7.3% in July, as stock redemptions reduced Government deposits with the Bank. The stock issues in August had the opposite effect, so that the annual growth rate of net claims on central Government ended the quarter at 2%, before rising slightly in October (see Chart 3.3).

The net foreign assets of the banking system

Chart 3.4
NET FOREIGN ASSETS
(% change on previous year)



expanded by Lm13.4 million, or 0.9%, during the third quarter, partly reflecting the seasonal increase in foreign exchange receipts from tourism. A marked rise in the net foreign assets of the Central Bank of Malta offset a modest contraction in the holdings of the rest of the banking system (see Table 3.3). However, growth in the banking system's net foreign assets continued to moderate on an annual basis, declining from 9.6% in June to 6.4% in September (see Chart 3.4). It fell further in October, when the net foreign assets of the banking system contracted slightly.

The net foreign assets of the Central Bank of Malta increased by Lm21.8 million, or 2.4%, during the third quarter, partly reversing the previous quarter's drop. The Bank's foreign reserves were boosted mainly by substantial purchases of foreign currency from the rest of the banking system, which outweighed large payments for oil imports made on behalf of customers. The net foreign assets of the rest of the banking system, which during the second quarter had risen strongly as a result of an injection of equity capital, fell by Lm8.4 million, or 1.5%, during the quarter under review. The drop was largely the result of the foreign exchange sales to the Central Bank of Malta referred to above. These led to a contraction in the deposit money banks' holdings, which offset a small increase in the international banks' net foreign assets. In October, however, the Central Bank of Malta's net foreign assets fell, while those of the rest of the banking system recovered strongly.

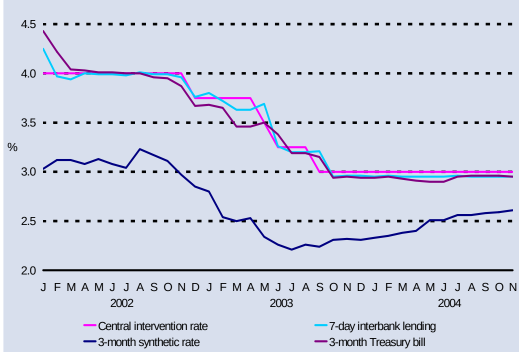
Other counterparts of M3 rose by Lm25.6 million, or 2%, during the third quarter. This reflected the debiting of accrued interest referred to previously, which reduced the deposit money banks' other assets and, to a lesser extent, portfolio shifts from broad money into deposits excluded from M3.

The money market

The Bank held the central intervention rate steady at 3% during the third quarter and up to the end of November. Hence, domestic money market interest rates remained broadly stable during this period, extending the trend that was established around a year ago (see Chart 3.5). In contrast, money market rates abroad continued to move gradually higher.

With the banking system remaining flush with liquidity throughout the third quarter, the Bank continued to absorb funds through weekly auctions of 14-day term deposits, although slightly less was absorbed than in the previous quarter. Hence, the average amount of funds held in term deposits with the Bank decreased to Lm98.8 million, from Lm106.7 million in the second quarter. The interest rate paid on these deposits

Chart 3.5
MONEY MARKET INTEREST RATES
(end of month)



remained unchanged at 2.95%, the floor of the interest rate band within which auctions were held.

Turnover in the interbank market, which in the second quarter was an unusually large Lm122.2 million, fell to Lm35 million in the third quarter. This was just below the average quarterly turnover recorded over the past two years. Trading was dominated by a few participants, with most interbank loans having a term to maturity of one week or less. The interest rate on one-week interbank loans stayed at 2.95% throughout the five-month period to end-November.

The Treasury issued Lm156.8 million worth of Treasury bills in the primary market during the third quarter, slightly less than the Lm164.2 million maturing bills. Thus, the outstanding amount of Treasury bills fell to Lm252.5 million at the end of September, from Lm259.8 million at end-June. Banks purchased around three-quarters of the amount issued, while collective investment schemes and insurance companies took up most of the remainder. The yield on the three-month bill increased marginally to 2.96% during the quarter, but shed one basis point by November.

Turnover in the secondary market for Treasury bills fell from Lm31.6 million in the second quarter to Lm30.9 million in the quarter under review. Trading involving the Bank which, as market maker, bought bills from financial institutions, in particular collective investment schemes, amounted to Lm20.6 million. Financial institutions also traded with the commercial banks, accounting for the remaining turnover in the secondary market for Treasury bills. As in the primary market, yields in the secondary market remained stable until the end of November.

The synthetic three-month yield, a weighted average of money market yields on the currencies making up the Maltese lira basket, rose by 7 basis points to 2.58% during the third quarter, in line with the trend in evidence since the middle of 2003 (see Chart 3.5). Since the yield on domestic 3-month Treasury bills also rose slightly during the quarter, the spread between the two yields narrowed by just one basis point to 38 basis points. The spread contracted by a further 4 basis points by end-November as the synthetic yield continued to rise.

The capital market

Issuance activity in the primary bond market remained buoyant during the third quarter, boosted by further issues of Government stocks. In August three different stocks with a combined value of Lm50 million were floated. One issue, consisting of Lm20 million worth of debt maturing in 2022 and carrying a coupon rate of 5.1%, was sold at par and mostly taken up by households. The other two issues, of Lm17 million 5.1% MGS maturing in 2014 and of Lm13 million 5.4% MGS maturing in 2010, were sold by auction and purchased mainly by financial companies, particularly banks. These issues were partly intended to refinance maturing debt, after Lm25.8 million worth of Government bonds were redeemed in July. The Government raised a further Lm29.5 million from stock issues in November. The corporate sector, on the other hand, did not resort to the capital market for funding during the five months to end-November.

Turnover in the secondary market for Government bonds climbed from Lm9.7 million in the second quarter to Lm17.1 million in the third quarter. In its role as market maker, the Bank accounted for just over Lm10 million of total turnover, with other investors making up the rest. Trading continued to be concentrated in a handful of securities, most of which had terms to maturity of over 10 years. Bond yields on 10-year and 15-year Government bonds increased slightly in the five months to November, with the yield on the benchmark 10-year bond, for instance, rising by 5 basis points to

Chart 3.6
GOVERNMENT BOND YIELDS
(end of month)

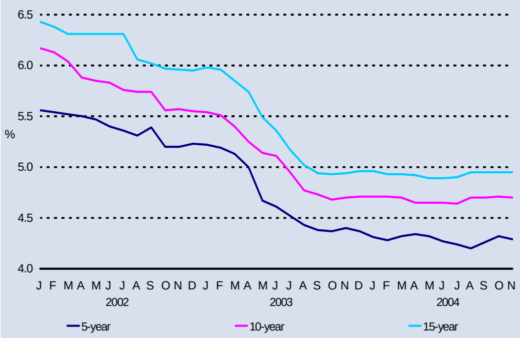


Chart 3.7
MALTA STOCK EXCHANGE SHARE INDEX
(end of month)

Source: MSE.

4.7%. The yield on the 5-year bond was somewhat more volatile, falling in July and August before recovering in the following months (see Chart 3.6).

In the secondary market for corporate bonds, turnover decreased to Lm1.3 million in the third quarter, from Lm2.4 million in the second quarter. At this level, turnover was equivalent to just 0.7% of the total market capitalisation of corporate bonds listed on the MSE, which remained unchanged at around Lm190 million. Thus, in comparison with previous quarters when the ratio was higher, activity during the quarter under review was particularly low. Corporate bond yields moved upwards during the quarter and continued to rise in October and November.

The value of shares traded in the equity market rose to Lm8.2 million during the third quarter, after having halved to Lm5.2 million in the previous quarter. As in previous quarters, trading activity was mainly concentrated in the largest three listed equities, which accounted for almost four-fifths of total turnover. These equities also registered significant price increases. As a result, the MSE share index recovered from the second quarter's dip, advancing by 13.4% during the third quarter. It continued to rise in October, but fell back slightly in November (see Chart 3.7).

4. OUTPUT, PRICES AND EMPLOYMENT

During the third quarter of 2004 the Maltese economy grew by 1.4%, following revised growth figures of 2.1% and –1.6% in the first and second quarters, respectively. Consequently, over the first nine months of the year, GDP increased by 0.6% compared with the same period of 2003. The third quarter expansion was led by higher exports and investment.

Meanwhile, the annual rate of inflation continued to edge up during the quarter, reaching 2.6% in September. It then rose to 2.8% in November. The average unemployment rate in the third quarter was marginally lower at 5.5%, compared with 5.6% in the previous quarter. It remained unchanged compared with the third quarter of 2003. Figures for October showed a year-on-year drop in the number of the registered unemployed.

There were positive developments in tourism during the quarter, both in the number of visitors by air and in tourist expenditure. But the number of cruise passenger arrivals continued to decline. In the manufacturing sector, the slowdown observed in the second quarter persisted, with a number of sub-sectors reporting reduced sales, investment and employment.

The Bank's latest Business Perceptions Survey shows that nearly half of respondents expected no change in the economy's performance over the next six months. Of the rest, a greater number expected a deterioration rather than an improvement.

Gross Domestic Product

The economy grew by 1.4% in real terms during the third quarter of 2004 (see Table 4.1). A major

Table 4.1
REAL GDP AND DEFLATOR GROWTH

	Annual growth %	Percentage point contribution to real GDP growth	Deflators %
		July-September 2004	
Private consumption	2.6	1.6	3.3
Government consumption	7.8	1.4	1.8
Gross fixed capital formation	10.9	2.0	1.2
Inventory changes	21.0	0.5	2.3
Exports	5.0	4.6	-5.8
Imports	9.2	-8.9	-2.5
Real GDP	**1.4**	**1.4**	**0.8**
		January-September 2004	
Private consumption	1.2	0.8	3.1
Government consumption	2.2	0.4	3.0
Gross fixed capital formation	0.6	0.1	1.0
Inventory changes	-24.6	-0.8	1.7
Exports	3.6	3.2	-3.6
Imports	3.2	-3.1	-2.0
Real GDP	**0.6**	**0.6**	**1.5**

Source: NSO.

contributor was the 10.9% rise in gross fixed capital formation. Inflation-adjusted Government consumption spending and private consumption grew by 7.8% and 2.6%, respectively. Against these, a reduction was recorded in net exports, as imports rose by 9.2%, offsetting an increase of 5% in exports.

The GDP deflator rose by 0.8% during the third quarter. Whereas prices of products consumed by households and the Government, as well as those of capital goods, increased, export prices fell by 5.8%, while import prices dropped by 2.5%.

The negative performance in the second quarter pulled down overall growth for the first nine months of the year to just 0.6% (see Table 4.1). Among the expenditure categories, the one exhibiting the fastest growth during the period was exports, which were up 3.6%, although there was an offsetting 3.2% increase in imports. Government consumption expenditure and private expenditure rose by 2.2% and 1.2%, respectively, while gross fixed capital formation grew by 0.6%.

Income categories

The increase in the standard VAT rate from 15% to 18% on 1 January 2004 contributed to the 2.2% growth in nominal GDP (see Table 4.2). While there was marginal growth in employee compensation, operating surplus and mixed income fell, as did subsidies.

Developments over the first nine months of the year were broadly similar. Higher taxes on production and imports were a factor in the 2.1% rise in nominal GDP. Employee compensation grew by just over one per cent, while gross operating surplus and mixed income, as well as subsidies, fell.

Value added by industry

Total gross value added rose by 1.7% in nominal terms in the third quarter of 2004, driven mainly by the financial intermediation sector (see Table 4.3). Other contributors included real estate, renting & business activities, the distributive trades, repairs to motor vehicles & personal household goods and public administration.

Sectors with reduced value added included manufacturing and electricity, gas & water supply. In manufacturing, there was a reduction in both employee compensation and in operating surplus and mixed income, while in electricity, gas & water supply the drop in value added was entirely due to a lower operating surplus and mixed income, induced by rising oil prices. Operating surplus and mixed income also fell substantially in personal service activities.

Table 4.2
NOMINAL GDP GROWTH
Income approach

	July-September 2004		January-September 2004	
	Annual growth %	Annual change Lm millions	Annual growth %	Annual change Lm millions
Compensation of employees	1.8	3.8	1.1	7
Gross operating surplus & mixed income	-1.0	-2.1	-0.1	-0.3
Taxes on production & imports	10.4	6.7	9.0	16.1
Subsidies	-25.9	-2.3	-19.0	-5.6
Gross domestic product	**2.2**	**10.6**	**2.1**	**28.4**

Source: NSO.

Table 4.3
GROSS VALUE ADDED DURING THE THIRD QUARTER

	July-September 2004 Annual growth (%)		
	Gross value added	Compensation of employees	Operating surplus and mixed income
Agriculture, hunting & forestry	-0.8	-8.5	-2.4
Fishing	20.1	12.2	28.5
Mining & quarrying	-0.9	-3.5	0.2
Manufacturing	-8.3	-8.5	-12.5
Electricity, gas & water supply	-69.6	8.7	-5071.3
Construction	2.9	6.5	-0.4
Wholesale & retail trade; repair of motor vehicles, motorcycles & personal household goods	7.4	-0.8	11.5
Hotels & restaurants	3.1	0.2	4.5
Transport, storage & communication	5.7	3.6	8.5
Financial intermediation	26.5	14.0	45.3
Real estate, renting & business activities	6.9	6.2	7.2
Public administration & defence; compulsory social security	10.6	9.8	14.1
Education	3.9	6.5	-2.4
Health & social work	4.9	5.4	3.4
Other community, social & personal service activities	-1.4	-13.9	-17.4
FISIM[1]	22.1	-	22.1
Gross value added[2]	**1.7**	**1.8**	**-1.0**

Source: NSO.

[1]FISIM is the financial intermediation service implicitly measured. It is a notional sector in the national accounts that purchases the imputed output of the financial intermediaries but has no output of its own. 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.

[2] Gross value added differs from the GDP by the amount of taxes on products less subsidies on products.

During the first nine months of 2004, all sectors registered an increase in gross value added except manufacturing and electricity, gas & water supply (see Table 4.4). The fastest value added growth was in financial intermediation and in real estate, renting & business activities. However, gains were also reported in the distributive trades, repairs of motor vehicles & personal household goods and in public administration.

Higher employee compensation was the main factor behind the higher value added in the financial intermediation sector and in public administration; it also increased significantly in transport, storage & communication, although as operating surplus and mixed income in this sector fell, its value added grew only slightly.

The negative value added in manufacturing

Table 4.4
GROSS VALUE ADDED DURING THE FIRST THREE QUARTERS

	January-September 2004 Annual growth (%)		
	Gross value added	Compensation of employees	Operating surplus and mixed income
Agriculture, hunting & forestry	3.4	12.9	0.5
Fishing	11.8	5.7	17.8
Mining & quarrying	1.7	2.1	1.5
Manufacturing	-4.0	-9.6	-2.6
Electricity, gas & water supply	-31.1	6.5	-102.0
Construction	2.0	5.7	-1.5
Wholesale & retail trade; repair of motor vehicles, motorcycles & personal household goods	5.0	0.4	7.2
Hotels & restaurants	1.6	0	3.3
Transport, storage & communication	0.9	7.9	-4.7
Financial intermediation	20.1	11.3	33.6
Real estate, renting & business activities	6.1	3.7	6.6
Public administration & defence; compulsory social security	5.9	5.1	9.2
Education	4.4	4.8	3.0
Health & social work	5.6	6.3	3.5
Other community, social & personal service activities	1.8	-13.2	-9.7
FISIM[1]	19.3	-	19.3
Gross value added[2]	**1.8**	**1.1**	**-0.1**

Source: NSO.

[1]FISIM is the financial intermediation service implicitly measured. It is a notional sector in the national accounts that purchases the imputed output of the financial intermediaries but has no output of its own. 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

[2] Gross value added differs from the GDP by the amount of taxes on products less subsidies on products.

reflected reductions both in the compensation of employees and in operating surplus and mixed income, while the lower value added in electricity, gas & water supply was the result of a drop in operating surplus and mixed income only.

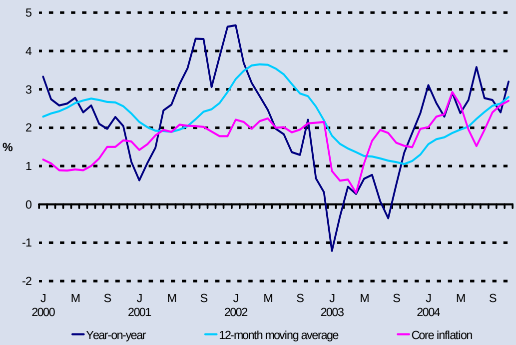
Consumer prices

The upward drift in headline inflation in evidence since the fourth quarter of 2003 persisted into the third quarter of 2004 (see Chart 4.1). However, other inflation measures suggest an abatement of inflationary pressure during the quarter.

Retail Prices Index

The twelve-month moving average rate of change in the Retail Prices Index (RPI), which is the official measure of inflation, crept up from 2% in June to 2.6% in September. It continued to rise to 2.8% in November. But the year-on-year rate of increase in the RPI, a more timely indicator of price movements, started and ended the quarter at the same rate of 2.7%, after having peaked at 3.6% in July. Subsequently, inflation slowed to 2.4% in October, before rising again to 3.2% in the following month.

Chart 4.1
RETAIL PRICE INFLATION



Source: NSO.

The components of the Index followed different paths. The two largest contributors to year-on-year inflation in September were the beverages & tobacco and the transport & communications indices, which were up 9.4% and 5.6%, respectively (see Table 4.5). These two indices contributed 0.6 and 1.3 percentage points, respectively, to the year-on-year aggregate inflation rate (see Table 4.6).

The acceleration in the transport & communications index reflected higher fuel prices and costlier telephone services, although higher charges for vehicle services also contributed. The year-on-year change in the price of diesel went up to 20.2% in September, from 16.5% in June, while price increases for unleaded petrol and lead replacement petrol reached 8.1% and 7.5%, respectively, from 1.7% and 1.6% three months earlier. Meanwhile, higher prices of telephone services resulted from a tariff re-balancing exercise.

The 4.7% increase in the housing index (up from 1.8% in June) was due to higher costs of various construction works and of plastering materials and household appliance parts.

By contrast, clothing & footwear prices were 5.7% lower than a year earlier, reducing the aggregate inflation rate by almost half a percentage point. The 1.1% decline in food prices, which cut the year-on-year inflation rate by 0.3 percentage points, was partly due to cheaper imported food following the removal of levies on imports from elsewhere in the EU, and partly to higher yields and cheaper prices of fresh fruit and vegetables.

The Central Bank of Malta's core inflation measure, which tracks persistence in retail price inflation, rose from 1.9% in June to 2.4% in

Table 4.5
INFLATION RATES OF COMMODITY SECTIONS IN THE RPI
Year-on-year percentage changes

	September 2003	June 2004	September 2004
Food	0.6	-0.7	-1.1
Beverages & tobacco	5.9	9.4	9.4
Clothing & footwear	-8.2	0.3	-5.7
Housing	2.6	1.8	4.7
Water, electricity, gas & fuels	0.1	0.4	0.8
Household equipment & house maintenance cost	-0.9	1.4	2.8
Transport & communication	0.1	4.2	5.6
Personal care & health	4.1	4.2	4.5
Recreation & culture	-1.3	1.4	2.1
Other goods & services	5.7	10.5	6.5
Retail Prices Index	**0.5**	**2.7**	**2.7**

Source: NSO.

Table 4.6

INFLATION RATES OF COMMODITY SECTIONS IN THE RPI

Weighted year-on-year percentage change: percentage-point contribution of each component to change in index. Components add up to the total change in Retail Prices Index at bottom of column.

	September 2003	June 2004	September 2004
Food	0.2	-0.2	-0.3
Beverages & tobacco	0.4	0.6	0.6
Clothing & footwear	-0.7	0	-0.5
Housing	0.2	0.1	0.4
Water, electricity, gas & fuels	0	0	0
Household equipment & house maintenance cost	-0.1	0.1	0.2
Transport & communications	0	1.0	1.3
Personal care & health	0.3	0.3	0.3
Recreation & culture	-0.1	0.1	0.2
Other goods & services	0.3	0.6	0.4
Retail Prices Index[1]	**0.5**	**2.7**	**2.7**

[1] Figures may not add up exactly due to rounding.

Source: CBM workings based on NSO data.

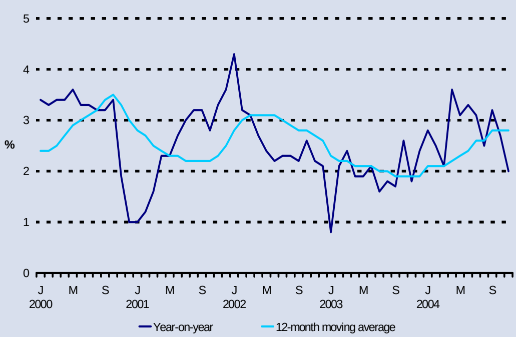
September (see Chart 4.1). Faster growth in the housing and the household equipment indices offset slower inflation in other goods & services.

Harmonised Index of Consumer Prices

The Harmonised Index of Consumer Prices (HICP) showed a year-on-year inflation rate of 3.2% in September 2004, just below June's 3.3% (see Chart 4.2). The rate later fell, dropping to 2% in November, mainly as a result of a substantial decline in restaurant & hotel prices. On a twelve-month moving average basis, HICP inflation edged up to 2.8% in September from 2.4% in June and remained at that level in October and November.

The largest single contributor to the 3.2% year-on-year rate of HICP inflation in September was the hotels & restaurants component with 0.9 percentage points. Movements in some other categories mirrored developments in RPI inflation (see Tables 4.7 and 4.8). Price reductions in clothing & footwear and in food & non-alcoholic beverages reduced HICP inflation by 0.4 and 0.3 percentage points, respectively, while increases in the prices of alcoholic beverages & tobacco and transport contributed 0.7 percentage points each. The 17.3% increase in prices of communications translated into a 0.4 percentage point contribution to the overall HICP inflation rate.

Chart 4.2
HARMONISED INDEX OF CONSUMER PRICE INFLATION



Source: NSO.

Table 4.7
INFLATION RATES OF COMMODITY SECTIONS IN THE HICP
Year-on-year percentage changes

	September 2003	June 2004	September 2004
Food & non-alcoholic beverages	1.5	-1.3	-1.8
Alcoholic beverages & tobacco	0.4	13.9	14.1
Clothing & footwear	-11.1	0.3	-5.7
Housing, water, electricity, gas & other fuels	2.2	0.9	3.4
Furniture, household equipment & routine maintenance	-0.3	2.3	3.3
Health	7.0	4.8	6.3
Transport	3.1	3.2	4.6
Communications	-1.5	17.3	17.3
Recreation & culture	1.4	0.1	1.6
Education	1.1	3.6	3.6
Restaurants & hotels	8.7	5.9	4.8
Miscellaneous goods & services	2.7	6.7	4.9
All items	**1.7**	**3.2**	**3.2**

Source: NSO.

Table 4.8
INFLATION RATES OF COMMODITY SECTIONS IN THE HICP
Weighted year-on-year percentage change: percentage-point contribution of each component to change in index. Changes in components add up to change in Harmonised Index of Consumer Prices at bottom of column.

	September 2003	June 2004	September 2004
Food & non-alcoholic beverages	0.3	-0.2	-0.3
Alcoholic beverages & tobacco	0	0.6	0.7
Clothing & footwear	-0.8	0	-0.4
Housing, water, electricity, gas & other fuels	0.2	0.1	0.2
Furniture, household equipment & routine maintenance	0	0.2	0.3
Health	0.2	0.1	0.2
Transport	0.4	0.5	0.7
Communications	0	0.4	0.4
Recreation & culture	0.1	0	0.2
Education	0	0	0
Restaurants & hotels	1.6	1.1	0.9
Miscellaneous goods & services	0.1	0.4	0.3
Harmonised Index of Consumer Prices[1]	**1.7**	**3.2**	**3.2**

[1] Figures may not add up exactly, due to rounding.

Source: CBM workings based on NSO data.

The year-on-year HICP inflation rate of 3.2% recorded in September was 1.2 percentage points higher than the EU-25 average of 2%, while the twelve-month moving average inflation rate, at 2.8%, was 0.9 percentage points higher.

The labour market

During the third quarter of 2004, the gainfully-occupied population declined by 274, while the labour supply contracted by 76. As a result, the number of those registering as unemployed increased by 198. September's unemployment rate stood at 5.6%, marginally higher than in June (see Chart 4.3). The average unemployment rate in the third quarter was 5.5%, compared with 5.6% in the previous quarter and 5.1% in the third quarter of 2003.

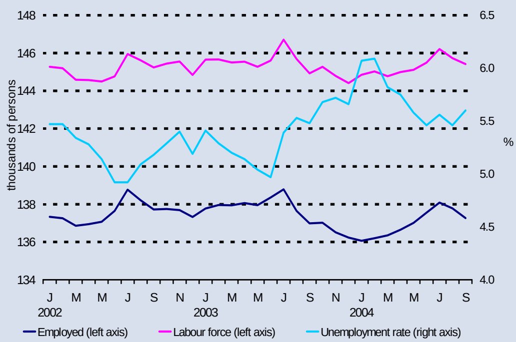
Data for October revealed 8,172 unemployed

Table 4.9
LABOUR MARKET DEVELOPMENTS
Number of persons

	September 2004	Change from June	Annual change
Labour supply	**145,414**	**-76**	**492**
Unemployed	**8,140**	**198**	**198**
Unemployment rate (%)	**5.6**	**0.1**	**0.1**
Gainfully occupied	**137,274**	**-274**	**294**
of which:			
Private direct production	**36,686**	**-80**	**-132**
including:			
Agriculture & fisheries	2,278	-9	-14
Quarrying, construction & oil drilling	7,016	-44	172
Manufacturing	27,392	-27	-290
Private market services	**53,312**	**140**	**1,135**
including:			
Wholesale & retail	16,430	57	437
Insurance & real estate	1,307	28	6
Transport, storage & communciations	6,043	63	38
Hotels & catering establishments	9,175	-39	43
Community & business	13,150	42	535
Others	7,207	-11	76
Public sector	**46,386**	**-293**	**-614**
including:			
Government departments	30,022	-74	-60
Armed Forces, R.S.C. & Airport Co.	1,629	-10	-24
Government-controlled companies	6,225	-178	-974
Independent statutory bodies	8,510	-31	444
Temporarily employed	**890**	**-41**	**-95**
Memorandum item:			
Self-employed	15,907	42	262

Source: NSO.

Chart 4.3
LABOUR MARKET TRENDS



Source: NSO.

registrants, 77 less than a year earlier. The drop mainly involved the under-45 age group and those registering for less than twenty weeks.

The public sector accounted for most of the drop in the number of gainfully-occupied persons between June and September. But jobs in private direct production also contracted (see Table 4.9).

Public sector employment declined by 293, largely as a result of restructuring at the public broadcasting company, although Government departments also shed 74 jobs. In the private direct production sector, employment declined across all the main sectors, although the greatest losses were in quarrying, construction & oil drilling.

By contrast, higher employment was recorded in private market services, particularly in transport, storage & communications and the wholesale & retail trades. Employment also rose in community & business services and in insurance & real estate. The increases in these sectors more than offset a net loss of jobs in hotels & catering establishments and other services.

Twelve months ending September 2004

In September the labour supply was up by 492 from a year earlier, while the number of gainfully-occupied persons was 294 higher. As a result, unemployment was up by almost 200 compared to a year earlier, while the jobless rate added 0.1 percentage points. The year-to-year increase in the number of gainfully-occupied was the result of 1,135 additional jobs in private market services, as employment was down from the previous year's levels in both the public sector (614) and in private direct production (132).

The decline in public sector employment was mainly the result of the restructuring of a number of Government-controlled companies. Meanwhile, the contraction in employment in private direct production was largely the result of redundancies in manufacturing.

In private market services, gains were recorded in all sub-sectors, especially in community & business services and in the wholesale & retail trades.

Manufacturing

The NSO's survey of manufacturing firms revealed that, compared to the same period a year earlier, turnover contracted by Lm7.8 million, or 2.9%, to Lm258.6 million during the third quarter of 2004 (see Table 4.10). This was the second consecutive year-on-year drop. For the nine months to September, sales by the manufacturing sector were down marginally compared with the same period of 2003. Investment in manufacturing also decreased for the second quarter in a row, while employment in the sector continued to decline, although the process of job shedding appears to be levelling off.

Manufactured exports were down by Lm6.4 million (3.1%) from the levels recorded in the same period of 2003. In particular, exports of clothing, chemicals, food & beverages and printing & publishing products were down sharply. By contrast, exports by the radio, TV and telecom sub-sector, mainly electronic components, grew by Lm2.7 million (2.2%). Exports of textiles and of

Table 4.10
MANUFACTURING PERFORMANCE: SELECTED INDICATORS[1]

	2003		2004		
	Q3	Q4	Q1	Q2	Q3
Change in exports (Lm millions)	**10.0**	**8.1**	**14.2**	**-0.7**	**-6.4**
Chemicals	0.3	2.1	1.1	-1.9	-3.8
Clothing	-5.5	-1.9	-3.0	-3.4	-3.8
Food & beverages	-1.0	0.4	0.7	1.1	-2.6
Medical & precision equipment	0.6	1.5	2.5	1.7	2.6
Printing & publishing	3.0	0.3	0.6	0.4	-1.5
Radio, TV, telecoms, etc.	17.4	4.6	5.0	4.5	2.7
Textiles	-0.4	-0.6	3.9	2.7	2.7
Other	-4.4	1.7	3.4	-5.8	-2.7
Change in domestic sales (Lm millions)	**-0.9**	**0.9**	**-3.8**	**-3.2**	**-1.4**
Clothing	0.2	0.6	0.5	0.7	1.0
Food & beverages	2.0	-0.2	0.2	-2.1	-2.9
Furniture	-1.9	0	-0.8	-0.7	-0.6
Tobacco	0.1	0.2	-0.5	0.7	1.5
Other	-1.3	0.3	-3.2	-1.8	-0.4
Change in net investment (Lm millions)	**-0.3**	**3.5**	**7.5**	**-1.3**	**-2.5**
Chemicals	-0.7	1.2	3.9	0.7	-0.1
Food & beverages	0.7	2.0	-0.8	-0.4	-0.2
Furniture	0.9	0.1	-0.4	0.6	-0.9
Plastic & rubber	0.2	-0.1	0.2	-1.1	-0.4
Printing & publishing	-1.0	0.2	3.9	-1.6	0
Radio, TV, telecoms, etc.	0.2	0.8	1.7	-0.8	-0.6
Other	-0.6	-0.7	-1.0	1.3	-0.3
Change in employment	**-1,320**	**-1,360**	**-1,620**	**-989**	**-465**
Change in wage bill (Lm millions)	**0.4**	**-0.1**	**-1.0**	**-0.9**	**-0.3**
Change in wages per employee (%)	**7.7**	**6.6**	**4.8**	**1.8**	**1.2**

[1] Figures in this Table represent the change from the same period of the previous year.
Source: NSO.

medical & precision equipment also grew strongly, but not by enough to outweigh the downturn in other sub-sectors.

Domestic sales by manufacturing firms were down by Lm1.4 million (2.4%) from the year-ago level, which was less than the falls recorded in the previous two quarters. As in the June quarter, the biggest decline was recorded by the food and beverages sub-sector, which is heavily dependent on the home market, and which has had to compete with lower priced imports from elsewhere in the EU. By contrast, the value of domestic sales by the clothing and the tobacco industries rose strongly – in the latter case on account of higher excise duties.

Compared with a year earlier, employment in manufacturing declined by 465, or 2.3%, a less pronounced year-on-year contraction than those recorded during any of the previous five quarters. The main losses were in the clothing and leather sub-sectors and in chemicals. Other significant layoffs were reported in the radio, TV & telecom sub-sector, in printing & publishing and in the furniture sub-sector. On the other hand, producers of medical & precision equipment, plastic & rubber products and textiles added to their workforce.

The decline in employment in manufacturing was reflected in the sector's reduced gross wage bill, which was down by Lm0.3 million, or 1.1%, on an annual basis. Meanwhile, wages per employee in the sector continued to rise, albeit at a slower rate. During the quarter under review they rose by 1.2% on an annual basis, significantly less than the 7.7% annual increase reported in the same quarter of 2003.

Investment in manufacturing continued to decline during the quarter. New investment stood at Lm9.6 million, down by Lm2.5 million, or 20.3%, from the year-ago level. The decline mainly reflected reduced investment by furniture manufacturers, the electronics industry[1] and producers of plastic and rubber goods. On the other hand, firms in the electrical machinery and textiles sub-sectors (included in the "other" category) stepped up their investment.

Turnover in manufacturing during the first nine months of the year was down by Lm1.3 million from the previous year's level, despite a Lm7.1 million increase in exports, as domestic sales were down by Lm8.4 million. Exports by the radio, TV & telecom sub-sector were up by Lm12.2 million, while textile firms reported a Lm9.3 million increase. On the other hand, exports of clothing were down by Lm10.2 million. Domestic sales by the food & beverages sub-sector fell by Lm4.8 million while sales of furniture contracted by Lm2.1 million. By contrast, domestic sales by the clothing sub-sector were up by Lm2.2 million. Across manufacturing, investment during the nine months to September rose by 10.3%, or Lm3.7 million, on a yearly basis. Meanwhile, wage costs declined by 2.4%, or Lm2.2 million, reflecting the downsizing of certain sub-sectors in the course of the year.

Tourism

The recovery in the tourism industry observed during the second quarter of 2004 continued into the third quarter, as the number of visitors leaving by air rose by 4.3% on an annual basis. The number of business travellers, however, declined significantly over the corresponding quarter of the previous year. Tourist expenditure rose by 3%, despite a contraction in the average length of stay.

The British market, which accounts for over 40% of visitors to Malta, had a negative impact as tourist numbers declined by 7.8%. A contraction was also registered in the number of Italian visitors. On the other hand, Malta's second largest market, Germany, registered double-digit growth, although this must be seen in the light of the relatively low number of German visitors reported in 2003. Visitors from France, another important market, increased by almost a fourth, while significant gains were also recorded in the Swedish, Norwegian, US and Russian markets, all included in the "other" category in Table 4.11.

The departures survey also shows that the average visitor's length of stay declined by 0.6 nights to 10.4 nights, with all accommodation categories, except two-star hotels, reporting shorter stays. The sharpest drop, of 1.4 nights, was recorded in furnished premises. Despite shorter lengths of stay, tourist expenditure during the third quarter edged up to Lm182.8 million (see Table 4.11). This increase was mostly generated by

[1] Included in NACE category "Radio, TV and telecom, etc".

Table 4.11
TOURISM ACTIVITY

	2004			
	July - Sept.	Annual growth %	Jan. - Sept.	Annual growth %
Total departures	**419,514**	**4.3**	**890,913**	**2.1**
UK	154,049	-7.8	353,430	-4.5
Germany	44,816	22.8	100,168	4.5
France	35,451	24.0	74,367	14.2
Italy	35,009	-6.2	68,700	1.3
Others	150,189	13.1	294,248	7.6
Expenditure in Lm millions	**182.8**	**3.0**	**349.4**	**-0.8**
Package	96.7	4.3	178.4	0
Non-package: airfares	16.3	7.5	34.2	-0.6
Non-package: accommodation	10.0	-16.3	20.8	-11.5
Other	59.9	3.8	116.0	0.1

Source: NSO.

tourists on package tours and by airfares paid by other visitors to Malta.

Cruise passenger arrivals fell during the quarter under review, albeit less sharply than in the previous quarter. The bulk of the drop was in British and Spanish passengers. At the same time, cruise passenger arrivals from Italy more than doubled. Cruise passengers from Switzerland, France and Austria also increased.

For the first nine months of the year, the number of visitors travelling to Malta by air was up by 2.1% compared with the same period in 2003. All the major source markets registered growth, with the sole exception of the British market, which contracted by 4.5%. During the period, the average tourist's length of stay declined by 0.4 nights to 10 nights, as a longer average stay in holiday complexes and apart-hotels was not enough to outweigh the drop recorded by other types of accommodation. Expenditure by tourists declined by 0.8% when compared to the same nine months of the previous year, mostly due to a 11.5% reduction in expenditure on accommodation by non-package tourists. Meanwhile, during the nine months to September, cruise passenger arrivals were down by 31.7% from the year-ago level, reflecting fewer arrivals from Spain and the UK.

According to the MHRA's December 2004 survey, occupancy rates in the third quarter improved across all hotel categories, with four-star hotels registering the strongest growth (see Table 4.12). While the number of tourists was higher, the overall number of nights stayed declined by 1.3% on a yearly basis. Meanwhile, average achieved room rates for all hotel categories increased by 1% from the same period last year.[2] All categories reported increased rates, except for four-star hotels, which showed a marginal decline.

[2] The average achieved room rate represents accommodation revenue, net of VAT, divided by the number of room nights sold.

Table 4.12
HOTEL OCCUPANCY AND AVERAGE ACHIEVED ROOM RATE

	2004 Q3	2003 Q3	Annual growth
Hotel occupancy	%		percentage points
5-star	82.2	77.6	4.6
4-star	90.4	83.1	7.3
3-star	84.3	82.7	1.6
Average [1]	87.0	81.7	5.3
Average achieved room rate	Lm		%
5-star	40.3	38.4	4.9
4-star	19.4	19.5	-0.4
3-star	13.1	12.4	5.2
Average [2]	20.6	20.3	1.0

[1] Represents the weighted average of all categories of hotels based on the number of participating rooms in each category.

[2] CBM estimates, weighted by number of nights stayed.

Source: MHRA Hotel Survey (December 2004).

The latest data show that during October the number of tourists departing by air rose by 16.6% over the same month a year earlier, but cruise passenger arrivals continued to decline.

The average length of stay contracted by 0.7 nights to 8.2 nights, while expenditure by tourists during October rose by 12.4% to Lm45.7 million.

Box 1: BUSINESS PERCEPTIONS SURVEY - FOURTH QUARTER 2004

Introduction

For the fourth consecutive quarter, nearly half the respondents to the Bank's latest business perceptions survey, carried out in October-November 2004, indicated neutral expectations regarding economic developments over the next six months. Nevertheless, as in the previous survey, a greater proportion expected a deterioration rather than an improvement in the overall situation. Indeed, the general picture that emerged was virtually identical to the one depicted in the previous survey. Furthermore, most respondents did not expect a turnaround in activity in the short-term. Rather, they anticipated higher payroll costs and a further drop in selling prices, which would depress their profits.

Business sentiment – fourth quarter 2004

Forty-seven percent of respondents (i.e. a slightly higher proportion than in the previous survey) thought there would be no major turnaround in economic activity over the next six months. Sentiment remained predominantly negative, with the difference between respondents expecting an improvement and those expecting a deterioration in the overall economic situation remaining largely unchanged from the previous survey (see Chart 1).

The manufacturing sector remained pessimistic on balance, although the proportion of manufacturing firms expecting a deterioration was smaller than in the previous survey. Meanwhile, most respondents from the service and tourism industries expected the situation to remain unchanged.

Activity levels – third quarter 2004

Export-oriented sectors

The survey results indicate that, during the third quarter, activity levels/order books in the export-oriented sectors were down from the previous quarter's levels, with manufacturing firms, in particular, reporting below normal levels of activity (see Chart 2). This notwithstanding, manufacturing exporters, with the exception of those in the clothing & footwear sub-sector, reported higher sales than in the previous three months, with firms in the chemicals sub-sector reporting the fastest growth. The machinery & equipment sub-sector also reported higher third quarter turnover, although the growth rate was lower than in the June quarter. Despite increased sales, however, the profitability of export-oriented manufacturers continued to decline. This is consistent with reported increases in labour costs,

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

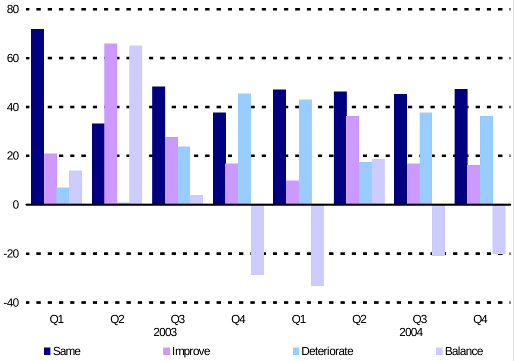
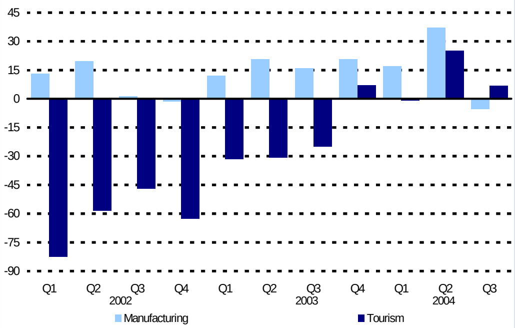


Chart 2
ACTIVITY IN THE EXPORT SECTOR



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

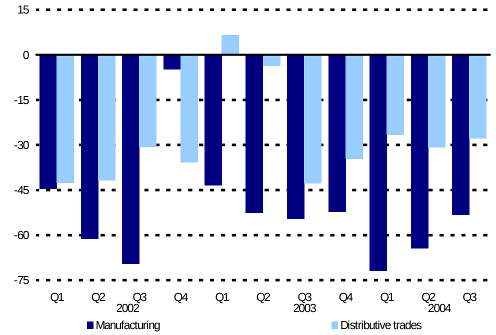
both on account of additional employment and because of higher average wages, combined with lower selling prices.

Meanwhile, the tourism sector again reported positive results, albeit less so than in the previous survey. Firms reported increased turnover and higher selling prices, which contributed to greater profitability despite a rise in employment and in average wage costs.

Domestically-oriented sectors

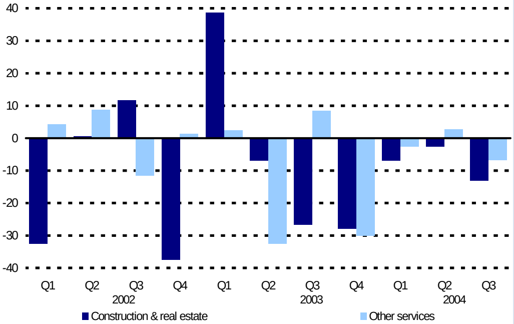
Although activity in the domestically-oriented sectors generally remained below normal, a number of respondents reported an improvement since the previous quarter. As indicated in Chart 3a, the proportion of manufacturing firms operating domestically that reported below-normal activity was lower than in the previous survey. This reflected an improved performance reported by respondents in the furniture and the paper & printing sub-sectors. Firms in the latter sub-sector recruited additional workers while recording a slight improvement in profits. Furniture-makers, on the other hand, reported lower profits, in spite of an increase in turnover and a reduction in their workforce. This was due to rising average wages. Meanwhile, activity levels and profitability fell in the food and beverages sub-sector, where producers faced

Chart 3a
ACTIVITY IN THE DOMESTIC SECTOR



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

Chart 3b
ACTIVITY IN THE DOMESTIC SECTOR



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

both higher payroll costs and lower selling prices.

The survey results suggest that activity levels declined in the construction industry but rose marginally in the distributive trades (see Charts 3a and b)

Outlook – fourth quarter 2004

Most respondents did not expect a turnaround in activity in the short term. Whereas prospects for the domestically-oriented sectors may brighten, export-oriented firms anticipated lower sales and downward pressure on prices. Employment growth was expected to be weak, while firms generally expected average labour costs to rise.

In the export sector, manufacturing firms were generally anticipating a downturn in activity during the fourth quarter of 2004. Turnover was expected to contract and selling prices to fall further. Overall, profits were expected to decline too. In general, these firms were expecting wage costs to rise. Nevertheless, a number of respondents said they would be recruiting additional staff. Meanwhile, tourism firms were sceptical about the prospects for the fourth quarter, anticipating lower sales, downward pressure on selling prices, and lower profits. However, this may reflect seasonal considerations.

On the domestic side, manufacturing firms were expecting the decline in turnover to moderate. Nevertheless, selling prices were expected to fall further while average labour costs were expected to rise, which would dent profits. A number of firms expected to reduce their workforce. In particular, food and beverages firms, which make up the largest domestically-oriented manufacturing sub-sector, anticipated a decline in profits on account of lower selling prices and rising wage costs. On the other hand, respondents from the distributive trades, other services and the construction & real estate industries were relatively optimistic, projecting increased sales, higher selling prices and improved profitability.

Methodological Notes

1. The results presented in this Box are derived from a survey carried out between October and November 2004 among 145 companies. As much as possible, the sample is kept unchanged between quarters.

2. The surveyed firms employed 16,869 workers (around a quarter of all private sector workers) and had an aggregate annual turnover of Lm541.7 million (around 30% of Malta's GDP), of which just over half was exported.

3. The sample was composed of 65 manufacturing firms, 21 tourism-related enterprises, 35 operators in the distributive trades, 8 construction and real estate concerns, and 16 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. To ensure that the overall results do not simply reflect the replies of the largest business concerns, the weight given to any particular firm in terms of turnover is capped at Lm20 million.

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

7. Participants are asked about their perceptions of the prospects for the Maltese economy 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 registered during the previous quarter, and to make forecasts for the current one.

8. At six-monthly intervals, firms are 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.

Box 2: A RECONSIDERATION OF THE HOUSE PRICE INDEX

Developments in the property market in general, and house prices in particular, have received considerable attention from policy makers because of their impact on economic activity and their implications for the financial system. Expenditures in connection with dwellings are a major part of a household's spending and housing represents a significant portion of the net worth of the private sector. Thus, movements in the price of property influence aggregate demand and, possibly, inflation. In addition, house prices are generally sensitive to interest rates and respond to changes in the monetary policy stance.

The Central Bank of Malta closely monitors developments in the property market and has built an index of advertised house prices on a quarterly basis, both by type and locality dating back to 1993. Data are collected every week from the property pages of a local Sunday newspaper. The index captures three types of property – terraced houses, maisonettes in shell form and finished flats, in the following areas: Attard/Mosta/Naxxar, Marsascala/Zabbar/Fgura, Sliema/St.Julians/Swieqi and St.Paul'sBay/Bugibba/Qawra.[1] The simple average of the property prices is then calculated and converted into an index of asking prices.

The present methodology suffers from four drawbacks. First, as the index captures property prices across a limited number of localities and types of property, it may not be representative enough of broader housing market developments. Second, within this limited sample, the simple average method gives an equal weight to all property types and localities, irrespective of the share of each type and area in the market. In addition, it is possible to have an element of duplication as the same property can be advertised repeatedly over different Sundays of the same month.

Finally, under the current method, properties over a certain price limit (outliers) are omitted from the sample because they are considered as significantly different from the typical dwelling and thus are not representative of the population from which they were obtained. Consequently, their inclusion may impart a bias to the calculation of the house price index. On the other hand, the decision as to which properties are left out also entails a subjective element.

On account of the above shortcomings, the Central Bank of Malta has decided to revise its methodology for the compilation of its index of advertised house prices. From this year onwards, a new index will replace the current one and will form the basis for analysis in the Bank's publications. The latter has been broadened considerably and now captures all advertised properties, excluding property for commercial purposes, in all localities in both Malta and Gozo. The property types include flats and maisonettes, both in shell and finished form, terraced houses, townhouses, houses of character (this sub-index also captures farm houses) both converted and unconverted, villas and luxury units. As a result, the new index should provide a clearer picture of housing market developments in Malta.

To strengthen the data base on which the new index is constructed, data were collected every first Sunday of April, May and June from the property pages of the same newspaper, dating back to 1980. This resulted in a sample space of 15,500 advertised properties. In consequence,

1 In the Maltese context, a maisonette is a property with dwellings on two or more floors with separate entrances. Property in shell form implies that only masonry work is complete, whereas finished properties also include apertures and fittings.

the sample of properties advertised on the first Sunday of April 2004 is nine times as large as the sample selected in the current house price index.

For each of the nine categories, the weighted average for each quarter was then calculated, thus reflecting the relative importance of the area and the type of property. The overall total for each quarter was then calculated as a weighted average of the quarterly values of the nine categories. It is important to note that the index is based on the second quarter of each year and that every quarter is based on the first Sunday of each month in the quarter.

To eliminate subjectivity in selecting outliers, a uniform "twice the average" rule was introduced. This implies that in every category of housing the average of the sample was first calculated and those properties whose value was more than twice the average price of the sample were removed from the category and grouped together to form a separate sub-index entitled 'luxury properties'.

The statistical reliability of this rule was tested on a sub-sample of properties and it was found that the "twice the average" rule was 1.98 standard deviations away from the respective mean of each month. If the distribution were normal, two standard deviations from the mean would capture 95% of the population. This implies that the "twice the average" rule is an acceptable approximation.

In the light of the literature on such methodologies, the use of the median was also considered to cater for the possibility that the sample may contain very large or very small values because of which the average, or mean, would not be very representative. The median price, which is the middle price in a defined distribution, was calculated by combining the data for April, May and June for each category and then finding the overall median price in each category. Finally, the overall total for the quarter and, hence, each year was calculated as the median weighted by the number of properties in each nine categories.

Chart 1
TOTAL PROPERTY PRICES

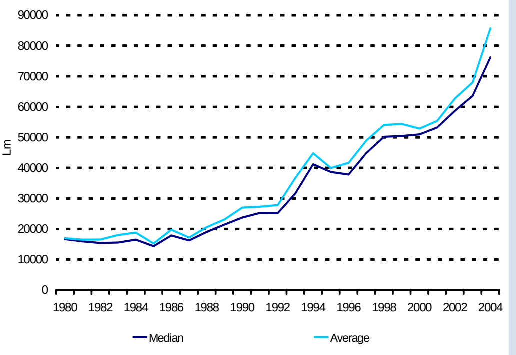
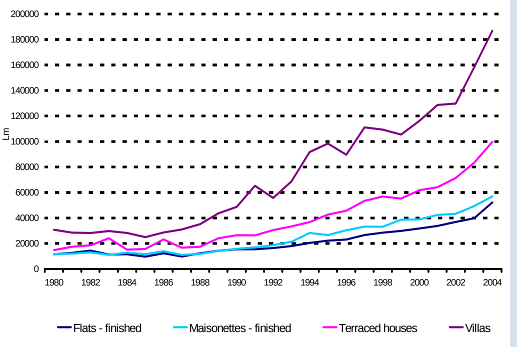


Chart 1 depicts the total average price and the total median price of property computed on this basis since 1980. The median price is always lower than the average price due to the fact that house prices are not normally distributed and properties considered as outliers (captured in the luxury sub-index) tend to push up the average price. As indicated in the Chart, average asking house prices were relatively stable until 1992. In subsequent years, prices started to trend upwards, with the exception of a few years where house prices slowed down. The upward trend in

Chart 2
SELECTED SUB-COMPONENTS OF THE NEW INDEX



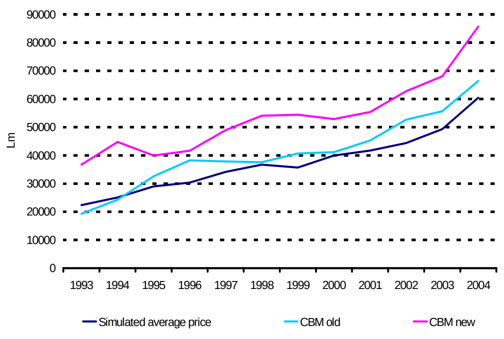
house prices resumed in 2002, with double-digit growth being recorded in 2004.

Chart 2 shows the trend in average prices of four sub-components of the new house price index from 1980 till 2004. These categories represent 74% of all property prices surveyed. As the Chart shows, although prices of all these property types increased during the period, prices of villas and terraced houses rose more rapidly than those of finished maisonettes and flats.

Chart 3 compares prices under the old index (CBM old) with prices under the new index (CBM new) for the period from 1993 to 2004. This shows that the total average price computed under the new methodology is consistently above that computed under the old methodology. This reflects the inclusion of higher-value property types, such as villas, which were excluded under the old method.

Chart 3 also shows simulated average prices, which are weighted averages of the sub-indices captured under the old methodology, calculated using the new methodology. This isolates the impact that the change in methodology has had on recorded house prices. While the Chart shows that the simulated index and the old index move closely together, nonetheless the old house price index appears to overstate house price inflation by 2 percentage points per year when compared to the corresponding simulated index and by 3 percentage points per year when compared to the total new index. This probably reflects the limitations of the old methodology, discussed above.

Chart 3
COMPARISON OF OLD AND NEW INDICES



The introduction of the new index of advertised house prices allows the Bank to have a clearer indication of house price developments as it captures a wider range of data dating back to 1980. The database compiled so far permits the analysis of a variety of historic time series across property types and locations. Moreover, the data were collected in a way that will allow further work, such as the construction of a hedonic house price index, to take place.[2]

[2] A hedonic index is a constant-quality index based on separating the implicit prices of characteristics such as the number of bedrooms, location and size.

5. THE BALANCE OF PAYMENTS AND THE MALTESE LIRA

The current account of the balance of payments recorded a deficit during the third quarter of 2004, due to a negative balance in the income account and a wider merchandise trade gap. In contrast, the capital and financial account, excluding changes in international reserves, posted a significant surplus compared with a large deficit in the third quarter of 2003. Meanwhile, official reserves expanded as errors and omissions remained positive.

During the third quarter, the Maltese lira depreciated marginally against the euro, while it gained on the US dollar, the pound sterling and the Japanese yen. This was followed in the fourth quarter by further gains against the dollar and losses against the euro.

The current account

The third-quarter current account deficit stood at

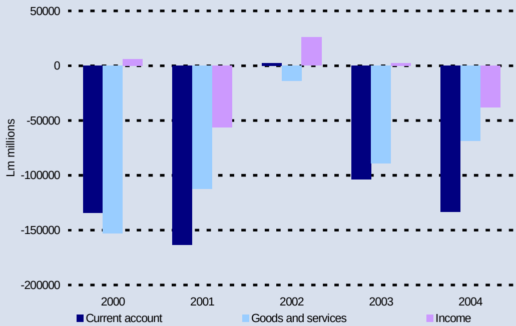
Table 5.1
EXTERNAL BALANCES (JULY - SEPTEMBER)[1]

Lm millions

	Q3			
	2003		2004	
	credit	debit	credit	debit
Current account balance	**8.5**			**32.0**
Goods and services	384.8	386.4	380.1	383.1
Goods balance		65.3		70.4
Goods	234.7	300.0	230.1	300.5
Services balance	63.7		67.4	
Services	150.0	86.4	150.0	82.6
Transport	41.5	36.4	40.4	38.4
Travel	83.2	24.5	90.4	24.8
Other services	25.3	25.5	19.2	19.4
Income (net)	15.7			23.2
Current transfers (net)		5.6		5.8
Capital and financial account balance[2]		**26.8**	**30.3**	
Capital account balance	0.8		9.0	
Financial account balance		27.6	21.3	
Direct investment	7.4		2.5	
Portfolio investment		294.8		358.7
Financial derivatives	0		4.3	
Other investment	259.8		373.2	
Movements in reserves[3]		**17.2**		**27.9**
Net errors and omissions	**35.5**		**29.6**	

[1] Provisional.
[2] Excludes movements in official reserves.
[3] Excludes revaluation adjustments.
Source: NSO.

Chart 5.1
CURRENT ACCOUNT: MAIN BALANCES*



* Data are expressed as a sum over four quarters to end-September for each year
Source: NSO

Lm32 million in 2004 compared with a positive balance of Lm8.5 million in the same period of 2003 (see Table 5.1). A larger surplus on services was exceeded by a negative outturn in the income account and a wider merchandise trade gap. When measured as a sum over four quarters, which gives an indication of longer-term developments, the current account deficit also widened, because of the shift in the income account (see Chart 5.1).

Goods

Compared with the corresponding period of 2003, the merchandise trade deficit widened by Lm5.1 million in the third quarter to Lm70.4 million. Whereas imports were stable, exports declined, on a year-on-year basis, for the second consecutive quarter.

Customs data show that exports of machinery and transport equipment continued to rise, although at a slower pace. On the other hand, sales of most other products fell.

Services, income and transfers

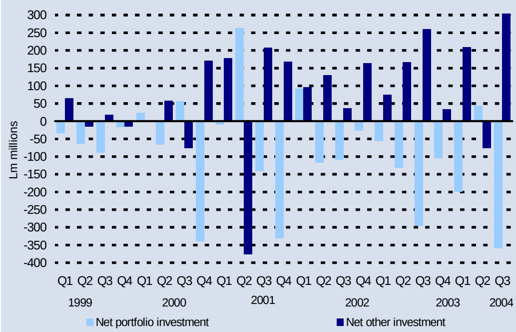
The surplus on services widened by Lm3.7 million in the third quarter, to Lm67.4 million. A more buoyant tourist sector was reflected in an increase in travel receipts. These were up by 8.6%. Travel payments were largely unchanged, despite a sharp rise in outbound tourist traffic. As a result, net travel receipts increased by Lm6.8 million, or 11.6%. On the other hand, the surplus on transport declined by Lm3.1 million as payments rose and freight receipts declined.

The income account shifted from a Lm15.7 million surplus to a Lm23.2 million deficit. The swing was mainly due to higher dividend payments and a drop in net interest received from abroad by resident financial institutions. Retained earnings also rose slightly, possibly reflecting a change in methodology.[1] Such earnings are also recorded in the direct investment component of the capital and financial account. At the same time, the deficit on current transfers continued to widen, albeit marginally.

The capital and financial account

The capital and financial account, excluding movements in reserves, recorded a net inflow of Lm30.3 million in the third quarter of 2004, compared with net outflows of Lm26.8 million in the same quarter of 2003.

Chart 5.2
PORTFOLIO AND OTHER INVESTMENT FLOWS



A positive (negative) number indicates a net inflow (outflow)

[1] Quarterly data on investment income flows in 2003 are not strictly comparable with those in 2004, as the portion of company profits due to foreign shareholders but reinvested in the domestic subsidiary is now being estimated for each particular quarter on the basis of an annual average, rather than being taken as reported by respondents up to 2003.

Inflows on the capital account increased by Lm8.2 million, mostly reflecting official assistance from the European Union in the form of grants.

In the financial account, net inflows of other investment went up from Lm259.8 million to Lm373.2 million. Whereas inflows on this account remained largely unchanged, outflows dropped as long-term loans extended to non-residents and other foreign assets held by the banking sector increased at a slower pace. In line with the normal pattern, these net inflows were largely matched by net portfolio outflows, which increased from Lm294.8 million to Lm358.7 million as the banking sector added to its holdings of foreign securities, particularly long-term bonds and notes (see Chart 5.2). Conversely, the non-monetary sector slowed down its acquisition of foreign debt securities. Meanwhile, direct investment inflows declined to Lm2.5 million. During the corresponding quarter of 2003, inflows had been boosted by the conversion of one intra-firm loan into equity capital. Inflows were also recorded on financial derivatives.

Table 5.2
EXTERNAL BALANCES (JANUARY - SEPTEMBER)[1]

Lm millions

	Q1-Q3			
	2003		2004	
	credit	debit	credit	debit
Current account balance		**61.0**		**91.1**
Goods and services	1058.9	1139.1	1054.6	1105.1
Goods balance		204.9		184.2
Goods	696.1	901.0	692.3	876.5
Services balance	124.7		133.7	
Services	362.8	238.1	362.4	228.6
Transport	95.7	108.0	95.6	106.9
Travel	196.7	59.5	203.5	59.5
Other services	70.4	70.6	63.3	62.3
Income (net)	30.7			22.7
Current transfers (net)		11.6		17.9
Capital and financial account balance[2]	**32.6**		**50.4**	
Capital account balance	2.0		9.6	
Financial account balance	30.6		40.8	
Direct investment	11.4		43.7	
Portfolio investment		481.3		513.4
Financial derivatives	0		5.1	
Other investment	500.5		505.3	
Movements in reserves[3]		**62.4**	**1.5**	
Net errors and omissions	**90.8**		**39.3**	

[1] Provisional.
[2] Excludes movements in official reserves.
[3] Excludes revaluation adjustments.
Source: NSO.

Net errors and omissions continued to be positive and amounted to Lm29.6 million during the quarter reviewed. This implies an overestimation of the current account deficit or an underestimation of the surplus on the capital and financial account, or both.

As a result of these developments, the official reserves rose by Lm27.9 million.

Year-to-date developments

In the nine months to September, the deficit on the current account widened by Lm30.1 million to Lm91.1 million, mainly on account of developments in the income component, which swung into deficit. Conversely, the merchandise trade deficit declined, whereas the surplus in services expanded (see Table 5.2).

The merchandise deficit fell over the first three quarters of the year from Lm204.9 million to Lm184.2 million. Imports declined, reflecting lower purchases of industrial supplies, which outweighed increased imports of consumer goods. Meanwhile, exports were marginally lower as larger sales of machinery and transport equipment and chemical goods were offset by a drop in exports of most other products.

The surplus on services widened by Lm9 million, or 7.2%, with all service components contributing to the expansion. Net travel receipts increased by Lm6.8 million, or 5%, while the balance on transport and on other services improved.

On the other hand, the income account shifted to a deficit of Lm22.7 million from a surplus of Lm30.7 million. This turnaround was due to larger profits made by foreign-owned companies operating in Malta. Moreover, net interest received by financial institutions operating in Malta dropped.

Excluding movements in the official reserves, net inflows on the capital and financial account rose to Lm50.4 million, from Lm32.6 million in the corresponding period of 2003. Net direct investment inflows increased by Lm32.3 million to Lm43.7 million. Higher reinvested earnings by foreign-owned firms as well as a drop in outflows related to other capital more than outweighed reduced net equity inflows.[2] On the other hand, higher holdings of foreign debt securities by the banking sector resulted in increased net portfolio outflows, which grew by Lm32.1 million to Lm513.4 million.

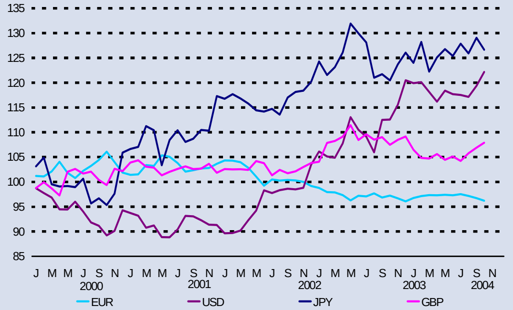
As a result, over the nine months to September

Table 5.3
MALTESE LIRA EXCHANGE RATES AGAINST SELECTED CURRENCIES

Period	EUR/MTL	USD/MTL	GBP/MTL	JPY/MTL
Average for Q3 2004	2.3440	2.8661	1.5757	315.1
Average for Q3 2003	2.3433	2.6361	1.6373	309.6
% change	0	8.7	-3.8	1.8
Closing rate on 30.09.2004	2.3315	2.8921	1.6012	319.6
Closing rate on 30.06.2004	2.3457	2.8517	1.5747	310.5
% change	-0.6	1.4	1.7	2.9

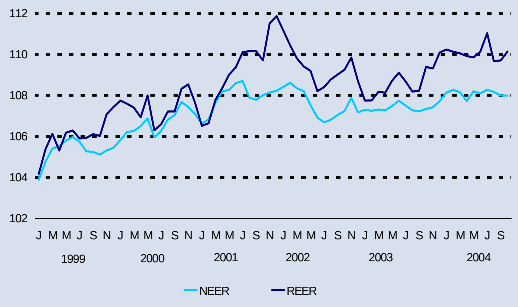
[2] In this context, equity comprises shares held by parent firms in their subsidiaries, while other capital covers the borrowing and lending of funds between them.

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



*A higher index reflects a nominal appreciation of the Maltese lira against the respective currency.

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



reserve assets dropped, albeit by a marginal Lm1.5 million. Net errors and omissions amounted to Lm39.3 million, which were below the Lm90.8 million recorded in the comparable period of 2003.

The Maltese lira

In the third quarter of the year, the Maltese lira depreciated by 0.6% against the euro (see Table 5.3). It gained 1.4% against the US dollar, reflecting the weakening of the latter in international currency markets. At the same time, the lira rose against the pound and the Japanese yen, by 1.7% and 2.9%, respectively. The Maltese currency continued to weaken against the euro and strengthen against the dollar in October and November.

In terms of its average value against the euro, during the third quarter the lira was unchanged from the level recorded a year earlier. On the same basis, the lira was up by 8.7% against the US dollar. As Chart 5.3 shows, the lira also gained against the Japanese yen while depreciating against the pound sterling.

Between June and September, the nominal effective exchange rate of the Maltese lira (NEER) dropped by 0.1%, reflecting the impact of the lira's depreciation against the euro. At the same time, the real effective exchange rate (REER) fell by 0.4% (see Chart 5.4). The drop in the REER reflects the nominal exchange rate depreciation coupled with a drop in domestic retail prices as compared with consumer prices abroad, which rose.[3]

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

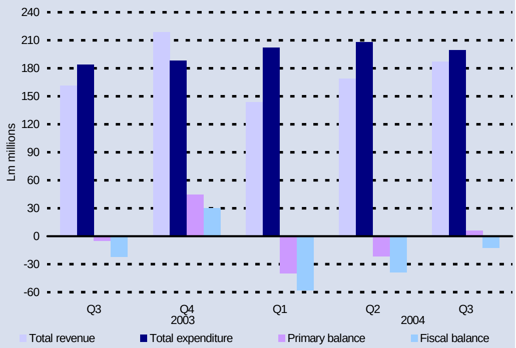
6. GOVERNMENT FINANCE

During the third quarter of 2004 the deficit on the Consolidated Fund narrowed. Government revenue grew faster than expenditure, resulting in a deficit of Lm12.4 million, as against Lm22.1 million a year earlier. The deficit also narrowed compared with the previous two quarters (see Chart 6.1). In addition, the primary balance, which excludes interest payments, swung into a Lm6.3 million surplus from a Lm5 million deficit in the third quarter of 2003.

Reflecting these trends, the deficit on the Consolidated Fund for the first nine months of 2004 was Lm109.9 million, or Lm25.9 million lower than that recorded during the same period last year, as revenue outpaced expenditure. While EU grants and a number of one-off factors boosted revenue, growth in expenditure was mostly restrained by a drop in capital outlays.

The deficit widened again in October, however, as spending picked up. Nevertheless, at Lm120.8 million during the first ten months of the year, the deficit remained below the level recorded during the same period of 2003.

Chart 6.1
FISCAL DEVELOPMENTS



Source: The Treasury.

Revenue

During the nine months to September, Government revenue expanded by Lm42.1 million, or 9.2%, over the same period of 2003, reaching Lm500 million (see Table 6.1). This surge was mainly driven by indirect tax receipts, although higher inflows from direct tax and non-tax sources also contributed.

Receipts from indirect taxes were up by Lm20.7 million, or 10.7%, on account of a sharp increase in licences, taxes and fines, and in VAT, both boosted by measures that came into effect early in 2004. Of the Lm11.7 million increase in the former, Lm8 million came from the one-time payment to Government by the new private sector operators of the national lottery. Higher duty on documents on transfers of immovable property also contributed. The effect of these factors was partly offset by reduced receipts from levies on imports, which were removed following Malta's accession to the EU on May 1. On the other hand, VAT revenue rose by Lm11.5 million reflecting the increase in the standard rate from 15% to 18%, the extension of the tax base and higher consumption expenditure. A temporary yacht registration scheme also boosted VAT intake by Lm3.2 million. On the other hand, customs and excise revenue dipped by Lm2.5 million, mainly on account of a drop in motor vehicle imports, although the removal of remaining duties on EU products upon accession also contributed.

Meanwhile, receipts from direct taxation were up by Lm8.2 million, or 3.9%, entirely on account of a sharp increase in income tax revenue, amounting to Lm8.9 million. Income tax was primarily boosted by a higher intake from capital gains taxes - reflecting new measures regarding taxation of income from property transfers - and greater efficiency in tax collection. These factors outweighed the effects of a drop in the Government's wage payments during the period.[1]

[1] As from the beginning of 2004, Government began paying wages and salaries every four weeks rather than every month. While this factor has no impact on the annual wage bill, it entails Government making thirteen smaller payments over the year rather than twelve.

Table 6.1
GOVERNMENT BUDGETARY OPERATIONS

Lm millions

	2003 Q3	2004 Q3	2003 Q1-Q3	2004 Q1-Q3	Change Amount	Change %
Revenue	**161.8**	**187.2**	**457.9**	**500.0**	**42.1**	**9.2**
Direct tax	**83.4**	**88.2**	**212.3**	**220.4**	**8.2**	**3.9**
Income tax	52.7	56.4	125.0	133.9	8.9	7.1
Social security contributions[1]	30.7	31.8	87.3	86.5	-0.7	-0.8
Indirect tax	**69.2**	**75.6**	**192.6**	**213.3**	**20.7**	**10.7**
Value Added Tax	30.2	34.0	86.1	97.6	11.5	13.4
Customs and excise duties	16.2	16.1	44.9	42.4	-2.5	-5.6
Licences, taxes and fines	22.9	25.5	61.6	73.3	11.7	19.0
Non-tax revenue	**9.1**	**23.4**	**53.0**	**66.2**	**13.2**	**25.0**
Central Bank of Malta profits	0	0	24.8	18.2	-6.6	-26.4
Other revenues[2]	9.1	23.4	28.2	48.0	19.8	70.1
Expenditure	**183.9**	**199.6**	**593.7**	**609.8**	**16.1**	**2.7**
Recurrent expenditure[1]	**158.7**	**172.4**	**509.5**	**534.2**	**24.7**	**4.8**
Personal emoluments	48.1	45.9	146.6	138.9	-7.7	-5.2
Operational and maintenance	7.7	10.8	36.2	39.3	3.1	8.6
Programmes and initiatives	67.1	79.0	220.9	243.4	22.5	10.2
Contributions to entities	18.5	17.8	56.6	57.8	1.2	2.0
Interest payments	17.1	18.7	48.8	54.3	5.5	11.2
Other expenditures	0.1	0.2	0.4	0.5	0.1	26.3
Capital expenditure	**25.2**	**27.2**	**84.2**	**75.6**	**-8.5**	**-10.2**
Primary balance[3]	**-5.0**	**6.3**	**-87.0**	**-55.6**	**31.4**	**36.1**
Consolidated Fund balance[4]	**-22.1**	**-12.4**	**-135.8**	**-109.9**	**25.9**	**19.1**

[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, sinking funds of converted loans, foreign loans and revenue from sale of MGS.

[3] Revenue less expenditure excluding interest payments.

[4] Revenue less expenditure.

Source: The Treasury.

The latter also led to lower receipts from social security contributions, despite the impact of a small rise in private sector employment.

Non-tax revenue increased by Lm13.2 million, primarily driven by higher EU grants, which offset a Lm6.6 million drop in Central Bank of Malta profits transferred to Government.

Expenditure

Compared to the first nine months of 2003, total expenditure increased by Lm16.1 million, or 2.7%. A Lm24.7 million rise in recurrent outlays exceeded an Lm8.5 million dip in capital spending.

Growth in recurrent expenditure was mainly attributable to spending on programmes and initiatives, which rose by Lm22.5 million. Of this, around a third was a one-off bonus to compensate households for the effect of the higher standard VAT rate on prices. Higher outlays included an Lm8.8 million contribution to EU own resources and an additional Lm5.3 million on social security benefits, mainly on pensions, in line with demographic changes and wage developments.

Other components of recurrent expenditure also went up. Interest payments increased by Lm5.5 million, as higher debt servicing costs due to a growing stock of debt outweighed the favourable impact of lower interest rates. Expenditure on medical supplies contributed to the overall rise of Lm3.1 million in operational and maintenance expenses. An additional Lm1.2 million were recorded in contributions to entities. Within this category, the reclassification of the Drainage Directorate alone pushed up such contributions by Lm3.5 million. Higher transfers went to the Malta College of Arts, Science and Technology, the Water Services Corporation and Industrial Projects and Services Limited (IPSL).[2] However, these were largely offset by a Lm6.1 million reduction in transfers to the shipyards following the completion of the restructuring process in 2003.

In contrast, spending on personal emoluments fell by Lm7.7 million mainly because of the changed timing of wage payments referred to earlier. Lower employment within Government departments also contributed, as did the reclassification of the Drainage Directorate mentioned earlier. The effect of these factors more than compensated for wage growth due to the cost of living adjustment and salary increments.

Table 6.2

CENTRAL GOVERNMENT DEBT[1]

Lm millions

	2003		2004		
	Q3	Q4	Q1	Q2	Q3
Balance on the Consolidated Fund	**-22.1**	**30.4**	**-58.2**	**-39.2**	**-12.4**
Changes in					
Gross central Government debt	**21.9**	**50.6**	**19.9**	**53.5**	**15.3**
Malta Government stocks	43.1	30.0	0	48.0	22.4
Treasury bills	-21.1	-18.7	20.7	6.8	-7.3
Domestic loans[2]	0	41.8	0	0	0
Foreign loans	-0.1	-2.4	-0.8	-1.3	0.1

[1] Excluding extra-budgetary units.

[2] Domestic loans consist of the debts assumed by the Government following the restructuring of the shipyards in 2003.

Sources: Central Bank of Malta; The Treasury.

[2] IPSL was established in 2003 to absorb surplus labour emerging from the restructuring of the shipyards.

Capital outlays also decreased by Lm8.5 million, with higher investment on the infrastructure more than offset by lower spending on social development and productive investment. The drop in capital expenditure was mainly driven by lower disbursements on the new Government hospital, roads and subsidies to the shipyards. In addition, spending on public transport that took place during the third quarter of 2003 was not repeated this year.

Government debt and financing operations

At end-September, gross central Government debt amounted to Lm1,348.3 million, up by Lm15.3 million from the previous quarter.[3] During the third quarter Lm50 million in Malta Government stocks (MGS) were issued, in part to refinance issues maturing in the same quarter. The value of MGS outstanding thus rose by Lm22.4 million from the previous quarter (see Table 6.2). This rise in long-term debt was partly offset by a Lm7.3 million drop in Treasury bills outstanding. On the other hand, foreign loans remained practically unchanged as a lower stock of debt due to repayments was counterbalanced by a rise in its value due to exchange rate fluctuations.

Consequently, as at the end of September, MGS outstanding amounted to Lm983.3 million, or 72.9% of total debt, while Treasury bills equalled Lm252.5 million, or 18.7%. Domestic and foreign loans, which stood at Lm41.8 million and Lm70.6 million, respectively, accounted for the remainder.[4]

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[3] These data exclude debt contracted by extra-budgetary units that form part of central Government, and by local Government. Local Government borrowing from banks amounted to Lm0.7 million in September 2004.

[4] Domestic loans consist of the debts assumed by the Government following the restructuring of the shipyards in 2003.

Box 3: THE BUDGET ESTIMATES FOR 2005 - AN OVERVIEW

The Budget Estimates for 2005 were submitted to Parliament in November. Apart from revised estimates for 2004, the Budget includes details of projected revenue and expenditure for 2005. The former place the deficit on the Consolidated Fund for 2004 at Lm94 million, which is in line with the Government's target and below that registered in 2003. Revenue-generating measures and restraint on recurrent expenditure are expected to reduce the fiscal imbalance to around Lm76 million in 2005. Nevertheless, as the projected increase in spending is partly expected to be financed from abroad, the expansionary stance of fiscal policy will be preserved.

On the basis of data for the general government sector compiled according to the European System of Accounts (ESA 95) the deficit is seen to have dropped to 5.2% of GDP in 2004.[1] According to Malta's Convergence Programme 2004 – 2007, which was presented to the EU Commission in May and updated in November, the Government intends to lower the general government deficit to 1.4% of GDP in 2007.

Fiscal performance in 2004

The revised estimates show that the deficit on the Consolidated Fund narrowed by Lm11.5

Table 1
BALANCE ON THE CONSOLIDATED FUND 2003 - 2005

Lm millions

	2003 Actual	2004 Revised	2005 Projected	2004 Revision compared to Approved Estimates	2005 Projected change Amount	2005 Projected change %
Total Revenue	**739.2**	**824.2**	**900.1**	**-18.8**	**75.9**	**9.2**
Direct taxes	393.6	403.9	421.2	-4.5	17.3	4.3
Indirect taxes	274.6	308.1	335.1	-10.0	27.0	8.7
Other revenues	70.9	112.2	143.8	-4.2	31.6	28.2
Total Expenditure	**844.7**	**918.1**	**976.2**	**-19.7**	**58.1**	**6.3**
Recurrent expenditure	740.7	808.5	839.1	-2.6	30.6	3.8
Capital expenditure	104.0	109.6	137.1	-17.1	27.5	25.1
Balance on the Consolidated Fund	**-105.4**	**-93.9**	**-76.1**	**0.9**	**17.8**	**-**
Interest payments	63.0	69.7	77.7	-2.2	8.0	11.4
Primary balance	-42.4	-24.2	1.6	-1.3	25.8	-

Source: Ministry of Finance

[1] Apart from the transactions captured in the Consolidated Fund, general government data cover other government accounts, extra-budgetary units and local councils.

million during 2004 as revenue expanded more rapidly than expenditure. Revenue increased by 11.5%, mainly driven by foreign grants and, to a lesser extent, by indirect taxes. Expenditure rose by 8.7%, with recurrent and capital spending increasing by 9.2% and 5.4%, respectively.

The revised data place the Government on track to meet its deficit target for 2004, as lower expenditure compensates for a shortfall in revenue (see Table 1). Capital expenditure is thus expected to be Lm17 million less than budgeted for. This reflects lower outlays on the construction of the new hospital as well as the postponement to 2005 of a number of transport and environment-related projects, funded by the EU and by the Italian Financial Protocol. The drop compared to the original estimates was partly offset by the purchase of embassy premises in Brussels. Recurrent expenditures are also expected to be Lm2.6 million below original projections on account of lower-than-expected outlays, particularly on pensions and interest payments, which more than compensated for spending overruns on health.

Direct taxes are expected to be Lm4.3 million lower than projected in view of adverse labour market conditions. Indirect taxes are also expected to be Lm10 million below target, partly because of subdued yields from import duties as a result of stronger-than-expected trade diversion in favour of EU products following the complete dismantling of trade barriers upon accession. A further shortfall arose because tax revenues related to gaming did not materialise. Other revenues are likely to be Lm4.2 million less than projected, partly mirroring the lower inflow of foreign aid in view of the slowdown in capital spending and also because of the postponed introduction of environmental taxes.

Principal measures for 2005

The discretionary fiscal measures announced by the Government in the budget speech for 2005 broadly seek to attain the following three objectives:

To lower the fiscal imbalance by generating additional revenues

Measures include higher excise duties on price-inelastic products such as tobacco, as well as higher taxes on income elastic products such as mobile telephony services and air travel. These market conditions imply that for the first category, the rise in the selling-price of the product should translate into higher tax revenues, while for the second category the share of income devoted to such products increases with income, which should boost demand and contribute to higher tax revenues.

To reduce the need for subsidies and achieve better allocation of resources

Measures include higher utility and public transport prices as well as the introduction of environmental taxes, to ensure that prices charged are commensurate with their cost of production including any negative externalities that are generated. These measures should enable Government to divert expenditure away from subsidies to more productive use, and at the same time realign the artificially low prices charged to consumers with the actual costs involved, thereby ensuring a more rational use of scarce resources.

To improve the country's potential output

Measures include incentives for research activity undertaken by the private sector; skill-building programmes through mandatory training for the unemployed; and raising of the annual hours of work through a reduction in vacation leave. The objective is to stimulate the rate of innovation and technology absorption while encouraging a more intensive use of scarce labour resources, factors that ultimately contribute to faster economic growth and rising standards of living.

In the short run such measures may have an adverse impact on households' real disposable income, moderating consumption patterns and overall economic growth. The extent of such a drag depends, however, on how the economy adjusts to the new economic environment. A more flexible labour market and a clear commitment to rein in fiscal imbalances can encourage higher private sector investment, which in turn would upgrade the economy's supply capabilities and offer higher growth opportunities in the medium term.

Projected fiscal performance in 2005

The gradual consolidation of public finances is to continue in 2005 as a result of the measures mentioned earlier and a positive stimulus from the projected increase in nominal GDP growth. The Government's target is to reduce the deficit on the Consolidated Fund to around Lm76 million, about Lm18 million less than in 2004 (see Table 1), with revenue continuing to grow at a faster pace than expenditure. Moreover, the primary balance is projected to swing from a deficit to a marginal surplus, thereby covering part of the interest payments due on Government debt.

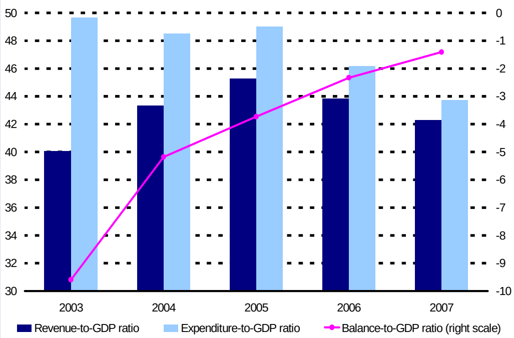
Revenues are expected to add a further Lm76 million, or 9.2%. Higher inflows from grants are expected to account for around half of the overall increase in revenue during 2005, reflecting the partial financing of capital projects that are under way. VAT revenue is expected to rise by Lm27 million. Just over a third of this increase reflects the net effect of temporary factors that had conditioned such receipts in 2004. Whereas the postponement of collection to the retail stage had adversely affected VAT receipts during 2004, this was partly offset by one-off revenues from the temporary registration scheme for yachts. Growth in the nominal consumption tax base and envisaged efficiency gains, particularly in the case of construction-related service activities, are expected to generate the additional yield from VAT. Revenues from income tax and social security are also expected to rise by around Lm17 million, in line with developments in their respective tax bases. Additional revenues are expected from environmental taxes and higher excise duties on some products, although these will be neutralised by reduced revenues from import duties and lower Central Bank of Malta profits.

Expenditure is projected to increase by Lm58.1 million, or 6.3%, split between Lm30.6 million in recurrent outlays and Lm27.5 million in capital spending. The latter reflects public investments in health, transport and the environment, as capital projects are expected to regain momentum in 2005. Meanwhile, a growing stock of outstanding debt should raise interest payments by around Lm8 million. The Government's wage bill is expected to boost recurrent expenditure by Lm6 million, fuelled by the cost-of-living wage adjustment, salary increments and an anticipated increase in the staff complement in the health sector. Social security benefits are also expected to increase by Lm5 million. Furthermore, Malta's financial contribution to the EU is projected to rise by Lm6 million, since the 2004 contributions were only due for the seven months after accession.

General government fiscal performance 2003 - 2007

The general government deficit, compiled according to ESA 95, is estimated to have narrowed from Lm177 million to around Lm99 million, or 5.2%, of GDP in 2004. Around two-thirds of this improvement reflects the assumption of debt by Government following the restructuring of the shipyards, which had

Chart 1
GENERAL GOVERNMENT TARGET PERFORMANCE 2003 - 2007



Sources: Budget Speech 2005; CBM estimates.

boosted the deficit in 2003. The remainder results from a lower deficit on the Consolidated Fund in 2004 and a smaller negative balance among extra-budgetary units.

Projections for 2005 place the general government balance at around Lm74 million, or 3.7%, of GDP. Nevertheless, the overall share of Government in the economy is expected to increase further in 2005. Expenditures are projected at 49% of GDP whereas revenues are expected to reach 45.3% of GDP (see Chart 1).[2] These ratios are augmented by the surge in capital expenditure and the associated inflow of foreign aid, which are both expected to peak in 2005. Thereafter, the expenditure-to-GDP ratio is projected to decline to 43.7% by 2007, at a faster pace than the drop in the revenue-to-GDP ratio. The achievement of this fiscal consolidation target also hinges on the Government's commitment to keep growth in recurrent expenditure below forecast inflation, implying a decline in outlays in real terms, and also on improved financial positions within extra-budgetary units.

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[2] The balance-to-GDP ratio shown in the Chart is taken directly from the Budget Speech 2005, Table 4. The revenue and expenditure ratios are approximations by the Bank based on the Table. Positive adjustments to the Consolidated Fund balance are assumed to stem from increased revenue whereas negative adjustments are assumed to arise from increased expenditure. These adjustments do not influence the overall trend.

FISCAL REFORM - AN IMPERATIVE FOR SUSTAINABLE GROWTH AND DEVELOPMENT*

Michael C. Bonello
Governor of the Central Bank of Malta

I should first of all like to thank you, Mr. President, for inviting me to your annual dinner and for the opportunity to share my thoughts once again with such a distinguished audience. I must also congratulate you on your recent election as President of IFS – Malta and wish you and your Committee every success in your endeavours to ensure that the Institute's educational programmes remain relevant in today's complex financial services environment. As you rightly pointed out in your first message to your members, in a situation which is rapidly evolving, "we must be prepared to embrace change."

I have a similar message to convey tonight. Inspired by the words of George Washington that "There is no practice more dangerous than that of borrowing money", mine is essentially an appeal to the country to leave behind its spendthrift ways and to learn to live within its means. I shall therefore make a case for fiscal reform.

Now some might wonder why a central bank governor should be so concerned about the state of the country's public finances. Put simply, the reason is that a persistent excessive deficit situation represents a potential threat both to price and financial stability, which are key objectives of most central banks today. The Central Bank of Malta seeks to achieve these objectives through the operation of an exchange rate peg. The Bank's ability to maintain the peg in an environment where capital flows freely across borders, however, depends crucially on financial market perceptions regarding the effectiveness and sustainability of macroeconomic policy, particularly fiscal policy. In this context, the present deficit scenario is not helpful and, if not corrected, could oblige the Bank to raise interest rates.

The role of governments

How and why have fiscal deficits become a problem? In the first decades after the Second World War, governments came to play a key role in promoting economic growth and social development. In today's free-market economies, moreover, they provide indispensable support to the activities of the private sector and also play an important role in curbing its excesses. Another function of governments concerns economic stabilisation. They can intervene to stimulate aggregate demand in periods of recession and to restrain it at times when the economy is booming. Under appropriate demand and supply conditions, such intervention can contribute to a more favourable investment environment and, in turn, to growth.

Perhaps the most important tool Governments use to pursue these objectives is public expenditure. Taxation and borrowing may be viewed as ways of financing such expenditure, but they also constitute important tools in their own right.

Effectiveness of government intervention

Government intervention in the economy has important implications not only for competitiveness and growth, but also for the

* Speech given at the Annual Dinner of the Malta Institute of Financial Services on 11 November 2004.

promotion of the social dimension of development. It is thus essential to ensure that society obtains full value for the resources devoted to public sector activities, both in terms of the quantity and the quality of the outputs produced.

Now whereas in the private sector failure to deliver value for money eventually results in bankruptcy, there exists no such effective sanction in the public sector. This is partly because expenditures are typically financed through general taxation and borrowing, and the funds thus raised are not directly earmarked for specific expenditures. Inadequate enforcement of accountability standards is another reason. It is also the case that industrial relations and human resource management in the public sector are often undertaken without sufficient consideration for budget constraints, while job security and tenure are taken for granted irrespective of performance or productivity levels. A further dimension of this problem is the fact that the success of government spending tends to be measured more in terms of its potential to produce electoral dividends than in a longer-term growth perspective. All of these factors reduce the incentive to use resources efficiently.

Similar arguments apply to the welfare system, where the size of the expenditure can easily exceed that required to maintain social cohesion and the focus be diverted away from genuine needs. This situation has materialised in a number of countries, including the more advanced economies in the EU, which are now facing hard choices regarding the future of health and pension systems. Invariably, the most difficult challenge in implementing reforms in these areas is to convince people that services which were hitherto provided by government for free, or at a subsidised cost, are no longer affordable by the country.

There are, therefore, a multitude of pressures to increase government expenditure over time. And as tax revenues often prove unable to keep pace with such commitments, fiscal deficits emerge leading to an accumulation of debt. In turn, this produces a growing debt-servicing burden, creating a vicious circle in which unproductive outlays effectively crowd out the scope for productive expenditure.

Fiscal deficits are also the result of inadequacies in the design and implementation of tax structures. In this regard, supply-side economics advocates shifting the focus of taxation from income to consumption in order not to discourage work effort, saving and investment. Tax systems should also be simple and transparent so as to facilitate their implementation and enhance compliance. When these norms are ignored, the end result tends to be pervasive tax avoidance or evasion, resulting in lower levels of revenue.

Continued fiscal deficits and increasing public debt levels are thus a symptom of inefficiency or inappropriate policy choices. This is the reason why modern market economies are advised to contain their fiscal deficits and debt within prudent levels by subjecting their policies to critical review and by raising the efficiency of public sector operations, rather than through new taxes or short-term palliatives such as one-off revenue inflows.

A further reason for tackling the problem at its roots is that the inefficient use of resources in the public sector can have serious long-term repercussions. At best, these include a growth rate below the economy's potential because the private sector is deprived of resources it could use more profitably; and, because of the persistence of the deficit, the loss of fiscal policy as a counter-cyclical stabilisation mechanism. At worst, the inefficient use of resources can threaten the viability of the economy itself. Many a financial crisis has been sparked off by the behaviour of profligate and inefficient governments. In today's globalized financial markets, the retribution for such excesses is quick and unforgiving.

Implications for fiscal management

It would appear that, like all human endeavours, the benevolent, interventionist role of governments was developed with the best of intentions but, as often happens, something went wrong along the way. Judging by the present state of its public finances, Malta is no exception. For a start, fiscal deficits have become a permanent feature of the economic landscape, which suggests that they do not reflect temporary slippages or cyclical downturns, but rather fundamental policy choices and inefficiencies. Since 1990 the annual shortfall between revenue and expenditure has averaged 6% of GDP, or Lm1 out of every Lm16 earned by the economy.[1] There were periods when the deficit tended to fall, but these were not sustained. This year, as explained in Malta's Convergence Programme 2004 – 2007, the general government deficit is expected to fall to just above 5% of GDP, which is still, however, one of the highest ratios in the EU.

The persistence of the fiscal deficit has resulted in a rapid accumulation of government debt, which as a percentage of GDP trebled between 1990 and last year to around 70%. There is clearly no alternative to the fiscal consolidation envisaged in the Convergence Programme because, if the deficit is left unchecked at this year's level, the debt to GDP ratio would exceed 80% by 2010. The fact that this heavy burden of debt has been accumulated to a large extent to finance recurrent spending rather than to build up income-generating assets is a matter of some concern.

A further undesirable consequence of this behaviour is an increasingly unmanageable debt-servicing burden. This year the Government is spending Lm1 out of every Lm8 of tax revenue merely to service its debt. Put differently, the fiscal deficit would be just one-tenth of its actual level were it not for debt-servicing costs, which now amount to around 95% of expenditure on health and 90% of that on education.

This is not a healthy state of affairs. Not only does interest on the debt increase the fiscal deficit, but it also crowds out those expenditures which should be receiving priority. If the deficit were left unchanged at this year's expected level of Lm95 million, it is estimated that debt service costs would rise from Lm85 million today to almost Lm120 million by 2010. In other words, the Government would have to register a surplus on its recurrent operations and borrow money just to service the debt.

This unsustainable situation is a symptom of another feature of our economy, the high level of government expenditure. At 51% of GDP, this is the sixth highest in the EU. Government, moreover, employs 27% of the labour force, which is somewhat higher than the EU average, while the entire public sector absorbs over one-third of Malta's labour supply.

This is not to say that nothing has been done. Fiscal consolidation and structural reform have indeed in recent years become key features of the Government's drive to enhance the productive potential of the economy. This awareness is reflected in the Convergence Programme, which targets a fiscal deficit of 1.4% of GDP by 2007, compared to 5.3% this year. This improvement is to be attained mainly through a reduction of about six percentage points, to 44%, in the ratio of government expenditure to GDP.

What does this target mean in terms of the savings that need to be made? During the past five years government expenditure has been

[1] Except where specified otherwise, fiscal data refer to the Consolidated Fund.

increasing by an annual average of Lm55 million. At this rate, it would exceed Lm1.1 billion in 2007. But the total contemplated in the Convergence Programme for that year is about Lm950 million. In other words, the average annual increase in expenditures during the next three years must not exceed Lm5 million, which is just one-tenth of the present growth rate. This implies that measures must be put in place now that would by 2007 reduce expenditures by Lm150 million.

Required expenditure and taxation reforms

The attainment of this objective clearly requires extensive reforms. In this context, I would like to propose some policy orientations which would help to reduce the deficit to the planned level. For this purpose, it is useful to look at government expenditure from two perspectives. The first is in terms of what it is buying. The second focuses on what such expenditure is achieving.

The first of these approaches helps to identify the potential for savings. This year over 20% of total spending, some Lm200 million, will go towards wages and salaries and another 10% will go to public sector bodies, again largely to finance human resources costs. In short, the public sector wage and salary bill absorbs close to one-third of total budgetary expenditures.

Against this background it is imperative that the current negotiations for the renewal of collective agreements in the civil service and in the public sector recognize the need to cut spending. It is important that any wage increases be matched by measurable productivity improvements. It is equally necessary to make better use of the human resources available by strengthening both the management culture and work practices. It must also be accepted that the public sector cannot continue indefinitely to carry the cost of employees who are effectively redundant. A time limit must be set beyond which this burden will no longer be carried, and training and redeployment schemes should be strengthened in the meantime to facilitate the transition.

Another third of government expenditures is absorbed by social security benefits, a category whose growth over time is conditioned by increases in wages and prices, demographic pressures and the need to preserve the social fabric. Along the way, however, the original priorities seem to have been lost sight of. As a result, Malta has a welfare system which is certainly generous, but which is not socially just in the sense that it does not allocate the relatively larger share of resources to those who are most in need.

The time has clearly come for a radical welfare reform which reconciles the objectives of social cohesion and intergenerational equity with financial sustainability. Non-essential transfer payments, especially those which are of a universal nature and which do not represent a response to a proven need, should be cut. Means-testing in the provision of social benefits should not be ruled out on the grounds of possible abuse – rather, the information technology available today should be used to ensure effective implementation. Consideration should also be given to indexing all benefits to inflation, including those currently linked to wages. The system for granting certain benefits should be reviewed to prevent abuse, especially in the case of invalidity pensions. This will also help to retain older workers in the labour market. It is furthermore essential to speed up a review of the unemployment benefit system to transform it into an effective instrument of employment creation rather than of social dependence. Finally, the range of services offered by the public health system should be critically assessed in the light of budget constraints. Beneficiaries should be required to shoulder part of the costs involved. Free medicines and free medical services induce waste and abuse.

So far we have seen that outlays on wages and salaries and on social security benefits together account for fully two-thirds of government spending. A further tenth is absorbed by the interest on the public debt. Here it is well to recall that this cost is currently restrained by the prevailing low level of interest rates. With a global recovery under way, however, this favourable interest rate scenario is unlikely to last much longer. And since a one percentage point rise in the rate of interest is estimated to increase debt-servicing costs by some Lm3 million, it is clear that slowing down the pace of debt accumulation should be a priority. Any receipts from the privatisation programme should be used for this purpose.

Under present conditions, therefore, the only elements of government expenditure which are susceptible to a measure of discretionary control are capital outlays, operational expenditures and other programmes, mainly consisting of Malta's contribution to EU-funded projects. Indeed, the Convergence Programme indicates that around one half of the required cost savings during the next three years will come from a reduction in capital expenditure. This, however, still leaves the need for expenditure cuts by 2007 of around Lm70 million. This is more than one third of what the Government spends on operational expenditures and programmes. And while economies should be sought in these areas too, it is unrealistic to expect that these can produce all the required savings. Unpalatable as it may sound, the truth is that difficult but crucial decisions must be made without delay regarding the size and the cost of both the public sector and the welfare state.

In this context, I propose to examine government expenditures from the perspective of what they are achieving as a guide to understanding whether the allocation of resources resulting from choices made in the past is optimal in today's circumstances. Let us first look at how recurrent expenditure, which this year amounts to almost Lm740 million when the interest on the public debt is excluded, is distributed. Education, health and activities related to the promotion of economic growth, such as co-financing of EU projects and expenditure on tourism, information technology, infrastructure and communications account for some 39%. Outlays on welfare benefits will absorb a further 43%, more than the combined amount dedicated to the three crucial areas just mentioned. The remaining 18% represents the cost of general administration.

The imbalance evidenced by these shares raises serious questions about the rationale governing the use of public funds, a fair proportion of which are borrowed not earned. We need to ask, for example, whether the allocation of such a substantial budget to social security is promoting a culture of dependence rather than self-help, and of reliance on the State rather than the kindling of economic initiative. And this within the context of an educational system which, despite its merits, continues to produce one of the highest early school-leaving rates in the EU and one of the lowest rates of science and technology graduates, and which dedicates a substantial portion of its budget to a subsidy system with questionable educational value. One could also ask whether enough resources are being allocated to priority areas such as tourism, IT and the development of industrial areas, which are vital for the creation of jobs and wealth that would in turn lessen the dependence on welfare payments and subsidies.

Returning Malta's public finances to a sustainable basis also requires careful consideration of the revenue generation mechanisms. The ratio of taxation to GDP stands at around 32%, which is one of the lowest in the EU. This can of course be viewed as one reason for the relatively high fiscal deficit. On the other hand, it can also be interpreted as evidence that the fiscal burden is relatively low, which would be conducive to economic expansion.

It is, however, probable that the moderate tax ratio does not reflect low fiscal pressure as much as the use of inappropriate mechanisms which yield insufficient revenues. One reason for this is that direct taxation is rather progressive, which creates a disincentive for work, or at least for work in the formal economy. At the same time, it is common knowledge that tax evasion is still widespread. These phenomena may well be compounded by distortions inherent in the system, among them the charging of a minimum national insurance contribution on part-time work. All of this suggests that the taxation system should be further refined in order to enhance the degree of compliance and to shift the tax burden away from productive activities.

Conclusion

On this same occasion five years ago my analysis of the country's economic condition led me to conclude that the status quo was not sustainable. I expressed the view that the time had therefore come for us as a nation, not as followers of narrow sectoral interests, to revisit the choices made in the past and to establish new priorities commensurate with the prevailing economic realities, with the limited resources available to us and with our core values.

The situation we face today compels me to reiterate this appeal with greater conviction. For we have clearly not done enough. Speaking in April 2002, a year after the collapse of the high-technology boom and looking ahead to the next upturn in the economic cycle, I observed that when the tide eventually rose, it would not necessarily raise all boats. Countries which benefited most would likely be those who made the greatest effort to adapt to evolving market conditions.

The tide has risen, even higher than expected. Global GDP is likely to increase by up to 5% this year, its strongest pace for a generation. This growth is being largely led by robust consumer spending in the United States and booming corporate investment in China, but Japan is also growing fast and even the euro area is showing signs of recovery, while emerging economies as a group are enjoying their fastest growth for at least twenty-five years. In sharp contrast, the Maltese economy is again this year likely to post one of the slowest growth rates in the EU.

Returning the economy to a sustainable growth path closer to its potential rate must, therefore, be a priority objective. How should it be pursued? In today's highly competitive global economy, there are no quick fixes or painless options that will produce greater economic efficiency, enhanced welfare and higher living standards. We must simply work harder and longer, and give more value for money.

The temptation to postpone decisive action must be resisted. We should be encouraged by the knowledge that other countries have succeeded in overcoming similar, even tougher challenges. In all cases, an indispensable ingredient of success has been an honest acknowledgement of the problem accompanied by the genuine desire of all the social partners to work out an effective solution in the national interest.

In the current circumstances, sitting on the fence is not a responsible option. Not only does it become an uncomfortable position to maintain, but it also becomes less credible with time. There is indeed the danger that anybody who is not willing to be part of the solution will be perceived to be part of the problem. I, therefore, feel obliged to call on all the social partners to adopt a long-term perspective and sign up to a substantial reform package which would lay the foundations for renewed growth and sustainable development. A thriving economy is the best social policy.

NEWS NOTES

LOCAL NEWS

European Commission's Communication on Malta's fiscal deficit

On 14 December the European Commission submitted a Communication to the Council in which it stated that Malta, the Czech Republic, Cyprus, Poland and Slovakia are on track to correct their fiscal deficits. The Commission noted that the Government has taken effective action to achieve the 2005 deficit target in response to the Council's Recommendations.

Update of Malta's Convergence Programme 2004-2007

On 7 December, the Government submitted to the EU Commission an update of Malta's Convergence Programme covering the period 2004-2007. The Update was prepared in accordance with the Council Regulation (EC) No 1466/97 and conforms to the revised Opinion of the EU Council on the content and format of stability and convergence programmes. The Update takes into account the impact of the 2005 Budget and revises projections for economic growth.

Issue of Malta Government securities

On 2 November the Government of Malta issued the following securities, announced through LN 459 and 460:

- Lm 19 million worth of 5.9% MGS 2022 (Third Issue) Fungibility Issue, issued at par for amounts not exceeding Lm50,000 and by auction for bids exceeding this amount;
- Lm 10.5 million worth of 5.1% MGS 2022 (First Issue) Fungibility Issue, issued by auction for bids exceeding Lm250,000 at not less than Lm103.25 per Lm100 nominal.

Issue of commemorative coin

On 20 October the Central Bank of Malta issued the fourth commemorative coin in the Distinguished Maltese Personalities Series. The coin depicts on its reverse side a portrait of the painter Giuseppe Calì. The coat-of-arms and the year of issue are shown on the obverse side. The silver Proof coin is legal tender in Malta for the value of Lm5. It has a finesse of 0.925, weighs 28.28g and has a diameter of 38.61mm.

Amendments to the Trust Act

On 23 November Parliament enacted the Trusts (Amendment) Act 2004 (Act XIII of 2004). Among other things, the Act deletes, amends and substitutes a number of articles of the principal Trusts Act (Cap. 331). These amendments, which make it possible for Maltese residents to set up a trust under Maltese law, seek to eliminate the risk of harmful tax practices and will gradually eliminate nominee companies as requested by the OECD and the Financial Action Task Force (FATF). Act XIII also amends a number of other laws including the External Transactions Act (Cap. 233), the Malta Financial Services Act (Cap. 330), the Investment Services Act (Cap. 370), the Banking Act (Cap. 371), the Companies Act (Cap. 386), the Insurance Business Act (Cap. 403) and the Money Laundering Act (Cap. 373). LN 516 of 21 December 2004 and LN 519 of 24 December 2004 established 1 January 2005 as the date on which Parts II, III, VIII, VI, XVII, XIX of the Trust (Amendment) Act came into force.

Legal Notices on banking and financial issues

- **External Transactions Act (Cap. 233), Reporting of Cash Movements Regulations 2004, issued on 9 November through LN 463.** These regulations oblige any person entering or leaving Malta and carrying a sum equivalent to Lm5,000 or more to declare that sum to the Comptroller of Customs. A record of declarations made under these regulations will be maintained by the Central Bank of Malta. These regulations came into effect on 1 January 2005.

- **Finance Markets Act (Cap. 345), Recognized Investment Exchange (Transparency) Regulations 2004, issued on 26 November through LN 491.** The purpose of these regulations is to implement the relevant provisions of the Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field.

- **Malta Financial Services Authority Act (Cap. 330), Financial Conglomerates Regulations 2004, issued on 24 December through LN 521.** The purpose of these regulations is to implement the provisions of Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate. They also amend Council Directives 73/239/EEC, 2002/83/EC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council.

Budget 2005

On 24 November the Prime Minster and Minister of Finance presented the Budget Estimates for 2005 to Parliament. Major measures announced in the Budget speech were as follows:

Cost of living increase

- A weekly wage increase of Lm1.75 effective from the beginning of 2005 and based on the movement of the RPI over the year to September 2004.

Indirect taxation measures

- A fuel surcharge on water and electricity bills, varying from 9% to 15.6%, depending on actual consumption, to come into effect on 1 January 2005.

- Increases in excise duty of 5c on cigarettes, with immediate effect.

- A 3% excise duty on all mobile telephony services, with immediate effect.

- The introduction of excise duty and value added tax on kerosene, with immediate effect. Persons entitled to non-contributory social benefits and contributory unemployment benefits are to be compensated by a one-off payment of Lm12.

- An increase of Lm10 in the passenger departure tax, to come into effect on 1 August 2005.

- An increase of 5 cents in bus fares, to come into effect on 1 January 2005.

Labour market

- Public holidays falling on weekends will no longer be added on to the annual leave entitlement.

- Women returning to work after an absence of five years will benefit from a one-year tax holiday.

- Unemployed persons will be required to attend training courses offered by the ETC.

Environmental measures

- The list of items subject to an eco-contribution is increased, while a one-off refund of 15.25% on the CIF value (not exceeding Lm50) will be given for each solar energy product acquired by a household and on each purchase of an electric car.

Social welfare

- Families with four or more children will have their children's allowance increased.
- Parents of children with disabilities attending private schools will benefit from tax cuts.

Incentives to industry

- Lm1.8 million budgeted as aid to industry.
- A new three-year venture capital fund of Lm0.9 million.
- The introduction of fiscal benefits for research and development carried out by local entrepreneurs in industry in Malta; for companies which employ less than eleven full-time employees (SMEs); and for the audio-visual industry/ setting up of international conferences in Malta.

White Paper on the pension system

On 24 November the Government published a White Paper setting out its proposals on the sustainability and adequacy of Malta's pension system. The White Paper bases the case for pension reform on the conclusions of various reports carried out since 1997, and sets out the critical issues that collectively underpin the foreseeable future difficulties in the current system. The Paper suggests a system based on a three-pillar approach. It also proposes the gradual lifting of the retirement age to 65 years for both men and women.

Privatisation of the Malta Freeport

On 5 October the Government signed an agreement with the CMA-CGM Group, granting it a thirty-year concession to operate and develop the Malta Freeport. As a result of the agreement the Government sold all its shares in Malta Freeport Terminals Ltd and leased the port facilities while granting a license for the operation of the port. For the duration of the lease the Government remains the owner of the site of the port facilities.

Bank of Valletta's credit rating modified

On 7 December the international credit rating agency Moody's Investors Service lowered the Bank of Valletta's long-term foreign currency deposit rating from A3 to Baa1 with a stable outlook. The outlook for the Bank's D+ financial strength rating was improved from negative to stable. Meanwhile, the short-term Prime 2 rating remains unchanged. Moody's issued the changed ratings following a comprehensive review carried out earlier this year. In their report, Moody's explained that the change in the long-term bank deposit rating was the result of stricter EU regulations regarding state support, which now apply to Malta as an EU Member State.

New financial institution licensed

On 7 December the MFSA issued a license in terms of the Financial Institutions Act 1994 (Cap. 376), to CommFinance Ltd to undertake the business of a financial institution in Malta. CommFinance Ltd is a wholly-owned subsidiary of the Commonwealth Bank of Australia.

INTERNATIONAL NEWS

World Bank Group and IMF Annual Meeting

The Board of Governors of the World Bank Group and the International Monetary Fund held their Annual Meeting on 2-3 October. This year's agenda included debt forgiveness and debt sustainability, financing for development and the World Bank's infrastructure action plan.

ECOFIN meetings

The ECOFIN Council met four times during the fourth quarter.

On 21 October the Council adopted Conclusions on budgetary data provided by Greece and on the administrative burden on business. It also discussed budget flexibility under the EU's financial framework for the period 2007-2013.

On 16 November the Council called upon the Greek government to comply fully with the requirements of budgetary discipline as a matter of urgency. It also debated the main issues raised in the review of the Stability and Growth Pact and agreed to re-discuss them at a forthcoming meeting with a view to enabling the review to be concluded next year.

On 25 November the Council reached political agreement, together with the European Parliament and the Commission, on the second reading of the draft EU general budget for 2005, and adopted Conclusions on a Commission Communication on Clearing and Settlement.

On 7 December the Council adopted further conclusions on a Commission Report on the reliability of Greek fiscal data. It also examined the ECB and Commission Convergence Reports that were published in October. The Council approved a general approach that will be used as the basis for negotiations with the European Parliament on three financial services directives: on minimum requirements aimed at improving the reliability of company financial statements; on new requirements on the capital adequacy of banks and investment firms; and, on strengthened provisions against money laundering and terrorist financing.

European Commission and ECB Convergence Reports for 2004

On 20 October, in accordance with Articles 122(1) and 122(2) of the Treaty establishing the European Community, the European Commission and the ECB submitted Convergence Reports to the EU Council. They examined the state of convergence of the ten new Member States with the requirements of European Monetary Union. The convergence criteria deal with price stability, the government budgetary position, exchange rates and interest rates.

European Commission report on practical preparations for enlargement of the euro area

On 10 November the European Commission issued its first report on the state of practical preparations for the euro in the ten new Member States. It opined that the introduction of the euro in these countries should be faster and smoother than was the case with the current members of the eurozone. To encourage citizens to be better informed about the new currency, the Commission will sign conventions with the new Member States with a view to launching an information campaign on this subject.

STATISTICAL TABLES

THE MALTESE ISLANDS - KEY INFORMATION, SOCIAL AND ECONOMIC STATISTICS

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

CAPITAL CITY	Valletta	
AREA	316 km^2	
CURRENCY UNIT	Maltese lira exchange rates: MTL 1 = USD 2.8921	
	MTL 1 = EUR 2.3315	
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 constant 2000 prices[1] (2003)	-0.3%
	GDP per inhabitant at current market prices[1,2] (2003)	USD 12,332
	GDP per capita in PPS relative to the EU-25 average[1] (2003)	75%
	Ratio of gross general government debt to GDP[1, 3] (2003)	70.4%
	Ratio of general government deficit to GDP[1, 3] (2003)	9.6%
	Retail Price Index - inflation rate[4]	2.6%
	Harmonised Index of Consumer Prices - inflation rate[4]	2.8%
	Ratio of exports of goods and services to GDP[1] (2003)	76.9%
	Ratio of current account deficit to GDP[1] (2003)	5.6%
	Employment rate[5] (June 04)	54%
	Unemployment rate[5] (June 04)	7.3%
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)	1,137
EDUCATION	Combined gross enrolment ratio % (2001/2002)	77
	Number of educational institutions (2002/2003)	298
	Teachers per 1,000 students (2002/2003)	86
	Adult literacy rate: % age 10+ (Dec. 2003)	92.8
LIVING STANDARDS	Human Development Index: rank out of 177 countries (2002)	31
	Mobile phone subscriptions per 100 population	76
	Private motor vehicle licences per 1,000 population	510
	Internet subscribers per 100 population	21

[1] Provisional. Data in accordance with ESA95.
[2] Based on Eurostat's estimate of GDP at current market prices in euro per inhabitant.
[3] Source: Excessive Deficit Procedure Notification.
[4] The inflation rate is derived as a twelve month-moving average.
[5] Source: Labour Force Survey, NSO. As from Quarter 1:2004, compiled using an evenly-spread survey throughout the 13 weeks of the quarter.

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 September 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

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

Liabilities

Lm thousands

End of period	Currency notes & coins issued	IMF-related liabilities	Deposits				Capital & reserves	Foreign liabilities[3]	Other liabilities[4]
			Banks[2,4]	Government	Other	Total			
1998	390,911	19,014	115,195	48,188	13,367	176,751	93,050	-	35,265
1999	418,485	34,980	124,786	96,188	12,424	233,398	89,050	-	42,631
2000	423,188	35,246	141,270	56,161	10,393	207,825	89,050	3,655	32,164
2001	441,829	35,103	146,789	69,080	7,644	223,513	95,069	-	31,827
2002	461,247	33,495	255,558	42,961	7,595	306,114	95,341	6,987	32,758
2003									
Jan.	450,395	33,495	282,620	49,124	7,508	339,252	100,211	2,291	19,140
Feb.	452,689	33,495	268,964	65,531	7,463	341,958	95,243	2,910	26,247
Mar.	456,791	33,495	250,596	74,451	7,196	332,243	95,789	5,838	13,317
Apr.	465,032	33,495	260,883	59,482	15,549	335,914	95,671	1,955	14,664
May	465,814	32,740	297,630	61,162	7,226	366,018	95,470	2,680	17,242
June	471,111	32,740	282,003	65,191	8,870	356,064	96,058	4,774	17,708
July	471,576	32,740	261,529	84,406	8,361	354,296	96,091	2,499	19,393
Aug.	472,417	32,740	289,896	67,959	7,731	365,586	96,192	5,386	20,595
Sept.	475,795	32,740	289,866	67,763	8,276	365,905	90,689	7,624	22,249

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	32,740	301,884	65,194	8,489	375,567	90,682	2,395	23,030
Nov.	474,370	32,740	261,164	94,206	10,633	366,003	90,653	4,819	24,338
Dec.	485,373	31,456	242,162	83,198	8,456	333,815	88,225	25,497	28,651
2004									
Jan.	477,011	31,456	292,241	70,700	7,245	370,186	87,943	14,013	16,868
Feb.	480,596	31,456	290,852	74,211	7,379	372,442	89,304	13,661	16,930
Mar.	486,005	31,456	282,376	70,448	7,666	360,490	89,658	7,800	12,712
Apr.	491,230	31,456	274,074	72,064	7,380	353,518	87,098	6,285	13,080
May	493,617	31,871	230,188	106,799	10,679	347,665	85,728	2,290	10,930
June	502,342	31,871	228,512	84,338	11,643	324,494	85,004	1	12,428
July	501,806	31,871	267,939	50,940	16,045	334,923	84,832	2,209	13,456
Aug.	503,876	31,871	234,958	94,891	16,428	346,278	85,341	5,326	14,896
Sept.	503,787	31,871	247,315	93,469	16,522	357,306	84,971	5,287	15,818

[1] Figures are reported 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.

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

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

[4] From December 2001, term deposits by banks previously classified as "Other Liabilities" are classified as "Bank Deposits".

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

Lm thousands

End of period	External reserves				IMF currency subscription	Malta Government securities & advances	Fixed & other assets	Total assets/ Total liabilities
	Gold	IMF-related assets[2]	Convertible currencies[3]	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 [3]	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
Apr.	492	36,265	890,780	927,536	31,431	6,628	17,071	982,667
May	491	36,110	879,582	916,183	31,846	6,312	17,761	972,101
June	491	36,259	864,180	900,931	31,846	6,482	16,880	956,139
July	489	36,104	869,581	906,175	31,846	14,893	16,182	969,096
Aug.	512	36,411	888,356	925,279	31,846	13,429	17,033	987,587
Sept.	512	35,934	892,037	928,482	31,846	20,453	18,258	999,040

[1] Figures are reported 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.

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

[3] Valued according to the prevailing accounting policies as explained each year in the 'Notes to the Accounts' in the *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	2,675,772	1,077,630	46,638	599,911	350,272
2004								
Jan.	1,060,800	29,375	1,596,415	2,686,590	1,095,935	46,598	600,927	353,314
Feb.	1,089,949	29,356	1,591,050	2,710,355	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	601,543	340,872
Apr.	1,120,871	31,997	1,585,467	2,738,334	1,184,591	50,097	649,104	344,013
May	1,101,281	29,380	1,590,064	2,720,725	1,206,292	49,889	652,127	346,613
June	1,116,388	29,414	1,595,115	2,740,917	1,208,629	49,915	655,746	330,304
July	1,136,678	29,837	1,605,164	2,771,679	1,237,404	49,934	660,607	322,273
Aug.	1,126,367	29,407	1,608,871	2,764,645	1,213,159	49,962	653,030	323,003
Sept.	1,132,442	29,475	1,605,685	2,767,602	1,333,436	49,711	653,317	331,161

[1] Includes Malta Government and private sector deposits but excludes deposits belonging to non-residents (these are classified as foreign liabilities). Demand deposits are netted of uncleared effects drawn on local banks (i.e. items in 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	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	1,878,804	651,510	35,403	1,352,794	309,114	4,549,969
Nov.	279,929	1,890,275	659,820	214,854	1,357,872	331,149	4,733,900
Dec.	260,873	1,909,932	622,093	216,477	1,405,740	335,107	4,750,222
2004							
Jan.	312,047	1,902,808	607,539	215,368	1,406,513	339,089	4,783,362
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	308,603	4,916,626
Apr.	295,735	1,939,989	657,379	209,856	1,542,336	320,845	4,966,140
May	249,406	1,955,450	680,574	210,607	1,550,744	328,834	4,975,616
June	247,127	1,964,152	675,661	210,762	1,576,363	311,448	4,985,513
July	287,482	1,965,875	657,162	210,187	1,606,035	315,156	5,041,897
Aug.	255,095	1,974,645	666,967	210,823	1,569,054	327,214	5,003,797
Sept.	268,144	2,017,036	656,712	211,999	1,688,383	292,954	5,135,227

[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				
1998	2,866	7,712	11,292	21,870	1,690,832	161,866	17,382	1,891,950
1999	4,027	10,203	7,093	21,323	2,453,948	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
Apr.	669	-	288	957	2,995,185	192,016	3,180	3,191,337
May	135	-	287	422	3,018,477	192,800	3,420	3,215,119
June	201	-	286	487	2,984,665	199,220	3,586	3,187,957
July	227	87	280	593	2,995,279	204,883	3,726	3,204,481
Aug.	361	113	287	761	3,325,764	215,068	3,682	3,545,275
Sept.	213	202	286	701	3,318,199	214,450	2,582	3,535,932

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
Apr.	-	3,174,201	126	-	629	16,381	3,191,338
May	-	3,198,105	126	-	624	16,264	3,215,118
June	-	3,171,551	123	-	620	15,662	3,187,957
July	-	3,185,702	121	-	632	18,026	3,204,482
Aug.	-	3,525,363	123	-	645	19,142	3,545,274
Sept.	-	3,509,511	122	-	639	25,659	3,535,932

[1] Includes holdings of cash.

TABLE 1.4a BANKING SURVEY[1]

Lm thousands

End of period	Domestic credit			Net foreign assets			Narrow money[4] (M1)	Quasi-money[5]	Other items (net)	Total assets/ liabilities
	Net claims on Government[2]	Claims on private & parastatal sectors[3]	Total	Central Bank of Malta	All banking institutions	Total				
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) SURVEY[1]

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.	566,629	1,916,163	2,482,792	953,334	463,400	1,416,734	2,862,027	1,037,499	3,899,526
Nov.	595,957	2,064,159	2,660,116	935,785	471,441	1,407,226	2,847,973	1,219,370	4,067,342
Dec.	568,436	2,080,347	2,648,782	919,841	497,106	1,416,946	2,849,244	1,216,487	4,065,729
2004									
Jan.	562,778	2,075,065	2,637,844	938,451	482,425	1,420,876	2,865,097	1,193,624	4,058,720
Feb.	579,392	2,080,089	2,659,480	944,205	483,518	1,427,723	2,894,167	1,193,037	4,087,203
Mar.	605,394	2,119,969	2,725,363	933,078	481,439	1,414,517	2,904,751	1,235,130	4,139,880
Apr.	601,279	2,119,975	2,721,254	929,852	536,761	1,466,613	2,933,596	1,254,270	4,187,867
May	565,803	2,156,714	2,722,517	920,605	524,081	1,444,685	2,914,066	1,253,136	4,167,202
June	585,382	2,164,778	2,750,161	906,856	554,620	1,461,477	2,939,288	1,272,347	4,211,637
July	606,953	2,166,226	2,773,179	904,183	559,054	1,463,236	2,970,160	1,266,255	4,236,415
Aug.	576,834	2,169,484	2,746,318	923,751	555,494	1,479,244	2,960,696	1,264,869	4,225,563
Sept.	573,062	2,210,356	2,783,418	928,657	546,259	1,474,916	2,960,436	1,297,898	4,258,334

[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.

[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			Total
	Currency issued	Bank deposits with Central Bank of Malta	Total	Currency in circulation	Demand deposits	Total	Savings deposits	Time deposits	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 (M0)			Broad money (M3)								
				Intermediate money (M2)							Repurchase agreements /Debt securities with agreed maturity up to 2 years	Total (M3)
				Narrow money (M1)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)		
	Currency issued	MFI balances with Central Bank	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)					
					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	736,803	1,486,808	28,181	1,332,958	2,847,947	26	2,847,973
Dec.	485,373	137,885	623,258	460,424	273,666	756,858	1,490,948	28,778	1,329,492	2,849,218	26	2,849,244
2004												
Jan.	477,011	143,258	620,269	461,806	266,693	769,945	1,498,444	29,371	1,337,256	2,865,072	25	2,865,097
Feb.	480,596	151,271	631,867	464,226	275,150	791,753	1,531,128	29,352	1,333,687	2,894,167	-	2,894,167
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
Apr.	491,230	134,088	625,318	472,514	305,138	801,086	1,578,738	31,992	1,322,867	2,933,596	-	2,933,596
May	493,617	152,351	645,968	476,693	300,935	782,932	1,560,560	29,375	1,324,132	2,914,066	-	2,914,066
June	502,342	144,286	646,628	481,560	306,566	790,863	1,578,989	29,409	1,330,890	2,939,288	-	2,939,288
July	501,806	154,925	656,731	483,457	314,267	801,352	1,599,076	29,918	1,341,166	2,970,160	-	2,970,160
Aug.	503,876	150,143	654,019	483,028	325,647	785,769	1,594,444	29,514	1,336,738	2,960,696	-	2,960,696
Sept.	503,787	159,502	663,288	484,035	323,859	788,343	1,596,237	29,672	1,334,526	2,960,436	-	2,960,436

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	-
Feb.	-	-	-	-	285,600	295,000	139,600	5,350
Mar.	-	-	-	100	292,500	297,400	134,700	-
Apr.	-	-	-	-	287,300	282,000	140,000	5,900
May	-	-	-	-	206,600	268,800	77,800	11,300
June	-	-	-	-	171,100	164,700	84,200	15,600
July	-	-	-	1,900	197,000	228,200	113,000	500
Aug.	-	-	-	1,500	196,550	224,750	84,800	4,500
Sept.	-	-	-	4	200,400	197,400	87,800	12,500

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

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

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

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

[5]Includes Lm28 million bilateral repos.

TABLE 1.7a DEPOSITS WITH ALL BANKING INSTITUTIONS[1]

analysis by ownership and type

Lm thousands

End of period	Resident deposits by owner				Resident deposits by type		Total resident deposits	Non-resident deposits	Total deposits
	Personal[2]	Corporate/ business	Government	Public sector[3]	Maltese lira deposits	Foreign currency deposits[4]			
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.	19,728	5,766	52,077	425,142	2,173,403	2,656,388	2,676,116	861,834	3,537,950
Dec.	19,216	6,852	51,299	419,019	2,180,340	2,657,511	2,676,727	850,927	3,527,654
2004									
Jan.	20,115	6,623	53,119	415,606	2,191,751	2,667,099	2,687,215	964,582	3,651,796
Feb.	20,034	5,951	62,967	419,984	2,202,116	2,691,018	2,711,051	1,018,570	3,729,621
Mar.	19,829	7,740	51,740	427,765	2,210,052	2,697,298	2,717,127	1,024,388	3,741,515
Apr.	21,148	6,175	55,969	434,283	2,221,717	2,718,144	2,739,291	1,043,975	3,783,266
May	23,130	5,328	57,776	428,514	2,206,398	2,698,017	2,721,148	1,029,411	3,750,558
June	22,096	4,564	58,965	437,579	2,218,200	2,719,308	2,741,404	936,286	3,677,690
July	23,122	6,098	63,228	452,103	2,227,721	2,749,151	2,772,273	957,807	3,730,079
Aug.	24,027	5,461	63,311	449,419	2,223,188	2,741,379	2,765,407	1,011,903	3,777,309
Sept.	27,898	4,742	61,861	445,562	2,228,239	2,740,404	2,768,303	1,064,674	3,832,976

[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
	MTL	EUR	GBP	USD	Other	MTL	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
June	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
Apr.	2,364,993	102,721	136,037	109,986	27,114	50,440	993,535	3,784,826
May	2,343,312	102,392	141,405	108,529	26,036	50,390	979,021	3,751,085
June	2,358,372	104,971	144,237	106,241	27,583	50,900	885,386	3,677,690
July	2,379,940	106,311	145,485	111,466	29,148	51,530	906,277	3,730,158
Aug.	2,372,551	108,550	145,155	110,729	28,724	51,448	960,454	3,777,611
Sept.	2,377,863	109,686	146,952	105,459	28,934	50,429	1,014,244	3,833,569

[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
Apr.	473,087	18,143	491,230	18,716	472,514
May	475,363	18,254	493,617	16,925	476,693
June	483,772	18,571	502,342	20,782	481,560
July	483,008	18,798	501,806	18,349	483,457
Aug.	484,795	19,081	503,876	20,848	483,028
Sept.	484,754	19,033	503,787	19,752	484,035

[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[2]				
		Lm20	Lm10	Lm5	Lm2	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
Apr.	491,230	110,777	324,839	30,253	7,218	473,087
May	493,617	111,172	326,069	30,823	7,300	475,364
June	502,342	112,254	332,185	31,848	7,485	483,772
July	501,806	112,446	331,235	31,871	7,456	483,008
Aug.	503,876	112,355	332,498	32,406	7,536	484,795
Sept.	503,787	112,384	332,738	32,191	7,441	484,754

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

[2] The (3rd series) Lm1 banknote ceased to be legal tender in 1993. It remained exchangeable up to April 2003.

TABLE 1.11 DEPOSIT MONEY BANK LIQUIDITY[1]

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	72.3
Nov.	1,021,931	615,716	406,215	2,052,386	49.8	73.0
Dec.	984,411	609,245	375,166	2,030,816	48.5	73.6
2004						
Jan.	1,039,118	615,294	423,824	2,050,979	50.7	72.8
Feb.	1,149,454	612,935	536,519	2,043,116	56.3	72.3
Mar.	1,050,575	638,508	412,067	2,128,359	49.4	73.5
Apr.	1,055,676	655,572	400,104	2,185,239	48.3	72.7
May	1,027,172	667,041	360,131	2,223,471	46.2	73.7
June	1,049,939	669,409	380,530	2,231,363	47.1	73.3
July	1,118,486	655,632	462,854	2,185,441	51.2	72.6
Aug.	1,026,798	656,753	370,045	2,189,176	46.9	73.2
Sept.	1,117,748	702,965	414,783	2,343,217	47.7	74.6

[1] Up to September 1990, Deposit Money Banks were required to hold an amount equivalent to 25% of their total deposit liabilities in the form of specified liquid assets. In October 1990, the required minimum total liquidity ratio was reduced to 20%. Consequently, the required minimum local liquidity ratio was reduced from 12.5% to 8% of local deposit liabilities. 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	217,045	122,692	542,320	1,071,440
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.	174,472	169,978	137,682	556,986	1,039,118
Feb.	167,646	186,681	240,744	554,383	1,149,454
Mar.	157,458	207,875	128,455	556,787	1,050,575
Apr.	154,327	219,720	145,405	536,224	1,055,676
May	97,936	224,641	142,509	562,086	1,027,172
June	106,098	221,610	167,860	554,371	1,049,939
July	143,825	225,959	209,045	539,657	1,118,486
Aug.	103,137	213,828	161,215	548,618	1,026,798
Sept.	119,501	206,378	156,794	635,075	1,117,748

[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 RATES[1]

Lm thousands

End of period		Size of loans and advances[2]				
		Up to 10,000	Over 10,000 to 100,000	Over 100,000 to 500,000	Over 500,000	Total
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	235,875	681,763	369,381	1,060,829	2,347,849
	Interest Rate	-	-	-	-	-
2004						
Jan.	Amount	238,052	673,193	358,609	1,067,456	2,337,309
	Interest Rate	-	-	-	-	-
Feb.	Amount	239,448	679,382	360,848	1,046,598	2,326,276
	Interest Rate	-	-	-	-	-
Mar.	Amount	245,023	716,245	388,237	1,119,282	2,468,786
	Interest Rate	-	-	-	-	-
Apr.	Amount	257,750	736,500	396,707	1,114,858	2,505,815
	Interest Rate	-	-	-	-	-
May	Amount	257,087	741,439	397,926	1,118,050	2,514,501
	Interest Rate	-	-	-	-	-
June	Amount	237,532	693,309	371,722	1,240,674	2,543,237
	Interest Rate	-	-	-	-	-
July	Amount	239,100	698,571	367,322	1,221,660	2,526,653
	Interest Rate	-	-	-	-	-
Aug.	Amount	236,495	688,165	367,879	1,222,448	2,514,988
	Interest Rate	-	-	-	-	-
Sept.	Amount	240,521	716,616	383,594	1,212,677	2,553,407
	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. Data on interest rates are available only up to September 2003.

[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 SECTOR[1]

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	135,506	74,835	9,237	184,823	201,132	206,872	288,171
2004								
Jan.	80,976	140,987	77,924	9,190	178,308	197,512	205,727	281,635
Feb.	79,769	140,647	73,201	9,279	179,335	193,346	204,739	281,182
Mar.	78,217	139,378	71,518	9,318	181,459	200,700	209,504	293,256
Apr.	78,372	136,338	70,037	9,394	180,116	198,014	207,194	291,978
May	85,869	135,904	68,835	9,275	178,368	200,980	206,525	288,889
June	86,142	132,425	68,682	9,300	177,088	202,392	204,555	288,781
July	91,166	129,508	68,825	9,460	174,752	199,610	204,492	283,234
Aug.	92,064	127,667	70,641	9,255	174,675	202,530	203,098	278,700
Sept.	92,432	128,004	74,108	9,578	169,353	209,037	205,819	290,425

[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 SECTOR[1] *(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	427,632	35,059	128,965	591,744	58,233	1,949,788	291,669	2,241,457
Nov.	124,141	437,214	35,316	129,885	602,505	62,995	1,955,887	288,420	2,244,307
Dec.	118,472	442,245	36,142	131,568	609,955	60,788	1,973,681	374,168	2,347,849
2004									
Jan.	117,389	448,937	35,811	131,522	616,270	59,463	1,965,382	371,927	2,337,309
Feb.	118,687	454,386	35,463	134,809	624,657	61,664	1,966,507	359,769	2,326,276
Mar.	121,620	466,190	35,473	138,769	640,431	61,610	2,007,011	461,775	2,468,786
Apr.	121,657	467,771	35,540	141,467	644,778	61,430	1,999,307	506,508	2,505,815
May	121,601	486,499	51,881	117,719	656,099	60,891	2,013,236	501,265	2,514,501
June	120,503	497,039	66,660	104,641	668,339	60,238	2,018,445	524,792	2,543,237
July	121,966	502,715	66,993	105,879	675,587	61,622	2,020,223	506,430	2,526,653
Aug.	126,096	507,381	69,264	106,243	682,888	61,774	2,029,388	485,601	2,514,989
Sept.	136,141	512,072	71,598	111,882	695,552	60,594	2,071,043	482,365	2,553,407

[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 CATEGORY[1]

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 & shiprepair	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

Lm thousands

End of period	Electricity, gas & water supply		Transport, storage & communication			Agriculture & fishing		Financial intermediation		
	General government & public non-financial companies	Other	General government	Public non-financial companies	Other	General government	Other	General government	Public non-financial companies	Other
2003	82,882	1,009	82	59,989	75,435	60	9,177	401	907	73,527
2004										
Jan.	79,956	1,020	82	62,107	78,799	68	9,122	401	935	76,588
Feb.	78,776	993	82	61,455	79,110	17	9,262	390	900	71,912
Mar,	77,284	932	82	62,299	76,997	8	9,310	384	918	70,216
Apr.	77,446	926	82	59,308	76,948	8	9,385	378	8	69,651
May	85,135	733	82	60,886	74,936	16	9,259	378	8	68,450
June	85,493	649	0	58,365	74,059	25	9,276	366	9	68,307
July	90,478	688	0	56,017	73,491	32	9,428	360	9	68,457
Aug.	91,115	949	1,477	57,105	69,084	43	9,212	362	0	70,279
Sept.	91,690	742	1,477	55,252	71,275	57	9,521	348	4,306	69,454

End of period	Manufacturing		Construction		Hotels & restaurants			Wholesale and retail trade; repairs		
	General government & public non-financial companies	Other	Public non-financial companies	Other	General government	Public non-financial companies	Other	General government	Public non-financial companies	Other
2003	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,	60,642	120,816	3,933	196,767	-	2,711	206,792	-	-	293,256
Apr.	59,654	120,461	3,900	194,114	-	2,695	204,499	-	62	291,916
May	59,613	118,754	4,150	196,830	-	2,723	203,803	-	62	288,827
June	58,903	118,185	4,150	198,242	-	2,608	201,947	-	-	288,781
July	58,163	116,589	4,150	195,460	-	2,591	201,900	-	-	283,234
Aug.	57,779	116,897	4,150	198,380	-	2,570	200,528	-	-	278,699
Sept.	49,362	119,991	4,150	204,887	-	2,488	203,331	-	-	290,425

End of period	Households & individuals	Real estate, renting & business activities		Other			Total lending to residents of Malta		
		General government / Public non-financial companies	Other	General government	Public non-financial companies	Other	General government	Public non-financial companies	Other
2003	609,955	1,138	117,334	10,800	478	49,510	89,483	135,646	1,748,552
2004									
Jan.	616,270	1,038	116,351	9,033	2,372	48,058	86,746	134,174	1,744,462
Feb.	624,657	1,041	117,647	11,399	1,476	48,789	86,366	131,822	1,748,319
Mar,	640,431	1,051	120,569	11,373	167	50,070	86,747	134,106	1,786,157
Apr.	644,778	951	120,706	11,292	186	49,953	85,728	130,242	1,783,336
May	656,099	950	120,651	10,929	216	49,747	63,020	162,127	1,788,089
June	668,339	950	119,550	10,824	141	49,274	62,492	159,345	1,796,608
July	675,587	1,159	120,807	11,003	158	50,461	62,090	162,030	1,796,103
Aug.	682,888	1,158	120,670	11,311	148	50,315	68,532	162,954	1,797,902
Sept.	695,552	13,437	122,704	7,314	1,877	51,404	69,881	161,875	1,839,286

TABLE 1.16 NET FOREIGN ASSETS OF THE BANKING SYSTEM[1]

Lm thousands

End of period	Central Bank of Malta[2]							Total (A+B)
	Foreign Assets				Foreign liabilities	Net (A)	Government & parastatal companies[5] (B)	
	Gold[3]	Convertible currencies	IMF-related assets[4]	Total foreign assets				
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]					
	Foreign assets				Foreign liabilities	Net foreign assets
	Gold	IMF-related assets	Other	Total		
Oct.	633	69,388	920,606	990,627	37,293	953,334
Nov.	636	69,034	905,340	975,010	39,226	935,785
Dec.	624	67,117	910,851	978,592	58,751	919,841
2004						
Jan.	619	67,177	918,004	985,800	47,348	938,451
Feb.	606	67,196	923,240	991,042	46,837	944,205
Mar.	657	67,660	905,841	974,158	41,080	933,078
Apr.	602	67,696	901,241	969,539	39,687	929,852
May	674	67,956	891,114	959,744	39,139	920,605
June	656	68,106	874,440	943,202	36,345	906,856
July	628	67,951	879,190	947,769	43,586	904,183
Aug.	625	68,257	898,963	967,845	44,095	923,751
Sept.	625	67,780	903,851	972,256	43,599	928,657

[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 SYSTEM[1]

(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	1,249,635	2,820,718	2,653,619	167,099	1,416,734
Nov.	1,357,872	1,059,350	298,522	1,234,307	2,734,717	2,561,798	172,919	1,407,226
Dec.	1,405,740	1,077,630	328,110	1,247,951	2,917,645	2,748,650	168,995	1,416,946
2004								
Jan.	1,406,513	1,095,935	310,578	1,249,029	2,983,356	2,811,509	171,847	1,420,876
Feb.	1,495,175	1,189,417	305,758	1,249,963	2,956,685	2,778,925	177,760	1,427,723
Mar.	1,500,755	1,207,806	292,949	1,226,027	3,081,612	2,893,122	188,490	1,414,517
Apr.	1,542,336	1,184,591	357,745	1,287,597	3,174,201	2,995,185	179,016	1,466,613
May	1,550,744	1,206,292	344,453	1,265,057	3,198,105	3,018,477	179,628	1,444,685
June	1,576,363	1,208,629	367,733	1,274,590	3,171,551	2,984,665	186,887	1,461,477
July	1,606,035	1,237,404	368,631	1,272,813	3,185,702	2,995,279	190,423	1,463,236
Aug.	1,569,054	1,213,159	355,895	1,279,645	3,525,363	3,325,764	199,599	1,479,244
Sept.	1,688,383	1,333,436	354,947	1,283,604	3,509,511	3,318,199	191,312	1,474,916

[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.	June	Sept.
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	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	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#	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	4.50	4.50
Overnight deposit facility	-	1.80	1.80	1.30	0.80	0.80	0.30	0.30	0.30	1.50	1.50	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	2.75	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	2.90	2.90
1 week	5.56	4.74	4.78	4.25	3.76*	3.63*	3.26*	3.21	2.96	2.95*	2.95	2.95*
1 month	5.70	4.75	4.90	4.58*	3.80*	3.73*	3.27*	3.00*	2.98*	2.82	2.96*	2.97*
3 month	5.95	5.27	4.92*	4.82*	3.90*	3.76*	3.34*	3.03*	3.00*	2.99*	2.98*	3.01*
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	2.13	2.06
Current	1.49	1.11	1.32	1.48	1.12	0.93	0.75	0.71	0.44	0.45	0.43	0.47
Savings	3.04	2.81	2.52	2.22	1.80	1.64	1.43	1.23	1.01	0.99	1.00	0.96
Time	5.35	5.43	5.25	4.98	4.39	4.23	4.06	3.77	3.45	3.17	3.00	2.90
Weighted average lending rate	8.08	7.28	7.23	6.50	6.07	6.12	5.97	5.94	5.31	5.32	5.31	5.32
Government securities												
Treasury bills												
1 month	5.43	-	4.85	4.80	-	-	-	-	-	-	-	2.96
3 month	5.49	4.95	4.90	4.53	3.67	3.46	3.38	3.15	2.94	2.93	2.90	2.96
6 month	5.48	4.96	4.94	5.04	3.80	3.57	3.35	3.11	2.93	2.92	2.91	2.94
1 year	5.50	5.12	-	-	-	-	3.52	3.13	-	2.93	2.95	2.97
Government stocks												
2 year	-	-	-	-	-	3.91	3.55	3.64	3.39	3.12	3.21	3.30
5 year	5.80	5.46	5.33	5.40	5.15	5.13	4.61	4.38	4.37	4.32	4.27	4.26
10 year	6.00	5.55	5.99	6.15	5.43	5.40	5.11	4.73	4.71	4.70	4.65	4.70
15 year	6.47	6.03	6.39	6.44	5.86	5.85	5.36	4.94	4.96	5.03	4.89	4.95
MALTA STOCK EXCHANGE SHARE INDEX	1211	3278	3376	2200	1871	1885	1920	2071	2126	2765	2524	2861

Note: # denotes the corridor linked to the central intervention rate.
*denotes Central Bank of Malta fixing rate average.
"-" sign implies that no transactions occurred during the preceding quarter.

TABLE 2.1 CENTRAL GOVERNMENT REVENUE AND EXPENDITURE [1]

Lm thousands

Period	Revenue			Expenditure			Deficit(-)/ Surplus(+)	Financing			Residual
	Ordinary[2,3]	Foreign Grants	Total	Recurrent[2,4]	Capital[5]	Total		Local [7]	Foreign[8]	Total	
1990	325,917	7,677	333,594	269,721	108,276	377,995	-44,401	37,266	11,054	48,319	3,917
1991	349,649	16,374	366,023	297,825	115,493	413,318	-47,295	35,217	6,467	41,684	-5,611
1992	341,413	16,392	357,805	325,999	58,017	384,016	-26,211	34,819	-1,603	33,216	7,005
1993	387,531	8,429	395,960	364,793	59,673	424,466	-28,506	27,772	747	28,519	13
1994	403,410	12,852	416,262	405,127	62,340	467,467	-51,205	38,911	8,514	47,425	-3,780
1995	468,248	4,517	472,765	446,628	70,344	516,972	-44,207	44,624	-2,733	41,891	-2,316
1996	447,467	20,804	468,271	498,020	73,527	571,547	-103,276	66,505	-449	66,056	-37,220
1997 [6]	504,297	9,811	514,108	528,903	103,392	632,295	-118,187	162,342	-1,042	161,300	43,113
1998	503,683	10,043	513,726	556,930	96,846	653,776	-140,050	137,854	-4,688	133,166	-6,884
1999	552,651	9,683	562,334	570,133	106,129	676,262	-113,928	148,969	-4,152	144,817	30,889
2000	608,104	9,549	617,653	604,277	98,552	702,829	-85,176	15,623	-4,373	11,250	-73,926
2001	667,228	1,392	668,620	673,286	80,627	753,913	-85,293	113,695	2,360	116,055	30,762
2002	717,084	2,720	719,804	709,806	97,671	807,476	-87,672	33,683	5,625	39,308	-48,364
2003	736,704	2,517	739,221	740,697	103,969	844,666	-105,445	95,699	25,828	121,527	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	74,059	9,791	83,851	-21,879	-	-460	-460	-22,339
May	51,849	931	52,780	66,107	11,749	77,856	-25,076	-	32,205	32,205	7,128
June	54,909	143	55,052	59,181	4,989	64,169	-9,117	334	-2,558	-2,223	-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	75,893	6,366	82,259	36,207	-99	-3,359	-3,458	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
Apr.	76,979	6	76,985	71,046	7,531	78,577	-1,592	-	-	-	-1,592
May	53,924	3,383	57,307	71,931	11,290	83,221	-25,914	49,215	-	49,215	23,301
June	47,245	3,097	50,342	55,408	6,627	62,035	-11,692	-2,740	-3,600	-6,340	-18,032
July	55,835	5,921	61,756	64,625	15,346	79,972	-18,216	5,985	-	5,985	-12,231
Aug.	71,184	217	71,401	62,664	5,833	68,497	2,904	24,148	-	24,148	27,052
Sept.	66,208	3,000	69,209	60,349	5,972	66,321	2,888	-	-	-	2,888

[1] Comprises government budgetary operations through the Consolidated Fund. Excluding operations of the Extra Budgetary Units.

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

[3] Excludes foreign loans, revenues from sale of MGS, receipts from sale of shares and from the sinking fund of converted loans.

[4] Excludes loan capital repayments and contributions to sinking funds.

[5] From 1992, excludes capital expenditure incurred by the public authorities/ corporations.

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

[7] Includes revenues from sale of MGS, receipts from sale of shares and from the sinking funds of converted loans less local contributions to sinking funds and repayment of local loans.

[8] Includes loans less contributions to the sinking fund and repayment of foreign loans.

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

TABLE 2.2 CENTRAL GOVERNMENT REVENUE BY MAJOR SOURCES[1]

Lm thousands

Period	Tax revenue						Non-tax revenue[5]	Ordinary revenue[6]	Foreign grants	Total revenue
	Income tax	National insurance contributions[2]	VAT & CET[3]	Licences, taxes & fines[4]	Customs & excise	Total				
1990	57,291	71,234	-	23,993	67,279	219,798	106,119	325,917	7,677	333,594
1991	61,637	72,041	-	27,017	75,951	236,647	113,002	349,649	16,374	366,023
1992	71,353	80,469	-	29,448	82,310	263,580	77,833	341,413	16,392	357,805
1993	85,113	97,004	-	30,447	83,541	296,105	91,426	387,531	8,429	395,960
1994	87,852	101,663	-	46,127	72,059	307,701	95,709	403,410	12,852	416,262
1995	99,758	115,480	78,108	54,556	32,595	380,497	87,751	468,248	4,517	472,765
1996	93,309	126,170	78,633	51,621	31,981	381,714	65,753	447,467	20,804	468,271
1997	110,539	142,184	84,607	54,280	43,197	434,807	69,490	504,297	9,811	514,108
1998	110,561	135,656	72,628	60,678	52,698	432,221	71,462	503,683	10,043	513,726
1999	128,354	144,274	85,023	67,960	55,426	481,037	71,614	552,651	9,683	562,334
2000	149,511	162,017	104,065	70,449	55,141	541,182	66,921	608,103	9,549	617,652
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
Apr.	24,685	17,873	15,791	7,079	4,126	69,553	7,426	76,979	6	76,985
May	12,671	16,417	8,324	6,583	4,539	48,534	5,390	53,924	3,383	57,307
June	15,678	13,476	5,885	7,174	3,155	45,368	1,877	47,245	3,097	50,342
July	14,009	11,240	11,327	11,035	5,059	52,671	3,165	55,835	5,921	61,756
Aug.	26,883	19,348	9,477	6,459	5,804	67,971	3,213	71,184	217	71,401
Sept.	15,536	16,408	13,162	8,042	5,197	58,345	7,863	66,208	3,000	69,209

[1] Excluding Extra Budgetary Units.

[2] 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).

[3] Value Added Tax, Customs & Excise Tax.

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

[5] Includes mainly Central Bank of Malta profits.

[6] 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 CENTRAL GOVERNMENT CAPITAL EXPENDITURE BY TYPE OF INVESTMENT[1,2]

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 [3]	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
Apr.	635	2,727	4,168	7,531
May	3,237	5,229	2,824	11,290
June	838	2,602	3,187	6,627
July	4,264	7,560	3,522	15,346
Aug.	1,597	1,862	2,374	5,833
Sept.	833	3,400	1,739	5,972

[1] Excluding Extra Budgetary Units.

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

[3] 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 GOVERNMENT[1] DEBT AND GOVERNMENT GUARANTEED DEBT OUTSTANDING

Lm thousands

End of period	Domestic securities[1]			Loans[3]	Total Government debt	Government guaranteed debt[4]
	Treasury bills	Malta Government stocks[2]	Total			
1995	71,406	285,952	357,358	53,433	410,791	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
June	259,834	961,048	1,220,882	112,308	1,333,190	304,261
Sept.	252,512	985,196	1,237,708	112,400	1,350,108	305,034

[1] Extra Budgetary Units are not included. Not consolidated with the Malta Government Sinking Fund.

[2] Including local development registered stocks.

[3] Includes domestic and foreign loans.

[4] 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 OUTSTANDING[1]

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**		
1997	54,767	523,369	50,501	34,564	663,202	146	663,348
1998	55,534	633,319	46,512	39,978	775,343	102	775,445
1999	79,082	704,937	44,186	56,747	884,952	346	885,298
2000	140,464	696,325	40,189	73,097	950,075	324	950,399
2001	156,029	805,915	40,494	70,069	1,072,506	419	1,072,925
2002[5]	189,930	805,573	45,154	59,339	1,099,996	545	1,100,541
2003[6]	227,858	906,831	114,527	49,778	1,298,994	696	1,299,690

[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 domestic and foreign loans.

[4] Extra Budgetary Units are publicly owned entities whose revenues, over a period of time, cover less than half their production costs.

[5] Half-finalised.

[6] Estimate.

Source: Excessive Deficit Procedure Notifications, Eurostat.

TABLE 3.2 TREASURY BILLS ISSUED AND OUTSTANDING[1]

Lm thousands

End of period	Amount maturing during period	Amount issued and taken up by			Amount outstanding[4] and held by		
		Banking system[2]	Non-bank public[3]	Total	Banking system[2]	Non-bank public[3]	Total
1990	50,000	59,960	40	60,000	29,987	13	30,000
1991	105,000	104,516	484	105,000	29,845	155	30,000
1992	120,000	117,415	2,585	120,000	27,949	2,051	30,000
1993	120,000	115,624	4,376	120,000	29,386	614	30,000
1994	120,000	117,845	2,155	120,000	29,387	613	30,000
1995	133,156	164,449	10,113	174,562	56,222	15,184	71,406
1996	296,171	164,584	169,116	333,700	84,429	24,506	108,935
1997	351,191	83,790	248,446	332,236	52,217	37,763	89,980
1998	255,783	44,300	205,216	249,516	52,432	31,281	83,713
1999	364,314	202,100	161,821	363,921	77,832	5,488	83,320
2000	341,869	276,611	154,925	431,536	123,599	49,388	172,987
2001	470,335	317,377	160,304	477,681	137,423	22,036	159,459
2002	644,964	554,354	165,914	720,268	159,689	59,142	218,831
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
Apr.	70,000	68,823	17,177	86,000	221,686	47,314	269,000
May.	33,000	28,755	1,079	29,834	226,220	39,614	265,834
June	60,000	51,762	2,238	54,000	223,591	36,243	259,834
July	85,000	82,830	12,170	95,000	236,536	33,298	269,834
Aug.	38,150	19,954	3,910	23,864	220,165	35,383	255,548
Sept.	41,000	15,397	22,567	37,964	212,296	40,216	252,512

[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 permissable outstanding Treasury bills from Lm30 million to Lm100 million. On 16 December 1996, the maximum amount of permissable outstanding bills was raised from Lm100 million to Lm200 million and, subsequently, to Lm300 million on 27 November 2002.

Source: Central Bank of Malta.

TABLE 3.3 MALTA GOVERNMENT STOCKS

(Outstanding as at end-September 2004)[1]

Lm thousands

Stock	Year of maturity	Year of issue	Issue price Lm	Interest dates	Held by		Amount
					Banking system	Others [2]	
7.25 % MGS	2005	1997	100	24 May - 24 Nov.	18,275	5,225	23,500
5.60 % MGS	2005 (II)	1999	100	1 Feb. - 1 Aug.	29,001	2,499	31,500
7.00 % MGS	2006 [3]	1994	100	19 May - 19 Nov.	1,663	8,337	10,000
7.00 % MGS	2006 (IV)	1996	100	30 June - 30 Dec.	-	167	167
7.25 % MGS	2006 (II)	1996	100	1 Feb. - 01 Aug.	6,307	12,943	19,250
7.25 % MGS	2006 (III) [4]	1996	100	20 Jan. - 20 July	7,371	7,629	15,000
7.35 % MGS	2007	1997	100	18 Apr. - 18 Oct.	16,492	8,258	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.	22,715	12,535	35,250
7.20 % MGS	2008	1998	100	10 June - 10 Dec.	8,814	1,186	10,000
7.20 % MGS	2008 (II)	1998	100	28 Feb. - 28 Aug.	20,385	9,616	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.	40,686	4,614	45,300
5.90 % MGS	2010	1999	100	19 May - 19 Nov.	13,659	1,341	15,000
5.75 % MGS	2010 (II)	2000	100	10 June - 10 Dec.	16,542	1,958	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.	3,173	31,827	35,000
5.40 % MGS	2010 (V) FI	2004	100/104.5	22 Feb. - 22 Aug.	6,650	6,350	13,000
7.50 % MGS	2011	1996	100	28 Mar. - 28 Sept.	7,443	7,557	15,000
6.25 % MGS	2011 (II)	2001	100	1 Aug. - 1 Feb.	18,302	21,698	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.	14,394	20,106	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.	1,941	19,059	21,000
7.80 % MGS	2013	1997	100	18 Apr. - 18 Oct.	11,930	22,320	34,250
6.35 % MGS	2013 (II)	2001	100	19 May. - 19 Nov.	410	25,590	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.	883	9,617	10,500
5.10 % MGS	2014	2003	100	6 Jan. - 6 July	154	29,846	30,000
6.45 % MGS	2014 (II)	2001	100	24 May - 24 Nov.	7,864	22,136	30,000
7.00 % MGS	2014 (IV)	2004	100	30 June - 30 Dec	-	1,719	1,719
5.10 % MGS	2014 (IV) FI	2004	100/103.25	6 Jan. - 6 July	12,743	4,257	17,000
6.10 % MGS	2015	2000	100	10 June - 10 Dec.	10,185	19,815	30,000
5.90 % MGS	2015 (II) FI	2002/2003	100/102	9 Apr. - 9 Oct.	980	39,221	40,200
6.65 % MGS	2016	2001	100	28 Mar. - 28 Sept.	3,367	26,633	30,000
4.80 % MGS	2016 (II)	2003	100	26 May - 26 Nov.	3,320	26,680	30,000
4.80 % MGS	2016 (II)FI	2004	101	26 May - 26 Nov.	12,590	12,410	25,000
7.80 % MGS	2018	1998	100	15 Jan. - 15 July	17,886	52,115	70,000
6.60 % MGS	2019	1999	100	1 Mar. - 1 Sept.	16,434	27,566	44,000
5.00 % MGS	2021	2004	100	8 Feb. - 8 Aug.	7,595	32,405	40,000
5.10 % MGS	2022	2004	100	16 Feb. - 16 Aug.	1,856	18,144	20,000
5.50 % MGS	2023	2003	100	6 Jan. - 6 July	300	33,534	33,833
Total					385,437	599,760	985,197

[1] Amounts are at nominal prices.

[2] Include non-resident banks.

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

[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 MATURITY[1]

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
June.	80,852	224,782	312,382	269,200	73,834	961,050
Sept.	55,000	224,782	342,382	269,200	93,834	985,198

[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
2004[4]				
Mar.	13,447	58,357	-	71,804
June	12,550	57,912	-	70,462
Sept.	12,387	58,167	-	70,554

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

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

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

[4] Provisional.

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

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	GBP	DM	JPY	EUR	USD	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
2004[1]									
Mar.	-	301	-	945	62,877	7,547	-	134	71,804
June	-	246	-	780	62,106	7,199	-	131	70,462
Sept.	-	242	-	758	62,408	7,013	-	133	70,554

[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 MATURITY[1]

Lm thousands

End of period	1 yr	2-5 yrs	6-10 yrs	11-15 yrs	16-20 yrs	Over 20 yrs	Total
1990	105	7,154	6,732	12,096	7,731	3,676	37,495
1991	34	11,877	4,960	14,229	9,833	3,774	44,707
1992	276	12,575	8,673	10,045	12,033	4,795	48,398
1993	-	15,200	5,766	9,232	15,596	4,687	50,480
1994	8,319	3,579	16,591	12,180	12,268	3,327	56,264
1995	206	2,142	23,486	11,662	12,529	3,408	53,433
1996	467	831	21,024	12,087	14,129	3,252	51,789
1997	452	3,114	16,255	23,167	4,398	3,062	50,449
1998	-	6,402	21,426	14,440	2,801	1,443	46,513
1999	-	6,013	20,944	13,353	2,693	1,346	44,349
2000	-	10,561	12,654	13,456	1,293	1,286	39,250
2001	586	13,356	11,759	12,249	1,207	1,221	40,378
2002	514	13,172	6,851	22,160	1,194	1,208	45,099
2003	464	11,257	6,582	53,111	-	1,202	72,616
2004[2]							
Mar.	2,034	14,045	9,504	45,055	133	1,033	71,804
June	1,579	13,661	9,040	45,018	131	1,033	70,462
Sept.	1,569	13,534	9,022	45,276	133	1,020	70,554

[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 CURRENCIES[1]

end of period closing rates

End of period		GBP	DM	USD	EUR[2]	LIT	FFR	NLG	BFR	JPY	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	3.696
2002		1.5553	-	2.5074	2.3910	-	-	-	-	297.66	3.475
2003		1.6351	-	2.9197	2.3163	-	-	-	-	312.16	3.610
2004											
Apr.	2	1.5645	-	2.8910	2.3461	-	-	-	-	300.94	3.668
	8	1.5535	-	2.8437	2.3551	-	-	-	-	301.44	3.653
	16	1.5718	-	2.8094	2.3508	-	-	-	-	304.87	3.653
	23	1.5742	-	2.7848	2.3523	-	-	-	-	303.92	3.666
	30	1.5821	-	2.8147	2.3462	-	-	-	-	309.79	3.641
May	7	1.5722	-	2.8132	2.3503	-	-	-	-	312.81	3.641
	14	1.5844	-	2.7813	2.3485	-	-	-	-	318.24	3.615
	21	1.5778	-	2.8297	2.3465	-	-	-	-	316.76	3.604
	28	1.5661	-	2.8789	2.3466	-	-	-	-	318.18	3.593
June	4	1.5605	-	2.8679	2.3499	-	-	-	-	319.26	3.589
	11	1.5533	-	2.8305	2.3565	-	-	-	-	311.45	3.563
	18	1.5493	-	2.8477	2.3565	-	-	-	-	310.33	3.556
	25	1.5675	-	2.8543	2.3483	-	-	-	-	307.03	3.565
July	2	1.5716	-	2.8757	2.3447	-	-	-	-	311.27	3.559
	9	1.5678	-	2.9036	2.3437	-	-	-	-	314.56	3.558
	16	1.5587	-	2.9100	2.3468	-	-	-	-	317.04	3.585
	23	1.5587	-	2.8599	2.3514	-	-	-	-	314.77	3.596
	30	1.5614	-	2.8474	2.3515	-	-	-	-	316.62	3.623
Aug.	6	1.5571	-	2.8374	2.3542	-	-	-	-	316.65	3.622
	13	1.5728	-	2.8616	2.3455	-	-	-	-	319.81	3.601
	20	1.5796	-	2.8842	2.3407	-	-	-	-	315.63	3.599
	27	1.5759	-	2.8389	2.3464	-	-	-	-	310.87	3.615
Sept.	3	1.5913	-	2.8476	2.3394	-	-	-	-	310.84	3.588
	10	1.5971	-	2.8706	2.3350	-	-	-	-	314.66	3.597
	17	1.5901	-	2.8545	2.3393	-	-	-	-	314.04	3.619
	24	1.5964	-	2.8795	2.3345	-	-	-	-	318.41	3.612

[1] Closing Central Bank of Malta middle rates. 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 CURRENCIES[1]

averages for the period

Period	GBP	DM	USD	EUR[2]	LIT	FFR	NLG	BFR	JPY	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
Apr.	1.5641	-	2.8210	2.3529	-	-	-	-	303.43	3.658
May	1.5772	-	2.8207	2.3476	-	-	-	-	315.88	3.616
June	1.5608	-	2.8537	2.3512	-	-	-	-	312.22	3.570
July	1.5634	-	2.8818	2.3475	-	-	-	-	314.93	3.584
Aug.	1.5707	-	2.8586	2.3467	-	-	-	-	315.67	3.610
Sept.	1.5928	-	2.8576	2.3379	-	-	-	-	314.66	3.608

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

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

TABLE 4.3 MALTA'S FOREIGN TRADE [1]

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[2]	794,300	166,840	961,140	1,227,534	-266,394
2003[2]	816,389	112,102	928,491	1,279,832	-351,341
2003[2]					
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
2004[2]					
Jan.	64,343	7,049	71,392	93,149	-21,757
Feb.	66,338	10,269	76,607	96,774	-20,167
Mar.	76,207	14,160	90,367	129,824	-39,457
Apr.	63,037	14,217	77,254	128,671	-51,417
May	-	-	74,245	104,231	-29,986
June	-	-	73,934	99,404	-25,470

[1] As from May 2004 data on exports sub-classified into domestic exports and re-exports are not available.

[2] 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
2003[1]									
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
2004[1]									
Jan.	9,226	2,532	7,325	9,556	5,110	1,694	12,906	23,041	71,392
Feb.	9,217	1,828	7,901	11,004	5,605	1,955	12,484	26,613	76,607
Mar.	8,569	3,091	9,082	13,243	6,246	3,013	11,961	35,161	90,367
Apr.	9,883	3,137	10,128	11,090	4,901	1,804	10,809	25,502	77,254
May	7,215	1,906	7,334	12,869	5,159	2,204	11,412	26,146	74,245
June	7,751	1,941	7,509	11,178	6,100	2,324	10,884	26,247	73,934

[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
2003[1]									
Jan.	9,119	20,842	2,244	17,705	5,339	6,427	10,603	21,710	93,989
Feb.	8,751	23,937	2,533	17,432	8,848	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
2004[1]									
Jan.	8,763	16,179	2,182	16,417	6,333	7,611	6,624	29,040	93,149
Feb.	11,158	20,748	1,990	14,544	9,239	10,599	6,550	20,246	96,774
Mar.	17,394	33,933	7,507	17,987	9,140	9,804	7,421	26,638	129,824
Apr.	16,920	27,931	3,085	16,508	13,534	13,835	7,500	29,358	128,671
May	11,692	19,757	1,859	19,338	6,302	7,631	5,759	31,893	104,231
June	12,097	20,489	2,824	17,055	9,336	11,073	3,317	23,213	99,404

[1] Provisional.

Source: NSO.

TABLE 4.6a DOMESTIC EXPORTS BY COMMODITY SECTIONS [1]

Lm thousands

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/ vegetable fats & oils	Chemicals	Semi-manu-factured goods	Machinery & transport equipment	Manufactured articles	Miscel-laneous	Total
1990	4,743	2,285	1,979	112	1	3,879	29,762	174,036	111,729	208	328,736
1991	5,561	2,559	1,201	29	-	6,245	28,986	216,011	110,629	772	371,993
1992	7,884	1,779	1,241	31	-	8,645	31,540	274,651	124,596	1,159	451,526
1993	9,588	1,551	1,940	-	-	10,121	33,082	280,385	139,794	285	476,746
1994	10,981	1,265	1,333	35	-	10,305	34,714	356,582	131,910	83	547,209
1995	8,379	1,868	1,616	3	-	11,275	37,524	425,897	142,620	541	629,720
1996	10,734	2,866	1,477	54	1	14,330	42,109	354,578	143,376	377	569,901
1997	13,657	2,136	2,325	26	-	14,697	42,658	342,551	145,694	188	563,950
1998	13,481	2,138	1,523	9	2	13,242	48,237	444,893	140,740	550	664,816
1999	15,487	2,076	1,446	-	-	14,218	50,062	475,472	152,619	1,055	712,436
2000	17,116	3,538	2,198	-	-	13,027	53,913	736,076	151,263	404	977,535
2001	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
2003[1]											
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
2004[1]											
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
Apr.	1,695	95	111	-	-	2,288	3,073	42,986	12,790	-	63,037

[1] This table was discontinued as from May 2004.

TABLE 4.6b TOTAL EXPORTS BY COMMODITY SECTIONS [2]

Lm thousands

Period	Food & live animals	Beverages & tobacco	Crude materials inedible except fuels	Mineral fuels etc.	Animal/ vegetable fats & oils	Chemicals	Semi-manu-factured goods	Machinery & transport equipment	Manufactured articles	Miscel-laneous	Total
May	2,773	965	156	3829	-	2,371	4,161	49,639	10,332	20	74,246
June	3,369	501	303	3333	-	1,439	3,627	47,767	13,546	47	73,934

[1]Provisional.

[2] Includes domestic exports and re-exports.

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-manu-factured goods	Machinery & transport equipment	Manu-factured articles	Miscel-laneous	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
2002[1]											
Jan.	8,889	1,053	962	9,628	371	7,034	11,670	41,214	6,835	840	88,496
Feb.	7,902	1,743	1,013	7,812	184	7,011	11,231	41,403	7,871	733	86,902
Mar.	8,844	2,435	1,007	7,267	117	8,234	12,328	49,586	10,288	664	100,770
Apr.	8,594	1,911	1,095	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
2003[1]											
Jan.	8,006	1,854	728	8,803	197	7,477	10,732	47,404	7,849	939	93,989
Feb.	9,063	2,312	1,162	9,923	262	7,729	12,319	48,734	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
2004[1]											
Jan.	7,827	1,515	768	14,245	193	7,868	10,377	41,914	7,841	600	93,149
Feb.	6,840	1,064	1,154	8,814	127	9,015	11,548	45,477	11,556	1,178	96,774
Mar.	8,636	2,536	1,012	7,397	203	10,201	14,708	70,800	13,196	1,135	129,824
Apr.	11,499	1,861	822	12,735	574	11,902	16,726	59,161	12,420	970	128,671
May	7,571	1,820	959	9,099	167	6,589	11,071	53,003	13,098	854	104,231
June	9,243	2,359	795	7,521	258	8,933	13,104	38,334	18,408	450	99,404

[1] Provisional.

Source: NSO.

TABLE 5.1 a GROSS NATIONAL INCOME AND EXPENDITURE COMPONENTS IN LINE WITH ESA 1995[1]

at current market prices

Lm thousands

Period	Domestic demand					External balance			Gross Domestic Product	Gross National Income
	Private consumption[2]	General government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net balance		
2000	1,065,564	323,112	379,665	83,791	1,852,132	1,572,823	1,740,099	-167,276	1,684,856	1,631,762
2001	1,090,137	354,021	360,522	11,408	1,816,088	1,399,132	1,487,633	-88,501	1,727,587	1,738,694
2002	1,096,916	372,936	263,567	14,886	1,748,305	1,492,598	1,473,608	18,990	1,767,295	1,769,849
2003	1,122,881	388,000	375,048	58,528	1,944,457	1,420,466	1,518,824	-98,358	1,846,099	1,861,517
2003										
Mar.	264,871	102,071	91,990	19,548	478,480	311,642	364,685	-53,043	425,437	439,906
June	274,937	99,918	102,483	14,032	491,370	362,446	387,956	-25,510	465,860	466,451
Sept.	293,969	91,672	88,842	11,400	485,883	384,792	386,429	-1,637	484,246	499,922
2004										
Mar.	268,294	103,647	86,687	6,152	464,780	323,710	341,983	-18,273	446,507	436,186
June	289,997	104,830	101,337	14,197	510,361	351,340	399,070	-47,730	462,631	472,874
Sept.	311,553	100,526	99,692	14,106	525,877	380,572	411,647	-31,075	494,802	465,664

[1] Provisional.

[2] Including Non-Profit Institutions serving households.

[3] Including acquisitions less disposals of valuables.

Source: NSO.

TABLE 5.1b GROSS DOMESTIC PRODUCT AND EXPENDITURE COMPONENTS IN LINE WITH ESA 1995[1]

at constant 2000 prices

Lm thousands

Period	Domestic demand					External balance			Gross Domestic Product
	Private consumption[2]	General Government consumption	Gross fixed capital formation	Changes in inventories[3]	Total	Exports of goods and services	Imports of goods and services	Net balance	
2000	1,065,564	323,112	379,665	83,792	1,852,133	1,572,823	1,740,099	-167,276	1,684,857
2001	1,056,786	324,084	347,543	11,355	1,739,768	1,495,004	1,590,392	-95,388	1,644,380
2002	1,052,179	336,395	244,778	13,902	1,647,254	1,593,220	1,552,636	40,584	1,687,838
2003	1,069,358	341,849	346,032	53,843	1,811,082	1,533,051	1,662,109	-129,058	1,682,024
2003									
Mar.	255,298	90,864	84,917	17,859	448,938	344,253	399,927	-55,674	393,264
June	261,994	88,007	94,361	12,988	457,350	388,777	426,975	-38,198	419,152
Sept.	278,924	80,252	82,070	10,562	451,808	407,681	421,327	-13,646	438,162
2004									
Mar.	253,166	88,209	79,315	5,576	426,266	362,070	386,929	-24,859	401,407
June	266,369	89,992	92,523	12,865	461,749	391,097	440,462	-49,365	412,384
Sept.	286,078	86,486	91,041	12,779	476,384	428,203	460,272	-32,069	444,315

[1] Provisional.

[2] Including Non-Profit Institutions serving households.

[3] Including acquisitions less disposals of valuables.

Source: NSO.

TABLE 5.2 TOURIST DEPARTURES BY NATIONALITY[1]

Period	United Kingdom	Italy	France	Germany	Scandinavian Countries [2]	United States	All Others	Total
2001	465,635	78,515	78,739	165,812	45,339	12,671	298,455	1,145,166
2002	466,251	69,806	79,758	147,712	36,002	11,382	285,918	1,096,829
2003[3]	471,899	78,361	77,027	124,769	41,361	13,895	281,775	1,089,087
2003[3]								
Jan.	23,375	5,021	2,027	4,264	1,098	1,100	12,593	49,478
Feb.	25,041	2,605	2,745	5,677	1,119	503	11,330	49,020
Mar.	30,467	4,330	4,158	12,474	2,356	1,223	16,670	71,678
Apr.	39,129	5,871	8,043	14,488	3,038	834	21,884	93,287
May	40,103	5,683	11,908	11,000	5,468	1,467	26,951	102,580
June	45,031	6,958	7,621	11,436	3,769	1,245	28,034	104,094
July	50,549	11,949	8,991	8,858	6,324	1,716	37,656	126,043
Aug.	60,730	18,896	12,435	15,808	3,846	1,068	44,887	157,670
Sept.	55,717	6,480	7,168	11,821	4,803	1,528	30,955	118,472
Oct.	50,487	4,616	7,592	14,288	4,370	1,338	27,114	109,805
Nov.	32,063	3,091	2,945	9,351	3,277	1,215	13,839	65,781
Dec.	19,207	2,861	1,394	5,304	1,893	658	9,862	41,179
2004[3]								
Jan.	20,183	6,880	1,613	5,966	1,346	885	11,947	48,820
Feb.	25,030	3,284	3,852	5,219	1,900	726	10,889	50,900
Mar.	31,369	4,312	3,253	10,159	2,584	971	12,371	65,019
Apr.	36,985	7,370	8,589	11,181	4,265	1,578	20,907	90,875
May	38,795	5,574	10,792	10,695	7,217	2,018	28,181	103,272
June	47,020	6,272	10,815	12,134	5,546	879	29,848	112,514
July	43,004	10,818	8,982	13,015	10,838	2,483	41,062	130,202
Aug.	61,686	17,696	13,798	15,121	6,098	1,134	47,377	162,910
Sept.	49,359	6,495	12,671	16,680	5,202	1,689	34,306	126,402

[1] Based on the NSO's inbound tourism survey.

[2] Comprising Denmark, Norway and Sweden.

[3] 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	% [1]	Amount	% [2]	Amount	% [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.	104,081	41,419	145,500	97,930	40,006	137,936	6,151	5.9	1,413	3.4	7,564	5.2
Apr.	104,080	41,463	145,543	98,020	40,043	138,063	6,060	5.8	1,420	3.4	7,480	5.1
May	103,758	41,511	145,269	97,848	40,100	137,948	5,910	5.7	1,411	3.4	7,321	5.0
June	103,813	41,783	145,596	97,933	40,425	138,358	5,880	5.7	1,358	3.3	7,238	5.0
July	104,308	42,399	146,707	98,133	40,660	138,793	6,175	5.9	1,739	4.1	7,914	5.4
Aug.	103,927	42,165	146,092	97,676	40,364	138,040	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
Mar.	103,143	41,623	144,766	96,465	39,881	136,346	6,678	6.5	1,742	4.2	8,420	5.8
Apr.	103,266	41,723	144,989	96,591	40,059	136,650	6,675	6.5	1,664	4.0	8,339	5.8
May	103,298	41,814	145,112	96,756	40,252	137,008	6,542	6.3	1,562	3.7	8,104	5.6
June	103,485	42,005	145,490	97,051	40,497	137,548	6,434	6.2	1,508	3.6	7,942	5.5
July	103,816	42,394	146,210	97,285	40,794	138,079	6,531	6.3	1,600	3.8	8,131	5.6
Aug.	103,605	42,337	145,942	97,259	40,730	137,989	6,346	6.1	1,607	3.8	7,953	5.4
Sept. [4]	103,197	42,217	145,414	96,692	40,582	137,274	6,505	6.3	1,635	3.9	8,140	5.6

[1] As a percentage of male labour supply.

[2] As a percentage of female labour supply.

[3] As a percentage of total labour supply.

[4] Provisional.

Sources: ETC; NSO.

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

End of period	Labour supply			Gainfully-occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Amount	% [2]	Amount	% [3]	Amount	% [4]
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
June	110,596	46,977	157,573	102,943	43,101	146,044	7,653	6.9	3,876	8.3	11,529	7.3
Sept.	110,134	50,256	160,390	103,463	45,146	148,609	6,671	6.1	5,110	10.2	11,781	7.3

[1] The Labour Force Survey is carried out on a quarterly basis using a random sample of private households. As from Quarter 1:2004, 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.
[4] As a percentage of total labour supply.
Source: NSO.

TABLE 5.5 NUMBER OF APPROVED COMMERCIAL, SOCIAL AND OTHER APPLICATIONS, BY PURPOSE[1]

Period	Commercial and social							Total	Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking			
1994	82	37	222	21	0	61	171	594	1,559	2,153
1995	133	65	281	15	0	116	224	834	1,932	2,766
1996	145	65	204	19	5	106	139	683	2,402	3,085
1997	116	37	197	16	14	79	132	591	2,465	3,056
1998	135	43	209	21	17	98	143	666	2,956	3,622
1999	122	104	183	22	29	72	124	656	2,402	3,058
2000	108	77	228	19	33	74	175	714	2,690	3,404
2001	124	46	235	26	34	51	162	678	2,540	3,218
2002	281	69	282	13	49	119	154	967	3,430	4,397
2003	242	26	181	15	24	91	134	713	2,685	3,398

[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. Excludes applications for dwellings and minor works on dwellings.

[2] Includes mineral working.

[3] Consists of offices, shops and retail services, warehousing, mixed office and retail, mixed residential office and retail, mixed residential and retail applications.

[4] Includes community and health services, recreational and educational applications.

[5] Mainly includes satellite dishes, private swimming pools, advertisements, demolitions and alterations, change of use and other unidentified applications.

Source: Malta Environment & Planning Authority.

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

Period	Dwelling permits [2]			Dwelling units [3]				
	New dwellings [4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Other	Total
1994	1,953	934	2,887	1,095	476	488	44	2,103
1995	2,413	1,082	3,495	1,910	1,064	1,094	161	4,229
1996	1,784	1,085	2,869	1,601	1,183	495	72	3,351
1997	1,805	1,149	2,954	1,656	1,060	570	125	3,411
1998	1,698	909	2,607	1,742	790	339	133	3,004
1999	1,257	689	1,946	1,452	473	271	77	2,273
2000	1,408	705	2,113	1,473	583	246	67	2,369
2001	1,299	483	1,782	2,657	774	203	546	4,180
2002	1,422	595	2,017	3,420	910	135	1,016	5,481
2003	1,321	517	1,838	4,548	1,085	414	81	6,128

[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] Total for permits granted is irrespective of the number of units.

[3] Data comprises the actual number of units (eg. a block of apartments may consist of several units).

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

TABLE 5.7 INFLATION RATES[1]

(Base 1946 = 100)

Year	Index	Inflation rate (%)	Year	Index	Inflation rate (%)
			(continued)		
1946	100.00	-	1975	254.77	8.80
1947	104.90	4.90	1976	256.20	0.56
1948	113.90	8.58	1977	281.84	10.01
1949	109.70	-3.69	1978	295.14	4.72
1950	116.90	6.56	1979	316.21	7.14
1951	130.10	11.29	1980	366.06	15.76
1952	140.30	7.84	1981	408.16	11.50
1953	139.10	-0.86	1982	431.83	5.80
1954	141.20	1.51	1983	428.06	-0.87
1955	138.80	-1.70	1984	426.18	-0.44
1956	142.00	2.31	1985	425.17	-0.24
1957	145.70	2.61	1986	433.67	2.00
1958	148.30	1.78	1987	435.47	0.42
1959	151.10	1.89	1988	439.62	0.95
1960	158.80	5.10	1989	443.39	0.86
1961	164.84	3.80	1990	456.61	2.98
1962	165.16	0.19	1991	468.21	2.54
1963	168.18	1.83	1992	475.89	1.64
1964	172.00	2.27	1993	495.59	4.14
1965	174.70	1.57	1994	516.06	4.13
1966	175.65	0.54	1995	536.61	3.98
1967	176.76	0.63	1996	549.95	2.49
1968	180.42	2.07	1997[2]	567.95	3.27
1969	184.71	2.38	1998	580.61	2.23
1970	191.55	3.70	1999	593.00	2.13
1971	196.00	2.32	2000	607.07	2.37
1972	202.52	3.33	2001	624.85	2.93
1973	218.26	7.77	2002	638.54	2.19
1974	234.16	7.28	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
Apr.	103.32
May	103.13
June	103.62
July	104.14
Aug.	103.25
Sept.	103.56

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 MAIN CATEGORIES OF HARMONISED INDEX OF CONSUMER PRICES (HICP)

(12-month moving average rates - Base 1996=100)[1]

percent

Period	00 Index	00 12-month moving average	01	02	03	04	05	06	07	08	09	10	11	12
1998	107.8	3.7	2.2	10.1	1.4	0.6	0.5	4.4	4.1	0.2	2.1	5.0	6.8	4.8
1999	110.2	2.3	-0.1	10.0	-0.7	1.4	2.9	3.4	3.2	0.0	0.5	4.1	3.2	2.1
2000	113.6	3.0	1.0	8.3	0.3	0.9	-1.2	4.2	3.3	2.8	0.2	4.2	7.6	1.4
2001	116.4	2.5	4.0	4.5	-1.3	2.2	0.3	3.5	0.1	1.3	3.3	6.7	4.0	2.0
2002	119.5	2.6	2.1	7.6	-0.7	2.3	0.5	2.4	0.6	0.6	2.2	10.1	4.5	3.0
2003	121.8	1.9	2.0	1.2	-6.8	2.0	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2003														
Jan.	117.6	2.3	1.5	6.9	-2.0	2.1	0.4	2.4	0.7	0.7	2.2	9.8	4.3	3.0
Feb.	118.1	2.2	1.4	6.3	-3.1	1.9	0.2	2.3	0.8	0.8	2.2	9.5	4.6	2.9
Mar.	119.0	2.2	1.4	5.6	-3.7	1.7	0.1	2.3	0.9	0.9	2.1	9.2	4.8	2.8
Apr.	122.2	2.1	1.3	5.0	-4.1	1.6	0.0	2.1	1.2	1.0	2.2	8.3	5.2	2.6
May	123.0	2.1	1.2	4.4	-4.5	1.5	-0.2	2.5	1.4	1.0	2.2	7.4	5.7	2.5
June	123.2	2.1	1.1	3.8	-4.9	1.6	-0.2	2.9	1.7	1.0	2.2	6.6	6.1	2.4
July	123.9	2.0	1.0	3.2	-5.6	1.8	-0.2	3.3	1.7	1.0	2.2	5.8	6.5	2.3
Aug.	124.1	2.0	1.0	2.7	-6.9	2.0	-0.1	3.8	1.8	0.8	2.2	5.0	7.1	2.3
Sept.	123.8	2.0	1.2	2.1	-7.9	2.0	-0.2	4.2	2.0	0.6	2.2	4.2	7.5	2.2
Oct.	124.5	2.0	1.4	1.5	-7.9	2.0	-0.2	4.6	1.9	0.3	2.1	3.7	7.9	2.2
Nov.	120.4	1.9	1.6	0.9	-7.4	1.9	-0.3	5.1	2.0	0.0	1.7	3.5	7.7	2.2
Dec.	121.6	1.9	2.0	1.2	-6.8	2.0	-0.3	5.6	2.1	-0.2	1.3	3.2	7.4	2.3
2004														
Jan.	120.9	2.1	2.4	2.3	-6.0	2.2	-0.1	5.8	2.2	-0.5	1.1	3.0	7.2	2.6
Feb.	121.0	2.1	2.2	3.4	-5.3	2.4	0.1	6.6	2.3	-0.6	0.9	2.8	6.7	2.9
Mar.	121.5	2.1	1.9	4.6	-5.3	2.7	0.3	7.2	2.3	-0.7	0.7	2.6	6.3	3.3
Apr.	126.6	2.3	1.8	5.7	-5.2	2.9	0.7	8.0	2.4	-0.7	0.4	3.0	6.2	3.8
May	126.8	2.4	1.5	6.8	-4.6	3.1	1.0	7.8	2.4	-0.6	0.2	3.2	6.0	4.3
June	127.2	2.4	1.3	8.0	-4.0	2.8	1.2	7.5	2.4	0.8	0.1	3.4	5.8	4.8
July	127.8	2.6	1.5	9.1	-3.0	2.5	1.4	7.4	2.8	2.2	-0.1	3.6	5.0	5.0
Aug.	127.2	2.6	1.6	10.2	-1.9	2.2	1.6	7.3	2.9	3.8	-0.3	3.8	4.1	5.1
Sept.	127.8	2.8	1.3	11.4	-1.4	2.3	1.9	7.3	3.0	5.3	-0.3	4.0	3.8	5.3

[1] Provisional Data

COICOP/HICP Code

00. HICP (all-items)
01. Food & non-alcoholic beverages
02. Alcoholic beverages & tobacco
03. Clothing & footwear
04. Housing, water, electricity, gas & other fuels
05. Furnishings, household equipment & routine maintenance of the house
06. Health
07. Transports
08. Communications
09. Recreation & culture
10. Education
11. Restaurants & hotels
12. Miscellaneous goods & services

Source: Eurostat.

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. A "-" sign implies that no transactions occured during the last quarter. 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. The Maltese lira average exchange rates are calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle 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.