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Address
Pjazza Kastilja
Valletta VLT 1060
Malta

Telephone
(+356) 2550 0000

Fax
(+356) 2550 2500

Website
http://www.centralbankmalta.org

E-mail
info@centralbankmalta.org

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ABBREVIATIONS

ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EEA	European Economic Area
EONIA	Euro OverNight Index Average
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
ETC	Employment and Training Corporation
EU	European Union
EURIBOR	Euro Interbank Offered Rate
FTSE	Financial Times Stock Exchange
GDP	gross domestic product
HCI	harmonised competitiveness indicator
HICP	Harmonised Index of Consumer Prices
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
LFS	Labour Force Survey
LTRO	Long-term Refinancing Operation
MIGA	Multilateral Investment Guarantee Agency
MFI	monetary financial institution
MFSA	Malta Financial Services Authority
MGS	Malta Government Stock
MRO	Main Refinancing Operation
MSE	Malta Stock Exchange
NACE	statistical classification of economic activities in the European Community
NCB	national central bank
NPISH	Non-Profit Institutions Serving Households
NSO	National Statistics Office
OECD	Organisation for Economic Co-operation and Development
OMFI	Other Monetary Financial Institution
RPI	Retail Price Index
ULC	unit labour costs

FOREWORD

After raising key interest rates by 25 basis points in July 2011, the Governing Council of the ECB lowered them in both November and December, cutting them by 25 basis points on each occasion. As a result, the interest rate on the MRO declined to 1.00% by the end of the year. Simultaneously, the rates on the marginal lending facility and on the deposit facility were lowered to 1.75% and 0.25%, respectively. These decisions were taken in view of the expectation that the intensification of market tensions would dampen economic activity and that inflation pressures in the euro area would remain modest.

During the second half of the year the Eurosystem continued to implement non-standard monetary policy measures to support the functioning of the financial system in the euro area. In particular, in August the Governing Council decided to conduct a liquidity-providing six-month supplementary longer-term refinancing operation (LTRO) as a fixed rate tender procedure with full allotment. It repeatedly extended its commitment to apply this procedure for MROs, three-month LTROs and special-term refinancing operations with a maturity of one maintenance period.

In the fourth quarter, the Governing Council announced a 12-month and a 13-month LTRO, and scheduled two 36-month LTROs for December 2011 and February 2012. Each of these operations is subject to the full allotment procedure and to a rate that is fixed at the average rate of the main refinancing operations over its respective life. The Council also launched a new covered bond purchase programme, lowered the reserve requirement ratio from 2% to 1%, and relaxed its collateral requirements.

Meanwhile, to enhance liquidity support to the global financial system, the ECB extended a number of foreign currency liquidity swap arrangements with other central banks and, in a coordinated move with them, also lowered their pricing.

These measures were adopted against the backdrop of a weak economic performance in the euro area. During the third quarter of 2011, real GDP in the euro area expanded by 1.4% on a year earlier, down from 1.7% in the previous quarter. Net exports were the main driver of growth, with private consumption and investment also contributing, albeit to a lesser extent. The quarter-on-quarter pace of expansion remained unchanged at 0.2%.

Annual HICP inflation in the euro area eased to 2.5% in July and August 2011, before rising to 3.0% in September. The increase in the annual inflation rate during the third quarter was mainly driven by energy prices, although processed food and, to a lesser extent, the non-energy industrial good categories also contributed. Headline inflation remained unchanged at 3.0% in October and November, as lower price pressures in the service sectors counteracted developments in the other HICP components.

According to the December 2011 Eurosystem staff macroeconomic projections, real GDP growth in the euro area was expected to be between 1.5% and 1.7% in 2011, subsequently falling to between -0.4% and 1.0% in 2012, and then recovering to between 0.3% and 2.3% in 2013. The average annual rate of inflation was expected to range between 1.5% and 2.5% in 2012 and between 0.8% and 2.2% in 2013.

The pace of economic expansion in Malta also slowed down in the third quarter, with the annual rate of real GDP growth easing to 2.2% from 2.4% in the second quarter. The third quarter expansion was driven by a recovery in domestic demand, particularly a less negative change in inventories (including the statistical discrepancy), and higher government consumption. Private consumption rose moderately, whereas investment, which had risen exceptionally strongly a year earlier, declined.

Labour market conditions remained broadly favourable in the third quarter, with both LFS and ETC data pointing to further annual increases in employment. However, job growth slowed down relative to the first half of the year. The average LFS unemployment rate dropped to 6.2% in the third quarter following a rate of 6.7% in the second quarter.

Annual consumer price inflation measured in terms of the HICP eased from 3.1% in June to 2.7% in September. This reflected more muted increases in the prices of unprocessed food and non-energy industrial goods. Inflation eased further to 2.4% in October and 1.5% in November.

A comparative assessment reveals that, since 2004, ULC growth in Malta has broadly tracked that in the euro area. As regards competitiveness, third quarter indications were mixed. While there was a slight deterioration in ULC, the HCI signalled an improvement between June and September 2011, in both real and nominal terms, reflecting favourable exchange rate developments and a narrowing in Malta's inflation differentials against its major trading partners.

In the external sector, the current account of the balance of payments turned to a surplus from a deficit a year earlier. This improvement was primarily driven by a substantial decline in net outflows on the income account that was reinforced by a narrowing in the visible trade gap, by an increase in the surplus on services and by a small shift to net inward current transfers. As a result, the current account deficit, expressed as a four-quarter moving sum, narrowed to 3.0% of GDP from 4.6% in the year to September 2010.

The contribution of resident MFIs to the euro area broad money stock, which approximates the broad money aggregate (M3) in Malta, expanded at a stronger pace compared with the second quarter of 2011. The annual growth rate rose to 5.7% in September from 3.9% in June, partly reflecting an acceleration in Maltese residents' deposits. Meanwhile, the annual growth rate of credit to residents of Malta rose to 5.1% in September, bringing the deceleration seen since the beginning of 2009 to a halt. In the primary market, the yield on domestic three-month Treasury bills increased, whereas in the secondary market both the three-month rate and particularly long-term yields declined from end-June levels. Going into the fourth quarter, the three-month yield fell while the ten-year yield edged up slightly.

In its latest projections, the Bank expects real GDP growth to have eased to 2.3% in 2011 and, as a result of deteriorating external demand, to slow down even further to 1.7% in 2012.[1] Private consumption and net exports are expected to have been the main drivers behind the expansion in 2011. Although investment is anticipated to recover in 2012, private and government consumption growth are expected to moderate, dampening domestic demand. At the same time, the slowdown in Malta's main trading partners is expected to curtail the contribution of net exports of goods and services to GDP growth.

[1] These projections were based on information available up to 25 November 2011.

Average HICP inflation is expected to have risen to 2.4% in 2011, mostly driven by developments in the prices of food, non-energy industrial goods and services. Inflation is set to ease to 2.0% in 2012, reflecting the expected impact of slowing world trade on international commodity prices.

Risks to the growth projections are judged to be on the downside, particularly for 2012, mainly because of the potential intensification of the ongoing sovereign debt crisis in the euro area. Meanwhile, risks to the inflation projections are assessed to be broadly balanced.

On the fiscal side the annual decline in the general government deficit during the third quarter was followed by the announcement of a round of expenditure reductions that will be focused on recurrent spending. However, there still remains a strong argument for further measures to improve the long-term sustainability of public finances. On the institutional front, further progress is also necessary to strengthen the national budgetary framework in line with the new rules governing euro area countries.

Parallel structural reforms would preserve the economy's resilience and improve its competitiveness. Wage moderation remains essential, while more flexible product and labour markets should also lead to productivity gains.

ECONOMIC SURVEY

1. INTERNATIONAL ECONOMIC DEVELOPMENTS AND THE EURO AREA ECONOMY

Economic activity in the major industrial economies remained weak in the third quarter of 2011, though there were indications of a modest quarter-on-quarter recovery. In contrast, output growth in the main emerging market economies progressed strongly, although at a slower rate than in the previous quarter. Despite a moderation in economic growth, price pressures persisted worldwide, mainly driven by higher energy prices.

Economic growth in the euro area moderated further during the third quarter. Meanwhile, annual HICP inflation continued to rise while labour market conditions deteriorated, with employment growth slacking and the unemployment rate rising since the end of June. Within this context, the Eurosystem staff macroeconomic projections for the area, published in December, point towards a slow pace of economic recovery through 2012, with somewhat stronger growth in 2013.

After raising key interest rates by 25 basis points in July in response to emerging inflationary pressures, the Governing Council of the ECB decreased them by 25 basis points in both November and December, bringing the MRO rate down to 1.00%. This decision was taken in view of the expectation that the intensification of market tensions would dampen activity and inflation pressures. In addition, the ECB continued to implement several non-standard monetary policy measures during the second half of 2011.

The international economy

US economic growth remains subdued

The annual rate of economic growth in the United States subsided slightly in the third quarter of 2011. On an annual basis, real GDP rose by 1.5% from 1.6% in the previous quarter (see Table 1.1). Output growth was primarily supported by higher private consumption and by investment. Net exports also contributed positively to the expansion. On the other hand, developments in government expenditure and inventory changes dampened growth.

On a quarter-on-quarter basis, real GDP expanded by half a percentage point in seasonally-adjusted terms, up from 0.3% in the previous quarter, pointing to recovering, albeit still weak, activity levels. The unemployment rate fell marginally to 9.1% in July from the previous month,

Table 1.1
REAL GDP GROWTH
Annual percentage changes, seasonally adjusted

	2010		2011		
	Q3	Q4	Q1	Q2	Q3
United States	3.5	3.1	2.2	1.6	1.5
Euro area	2.1	2.0	2.4	1.7	1.4
United Kingdom	3.0	1.7	1.7	0.6	0.5
Japan	4.9	2.5	-0.6	-1.0	-0.2

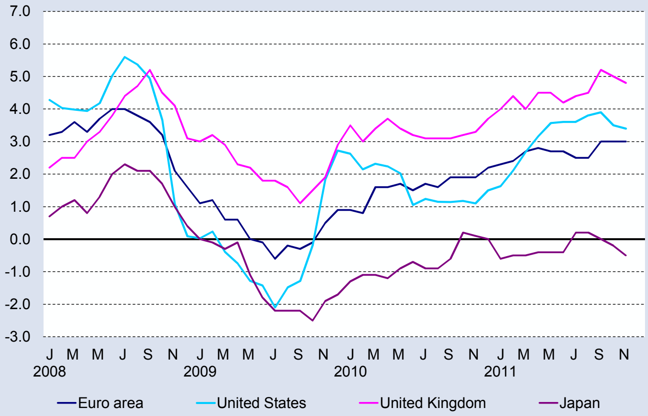
Sources: Eurostat; Bureau of Labor Statistics, US; Statistics Bureau, Japan.

and remained stable throughout the quarter. The jobless rate declined further to 8.6% in November.

Despite the moderation in activity, consumer price inflation in the United States accelerated further during the third quarter (see Chart 1.1). The annual inflation rate rose from 3.6% in June to 3.9% three months later, reaching its highest level since September 2008. Subsequently, the inflation rate slowed down to 3.4% in November.

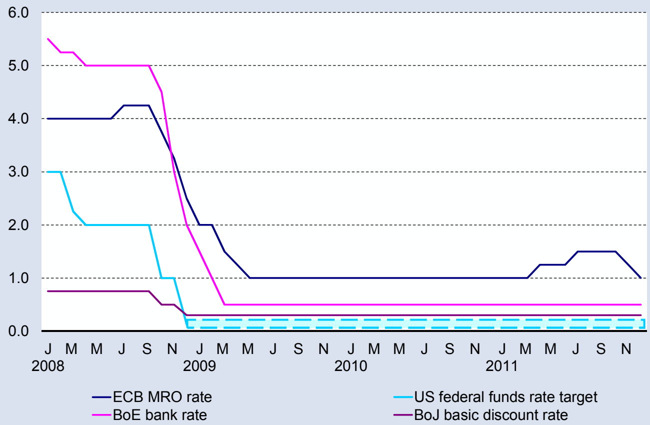
During the third quarter of 2011, the Federal Reserve maintained the federal funds rate target in a range between zero and 0.25% (see Chart 1.2). It also continued to inject liquidity into financial markets by reinvesting principal payments from its holdings of securities, while extending their average maturity. On 21 September, the US central bank announced additional purchases of long-term Treasury securities, while disposing of an equivalent amount of short-term paper.

Chart 1.1
CONSUMER PRICE INFLATION
(annual percentage changes)



Sources: Eurostat; Bureau of Labor Statistics, US; Statistics Bureau, Japan.

Chart 1.2
OFFICIAL INTEREST RATES
(percentages per annum; end of month)



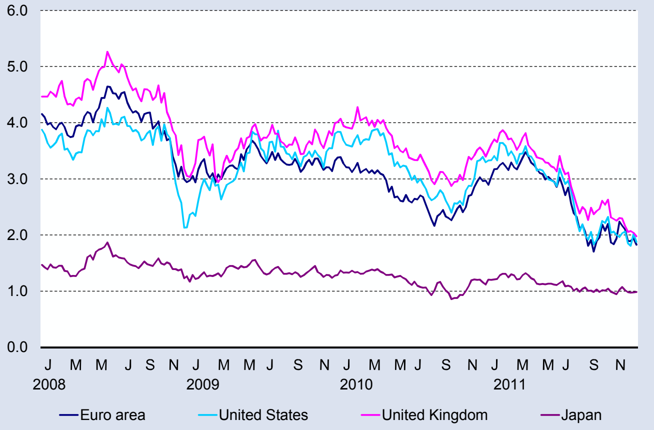
Sources: ECB; Federal Reserve; Bank of England; Bank of Japan.

Throughout the following quarter, the Federal Reserve left official interest rates unchanged. As in the third quarter, it also continued to reinvest principal payments of security holdings, extending their average maturity and rolling over maturing Treasury securities.

Ten-year US government bond yields declined further during the third quarter of 2011, ending September at 1.92%, or 124 basis points lower than at end-June (see Chart 1.3). Yields were mainly driven by a weaker global macroeconomic outlook, by downward revisions to the expected path of short-term interest rates, especially in the United States, and by the intensification of the euro area sovereign debt crisis, which prompted safe-haven flows into US government bonds. These factors offset the impact of uncertainty triggered by a series of discussions concerning the public debt ceiling and the sovereign credit rating of the United States.

Bond yields recovered slightly during October, reflecting a temporary improvement in market sentiment concerning the euro area, but fell again later as concerns about the euro area sovereign debt crisis intensified. Over the December quarter, ten-year bond yields fell to 1.88%.

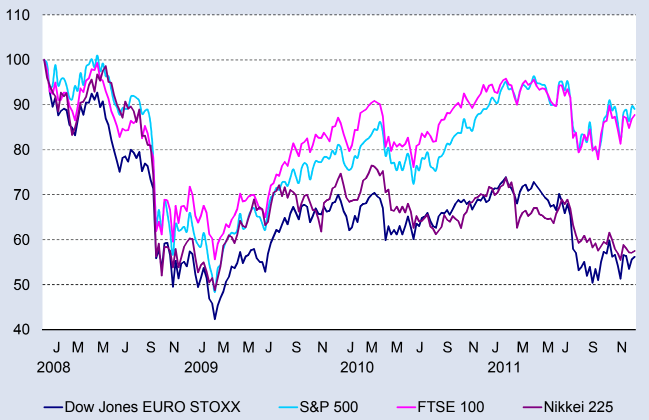
Chart 1.3
TEN-YEAR GOVERNMENT BOND YIELDS
(percentages per annum; end of week)



Source: Reuters.

During the September quarter, US equity prices, as measured by the Standard & Poor 500 Index, fell for the second consecutive quarter, ending September 14.3% lower than three months before (see Chart 1.4). The overall decline in equity prices reflected a deterioration in the strength of the global recovery, uncertainty related to sovereign debt markets and disappointing economic and company-related news. Equity prices recovered over the following quarter, however, ending December 11.2% higher than at end-September.

Chart 1.4
STOCK PRICE INDICES
(end of week index, 1 Jan. 2008=100)



Source: Reuters.

UK economic growth moderates further

In the United Kingdom, real GDP growth moderated further in the third quarter. Output grew by 0.5% on an annual basis, down from 0.6% in the previous quarter. Annual GDP growth was entirely driven by net exports as imports contracted, while exports continued to grow, albeit at a slower pace. Private consumption, investment and inventory changes dampened growth, while government consumption expenditure accelerated further. In seasonally-adjusted terms, however, real GDP grew by 0.6% on a quarter-on-quarter basis, after remaining unchanged in the June quarter.

Labour market conditions weakened further during the third quarter, as the unemployment rate rose to 8.3% in September from 8.0% in June.

Annual consumer price inflation accelerated during the third quarter, reaching 5.2% in September from 4.2% in June. Higher energy prices contributed significantly to inflation, as did the rise in the standard VAT rate in January 2011 and higher import prices, mainly for non-energy commodities. Going forward, the HICP inflation rate declined, standing at 4.8% in November.

During the third and fourth quarters of 2011, the Bank of England kept its official bank rate at 0.50% and maintained its asset purchase programme. In October, the Bank decided to increase its asset purchases by GBP75 billion to GBP275 billion.

Ten-year UK government bond yields continued to mirror those in the United States during the September quarter. They fell for the second consecutive quarter, declining by 96 basis points over the three-month period and ended September at 2.43%. Bond yields rose slightly in October but subsequently reversed course as they ended December at 1.98%, 45 basis points below their end-September level.

UK equity prices, as measured by the FTSE 100, fell during the September quarter after four consecutive quarterly increases. Share prices closed 13.7% below their end-June level, mirroring declines in other major equity indices. Going into the December quarter, however, the index recovered some of its previous losses, ending 8.7% higher than three months before.

Japanese economic activity declines at a slower pace

The Japanese economy contracted further but at a slower rate in the third quarter of 2011, indicating some recovery in activity following the disruption caused by the earthquake in March. Real GDP fell by 0.2% year-on-year, as against a drop of 1.0% in the June quarter. Net exports continued to act as the major contributor to this decline. Private consumption and investment also contracted, although at a slower rate than in the previous quarter. Conversely, government expenditure and inventory changes contributed positively to economic growth.

On a quarterly basis, output growth turned positive for the first time after three consecutive contractions, as GDP expanded by 1.5% as against a decline of 0.3% in the June quarter. Labour market conditions improved over the quarter as the unemployment rate fell to 4.1% in September from 4.6% in June. The jobless rate rose to 4.5% in November.

Annual consumer price inflation in Japan turned positive during the third quarter of 2011 after having been in negative territory since the beginning of the year. Prices rose at an annual rate of 0.2% during July and August but remained constant in September. Going forward, the inflation rate turned negative again, standing at -0.5% in November.

During the third and fourth quarters of 2011, the Bank of Japan kept the basic discount rate unchanged at 0.3% and sustained its targeted uncollateralized overnight call rate in a range between zero and 0.1%. In August, the central bank increased the size of its asset purchase programme, which was expanded again in October.

Ten-year Japanese government bond yields declined during the third quarter of 2011, falling for the second consecutive quarter, amid expectations that low inflationary pressures would persist. Yields shed 10 basis points and ended September at 1.03%. Bond yields ended the year at 0.99%, 5 basis points lower than at end-September.

Equity prices, as measured by the Nikkei 225, declined over the third quarter of 2011 after rising slightly in the previous quarter. Reflecting developments in other major equity markets, share prices ended the quarter 11.4% lower than their level three months earlier. Going forward, the index recovered marginally during October before falling thereafter and ending December 2.8% below the rate at end-September.

Resilient economic growth in emerging Asian economies
Economic activity in the major emerging Asian economies continued to grow strongly during the third quarter of 2011, although both China and India experienced a slowdown. Real GDP growth in China moderated to 9.1% from 9.5% in the June quarter, as the contribution from domestic demand diminished and that from net exports was negative. Output growth in India also decreased to 6.7% from 8.5% in the second quarter.

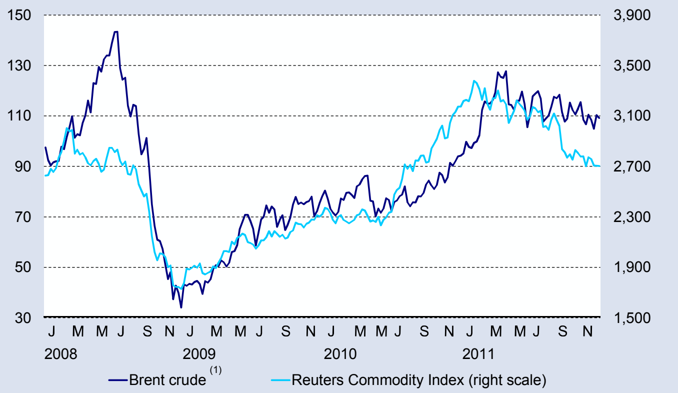
Price pressures persisted during the September quarter of 2011 although inflation rates diverged across emerging countries. Annual consumer price inflation in China moderated slightly to 6.1% in September from 6.4% in June. The inflation rate fell to 5.5% in October. On the other hand, wholesale price inflation in India accelerated to 9.7% from 9.5% in June. However, it subsequently declined to 9.1% in November.

Commodities

Oil prices fall further
The price of Brent crude oil fell for the second consecutive quarter between September and December 2011 (see Chart 1.5). Oil prices rose during July, driven by robust demand, but fell sharply in early August amid expectations of slower global economic growth, which also conditioned oil prices in September. Oil prices ended the quarter at USD107.72 per barrel, 4.0% lower than at end-June. In the following quarter, the price of Brent crude recovered, reaching USD 109.19 per barrel at end-December.

Commodity prices continue their decline
Prices of non-energy commodities as measured by the Reuters Commodity Index fell further during the third quarter (see Chart 1.5).[1] The index declined by 10.5% during the quarter, after having dropped by 3.1% in the previous quarter. Prices of base metals generally fell and those of some agricultural commodities also decreased, reflecting concerns about the global economy and the consequent impact on demand. Going into the last quarter of 2011, non-energy commodities continued their downward path, ending the year 3.8% lower than at end-September.

Chart 1.5
COMMODITY PRICES
(end of week)



(1) US dollars per barrel.
Source: Reuters.

Gold price continues to break record highs
The price of gold accelerated further during the September quarter, extending the upward trend that had begun in the final

[1] The Reuters Commodity Index is a weighted index of the prices of 17 commodities that include food, beverages, vegetable oils, agricultural raw materials and metals but exclude oil and gold.

quarter of 2008 (see Chart 1.6). The metal continued to act as a safe haven for investors in the light of the sovereign debt crisis in the euro area and amid concern about the fiscal situation in the United States. Gold reached a high of USD1,898.99 per ounce on 5 September, before dropping to USD1,623.25 by the end of the month. Nevertheless, at this level it was still 8.2% higher than at end-June. Gold declined over the following quarter, however, ending December at USD1,563.80, 3.7% lower than at end-September.

Chart 1.6
GOLD
(US dollars per ounce; end of week)

Source: Reuters.

Economic and monetary developments in the euro area

Euro area economic growth moderates further

Economic activity in the euro area moderated further during the September quarter. Real GDP grew by 1.4% on an annual basis, down from 1.7% in the previous quarter (see Table 1.2). Meanwhile, output growth on a quarter-on-quarter basis remained constant at the rate of 0.2% in both the second and third quarters.

The slowdown in annual real GDP growth in the September quarter when compared with the June quarter was entirely driven by changes in inventories, as the contribution of the other components of domestic demand and net exports to GDP growth remained broadly unchanged.

Table 1.2
REAL GDP GROWTH IN THE EURO AREA

	2010		2011		
	Q3	Q4	Q1	Q2	Q3
	Annual percentage changes				
Private consumption	1.0	1.1	1.0	0.3	0.3
Government consumption	0.3	-0.2	0.3	0.1	-0.1
Gross fixed capital formation	0.7	1.2	3.7	1.6	1.6
Domestic demand	**1.4**	**1.5**	**1.7**	**0.9**	**0.5**
Exports	11.9	11.5	9.7	6.2	5.5
Imports	10.4	10.7	8.1	4.4	3.6
GDP	**2.1**	**2.0**	**2.4**	**1.7**	**1.4**
	Percentage point contributions				
Private consumption	0.6	0.6	0.6	0.2	0.2
Government consumption	0.1	0.0	0.1	0.0	0.0
Gross fixed capital formation	0.1	0.2	0.7	0.3	0.3
Changes in inventories	0.6	0.7	0.4	0.3	0.0
Domestic demand	**1.4**	**1.5**	**1.7**	**0.8**	**0.5**
Net exports	**0.7**	**0.5**	**0.7**	**0.8**	**0.8**
GDP	**2.1**	**2.0**	**2.4**	**1.7**	**1.4**

Source: Eurostat.

Private consumption, as well as gross fixed capital formation, expanded at the same rate as in the previous quarter, while government consumption contracted by 0.1% after having increased moderately in the June quarter. As regards external demand, both export and import growth lost momentum during the quarter, although net exports continued to contribute positively to GDP growth.

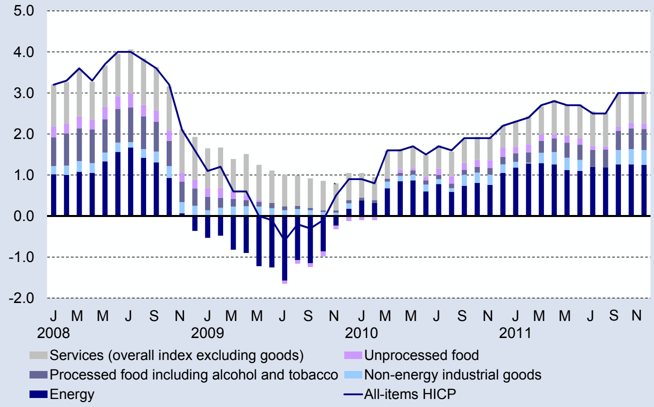
HICP inflation rises further

After falling to 2.5% in July and August from 2.7% in June, annual HICP inflation in the euro area rose to 3.0% in September, reaching this level for the first time in almost three years (see Chart 1.7). In contrast, core inflation, measured by excluding energy and food prices from the HICP, remained unchanged, at 1.6% in both June and September.

The increase in the annual inflation rate during the third quarter was mainly driven by energy prices, which continued to grow at double-digit rates. Indeed, the annual growth rate of this component rose by 1.5 percentage points over the quarter, to 12.4% in September. The processed food and, to a lesser extent, non-energy industrial good categories also contributed to the increase. In contrast, the prices of unprocessed food and services somewhat pulled down area-wide inflation.

Going into the fourth quarter, headline inflation remained unchanged at 3.0% in October and November, as lower price pressures in the services sector counteracted developments in the other HICP components.

Chart 1.7
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION IN THE EURO AREA
(percentage points; annual percentage change)

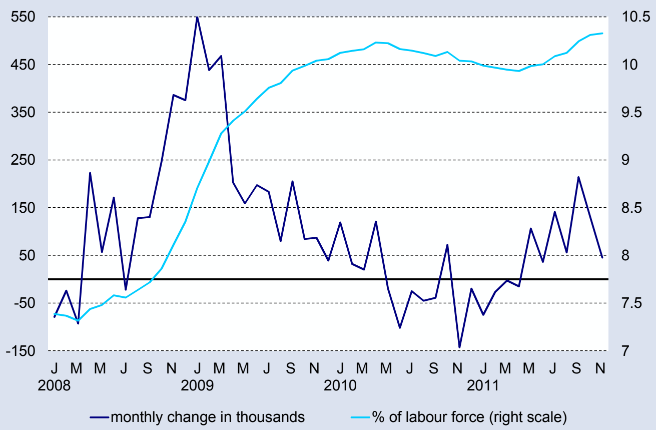


Source: Eurostat.

Labour market conditions deteriorate

Euro area labour market conditions deteriorated during the quarter under review. The annual growth rate of employment slowed down to 0.2% from 0.5% in the June quarter. The quarter-on-quarter change in the number of job holders turned negative, to stand at -0.1%. Moreover, the unemployment rate continued to edge up, going from 10.0% in June to 10.2% by the end of the quarter under review (see Chart 1.8). It rose further to 10.3% in both October and November,

Chart 1.8
UNEMPLOYMENT IN THE EURO AREA
(monthly data; seasonally adjusted)



Source: Eurostat.

reflecting developments in jobless numbers. Nonetheless, the extent of job losses remained below that recorded in 2009.

Euro area GDP and inflation forecasts revised upwards and downwards respectively

The sovereign debt crisis and the fiscal tightening implemented in various euro area countries are expected to have weighed on the pace of the recovery in the euro area and the outturn for 2011. According to the Eurosystem staff macroeconomic projections that were published in December, if the financial crisis did not intensify further real GDP growth would pick up during 2012 and improve somewhat further in 2013. Annual real GDP growth is expected to have been between 1.5% and 1.7% in 2011, between -0.4% and 1.0% in 2012, and between 0.3% and 2.3% in 2013 (see Table 1.3). When compared with the ECB staff projections released in September, the 2011 range was narrowed, while the 2012 range was revised significantly downwards.

Overall euro area average annual headline inflation is expected to have ranged between 2.6% and 2.8% in 2011. It is expected to remain above 2% in the first quarter of 2012, owing to past hikes in commodity prices and, to a lesser extent, to increases in indirect taxes. HICP inflation is expected to moderate considerably thereafter, mainly reflecting decelerating energy prices. As a result, inflation is expected to range between 1.5% and 2.5% in 2012 and between 0.8% and 2.2% in 2013. These ranges are slightly above the September projections of the ECB, reflecting higher oil prices in euro and a higher contribution from indirect taxes.

ECB changes key interest rates three times in second half of 2011

After raising key official interest rates by 25 basis points in July, the Governing Council of the ECB lowered them by 25 basis points in November and again in December. With these decisions, the MRO rate was brought down to 1.00%, matching its historical low.

While the July decision was warranted in the light of upside risks to price stability, the rate cuts in November and December were based on the observation that while inflation in the euro area remained elevated, it was expected to ease during 2012. In particular, the intensified tensions in financial markets were expected to continue to dampen economic activity in the euro area and thus the outlook for GDP remained subject to high uncertainty and to stronger downside risks.

Table 1.3

MACROECONOMIC PROJECTIONS FOR THE EURO AREA[(1)]

Average annual percentage changes; working-day-adjusted data

	2010	2011	2012	2013
Private consumption	0.8	0.3 – 0.7	0.0 – 1.6	0.0 – 1.8
Government consumption	0.5	-0.2 – 0.8	-0.7 – 0.5	-0.3 – 1.3
Gross fixed capital formation	-0.8	2.2 – 3.6	0.8 – 5.4	-0.5 – 4.3
Exports	11.0	5.6 – 8.4	2.3 – 9.7	2.1 – 8.9
Imports	9.3	4.7 – 7.3	2.0 – 9.2	1.7 – 8.1
Real GDP	**1.7**	**1.4 – 1.8**	**0.4 – 2.2**	**0.3 – 2.3**
HICP	**1.6**	**2.5 – 2.7**	**1.2 – 2.2**	**0.8 – 2.2**

(1) Eurosystem staff macroeconomic projections (Dec. 2011).

Source: ECB.

During the second half of 2011, the Eurosystem continued to implement several non-standard monetary policy measures. On 7 July the Council decided to suspend, until further notice, the application of the minimum credit rating threshold for collateral eligibility requirements in the Eurosystem's credit operations for marketable debt instruments issued or guaranteed by the Portuguese government.

In the light of renewed tensions in euro area financial markets, the Governing Council decided on 4 August to conduct a liquidity-providing supplementary longer-term refinancing operation (LTRO) with a maturity of approximately six months as a fixed rate tender procedure with full allotment. It also maintained this tender procedure for MROs and the special-term refinancing operations with a maturity of one maintenance period, for as long as necessary, and at least until 17 January 2012 and 31 December 2011, respectively. It also decided to apply this procedure for the three-month LTROs to be allotted during the last quarter of 2011.

On 6 October the Council decided to introduce a 12-month LTRO and a 13-month LTRO using the same tender procedure. It also extended its August commitments concerning MROs, three-month LTROs and special-term refinancing operations with a maturity of one maintenance period, until at least the second quarter of 2012.

On the same day, the Governing Council announced a new covered bond purchase programme (CBPP2). The purchases under the programme will be for an intended amount of EUR40 billion and will have the capacity to be conducted in both primary and secondary markets. It is expected that purchases will be completed by the end of October 2012.

In December 2011 the Governing Council announced additional enhanced credit support measures to support bank lending and money market liquidity. In particular, it decided to conduct two LTROs with a maturity of 36 months and the option of early repayment after one year. It also decided to discontinue the fine-tuning operations carried out on the last day of each maintenance period and to reduce the reserve ratio that has to be met by credit institutions from 2% to 1%. Moreover, collateral availability was enhanced through a reduction of the rating threshold for certain asset-backed securities and by allowing national central banks to temporarily accept as collateral additional performing bank loans that satisfy specific eligibility criteria. Finally, the ECB announced two one-day liquidity-providing fine-tuning operations allotted on 20 December 2011 and on 28 February 2012.

The ECB also extended a number of liquidity swap arrangements with other central banks. On 25 August the ECB, in agreement with the Bank of England, decided to extend their liquidity swap arrangement established on 17 December 2010 for an additional year, up to 28 September 2012. On 15 September, in coordination with other central banks, it decided to conduct three US dollar liquidity-providing operations with a maturity of approximately three months covering the period till the end of the year. Subsequently, on 30 November the ECB, in conjunction with other central banks, agreed to enhance liquidity support to the global financial system by lowering the pricing of these swap arrangements.

Broad money growth recuperates

The annual growth rate of the broad monetary aggregate M3 recovered during the third quarter, going to 2.9% in September from 2.0% in June (see Table 1.4), as heightened financial market uncertainty triggered portfolio shifts from risky to liquid assets, and thus into M3 during the quarter.

Table 1.4
EURO AREA MONETARY AGGREGATES
Annual percentage changes

	2011					
	June	July	Aug.	Sep.	Oct.	Nov.
M1	**1.3**	**1.0**	**1.7**	**2.0**	**1.7**	**2.1**
Currency in circulation	4.1	4.3	4.5	5.3	6.5	6.5
Overnight deposits	0.7	0.3	1.1	1.4	0.7	1.2
M2-M1 (Other short-term deposits)	**3.7**	**3.7**	**3.3**	**3.1**	**2.3**	**2.1**
Deposits with an agreed maturity of up to two years	3.2	3.5	3.0	3.2	1.9	1.6
Deposits redeemable at notice of up to three months	4.3	3.9	3.5	3.0	2.7	2.6
M2	**2.3**	**2.2**	**2.4**	**2.5**	**1.9**	**2.1**
M3	**2.0**	**2.1**	**2.8**	**2.9**	**2.6**	**2.0**

Source: ECB.

The annual growth rate of M1 rose by 0.7 percentage points to 2.0% over the quarter, reflecting the market's stronger preference for liquidity. In contrast, the annual growth rate of other short-term deposits (i.e. M2 minus M1) continued to weaken, as it had done in recent months.

The acceleration in M3 was to some extent reversed in the following quarter, with the annual growth rate decreasing to 2.0% in November.

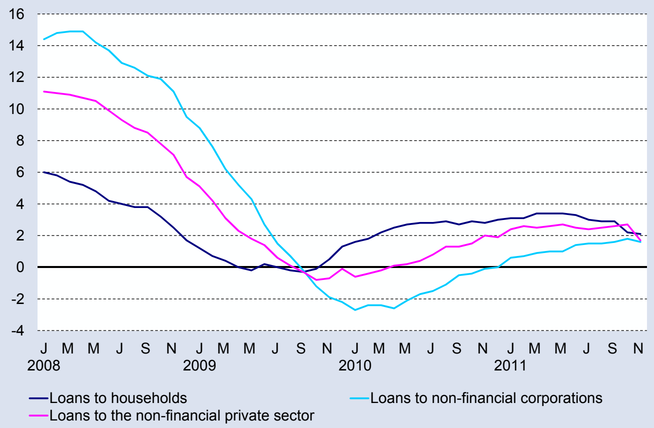
Growth in private sector lending stabilises

On the counterparts' side, the annual growth rate of credit to euro area residents outside general government declined to 1.5% in September from 2.1% in June. However, the annual growth rate of loans to the non-financial private sector edged slightly up to 2.6% from 2.5% over the same period (see Chart 1.9). The relatively weak growth in lending to the non-financial private sector mainly reflected the weakening of the economic environment, deteriorating business expectations and the need for continuing private sector balance sheet adjustment.

During the September quarter the annual growth rate of loans to corporate borrowers extended its moderately upward trend observed since the second quarter of 2010, and increased by 0.2 percentage points to 1.6%. Meanwhile, the annual growth rate of MFI lending to households declined by 0.4 percentage points to 2.9% over the same period, due to relatively weak lending for house purchases.

In October the annual growth rate in MFI loans to the non-financial private sector edged up slightly to 2.7%, before significantly declining to 1.7% in November.

Chart 1.9
MFI LOANS TO THE NON-FINANCIAL PRIVATE SECTOR IN THE EURO AREA
(annual percentage changes)

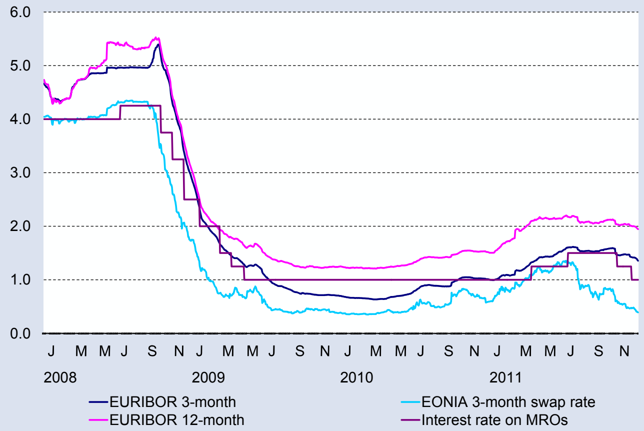


Source: ECB.

Money market rates generally decline

Money market interest rates in the euro area generally declined during the third quarter of 2011, reflecting the expectation that official interest rates would be reduced.

Chart 1.10
KEY INTEREST RATES
(percentages per annum; daily data)



Sources: ECB; Euribor FBE.

In the unsecured EURIBOR money market these declines were particularly visible at maturities of more than five months. In particular the 12-month EURIBOR declined by 8 basis points to 2.08% between end-June and end-September (see Chart 1.10).[2] In contrast, the corresponding three-month rate increased by 1 basis point to 1.55% over the same period and remained above the MRO rate throughout the quarter.

During the last quarter of 2011, EURIBOR rates at both the three-month and 12-month maturity declined, to 1.36% and 1.95%, respectively.

Secured rates, such as those implicit in the three-month EONIA swap index, declined significantly in the three months to September, shedding 61 basis points and going to 0.73%, a level not seen since the beginning of 2011.[3] The drop more than reversed the 32 basis points gain in the previous quarter. Going in the December quarter, the EONIA swap index at the three-month maturity decreased further.

The spread between unsecured EURIBOR rates and secured EONIA swap rates at the three-month maturity widened significantly during the third quarter, going from 21 basis points to 53 basis points as money market tensions increased. It further widened in the following quarter.

Benchmark long-term government bond yields drop sharply

During the third quarter of 2011, ten-year German government bond yields, which are often taken as a benchmark for the euro area, decreased significantly (refer to Chart 1.3). Over the quarter, these yields fell by 111 basis points to 1.90% at end-September. This mirrored a similar decline in the yield of US and UK government bonds. The re-intensification of tensions related to the euro area sovereign debt crisis weighed on market sentiment and prompted a significant increase in investors' risk aversion and in shifts towards safe-haven flows. As a result, the spreads of sovereign bonds in other euro area countries vis-à-vis their German counterpart widened in most countries (see Chart 1.11).

[2] EURIBOR refers to the rates at which prime banks are willing to lend funds to other prime banks in euro on an unsecured basis.
[3] EONIA is a measure of the effective interest rate prevailing in the euro interbank overnight market. The EONIA swap rate is the fixed rate that banks are willing to pay in exchange for receiving the average EONIA rate over the lifetime of a swap contract. The EONIA swap index is considered a measure of market confidence in the soundness of the banking system.

Benchmark euro area government bond yields continued to decrease in the following quarter, to end the year at 2.42%.

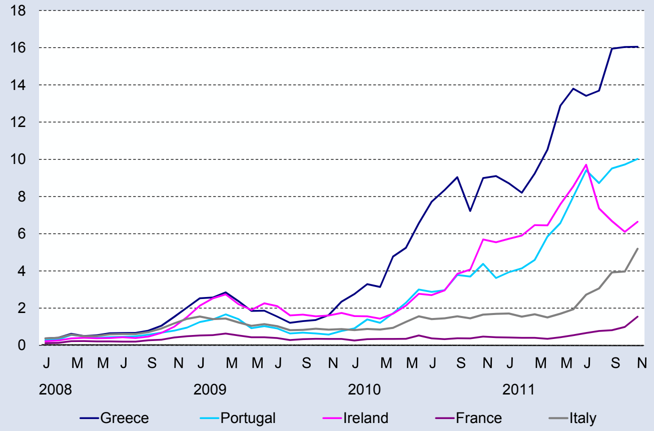
Euro area equity prices decline markedly

Euro area stock prices, as measured by the Dow Jones EURO STOXX index, decreased markedly, with the index falling by 23.2% during the September quarter (refer to Chart 1.4). Once again, the decrease in equity prices was driven by concerns about the sustainability of the global economic recovery and by a decline in investor risk appetite. Over the following quarter, however, euro area stock prices edged up, increasing by 5.21% by the end of the year.

The euro depreciates against major currencies

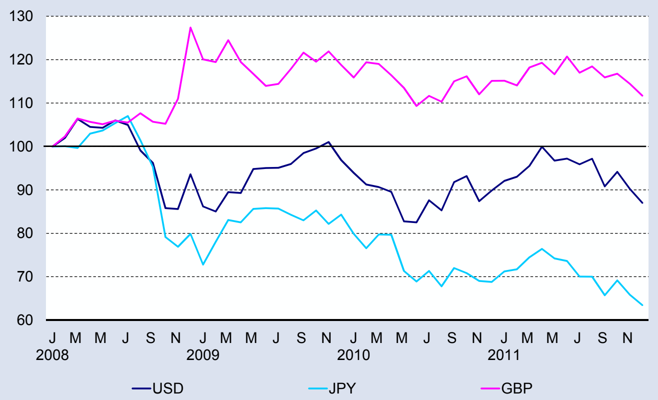
On a bilateral basis, the euro depreciated against all major currencies during the third quarter. In particular it lost 6.6% against the US dollar amid increased volatility within the period (see Chart 1.12). Developments in the dollar/euro exchange rate were influenced to a large extent by concerns about the sustainability of public finances in the two economic areas and from movements in yield differentials. During the September quarter, the euro also fell by 10.7% against the Japanese yen. This resulted from movements in interest rate differentials between the euro area and Japan and from market perceptions about global

Chart 1.11
EURO AREA TEN-YEAR GOVERNMENT BOND YIELD SPREADS
(vis-à-vis German ten-year government bond yields)



Source: ECB.

Chart 1.12
EXCHANGE RATE MOVEMENTS OF THE EURO AGAINST OTHER MAJOR CURRENCIES
(index of end of month rates; Jan. 2008=100; an increase in the index implies euro appreciation)



Source: Eurostat.

Chart 1.13
EURO NOMINAL EFFECTIVE EXCHANGE RATE
(index of daily effective exchange rate; Q1 1999=100)

Source: ECB.

financial market risk. The euro weakened by 4.0% against the pound sterling between June and September.

During the December quarter, the euro depreciated further against all major currencies.

The euro's nominal effective exchange rate (NEER), as measured against the currencies of 20 of the euro area's main trading partners, depreciated during the quarter under review, losing 3.0% (see Chart 1.13). Developments continued to be characterised by concerns about the fiscal and economic prospects of euro area countries and by yield differentials.

The NEER weakened further in the final quarter of 2011, shedding an additional 2.8%.

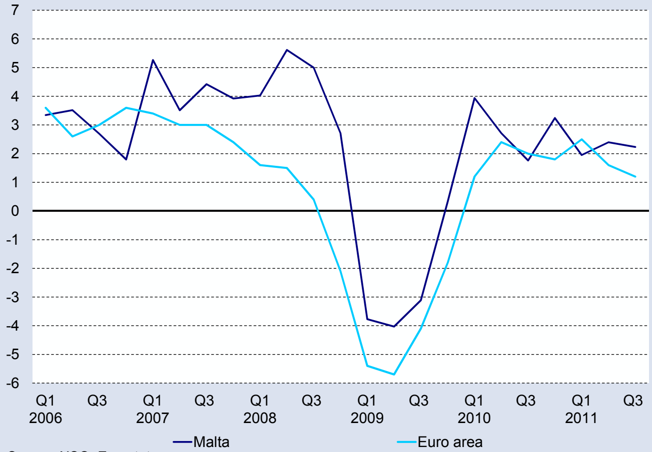
2. OUTPUT AND EMPLOYMENT

Gross Domestic Product

Economic growth slows down in the third quarter

Economic activity in Malta slowed down in the third quarter of 2011 as annual real GDP growth eased to 2.2% compared with 2.4% in the second quarter (see Chart 2.1). Output was primarily boosted by a recovery in domestic demand although net exports also made a positive contribution. In the three-month period under review real GDP in Malta expanded more rapidly than in the euro area, where the annual rate of growth declined to 1.2%.[1] As can be seen in Chart 2.1, growth patterns in Malta and the euro area as a whole were fairly similar in recent quarters.

Chart 2.1
REAL GDP GROWTH
(annual percentage changes; not seasonally adjusted)



Source: NSO; Eurostat.

Net exports contribute less to growth

Net exports contributed positively to GDP growth during the quarter reviewed. Their contribution, however, contracted to 0.8 percentage points from 3.5 points in the previous three-month period. Exports, in real terms, declined by 11.3% on a year earlier, while imports fell more sharply, by 13.1% (see Table 2.1). The available information suggests nominal declines in oil re-exports as well as in exports of semiconductors and chemicals, while receipts from tourism and trade-related services were buoyant during the quarter. With regard to imports, nominal data indicate that the aggregate fall was driven by a decline in imports of semi-finished industrial supplies and fuels.

Domestic demand recovers

Domestic demand expanded by 1.6% on an annual basis after falling by 1.2% in the previous quarter.

Private consumption growth decelerated significantly to 0.4% from 4.0% in the second quarter of the year, contributing 0.2 percentage points to real GDP growth.

General government consumption was an important driver of growth in domestic demand. It expanded at a relatively fast annual rate of 5.4% compared with 2.8% in the previous quarter and contributed 1.0 percentage point towards real GDP growth. Based on nominal data, it appears that government consumption was mainly propelled by intermediate consumption. Compensation of government employees was also higher, on a yearly basis, by around 3%.

[1] Annual real GDP growth rates for the euro area reported in this Chapter differ from those provided elsewhere in this *Review*. This is because, to maintain comparability with data for Malta, euro area figures used in this Chapter are not seasonally adjusted.

Table 2.1
GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

	2010		2011		
	Q3	Q4	Q1	Q2	Q3
	Annual percentage changes				
Private final consumption expenditure	-4.0	1.5	5.4	4.0	0.4
Government final consumption expenditure	-2.7	6.4	8.2	2.8	5.4
Gross fixed capital formation	11.8	19.4	-11.3	-1.0	-26.9
Changes in inventories (% of GDP)(1)	-8.0	-2.3	-0.9	-9.5	-3.4
Domestic demand	**-7.9**	**0.1**	**0.3**	**-1.2**	**1.6**
Exports of goods & services	14.4	15.7	7.8	2.8	-11.3
Imports of goods & services	5.4	12.4	5.9	-0.3	-13.1
Gross domestic product	**1.8**	**3.2**	**2.0**	**2.4**	**2.2**
	Percentage point contributions				
Private final consumption expenditure	-2.7	1.0	3.6	2.5	0.2
Government final consumption expenditure	-0.5	1.2	1.6	0.6	1.0
Gross fixed capital formation	1.7	2.5	-1.6	-0.1	-4.3
Changes in inventories(1)	-6.3	-4.6	-3.4	-4.1	4.5
Domestic demand	**-7.7**	**0.1**	**0.3**	**-1.1**	**1.4**
Exports of goods & services	15.1	15.0	7.9	3.1	-13.2
Imports of goods & services	-5.6	-11.9	-6.3	0.4	14.0
Net exports	**9.5**	**3.1**	**1.7**	**3.5**	**0.8**
Gross domestic product	**1.8**	**3.2**	**2.0**	**2.4**	**2.2**

(1) Includes acquisitions less disposal of valuables.
Source: NSO.

Gross fixed capital formation (GFCF) declined by 26.9% and contributed a negative 4.3 percentage points to real GDP growth. Nominal data show a fall in investment in transport equipment, though this was partly due to a base effect reflecting substantial one-off investments in the third quarter of the previous year. Machinery investment also fell by 16.4% while slight increases were recorded in construction related to capital projects. The drop in GFCF was driven by the private sector, as general government capital outlays increased.

Changes in inventories, which include the statistical discrepancy, remained negative for the sixth consecutive quarter. However, the drop in this item was relatively small, falling to 3.4% of GDP from 8.0% a year earlier. As a result, changes in inventories raised real GDP growth by 4.5 percentage points, reversing the negative contribution of the previous quarter.

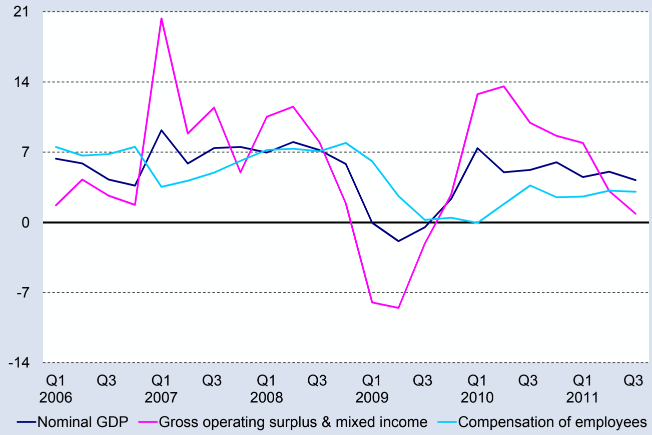
GDP growth in nominal terms eases

Nominal GDP expanded at a more modest pace of 4.2% on an annual basis compared with 5.1% in the previous quarter. Meanwhile, over the same period gross value added (GVA) growth eased to 2.0% with the difference between the two growth rates mainly attributable to indirect taxes.

Annual growth in nominal compensation of employees eased slightly to 3.0% from 3.2% in the previous quarter. Increases were recorded across all sectors except in construction. Growth in compensation of employees was mainly driven by the manufacturing and public sectors, with the strongest percentage increases recorded in the real estate and manufacturing & utilities sectors.

Conversely, gross operating surplus and mixed income growth decelerated considerably on an annual basis, falling to a growth rate of 0.9% from 3.1% in the second quarter of 2011 (see Chart 2.2).

Chart 2.2
NOMINAL GDP AND ITS MAIN COMPONENTS
(annual percentage changes)



Source: NSO.

Manufacturing GVA expands at a slower pace

An analysis of GVA on a sectoral basis indicates that the manufacturing sector contribution to annual nominal GDP growth declined by 0.3 percentage points to 0.5% (see Table 2.2). This reflected slower growth of GVA in manufacturing, which eased to 4.8% in the third quarter of 2011 from 6.2% in the second quarter.

The lower growth of the manufacturing sector's GVA coincided with a 4.3% drop in the volume of output as measured in industrial production data (see Table 2.3).[2] The overall contraction in industrial production reflected lower output of food products, semiconductors (included under computer, electronic & optical products), pharmaceuticals and textiles. Moreover, production dropped further within the repair & installation of machinery & equipment sector. On the other hand, the volume of output expanded further in the rubber & plastic sector, but grew at a slower pace in the energy sector and the wearing apparel category.

Table 2.2
CONTRIBUTION OF SECTORAL GROSS VALUE ADDED TO NOMINAL GDP GROWTH
Percentage points

	2010		2011		
	Q3	Q4	Q1	Q2	Q3
Agriculture, forestry & fishing	0.0	0.4	0.1	0.1	0.0
Mining & quarrying; utilities	0.5	-0.5	-0.9	-1.4	-1.7
Manufacturing	1.3	1.3	1.7	0.8	0.5
Construction	0.0	0.0	0.1	0.0	0.0
Wholesale & retail trade; repair of motor vehicles; transportation; accomodation & related activities	1.5	0.9	1.6	1.1	0.4
Information & communication	0.1	0.3	0.1	0.2	0.2
Financial & insurance activities	0.6	0.1	-0.1	-0.1	1.1
Real estate activities	0.2	0.2	0.2	0.2	0.2
Professional, scientific, administrative & related activities	0.4	0.3	0.6	0.4	0.2
Public administration & defence; education; health & related activities	0.9	0.8	0.5	0.8	0.5
Arts, entertainment; household repair & related services	0.1	0.6	0.4	0.4	0.4
Gross value added	**5.5**	**4.3**	**4.4**	**2.5**	**1.8**
Net taxation on products	**-0.3**	**1.7**	**0.1**	**2.6**	**2.4**
Annual nominal GDP growth (%)	**5.2**	**6.0**	**4.5**	**5.1**	**4.2**

Source: NSO.

[2] Methodological differences may account for divergences between developments in GVA in the manufacturing sector and industrial production. GVA nets input costs from output to arrive at value added and is expressed in nominal terms. Industrial production is a measure of the volume of output that takes no account of input costs. The sectoral coverage between the two measures may differ, since industrial production data also capture the output of the energy sector.

Table 2.3
INDUSTRIAL PRODUCTION
Percentages; annual percentage changes

		2010		2011		
	Shares	Q3	Q4	Q1	Q2	Q3
Industrial production	**100**	**8.1**	**1.0**	**8.6**	**0.4**	**-4.3**
Computer, electronic & optical products	18.5	25.8	20.5	24.7	-1.9	-9.8
Food products	10.2	-6.6	-14.1	12.4	-6.3	-9.9
Energy[1]	8.0	-2.7	0.9	2.4	3.5	2.7
Wearing apparel	6.5	-1.3	14.7	7.6	13.8	2.7
Rubber & plastic products	6.2	9.5	0.7	16.1	2.7	12.1
Basic pharmaceutical products & pharmaceutical preparations	5.5	32.8	6.3	18.6	-2.4	-15.1
Textiles	5.2	117.8	22.4	11.7	12.0	-4.8
Repair and installation of machinery and equipment	5.0	-18.3	-20.4	-38.0	-24.3	-25.5

[1] Includes electricity, gas, steam & air conditioning supply and water collection, treatment & supply.
Source: NSO.

GVA in the mining & quarrying and utilities sector recorded a contraction over the quarter, impacting negatively on nominal GDP growth.

Services continue to drive GDP growth

Services activity continued to expand in the third quarter of 2011 and accounted for around three-quarters of nominal GDP growth. In particular, GVA in the financial services & insurance activities sector increased substantially, reflecting an improvement in the net interest income of the banking sector. This increase contributed 1.1 percentage points to nominal GDP growth, and followed a small negative contribution in the previous quarter.

Public administration and related sectors, including health and education, also made a positive contribution of 0.5 percentage points to nominal GDP growth as GVA in this sector increased by 3.2%. Meanwhile, GVA in the wholesale and retail trades, accommodation & food services and transport & storage services, which is the largest single services sub-sector, expanded at a slower pace, increasing by 1.7% and contributing nearly 0.4 percentage points to nominal growth. All other service sector contributed positively to economic growth (see Table 2.2).

BOX 1: TOURISM ACTIVITY

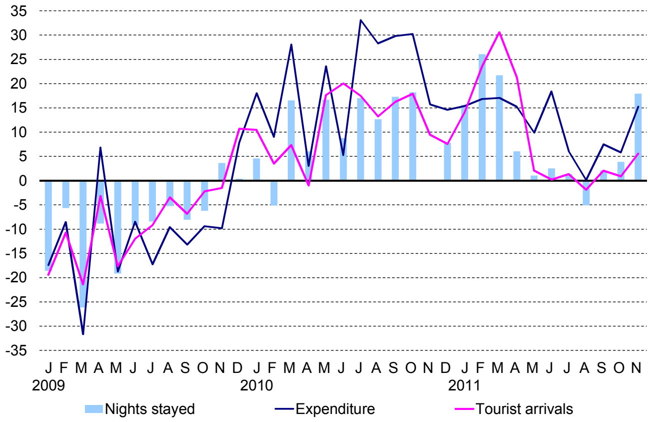
Tourism: third quarter indicators were broadly positive

During the third quarter of 2011, tourist numbers and expenditure increased at a more modest rate compared with year-ago levels. Meanwhile, nights stayed declined slightly from the level recorded in the September quarter of 2010 (see Chart 1).

The annual growth rate of tourist arrivals during the third quarter of 2011 decelerated sharply to 0.3%, following an increase of 6.7% in the previous quarter. The decision by the national carrier to operate a smaller number of aircraft during the summer was a factor contributing to the decline in the growth rate.

On a cumulative basis, during the first eight months of 2011 an annual increase of 7.4% was recorded in tourist arrivals to Malta. This rise was slightly below that in the Southern/Mediterranean Europe region, where an average growth rate of 8.2% was reported. Especially strong growth was registered in Cyprus, Portugal and Turkey. These results contrast with a double-digit drop in tourist numbers in North Africa.

Chart 1
TOURISM INDICATORS
(annual percentage changes)



Source: NSO.

During the third quarter, the total number of nights stayed dropped by 1.1% over the same period a year earlier. Accordingly, the average length of stay dropped by 0.1 nights to 9.5 nights, extending the declining trend observed in recent years.

Meanwhile, air traffic data provided by Malta International Airport show that passenger arrivals (including residents) during the third quarter grew by 1.6% over a year earlier. In addition, aircraft landings were 5.6% higher than in the same period of 2010.

In terms of the geographical distribution of tourist arrivals, there were substantial divergences between markets during the third quarter. Arrivals from the UK, Malta's largest source market, which accounts for almost 30% of the total, rose by 4.1% over their year-ago level. The number of visitors from France and Germany grew by 11.9% and 10.7%, respectively, while arrivals from Belgium and Switzerland also increased substantially.

On the other hand, tourist numbers from Italy and Spain contracted for the second consecutive quarter. Arrivals from Italy, the second largest market, dropped by 16.4%, while those from Spain contracted by 7.0%.

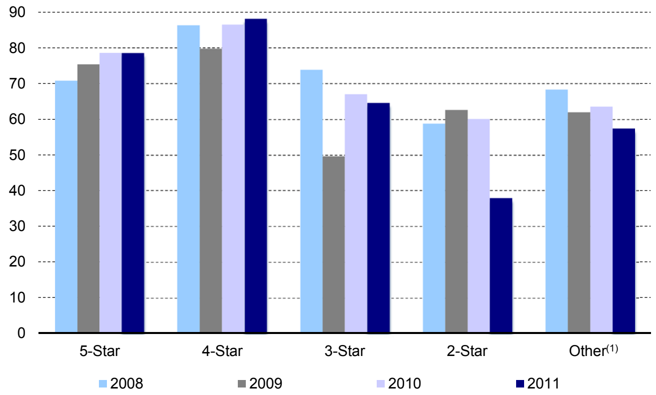
Meanwhile, tourist expenditure rose at an annual rate of 4.0% in the third quarter, following an increase of 14.4% in the previous quarter.[1] The increase in the quarter under review was due to a rise of 8.2% in package holidays and of 5.1% in the "other" component. In contrast, spending on non-package holidays dropped by an annual 3.3%, as a fall in accommodation spending outweighed an increase in expenditure on travel fares.

On the basis of the results of a survey conducted by the tourism industry and covering the third quarter of 2011, average achieved room rates continued to increase for the fourth

[1] Total expenditure is split into package, non-package and "other". Non-package spending is sub-divided into spending on accommodation and travel, while the "other" component captures any additional expenditure by tourists during their stay in Malta.

successive quarter.[2,3] However, while room rates in 5-star and 4-star hotels rose by 4.2% and 4.4%, respectively, on a year earlier, rates in the 3-star category dropped by 3.6%. The survey also shows that gross operating profits per available room increased in all hotel categories compared with the corresponding period in 2010.

Chart 2
AVERAGE OCCUPANCY RATES IN THE THIRD QUARTER
(per cent)



(1) Includes guesthouses, hostels & holiday complexes.
Source: NSO.

On the supply side, the net number of bed places in the third quarter of 2011 was fairly stable over a year earlier.[4] With the nights stayed dropping slightly during the quarter, the occupancy rate declined marginally to 78.6% from 78.8% in the third quarter of 2010. Occupancy in 5-star hotels, which account for around one-fifth of the total hotel bed stock, was almost unchanged over previous year levels, standing at 78.7% (see Chart 2). In 4-star hotels it rose by 1.6 percentage points, with this category having the highest occupancy rate at 88.2%. Meanwhile, in 3-star hotels the occupancy rate dropped by 2.4 percentage points compared with the same quarter of 2010, to 64.7%. Occupancy rates in the 2-star and lower end categories also dropped significantly.

Industry survey data on hotel occupancy broadly confirm the highest occupancy level in 4-star hotels and the rather stable occupancy rates in the 5-star category. On the other hand, this source points to a higher occupancy rate in 3-star hotels compared with a year earlier.

The increases reported in September and into the fourth quarter suggest further growth in inbound tourism figures, implying a rebound from the low point recorded in August. Information for October and November 2011 shows a moderate year-on-year increase in arrivals. Nights stayed and expenditure both increased by around 9% on year-ago levels.

Cruise passenger numbers expand

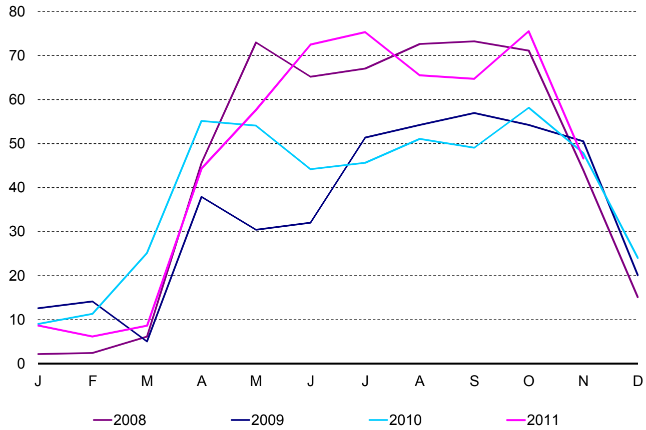
Cruise passenger numbers increased significantly during the third quarter (see Chart 3). After a rise of 13.8% in the second quarter, passenger numbers went up by 41.0% during

2 The achieved room rate is the total revenue from all rooms sold divided by their number.
3 See BOV-MHRA *Survey – Q3 2011*.
4 Bed places are determined by the number of persons who stay overnight in active establishments at full capacity, not taking into account any extra beds that may be provided to clients on request. The net number of bed places is calculated after deducting seasonal and other temporary closures, such as for redecoration.

the summer months, with the number of port calls by cruise liners also increasing significantly to 97 from 79 in the same period of 2010.

The cruise liner industry continued to perform well during the first two months of the fourth quarter, with the aggregate number of cruise passengers rising by 15.2% over the same period of 2010.

Chart 3
CRUISE LINER PASSENGERS
(thousands)



Source: NSO.

The labour market[3]

Labour market statistics for the third quarter show continued employment growth, though at a slower pace. In seasonally-adjusted terms, the unemployment rate extended the downward trend seen since the beginning of 2010, falling during the summer months, before increasing slightly going into the fourth quarter.

Employment continues to rise, but growth eases slightly

LFS data show that in the third quarter of the year, employment increased by 2.5% on an annual basis, following a 2.7% rise in the second quarter (see Table 2.4). Both full and part-time jobs increased significantly, each by a total of around 1,800 in absolute terms, while the number of full-timers on reduced hours rose by a lesser extent.

The total employment rate in the third quarter stood at 58.1%, 1.4 percentage points higher than its year-ago level. Overall employment gains were mainly among male workers, particularly in the 15 - 44 age bracket. The employment rate for males increased by 1.7 percentage points, to reach 74.0%.[4]

Meanwhile the female employment rate gained a percentage point, to reach its highest level on record, at 41.6%, with the strongest increases being reported in the 35 - 44 age bracket. Increased female participation in the labour market continued to be influenced by the introduction of tax related relief schemes.

The Survey shows that the working age population grew by 1.0% over the same period a year earlier, while the labour force went up by 1.8%. As a result, the activity rate rose by 1.1 percentage points to 62.0%, reflecting increases in more or less equal proportions for females and males.[5]

[3] This section draws mainly on labour market statistics from two sources: (i) the LFS, which is a household survey conducted by the NSO on the basis of definitions set by the International Labour Organisation and Eurostat, and (ii) administrative records compiled by the ETC according to definitions established by domestic legislation on employment and social security benefits.

[4] The employment rate measures the number of persons employed on a full-time or part-time basis as a proportion of the working age population. The latter includes all persons aged between 15 and 64 years.

[5] The activity rate measures the number of persons in the labour force as a proportion of the working-age population.

Table 2.4
LABOUR MARKET INDICATORS BASED ON THE LFS
Persons; annual percentage changes

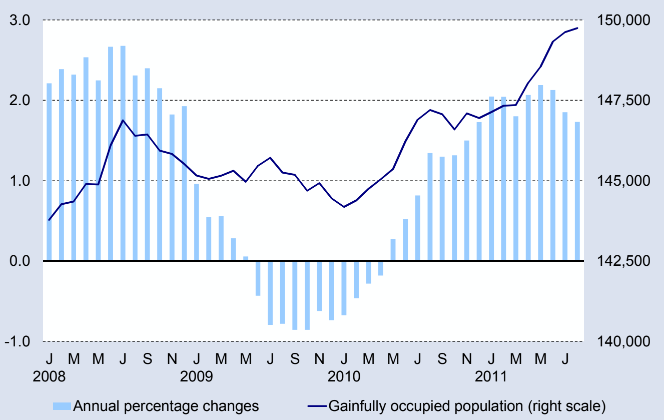
	2010		2011			Annual change
	Q3	Q4	Q1	Q2	Q3	%
Labour supply	**178,459**	**175,101**	**179,540**	**180,291**	**181,684**	**1.8**
Employed	166,313	163,123	168,023	168,222	170,466	2.5
By type of employment:						
Full-time	145,034	143,238	145,703	146,328	146,855	1.3
Full-time with reduced hours	3,554	2,663	3,525	4,576	4,044	13.8
Part-time	17,725	17,222	18,795	17,318	19,567	10.4
Unemployed	12,146	11,978	11,517	12,069	11,218	-7.6
Activity rate (%)	**60.9**	**60.4**	**61.4**	**61.5**	**62.0**	
Male	77.8	77.5	78.5	78.8	78.8	
Female	43.5	42.8	43.7	43.6	44.6	
Employment rate (%)	**56.7**	**56.3**	**57.4**	**57.3**	**58.1**	
Male	72.3	71.9	73.8	73.6	74.0	
Female	40.6	40.0	40.5	40.6	41.6	
Unemployment rate (%)	**6.8**	**6.8**	**6.4**	**6.7**	**6.2**	
Male	6.9	7.0	6.0	6.5	5.9	
Female	6.7	6.5	7.3	7.0	6.7	

Source: NSO.

ETC records available up to August broadly corroborate the LFS findings. Employment based on administrative records continued to show gains throughout the first eight months of the year, although the annual growth rate eased slightly in the three months under review (see Chart 2.3). Thus, the growth rate of the gainfully occupied population, defined to include all persons with full-time employment, decelerated to 1.7% in August, from 2.2% in May.

From a sectoral perspective, job creation mainly occurred in the private sector, particularly in market services, where employment went up by 2.1%, while jobs in the direct production segment grew at a more modest pace of 1.3% (see Table 2.5). The largest increases in employment in the services category were recorded in "other business activities", which comprise a broad range of business-related services. In addition, significant increases were registered in the land transport sector, mainly reflecting the public transport

Chart 2.3
GAINFULLY OCCUPIED POPULATION BASED ON ETC RECORDS
(annual percentage changes; persons)



Source: NSO.

Table 2.5
LABOUR MARKET INDICATORS BASED ON ETC ADMINISTRATIVE RECORDS
Persons; annual percentage changes

	2010		2011			Annual change
	Aug.	Dec.	Mar.	June	Aug.	%
Labour supply	**153,789**	**153,552**	**154,017**	**155,543**	**156,216**	**1.6**
Gainfully occupied [(1)]	147,200	146,946	147,355	149,331	149,751	1.7
Registered unemployed	6,589	6,606	6,662	6,212	6,465	-1.9
Unemployment rate (%)	**4.3**	**4.3**	**4.3**	**4.0**	**4.1**	
Private sector	**106,254**	**105,772**	**106,206**	**107,618**	**108,207**	**1.8**
Direct production	31,776	31,797	32,068	32,256	32,191	1.3
Market services	74,478	73,975	74,138	75,362	76,016	2.1
Public sector	**40,297**	**40,491**	**40,458**	**41,041**	**40,891**	1.5
Temporary employment	**649**	**683**	**691**	**672**	**653**	0.6
Part-time jobs	**52,130**	**51,926**	**51,667**	**53,051**	**54,286**	**4.1**
Primary	29,965	29,260	29,165	30,088	30,938	3.2
Secondary [(2)]	22,165	22,666	22,502	22,963	23,348	5.3

[(1)] This category measures full-time employment.
[(2)] This category includes employees holding both a full-time and a part-time job.
Source: NSO.

reform. Compared with their year-ago levels, higher figures were also recorded in financial intermediation, in the recreational sector and in IT-related activities.

As regards direct production, the manufacturing sub-sectors such as electrical machinery, rubber and other transport equipment, registered gains. In contrast, the metal and mineral product sectors, and to a lesser extent the food and beverage sector, recorded drops in employment.

Within the public sector, employment in the provision of services also registered gains while job losses were observed in direct production. The number of full-time workers increased in the areas of health & social work and education. These gains outweighed the impact of a decline in employment in construction activities, the ongoing removal of former shipyard employees classified as workers within the government sector and a fall in employment in the air transport sector as the restructuring of the national airline got under way.

Growth in part-time employment during August rose by an annual 4.1%, compared with a rise of 3.9% in June. Gains in this category were mostly due to an increase of 5.3% in workers with a part-time job in addition to their full-time employment. Over the same period, workers with part-time jobs as their primary employment rose by 3.2%. Within the pool of part-timers, a significant rise was recorded in hotels & restaurants, reflecting the positive performance of the tourism industry during the summer months, and in the real estate, renting & business activities sector.

Unemployment rates drop

The LFS unemployment rate dropped by half a percentage point from the previous quarter to end the third quarter at 6.2%, the lowest rate since the third quarter of 2008.[6] On an annual basis, this rate was 0.6 percentage points lower. The drop in unemployment was significant in the male category, as the unemployment rate amongst female workers was unchanged over its year-ago level.

Chart 2.4
UNEMPLOYMENT RATE
(seasonally adjusted; per cent)

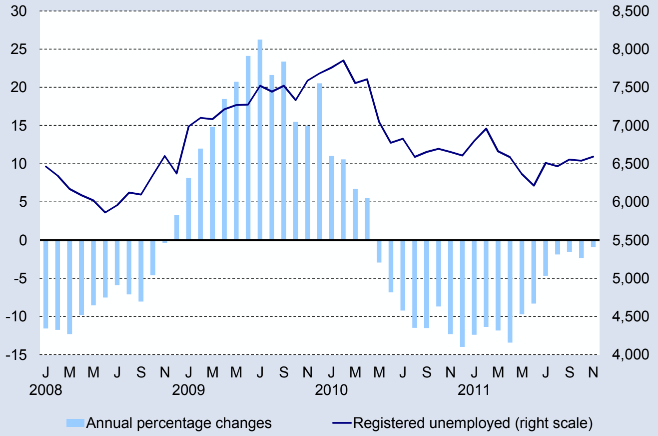
Source: Eurostat.

Similar developments were observed in the seasonally-adjusted unemployment rate published by Eurostat, which ended the third quarter at 6.3%, 0.7 percentage points lower than its year-ago level and almost four percentage points below the euro area average (see Chart 2.4).

During the summer months the administrative records of the ETC indicated that the number of registered unemployed continued to fall from the year-ago level, though at a moderating pace. In August, the unemployment rate published by the ETC stood at 4.1%, slightly below the 4.3% recorded in the same month of the previous year (see Chart 2.5).

As regards developments in the final quarter of 2011, the seasonally-adjusted unemployment rate issued by Eurostat slightly increased, to reach 6.4% in October and November. The latest ETC data show that while the number of registered unemployed continued to drop in the final quarter of the year, the annual decline slowed down further, reaching 0.9% in November 2011 as can be seen in Chart 2.5.

Chart 2.5
REGISTERED UNEMPLOYED
(annual percentage changes; persons)



Source: NSO.

[6] According to the LFS, the unemployed comprise all persons above 15 years of age who are without work, available for work and who have actively sought work during the four weeks preceding the survey. In contrast, the number of unemployed on the basis of ETC data includes only those persons registering for work under Part 1 and Part 2 of the unemployment register.

BOX 2: BUSINESS AND CONSUMER SURVEYS[1]

Survey data for the fourth quarter of 2011 show improved sentiment among Maltese manufacturing firms, service providers and consumers.[2] On the other hand, firms in the construction industry reported a further loss in confidence.

Industrial sentiment improves[3]

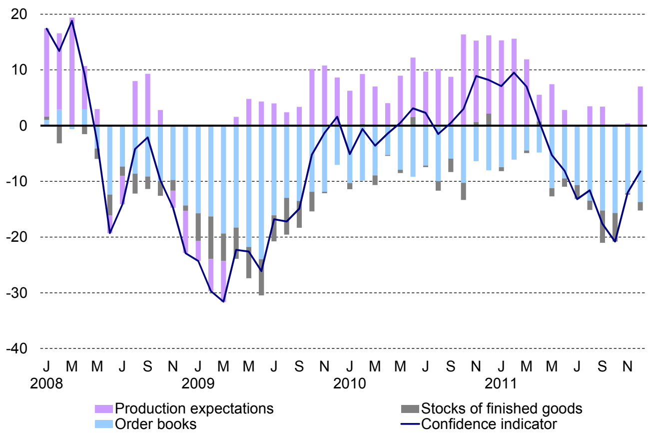
After having decreased in the three preceding quarters, sentiment among manufacturers improved in the final quarter of 2011. In fact, the seasonally-adjusted indicator rose by nine percentage points in December from -18 in September (see Chart 1). Nonetheless, the index remained in negative territory, as it had been for the previous seven months.

All components of the index reported gains. In fact, on balance the stock of finished goods of surveyed manufacturing firms decreased, fewer of them reported weak order book levels and their production expectations improved.

However, a large number of participants indicated insufficient demand as the main factor limiting business activity, with respondents generally indicating that the current production capacity was more than sufficient to meet demand. On the other hand, additional information obtained from the survey points to weaker employment growth in this sector. Although respondents on balance still expected declines in their selling prices over the subsequent three months, the number of respondents with such expectations fell.

Turning to seasonally-unadjusted data that provides sectoral detail, the overall index rose to -8 in December from -17 in September. Sentiment improved in all the main industrial groupings, namely consumer, intermediate and investment goods. Specifically, confidence rose among manufacturers of pharmaceutical products, computer & electronic equipment and food products. On the other hand, manufacturers

Chart 1
INDUSTRIAL CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

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1 Since May 2010, survey data for industry, construction and services are being compiled according to the NACE Revision 2 classification. However, aggregates for each category are unlikely to be affected by this change in methodology. The compilation of the consumer survey remained unchanged.

2 The cut-off date for the information contained in this Box is 30 January 2012.

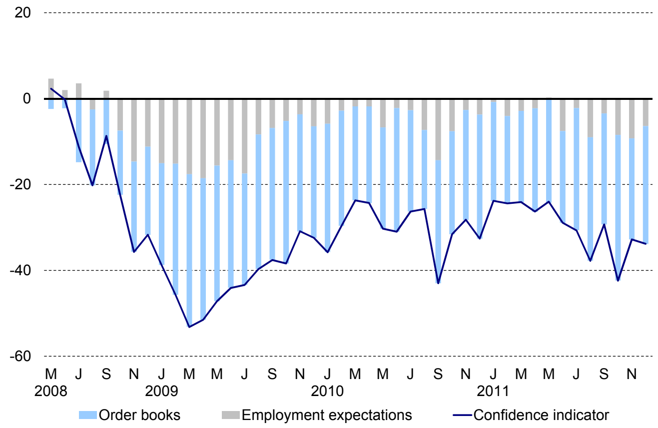
3 The industrial confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to expectations about production over the subsequent three months, to current levels of order books and to stocks of finished products.

of wearing apparel, machinery & equipment and rubber & plastic products reported negative sentiment.

Outlook for construction firms deteriorates further[4]

For the construction industry, survey results showed a deterioration in confidence during the quarter under review. The index fell to -34 in December, from - 29 in September (see Chart 2). This reflected a higher number of respondents expressing an intention to reduce their labour force in the following three months along with a larger number of respondents considering their current order books to be below normal.

Chart 2
CONSTRUCTION CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



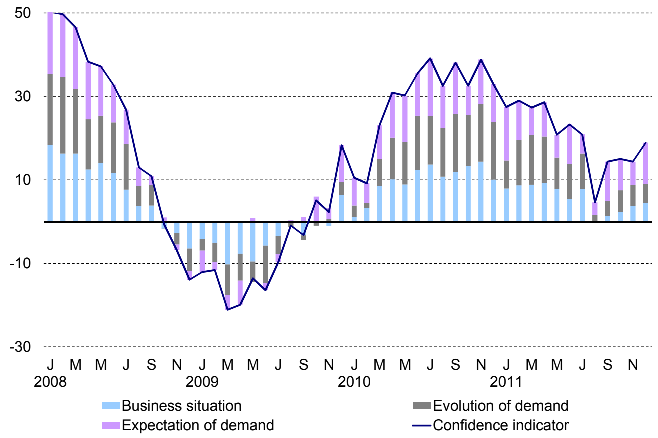
Source: European Commission.

Service providers become more optimistic[5]

After having declined in the four preceding quarters, the measure of confidence among service providers rose to 19 in December from 14 in September (see Chart 3). This reflected a more favourable business situation, with an increase in demand observed in the previous three months expected to persist in the subsequent three months. On balance, employment levels within the services sector are not expected to change. However, prices charged by service providers are expected to come under pressure in the subsequent quarter.

This notwithstanding, in seasonally-unadjusted terms, the overall index fell to 7 in December from 17 in September. This

Chart 3
SERVICES CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

[4] The construction confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to two survey questions, namely those relating to order books and employment expectations over the subsequent three months.
[5] The services confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to survey questions relating to the business climate, the evolution of demand in the previous three months and demand expectations for the subsequent three months.

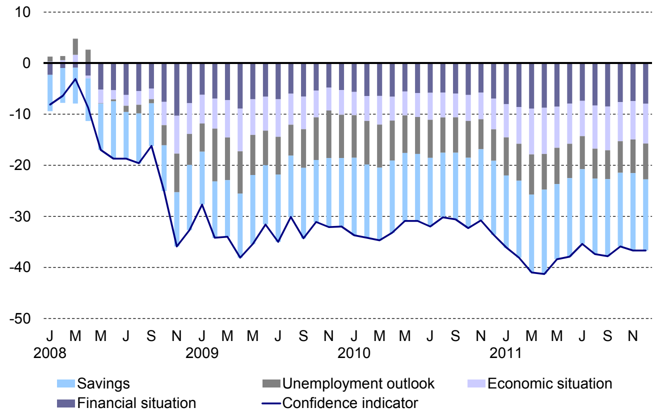
reflected a deterioration in sentiment among firms in the accommodation sector, in the food & beverage industry, in rental & leasing and in gambling & betting. In contrast, confidence improved among firms engaged in programming & broadcasting activities, in warehousing & support activities, land transport and film facilities. These movements were broadly in line with patterns seen during the same period of 2010.

Consumer confidence remains negative, but rises slightly[6]

Turning to consumer sentiment, surveys show that the consumer confidence indicator edged up marginally from -38 in September to -37 in December (see Chart 4). There was a marginal improvement in households' assessment of the general economic situation and their own financial position over the subsequent 12 months. On the other hand, a higher number of respondents expected unemployment to increase, while consumers were slightly more pessimistic about their ability to save over the forthcoming 12 months.

Other survey information shows that, on balance, consumers expect more subdued price increases in the forthcoming 12 months compared with September. Moreover, the number of respondents believing that the timing was not right to make major purchases, given the existing economic situation, remained practically unchanged compared with three months earlier.

Chart 4
CONSUMER CONFIDENCE INDICATOR
(seasonally adjusted; percentage points)



Source: European Commission.

[6] The consumer confidence indicator is the arithmetic average of the seasonally-adjusted balances (in percentage points) of replies to a subset of survey questions relating to households' financial situation, their ability to save, the general economic situation and unemployment expectations over the subsequent 12 months.

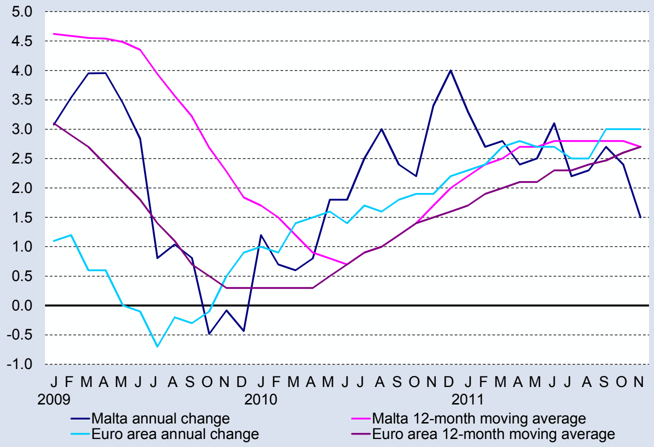
3. PRICES, COSTS AND COMPETITIVENESS

HICP Inflation

HICP inflation lower in September

HICP inflation moderated during the third quarter with the annual rate declining to 2.7% in September, from 3.1% at the end of the previous quarter (see Table 3.1).[1] Meanwhile, the 12-month moving average rate remained stable at 2.8% throughout the third quarter.

Chart 3.1
HICP INFLATION RATES IN MALTA AND IN THE EURO AREA
(annual percentage changes; annual average percentage changes)



Sources: NSO; Eurostat.

The drop in the annual rate of inflation in Malta contrasted with developments in the euro area as a whole, where inflation rose to 3.0% in September. However, the 12-month moving average rate in the euro area stood at 2.5% in September, lower than the corresponding rate in Malta (see Chart 3.1).

While energy remained one of the largest contributors to overall inflation, accounting for almost 0.8 percentage points of the annual change in prices, energy price growth further moderated to 11.6% in September from 12.7% in June (see Table 3.1 and Chart 3.2). The slowdown reflected a less rapid increase in fuel and gas prices.

However, the major factor behind the overall drop in HICP inflation was an easing in upward price pressure on the unprocessed food category, which fell substantially to 0.2% in September from 6.3% in June, thus hardly contributing to the headline inflation figure. The decline reflected an increase in the supply of fruit and vegetables on the domestic market, which led to a year-on-year drop in prices in September.

Table 3.1
YEAR-ON-YEAR HICP INFLATION
Percentage change

				2011			
	Mar.	Apr.	May	June	July	Aug.	Sep.
Unprocessed food	6.2	6.0	8.2	6.3	2.3	2.2	0.2
Processed food including alcohol and tobacco	3.2	3.4	4.4	4.5	4.7	4.9	4.8
Energy	14.3	12.8	12.6	12.7	11.0	12.7	11.6
Non-energy industrial goods	0.7	1.2	1.9	2.3	1.6	2.1	1.5
Services (overall index excluding goods)	1.9	0.8	-0.1	1.3	0.7	0.4	2.0
All Items HICP	**2.8**	**2.4**	**2.5**	**3.1**	**2.2**	**2.3**	**2.7**

Source: NSO.

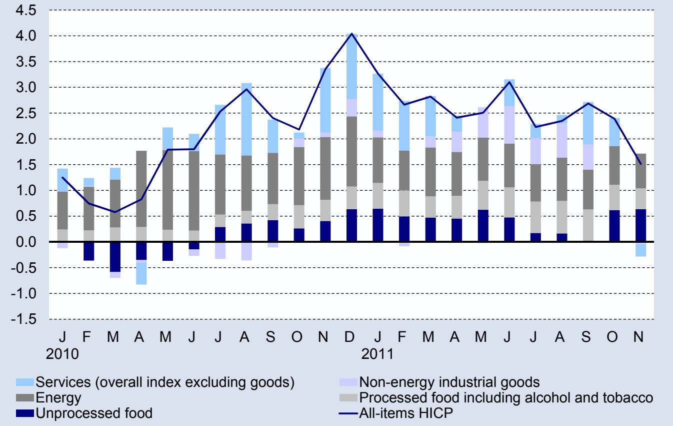
[1] In January 2011 the HICP weights were revised to reflect changes in household consumption patterns. The weight of food remained almost unchanged at 20.5%. In contrast, the share of non-energy industrial goods and services dropped by 0.1% and 0.2%, respectively, to 31.6% and 41.3%. On the other hand, the share allotted to energy rose from 6.3% to 6.6% in 2011.

On the other hand, processed food price inflation increased only slightly to 4.8% in September from 4.5% in June. This category contributed an unchanged 0.6 percentage points to inflation.

As a result, food prices, which account for just over a fifth of the HICP, registered a lower annual rate of increase of 3.0% in September, down from 5.2% in June.

Meanwhile, the inflation rate for non-energy industrial goods dropped to 1.5% in September from 2.3% three months earlier, partly due to a slower rate of increase in the prices of motor cars and to a fall in prices of furniture & furnishings. These counterbalanced an acceleration in clothing & footwear prices. The contribution of non-energy industrial goods prices to headline inflation went down by 0.2 percentage points to half a point.

Chart 3.2
CONTRIBUTIONS TO YEAR-ON-YEAR HICP INFLATION
(percentage points; annual percentage change)



Source: Eurostat.

In contrast, the services price inflation rate rose to 2.0% in September from 1.3% three months earlier. This increase was mostly due to travel prices as the cost of package holidays sold to residents of Malta rose throughout the quarter after having fallen during the previous three months. In addition, restaurant prices also went up. However, these factors were dampened by a drop in prices of hotel accommodation. Services price inflation accounted for 0.8 percentage points of the total rate in September, 0.3 points more than in June.

The annual HICP inflation rate dropped further to 2.4% in October, as a deceleration in the growth rate of prices of non-energy industrial goods and services was partly offset by higher prices for unprocessed food. In November the inflation rate fell again to 1.5%, mainly due to a drop in prices for services.

RPI Inflation

RPI inflation also eases

The annual rate of inflation based on the RPI, which generally moves in line with the HICP, eased to 2.8% in September from 3.3% in June, primarily reflecting a lower rate of increase in food prices (see Table 3.2).[2] Inflation in this category decelerated to 1.5% from 4.9% in June. This component accounted for 0.3 percentage points of the overall rate in September, 0.7 points less than three months earlier.

In contrast, the annual rate of change in prices of the transport & communication category stood at 3.5% in September, up from 3.1% three months earlier, reflecting higher prices of transport

[2] Diverse patterns in inflation as measured by the HICP and the RPI reflect differences in the way the two indices are compiled. For instance, whereas RPI weights are based on expenditure by Maltese households, HICP weights also reflect tourist expenditure in Malta. Thus, while the RPI excludes hotel accommodation prices, these account for a significant weight in the HICP. The RPI also allocates a larger weight to the food component.

Table 3.2
CONTRIBUTIONS TO YEAR-ON-YEAR RPI INFLATION
Percentage points

	2011					
	Apr.	May	June	July	Aug.	Sep.
Food	0.7	1.1	1.0	0.5	0.4	0.3
Beverages & tobacco	0.1	0.1	0.1	0.1	0.2	0.2
Clothing & footwear	0.1	0.1	0.3	0.1	0.5	0.5
Housing	0.4	0.5	0.5	0.4	0.4	0.5
Water, electricity, gas & fuels	0.1	0.1	0.1	0.1	0.1	0.1
Household equipment & house maintenance costs	-0.1	-0.1	0.0	0.0	-0.1	-0.1
Transport & communications	0.5	0.7	0.7	1.0	1.1	0.8
Personal care & health	0.1	0.1	0.1	0.2	0.2	0.1
Recreation & culture	0.1	0.1	0.2	0.1	0.1	0.1
Other goods & services	0.3	0.3	0.3	0.3	0.3	0.3
RPI (annual percentage change)	**2.4**	**3.1**	**3.3**	**2.8**	**3.2**	**2.8**

Sources: Central Bank of Malta; NSO.

fuels. This category represented the largest share of the overall inflation rate, with a contribution of 0.8 percentage points.

During the quarter the annual rate of change of the clothing & footwear sub-index rose persistently to stand at 6.7% in September from 3.9% in June. Its contribution to the overall inflation rate was half a percentage point in September. There were little or no significant changes in the other major RPI sub-indices.

The inflation rate based on the RPI is heavily influenced by a number of relatively volatile components, including food prices and water & electricity charges. Underlying price pressures can be gauged more accurately from the Bank's core RPI inflation index.[3] According to the latter, the core rate also eased to 1.6% in September from 2.0% in June, mainly owing to a substantially smaller annual increase in the recreation & culture category and to a further drop in prices in the household equipment & house maintenance category.

Data running into the fourth quarter of 2011 show that RPI inflation dropped to 2.4% in November, primarily owing to significantly smaller price increases in the transport & communication category, along with a drop in prices of clothing & footwear. These outweighed an increase in food prices.

Costs and competitiveness

Producer price inflation picks up during the third quarter[4]

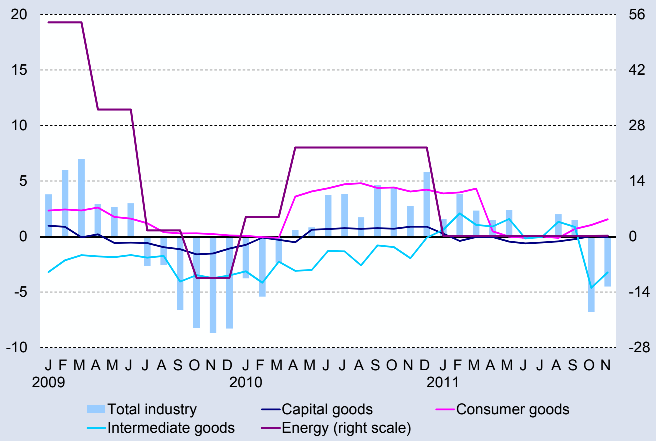
During the third quarter of 2011 the annual rate of producer price inflation rose to 1.5% in September, as against a drop of 0.2% three months earlier (see Chart 3.3). The rise mostly reflected an

[3] The core inflation rate reflects developments only in those sub-indices of the RPI that show persistent price changes. As measured by the Bank, the included sub-indices currently consist of: housing, durable household goods, personal care & health, transport & communications and clothing & footwear.

[4] The Industrial Producer Price Index measures the prices of goods at the factory gate and is commonly used to monitor inflationary pressures at the production stage. It monitors the ex-works sale prices of leading products as reported by a sample of 77 large enterprises accounting for over 80% of total industrial turnover. The index covers three areas of economic activity: mining & quarrying, manufacturing and the supply of electricity, gas & water. Products are divided into five main groupings: intermediate goods, capital goods, consumer durables, non-durable consumer goods and energy. In turn, producer prices are divided between export and domestic markets for each of the groupings, with the bulk of the weight given to the export index. Producer price inflation in Malta has been more volatile than consumer price inflation in recent years, reflecting relatively sharp fluctuations in producer prices in the energy and intermediate goods sectors.

increase in prices of intermediate goods, which account for the bulk of industrial production. Inflation in this category increased to 2.4% in September and contributed 1.3 percentage points to the overall rate. Movement in consumer goods prices also contributed, but to a much lesser extent. Producer prices in this category rose by an annual 0.7% and contributed 0.2 percentage points to the overall rate. Meanwhile, producer prices in the capital goods category fell at a slightly slower pace than in June. Furthermore, since electricity tariffs remained unchanged during 2011, energy prices once more had a largely neutral impact on producer price inflation in the third quarter.

Chart 3.3
INDUSTRIAL PRODUCER PRICE INFLATION
(annual percentage changes)



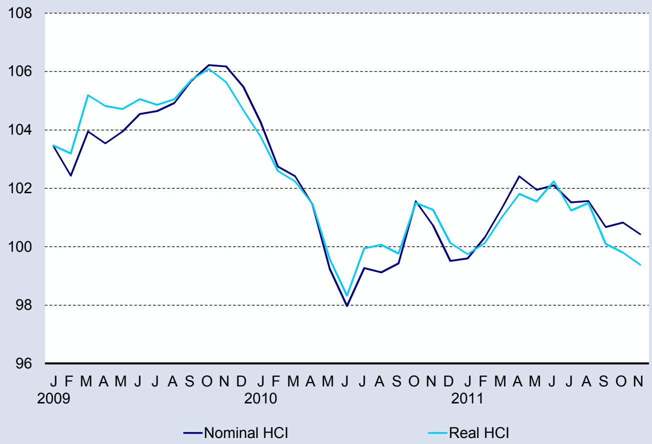
Source: NSO.

Producer prices dropped significantly in November 2011, falling by 4.5% owing solely to a decline in intermediate goods prices.

Malta's HCIs drop in the third quarter

During the third quarter of 2011, both the nominal harmonised competiveness indicator (HCI) and its real counterpart reversed the upward trend observed since the beginning of the year.[5] In September, the nominal index dropped by 1.4% from its June level, while the real index fell even more, by 2.0% (see Chart 3.4).[6] The decrease in the nominal HCI reflected the depreciation of the euro against the US dollar and the pound sterling, which had a significant impact owing to the importance of Malta's trade

Chart 3.4
HARMONISED COMPETITIVENESS INDICATORS
(May 2005 = 100)



Source: ECB.

[5] A higher (or lower) score in the HCI indicates a deterioration (or improvement) in a country's international competitiveness. The nominal HCI tracks movements in the country's exchange rate against the currencies of its main trading partners, while the real HCI incorporates both exchange rate changes and the relative inflation of a country vis-à-vis its main trading partners. In the computation of the indices, exchange rate and price changes are weighted according to the direction of trade in manufactured goods only. Therefore, the HCI should only be considered as a partial measure of Malta's international competitiveness. Changes in the HCI should be interpreted with caution.

[6] Following the adoption of the euro in Estonia in January 2011, the HCI now measures Malta's competitiveness vis-à-vis the other 16 countries in the euro area plus the EER-40 group of trading partners. Previously, Malta's HCI was compiled on the basis of 15 other countries in the euro area and the EER-41 group of trading partners.

with the United States and the United Kingdom. The larger drop in the real index resulted from a narrowing of inflation differentials as consumer prices in Malta rose, on average, less rapidly than those of its trading partners.

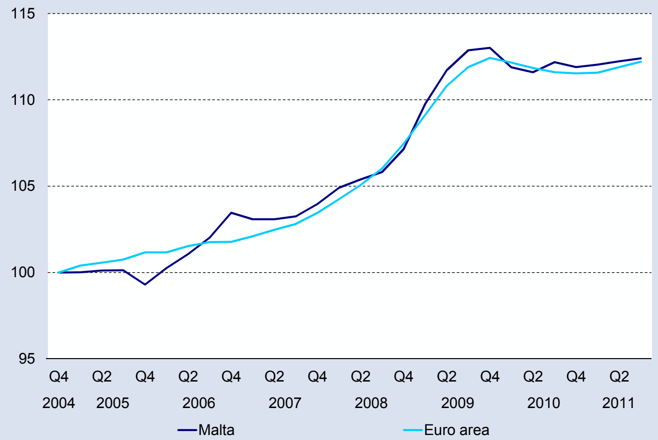
Compared with a year earlier, Malta's nominal HCI was 1.3% higher in September. With domestic inflation below that of its trading partners by 0.3%, the net effect was an increase in the real HCI of 0.9%. However, during the quarter reviewed, both the nominal and the real HCI remained well below the peak reached in late 2009.

HCI data going into the fourth quarter of 2011 show that, in November, both indices decreased further over September, with the real index falling by a larger margin, extending the decline observed since the second quarter.

Unit labour costs increase slightly during the quarter

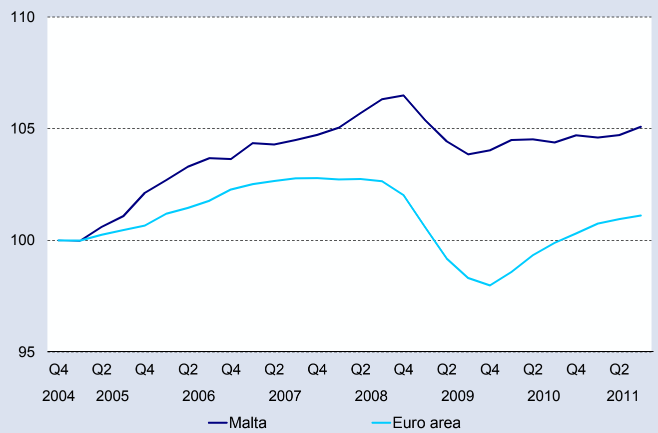
Malta's ULC measured as a four-quarter moving average increased slightly in the third quarter of 2011 compared with their year-ago level. ULC rose by an annual rate of 0.2%, following a 0.6% increase in the previous quarter (see Chart 3.5).[7] On a quarterly basis, ULC went up by 0.1%, slightly below the increase registered in the June quarter.

Chart 3.5
UNIT LABOUR COSTS IN MALTA AND IN THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Source: Eurostat, Central Bank of Malta workings.

Chart 3.6
PRODUCTIVITY IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



Source: Eurostat; Central Bank of Malta workings.

Chart 3.6 and 3.7 track the two components of ULC – compensation per employee and labour productivity – in Malta and in the euro area, since 2004.

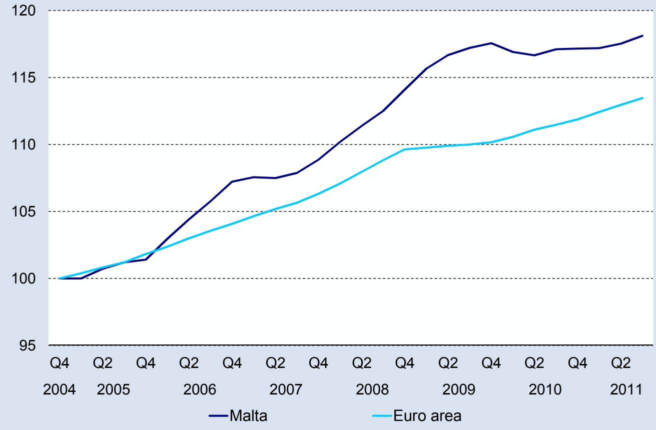
For the entire period under review, recently revised statistics indicate that productivity growth in Malta, at 5.1%, exceeded the corresponding rise of 1.1% in the euro area.

[7] Unit labour costs capture the labour costs of producing a unit of output. They are measured as the ratio of the nominal compensation per employee and labour productivity. The latter is defined as real GDP per person in employment. A drop in the ULC indicates an improvement in competitiveness. Unless otherwise indicated, ULC and their components are measured on the basis of a four-quarter moving average to dampen volatility in the data.

At the same time, compensation per employee too grew faster in Malta, increasing by 18.1% compared with 13.5% in the euro area.

These developments in the two components broadly offset each other over the time period as a whole, so that the resulting increase in ULC was practically the same in Malta as in the euro area, rising by 12.4% in the former and by 12.2% in the latter. As shown in Chart 3.5, ULC in Malta broadly tracked its euro area counterpart all through the period.

Chart 3.7
COMPENSATION PER EMPLOYEE IN MALTA AND THE EURO AREA
(four-quarter moving average indices; 2004 Q4 = 100)



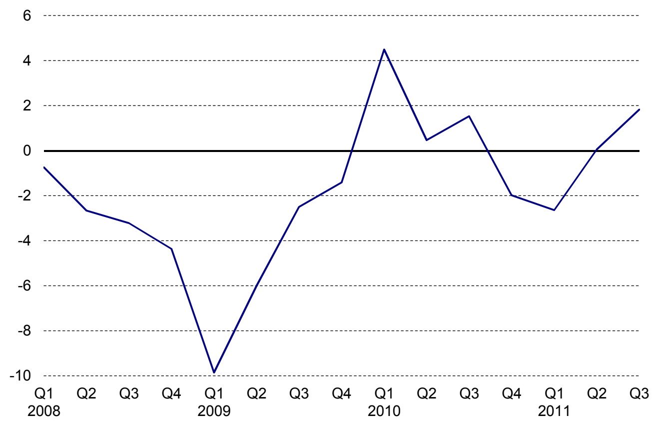
Source: Eurostat; Central Bank of Malta workings.

BOX 3: RESIDENTIAL PROPERTY PRICES

Residential property prices recover in the third quarter[1]

While advertised property prices were unchanged in the second quarter of 2011 from their level in the previous year, they recovered in the third quarter, increasing at an annual rate of 1.8%, mainly under the impact of a further rise in apartment prices (see Chart 1).

Chart 1
RESIDENTIAL PROPERTY PRICE INFLATION (BASED ON ADVERTISED PRICES)
(annual percentage change)



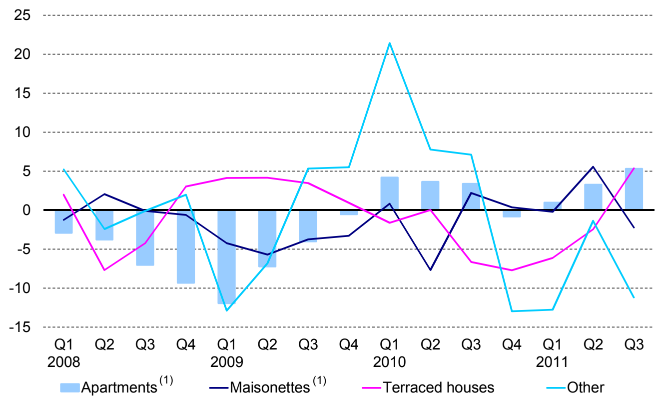
Source: Central Bank of Malta.

The prices of different categories of residential properties diverged during the third quarter. The most significant increase over the quarter was registered by apartments, which went up by 5.3% on a year earlier (see Chart 2). These constituted almost 55% of the sampled properties. At the same time, the prices of terraced houses rose by 5.4%.

[1] This analysis of property price movements is based on the Central Bank of Malta's residential property price index, which tracks movements in prices compiled from newspaper advertisements sampled each month. The NSO publishes a separate quarterly index based on monthly information obtained from contracts of sale registered with the Inland Revenue Department. The Bank's index is divided into eight dwelling categories, while properties are sorted into three categories in the NSO statistics. The latest data available from the NSO relate to the first quarter of 2011.

On the other hand, asking prices for maisonettes dropped by 2.2%, while prices in the "other" category – which consists of townhouses, houses of character and villas – fell by 11.2%, largely as a result of a further reduction in asking prices of houses of character and of villas.

Chart 2
RESIDENTIAL PROPERTY PRICES BY CATEGORY
(annual percentage changes)



(1) Includes both units in shell form and finished units.

Source: Central Bank of Malta.

As a measure of activity in the housing market, the Bank also monitors the number of advertised properties captured in its survey. In the September quarter this dropped by 4.8% on a year earlier, following a 14.6% increase in the previous quarter. However, during the first nine months of the year, the number of advertised properties captured in the Bank's sample was stable on a year earlier.

During the third quarter the number of building permits issued by the Malta Environment and Planning Authority dropped by 24.2% on a year earlier. This was mostly due to a lower number of approved permits for apartments, which, however, still accounted for over four-fifths of the total issued. On a quarter-on-quarter basis, the overall number of approved permits dropped by 27.7%. Nevertheless, for the first nine months of 2011, issued permits were 9.2% fewer than a year earlier.

4. THE BALANCE OF PAYMENTS

In the third quarter of 2011, the current account of the balance of payments registered a significant surplus, which contrasted with a deficit in the same quarter of 2010. A substantial decline in net outflows on the income account was reinforced by a narrower visible trade gap and a larger surplus in services, while net current transfers turned positive.

Concurrently, smaller net outflows were recorded on the capital and financial account, reflecting a narrowing of the negative position on the financial account and a marked increase in the surplus on the capital account. At the same time, reserve assets – movements in which are recorded in the financial account – decreased, while net errors and omissions were negative and substantial.[1]

The current account

The current account records a large surplus

In the September quarter the current account surplus amounted to EUR138.1 million, as against a deficit of EUR24.8 million in the same quarter of 2010 (see Table 4.1). As a result, the current account deficit expressed as a four-quarter moving sum narrowed to EUR190.1 million, or 3.0% of GDP as against 4.6% in the year to September 2010 (see Chart 4.1).

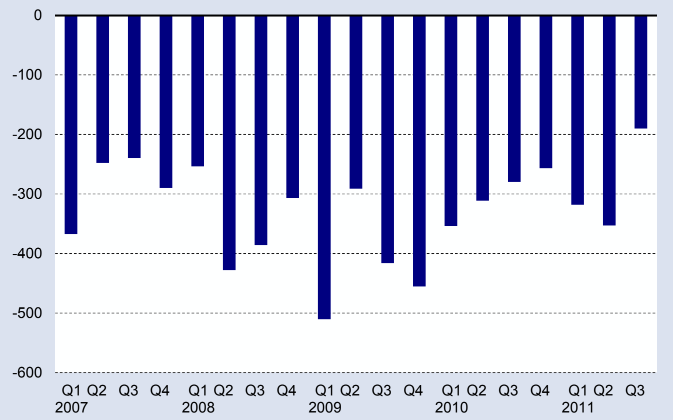
The merchandise trade gap narrows further

Between July and September 2011, the deficit on trade in goods contracted to EUR288.4 million, down by EUR26.7 million on a year earlier. While both imports and exports were lower than the levels recorded a year earlier, the decline in exports was smaller.

The value of goods exported in the September quarter dropped by EUR78.6 million, or 11.5%, on the corresponding months of 2010. The available information indicates that re-exports of oil decreased and there was a marginal decline in exports of semiconductors and chemicals. Parallel movements were recorded in merchandise imports, with a decrease of EUR105.2 million, or 10.6%, driven by a decline in imports of semi-finished industrial supplies and fuels, as well as by a marginal fall in consumer goods.

This notwithstanding, measured on a four-quarter cumulative basis the merchandise trade gap widened to EUR990.6 million in the year ending September 2011, up by 4.2% compared with the level recorded in the

Chart 4.1
CURRENT ACCOUNT BALANCE
(four-quarter moving sum; EUR millions)



Source: NSO.

[1] Negative net errors and omissions imply an overestimation of the current account surplus and/or an underestimation of net outflows on the capital and financial account.

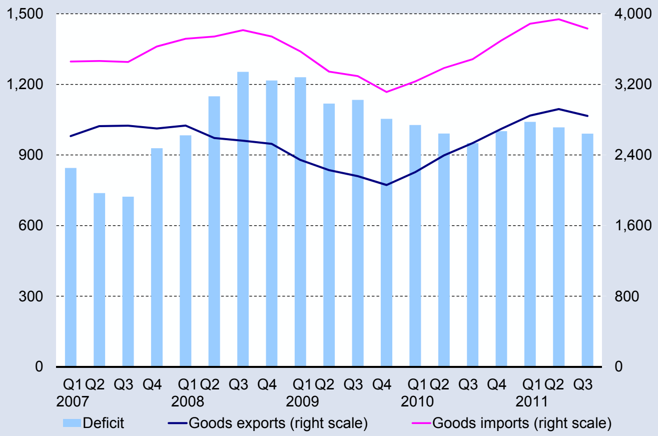
Table 4.1
BALANCE OF PAYMENTS
EUR millions

	2010	2011	four-quarter moving sum				
			2010		2011		
	Q3		Q3	Q4	Q1	Q2	Q3
Current account	**-24.8**	**138.1**	**-279.5**	**-256.9**	**-317.9**	**-353.0**	**-190.1**
Goods	-315.0	-288.4	-950.8	-1,001.0	-1,040.9	-1,017.3	-990.6
Services	454.4	486.3	1,142.0	1,202.1	1,254.0	1,296.8	1,328.6
Income	-158.9	-61.6	-473.6	-486.6	-558.5	-676.7	-579.4
Current transfers	-5.3	1.8	2.9	28.6	27.5	44.2	51.3
Capital and financial account	**-42.3**	**-5.3**	**89.4**	**-36.0**	**-21.7**	**196.0**	**233.0**
Capital account	9.2	27.8	119.6	106.3	97.1	85.1	103.7
Financial account	-51.5	-33.1	-30.2	-142.3	-118.8	110.9	129.4
Direct investment	100.6	57.8	669.2	702.9	1,011.4	401.0	358.1
Portfolio investment	-603.9	-972.1	-3,494.9	-3,229.8	-2,714.3	-1,358.8	-1,727.1
Financial derivatives	39.3	22.0	73.1	31.0	73.6	5.2	-12.1
Other investment	535.3	848.3	2,787.2	2,377.2	1,553.9	1,133.9	1,446.9
Reserve assets	-122.9	10.9	-64.8	-23.6	-43.5	-70.2	63.6
Errors and omissions	67.1	-132.8	190.0	292.9	339.7	157.0	-42.9

Source: NSO.

12 months to September 2010 (see Chart 4.2). Although both exports and imports rose markedly, imports rose faster.

Chart 4.2
GOODS BALANCE
(four-quarter moving sums in EUR millions)



Source: NSO.

Customs data for October and November combined show that the visible trade gap narrowed considerably on the corresponding months of 2010. However, over the first 11 months of 2011 the merchandise deficit expanded by EUR69.7 million, or 4.9%, on a year earlier.[2]

The surplus on services increases

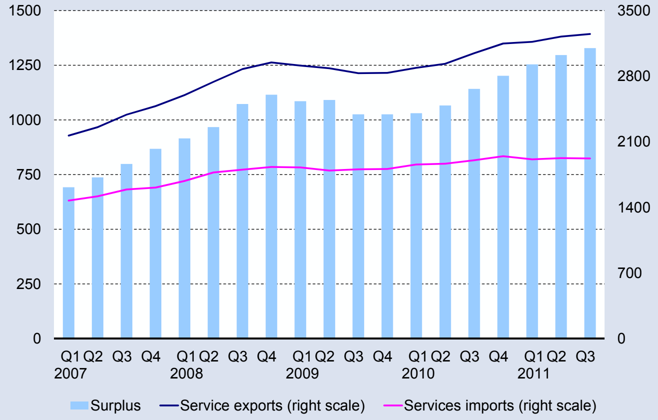
During the September quarter, the surplus on services stood at EUR486.3 million, up by EUR31.8 million over the same months of 2010 – the combined effect of a rise in receipts and a marginal decrease in payments.

The surplus on the travel component continued to increase, extending the recent upward trend in the tourism industry's receipts. Spending by inbound tourists rose by EUR19.8 million, while expenditure by Maltese nationals travelling abroad increased by EUR1.8 million.

[2] International trade data compiled on the basis of Customs returns differ from balance of payments data as a result of differences in coverage, valuation and timing. During the period reviewed, these methodological differences were especially pronounced as regards trade in fuel as well as capital imports, mainly related to the registration of aircraft.

At the same time, the increase in the services balance is also attributable to a significant improvement in other business services. In turn, this mostly reflected higher earnings from trade-related services as well as lower payments for business, professional and technical services. In addition, net payments on transport services also declined, albeit marginally.

Chart 4.3
SERVICES BALANCE
(four-quarter moving sums in EUR millions)



Source: NSO.

Expressed on a four-quarter cumulative basis, the third-quarter balance on services further extended the upward path that had been observed since the first quarter of 2010 (see Chart 4.3). When compared with the four quarters to September 2010, the services surplus rose by EUR186.6 million, or 16.3%, reflecting a 6.7% increase in exports that outweighed a 1.0% rise in imports.

Net outflows on the income account decline substantially

Between July and September 2011, net outflows on the income component of the current account amounted to EUR61.6 million, down by EUR97.3 million from the comparable quarter of 2010. Lower net outflows mainly resulted from a fall of EUR56.9 million in profits of foreign-owned firms in Malta and from a decline of EUR45.8 million in net interest payments on outstanding loans. In contrast, interest earnings on residents' portfolio investment abroad declined by just EUR2.5 million. Transactions on the income account were heavily conditioned by the activities of internationally-oriented banks.

Balance on current transfers turns positive

During the third quarter of the year, net inflows on current transfers amounted to EUR1.8 million as opposed to net outward transfers of EUR5.3 million in the September quarter of 2010. This was largely due to timing differences between the collection of tax receipts from, and the payment of tax refunds to, companies engaged in international business operations.

The capital and financial account

Net outflows on the capital and financial account decline

In the September quarter, net outflows on the capital and financial account decreased to EUR5.3 million from EUR42.3 million in the comparable period of 2010 (see Table 4.1). This reflected positive movements in both accounts.

The surplus on the capital account surged by EUR18.6 million, which was largely attributable to higher transfers received by Government mostly from EU structural funds.

Net outflows on the financial account during the third quarter stood at EUR33.1 million, a contraction of EUR18.4 million from the corresponding period of 2010. Banks that predominantly conduct international business accounted for most of these flows.

During the quarter, net inflows in the "other investment" component expanded by EUR313.0 million on a year earlier, mirroring an increase in intra-Eurosystem liabilities and a drop in long-term loans to non-residents. The latter was largely driven by transactions reported by one internationally-oriented bank.

In part, these net inflows were used to finance an expansion in portfolio investments by Maltese residents abroad, which resulted in an increase of EUR368.3 million in net outward portfolio flows. These were heavily influenced by a rise in cross-border holdings of debt securities, largely bonds and notes, by the bank referred to earlier. Foreign holdings of equity securities and money market instruments decreased, however, dampening net outflows on portfolio investment.

Meanwhile, net inward direct investment flows declined, primarily due to a smaller rise in reinvested earnings by foreign-owned firms in Malta, in line with developments in the income component of the current account. At the same time, lower net inflows associated with financial derivatives also dampened the balance on the financial account.

Concomitantly, reserve assets declined, implying a further net inflow on the financial account, in contrast to the outflow recorded in the three months to September 2010.

5. GOVERNMENT FINANCE

During the third quarter of 2011 the general government deficit decreased on a year-on-year basis, as revenue grew at a faster pace than expenditure, while the deficit on the Consolidated Fund also contracted.[1] The stock of general government debt declined between June and September.

General government

General government deficit decreases slightly

In the third quarter of 2011 the general government deficit declined by EUR2.6 million compared with the same period in 2010, to EUR41.0 million (see Table 5.1). Total revenue grew by 8.9%, outstripping a 7.9% increase in expenditure. The primary balance, which excludes interest payments from expenditure, improved by EUR19.5 million, swinging from a negative balance to a surplus of EUR9.3 million. Nevertheless, over the first nine months of the year, the general government deficit widened by EUR28.1 million to EUR194.7 million as expenditure outpaced revenue.

Growth in revenue

General government revenue increased by EUR51.4 million in the third quarter of the year compared with the same period in 2010. Over three-quarters of this growth stemmed from higher

Table 5.1
GENERAL GOVERNMENT BALANCE
EUR millions

	2010 Q3	2011 Q3	Change Amount	Change %	2010 Q1-Q3	2011 Q1-Q3	Change Amount	Change %
Revenue	**576.3**	**627.7**	**51.4**	**8.9**	**1,742.2**	**1,852.4**	**110.2**	**6.3**
Taxes on production and imports	205.9	244.8	38.9	18.9	569.8	648.5	78.6	13.8
Current taxes on income and wealth	198.0	180.7	-17.3	-8.7	604.5	606.4	1.8	0.3
Social contributions	102.4	118.1	15.7	15.4	327.5	351.9	24.4	7.5
Capital and current transfers	29.3	45.4	16.1	55.1	92.1	89.4	-2.7	-3.0
Other (1)	40.7	38.7	-2.1	-5.1	148.2	156.3	8.1	5.4
Expenditure	**619.8**	**668.7**	**48.8**	**7.9**	**1,908.8**	**2,047.1**	**138.3**	**7.2**
Compensation of employees	210.4	217.4	7.0	3.3	631.3	648.4	17.0	2.7
Intermediate consumption	88.5	90.7	2.2	2.4	263.6	301.1	37.5	14.2
Social benefits	198.4	203.3	4.9	2.5	623.3	651.9	28.5	4.6
Subsidies	11.4	11.3	-0.1	-1.2	41.4	45.3	4.0	9.6
Interest	33.4	50.3	16.9	50.6	122.0	148.3	26.3	21.6
Current transfers payable	39.7	32.1	-7.6	-19.2	88.6	83.4	-5.2	-5.9
Gross fixed capital formation	24.5	58.1	33.6	137.1	75.4	141.2	65.7	87.1
Capital transfers payable	14.0	10.7	-3.3	-23.6	58.3	28.5	-29.8	-51.1
Other (2)	-0.5	-5.1	-4.6	-	4.9	-1.0	-5.8	-
Primary balance	**-10.2**	**9.3**	**19.5**	**-**	**-44.6**	**-46.4**	**-1.7**	**-**
General government balance	**-43.6**	**-41.0**	**2.6**	**-**	**-166.6**	**-194.7**	**-28.1**	**-**

(1) "Other" revenue includes market output as well as income derived from property and investments.
(2) "Other" expenditure reflects changes in the value of inventories and in the net acquisition of valuables and other assets.
Source: NSO.

[1] The Consolidated Fund captures most of the transactions of central government on a cash basis. The general government accounts, which are compiled in line with ESA95, cover central government, which is defined to include extra-budgetary units, and local councils on an accrual basis. On the revenue side, discrepancies between the two sets of accounts mainly stem from the recorded timing of income tax and VAT revenues. On the expenditure side significant differences often arise in the treatment of capital expenditure.

inflows of taxes on production and imports, which went up by EUR38.9 million. Concurrently, higher investment grants from the EU led to a EUR16.1 million surge in capital and current transfers receivable. Inflows from social security contributions went up by EUR15.7 million, buoyed by the second phase of an amnesty scheme offering reduced penalties and interest charges on overdue balances.

At the same time, however, the intake from current taxes on income and wealth declined by EUR17.3 million. The reduction was mainly due to a base effect as in the third quarter of 2010 income tax revenue was boosted by the first phase of the amnesty scheme mentioned above. Moreover, lower receipts from rents led to a EUR2.1 million decrease in "other" revenue.

Over the first nine months of the year, total revenue grew by EUR110.2 million, or 6.3%. Receipts from taxes on production and imports went up by 13.8% as a result of the growth in VAT receipts mentioned earlier, as well as of a higher yield from customs and excise duties, on the back of rising local consumption and tourism expenditure.

Inflows from social security contributions grew by 7.5%, reflecting favourable labour market conditions and receipts from the second phase of the amnesty scheme. Meanwhile, "other" revenue increased by 5.4% due to higher sales of output on the market. On the other hand, a drop in EU funds led to a 3.0% decline in capital and current transfers receivable that mirrored a concurrent fall in the related outlays.

Expenditure increases

In the third quarter of 2011 general government expenditure went up by EUR48.8 million compared with the same period of the previous year. More than two-thirds of this increase was due to higher spending on gross fixed capital formation, which more than doubled, driven by outlays on road infrastructure. At the same time, the timing of coupon payments was the main factor contributing to a EUR16.9 million increase in interest payable. Outlays on compensation of employees rose by EUR7.0 million, while spending on social benefits and on intermediate consumption went up by EUR4.9 million and EUR2.2 million, respectively.

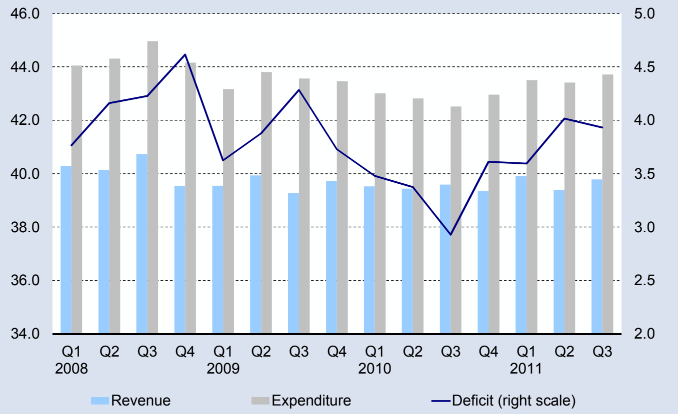
Meanwhile, outlays on current transfers declined by EUR7.6 million, as payments to households to offset energy costs given in the third quarter of 2010 were not repeated. Capital transfers payable also decreased by EUR3.3 million.

Looking at the first three quarters of 2011, expenditure grew by EUR138.3 million, or 7.2%, more than the increase in revenue posted during the same period. Outlays on gross fixed capital formation went up by 87.1% on a year earlier and accounted for around half the overall rise; this was, however, partly due to a base effect resulting from the low level of public investment spending in the second quarter of 2010. Intermediate consumption rose by 14.2% on the back of additional expenditure on health, while interest payments rose by 21.6% mainly due to the timing element mentioned above. Concurrently, spending on social benefits and on compensation of employees went up by 4.6% and 2.7%, respectively, while outlays on subsidies increased by 9.6%, though in absolute terms this increase was relatively small. In contrast, capital transfers payable dropped by more than half on the same three quarters of the previous year. The latter were exceptionally high in 2010 as they saw the completion of a sewage treatment project as well as a financial contribution by the Maltese government under the EU-backed JEREMIE Initiative, which supports entrepreneurship.

The cumulative deficit-to-GDP ratio eases

As a result, the cumulative deficit-to-GDP ratio computed on the basis of four-quarter sums declined slightly to 3.9% from 4.0% at end-June (see Chart 5.1). While revenue as a share of GDP went up to 39.8% from 39.4% in the previous quarter, the expenditure-to-GDP ratio increased by 0.3 percentage points to 43.7%.

Chart 5.1
GENERAL GOVERNMENT FINANCE DEVELOPMENTS
(four-quarter moving sums; % of GDP)



Source: NSO.

Consolidated Fund

The Consolidated Fund deficit drops

Between July and September 2011, the balance on the Consolidated Fund improved by EUR13.7 million compared with the third quarter of 2010, shifting to a surplus of EUR1.8 million (see Table 5.2 and Chart 5.2).

Revenue increased by 9.2% mainly due to larger proceeds from indirect taxes, particularly VAT. Non-tax revenue climbed by 32.9% owing to higher grants received from the EU. Concurrently, inflows from direct taxes rose by 1.8%. At the same time, total expenditure rose by 6.7% as a significant increase in recurrent spending offset a fall in capital outlays. The increase in the former was due to higher contributions to government entities.

Thus, the Consolidated Fund deficit over the first nine months of the year contracted by EUR111.3 million in 2010 to EUR299.7 million in 2011. Revenue increased by 8.2% reflecting mainly higher

Table 5.2
CONSOLIDATED FUND BALANCE
EUR millions

	2010	2011	Change		2010	2011	Change	
	Q3	Q3	Amount	%	Q1-Q3	Q1-Q3	Amount	%
Revenue	**580.8**	**634.2**	**53.4**	**9.2**	**1,570.9**	**1,700.4**	**129.5**	**8.2**
Direct tax[(1)]	317.9	323.6	5.7	1.8	783.9	796.7	12.7	1.6
Indirect tax	215.3	247.3	32.0	14.9	599.1	690.3	91.2	15.2
Non-tax[(2)]	47.6	63.3	15.7	32.9	187.9	213.4	25.6	13.6
Expenditure	**592.8**	**632.4**	**39.7**	**6.7**	**1,870.6**	**1,888.8**	**18.2**	**1.0**
Recurrent[(1)]	523.0	570.9	47.9	9.2	1,661.0	1,705.4	44.4	2.7
Of which: Interest payments	43.5	54.8	11.3	26.0	141.9	159.5	17.6	12.4
Capital	69.7	61.5	-8.2	-11.8	209.6	183.4	-26.2	-12.5
Primary balance[(3)]	**31.5**	**56.6**	**25.1**	**-**	**-157.8**	**-29.0**	**128.9**	**-**
Consolidated Fund balance	**-12.0**	**1.8**	**13.7**	**-**	**-299.7**	**-188.4**	**111.3**	**-**

(1) Government contributions to the social security account in terms of the Social Security Act 1987 are excluded from both direct tax revenue and recurrent expenditure.

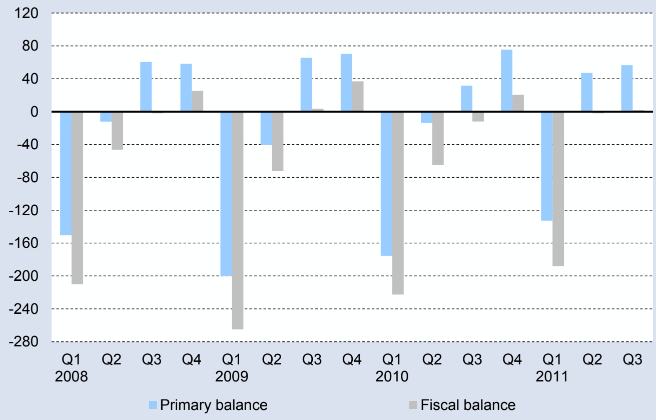
(2) Includes grants but excludes proceeds from sale of assets, sinking funds of converted loans and borrowings.

(3) Revenue less expenditure excluding interest payments.

Source: NSO.

indirect tax inflows and non-tax receipts. Meanwhile, expenditure rose by just 1.0% as growth in recurrent spending was largely offset by a decline in capital outlays. This was mainly due to lower infrastructure investment, in view of the completion of the waste water treatment project mentioned above.[2]

Chart 5.2
CONSOLIDATED FUND DEVELOPMENTS
(EUR millions)



Source: NSO.

General government debt

General government debt decreases in third quarter

In September 2011 the stock of general government debt outstanding amounted to EUR4,472.9 million, EUR54.9 million lower than its level at the end of June (see Table 5.3). The Government was able to repay maturing debt by drawing down financial assets.[3] Consequently, the debt-to-GDP ratio declined by 1.6 percentage points to 70.3% (see Chart 5.3).

The debt composition during the quarter under review changed as the share of short-term securities in the total decreased. Short-term securities in the form of Treasury bills declined by EUR32.8 million, while their share of total debt went down by 0.6 percentage points to 6.8%. Concurrently,

Table 5.3
GENERAL GOVERNMENT DEBT
EUR millions

	2010		2011		
	Q3	Q4	Q1	Q2	Q3
General government debt(1)	**4,267.3**	**4,250.4**	**4,399.5**	**4,527.8**	**4,472.9**
Currency & deposits	**40.6**	**41.0**	**40.7**	**42.6**	**44.5**
Securities	**4,000.1**	**3,981.4**	**4,127.0**	**4,252.1**	**4,184.8**
Short-term	460.3	377.8	416.8	337.1	304.3
Long-term	3,539.8	3,603.6	3,710.2	3,914.9	3,880.4
Loans	**226.6**	**228.1**	**231.7**	**233.2**	**243.6**
Short-term	31.6	40.1	32.4	35.8	46.3
Long-term	195.0	188.0	199.4	197.4	197.3

(1) Short-term debt includes all instruments with an initial term to maturity of one year or less. Long-term debt includes all debt with an initial term to maturity of over one year.
Source: NSO.

[2] In part this drop in capital expenditure shown in the Consolidated Fund shows up as a fall in spending on capital transfers in the general government accounts. Additionally, payments out of the Consolidated Fund to the Treasury Clearance Fund also had an impact on the former without directly affecting the general government position. Spending on gross fixed capital formation in the general government statistics also covers extra-budgetary units and the disposal of physical assets, which do not enter capital expenditure as shown in the Consolidated Fund. Finally, general government data are compiled on an accrual basis, whereas the Consolidated Fund records only cash outlays.
[3] For a further discussion on the relationship between the general government deficit and the change in the debt, see Box 5 in this issue of the *Quarterly Review*.

long-term securities decreased by EUR34.5 million, as no new MGS were launched, while others matured within this period. Even so, the share of long-term debt in the total increased slightly to 86.8% from 86.5% in June.

Chart 5.3
GENERAL GOVERNMENT DEBT
(% of GDP; GDP data are four-quarter moving sums)

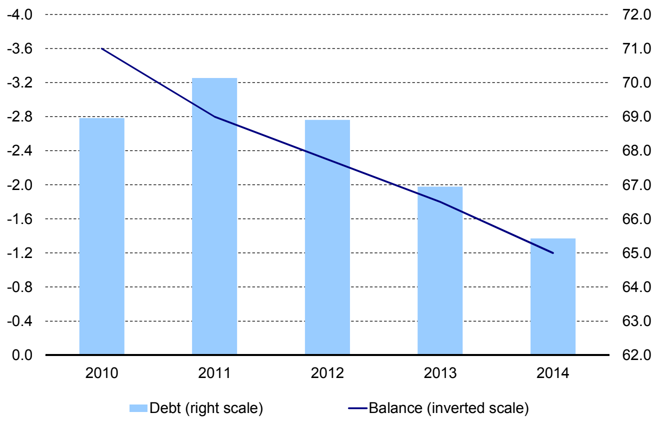
Source: NSO.

At the same time, general government loans rose by EUR10.5 million mainly due to loans taken out by extra-budgetary units. The share of loans to total debt thus rose by 0.3 percentage points, to 5.4%. Meanwhile, liabilities in the form of Maltese euro coins in issue rose by EUR1.9 million. At this level they accounted for 1.0% of the total, up 0.1 percentage points from the previous quarter's level.

BOX 4: GOVERNMENT'S FISCAL OUTLOOK

According to the Budget Speech and the *Financial Estimates 2012*, issued by the Government in November 2011, the deficit in the Consolidated Fund is set to decline, as revenue growth is forecast to outstrip a rise in expenditure. The general government deficit is expected to have fallen to 2.8% of GDP in 2011 from 3.6% in 2010. It is expected to narrow further in the coming years, from 2.3% in 2012 to 1.2% in 2014. Consequently, the general government debt ratio is estimated to have peaked at 70.1% in 2011. It is expected to decline to 65.4% at the end of the forecast horizon (see Chart 1).

Chart 1
GENERAL GOVERNMENT BALANCE AND DEBT
(percentage of GDP)



Source: Ministry of Finance, the Economy and Investment.

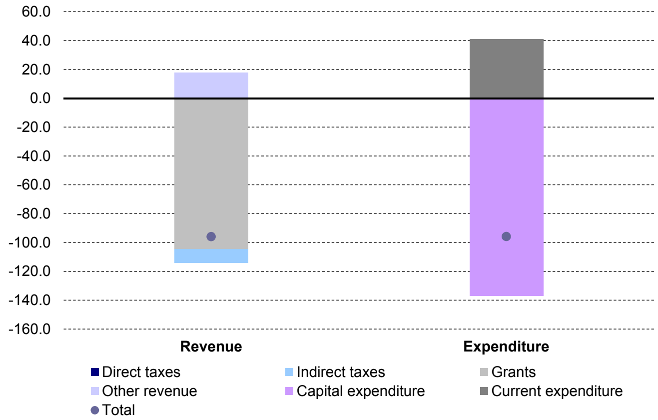
Consolidated Fund performance in 2011[1]

Revised estimates for 2011 show that the Consolidated Fund posted a deficit of EUR195.6 million

[1] The Financial Estimates for 2011 were first presented to Parliament on 25 October 2010 and subsequently approved. These estimates were later revised when the 2012 estimates were presented on 14 November 2011.

in that year. The revised deficit level is virtually unchanged from the one approved, as lower-than-projected capital expenditure was broadly matched by revenue shortfalls and higher recurrent expenditure (see Chart 2).

Chart 2
CONSOLIDATED FUND PERFORMANCE IN 2011
(difference between approved and revised estimates; EUR millions)



Source: Ministry of Finance, the Economy and Investment.

Since the majority of capital projects are mainly financed by EU funds, the amount of grants received was also revised downwards. Other, relatively smaller, revenue shortfalls were due to lower-than-expected indirect tax receipts, including inflows from duty on documents and annual circulation licence fees on motor vehicles.

At the same time, recurrent expenditure estimates were revised upwards, on the basis of higher outlays on programmes and initiatives, including those relating to energy support measures benefiting low income households. The revision was also due to higher contributions to government entities, mainly to the University of Malta.

A comparison with 2010 levels shows that the Consolidated Fund deficit for 2011 declined by EUR83.6 million from the previous year, as revenue outpaced expenditure.

Total revenue during 2011 is expected to have expanded by EUR158.9 million, or 6.8%, when compared with 2010 (see Table 1). Over half of this stems from an EUR87.0 million increase in indirect tax receipts, in particular from VAT and customs and excise duties, which are estimated to have risen by 11.2% and 10.7%, respectively.

The estimated rise in VAT receipts in 2011 was mainly due to a pick-up in domestic consumption and tourist expenditure, whereas the increased inflows from customs and excise duties mainly reflect the imposition of higher duties on fuel, alcohol and cement. Meanwhile, receipts from duty on documents and annual circulation licence fees are expected to have contributed towards a 5.8% increase in the intake from licences, taxes and fines.

According to the revised estimates, revenue from direct taxation increased by EUR42.8 million as a result of favourable economic developments. Thus, intakes from social security contributions are estimated to have risen by 6.1%, while income tax inflows increased by 2.5%, partly in response to the continuation of an amnesty scheme introduced by the Government aimed at offering taxpayers reduced penalties and interest charges on overdue tax balances. Non-tax income is expected to have grown by EUR29.1 million, on account of an estimated 27.8% increase in grants.

Table 1
BALANCE ON THE CONSOLIDATED FUND 2010-2012
EUR millions

	2010	2011			2012		
	Actual	Revised estimate	Change Amount	%	Approved estimate	Change Amount	%
Revenue	**2,341.5**	**2,500.3**	**158.9**	**6.8**	**2,750.5**	**250.2**	**10.0**
Direct Tax	**1,169.4**	**1,212.2**	**42.8**	**3.7**	**1,261.5**	**49.3**	**4.1**
Income tax	801.2	821.4	20.2	2.5	840.0	18.6	2.3
Social security contributions(1)	368.2	390.8	22.6	6.1	421.5	30.7	7.9
Indirect tax	**889.2**	**976.2**	**87.0**	**9.8**	**1,069.9**	**93.6**	**9.6**
Value Added Tax	482.5	536.7	54.2	11.2	581.6	44.9	8.4
Customs and excise duties	187.7	207.9	20.2	10.7	220.4	12.5	6.0
Licences, taxes and fines	218.9	231.6	12.7	5.8	267.9	36.3	15.7
Non-tax	**282.8**	**311.9**	**29.1**	**10.3**	**419.2**	**107.2**	**34.4**
of which Grants	91.9	117.5	25.6	27.8	194.5	77.0	65.5
Expenditure	**2,620.7**	**2,695.9**	**75.3**	**2.9**	**2,895.7**	**199.8**	**7.4**
Recurrent(1)	**2,309.2**	**2,392.9**	**83.7**	**3.6**	**2,470.4**	**77.5**	**3.2**
Personal emoluments	571.8	586.7	14.9	2.6	609.1	22.4	3.8
Operational and maintenance	110.9	114.5	3.5	3.2	117.1	2.7	2.3
Contributions to entities	204.9	216.1	11.2	5.5	229.6	13.5	6.3
Social security benefits	731.4	732.8	1.4	0.2	750.4	17.6	2.4
Interest payments	196.8	213.6	16.8	8.6	230.6	17.0	8.0
Other expenditure	493.5	529.3	35.8	7.3	533.5	4.2	0.8
Capital(2)	**311.5**	**303.0**	**-8.5**	**-2.7**	**425.3**	**122.3**	**40.4**
Consolidated Fund balance	**-279.2**	**-195.6**	**83.6**	**-29.9**	**-145.2**	**50.4**	**-25.8**

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

(2) Capital expenditure data are obtained from the Budget Speech 2012. Figures do not correspond with those in the Financial Estimates due to the treatment of equity acquisitions.

Source: Ministry of Finance, the Economy and Investment.

The revised estimates indicate an increase in expenditure of EUR75.3 million – or 2.9% – on the previous year, with recurrent spending growing by EUR83.7 million. This growth mainly reflects developments in the non-interest component, although interest payments also rose, in line with the increase in public debt. In particular, “other” expenditure is set to have gone up by 7.3%, due to initiatives such as the above-mentioned energy support measure. Contributions to government entities are estimated to have increased by 5.5%, mainly as a result of higher outlays to education-related entities, such as the University, whereas operational and maintenance expenses are expected to have risen by 3.2%.

Growth in spending on personal emoluments is estimated at 2.6%, though it should be noted that discussions concerning the civil service collective agreement have as yet not been concluded. At the same time, outlays on social benefits are projected to have grown by just 0.2% as a result of an extra regular payment that fell due in 2010.

Meanwhile, the revised estimates show that capital expenditure declined by EUR8.5 million, as not all of the originally planned outlays on projects were expected to have materialised by the end of the year.

Budget Estimates for 2012

In 2012 the deficit on the Consolidated Fund is expected to be reduced by EUR50.4 million, to EUR145.2 million, as revenue grows faster than expenditure.

Revenue is forecast to expand by 10.0%, as a result of higher non-tax receipts. These are set to rise by 34.4% mainly due to an increase in grants, which will have a neutral impact on the deficit, since they should be allocated to expenditures on capital projects. Regarding indirect taxes, intakes from licences, taxes and fines are expected to go up by 15.7%, primarily on the back of higher receipts from registration taxes on private cars with higher emissions, as announced in the 2012 Budget Speech. Inflows from VAT are set to rise by 8.4% as the Government introduces a new scheme offering reduced penalties and interest charges on overdue balances by business operators. Meanwhile, revenue from customs and excise duties is expected to rise by 6.0%, reflecting the announced increases in duties on cement, cigarettes and tobacco.

Direct tax inflows are also expected to be augmented by takings from social security contributions, which are expected to rise by 7.9%. Income tax receipts are set to increase more moderately compared with 2011, by 2.3%, as tax relief measures such as the new "parent computation" category, which envisages a separate tax bracket for working parents raising children, may offset gains in income tax as a result of economic growth. In fact, the Government expects to receive EUR10.0 million less through this measure.

Total expenditure is forecast to increase by 7.4% when compared with its 2011 level, with recurrent spending set to rise by 3.2%. Interest payments and contributions to government entities are expected to grow strongly, by 8.0% and 6.3%, respectively. However, operational and maintenance and "other" outlays are set to rise by a more modest 2.3% and 0.8%, respectively. Other expenditure items during 2012 are projected to increase at a faster pace than they did in the previous year. Spending on personal emoluments is set to rise by 3.8%, while outlays on social security benefits are expected to increase by 2.4%.

In 2012 the Government is projecting a growth rate of 40.4% in its investment outlay, as certain capital projects approach completion, while work on others continues. These include road construction and upgrading, as well as the building of a new oncology centre at Mater Dei hospital. The growth in capital expenditure is projected to contribute to around three-fifths of the increase in total spending.

In early January, the Government announced that following a partial review of the planned 2012 Budget expenditures it targeted reductions amounting to 0.59% of GDP in the approved allocations. These are expected to result in savings from restraint in recruitment (0.1% of GDP), overtime (0.04% of GDP), operational and maintenance expenditure (0.07% of GDP), programmes and initiatives (0.21% of GDP) and government entities (0.17% of GDP).

BOX 5: DEFICIT-DEBT ADJUSTMENTS IN MALTA: 2007-2010[1]

Although the stock of government debt can be expected to increase in line with the budget deficit, this is not necessarily the case as a number of factors can influence one without affecting the other. As a result, a deficit-debt adjustment (DDA) exercise is carried out to reconcile the differences between the deficit and the contemporaneous change in the level of the debt. This Box offers a brief explanation of the main components of these adjustments, and how they were applied in Malta between 2007 and 2010.[2]

Types of adjustments

The DDA can be broken down into four elements: transactions in financial assets, valuation effects, changes in volume and "other" factors.

A key element in the DDA is the valuation of transactions in main financial assets. Measurement of the deficit is not affected by changes in the government's financial assets. However a depletion of the latter can reduce the need for the government to issue additional debt to finance the deficit. Similarly, an accretion of financial assets may be financed by the issue of debt, without any effect on the deficit. This item mostly takes the form of transactions related to management of deposits held by the Treasury, but can also refer to loans granted by government, as well as to government holdings of debt securities, shares and other equity.

Valuation effects are prevalent whenever new government bonds are issued above par, since government debt is recorded at par or nominal value, whereas the cash raised from the issue of debt is equivalent to its market value. When the market price at the time of issue exceeds par value, the excess serves to finance the deficit. A related example is government borrowing in foreign currency. While exchange rate movements affect the domestic currency value of the debt, the nominal value of the debt remains unchanged.

The DDA also includes volume effects stemming from the statistical distinction between general government and government-controlled units. For instance, the volume of government debt increases whenever the government assumes the debt of non-government units, without necessarily affecting the deficit. Similarly, while the liabilities of units that are no longer considered as forming part of general government cease to be classified as government debt, the deficit is left unchanged.

The final component of the DDA, recorded as "other", captures the methodological differences inherent in the recording of revenue and expenditure streams from which the government deficit is derived, and in the compilation of the financial accounts, from which the debt figures are compiled. The main statistical discrepancies arise when calculating the effect of trade credits or other accounts receivable or payable, as these affect the deficit but are not taken into account in the compilation of the government debt.

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1 General government deficit and debt are defined in accordance with ESA 95 methodology.

2 This Box updates an earlier analysis of Maltese deficit-debt adjustments between 2003 and 2006, which featured in the Bank's *Quarterly Review* 2007:1.

The sum of all the DDA components, together with the general government deficit, yield the overall change in gross government debt. As a result, the DDA is positive when the change in debt exceeds the deficit and vice versa.

The DDA in Malta since 2007

Table 1 shows the DDA carried out to reconcile Malta's government deficit with the change in debt between 2007 and 2010. The increase in debt was larger than the deficit in all the years under review, except in 2008. Consequently, the DDA was mostly positive with the most significant adjustments relating to transactions in financial assets.

The total DDA was relatively small in 2007 and 2008, standing at just 0.1% and -0.4% of GDP, respectively. In 2009 and 2010, however, following the recording of significant transactions in financial assets, the DDA totalled 1.8% and 1.2% of GDP, respectively.

Transactions in financial assets explain a large part of the DDA during the period reviewed. In particular, movements in deposits largely determined the size and nature of the overall DDA. In turn, this item was heavily influenced by differences between actual (cash) tax receipts and the amounts recorded in accrual-adjusted terms as part of general government revenue in accordance with ESA 95 methodology. Cash receipts are reflected in increases in government deposits; temporarily, these reduce the borrowing requirement and, hence, prompt a reduction in debt. However, in the measurement of the deficit, revenue streams are recorded in the period in which they are due to be received. As a result, some time periods may feature an unchanged deficit coupled with a drop in debt. The reduction in the debt is ultimately reversed in the DDA through counter-entries in the "other" category.

A prominent example involves tax inflows received from companies with considerable foreign business involvement, since such companies may be eligible for refunds. Tax receipts serve to increase government deposits, while refunds are shown as a counter-entry in the "other" category. Tax inflows reduce the need for the government to resort to additional

Table 1
GENERAL GOVERNMENT DEFICIT-DEBT ADJUSTMENTS (1)
% of GDP

Period	Change in debt	Deficit (-) / surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2007	2.4	-2.4	1.1	0.0	0.0	-0.6	-0.1	-0.3	0.1
2008	4.3	-4.6	-0.1	0.1	0.0	-0.1	0.3	-0.6	-0.4
2009	5.5	-3.7	2.4	-0.1	0.0	0.0	0.0	-0.5	1.8
2010	4.8	-3.6	0.8	0.5	0.0	0.0	0.0	-0.1	1.2

(1) Based on ESA95 methodology. Data are provisional.
(2) Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Central Bank of Malta.

borrowing and therefore may indirectly reduce the debt level. However, in the compilation of the deficit, the revenue collected from these entities is netted of any refunds handed out, and only the net effect is recorded.

Currency and deposits transactions, such as the ones explained above, mostly exerted a positive effect on the DDA, averaging 1.0% of GDP between 2007 and 2010. This implies that part of the increase in government debt during the period was matched by an increase in financial assets. The largest such increase was evident in 2009 as a result of higher government deposits, driven by additional holdings belonging to extra-budgetary units, which are part of general government The only negative adjustment, amounting to 0.1% of GDP, took place in 2008, as a result of sizeable withdrawals by the central government of balances held with the Central Bank of Malta, following a build-up in the previous year.

Meanwhile, transactions in shares and other equity had a negative effect on the overall debt level. The most significant adjustment, equivalent to 0.6% of GDP, took place in 2007, partly as a result of funds received by government from the privatisation of Tug Malta. In the same year, part of the dividend payment from the Central Bank of Malta to the government was financed out of retained earnings and was hence recorded as a transaction in financial assets. Consequently, the government deficit in that year was partly financed by a reduction of financial assets, rather than an increase in government debt.

In 2010 transactions involving loans consisted of government borrowings that were used to finance loans to Greece, following the Loan Facility Agreement between euro area Member States and the Greek government, as well as when credit was granted by government to Air Malta. These transactions entailed an increase in government debt, without any impact on the deficit. The value of these loans amounted to 0.5% of GDP.

Valuation and volume effects influenced government debt in different ways. Valuation effects in the last four years were mostly due to factors related to the issuance of government bonds above par on the primary market, as well as to accrual adjustments made to interest on government bonds. Changes in volume were particularly strong in 2008, when Malta Shipyards Limited was reclassified and became part of general government. The subsequent inclusion of the shipyards' obligations within the stock of government debt brought the total share of valuation and volume effects up to 0.3% of GDP in that year.

Apart from capturing statistical discrepancies, the "other" section of the DDA includes transactions involving trade credits, and accounts receivable or payable. Between 2007 and 2010, these transactions exerted a debt-reducing effect, averaging 0.4% of GDP.

6. MONETARY AND FINANCIAL DEVELOPMENTS

During the third quarter of 2011, the contribution of Maltese MFIs to the euro area's broad money stock expanded at a faster rate than in the previous quarter.[1] In particular, growth in deposits held by Maltese residents, as well as credit issued to them, gained momentum.

Meanwhile, domestic primary money market yields increased following the rise in official interest rates in July. In the capital market, however, yields on five-year and ten-year Maltese government securities went down. Over the quarter, the MSE share index decreased slightly. Domestic money market rates and equity prices kept on declining through December, whereas government bond yields increased marginally.

Monetary aggregates and their counterparts

Contribution to euro area M3 picks up

The contribution of Maltese MFIs to the euro area money stock (M3) picked up in the third quarter of 2011, with the annual growth rate rising to 5.7% in September from 3.9% in June (see Table 6.1). Stronger growth was mainly driven by the narrow money component (M1), whose growth rate nearly doubled, going to 9.2% in September from 5.3% three months before. The growth rate of intermediate money (M2) also increased to 5.9% from 3.7% over the same period.

Deposits held by residents of Malta increase

Turning to Maltese residents' deposits, annual growth in overnight deposits, which form part of M1 and can be withdrawn on demand, almost doubled to 9.5% in September after having significantly declined in the June quarter (see Table 6.2). The increase during the quarter was mainly driven by balances belonging to households and other financial intermediaries. At the end of September, overnight deposits accounted for just over half of total residents' deposits.

Moving beyond M1 to the other components of M2, the annual growth rate of residents' short-term savings deposits (i.e. deposits redeemable at up to three months' notice) slowed further to 10.2% in September from 14.9% three months earlier. These, however, account for a small proportion of residents' total deposits and are rather volatile. In contrast, the contraction in the

Table 6.1
CONTRIBUTION OF RESIDENT MFIs TO EURO AREA MONETARY AGGREGATES[(1)]
EUR millions; annual percentage changes

	2011	2010		2011		
	Sep.	Q3	Q4	Q1	Q2	Q3
Narrow money (M1)	5,310.8	16.6	14.7	17.0	5.3	9.2
Intermediate money (M2)	9,456.4	3.1	5.3	4.7	3.7	5.9
Broad money (M3)	**9,672.9**	**3.3**	**5.5**	**4.8**	**3.9**	**5.7**

(1) Figures show the contribution of Maltese MFIs to the euro area totals. Data on monetary aggregates include deposit liabilities to both residents of Malta and other euro area residents.

Source: Central Bank of Malta.

[1] The contribution of Maltese MFIs to euro area monetary aggregates comprises the notional issue of euro currency attributed to the Central Bank of Malta, deposits held by Maltese and other euro area residents (except those belonging to central governments and interbank deposits) with resident MFIs and the other monetary liabilities of Maltese MFIs towards euro area residents as explained in the General Notes accompanying the Statistical Tables in this *Review*.

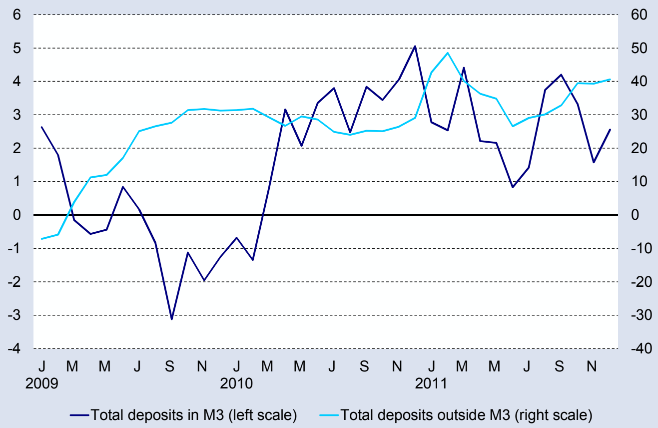
Table 6.2
DEPOSITS OF MALTESE RESIDENTS
EUR millions; annual percentage changes

	2011	2010			2011	
	Sep.	Q3	Q4	Q1	Q2	Q3
Overnight deposits	4,477.6	17.8	16.3	18.7	5.3	9.5
Deposits redeemable at notice up to 3 months	125.3	3.6	10.7	19.1	14.9	10.2
Deposits with agreed maturity up to 2 years	3,754.5	-7.9	-5.2	-8.9	-4.4	-1.6
Total residents' deposits	**8,357.4**	**3.8**	**5.1**	**4.4**	**0.8**	**4.2**

Source: Central Bank of Malta.

annual growth rate of residents' short-term time deposits (i.e. deposits with agreed maturity of up to two years) continued to moderate, easing to -1.6% from -4.4% over the same period. This development was primarily attributable to higher deposits belonging to insurance companies and private non-financial corporations.

Chart 6.1
ANNUAL GROWTH IN DEPOSITS OF MALTESE RESIDENTS
(annual percentage changes)



Source: Central Bank of Malta.

Overall, therefore, the annual rate of growth of total residents' deposits included in M3 accelerated to 4.2% in September from 0.8% in June, with overnight deposits primarily contributing to this increase, though deposits redeemable at up to two years' notice also contributed. In November, growth in residents' deposits slowed down to 1.6%.

Residents' deposits excluded from M3 grew at a faster pace than those included within it (see Chart 6.1). Indeed, the annual growth rate of deposits excluded from M3, principally those with a maturity exceeding two years, stood at 32.8% in September up from 26.5% in June. These double-digit growth rates may be explained by portfolio flows towards longer-term assets outside M3 as investors seek higher yields. These deposits continued to expand robustly during the following quarter, with the growth rate rising further to 39.3% in November.

Interest rates on Maltese residents' deposits edge up

The weighted average interest rate paid by MFIs on deposits that are included in M3 and held by residents of Malta edged up to 1.13% in September from 1.12% in June. Developments in interest rates on new business were mixed during the quarter under review (see Table 6.3).[2] The main change related to interest rates paid to households on time deposits with an agreed maturity of

[2] Data on interest rates on new business cover MFI euro-denominated deposits from, and loans to, households and non-financial corporations resident in Malta. The household sector also includes NPISH. Non-financial corporations include all enterprises except banks, insurance companies and other financial institutions. Hence, statistics on new deposit and lending business do not cover all institutional sectors, as is the case with weighted average interest rates on deposits and loans.

Table 6.3
MFI INTEREST RATES ON NEW DEPOSITS BELONGING TO RESIDENTS OF MALTA[1]
Percentages per annum; weighted average rates for the period

	2010		2011		
	Sep.	Dec.	Mar.	June	Sep.
Households and NPISH					
Overnight deposits[2,3]	0.28	0.28	0.28	0.29	0.30
Savings deposits redeemable at notice up to 3 months[2,4]	1.63	1.69	1.69	1.65	1.60
Time deposits with agreed maturity					
Up to 1 year	1.88	2.03	1.87	1.89	1.87
Over 1 and up to 2 years	2.80	3.00	2.86	3.10	2.98
Over 2 years	3.72	3.86	3.94	4.04	4.10
Non-financial corporations					
Overnight deposits[2,3]	0.25	0.24	0.24	0.26	0.28
Time deposits with agreed maturity	1.64	1.51	1.42	1.66	1.75

[1] Annualised agreed rates on euro-denominated deposits belonging to households and non-financial corporations.
[2] For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.
[3] Overnight deposits include current accounts and savings deposits withdrawable on demand.
[4] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.
Source: Central Bank of Malta.

between one and two years, which decreased by 12 basis points to 2.98%. Meanwhile, rates on time deposits with an agreed maturity, held by non-financial corporations, rose by 9 basis points to 1.75%.

Going into the last quarter of 2011, the weighted average deposit rate remained unchanged at 1.13% in November. In the same month, developments in interest rates on new business, which are more volatile, were once again mixed. In particular, interest rates paid to households on time deposits with an agreed maturity of between one and two years, and of over two years, declined whereas those paid on time deposits belonging to non-financial corporations increased.

Growth resumes in credit to residents of Malta

The downward slide in the annual growth rate of credit to residents of Malta seen since the beginning of 2009 came to a halt in the third quarter. In fact, it rose to 5.1% in September from 3.9% in June (see Table 6.4).

In absolute terms, credit to residents other than general government contributed around three-quarters of the overall annual increase, with its growth rate rising from 3.9% to 4.9% between

Table 6.4
CREDIT TO RESIDENTS OF MALTA
EUR millions; annual percentage changes

	2011	2010		2011		
	Sep.	Q3	Q4	Q1	Q2	Q3
Total credit	**10,742.7**	**7.3**	**5.8**	**4.3**	**3.9**	**5.1**
Credit to general government	2,305.8	10.6	8.5	6.3	3.9	5.6
Credit to other residents	8,437.0	6.4	5.1	3.8	3.9	4.9

Source: Central Bank of Malta.

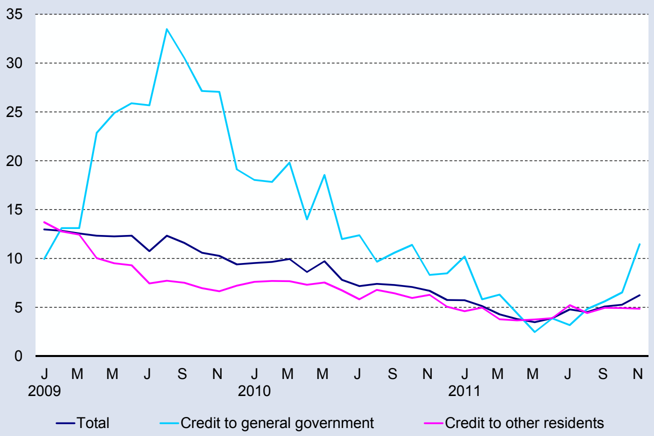
Table 6.5
CREDIT TO RESIDENTS OF MALTA OTHER THAN GENERAL GOVERNMENT(1)
EUR millions; annual percentage changes

	2011	2010		2011		
	Sep.	Q3	Q4	Q1	Q2	Q3
Total credit to other residents	**8,437.0**	**6.4**	**5.1**	**3.8**	**3.9**	**4.9**
Credit to the non-bank private sector	7,738.1	6.7	5.4	3.8	4.0	3.9
Credit to the non-bank public sector	698.8	3.5	1.4	3.1	3.2	17.8
Total loans	**8,180.6**	**6.3**	**5.2**	**4.0**	**4.2**	**4.7**

(1) Credit to other residents consists mainly of loans and holdings of securities, including equities, issued by the non-bank private sector and public non-financial companies, and financial derivatives. Interbank claims are excluded.
Source: Central Bank of Malta.

June and September (see Table 6.5).[3] Credit to non-bank public corporations and to the non-bank private sector both expanded, with the annual growth rate of the former increasing by 14.6 percentage points to 17.8%. Meanwhile, the growth rate of the latter edged down by just 0.1 percentage points to 3.9%. At the same time, the annual rate of growth of credit to general government rose from 3.9% in June to 5.6% three months later (see Chart 6.2). This predominantly reflected higher loans to central government.

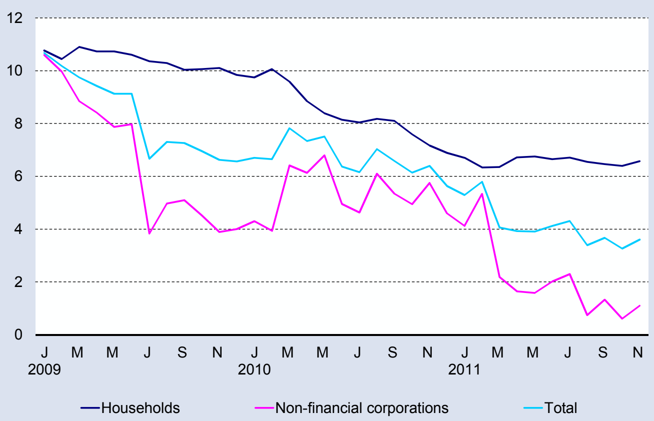
Chart 6.2
CREDIT TO RESIDENTS OF MALTA
(annual percentage changes)



Source: Central Bank of Malta.

Loans, which at the end of September accounted for 97% of all credit to residents of Malta other than general government, grew at a slower pace than in the previous quarter, expanding at an annual rate of 3.7% as opposed to 4.1% in June (see Chart 6.3).

Chart 6.3
ANNUAL PRIVATE SECTOR LOAN GROWTH
(annual percentage changes)



Source: Central Bank of Malta.

Loans to the non-financial corporate sector eased to a growth rate of 1.3% in September from 2.0% in June. The slowdown was broad-based across sectors, but was especially pronounced in the case of lending to transportation,

3 The term “other residents” represents all economic sectors that are resident in Malta but do not form part of general government, including households, private non-financial corporations and public non-financial corporations.

where a sharp increase had been recorded a year earlier. Similarly, loans to households, which remained the largest single category of bank borrowing, increased at a rate of 6.5% in September, down from 6.7% in June. Mortgage lending, which makes up around four-fifths of loans to households, expanded at a rate of 8.1% in September, as against 8.4% in June. The remaining one-fifth, which is made up of consumer credit and other lending to households, grew at a rate of 0.4% in September, after having increased by 0.1% three months earlier.

Going into the final quarter of 2011, the annual growth rate in total credit to residents of Malta rose further to 6.2% in November.

Rates on loans to Maltese residents decline marginally

With banks leaving their base lending rates constant during the September quarter, changes in lending rates to customers were minor. Thus, the weighted average interest rate charged by MFIs on loans to residents of Malta declined by 1 basis point, ending the quarter at 4.75%. In contrast, MFI interest rates on new loans mainly rose. For instance, rates charged to households for new loans for house purchases and consumer credit increased to 3.35% and 5.75%, respectively (see Table 6.6).[4] Similarly, rates on new loans to non-financial corporations rose to 5.29%.

In November, the weighted average lending rate dropped to 4.71%. With respect to new business, MFI rates on new loans in November generally declined.

Credit standards remain unchanged

The Bank Lending Survey conducted in September 2011 indicated that credit standards applied to lending to both households and enterprises remained unchanged.[5] One bank reported a slight drop in demand for business loans, another reported a small decline in demand for mortgages, while another reported a slight decrease in demand for consumer credit. The remaining

Table 6.6
MFI INTEREST RATES ON NEW LOANS TO MALTESE RESIDENTS[(1)]
Percentages per annum; weighted average rates for the period

	2010		2011		
	Sep.	Dec.	Mar.	June	Sep.
Households and NPISH					
Overdrafts[(2)]	5.75	5.75	5.80	5.82	5.85
Loans					
Lending for house purchases	3.33	3.43	3.35	3.32	3.35
Consumer credit[(3)]	5.55	5.81	5.53	5.38	5.75
Other lending	5.91	5.86	5.67	5.53	5.29
Non-financial corporations					
Overdrafts[(2)]	5.06	5.03	5.06	5.04	5.07
Loans[(3)]	4.78	4.86	5.29	5.23	5.29

[(1)] Annualised agreed rates on euro-denominated loans to households and non-financial corporations.
[(2)] For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large volume of inflows and outflows.
[(3)] Excludes bank overdrafts.
Source: Central Bank of Malta.

[4] See footnote 3 above.
[5] The BLS gauges credit demand and supply conditions. The Central Bank of Malta began to survey a sample of Maltese banks in 2004. Since January 2008, the BLS is carried out as part of a quarterly exercise conducted by the Eurosystem across the entire euro area.

Table 6.7
EXTERNAL AND OTHER COUNTERPARTS[1]
EUR millions; changes on a year earlier

	2010	2011	Change	
	Sep.	Sep.	Amount	%
External counterpart	**9,153.7**	**7,735.2**	**-1,418.5**	**-15.5**
Claims on non-residents of the euro area	29,858.2	28,865.7	-992.5	-3.3
Liabilities to non-residents of the euro area	20,704.5	21,130.6	426.1	2.1
Other counterparts (net)[2]	**14,274.0**	**14,168.0**	-106.0	-0.7

[1] Figures show the contribution of Maltese MFIs to the euro area totals.
[2] Includes net interbank claims/liabilities.
Source: Central Bank of Malta.

institutions reported unchanged demand conditions. Credit standards and loan demand for both enterprises and households were expected to remain unchanged over the December quarter.

Credit granted to euro area residents outside Malta increases

Credit granted by resident MFIs to other euro area residents expanded significantly, with the annual rate of growth going to 32.4% in September from 3.6% in June.[6] This rapid acceleration was driven by a very strong expansion in resident MFI holdings of debt securities. Thus, at the end of September, credit extended by resident MFIs to other euro area residents stood at EUR5.4 billion.

Net claims on non-residents of the euro area fall marginally

During the year to September 2011, resident MFIs' net claims on non-residents of the euro area (equivalent to the external counterpart) contracted by 15.5%, partly reflecting a shift into claims on euro area residents (see Table 6.7). This is a much bigger contraction than the 0.1% year-on-year drop recorded in June. Transactions carried out by internationally-oriented banks had a major impact on these developments.

MFI claims on non-residents of the euro area decreased by 3.3% on a year earlier, this being a faster rate than the 3.0% contraction registered in June 2011. At the same time, following an expansion during the quarter reviewed, MFI liabilities to non-residents of the euro area grew at an annual rate of 2.1%, as against an annual drop of 4.3% in June.

Other counterparts (net) contracted by 0.7% during the year to September, after expanding by 1.3% three months earlier. This resulted predominantly from a decrease in banks' liabilities to the government, mostly in the form of savings deposits redeemable at notice and time deposits.

The money market

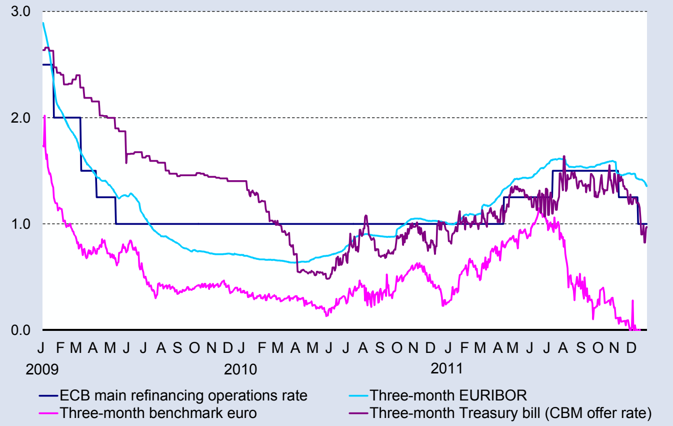
Money market rates diverge

On 7 July 2011 the ECB decided to raise the interest rate on the main refinancing operations by 25 basis points, to 1.50%. This move brought the rate on the Eurosystem's main refinancing operations closer to the three-month EURIBOR, which, at 1.55% by the end of September, was virtually unchanged from its level at end-June (see Chart 6.4).

[6] See footnote 2 above.

As the Government issued no significant amounts of MGS on the primary market, it scaled up its borrowings on the money market during the third quarter.[7] A total of EUR227.3 million worth of bills were issued, EUR55.2 million more than in the previous quarter, two-thirds of which were scheduled to mature in three months. Resident banks participated actively in the auctions and bought around four-fifths of the overall issue. In response to the increase in official interest rates, during the quarter under review the primary market yield on domestic three-month Treasury bills increased by 37 basis points, reaching 1.47% by September.

Chart 6.4
MONEY MARKET INTEREST RATES
(percentages per annum; daily rates)



Sources: Central Bank of Malta; ECB; Reuters; Euribor FBE.

Concurrently, turnover in the secondary Treasury bill market, which exhibits substantial volatility, amounted to EUR5.4 million, declining from EUR6.1 million in the previous quarter, with all transactions involving the Central Bank of Malta in its capacity as market-maker.

In the secondary market, the yield on benchmark three-month government securities in the euro area dropped sharply.[8] During the quarter under review, this went down by 83 basis points to reach 0.23% at the end of September. However, the corresponding domestic yield declined by only 7 basis points in thin trading, to 1.26%. Consequently, the spread over the euro area benchmark widened to stand at 104 points (see Chart 6.4).

In November the ECB reduced the interest rate on its main refinancing operations by 25 basis points, to 1.25%. In December this was lowered even further, to 1.0%. As a result, the three-month EURIBOR declined by 20 basis points to 1.36% by end-December. Concurrently, the yield on benchmark euro area government securities continued its downward slide, ending the month at close to zero. Domestic money market yields followed suit, going down by 29 basis points during the same period. The spread between the latter and the corresponding benchmark yield widened to 112 points by end-December.

The capital market

Bond yields, equity prices decline

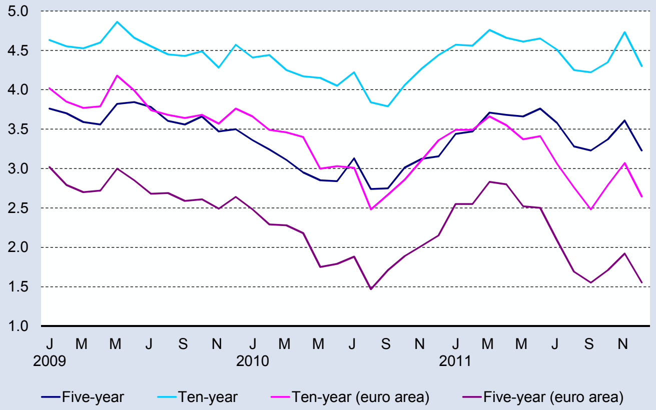
There was no activity in the Maltese primary bond market during the third quarter of 2011.

In the same period, turnover in the secondary market for government bonds increased by EUR11.4 million to EUR158.5 million. This reflected higher trading in medium-term and long-term securities,

[7] The only issue of MGS undertaken during this period, amounting to EUR2.9 million with a coupon of 7.0%, was issued to the Foundation for Church Schools.
[8] The benchmark euro area yield is a representative rate covering the main secondary market three-month securities issued within the euro area, including those issued by the German and French governments.

which offset a decrease in turnover in short-term debt.[9] Transactions involving the Central Bank of Malta accounted for around four-fifths of the amount traded.

Chart 6.5
GOVERNMENT BOND YIELDS
(percentages per annum; end of month)



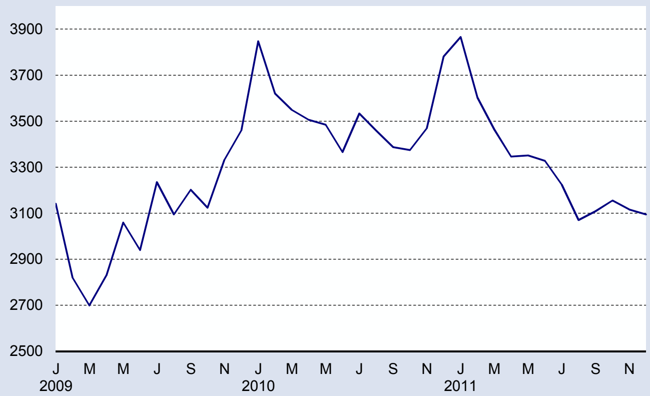
Sources: Central Bank of Malta; ECB.

Concurrently, yields on five-year and ten-year government bonds went down, respectively, by 53 and 43 basis points by end-September, to 3.23% and 4.22% (see Chart 6.5). Yields on benchmark five-year and ten-year euro area government bonds fell faster, declining by 95 and 93 basis points, respectively. As a result, the spread on five-year domestic bonds widened by 42 basis points to 168 points, while the ten-year differential rose by 50 basis points to 174 points.[10]

In the secondary corporate bond market, turnover rose by EUR0.9 million, to EUR7.7 million by end-September. Just under two-thirds of total trading was concentrated around 12 securities, while yields generally declined.

Concurrently, the value of transactions in the domestic equity market went down by EUR1.0 million to EUR6.3 million. Equity prices extended their downward trend, with the MSE share index declining by 6.6% from its value in June, ending September at 3,108.29 (see Chart 6.6).

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



Source: MSE.

In the three months up to December 2011, yields on domestic five-year government bonds remained unchanged while those on ten-year bonds increased slightly to 4.30%. The spread between five-year bonds went down slightly by 1 basis point to 167 points, while that for ten-year securities declined by 9 basis points to 165 points. At the same time, the MSE share index declined by 0.4% from its end-September level.

[9] Short-term bonds are those with a residual maturity of up to five years, medium-term bonds have a residual term to maturity of between five and ten years, while long-term bonds are those with a residual term to maturity exceeding ten years.
[10] Euro area yields are based on AAA-rated central government bonds.

7. ECONOMIC PROJECTIONS FOR 2011 AND 2012

Outlook for the Maltese economy[1]

The Bank's economic projections, finalised in November 2011, show a moderate easing in real GDP growth in 2011 and a further slowdown in 2012, the latter as a result of an expected deterioration in external demand.

In its mid-year forecast, the Bank had projected a deceleration in growth during 2011 but had also anticipated a pick-up in activity in 2012.[2] In its latest exercise, on the other hand, the Bank expects economic growth of 2.3% in real terms (see Table 7.1) with a decelerating growth rate of 1.7% in 2012 compared with 2.7% in the previous forecast exercise. Thus, compared with the mid-year forecast, the projections of GDP expenditure components – particularly exports, investment and inventory changes – were revised significantly for 2011, while the worsening international environment prompted a significant reappraisal for 2012.

Economic growth projected to ease in 2011 and in 2012

In its latest projection for 2011, the Bank expects the expansion of economic activity to have been driven mainly by external demand and, to a lesser extent, by private consumption. With exports rising much faster than imports, driven by higher receipts on travel services and increased sales of semiconductors and fuel re-exports, net exports are estimated to have provided the main stimulus to GDP growth in 2011. However, as in 2010, a significant negative inventories component is expected to have exerted a substantial drag on growth.

Domestic demand is projected to have contributed only marginally to economic growth in 2011. This was evidenced by the persistent negative sentiment that emerged from industrial, construction and consumer surveys. The latter tended to confirm that the private sector's spending behaviour was cautious, partly influenced by an international environment characterised by episodes of financial market volatility and uncertainty. The relatively weak projected recovery in private consumption also reflects the slow growth of real disposable income, in the light of continued wage moderation. Gross fixed capital formation is expected to have declined significantly despite rapid growth in government investment. Thus, while activity levels in construction remained stable, private investment in equipment, which had risen substantially in 2010, is foreseen to have dropped.

As outlined above, the Bank expects economic growth to decelerate in 2012 on the back of worsening external demand as most of Malta's main trading partners are envisaged to experience declining growth rates. As a result, domestic demand, though still weak, is expected to become the main engine of growth.

Investment is anticipated to recover in 2012, with outlays on equipment starting to pick up in the second half of the year. The revival in construction investment is set to be much more restrained than in equipment, reflecting the continued weakness of the property market. The Bank expects private consumption growth to remain modest, against a background of a moderate rise in real disposable income. Government consumption expenditure is also anticipated to grow marginally.

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[1] The Bank's outlook for the Maltese economy in 2011 and 2012 was based on information available up to 25 November 2011 and was conditional on technical assumptions indicated in Table 7.1. The projections did not take into account the GDP data for Malta that were published on 9 December 2011.

[2] The previous projections were published in the *Quarterly Review 2011:2*, pages 58-61.

Table 7.1
PROJECTIONS OF THE MAIN MACROECONOMIC AGGREGATES FOR MALTA

	2010(1)	2011(2)	2012(2)
Real economic activity (% change)			
GDP	2.7	2.3	1.7
Private consumption expenditure	-1.4	1.2	0.8
Government consumption expenditure	0.9	0.6	0.5
Gross fixed capital formation	11.7	-4.9	7.5
Inventories (% of GDP)	-3.0	-6.7	-6.5
Exports of goods & services	18.3	9.2	1.4
Imports of goods & services	12.9	3.3	1.5
Contribution to real GDP growth (in percentage pts)			
Domestic demand	0.8	0.2	1.6
Net exports	4.6	6.0	0.1
Inventories	-2.7	-3.9	0.0
Balance of payments (% of GDP)			
Goods and services balance	3.4	9.6	9.2
Current account balance	-4.0	-1.4	-1.7
Labour market (% change)			
Total employment	2.3	1.3	0.5
Unemployment rate (% of labour supply)	6.8	6.6	6.6
Prices and costs (% change)			
Overall HICP	2.0	2.4	2.0
HICP excluding energy	1.0	1.8	2.0
Retail price index	1.5	3.3	2.3
Compensation per employee	-0.4	1.1	2.5
Unit labour cost	-0.8	0.1	1.3
Public finances (% of GDP)			
General government balance	-3.6	-2.9	-2.7
Government debt	69.0	69.3	68.6
Technical assumptions			
EUR/US$ exchange rate	1.397	1.364	1.364
Oil price (US$ per barrel)	79.6	111.5	109.4
10-year euro area bond yield (%)	3.6	4.4	5.3

(1) Data on GDP were sourced from NSO News Release 171/2011 published on 7 September 2011.
(2) Central Bank of Malta projections.

At the same time, the expected weakness in world trade, and particularly the slowdown in Malta's main trading partners, is set to curtail the contribution of net exports to economic growth in 2012. Export growth is forecast to decelerate sharply to 1.4%, as the surges observed in 2011 in re-exports of fuel and in tourism earnings are not expected to be repeated. The deceleration in exports, in turn, is projected to restrain import growth, which is expected to fall to 1.5%.

Labour market conditions set to be restrained

The Bank expects the slowdown in economic activity in 2011 and 2012 to result in moderation in the pace of job creation, especially in 2012. Employment growth is set to slow down from 2.3% in 2010 to 1.3% in 2011 and to just 0.5% in 2012.

Despite this deceleration in job creation, the unemployment rate is still forecast to drop to 6.6%.[3] This is the result of an anticipated slowdown in labour supply growth, with a continuing rise in female labour market participation being largely offset by a decline in the overall working age population.

In light of these developments, wage pressures are expected to remain subdued over the forecast horizon. Nominal compensation per employee is forecast to pick up very gradually, though still remaining below projected retail price inflation in 2011 and only marginally above it in 2012.

After having fallen in 2010, ULC are expected to have remained relatively stable in 2011, as the growth in labour productivity was generally counterbalanced by a rise in nominal compensation. In 2012, the Bank envisages an increase of 1.3% in ULC as growth in wages is expected to outpace labour productivity gains.

Inflation expected to moderate in 2012

After reaching 2.0% in 2010, year-on-year HICP inflation is projected to have risen to 2.4% in 2011, before falling to 2.0% in 2012. These forecasts are, respectively, 0.2 and 0.3 percentage points lower than in the previous exercise, and reflect the downward revision in projected economic activity and revised technical assumptions.

The increase in HICP inflation during 2011 is foreseen to be mostly driven by an acceleration in food prices, together with a more moderate pick-up in prices of industrial goods, excluding energy, and of services. Price pressures are projected to moderate significantly in 2012, particularly in light of the expected impact of slowing world trade on international commodity prices.

However, while overall inflation is set to decline in 2012, HICP inflation excluding energy is expected to slightly pick up. The modest rise in underlying inflation mainly reflects the possible impact on prices of the expected gradual pick-up in wage inflation.

Current account deficit projected to narrow

The strong rise in exports projected for 2011 is expected to have resulted in a surplus in trade on goods and services of 9.6% of GDP compared with the previous year's surplus of 3.4%. In 2012 the surplus is projected to slightly narrow to 9.2%, on account of weaker foreign demand combined with an expected pick-up in imports of capital goods.

In 2011, the Bank expects the current account deficit to be lower by more than two and a half percentage points of GDP, mainly as a result of a substantial surplus on goods and services. The current account gap is, however, expected to widen in 2012 partly due to continued net outflows on the income account, the latter reflecting sustained profits earned by domestic firms owned by non-residents.

Continued fiscal consolidation foreseen

In response to a further tightening of fiscal policy the deficit-to-GDP ratio is expected to have dropped to 2.9% in 2011, compared with 3.6% in 2010. A further narrowing of the fiscal deficit to

[3] In the Bank's projection exercises, the unemployment rate is computed as the ratio of the number of unemployed obtained from the LFS to a measure of the labour force based on the LFS and National Accounts information. For this reason, the unemployment rate presented in this Chapter may differ from that presented elsewhere in this *Review*.

2.7% is expected in 2012 reflecting government consumption restraint. Faster growth in revenue, particularly from indirect taxes, is also expected to contribute.

Government debt, as a proportion of GDP, is projected to have risen slightly in 2011, partly reflecting additional borrowing to finance a loan to Greece, in coordination with other EU Member States. The debt ratio is expected to fall in 2012 as a result of nominal GDP growth, of a decline in the deficit and of developments envisaged regarding further support to Greece and to the national airline.

Risks to the projections

The Bank's economic growth projections for 2012 have been made against a backdrop of high uncertainty in the international environment. They are therefore subject to a number of risks, which are judged to be mostly on the downside. The main negative risk for the Maltese economic outlook is the ongoing sovereign debt crisis affecting the euro area. Although the Maltese economy has demonstrated a high degree of resilience in the face of a relatively unfavourable international climate in 2011, the persistence of recessionary conditions in Malta's trading partner countries in 2012 is expected to pose strong downside risks for GDP growth. Conversely, should the crisis be decisively resolved, boosting business and consumer sentiment, it could imply some upside risk to the projections.

Other risks to the Bank's GDP growth forecasts are broadly balanced. On the upside, the expected conclusion of negotiations on the civil service collective agreement could boost disposable income to a greater degree than anticipated, resulting in a positive impact on private consumption. On the downside, the projected recovery in private investment may not materialise if the corporate sector postpones its investment plans, in the absence of clear evidence of a positive change in the international business climate.

As regards the inflation projections, risks are judged to be broadly balanced. Upside risks relate to the outcome of negotiations regarding the civil service collective agreement, through its impact on wage costs and aggregate demand. On the downside, the ongoing sovereign debt crisis in the euro area and its recessionary effects could lead to a further dampening of price pressures overseas, and thus to lower-than-expected imported inflation, as well as to weaker domestic demand, as discussed above.

LESSONS FROM THE CRISIS[1]

Professor Josef Bonnici
Governor of the Central Bank of Malta

This evening I shall dwell on the sovereign debt crisis in the euro area, a topic which has persistently made news headlines over the past 18 months, and unfortunately continues to do so today. There are lessons from this period of crisis that are relevant for both policymakers and the banking community.

The origins of the crisis

We are all aware that the sub-prime mortgage crisis in the US during 2007 and the subsequent collapse of Lehman Brothers in September 2008 sent shock waves to the financial markets that plunged the global economy into the most severe recession since the Great Depression of the 1930s. However, although these two events did trigger off the international financial crisis, the sovereign debt crisis in Europe was largely home-grown, characterised by cases of excessive risk-taking by banks, imprudent fiscal policies on the part of a number of governments as well as shortcomings in the institutional framework of Economic and Monetary Union.

With the adoption of the euro, most euro area countries benefitted from the greater credibility that the monetary policy, decided collectively by the Eurosystem, offered within a legal framework that ensured its independence and promoted price stability as its primary objective. In addition the advent of the single currency also meant a significant step forward towards the completion of the EU single market, which was viewed as an important element in bringing about faster economic growth in the European Union.

The establishment of the euro area led to a significant reduction in both nominal and real interest rates, especially for the fiscally weaker member states, as these converged to German benchmark levels.[2] This reduction in interest rates, coupled with stronger economic growth expectations in the euro area, gave rise to faster growth in, and cheaper interest rates on, credit to both households and non-financial corporations in many of these countries.

It is instructive to compare the underlying causes of the sovereign debt crisis in Ireland with that in Greece. In the case of Ireland, it was the financial system and bank lending policies that drove the country into crisis, which then engulfed the government's finances. Excessive risk-taking by the banks led to strong credit growth and the consequent surge in house prices. The bursting of the housing bubble not only had a severe impact on the banking sector's balance sheet but also led to a rapid deterioration in government finances. Tax revenue flows, particularly from construction activity, dried up, while the banking system was hit by its heavy exposure to the property market. This brought about an extremely rapid deterioration in public finances as the government bailed out the banking system.

In the case of Greece, it was the government's fiscal irresponsibility that was the root cause of the crisis that then had dire consequences for the domestic financial system. Poor governance,

[1] Speech given at the Annual Dinner of the Malta Institute of Financial Services on 25 November 2011.
[2] See L. Bini Smaghi, "Eurozone, European crisis and policy responses", *Goldman Sachs Global Macro Conference – Asia 2011*, 22 February 2011.

the absence of a culture of accountability, and an inadequate internal auditing mechanism,[3] led to a mismanagement of public finances. The resulting accumulation of public debt led to serious financing problems for the Greek banks, which were considerably weakened by the loss in value of their asset holdings as Greek government bond yields surged. Difficulties were further amplified by the withdrawals of deposits as a result of a loss of confidence in the banking system.

To a considerable extent, the sovereign debt crisis was also the result of institutional design weaknesses within EMU. To reduce the risk of fiscal imprudence, the Stability and Growth Pact was intended to dissuade and prevent Member States from undertaking unsustainable fiscal policies resulting in excessive deficits and a build-up of public debt. Furthermore, Article 125 of the Lisbon Treaty states that the European Union, as a whole, as well as the individual Member States are not liable for commitments of governments or public authorities of other Member States. This was included in view of what is called the "moral hazard" that would arise within EMU in the absence of a closer coordination of fiscal policies. In the same vein, Article 123 prohibits the ECB and the national central banks from lending directly to governments.

However, experience shows that the effective implementation of the Stability and Growth Pact was rather weak. It failed to prevent the occurrence of excessive fiscal deficits in several euro area countries, although without it, fiscal imbalances would probably have been larger. Peer pressure from other Member States was clearly insufficient.[4]

The policy response

Faced with the unfolding of a sovereign debt crisis, the European Union's response involved a two-pronged approach. On the one hand, it needed to rapidly address the immediate financing needs of distressed countries, but at the same time it also recognised that the origins of the crisis had to be tackled through a comprehensive reform in economic governance in the Euro area.

When Greece signalled that it needed financial support from its Euro area partners, the first financial programme for this country took the form of a bilateral loan agreement with its euro area partners, supplemented by aid from the IMF.

It was clear at the outset that there was a need to establish a framework that could swiftly and efficiently respond to possible requests from other Member States. Thus, in May 2010 the European Financial Stability Facility (EFSF) was set up with a lending capacity backed by guarantees from the Member States of the euro area. As from July 2013, the EFSF will be replaced by a permanent framework, in the form of the European Stability Mechanism.

However, it is important to underline that the financial mechanisms created by the EU to assist Member States in distress come with strict conditions that are designed to ensure that needed changes are implemented in economic policies and in national institutional capacity building.

The European System of Central Banks has also responded to the crisis. Apart from the conventional interest rate tool, which is currently almost at a historical low, the Eurosystem introduced a number of so called non-standard measures to ensure that the transmission channel of monetary policy is not impaired. These measures include the provision of the necessary liquidity to

[3] See I. Sarmas, "The Greek Financial Crisis from an Auditor's Point of View", World Class Performance Symposium 2011: Trust and accountability in public financial management, London, 17 March 2011.
[4] See J. M. Gonzalez-Paramo, "The reform of the Stability and Growth Pact: an assessment", Conference on "New Perspectives on Fiscal Sustainability", Frankfurt, 13 October 2005.

eligible counterparties, against adequate collateral, on the basis of a fixed rate and full allotment procedure.

When tensions emerged in the financial markets after Greece requested financial aid in April 2010, the Eurosystem also activated a Securities Market Programme which is intended to facilitate the monetary transmission mechanism. This involves secondary market purchase of government bonds of a number of euro area countries, and the programme was broadened in the summer of this year to cover purchases of securities of other countries facing funding difficulties.

Apart from instituting financial mechanisms, European authorities responded to the sovereign debt crisis by also focusing on reform in economic governance. Clearly, the macroeconomic imbalances that developed in a number of Member States, together with the ineffective implementation of the Stability and Growth Pact, signalled a need to strengthen the surveillance framework. In addition to the setting up of the European Systemic Risk Board, entrusted to monitor financial stability, the European Commission presented six legislative proposals, the so-called Six-Pack.[5] These were aimed at strengthening the preventive and corrective action needed to ensure fiscal sustainability, reducing macro-economic imbalances, and promoting competitiveness. They were approved by the European Parliament in September and will come into force in January 2012. In launching these measures the European Authorities recognised that in a single currency area there are limitations to the debt that can be issued by participating sovereign Member States. Essentially, we are going through a period of further development of the currency union and the implications this has on other aspects of governance.

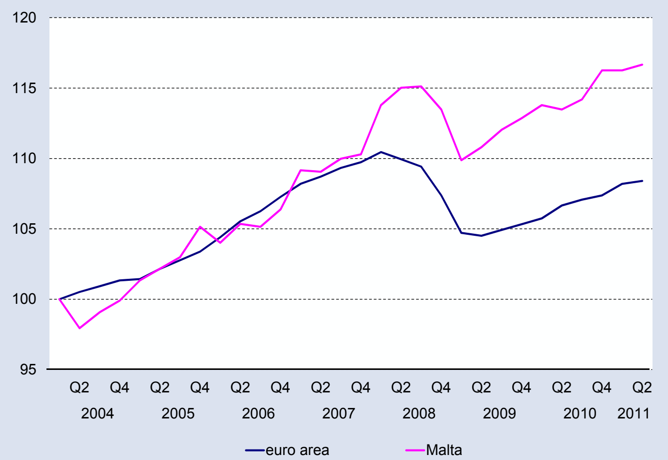
Lessons from the crisis

From a national perspective, at the policy making level, there are a number of lessons that can be learned from the sovereign debt crisis.

As I highlighted earlier, macroeconomic imbalances and unsustainable fiscal policies were the root cause of the sovereign debt crisis in Europe. The example of Ireland is a reminder that while strong GDP growth is a desirable goal, what ultimately matters is that such growth can be sustained. In turn, competitiveness is the key for a country's success in achieving sustainable growth and improvements in living standards.

In Malta GDP per capita grew by 11.6% over the last decade while the increase in the euro area amounted to 5%, and the recession in 2009 was shorter and relatively less deep than that experienced by Malta's trading partners (see Chart 1).

Chart 1
REAL GDP INDEX 2004 = 100



Source: Eurostat.

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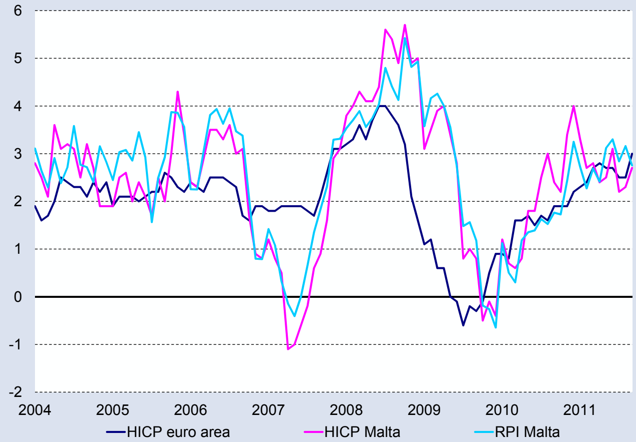
[5] See European Commission, EU Economic governance "Six Pack" – State of Play, Brussels, 28 September 2011.

The Maltese economy, nevertheless, still faces a number of challenges.

One area of relevance is the inflation rate, which at an average rate of 2.5% since 2004, has tended to stay slightly above the 2.1% average rate in the euro area as a whole, although the latest data show an annual inflation rate below that for the euro area (see Chart 2). In this context, greater attention should be given to the identification of any structural shortcomings that may be contributing to the slightly higher inflation, and the excessive volatility apparent in Malta's inflation rate as compared to the euro zone. Although imported inflation is inevitable, we have to be particularly mindful of locally generated price pressures or inflexibilities in structures which may not be responding sufficiently to competitive pressures.

Chart 2
HICP INFLATION IN MALTA AND IN THE EURO AREA
(annual percentage changes)



Source: Eurostat.

Productivity growth is essential not only for enhanced competitiveness but also to justify wages that permit a sustainable increase in living standards. Productivity growth in Malta since EU accession was broadly in line with that experienced by the euro area as a whole. Still, catching up with the rising living standards of the more affluent EU countries requires even faster growth in productivity. To overcome this challenge, policy makers need to continue in their efforts to provide the necessary incentives for investment and to remove the impediments, such as needless bureaucracy, that may hinder its implementation.

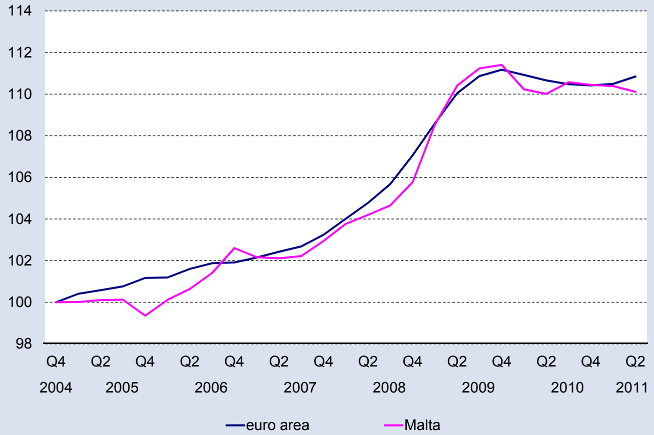
On a positive note, however, Malta's efforts to diversify its economy into new sectors, especially in business services and more capital intensive manufacturing industry have helped to prevent the boom-bust cycles that were being experienced in other economies.

Productivity is also influenced by growth in human capital. In this regard, substantial public funding has been allocated to investment in education, training and retraining programmes which enable workers to acquire new skills required by newly set up industries in Malta. Labour market flexibility also contributes to productivity growth by enabling a smoother transition from old to new sectors.

Over the past decade the proportion of the working-age population with a tertiary education level grew by two-and-a-half times to 12.4% of the labour force. Nevertheless, there is still further catching-up to be made as the euro area average is almost double that of Malta. Furthermore, not only must the number of graduates be increased, but the quality aspect is also of crucial importance for productivity improvements.

Apart from productivity aspects, competitiveness is also affected by cost developments. Labour costs are a crucial element particularly in open economies, where a significant share of output is exported.

Chart 3
UNIT LABOUR COSTS
(four-quarter moving average indices; 2004 Q4 = 100)



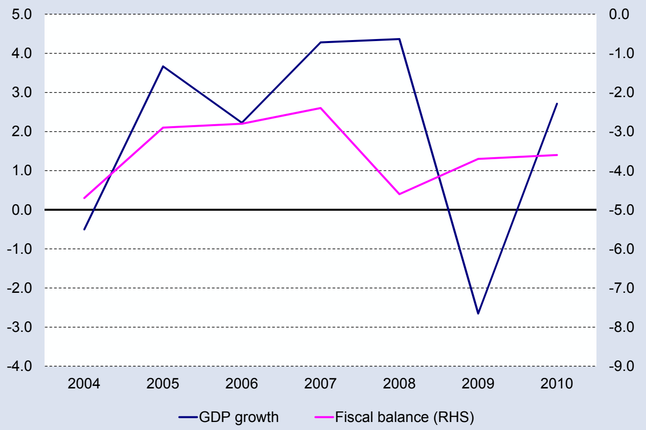
Source: ECB.

Since EU membership, growth in unit labour costs practically matched the euro area average (see Chart 3). Thus, in terms of labour cost competitiveness, Malta has kept pace with the euro area average. However, to maintain competitiveness a further focus on the wage setting process may be appropriate. In particular the basic principle must be to emphasise that productivity improvements are at the basis of sustained wage increases, and that these are best negotiated at firm level, where improvements in productivity can be best gauged. Consequently, any cost of living adjustments should form part and parcel of the collective agreement and not be superimposed on collective agreements by legislation as happens today. Indeed, already a number of collective agreements incorporate the COLA increase, and I suggest that this should be the norm.

Another important message that has emerged from the sovereign debt crisis is the need for fiscal prudence, which provides the space for countercyclical fiscal policy during a downturn. In the euro area, fiscal policy is the major macroeconomic management tool at the national level. Thus, in periods when economic activity is relatively strong, policy needs to be sufficiently prudent to build the necessary fiscal buffers that would be utilized during periods of weaker growth.

In the aftermath of one-off expenditure during 2008, the deficit ratio in Malta declined in 2009 despite the recession of that year and narrowed slightly further in 2010 (see Chart 4). The debt ratio generally declined until 2008, but then picked up in 2009, partly in response to the contraction in the economy (see Chart 5). Although the debt ratio has been considerably below that of the euro area as a whole, the government's determination to achieve its fiscal targets is welcome. Strong efforts need to be made in order to adhere to these

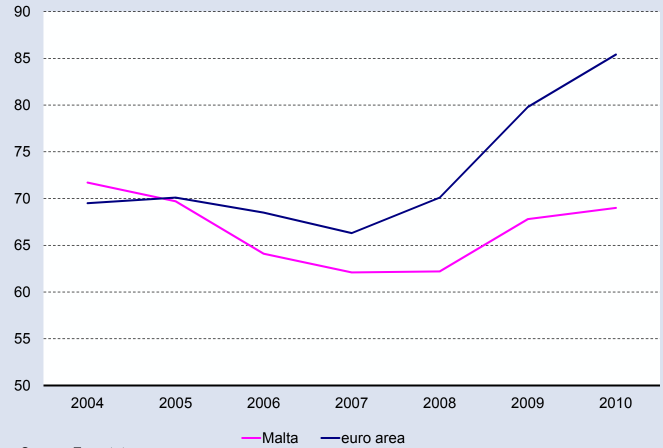
Chart 4
GDP GROWTH AND FISCAL BALANCE
(% of GDP)



Source: Eurostat.

targets, particularly during times of slow economic growth.

Chart 5
GENERAL GOVERNMENT DEBT
(% of GDP)



Source: Eurostat.

Recent experience has shown that with the adoption of targeted and limited spending measures, the economy has proved relatively resilient to external shocks. Still, at this juncture, the continuing slowdown in external demand is likely to impact the economic growth rate, adding further pressure on the fiscal balance at a time of heightened institutional and market scrutiny. This will introduce a delicate balance between two considerations. First, cutting the deficit is important in order to reduce macroeconomic imbalances that in the longer run hinder economic growth. Secondly the immediate effect is to reduce aggregate demand, whether via spending cuts or through higher taxation, which would slow the economy down.

Given the desirability of avoiding such dilemmas, this may be the time to follow the lead of other countries and consider the adoption of self-enforced regulations, such as expenditure rules.[6] Spending decisions involve the reconciliation of various spending needs. While it is the cabinet of ministers that collectively sign off on the budget, the compilation of the budget document involves the reconciliation of diverse demands. If, as is likely, the sum of the separate demands exceeds the previous year's spending total, the end result is the observed and inefficient upward creep in total spending. A widening of the deficit is more likely when growth in tax revenues is constrained by the slow rate of economic growth.

Spending rules can be viewed as a remedy for the problem of coordination between competing interests. In addition the formulation of the rules requires the setting of spending priorities. For example, it would be reasonable for an expenditure rule to give priority to capital expenditures, while another rule prioritizes the various types of social spending.

The choice of the rules will involve the difficult task of setting of priorities, but once the rules are determined, there will be considerably less discretion on the overall fiscal outcome of the yearly budgetary exercise. For example, to remain within the rule, spending cuts may be necessary in some areas to allow a larger outlay in a higher priority area. This kind of trade-off is an essential feature of budgetary management.

Expenditure rules are also helpful for the purpose of assuring long-term budget sustainability. In this regard, the reform of the pensions system requires particular consideration.

[6] See F. Holme-Hadulla, S. Hauptmeier and P. Rother, "The impact of numerical expenditure rules on budgetary discipline over the cycle", ECB *Working Paper Series* No 1169, April 2010; see S. Hauptmeier, J. S. Fuentes and L. Schuknecht, "Towards expenditure rules and fiscal sanity in the euro area", ECB *Working Paper Series* No 1266, November 2010.

As things stand, the gap between pension contributions and benefits is of concern. The Financial Estimates for 2012 include an amount paid by government to top up the contributions of employers and employees in the private sector. While such an arrangement was understandable in the early phase of Malta's economic development, it is less justified today.

Over 145 million euros are earmarked in 2012 for this so-called direct contribution by Government by way of a grant to the private sector in terms of the Social Security Act of 1987. The total top up for both public and private sector employees comes to just over 191 million euros. This amount is in addition to the national insurance contribution by the government in its capacity as an employer.

To put these numbers into perspective, one must keep in mind that the deficit in the consolidated fund for the same year is projected at roughly 145 million euros.

The size of these outlays should be of concern for two reasons. The shortfall is certainly not arising from pension benefits that are too generous. Secondly the amount of the welfare gap as identified in the Estimates is going to rise rapidly as people live longer and the population ages.

One suggestion for alternative financing would involve a multi-year programme that would reduce the government's matching contribution gradually over an extended period of time, ideally through a tripartite consensus at the MCESD. This programme would be financed from productivity growth. During times of economic growth, when the growth rate exceeds a particular threshold, the revenue from a marginal increase in income tax or national insurance rates would be earmarked to reduce the subvention. The increase in rates would automatically be suspended during times of slower growth. Such a scheme would be justified as one which reallocates resources from current to future consumption, and the reallocation would occur only during a time of relative prosperity.

While this on its own would not ensure the sustainability of the pension system, it would be an important component in the process of pension reform, and, as I have already mentioned, I would suggest that it would be appropriate for deliberation at the MCESD.

The phenomenon of population ageing raises sustainability challenges also for the public provision of healthcare, which represents a significant share of government expenditure. It must be recognised that the extent of provision of free healthcare and other services by the State must ultimately be financed by the taxpayer. The earmarking of certain revenue measures or particular revenue streams for this purpose may also be an appropriate topic for consideration by the social partners.

The sustainability of funding the government's capital expenditure programme, particularly in relation to the infrastructure and the public utilities, through fiscal resources may also have to be reviewed. One step in this direction is to harness the ample immovable property of the government which presently may not be rendering an adequate return. It appears that the setting up of special purpose vehicles may be addressing in part this issue. Perhaps, however, we should go a step further by considering the establishment of a development bank which would utilise various assets of government that are presently underutilised as well as other sources of funding, on similar lines that exist in many EU countries, particularly Germany, where development banks at the regional level undertake very successfully a role in promoting the economy and assisting the government in social and environmental projects.

Let me turn now to the domestic banking system. On taking on my responsibilities as Governor of the Central Bank of Malta, I actively involved myself in financial stability issues given my concern with financial markets overseas that were characterised by volatile trading conditions and the contagion effects of the sovereign debt crisis. There is no doubt that the impact of the sovereign debt crisis highlights the importance of ensuring a stable domestic financial system. In fact the case of Ireland shows us that imprudent bank policies can have devastating effects on the economy.

In contrast, the domestic banking system played a crucial role in preventing a more severe downturn in economic activity after 2008, and in averting a sharper deterioration in public finances, because of prudent behaviour on the part of the banks in both asset and liability management.

The reliance on retail deposits has been a major source of funding for the domestic banks. These remained stable during the period of financial turmoil. In other countries, banks that relied heavily on wholesale funding sources came under severe stress as interbank markets dried up and the cost of funding increased significantly.

As I mentioned earlier the Eurosystem has stepped in with ample liquidity, and the Central Bank of Malta, as an active member of the system, stands ready to fulfil its intermediation role within the local banking system. Nevertheless, it is firmly my view that domestic banks should continue to operate along the lines of their traditional business model. This method of doing business has certainly protected them from the vagaries of the wholesale funding market.

In this context, I would like to emphasise once again that the Central Bank will not be supportive of banking institutions that operate in Malta and seek central bank liquidity as their primary source of funding their loan and investment activities.

When a banking institution funds its purchase of high yielding assets from short term sources, it is not only exposing itself to losses on the asset side but also to adverse changes in its funding costs, particularly at a time when historically low interest rates are in effect. For this reason, the Central Bank expects such institutions to look primarily to the markets for their funding requirements.

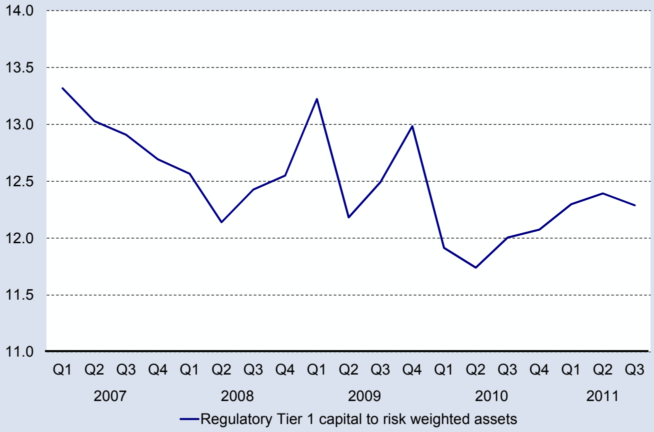
I am pleased to note as well that the domestic banking system continues to be characterised by relatively high liquidity levels. Furthermore, a major strength of the domestic banking system is its prudent approach towards credit, where loans are fully covered by deposits, while loan-to-value ratios, which were already at relatively prudent levels at the time of the global financial crisis, declined further to around 70%.

Another major strength of the domestic banking sector is its strong capital base. Capital adequacy ratios improved further from already healthy levels, with the core capital adequacy ratio rising to 12.4% (see Chart 6). This ratio is significantly higher than the present statutory requirement of 4%.

The debt crisis has highlighted the importance of risk diversification. Encouragingly, the investment portfolio of the domestic banks has limited exposure to securities issued by countries in financial distress (see Chart 7).

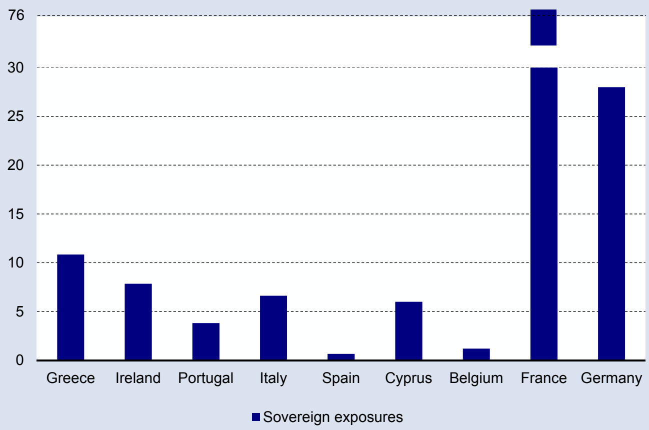
It is equally important for the banks to diversify risk in their loan portfolio. Most of the troubles of banking systems overseas, particularly in Ireland and Spain, stemmed from their relatively large exposure to the construction sector, especially the housing market. While the latest update of the Central Bank of Malta's Financial Stability Report[7] provides a generally favourable assessment of the situation in the domestic banking sector, it notes that credit and concentration risks remain elevated, mainly due to corporate borrowers in construction and real estate activities. However, on the positive side, the share of lending to these sectors has now eased slightly since before the crisis to around 10.5% of total assets as at September 2011, and domestic banks are encouraged to continue on this path to reduce concentration risk.

Chart 6
CAPITAL ADEQUACY
(per cent)



Source: Central Bank of Malta.

Chart 7
BANK EXPOSURES TO SELECTED EURO AREA COUNTRIES
(EUR millions)



Source: Central Bank of Malta.

In the same vein, I would also like to stress that the sovereign debt crisis has also highlighted the importance of prudent credit standards and for banks to improve the institutional capacity to appraise risk, not only as it relates to the individual borrower but also from a sectoral and economy-wide perspective.

The Central Bank of Malta also continues to urge banks to expand loan loss provisioning levels, especially related to the construction sector, and also to strengthen further the capital buffers through the adoption of prudent dividend policies. Such measures are also needed for banks to eventually implement the stringent Basel III regulatory requirements.

[7] Central Bank of Malta, *Financial Stability Report Update – June 2011*, 17 October 2011.

I must stress that there is never room for complacency, especially at a time of uncertainty in the global financial system, and also because economic growth in our main trading partners is expected to slow down appreciably during 2012.

Conclusion

I have touched on a number of areas in this my first speech to you as Governor of the Central Bank of Malta. In concluding, I would like to say that the challenges faced by the Maltese economy today are not so dissimilar from those of the past. It is true that the setting has changed considerably but as a small open economy these relate mainly to competitiveness aspects and the capacity to deal with external shocks. It must be stressed that competiveness is not exclusively a concern for the export-oriented part of the private sector, but also for those who focus their business activity on the domestic market. Non-competitive practices and inefficiency in that part of the economy that is not directly exposed to foreign competition tends to spill over into the tradable sectors thus threatening the overall competitiveness of the whole economy. We must avoid this as much as possible. I am cautiously optimistic about the future and feel sure that despite the persistence of the sovereign debt crisis and the prospect of a weaker global economy, Malta will overcome the challenges that lie ahead, if all stakeholders remain focused on meeting the country's economic objectives in a prudent and effective manner.

NEWS NOTES

DOMESTIC

Issue of coins

On 19 October the Bank issued a coin set, consisting of the eight Maltese euro coins currently in circulation. The coins were dated 2011. The coin set included a replica of a coin from the Punic period as well as the first coin in a series of five EUR2 coins to commemorate milestones in Malta's constitutional history. The theme of this coin was *First Elected Representatives - 1849.*

Malta's credit rating

On 13 January 2012 Standard & Poor's announced a lowering of the credit ratings of nine euro area Member States in the context of the sovereign debt crisis. The long-term credit ratings of Cyprus, Italy, Portugal and Spain were lowered by two notches, whereas those for Austria, France, Malta, Slovakia and Slovenia were cut by one notch. As a result, Malta's long-term rating was lowered to "A-", while its short-term rating was reduced to "A-2". The outlook was changed to negative.

Budget estimates for 2012

On 14 November the Minister of Finance, the Economy and Investment presented the Budget for 2012 in Parliament. The main measures included:

Taxation related measures

- Customs duty on fuel for bunkering of ships outside territorial waters would increase to EUR5 per tonne. This would not affect the price of fuel sold in Malta.
- Customs duty on cement would increase by EUR3 per tonne.
- The minimum excise duty on cigarettes would increase by 5.8% on each packet of 20 cigarettes.
- Excise duty on other tobacco products would increase by 8.5%.
- The tax credit for women who return to the job market and qualify for tax exempt status would continue for a further year.
- Amendments to income tax rates would be introduced to reduce the tax burden on working parents.
- Income tax rates on part-time work would be modified to redress anomalies affecting pensioners and government employees.

Assistance/incentives to industry

- The MicroInvest programme, which provides a tax credit on 40% of new investment and on new jobs, would be extended for another year.
- A total of EUR20.0 million in bank guarantees would be provided on loans for viable projects undertaken by micro businesses.
- A total of EUR14.7 million would be allocated in incentives to industry, an increase of five million euro on the previous year.
- Firms consuming more than 2Gwh of electricity per year would benefit from fiscal incentives amounting to EUR3.0 million over three years to invest in energy-saving measures or energy from clean sources.
- The service charge for firms located in industrial estates would be lowered to EUR3.50 per square metre.

Social welfare assistance

- Pensioners over 80 living independently in their own home would receive a grant of EUR300 per year.
- The income tax exemption for persons helping their parents live in private nursing homes would be increased by EUR500 to EUR2,500.
- Anomalies in service pensions would be further reduced at a cost of EUR1.0 million.

Additional cuts in Government spending

On 6 January 2012, the Government announced that following a partial review of the 2012 Budget it was targeting expenditure reductions amounting to 0.59% of GDP in the approved allocations. These are expected to result in savings from restraint in recruitment (0.1% of GDP), overtime pay (0.04% of GDP), operational and maintenance expenditure (0.07% of GDP), programmes and initiatives (0.21% of GDP) and government entities (0.17% of GDP).

European Commission assessment of fiscal developments

On 11 January 2012, the European Commission published its assessment of fiscal developments in Malta in the context of Malta's Excessive Deficit Procedure. As a result the Commission updated its projections for Malta's general government deficit to 2.6% of GDP in 2012 and 2.9% of GDP in 2013. The Commission stated that the Maltese authorities appeared to have taken effective action towards a timely and sustainable correction of the excessive deficit.

Capital market developments

(i) Issue of Government securities

On 4 November the Government, through Legal Notice 430 of 2011, announced the issue of EUR100 million worth of MGS, subject to an over-allotment option. The issues consisted of a 4.25% MGS 2017(III) Fungibility issue and a 5.2% MGS 2031(I) issue. Applications/bids having a total nominal value exceeding EUR295 million were received.

On 4 November the Government, through Legal Notice 431 of 2011, announced the issue of EUR24 million in Floating Rate MGS 2014(V) linked to the six-month EURIBOR. Bids totalling EUR44.5 million were received, of which EUR24.0 million were allotted by auction.

(ii) Conversion of securities

On 29 November the Government, through Legal Notice 466 of 2011, announced the conversion of EUR200 million worth of 5.70% MGS 2012(III) into a new issue of 4.30% MGS 2016(IV). This is the first of a series of buy-back operations that the Government will be conducting, on a voluntary basis, through its MGS Switch Auctions Programme. The latter will be undertaken over a three-year period for MGS maturing between 2012 and 2014.

Bank holidays

On 30 December the Minister of Finance, the Economy and Investment, declared 9 April 2012 and 26 December 2012 as bank holidays, through Legal Notice 507 of 2011.

Double taxation relief agreements

Legal Notice 383 of 2011

This Legal Notice was issued on 20 September to amend Double Taxation Relief on Taxes on Income with the Federal Republic of Germany Order regarding the exchange of information. The Protocol specified in the Schedule of this Order entered into force on 19 May 2011.

Legal Notice 423 of 2011

This Legal Notice was issued on 4 November to provide relief from double taxation on individual income tax and enterprise income tax as imposed by the laws of the People's Republic of China and by the Maltese Income Tax Act. This agreement entered into force on 25 August 2011.

Legislation related to banking and finance

Malta's guarantee to the EFSF increased

On 18 October Act No. XVIII of 2011 was enacted to amend the Participation and Guarantees under the European Financial Stability Facility Act (Cap. 505), and also to amend the Government Borrowing and the Granting of Loans to the Hellenic Republic Act (Cap. 502). Among other provisions, the Act increased Malta's guarantee commitment to EUR704.3 million.

Amendments to the Malta Membership of the International Monetary Fund Act

On 29 November Act No. XIX of 2011 was enacted to amend the Malta Membership of the International Monetary Fund Act (Cap. 209). This Act modified the definition of "Fund Agreement" to facilitate the implementation of changes to the Articles of Agreement of the International Monetary Fund into Maltese law.

Foreign residents tax regulations amended

Legal Notice 403, issued on 7 October in terms of the Income Tax Act (Cap. 123), regulated the tax treatment of high net worth individuals from countries outside the EU and the EEA (not including Swiss nationals) wishing to reside in Malta. Such individuals could benefit from a flat tax, set at 15%, on income remitted to Malta from abroad, provided certain conditions were met.

Capital Gains Rules amended

Legal Notice 413 issued on 21 October, titled Capital Gains (Amendment) Rules, 2011, amended the rule on the transfer of shares and added new rules dealing with the transfer of an interest in a partnership. It also amended the rules regarding adjustments for inflation as well as the rule dealing with the transfer of property by persons about to leave Malta.

European Passport Rights for Financial Institutions Regulations issued

Through Legal Notice 458 issued on 25 November and entitled European Passport Rights for Financial Institutions Regulations, 2011, regulations regarding the exercise of passport rights by financial institutions, with respect to the provision of payment services and the issuance of electronic money, were issued. It also covers the establishment of branches, the appointment of agents and on-site inspections. These regulations affect European financial institutions wishing to operate in Malta and Maltese financial institutions wishing to operate in another EU Member State or EEA State.

Amendments to the national minimum wage

Through Legal Notice 502 issued on 30 December, titled National Minimum Wage National Standard Order, 2011, the national minimum weekly wage relating to a normal working week was set at EUR158.11 for employees aged 18 years and over and at EUR151.33 for workers aged 17 years and at EUR148.49 for workers aged below 17 years.

Electronic money institution licenced

On 24 October the MFSA granted a licence to Syspay Limited to issue electronic money under the provisions regulating electronic money institutions of the Financial Institutions Act.

INTERNATIONAL

ECOFIN Meetings - main topics discussed and decisions taken

On 4 October the ECOFIN Council agreed on a draft regulation to increase transparency and reduce risk in over-the-counter derivatives markets.

On 8 November the ECOFIN Council adopted six legislative proposals to strengthen economic governance in the EU, and more specifically in the euro area. The Council also adopted conclusions related to:

- the design of the scoreboard of economic indicators to be used to detect macroeconomic imbalances;
- a directive on the supervision of financial conglomerates;
- the regulation of officially supported export credits;
- the subscription by the EU of additional shares in the capital of the European Bank for Reconstruction and Development.

On 19 December, as part of a broader international effort to improve the adequacy of IMF resources, the EU Finance Ministers confirmed that euro area Member States would provide EUR150 billion in additional funds through bilateral loans to the Fund.

European Council Meetings

During the meeting of 23 October the European Council identified key priorities for short-term internal economic policy measures. Member States would ensure that country-specific recommendations were fully reflected in national decisions on budgetary policy and structural reforms.

On 26 October a Euro Summit in Brussels discussed measures to secure the decline of the Greek debt-to-GDP ratio. Euro area Member States would contribute up to EUR30 billion to a package which would also include the private sector’s involvement. The nominal discount would be 50% on notional Greek debt held by private investors. A new EU-IMF multi-annual programme financing up to EUR100 billion would be put in place by the end of the year. It was agreed to allow the EFSF resources to be leveraged to around EUR1 trillion.

On 9 December the euro area Heads of State or Government agreed to move towards a stronger economic union, including a new “fiscal compact”, strengthened economic policy coordination and the development of stabilisation tools. As a rule, annual structural budget deficits were not to exceed 0.5% of nominal GDP. The new provisions also stipulate a specific criterion for government debt reduction in terms of a numerical benchmark for Member States with debt that exceeded 60% of GDP. They also agreed that the European Stability Mechanism should enter into force in July 2012. The adequacy of the overall ceiling of EUR500 billion for EFSF/ESM would be reassessed in March 2012.

On 20 December the Council confirmed an agreement with the European Parliament on a draft regulation on technical requirements for credit transfers and direct debit transactions in euros. The draft regulation constituted a key element of the Single Euro Payments Area, which is an EU-wide integrated market for credit transfers and direct debits. The regulation set 1 February 2014 as the migration deadline for credit transfers and (in respect of most requirements) for direct debits.

European Systemic Risk Board

On 11 October the European Systemic Risk Board (ESRB) addressed a set of recommendations to Member States of the EU, to their national supervisory authorities and to the European Banking Authority (EBA) on foreign currency loans. These recommendations reflected financial stability concerns arising from foreign currency lending to the non-financial private sector.

On 22 December the ESRB reiterated the need to increase the resilience of the financial sector. In that context, strict implementation of EBA criteria to avoid a disorderly or excessive deleveraging process could support the supply of credit and the provision of financial services to the real economy. The Board recommended that the Core Tier 1 capital ratio of 9% should mainly be achieved through an increase in capital levels and by restricting pay-outs.

G-20 Meetings

On 14-15 October the Finance Ministers and Central Bank Governors of the G-20 met in Paris and declared their commitment to take all necessary actions to preserve the stability of banking systems and financial markets. They were to ensure that banks were adequately capitalized and had sufficient access to funding.

On 3-4 November the Leaders of the G20 met in Cannes and reaffirmed their commitment to work together to reinvigorate economic growth, create jobs, ensure financial stability, promote social inclusion and make globalisation serve the needs of the people. They agreed to pursue the reform of the financial system, develop the regulation and oversight of shadow banking and address regulatory issues related to market integrity and efficiency. They also agreed to ensure that the IMF continued to have the necessary resources to play its systemic role for the benefit of its whole membership. In this regard they also agreed that the SDR basket composition would continue to reflect the share of currencies in the global trading and financial system.

European Banking Authority's recommendation on bank recapitalisation

On 8 December the EBA published a formal recommendation and the final figures related to banks' recapitalisation needs. The EBA's Board of Supervisors stated that national supervisory authorities should require banks included in the sample to strengthen their capital positions. Banks would be required to establish an exceptional and temporary buffer such that the Core Tier 1 capital ratio would reach a level of 9% by the end of June 2012.

STATISTICAL TABLES

The Maltese Islands - Key information, social and economic statistics

(as at end-Sept 2011, unless otherwise indicated)

CAPITAL CITY	Valletta		
AREA	316 km^2		
CURRENCY UNIT	Euro exchange rates[1]:	EUR 1 = USD 1.3503	
		EUR 1 = GBP 0.8667	
CLIMATE	Average temperature (1990-2010):	Dec. - Feb.	13.2^o C
		June - Aug.	26^o C
	Average annual rainfall (1990-2009)		488 mm
SELECTED GENERAL ECONOMIC STATISTICS	GDP growth at constant 2000 prices [2]		2.2%
	GDP per capita at current market prices[2]		EUR14,800
	GDP per capita in PPS relative to the EU-27 average (2010)		83.0%
	Ratio of gross general government debt to GDP[2] (2010)		69.0%
	Ratio of general government deficit to GDP[2] (2010)		3.6%
	RPI inflation rate		2.7%
	HICP inflation rate		2.8%
	Ratio of exports of goods and services to GDP [2]		83.4%
	Ratio of current account surplus to GDP [2]		8.3%
	Employment rate		58.1%
	Unemployment rate		6.2%
POPULATION	Total Maltese and foreigners (2010)		417,617
	Males		207,586
	Females		210,031
	Age composition in % of population (2010)		
	0 - 14		15%
	15 - 64		69%
	65 +		16%
	Average annual growth rate (1991-2010)		0.8%
	Density per km^2 (2010)		1,322
HEALTH	Life expectancy at birth (2010)		
	Males		79
	Females		83
	Crude birth rate, per 1,000 Maltese inhabitants (2010)		9.6
	Crude mortality rate, per 1,000 Maltese inhabitants (2010)		7.2
	Doctors (2010)		1,462
EDUCATION	Gross enrolment ratio (2009/2010)		69.8%
	Number of educational institutions (2007/2008)		296
	Teachers per 1,000 students (2009/2010)[2]		125
	Adult literacy rate: age 10+ (2005)		
	Males		91.7%
	Females		93.9%
LIVING STANDARDS	Human Development Index: rank out of 169 countries (2011)		36
	Mobile phone subscriptions per 100 population		125.9
	Private motor vehicle licences per 1,000 population		570
	Internet subscribers per 100 population		30.6

[1] End of month ECB reference rates.

[2] Provisional.

Sources: Central Bank of Malta; Eurostat; Ministry of Finance, the Economy and Investment; NSO; UNDP.

The monetary and financial statistics shown in the 'Statistical Tables' annex are primarily compiled on the basis of information submitted to the Central Bank of Malta by the following credit institutions, as at September 2011:

Akbank T.A.S.
APS Bank Ltd.
Banif Bank Malta p.l.c.
Bank of Valletta p.l.c.
BAWAG Malta Bank Ltd. (from October 2003)
Credit Europe NV (from March 2007)
Commbank Europe Ltd. (from September 2005)
Deutsche Bank Malta Ltd. (from March 2010)
Erste Bank (Malta) Ltd.
FCM Bank Limited
FIMBank p.l.c. (from August 2011)
Fortis Bank Malta Ltd.
HSBC Bank Malta p.l.c.
IIG Bank (Malta) Ltd. (from October 2010)
Investkredit International Bank p.l.c.
Izola Bank Ltd.
Lombard Bank Malta p.l.c.
Mediterranean Bank p.l.c. (from January 2006)
NBG Bank Malta Ltd.
Nemea Bank Ltd (from December 2009)
Raiffeisen Malta Bank p.l.c.
Saadgroup Bank Europe Ltd. (from January 2009)
Sparkasse Bank Malta p.l.c.
Turkiye Garanti Bankasi A.S.
Voicecash Bank Limited (from October 2010)
Volksbank Malta Ltd.

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence, users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR1=MTL0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese liri into euro' which was published in the 2007:3 issue of the *Quarterly Review,* while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review* . Detailed definitions of the concepts in each table can be found in the 'General Notes' section.

The statistical tables shown in the 'Statistical Tables' annex, including historical data, are provided in electronic format on the website of the Central Bank of Malta at www.centralbankmalta.org.

Table 1.1 Financial statement of the Central Bank of Malta[1] *(assets)*

EUR millions

End of period	External assets: Gold	External assets: IMF- related assets[2]	External assets: Other[3]	External assets: Total	IMF currency subscription	Central government securities	Other assets	Total assets/ liabilities
2003	1.2	83.1	2,095.0	2,179.2	73.2	18.1	42.5	2,313.1
2004	1.2	81.8	1,921.5	2,004.6	71.1	49.7	55.2	2,180.6
2005	1.5	87.4	2,061.2	2,150.1	74.6	21.2	62.5	2,308.4
2006	2.7	84.8	2,123.6	2,211.1	70.5	70.5	62.3	2,414.4
2007	8.8	83.9	2,434.4	2,527.2	66.3	203.6	74.4	2,871.5

EUR millions

End of period	Gold and gold receivables	Claims in euro: Claims on euro area residents	Claims in euro: Claims on non-euro area residents	Claims in foreign currency: Claims on euro area residents	Claims in foreign currency: Claims on non-euro area residents	Lending related to monetary policy operations	Intra-Eurosystem claims	Other assets[4]	Total assets/ liabilities
2008	4.1	638.8	260.0	435.4	251.4	454.0	48.4	631.5	2,723.6
2009	5.2	626.8	95.7	238.0	375.0	1,252.5	49.0	602.3	3,244.5
2010									
Jan.	5.2	624.7	95.7	248.9	356.1	1,188.5	48.3	601.4	3,168.8
Feb.	5.2	624.7	95.7	243.6	360.0	1,183.5	48.3	586.3	3,147.3
Mar.	5.6	619.6	93.2	268.1	375.1	1,244.5	48.3	541.8	3,196.2
Apr.	5.6	648.3	93.2	239.4	403.3	1,193.5	48.3	554.5	3,186.1
May	2.8	740.9	93.2	317.2	332.5	1,337.5	48.3	579.3	3,451.8
June	4.0	759.3	93.4	379.6	324.3	1,393.5	48.3	547.1	3,549.4
July	6.9	759.4	112.9	347.7	350.2	1,555.2	48.3	546.0	3,726.6
Aug.	6.9	731.0	92.4	299.2	386.2	1,296.2	48.3	596.2	3,456.4
Sep.	6.5	780.4	86.6	223.0	399.4	1,292.5	48.3	676.0	3,512.8
Oct.	6.5	834.8	86.6	252.9	373.0	1,254.5	48.3	705.6	3,562.2
Nov.	3.2	981.9	86.6	316.6	397.1	1,016.5	48.3	708.4	3,558.6
Dec.	3.7	1,067.1	94.3	250.8	399.0	1,074.5	49.4	707.3	3,646.1
2011									
Jan.	3.7	1,103.8	109.6	287.0	395.1	1,055.0	49.4	684.4	3,688.0
Feb.	4.3	1,114.3	101.7	339.1	368.4	1,133.2	49.4	700.0	3,810.3
Mar.	7.3	1,133.8	105.7	332.4	372.4	961.5	49.4	709.4	3,671.8
Apr.	7.1	1,202.3	142.9	329.0	380.0	1,013.3	49.4	682.8	3,806.8
May	7.1	1,160.4	123.2	299.7	379.4	975.8	49.4	726.3	3,721.4
June	7.5	1,379.2	408.9	313.9	357.3	1,116.3	49.4	720.5	4,353.1
July	7.4	1,202.5	138.9	323.8	367.1	1,143.3	49.4	721.0	3,953.4
Aug.	7.1	1,196.6	138.9	334.4	344.1	891.5	49.4	738.5	3,700.4
Sep.	8.4	1,278.0	173.2	356.0	356.5	790.8	49.4	738.3	3,750.6

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.
[2] Includes IMF reserve position and holdings of SDRs.
[3] Mainly includes cash and bank balances, placements with banks and securities.
[4] Including items in course of settlement.

Table 1.1 Financial statement of the Central Bank of Malta[1] *(liabilities)*

EUR millions

End of period	Currency issued	IMF-related liabilities	Deposits				Capital & reserves	External liabilities	Other liabilities
			Credit institutions	Central government	Other residents	Total			
2003	1,130.6	73.3	564.1	193.8	19.7	777.6	205.5	59.4	66.7
2004	1,179.6	71.2	387.4	269.4	26.0	682.8	200.4	-	46.7
2005	1,211.4	74.6	424.7	343.5	22.2	790.4	196.3	-	35.7
2006	1,173.9	70.5	660.8	248.2	41.0	950.0	181.0	-	38.9
2007	677.8	66.4	1,433.5	387.2	75.7	1,896.4	189.9	-	41.0

EUR millions

End of period	Banknotes in circulation[2]	Liabilities related to monetary policy operations	Liabilities in euro		Liabilities in foreign currency		Counterpart of SDRs allocated by the IMF	Intra-Eurosystem liabilities	Other liabilities[3]	Capital and reserves[4]
			Liabilities to euro area residents	Liabilities to non-euro area residents	Liabilities to euro area residents	Liabilities to non-euro area residents				
2008	693.1	483.5	366.3	80.4	33.8	0.1	12.5	719.4	99.4	235.2
2009	673.4	584.6	397.7	86.8	71.6	0.0	103.9	908.7	156.1	261.7
2010										
Jan.	654.3	638.9	337.2	81.6	72.2	0.0	103.9	879.1	140.3	261.4
Feb.	654.9	569.6	363.8	82.7	71.2	0.0	103.9	905.0	123.5	272.7
Mar.	665.5	579.6	341.7	83.0	78.3	0.1	107.5	935.7	127.3	277.4
Apr.	666.5	584.5	395.6	97.9	78.5	0.1	107.5	858.5	119.1	277.9
May	672.4	633.8	494.3	103.4	81.4	0.1	107.5	959.0	121.4	278.4
June	678.1	791.3	370.7	99.5	107.3	0.1	114.9	992.3	112.6	282.6
July	685.2	608.1	401.3	97.5	101.8	0.1	114.9	1,320.6	113.7	283.5
Aug.	679.6	578.9	547.7	104.2	88.6	0.1	114.9	941.7	116.5	284.2
Sep.	679.1	509.1	460.5	102.5	78.5	0.1	108.7	1,163.4	129.1	281.7
Oct.	680.5	491.5	419.2	104.9	80.9	0.1	108.7	1,263.3	131.3	281.7
Nov.	682.0	497.5	432.6	97.5	163.8	0.1	108.7	1,164.7	130.1	281.5
Dec.	701.2	501.2	410.9	97.0	96.5	0.0	110.4	1,327.1	129.2	272.7
2011										
Jan.	681.7	497.4	381.7	94.2	98.9	0.0	110.4	1,438.3	113.1	272.3
Feb.	680.8	518.4	509.3	94.3	130.9	0.0	110.4	1,386.5	99.4	280.1
Mar.	684.0	481.5	382.6	87.5	146.4	0.0	106.5	1,418.5	87.6	277.2
Apr.	692.5	479.3	403.7	88.7	155.7	0.0	106.5	1,523.4	79.2	277.8
May	695.5	471.9	482.0	88.4	134.3	0.0	106.5	1,381.1	83.5	278.2
June	703.0	492.6	485.0	81.4	121.2	0.0	105.6	1,998.9	85.7	279.7
July	710.2	579.4	370.8	89.7	141.0	0.0	105.6	1,585.7	90.0	281.0
Aug.	705.3	1,236.8	485.3	83.1	129.5	0.0	105.6	577.4	96.0	281.4
Sep.	711.6	1,188.5	426.2	90.0	131.6	0.0	110.3	694.1	110.4	287.9

[1] As from 2008, figures are reported according to the accounting principles established in ECB Guideline 2006/16 of 10 November 2006 (as amended) on the legal framework for accounting and reporting in the ESCB.

[2] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key. This amount is purely notional and may not reflect the amount of currency in circulation in Malta; the series is not comparable with the data prior to January 2008. For 2008, remaining outstanding Maltese lira banknotes are included.

[3] Includes items in course of settlement.

[4] Includes provisions and revaluation accounts.

Monetary, Banking and Financial Markets

Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles[1] *(assets)*

EUR millions

End of period	Holdings of euro-denominated cash	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Total	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets[2]	Total		
2008	0.0	5.2	271.2	276.4	963.0	479.2	196.7	1,638.9	834.6	2,750.0
2009	0.4	5.4	214.7	220.2	1,069.8	355.4	246.9	1,672.1	1,380.8	3,273.4
2010	0.2	5.9	274.7	280.6	1,555.4	381.3	285.3	2,222.1	1,182.7	3,685.6
2011										
Jan.	0.2	6.0	271.0	276.9	1,624.4	372.1	283.4	2,279.9	1,163.3	3,720.3
Feb.	0.2	6.1	274.7	280.9	1,696.9	341.3	289.7	2,328.0	1,233.2	3,842.3
Mar.	0.2	6.3	271.2	277.6	1,720.1	368.6	297.4	2,386.1	1,060.9	3,724.7
Apr.	0.2	6.2	245.4	251.6	1,766.8	417.5	306.6	2,490.9	1,122.1	3,864.7
May	0.2	6.2	285.4	291.5	1,719.5	389.2	291.4	2,400.1	1,072.6	3,764.4
June	0.1	6.3	292.5	298.8	1,952.6	640.3	283.6	2,876.5	1,216.2	4,391.6
July	0.1	6.3	313.9	320.1	1,782.2	393.0	271.5	2,446.7	1,244.2	4,011.2
Aug.	0.1	6.3	314.1	320.5	1,792.4	369.5	280.0	2,441.8	997.4	3,759.8
Sep.	0.1	6.3	323.7	330.0	1,907.6	402.3	291.1	2,601.0	880.0	3,811.1

Table 1.2 Balance sheet of the Central Bank of Malta based on statistical principles[1] *(liabilities)*

EUR millions

End of period	Currency issued[4]	Deposits from residents of Malta			External liabilities				Capital & reserves	Other liabilities[3]
		Withdrawable on demand[5]	With agreed maturity	Total	Deposits from other euro area residents	Deposits from non-residents of the euro area	Other external liabilities[2]	Total		
2008	740.9	400.1	0.0	400.1	667.7	80.4	65.0	813.1	297.2	498.6
2009	710.5	445.5	5.6	451.0	814.6	86.8	109.2	1,010.6	419.9	681.3
2010	742.1	489.1	8.2	497.2	1,225.2	97.1	108.0	1,430.3	438.1	577.8
2011										
Jan.	722.3	454.9	8.0	462.9	1,319.3	94.9	121.0	1,535.2	422.0	578.0
Feb.	721.2	614.4	7.9	622.3	1,265.0	96.4	123.2	1,484.6	416.0	598.2
Mar.	724.8	504.1	7.7	511.8	1,284.3	104.5	135.7	1,524.4	401.7	562.1
Apr.	733.9	531.2	7.3	538.5	1,388.3	117.8	136.3	1,642.5	389.5	560.3
May	737.3	590.5	7.6	598.1	1,249.4	93.1	133.7	1,476.3	399.8	553.0
June	745.5	579.7	9.3	589.0	1,862.3	81.6	138.5	2,082.4	402.7	572.0
July	754.0	488.2	9.4	497.6	1,454.0	94.6	135.7	1,684.4	416.4	658.8
Aug.	749.6	589.1	9.3	598.4	453.8	89.1	125.2	668.2	427.0	1,316.7
Sep.	756.0	524.7	9.9	534.6	574.3	90.2	141.2	805.7	438.1	1,276.7

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast).

[2] If the Central Bank issues less currency than the amount attributed to it under the banknote allocation key, the shortfall will be reflected in intra-Eurosystem claims. Conversely, if the Central Bank issues more currency than the amount attributed to it under the banknote allocation key, the excess will be reflected in intra-Eurosystem liabilities (refer to General Notes for more details).

[3] Includes resident interbank transactions.

[4] This comprises the Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury. For 2008, the remaining outstanding Maltese lira banknotes and coins are included.

[5] For the purposes of this table deposits withdrawable on demand include deposits redeemable at notice.

Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles[1] *(assets)*

EUR millions

End of period	Balances held with Central Bank of Malta[2]	Claims on residents of Malta			External assets				Other assets[3]	Total assets/ liabilities
		Loans	Securities other than shares	Shares & other equity	Claims on other euro area residents	Claims on non-residents of the euro area	Other external assets	Total		
2005	487.5	5,058.0	1,440.4	62.2	4,472.3	13,040.6	1,827.7	19,340.5	806.0	27,194.5
2006	707.0	5,788.8	1,210.8	83.2	5,212.1	15,976.6	412.3	21,601.1	643.1	30,033.9
2007	1,518.0	6,334.9	1,287.2	93.0	5,376.8	21,961.2	609.4	27,947.3	627.3	37,807.7
2008	600.6	7,150.4	1,342.9	115.3	6,153.2	25,468.7	847.3	32,469.1	797.8	42,476.2
2009	674.9	7,677.1	1,690.3	132.2	6,186.2	23,631.2	631.9	30,449.3	876.8	41,500.6
2010										
Jan.	715.0	7,700.7	1,710.7	132.8	6,295.3	23,873.3	657.9	30,826.5	931.9	42,017.7
Feb.	635.1	7,684.8	1,807.9	132.7	6,844.7	24,110.2	601.2	31,556.1	886.5	42,703.2
Mar.	641.7	7,787.8	1,840.9	134.1	8,485.4	28,921.8	671.4	38,078.6	853.3	49,336.4
Apr.	648.0	7,786.3	1,871.5	134.1	9,834.1	28,133.5	705.3	38,673.0	866.5	49,979.4
May	705.1	7,814.5	1,971.2	134.5	9,953.4	29,272.1	724.2	39,949.7	837.0	51,412.0
June	865.1	7,825.5	1,938.5	135.3	9,893.6	29,305.4	671.2	39,870.2	870.6	51,505.3
July	701.4	7,785.0	1,967.6	135.3	9,121.8	29,081.3	650.5	38,853.6	943.8	50,386.8
Aug.	648.2	7,845.8	1,966.9	135.2	8,867.6	28,907.4	718.7	38,493.8	963.9	50,053.7
Sep.	580.7	7,921.6	1,918.7	135.2	9,183.3	28,573.7	684.3	38,441.3	848.9	49,846.4
Oct.	580.6	7,929.9	1,882.4	135.1	9,505.4	27,954.2	659.3	38,118.9	877.9	49,524.9
Nov.	589.5	7,990.4	1,829.1	139.2	9,496.2	29,100.5	681.4	39,278.1	855.7	50,682.0
Dec.	599.6	8,075.5	1,781.1	141.9	9,366.9	28,681.7	650.4	38,699.0	909.3	50,206.4
2011										
Jan.	594.7	8,065.1	1,846.4	141.7	9,620.9	28,282.3	603.4	38,506.5	924.1	50,078.5
Feb.	611.0	8,080.5	1,834.6	141.4	9,569.6	27,445.4	631.0	37,646.0	891.0	49,204.5
Mar.	570.9	8,102.0	1,837.4	140.9	9,432.6	26,559.9	607.1	36,599.6	825.6	48,076.3
Apr.	583.2	8,094.1	1,851.5	140.7	9,505.7	27,147.7	611.2	37,264.6	827.7	48,761.9
May	569.8	8,130.7	1,897.1	140.5	9,651.2	28,473.7	622.6	38,747.5	840.2	50,325.8
June	591.2	8,156.2	1,880.5	141.8	9,643.7	28,077.5	581.2	38,302.5	861.3	49,933.4
July	696.4	8,184.2	1,887.6	170.9	9,624.4	28,569.6	585.9	38,779.9	895.1	50,614.1
Aug.	1,354.2	8,196.8	1,944.1	170.7	9,675.5	27,817.7	632.6	38,125.8	913.0	50,704.5
Sep.	1,299.6	8,317.3	1,925.9	169.5	10,520.8	27,554.6	642.4	38,717.7	867.9	51,298.0

[1] Based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 figures also include assets of the MMFs.

[2] Include holdings of Maltese lira banknotes and coins up to 2008.

[3] Includes resident interbank claims.

Table 1.3 Aggregated balance sheet of the other monetary financial institutions based on statistical principles[1] *(liabilities)*

EUR millions

End of period	Deposits from residents of Malta[2]				External liabilities				Debt securites issued[3]	Capital & reserves	Other liabilities
	Withdraw-able on demand	Redeem-able at notice	With agreed maturity	Total	Deposits from other residents of the euro area	Deposits from non-residents of the euro area	Other external liabilities[3]	Total			
2005	2,800.2	73.3	3,834.6	6,708.1	5,329.3	9,294.9	2,653.5	17,277.7	170.5	2,359.4	678.8
2006	2,834.9	71.8	4,300.2	7,206.9	6,385.9	11,167.7	1,447.7	19,001.3	87.9	3,083.0	654.9
2007	3,139.6	105.3	5,102.7	8,347.6	7,916.4	15,275.8	2,124.2	25,316.4	144.9	3,360.6	638.1
2008	3,170.0	114.5	5,222.2	8,506.7	9,240.4	17,301.9	2,275.7	28,818.0	172.2	3,339.7	1,639.5
2009	3,705.3	111.6	4,789.0	8,605.9	7,772.1	16,973.4	1,205.3	25,950.9	253.4	4,120.5	2,569.9
2010											
Jan.	3,734.3	111.5	4,883.2	8,729.0	7,344.4	17,588.0	1,442.2	26,374.6	254.4	4,125.6	2,534.1
Feb.	3,769.1	111.6	4,784.2	8,664.9	7,681.4	18,241.4	1,479.9	27,402.7	255.4	3,892.1	2,488.1
Mar.	3,780.0	110.5	4,865.0	8,755.5	7,848.9	19,579.3	1,572.4	29,000.6	279.1	8,734.9	2,566.4
Apr.	3,963.2	110.7	4,897.3	8,971.2	7,707.7	20,203.3	1,507.5	29,418.5	275.9	8,783.8	2,530.0
May	4,035.8	110.8	4,765.3	8,911.9	8,036.0	21,083.8	1,668.6	30,788.4	278.6	8,784.6	2,648.5
June	4,234.0	111.9	4,706.3	9,052.2	8,367.6	19,986.6	1,675.4	30,029.6	287.7	9,442.7	2,693.2
July	4,259.4	111.3	4,731.8	9,102.6	7,765.8	19,300.9	1,587.5	28,654.2	284.6	9,442.4	2,903.0
Aug.	4,135.9	113.8	4,851.5	9,101.2	7,455.7	19,521.0	1,566.9	28,543.6	285.4	9,531.2	2,592.2
Sep.	4,183.0	113.8	4,823.4	9,120.2	7,574.5	19,251.4	1,483.0	28,308.8	283.1	9,591.9	2,542.4
Oct.	4,263.4	113.5	4,857.8	9,234.8	6,771.5	19,529.1	1,549.0	27,849.7	272.2	9,636.0	2,532.1
Nov.	4,275.9	123.8	4,855.3	9,255.0	7,013.5	20,377.5	1,719.0	29,110.1	304.8	9,743.0	2,269.1
Dec.	4,314.3	123.7	4,860.4	9,298.5	6,611.2	20,023.4	1,758.1	28,392.7	304.5	9,840.3	2,370.5
2011											
Jan.	4,310.3	124.1	4,876.8	9,311.2	6,703.6	19,785.5	1,912.6	28,401.8	304.2	9,732.8	2,328.5
Feb.	4,258.9	125.7	4,893.9	9,278.5	6,537.1	18,952.5	2,191.3	27,681.0	304.0	9,604.0	2,337.0
Mar.	4,460.4	131.4	4,891.6	9,483.4	5,979.0	18,454.0	2,090.5	26,523.5	303.7	9,604.8	2,161.0
Apr.	4,491.0	128.4	4,889.9	9,509.4	6,168.4	18,604.9	2,336.8	27,110.2	302.8	9,610.4	2,229.1
May	4,413.6	128.5	4,888.9	9,431.1	6,204.7	18,190.3	4,384.7	28,779.7	303.4	9,637.0	2,174.6
June	4,424.8	128.6	4,880.4	9,433.8	7,164.0	16,957.3	4,086.3	28,207.6	308.0	9,634.4	2,349.5
July	4,520.1	129.5	4,919.2	9,568.7	6,955.9	16,839.8	4,749.9	28,545.6	308.3	9,734.2	2,457.3
Aug.	4,526.0	133.0	4,966.7	9,625.7	7,269.9	17,055.2	4,533.4	28,858.5	352.2	9,745.0	2,123.1
Sep.	4,568.3	125.5	5,026.0	9,719.8	7,121.7	16,505.9	5,909.2	29,536.8	353.4	9,649.4	2,038.7

[1] Based on the instrument categories as stipulated in ECB Regulation 2008/32 of 19 December 2008 (recast). As from December 2008 figures also include liabilities of the MMFs.

[2] Excludes inter-bank deposits. These are included, together with other resident inter-bank liabilities, in 'other liabilities'.

[3] Up to December 2007, debt securities held by non-residents are included under 'other external liabilities'. As from January 2008 they are included under 'debt securities issued'. For the purpose of this table, 'Other external liabilities' also include repos.

Table 1.4a Monetary base and monetary aggregates

EUR millions

End of period	Monetary base (M0)			Broad money (M3)							
				Intermediate money (M2)							Total (M3)[1]
				Narrow money (M1)				Deposits redeemable at notice up to 3 months	Deposits with agreed maturity up to 2 years	Total (M2)	
	Currency issued	OMFI balances with Central Bank of Malta	Total (M0)	Currency in circulation	Deposits withdrawable on demand		Total (M1)				
					Demand	Savings					
2003	1,130.6	321.2	1,451.8	1,072.5	637.5	1,763.0	3,473.0	67.0	3,096.9	6,636.9	6,637.0
2004	1,179.6	338.5	1,518.1	1,132.1	700.8	1,849.8	3,682.6	70.0	3,045.3	6,797.9	6,797.9
2005	1,211.4	315.7	1,527.1	1,162.2	727.0	2,001.0	3,890.2	73.3	3,121.5	7,085.0	7,085.0
2006	1,173.9	412.2	1,586.1	1,112.9	726.5	2,020.0	3,859.4	71.8	3,520.6	7,451.7	7,451.7
2007	677.8	1,110.0	1,787.8	610.2	806.3	2,278.9	3,695.4	105.3	4,474.6	8,275.3	8,275.3

Table 1.4b The contribution of resident MFIs to the euro area monetary aggregates

EUR millions

End of period	Broad money (M3)								
	Intermediate money (M2)							M3-M2[4]	Total (M3)[5]
	Narrow money (M1)			Deposits redeemable at notice up to 3 months[3]		Deposits with agreed maturity up to 2 years[3]			
	Currency issued[2]	Overnight deposits[3]							
		From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents	From residents of Malta	From other euro area residents		
2008	669.2	3,120.0	60.4	114.2	0.0	4,668.0	192.7	37.3	8,861.8
2009	639.8	3,633.6	86.1	111.6	0.1	4,057.2	142.7	212.2	8,883.3
2010									
July	661.6	4,171.5	106.7	111.2	0.1	3,868.6	106.6	194.8	9,221.1
Aug.	659.5	4,038.3	107.7	113.7	0.1	3,868.3	154.6	196.3	9,138.5
Sep.	660.4	4,089.9	111.1	113.7	0.1	3,816.6	134.0	228.5	9,154.2
Oct.	663.0	4,187.8	128.2	113.4	0.1	3,845.3	261.2	238.9	9,437.9
Nov.	665.7	4,201.1	112.9	123.6	1.9	3,840.9	219.1	244.0	9,409.2
Dec.	674.4	4,225.1	99.5	123.5	0.7	3,848.1	157.5	241.6	9,370.5
2011									
Jan.	663.9	4,235.5	123.0	123.9	0.7	3,770.9	107.4	230.8	9,256.2
Feb.	665.7	4,182.8	137.7	125.5	0.7	3,731.7	105.6	214.4	9,164.1
Mar.	661.7	4,377.1	139.3	131.3	0.7	3,719.0	97.6	213.3	9,340.1
Apr.	672.0	4,418.2	133.2	128.3	0.7	3,692.8	93.4	212.6	9,351.2
May	676.5	4,330.4	146.7	128.4	0.7	3,688.6	212.4	212.3	9,396.0
June	681.1	4,346.9	118.4	128.5	1.5	3,677.4	324.5	206.6	9,484.9
July	686.5	4,448.9	128.9	129.3	1.5	3,688.6	153.9	210.8	9,448.5
Aug.	685.1	4,453.8	129.7	132.8	2.0	3,733.8	233.1	213.7	9,584.0
Sep.	690.1	4,477.6	143.1	125.3	2.0	3,754.5	263.8	216.5	9,672.9

[1] M3 comprises M2, repurchase agreements and debt securities with agreed maturity of up to 2 years.

[2] This is not a measure of currency in circulation in Malta. It comprises the Central Bank's share of euro banknotes issued in the Eurosystem, based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB), plus coins issued by the Bank on behalf of the Treasury, less holdings of issued euro banknotes and coins held by the MFI sector. For 2008, remaining outstanding Maltese lira banknotes and coins are included. This represents the residual amount after deducting holdings of euro banknotes and coins (and, temporarily, of Maltese lira currency) reported by MFIs in Malta from the currency issued figure as reported in Table 1.2.

[3] Deposits with MFIs exclude interbank deposits and deposits held by central government.

[4] M3 - M2 comprises repurchase agreements and debt securities up to 2 years' maturity issued by MFIs in Malta less holdings by MFIs in Malta of such securities issued by MFIs anywhere in the euro area. Figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

[5] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate.

Table 1.5a Counterparts to the monetary aggregates

EUR millions

End of period	Domestic credit			Net foreign assets					Broad money (M3)	Other counterparts to broad money (net)[2]
	Net claims on central government[1]	Claims on other residents	Total	Central Bank of Malta		OMFIs		Total		
				Foreign assets	Foreign liabilities	Foreign assets	Foreign liabilities			
2003	1,324.1	4,423.4	5,747.5	2,279.5	136.9	10,493.3	8,912.8	3,723.1	6,637.0	2,833.6
2004	1,269.8	4,793.9	6,063.7	2,105.7	78.5	13,208.0	11,448.3	3,786.9	6,797.9	3,052.8
2005	1,031.2	5,110.6	6,141.8	2,260.2	87.8	19,340.5	17,297.9	4,215.0	7,085.0	3,271.8
2006	850.1	5,855.8	6,705.9	2,314.0	99.1	21,601.1	19,011.8	4,804.1	7,451.7	4,058.3
2007	1,023.8	6,404.9	7,428.7	2,633.0	100.1	27,947.3	25,330.1	5,150.1	8,275.3	4,303.6

Table 1.5b The contribution of resident MFIs to counterparts to euro area monetary aggregates

EUR millions

End of period	Broad money (M3)[4]	Credit counterpart[3]					External counterpart			Other counterparts (net)[2]
		Residents of Malta		Other euro area residents		Total credit	Claims on non-residents of the euro area	Liabilities to non-residents of the euro area	Net claims on non-residents of the euro area	
		Credit to general government	Credit to other residents	Credit to general government	Credit to other residents					
2008	8,861.8	1,618.0	7,266.9	461.8	2,796.6	12,143.4	26,971.4	19,603.7	7,367.8	10,649.4
2009	8,883.3	1,927.4	7,792.4	1,238.3	2,273.9	13,232.0	24,843.9	18,197.0	6,646.9	10,995.6
2010										
July	9,221.1	2,172.6	7,906.7	1,564.7	2,405.8	14,049.9	30,270.2	20,880.9	9,389.4	14,218.1
Aug.	9,138.5	2,204.7	7,968.2	1,579.2	2,387.7	14,139.8	30,207.4	21,086.9	9,120.6	14,121.9
Sep.	9,154.2	2,183.0	8,039.4	1,619.7	2,432.3	14,274.5	29,858.2	20,704.5	9,153.7	14,274.0
Oct.	9,437.9	2,192.6	8,036.6	1,643.3	2,499.3	14,371.7	29,186.4	21,046.0	8,140.3	13,074.2
Nov.	9,409.2	2,133.8	8,104.1	1,743.9	2,473.9	14,455.7	30,383.5	22,036.3	8,347.2	13,393.7
Dec.	9,370.5	2,091.0	8,188.1	1,794.9	2,392.7	14,466.7	29,948.7	21,765.5	8,183.3	13,279.4
2011										
Jan.	9,256.2	2,152.8	8,177.3	1,893.0	2,354.2	14,577.4	29,500.2	21,688.0	7,812.2	13,133.4
Feb.	9,164.1	2,146.6	8,190.9	1,905.4	2,342.9	14,585.8	28,668.0	21,085.7	7,582.3	13,004.0
Mar.	9,340.1	2,149.3	8,208.6	1,941.4	2,320.0	14,619.3	27,791.3	20,491.4	7,299.9	12,579.1
Apr.	9,351.2	2,140.2	8,197.7	1,954.5	2,263.7	14,556.1	28,435.8	20,882.0	7,553.8	12,758.7
May	9,396.0	2,224.1	8,235.8	1,941.7	2,313.3	14,714.8	29,738.5	22,494.5	7,244.0	12,562.8
June	9,484.9	2,215.2	8,262.1	2,017.6	2,239.8	14,734.6	29,555.2	20,734.1	8,821.2	14,070.9
July	9,448.5	2,242.1	8,320.8	2,014.1	2,242.3	14,819.3	29,794.0	21,328.2	8,465.8	13,836.6
Aug.	9,584.0	2,311.3	8,320.7	2,195.3	2,245.4	15,072.7	29,076.1	20,877.1	8,199.1	13,687.7
Sep.	9,672.9	2,305.8	8,437.0	2,529.9	2,833.1	16,105.7	28,865.7	21,130.6	7,735.1	14,168.0

[1] Central government deposits held with MFIs are netted from this figure.

[2] Includes net interbank claims/liabilities within the MFI sector. These counterparts make a negative contribution to M3.

[3] Credit includes, besides lending, claims in the form of debt securities and shares and other equity.

[4] This does not represent holdings of M3 by residents of Malta but rather the contribution of MFIs in Malta to the euro area aggregate. As from December 2008 figures also include MMFs shares/units issued less holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro area.

Table 1.6a Currency in circulation

EUR millions

End of period	Currency issued and outstanding			Less currency held by OMFIs	Currency in circulation
	Notes	Coins	Total		
2003	1,088.0	42.6	1,130.6	58.1	1,072.5
2004	1,134.8	44.8	1,179.6	47.5	1,132.1
2005	1,164.5	46.8	1,211.4	49.2	1,162.2
2006	1,125.4	48.6	1,173.9	61.0	1,113.0
2007	634.2	43.6	677.8	67.6	610.2

Table 1.6b Currency issued

EUR millions

End of period	Currency issued excluding holdings of MFIs					Memo item:Excess / shortfall (-) on the banknote allocation key[3]
	Notional amount of banknotes issued by the Central Bank of Malta[1]	Euro coins issued by the Central Bank of Malta on behalf of the Treasury	Outstanding Maltese lira banknotes and coins[2]	Less euro banknotes and coins held by MFIs in Malta	Total	
2008	629.3	31.2	80.5	71.7	669.2	54.5
2009	673.4	37.2	-	70.7	639.8	95.1
2010						
July	685.2	39.7	-	63.3	661.6	118.2
Aug.	679.6	40.4	-	60.5	659.5	105.2
Sep.	679.1	40.6	-	59.4	660.4	96.2
Oct.	680.5	40.5	-	58.1	663.0	94.7
Nov.	682.0	40.4	-	56.7	665.7	96.2
Dec.	701.2	41.0	-	67.7	674.4	104.5
2011						
Jan.	681.7	40.6	-	58.4	663.9	119.0
Feb.	680.8	40.4	-	55.5	665.7	121.6
Mar.	684.0	40.7	-	63.0	661.7	134.3
Apr.	692.5	41.4	-	61.9	672.0	135.0
May	695.5	41.7	-	60.7	676.5	131.7
June	703.0	42.5	-	64.4	681.1	136.7
July	710.2	43.8	-	67.5	686.5	131.7
Aug.	705.3	44.3	-	64.5	685.1	123.6
Sep.	711.6	44.5	-	65.9	690.1	119.9

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB).

[2] For 2008 only, currency issued includes any outstanding Maltese lira banknotes and coins. A breakdown of Maltese lira banknotes and coins outstanding by denomination is shown in Table 1.7a (Denominations of Maltese currency issued and outstanding). For December 2008 the figure shown under "outstanding Maltese lira banknotes and coins" differs from that shown under the afore-mentioned table, due to the fact that all unredeemed Maltese lira coins were written off and transferred to the profit and loss account of the Central Bank of Malta at the end of 2008 (see more details in the notes to the financial statements of the Central Bank of Malta 2008).

[3] The difference between the value of euro banknotes allocated to the Bank in accordance with the banknote allocation key (based on its share in the ECB's capital) and the value of the euro banknotes that the Bank puts into circulation gives rise to intra-Eurosystem balances. If the value of the actual euro banknotes issued is below the value based on the capital share, the difference is recorded as a shortfall (-). If the value of the actual euro banknotes issued is above the value based on the capital share, the difference is recorded as an excess.

Table 1.7a Denominations of Maltese currency issued and outstanding

EUR millions

End of period	Total notes & coins[1]	Currency notes				
		Lm20	Lm10[2]	Lm5	Lm2	Total
2005	1,211.4	257.5	812.1	76.8	18.1	1,164.5
2006	1,173.9	240.5	785.0	80.9	18.9	1,125.4
2007	677.8	120.2	439.8	57.5	16.7	634.2
2008	90.5	11.3	35.4	9.5	7.5	63.8
2009	82.2	9.6	29.9	8.9	7.4	55.8
2010	49.9	8.4	25.7	8.5	7.3	49.9
2011						
Mar.	48.7	8.1	24.8	8.4	7.3	48.7
June	47.9	8.0	24.3	8.4	7.2	47.9
Sep.	47.2	7.9	23.8	8.3	7.2	47.2

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

[2] Since February 2010 a change in the basis of reporting was carried out to include the 4th series of the Lm10 notes.

Table 1.7b Denominations of euro banknotes allocated to Malta[1]

EUR millions

End of period	Euro banknotes							Total
	€5	€10	€20	€50	€100	€200	€500	
2008	-1.3	46.7	319.0	181.6	34.8	42.7	60.5	683.8
2009	-3.8	35.1	331.4	214.3	23.2	50.4	117.9	768.5
2010	-6.3	21.7	328.9	235.2	1.2	54.7	170.3	805.7
2011								
Mar.	-7.1	18.8	324.4	242.6	-2.9	59.6	183.0	818.3
June	-7.4	16.3	326.0	251.5	-6.4	72.2	187.5	839.7
Sep.	-8.8	10.3	320.5	248.1	-14.3	74.9	200.7	831.4

[1] This comprises the Bank's share of euro banknotes issued in the Eurosystem based on the banknote allocation key (in turn reflecting its share in the paid-up capital of the ECB) adjusted for the excess / shortfall on the banknote allocation key. Figures represent the net issuance of currency notes, that is, the net amount of notes issued by (+), or the net amount paid into (-), the Bank.

Table 1.7c Denominations of euro coins issued by the Central Bank of Malta on behalf of the Treasury

EUR millions

End of period	Euro coins								Total
	1 € cent	2 € cent	5 € cent	10 € cent	20 € cent	50 € cent	€1	€2	
2008	0.1	0.4	0.8	1.5	2.6	4.3	7.7	13.6	31.1
2009	0.0	0.5	1.0	1.8	3.0	4.9	8.6	17.3	37.2
2010	0.0	0.6	1.2	2.0	3.4	5.4	9.2	19.1	41.0
2011									
Mar.	0.1	0.6	1.2	2.0	3.4	5.4	9.0	19.1	40.7
June	0.1	0.6	1.3	2.1	3.5	5.6	9.5	20.0	42.5
Sep.	0.1	0.6	1.3	2.3	3.8	6.1	9.9	20.4	44.5

Table 1.8 Deposits held with other monetary financial institutions by sector

EUR millions

End of period	Resident deposits							Deposits held by non-residents of Malta		Total deposits
	General government[1]	Monetary financial institutions[2]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2005	118.3	149.3	49.6	136.0	1,042.9	5,361.3	6,857.3	5,575.2	9,976.4	22,409.0
2006	218.2	73.5	99.1	89.6	1,112.8	5,687.3	7,280.4	6,688.4	12,055.0	26,023.8
2007	126.8	106.1	198.6	137.8	1,342.5	6,541.8	8,453.7	8,090.1	16,239.9	32,783.8
2008	101.5	878.8	249.2	146.1	1,282.9	6,727.0	9,385.6	9,276.9	17,640.5	36,303.0
2009	123.4	1,575.1	263.9	122.7	1,417.1	6,678.8	10,181.0	7,839.7	17,628.8	35,649.5
2010										
Jan.	141.6	1,540.1	274.6	164.9	1,436.5	6,711.4	10,269.1	7,412.6	18,304.6	35,986.3
Feb.	144.2	1,495.1	295.5	189.3	1,365.9	6,670.1	10,160.0	7,750.0	19,018.2	36,928.2
Mar.	146.1	1,548.5	287.2	158.9	1,471.5	6,691.7	10,304.0	7,917.6	20,443.6	38,665.2
Apr.	162.2	1,550.7	240.7	165.0	1,655.2	6,748.1	10,521.9	7,744.1	21,050.7	39,316.7
May	164.1	1,622.0	218.8	202.0	1,587.1	6,739.8	10,533.9	8,068.5	22,009.0	40,611.4
June	165.5	1,706.6	221.9	208.2	1,657.8	6,798.7	10,758.8	8,414.8	20,925.5	40,099.1
July	153.0	1,840.1	245.5	232.3	1,661.3	6,810.5	10,942.7	7,800.5	20,189.6	38,932.8
Aug.	249.8	1,574.7	233.0	222.9	1,586.5	6,809.1	10,675.9	7,490.8	20,294.1	38,460.8
Sep.	257.4	1,564.2	244.3	194.0	1,592.6	6,831.9	10,684.4	7,609.5	19,968.6	38,262.5
Oct.	248.9	1,545.9	250.4	195.6	1,673.2	6,866.8	10,780.7	6,811.7	20,341.2	37,933.5
Nov.	234.5	1,286.6	243.7	217.3	1,716.0	6,843.5	10,541.6	7,054.8	21,306.8	38,903.2
Dec.	227.0	1,378.3	233.1	208.4	1,694.9	6,935.0	10,676.8	6,632.2	21,127.9	38,437.0
2011										
Jan.	222.7	1,346.5	237.8	217.7	1,680.9	6,952.0	10,657.8	6,723.8	21,083.3	38,464.9
Feb.	221.2	1,390.3	213.2	232.5	1,694.2	6,917.3	10,668.8	6,557.1	20,516.6	37,742.5
Mar.	235.2	1,223.5	222.6	223.0	1,828.0	6,974.5	10,706.9	6,048.8	19,937.2	36,692.9
Apr.	223.5	1,277.2	224.8	224.7	1,844.4	6,991.9	10,786.5	6,283.3	20,310.9	37,380.7
May	226.2	1,218.4	207.1	209.6	1,806.9	6,981.2	10,649.4	6,314.7	21,913.5	38,877.7
June	224.9	1,374.1	210.5	212.2	1,796.7	6,989.5	10,808.0	7,494.9	20,211.6	38,514.5
July	227.2	1,419.4	218.3	217.6	1,825.3	7,080.3	10,988.1	7,252.9	20,758.7	38,999.7
Aug.	229.8	1,168.3	254.6	224.8	1,804.6	7,111.9	10,794.0	8,004.5	20,274.9	39,073.3
Sep.	238.0	1,058.7	246.0	232.6	1,800.3	7,202.9	10,778.5	8,443.3	20,435.6	39,657.4

[1] Including extra-budgetary units.
[2] For the purposes of this Table, deposits include interbank loans and uncleared effects.

Table 1.9 Deposits held with other monetary financial institutions by currency[1]

EUR millions

End of period	By residents of Malta					By non-residents of Malta				Total deposits
						Other euro area residents			Non-residents of the euro area	
	MTL[2]	EUR	GBP	USD	Other	MTL[2]	EUR	Other		
2005	5,812.9	288.2	423.5	252.9	79.9	22.9	2,820.1	2,732.2	9,976.4	22,409.0
2006	6,052.9	434.8	446.3	252.6	93.7	49.4	3,856.3	2,782.8	12,055.0	26,023.8
2007	6,922.6	711.2	380.9	316.5	122.5	35.0	5,465.8	2,589.3	16,239.9	32,783.8
2008		8,325.4	317.4	629.2	113.6		7,149.6	2,127.3	17,640.5	36,303.0
2009		9,319.8	401.0	381.5	78.7		5,489.8	2,349.9	17,628.8	35,649.5
2010										
Jan.		9,430.5	358.1	403.9	76.6		5,294.7	2,117.9	18,304.6	35,986.3
Feb.		9,339.9	331.2	407.4	81.6		5,579.1	2,170.8	19,018.2	36,928.2
Mar.		9,434.7	332.4	451.7	85.1		5,594.9	2,322.7	20,443.6	38,665.2
Apr.		9,519.5	300.6	607.1	94.7		5,586.1	2,158.0	21,050.7	39,316.7
May		9,480.6	314.6	639.6	99.0		5,697.8	2,370.8	22,009.0	40,611.4
June		9,686.8	430.1	563.6	78.3		5,540.8	2,874.0	20,925.5	40,099.1
July		9,965.1	411.0	485.1	81.4		6,058.5	1,742.0	20,189.6	38,932.8
Aug.		9,779.4	424.4	393.7	78.4		5,005.6	2,485.2	20,294.1	38,460.8
Sep.		9,830.3	404.9	375.8	73.4		5,543.3	2,066.2	19,968.6	38,262.5
Oct.		9,854.3	416.6	430.2	79.6		5,065.9	1,745.8	20,341.2	37,933.5
Nov.		9,599.0	439.4	409.9	93.2		4,624.2	2,430.6	21,306.8	38,903.2
Dec.		9,723.3	423.4	418.9	111.2		4,764.3	1,868.0	21,127.9	38,437.0
2011										
Jan.		9,740.2	409.3	408.9	99.4		4,751.4	1,972.4	21,083.3	38,464.9
Feb.		9,739.0	413.0	405.5	111.4		4,484.7	2,072.3	20,516.6	37,742.5
Mar.		9,778.6	399.3	425.2	103.8		4,262.8	1,786.0	19,937.2	36,692.9
Apr.		9,755.4	398.3	533.4	99.4		4,535.7	1,747.6	20,310.9	37,380.7
May		9,734.4	409.7	405.4	99.8		4,775.1	1,539.6	21,913.5	38,877.7
June		9,883.0	401.6	423.3	100.1		5,377.2	2,117.7	20,211.6	38,514.5
July		10,040.1	415.2	431.3	101.5		5,174.1	2,078.8	20,758.7	38,999.7
Aug.		9,841.3	423.1	424.5	105.1		5,527.8	2,476.7	20,274.9	39,073.3
Sep.		9,832.7	425.0	424.6	96.2		6,129.8	2,313.6	20,435.6	39,657.4

[1] Also includes loans granted to the reporting MFIs.

[2] Maltese lira-denominated deposits were redenominated as euro deposits from the beginning of 2008.

Table 1.10 Other monetary financial institutions' loans by size class[1]

EUR millions

End of period	Size classes [2]				
	Up to €25,000	Over €25,000 to €250,000	Over €250,000 to €1 million	Over €1 million	Total
2005	811.9	2,173.4	2,247.7	6,898.6	12,131.6
2006	1,046.2	2,362.9	2,360.0	9,294.3	15,063.4
2007	1,138.2	3,143.8	2,865.2	14,036.2	21,183.3
2008	658.2	2,646.3	2,117.9	20,593.7	26,016.0
2009	704.9	2,896.9	2,701.2	16,096.2	22,399.3
2010					
Jan.	701.9	2,915.8	2,766.6	16,172.5	22,556.8
Feb.	707.1	2,935.3	2,743.4	16,163.6	22,549.4
Mar.	705.2	2,967.9	2,754.9	20,927.7	27,355.8
Apr.	708.3	2,975.5	1,961.5	21,493.4	27,138.6
May	711.8	2,984.9	1,927.1	21,859.9	27,483.8
June	752.1	3,151.7	2,077.3	20,681.8	26,662.8
July	754.7	3,158.9	2,070.8	19,908.3	25,892.8
Aug.	751.3	3,176.5	2,090.2	20,288.8	26,306.8
Sep.	755.9	3,195.6	2,076.1	19,612.3	25,640.0
Oct.	759.0	3,202.0	2,112.8	18,919.8	24,993.6
Nov.	761.2	3,220.1	2,118.2	19,118.8	25,218.4
Dec.	758.2	3,242.9	2,138.5	18,901.8	25,041.4
2011					
Jan.	756.0	3,245.6	2,162.9	18,588.5	24,752.9
Feb.	756.3	3,268.2	2,104.2	18,381.2	24,509.9
Mar.	754.9	3,287.4	2,153.8	18,334.7	24,530.7
Apr.	756.2	3,293.1	2,100.0	17,978.3	24,127.5
May	752.1	3,313.8	2,141.1	17,971.5	24,178.4
June	751.9	3,327.7	2,082.9	17,926.8	24,089.2
July	754.3	3,339.3	2,118.4	17,843.3	24,055.3
Aug.	749.0	3,350.4	2,070.5	17,417.2	23,587.2
Sep.	753.9	3,371.5	2,133.5	16,572.5	22,831.5

[1] For the purposes of this classification, these include loans extended to residents and non-residents in both domestic and foreign currencies. Loans exclude OMFIs' deposits placed with other OMFIs.

[2] The euro amounts are approximations.

Table 1.11 Other monetary financial institutions' loans to residents of Malta by economic activity[1]

EUR millions

End of Period	Electricity, gas & water supply	Transport, storage, Information & communication	Manufacturing	Construction	Accomodation and food service activities	Wholesale & retail trade; repairs	Real estate activities	Households & individuals[2]				Other[3]	Total lending to residents	
								Lending for house purchase	Consumer credit	Other lending	Total		Public sector	Private sector
2005	142.3	287.1	306.2	502.3	474.8	691.1	444.2	1,521.4	212.7	214.6	1,948.7	427.6	401.1	4,823.2
2006	188.9	340.7	266.7	586.4	492.9	715.0	612.8	1,769.9	250.4	230.7	2,251.1	380.7	421.3	5,414.0
2007	196.6	322.6	301.3	677.5	474.3	732.3	725.1	2,014.9	287.6	276.1	2,578.6	356.8	438.3	5,926.7
2008	333.1	429.2	340.6	730.4	457.4	757.1	931.3	2,219.8	329.9	307.8	2,857.5	333.9	634.1	6,536.4
2009	432.1	480.0	296.4	733.0	485.8	767.2	1,033.2	2,457.8	373.8	307.2	3,138.8	316.3	733.0	6,949.8
2010														
Jan.	438.0	477.8	297.2	730.1	484.3	766.0	1,045.2	2,470.1	371.6	307.4	3,149.1	318.9	741.0	6,965.5
Feb.	429.9	476.4	296.4	732.3	490.3	766.2	1,005.4	2,488.0	373.2	313.6	3,174.8	318.9	734.0	6,956.5
Mar.	428.2	482.5	294.9	754.0	493.4	796.1	1,026.0	2,508.7	372.8	318.8	3,200.4	317.9	672.0	7,121.4
Apr.	424.4	475.6	293.7	753.3	499.3	795.5	1,027.8	2,520.0	370.5	309.5	3,200.0	322.2	667.5	7,124.3
May	409.2	464.6	293.7	758.2	500.7	810.7	1,036.5	2,538.3	373.8	306.6	3,218.7	327.0	649.3	7,170.1
June	414.6	469.2	280.2	1,131.2	427.6	813.9	422.0	2,561.2	374.3	308.6	3,244.1	631.7	654.6	7,179.9
July	390.9	465.3	280.9	1,117.6	433.3	797.6	406.8	2,580.0	360.5	323.6	3,264.1	642.5	630.3	7,168.7
Aug.	390.5	516.4	278.0	1,109.3	435.0	799.0	400.4	2,599.1	360.4	324.7	3,284.2	638.1	632.3	7,218.5
Sep.	400.5	514.8	283.5	1,113.6	436.0	810.6	413.3	2,624.0	364.2	327.6	3,315.7	633.6	646.4	7,275.2
Oct.	407.5	512.8	284.4	1,105.4	439.5	808.6	409.2	2,640.1	363.0	326.9	3,329.9	633.4	655.6	7,275.2
Nov.	433.4	508.0	282.4	1,108.0	445.9	824.2	404.9	2,652.1	364.5	325.3	3,341.9	642.8	677.9	7,313.4
Dec.	502.0	511.8	283.5	1,113.8	446.3	825.2	392.2	2,666.0	365.4	323.4	3,354.8	646.5	740.5	7,335.5
2011														
Jan.	497.9	505.1	279.9	1,106.2	447.8	821.8	394.3	2,679.2	363.5	317.2	3,359.9	659.7	737.5	7,335.1
Feb.	490.5	508.3	282.3	1,107.3	451.5	825.2	392.1	2,694.8	364.0	316.7	3,375.5	652.9	727.7	7,357.9
Mar.	469.3	489.5	283.1	1,109.0	455.1	840.2	395.4	2,719.1	364.8	319.0	3,402.9	658.9	698.1	7,405.2
Apr.	469.2	482.2	279.6	1,096.8	452.9	840.8	391.3	2,729.6	367.5	317.2	3,414.3	667.1	696.8	7,397.3
May	462.7	478.0	282.6	1,089.8	456.5	867.9	392.1	2,752.2	367.9	315.7	3,435.8	671.6	685.9	7,451.1
June	467.1	477.5	281.4	1,096.2	457.1	861.4	385.2	2,775.7	367.7	316.1	3,459.5	670.8	690.5	7,465.6
July	466.5	510.0	279.0	1,091.5	455.0	838.8	388.3	2,795.7	370.8	316.2	3,482.7	673.2	721.7	7,463.2
Aug.	468.2	512.3	278.5	1,083.0	449.5	838.7	395.3	2,809.4	371.2	318.5	3,499.1	672.7	739.2	7,458.2
Sep.	496.5	515.9	279.5	1,108.5	451.0	853.7	398.7	2,835.6	375.1	319.2	3,530.0	684.5	775.1	7,543.2

[1] As from June 2010, the statistical classification of loans by economic activity is based on NACE rev 2.
[2] Excluding loans to unincorporated bodies such as partnerships, sole proprietors and non-profit institutions. Loans to such bodies are classified by their main activity.
[3] Includes loans to agriculture & fishing, mining & quarrying, public administration, education, health & social work, financial and insurance activities (including interbank loans), professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other services activities and extra-territorial bodies & organisations.

Table 1.12 Other monetary financial institutions' loans by sector

EUR millions

End of Period	Lending to residents of Malta							Lending to non-residents of Malta		Total lending
	General government[2]	Monetary financial institutions[1]	Insurance companies and pension funds	Other financial intermediaries & financial auxiliaries	Non-financial companies	Households & non-profit institutions	Total	Other euro area residents	Non-residents of the euro area	
2005	123.5	648.6	16.7	13.3	2,738.2	2,166.4	5,706.7	1,955.8	6,379.0	14,041.5
2006	118.4	739.4	20.0	14.9	3,092.7	2,542.9	6,528.2	2,348.2	8,601.4	17,477.8
2007	126.8	1,557.8	23.0	21.0	3,265.6	2,898.4	7,892.6	2,439.4	15,373.9	25,706.0
2008	111.4	613.0	21.6	14.3	3,801.0	3,202.2	7,763.4	3,454.6	20,129.5	31,347.5
2009	111.0	649.0	22.3	10.9	4,034.6	3,498.5	8,326.1	2,900.0	16,825.4	28,051.5
2010										
Jan.	112.3	724.6	22.7	11.3	4,041.2	3,513.1	8,425.3	2,974.7	16,738.5	28,138.5
Feb.	112.2	619.2	22.9	10.3	4,002.4	3,537.1	8,304.0	3,348.6	16,976.4	28,629.0
Mar.	111.6	635.2	21.8	10.6	4,077.0	3,566.6	8,422.7	4,915.7	21,374.3	34,712.8
Apr.	113.5	651.2	21.7	15.6	4,062.3	3,573.1	8,437.3	6,176.2	19,399.7	34,013.3
May	113.0	683.6	24.1	17.3	4,069.6	3,590.4	8,497.9	6,271.3	19,888.4	34,657.6
June	113.8	858.9	22.9	164.9	3,908.7	3,615.3	8,684.4	6,242.4	20,239.5	35,166.3
July	114.1	689.8	22.0	161.9	3,853.4	3,633.6	8,474.8	6,023.2	19,904.8	34,402.8
Aug.	115.5	630.3	14.2	168.6	3,893.8	3,653.6	8,476.1	5,768.2	19,459.5	33,703.8
Sep.	117.3	559.2	15.7	160.2	3,940.5	3,687.9	8,480.7	6,069.9	18,745.6	33,296.2
Oct.	117.2	583.9	14.4	160.6	3,939.1	3,698.7	8,513.8	6,426.5	18,046.1	32,986.3
Nov.	118.3	579.4	14.2	163.3	3,981.2	3,713.4	8,569.8	6,434.8	18,564.2	33,568.8
Dec.	118.6	586.6	14.0	165.8	4,052.4	3,724.8	8,662.1	6,371.9	18,757.3	33,791.4
2011										
Jan.	117.5	603.0	13.6	165.8	4,033.9	3,734.3	8,668.1	6,508.0	18,257.8	33,433.9
Feb.	117.3	613.2	13.4	166.1	4,035.3	3,748.4	8,693.7	6,443.7	17,542.7	32,680.2
Mar.	119.6	572.2	14.1	171.0	4,024.3	3,772.9	8,674.2	6,304.3	17,206.7	32,185.2
Apr.	120.3	572.5	12.6	175.0	4,003.3	3,782.9	8,666.6	6,393.0	18,164.9	33,224.4
May	120.6	561.5	11.7	181.0	4,013.8	3,803.6	8,692.2	6,502.3	19,595.4	34,789.9
June	121.2	592.2	4.6	179.1	4,022.8	3,828.5	8,748.4	6,459.0	19,344.0	34,551.4
July	120.2	698.4	3.6	183.3	4,028.8	3,848.4	8,882.6	6,438.4	19,886.4	35,207.4
Aug.	135.0	1,368.1	5.2	176.6	4,020.1	3,859.8	9,564.8	6,416.2	19,561.6	35,542.6
Sep.	143.0	1,307.8	4.4	177.4	4,098.9	3,893.6	9,625.1	6,313.5	19,124.8	35,063.4

[1] For the purposes of this Table, loans include interbank deposits.

[2] Including extra-budgetary units.

Table 1.13 Other monetary financial institutions' loans by currency and original maturity to residents of Malta

EUR millions

End of period	Lending to residents of Malta																	Total lending
	Non-financial corporations						Households & non-profit institutions						Other sectors[1]			
	MTL[2]		EUR		Other		MTL[2]		EUR		Other		MTL[2]	EUR	Other	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year				
2005	860.7	1,568.3	17.3	263.3	18.5	10.2	204.2	1,943.2	1.4	15.0	0.1	2.4	696.7	86.4	19.0	5,706.7
2006	905.7	1,689.6	69.9	395.1	21.1	11.3	218.5	2,289.2	2.3	29.6	0.1	3.1	713.6	156.9	22.1	6,528.2
2007	858.3	1,802.5	108.1	450.0	36.6	10.2	241.5	2,616.0	2.0	34.4	1.0	3.5	963.8	744.6	20.3	7,892.6
2008			1,133.1	2,608.2	40.7	19.0			275.7	2,921.9	1.3	3.4		725.2	35.0	7,763.4
2009			1,152.8	2,811.7	39.4	30.6			281.6	3,207.1	1.5	8.2		765.5	27.6	8,326.1
2010																
Jan.			1,145.9	2,825.7	38.3	31.4			278.1	3,225.2	1.4	8.3		841.2	29.8	8,425.3
Feb.			1,132.0	2,796.9	40.3	33.2			279.5	3,247.8	1.3	8.4		741.6	22.9	8,304.0
Mar.			1,168.0	2,824.2	48.5	36.4			283.6	3,273.0	1.4	8.5		744.6	34.5	8,422.7
Apr.			1,166.9	2,802.3	55.8	37.2			280.3	3,282.8	1.5	8.6		763.2	38.8	8,437.3
May			1,147.2	2,819.0	62.2	41.2			276.8	3,303.3	1.6	8.8		805.2	32.6	8,497.9
June			1,125.9	2,672.7	71.9	38.2			276.1	3,327.8	2.0	9.3		1,123.2	37.3	8,684.4
July			1,049.1	2,703.4	64.6	36.3			266.6	3,356.3	1.7	9.0		955.7	32.1	8,474.8
Aug.			1,040.2	2,746.8	69.7	37.2			266.6	3,375.4	2.2	9.4		894.2	34.4	8,476.1
Sep.			1,080.1	2,761.5	62.0	36.9			274.7	3,402.1	2.0	9.1		818.8	33.7	8,480.7
Oct.			1,078.0	2,756.1	68.8	36.2			269.1	3,418.8	1.8	9.0		826.4	49.6	8,513.8
Nov.			1,114.7	2,762.7	63.6	40.2			269.8	3,432.3	2.1	9.2		838.6	36.7	8,569.8
Dec.			1,178.1	2,760.3	70.1	44.0			269.2	3,444.8	1.7	9.1		846.7	38.3	8,662.1
2011																
Jan.			1,084.5	2,830.1	74.0	45.2			264.6	3,459.3	1.7	8.7		865.3	34.6	8,668.1
Feb.			1,086.4	2,837.5	65.7	45.7			263.6	3,474.3	1.9	8.6		867.8	42.2	8,693.7
Mar.			1,069.4	2,856.4	59.1	39.4			265.0	3,497.4	1.8	8.7		828.9	48.0	8,674.2
Apr.			1,024.8	2,875.9	64.1	38.5			268.3	3,504.3	1.5	8.7		842.8	37.6	8,666.6
May			1,017.3	2,864.7	80.3	51.5			267.5	3,525.1	1.8	9.3		847.9	26.9	8,692.2
June			1,012.6	2,879.8	80.5	49.9			266.8	3,550.2	2.1	9.4		870.7	26.4	8,748.4
July			989.2	2,910.9	78.5	50.2			265.6	3,570.8	1.9	10.0		973.4	32.0	8,882.6
Aug.			990.5	2,909.9	68.3	51.5			267.5	3,580.1	1.9	10.3		1,652.9	32.0	9,564.8
Sep.			1,014.9	2,950.3	82.0	51.6			272.2	3,609.2	2.1	10.1		1,609.7	22.9	9,625.1

[1] For the purposes of this Table, loans include interbank deposits.

[2] Maltese lira-denominated loans were redenominated as euro loans from the beginning of 2008.

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1] *(assets)*

EUR millions

End of period	Deposits	Holdings of securities other than shares		Holdings of shares and other equity		External assets[2]	Fixed and other assets[3]	Total assets
		Up to 1 year	Over 1 year	Collective investment scheme shares/units	Other shares and equity			
2005	52.2	34.5	624.0	7.9	232.4	350.4	32.7	1,334.1
2006	20.8	50.9	690.2	7.0	204.4	431.6	16.6	1,421.4
2007	32.6	3.4	498.8	6.4	195.3	410.4	12.0	1,159.0
2008	18.8	2.4	421.7	3.9	128.0	299.1	9.4	883.3
2009	33.3	15.4	403.2	4.8	139.3	318.6	5.6	920.2
2010								
Mar.	38.8	16.7	395.4	5.0	142.7	343.8	8.7	951.2
June	34.8	14.3	411.2	4.8	137.9	344.2	7.2	954.3
Sep.	30.5	15.2	423.0	4.4	133.2	337.5	8.6	952.5
Dec.	48.5	8.6	405.9	4.5	144.5	340.5	6.9	959.4
2011								
Mar.	44.8	0.8	384.1	7.3	135.8	327.5	8.7	908.9
June	42.6	0.0	371.3	6.4	132.6	324.8	8.9	886.6
Sep.	47.2	0.0	360.3	14.3	122.7	302.4	7.5	854.3

Table 1.14 Aggregated statement of assets and liabilities - investment funds[1] *(liabilities)*

EUR millions

End of period	Loans	Shareholders' units/ funds[4]	External liabilities[5]	Other liabilities[6]	Total liabilities
2005	0.2	1,322.5	4.1	7.4	1,334.1
2006	0.4	1,406.4	11.0	3.6	1,421.4
2007	0.3	1,147.6	7.8	3.3	1,159.0
2008	1.9	870.2	6.9	4.2	883.3
2009	2.1	902.0	10.8	5.3	920.2
2010					
Mar.	2.3	924.3	14.8	9.8	951.2
June	1.8	935.3	11.9	5.4	954.3
Sep.	1.8	911.9	32.0	6.8	952.5
Dec.	1.8	910.3	42.9	4.4	959.4
2011					
Mar.	2.0	864.6	36.7	5.7	908.9
June	2.3	840.0	39.7	4.5	886.6
Sep.	0.4	818.5	29.3	6.2	854.3

[1] Comprising the resident investment funds. As from 2006, data for those investment funds with a net asset value of less than 2% of the total assets of the sector are estimated.

[2] Includes deposits, securities other than shares, shares and other equity, debtors and other assets with non-resident counterparties.

[3] Includes debtors, currency (both euro and foreign), prepayments and other assets.

[4] Includes share capital and reserves.

[5] Includes loans, creditors, accruals, shareholders' units/ funds and other liabilities to non-resident counterparties.

[6] Includes creditors, accruals and other liabilities.

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1] *(assets)*

EUR millions

End of period	Currency and Deposits[2]	Holdings of securities other than shares	Holdings of shares and other equity		External assets[3,8]	Fixed and other assets[4,8]	Total assets
			Investment fund shares/units	Other shares and equity			
2005	61.7	347.6	57.4	103.6	358.1	192.1	1,120.5
2006	103.0	373.8	61.3	112.0	462.0	209.8	1,321.9
2007	193.9	418.5	68.4	121.0	482.9	244.5	1,529.2
2008	222.6	442.6	59.5	97.0	481.0	266.9	1,569.6
2009	252.9	486.0	21.5	163.1	622.3	265.6	1,811.4
2010							
Q1	283.5	485.7	21.1	169.2	660.4	276.3	1,896.2
Q2	233.2	544.0	20.4	158.8	688.8	276.8	1,922.1
Q3	250.3	553.6	19.7	161.1	712.3	270.9	1,967.9
Q4	240.6	547.4	20.4	166.7	780.6	275.2	2,030.8
2011							
Q1	216.6	562.3	21.4	161.7	800.8	279.1	2,041.9
Q2	196.3	587.7	21.7	159.4	802.0	290.4	2,057.5
Q3	235.9	549.7	18.4	153.2	788.8	288.1	2,034.2

Table 1.15 Aggregated statement of assets and liabilities - insurance corporations[1] *(liabilities)*

EUR millions

End of period	Loans	Shares and other equity	Insurance technical reserves[5]	External liabilities[6,8]	Other liabilities[7,8]	Total liabilities
2005	17.1	177.5	863.0	17.1	45.7	1,120.5
2006	21.1	205.1	1,027.1	15.7	52.9	1,321.9
2007	21.3	238.9	1,196.7	15.6	56.7	1,529.2
2008	24.9	229.2	1,229.3	34.3	52.0	1,569.6
2009	20.6	265.0	1,430.7	37.7	57.3	1,811.4
2010						
Q1	20.3	277.5	1,496.3	42.8	59.2	1,896.2
Q2	22.6	269.9	1,530.9	45.4	53.3	1,922.1
Q3	22.5	280.3	1,570.4	45.4	49.3	1,967.9
Q4	22.6	283.0	1,627.0	45.1	53.1	2,030.8
2011						
Q1	23.1	282.5	1,634.0	47.8	54.5	2,041.9
Q2	14.0	283.8	1,654.3	48.8	56.6	2,057.5
Q3	11.8	277.4	1,645.8	46.7	52.5	2,034.2

[1] Comprising the resident insurance companies.
[2] Includes loans.
[3] Includes deposits, securities, investment fund shares/units, financial derivatives and other assets with non-resident counterparties.
[4] Mainly includes financial derivatives with resident counterparties, non-financial assets including fixed assets, other assets and accruals.
[5] Comprising investment linked life-assurance policies, prepayments of premiums, reserves for outstanding claims and other insurance technical reserves.
[6] Includes loans, securities, financial derivatives and other accounts payable to non-resident counterparties.
[7] Mainly includes financial derivatives with resident counterparties, other liabilities and accruals.
[8] Following a reclassification exercise, as from Q1 2009, certain instruments were shifted from "External Assets" to the "Fixed and other assets" column.

Table 1.16 Monetary policy operations of the Central Bank of Malta[1]

EUR thousands

Period	Liquidity-injection				Liquidity-absorption			
	Reverse repos[2]			Marginal lending during the period[3]	Term deposits[4]			Overnight deposits[5]
	Amount injected	Amount matured	Amount outstanding		Amount absorbed	Amount matured	Amount outstanding	
2003	-	-	-	2,329	8,197,531	8,196,832	242,954	247,845
2004	-	-	-	13,520	6,282,017	6,476,054	48,917	202,306
2005	-	-	-	26	866,527	930,585	109,015	37,037
2006								
Jan.	-	-	-	531	856,976	731,423	234,568	2,562
Feb.	-	-	-	54	1,033,077	985,791	281,854	122,176
Mar.	-	-	-	373	1,103,424	1,201,258	184,020	29,816
Apr.	-	-	-	-	704,868	727,463	161,426	-
May	-	-	-	182	692,290	671,791	181,924	2,096
June	-	-	-	-	1,379,688	1,219,194	342,418	43,093
July	-	-	-	-	1,392,732	1,411,367	323,783	-
Aug.	-	-	-	61	1,487,771	1,392,732	418,821	14,675
Sep.	-	-	-	100	1,717,680	1,783,601	352,900	80,363
Oct.	-	-	-	-	1,341,952	1,339,623	355,229	8,153
Nov.	-	-	-	-	1,324,948	1,373,399	306,778	37,503
Dec.	-	-	-	6,988	1,448,637	1,506,872	248,544	20,498
2007								
Jan.	-	-	-	-	1,082,693	1,034,242	296,995	38,435
Feb.	-	-	-	-	1,257,862	1,247,147	307,710	21,430
Mar.	-	-	-	1,398	1,469,602	1,498,253	279,059	20,266
Apr.	-	-	-	-	863,965	971,815	171,209	-
May	-	-	-	-	756,580	769,392	158,397	24,225
June	-	-	-	-	1,065,455	1,058,467	165,386	191,148
July	-	-	-	-	903,564	855,812	213,138	16,771
Aug.	-	-	-	-	1,227,347	1,156,301	284,184	42,860
Sep.	-	-	-	-	1,121,593	1,092,010	313,767	44,258
Oct.	-	-	-	-	1,224,319	1,251,572	286,513	16,306
Nov.	-	-	-	-	1,835,080	1,694,153	427,440	56,441
Dec.	-	-	-	466	1,592,127	1,688,097	331,470	81,761

[1] The information shown in this Table represents the position till end-2007. As from January 2008, the Central Bank of Malta conducts monetary operations within the Eurosystem monetary policy operational framework.
[2] The Central Bank of Malta used to inject liquidity into the banking system through an auction of reverse repos in the event of a liquidity shortage. With effect from 15 September 2005, the maturity period of reverse repos used to be 7 days.
[3] The Central Bank of Malta used to provide a marginal lending facility to credit institutions in order to satisfy their liquidity needs arising from normal banking business.
[4] The Central Bank of Malta used to accept placements of term deposits by credit institutions, through auctions, in order to absorb excess liquidity from the banking system. Up to 14 September 2005 the maturity period of such deposits was 14 days. Thereafter the maturity period was reduced to 7 days.
[5] The Central Bank of Malta used to provide an overnight deposit facility to credit institutions to absorb temporary liquidity excesses that could not be taken up by the market.

Table 1.17 Monetary financial institutions' interest rates on deposits and loans to residents of Malta[1]

% per annum	2008	2009	2010	2011								
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
NEW BUSINESS[2]												
Deposits												
Households and NPISH												
Overnight deposits[3,4]	0.57	0.30	0.28	0.28	0.28	0.28	0.28	0.28	0.29	0.30	0.30	0.30
Savings deposits redeemable at notice[3,5]												
up to 3 months	2.09	1.70	1.69	1.65	1.65	1.69	1.67	1.68	1.65	1.65	1.53	1.60
Time deposits with agreed maturity												
up to 1 year	3.06	1.95	2.04	2.12	1.90	1.87	1.88	1.88	1.89	1.82	1.88	1.87
over 1 and up to 2 years	4.60	3.00	3.19	3.13	2.87	2.86	2.62	3.11	3.10	3.23	3.12	2.98
over 2 years	4.77	3.39	3.86	3.29	3.56	3.94	3.61	3.95	4.04	3.89	3.99	4.10
Non-financial corporations												
Overnight deposits[3,4]	0.64	0.23	0.24	0.24	0.25	0.24	0.25	0.23	0.26	0.27	0.28	0.28
Time deposits with agreed maturity	2.60	0.85	1.51	1.94	1.88	1.42	1.71	1.53	1.66	1.90	1.61	1.75
Loans												
Households and NPISH												
Overdrafts[3,9]	7.16	6.44	5.75	5.78	5.77	5.80	5.81	5.80	5.82	5.84	5.85	5.85
Loans												
Lending for house purchase	3.84	3.52	3.43	3.37	3.36	3.35	3.28	3.38	3.32	3.34	3.36	3.35
Consumer credit[7]	6.12	6.02	5.81	5.61	5.46	5.53	5.87	5.62	5.38	5.65	5.39	5.75
Other lending	6.44	5.56	5.86	5.73	6.48	5.67	4.98	5.59	5.53	5.14	5.32	5.29
Non-financial corporations												
Overdrafts[3,9]	5.30	5.08	5.03	5.03	5.02	5.06	5.04	5.03	5.04	5.05	5.05	5.07
Loans[7]	5.50	4.95	4.86	4.96	5.31	5.29	4.89	5.59	5.23	5.61	5.86	5.29
APRC[6] for loans to households and NPISH												
Lending for house purchase	4.35	3.71	3.63	3.60	3.62	3.58	3.50	3.53	3.52	3.52	3.56	3.60
Consumer credit[7]	6.25	6.10	5.89	5.70	5.57	5.59	5.94	5.69	5.50	5.72	5.46	5.90
OUTSTANDING AMOUNTS[2]												
Deposits												
Households and NPISH												
Time deposits with agreed maturity												
up to 2 years	3.90	2.22	2.08	2.05	2.05	2.05	2.05	2.05	2.04	2.05	2.06	2.06
over 2 years	3.19	3.06	3.15	3.16	3.16	3.16	3.16	3.20	3.20	3.20	3.19	3.18
Non-financial corporations												
Time deposits with agreed maturity												
up to 2 years	3.39	2.01	1.97	1.97	2.00	1.99	2.00	1.95	1.99	2.01	1.98	1.98
over 2 years	3.26	3.35	3.24	3.15	3.11	3.13	3.12	3.11	3.12	3.14	3.14	3.14
Loans												
Households and NPISH												
Lending for house purchase	4.03	3.51	3.46	3.45	3.45	3.45	3.45	3.44	3.44	3.45	3.44	3.43
Consumer credit and other lending[8]	5.80	5.67	5.58	5.58	5.58	5.57	5.58	5.58	5.59	5.58	5.58	5.59
Non-financial corporations[8]	5.45	4.91	4.67	4.67	4.69	4.71	4.67	4.76	4.76	4.76	4.76	4.77

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits to/from households and non-financial corporations resident in Malta. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned.
[2] Weighted average rates as at end of period.
[3] For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.
[4] Overnight deposits include current/cheque accounts and savings withdrawable on demand.
[5] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.
[6] The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.
[7] Excludes bank overdrafts.
[8] Includes bank overdrafts.
[9] As from June 2010, overdrafts also include revolving loans.

Table 1.18 Monetary financial institutions' interest rates on deposits and loans to euro area residents[1]

% per annum	2008	2009	2010	2011								
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
NEW BUSINESS [2]												
Deposits												
Households and NPISH												
Overnight deposits [3,4]	0.57	0.30	0.28	0.28	0.28	0.28	0.28	0.28	0.29	0.30	0.30	0.30
Savings deposits redeemable at notice[3,5]												
up to 3 months	2.09	1.70	1.69	1.65	1.65	1.69	1.67	1.68	1.65	1.65	1.53	1.60
Time deposits with agreed maturity												
up to 1 year	3.05	1.97	1.97	2.10	1.94	1.87	1.88	1.82	1.89	1.82	1.88	1.87
over 1 and up to 2 years	4.60	3.00	3.18	3.14	2.87	2.86	2.64	3.11	3.11	3.23	3.12	2.98
over 2 years	4.77	3.39	3.86	3.29	3.56	3.94	3.61	3.95	4.03	3.89	3.99	4.09
Non-financial corporations												
Overnight deposits [3,4]	0.65	0.23	0.25	0.26	0.26	0.24	0.27	0.26	0.26	0.29	0.28	0.29
Time deposits with agreed maturity	2.06	1.44	1.11	1.85	1.84	1.67	1.53	1.46	3.07	1.68	1.58	1.66
Loans												
Households and NPISH												
Overdrafts[3,9]	7.16	6.45	5.76	5.78	5.77	5.80	5.81	5.80	5.82	5.85	5.85	5.86
Loans												
Lending for house purchase	3.84	3.52	3.42	3.37	3.38	3.37	3.28	3.38	3.32	3.35	3.37	3.35
Consumer credit[7]	6.12	6.01	5.81	5.60	5.47	5.53	5.85	5.61	5.38	5.65	5.39	5.75
Other lending	6.43	5.56	5.86	5.73	6.45	5.67	4.98	5.59	5.53	5.10	5.32	5.29
Non-financial corporations												
Overdrafts[3,9]	5.14	5.08	5.02	5.03	5.02	5.06	5.04	5.02	5.05	5.05	5.05	5.08
Loans[7]	4.93	4.42	4.46	4.61	5.10	4.96	4.61	5.14	4.18	4.44	3.94	3.61
APRC[6] for loans to households and NPISH												
Lending for house purchase	4.35	3.71	3.63	3.60	3.64	3.59	3.50	3.54	3.52	3.53	3.56	3.60
Consumer credit[7]	6.25	6.09	5.89	5.70	5.57	5.59	5.94	5.68	5.50	5.72	5.46	5.90
OUTSTANDING AMOUNTS [2]												
Deposits												
Households and NPISH												
Time deposits with agreed maturity												
up to 2 years	3.89	2.21	2.08	2.05	2.05	2.05	2.05	2.05	2.04	2.05	2.06	2.06
over 2 years	3.24	3.10	3.15	3.16	3.16	3.16	3.16	3.20	3.20	3.22	3.21	3.19
Non-financial corporations												
Time deposits with agreed maturity												
up to 2 years	3.57	2.03	1.71	1.82	1.85	1.87	1.89	1.81	2.28	1.89	1.87	1.86
over 2 years	3.28	3.13	3.33	3.27	3.26	3.26	3.26	3.25	3.26	2.99	2.99	2.99
Loans												
Households and NPISH												
Lending for house purchase	4.03	3.51	3.46	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.44	3.44
Consumer credit and other lending[8]	5.79	5.67	5.58	5.58	5.58	5.57	5.58	5.58	5.59	5.58	5.58	5.59
Non-financial corporations[8]	5.11	4.13	4.26	4.27	4.29	4.32	4.28	4.35	4.44	4.46	4.56	4.60

[1] Annualised agreed rates (AAR) on euro-denominated loans and deposits vis-à-vis households and non-financial corporations with residents of Malta and other Monetary Union Member States. The AAR is the rate agreed between the customer and the bank, and takes into consideration all interest (excluding fees and other charges) on the deposits and loans concerned.

[2] Weighted average rates as at end of period.

[3] For these instrument categories, interest rates are compiled on outstanding amounts but treated as new business indicators due to the large number of inflows and outflows.

[4] Overnight deposits include current/cheque accounts and savings withdrawable on demand.

[5] Households and non-financial corporations are merged, since deposits in this category held by non-financial corporations are negligible.

[6] The Annual Percentage Rate of Charge covers the total cost of a loan, comprising the interest rate component and other (related) charges, such as the costs for inquiries, administration, preparation of documents, guarantees, credit insurance, fees.

[7] Excludes bank overdrafts.

[8] Includes bank overdrafts.

[9] As from June 2010, overdrafts also include revolving loans.

Table 1.19 Key Central Bank of Malta, ECB and money market interest rates

	2006	2007	2008	2009	2010	2011		
						Mar.	June	Sep.
INTEREST RATES (%)[1]								
Key ECB interest rates[2]								
Marginal lending facility	4.50	5.00	3.00	1.75	1.75	1.75	2.00	2.25
Main refinancing operations - minimum bid rate	3.50	4.00	2.50	1.00	1.00	1.00	1.25	1.50
Deposit facility	2.50	3.00	2.00	0.25	0.25	0.25	0.50	0.75
Money market rates (period averages)								
Overnight deposit (EONIA)	2.84	3.86	3.86	0.72	0.44	0.68	1.04	0.98
Rates for fixed term deposits (EURIBOR)								
1 month	2.94	4.08	4.27	0.90	0.57	0.86	1.22	1.38
3 months	3.08	4.28	4.63	1.23	0.81	1.10	1.41	1.56
6 months	3.23	4.35	4.72	1.44	1.08	1.36	1.69	1.77
1 year	3.44	4.45	4.81	1.62	1.35	1.73	2.13	2.12
Central Bank of Malta[2]								
Central intervention rate	3.75	4.00						
Money market intervention rates:								
Term deposit rate	3.70	3.95						
Reverse repo rate	3.80#	4.05#						
Rate on standby (collateralised) loans	4.75	5.00						
Rate on overnight deposits	2.75	3.00						
Remuneration on required reserves	3.50	4.00						

[1] End of period rates unless otherwise indicated.

[2] As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates on its operations. The financial market interest rates shown from that date are the key interest rates determined by the ECB for central bank operations throughout the euro area.

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

Table 1.20 Other rates and indicators

	2006	2007	2008	2009	2010	2011		
						Mar.	June	Sep.
INTEREST RATES (%)[1]								
Other monetary financial institutions [2]								
Weighted average deposit rate	2.37	3.00	2.57	1.44	1.37	1.35	1.35	1.38
Current deposits	0.57	0.78	0.51	0.29	0.28	0.26	0.27	0.29
Savings deposits	1.17	1.73	0.73	0.33	0.35	0.35	0.33	0.35
Time deposits	3.27	3.97	3.74	2.30	2.27	2.27	2.26	2.31
Weighted average lending rate	5.90	6.30	4.96	4.46	4.72	4.79	4.76	4.75
Non-financial companies	6.34	6.74	5.31	4.93	5.31	5.37	5.40	5.39
Households and individuals	5.38	5.80	4.51	3.91	4.05	4.10	4.00	4.00
Consumer credit	7.42	7.84	7.15	5.90	5.97	6.01	6.00	6.00
House purchase	4.95	5.39	3.98	3.47	3.63	3.71	3.59	3.60
Other lending	6.46	6.74	5.54	4.96	5.35	5.33	5.39	5.24
Government securities								
Treasury bills (primary market)[3]								
1 month	3.51	4.32	-	-	-	-	-	0.95
3 month	3.91	4.35	3.65	1.40	0.99	1.10	1.10	1.47
6 month	4.00	4.54	2.75	1.52	1.10	1.38	1.52	1.45
1 year	4.20	4.39	-	-	-	-	-	-
Treasury bills (secondary market)								
1 month	3.75	4.32	2.64	1.36	0.77	0.93	1.17	1.30
3 month	3.90	4.35	2.64	1.40	0.94	1.07	1.33	1.26
6 month	4.00	4.54	2.65	1.46	1.23	1.43	1.61	1.40
1 year	4.20	4.58	2.73	1.69	1.28	1.72	1.72	1.67
Government long-term debt securities (period averages)								
2 year	3.73	4.58	3.43	2.41	1.88	2.28	2.66	2.39
5 year	3.94	4.65	4.01	3.66	3.05	3.46	3.71	3.40
10 year	4.32	4.82	4.53	4.54	4.19	4.60	4.66	4.35
15 year	4.54	5.11	4.76	4.96	-	-	-	0.00
MALTA STOCK EXCHANGE SHARE INDEX	4,873	4,938	3,208	3,461	3,781	3,464	3,327	3,108

[1] End of period rates unless otherwise indicated.

[2] Rates agreed between the OMFI and its customer; weighted averages are calculated by multiplying the outstanding amount of each agreement by the interest rate applied thereto and dividing by the total amount. Interest rates paid and charged by MFIs in Malta reported according to harmonised definitions established by the ECB are shown in Tables 1.17 and 1.18.

[3] '-' denotes that no transactions occurred during the reference period.

n/a denotes that no bond qualifies as a 15 year benchmark.

Table 1.21 Debt securities, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period				Net issues during period				Net valuation changes
	General government	Financial Corporations	Non-financial companies	Total	General government	Financial Corporations	Non-financial companies	Total	
2005	3,064.4	160.3	649.6	3,874.4	129.3	-45.8	-17.1	66.4	50.6
2006	2,998.1	104.9	593.0	3,696.0	-66.3	-52.3	-17.5	-136.1	-42.3
2007	3,116.3	162.0	625.0	3,903.2	118.2	60.0	68.1	246.3	-39.1
2008	3,328.3	189.4	665.4	4,183.1	211.9	26.0	22.6	260.5	19.3
2009	3,698.3	271.1	667.7	4,637.1	370.1	82.8	1.5	454.4	-0.3
2010	3,989.2	323.0	743.2	5,055.4	290.9	54.5	62.9	408.3	10.0
2010[2]									
Q1	3,796.9	296.7	694.7	4,788.3	98.6	23.4	15.1	137.1	14.1
Q2	3,922.2	305.5	748.0	4,975.7	125.3	5.5	34.3	165.2	22.2
Q3	4,007.9	300.8	771.9	5,080.6	85.7	-1.4	46.1	130.4	-25.5
Q4	3,989.2	323.0	743.2	5,055.4	-18.7	27.0	-32.7	-24.4	-0.8
2011[2]									
Q1	4,134.9	321.8	730.8	5,187.4	145.6	0.0	-0.7	144.9	-13.0
Q2	4,260.3	326.5	726.4	5,313.3	125.5	5.0	-1.0	129.5	-3.7
Q3	4,193.6	371.8	737.9	5,303.4	-66.7	44.1	-1.6	-24.3	14.3

[1] Amounts are at nominal prices. Outstanding amounts of debt securities denominated in foreign currency reflect exchange rate changes.

[2] Figures are provisional.

Sources: Central Bank of Malta; MSE.

Table 1.22 Quoted shares, by sector of resident issuers[1]

EUR millions

End of period	Outstanding amounts as at end of period			Net issues during period			Net valuation changes
	Financial corporations	Non-financial companies	Total	Financial corporations	Non-financial companies	Total	
2005	2,673.4	800.8	3,474.2	2.2	20.0	22.2	1,337.5
2006	2,657.4	758.2	3,415.7	0.8	53.3	54.1	-112.7
2007	2,690.1	1,163.9	3,854.0	9.9	387.3	397.2	41.2
2008	1,585.2	981.4	2,566.7	2.1	38.2	40.3	-1,327.6
2009	1,863.3	980.6	2,844.0	42.1	36.4	78.5	198.8
2010	2,034.1	1,188.1	3,222.2	0.3	214.2	214.5	163.7
2010[2]							
Q1	1,905.4	1,026.7	2,932.1	0.0	0.0	0.0	88.2
Q2	1,780.9	1,005.8	2,786.7	0.3	0.0	0.3	-145.8
Q3	1,774.1	1,024.0	2,798.2	0.0	0.0	0.0	11.5
Q4	2,034.1	1,188.1	3,222.2	0.0	214.2	214.2	209.9
2011[2]							
Q1	1,852.5	1,092.8	2,945.3	0.0	0.0	0.0	-276.9
Q2	1,769.3	1,060.6	2,829.9	0.2	10.0	10.3	-125.7
Q3	1,637.3	1,011.7	2,649.0	0.0	1.1	1.1	-182.0

[1] Amounts are at market prices. Outstanding amounts of quoted shares reflect market and exchange rate changes.

[2] Figures are provisional.

Source: MSE.

Government Finance

Table 2.1 General government revenue and expenditure[1]

EUR millions

Period	Revenue			Expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)[2]
	Current	Capital	Total	Current	Capital	Total		
2005	1,835.7	172.9	2,008.6	1,909.4	241.3	2,150.6	-142.0	35.8
2006	1,937.6	167.8	2,105.4	2,002.0	244.3	2,246.3	-140.9	38.8
2007	2,129.9	70.6	2,200.4	2,106.8	222.2	2,328.9	-128.5	52.8
2008	2,252.9	46.5	2,299.4	2,371.9	195.7	2,567.7	-268.3	-81.7
2009	2,246.3	63.5	2,309.8	2,347.6	178.9	2,526.5	-216.7	-33.4
2010	2,309.8	111.8	2,421.6	2,428.4	215.4	2,643.8	-222.2	-35.9
2010								
Q1	553.6	18.6	572.2	564.8	52.7	617.6	-45.4	-13.2
Q2	557.4	36.4	593.8	623.8	47.7	671.4	-77.7	-21.2
Q3	551.6	24.6	576.3	581.9	37.9	619.8	-43.6	-10.2
Q4	647.2	32.2	679.4	657.9	77.1	735.0	-55.6	8.7
2011								
Q1	612.4	20.8	633.2	632.8	47.1	679.9	-46.7	0.9
Q2	577.5	14.0	591.5	640.6	57.8	698.5	-107.0	-56.5
Q3	596.0	31.7	627.7	605.1	63.6	668.7	-41.0	9.3

Table 2.2 General government revenue by main components[1]

EUR millions

Period	Current revenue							Capital revenue			Total	Memo: Fiscal burden[3]
	Direct taxes	Indirect taxes	Social security contributions	Sales	Property income	Other	Total	Capital taxes	Capital transfers	Total		
2005	559.5	718.2	380.2	94.4	69.5	14.0	1,835.7	17.5	155.4	172.9	2,008.6	1,675.3
2006	609.8	759.3	389.8	96.4	63.5	18.9	1,937.6	14.7	153.2	167.8	2,105.4	1,773.4
2007	726.0	801.7	398.3	109.5	72.8	21.6	2,129.9	15.7	54.9	70.6	2,200.4	1,941.7
2008	742.8	830.2	432.0	151.9	70.4	25.5	2,252.9	15.1	31.4	46.5	2,299.4	2,020.0
2009	795.4	812.5	434.9	114.7	69.2	19.6	2,246.3	14.0	49.5	63.5	2,309.8	2,056.8
2010	807.8	835.2	456.4	105.8	84.3	20.4	2,309.8	14.7	97.1	111.8	2,421.6	2,114.1
2010												
Q1	181.7	196.3	107.4	23.3	40.9	4.0	553.6	2.3	16.3	18.6	572.2	487.8
Q2	224.8	167.6	117.7	26.8	16.6	3.9	557.4	5.5	30.9	36.4	593.8	515.6
Q3	198.0	205.9	102.4	23.6	17.1	4.7	551.6	3.7	21.0	24.6	576.3	509.9
Q4	203.2	265.4	128.9	32.2	9.7	7.8	647.2	3.3	28.9	32.2	679.4	600.8
2011												
Q1	229.6	199.0	118.4	27.9	34.6	2.9	612.4	3.0	17.8	20.8	633.2	550.0
Q2	196.1	204.6	115.5	32.5	22.6	6.2	577.5	4.2	9.9	14.0	591.5	520.3
Q3	180.7	244.8	118.1	30.0	8.6	13.7	596.0	3.6	28.1	31.7	627.7	547.2

[1] Based on ESA95 methodology. Data are provisional.

[2] Deficit(-)/surplus(+) excluding interest paid.

[3] The fiscal burden comprises taxes and social security contributions.

Sources: Eurostat; NSO.

Table 2.3 General government expenditure by main components[1]

EUR millions

Period	Current expenditure							Capital expenditure			Total
	Compensation of employees	Social benefits	Interest	Intermediate consumption	Subsidies	Other	Total	Investment	Capital transfers	Total [2]	
2005	668.4	642.7	177.8	238.2	101.2	81.2	1,909.4	227.1	48.7	241.3	2,150.6
2006	678.4	666.5	179.7	285.6	109.4	82.4	2,002.0	204.3	47.9	244.3	2,246.3
2007	706.9	718.6	181.3	295.8	112.1	92.2	2,106.8	205.6	43.2	222.2	2,328.9
2008	831.1	756.6	186.6	377.1	125.1	95.5	2,371.9	138.6	48.3	195.7	2,567.7
2009	829.8	809.4	183.3	352.9	64.0	108.2	2,347.6	129.3	58.7	178.9	2,526.5
2010	840.4	847.0	186.3	377.0	60.3	117.4	2,428.4	132.6	78.0	215.4	2,643.8
2010											
Q1	211.3	199.0	32.1	77.1	9.1	36.2	564.8	36.7	13.6	52.7	617.6
Q2	209.6	226.0	56.5	98.0	20.9	12.9	623.8	14.2	30.7	47.7	671.4
Q3	210.4	198.4	33.4	88.5	11.4	39.8	581.9	24.5	14.0	37.9	619.8
Q4	209.1	223.7	64.3	113.3	18.9	28.5	657.9	57.2	19.8	77.1	735.0
2011											
Q1	212.7	229.9	47.6	104.6	9.0	29.0	632.8	38.9	7.5	47.1	679.9
Q2	218.3	218.6	50.4	105.8	25.0	22.4	640.6	44.2	10.3	57.8	698.5
Q3	217.4	203.3	50.3	90.7	11.3	32.2	605.1	58.1	10.7	63.6	668.7

[1] Based on ESA95 methodology. Data are provisional.

[2] Includes acquisitions less disposals of non-financial non-produced assets.

Sources: Eurostat; NSO.

Table 2.4 General government expenditure by function[1]

EUR millions

Period	General public services	Defence	Public order & safety	Economic affairs	Environ. protection	Housing & community amenities	Health	Recreation, culture & religion	Education	Social protection	Total
2005	326.5	43.7	76.2	304.8	73.7	35.8	309.0	31.6	272.5	677.0	2,150.6
2006	347.9	37.1	75.9	310.3	82.0	37.1	325.6	29.1	286.9	714.4	2,246.3
2007	351.2	35.6	80.3	325.0	87.6	33.6	315.6	31.6	295.8	772.7	2,328.9
2008	395.3	38.1	86.3	434.7	93.9	40.1	316.0	36.2	311.4	815.7	2,567.6
2009	421.6	53.9	90.2	286.8	101.7	16.9	322.3	42.2	320.4	870.5	2,526.5

[1] Based on Classification of Functions of Government (COFOG). Data are provisional.

Sources: Eurostat; NSO.

Table 2.5 General government financial balance sheet[1]

EUR millions

Period	Financial assets						Financial liabilities					Net financial worth
	Currency and deposits	Securities other than shares	Loans	Shares and other equity	Other accounts receivable	Total	Currency and deposits	Securities other than shares	Loans	Other accounts payable	Total	
2005	399.1	0.0	29.2	1,117.8	218.9	1,765.0	0.0	3,420.9	300.5	332.0	4,053.4	-2,288.4
2006	431.7	0.0	26.4	842.9	208.8	1,509.8	0.0	3,297.4	265.5	358.9	3,921.9	-2,412.1
2007	487.9	0.0	27.5	836.4	310.4	1,662.1	8.3	3,308.6	272.8	424.0	4,013.8	-2,351.6
2008	476.0	0.0	32.8	740.1	361.0	1,609.9	31.2	3,662.9	284.0	528.0	4,506.1	-2,896.2
2009	578.3	0.0	29.5	797.3	375.7	1,780.8	37.2	3,994.2	228.9	531.0	4,791.2	-3,010.4
2010												
Mar.	517.3	0.0	28.6	824.1	542.4	1,912.3	36.9	4,137.6	229.1	572.3	4,975.9	-3,063.6
June	594.5	0.0	44.0	818.0	539.6	1,996.2	38.8	4,318.8	220.9	602.5	5,181.0	-3,184.8
Sep.	672.6	0.0	48.7	818.4	512.2	2,052.0	40.6	4,417.6	228.7	632.5	5,319.5	-3,267.4
Dec.	586.5	0.0	63.1	854.9	429.6	1,934.1	41.0	4,307.5	230.1	536.1	5,114.7	-3,180.7
2011												
Mar.	575.8	0.0	112.8	835.6	579.9	2,104.1	40.7	4,381.1	234.6	641.7	5,298.2	-3,194.1
June	693.8	0.0	131.0	836.8	522.5	2,184.1	42.6	4,509.3	234.7	678.9	5,465.4	-3,281.4
Sep.	624.4	0.0	136.4	828.2	489.6	2,078.6	44.5	4,500.9	243.1	698.0	5,486.4	-3,407.9

[1] Based on ESA95 methodology. Data are quoted at market prices and should be considered as provisional.

Sources: Eurostat; NSO.

Government Finance

Table 2.6 General government deficit-debt adjustment[1]

EUR millions

Period	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment						
			Transactions in main financial assets				Valuation effects and other changes in volume	Other[2]	Total
			Currency and deposits	Loans	Debt securities	Shares and other equity			
2005	106.0	-142.0	93.0	-0.1	0.0	-55.4	-23.4	-50.0	-36.0
2006	-101.7	-140.9	67.1	-2.8	0.0	-219.4	-0.9	-86.6	-242.6
2007	131.4	-128.5	60.3	1.1	0.0	-32.1	-7.8	-18.5	2.9
2008	247.5	-268.3	-6.2	5.3	0.0	-5.1	20.3	-35.1	-20.8
2009	321.5	-216.7	137.1	-3.3	0.0	-1.7	-1.0	-26.3	104.8
2010	296.4	-222.2	49.0	33.6	0.0	-0.7	-0.1	-7.5	74.1
2010									
Q1	97.8	-45.4	-15.2	-0.9	0.0	0.1	12.5	55.9	52.4
Q2	121.2	-77.7	75.5	15.4	0.0	-1.2	-8.7	-37.5	43.5
Q3	94.3	-43.6	73.8	4.8	0.0	0.1	7.7	-35.6	50.8
Q4	-16.9	-55.6	-85.1	14.3	0.0	0.2	-11.7	9.6	-72.6
2011									
Q1	149.1	-46.7	-6.3	49.7	0.0	-7.4	4.7	61.6	102.4
Q2	128.3	-107.0	120.2	18.2	0.0	15.0	-3.1	-128.9	21.4
Q3	-54.9	-41.0	-69.3	5.4	0.0	0.0	7.4	-39.5	-95.9

[1] Based on ESA95 methodology. Data are provisional.
[2] Mainly comprising transactions in other assets and liabilities (trade credits and other receivables/payables).
Source: Eurostat.

Table 2.7 General government debt and guaranteed debt outstanding

Period	Coins issued	Debt securities			Loans			Total general government debt [1]	Government guaranteed debt [2]
		Short-term	Long-term	Total	Short-term	Long-term	Total		
2005	-	443.1	2,614.4	3,057.5	76.8	221.1	297.9	3,355.4	612.4
2006	-	373.8	2,617.4	2,991.2	24.5	238.0	262.4	3,253.6	555.1
2007	8.3	354.9	2,753.3	3,108.3	31.0	237.5	268.5	3,385.0	602.8
2008	31.2	365.8	2,954.4	3,320.2	70.3	210.7	281.1	3,632.5	684.8
2009	37.2	474.1	3,216.4	3,690.5	34.0	192.3	226.4	3,954.0	866.8
2010									
Mar.	36.9	534.8	3,254.4	3,789.1	25.2	200.6	225.8	4,051.8	894.8
June	38.8	552.6	3,361.8	3,914.4	27.0	192.7	219.7	4,173.0	920.0
Sep.	40.6	460.3	3,539.8	4,000.1	31.6	195.0	226.6	4,267.3	912.4
Dec.	41.0	377.8	3,603.6	3,981.4	40.1	188.0	228.1	4,250.4	998.1
2011									
Mar.	40.7	416.8	3,710.2	4,127.0	32.4	199.4	231.7	4,399.5	1,025.0
June	42.6	337.1	3,914.9	4,252.1	35.8	197.4	233.2	4,527.8	1,023.2
Sep.	44.5	304.3	3,880.4	4,184.8	46.3	197.3	243.6	4,472.9	1,080.7

[1] In line with the Maastricht criterion, which defines general government debt as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. Data are provisional.
[2] Represents outstanding balances on general government guaranteed debt.
Sources: Eurostat; NSO.

Table 2.8 Treasury bills issued and outstanding[1]

EUR millions

End of period	Amount maturing during period	Amount issued in primary market and taken up by			Amount outstanding[3] and held by		
		OMFIs[4]	Others[2]	Total	MFIs	Others[2]	Total
2005	1,204.7	831.0	245.3	1,076.3	351.5	91.5	443.0
2006	992.0	522.5	400.2	922.7	249.7	124.2	373.9
2007	1,129.5	823.7	287.0	1,110.7	278.6	76.3	354.9
2008	1,018.9	349.2	683.4	1,032.6	126.4	239.5	365.8
2009	1,516.6	1,033.9	591.0	1,624.8	327.3	146.8	474.1
2010	1,341.6	1,091.7	153.2	1,245.2	319.9	57.9	377.8
2010							
Jan.	99.8	80.0	10.7	90.7	338.8	126.2	465.0
Feb.	93.3	115.9	1.1	117.0	381.8	106.8	488.7
Mar.	97.0	121.0	22.0	143.0	448.8	86.0	534.8
Apr.	150.9	127.0	31.8	158.8	457.2	85.5	542.7
May	104.2	139.3	5.4	144.7	499.5	83.7	583.2
June	146.2	90.0	25.6	115.6	471.6	81.0	552.6
July	125.9	125.6	25.2	151.1	514.3	63.6	577.8
Aug.	120.7	52.0	6.5	58.5	445.8	69.8	515.6
Sep.	76.9	21.5	0.1	21.6	390.9	69.5	460.3
Oct.	135.3	122.3	11.3	133.6	380.6	78.0	458.6
Nov.	120.3	73.7	3.5	77.2	347.4	68.1	415.5
Dec.	71.2	23.5	10.0	33.5	319.9	57.9	377.8
2011							
Jan.	66.4	117.7	7.2	124.9	386.4	49.8	436.2
Feb.	94.0	78.8	9.0	87.8	365.7	64.3	430.0
Mar.	61.4	43.1	5.2	48.2	352.5	64.2	416.8
Apr.	134.2	103.0	3.5	106.5	323.6	65.6	389.2
May	76.9	30.8	10.5	41.3	282.1	71.5	353.6
June	40.8	23.2	1.2	24.3	269.8	67.4	337.1
July	120.0	106.5	3.9	110.4	266.1	61.5	327.5
Aug.	76.9	66.3	1.1	67.3	258.0	59.9	317.9
Sep.	62.2	48.8	0.8	49.6	250.7	54.7	305.3

[1] Amounts are at nominal prices.
[2] Includes the Malta Government sinking fund.
[3] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).
[4] As from December 2008, issues in the primary market taken up by money market funds were reclassified from 'Others' to 'OMFIs'.
Sources: Central Bank of Malta; The Treasury.

Table 2.9 Treasury bills issued and outstanding[1] *(as at end-September 2011)*

EUR millions

Issue date	Maturity date	Primary market weighted average rate (%)	Secondary market offer rate (%)	Amount issued in the primary market taken up by		Amount outstanding and held by		Total amount issued / outstanding[3]
				OMFIs[4]	Others[2]	MFIs	Others[2]	
08/Jul/2011	07/Oct/2011	1.084	1.286	5.8	0.0	2.5	3.3	5.8
08/Apr/2011	07/Oct/2011	1.351	1.286	15.8	1.8	15.7	1.9	17.6
15/Jul/2011	14/Oct/2011	1.097	1.289	3.8	0.0	3.0	0.8	3.8
14/Jan/2011	14/Oct/2011	1.161	1.289	36.0	0.0	36.0	0.0	36.0
22/Jul/2011	21/Oct/2011	1.133	1.292	17.9	3.7	15.0	6.6	21.6
30/Sep/2011	28/Oct/2011	0.950	1.296	5.0	0.0	5.0	0.0	5.0
29/Jul/2011	28/Oct/2011	1.476	1.296	18.2	0.0	18.0	0.2	18.2
05/Aug/2011	04/Nov/2011	1.637	1.292	23.8	0.0	20.0	3.8	23.8
06/May/2011	04/Nov/2011	1.484	1.292	9.5	0.0	9.5	0.0	9.5
12/Aug/2011	11/Nov/2011	1.461	1.288	24.7	1.0	10.0	15.7	25.7
13/May/2011	11/Nov/2011	1.667	1.288	14.0	3.3	13.1	4.2	17.3
19/Aug/2011	18/Nov/2011	1.483	1.283	1.0	0.1	0.0	1.1	1.1
26/Aug/2011	25/Nov/2011	1.438	1.279	4.5	0.0	3.5	1.0	4.5
02/Sep/2011	02/Dec/2011	1.400	1.275	4.0	0.0	4.0	0.0	4.0
09/Sep/2011	09/Dec/2011	1.359	1.271	2.3	0.1	0.0	2.5	2.5
10/Jun/2011	09/Dec/2011	1.522	1.271	1.3	1.0	0.0	2.3	2.3
16/Sep/2011	16/Dec/2011	1.360	1.266	11.4	0.0	11.0	0.4	11.4
23/Sep/2011	23/Dec/2011	1.471	1.262	11.5	0.0	7.0	4.5	11.5
15/Apr/2011	13/Jan/2012	1.560	1.280	16.9	1.8	16.0	2.7	18.7
06/May/2011	03/Feb/2012	1.681	1.313	5.1	1.8	4.5	2.4	6.9
12/Aug/2011	09/Feb/2012	1.799	1.322	4.0	0.0	4.0	0.0	4.0
09/Sep/2011	09/Mar/2012	1.591	1.367	2.0	0.2	2.0	0.2	2.2
23/Sep/2011	23/Mar/2012	1.555	1.389	0.6	0.6	0.0	1.2	1.2
24/Jun/2011	23/Mar/2012	1.500	1.389	3.0	0.0	3.0	0.0	3.0
30/Sep/2011	30/Mar/2012	1.450	1.400	9.9	0.0	9.9	0.0	9.9
08/Jul/2011	05/Apr/2012	1.477	1.419	14.7	0.1	14.7	0.1	14.8
15/Jul/2011	13/Apr/2012	1.608	1.445	22.9	0.2	22.9	0.2	23.1
Total				289.6	15.7	250.3	55.0	305.3

[1] Amounts are at nominal prices.

[2] Includes the Malta Government sinking fund.

[3] On 16 December 1996, the maximum amount of permissible outstanding bills was raised from €232.9m (Lm100m) to €465.9m (Lm200m), and on 27 November 2002 this was raised further to €698.8m (Lm300m).

[4] As from September 2010, OMFIs include the money market funds.

Sources: Central Bank of Malta; The Treasury.

Table 2.10 Malta government long-term debt securities outstanding[1] *(as at end-September 2011)*

EUR millions

Coupon rate (%)	Year of maturity	Year of issue	Issue price[5]	ISMA Yield (%)	Interest dates	Held by		Amount
						MFIs[2]	Others	
7.00	2011 (III)[3]	2002	100	N/A[6]	30/06 - 30/12	0.0	0.3	0.3
7.80	2012 (I)	1997	100	1.66	24/05 - 24/11	54.5	25.8	80.3
7.00	2012 (II)[3]	2002	100	1.67	30/06 - 30/12	0.0	0.4	0.4
5.70	2012 (III)[4]	2005/2007	100/102.75/ 103.85/105.95/ 108/108.5/109.7	1.78	30/03 - 30/09	332.2	96.6	428.8
7.80	2013 (I)	1997	100	2.30	18/04 - 18/10	45.4	34.3	79.7
6.35	2013 (II)[4]	2001	100	2.18	19/05 - 19/11	10.1	50.5	60.6
7.00	2013 (III)[3]	2003	100	2.37	30/06 - 30/12	0.0	0.2	0.2
3.60	2013 (IV)[4]	2009	100	2.31	18/04 - 18/10	199.0	88.0	287.0
6.60	2014 (I)[4]	2000	100	2.44	30/03 - 30/09	6.6	17.9	24.5
6.45	2014 (II)[4]	2001	100	2.65	24/05 - 24/11	23.1	46.8	69.9
5.10	2014 (III)[4]	03/04/06/07/08	100/103.25/ 103.64/105.5	2.53	06/01 - 06/07	153.3	235.6	388.9
7.00	2014 (IV)[3]	2004	100	2.69	30/06 - 30/12	0.0	4.0	4.0
6.10	2015 (I)[4]	2000	100	2.85	10/06 - 10/12	31.5	38.4	69.9
5.90	2015 (II)[4]	02/03/07	100/102/105	2.98	09/04 - 09/10	32.9	83.6	116.5
7.00	2015 (III)[3]	2005	100	3.06	30/06 - 30/12	0.0	0.7	0.7
7.00	2015 (IV)[3]	2005	100	3.06	03/05 - 03/11	0.0	0.8	0.8
3.75	2015 (VI)[4]	2010	100	3.03	03/06 - 03/12	91.6	40.0	131.6
6.65	2016 (I)[4]	2001	100	3.13	28/03 - 28/09	11.4	58.5	69.9
4.80	2016 (II)[4]	03/04/06	100/101/104	3.33	26/05 - 26/11	71.9	114.5	186.4
7.00	2016 (III)[3]	2006	100	3.35	30/06 - 30/12	0.0	3.4	3.4
7.00	2017 (I)[3]	2007	100	3.55	18/02 - 18/08	0.0	0.7	0.7
7.00	2017 (II)[3]	2007	100	3.55	30/06 - 30/12	0.0	10.3	10.3
4.25	2017 (III)[4]	2011	100	3.52	06/05 - 06/11	67.7	47.3	115.0
4.25	2017 (III)[4]	2011	100.75	3.52	06/05 - 06/11	60.5	29.4	89.9
7.80	2018 (I)	1998	100	3.64	15/01 - 15/07	83.8	79.3	163.1
7.00	2018 (II)[3]	2008	100	3.74	18/04 - 18/10	0.0	0.3	0.3
7.00	2018 (III)[3]	2008	100	3.74	30/06 - 30/12	0.0	6.5	6.5
6.60	2019 (I)	1999	100	3.89	01/03 - 01/09	44.3	58.2	102.5
7.00	2019 (II)[3]	2009	100	3.94	30/06 - 30/12	0.0	13.7	13.7
5.20	2020 (I)[4]	2007	100	4.02	10/06 - 10/12	10.7	41.7	52.4
4.60	2020 (II)[4]	2009	100	4.00	25/04 - 25/10	96.5	61.8	158.3
7.00	2020 (III)[3]	2010	100	4.11	30/06 - 30/12	0.0	0.4	0.4
5.00	2021 (I)[4]	04/05/07/08	98.5/100	4.22	08/02 - 08/08	140.6	318.3	458.9
7.00	2021 (II)[4]	2011	100	4.27	18/06 - 18/12	0.0	0.5	0.5
7.00	2021 (III)[4]	2011	100	4.27	30/06 - 30/12	0.0	2.9	2.9
5.10	2022 (I)[4]	2004	100	4.35	16/02 - 16/08	8.1	62.9	71.0
5.50	2023 (I)[4]	2003	100	4.45	06/01 - 06/07	17.3	61.5	78.8
5.25	2030 (I)[4]	2010	100	5.17	23/06 - 23/12	92.6	347.6	440.2
F.R. 6-mth Euribor[7]	2013 (V)[4]	2010	100	2.180/0.147[7]	24/02 - 24/08	7.0	0.3	7.3
F.R. 6-mth Euribor[7]	2013 (VI)[4]	2010	100	2.195/0.649[7]	11/02 - 11/08	30.0	0.0	30.0
F.R. 6-mth Euribor[7]	2013 (VII)[4]	2011	100.22	2.157/0.456[7]	18/05 - 18/11	51.8	0.3	52.1
F.R. 6-mth Euribor[7]	2015 (V)[4]	2009	100	2.439/1.082[7]	25/04 - 25/10	11.2	18.6	29.8
Total						1,785.6	2,102.8	3,888.4

[1] Amounts are at nominal prices.

[2] Comprising resident MFIs.

[3] Coupons are reviewable every 2 years and will be set one percentage point less than the normal maximum lending rate allowed at law subject to a minimum of 7%. Redemption proceeds are payable at €110 per €100 nominal.

[4] Fungible issue. That is, the Accountant General reserves the right to issue, in future, additional amounts of the present stock. In the event of such future issues, these would be amalgamated with the existing stock.

[5] The price for new issues prior to 2008 is denominated in Maltese lira.

[6] ISMA yields are not available as securities were not listed on the MSE by the end of the reference period.

[7] Floating Rate MGS linked to the 6-month EURIBOR plus a fixed spread until maturity (quoted margin). The interest rate will be reset semi-annually in accordance with the applicable 6-month EURIBOR rate in effect 3 business days prior to coupon period each year. Interest for each period and accrued interest will be calculated on an Actual/360 day basis.

Sources: Central Bank of Malta; MSE.

Table 2.11 Malta government long-term debt securities outstanding by remaining term to maturity[1]

EUR millions

End of period	Up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 and up to 15 years	Over 15 years	Total
2005	103.5	655.5	992.7	463.5	406.1	2,621.3
2006	163.1	971.8	817.8	592.8	78.8	2,624.3
2007	93.2	1,037.4	889.6	662.5	78.8	2,761.4
2008	208.2	969.7	1,115.7	668.9	0.0	2,962.5
2009	191.1	1,552.8	774.4	705.8	0.0	3,224.2
2010	128.4	1,810.9	767.9	608.7	295.5	3,611.5
2010						
Mar.	79.3	1,560.1	841.6	781.1	0.0	3,262.2
June	36.2	1,659.8	970.8	609.1	93.7	3,369.6
Sep.	163.1	1,561.7	1,010.9	609.1	202.9	3,547.7
Dec.	128.4	1,810.9	767.9	608.7	295.5	3,611.5
2011						
Mar.	35.2	1,880.8	813.1	608.7	380.3	3,718.1
June	115.6	1,852.5	902.9	612.1	440.1	3,923.2
Sep.	80.6	1,852.5	1,361.9	153.2	440.2	3,888.4

[1] Calculations are based on the maximum redemption period of each stock. With respect to the quarterly statistics in this table, the remaining term to maturity classification is applicable as from the end of the reference quarter.

Sources: Central Bank of Malta; MSE.

Table 2.12 General government external loans by currency[1] and remaining term to maturity[2]

EUR millions

End of Period	EUR		USD		Other foreign currency		Total
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
2005	17.0	142.1	0.0	10.7	0.0	1.6	171.3
2006	0.0	134.4	1.0	5.6	0.0	1.3	142.3
2007	0.1	126.6	0.0	3.2	0.0	1.0	131.0
2008[3]	1.5	115.2	0.4	1.1	0.0	0.9	119.1
2009[3]	1.7	98.9	0.0	1.0	0.0	0.7	102.3
2010[3]							
Mar.	0.9	98.8	0.0	1.0	0.0	0.8	101.4
June	0.9	90.0	0.0	1.0	0.0	0.8	92.7
Sep.	0.0	89.9	0.0	0.9	0.0	0.7	91.5
Dec.	0.5	85.6	0.0	0.9	0.0	0.7	87.7
2011[3]							
Mar.	0.8	85.2	0.0	0.8	0.0	0.6	87.4
June	0.5	76.7	0.0	0.7	0.0	0.6	78.5
Sep.	0.4	76.7	0.0	0.8	0.0	0.6	78.4

[1] Converted into euro using the ECB official rate as at end of reference period.

[2] Including external loans of extra budgetary units. Short-term maturity refers to loans falling due within 1 year from the end of the reference quarter, whereas long-term maturity refers to loans falling due after more than 1 year from the end of the reference quarter.

[3] Provisional.

Exchange Rates, External Transactions and Positions

Table 3.1a Selected Maltese lira exchange rates *(end of period closing middle rates)*[1]

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD
2003	0.4317	2.9197	1.6351	312.16	3.6104	3.8859	3.7692
2004	0.4343	3.1393	1.6252	321.71	3.5536	4.0301	3.7866
2005	0.4293	2.7570	1.6012	323.95	3.6230	3.7588	3.2072
2006	0.4293	3.0699	1.5639	364.89	3.7463	3.8869	3.5642
2007							
Jan.	0.4293	3.0141	1.5458	366.61	3.7784	3.9136	3.5685
Feb.	0.4293	3.0788	1.5693	364.14	3.7589	3.9038	3.5954
Mar.	0.4293	3.1014	1.5850	366.71	3.7865	3.8397	3.5802
Apr.	0.4293	3.1739	1.5908	379.49	3.8331	3.8252	3.5285
May	0.4293	3.1375	1.5856	381.37	3.8386	3.7865	3.3910
June	0.4293	3.1367	1.5666	385.38	3.8522	3.7065	3.3374
July	0.4293	3.1928	1.5700	381.28	3.8484	3.7115	3.3689
Aug.	0.4293	3.1898	1.5784	371.23	3.8310	3.8751	3.3678
Sep.	0.4293	3.3075	1.6243	380.90	3.8673	3.7474	3.2951
Oct.	0.4293	3.3650	1.6244	388.13	3.9065	3.6472	3.2044
Nov.	0.4293	3.4399	1.6648	381.24	3.8550	3.8739	3.4283
Dec.	0.4293	3.4291	1.7082	384.18	3.8544	3.9033	3.3657

[1] All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the rate against the euro, which denotes units of Maltese lira per one euro. Table discountinued as from 1 January 2008.

Table 3.1b Selected Maltese lira exchange rates *(averages for the period)*[1]

Period	EUR	USD	GBP	JPY	CHF	AUD	CAD
2003	0.4261	2.6543	1.6237	307.39	3.5683	4.0806	3.7134
2004	0.4279	2.9061	1.5853	314.19	3.6085	3.9469	3.7801
2005	0.4299	2.8959	1.5910	318.35	3.6015	3.7978	3.5121
2006	0.4293	2.9259	1.5882	340.24	3.6642	3.8828	3.3182
2007	0.4293	3.1920	1.5943	375.51	3.8268	3.8103	3.4224
2007							
Jan.	0.4293	3.0247	1.5445	364.38	3.7633	3.8665	3.5578
Feb.	0.4293	3.0459	1.5556	367.10	3.7768	3.8928	3.5671
Mar.	0.4293	3.0825	1.5834	361.87	3.7576	3.8930	3.6021
Apr.	0.4293	3.1473	1.5829	373.99	3.8145	3.8074	3.5733
May	0.4293	3.1481	1.5870	380.17	3.8446	3.8158	3.4495
June	0.4293	3.1243	1.5739	383.21	3.8548	3.7114	3.3304
July	0.4293	3.1945	1.5710	388.41	3.8593	3.6835	3.3571
Aug.	0.4293	3.1744	1.5787	370.52	3.8160	3.8298	3.3619
Sep.	0.4293	3.2345	1.6030	371.97	3.8378	3.8320	3.3291
Oct.	0.4293	3.3138	1.6216	384.00	3.8916	3.6882	3.2370
Nov.	0.4293	3.4205	1.6507	379.62	3.8409	3.8135	3.2996
Dec.	0.4293	3.3940	1.6792	380.91	3.8643	3.8898	3.4033

[1] Calculated on the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates. All the above exchange rates denote units of foreign currency per one Maltese lira, with the exception of the rate against the euro, which denotes units of Maltese lira per one euro. Table discountinued as from 1 January 2008.

Table 3.2a Euro exchange rates against the major currencies[1] *(end of period)*

Period	USD	GBP	JPY	CHF	AUD	CAD
2005	1.1797	0.6853	138.90	1.5551	1.6109	1.3725
2006	1.3170	0.6715	156.93	1.6069	1.6691	1.5281
2007	1.4721	0.7334	164.93	1.6547	1.6757	1.4449
2008	1.3917	0.9525	126.14	1.4850	2.0274	1.6998
2009	1.4406	0.8881	133.16	1.4836	1.6008	1.5128
2010						
Jan.	1.3966	0.8666	126.15	1.4662	1.5639	1.4924
Feb.	1.3570	0.8927	120.92	1.4638	1.5240	1.4354
Mar.	1.3479	0.8898	125.93	1.4276	1.4741	1.3687
Apr.	1.3315	0.8703	125.81	1.4341	1.4292	1.3379
May	1.2307	0.8486	112.62	1.4230	1.4576	1.2894
June	1.2271	0.8175	108.79	1.3283	1.4403	1.2890
July	1.3028	0.8349	112.62	1.3541	1.4466	1.3454
Aug.	1.2680	0.8248	107.07	1.2935	1.4304	1.3489
Sep.	1.3648	0.8600	113.68	1.3287	1.4070	1.4073
Oct.	1.3857	0.8686	111.87	1.3708	1.4216	1.4150
Nov.	1.2998	0.8377	109.00	1.2990	1.3595	1.3306
Dec.	1.3362	0.8608	108.65	1.2504	1.3136	1.3322
2011						
Jan.	1.3692	0.8609	112.49	1.2891	1.3763	1.3679
Feb.	1.3834	0.8528	113.26	1.2840	1.3601	1.3535
Mar.	1.4207	0.8837	117.61	1.3005	1.3736	1.3785
Apr.	1.4860	0.8917	120.67	1.2867	1.3560	1.4102
May	1.4385	0.8721	117.22	1.2275	1.3504	1.3985
June	1.4453	0.9026	116.25	1.2071	1.3485	1.3951
July	1.4260	0.8749	110.59	1.1418	1.3050	1.3556
Aug.	1.4450	0.8856	110.55	1.1670	1.3529	1.4141
Sep.	1.3503	0.8667	103.79	1.2170	1.3874	1.4105

[1] All the above exchange rates denote units of currency per one euro.

Source: ECB.

Table 3.2b Euro exchange rates against the major currencies ***(averages for the period)***[1]

Period	USD	GBP	JPY	CHF	AUD	CAD
2005	1.2441	0.6838	136.85	1.5483	1.6320	1.5087
2006	1.2556	0.6817	146.02	1.5729	1.6668	1.4237
2007	1.3705	0.6843	161.25	1.6427	1.6348	1.4678
2008	1.4708	0.7963	152.45	1.5874	1.7416	1.5594
2009	1.3948	0.8909	130.34	1.5100	1.7727	1.5850
2010	1.3257	0.8578	116.24	1.3803	1.4423	1.3651
2010						
Jan.	1.4272	0.8831	130.34	1.4765	1.5624	1.4879
Feb.	1.3686	0.8760	123.46	1.4671	1.5434	1.4454
Mar.	1.3569	0.9016	123.03	1.4482	1.4882	1.3889
Apr.	1.3406	0.8746	125.33	1.4337	1.4463	1.3467
May	1.2565	0.8571	115.83	1.4181	1.4436	1.3060
June	1.2209	0.8277	110.99	1.3767	1.4315	1.2674
July	1.2770	0.8357	111.73	1.3460	1.4586	1.3322
Aug.	1.2894	0.8236	110.04	1.3413	1.4337	1.3411
Sep.	1.3067	0.8399	110.26	1.3089	1.3943	1.3515
Oct.	1.3898	0.8764	113.67	1.3452	1.4164	1.4152
Nov.	1.3661	0.8551	112.69	1.3442	1.3813	1.3831
Dec.	1.3220	0.8481	110.11	1.2811	1.3304	1.3327
2011						
Jan.	1.3360	0.8471	110.38	1.2779	1.3417	1.3277
Feb.	1.3649	0.8464	112.77	1.2974	1.3543	1.3484
Mar.	1.3999	0.8665	114.40	1.2867	1.3854	1.3672
Apr.	1.4442	0.8829	120.42	1.2977	1.3662	1.3834
May	1.4349	0.8779	116.47	1.2537	1.3437	1.3885
June	1.4388	0.8874	115.75	1.2092	1.3567	1.4063
July	1.4264	0.8848	113.26	1.1766	1.3249	1.3638
Aug.	1.4343	0.8767	110.43	1.1203	1.3651	1.4071
Sep.	1.3770	0.8717	105.75	1.2005	1.3458	1.3794

[1] Calculated on the arithmetic mean of the daily ECB reference exchange rates.

Source: ECB.

Table 3.3 Balance of payments - current, capital and financial accounts *(transactions)*

EUR millions

Period	Current account									Capital account	
	Goods		Services		Income		Current transfers		Total		
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		Credit	Debit
2005	2,083.2	2,987.5	1,617.2	969.5	973.9	1,173.5	277.5	241.6	-420.4	165.9	10.2
2006[2]	2,573.8	3,541.1	2,047.7	1,406.3	1,462.4	1,634.1	417.0	423.4	-504.1	158.3	5.6
2007[2]	2,700.1	3,629.0	2,480.2	1,612.1	1,973.5	2,173.5	639.5	668.4	-289.8	75.4	6.8
2008[2]	2,526.0	3,742.5	2,946.6	1,831.2	2,211.6	2,411.2	903.8	910.3	-307.3	36.1	11.6
2009[2]	2,060.1	3,113.6	2,835.6	1,809.8	1,652.9	2,123.3	1,431.0	1,388.3	-455.4	108.2	7.6
2010[2]	2,696.6	3,697.6	3,148.2	1,946.1	1,646.9	2,133.4	1,298.8	1,270.2	-256.9	116.0	9.6
2010[2]											
Q1	604.9	792.0	654.5	477.0	357.4	487.5	204.2	220.5	-156.0	8.8	2.4
Q2	687.4	887.9	763.8	459.1	436.3	503.7	394.9	381.6	50.0	43.0	2.4
Q3	681.2	996.2	964.8	510.3	410.4	569.3	210.7	216.0	-24.8	11.7	2.4
Q4	723.1	1,021.4	765.1	499.7	442.8	573.0	489.0	452.1	-126.1	52.5	2.4
2011[2]											
Q1	754.5	981.5	673.3	443.9	381.5	583.5	192.4	209.8	-217.0	13.8	16.7
Q2	761.8	938.7	819.5	472.1	387.8	573.3	243.8	213.8	14.9	31.9	3.2
Q3	602.6	891.0	992.4	506.1	423.0	484.5	223.5	221.7	138.1	30.2	2.4

EUR millions

Period	Financial account [1]										Errors & omissions
	Direct investment		Portfolio investment		Financial derivatives		Other investment		Official reserve assets	Total	
	Abroad	In Malta	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
2005	16.6	543.5	-2,166.2	28.8	-14.6	-3.8	-2,261.6	4,344.9	-187.8	299.8	-35.1
2006[2]	-23.9	1,465.4	-1,965.1	-15.3	40.5	-15.6	-3,293.9	4,200.9	-83.0	310.0	41.4
2007[2]	-10.2	735.2	367.7	-0.2	-134.6	254.8	-7,617.5	7,015.7	-326.5	284.4	-63.2
2008[2]	-210.0	572.4	200.6	167.0	3.2	-346.2	-4,456.1	4,201.5	108.7	241.0	41.8
2009[2]	-95.6	618.6	-1,883.5	-31.3	-6.6	-63.8	3,680.9	-2,078.7	-2.4	137.7	217.1
2010[2]	-72.2	775.1	-3,226.4	-3.4	-43.9	74.9	546.4	1,830.8	-23.6	-142.3	292.9
2010[2]											
Q1	-19.7	-233.3	-699.6	38.7	-64.7	11.3	-1,010.5	1,970.3	7.1	-0.4	150.0
Q2	-35.6	725.1	-1,336.5	-53.0	24.2	56.1	827.3	-434.6	75.1	-151.9	61.3
Q3	-0.9	101.5	-604.6	0.6	-14.8	54.1	856.3	-321.0	-122.9	-51.5	67.1
Q4	-16.0	181.8	-585.8	10.2	11.4	-46.6	-126.7	616.2	17.1	61.5	14.5
2011[2]											
Q1	1.2	54.4	-151.0	5.7	15.4	-26.2	729.9	-593.4	-12.7	23.1	196.8
Q2	-8.9	87.9	-50.8	16.8	-3.2	15.0	-2,985.3	2,958.0	48.3	77.8	-121.4
Q3	-10.7	68.5	-958.8	-13.3	-44.6	66.7	1,394.7	-546.4	10.9	-33.1	-132.8

[1] A negative sign implies an increase in assets or a decrease in liabilities. A positive sign implies a decrease in assets or an increase in liabilities.

[2] Provisional.

Source: NSO.

Table 3.4 Official reserve assets[1]

EUR millions

End of period	Monetary gold	Special Drawing Rights	Reserve position in the IMF	Foreign exchange: Currency and deposits	Foreign exchange: Securities other than shares	Foreign exchange: Other reserve assets[2]	Total
2005	1.9	38.9	48.8	676.9	1,420.3	2.0	2,188.9
2006	3.1	39.0	46.2	827.6	1,325.3	-0.6	2,240.6
2007	8.8	40.8	43.5	1,491.0	966.5	10.8	2,561.4
2008	3.7	12.9	44.6	107.5	88.7	10.9	268.3
2009[3]	4.5	104.3	36.1	90.2	145.7	-7.0	373.7
2010[3]							
July	5.7	111.8	31.4	33.9	162.8	-19.5	326.0
Aug.	6.1	114.0	32.0	71.3	168.0	-29.0	362.5
Sep.	6.1	109.2	30.7	105.1	156.2	1.7	409.0
Oct.	6.1	108.7	32.0	65.9	164.6	6.4	383.7
Nov.	3.3	112.4	33.1	89.9	170.1	-9.7	399.0
Dec.	3.3	111.0	35.8	75.2	178.5	1.1	404.9
2011[3]							
Jan.	3.0	109.5	42.4	60.4	179.8	6.7	401.8
Feb.	3.2	109.0	36.1	22.8	194.7	10.0	375.8
Mar.	6.4	107.0	43.8	69.0	170.8	16.1	413.0
Apr.	6.5	104.4	42.8	86.6	164.8	27.9	433.1
May	6.7	106.3	45.7	69.0	173.7	11.8	413.3
June	6.6	104.7	45.5	34.9	173.5	7.1	372.2
July	7.1	101.7	48.4	51.2	179.3	-0.2	387.4
Aug.	8.0	101.0	48.1	28.5	177.8	5.5	368.9
Sep.	7.6	104.8	49.9	23.3	179.7	-15.2	350.1

[1] From 2008, official reserve assets correspond to the eurosystem definition of reserves which excludes holdings denominated in euro and/or vis-à-vis euro area residents. These re-classified assets will appear elsewhere in the financial statement of the Central Bank of Malta.

[2] Comprising net gains or losses on financial derivatives.

[3] Provisional.

Table 3.5 International investment position (IIP) - *(end of period amounts)*

EUR millions

Period	Direct investment: Abroad	Direct investment: In Malta	Portfolio investment: Assets	Portfolio investment: Liabilities	Financial derivatives: Assets	Financial derivatives: Liabilities	Other investments: Assets	Other investments: Liabilities	Official reserve assets	IIP (net)
2005	840.5	3,645.5	10,053.9	413.0	42.3	44.2	9,595.9	16,839.5	2,188.9	1,779.4
2006[1]	873.5	4,965.4	11,371.0	408.1	34.4	49.3	12,320.4	19,992.2	2,240.6	1,424.9
2007[1]	813.7	5,637.7	10,693.7	406.9	106.8	79.1	19,394.0	26,457.3	2,561.4	988.7
2008[1]	697.3	5,732.4	10,188.3	551.0	276.8	281.7	25,890.1	30,544.5	268.3	211.1
2009[1]	1,064.7	6,480.4	12,448.4	498.5	138.1	177.8	22,018.4	28,060.7	373.7	825.8
2010[1]										
June	1,123.8	11,701.6	15,145.7	632.7	218.5	333.3	28,766.1	31,999.9	290.2	876.9
Dec.	1,146.5	12,390.7	15,605.2	478.4	217.3	307.3	27,329.2	30,961.7	404.9	565.1

[1] Provisional.

Source: NSO.

Table 3.6a Gross external debt by sector, maturity and instrument[1]

EUR millions

	2008[2]	2009[2]	2010[2]		2011[2]		
			Sep.	Dec.	Mar.	June	Sep.
General Government	292.9	264.3	201.5	227.9	232.7	222.1	226.7
Short-term	84.0	63.8	6.7	36.3	43.2	40.8	45.6
Money market instruments	76.6	31.4	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	7.4	32.4	6.7	36.3	43.2	40.8	45.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	208.9	200.4	194.8	191.6	189.5	181.3	181.2
Bonds and notes	89.9	98.1	103.3	103.9	102.0	102.8	103.0
Loans	119.0	102.3	91.5	87.7	87.4	78.5	78.1
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Monetary Authorities	677.8	826.3	1,077.6	1,228.9	1,307.4	1865.4	582.8
Short-term	677.8	826.3	1,077.6	1,228.9	1,307.4	1865.4	582.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	677.8	826.3	1,077.6	1,228.9	1,307.4	1865.4	582.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OMFIs[3]	28,503.4	25835.3	27,898.8	28,068.4	26,273.1	27985.7	29161.5
Short-term	23,271.7	20616.8	20,817.3	21,558.3	19,110.8	21377.4	22845.4
Money market instruments	0.0	3.4	0.0	0.0	0.0	0.0	0.4
Loans	9,291.0	7299.9	4,726.2	4,753.7	3,933.9	5633.0	7514.8
Currency and deposits	13,116.8	13181.4	15,958.6	16,623.0	15,031.1	15629.1	15217.1
Other debt liabilities	863.9	132.1	132.5	181.6	145.8	115.4	113.1
Long-term	5,231.7	5218.5	7,081.5	6,510.1	7,162.3	6608.3	6316.1
Bonds and notes	13.7	13.9	14.9	14.9	15.2	15.8	3.9
Loans	4,986.1	5111.1	7,066.6	6,495.2	7,147.1	6592.6	6312.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	231.9	93.4	0.0	0.0	0.0	0.0	0.0
Other Sectors[4]	1,492.6	1576.3	1,773.4	1,869.8	1,977.2	2026.6	2060.3
Short-term	815.6	801.0	889.1	932.4	974.1	1002.2	1010.3
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	74.1	39.2	45.3	48.6	51.1	55.1	55.8
Currency and deposits	130.6	179.8	217.8	230.4	243.1	255.8	269.4
Trade credits	610.8	582.0	626.1	653.4	679.9	691.4	685.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	677.0	775.3	884.2	937.4	1,003.1	1024.4	1049.9
Bonds and notes	212.8	210.6	215.8	212.3	215.8	216.3	221.8
Loans	443.9	501.1	607.8	661.7	720.6	736.6	753.7
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	20.4	63.6	60.6	63.4	66.6	71.5	74.4
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany lending	1,099.4	1283.9	1,437.2	1,504.7	1,561.9	1610.9	1666.5
Debt liabilities to affiliated enterprises	71.6	79.7	88.7	94.9	97.7	99.6	103.9
Debt liabilities to direct investors	1,027.8	1204.2	1,348.6	1,409.8	1,464.2	1511.3	1562.6
Gross External Debt	**32,066.1**	**29786.1**	**32,388.6**	**32,899.7**	**31,352.3**	**33710.7**	**33697.7**
of which: OMFIs	**28,503.4**	**25835.3**	**27,898.8**	**28,068.4**	**26,273.1**	**27985.7**	**29161.5**
Gross External Debt excluding OMFIs' debt liabilities	**3562.7**	**3950.8**	**4489.8**	**4831.3**	**5079.2**	**5725**	**4536.2**

[1] Gross external debt illustrates only a fraction of the overall International Investment Position of Malta with other countries. Gross external debt data do not comprise Malta's claims vis-à-vis other countries which act as a counter balance to Malta's gross debts. Detailed data according to the International Investment Position can be found in Table 3.5. Moreover, Malta's net external debt position is shown in Table 3.6b.

[2] Provisional.

Table 3.6b Net external debt by sector, maturity and instrument[1]

EUR millions

	2008[2]	2009[2]	2010[2]		2011[2]		
			Sep.	Dec.	Mar.	June	Sep.
General Government	291.3	251.8	168.2	188.2	175.2	163.2	163.7
Short-term	82.4	51.4	6.5	29.8	39.0	39.7	45.4
Money market instruments	76.6	31.4	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-0.1	-0.1	-0.1	0.0	-0.3	-0.2	-0.2
Trade credits	5.9	20.0	6.7	29.8	39.3	39.9	45.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	208.9	200.4	161.6	158.4	136.2	123.5	118.2
Bonds and notes	89.9	98.1	103.3	103.9	102.0	102.8	103.0
Loans	119.0	102.3	71.8	67.9	47.6	34.1	28.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	-13.4	-13.4	-13.4	-13.4	-13.4
Other Debt Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Monetary Authorities	-852.6	-678.4	-645.5	-754.8	-819.3	-755.8	-1,779.2
Short-term	212.4	557.2	825.4	968.6	915.8	1,063.6	213.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	213.2	557.2	831.6	968.6	915.8	1,063.6	213.0
Other debt liabilities	-0.8	0.0	-6.2	0.0	0.0	0.0	0.0
Long-term	-1,065.0	-1,235.5	-1,470.9	-1,723.4	-1,735.1	-1,819.4	-1,992.2
Bonds and notes	-1,053.5	-1,222.3	-1,452.1	-1,709.2	-1,722.0	-1,806.4	-1,975.4
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	-11.5	-13.2	-18.9	-14.2	-13.1	-13.0	-16.7
OMFIs	-3,262.7	-4,047.9	-9,639.3	-9,690.0	-9,380.6	-9,388.2	-8,450.4
Short-term	17,057.8	14,057.2	11,844.6	12,029.9	10,186.0	9,661.8	11,361.6
Money market instruments	-9.2	-198.8	-152.0	-173.3	-144.4	-168.3	-24.1
Loans	7,769.0	6,049.5	3,107.6	3,669.3	2,354.9	4,063.6	7,064.5
Currency and deposits	8,476.1	8,167.8	8,841.3	8,457.6	7,904.1	5,713.7	4,254.2
Other debt liabilities	821.9	38.7	47.6	76.3	71.4	52.7	67.0
Long-term	-20,320.5	-18,105.1	-21,482.1	-21,671.2	-19,561.6	-19,044.4	-19,808.6
Bonds and notes	-7,748.8	-9,535.1	-12,289.2	-12,141.3	-11,707.4	-11,129.6	-11,905.8
Loans	-12,698.7	-8,598.3	-9,194.6	-9,578.6	-7,859.2	-7,920.4	-7,906.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	127.0	28.3	0.0	0.0	0.0	0.0	0.0
Other Sectors[3]	-720.9	-999.8	-809.7	-750.1	-692.0	-690.2	-681.5
Short-term	-631.1	-839.0	-697.1	-685.2	-673.4	-679.3	-681.0
Money market instruments	0.0	-0.8	-0.3	-0.9	-0.4	-0.6	0.0
Loans	-29.2	-24.9	-12.9	-24.3	-20.1	-29.6	-11.9
Currency and deposits	-463.1	-437.0	-401.7	-379.2	-367.6	-347.9	-339.9
Trade credits	-138.7	-376.3	-282.1	-280.9	-285.3	-301.3	-329.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	-89.9	-160.8	-112.6	-64.9	-18.6	-10.9	-0.5
Bonds and notes	-431.5	-560.9	-595.9	-600.2	-611.9	-619.0	-619.8
Loans	410.8	434.1	537.5	592.1	653.1	668.7	681.2
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	-62.5	-27.3	-47.6	-50.1	-53.2	-54.0	-55.4
Other debt liabilities	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6	-6.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct Investment: Intercompany Lending	301.7	248.2	149.5	174.3	180.4	235.4	205.7
Debt Liabilities to affiliated enterprises	-153.9	-280.4	-328.9	-315.1	-305.7	-309.3	-316.3
Debt Liabilities to direct investors	455.6	528.6	478.4	489.5	486.1	544.7	522.0
Net External Debt	**-4,243.2**	**-5,226.1**	**-10,776.8**	**-10,832.4**	**-10,536.3**	**-10,435.6**	**-10,541.7**
of which: OMFIs	**-3,262.7**	**-4,047.9**	**-9,639.3**	**-9,690.0**	**-9,380.6**	**-9,388.2**	**-8,450.4**
Net External Debt Excluding OMFIs	**-980.6**	**-1,178.2**	**-1,137.5**	**-1,142.4**	**-1,155.8**	**-1,047.4**	**-2,091.3**

[1] A negative figure denotes a net asset position.

[2] Provisional.

[3] Comprising the non-monetary financial institutions, insurance companies, non-financial corporations, households and NPISH.

Table 3.7 Malta's foreign trade[1]

EUR millions

Period	Exports (f.o.b.)	Imports (c.i.f.)	Balance of trade
2005	1,959.1	3,117.2	-1,158.1
2006	2,499.9	3,537.1	-1,037.3
2007[2]	2,597.4	3,603.8	-1,006.4
2008[2]	2,455.5	3,896.8	-1,441.3
2009[2]	2,085.9	3,453.9	-1,368.0
2010[2]	2,806.0	4,325.5	-1,519.5
2010[2]			
Jan.	192.1	235.4	(43.3)
Feb.	214.5	328.8	(114.3)
Mar.	227.9	354.7	(126.8)
Apr.	211.5	331.9	(120.4)
May	250.7	340.1	(89.4)
June	257.9	339.7	(81.8)
July	248.5	437.0	(188.5)
Aug.	212.5	403.0	(190.6)
Sep.	214.2	364.9	(150.6)
Oct.	237.9	405.4	(167.5)
Nov.	287.1	430.1	(143.0)
Dec.	251.2	354.4	(103.3)
2011[2]			
Jan.	283.9	342.6	(58.7)
Feb.	204.1	411.4	(207.3)
Mar.	268.4	407.9	(139.5)
Apr.	268.1	477.4	(209.3)
May	193.6	410.6	(217.0)
June	292.9	365.7	(72.8)
July	176.7	371.8	(195.2)
Aug.	183.6	344.2	(160.6)
Sep.	379.3	420.4	(41.1)

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.

[2] Provisional.

Source: NSO.

Table 3.8 Direction of trade - exports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2005	283.8	236.3	100.5	92.9	713.5	216.2	75.0	1004.7	460.9	263.9	229.6	1959.1
2006	326.7	283.0	85.6	164.1	859.4	213.2	82.3	1154.9	631.4	275.5	438.1	2499.9
2007[2]	271.3	306.8	90.8	131.7	800.5	222.1	86.2	1108.8	719.9	246.7	522.1	2597.4
2008[2]	237.3	270.4	114.6	99.8	722.1	165.3	66.5	953.9	713.9	183.0	604.7	2455.5
2009[2]	187.4	222.0	105.2	141.8	656.4	99.1	63.8	819.2	528.1	152.3	586.2	2085.9
2010[2]	238.6	281.6	157.5	229.0	906.7	128.1	111.0	1145.8	686.5	196.1	777.6	2806.0
2010[2]												
Jan.	20.0	21.1	8.6	16.0	65.8	7.6	6.6	80.1	51.2	14.7	46.2	192.1
Feb.	20.8	18.2	7.3	20.9	67.2	9.8	6.0	83.1	43.8	15.8	71.9	214.5
Mar.	18.2	26.1	10.0	10.0	64.3	20.0	7.6	91.9	54.1	18.9	63.0	227.9
Apr.	20.5	27.7	11.4	7.6	67.3	6.9	9.7	83.8	60.6	18.1	49.0	211.5
May	18.7	23.1	20.3	36.8	98.9	14.6	11.5	125.0	50.8	16.3	58.7	250.7
June	21.3	24.2	14.4	25.8	85.7	12.2	10.8	108.6	53.8	19.9	75.6	257.9
July	18.0	24.4	14.3	32.8	89.6	8.8	16.5	114.9	48.4	14.3	71.0	248.5
Aug.	16.4	26.9	8.2	10.4	61.9	9.0	8.4	79.3	59.0	16.6	57.6	212.5
Sep.	18.4	23.3	13.6	11.0	66.3	11.1	8.9	86.4	51.5	17.9	58.5	214.2
Oct.	16.8	24.3	27.8	11.9	80.8	8.6	10.8	100.3	49.6	13.8	74.2	237.9
Nov.	31.8	22.7	8.9	26.9	90.3	9.2	4.9	104.4	102.4	12.3	68.1	287.1
Dec.	17.7	19.3	12.9	18.7	68.6	10.3	9.1	88.0	61.5	17.7	84.0	251.2
2011[2]												
Jan.	13.7	23.7	8.0	33.7	79.1	10.0	8.0	97.1	64.2	11.4	111.3	283.9
Feb.	14.9	23.8	10.6	9.3	58.6	10.7	9.3	78.6	75.0	13.0	37.5	204.1
Mar.	22.7	28.5	11.5	10.7	73.5	17.2	12.2	102.9	77.0	20.8	67.7	268.4
Apr.	13.9	24.1	9.4	11.2	58.6	21.8	11.4	91.7	64.5	11.0	100.9	268.1
May	15.8	28.8	11.4	11.8	67.8	15.3	8.9	91.9	61.5	13.4	26.9	193.6
June	16.7	26.8	23.5	9.4	76.4	12.7	11.0	100.1	60.9	12.9	119.0	292.9
July	11.7	28.0	9.5	9.0	58.2	9.1	10.9	78.2	47.5	13.0	38.0	176.7
Aug.	12.1	26.5	5.4	6.6	50.5	11.5	8.0	70.0	53.7	13.0	46.8	183.6
Sep.	15.2	32.6	31.8	9.0	88.6	8.3	13.1	110.0	106.4	13.4	149.4	379.3

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.

[2] Provisional.

Source: NSO.

Table 3.9 Direction of trade - imports[1]

EUR millions

Period	EU (of which):								All others (of which):			Total
	euro area (of which):					UK	Other EU	Total	Asia	USA	Others	
	France	Germany	Italy	Other euro area	Total							
2005	291.3	280.1	956.7	334.8	1,862.9	335.9	67.1	2,266.0	417.6	162.3	271.3	3,117.2
2006	405.9	263.2	1,015.2	370.2	2,054.5	344.5	72.6	2,471.6	635.0	179.5	250.9	3,537.1
2007[2]	420.1	290.5	902.7	375.3	1,988.6	499.5	103.4	2,591.5	597.2	206.5	208.6	3,603.8
2008[2]	381.4	267.5	1,027.4	484.5	2,160.9	457.3	137.2	2,755.4	597.8	86.8	456.8	3,896.8
2009[2]	338.9	272.4	843.1	462.8	1,917.2	377.7	109.6	2,404.5	457.7	124.7	467.0	3,453.9
2010[2]	338.3	295.1	1,064.5	495.0	2,192.9	357.1	161.8	2,711.8	611.7	92.8	909.2	4,325.5
2010[2]												
Jan.	16.5	21.9	64.7	39.7	142.8	22.6	4.5	169.9	36.1	5.7	23.7	235.4
Feb.	17.4	19.5	74.3	39.2	150.5	30.9	11.8	193.1	37.7	6.1	91.9	328.8
Mar.	23.6	27.1	102.7	44.0	197.3	28.5	5.5	231.4	47.6	6.3	69.5	354.7
Apr.	37.0	23.4	120.7	27.2	208.2	25.3	5.3	238.8	47.5	10.6	35.0	331.9
May	36.0	20.5	91.2	40.4	188.1	36.5	7.6	232.2	44.6	5.7	57.6	340.1
June	27.6	26.3	96.5	30.2	180.5	43.3	8.0	231.8	52.6	10.1	45.2	339.7
July	34.3	28.7	75.6	37.0	175.5	37.2	20.6	233.4	77.8	8.8	117.0	437.0
Aug.	23.7	33.8	63.1	30.0	150.6	38.1	7.8	196.5	46.9	5.4	154.2	403.0
Sep.	34.9	20.9	77.8	31.2	164.7	24.4	9.2	198.3	52.9	5.6	108.0	364.9
Oct.	25.2	23.1	103.7	35.9	187.9	23.1	53.4	264.4	49.6	8.0	83.4	405.4
Nov.	30.4	28.2	97.8	74.0	230.4	26.9	12.7	269.9	69.3	13.7	77.1	430.1
Dec.	31.9	21.8	96.4	66.3	216.5	20.2	15.3	252.0	49.3	6.8	46.4	354.4
2011[2]												
Jan.	37.4	27.9	74.7	36.2	176.3	22.8	25.0	224.1	55.6	22.2	40.7	342.6
Feb.	23.3	32.0	132.7	31.5	219.5	37.4	12.0	268.8	49.6	33.7	59.4	411.4
Mar.	35.7	27.3	121.2	36.3	220.6	44.8	10.8	276.2	48.7	4.0	79.0	407.9
Apr.	52.5	27.1	98.6	36.3	214.6	56.6	8.5	279.6	56.4	33.3	108.1	477.4
May	24.3	24.5	107.4	43.1	199.3	32.7	15.6	247.6	63.0	15.2	84.8	410.6
June	34.6	21.6	103.6	32.5	192.3	21.3	11.5	225.1	48.8	16.0	75.7	365.7
July	19.2	25.7	84.3	66.2	195.5	22.6	7.6	225.7	61.0	4.3	80.9	371.8
Aug.	38.7	27.0	91.1	37.7	194.5	20.6	8.6	223.8	45.9	17.6	57.0	344.2
Sep.	23.2	25.0	106.3	28.5	183.0	21.0	36.4	240.4	53.3	46.0	80.7	420.4

[1] Figures may differ from those shown in the NSO's International Trade News Release due to different cut-off dates.

[2] Provisional.

Source: NSO.

Real Economy Indicators

Table 4.1a Gross domestic product, gross national income and expenditure components *(at current market prices)*[1]

EUR millions

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		
2005	3,153.9	941.4	1,050.2	-179.2	4,966.2	3,700.3	3,849.3	-148.9	4,817.2	4,599.3
2006	3,303.6	1,012.2	1,120.6	-141.2	5,295.2	4,621.5	4,859.1	-237.7	5,057.5	4,866.3
2007	3,388.0	1,042.3	1,181.6	-126.1	5,485.7	5,180.3	5,231.7	-51.4	5,434.3	5,217.5
2008	3,671.6	1,216.5	1,047.6	-19.9	5,915.8	5,472.6	5,573.7	-101.2	5,814.6	5,593.5
2009	3,712.0	1,239.3	920.8	-31.7	5,840.4	4,895.7	4,923.4	-27.7	5,812.7	5,332.6
2010	3,777.3	1,292.3	1,087.5	-204.0	5,953.1	5,844.9	5,643.8	201.1	6,154.2	5,666.9
2010										
Q1	900.2	308.5	226.2	32.9	1,467.7	1,259.4	1,269.0	-9.6	1,458.1	1,327.0
Q2	912.6	325.7	248.2	-80.2	1,406.3	1,451.2	1,347.1	104.1	1,510.5	1,440.6
Q3	959.9	319.6	309.2	-121.2	1,467.4	1,646.0	1,506.6	139.4	1,606.8	1,446.9
Q4	1,004.6	338.5	303.9	-35.4	1,611.6	1,488.2	1,521.1	-32.9	1,578.7	1,452.4
2011										
Q1	969.9	336.7	227.4	-12.4	1,521.6	1,427.9	1,425.4	2.4	1,524.0	1,324.0
Q2	962.1	338.2	255.7	-139.8	1,416.2	1,581.3	1,410.8	170.5	1,586.7	1,396.4
Q3	965.8	339.2	224.0	-52.5	1,476.6	1,595.0	1,397.1	197.9	1,674.4	1,609.3

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Source: NSO.

Table 4.1b Gross domestic product and expenditure components *(at constant 2000 prices)*[1]

EUR millions

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	
2005	2,849.6	766.8	967.5	-163.9	4,420.0	3,735.8	3,933.5	-197.7	4,222.3
2006	2,975.0	811.6	967.4	-126.1	4,627.8	4,397.4	4,684.2	-286.9	4,341.0
2007	2,992.3	815.6	977.6	-112.0	4,673.5	4,833.8	4,981.1	-147.3	4,526.1
2008	3,141.4	915.1	778.7	-17.8	4,817.4	4,916.8	5,012.2	-95.4	4,722.0
2009	3,096.2	899.9	641.9	-26.4	4,611.7	4,420.6	4,433.9	-13.3	4,598.4
2010	3,068.3	907.8	705.6	-163.3	4,518.5	5,187.2	4,974.4	212.9	4,731.3
2010									
Q1	750.2	218.4	157.5	27.5	1,153.6	1,140.7	1,178.1	-37.4	1,116.2
Q2	739.2	228.7	164.8	-65.2	1,067.5	1,282.5	1,196.0	86.4	1,154.0
Q3	765.0	222.8	194.4	-96.8	1,085.4	1,425.6	1,296.1	129.5	1,214.8
Q4	813.9	238.0	188.9	-28.8	1,212.0	1,338.5	1,304.1	34.4	1,246.3
2011									
Q1	790.9	236.4	139.8	-10.2	1,156.9	1,229.2	1,248.1	-18.9	1,138.0
Q2	768.6	235.1	163.2	-112.0	1,055.0	1,318.5	1,191.9	126.7	1,181.6
Q3	767.8	234.7	142.0	-41.8	1,102.7	1,265.2	1,125.9	139.2	1,242.0

[1] Provisional.
[2] Consumption by households and NPISH.
[3] Including acquisitions less disposals of valuables.
Source: NSO.

Table 4.2 Tourist departures by nationality[1]

Thousands

Period	EU (of which):								All others	Total
	euro area (of which):					UK	Other EU	Total		
	France	Germany	Italy	Other euro area	Total					
2005	82.6	138.2	92.4	151.8	465.0	482.6	78.0	1,025.6	145.0	1,170.6
2006	73.4	125.8	112.5	151.1	462.9	431.3	79.3	973.5	150.7	1,124.2
2007	75.1	130.0	113.7	177.8	496.6	482.4	103.5	1,082.5	161.0	1,243.5
2008	81.1	150.8	144.5	204.1	580.5	454.4	98.7	1,133.5	157.3	1,290.9
2009	71.9	127.4	161.7	197.8	558.8	398.5	87.0	1,044.3	138.1	1,182.5
2010	86.5	126.2	217.3	211.1	641.1	415.1	103.6	1,159.7	175.9	1,335.6
2010										
Jan.	2.0	5.3	13.0	7.3	27.6	16.9	4.6	49.1	7.8	56.8
Feb.	3.5	5.5	7.1	7.6	23.6	19.7	3.0	46.3	6.7	53.0
Mar.	3.6	10.0	13.3	10.4	37.2	27.5	4.2	68.9	7.4	76.3
Apr.	7.7	9.0	19.5	15.7	51.9	30.4	5.9	88.2	12.3	100.5
May	10.3	12.8	15.4	23.7	62.2	39.2	10.2	111.7	15.5	127.2
June	8.8	11.9	19.5	20.4	60.6	48.9	10.8	120.3	16.5	136.8
July	9.9	11.7	26.7	28.2	76.4	43.3	16.0	135.8	23.8	159.5
Aug.	14.9	13.6	44.2	36.2	109.0	51.7	12.9	173.5	21.7	195.3
Sep.	8.8	14.3	22.0	20.4	65.5	47.8	14.6	127.9	23.5	151.4
Oct.	9.4	18.1	14.8	23.0	65.3	49.3	12.3	126.9	19.5	146.4
Nov.	4.8	9.7	10.7	10.9	36.2	24.6	5.3	66.1	12.5	78.6
Dec.	2.9	4.3	11.1	7.3	25.6	15.8	3.7	45.2	8.6	53.7
2011										
Jan.	3.4	5.3	15.6	8.3	32.7	16.8	5.0	54.5	10.4	64.9
Feb.	5.3	4.1	9.1	7.5	26.1	24.0	3.5	53.6	11.9	65.5
Mar.	6.1	9.7	13.8	12.4	42.0	30.5	4.7	77.1	22.5	99.7
Apr.	11.3	12.2	18.0	19.8	61.4	36.9	11.6	109.8	12.2	121.9
May	12.6	10.9	13.8	23.2	60.4	41.5	11.3	113.2	16.6	129.8
June	10.3	14.7	17.0	20.4	62.3	44.5	11.9	118.7	18.4	137.0
July	11.8	12.7	20.2	27.0	71.7	45.5	17.1	134.3	27.3	161.6
Aug.	15.9	15.4	36.3	30.7	98.2	53.8	15.4	167.4	24.2	191.6
Sep.	9.9	15.8	21.3	23.2	70.2	49.3	13.6	133.1	21.4	154.5

[1] Based on the NSO's inbound tourism survey. Data refer to tourist departures by air and sea.
Source: NSO.

Table 4.3 Labour market indicators based on administrative records

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	103.5	42.7	146.2	97.6	41.1	138.7	5.8	5.7	1.6	3.7	7.4	5.1
2006	103.4	43.9	147.3	97.8	42.2	140.0	5.6	5.5	1.7	3.9	7.3	5.0
2007	103.6	45.2	148.9	98.5	43.7	142.2	5.1	4.9	1.6	3.5	6.7	4.5
2008	104.4	47.2	151.6	99.6	45.8	145.4	4.8	4.6	1.4	3.0	6.2	4.1
2009	104.1	48.3	152.4	98.5	46.7	145.1	5.7	5.4	1.7	3.5	7.3	4.8
2010[3]	103.6	49.4	153.0	98.1	47.9	146.0	5.5	5.3	1.5	3.1	7.1	4.6
2010[3]												
Jan.	103.4	48.5	151.9	97.4	46.8	144.2	6.0	5.8	1.7	3.6	7.8	5.1
Feb.	103.5	48.7	152.2	97.5	46.9	144.4	6.1	5.9	1.8	3.6	7.9	5.2
Mar.	103.5	48.8	152.3	97.6	47.1	144.7	5.9	5.7	1.7	3.5	7.6	5.0
Apr.	103.6	49.1	152.6	97.6	47.4	145.0	6.0	5.8	1.6	3.4	7.6	5.0
May	103.4	49.0	152.4	97.8	47.6	145.4	5.6	5.4	1.5	3.0	7.1	4.6
June	103.6	49.4	153.0	98.3	48.0	146.2	5.4	5.2	1.4	2.8	6.8	4.4
July	103.9	49.8	153.7	98.6	48.3	146.9	5.4	5.2	1.5	2.9	6.8	4.4
Aug.	103.9	49.9	153.8	98.7	48.5	147.2	5.2	5.0	1.4	2.8	6.6	4.3
Sep.	103.9	49.9	153.7	98.6	48.5	147.1	5.3	5.1	1.4	2.8	6.7	4.3
Oct.	103.4	49.9	153.3	98.1	48.5	146.6	5.3	5.1	1.4	2.8	6.7	4.4
Nov.	103.6	50.2	153.7	98.4	48.7	147.2	5.3	5.1	1.4	2.8	6.7	4.3
Dec.	103.4	50.1	153.6	98.2	48.7	146.9	5.2	5.0	1.4	2.8	6.6	4.3
2011[3]												
Jan.	103.7	50.3	153.9	98.3	48.8	147.1	5.4	5.2	1.4	2.8	6.8	4.4
Feb.	103.8	50.5	154.3	98.3	49.0	147.3	5.5	5.3	1.5	2.9	7.0	4.5
Mar.	103.5	50.5	154.0	98.2	49.2	147.4	5.3	5.1	1.4	2.7	6.7	4.3
Apr.	103.5	51.1	154.6	98.2	49.8	148.0	5.3	5.1	1.3	2.6	6.6	4.3
May	103.5	51.5	154.9	98.4	50.2	148.5	5.1	4.9	1.3	2.5	6.4	4.1
June	103.7	51.8	155.5	98.8	50.5	149.3	4.9	4.7	1.3	2.5	6.2	4.0
July	104.0	52.2	156.1	98.9	50.8	149.6	5.1	4.9	1.4	2.7	6.5	4.2
Aug.	103.9	52.3	156.2	98.9	50.9	149.8	5.1	4.9	1.4	2.7	6.5	4.1

[1] Annual figures reflect the average for the year.

[2] As a percentage of male, female and total labour supply, respectively.

[3] Provisional.

Source: ETC.

Table 4.4 Labour market indicators based on the Labour Force Survey

Thousands

Period[1]	Labour supply			Gainfully occupied			Unemployment					
							Males		Females		Total	
	Males	Females	Total	Males	Females	Total	Number	%[2]	Number	%[2]	Number	%[2]
2005	110.5	51.4	161.9	103.4	46.9	150.3	7.1	6.5	4.5	8.8	11.6	7.2
2006	111.5	52.7	164.3	104.3	48.0	152.4	7.2	6.5	4.7	8.9	11.9	7.3
2007	113.0	54.2	167.2	106.3	50.0	156.4	6.7	5.9	4.1	7.6	10.8	6.5
2008	113.5	57.2	170.7	107.1	53.2	160.4	6.4	5.7	3.9	6.9	10.4	6.1
2009	115.0	58.3	173.3	107.4	53.9	161.3	7.6	6.6	4.4	7.6	12.0	6.9
2010[3]	115.9	60.3	176.3	108.0	56.1	164.1	7.9	6.8	4.3	7.1	12.2	6.9
2010[3]												
Q1	115.6	60.1	175.8	107.3	55.8	163.1	8.3	7.2	4.3	7.2	12.7	7.2
Q2	117.3	58.5	175.8	110.0	53.7	163.8	7.3	6.2	4.8	8.1	12.0	6.8
Q3	116.3	62.2	178.5	108.3	58.0	166.3	8.0	6.9	4.1	6.7	12.1	6.8
Q4	114.6	60.5	175.1	106.5	56.6	163.1	8.1	7.0	3.9	6.5	12.0	6.8
2011[3]												
Q1	117.2	62.3	179.5	110.3	57.8	168.0	7.0	6.0	4.5	7.3	11.5	6.4
Q2	118.0	62.3	180.3	110.3	57.9	168.2	7.7	6.5	4.4	7.0	12.1	6.7
Q3	118.3	63.4	181.7	111.3	59.2	170.5	7.0	5.9	4.2	6.7	11.2	6.2

[1] Annual figures reflect the average for the year.
[2] As a percentage of male, female and total labour supply, respectively.
[3] Provisional.
Source: NSO.

Table 4.5 Property prices index based on advertised prices *(base 2000 = 100)*

Period	Total	Apartments	Maisonettes	Terraced houses	Others[1]
2005	170.9	173.7	176.7	188.9	160.3
2006	177.0	178.3	187.0	196.2	175.0
2007	178.9	183.3	181.4	205.3	171.9
2008	174.1	172.7	181.4	201.5	173.7
2009	165.3	162.2	173.7	207.8	169.6
2010	167.1	166.4	171.8	199.4	178.5
2010					
Q1	168.4	164.9	174.9	207.0	183.0
Q2	167.2	168.9	161.9	202.2	183.0
Q3	169.9	167.6	178.4	194.5	194.6
Q4	163.0	164.1	171.9	194.1	153.3
2011					
Q1	164.0	166.5	174.5	194.3	159.6
Q2	167.3	174.4	170.9	197.2	180.5
Q3	173.0	176.5	174.4	204.9	172.8

[1] Consists of town houses, houses of character and villas.
Source: Central Bank of Malta estimates.

Table 4.6 Development permits for commercial, social and other purposes[1]

Period	Commercial and social								Other permits[5]	Total permits
	Agriculture	Manufacturing[2]	Warehousing, retail & offices[3]	Hotels & tourism related	Restaurants & bars	Social[4]	Parking	Total		
2005	293	33	217	16	25	43	103	730	2,980	3,710
2006	267	38	169	9	26	30	84	623	3,129	3,752
2007	325	27	185	8	14	30	60	649	3,018	3,667
2008	182	29	137	6	14	8	66	442	2,475	2,917
2009	160	31	123	6	20	23	47	410	2,281	2,691
2010	293	55	231	10	46	118	79	832	1,522	2,354

[1] Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis. Excludes applications for dwellings and minor works on dwellings.

[2] Includes quarrying.

[3] Including the construction of offices, shops and retail outlets, warehouses, mixed offices and retail outlets, mixed residential premises, offices and retail outlets, mixed residential premises and retail outlets.

[4] Including the construction of premises related to the provision of community and health, recreational and educational services.

[5] Including the installation of satellite dishes and swimming pools, the display of advertisements, demolitions and alterations, change of use, minor new works, infrastructure, monuments, embellishment projects, boathouses and yacht marinas, light industry, waste management facilities and others.

Source: Malta Environment & Planning Authority.

Table 4.7 Development permits for dwellings, by type[1]

Period	Number of permits[2]			Number of units[3]				
	New dwellings[4]	Minor works on dwellings	Total	Apartments	Maisonettes	Terraced houses	Others	Total
2005	1,852	570	2,422	7,539	1,058	363	121	9,081
2006	2,502	492	2,994	8,961	932	375	141	10,409
2007	2,636	411	3,047	10,252	696	257	138	11,343
2008	1,770	375	2,145	6,184	361	164	127	6,836
2009	1,241	368	1,609	4,616	400	182	100	5,298
2010	1,499	1,020	2,519	3,736	375	227	106	4,444

[1] Changes to the data are mainly due to the Malta Environment & Planning Authority's policy of reassessing permit applications on a continuous basis.

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

[3] Data comprise the actual number of units (e.g. a block of apartments may consist of several units).

[4] Including new dwellings by conversion.

Source: Malta Environment & Planning Authority.

Table 4.8 Inflation rates measured by the Retail Price Index[1] *(base 1946 = 100)*

Year	Index	Inflation rate (%)
1946	100.00	-
1947	104.90	4.90
1948	113.90	8.58
1949	109.70	-3.69
1950	116.90	6.56
1951	130.10	11.29
1952	140.30	7.84
1953	139.10	-0.86
1954	141.20	1.51
1955	138.80	-1.70
1956	142.00	2.31
1957	145.70	2.61
1958	148.30	1.78
1959	151.10	1.89
1960	158.80	5.10
1961	164.84	3.80
1962	165.16	0.19
1963	168.18	1.83
1964	172.00	2.27
1965	174.70	1.57
1966	175.65	0.54
1967	176.76	0.63
1968	180.42	2.07
1969	184.71	2.38
1970	191.55	3.70
1971	196.00	2.32
1972	202.52	3.33
1973	218.26	7.77
1974	234.16	7.28
1975	254.77	8.80
1976	256.20	0.56
1977	281.84	10.01
1978	295.14	4.72
(continued)		
1979	316.21	7.14
1980	366.06	15.76
1981	408.16	11.50
1982	431.83	5.80
1983	428.06	-0.87
1984	426.18	-0.44
1985	425.17	-0.24
1986	433.67	2.00
1987	435.47	0.42
1988	439.62	0.95
1989	443.39	0.86
1990	456.61	2.98
1991	468.21	2.54
1992	475.89	1.64
1993	495.59	4.14
1994	516.06	4.13
1995	536.61	3.98
1996	549.95	2.49
1997[2]	567.95	3.27
1998	580.61	2.23
1999	593.00	2.13
2000	607.07	2.37
2001	624.85	2.93
2002	638.54	2.19
2003	646.84	1.30
2004	664.88	2.79
2005	684.88	3.01
2006	703.88	2.77
2007	712.68	1.25
2008	743.05	4.26
2009	758.58	2.09
2010	770.07	1.51

[1] The Index of Inflation (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 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 4.9 Main categories of Retail Price Index *(base December 2009 = 100)*

Period	All Items Index	12-month moving average rates of change (%)[1]										
		All Items	Food	Beverages & tobacco	Clothing & footwear	Housing	Water, electricity, gas & fuels	H/hold equip. & house maint. costs	Transp. & comm.	Personal care & health	Recreation & culture	Other goods & services
2005	90.1	3.0	1.8	2.4	-0.5	5.0	23.0	2.1	3.8	3.6	1.1	3.0
2006	92.6	2.8	2.0	2.2	-1.8	4.8	26.0	1.5	3.3	2.9	-0.2	2.3
2007	93.8	1.3	4.3	2.1	0.4	2.9	-6.6	0.7	-1.1	1.7	1.6	0.4
2008	97.8	4.3	8.0	2.7	4.5	3.9	19.9	-0.2	2.6	1.9	1.1	2.4
2009	99.8	2.1	6.4	4.3	-0.3	2.9	16.0	0.3	-4.1	3.1	0.9	1.9
2010	101.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
2010												
Jan.	99.5	1.9	5.7	4.2	-0.6	2.9	14.0	0.4	-3.9	3.2	0.7	1.8
Feb.	99.9	1.6	4.7	3.9	-0.9	2.8	12.1	0.6	-3.6	3.2	0.7	1.8
Mar.	100.4	1.3	3.5	3.6	-1.3	2.7	10.2	0.7	-3.2	3.2	0.7	1.7
Apr.	101.4	1.0	2.6	3.3	-1.6	2.7	10.4	0.9	-3.1	3.1	0.7	1.7
May	101.6	0.9	1.7	3.0	-1.9	2.6	10.5	1.0	-2.8	3.0	0.9	1.6
June	101.2	0.7	0.9	2.8	-2.4	2.6	10.6	1.0	-2.3	2.9	1.0	1.6
July	101.1	0.8	0.7	2.6	-2.9	2.6	12.7	1.0	-2.3	2.9	1.0	1.6
Aug.	101.0	0.8	0.4	2.4	-3.4	2.5	14.3	0.9	-1.7	2.6	1.3	1.7
Sep.	101.7	0.8	0.3	2.3	-3.7	2.4	15.8	0.9	-1.5	2.4	1.5	1.7
Oct.	102.4	1.0	0.4	2.2	-3.9	2.3	18.6	0.9	-1.1	2.3	1.6	1.7
Nov.	102.7	1.2	0.5	2.1	-4.1	2.2	21.5	0.7	-0.4	2.2	1.6	1.6
Dec.	103.3	1.5	1.0	2.0	-4.3	2.2	24.4	0.6	0.3	2.0	1.6	1.7
2011												
Jan.	102.2	1.6	1.4	1.9	-4.1	2.3	23.0	0.2	0.6	1.8	1.7	1.7
Feb.	102.1	1.8	2.0	1.9	-4.2	2.6	21.6	-0.2	0.9	1.8	1.6	1.9
Mar.	103.1	2.0	2.5	1.8	-3.9	2.8	20.3	-0.7	1.2	1.8	1.6	2.1
Apr.	103.9	2.1	2.9	1.8	-3.5	3.0	18.1	-0.9	1.5	1.7	1.5	2.3
May	104.8	2.2	3.5	1.7	-3.2	3.3	16.0	-1.1	1.7	1.7	1.4	2.5
June	104.6	2.4	4.0	1.7	-2.4	3.6	14.0	-1.3	1.8	1.7	1.5	2.7
July	103.9	2.5	4.0	1.7	-1.8	3.9	11.7	-1.2	2.3	1.7	1.4	3.0
Aug.	104.2	2.6	3.9	1.8	-0.7	4.2	9.8	-1.3	2.8	1.7	1.3	3.1
Sep.	104.5	2.7	3.8	1.9	0.4	4.5	8.0	-1.5	3.1	1.7	1.2	3.3

[1] 12-month moving average rates of change in the RPI sub-indices are compiled by the Central Bank of Malta.

Source: NSO.

Table 4.10 Main categories of Harmonised Index of Consumer Prices *(base 2005 = 100)*

Period	All Items Index	12-month moving average rates of change (%)												
		All Items	Food & non-alcoholic beverages	Alcoholic beverages & tobacco	Clothing & footwear	Housing, water, electricity, gas & other fuels	Furnishings, household equipment & routine maintenance of the house	Health	Transport	Commu-nications	Recreation & culture	Education	Restaurants & hotels	Miscellaneous goods & services
2005	100.0	2.5	1.8	1.8	-0.5	9.3	2.4	5.5	3.5	10.0	1.9	1.6	0.0	3.0
2006	102.6	2.6	2.2	0.6	-1.8	10.6	2.0	4.0	4.2	0.4	0.1	2.6	1.9	2.8
2007	103.3	0.7	3.9	0.8	0.4	-0.1	0.8	2.7	-1.4	0.2	0.7	4.2	-0.6	0.9
2008	108.1	4.7	8.0	1.9	4.5	8.5	0.6	2.2	3.7	2.9	-0.6	6.8	7.7	1.3
2009	110.1	1.8	6.4	3.6	-0.4	7.0	1.0	4.4	-4.3	-1.3	-0.6	6.9	1.3	2.2
2010	112.4	2.0	1.1	3.3	-2.3	10.1	1.1	2.0	2.2	-6.0	-1.7	7.8	5.5	3.4
2010														
Jan.	107.8	1.7	5.8	3.6	-0.4	6.4	1.1	4.6	-4.1	-1.7	-0.7	6.9	1.2	2.4
Feb.	108.1	1.5	4.7	3.6	-0.5	5.7	1.2	4.5	-3.8	-2.3	-0.6	6.9	1.1	2.5
Mar.	109.6	1.2	3.5	3.6	-0.8	5.1	1.3	4.5	-3.5	-2.9	-0.5	6.9	0.9	2.5
Apr.	112.4	0.9	2.5	3.5	-1.1	5.2	1.3	4.3	-3.1	-3.5	-0.7	7.3	0.6	2.6
May	113.7	0.8	1.6	3.5	-1.3	5.3	1.4	4.0	-2.6	-4.1	-0.8	7.7	0.9	2.7
June	113.6	0.7	0.8	3.5	-1.7	5.5	1.4	3.8	-1.8	-4.7	-1.1	8.1	1.1	2.8
July	114.3	0.9	0.6	3.5	-2.0	6.2	1.3	3.5	-1.4	-5.3	-1.3	8.4	2.1	2.8
Aug.	115.4	1.0	0.3	3.5	-2.3	6.8	1.3	3.2	-0.9	-5.9	-1.5	8.8	3.3	3.0
Sep.	114.6	1.2	0.2	3.4	-2.4	7.3	1.3	2.9	-0.3	-6.5	-1.7	9.2	4.1	3.2
Oct.	113.9	1.4	0.4	3.4	-2.4	8.2	1.3	2.6	0.4	-6.5	-2.0	8.7	4.6	3.2
Nov.	112.2	1.7	0.5	3.4	-2.4	9.1	1.2	2.3	1.3	-6.2	-1.8	8.3	5.0	3.3
Dec.	112.8	2.0	1.1	3.3	-2.3	10.1	1.1	2.0	2.2	-6.0	-1.7	7.8	5.5	3.4
2011														
Jan.	111.3	2.2	1.5	3.3	-2.4	9.7	0.8	1.6	2.9	-6.4	-1.6	7.4	5.9	3.5
Feb.	111.0	2.4	2.1	3.3	-2.7	9.4	0.5	1.6	3.4	-6.5	-1.6	6.9	6.3	3.6
Mar.	112.7	2.5	2.8	3.3	-2.5	9.0	0.3	1.5	4.0	-6.5	-1.5	6.5	6.5	3.8
Apr.	115.1	2.7	3.3	3.2	-2.3	8.3	0.2	1.4	4.4	-6.6	-1.5	6.1	6.6	3.9
May	116.6	2.7	4.4	3.2	-2.0	7.7	0.1	1.4	4.7	-6.6	-1.4	5.7	6.0	4.0
June	117.1	2.8	5.0	3.2	-1.5	7.0	0.2	1.3	5.1	-6.8	-1.1	5.2	5.7	4.0
July	116.8	2.8	4.6	3.3	-1.2	6.3	0.3	1.3	5.7	-7.0	-0.7	4.8	4.8	4.1
Aug.	118.1	2.8	4.7	3.3	-0.3	5.6	0.3	1.3	6.3	-7.2	-0.4	4.4	3.6	4.0
Sep.	117.7	2.8	4.6	3.4	0.4	5.1	0.1	1.4	6.8	-7.4	-0.1	3.9	3.3	4.0

Sources: NSO; Eurostat.

GENERAL NOTES

In order to reflect Malta's entry into the euro area and the adoption of the euro as its currency on 1 January 2008, the layout and design of a number of tables, in particular in Parts 1 and 3, have been changed significantly, while others have been replaced with entirely new tables. Hence users should exercise caution when comparing these series with earlier data, as the underlying definitions may have changed. For ease of comparison, all data relating to earlier periods presented in this *Quarterly Review* are converted into euro at the fixed exchange rate of EUR 1 = MTL 0.4293. The reasons for this approach were explained in a note entitled 'Conversion of data in Maltese lira into euro' which was published in the 2007:3 issue of the *Quarterly Review*, while the changes to the underlying concepts were explained in a note entitled 'Presentation of statistics relating to Malta following adoption of the euro' which was published in the 2008:1 issue of the *Quarterly Review*.

Part 1 Monetary, Banking, Investment Funds and Financial Markets

General monetary statistical standards

Since January 2008, the compilation of monetary statistics has been consistent with the statistical concepts and methodologies as set out in ECB Regulation 2008/32 (Recast) concerning the consolidated balance sheet of the monetary financial institutions (MFI) sector and the *European System of Accounts (ESA 1995)*. Prior to January 2008, the compilation of monetary statistics was broadly in line with the IMF's *Monetary and Financial Statistics Manual* (2000).

Institutional balance sheets and financial statements

The financial statement of the Central Bank of Malta published in Table 1.1 is based on accounting principles as established in ECB Guideline 2006/16 (as amended) of 10 November 2006 on the legal framework for accounting and reporting in the ESCB. Consequently, the data in this table may differ from those shown in Table 1.2, which are compiled according to a statistical description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast) of 19 December 2008. Important changes to data on currency issued and reserve assets following the adoption of the euro are explained below in the 'measures of money' and in the 'external statistics' section, respectively.

The aggregated balance sheet of the other monetary financial institutions is also based on a detailed description of instrument categories as stipulated in ECB Regulation 2008/32 (Recast).

Determination of 'residence'

Monetary data are based on the classification of transactions and positions by the residence of the transactor or holder. A transactor is 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' usually indicates that there exists some location within an 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). Transactors with their 'centre of economic interest' outside the said territory are considered to be non-residents. Diplomatic bodies, embassies, consulates and other entities of foreign governments are considered to be residents of the country they represent.

In national monetary statistics, the key distinction up to December 2007 was between residents and non-residents of Malta. Although that distinction remains relevant for national statistical purposes, the key distinction now, in particular for the purposes of Malta's contribution to euro area monetary aggregates shown in Table 1.4 and in other tables, is between residence in Malta or elsewhere in the euro area and residence outside the euro area.

Sector classification

In accordance with ESA 95 and ECB Regulation 2008/32 (Recast), the main sectors of the Maltese (and euro area) economy, for statistical reporting purposes, are currently subdivided by their primary activity into:

(a) Monetary financial institutions (MFIs)
(b) Other financial intermediaries and financial auxiliaries
(c) Insurance corporations and pension funds
(d) General government
(e) Non-financial corporations
(f) Households and non-profit institutions serving households (NPISH).

Entities that are considered to be non-residents are classified in the 'external sector' or the 'rest of the world'. As noted above, in many statistical tables in this *Quarterly Review*, and starting with data for 2008, they are split into other euro area residents and non-residents of the euro area (and may be further sub-classified by sector according to their primary activity).

(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, issues currency, conducts financial market operations, and holds the international reserves of the country. The Central Bank of Malta is part of the Eurosystem, which comprises the ECB and the NCBs of the member countries of the euro area.

ii. **Other monetary financial institutions** (OMFIs), consist almost entirely of credit institutions. The business of OMFIs 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 Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006, 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". OMFIs include the Maltese branches and subsidiaries of banks with headquarters abroad. Money Market Funds (MMFs) fulfil the MFI definition and the agreed conditions for liquidity and are therefore included in the OMFI sector. MMFs are defined as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments.

(b) **Other financial intermediaries and financial auxiliaries**

Other financial intermediaries are, broadly speaking, financial intermediaries which are not MFIs or insurance corporations and pension funds (see below). The principal activities of these institutions may include one or more of the following: long-term financing, financial leasing, factoring, security and derivative dealing, receiving deposits and/or close substitutes for deposits from MFIs only (and not from the public), and managing investment trusts, unit trusts and other collective investment schemes (collectively termed investment funds).

Financial auxiliaries are companies that are principally engaged in auxiliary financial activities, that is, activities closely related to financial intermediation, but which are not financial intermediaries themselves. The following are examples of companies classified in this sector: insurance, loan and securities brokers, investment advisers, flotation companies that manage issues of securities, central supervisory authorities of financial intermediaries and financial markets when these are separate institutional units, managers of pension funds and mutual funds and companies providing stock exchange and insurance exchange services.

(c) **Insurance corporations and pension funds**

This sector comprises non-monetary financial corporations principally engaged in financial intermediation as the consequence of the pooling of risks. Insurance corporations 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 groups of units. Pension funds provide retirement benefits for specific groups of employees.

The sector **financial corporations** consists of all corporations which are principally engaged in financial intermediation and/or in anxiliary financial activities i.e. they include monetary financial institutions, other financial intermediaries/financial auxiliaries and insurance corporations/pension funds.

(d) **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. Broadly speaking, non-market production means that the entity does not charge "economically significant" prices such that sales cover at least 50% of production costs. The sector is sub-divided into:

i. **Central government**, which includes all administrative departments of the state and other central agencies whose competence extends over the whole economic territory of the country. Central government thus includes departments, ministries, and offices of government located in the country together with embassies, consulates, military establishments and other institutions of government located outside the country. Also included in the central government sector are extra-budgetary units, also termed public non-market units. These comprise institutional units under public control that are principally engaged in the production of goods and services not usually sold on a market and/or that are involved in the redistribution of national income and wealth.

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

The **public sector** (which is not an institutional sector in the ESA 95) comprises the general government sector and public corporations (which may be financial or non-financial corporations in the ESA 95), the latter being those companies that are owned by government or are subject to government control. State-owned corporations are to be distinguished from the extra-budgetary units included in the general government sector, since they are considered to be producing goods and services for the market (i.e. charging "economically significant" prices such that sales cover at least 50% of production costs).

(e) **Non-financial corporations**

This sector comprises corporations 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, which are subdivided into:

i. **Public non-financial corporations**, i.e. companies that are subject to control by government units - see the notes on financial corporations for a definition of control.

ii. **Private non-financial corporations,** i.e. companies that are controlled by non-government units, whether resident or non-resident.

(f) **Households and non-profit institutions serving households (NPISH)**

This sector comprises individuals or groups of individuals that are consumers and producers of goods and non-financial services exclusively intended for their own final consumption. It includes also non-profit institutions serving households principally engaged in the production of non-market goods and services intended for particular sections of households (churches, clubs, societies, trade unions, etc.) and market-producing cooperatives, partnerships and sole proprietorships that are not recognised as independent legal entities. Thus many small businesses are included in the household sector.

Classification of economic activities

The classification of economic activities follows the standards of Regulation EC No 1893/2006 of the European Parliament and of the Council of 20 December 2006, entitled "Statistical classification of economic activities in the European Community'', known by the acronym NACE Rev. 2.

Measures of money

Until the end of 2007, the Central Bank of Malta compiled data on the following monetary aggregates: the monetary base (M0), narrow money (M1), intermediate money (M2) and broad money (M3). The **monetary base (M0)** consisted of currency in issue and OMFI deposits with the Bank. **Narrow money (M1)** included the most liquid components of M3, namely currency in circulation, demand deposits and savings deposits withdrawable on demand. **Intermediate money (M2)** comprised M1, residents' savings deposits redeemable at notice and time deposits with an agreed maturity of up to and including two years. **Broad money (M3)** comprised M2 and the OMFIs' repurchase agreements with the non-bank sector and their debt securities issued with an agreed maturity of up to and including two years and held by the non-bank sector.

Since January 2008, the Central Bank of Malta has been transmitting to the ECB data collected from MFIs in Malta as a contribution to the euro area monetary aggregates compiled by the ECB. The euro area aggregates are defined in a similar way to the Maltese monetary aggregates formerly compiled by the Bank. However it is not possible to calculate the money holdings of Maltese residents within the euro area totals. In the euro area, by agreement between the members, the share of each central bank in the Eurosystem[1] in the total issue of banknotes in the area is deemed to be that central bank's share in the capital of the ECB adjusted for a notional 8% of the total issue, which is attributed to the ECB itself. This is called the banknote allocation key. In the euro area, the Central Bank of Malta may in practice issue more than this, or less, in response to demand; the excess or shortfall will appear elsewhere in the Bank's balance sheet as an intra-Eurosystem liability or asset. The main point is that the entry in the column 'Banknotes in circulation' in the Financial Statements of the Bank will be a notional amount conforming to the banknote allocation key, and may be quite different from the amount of euro banknotes in the hands of Maltese residents. Moreover, Maltese residents' holdings of M3 within the euro area aggregate will include their holdings of deposits and other monetary instruments issued by MFIs anywhere in the euro area, the amount of which is not known.

The *Quarterly Review* Table 1.4b shows the contribution of Maltese MFIs to the euro area totals. This comprises the notional issue of euro currency attributed to the Bank according to the banknote allocation key, plus the issue of coins (where the Central Bank acts as agent of the Treasury), and, for 2008 only, remaining amounts of Maltese lira currency notes outstanding *less* holdings of euro banknotes and coins and, for 2008 only, of Maltese lira currency reported by MFIs in Malta; deposits held by Maltese residents and by residents of other euro area countries with MFIs in Malta excluding any holdings belonging to central governments (since central government holdings of deposits are excluded from the ECB's monetary aggregates) and any interbank deposits; repurchase agreements; any marketable instruments of the kind included in euro area M3 issued by MFIs in Malta *less* holdings by Maltese MFIs of such instruments issued by MFIs resident anywhere in the euro area (because Maltese MFIs may hold more of these instruments than they issued, this part of the Maltese contribution to euro area M3 may be negative); and MMFs shares/units issued *less* holdings in such units by MMFs and credit institutions resident in the euro area and holdings by non-residents of the euro-area. Similarly, the 'credit counterpart' to euro area M3 contributed by Maltese MFIs (Table 1.5b) comprises all Maltese MFI lending (including through the acquisition of securities in any form) to Maltese and all other euro area residents (other than MFIs). The so-called 'external counterpart' will be limited to their net claims on non-residents of the euro area[2]. 'Other counterparts (net)' comprise other items in the balance sheets of Maltese MFIs (including the Central Bank of Malta).

Compilation and valuation principles

Monetary statistics are based on the monthly balance sheets provided by the Central Bank of Malta and the local OMFIs (Tables 1.2-1.3), with details of OMFIs' deposits and loans in Tables

[1] The Eurosystem comprises the ECB and the national central banks of the other EU Member States in the euro area.

[2] This is Maltese MFIs' (including the Central Bank of Malta's) claims on non-residents of the euro area, minus their liabilities to non-residents of the euro area, in all forms and in foreign currency as well as in euro.

1.8-1.13. The local credit institutions must submit data to the Central Bank of Malta not later than fifteen calendar days following the end of the reporting period. Bank branches and subsidiaries operating in Malta but whose head offices/parent companies are located abroad are OMFIs and are obliged to submit the same data. The reporting institutions compile monthly financial information in line with ECB Regulation 2008/32 (Recast). In addition, in certain instances, the OMFIs are required to submit returns in accordance with specific statistical requirements as instructed by the Central Bank of Malta.

MFIs report stock positions, which are outstanding balances as at the end of the reference period, and for certain items transactions during the period. They show separately positions and transactions with residents of Malta, with residents of other euro area countries, and with non-residents of the euro area. Assets and liabilities are generally reported at market or fair value and on an accruals basis; deposits and loans are reported at nominal value. 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. In this context, change in ownership is accomplished when all rights, obligations and risks are discharged by one party and assumed by another. Instruments are reported in accordance with their maturity at issue, i.e. by original maturity. Original maturity refers to the fixed period of life of a financial instrument before which it cannot be redeemed, or can be redeemed only with some significant penalty.

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 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, whose value is conditional on the occurrence of uncertain future events, such as contingent instruments, are not recorded on the statistical balance sheet.

Release of monetary statistics

Monetary aggregates for the euro area are published by the ECB on the 19th working day of the month following the reference month. The ECB also publishes a more detailed monetary data on a quarterly basis. The Maltese contribution to the monthly aggregates is then posted on the Central Bank of Malta's website. When first published, monetary statistics are considered provisional since the Bank may need to revise the data referring to the periods prior to the current reference period arising from, for example, reclassifications or improved reporting procedures. The ECB accepts revisions to the previous month's data with each monthly submission; revisions to earlier periods are normally submitted with the next provision of quarterly data. Malta's contributions to the euro area aggregates published by the Central Bank of Malta must be consistent with the latest euro area aggregates published by the ECB. Subsequently, such provisional data are released to the press by the Central Bank of Malta on a monthly basis and in more detail in the Central Bank of Malta's *Quarterly Review* and *Annual Report*. The statistics released in the *Quarterly Review* and *Annual Report* are generally considered to be final. Major revisions to the data are also highlighted by means of footnotes in these publications. When major revisions to the compilation methodology are carried out, the Bank releases advance notices in its official publications.

Investment funds

The investment funds sector consists of collective investment schemes licensed by the MFSA; the data in Table 1.14 comprise all those funds whose centre of economic interest is based locally. It excludes all money market funds as according to ECB Regulation 2008/32 (Recast) these form part of the MFI sector. The balance sheet is aggregated, not consolidated, and therefore includes, among the assets and liabilities, holdings by investment funds of shares/units issued by other investment funds.

Insurance corporations

Table 1.15 shows the aggregated statement of assets and liabilities of the insurance corporations resident in Malta. The statistical information excludes those corporations dealing predominantly with non-residents. The insurance corporations sector comprises non-monetary financial institutions principally engaged in financial intermediation as the consequence of the pooling of risk. Therefore, the principal function of insurance corporations is the provision of life, accident, health, fire and/or other forms of insurance. Such statistics are based on standards specified in ESA 1995, while accounting rules are those laid down in the relevant national law implementing the European Council Directive 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings. All financial assets and liabilities are reported on a gross basis and are generally valued at market or fair value.

Financial markets

Monetary Financial Institutions interest rate (MIR) statistics shown in Tables 1.17 and 1.18 relate to the interest rates which are applied by resident credit institutions to euro denominated deposits and loans vis-à-vis non-financial corporations and households (including non-profit organisations) resident in Malta and in the euro area. MIR statistics are compiled in accordance with Regulation ECB/2009/7 (as amended) of 31 March 2009 and are therefore harmonised across the euro area. Interest rates are shown for both outstanding amounts and new business. Outstanding amounts cover the stock of all kinds of deposits and loans granted to households and non-financial corporations. New business consists of any new agreement between the household or non-financial corporation and the bank during the period under review. Two types of interest rates are quoted: (a) the Annualised Agreed Rate (AAR) and (b) the Annual Percentage Rate of Charge (APRC). The AAR is the rate which is agreed between the customer and the bank, quoted in percentage per annum. This rate covers all interest payments, excluding any other charges that may apply on deposits and loans. The APRC covers only two categories, namely lending for house purchase and consumer credit. It is the annual percentage rate that covers the total costs of the credit to the consumer such as the cost of inquiries, administration, guarantees, legal fees and other additional costs associated with the transaction. The older series of deposit and lending rates compiled by the Central Bank of Malta will be retained in Table 1.20 (see details below).

Up to 31 December 2007, the Table entitled 'Financial Markets' showed the statutory interest rates determined by the Central Bank of Malta and other indicative benchmark money market rates on instruments denominated in Maltese lira as end-of-period rates and as a percentage per annum. The repurchase agreement/term deposit rates were the 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 were the rates prevailing in the last dealings between banks in the official interbank market during the last month of the period being reported on. When no deals were transacted, the Central Bank of Malta fixing rate average was shown.

As from 1 January 2008, the Central Bank of Malta ceased to declare interest rates for its operations as the Maltese money market became part of the integrated euro area-wide interbank market. Thus, as from that date (and with some earlier data for convenience), the financial market interest rates shown in Table 1.18 are the key interest rates determined by the ECB for central bank operations throughout the euro area, and overnight (EONIA) and fixed-term (EURIBOR) rates on wholesale business in euro-denominated deposits as reported daily by a panel of active institutions in the euro area interbank market. Table 1.20 also shows the weighted average rates paid on resident current, savings and time deposits by MFIs in Malta (in Maltese lira to end-2007, in euro since), calculated by multiplying each amount by the different rates on each type of deposit and dividing by the total amount of each type of deposit. The weighted average rate on time deposits is calculated on all time deposits. The weighted average lending rate is calculated by multiplying the amount of each loan extended to residents by the interest rate applied thereto and dividing by the total amount.

Yields on Treasury bills and government securities up to end-2007 are rates on instruments denominated in Maltese lira. All outstanding Treasury bills and government securities denominated in Maltese lira were redenominated in euro at the beginning of 2008. The primary market rates on Treasury bills are the weighted averages of the rates attached to the bills that are taken up by bidders at the weekly auction. Treasury bills are classified by original maturity. A "-" sign means that no transactions occurred during the reference period. Until end-2007, the secondary market yields represented the selling rates quoted by the Central Bank of Malta at the end of the reference period for each respective tenor.

Interest rates on Malta Government long-term debt securities represent average International Securities Market Association (ISMA) redemption yields on applicable stocks with the periods specified referring to the remaining term to maturity. ISMA yields are quoted on the basis of an annual compounding period, irrespective of how many coupon periods per annum the stock has. The MSE share index is based on the last closing trade prices of the shares of all eligible companies weighted by their current market capitalisation. The index has a base of 1,000 on 27 December 1995.

Debt securities as presented in Table 1.21 comprise all financial assets that are usually negotiable and traded on recognized stock exchanges and do not grant the holder any ownership rights in the institutional unit issuing them. Quoted shares included in Table 1.22 cover all shares whose prices are quoted on the Malta Stock Exchange. They comprise all financial assets that represent property rights in corporations. Issues of unquoted shares, investment fund shares/units and financial derivatives are excluded.

Part 2 Government Finance

Tables in this section show the general government fiscal position compiled on the basis of ESA 95 methodology. The data are consolidated between the sectors of government. The sources for such data are the NSO and Eurostat. Government expenditure classified by function (Table 2.4) is based on the OECD's Classification of the Functions of Government (COFOG), which is a classification of the functions, or socio-economic objectives, that the general government sector aims to achieve through various outlays.

Table 2.5 on the general government deficit-debt adjustment (DDA) shows how the general government deficit is financed and considers the relationship between the deficit and Maastricht debt. The DDA thus reconciles the deficit over a given period with the change in Maastricht debt between the beginning and the end of that period. The difference is mainly explained by government transactions in financial assets, such as through privatisation receipts or the utilisation of its deposit accounts, and by valuation effects on debt.

The general government debt is defined as the total gross debt at nominal value outstanding at the end of a period and consolidated between and within the various sections of the government. Also shown are data on debt guaranteed by the government (Table 2.6), which mainly relate to the debts of non-financial public sector corporations. 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, which loans already feature in the calculation of government external debt. Government-guaranteed debt includes guarantees issued by the extra-budgetary units but excludes guarantees issued to them as they already feature in the general government debt. The methodology underlying the compilation of data on the external loans of general government sector in Table 2.11 is generally consistent with the IMF's "External debt statistics - guide for compilers and users". Debt is recognised when disbursement of funds is effected.

Part 3 Exchange Rates, External Transactions and Positions

Up to end-2007, statistics on exchange rates showed the end-of-period and average exchange rates of the Maltese lira against other currencies. The Maltese lira average exchange rates were calculated as the arithmetic mean of the daily opening and closing Central Bank of Malta middle rates in the reference period.

From 2008, statistics on exchange rates (Tables 3.2a-3.2b) show the end-of-period and the average bilateral exchange rates of the euro against other selected major currencies. The euro exchange reference rates are published by the ECB on a daily basis normally at 1415hrs.

The concepts and definitions used in the compilation of balance of payments and international investment position (IIP) statistics (Tables 3.3-3.5) are generally in line with the *IMF Balance of Payments Manual* (BPM5) and in accordance with ECB Guideline 2004/15 (as amended). Credit entries are recorded for e.g. exports, income receivable, and financial transactions reflecting reductions in the economy's foreign assets or increases in its foreign liabilities. Conversely, debit entries are recorded for e.g. imports, income payable, and financial transactions reflecting increases in assets or decreases in liabilities. The concepts of economic territory, residence, valuation and time of recording are broadly identical to those used in the compilation of monetary statistics. The IIP statistics are based on positions vis-à-vis nonresidents of Malta and are, in most cases, valued at current market prices. Wherever possible a distinction is made between transactions and positions with residents of other euro area countries and those with non-residents of the euro area. Up to the end of 2007, official reserve assets (Table 3.4) comprised gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside Malta, mainly central banks, other banks and governments, in line with the *IMF's Balance of Payments Manual* (BPM5). From 2008, official reserve assets correspond to the part of the reserve assets of the Eurosystem held by the Central Bank of Malta, and are confined to gold, claims on the IMF, and liquid claims held by the Central Bank of Malta on entities resident outside the euro area and denominated in currencies other than the euro. All euro-denominated assets, and assets denominated in any currency representing claims on entities resident in the euro area held by the Bank and classified as official reserve assets up to the end of 2007, were on Malta's entry into the euro area reclassified as portfolio investment or other investment, depending on the nature of the instrument.

Latest trade data are based on the respective NSO press release. Historical data are updated by the Central Bank of Malta on a monthly basis, going back thirteen months, while every calendar quarter data are revised going back three years.

The concepts used in the compilation of gross and net external debt generally comply with the IMF's *"External debt statistics – guide for compilers and users (2003)"*. Gross external debt data may not be fully reconcilable with the data shown in the IIP primarily due to some conceptual differences. The external debt of the MFIs is being shown separately as a memorandum item as such debt is fully backed by foreign assets of these institutions. The net external debt position is equal to gross external debt less gross external assets in the form of debt instruments.

Part 4 Real Economy

National accounts and other general economic statistics are mostly produced by the NSO in accordance with ESA 95 standards except for the labour market indicators in Table 4.3, which are based on the ETC's administrative records, and the RPI (Tables 4.8-4.9). Data on development permits (Tables 4.6-4.7) are taken from the Malta Environment and Planning Authority (MEPA).

Labour market statistics comprise those compiled on the basis of the NSO's Labour Force Survey (LFS) and the ETC's administrative records. The LFS is based on a random sample of private households using concepts and definitions outlined by Eurostat according to methodologies established by the International Labour Organisation (ILO). From March 2004, data are based on a weekly survey carried out throughout the reference quarter; from June 2005 data are weighted using a new procedure and are thus not strictly comparable with earlier figures. The labour market data based on the administrative records of the ETC represent a measure of the gainfully occupied population using information obtained from the engagement and termination forms filed with the ETC itself. ETC data on unemployment are based on the number of persons registering for work under Parts 1 and 2 of the unemployment register.

The RPI covers all monetary consumption expenditure incurred by Maltese residents weighted according to the spending pattern derived from the Household Budgetary Survey 2000/1. The HICP, by contrast, (Table 4.10) covers all household final consumption expenditure irrespective of nationality or residence status. Consequently, the HICP uses weights that cover not only resident private and institutional household expenditure but also expenditure by tourists in Malta. The differences in these weighting schemes account for the significant monthly disparities between the RPI and the HICP. The sources of data used in the compilation of the Central Bank of Malta's property prices index (Table 4.5) are the advertisements for the sale of properties in all localities in Malta and Gozo carried in the property section of a local Sunday newspaper. Data for a particular quarter are derived from the newspapers published on the first Sunday of each month of that quarter. The property types include flats and maisonettes, both in shell and in finished form, together with terraced houses, townhouses, houses of character and villas. Indices for each property type are derived on the basis of median prices weighted by the number of observations in each property category. The overall index is a Fischer chained index, calculated as the square root of the product of the chained Laspeyres and the chained Paasche indices. Annual data are derived as an average of the quarterly indices. Prices of commercial properties are excluded from the index.